Examining the Link between Democracy and Inclusive Economic Growth in Southeast Asia
(A comparative study of Indonesia, Malaysia, Thailand, and the Philippines)

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Abstract

Embedded in all our assumptions and hopes for democracy is the belief that a democratic system will make life better, economically and socially, for its citizens. Given this almost universal assumption it is surprising how little we really know about the impact of democratisation upon the welfare of citizens and the variables linking the two. This thesis investigates the impact of democracy on Inclusive Economic Growth, and mainly questioning: “Does democracy matter in the delivery of larger and more effective social policies that improve inclusive economic growth? ”The four cases selected to empirically analyse the relationship among the three variables (democracy, social policy, and inclusive economic growth) are Indonesia, Malaysia, Thailand, and the Philippines. The finding is social policy is one of the potential variables linking the two; especially when the development of democratic institution run stably and the vast majority of the people support it. In other words, social policy becomes an important variable to test the link between democracy and inclusive economic growth.
Declaration

This is to certify that:

(i) the thesis comprises only my original work towards the PhD,
(ii) due to acknowledgement has been made in the text to all other material used,
(iii) the thesis is less than 100,000 words in length, exclusive tables, maps, bibliography and appendices.

Fadillah Putra
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Chapter One
Introduction

Despite an intensive debate on whether democracy related with development, this thesis attempts to revisit the impact of democra
tisation upon the welfare of citizens and the variables linking the two. The author assumes that in the context of
developing countries, social policy is one of the potential variables linking the democracy and inclusive economic
growth; especially when the development of democratic institutions run stably and the vast majority of people support it. In other words, social policy becomes an important variable to test the link between democracy and inclusive economic growth. The four cases selected to empirically analyse the relationship among the three variables (democracy, social policy, and inclusive economic growth) are Indonesia, Malaysia, Thailand, and the Philippines. All cases are developing countries in Southeast Asia. This thesis investigates the impact of democracy on inclusive economic growth. The main question of this study is: “Does democracy matter in the delivery of larger and more effective social policies that improve inclusive economic growth?” In this thesis, the question is further narrowed: Does democracy affect inclusive economic growth? Does democracy influence social policy spending? Does social policy spending impact inclusive economic growth?
Such questions are important, especially in order to explain how
democracy and democratisation in developing countries will provide the
tangible intended outcomes for the people. Where there is inclusive government
and vocal support from the populace, democracy also provides social and
economic benefits to the citizens of democracies. In accordance with this
assumption, this research will thoroughly evaluate the impact of democracy, and
especially the effectiveness of social policy as a mean to accelerate the
improvement of social and economic development. The answer to this research
question is also expected to contribute to the intensive debate of the impact of
democracy on development, which will be elaborated in Chapter Two.

In general, this thesis will be divided into two main parts. The first part is
the quantitative analysis (Chapters Two and Three) and the second part is the
qualitative analysis (Chapters Four and Five). Chapter Six will integrate the two
parts, combining the results form PLS-SEM (quantitative analysis) and process
tracing (qualitative analysis) methods in order to answer the research question.
The quantitative analysis tests the impact of democratic institutions, as well as
the role of social policy as the mediating variable, which links the variables of
democracy and welfare. The quantitative method is conducted by time-series
data on democracy (annual indexes), social policy (annual budget allocation),
and inclusive economic growth (annual indicators) from 1973 to 2013. The
arguments and debate on the previous research on the relationships between the
three variables are also presented in this part. The results of quantitative research
conclude that the four cases (Indonesia, Malaysia, Thailand, and the Philippines)
fall into two groupings. In the case of Indonesia and the Philippines, the
relationship between democracy, social policy, and inclusive economic growth
are significant, and social policy acts as mediating variable. This is not the case
in the context of Malaysia and Thailand, where the PLS-SEM test shows the
opposite result. The real-life or contextual explanation of these different results
will be explored in the qualitative part through the process tracing technique. The approach that will be used for discussing the factual conditions underpinning the results from the statistical tests of the two groupings is historical institutionalism combined with the process tracing technique. The qualitative method will explain the causes by focusing on descriptive presentations of development, changes, and settings of democratic institutions.

From the application of the two research methods, the results of this thesis conclude that there is a stronger relationship among the three variables (democracy, social policy, and inclusive economic growth) in Indonesia and the Philippines, but not in Malaysia and Thailand. In short, the material and normative democratic institutions influence the differences in the research results. When the material and normative democratic institutions are in harmony, democracy tends to deliver inclusive economic growth through effective social policies. The qualitative study (process tracing and documentary analysis) shows that normative democratic institutions (including the initiation of democracy) and regime stability (development process of democratic institutions) are important in explaining the relationship between democracy, social policy, and inclusive economic growth in the four countries. Normative democratic institutions (such as shared democratic values, ideas, norms, awareness, participation including the initiators) are less rooted in Malaysia and Thailand compared to Indonesia and the Philippines. The significant point is the lack of development of democratic institutions in Malaysia and Thailand when compared to the other two countries (Indonesia and the Philippines are more stable and progressive).

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1It is a fact that both Indonesia and the Philippines use a consensus democracy model, whilst Thailand and Malaysia use a majoritarian model (Funston 2001).
1.1 The Link between Democracy and Inclusive Economic Growth

In addressing the argument of this thesis (that social policy is a potential mediating variable between democracy and inclusive economic growth), the author also draws on archival research to add an historical understanding to the analysis and to appropriately situate the statistical analysis in the proper historical context. By doing so, this study is intended to fill gaps in the literature especially in the context of the relationship between democracy and inclusive economic growth. Most literature examining the relationship between democracy and development have not focussed on examining the impact of democratic institution; especially towards intermediate variables such as social policy (Przeworski, 2000; Siegle et al., 2004; Rodrik et al., 2004; Nelson, 2007; Chen, 2008; Acemoglu et al., 2008). Those researchers have asked whether countries with democratic institutions are better in achieving inclusive economic growth, compared to countries that are less democratic. By not specifically addressing social policy as intermediate variable, the studies have not comprehensively discussed the direct outcomes of the existence of democratic institutions. This discussion is important in order to explain the mechanism that makes democracy contributes to improve inclusive economic growth.

Meanwhile, the studies providing information about such intermediate variables (Fan and Rao, 2003; Bangura, 2007; Haggard and Kaufman, 2008) have not presented details of the historical evidence concerning how democracy, the intermediate variables, and inclusive economic growth connect to one another. This thesis addresses the question in relation to the pattern among the political institutions (democracy), social policy, and inclusive economic growth in more detail through an extended time frame of 40 years, between 1973 and 2013. This thesis also places great emphasis on the importance of comparing the four case countries to obtain a more comprehensive understanding of intermediate variables. Previous studies have lacked a similar comparative approach.
Social policy is one of the potential mediating variables between democracy and inclusive economic growth. Social policy is not just an effective tool in addressing inequality (Bartles, 2009), but the amount of social policies implemented can be used as a reflection of the government responsiveness towards public demands. The basic argument of this assumption is that democratic institutions offer a more open and citizen-oriented, which strengthen civil society organisations, including unions, and provide them with opportunities to influence public policy. Once these organisations obtain the opportunities, particularly in developing countries, they are more likely to demand more equitable inclusive economic growth for citizens (Nelson, 2007; Chen, 2008; Haggard and Kaufman, 2008). Furthermore, democratic political systems encourage the “mechanism of electoral incentives” which drives politicians to offer more social policies to voters, leading to a higher expectation of re-election (Castles, 1979; Hewitt in Roberts, 2005). Although researchers such as Larry Bartels (2009) and Martin Gilens (2012) disagree that democracy automatically makes governments more responsive, this political system remains more inclusive - compared to authoritarian regimes - in terms of how citizens’ voices are heard and considered in the policy making process. Hence, social welfare policies in autocracies are mostly used to strengthen the legitimacy of a dictator - this includes exploiting social policies to counter mass-protest and insurgency movements, instead of for fulfilling inclusive economic growth for citizens (Leung and Nann, 1995; Haggard and Kaufman, 2008).

The ‘electoral incentive’ mechanism is the direct reason that a democratic governing institution tends to produce more social policies, specifically in a country with a large middle and lower class. Eventually, the appropriate combination of the type, focus, and resources allocated to social policy leads to an increase of economic and social welfare within a country (Sengupta, 1991; Lucas, 1998; Pierson, 1996; Andersen, 1999; Haggard and Kaufman, 2008). For the
sake of quantification and measurement, in the quantitative analysis (Chapters Two and Three), social policy is measured by the national budget allocation for social policy. Whilst in the qualitative analysis, social policy will be described more comprehensively than just social spending.

Accordingly, the core of this thesis is to investigate the interaction of the democratic institutions and social policy in affecting inclusive economic growth. It is worth noting that social policy has not been the sole intermediate variable that can explain the relationship between democracy and inclusive economic growth. There are other variables that link democracy and welfare, such as the model of democracy (material democratic institution), the initiation of democracy, normative institutions, and the development process of political institutions (stable or unstable), and regime stagnancy. The existence of normative (non-material) democratic institution (norms, idea, awareness, participation, and shared values of democracy principles) is essential in supporting the material political institution (such as regulation, government system, constitution, parliament and election).

1.2 Historical Institutionalism and the Development of Democracy

In analysing the relationship between democracy as political institution, social policy, and inclusive economic growth, this thesis applies historical institutionalism as the analytical framework. Historical institutionalism has been selected for several reasons. Firstly, this thesis places emphasis on examining the impact or outcomes of an existing political institution on policy makers’ actions, specifically in social policy-making rather than only describing the effect of material institutions\(^2\). Secondly, this thesis also places emphasis on how political

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\(^2\) March and Olsen (1989) stated that one fundamental difference between old and new institutionalism lies on the focus of its analysis. While the old institutionalism focuses more on material aspect and material institutions descriptions (such as constitutions, cabinets,
institutions emerge and develop (and become embedded) in a democracy, so as to understand the development process and how it influences social policy and inclusive economic growth. Thirdly, this thesis is intended to explain the process of social policy making (welfare program on budgeting) as a conditioned political activity and influenced by democratic institutions. Lastly, historical institutionalism has been selected since the presence of democracy and social policy is bounded by time and space. Democratic institutions and social policy at this time are the product of the history and the social and political dynamics of a country. Therefore, the relationship between democracy and social policy as part of a broader historical pathway is worth examining.

The application of Historical Institution in this thesis is conducted by emphasising the three main aspects of structure, sequence and setting. Or more precisely, this thesis will focus on an explicit temporal scope (1973-2013) concerning the creation, reproduction, development, and structure (Pierson, 1996; Thelen, 1999; Clemens and Cook, 1999; Duric, 2011) of democratic institutions and social policy. The temporal scope of democratic institutions will be explained in Chapter Five.

1.3 Case Selection

Selecting the cases to be studied is crucial for both quantitative and qualitative research. The goal of this section is to minimise the bias in selecting parlaments, bureaucracy, armies, political parties, etc). Meanwhile, the new institutionalism looks at the impact or political outcomes of institutions.

3 Paul Pierson and Theda Skocpol (in Peters, 1999) explained that the focus of historical institutionalism pays attention to crucial junctures and long-term process of political institution.

4 In applying historical institutionalism analysis, Jonathan Kuyper (2015) used the tripartite framework of structure, sequence, and setting. The structure of an institution generates stability and change. High numbers of veto points, increased start-up costs, and clear institutional mandates typically entail institutional rigidity. The sequence of institutional introduction stemming from a critical juncture is vital. The wider setting alters the transformative potential of an institution. Complex settings entail a high degree of uncertainty, which actors can employ to exploit their relative power advantages.
the cases since this research only focuses on four cases: Indonesia, Malaysia, Thailand, and the Philippines. This thesis examines four countries in Southeast Asia: Indonesia, Malaysia, the Philippines, and Thailand. The author chose these countries for three main reasons.

The first reason is the fact that these four countries have experienced a relatively longer period of democracy compared to other countries in Southeast Asia. Since the main question is related to the impact of democracy on the amount of ‘welfare commitment’ (social spending), it would be difficult to identify the relationship within a country that has either a short history of, or has never even experienced democracy. Plus, these selected countries have experienced periods of authoritarianism. With this, it is also possible to directly compare social policy conditions in a non-democratic government. By comparing the same countries in different periods, there is an expectation of consistency as political systems in each country exist in their own context and socio-cultural backgrounds.

Figure 1 shows the comparative data on the level of democracy (political rights) among Southeast Asian countries from three different periods of times. 1980 represents a time when authoritarianism was common in the region; 1998 represents the political impact arising from the 1997 Asian Crisis; and 2013 represents the current state of all Southeast Asia countries. As displayed in the figure, Brunei, Burma, Cambodia, Laos, and Vietnam are consistent in gaining the highest score from three different periods of time. Besides, there is no significant change in Singapore for being “Partially Free”. Meanwhile, Indonesia,

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5 Southeast Asian studies are known to have less attention than other regions. Given these conditions, it is clear that it will bear great risk when political scientists attempt to ignore the scant focus on the region. Source: (Kuhota, eds., 2008)

6 Freedom House sets up the score from 1 to 7, in which 1 is the most democratic (Free) while 7 is the most autocratic (Not Free).
the Philippines, and Thailand had experienced the lowest score (democratic/Free) at the point of 2, within different period of times.

![Figure 1. Freedom House’s Political Right Scores in Southeast Asian Countries (Freedom House, 2013)](image)

Furthermore, the Freedom House database categorises the status of political systems every year by assessing them as Not Free (NF), Partially Free (PF) or Free (F). In fact, this data demonstrates a similar situation among the four countries (Indonesia, Malaysia, Thailand, and the Philippines), indicating they are more democratic than the others. Although democracy in Malaysia tends to be stagnant, it has never fallen to NF, and only experienced F status during 1973 – 1974. Meanwhile, Indonesia experienced NF status only during a period between 1993 and 1997, and then experienced F from 2005 to 2012. Two other countries, Thailand and the Philippines, experienced F in fragmented periods of time: 1987 to 1989 and 1997 to 2004 for the Philippines; and 1976, 1987 to 1989, as well as 1998 to 2004 for Thailand. On the other hand, Burma and Vietnam have always been classified in NF from 1973 to 2013; while Brunei and Laos has always been in NF, except over a short period of time of being PF from 1985 to 1987.
(Brunei) and 1973 to 1975 (Laos). Singapore has never fallen to F between 1973 and 2013; and the country has been consistent for being PF.

Data from Polity IV indicates similar results with the above Freedom House database. Figure 2 exhibits the time series (historical) data of the quality of democracy in Southeast Asian countries from 1970 to 2012. In particular, since 2006, from a democracy perspective, the four countries (Indonesia, Malaysia, Thailand, and the Philippines) have always been in the top rank. Prior to the 1997 Asian Crisis, Indonesia received scores similar to most autocratic countries, e.g. Cambodia, Myanmar, Laos, Vietnam (CMLV). After 1997, the quality of democracy in Indonesia increased up to the present, alongside the Philippines, and achieved the highest rank. Meanwhile, Thailand experienced the highest score between 1991 and 2005, before it fell and then turned back to the score of seven. Malaysia has consistently gained the medium positive scores. Then, the rest of the countries experienced autocratic (below 0 point) from 1970 to 2013.\footnote{Unlike Freedom House, Polity IV sets the score from -10 for being completely autocratic to 10 for being perfectly democratic. Data for Brunei are not available.}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{Figure2.png}
\caption{Polity IV Score of Southeast Asian Countries (Polity IV Project, 2013)}
\end{figure}
Explicitly, Figure 2 indicates that the four countries experienced authoritarianism over this period. It presents a clear overview of autocratic institutions in Indonesia, Thailand, the Philippines, and Malaysia. In fact, the four countries, except Malaysia, experienced military totalitarianism in the 1980s. Despite all of those autocratic backgrounds and regardless of the differences of duration or degree of democracy, the four are currently more democratic compared to CMLV countries. They have experienced democratic ‘awakenings’ at critical junctures in the historical institutionalism analysis, which are: Yellow Revolution in the Philippines (mid-1980s), the rise of demonstrations in Thailand (1973 and 1992), Reformasi 1998 in Indonesia, and democratisation movements in Malaysia since 1999 (despite not being as successful as in other countries).

Given those facts, these four countries have made the region contribute two early notions of success to the Third Wave of democracy— the Philippines (1986) and Thailand (1992)— yet the most profound democratisation process has been during the 1998 – 1999 transition in Indonesia, making it the world’s largest Muslim-majority democracy. Even though democracy in the region is currently in the process of consolidation, the fundamental democratic institutions, e.g. competitive elections, rules of law, and freedom of speech, have significantly improved since the mid 1990s (Maceyko et al., 2005).

The main goal of this thesis is to assess what effects democracy has on these countries’ social policy and their inclusive economic growth; hence, it focuses on only countries within Southeast Asia that have arguably been democratic ones (Malaysia, Indonesia, Thailand, and the Philippines). The four countries are selected based on their similarity for having an authoritarianism history, which enables the research to compare between democracy and authoritarianism within the same country during different periods of time (Figure 3). In addition, it would be methodologically problematic when an analysis on the impact of democracy is conducted in the countries where quality
of democracy has been limited, e.g. Cambodia, Myanmar, Laos, and Vietnam (CMLV countries). Comparing different political institutions in the different periods of times is the key of historical institutionalism analysis (Peters, 1999; Thelen, 1999; Pierson, 2000). To do so, a country-year comparison is taken; the method allows us to compare, for instance, the Philippines from 1965 to 1983 (authoritarian regime) and from 1983 to the present (more democratic regime); or Malaysia during Mahathir’s era, 1971 to 1991 (ethnic biased social policy) and during the mid – 2000s to date (relatively inclusive regime).

![Figure 3. Polity2 (P4 only), selected years (Polity IV Project, 2013)](image)

Historically, democracy is not a new concept for these four countries. In Malaysia, the British introduced democracy in 1955 by electing a local leader in Kuala Lumpur. Democracy (elections) in Malaysia has lasted for almost 60 years with relative stability, without facing any extreme political unrest or strong autocratic interruption (Laothamatas, 1997). In Thailand, just after the 1932 revolution, Phraya was the first leader (Prime Minister) who was strongly motivated to implement democracy (Quah, 1978). Next, the Philippines is the oldest democracy within the region, with its first election in 1935 (Friend, 1988).
Democracy has been established in Indonesia since independence in 1945. Electoral democracy in that era gained its peak by 1955; it later eroded and finally returned in 1998 to date (Feith, 2006).

However, the growth of democratisation has been tempered by internal political situations within each country. Malaysia has a strong political tension driven by racial and class divisions that might either positively or negatively contribute to democracy (Neher, 1995). Political tensions between civilians, the military, and the monarch have triggered a number of elections and military coups throughout its political history. Then, Indonesia and the Philippines have experienced an identical history of strong authoritarianism in the past, Indonesia under Suharto (1966-1998) and the Philippines under Marcos (1965-1986).

In general, Figure 3 presents the fact that the development of democratic institution in Malaysia is at the most stagnant level. This is in contrast with Thailand, which is highly unstable. Although having similarly experienced authoritarianism, both Indonesia and the Philippines have remained relatively stable during their development of democratisation. The opposition and NGO political movements have mainly driven recent democratisation in Malaysia. This argument is confirmed by looking at the democracy score in Malaysia, which jumped from 3 to 6 from 2007 to date (Figure 2). Next, despite the current autocratic regime, three democratic awakenings occurred in Thailand followed by two sharp rebounds since the early 1970s (Figure 2). First was the 1973 student uprising against military government; the 1990s mass demonstrations that erupted against the military; then in 2006, before a new constitution was adopted in August 2007, the general election in December 2007 led to the return of a more stable democratic political system. In the Philippines, the largest democratic awakening occurred in February 1986 (the EDSA I), which demanded the resignation of Ferdinand Marcos from the presidency (Friend, 1988). Then, in May 1998 a massive demonstration and chaos in major cities in Indonesia
demanded democracy and the resignation of President Suharto. Figure 2 shows that after ruled by a long dictatorship since 1966, in the late 1990s Indonesia began to enjoy relatively higher democracy scores, which have remained stable since then.

In short, the four countries have experienced longer periods of democratic rule and relatively more open and inclusive political systems within the region than what has occurred in CMLV countries and Brunei and Singapore. CMLV countries constitute a group of Southeast Asian states whose democracy and human rights record and standards of rule-based governance are substantially lower than their neighbours. In Singapore, the values of democracy have not been fully adopted by its political leaders; and in Brunei, an absolute sultanate country is continuously in power (Jones, 2007). Therefore, comparing the impact of democracy on social policy and inclusive economic growth in CLMV countries and Brunei remains difficult because democratic institutions have never been practiced. Thus, the author has selected countries with democratic institutions in both constitution and government, such as Indonesia, Malaysia, Thailand, and the Philippines.

The second reason, there is a marked difference in the political institutions of the four countries. Indonesia and the Philippines have presidential systems of government with a consensus model of democracy. Malaysia has a parliamentary governmental system with a majoritarian model of democracy. Thailand tends to rest in the middle of majoritarian and consensus democracy. Therefore, this institutional variation gives us analytical leverage in terms of the empirical analysis. Regarding to this, regime stability is important to examining how the political institution (such as democratisation) develops dynamically over a period of time. If the democratisation fails to show a stable development process, it will be difficult to identify the impact on the presence of the political institution. Indonesia and the Philippines, within Southeast Asia, represent
countries with democratic institutions that have been relatively stable over a period of time. Malaysia represents a state with a stagnant political institution and regime changes. Thailand, meanwhile, is a state in the region that has demonstrated the most fragile political democracy and most rapid political shifts. With the various levels of stability concerning institutional development in these four countries, the author considers it essential to compare how the political institutions influence the policy making process (social policy) and also how they impact on inclusive economic growth. Further discussion on this aspect will be presented in Chapter Two.

The third reason, the four countries also have a potential “welfare commitment” which reflects the government spending on social policy. A high government share in the provision of socially consumptive goods and services is often found in countries with a stronger welfare commitment.

![Figure 4. Education Spending (% of total government expenditure)
(The World Bank, Indicators, 2013)](image)

Figure 4 compares the pattern of expenditure on education in two different periods in the four countries under investigation, in comparison with Cambodia, Laos, and Myanmar, the less democratic countries within Southeast Asia. The figure shows that although experienced a significant drop, Thailand has
become a country which maintains its spending on education with a constant and relatively large expenditure. This position is then followed by Malaysia, the Philippines, and Indonesia respectively. Then, in Myanmar, the average education spending is lower than other Southeast Asian democracies, except that of Indonesia.

It is a fact that Malaysia has the highest average spending on education, which is not surprising considering the large amounts of money Malaysia has spent on social policy during its history. Since 1971, Malaysia has implemented NEP (New Economic Program) as its main social-economic policy, which allowed state intervention in a broad area of economic activities and budget allocation. The main goal of NEP was an affirmative action for economic redistribution to the *bumiputera* (Malays and other native Malaysian) amongst whom poverty was inflicted and widespread⁸. NEP had a dramatic impact on educational opportunities. For instance, the country implemented free primary education and automatic promotion for students up to Grade 9, coupled with a massive school building program. By the 1970s, it had reached 95% of the population (Ramesh and Asher, 2000). The higher spending in education correlated to the intended outcomes of the policy.

The commitment of the government to education advancement in Thailand began between 1973 and 1974 when it established a policy with an emphasis on rural education and six-year compulsory education. In 1992, Chuan Leekpai, who was democratically elected, created a policy that extended compulsory education from six to nine years, and total education spending increased by 2% (Figure 4). In 1997 (democratic regime), a new constitution passed, which required twelve years of free basic education for all citizens. In

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⁸The goal of NEP was to lift up the economic ownership of *bumiputera* from 2.5% in 1970s to 30% in 1990s. The 1991s data showed that it had achieved 20%.
1999, the New Education Law guaranteed better education services in Thailand, which was then successfully achieved in 2001 (McGuire, 2008; Kawaura, 2010).

Government commitment to education in Indonesia and the Philippines is not as strong as in Malaysia and Thailand. In the Philippines, there was no specifically significant education program until 1987. After 1987, a mandate in the Constitution granted free education (*wajib belajar*) until primary school. When supported by positive financial conditions, it is possible to lengthen it until secondary school level (nine years). Nevertheless, over a similar period, Thailand and Malaysia established a program that aimed to deliver nine years of free education. Then, despite a great leap of democratic opening in 1998, none of Indonesia’s reform agendas brought significant development, social policy or welfare issues, and there was no specific policy initiated for education policy. The fourth amendment of Indonesia’s Constitution (2002) suggested that the budget allocation for education be set at a minimum of 20% for both national and local governments. The largest program to implement such statute, among other things, was the implementation of BOS (*Biaya Operasional Sekolah* - School Operational Funds) that subsidised school fees in all levels of elementary, junior, and senior high schools. Figure 4 shows that until 2012, the target was not yet achieved, as it was only 15%.

Figure 4 in general indicates that there was a significant difference in terms of education spending among democratic countries (Indonesia, Malaysia, Thailand, and the Philippines) and among less democratic countries (Cambodia, Laos, Myanmar). Yet, some less democratic countries show the tendency to have a strong commitment for education. For instance, Cambodia, a country considered less democratic, had a stronger commitment to education in 2000 than Indonesia (one of the most democratic countries in the region); however, Cambodia’s education spending was then below Indonesia in 2010.
Another representation of the commitment of a government to social policy is health spending. Figure 5 illustrates comparative data of health spending among Southeast Asian countries. Looking at this data, all of the four countries under investigation experienced an increase in public spending in the health care sector. On the other hand, countries categorised as less democratic (CMLV), except Vietnam, experience a decrease in health spending by comparing the 1995 and 2012 data. Then, Thailand and the Philippines are countries with the greatest health care expenditure among the other countries in Southeast Asia.

Healthcare programs in Malaysia began in 1951 when it subsidised all patients in public hospitals. The estimated amount of subsidy was around MYR 14-21 for treatment, as well as for hospital building in rural area. Nowadays, the program consists of three major social welfare policies covering healthcare, i.e. National Social Policy (NCP; since 2003), the National Integrity Plan (NIP), and the Malaysia Institute of Integrity since 2004 (Zin, 2012). Another important aspect of healthcare policy is cash benefits for the sick. Among the four countries, Indonesia and Malaysia are the countries that have no cash benefit in their healthcare schemes, while the Philippines offers the highest level at 90% of
earnings, and Thailand at 50%. Indonesia and Malaysia, however, oblige employers to pay for healthcare insurance for their employees. All employers in Indonesia have to pay 6% of earnings; Malaysian employers pay 12%; while those in the Philippines pay as low as 1.25% (Park and Jung, 2008). Then, in the late 1990s, the government of Thailand began to finance the training of doctors from rural areas who agreed to work for three or more years in their regions of origin. In 2002 the program accepted 293 students, which increased the share of doctors willing to come from rural areas from 23% to 32% in 2001 (McGuire, 2008). Looking at the increase of health spending in 2004 (Figure 5), a possible explanation would be social movement. It dates back to 2002, when several non-governmental organisations bonded to collect the 50,000 signatures required to submit to the Thailand Parliament for a bill on universal health insurance coverage. It was approved in November 2002 and hence allocated in the national budget in the following year (McGuire, 2008).

It should be emphasised that the Philippines and Indonesia have the lowest government spending in the health sector among the four countries investigated in this research. In Indonesia, this is caused by the fact that healthcare is mostly based on an out-of-pocket system; Hence, it does not consume much of the government budget. Welfare spending in the healthcare sector is mostly distributed to rural areas through the “Dana Sehat” (health funds) program, which is aimed to ensure low-cost primary health services are delivered to villagers (Ramesh and Asher, 2000). In the Philippines, the limited amount of public spending might be caused by a strong reliance of many social services on international funding organisations. Major social welfare programs

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*There are two main public health insurance schemes in Indonesia. First, ASKES (for public employees and their dependants) was established in 1968 as a compulsory scheme requiring a contribution of 2% of wages of any eligible employee and pensioner. The second is JAMSOSTEK (for private sector) involving contribution of 3% for single and 6% for families by an employer (Ramesh& Asher, 2000).
in the country, such as *Kapit Bisig Labansa Kahirapan* (United Fight Against Poverty), Self-Employment Assistance-*Kaunlaran* (SEA-K), and *Pantawid Pamilyang Pilipino* Program (Filipino Family Support 4Ps), are funded by international funding agencies, such as the World Bank, the Asian Development Bank, USAID, AusAid, and CIDA (Weber, 2012).

There is no debate on the role of the education sector in the development process within all countries. It is apparent from their development plans that the education sector plays a vital role. For instance, education is posited as the first of the four principles of Thailand’s national plan between 2007 and 2011. Next, Indonesia’s development plan for 2004 to 2009 stated that improving human resources is vital for the labour market and for greater participation in the world economy. Likewise, it was also found that education is also cited in the medium-term development plan of the Philippines (2004 – 2010). Then, as overlooked as a challenge in the 9th Malaysia Plan (2006 – 2010) emphasised the importance of strengthening human capital to cope with the higher levels of infrastructure it had already achieved.
Figure 6 shows the performance of Southeast Asian countries in the education sector represented by the gross enrolment ratio (secondary level). Education performance in the four selected countries has always been above that in the CLMV countries. Education performance in the Philippines and Thailand in 2008 was nearly twice that of Cambodia and Laos. This implies that the commitment of governments in Indonesia, Malaysia, Thailand, and the Philippines to inclusive economic growth is clearly stronger than in the CMLV countries. The situation also indicates a strong potential for social policies in Indonesia, Malaysia, Thailand, and the Philippines have a significant impact on improving the welfare of their citizen compared to the four CMLV countries within the region.

![Figure 7. Mortality rate, under-5 (per 1,000 live births) (World Development Indicator, 2013)](image)

The last aspect of social welfare is the condition of the population’s health. One of the most accurate measurements of the health condition of a society is the mortality rate of children under the age of five. Data from the World Bank (Figure 7) shows that the mortality rates of children under the age of five in Southeast Asia have been decreasing. However, the situation in the four selected countries are far better than in the CMLV countries, with the exception of Vietnam. In short,
the data indicates that health spending in the four countries, which are greater than in the CMLV countries, effectively produce the intended impact of improving the quality of public health.

![Graph showing Human Development Index (HDI) scores for various countries]

**Figure 8. Human Development Index (UNDP, 2013)**

It is important to examine how the level of democracy affects the social welfare improvement in each country; one measurement to do so is looking at the Human Development Index (HDI) from UNDP. Figure 8 shows that the four countries are in the middle; whilst the less democratic countries (referring to Fig 1, 2, and 3) placed in the top (Singapore and Brunei) and the bottom (Viet Nam, Lao and Cambodia). This fact is interesting in the context of examining the impact of democracy to welfare, given the less democratic countries can provide better HDI than more democratic ones. However, this research focuses on the impact of the existing democratic institution which is hard to find in Singapore, Brunei, Viet Nam, Lao and Cambodia. In addition, the graph implicitly shows the trend of HDI scores do not affect much by the trend of democracy (Figure 1, 2, and 3). Besides limitation of data availability\(^{10}\), the disconnection between HDI and

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\(^{10}\)Human Development Index (HDI) only measured since 1990, while this research is going to examine the effect of democracy since 1973.
democracy as shown in this figure is the reason why HDI is not incorporated in measuring welfare outcome in this study.

In sum, Indonesia, Malaysia, Thailand, and the Philippines have been selected for several reasons. First, the commitment to democracy in these four countries is relatively more robust than that of other countries in Southeast Asia. The descriptive data presented in this chapter merely shows the potential of the relationship between democracy, social policy, and inclusive economic growth in the four countries. The impact of democracy, intended to be measured in this thesis, aims to answer the question, “does democracy matters in the delivery of larger and more effective social policy that improves inclusive economic growth?” This would supposedly answer the proposed research questions of this thesis, as explained in Chapter One. Second, the democratic institutions and political stability in the four countries are quite varied, thus, it is interesting to analyse whether the different institutions would produce different result in terms of social policy and inclusive economic growth. Third, the ‘welfare commitment’ (social spending) in Indonesia, Malaysia, Thailand, and the Philippines is relatively higher than that in the other ASEAN countries, particularly in the CMLV countries. It indicates that there is potentially a causal relationship between a commitment to democracy and a commitment to social policy. Then, the fourth reason is the improved position of some welfare indicators (GDP, CPI, education, and health) in the four selected countries, compared with the CMLV countries. Although there is the potential that an alternative causal relationship exists, there is an indication of the potential existence of a causal relationship between democracy, social policy, and inclusive economic growth in the four countries. However, it is also important to bear in mind that other variables could have a strong influence in linking democracy and inclusive economic growth.
1.4 Comparative Research

In order to address the research questions, this thesis employs a comparative study. The comparative study is undertaken because this thesis aims to compare the impact of democracy and social policy on welfare, particularly in a Southeast Asian context. Referring to the work conducted by Skocpol (1979), comparative analysis is known as the most effective way to develop a general pattern of several variables by giving attention to the diversity, situation which influences that pattern. Moreover, comparative research in political science is effective in delivering pure descriptive analysis, developing classifications, justifying the testing of hypotheses, and suggesting predictions. In fact, the focus of this thesis lies in the similarities between either countries or their differences. In particular, it is supposed to investigate whether a set of variables would act similarly across countries (Landman, 2003). If the research result is inconsistent (if difference are found) among one country to another, this study will tabulate the similarities and differences among cases. This tabulation process will form the basis of this study, that is, to make a comparison among countries and to draw conclusions based on the question of this thesis.

Moreover, the “what to compare” question cannot possibly be answered by simply by comparing the correlations of democracy, social policy, and inclusive economic growth variables. Therefore, the question of the study, which is “Does democracy matter in the delivery of larger and more effective social policies that improve inclusive economic growth?” will be found in each country. Further, the answer from each country will be compared to draw a general pattern or conclusion. Methodologically, this is considered as the “what to compare” aspect, while the “how to compare” aspect relates to how the variables are identified and how any possible relationships between variables are articulated. As previously explained in Chapter One, the relationship between democracy, social policy, and inclusive economic growth seems substantial. In addition, this thesis
attempts to clarify the relationship between variables in a selected country. Then, the comparison among the four selected countries is made to check the general pattern, which may support the hypothesis. By doing so, this thesis aims to investigate either differences or similarities across countries, particularly regarding the relations of democracy with social policy and inclusive economic growth. Then, the “how” (to compare) question is investigated through a mixed-method case study, incorporating quantitative and qualitative data (Yin, 2009). The qualitative part is performed through an archival or documentary research; the quantitative analysis on mediating variable is done by using Partial Least Square – Structural Equation Modelling (PLS-SEM) technique. These methods will be explained in the following section.

According to Landman (2003), types of research can be differentiated based on the number of cases that are researched with single, large-N cases and small-N studies. Comparative research mostly uses only large-N or small-N research. Each of the three types has strengths and weaknesses. Single case studies are good for deeply examining research questions for a single case, providing more flexibility and elaboration compared to comparative research (small-N and large-N research). In comparative research, the researcher has to be consistently focused on the comparable aspects only; while in single case research, the researcher can explore as many aspects they wish with worrying that those aspect will not be found within, or comparable with, another case. However, the main weakness of the single case is that the results tend to be hard to generalise. The findings and conclusions will only be applicable to the case being studied. Moreover, a single case study has a high possibility of bias in selecting the case. The researcher must be able to convince the reader of the reason why he/she has selected the case from among many others. This generalisation and bias problem will not be that difficult in large-N research. Large-N researchers tend to be more confident in making generalisation as their
conclusions are already represented in many different cases. This type of research also has very low bias in case selection reasoning as the cases are randomly selected. The weakness of large-N research is that it is very time-consuming and costly. It hard to guarantee that the data collected from a wide array of cases will be consistent and comparable. Robust large-N research also requires the researcher to have a comprehensive and somewhat complete knowledge about the condition of each case. These challenges have the potential to make the conclusions of the research misleading. The last type of research is small-N research, which only uses a few cases to compare to one to another. This type of research can be considered the middle ground between single case and large-N research. Small-N research is not as expensive and hard to manage as large-N, and not as bias as single case research. The conclusions drawn from small-N research are also more easily generalised than single case, although not as much as large-N. The detailed knowledge of the cases is also still manageable, as it does not require the researcher to understand the context of tens or hundreds cases. Despite strengths and weaknesses in each type of research, for the purpose of comparative research, this thesis uses small-N cases because this is more moderate compared to the other two research types.

1.5 Research Questions

Considering other alternative mechanisms regarding the relationship between democratic institutions and inclusive economic growth, the literature review (Chapter Two) suggests that there is a potential impact of democratic institutions on social policy and social policy on inclusive economic growth. Thus, this thesis considers social policy an intermediating variable to be tested. It will also address the main question of “does democracy matter in the delivery of larger and more effective social policies that improve inclusive economic growth?” In order to answer the question, there are three minor questions in the model:
1. Does democracy affect inclusive economic growth?
2. Does democracy influence social policy spending?
3. Does social policy spending impact inclusive economic growth?

Figure 9 exhibits the hypothesis taken in the current research in which social policy is posited as a potential intermediate variable between democracy and welfare outcome\textsuperscript{11}. This thesis will be conducted in a “multi-group context” wherein the research question will be taken in every case (country). By finding out the answer of these questions, this thesis is expected to investigate the performance of democracy and social policy in the context of Southeast Asia.

Figure 9. Research Hypothesis (Mediation Variable Model)

Figure 9 shows that other than answering the research questions, this thesis also evaluates the position of social policy. In this thesis, it is assumed that social policy has a mediating role in the relationship between democracy and inclusive economic growth. Thus, the proposed path is the consistent relationship between Q\textsubscript{2} and Q\textsubscript{3} (democracy-social policy-inclusive economic growth). When the interaction is not noticed among the three variables, it is likely caused by democratisation instability and weak normative democratic institutions in a country.

\textsuperscript{11} A detailed explanation on the research’s hypothesis will be described in Chapter Two.
1.6 Outline

This thesis will be divided into two parts. The first part is the quantitative analysis based on the mediation analysis with descriptive statistics and the PLS-SEM technique. This part will be discussed systematically in Chapters Two and Three. The second part is the qualitative discussion of the relationship between democracy, social policy, and inclusive economic growth, and will employ the historical institutionalism approach and process tracing method. This goal of this analysis is to provide deeper contextual explanations for the quantitative research results. The second part of this thesis will be elaborated in Chapters Four and Five. The dialogue between results from the quantitative and qualitative analyses will be presented in Chapter Six.

Accordingly, this thesis will be organised as follows: Chapter One introduces the context of the research topic, the problem, the analytical framework, the methods, as well as the relevance of the research problem to both scientific and practical endeavours. This chapter comprises six sections. In the first section, the theoretical debate about the relationship between democracy and inclusive economic growth is discussed, and the position of this thesis is outlined. The second section describes on the analytical framework (historical institutionalism). This is selected as the appropriate analytical framework to examine the link between democracy and inclusive economic growth. The third part provides a brief explanation of the reasons the cases under study were selected. The fourth section is the research question, and section five is the comparative study, which will be the main discussion of this thesis in addressing the research question. Chapter Two discusses the relationship between democracy, social policy, and inclusive economic growth, including the discussion of the research method. This chapter will provide a discussion of the relationship between democracy and welfare, and will test the hypotheses with the Partial Least Square – Structural Equation Modelling (PLS-SEM) technique.
The results of the PLS-SEM test will be presented in Chapter Three for all four cases, which are Indonesia, Malaysia, Thailand, and the Philippines. In order to understand the impact of democracy on social policy and inclusive economic growth, the discussion will also use the historical institutionalism approach, as well as process tracing with documentary analysis, all of which will be explained in Chapter Four. Chapter Five presents the results of documentary analysis in the four countries. Chapter Six will compare the four countries’ cases under investigation, particularly related to democracy, social policy, and welfare outcome variables from both quantitative and qualitative findings. The comparative analysis aims to describe the general findings on the relationships between the three main variables. Finally, Chapter Seven summarises the findings and makes recommendations for further research.
Chapter Two
Democracy, Social Policy, and Inclusive Economic Growth

As explained in Chapter One, this thesis is divided into two main parts. The first is a statistical analysis of the relationship between democracy, social policy, and inclusive economic growth; the second part explores the qualitative data on the development of democratic institutions in the four countries under investigation. This chapter and the next will be devoted to the first part of the analysis. This chapter will discuss the relationships between democracy, social policy, and inclusive economic growth based on previous research and literature. This also includes the theoretical debate on the role of social policy as a mediating factor between democracy and inclusive economic growth. Social policy, for the sake of quantification, is defined as social spending (% of total national budget allocated for social spending). However, in the qualitative analysis (in Chapters Four and Five), social policy will be defined more comprehensively than just as the budgetary allocation for social policy. This chapter will end by developing the research hypotheses based on the discussions in each section. The research hypotheses will be tested and the results will be discussed in Chapter Three.
2.1 Democracy and Inclusive Economic Growth

Prior to investigating the nature of how democratic institutions contribute to welfare policies, it is important to clearly understand the concept of welfare as defined in this thesis. In order to make the economic development become inclusive, a country has to achieve not only good economic indicators, e.g. Gross Domestic Product (GDP), Foreign Direct Investment (FDI), and trade (Gutierrez et al., 2007; Borensztein et al., 1998; Frankel and Romer’s work 1999) but also serve its social aspects of development, e.g. unemployment rate, poverty, secondary school enrolment, and infant mortality rate (Tsaliki 2009; Gylfason, 2001; Murray, Salomon, and Mathers, 2000).

There are at least two views on the extent to which democracy relates to welfare. The first group of scholars argue that democracy has nothing to do with welfare, while the other group believes that democracy has a positive impact on welfare on both economic and human/social indicators. The first view believes that democracy has no correlation with welfare. There is a body of literature that suggests there is no direct causal relationship between democracy and economic welfare or development (Przeworski et al., 2000; Fish, 2005). In their research, Przeworski, Alvarez, Cheibub, and Fernando Limongi have given a notion in which “there is no trade-off between democracy and development, not even in poor countries” (Przeworski et al., 2000). They measure the political system by dividing the 135 countries that existed from 1950 to 1990 into two categories: dictatorships and democracies. In the research, investment shares, products wages, output per worker, and growth of capital stock and labour stock are taken to measure welfare. Furthermore, another group of

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12Przeworski (2000) uses these indicators based on these following assumptions: when people can vote then governments tend to distribute incomes away from investment (either they tax and transfer or they undertake less public investment), and it will eventually lower investment growth; when workers can organise, they drive wages up, reduce profits, and potentially reduce investment. Democracy benefits more from technical progress and use labour somewhat more effectively, while dictatorship employs physical and capital stocks in a slightly more efficient way.
researchers consisting of Acemoglu, Johnson, Robinson, and Yared (AJRY) raised doubts on the direct causal effect between democracy and welfare (income). They argued that when country and time-fixed effects are taken into account, there is no evidence of a causal effect between income and democracy within both 40 years (1960-2000) and 100 years (1900-2000) timespans. Unsatisfied with the finding, they raise a fundamental question: why do most of today’s rich countries apply democracy as their political system? To answer the question, AJRY test their model in an extended timespan of 500 years. Based on the latter model testing, they finally reveal a positive association between income and democracy. AJRY’s conclusion implies that there is no direct causal relationship between income and democracy unless the historical aspects and divergent developmental paths are taken into account. Again, this conclusion is relevant with the historical institutionalism approach that has been applied in this thesis.

This view is also strengthened by the argument that democratic political systems do not guarantee that the government will be responsive towards public preferences (Bartels, 2009; Gilens, 2012). Taking the U.S. as an example of a democratic country, both Larry Bartels and Martin Gilens believe that the application of a democratic system does not necessarily result in a responsive government. Bartels compared senators’ voting behaviour with public preferences, especially with regards to redistribution policies, and found many inconsistencies (Bartels 2009). Gilens looked at the preferences of three income groups (lower, middle, and affluent classes), and how the preferences of those groups are translated into policy changes. His research found that policy favoured top income distribution, or the affluent, especially when disagreements occur between the affluent and the other income groups (the majority of voters) (Gilens 2012).

The second view believes that democracy has a positive impact on inclusive economic growth. To this extent, Stasavage has even attempted to
assess whether democratisation in a poor and weak-institutionalised country has an indirect effect on its national growth via public spending, particularly the education sector. After running a model by using a time-series cross-section data covering 44 African countries from 1980 to 1996, his research indicates that multi-party and electoral competition system are tightly correlated with greater spending on education. The logic of this argument is in line with the ongoing discussion: once a country has been democratised, its political system will be more open, citizen-oriented, and responsive. Then, it will strongly contribute to the improvement of economic growth as well as superior living conditions (Stasavage, 2005).

This finding is also underpinned by empirical studies conducted by a number of authors. Rodrik (2007), after running a simple OLS regression test on these variables in a large sample of 137 countries in 1995, confirmed the positive relationship between democracy (economic openness and rule of law) and economic welfare (GDP per capita PPP basis) (Rodrik et al., 2004). Galbraith (2011) has also concluded that an inclusive and populist political system is frequently able to reduce many measures related to inequality. From the evidence, this often occurs when a popular democratic state provides ongoing support for allowing the development of unions, implementing food subsidies, and establishing higher minimum wages. Lastly, Siegle et al. (2004) attempt to argue that democracy is the prerequisite of economic development. They reject the statement “development first, democracy later”. These authors build their perspective by comparing welfare outcomes data (social and economic) between the poor democratic countries and poor autocratic ones. Their data indicate that poor democratic countries do a better job in generating material benefits for their citizens than other poor countries that do not implement democracy. In regard to the previous discussions in this section, this thesis

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13 In order to measure inequality this research uses the UTIP-UNIDO dataset.
takes the positive effects of democracy arguments as the hypothesis by considering some doubtful views on democracy’s contribution to the welfare hypothesis.

The reason is the democratic system will make political institutions more inclusive and transparent, so that the public access to the political institutions and the government process will be wider. This space will provide an incentive for politicians and voters on the existence of policies that reflect popular demand. Chapter Two has described how the development of the democratic system in the four countries and an overview of the public spending on social policies. In the case of Indonesia, Malaysia, Thailand and the Philippines, public expenditure on social policy (welfare commitment) is greater than the less democratic countries in Southeast Asia. The existence of social large will make the development will be more balanced between economic and social aspects. The balance between social and economic aspects is that in this study is called the inclusive economic growth.

2.2 Social Policy as Potential Intermediating Variables

As presented in the previous section, this thesis places emphasis on understanding how democratic institutions interact with other institutions (intermediate variable) to achieve inclusive economic growth. Also, it places social policy as a potential intermediate variable compared to other variables, such as democratic patterns, election processes, and regime stability. The choice of social policy as a main variable is based on the following considerations.

Democratic institutions facilitate a balancing process between social and economic policies as the result of consensus among actors, including civil society organisations. Through re-election incentives, checks-and-balances, and freedom of information, more actors are granted a chance to participate in shaping public policies. Among them, some actors might represent lower and
middle-income communities. Once the poor have a chance to take part in the development of public policy, they may ask for welfare programs that meet their needs (Ramesh and Asher, 2000). Freedom of the press and a vibrant civil society (as parts of democracy) also contribute to promoting larger social spending and welfare programs. When crisis or poverty occurs, mass media may place direct pressure on governments or any other actors who are in charge. Plus, a vibrant civil society and active social organisations may place strong pressure on political institutions as well as act as an intermediary between the poor and material institutions by suggesting any required improvement to social policies (Ramesh and Asher, 2000).

The impact of democracy on social policies may also be found in Christopher Hewitt’s “simple democratic hypothesis” (in Roberts, 2005). His hypothesis argues that democracy enables a mechanism in which the demand of the poor and other marginalised groups (including persons with disabilities) can more easily be included onto the policy development agenda. A pro-poor policy takes place as the result of electoral incentives from a free and fair election. This mechanism occurs particularly in a country that uses a plurality election system and wherein the majority of the voters are poor. Haggard and Kaufman (2008) emphasised this question by stating that among any other variables, democratic political institutions have become a distinguished variable affecting the direction of social policy. Although the impact of democracy on social commitment cannot simply be generalised across developing countries, it is hard to say that there is no connection between democracy and social policy, as Haggard and Kaufman have clearly stated:

“We also find regime type consequential. In Latin America, welfare commitments in long-standing democracies such as Costa Rica, Uruguay, and Chile were more generous than in short-lived democracies and in those political systems that oscillated between authoritarian and democratic rule. The incidence of democracy in Asia prior the 1980s was substantially less than in Latin America, but periods of democratic or semi-democratic rule
were more likely to be accompanied by an expansion of social commitments than were periods of authoritarian governance. In all three regions, finally, the “third wave” transitions of the 1980s and 1990s saw renewed attention to the social question and pressure both to protect existing entitlements and to expand social insurance and services to new groups” (Haggard and Kaufman, 2008 p. 15).

In fact, there is empirical evidence to support those arguments. A study conducted by Nelson (2007) discovered that by measuring government spending on social welfare programs, a competitive election significantly affects social policies. The research conducted an analysis on a series of data since the late 1990s to 2006. More than 20 cross-national quantitative studies have since tested the hypothesis. According to the study, there are several arguments which may explain why democracy endorses greater welfare programs. First, politicians claim credit and benefit from expanding opportunities to voters. There are numerous instances in which candidates have sought support by offering increased spending on social services. Moreover, this is related to the vested interest theory that argues that democratisation is likely to enhance the relative power of unions (networks). Competitive elections may urge political parties to establish an alliance with either teachers or health workers’ unions to gain their political support. Then, electoral democracy increases the representation of left-leaning parties in public policy development, which then endorse social policies (Nelson, 2007). Data in Figure 10 indicates that there is a potential relationship between democracy and social policy, especially in terms of health spending.
Figure 10. Descriptive data of democracy and healthcare spending among 154 countries

FH: Freedom House score is accumulation of Political Rights (PR) and Civil Liberty (CL) indexes, the value is converted 7 (highest) and 1 (lowest). Source: Freedomhouse.org
HeSP: Health spending data (health expenditure % of total government expenditure). Source: data.worldbank.org/indicator

These are the reasons why social policies in democratic regimes are different from autocratic regimes. Social policies in an authoritarian regime (including colonial regimes) are mostly formed through a political or ideological interest, and become a crucial part in an elite’s (colonial) project to achieve their political goals (Haggard and Kaufman, 2008). For instance, Bismarck’s social insurance program in 1883 aimed at building workers’ loyalty to the state. In contemporary China, the state provides benefits for industrial workers, while welfare in rural areas is strongly localised to control labour movement and rural insurgency (Leung and Nann, 1995).

To measure social policy, the research analyses data on social spending, to which, two perspectives on the effect of public spending on economic
development and social welfare exist, *i.e.* Wagner and Keynes. Wagner’s Law suggests that there is a long run and stable relationship between government spending and economic growth, which most likely encourages the causality to turn from GDP to government spending. In contrast, Keynes sees social spending as an exogenous policy instrument that influences GDP growth. Measuring social policy by using public spending is relevant as it indicates the level of “welfare commitment” or “welfare-related efforts” of a government to its people (Haggard and Kaufman, 2008; Park and Jung, 2008).

Hence, Nooruddin and Simmons (2009) have argued that public spending, particularly in education and labour, improves a country’s productivity and will eventually increase its competitiveness. In a social welfare context (inequality), Galbraith attempts to run a correlation test between public spending, such as food subsidies and labour wage, and inequality in 156 countries from 1963 to 2003. He concluded that public spending does matter in reducing the inequality in democratic countries, particularly in relation to basic need subsidies (food) and employment (increasing minimum wage). However, analyses of public spending indicate various impacts. Fan and Rao’s work (2003) reveals that in Africa, government spending on agriculture and health is exceptionally strong in promoting economic growth. In Asia, public investments in agriculture and education have positive growth-promoting effects. Health spending, however, is statistically insignificant in improving Latin America’s economic growth.

Under democratic institutions, civil societies are relatively free to organise themselves in order to enhance their bargaining position towards their state.

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14Keynes postulates the fallibility of free market due to labour market rigidity. He prescribes expansionary fiscal policies or government spending to avoid recession. In this context there are two alternative positions of causality, one running from public expenditure to income (for the Keynesians) and the other from income to public expenditure (for Wagner). Wagner’s Law suggests that during the process of economic development, the share of public spending in national income tends to expand. Thus, the expansion of public spending can be seen as a product of economic development (Magazzino, 2012).
Besides, civic organisations, such as labour unions, farmer organisations, teacher forums, people with disabilities, and pensioner associations, will relatively flourish in a democratic regime rather than in an authoritarian one. As a result, governments in developing countries would like to allocate a higher budget to welfare programs to satisfy political pressures that these groups demand. The size of public spending on social policies is also potentially in line with the improvement of inclusive economic growth (Whitehead in Mkandawire, 2004; Stasavage, 2005; Bangura, 2007).

2.3 Research Method: Mediation Analysis with PLS-SEM

As previously stated, the quantitative stage of this thesis refers to the analysis on mediation analysis using PLS-SEM technique. The method of analysis is selected because as discussed in the previous section, this thesis will evaluate whether social policy plays an intermediate variable between democracy and inclusive economic growth. Then, if the result shows that there is no significant mediation effect of social policy variable, this thesis will seek an alternate explanation (through qualitative method) of the relationship between political institutions (democracy) and inclusive economic growth.

In terms of the mediation analysis technique, Imai et al. (2010) have suggested that the use of causal mediation analysis — or the so-called average mediation effect (ACME)— as the approach is beneficial to explain the causal relationships between dependent and independent variables15 However, they also express their criticisms of the conventional mediation effects analysis approach because existing literature largely refer to linear structural equation modelling (LSEM) only. According to Imai et al.’s (2010b) work, the first limitation of the excessive usage of LSEM is that it cannot produce a general

15In addition, Kosuke Imai (2010a) also suggests that the popularity of mediation analysis may also be discovered by the number of citations to an article by Baron and Kenny (1986) concerning mediation analysis. In fact, Google Scholar has recorded over 17,000 citations for the article.
definition of the mediation effects, which may be applied beyond certain statistical models. Besides, the second limitation is the limitation of LSEM to accommodate cases that include non-linear data. To overcome this limitation, they proposed a new approach to conduct an analysis of mediation effects. Their strategy includes a counterfactual framework, sequential exclusions, non-parametric identification and sensitivity analysis. This thesis uses PLS-SEM instead of LSEM. The current research has to accommodate some potential disadvantages of conventional SEM as indicated by Imai et al. However, the non-parametric model taken by Imai et al. is possible to be beneficial for this thesis by considering the nature of the data taken in this thesis. The data are non-parametric because it cannot necessarily be assumed to be normally distributed.

Although there are not as many as linear regressions, the usage of structural equation modelling (SEM) technique in social and political research has existed for decades and in many types of research. There are several examples of important research that employ the SEM technique. First is a research study conducted by Vigoda and Yuval (2003), which was published in the Australian Journal of Public Administration, Vol. 63. This research explores the relationship between the variables of managerial quality, administrative performance (mediating variable), and public trust (outcome). The second is the research study by Flores and Ramakrishnan, an online appendix to Wong et al.’s (2011) Asian American Political Participation, which analyses three main construct variables such as political behaviour, party identification (mediating variable), and political participation. The third is the research study by Cutts (2014) about the relationship between the constructs of local election success, campaign effort (mediating variable), and share of the vote, which was published in Political Studies, Vol. 62, 2014. The fourth study, by Hansson (2011), examines the relationship between the constructs of social environment, career possibilities (mediating variable), and influencing
opportunities, was published the European Sociological Review, Vol. 27 (2011). There are a couple of other studies that use SEM to examine the more complex relationships among more than just three constructs, which is the focus of this thesis.

The mediation analysis investigates the significant role of a variable in mediating other two or more variables (the effect of X to Y). In its application, the comparison between direct and indirect effects is observed. If the indirect effect is stronger than the direct one, it means that the mediation variables are critical in assessing the relationship between variable X and Y. In the context of current research, there are three paths of relationship, i.e. path a, b, and c (Figure 4). Path \( ab \) is stated as an indirect effect by which the role of mediation variable/social policy is examined\(^\text{16}\). On the other hand, path \( c \) is posited as the direct effect, examining the direct effect from democracy to inclusive economic growth. The size of indirect effect refers to the product of two partial correlations (\( ab \)). If the effect size of \( ab \) is greater than \( c \), it means that the mediation variable plays an important role in the model. On the contrary, if the size of the direct effect is larger than the indirect one, this indicates the insignificant role of mediation variable in explaining the relationship between X and Y. Therefore, the total effect in the complete model is expressed as:

\[
\text{Total effect} = \text{direct effect} + \text{indirect effect} \\
t_e = c + ab
\]

In this thesis, there are two possible scenarios to consider in the analysis of mediation variable. The first one is the complete mediation scenario. This occurs when the “democracy” variable does not affect “welfare” in any way. The situation occurs when “social policy” is introduced into the equation, and the estimated path \( c \) results in zero. The second one is the partial mediation scenario.

\(^\text{16}\)In a contemporary mediation analysis, the indirect effect \( ab \) is the correct measure of the mediation size.
scenario, which is taken if the path from “democracy” to “welfare” is lower (but greater than zero) than the effect size of mediator (social policy). In general, mediation testing is conducted to investigate a mechanism (social policy) by which a causal variable (democracy) affects an outcome (welfare) (Baron and Kenny, 1986).

In fact, the resulting analysis on mediating variable can possibly be inconsistent, particularly when the sign, either positive or negative, of estimations among paths are different. For instance, the sign of estimations on path \( c \) may be opposite to \( ab \), meaning that the mediator variable acts as a suppressing variable (MacKinnon et al., 2007). In the context of current research, it may produce a negative direct effect (more democracy, less welfare). The effect of democracy on social policy, on the other hand, is positive (more democracy, more social policy) and the effect of social policy on welfare is positive (more social policy, better welfare), meaning that the indirect effect is also positive. If these situations occur, the total effect of democracy on welfare is likely to be very weak because the direct and indirect effects tend to eliminate each other. Then, if this occurs and the \( p \)-value of \( c \) is stated as significant, the “social policy” can possibly be stated as the only variable that improves welfare, and the “democracy” variable can only improve “social policy.” In other words, democracy may only improve welfare provided that social policy has been introduced. The same logic will also apply if the inconsistency occurs at the level of indicators.

Figure 11. Mediation Variable Model
Moreover, there are two types of causal effects in PLS-SEM: mediation and moderation—or interaction—effects (Baron and Kenny, 1986). Figure 11 exhibits the positioning of social policy in current research in which it is not posited as a moderation variable. The positioning is chosen by considering previous reviews, which reveal that social policy does not theoretically vary the effect of democracy on welfare. In short, the logic of the ‘moderation effect’ will affect the effect of democracy on welfare. The effect increases along with the increase of social policy. In this context, there is also a possibility in which M (social policy) may either interact or correlate with X (democracy) to cause Y (welfare). In such a case, “democracy” acts as both a mediator and a moderator. Thus, the implication of path b changes when such kind of interaction occurs. Path b does not exclusively explain “social policy” anymore but it explains the accumulated effect of “social policy and democracy” towards “welfare”. This research presumes that social policy is affected by democracy. As discussed in Chapter Two, the level of democracy influences the scale of social policy in the context of the developing countries; then the level of social policy potentially affects the level of welfare outcome. Instead of moderating, social policy therefore mediates democracy and welfare.

2.3.1 Hypotheses

Based on the explanation of the mediation variable analysis, the current research is conducted to test these four following hypotheses:

H1 : Democracy has a positive effect on inclusive economic growth  
(H1: \( \beta_{n} \geq 0 \)/H\(_{0.1} \): \( \beta_{n} < 0 \))

H2 : Democracy has a positive effect on social policy  
(H2: \( \beta_{n} \geq 0 \)/H\(_{0.2} \): \( \beta_{n} < 0 \))

H3 : Social policy has a positive effect on inclusive economic growth  
(H3: \( \beta_{n} \geq 0 \)/H\(_{0.3} \): \( \beta_{n} < 0 \))

H4 : The relationship between democracy and inclusive economic growth is mediated by social policy (\( \beta_{H2} \cdot \beta_{H3} > \beta_{H1} \))
2.3.2 Construct and observed variables

SEM enables researchers to develop the constructs of unobservable variables by using measuring indicators *e.g.*, items, manifest variables, or observed measures. It is also useful to explicitly develop the model of measurement error for observed variables (Chin and Newsted, 1999). In the case when a variable is considered as an unobserved one, the indicators of each unobserved variable are required. For example, a low poverty rate, low infant mortality rate, high GDP growth and trade determine the manifestation of ‘development’. A similar logic is also applied for any ‘social policy’ and ‘democracy’ construct.

In terms of their relationships, constructs can possibly be categorised twofold. First, exogenous constructs are identified by one or more arrows aimed outward, with *none* aimed inward (Roy et al., 2012). A single arrow indicates a causal relationship. In the current research, there is only one exogenous construct: democracy. Second, endogenous constructs are ones that have at least an arrow aimed inward. There are two exogenous constructs observed in this research: social policy and welfare. Moreover, this thesis focuses on the correlation of democracy, social policy, and welfare variables. To do so, Factor Loadings (Confirmatory Factor Analysis/CFA) as a part of PLS-SEM is taken to analyse the relationship between observed variables (indicators) with constructs. There are two aspects that need to be considered, *i.e.* the *p*-value between each observed variable with its constructs and the estimates. If the *p*-values are small, *e.g.* < 0.05, it indicates an observed variable is a good predictor of its construct. If the estimation is positive, it means that the increase of every single unit of an observed variable will positively increase its construct regardless of the value of its estimate, and *vice versa.*
2.3.3 Quality Criteria (Goodness-of-Fit) overall Model Test

Before further analysis can be conducted from any statistical result in PLS-SEM, the data must pass three tests. The first test is the $R^2$ of endogenous variables, which can possibly be stated as either substantial (0.26), moderate (0.13), or weak (0.02) (Zainun et al., 2014). The second test is the assessment on GoF. The applied cut-off values are small (0.10), medium (0.25), and large (0.36) as adopted by Wetzels et al. (2009); Thien and Razak (2013); and Zainun et al. (2014). The GoF value is calculated by using the following equation:

$$\text{GoF} = \sqrt{(\text{AVE} \times R^2)}$$

If the GoF value is discovered to be greater than the value of 0.36, it means that there is a substantial explaining power of the model in this research. Then, the result of statistical tests is required to pass the convergent validity of the construct. It is assessed based on the values of item reliability (loading), composite reliability (CR), and Average Variance extracted (AVE). Particularly, the loading values of entire variables must reach above 0.5 (Chin and Newsted, 1999).

2.3.4 Indicators and Data Sources

According to Norris (2011), there are many possible data sources for measuring democracy, particularly based on the perspective of citizens. These sources include Polity IV INSCR (1800), Freedom House (1971), the Worldwide Governance Index (1996), The World Values Survey (1981), the International Social Survey Programme (1985), the Global Barometers (1990), the Comparative National Election Project (1990), the Pew Global Attitude Project (2002) and the Gallup World Poll (2005). This thesis, however, uses the available data in time-series form. Thus, only data from Polity IV and Freedom House are utilised. In terms of data size, these two sources may adequately
answer the minimum requirement in selected research method. In Polity IV and Freedom House, data for each variable are available from 1800 to 2012 and 1972 to 2013 respectively, meaning that there are more than 40 possible observations.

In relation to the availability of quantitative data (about democracy), the leading organisations that are able to provide the most detailed information about institutional quality are Freedom House and Polity IV. Freedom House (FH) employs parameters based on the Universal Declaration of Human Rights (UDHR) concept of democracy. Article 21(3) of the UDHR states that “the will of the people shall be the basis of the authority of government; this shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures” (Freedom House, 2012).

Meanwhile, the main concern of Polity IV measurements is the question of “which authority traits characterized the more durable political systems (institutions).” Basically, the measurement of these organisations is also based on a historical perspective. Their indicators employ an institutional approach, such as elections\textsuperscript{17}, civic organisations\textsuperscript{18}, rule of law\textsuperscript{19}, government effectiveness\textsuperscript{20}, and freedom of expression\textsuperscript{21}. Furthermore, the data is collated annually.

\textsuperscript{17} FH includes it in the Political Rights indicator (electoral process). In Polity, it is a part of Competitiveness of Executive Recruitment and Openness of Executive Recruitment variables (free and fair election).

\textsuperscript{18} FH includes it as a part of Political Rights (political pluralism and participation) and also in Civil Liberty (associational and organisational rights) indicators. In Polity IV, it is a part of Competitiveness of Political Participation.

\textsuperscript{19} Rules of law and levels of corruption often come together in measuring democracy. In FH, they occur in both Political Rights (functioning of government, corruption, and transparency) and Civil Liberty indicator (free judiciary, civilian police, and less political terror). In Polity IV, these aspects are also stated in Constraint on Chief Executive Variable (executive parity or subordination, intermediate category, substantial limitations, and intermediate category).

\textsuperscript{20} This element is listed in FH in Political Rights indicator (the functioning of government), yet it is not explicitly mentioned in Polity IV.

\textsuperscript{21} This aspect is clearly stated in FH, particularly in Civil Liberty indicators (freedom of expression and belief). Polity IV includes this element in Competitiveness of Political Participation and Regulation of Participation variables.
Considering this, the data analysis (originating from FH and Polity IV) can be employed as a central dataset to determine the level of democratisation development and its relationship to social policies in a Southeast Asian context.

As explained earlier in this chapter, social policy is proxied by budgeting policy, as it indicates the level of “welfare commitment” or “welfare-related efforts” by a government to its people (Haggard and Kaufman, 2008; Park and Jung, 2008). The welfare commitment by governments (which is conditioned by political institutions) is a focus area, considering the interaction between the democracy and social policy, in the historical institutionalism perspective. Therefore, it may lead to questions of whether the expansion of democratic institutions in the Philippines after 1986 also led to an improvement in social policies for that era; and whether the degradation of democracy in the Philippines in 2005 also led to the decline in welfare commitments for that period. Thus, when the expansion of democratic institutions impact on the enhancement of government welfare commitments, it is sufficient to be employed as an indication upon the interactive relation between democracy and social policy institutions. On the contrary, when the quality of democracy is not reflected in welfare commitment, then the conclusion is the two institutions do not interact effectively enough to create inclusive economic growth. If so, then there is a need to discover other explanations (such as the stability of regime, normative institution or the model of political institution) impacting the relationship between democracy and inclusive economic growth.

For government spending, current research includes data from the Asian Development Bank’s (ADB) Key Indicators. The ADB’s records provide a comprehensive 38-year time-series data record in 44 ADB members, categorised as developing countries, including the four countries under investigation. The indicators for social policy spending are divided into two groups. First group is kinds of spending that related to redistribution policy in general which includes tax, general public service spending (gpsSP), and
general government spending (ggSP). Second group is the specific spending on social policy sectors that includes education (eduSP), health (heSP) and social security spending (ssSP). The author aware that there are other sectors, such as housing or environment spending, that related to social policy. However, in order to measure the government’s commitment towards social policy six indicators will be representative enough.

As for inclusive development indicators this research employs data of economic indicators, e.g. GDP, FDI, and trade, but also serve its social aspects of development, e.g. unemployment rate, poverty, secondary school

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22 Central government expenditure (general public spending) is defined as the central government budget expenditure as reported in the final central government accounts. Central government spending by function is the breakdown of expenditures on the basis of the activities governments support (OECD, 2015).

23 Gross Domestic Product (GDP) basically measures the value of goods and services produced in a country in a given period of time. It covers all products to sale in the market by every economic activity in the country. GDP is a sum of consumption, investment, government spending, and the subtraction of exports and imports. GDP has been widely taken by researchers as an indicator to measure the macro-economic performance of a country (Gutierrez, Carlos M, Chyntia A Glassman, and Steven Landefeld 2007).

24 There is a common recognition on the close connection between investment and economic welfare. One of significant investment types is foreign direct investment (FDI). To support this argument, Borensztein, Gregorio and Lee (1998) have tested the effect of FDI on economic growth by using cross-country regressions on FDI flows from 69 countries within 1970s-1990s. The results suggest that FDI is an important instrument for the transfer of new technologies and for improving economic growth in a larger measure compared to domestic investment (Borensztein, EJ, De Gregorio and JW, Lee 1998).

25 Frankel and Romer’s work (1999) shows a statistically and economically significant relationship between trade and income in 150 countries covered by the Penn World Table. The t-statistic on the hare trading is 3.5; the point estimation implies that an increase in the share of one percentage point is associated with an increase of 0.9 percent in income per person.

26 Unemployment is a good indicator to measure social welfare due to its multi-dimensional effects. It includes inefficiencies in the labor market caused by powerful labor unions, government interventions, etc. From this perspective, persistent unemployment is attributed to labor market rigidity which stands alongside poor education, lack of motivation and insufficient information about available vacancies in making unemployment to persist (Persefoni V. Tsaliki 2009).
enrolment\textsuperscript{27}, and infant mortality rate\textsuperscript{28}. Comprehensive information on the data source and related definitions of all indicators (democracy, social spending, and inclusive development) are provided in Appendix 3.

2.3.5 Changes over-time and Lagging Data

In fact, the dataset for any indicator changes with time, including possible time lag as indicated above. The problem of timely changes refers to the comparability of any values to its past or future, due to the changes of time. The problem mostly occurs in research that utilises a set of time-series data by ignoring possible fundamental difference between timely observations; e.g. a US$1 billion of national budget in 1970 has a different value with US$1 billion budget in 2013; 200 cases of infant mortality in 1980 have a different meaning compared with the same number of cases in 2010; $500 GDP per capita in 1972 may be higher than $650 in 2012, \textit{etc}. In this thesis, the values of any indicator have been properly selected and adjusted to have time-sensitive scales to overcome the problem of timely changes. Specifically, index-based scale is used on democracy indicators (Freedom House and Polity IV); percentage-based values are applied on data of social spending (% of total spending), FDI (% of GDP), trade (% of GDP), yet ratio-based scale is taken to measure infant mortality (number of case per 1000 population); and rate-based scale is used for measuring GDP (growth rate), unemployment (rate), and secondary school enrolment\textsuperscript{27}, and infant mortality rate\textsuperscript{28}. Comprehensive information on the data source and related definitions of all indicators (democracy, social spending, and inclusive development) are provided in Appendix 3.

\textsuperscript{27}Secondary-school enrolment is probably the most widely-used indicator of education in empirical research on growth. Gylfason’s research (2001) shows that a 40 percentage point increase in secondary-school enrolment in a country goes along with a one percentage point rise in the annual rate of growth of GNP per capita. The number of observations is 86, and the relationship is statistically significant ($r = 0.53$). Similar to the other two indicators, school enrolment reflects, at best, the quantity of education provided rather than the quality of education received (Gylfason, Thorvaldur 2001)

\textsuperscript{28}The infant mortality rate (IMR), is the reflection of the number of deaths in children per 1000 live births in one year. This indicator has been regarded as a highly sensitive (proxy) measure of population health. This describes the correlation between the causes of child death and other aspects that are influence the health status of whole populations such as their economic level, living circumstances, well-being, rates of illness, and the quality of the environment (Murray CJL, Salomon JA, Mathers C 2000)
enrolment (rate).

Related to time lag, the impact of either social policy on welfare or democracy on welfare could not immediately be measured due to the delayed impacts of democracy to social and economic development policy. However, there is no clear consensus on how long the lagging should continue. Gerring et al. (2012) attempted to delay the impacts of independent variables by one time period when conducting their testing of the correlation between democracy and welfare (urbanisation, female illiteracy, and GDP). They also suggested that a test with a prolonged lag does not significantly affect results. In Ross’ work (2006), alternatively, every variable on the right side is lagged by a five-year period. In the current research, one and three years lagging over independent variables are applied to justify how the results would differ one from another. If the dataset is available and large enough, this research will attempt to lag by five- and ten-year periods to investigate the performance of democracy to social policy and welfare in a longer time-period. To do so, data in the current research is lagged in three different ways. First, the impact of democracy (Polity IV, PR and CL) on social policy (social spending) is lagged by one year.
Figure 12. The Structural Model of the Hypothesis
Table 1. Theoretical Model and Scaling

<table>
<thead>
<tr>
<th>Latent Variables</th>
<th>Observed variables</th>
<th>Sources and Scale (see appendix 3)</th>
</tr>
</thead>
</table>
| Democracy (X)    | • Political Rights (PR)  
                   • Civil Liberty (CL)  
                   • Polity IV           | Data from Freedom House (reversed 7 highest) and Polity IV (Ordinal) |
| Social Policy (M)| • Public Expenditure on Education (eduSP)  
                   • Public Expenditure on Healthcare (heSP)  
                   • Public Expenditure on Social Security (ssSP)  
                   • Public Expenditure on general public service (gpsSP)  
                   • Public Expenditure on general government expenditure (ggSP) | Data from Asian Development Bank (ADB) and the UN’s World Development Indicators (Ordinal) |
| Welfare (Y)      | Economic indicators:  
                   • GDP growth (gdpG)  
                   • Trade (trd)  
                   • Foreign Direct Investment (fdi)  
                   Social indicators:  
                   • Enrolment rate basic level of education (edO)  
                   • Mortality rate under 5 (heO)  
                   • Employment rate (emp) | Data from the World Bank, UNESCO, ILO and ADB (Ordinal) |

Outer model of each latent variable are:

\[
X = \beta_0 + \beta_1 \text{PR} + \beta_2 \text{CL} + \beta_3 \text{P4} + \xi_1 
\]

\[
M = \beta_0 + \beta_1 \text{eduSP} + \beta_2 \text{heSP} + \beta_3 \text{ssSP} + \beta_4 \text{tax} + \beta_5 \text{gpsSP} + \beta_6 \text{ggSP} + \xi_2 
\]

\[
Y = \beta_0 + \beta_1 \text{eduO} + \beta_2 \text{heO} + \beta_3 \text{emp} + \beta_4 \text{GDP} + \beta_5 \text{trd} + \beta_6 \text{fdi} + \xi_3 
\]

The structural equation model (Inner model) are:

\[
Y = \eta_0 + \eta_1 X + \eta_2 Y + \xi_4 
\]

\[
M = \eta_0 + \eta_1 X + \xi_5 
\]

note:
- \( \xi_{1,5} \): Residual in each equation
- \( \beta \): Regression coefficients of observed variables
- \( \eta \): Regression coefficients of latent variables
- \( Y \): Inclusive economic growth
- \( X \): Democracy
- \( M \): Social Policy
Chapter Three
Results of Mediation Analysis (PLS-SEM) in Indonesia, Malaysia, Thailand, and the Philippines

Before reviewing a more detailed historical and qualitative explanation of the relationship between democracy, social policy, and inclusive economic growth variables, there is a need to provide a general description of the relationship among the three variables through statistical analysis. The quantitative analysis for this thesis is based on a period of 40 years (1973 – 2013). For the sake of quantitative measurement, social policy in this part is defined as the national budget allocation for social spending. However, in the qualitative analysis (Chapters Four and Five), social policy will be defined in a broader context, and will include including their origins, formation, goals, and outcomes. In the quantitative section, descriptive analysis and PLS-SEM are taken as the research method. Descriptive analysis has been used to describe the factual condition of democracy, social policy, and inclusive economic growth in Indonesia between 1973 and 2013. Descriptive data was analysed to provide a general explanation for each of the three variables. PLS-SEM, on the other hand, was used to combine those three main variables in order to test the proposed hypotheses in this thesis. The results of descriptive analysis and PLS-SEM techniques will be used to answer the primary question of this thesis:
“Does democracy matter in the delivery of larger and more effective social policies that improve inclusive economic growth?”

The descriptive data is then analysed to discover a general idea on the condition of the three variables respectively. To combine the main variables (Democracy, Social Policy, and Inclusive economic growth), a PLS-SEM technique is undertaken. In the PLS-SEM analysis, the time-bias problem is addressed by applying data-lagging and sensitive scales. The first one is applied due to the immediate impact of all exogenous variables, assumed at a one-year lag between democracy and social policy, and a one-year lag between social policy and inclusive economic growth. Hence, the lag between democracy and inclusive economic growth is two years. Then, the sensitivity scale is applied to avoid value differences due to changes over time.

The proposed hypothesis in this thesis presumes that social policy has a mediating effect on democracy and social policies. This is consistent with the literature review, which reveals that democracy has a positive effect on inclusive economic growth (Gylfason, 2013; Rodrik, 2004; Sloan and Tedin, 1987). It is due to a more inclusive political system that civil society can demand greater social policies, which will affect the improvement of inclusive economic growth (Andersen, 1999; Sen, 1999; Pierson, 1996; Haggard and Kaufman, 2008; Fan and Rao, 2003). In addition, an electoral democracy also provides electoral incentives for political leaders in allocating social policy (Siegle et al., 2004; Castles, 1979; Haggard and Kaufman, 2008; Stasavage, 2005). Thus, the hypothesis is formally formulated as follows:

\[ H_1 : \text{Democracy has a positive effect on Inclusive Economic Growth} \]
\[ (H_1 : \beta_{12} \geq 0 / H_{0.1} : \beta_{12} < 0) \]

\[ H_2 : \text{Democracy has a positive effect on Social Policy} \]
\[ (H_2 : \beta_{12} \geq 0 / H_{0.2} : \beta_{12} < 0) \]
H3 : Social Policy has a positive effect on Inclusive Economic Growth

\( (H_1: \beta_{n} \geq 0 / H_0: \beta_{n} < 0) \)

H4 : The relationship between Democracy and Inclusive Economic Growth is mediated by Social Policy \((\beta_{H2} \times \beta_{H3} > \beta_{H1})\)

The inquiry into the significance of the relationship between democracy, social spending, and inclusive economic growth in the four countries (Indonesia, Malaysia, Thailand, and the Philippines) will be answered by the mediation analysis conducted using the PLS-SEM technique.

3.1 Indonesia

Statistically, the main findings discovered in the Indonesian case indicate that the four hypotheses can be accepted, meaning that the ultimate answer to the primary research question is: democracy does matter in the delivery of effective social policy that improves welfare, at least in Indonesia. The results of statistical and archival analysis clearly show that the relationship between democratic institutions, social policies, and inclusive economic growth in Indonesia is in conformity with the proposed hypotheses. Three of the four hypotheses of this research are accepted in the case of Indonesia. In short, there is a positive correlation among the three main variables (democracy, social policy, and inclusive economic growth), and social policy acts as a mediator between democracy and inclusive economic growth. Before discussing the PLS-SEM test, this section will start with a description of the data on democracy, social spending and inclusive economic growth in Indonesia.

3.1.1 Data Description

Figure 13 indicates that the assessments based on the Polity IV and FH\(^29\) are not much different. Based on Polity IV, the condition of democracy in

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\(^{29}\)The FH scores in this report are in a reversed order to facilitate the comparison. In the actual FH database, a lower score indicates the better democracy. These values are reversed by using
Indonesia\textsuperscript{30} is considered to have almost no change since 1973 to the middle of 1990s; however, it jumped dramatically in 1999 following the 1998 democratic awakening in Indonesia that delivered critical momentum following the resignation of President Soeharto and the Reformasi 1998. The assessment of FH, on the other hand, indicates a slightly different result in which several changes on democratic issues, \textit{i.e.} political rights (PR)\textsuperscript{31} or civil liberty (CL)\textsuperscript{32}, occurred during pre-1999. In particular, the PR indicator had been declining since 1989 until a rebound since 1999. The decline occurred due to the implementation of the Anti-Subversive Law and the repressive approach to any anti-Soeharto movement during the period.

Still, the CL indicator has not changed significantly since 1973 with only two declines prior to 1999, \textit{i.e.} 1983 and 1995. This could be related to a couple of incidents during the New Order era when Soeharto banned media (\textit{e.g.} Tempo in 1994), and arrested activist students (PRD) and opposition parties (PDI-P), as well as NGOs (SBSI) activists who criticised Suharto’s policies and his cronies. The interesting point about the CL indicator is, different from the Polity IV and PR indicators, its increasing pattern actually began in 1995 and has continued to the present. This indicates that the CL indicator precedes and may potentially cause later increases in either Polity IV or PR indicators.

\textbf{formula} \Rightarrow \text{Reversed Value} = 8 - \text{Actual Score}. The process is also applied for other cases in this study, \textit{i.e.} Malaysia, Thailand, and the Philippines.


\textsuperscript{31}Political Rights consists of electoral process, political pluralism and participation, and the functioning of government.

\textsuperscript{32}Civil Liberty consists of the freedom of expression and belief, rules of law, associational and organisational rights, and personal autonomy and individual rights.
The literature review suggests examining a measurement on the quality of democracy that covers the quality of elections (Schumpeter in Cunningham, 2002; Dahl, 1984), checks-and-balances among executive, legislature, and judicial powers (Madison in Dahl, 1984), and freedom, as well as constitutional liberalism (Zakaria, 1997; Sen, 1999; Ringen, 2009). The descriptive data of democracy in Indonesia has demonstrated that all aspects of democracy could generally be divided into two main eras. The first era is between 1973 and 1998, when the quality of elections was generally poor; deficient checks-and-balances; limited freedoms; and a constitution that lacked traditional liberal values. The second era is from 1998 to the present, when all the aforementioned aspects are relatively higher than in the first era (Soeharto’s authoritarianism).

Next, Figure 14 shows the dynamics of redistribution/social policy in Indonesia, including tax revenues, government spending in public services, health, education, housing, and public services. National tax revenues were

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\[\text{Figure 14 is the adjusted form of original diagrams by using a scale 0-1. It is applied to simplify the presentation of data, and makes it easy to clearly see the comparison between indicators. However, the data taken in the PLS-SEM calculation are not the adjusted values, meaning that the actual values are directly taken from the database. These processes also apply to the cases of Malaysia, Thailand, and the Philippines.}\]
relatively stable until there was a significant decrease between 1994 and 1997 (Asian Crisis). In public spending, extreme changes occurred in two sectors, *i.e.* the expenditure of public services and housing. Plus, the public service sector experienced a sharp increase in 1989 and 1996 with an in-between interruption that occurred in 1995, when spending in this sector was almost zero. After the 1996 increase, spending in the public service sector tended to follow small fluctuations. The fact is confirmed by the archival data. During the 1997 Asian Crisis and the popular decline of Soeharto, the government of Indonesia created a social policy (*Jaring Pengaman Sosial* or JPS, social security net) to minimise any social unrest and political distrust. Furthermore, the housing sector experienced two extreme situations, *i.e.* an increase in 1993 and a decline in 1999. After 1999, the sector remained relatively stagnant. Another sector, education, was experiencing quite significant increase in 2004 due to the implementation of the *Biaya Operasional Sekolah* (BOS) policy that was implemented in 2002 and continued to grow until recently. Then, there was a moderate increase in health sectors since 2005.

![Figure 14. Social Policy in Indonesia](source: Asian Development Bank, Key Indicators (2013))
In fact, social spending is a relevant proxy, particularly to measure the level of “welfare effort” or “welfare commitment” of the government (Haggard and Kaufman, 2008; Park and Jung, 2008). Looking at Figure 14, the commitment of the Indonesian government towards social policy illustrates a fair amount of improvement following *Reformasi* in 1998, e.g. in general public services, education, and health sectors. It also indicates that the democratic government (after 1998) took steps to initiate policies and deliver rights, protection, and social security to its citizen (Esping-Andersen, 1999; Sen, 1999).

Furthermore, Figure 15 shows data on the economic and social welfare indicators, including the economic welfare of GDP growth \( gdpG \), foreign direct investment \( fdi \), and the value of trade transactions particularly related to export and import \( trd \). Also, social welfare is measured via several indicators, i.e. the level of enrolment in primary and secondary school \( edO \), the level of health based on infant (<5 years old) mortality rate \( heO \), poverty rate \( pov \), and the level of labour force absorbed by labour market \( emp \).

Looking at Figure 8, economic welfare experienced a dramatic fluctuation. In fact, \( gdpG \) and \( FDI \) dramatically decreased after the 1997 Asian Crisis, while during 1999-2001 it rose again. On the contrary, \( trd \) increased during the crisis period, and decreased during the post-crisis period, though it was in a stable position both pre- and post-crisis. The 1997 crisis brought significant impact on the economic aspects of welfare, but it did not apply social welfare aspects.
In general, social welfare indicators have been improved, regardless of the influence of the 1997 Asian Crisis. In fact, \( emp \) and \( heO \) tend to be stable, despite showing a small improvement. The trend also occurs on \( edO \) and \( pov \), although the changes are more dynamic than the \( emp \) and \( heO \). These facts demonstrate that the balance between economic and social aspects in development outcomes (Sengupta, 1991; Lucas, 1998; Sen, 1999) in Indonesia has been achieved, particularly after the momentum gained following the 1998 democratic awakening.

3.1.2 PLS-SEM: Results and Interpretation

The current study has several unobserved variables (constructs), i.e. Democracy (X), Social Policy (M), and Inclusive Economic Growth (Y). To provide a clear overview on the characteristics of each variable, the frequency distribution was obtained from secondary sources, i.e. databases from Freedom House, Polity IV, the Asian Development Bank (ADB), or the United Nations.
(UN), which have already been descriptively explained in the previous section. Furthermore, this thesis addressed the time bias problem by applying data lagging and sensitive scales. Data lagging is used to avoid time bias due to the delayed impacts of all exogenous variables. To cope with changing values over time, on the other hand, a sensitive scale is applied by taking percentage (% of GDP or total budget) as the consistent comparative unit of existing numbers over time.

In the democracy construct, there are three latent variable indicators taken as a parameter, *i.e.* Civil Liberty (CL), Political Right (PR) and Polity IV (Pol_IV). Those parameters measure the development of democratic institutions over time. Next, Social Policy latent variable consists of six indicators, *i.e.* budget allocation (% of government spending) in education sector (*eduSP*), general government expenditure (*ggE*), general public service (*gpsSP*), health (*heSP*), housing (*houSP*), and tax. Then, inclusive economic growth variable indicators taken in the measurement consists of the economic aspects (GDP Growth, trade, and foreign direct investment) and social aspects (secondary school enrolment (*edO*), employment rate (*emp*), infant mortality rate (*heO*), and the poverty rate (*pov*). Those indicators will also be employed in Malaysia, Thailand and the Philippines’ case.

- Quality Criteria (Goodness of Fit)

It is necessary to test the validity of the model as a whole to check the robustness in drawing an accurate conclusion. To determine the goodness of fit (GoF) of the model, the necessary information is Average Variance Extracted (AVE), Composite Reliability (CR), and $R^2$. The validity and reliability of each construct can be discovered by looking at its CR and AVE values. In this thesis, a construct is stated as reliable if its CR and AVE values are above 0.50. Table 2 contains complete information regarding quality criteria of the model. Looking at the table, all constructs are considerably reliable.
Table 2. Quality Criteria of PLS-SEM in Indonesian case

<table>
<thead>
<tr>
<th>Constructs</th>
<th>CR</th>
<th>AVE</th>
<th>R²</th>
<th>GoF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democracy</td>
<td>0.966</td>
<td>0.904</td>
<td>0.552</td>
<td></td>
</tr>
<tr>
<td>Social Policy</td>
<td>0.692</td>
<td>0.551</td>
<td>0.552</td>
<td></td>
</tr>
<tr>
<td>Inclusive Growth</td>
<td>0.330</td>
<td>0.613</td>
<td>0.789</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>0.689</td>
<td>0.674</td>
<td>0.682</td>
</tr>
</tbody>
</table>

Next, there are three standard or cut-off values for GoF, i.e. small (GoF ≤ 0.10 → the whole model is weak), medium (GoF ≤ 0.25 ≥ 0.36 → the model can be accepted but is not strong enough), and large (GoF ≤ 0.36 → the model is fairly robust and comprehensive). The GoF size for Indonesia is expressed as:

\[
\text{GoF} = \sqrt{(\text{AVE [averaged]} \times \text{R}^2[\text{averaged}])}
\]

\[
\text{GoF} = \sqrt{(0.689 \times 0.674)}
\]

\[
\text{GoF} = 0.682
\]

The result shows that the GoF of this model is above 0.36 and therefore strong. It simply means that the model is able to explain the relationship between the three observed variables in the Indonesian case. Then, the following step is the analysis on the detailed PLS-SEM results in Indonesian case.

- **Confirmatory Analysis**

To test the validity and reliability of instruments, Confirmatory Factor Analysis (CFA) was taken. Indicators of a construct are valid only if they have a significant *factor loading* (at \( \alpha > 5\% \)). The CFA results on the indicators of Democracy (X), Social Policy (M), and Inclusive economic growth (Y) are significant, with \( P \)-values below 0.05. Validity and reliability tests hence indicate that the research instruments for all constructs are stated as valid and reliable.

Table 3. Confirmatory Analysis for Democracy Construct

<table>
<thead>
<tr>
<th>Variables (Observed variables)</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CL_cvt 📈 Democracy</td>
<td>100.771</td>
<td>0.009</td>
<td>105.073</td>
<td>0.000</td>
</tr>
</tbody>
</table>
The CFA results for Democracy Construct (Table 3) shows that all indicators have a higher loading factor than 0.05, T-statistics more than 1.97, and a lower P-value than 0.05. These figures indicate that the research instrument for the Democracy variable (X) is both valid and reliable. The archival analysis and descriptive statistics confirm this result. Figure 13 shows that there were two increases of democracy in Indonesia, in 1998 (the Reformasi 1998) and 2004 (the first direct presidential election). The table also indicates that Polity IV is the most powerful indicator affecting Democracy construct, followed by Civil Liberty (CL) indicator. In spite of meeting the standards, Political Rights (PR) is the weakest indicator influencing the Democracy construct.

### Table 4. Confirmatory Analysis for Social Policy Construct

<table>
<thead>
<tr>
<th>Indicators (Observed variables)</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. eduSP ← Social_Policy</td>
<td>4.931</td>
<td>0.136</td>
<td>4.617</td>
<td>0.000</td>
</tr>
<tr>
<td>2. ggE ← Social_Policy</td>
<td>4.608</td>
<td>0.115</td>
<td>4.709</td>
<td>0.000</td>
</tr>
<tr>
<td>3. gpsSP ← Social_Policy</td>
<td>81.859</td>
<td>0.011</td>
<td>86.398</td>
<td>0.000</td>
</tr>
<tr>
<td>4. heSP ← Social_Policy</td>
<td>6.298</td>
<td>0.110</td>
<td>6.359</td>
<td>0.000</td>
</tr>
<tr>
<td>5. houSP ← Social_Policy</td>
<td>10.773</td>
<td>0.069</td>
<td>11.098</td>
<td>0.000</td>
</tr>
<tr>
<td>6. ssSP ← Social_Policy</td>
<td>12.231</td>
<td>0.062</td>
<td>12.709</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The CFA results for the Social Policy (M) construct indicate that the research instrument is valid and reliable for the construct (Table 4). All indicators have a higher loading factor than 0.05, T-statistics higher than 1.97, and a lower P-value than 0.05. The table also indicates that general public service (gpsSP) is the strongest indicator for Social Policy (M), followed by tax and housing spending (houSP). Although meeting the standards, the weakest indicator affecting Social Policy construct is the general government spending (ggE) indicator.
Table 5. Confirmatory Analysis for Inclusive Economic Growth

<table>
<thead>
<tr>
<th>Variables (Observed variables)</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. trd ↔ Inclusive_Growth</td>
<td>4.330</td>
<td>0.115</td>
<td>4.436</td>
<td>0.000</td>
</tr>
<tr>
<td>2. edO ↔ Inclusive_Growth</td>
<td>57.883</td>
<td>0.018</td>
<td>51.783</td>
<td>0.000</td>
</tr>
<tr>
<td>3. emp ↔ Inclusive_Growth</td>
<td>48.365</td>
<td>0.019</td>
<td>46.524</td>
<td>0.000</td>
</tr>
<tr>
<td>4. fdi ↔ Inclusive_Growth</td>
<td>4.388</td>
<td>0.125</td>
<td>4.770</td>
<td>0.000</td>
</tr>
<tr>
<td>5. gdpG ↔ Inclusive_Growth</td>
<td>2.866</td>
<td>0.127</td>
<td>2.952</td>
<td>0.003</td>
</tr>
<tr>
<td>6. heO ↔ Inclusive_Growth</td>
<td>105.748</td>
<td>0.008</td>
<td>116.272</td>
<td>0.000</td>
</tr>
<tr>
<td>7. pov ↔ Inclusive_Growth</td>
<td>62.217</td>
<td>0.014</td>
<td>66.931</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The CFA results for Inclusive economic growth construct (Table 5) indicate that all indicators have met the required standards. Their loading factors are higher than 0.05, T-statistics are higher than 1.97, and P-value is lower than 0.05. Plus, the test results show that the research instrument for Inclusive Economic Growth (Y) is valid and reliable. Also, the table indicates the infant mortality rate (heO) is the most powerful indicator influencing Inclusive Economic Growth construct, followed by the poverty rate (pov) and secondary school enrolment rate (edO). Then, the economic development indicators, i.e. trade, foreign investment, and GDP growth, are weaker than the social welfare indicators.

-The Results of PLS-SEM Analysis

The relationship between democracy, social policy, and inclusive economic growth model are tested by using PLS-SEM. Prior to pattern analysis on the relationship and interaction between constructs and indicators, it is important to evaluate the quality criteria and Goodness of Fit (GoF) of those results in the context of Indonesian. To do so, AVE and CR were used. These measurements evaluate the representativeness of indicators to the construct. According to Chin (1999), the minimum requirement (cut off value) for AVE and CR values is 0.5.
Table 2 indicates that the AVE and CR values of all constructs are above 0.5, except for the CR in Inclusive Economic Growth construct. For Democracy, the loading values of its entire variables are above 0.5. The AVE and CR values for the construct are 0.904 and 0.966, respectively, and hence higher than the cut-off. Next, all of the measurements on the Social Policy construct produced loading values higher than 0.5 (CR 0.692; AVE 0.551 and 0.692). Plus, the convergent validity also satisfied the required cut-off value. Also, the CR value for Inclusive Economic Growth construct is below the cut off value; however, its AVE (0.613) is above the minimum requirement. Hence, the whole construct validity of this model is clearly confirmed and no modification is therefore required.
Table 6. PLS-SEM Result for Indonesia
(Estimates/Loadings and Significance Levels)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T-Statistics</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constructs (Latent variables)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Democracy ➔ Inclusive_Development</td>
<td>1.221</td>
<td>0.105</td>
<td>1.259</td>
<td>0.208</td>
</tr>
<tr>
<td>b) Democracy ➔ Social_Policy</td>
<td>15.856</td>
<td>0.048</td>
<td>15.627</td>
<td>0.000</td>
</tr>
<tr>
<td>c) Social_Policy ➔ Inclusive_Growth</td>
<td>9.917</td>
<td>0.076</td>
<td>10.340</td>
<td>0.000</td>
</tr>
<tr>
<td>Mediation Analysis (b*c)</td>
<td>157.244</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mediation analysis result: (b*c) > a

The above explanation indicates clear evidence of the robustness of the overall model to explain the relationship between democracy, social policy, and inclusive economic growth in the Indonesian case. Hence, the next step is to analyse the calculation results of the mediation analysis. The main hypothesis in this thesis presumes that social policy has an important role in mediating Democracy and Welfare. To assess it, the magnitudes of direct effects (a) and indirect effect (b*c) were compared. Looking at Table 6, the expected path of the indirect effect (1.221) is greater (a<bc) than the direct effect (157.244 = 15.856 x 9.917), meaning that the indirect effect is much stronger than the direct one.

Also, the direct-effect relationship is stated as insignificant (P-value = 0.28); however, the relationships between democracy and social policy, and social welfare policy and outcomes are highly significant. Therefore, the proposed hypothesis is accepted. It means that democracy in Indonesia cannot stand as a sole cause in delivering welfare in Indonesia without being mediated by social policies. In fact, the position of social policy variables is very strong in mediating the variables of democracy and inclusive economic growth. This conclusion is in line with the archival data that shows several expansions of social policies after the democratic improvement. After the 1998 political reform, there were several social policies such as Raskin, Jamkesmas, BOS, and Padat Karya. In political aspects, the first direct presidential election (2004) was carried out, followed by the more fundamental expansion such as the National

34p<.10 insignificant (weak); p<.05 significant (medium); p<.01 very significant (strong)
Social Security System (NSSS), corporate social responsibility (Law 40/2007), PNPM, not to mention the 27 social programs in seven different ministries. As the result, Figure 15 shows the improvement of all inclusive development indicators since 1998, except for employment that has been stagnant during 1998 – 2013 period.

Furthermore, it is also important to observe the values of coefficient estimates by looking at Figure 9. In particular, the values of coefficient estimate in the current PLS-SEM refer to the standardised values. Thus, the values of the coefficient estimate (Figure 16; Table 6) cannot be used to calculate the effect of each relationship. The standardised value in this thesis is aiming to find comparable magnitudes between cases under investigation. In fact, results based on un-standardised values are not comparable due to several differences, e.g. the scales of currency, the size of the state, population, income, etc. Therefore, the next section aims to compare coefficients between countries under investigation.

In the context of Indonesia (Figure 16), no negative correlation occurs in any indicator or construct, meaning that there is no negative relationship to each other, either weaken or contradictory between constructs or between indicators to construct. It further strengthens the conclusion of quality criteria analysis in which the whole model is able to look at the relationship of democracy, social policy, and inclusive economic growth in the context of Indonesia in historical perspective.

3.1.3 Testing of Hypotheses

\( H_1: \text{Democracy has a positive effect on Inclusive Economic Growth} (H_1: \beta_n \geq 0/ H_0: \beta_n < 0) \)

In the test on the first hypothesis, the relationship between Democracy and Welfare Outcome variables indicates the path coefficient of 1.22, \( T \)-statistics at 1.259, and \( P \)-value 0.208. These figures mean that the impact of democracy on inclusive economic growth becomes weaker when social policy variables are
introduced into the model. Therefore, $H_1$ is rejected in terms of the relative position to the existence of Social Policy (M) mediating variables.

$H_2 = \text{Democracy has a positive effect on Social Policy (} H_2: \beta_n \geq 0/H_0.2: \beta_n < 0)$

The test on the second hypothesis indicates that the relationship between Democracy and Social Policy is positively significant by looking at the loading coefficient of 15.856, $T$-statistics of 15.627, and the $P$-value of 0.000. It means that democracy in Indonesia has a positive and significant relationship towards social policy. These results are consistent with the proposed primary hypothesis in which Democracy encourages the increasing tendency of a State to allocate a larger social policy budget. Hypothesis 2 is hence accepted.

$H_3 = \text{Social Policy has a positive effect on Inclusive Economic Growth (} H_1: \beta_n \geq 0/H_0.3: \beta_n < 0)$

The test on the third hypothesis shows that the relationship between Social Policy and Inclusive Economic Growth is positively significant. This is indicated by the loading coefficient of 9.917, $T$-statistics of 10.340, and $P$-value of 0.000. This means that social policy in Indonesia has a positive and significant relationship towards inclusive economic growth. These results are consistent with one of the proposed hypotheses in which a larger social spending encourages an increase of tendency of the Inclusive Economic Growth indicators. Thus, hypothesis 3 is accepted.

$H_4 = \text{The relationship between Democracy and Inclusive Economic Growth is mediated by Social Policy (} \beta_{H2} \ast \beta_{H3} > \beta_{H1})$

The test on the last and primary hypothesis confirms that Social Policy has a strong and significant mediating effect between democracy and inclusive economic growth by looking at the magnitude of an indirect effect (157.244) that is far greater than the coefficient of the direct effect (1.221). These results
indicate that a higher value of democracy in Indonesia will lead to an increasing amount of national budget for social policy. Hence, an increase in the size of a national budget for social policy expenditure will produce a higher value of inclusive economic growth in Indonesia. Hypothesis 4 is therefore accepted.

3.2 Malaysia

Conversely to the Indonesian case discussed earlier, the main findings in the Malaysian case conclude that the hypotheses must be mostly rejected, except for H3. Thus, the ultimate answer to the research question for the Malaysian case is: Democracy does not matter in the delivery of effective social policies to improve welfare. This section will demonstrate the relationship between the variables of democracy, social spending, and inclusive economic growth in the case of Malaysia; and present a statistical explanation (descriptive and PLS-SEM) for the weak relationship between the three variables.

3.2.1 Data Description

In comparison with Indonesia, democracy in Malaysia’s history has remained stagnant since 1973 to date. Figure 31 indicates a difference between FH and Polity IV primarily in the political situation in the early 1970s, and from 2009 to the present. Their appraisals indicate no significant difference to the democratic condition in Malaysia from 1975 to the mid-2000s. Polity IV produces a relatively stable assessment of the quality of democracy in Malaysia from 1973 until a significant increase in 2007, preceded by a lower quality of democracy from 1993 to 2007. The description of the quantitative data is the same as the explanation of qualitative (archival) analysis, which shows that between 1960 and 1988, the Malaysian government managed to issue regulations contrary to democratic principles, e.g. the Internal Security Act (ISA; 1960), the Sedition Act (1971), the Official Secret Act (OSA; 1986), and the
Broadcasting Act (1988). The dominance of UMNO over elections (1959-present) is also an evidence of the stagnant political progress.

![Graph showing democracy in Malaysia](image)

Figure 17. Democracy in Malaysia
Source: Freedom House and Polity IV (2013)

On the other hand, Malaysia also precedes the CL in PR, similar to Indonesia. An increase in CL is interpreted as being followed by an increase in PR, and *vice versa*. CL conditions in Malaysia tend to decrease mainly between 1975 and 2003. The data in 1987 demonstrates an increase until 1993, before it plummeted to a score of 3 for approximately a decade. CL improvement in Malaysia occurred in 2003 and it remained unchanged until today. As mentioned previously, Figure 17 indicates the position of CL as determining the trend of PR. A decrease in CL during the mid-1980s is an example by which there was a decrease in PR since 1987. In contrast, the increase of CL in 1989 was followed by an increase in PR in 1990. The same pattern occurred in consecutive years. Since 2003, the position of CL and PR scores were exactly at position 4 according to FH’s rating.

The descriptive data of democracy in Malaysia demonstrated that all aspects of democracy indicated their stagnant situation from 1974 to present.
The data shows that there was a slight increase from 2003 to 2007, which was a significant part of the post-Mahathir era.

Figure 18. Social Policy in Malaysia
Source: Asian Development Bank, Key Indicators (2013)

Unlike the political situation, the history of social policy and redistribution in Malaysia has been dynamic. State revenue (tax) appears to fluctuate during the period under investigation. This decline is most noticeable from 1985 to 1989, and from 2005 to 2009. The position of tax-based state income was lower than its average between 1973 to the present. State spending on the education sector (eduSP) has slowly increased since 1979, reaching a peak in 2001, and then consistently experienced declines to date, due to the implementation of NEP and NDP policies. The data is confirmed by the result of archival analysis in the previous section, which explained that education spending in Malaysia was the highest amongst Southeast Asian countries. A dynamic condition also appears in the state spending on public services sector (gpsSP), which experienced a sharp decline in 1981. During the period, the decline in the education sector was interestingly paralleled by the increased
public spending on housing (houSP). In particular, the public service sector indicates three spikes in the data, in 1983, 2003, and 2009. On top of these spikes, spending on public service sectors has slightly fluctuated to the present. Then, public spending in the last three sectors, health, social security, and housing had a tendency to remain the same in the period under investigation, except in the housing sector, as already explained.

The literature review suggested that measuring social policy by social spending is relevant to measure the level of “welfare effort” or “welfare commitment” of the government (Haggard and Kaufman, 2008; Park and Jung, 2008). Looking at Figure 18, the commitment of the Malaysian government to social policy experienced a slight increase gradually in all sectors, including education as the highest spending compared to other ones.

![Figure 19. Inclusive Economic Growth Indicators](image)

Source: Asian Development Bank, Key Indicators (2013)

The data on inclusive economic growth fluctuates more than the data on social policy. In Figure 19, the lines show very volatile changes in most of the indicators, except for the health indicators (heO), as indicated by infant
mortality rate under the age of 5 years, and the level of employment (emp) indicator. Although it displays a different trend, both indicators have been experiencing steady changes over the period under investigation. There had been a tendency of unchanged patterns for the last 40 years, while the infant mortality rate has decreased steadily, and remained unchanged in a decade (1999-2009). However, the data also indicates the rise of the infant mortality rate between 2011 and 2012. Other social welfare indicators, i.e. education (edO) and poverty (pov), exhibit a fact in which both indicators were more dynamic compared to other indicators. The education sector, measured by primary and secondary school acceptance rate, showed an increasing trend from 1973 to 1999, and then decreased fragmentally to the present. Since 2009, education indicators have been experiencing a decreasing trend to date. Next, the social welfare indicator of poverty (pov) shows quite an interesting fact, in which, the poverty rates tended to increase between 1973 and 1977, and then sharply and consistently decreased until 1993. The poverty rate continued to decline during 1999-2009, and increased from 2009 to date. Regarding economic welfare, the data showed a similar trend to Indonesia, especially the decline in economic growth, as measured by GDP growth (gdpG), and the decline in foreign direct investment (fdi) followed by the growth of the trade (trd) indicator. The most obvious example appeared during 1981 to 1985 when a decreasing trend in gdpG and fdi occurred, while trd began to show an upward trend. The same situation occurred between 1995 and 1997, in which gdpG and fdi decreased significantly, paralleled by an increase of the trade indicator (trd). Then, the decline of gdpG and fdi in 2008 also occurred alongside a trd increase albeit on a smaller scale than in the previous two periods.

Malaysia’s social development indicators have slightly improved without factoring in the influence on its level of democracy or the Asian Crisis of 1997. Similar to Indonesia, the descriptive data also demonstrates that the
balance between economic and social aspect in development outcomes (Sengupta, 1991; Lucas, 1998; Sen, 1999) in Malaysia has been achieved.

3.2.2 PLS-SEM: Results and Interpretation

- Quality Criteria (Goodness of Fit)

In conducting PLS-SEM analysis, the first critical step is to undergo validity testing on the whole model. This step is useful to see the robustness of the model in order to draw conclusions. To determine the goodness of fit (GoF) of the existing model, it is necessary to obtain information on the Averaged Variance Extracted (AVE), Construct Reliability (CR), and $R^2$. Criterion validity and reliability are indicated by the CR and AVE values of each construct. The construct is stated to have a high reliability if the value of CR and AVE is above 0.50. Looking at Table 7, all constructs are stated as reliably meeting the criteria.

Table 7. Quality Criteria PLS-SEM in Malaysian case

<table>
<thead>
<tr>
<th>Constructs</th>
<th>CR</th>
<th>AVE</th>
<th>$R^2$</th>
<th>GoF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democracy</td>
<td>0.743</td>
<td>0.508</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Policy</td>
<td>0.391</td>
<td>0.532</td>
<td>0.321</td>
<td></td>
</tr>
<tr>
<td>Inclusive Growth</td>
<td>0.172</td>
<td>0.488</td>
<td>0.892</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>0.508</td>
<td>0.605</td>
<td>0.554</td>
</tr>
</tbody>
</table>

Table 7 displays the results of CR and AVE calculations on the proposed model within the Malaysia context. Unlike Indonesia, the construct of Democracy for Malaysia is the only construct to have AVE (0.508) and CR (0.743) above the cut-off value. The cut-off values for both AVE and CR are 0.50. Furthermore, the results of PLS-SEM exhibited in Table 8 demonstrated very significant $P$-values for all indicators in the democratic constructs (0.000, 0.000, and 0.016). The strength of the Social Policy construct is middling, due to the fact that CR for Malaysia is 0.391, which is below the cut-off. Meanwhile, the AVE is above the cut-off (0.532). The relationship between indicators in the Welfare construct is weak because the CR (0.172) and AVE (0.488) are below the cut-off. Looking at this aspect alone, the indicators applied to represent the Inclusive Economic Growth construct in Malaysia are stated as not quite
representative. If these results are compared with output data in Table 15, however, many Inclusive Economic Growth indicators have a considerably strong significance value, e.g. trd, edo, and emp, while fdi and gpdG present a weak level of significance.

Both AVE and CR are taken to assess the relationship of each construct with the indicators. To assess the overall model, however, PLS-SEM applies the calculation on Goodness of Fit (GoF). The calculation formula for the Goodness of Fit of hypothesis testing in the context of Malaysia is expressed as:

\[
\text{GoF} = \sqrt{\text{AVE (averaged) x R}^2 \text{(averaged)}}
\]

\[
\text{GoF} = \sqrt{0.508 \times 0.605}
\]

\[
\text{GoF} = 0.554
\]

The cut-off value for the GoF is equal to the cut-off value for AVE and CR, i.e. 0.50. From the formula, the value of GoF test on this hypothesis for the Malaysia context (0.554) is above the cut-off (Table 7). From the discussion on AVE, CR, and GoF, for the Malaysian context, the proposed model meets the minimum requirements, thus it is possible to perform further analysis of the various results.

- **Confirmatory Analysis**

After the validity of the model as a whole has been determined, the validity and reliability testing of the instrument is conducted. To achieve the purpose, Confirmatory Factor Analysis (CFA) is taken. Indicators of a construct are stated as valid if they have a significant factor loading (at \( \alpha > 5\% \)). The results of CFA on the indicators of Democracy (X), Social Policy (M), and Inclusive Economic Growth (Y) indicators (Table 13, 14, 15) are significant, with loading \( P \)-values under 0.05; hence, the validity and reliability testing indicate that the research instruments for all constructs are valid and reliable.
Table 8. Confirmatory Analysis for Democracy Construct

<table>
<thead>
<tr>
<th>Indicators (Observed variables)</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CL_cvt Democracy</td>
<td>3.654</td>
<td>0.183</td>
<td>3.371</td>
<td>0.000</td>
</tr>
<tr>
<td>2. PR_cvt Democracy</td>
<td>23.485</td>
<td>0.037</td>
<td>24.555</td>
<td>0.000</td>
</tr>
<tr>
<td>3. Pol_IV Democracy</td>
<td>2.408</td>
<td>0.190</td>
<td>2.428</td>
<td>0.016</td>
</tr>
</tbody>
</table>

The CFA results for the Democracy construct (Table 8) indicate that all indicators have a loading factor above 0.05, T-statistics more than 1.97, and a P-value under 0.05. These results show that the research instrument for the Democracy variable (X) is valid and reliable. Besides, Political Rights is the most powerful indicator of influence for the Democracy construct, followed by Civil Liberty (CL). On the other hand, the weakest influencing indicator, despite meeting the standards, is Political Rights (PR). The archival analysis affirms this PLS-SEM test result. Political rights (PR) in Malaysia have never significantly improved since independence. In early 1960s, during Mahathir’s era, the government implemented the Security Act and Sedition Act, banned several press outlets through the Publishing Act, and repressed the movements of Bersih and Hindraf. In general, these conditions eventually affect the quality of civil liberty in Malaysia.

Table 9. Confirmatory Analysis for Social Policy Construct

<table>
<thead>
<tr>
<th>Indicators (Observed variables)</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. eduSP Social_Policy</td>
<td>1.052</td>
<td>0.879</td>
<td>1.051</td>
<td>0.294</td>
</tr>
<tr>
<td>2. ggE Social_Policy</td>
<td>1.047</td>
<td>0.794</td>
<td>1.046</td>
<td>0.296</td>
</tr>
<tr>
<td>3. gpsSP Social_Policy</td>
<td>1.096</td>
<td>0.492</td>
<td>1.106</td>
<td>0.273</td>
</tr>
<tr>
<td>4. heSP Social_Policy</td>
<td>1.062</td>
<td>0.845</td>
<td>1.061</td>
<td>0.288</td>
</tr>
<tr>
<td>5. houSP Social_Policy</td>
<td>1.077</td>
<td>0.501</td>
<td>1.090</td>
<td>0.282</td>
</tr>
<tr>
<td>6. ssSP Social_Policy</td>
<td>1.080</td>
<td>0.749</td>
<td>1.084</td>
<td>0.280</td>
</tr>
<tr>
<td>7. tax Social Policy</td>
<td>0.918</td>
<td>0.381</td>
<td>0.916</td>
<td>0.359</td>
</tr>
</tbody>
</table>

Furthermore, the CFA results exhibited in Table 9 indicate that none of the research instruments for the Social Policy construct (M) are valid and reliable. All indicators do have a loading factor above 0.05; however, their T-statistics are under 1.97 and P-values are over 0.05 (weak).
indicates the tax indicator as the weakest indicator for Social Policy (M), followed by education and general government spending. These findings confirm the non-systematic and non-integrated commitment of Malaysian government to social policy (social spending). The weak CFA results on this variable (Social Policy) prove that the pattern of public spending in each sector does not go hand-in-hand. This might be related to the pattern of budget allocations, which is not a comprehensively but partially integrated part of the grand design of social policy.

Table 10. Confirmatory Analysis for Inclusive Economic Growth

<table>
<thead>
<tr>
<th>Variables</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. trd ← Inclusive_Growth</td>
<td>90.682</td>
<td>0.087</td>
<td>11.075</td>
<td>0.000</td>
</tr>
<tr>
<td>2. edO ← Inclusive_Growth</td>
<td>13.741</td>
<td>0.100</td>
<td>8.403</td>
<td>0.000</td>
</tr>
<tr>
<td>3. emp ← Inclusive_Growth</td>
<td>7.598</td>
<td>0.106</td>
<td>6.203</td>
<td>0.000</td>
</tr>
<tr>
<td>4. fdi ← Inclusive_Growth</td>
<td>0.679</td>
<td>0.183</td>
<td>0.639</td>
<td>0.497</td>
</tr>
<tr>
<td>5. gdpG ← Inclusive_Growth</td>
<td>0.528</td>
<td>0.225</td>
<td>0.522</td>
<td>0.598</td>
</tr>
<tr>
<td>6. heO ← Inclusive_Growth</td>
<td>34.710</td>
<td>0.082</td>
<td>10.299</td>
<td>0.000</td>
</tr>
<tr>
<td>7. pov ← Inclusive_Growth</td>
<td>9.431</td>
<td>0.105</td>
<td>7.236</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The CFA results for the Inclusive Economic Growth construct (Table 10) indicate that most indicators have met the required standards, except for foreign direct investment (fdi) and GDP growth (gdpG). The loading factors of most indicators are above 0.05, T-statistics over 1.97, and P-values under 0.05. However, the T-statistics and P-value scores of fdi and gdpG do not meet the standards. In short, the testing results indicate that the research instrument for Inclusive Economic Growth (Y) is partially valid and reliable. Looking at Table 10, the trade (trd) indicator is the most powerful influencing indicator of Inclusive Economic Growth, followed by infant mortality rate (heo) and secondary school enrolment rate (edO).
Figure 20. PLS-SEM Result for Malaysia

- PLS-SEM Result

Figure 20 exhibits calculations and results on the application of the proposed model within the Malaysian context, i.e. the correlation between the constructs of democracy, social policy, and welfare and their indicators. Before further analysing the relationship and causalities among the three variables, the data first needs to be evaluated based on the quality criteria and the GoF of the model within the context. The quality criterion in the PLS-SEM is basically taken to assess the extent to which existing indicators in the model are good enough to represent the construct. Figure 20 exhibits how the constructs relate to one another. However, to see the robustness of the testing results on the relationship between these constructs, it is important to first evaluate the relationships between the indicators and their constructs. To check the robustness, essentially measuring the same aspects, with different ways of calculation, two measurements are taken: Composite Reliability (CR) and Average Variance Extracted (AVE). Generally, in PLS-SEM research
presentation both measurements are reported.

Having passed the quality criteria and GoF test, the next step is to see whether the proposed hypotheses are accepted or rejected within the Malaysia context. The first step is to compare any direct with indirect effects. Table 11 shows the overall PLS-SEM test results for Malaysia. These results present the fact that some differences occurred in comparison with those for Indonesia. The major difference is that all but one hypothesis is rejected in the Malaysia context.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Democracy ➔ Welf_Outcomes</td>
<td>6.771</td>
<td>0.080</td>
<td>9.874</td>
<td>0.000</td>
</tr>
<tr>
<td>b) Democracy ➔ Social_Policy</td>
<td>0.987</td>
<td>0.575</td>
<td>0.985</td>
<td>0.325</td>
</tr>
<tr>
<td>c) Social_Policy ➔ Incl_Growth</td>
<td>1.058</td>
<td>0.582</td>
<td>1.058</td>
<td>0.290</td>
</tr>
<tr>
<td>Mediation Analysis (b*c)</td>
<td>1.044</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mediation analysis result: (b*c) < a

The role of social policy as a mediating variable is indicated as being smaller than the direct effect. The estimated value of the direct effect between democracy and inclusive economic growth in Malaysia is 6.771, while the value of the indirect effect or mediating variable is 1.044 (0.987 x 1.058). Hence, the role of the mediating variable (social policy) in explaining the relationship between democracy and welfare in Malaysia is very weak. It is also apparent by looking at the P-value of the direct effect (a), which is very strong (P-value = 0.000); however, for mediating pathways, i.e. (b) and (c), the significance levels are very weak (P-value = 0.325 and 0.290, respectively). The archival analysis affirms this result. Social policy in Malaysia that was part of NEP (1971-1991) and NDP (1991-2000) were developed regardless the development of democracy. The descriptive data is also in line with the conclusion of PLS-SEM test result; when the score of democracy has been stagnant (Figure 17), the amount of social spending (Figure 18) shows a gradual increase. However, the trends of social spending are not in line with the inclusive development indicators that are fluctuate as shown in Figure 19.
The last stage is an observation on the value of the coefficient estimate. This is done by understanding that the standardised value is taken as the value of the coefficient estimate in the PLS-SEM. Therefore, the value of coefficient estimate cannot be taken to calculate the effect magnitude of the independent variable towards the dependent variable. The purpose of taking this standardised estimate is for comparison; hence the magnitude of a case is comparable to other cases. If the un-standardised values are taken, then it would not be comparable due to the different scales of currency, the size of a state, population, income, etc., as mentioned in the previous chapter. Therefore, the value of the coefficient estimate (Figure 20 and Table 11) cannot be used to calculate the amount of the effect of each relationship. Later, the stage of analysis attempts to compare the amount of coefficient between countries under investigation. In the context of Malaysia (Figure 20), there is no negative correlation in any indicator and construct, meaning that there is no negative relationship (weaken or contradictory) to each other, i.e. between the constructs and the indicators to construct. It further strengthens the conclusion from the analysis on quality criteria, in which the model as a whole provides a good representation of the relationship between democracy, social policy, and inclusive economic growth in the historical context of Malaysia. In short, in the Malaysian context, there is no negative correlation in all the indicators and constructs, meaning that all the existing correlations are positive and do not negate one another.

3.2.3 Testing on Hypotheses

\( H_1 = \text{Democracy has a positive effect on Inclusive Economic Growth (} H_1: \beta_{1i} \geq 0/ H_{0.1}: \beta_{1i} < 0) \)

A test on the first hypothesis shows that the relationship between Democracy and Welfare Outcome variables indicates the path coefficient of 6.77, T-statistics at 9.87, and a \( P \)-value of 0.00, meaning that when social policy variables are introduced into the model, the impact of democracy on inclusive
economic growth remains strong. Thus, H₁ is accepted. However, it also indicates that the mediating variable does not play an important role in mediating democracy and inclusive economic growth.

\( H_2 = \text{Democracy has a positive effect on Social Policy (} H_2: \beta_{n} \geq 0/H_0.2: \beta_{n} < 0) \)

A test on the second hypothesis shows that the relationship between Democracy and Social Policy is positive but insignificant (weak). This is indicated by the loading coefficient of 0.987; however, T-statistics (0.985) and the P-value (0.325) do not meet the required standards. These results mean that democracy in Malaysia has a positive but insignificant effect on social policy. The results are inconsistent with the proposed hypothesis in which democracy encourages an increasing tendency of a state to allocate a larger social policy budget. In short, H₂ is rejected.

\( H_3 = \text{Social Policy has a positive effect on Inclusive Economic Growth (} H_3: \beta_{n} \geq 0/H_0.3: \beta_{n} < 0) \)

Similar to H₂, a test on the third hypothesis shows that the relationship between Social Policy and Inclusive Economic Growth is also insignificant. It is indicated by the loading coefficient of 1.058, which is above the cut-off value, but the T-statistics (1.058) and P-value (0.290) do not meet the required standards (1.97 and 0.05). Thus, social policy in Malaysia has a positive but insignificant relationship on inclusive economic growth. These results are inconsistent with one of the proposed hypotheses in which larger social spending encourages an increased tendency toward inclusive development indicators. In short, H₃ is rejected.

\( H_4 = \text{The relationship between Democracy and Inclusive Economic Growth is mediated by Social Policy (} \beta_{H2} \cdot \beta_{H3} > \beta_{HH}) \)

A test on the last (main) hypothesis shows that Social Policy has no
mediating effect between democracy and inclusive economic growth. This is apparent in the magnitude of indirect effect (1.044), which is smaller than the coefficient of direct effect (6.771). These results indicate that a higher value of democracy in Malaysia would not lead to an increase in the amount of the state budget for social policy, meaning that H4 is also rejected. These findings show that the results of statistical tests on the proposed model are very different to the Indonesia context. The main hypothesis is accepted in the context of Indonesia but is rejected in the Malaysian context.

3.3 The Philippines

As in the previous sections, this section will discuss the relationship between the three variables of this thesis (democracy, social policy, and inclusive economic growth), this time in the context of the Philippines. The findings of this thesis indicate that there is a very strong relationship between the three main variables in the Philippines. Social policy has a very strong mediating effect on democracy and inclusive economic growth. Similar to Indonesia, the democratisation process in the Philippines is relatively more stable and progressive, especially since the 1986 Yellow Revolution. Democracy significantly supports the budgetary allocation for social policy, and the budget for social policies has a positive impact on the improvement of inclusive economic growth. Thus, the answer to the research question is: democracy does matter in the delivery of effective social policy that improves welfare.

3.3.1 Data description

Three indicators are used to measure democracy in the Philippines, namely civil liberty (CL), political rights (PR), and the Polity IV (Pol_IV). Figure 14 shows the historical development of democracy in the Philippines from 1973 to 2012. The data in the graph confirms the brief explanation of the history of politics and democracy in the Philippines that was described in the previous section. It can be seen that in 1986 there was a surge in the value of democracy
in both of the assessments conducted by the Polity IV and by the FH. The assessment of the Polity IV looks more dramatic than the improvement shown by the two indicators in the FH (CL_cvt and PR_cvt). This data is confirmed by the documentary analysis in the previous section. The low score of democracy prior to 1973 is due to the martial law implemented by President Ferdinand Marcos until 1986.

![Figure 21. Democracy in the Philippines](image)

**Source:** Freedom House and Polity IV

When compared to the other three countries, the Philippines shows a different connection between CL and PR. In the three countries previously discussed, CL often comes ahead of PR, but this is not the case in the context of the Philippines. This phenomenon was only visible at the time of the democratic opening in 1985, when CL increased first, followed later by an increase in the PR score. This is due to the increased political awareness of the Filipinos after the assassination of Benigno Aquino in 1983. However in 1991, a decrease in CL was not followed by a decrease in PR. But, an increase in PR in 1993 was followed by an increase in CL in 1995. The cause of this trend might be due to the fact that CL was already strong as a result of the democratic opening of EDSA I in 1986. After the 1987 Constitution was passed, both the
condition of CL and PR became stronger. From the documentary data, it can be observed that the cause of stagnation was due to the lower level of democracy during Joseph Estrada’s and Gloria Arroyo’s administrations. The descriptive data of democracy in the Philippines demonstrates that all aspects of democracy could be generally concluded to have slightly improved since 1974. The three variables (Pol IV, CL, and PR) show that there has been a dramatic increase in democracy since 1986, which can be termed the post-Marcos era.

In general, as shown in Figure 22, redistribution policies and social policies in the Philippines also did not show much change. Extreme change is only shown in the tax revenue indicator. 1973 saw a sharp decline in tax revenue, which continued to slump until 1979; though in 1981, the tax indicator increased drastically to over triple its status in 1979. Since then, the tax revenue indicator in the Philippines has tended to remain stable, until 2011. A slight decrease in education and public services was also seen between 2011 and 2013, especially when compared to social spending in other sectors. In 2001 the Philippines’ government passed the Basic Education Act, which has since
stabilised spending in education. Education and general public service spending continued at the same level until 2013, while three other sectors of social spending were at very low levels. Among the three sectors of government, by 1995, social security (ssSP) saw the most expenditure; previously, the health sector had the most expenditure in public spending. From the documentary analysis, it can be inferred that the cause of this increase was due to the implementation of several programs, such as the Countrywide Development Fund (1993), The National Health Insurance (1995), and the Social Security Act (1997). Health spending experienced a slight increase in 2011 due to the Philippines Health Policy and the National Objectives for Health (2011-2016) policies that were implemented in 2011. Public spending in the housing level has always been at a lower level when compared to the four other social policy sectors.

From the data displayed in Figure 22, it can be seen that the Filipino government’s commitment to social policy experienced a slight increase, indicated by the education and general public spending sectors, as well as the social security sector experienced a slight increase during the mid-1990s. Despite this, the health and housing sectors have been relatively stagnant since 1974.
Figure 23. Inclusive Economic Growth Indicators
Source: Asian Development Bank, Key Indicators (2013)

The data for inclusive economic growth in the Philippines is displayed in Figure 23. There is one fact that is quite interesting, especially when compared to previous descriptions for the other three countries. This is the context of employment (\(emp\)). The Philippines’ data displays a stagnant pattern during the time period under investigation. While the indicators of infant mortality under-5 (\(heO\)) show more dynamic changes when compared with the previous three countries, the employment indicator (\(emp\)), hardly changed during the time period of the study. As for the health sector (\(heO\)), there were least three periods of drastic change. This did not occur in the other three countries. The period of 1973 to 1979 is when the indicator first stagnated. Then, from 1981 to 2009, the indicator experienced a slow decline. The last change was from 2009 to 2013, when an increasing number of infants died in the Philippines. Other social development indicators did not experience the same dynamics. As measured by the rate of enrolment in secondary school (\(edO\)), the education sector showed a slow increase from 1973 to 2009; however, this indicator also experienced a slow decline from 2009 to 2012. Similarly, the poverty rate experienced a slow decline since 1991. Between 2011 and 2013, the
The poverty rate in the Philippines showed a rising trend, although at a moderate level.

Another interesting difference in inclusive economic growth in the Philippines is in economic welfare. In the three other countries, there were fairly close relationships between \( fdi \), \( trd \), and \( gdpG \). As can be seen in Figure 16, the period of 1981-83 saw a decline in both \( gdpG \) and \( fdi \). However, the relationship between these two sectors (\( gdpG \) and \( fdi \)) with trade (\( trd \)) was different compared to the other three countries. In the time period 1995-1997, \( trd \) mimicked \( fdi \); both increased, while at the same time, \( gpdG \) experienced a decline. A similar phenomenon happened in 2007, where a decline in \( gdpG \) was followed by a decline in \( trd \); at the same time, \( fdi \) increased. However, trends in the welfare sector in the Philippine economy cannot be generalised. Indicators for \( fdi \) and \( gdpG \), for example, were very volatile, while \( trd \) indicators did not see extreme changes during the time under review.

3.3.2 PLS-SEM Results and Interpretation

- Quality Criteria (Goodness of Fit)

In order to conduct PLS-SEM analysis, the first and most important step is testing the validity of the model as a whole. This step is useful to see whether the model in this study is robust enough to draw conclusions. In order to determine the goodness of fit (GoF) of the existing model, the required information are the averaged variance extracted (AVE), construct reliability (CR), and R squared. Criterion validity and reliability can also be seen from the value of CR and AVE for each construct. The construct is said to have a high reliability if the value of CR and AVE is above 0.50. Based on the information in Table 16, it can be concluded that all constructs reliably meet the criteria. Complete information regarding quality criteria of the model is shown in Table 12, below:
Table 12. Quality Criteria PLS-SEM for Philippines’ case

<table>
<thead>
<tr>
<th>Constructs</th>
<th>CR</th>
<th>AVE</th>
<th>R2</th>
<th>GoF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democracy</td>
<td>0.951</td>
<td>0.867</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Policy</td>
<td>0.445</td>
<td>0.502</td>
<td>0.714</td>
<td></td>
</tr>
<tr>
<td>Inclusive Growth</td>
<td>0.507</td>
<td>0.643</td>
<td>0.883</td>
<td>0.732</td>
</tr>
<tr>
<td>Average</td>
<td>0.671</td>
<td>0.799</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Similar to the three other countries, this stage will be carried out by looking at the value of AVE and CR, where the standard cut-off value is 0.5. For the Democracy construct, all measuring devices performed well above the cut-off value; the Philippines has a CR of 0.951 and AVE of 0.867 for the Democracy construct. The Philippines has an average Social Policy construct, as the CR is below the cut-off value, while the AVE value is slightly above the cut-off point (0.502). Regarding the Inclusive Economic Growth construct, the Philippines has good quality criteria; both CR (0.507) and AVE (0.643) are above the cut-off value. The level of comprehensiveness of the existing models in this thesis will be judged by goodness of fit (GoF). The calculation for the case GoF Philippines are as follows:

\[
\text{GoF} = \sqrt{\text{AVE [averaged]} \times \text{R2 [averaged]}}
\]

\[
\text{GoF} = \sqrt{(0.671 \times 0.883)}
\]

GoF = 0.732

From these calculations it appears that the GoF for this model is very high, namely 0.732. This result is well above the minimum standards of the GoF in PLS-SEM, which is 0.36. From this, it can be concluded that the performance of the model is very good in the case of the Philippines. The relationship between democracy, social policies, and inclusive economic growth can be explained very well. Although the CR for the Social Policy construct has a few constraints, these are compensated for by the AVE and high GoF value.

- **Confirmatory Analysis**

Once the validity of the model as a whole has been determined, the next step is testing the validity and reliability of the instrument. In order to do this,
this research uses confirmatory factor analysis. Indicators of a construct are valid if they have significant factor loading (at \( \alpha > 5\% \)). The results of confirmatory factor analysis of the indicator variable Democracy (X), Social Policy (M), and Inclusive Economic Growth (Y) are significant, with loading P-values below 0.05. Results show that the research instruments for all constructs are valid and reliable. Table 13 shows the results of the validity and reliability tests of research instruments for each construct.

Table 13. Confirmatory Analysis for Democracy Construct

<table>
<thead>
<tr>
<th>Constructs (Latent variables)</th>
<th>Variables</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>CL_cvt ← Democracy</td>
<td>19.506</td>
<td>0.047</td>
<td>19.230</td>
<td>0.000</td>
</tr>
<tr>
<td>2.</td>
<td>PR_cvt ← Democracy</td>
<td>37.340</td>
<td>0.022</td>
<td>42.387</td>
<td>0.000</td>
</tr>
<tr>
<td>3.</td>
<td>Pol_IV ← Democracy</td>
<td>115.336</td>
<td>0.008</td>
<td>115.022</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The results of the confirmatory analysis in Table 13 show that all the indicators already have a loading factor of more than 0.05, with T-statistics of more than 1.97 and a P-value of less than 0.05. Test results show that the research instrument for the Democracy variable (X) is valid and reliable. This result is consistent with the descriptive data and documentary analysis, which showed that all three indicators fluctuate in the same manner. An increase in the democracy score happened in 1986 (EDSA I), and again after 2010, when Benigno Aquino II was elected President. From Table 13, it can also be seen that the Polity IV is the most powerful indicator of influence for Democracy constructs, followed by the Political Rights (PR) indicator; while the weakest indicator, though it still meets the required standards, is the indicator of civil liberty (CL).
Table 14. Confirmatory Analysis for Social Policy Construct

<table>
<thead>
<tr>
<th>Constructs (Latent variables)</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. eduSP ← Social_Policy</td>
<td>5.300</td>
<td>0.127</td>
<td>6.417</td>
<td>0.000</td>
</tr>
<tr>
<td>2. ggE ← Social_Policy</td>
<td>6.673</td>
<td>0.137</td>
<td>3.985</td>
<td>0.000</td>
</tr>
<tr>
<td>3. gpsSP ← Social_Policy</td>
<td>3.348</td>
<td>0.122</td>
<td>3.776</td>
<td>0.000</td>
</tr>
<tr>
<td>4. heSP ← Social_Policy</td>
<td>5.151</td>
<td>0.139</td>
<td>6.070</td>
<td>0.000</td>
</tr>
<tr>
<td>5. houSP ← Social_Policy</td>
<td>5.122</td>
<td>0.128</td>
<td>5.904</td>
<td>0.000</td>
</tr>
<tr>
<td>6. ssSP ← Social_Policy</td>
<td>5.252</td>
<td>0.125</td>
<td>6.410</td>
<td>0.000</td>
</tr>
<tr>
<td>7. tax ← Social Policy</td>
<td>4.260</td>
<td>0.142</td>
<td>4.533</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Table 14 demonstrates the results of the confirmatory analysis, which concludes that all indicators for the Social Policy construct (M) are valid and reliable. All indicators have a loading factor of more than 0.05, their T-statistics are more than 1.97, and P-values are less than 0.05 (strong). These findings prove that the Filipino government’s commitment to social policy (social spending) is systematic and integrated. The strong results of confirmatory analysis on this variable (Social Policy) proves that the pattern of public spending in all sectors do alike. This could be due to the fact that budget allocations are integrated into the comprehensive social policy.

Table 15. Confirmatory Analysis for Inclusive Economic Growth Construct

<table>
<thead>
<tr>
<th>Constructs (Latent variables)</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. trd ← Inclusive_Growth</td>
<td>21.283</td>
<td>0.037</td>
<td>23.081</td>
<td>0.000</td>
</tr>
<tr>
<td>2. edO ← Inclusive_Growth</td>
<td>55.828</td>
<td>0.018</td>
<td>52.788</td>
<td>0.000</td>
</tr>
<tr>
<td>3. emp ← Inclusive_Growth</td>
<td>18.451</td>
<td>0.049</td>
<td>16.660</td>
<td>0.000</td>
</tr>
<tr>
<td>4. fdi ← Inclusive_Growth</td>
<td>5.304</td>
<td>0.113</td>
<td>5.316</td>
<td>0.000</td>
</tr>
<tr>
<td>5. gdpG ← Inclusive_Growth</td>
<td>1.616</td>
<td>0.200</td>
<td>1.630</td>
<td>0.104</td>
</tr>
<tr>
<td>6. heO ← Inclusive_Growth</td>
<td>105.314</td>
<td>0.009</td>
<td>102.482</td>
<td>0.000</td>
</tr>
<tr>
<td>7. pov ← Inclusive_Growth</td>
<td>51.399</td>
<td>0.016</td>
<td>57.578</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The results of the confirmatory analysis for the Inclusive Economic Growth construct in Table 15 shows that most of the indicators meet the required standards, except for the GDP growth (gdpG) indicator. The loading factors of all indicators are more than 0.05. Most of the indicators have T-statistics of more than 1.97, and P-values of less than 0.05; except for the gdpG indicator. Test results show that the research instrument for Inclusive
Economic Growth \((Y)\) is valid and reliable. From Table 15, we can also see that the health \((heO)\) indicator was the most powerful indicator in influencing Inclusive Economic Growth constructs, followed by the indicators of education \((edO)\) and poverty rate \((pov)\).

- **PLS-SEM result**

Figure 24 shows the calculation results of PLS-SEM tested against the hypothesised model in the case of the Philippines. Prior to assessing more detail from the calculation of PLS-SEM, this research will conduct tests for data quality and the goodness of fit of this model. The purpose is to see whether the indicators in the model can be considered good enough to explaining all the constructs contained in the model. The ultimate goal of this thesis is to examine the relationship between constructs.

Figure 24. PLS-SEM Result for the Philippines
Having passed the test for quality and GoF, the next step is to see whether the hypothesis of this thesis should be accepted or rejected. The first step is to compare the direct and indirect effects. Table 16 shows the overall test results of PLS-SEM. The data presented shows that the main hypothesis of this research should be accepted.

Table 16. PLS-SEM Result for the Philippines (Estimates/Loadings and Significance Levels)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Constructs (Latent variables)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Democracy (\rightarrow) Welf_Outcomes</td>
<td>1.719</td>
<td>0.046</td>
<td>18.487</td>
<td>0.000</td>
</tr>
<tr>
<td>b) Democracy (\rightarrow) Social_Policy</td>
<td>5.218</td>
<td>0.137</td>
<td>6.165</td>
<td>0.000</td>
</tr>
<tr>
<td>c) Social_Policy (\rightarrow) Incl_Growth</td>
<td>4.193</td>
<td>0.173</td>
<td>4.482</td>
<td>0.000</td>
</tr>
<tr>
<td><strong>Mediation Analysis ((b^*_c))</strong></td>
<td>21.879</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>med result: ((b^</em>_c) &gt; a)*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The most important step is to decide to what extent this research hypothesis is acceptable. That takes into account the importance of social policy in mediating the relationship between democracy and inclusive economic growth. This can be assessed by comparing the values of the direct effect estimate \((a)\) with the indirect effect \((b^*_c)\) estimate. In the case of the Philippines, the hypothesis of this thesis can be accepted. Table 16 shows that the magnitude of the indirect effect \((21.879)\) is much larger compared to the coefficient of the direct effect \((1.719)\). This conclusion is further strengthened by the fact that the P-value of all these relationships is very significant. Table 16 shows that all of the P-values are 0.000, which is means that the relationship between all the constructs and indicators are very strong. All coefficients have positive numbers, which means that there is no negative causality in this model. This result is affirmed by the documentary analysis which showed that the improvement of democracy during the Aquino I administration was coupled with stronger commitment to social welfare, as reflected in the 1987’s People Constitution. Hence, during Aquino II’s administration, when the condition of democracy improved, it was followed by an increase in social policies, such as
a 20% subsidy to the poor, and the initiation of the National Objective Health program.

In summation, it can be concluded that, as in the case of Indonesia, this model in the context of the Philippines worked very well, and provided different results between the four cases under investigation. The comparative analysis of the four cases will be discussed further in the next chapter.

3.3.3 Testing of Hypotheses

\( H_1 = \text{Democracy has a positive effect on Inclusive Economic Growth (} H_1: \beta_n \geq 0 / H_{0.1}: \beta_n < 0 \) \)

In the test on the first hypothesis, the relationship between the Democracy and Inclusive Economic Growth variables indicates a path coefficient of 1.719, \( T \)-statistics of 14.487, and \( P \)-value of 0.00. These figures mean that the impact of democracy on inclusive economic growth is positive and significant. Therefore, Hypothesis 1 is accepted.

\( H_2 = \text{Democracy has a positive effect on Social Policy (} H_2: \beta_n \geq 0 / H_{0.2}: \beta_n < 0 \) \)

The test on the second hypothesis indicates that the relationship between Democracy and Social Policy is significant, since it has a loading coefficient of 5.218, \( T \)-statistics of 6.165, and \( P \)-value of 0.000. This means that democracy in the Philippines has a positive and significant impact on social policy. These results are consistent with the primary hypothesis, which is that democracy encourages the State to allocate a larger social policy budget. Therefore, Hypothesis 2 is also accepted.

\( H_3 = \text{Social Policy has a positive effect on Inclusive Economic Growth (} H_3: \beta_n \geq 0 / H_{0.3}: \beta_n < 0 \) \)

The test on the third hypothesis shows that the relationship between Social Policy and Inclusive Economic Growth is also significant. This is indicated by a loading coefficient of 4.193, \( T \)-statistics of 4.482, and \( P \)-value of
0.000. This means that social policy in the Philippines has a positive and significant impact on inclusive economic growth. These results are consistent with the third hypothesis, which stated that larger social spending encourages better inclusive economic growth indicators. Thus, Hypothesis 3 is accepted.

\[ H_4 = \text{The relationship between Democracy and Inclusive Economic Growth is mediated by Social Policy (} \beta_{H2} \beta_{H3} > \beta_{H1}) \]

The test on the last, and primary, hypothesis confirms that Social Policy has a strong and significant mediating effect between democracy and inclusive economic growth. This is shown by the magnitude of the indirect effect (21.879), which is greater than the coefficient of the direct effect (1.179). These results indicate that a higher value of democracy in the Philippines leads to an increase in social policy spending within the national budget. Hence, increasing the national budget for social policy will produce higher values of inclusive economic growth in the Philippines. Hypothesis 4 is therefore accepted.

3.4 Thailand

In the case of Thailand, most of the research hypotheses have to be rejected, based on statistical analysis. This is due to the fact that the relationship between democracy, social policy, and inclusive economic growth was not significant and did not meet the required cut-off value. Yet the reason behind the three variables’ insignificant relationship is different from the case of Malaysia. In the case of Thailand, democracy is actually quite powerful, but because political changes have been so fast and frequent, it causes the three relationship variables to have an insignificant relationship.

3.4.1 Data description

The chart below shows the trend of the development of democracy in Thailand from 1973 to 2012. The three indicators that are used for measuring democracy are the quality of the election (Schumpeter, in Cunningham, 2002;
Dahl, 1984); checks and balances between the executive, legislature, and judicial bodies (Madison, in Dahl, 1984); and freedom and constitutional liberalism (Zakaria, 1997; Sen, 1999; Ringen, 2009). The data shown in Figure 25 is taken from the actual value of both Polity IV database and Freedom House (FH). However, as in the case of Indonesia and Malaysia, the FH data is converted into inverted values. The purpose of this is to make the trends of increases and decreases in the democracy score compatible between Polity IV and FH. A low FH number indicates a good democracy, while a high value indicates a deteriorating democracy, which is the opposite of Polity IV figures. By converting the existing value in FH (both CL and PR), the data can be seen and compared to the trend of democracy between the two sources. As already discussed in the previous section, democracy in Thailand had been diverse and dynamic. Both data from the Polity IV and FH prove that there are at least three periods of sharp decline in the quality of democracy in Thailand, which were the periods of 1976-1977, the early 1990s, and 2005-2007. Fairly prominent differences were seen in 1976, at which time the Polity IV presented a rapid decline of democracy in Thailand, whereas FH showed an increasing trend. This condition is justified by the documentary data as described in the previous section. The decline in the quality of democracy in 1976 was due to a military coup against the democratic regimes as a result of the first democratic opening. The low score of democracy in the early 1990s was due to the repressive military government under the leadership of General Suchinda Krapravoon. The poor quality of democracy between 2005 and 2007 is due to the military coup and intensified polarisation between "Red-Shirts" and "Yellow-Shirts".
Overall there was no significant difference between FH and Polity IV. As in the cases of Indonesia and Malaysia, in the case of Thailand the CL condition tends to be followed with the increase on PR. In 1974, for example, an increase in CL scores (due to the 1973 student movement winning their democratic demands) was followed by an increase in PR in 1975, when the democratic regime created political reforms in the country. The increase of democracy scores in the mid 1990s is affirmed by the formation of the People’s Constitution in 1997. Both data sources (Polity IV and FH) show the same conditions in the period of 2005-2007, when democracy in Thailand decreased quite dramatically after the military coup against Thaksin Shinawatra. However, these conditions again improved in 2007, as indicated by the increase in PR and Polity IV, although the CL conditions remain unchanged from 2005 to the present. The descriptive data of democracy in Thailand demonstrates that all aspects of democracy could be generally concluded to have been dynamic from 1974 to the present. Three datasets show that there were three democratic openings in the early 1970s, the 1990s, and the late 2000s.
Figure 26 demonstrates the trends of redistribution policies and social policies that existed in Thailand between 1973 and 2012. In the graph, data from 2012 is not visible because the graph presents figures for every two years. In general, state revenue from the tax sector has been steady; a sharp decline in 1997 was tracked, which was obviously related to the 1997 Asian Crisis. However, the state income (tax) sector did not show many changes.

Monitoring social policy by social spending is essential to measure the level of “welfare effort” or “welfare commitment” of the government (Haggard and Kaufman, 2008, Park and Jung, 2008). In Thailand, government expenditure for social policy has been mixed. Fairly extreme conditions can be seen in state spending in the social security sector (ssSP). Since the early 1970s, state spending in this sector had been quite high, far above other sectors. This is evidenced by the fact that during this period (the democratic era), the Thai government implemented several social security programs such as the Social Security Fund (SSF); Workmen’s Compensation Fund (WCF); Pension for government and non-government Officials (GPF); and Civil Servants Medical Benefit Scheme (CSMBS). Since 1987, there was a dramatic decrease, so that for
most of the 1990s, public spending in this sector is the lowest compared to other sectors. Government spending for education (eduSP) increased steadily between the mid-1980s and 2009, followed by a decrease from 2009 to the present. The documentary data also explained this with the fact that during that period, the Thai government passed the Fund for School Lunch of Primary School Act using an initial fund of 6 billion baht, which was later supplemented by another 3 billion baht from the government. Public expenditure in Thailand for the public service sector (gpsSP) also developed quite dynamically. A spending surge occurs twice in this sector, in 1989 and in 2001, and followed the trend of the education sector, in which a decline emerged. As for public spending in the health and housing sectors, these demonstrated a stagnant trend between 1973 and 2012.

![Graph showing economic growth indicators](image)

**Figure 27. Inclusive Economic Growth Indicators**

Source: Asian Development Bank, Key Indicators (2013)

The descriptive data in Figure 27 demonstrates the balance between the economic and social aspects of Thailand’s development outcomes (Sengupta, 1991; Lucas, 1998; Sen, 1999). As in the case of Indonesia and Malaysia, there are two indicators which are stable and do not fluctuate much; these are the
employment indicator (\textit{emp}) and the health indicator, as measured by rate of infant mortality (\textit{heO}). The level of employment in Thailand remained constant at a high level from 1973 to 2012, while the infant mortality rate fell sharply throughout the period under review. Other social welfare sectors also showed good conditions. The education sector, as measured by the rate of enrolment in primary and secondary schools, experienced a consistent increase and recently reached almost one hundred percent. This means that almost all primary school-age children in Thailand have received formal education. The poverty indicator (\textit{pov}) also declined quite sharply, especially since 1981. The poverty rate jumped between 1975 and 1980, and finally declined until 2012. Resembling the trends in Indonesia and Malaysia, the economic prosperity sector showed similar trends in economic growth (\textit{gdpG}) and \textit{fdi} trend indicators. The two sectors are not in line with the trend in trade (\textit{trd}). There is an increase in \textit{fdi} when \textit{gdpG} experienced a sharp decline. While \textit{trd}, as found in Indonesia and Malaysia, contrasted directly with \textit{gdpG} and \textit{fdi}, presenting a continuing upward trend that is not influenced by \textit{gdpG} and \textit{fdi}. Economic contraction was also seen in 2007, at which time \textit{fdi} and \textit{gdpG} decreased to the same degree. However, in 2009 and 2011, when Thailand’s \textit{gdpG} experienced a sharp decline, \textit{fdi} actually increased; while \textit{trd} continued to increase steadily during the period under review.

3.4.2 PLS-SEM Result and Interpretation

- \textit{Quality Criteria (Goodness of Fit)}

In order to conduct the PLS-SEM analysis, the first and most important step is to test the validity of the model as a whole. This step is useful for seeing whether the model in this study is robust enough to use to draw conclusions. In order to determine the goodness of fit (GoF) of the existing model, the necessary information is averaged variance extracted (AVE), constructed reliability (CR), and R squared. Criterion validity and reliability can also be
seen from the value of CR and AVE of each construct. The construct is said to have a high reliability if the values of CR and AVE are above 0.50. Based on Table 21, it can be concluded that all constructs reliably meet the criteria. Complete information for quality criteria of the model is shown in Table 17 below:

<table>
<thead>
<tr>
<th>Constructs</th>
<th>CR</th>
<th>AVE</th>
<th>R²</th>
<th>GoF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democracy</td>
<td>0.790</td>
<td>0.563</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Policy</td>
<td>0.015</td>
<td>0.397</td>
<td>0.186</td>
<td></td>
</tr>
<tr>
<td>Inclusive Growth</td>
<td>0.180</td>
<td>0.676</td>
<td>0.902</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>0.541</td>
<td>0.544</td>
<td>0.543</td>
<td></td>
</tr>
</tbody>
</table>

Table 17 shows the results PLS-SEM calculations to test the hypothesised model in the context of Thailand. For the Democracy construct, both CR and AVE showed good results, both being above the cut-off value. Overall, the indicators can be used to measure the usefulness of the construct of Democracy (Polity IV, CL_cvt, and PR_cvt). This is seen in the fact that the value of CR is quite high (0.790), while AVE is slightly above the cut-off (0.563). The Social Policy construct (CR and AVE) was below the cut-off value. As shown in Table 17, none of the existing indicators show strong significance. This result shows that the Social Policy indicators are very weak in representing their construct. The construct of Inclusive Economic Growth shows medium conditions; the value of CR is under the cut-off (0.180), while the AVE is above the cut-off value (0.676). To assess the overall feasibility of the model in the context of Thailand, the GoF will also be manually calculated. The results of the calculations are as follows:

$$\text{GoF} = \sqrt{(\text{AVE [averaged]} \times \text{R² [averaged]})}$$
$$\text{GoF} = \sqrt{(0.541 \times 0.544)}$$
$$\text{GoF} = 0.543$$

From these calculations it appears that overall, this model is above the cut-off value, which is 0.543. Therefore, it can be concluded that this model is
comprehensive enough to understand the relationship between democracy, social policy, and welfare. Although this model does not work as well as for the cases of Indonesia and Malaysia, especially because of the low CR and AVE in Social Policy constructs, it is robust enough to be continued at a subsequent stage of the analysis, since the GoF has passed the minimum threshold.

- Confirmatory Analysis

The quality criteria analysis above affirms the validity of the model for this research. The next step is to test the validity and reliability of the instrument by confirmatory factor analysis. Indicators of a construct are valid if they have significant factor loading ($\alpha > 5\%$). The results of confirmatory factor analysis on the indicator variables for Democracy (X), Social Policy (M), and Inclusive Economic Growth (Y) are significant, with loading P-values below 0.05. The test results show that the research instruments for all constructs are valid and reliable. Below is a table of results for the validity and reliability of the research instruments for each construct.

<table>
<thead>
<tr>
<th>Indicators (Observed variables)</th>
<th>Variables</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CL_cvt ✈ Democracy</td>
<td>1.814</td>
<td>0.295</td>
<td>1.942</td>
<td>0.070</td>
<td></td>
</tr>
<tr>
<td>2. PR_cvt ✈ Democracy</td>
<td>2.655</td>
<td>0.268</td>
<td>2.757</td>
<td>0.008</td>
<td></td>
</tr>
<tr>
<td>3. Pol_IV ✈ Democracy</td>
<td>2.213</td>
<td>0.421</td>
<td>2.123</td>
<td>0.027</td>
<td></td>
</tr>
</tbody>
</table>

The results of the confirmatory analysis in Table 18 shows that all the indicators have a loading factor of more than 0.05 with T-statistics of more than 1.97, and a P-value less than 0.05 (except for civil liberty/CL indicator). The test results show that the research instrument for Democracy variable (X) is valid and reliable. This finding is consistent with both descriptive statistics and process tracing analysis. All three indicators followed the same trend, which showed, three slumps followed by periods of improvement. The October movement in 1973, middle class protests in 1992, and the first election under
the 1997 Constitution were preceded by authoritarian regimes. This fact also reflects the rapid changes in Thailand’s political situation. From Table 18, it also can be seen that Political Rights was the most powerful indicator of influence for the Democracy construct, followed by the Polity IV indicator. The weakest indicator of the affect the construct of democracy is the indicator of civil liberty (CL).

Table 19. Confirmatory Analysis for Social Policy Construct

<table>
<thead>
<tr>
<th>Variables</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. eduSP ← Social_Policy</td>
<td>1.076</td>
<td>0.811</td>
<td>1.124</td>
<td>0.282</td>
</tr>
<tr>
<td>2. ggE ← Social_Policy</td>
<td>0.747</td>
<td>0.322</td>
<td>0.753</td>
<td>0.452</td>
</tr>
<tr>
<td>3. gpsSP ← Social_Policy</td>
<td>1.070</td>
<td>0.681</td>
<td>1.117</td>
<td>0.285</td>
</tr>
<tr>
<td>4. heSP ← Social_Policy</td>
<td>0.028</td>
<td>0.251</td>
<td>0.007</td>
<td>0.977</td>
</tr>
<tr>
<td>5. houSP ← Social_Policy</td>
<td>0.029</td>
<td>0.281</td>
<td>0.030</td>
<td>0.976</td>
</tr>
<tr>
<td>6. ssSP ← Social_Policy</td>
<td>1.104</td>
<td>0.712</td>
<td>1.168</td>
<td>0.270</td>
</tr>
<tr>
<td>7. tax ← Social_Policy</td>
<td>1.096</td>
<td>0.691</td>
<td>1.145</td>
<td>0.273</td>
</tr>
</tbody>
</table>

Table 19 displays the results of the confirmatory analysis, which conclude that none of the research instruments for the Social Policy construct (M) are valid or reliable. All indicators have a loading factor of more than 0.05, however, their T-statistics are less than 1.97 and their P-value are larger than 0.05 (weak). In addition, Table 19 also explains that health spending is the weakest indicator for Social Policy (M), followed by the housing spending indicator. These findings demonstrate the Thailand government’s systematic and unintegrated commitment towards social policy (social spending). The weak results of confirmatory analysis on this variable (Social Policy) proves that the pattern of public spending in each sector does not go hand in hand each other.
The result of the confirmatory analysis on the Inclusive Economic Growth constructs in Thailand is shown in Table 20. The results show that most of the indicators meet the required standards, except for the employment (emp) indicator. The loading factors of most indicators (except employment) are more than 0.05, with T-statistics of more than 1.97, and P-value of less than 0.05. The test results show that the research instrument for Inclusive Economic Growth (Y) is partially valid and reliable. Table 20 also shows that the trade (trd) indicator was the most powerful indicator of influence for the Inclusive Economic Growth construct, followed by the indicators of poverty rate (pov) and secondary school enrolment rate (edO). The weakest indicator in this construct is the employment rate (emp) indicator.

- PLS-SEM Result

Figure 29 displays the result of PLS-SEM analysis in the case of Thailand using SmartPLS V.21 software. As in the case of Indonesia and Malaysia, the first step is to ensure that the results of this statistical test passes two basic requirements, which are the quality criteria, and the goodness of fit (GoF). Similarly to those two instances, the test for quality criteria will be viewed in two ways, namely AVE and CR. In addition to these aspects, the result will also be strengthened by looking at the level of significance (P-value) of the entire construct for each indicator. Having ascertained that the models have passed
quality tests and goodness of fit criteria, these results can be used to decide whether the hypotheses of this study should be accepted or rejected.

The next stage, and most important step of this study is to assess whether the hypotheses of this study can be accepted or rejected. The main question of this study is whether social policies affect democracy enough to provide inclusive economic growth. Table 21 shows PLS-SEM calculated results for the overall model, for both constructs and indicators. The direct effect (a) and the indirect effect (bc) must be compared. From the table it can be concluded that the main hypothesis in this study should be rejected. This is evident from the magnitude of the coefficient estimate of direct effect, which is bigger than indirect effect. The coefficient of the direct effect is 0.314 while the coefficient of the indirect effect is 0.089 (0.303 x 0.295). The conclusion that can be drawn here is that in the case of Thailand, social policy does not have an important role in mediating democracy to provide inclusive economic growth. This may be because democracy in Thailand is very volatile, while public
spending for social policy occurs gradually and does not follow the political dynamics that exist in the country. The archival analysis confirms this result. Despite the rapid changes in Thailand’s political situation, social spending (under NEDP since the 1960s) and inclusive economic growth (Figure 26 and 27), except for ssSP, generally improve consistently.

Table 21. PLS-SEM Result for Thailand (Estimates/Loadings and Significance Levels)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Loadings</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constructs (Latent variables)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Democracy → Welf_Outcomes</td>
<td>0.314</td>
<td>0.335</td>
<td>1.384</td>
<td>0.185</td>
</tr>
<tr>
<td>b) Democracy → Social_Policy</td>
<td>0.303</td>
<td>0.365</td>
<td>1.175</td>
<td>0.303</td>
</tr>
<tr>
<td>c) Social_Policy → Incl_Growth</td>
<td>0.295</td>
<td>0.840</td>
<td>1.094</td>
<td>0.295</td>
</tr>
<tr>
<td>Mediation Analysis (b*c)</td>
<td>0.089</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The significance of the relationship between constructs, and relationships between constructs and indicators, in Thailand show different results from those in Indonesia and Malaysia. None of the relationships amongst the constructs reach the required threshold of significance. All P-values of the relationship between the constructs (0.185, 0.303, and 0.295) are in the upper limit of the lowest level of significance (0.05-0.1). As for the relationship between indicators of the constructs that have a high degree of significance, nine of the seventeen show this. For Social Policy constructs, none of the indicators show a high level of significance. This might be explained by the fact that relative values vary greatly between other indicators, while inclusive economic growth totalled a significant level, except for the indicator emp. The coefficient estimate on the value of all the indicators and constructs showed a positive value. This means there is no negative causality in the relationship between the constructs and relationships between constructs and the indicator. In general, the performance of this model for the case of Thailand is very weak, especially when compared to Indonesia and the Philippines, as described in the next section.
3.4.3 Hypotheses Testing

**H1** = *Democracy has positive effect on Inclusive Economic Growth* \((H1: \beta_n \geq 0 / Ho1: \beta_n < 0)\)

The first hypothesis testing results show that the relationship between the variables of Democracy and Inclusive Economic Growth indicates a path coefficient of 0.314, a t-statistics value of 1.384, and a P-value of 0.185. This result means that democracy has no significant impact on inclusive economic growth. So H1 is rejected.

**H2** = *Democracy has positive effect on Social Policy* \((H2: \beta_n \geq 0 / Ho2: \beta_n < 0)\)

The second hypothesis testing results show that Democracy does not significantly affect Social Policy. This conclusion is indicated by the loading coefficient of 0.303, t-statistics of 1.384, and a P-value of 0.303, which do not meet the required standards. This result means that democracy (X) in Thailand has a positive, but not significant, impact on social policy (M). These results are inconsistent with the hypothesis of this research, which is that Democracy encourages the state to allocate a larger social policy budget. This means that Hypothesis 2 must also be rejected.

**H3** = *Social Policy has positive effect on Inclusive Economic Growth* \((H1: \beta_n \geq 0 / Ho3: \beta_n < 0)\)

Similarly to H2, the third hypothesis testing results show that the relationship between Social Policy and Inclusive Economic Growth is not significant. This conclusion is indicated by the loading coefficient of 0.295 (below cut-off value), t-statistics of 0.095, and a P-value of 0.295, which do not meet the required standards (1.97 and 0.05, respectively). This result means that social policy in Thailand has an insignificant impact on inclusive economic growth. These results are inconsistent with the third hypothesis of this research,
which is that more social spending encourages Inclusive Economic Growth indicators. This means that Hypothesis 3 must be rejected.

\[ H4 = \text{The relationship between Democracy and Inclusive Economic Growth is mediated by Social Policy} \ (\beta_{H2} \times \beta_{H3} > \beta_{H1}) \]

The last and most important hypothesis testing result shows that social policy has no mediating effect on democracy and inclusive economic growth. This can be seen in the fact that the magnitude of the indirect effect (0.089) is smaller than the coefficient of the direct effect (0.314). These results indicate that a higher value of democracy in Thailand would not lead to an increase in the state budget for social policy. This means that Hypothesis 4 should also be rejected. These findings show that the results of statistical tests on the model of this research are very different to those in Indonesia, and similar to those in Malaysia.

3.5 Discussion on Quantitative Analysis Findings

This section provides the result of this research to directly answer the main question of the thesis: Does democracy matter in the delivery of larger and more effective social policies that improve inclusive economic growth? To answer this question, the author conducted a comparative analysis of the results of quantitative research (PLS-SEM) and qualitative research (descriptive documentary analysis). The two research techniques produced the same conclusion, that Indonesia and the Philippines both show that democracy has a significant role in shaping larger and more effective social policies. Malaysia and Thailand, present that social policy and welfare outcome are not influenced by the development of democratic institutions. The impact of democracy and social policy on inclusive economic growth is significant for Indonesia and the Philippines, but not in Malaysia and Thailand. In general, the results of PLS-SEM analysis on the three main variables (democracy, social policy, and
inclusive economic growth) led to the same conclusions. Indonesia and the Philippines are grouped together because these countries show a strong relationship between these variables. In the case of Indonesia and the Philippines, social policies do have a mediating effect between democracy and inclusive economic growth, proving this thesis’ hypothesis to be true; the case is completely different for Malaysia and Thailand.

In order to draw a major conclusion, the discussion in this section is divided into two main discussions. First, this section will compare the descriptive data between the four countries, regarding democracy, social policy and inclusive economic growth indicators. Second, the PLS-SM analysis will be presented by several aspects such as test model comprehensiveness or the goodness of fit (GoF), examining the relationship between indicators (observed variables) with constructs (latent variables) through confirmatory factor analysis (CFA), testing the strength of social policy variables as a mediator (mediation effect), and lastly, comparing the four proposed hypotheses to answer the research questions.

3.5.1 Comparative Analysis of PLS-SEM Results

Before performing an analysis on causality in the model, there is a necessity to evaluate whether the hypothetical model is supported by empirical data. The theoretical model is believed to fit if it is supported by empirical data. It is critical to assess whether the theoretical model meets the standard of comprehensiveness. The main purpose of the test is to determine whether the model is adequate for verifying the research hypotheses. The PLS-SEM test on the goodness of fit (GoF) is done by using the formula \( \text{GoF} = \sqrt{(\text{AVE} \times R^2)} \). The applied cut-off values are: weak (<0.10), medium (0.25 to 0.36), and strong (>0.36) (Wetzels et. al., 2009; Thien and Razak, 2013; Zainun et all. 2014).
Results from the GoF test for the four countries in this thesis are exhibited in Table 22. The results of GoF test are consistent with previous findings, i.e. Indonesia and the Philippines are grouped together due to their high GoF values, while Thailand and Malaysia have lower GoF values. However, all the GoF values are above the cut-off (>0.36). In short, the model proposed for this research is good and reliable, and can be taken as verification tool for the research hypotheses.

<table>
<thead>
<tr>
<th>Country</th>
<th>GoF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>0.682</td>
</tr>
<tr>
<td>Malaysia</td>
<td>0.554</td>
</tr>
<tr>
<td>The Philippines</td>
<td>0.732</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.543</td>
</tr>
</tbody>
</table>

Next, a test is conducted using Confirmatory Factor Analysis (CFA) on the relationship between indicators (observed variables) and their constructs (latent variables). Three aspects need to be taken into consideration, the $P$-value, estimated or loading factor, and T-statistics. The cut-off value for the loading factor is >0.5; for T-statistics it is >1.97; and for $P$-value it is <0.05. If the $P$-value is small, e.g. <0.05, it indicates an observed variable as a good predictor of its construct. If the estimate coefficient and T-statistics are positive, it means that an increase for every single unit of an observed variable will positively induce an increase of its construct, and vice versa (Roy, Nathan and Marsillac 2012).

The results of CFA analysis (Table 23) indicate the same trend for Indonesia and the Philippines, in which all indicators are stated as valid and reliable for use as a predictor for the latent variables. For Malaysia and
Thailand, however, most indicators are invalid and unreliable. Except for Thailand, indicators of the democracy construct have the most consistent validity across all countries. Indicators of the Social Policy and Inclusive Economic Growth constructs are valid and reliable for Indonesia and the Philippines, but the indicators are less valid and more unreliable in the cases of Malaysia and Thailand.

In the context of measuring democracy, the findings from CFA have shown that the five basic elements of this research are suitable to measure the level of democracy of a country. The five elements of democracy are represented by three indicators in this thesis - political rights (PR), civil liberty (CL), and Polity IV. First, the quality of the election indicator in PR is measured by using electoral process parameters. In Polity IV, it is measured by the competitiveness of executive recruitment. Second, the quality of civic organisation is measured by CL indicators, which include associational and organisational rights parameters. Polity IV is measured through parameters on the competitiveness of political participation. Third, the quality of freedom of expression is measured under CL through parameters on freedom of expression and belief; in Polity IV, this is measured through parameters on the competitiveness of political participation. Fourth, government effectiveness is measured only through indicators of PR through parameters on government functioning. Fifth, quality of the rule of law is measured in CL through parameters on free judiciary and low political terror. In Polity IV, it is measured with parameters on the constraints of the chief executive. When the data of these five measurements are consistent, the results of CFA analysis are said to be valid and reliable. Looking at the results for Thailand, the five elements run inconsistently because of frequent military coups and political polarisation. As well as this, reforms to political institutions did not go well. For example, legalisation of the 1997 Constitution improved institutional reforms for democracy in Thailand, but political hostility and turmoil worsened. It has
made the value of democracy indicators inconsistent, and as a result, the CFA results for Thailand are rendered invalid and unreliable.

In the context of social policy, the results of CFA analysis for Indonesia and the Philippines indicate good validity, consistency, and reliability for all indicators, including public spending. For Indonesia, only the general indicators of public spending (gpsSP) are different, while the four other indicators are consistent (Figure 16). For the Philippines, all indicators of social policy are consistent (Figure 24). However, for Malaysia, there are obvious inconsistencies, particularly in educational spending and the general indicator of public spending. More extreme conditions are apparent for Thailand (Figure 28), where almost all indicators of social policy are inconsistent. Hence, these results indicate that for Indonesia and the Philippines all social policies get equal attention. In short, social policies in Indonesia Philippines are thorough, while ones in Malaysia and Thailand are partial.

In the context of inclusive economic growth, CFA results are similar to the social policy variable. Indonesia and the Philippines indicate the same tendency; for these countries, indicators of economic development have the same pattern, as do the dynamics of social development, which indicate similar trends as well. However, for Malaysia (Figure 13) and Thailand (Figure 28) all indicators of inclusive economic growth have their own dynamics and inconsistencies, such as how the rate and fluctuations of inclusive economic growth indicators in both countries have developed distinctively and separately, unrelated to each other.

<table>
<thead>
<tr>
<th>Country</th>
<th>H1</th>
<th>H2</th>
<th>H3</th>
<th>H4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Rejected</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Accepted</td>
<td>Rejected</td>
<td>Rejected</td>
<td>Rejected</td>
</tr>
<tr>
<td>Philippines</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td>Thailand</td>
<td>Rejected</td>
<td>Rejected</td>
<td>Rejected</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

This thesis has attempted to answer the research questions which were formally stated in the research hypothesis. Table 24 exhibits a comparison
between the tests on the hypothesis for the model in the four countries under investigation.

The first hypothesis (H1) is “Democracy has a positive effect on Inclusive Economic Growth”, or formally stated as H1: \( \beta_n \geq 0 / H_01: \beta_n < 0 \). Test results on H1 are different from the other findings. The relationship between democracy on inclusive economic growth are acceptable for Malaysia and the Philippines, but rejected for Indonesia and Thailand. Path coefficients of the relationship are larger (Malaysia = 6.77; the Philippines = 1.719), T-statistics are above the cut-off value (Malaysia = 9.87; the Philippines = 14:49), and P-values are strong (Malaysia = 0.000; Philippines = 0.000). On the other hand, H1 is rejected in the cases of Indonesia and Thailand. Path coefficients of the relationship are small (Indonesia = 1.22; Thailand = 0.314), T-statistics are below the cut-off value (Indonesia = 1.259; Thailand = 1.384), and P-values are weak (Indonesia = 0.208 = Thailand 0.185).

Test results for H2, H3, and H4 are consistent with previous findings that show Indonesia and the Philippines following the same trends, and differing from Malaysia and Thailand. The second hypothesis (H2) is “Democracy has positive effects on Social Policy”, formally stated as H2: \( \beta_n \geq 0 / H_02: \beta_n < 0 \). Results of H2 are consistent with the majority of findings in this thesis, which prove that the relationship between democracy and social policy is acceptable for Indonesia and the Philippines. Path coefficients of the relationship between democracy and inclusive economic growth are larger (Indonesian = 15.586; Philippines = 5.215), T-statistics are above the cut-off value (Indonesian = 15.627; the Philippines = 6.165), and P-values are strong (Indonesia = 0.000; the Philippines = 0.000). On the other hand, H2 is rejected for Malaysia and Thailand. Path coefficients of the relationship between democracy and inclusive economic growth are small (Malaysia = 0.987; Thailand = 0.303), T-statistics are below the cut-off value (Malaysia = 0.985; Thailand = 1.384), and P-values are weak (Malaysia = 0.325 = Thailand 0.303).
Table 25. The Effectiveness of Social Policy

<table>
<thead>
<tr>
<th>Countries</th>
<th>Loadings</th>
<th>T-Statistics</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>9.917</td>
<td>10.340</td>
<td>0.000</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1.058</td>
<td>1.058</td>
<td>0.290</td>
</tr>
<tr>
<td>Philippines</td>
<td>4.193</td>
<td>4.482</td>
<td>0.000</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.295</td>
<td>1.094</td>
<td>0.295</td>
</tr>
</tbody>
</table>

The third hypothesis (H3) is "Social Policy has a positive effect on Inclusive Economic Growth", formally stated as H3: $\beta_n \geq 0$ / Ho3: $\beta_n < 0$. Test results on H3 are also consistent with the majority of findings, which show that the relationship between social policies and inclusive economic growth is acceptable for Indonesia and Philippines, but rejected for Malaysia and Thailand. Tests on this hypothesis speak to the effectiveness of social policies. If the relationship between social policy and inclusive economic growth is positive and significant, social policy is said to be effective. Table 25 shows that social policy in Indonesia and the Philippines is statistically more effective in delivering inclusive economic growth - loading factor and P-values are larger and more significant. In the case of Malaysia and Thailand on the other hand, social policy is statistically less effective in delivering inclusive economic growth (smaller loading estimates and weaker P-values). Path coefficients of the relationship of democracy to inclusive economic growth are larger for Indonesia (9.917) and the Philippines (4.193). T-statistics are above the cut-off value for Indonesia (10.340) and the Philippines (4.482), and P-values are strong in both countries at 0.000. On the other hand, H3 is rejected for Malaysia and Thailand. Path coefficients of the impact of social policy on inclusive economic growth are small (Malaysia = 1.058; Thailand = 0.295), T-statistics are below the cut-off value (Malaysia = 1.058; Thailand = 0.095), and P-values are weak (Malaysia = 0.290; Thailand = 0.295).

The main research question is indicated by H4, which states that "the relationship between democracy and inclusive economic growth is mediated by social policy", formally stated as H4: $(\beta H2 \times \beta H3 > \beta H1)$. To prove that the mediating variable (social policy) affects all the models, the coefficient of direct path
relationship (democracy - inclusive economic growth) and the coefficient values of indirect path (democracy - social policy - inclusive economic growth) were compared. The proposed model assumes that the level of democracy (Y) was positively and significantly influential on social policy (M); and that social policy (M) increases inclusive economic growth. In other words, social policy might play a mediating role between democracy and inclusive economic growth. To prove the theory, the coefficient of direct effect should be smaller than one of indirect effects (Baron and Kenny 1986; MacKinnon, Fairchild, and Fritz 2007).

Table 26. Comparison of Mediating Variable Effect

<table>
<thead>
<tr>
<th>Country</th>
<th>Mediation Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>a &lt; (b*c)</td>
</tr>
<tr>
<td>Malaysia</td>
<td>a &gt; (b*c)</td>
</tr>
<tr>
<td>Philippines</td>
<td>a &lt; (b*c)</td>
</tr>
<tr>
<td>Thailand</td>
<td>a &gt; (b*c)</td>
</tr>
</tbody>
</table>

Table 24 (H4 column) and Table 26 exhibit the results of mediation analysis. Looking at the results, it appears that the main conclusions of this thesis are consistent with previous findings; Indonesia and the Philippines exhibit the same trends. The direct effect coefficient is smaller than the indirect effect for both Indonesia (b*c: 157.244 > a: 1.221) and the Philippines (b*c: 21.879 > a: 1.179). On the contrary, for Malaysia (b*c: 1.044 < a: 6.771) and Thailand (b*c: 0.089 < a: 0.314) the indirect effect coefficient is smaller than the direct effect. Thus, these results indicate that social policies have a mediating effect in only in the cases of Indonesia and the Philippines, while for Malaysia and Thailand, the assumed mediating effect is not discovered.

These findings are also consistent with the results of the qualitative analysis mentioned at the beginning of this chapter. The post-Reformasi 1998 development of democracy in Indonesia was followed by the introduction of diverse social policies and an increasing number of budget allocations. Welfare commitment by the Indonesian government during democratic
regimes is greater than during the Suharto era, which merely pursued economic growth. In the Philippines, the administrations of Presidents Corazon Aquino, Fidel Ramos, and Benigno Aquino II showed a greater commitment to welfare compared to the Estrada and Arroyo regimes, which were less democratic. Social policy has no mediating effect in Malaysia because its pro-democracy movements (Bersih and Hindraf) and any opposition groups do not bring about significant social policy agendas. In Thailand’s case, the development of social policy has not been influenced by its variable political dynamics.

Furthermore, those findings also answer the main question, which is, “Does democracy matter in the delivery of larger and more effective social policies that improve inclusive economic growth?” If there is a significant and positive relationship between democracy and social policy, it can be concluded that democracy does matter in the development of social policy. If the path coefficients between social policies and welfare indicate significant and positive outcomes, we may conclude that social policy is effective in the development of inclusive economic growth. Thus, if the estimates of indirect path (democracy - social policy - inclusive economic growth) are positive and significant, then democracy has a positive effect on social policy. From the previous chapters’ discussion, the main conclusion suggests that democracy does matter in the delivery of effective social policy to improve welfare in Indonesia and the Philippines, but not in Malaysia and Thailand. The explanation for the differences between the two countries is provided in the following discussion of qualitative analysis.
Chapter Four
The Development of Democratic Institutions and Their Impact on Social Policy and Inclusive Economic Growth

This chapter is the beginning of the second part (qualitative analysis) of this thesis. The first part (quantitative analysis) has already concluded that the four countries fall into two groups based on the context of their unique relationships between democracy, social spending, and inclusive economic growth. In Indonesia and the Philippines, the relationship is strong and social spending plays a significant role as a mediating variable. The opposite is true for Malaysia and Thailand. This chapter expands the analytical framework and fundamental argument of this thesis, in order to find a comprehensive to the research questions, which is: Does democracy matter in the delivery of larger and more effective social policies that improve inclusive economic growth? This chapter also provides the historical context for each country, so that the reasons for the results of the quantitative tests can be understood more comprehensively. The first section of this chapter explains the analytical framework for analysing democracy and mediating variables influencing inclusive economic growth by employing a new institutionalism (specifically historical institutionalism) approach. This section also discusses the theoretical debate surrounding the
relationship between democracy and inclusive economic growth, as well as the position of this thesis within the debate. The second section elaborates the implications of employing historical institutionalism as the research method. The research methods used in this context are process tracing and documentary research.

4.1 Analytical Framework

4.1.1 New Institutionalism Approach

The institutionalism approach focuses on viewing the choices of action from actor that are conditioned by institutions. The word institution here can be defined as material institutions such as constitutions, cabinets, parliaments, bureaucracy, political parties; and normative or ideational (non-material) such as routines, network, shared values, norms and beliefs35 (March and Olsen, 1989; Thelen, 1999; Lecours, 2005; Steinmo, 2014). This thesis will consistently use two categories of institutions: material and normative (non-material). These two categories will be used to analyse the impact of democracy on social policy and inclusive economic growth in the four cases between from 1973 to 2013.

Normative (or ideational) institutions will make the existence of material democratic institutions more durable. Societies who have the belief systems and shared values of democracy will reject undemocratic leaders and regulations. In this context, when the undemocratic leaders impose their power, it will be more likely that the people will oppose him through mass protest or even revolution. That argument is in line with the concept of habitus by Pierre Bourdieu. Habitus is a learning process corresponding to the internalisation of the field’s rules (institution). Habitus reflects the field’s structure and links idea,

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35The difference between old and new institutionalism does not lie merely in the domain of institution (material versus normative), but in the analysis pattern. Old institutionalism generally applies descriptive analysis in describing the certain material institution works (election system) in certain country compared to other countries. Meanwhile, new institutionalism puts more interest in viewing the impact of existed institution towards action or behavior of individual or policy makers (Peters, G. B., 1999).
interests, and institutions to individual’s behaviour. Thus the concept of *habitus* is the meeting point between actor and institution, where the institutions become part of the actor’s belief system that will eventually determine his/her actions (Lecours, 2005). This research assumes that to become stable, material democratic institutions (such as inclusive constitution, regulations, elections, and party systems) have to be supported by normative institutions, which is the public support of democratic political systems.

As opposed to old-institutionalism, which only focuses on the material institutions, the new institutionalism approach puts more emphasis on finding a balance between the material and non-material (normative) institutions. This approach is the basis of the analytical framework for this thesis. This approach has been selected because the author places emphasis on investigating the impact of democratic institutions – both material and normative – on social policy and inclusive economic growth (March and Olsen, 1989; Peters, 1999; Senge, 2013). This position is in line with B. Guy Peters (2005) stating that:

“New institutionalism shared the renewed intellectual interest in the state, as manifested for instance in public policy or a large public sector, but attempted to develop a more nuanced analysis of how such institutional arrangements affected policy outcomes. The new institutionalists also adopted an explicitly comparative focus, comparing policies across time as well as across countries. The new institutionalists’ principal claim was that once formal and informal arrangements were institutionalized in a modern polity, they assumed a certain rigidity—that is, were difficult to alter—and furthermore, provided an explanatory framework for subsequent policy outcomes” (Peters, 2005, p.1280).

From Guy Peters’ statement, it can be noted that new institutionalism focuses on the impact of institutional arrangements, including policy outcomes. Thus, the author considers it relevant as the purpose of this thesis aims to view the impact of political institution development, particularly in Southeast Asia in relation to social policies; as well as the interaction between democratic institutions and social policies, which influence inclusive economic growth.
(Archer, 1988; Sewell, 1992). Moreover, this thesis views the influence and interaction pattern among institutions in creating inclusive economic growth. The interaction pattern between democracy and social policy would be employed as a basic hypothesis for a comparison with other Southeast Asian countries. By conducting a study on institutions, it is possible for this thesis to identify the institutional variations between the four selected countries, and also identify the impact of interaction between democratic institutions and social policy. Furthermore, this thesis will consider whether regime stability also influences the interaction pattern between democratic institutions and social policies.

The new institutionalism approaches in this thesis hypothesises that behaviour and action of policy makers are conditioned by a set of rules and routines (institutions). Therefore, democratic institutions in the four selected countries provide constraints and opportunities for policy makers in determining whether the allocation on social policy becomes priority. In other words, institution constituting actors (policy makers) and their interests (Krasner, 1984; March and Olsen, 1984; Skocpol, 1996). In the historical institutionalism approach, political institutions experience changes over time. Therefore, it is important to evaluate how the institutional changes impact other entities, in this case, social policies and inclusive economic growth.

In a democratic country, a material institution could influence society’s political action and attitude. Such actions would differ from that of the society under the absolute monarchy system that is unfamiliar with a general election. For politicians, the institution (an election) becomes not only the constraint but also the opportunity (procedure and requirement) on how to achieve political power. On the other hand, absolute monarchy institutions also provide constraint and opportunity for politicians with how the family relation with the king becomes important in obtaining a certain strategic political position. Thus, both democracy and an absolute monarchy system would similarly employ
and establish an institution to give constraint and opportunity, which shape the society’s political attitude\textsuperscript{36}.

In its position as constraints and guidelines, the institution possesses an influential power over the state’s (or policy makers) action and choice in the public policy-making process, which leads to the importance of institutions as a major source of any public policies\textsuperscript{37}. Thus, identification and classification of institutions, including their evolution and changes over times, remain critical to understanding the level of interaction with other aspects; in the context of this thesis, social policy and inclusive economic growth. When deciding the elite political recruitment by the dominant voting institution, this system would motivate the elite to build coalition with mass groups (unions), such as labourers, teachers, farmers, and villagers. Through voting institutions, the outcome of a political coalition would encourage the development of certain policies as a result of the coalition. However, when normative democratic institutions are not rooted (institutionalised) in a society, the material democratic institution will not perform well as expected. Thus, the institutionalism approach in this thesis will give a clear limitation that “democracy” in this thesis is defined as institution in both material and non-material contexts. The implication of an explanation in this study is that analysing democratic institutions (development and impact) must bind with the relationship between material and normative institutions. This thesis argues that the expected condition in the democratic development process is achieved when material democratic institutions are supported by the internalisation of democratic ideas and values within society.

\textsuperscript{36} In the social policy context, Pierson emphasises that social policy refers to an instrument or guidelines to conduct the income redistribution policy (Pierson, 1996).

\textsuperscript{37} Guy B. Peters explicitly stated that “politics and policy-making take place in the context of institutions” (Peters BG, 1998).
New institutionalism can be divided into three major approaches, which are sociological, rational choice, and historical institutionalism. Rational choice institutionalism put emphasis on the rationality of actors in making their decision based on the existing institutions. The actors are aware that institutions provide constraints and opportunities (reward and punishment), so they maximise their gain by calculating which action will result in the best outcome for them. Usually, this kind of institutionalism will incorporate quantitative techniques such as game theory, linear/non linear programming, calculus, statistics and so on. Sociological institutionalism focuses on the cognitive aspect of the actor, which is shaped by the institution. The existing institution, after being active for quite a long time, will be strongly rooted in society. The institution will have been internalised and used to judge whether actions are proper or improper. Sociological institutionalism is mostly used in the context of organisations and how the people within an organisation adapt and fit themselves to the existing organisation (Hall and Taylor, 1996; Clemens and Cook, 1999; Thelen, 1999; Peters, 1999; Pierson, 2000; Duric, 2011). In conducting the research, this thesis mainly applies historical institutionalism as the analytical framework. Historical institutionalism and the reasons for choosing this approach are explained in the following section.

4.1.2 Historical Institutionalism

Basically, historical institutionalism emphasises how institutions emerge from and become embed in a concrete temporal process (Thelen, 1999). This approach is employed not only as the analytical framework but also for determining the research method, especially for qualitative analysis. In order to identify the emergence (or creation), development, changes, setting, and impact of democratic institutions in the four countries under investigation, this

Steinmo (2014) stated that historical institutionalism is an approach to understanding politics rather than a particular methodology or theory.
research will use the process tracing technique. This will be explained in the next section of this chapter.

One of the most important aspects of historical institutionalism is tracking the development of democratic institutions within a society, from their early emergence through a certain temporal scope. The description of the emergence relates to the first initiator and the idea and the form of democracy at that time. Considering that the idea of democracy is not rooted in society (implanted by state elites), it will be challenging for democracy to develop stability in the future. Thus, democracy will not naturally provide shared values or norms within society. As a consequence, this condition discourages democracy to be embedded within social and political life, despite the presence of legal and material democratic institutions.

The approach is chosen for at least four main reasons; firstly, this study will address the question of the influence of democracy towards social policy. Thus, the most effective way is by identifying political institutions (material and informal) in the countries being studied. In the new institutionalism framework, social policy as a product of the policy making process is conditioned by political institutions. In other words, one of the impacts that can be analysed from democratic institution processes is the amount of budget allocated to social policies. March and Olsen (1989) stated that one of main differences between old and new institutionalism lies in their focus. Old institutionalism focuses on descriptions of institutions, while new institutionalism focuses more on detailed discussion about how political institutions work and effect behaviour and the choice of actors through opportunities and constraints. Within this thesis’ context, the intended actor is the policy makers, who manage budgets and allocate funds for social policies.

The second reason is this thesis places emphasis on viewing two impacts. The first one is the impact of the political institution on social policy; the second impact is the interaction between political institutions and social
policies, and inclusive economic growth. Therefore, it is impossible to conduct this analysis without looking how the democratic institution created and became embedded into society over time. In this position, the analysis of this thesis is inseparable from the temporal process. The temporal processes here include the creation, presence, change, setting, and development process of democratic institutions as well as temporal process of the relationship between the two towards the inclusive economic growth.

Thirdly, this study also attempts to explain the mechanism or other causes which influence the relationships between democracy, social policy, and inclusive economic growth. The author believes that a comprehensive historical institutionalism approach assists in extrapolating a cogent argument. In terms of analysing the development process of institutions this thesis uses exogenous analytical tools such as critical junctures and path dependency and endogenous tools that is path-plasticity.

Critical juncture is the certain period of time that breaks such path dependence and creates a new one. This concept relates to the institution development process as indicated by the historical institutionalism researcher. Notable moments (such as coups, mass revolution or democratic opening) must be taken into account as important parts of the political institution development process (Peters, Pierre, & Desmond, 2005). Path-dependency is a belief that once an institution is established and accepted in a society, it will be difficult to stop, as it is a tendency that such institutions will be strengthened over time. Specifically, Pierson (2000) defined path-dependency in two categories, which is general and specific definition. Generally, path-dependency is understood as “what happened at an earlier point in time will affect the possible outcomes of a sequence of events occurring at a later point in time”. Specifically, path-dependency is defined as “increasing returns,” which means that political institution will always improve and become better over time, and impact not only the core of the institution but also other aspects related one to
another (Pierson, 2000). Path plasticity is the institutional change caused by the rules of the institution. James Mahoney and Kathleen Thelen stated that there are four modal types of change: displacement (the emergence of new institution as a challenge to the old institution), layering (the emergence of new rule as bypass of old rule), drift (a change of wider setting towards internal institution) and conversion (institutional change due to strategic redeployment) (Kuyper, 2015).

By using these analytical tools, the development of democratic institutions within a temporal scope (1973-2013) becomes readable whether it runs stable, unstable or stagnant. To support this, the analytical framework of this thesis is divided into several important aspects, such as creation, structure, reproduction, and development (Pierson, 1996, Clemens and Cook, 1999; Duric, 2011).

Lastly, the author places emphasis on viewing the relationship between material and normative institutions. Historical institutionalism is believed to help identify the relationship pattern between the two institutions, whether considered complementary, accommodating, competing or substitutive (Helmke and Levitsky, 2006). Although most historical institutionalism focuses on material aspects, some historical institutionalists emphasise the importance of analysis towards normative institutions (non-material aspects). Peter Hall and Rosemary Taylor (1996) noted that historical institutionalism defines institutions as the formal and informal procedures, routines, norms and convention embedded in the organizational structure of the polity or political economy (Hall and Taylor 1996 p. 6). Sven Steinmo (2014) also stated that historical institutionalism focuses on how history provides actors with an experience that could influence actors’ beliefs and preferences. Considering these opinions, Kellee Tsai (2014) also asserted that the historical institutionalism approach should also interrogate the origins, the reproduction, and the evolution of informal institution in interaction with the dynamics derived from the
study of formal institutions in historical institutionalism (Tsai 2014 p.21). Public participation in political and policy process, the existence of freedom of speech, and public support for inclusive norm and regulation in a country are the actualisation of those non-material institutions.

From an operational perspective, the four reasons mentioned above are considered more persuasive methods to explain why historical institutionalism is more relevant than using either sociological or rational choice institutionalism. The thesis’ analytical framework investigates the process of emergence and development of democratic institutions as a result of the sequential evolution that is tied to space and time especially in qualitative part. Thus, the main focus is neither on the cognitive web of the sociological perception of the actor against democratic institutions, nor rational calculations of the actors over policy choices. Rather, this thesis will focus on an explicit temporal scope (1973-2013) that concerns the creation, reproduction, development, and structure of democratic institutions. In defining the non-material aspect of institutions, this thesis borrows a couple of concepts from sociological institutionalism (how the ideas of democracy are accepted, internalised, and embedded within society), however, once again, the focus of this thesis is on the historical development of institutions.

In applying the historical institutionalism approach, this thesis considers three aspects the core of the analysis: sequence (temporal scope and development process), structure (formation of material political institution), and setting (the dynamics of political situation in the cases) (Kuyper, 2015). Firstly, the sequence of institution, which is influenced by the complex social and political context within a country, assists the author in examining the

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39 Tsai (2014) confessed that the early idea of normative institution concept is based on sociological institutionalism. Yet, in the context of analysing institutional development (the emergence, development, and change), historical institutionalism also applies non-material institution as an analytical framework.
development and trajectory of the institution. The mechanism in this sequence relates closely to institutional change and development, in which the resource is considered endogenous (path plasticity) and exogenous (critical junctures and path dependency) (Tsebelis in Kuyper, 2015). Secondly, the structure of an institution requires a critical explanation. This is because structure demonstrates how institutions operate. From the structure, one can determine the stability and rigidity of an institution, as well as the ability to affect change in it. The most important aspects to use in viewing the structure of democratic institutions are the number of veto points (players). The more veto points in an institution, the harder it will be to change due to a high level of resistance. Thirdly, the explanation of setting a certain temporal scope is considered important to understanding the external factors of an institution, such as war, economic crises, political unrest, and more (Mahoney and Thelen, in Kuyper, 2015). Chapter Five, which explains the findings from the qualitative research, will follow these three aspects.

Thus, applying the historical institutionalism approach will enable this study to address more detailed questions, such as how democracy was introduced in Indonesia, the Philippines, Malaysia, and Thailand; why democratic institutions are more strongly embedded in Indonesia and the Philippines compared to Thailand and Malaysia; why did the situation in the Philippines pre-1986 and in Indonesia pre-1998 trigger democratic openings; what is the impact of the development of democratic institutions in the two countries on the government’s commitment to create social policy and their outcomes; how far have democratic institutions progressed and developed since 1973 and what was the impact on the government’s commitment to welfare programs; and did the variable differences between political institutions lead to differences in the stability of the political institutions and the trajectory of democratisation over time. In addition, in the Malaysian context, it would be of interest to examine how political stagnation impacts the
dynamics of welfare programs and their outcomes. These detailed questions begin to answer the bigger question in this study, as explained in the beginning of this chapter.

Those questions will be easier comprehended when the development and interaction of political institutions (such as democracy) are viewed within the dimensions of space and time or setting (Pierson, 1996). The development of political institutions in a country is greatly determined by internal dynamics within a span of history. Therefore, the analytical framework should incorporate particular socio-political circumstances that occur at a particular time formed by certain institutions. Since institutions develop over time, not only do particular socio-political circumstances affect institutions, they also will influence the pattern of interaction between democratic institution and social policy (social spending). In the context of this thesis, the political situation of certain time affects both political institutions at the time and the pattern in conjunction with other institutions, such as social spending policy. When the formations of social policy change, the situation will also impact inclusive economic growth. Institutions of social policy and inclusive economic growth, along with other socio-political aspects will also contribute to the development and reproduction of political institutions in the next sequence.

To address the main question of this study (whether democracy impacts social policy and inclusive economic growth), there is a need to have a preliminary explanation about how the quality of democratic institution changes over time. The author emphasises that this institutional shift will be evaluated, specifically in relation to the impact towards social policy and inclusive economic growth. Analysis on historical institutionalism demonstrates that although institutional changes have been understood as the product of the previous situation, it does not mean that it is impossible to alter the direction of the institution development. The process of adaptation to various effects of changes in social and political situation may lead to
institutional change (Krasner, 1989; Thelen, 1999; Pierson, 2000). A revolutionary change from autocratic to democratic regime is one of the forms of the institutional adaptation process—what has happened before (exogenous)—because an institution is continually developing and adapting to the surrounding social and political situation. Therefore, tension appears as the social and political setting is no longer similar to when it was formed (the creation) (Orren and Skowronek, 1996). This mechanism may occur gradually or radically, as illustrated by the dictatorship resistance against Marcos in 1986 and Soeharto in 1998. Institutional change may occur as a result of tensions occurring internally within the institution (endogenous). This can be illustrated by the enactment of Thailand’s 1997 Constitution, where a lack of effective laws has led to prior and ongoing coups.

However, when the power of the status quo exceeds public demand for institutional change, change will be less likely, since the exogenous factor (path dependency and critical junctures) and endogenous factor (path plasticity) is weaker. The political formation will then be able to adapt to the previous system. Malaysia is the best example to demonstrate where institutional change rarely occurs because of a low public demand for change. However, institutional power of the status quo (UMNO and Barisan Nasional) is more dominant and more able to convince the public at large so that the political institutions that exist today will adapt to the preferences of the dominant power. Most people are comfortable with the existing political institutions. This condition in the long term will weaken the normative institutions of democracy, because people would be permissive towards an undemocratic government’s actions and regulations. Within the historical institutionalism framework, conditions in Malaysia are regarded as path-dependency on the ruling regime and the initial factor of élites (statist) democracy. Thus, it is not strongly embedded in the belief system of society.
There are three apparent implications of applying the historical institutionalism approach to the research method. The first is the fixed determination of time (temporal scope) when conducting the study. If the temporal scope of the study is too short, the analytical accuracy linking democratic institutions and social policies will be too weak. Therefore, this thesis employs a 40-year time period (1973-2013). The consideration is due to the generalised historical data and the sufficient accessibility of the data about political institutions, both quantitative and qualitative. The second implication is the importance of documentary data. Several aspects encompass an extended time frame, which makes it inaccessible both by interview and by observational techniques. The third is the application of the process tracing technique. Because the main goal of the process tracing technique is to explain the causal mechanisms of certain phenomena by connecting several important events in the specific temporal scope in each case. This is similar to the goal of the historical institutionalism approach, which also attempts to explain the relationships and outcomes of intuitional development in certain a temporal scope.

In summary, the historical institutionalism approach in this thesis is not only applied conceptually, but is also employed methodologically. This is because the question of this study, “Does democracy matter in the delivery of larger and more effective social policies that improve inclusive economic growth?” depends strongly on the context, which does not only rely on space, but also on time. By placing the analysis within the exact time and space dimension, the conclusion will not be overly generalised.

Methodologically, this thesis is expected to accommodate the accumulation of past facts (about democratic institutions, social policy, and inclusive economic growth) as well as evaluate the relationship between those aspects within a time sequence with detailed historical explanation through the process tracing technique. Further discussion on how historical
institutionalism impacts research method (process tracing) on this thesis will be discussed in the next sub chapter.

4.1.3 Democracy and Political Institutions.
Democracy is a system of government designed to avoid tyrannical regimes and protect freedom of people within its governance (Dahl, 1984; Sen, 1999; Cunningham, 2007). The goal of minimising tyranny is to avoid any political leader solely focussed on his or her personal interests, which would undermine the public interest.\textsuperscript{40} Consequently, political institutions such as an election, checks and balances, and representative bodies remain necessary to control the power of a political leader. Such institutions are intended to fairly distribute power in accordance with avoiding a tyrant’s dominance (Dahl, 1984; Cunningham, 2002). The second purpose of democratic institutional development is to promote and protect freedoms. The stronger the democratic institutions, the more responsive the government system is likely to be. A responsive government becomes a prerequisite to protect and promote freedom in a more stable and sustainable environment, as Amartya Sen has emphasised:

“...societal arrangements, involving many institutions (the State, the market, the legal system, political parties, the media, public interest groups, and public discussion forums, among others) are investigated in terms of their contribution to enhance and guarantee the substantive freedoms of individuals, seen as active agent of change, rather than passive recipients of dispensed benefits” (Sen 1999: xii-xiii).

Sen stated that democratic institutions are the foundation of community freedoms and protection. Poor democratic institutions lead to a

\textsuperscript{40} Aristotle’s theory yields six forms of rule: (1) royalty: one person rules in the common interest; the opposite of royalty is (2) tyranny, where one person rules in his private interests; (3) aristocracy is a proper rule by a few; the opposite is (4) oligarchy, when a few people rule for their own interests; proper rule of the many, called (5) polity by Aristotle; and its deviation for which he reserved the term (6) democracy when the many rules for the common interests (Cunningham, 2002).
lack of people’s freedom. As they are the basis of democracy, it is necessary to thoroughly analyse the institutions which can be identified both material and normative (non-material).

This thesis presumes that material democratic institutions are constructed on the ground of how power is distributed. Elections are the first institution of democracy in which high-ranking officials are elected in a free and fair voting system based on inclusive suffrage; free expression and the right to compete for an office are assured; results with fair outcomes are accepted by both the winners and the losers. In other words, democracy is the exercise of political power in which there is a collective decision by which policies and agents are directly or indirectly determined by popular voting (March and Olsen, 1984; Dahl, 1984; Peters, 1999; Schneider and Schmitter, 2004). The second institution of democracy, a checks-and-balances mechanism, is important to avoid centralised power in one person or a few people by distributing the power into three main pillars: legislature, executive, and judiciary (trias-politica bodies). In an ideal circumstance, these three pillars are expected to own the equal power to control one another and to formalise and institutionalise the arrangement of power-checking schemes. Thus, preventing tyranny will be managed through crosschecks among government officials and institutions (Dahl, 1984). Meanwhile, the representative as the third institution of democracy is a political system based on the idea of representation which is expected to contain any worst effect of potential conflicts among factions. Under representative institutions, reciprocal control among political leaders would strongly be exercised over time (Dahl, 1984). Formal regulations guarantee and facilitate transparency, accountability, and participation (Sen, 1984).

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41 James Madison defines democracy as a radical egalitarianism or majority rule, while republic refers to a representative democracy and a limited enumerated-power. Besides tyranny, another threat for natural rights is faction (aggregated interests of the community). An uncontrolled faction is the pre-condition of tyranny and hence should be avoided (Dahl, 1984).
For instance, democratic governments ought to have set of regulations that guarantee freedom of the press, community participation, and transparency in the policy-making process.

Meanwhile, the normative democratic institution in this study refers to unwritten rules and regulations, networks, norms, and values of democratic ideas (March and Olsen, 1984; Skocpol, 1992; Hall and Taylor, 1996; Steinmo, 2014; Peters, 1999; Tsai, 2014). Hence, Helmke and Steve Levitsky emphasised the definition of normative institution as: socially shared rules, usually unwritten, that are created, communicated, and enforced outside officially sanctioned channels (Helmke and Levitsky, 2006). Historical institutionalism tends to view normative (non-material) institutions, such as ideas, norms, and values whose importance are as the support for the material institutions to function from which they emanate (Lecours, 2005). When the disconnection (competing or substitutive) occurs between material and normative institutions, the presence between the two will be weak. In the context of democracy, material institutions like elections, trias-politica bodies (executive, legislature, and judicative), checks and balances will not function efficiently when normative institutions (such as democratic shared values, ideas or norms) are also weak in society.

The normative democratic institutions can be analysed from several aspects. The first aspect to focus on is the civic society, which is defined as a social condition where the values of civic engagement, political equality, solidarity, networks, trust, and applied tolerance remain to exist and play as a basic of social relation in community (Putnam, Leonardi and Nanetti, 1994). The second aspect is public awareness, which to control the elite, elucidates that elites are mandated to follow democratic culture, and everything they do must be under public control. The control process over leaders requires an active political participation of diverse communities. Once groups of communities have been strongly organised, they will have sufficient capacity
and capability to control the behaviour and attitude of their leaders (Dahl, 1984; Ringen, 2009). The third aspect is about how the power is practiced with democracy principles. Kelle S Tsai (2014) identified that normative institutions are more like community solidarity, personal networks, gentlemen’s agreements, clans, and undocumented judiciaries, which could strengthen (complement) or weaken (competitive) the presence of material institutions. Those aspects are employed for this study to identify normative democratic institutions in Indonesia, Malaysia, Thailand, and the Philippines. An example of whether the authoritarian leader can be accepted or objected by the community is inserted as a means to identify the normative democratic institution. In other words, normative democracy pays more attention to the actual action or behaviour of the political actor and community when it is influenced by norms, rules, procedures, and shared values of democratic ideas. The study on normative institution is increasingly important since it interlinks with material democratic institutions and the actors’ actual actions towards democratic values. Some aspects of the normative democratic institution might have been formalised, while the actual action and behaviour remain more important to identify the normative democratic institutions.

Likewise, Freedom House and Polity IV have also analysed the existence of both material and normative institutions in measuring the quality of democracy worldwide. Elections (material institution) can be used as an example where FH includes it in the Political Rights indicator (electoral process), while in Polity IV, it is a part of the competitiveness of executive recruitment and openness of executive recruitment variables (free and fair election). The position of checks-and-balances and representative institutions can be observed in FH and Political Rights (political pluralism and participation) and it is a constraint on the chief executive (executive parity or subordination, intermediate category, substantial limitations, and intermediate category) in Polity IV. The regulation on transparency, participation, and
accountability can be viewed in FH within the component of Civil Liberties, especially in associational and organisational rights, rule of law, and personal autonomy and individual rights. Meanwhile, within the Polity IV, this dimension is grouped into the political aspect of participation and regulation. For normative institutions, there are two dimensions of Political Rights (political pluralism and participation) and Civil Liberties (freedom of expression and belief, associational and organisational rights), while it is only political parameter participation in Polity IV.

It is not a surprising that the two sources basically measure the same objects, despite the different indicator and method. Figure 29 shows the descriptive data comparison between Freedom House and Polity IV in 161 countries worldwide.

Figure 29. Descriptive data of democracy in 2014 among 161 countries worldwide
FH: Freedom House score is accumulation of Political Rights (PR) and Civil Liberty (CL) indexes, the value is converted to 7 (highest) and 1 (lowest). (Freedomhouse.org)
Pol_IV: Polity IV score 2013, -10 is the lowest and 10 is the highest score of democracy (Systemicpeace.org)
In Figure 29, it is apparent that the countries with high FH score would also tend to have a high score in Polity IV. The four countries (Indonesia, Malaysia, the Philippines, and Thailand) that are the focus of this thesis are also in the same group. From Figure 31, it can be concluded that both measures basically focus on institutions in a somewhat basic level and are more comprehensive proxy in portraying the level of democracy in several countries. Furthermore, the five key elements of democracy (elections, checks and balances, inclusive regulations, public control, and participation) are all related to institutions (material and normative). The two resources also present the democracy condition process in a long term time period, which enables this thesis to trace the historical track of the democratic institution, which is later elaborated to sequences with respect to other information and resources.

4.1.4 Models of Democracy

This thesis will identify the democratic institution, its interaction with intermediate variables, and its impact on inclusive economic growth. Thus, this thesis assumes that the model of democracy matters in the social policy commitment of a government (Linz 1994; Gerring et al, 2009). Nevertheless, it is worth noting that material democratic institutions do not automatically lead to a democratic political environment and decision-making process. Instead, material democratic institutions only establish a basic foundation, yet they do not guarantee the quality and actualisation of democratic values.

The ramification of material democratic institution models in majoritarian and consensus democracy stems from the definition of democracy as an aggregation tool of individual preferences. Majoritarian democracy believes that although democracy does not guarantee proper rule, it is rule of the many, which is still better than rule of the few (oligarchy) or rule of one
This view simply defines democracy as the voice of the majority. Lipjhart (1999) termed this theory of democracy the majoritarian/Westminster model; Almond (in Kaiser, 1997) called this the Anglo-American Model; while Miller (1992) named this perspective the liberal democracy. Formally, the difference between majoritarian and consensus democracy lies in the constitutional bias of the government system. In a majoritarian democracy, the decision-making process is executed by the majority group winning the election. Meanwhile, in consensus democracy the decision-making process involves all parties, both the losers and the winners in the election. This is in accordance with the main purpose of consensus democracy to block the majority from holding full control of the decision-making process. As a consequence, the decision-making process becomes slower in a consensus democracy than it does in a majoritarian democracy system (Lijphart, 1999; Kaiser, 1997).

Countries applying the majoritarian democracy system, such as the UK, Australia, and New Zealand, only conduct one national general election each term. The result of the election determines the entire power structure until the following election. Despite the complex political games among politicians, the political party that wins the election would dominate all decision-making institutions. This is different to how consensus democracies operate. In this context, party discipline plays an important role in ensuring that the decisions taken are in line with the party’s principles as well as fulfilling the public’s expectation in determining the political preferences during the election. In contrast to this, in countries that practise consensus democracy, such as

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42 This definition is based on Aristotle’s assumption that democracy is the most tolerable system compared to oligarchy and tyranny. Hence, although Alexis Toqueville concerned about the “tyranny of the majority,” he argued that America’s political system is more democratic compared to the Old World’s system (aristocratic European political system prior to the French Revolution) because America practiced this majoritarian democracy system (Cunningham, 2002).
Germany, Canada, Belgium, and Sweden, national public elections are conducted several times. The three important decision-making institutions are the president, the senate, and the house of representatives, each of whom have their own constituencies and their own election. One party will not simply dominate the each body through one election. In this system, the party that wins the legislative election does not automatically dominate the executive, and vice versa.

Lijphart (1999) differentiates majoritarian from consensus democracy at least in nine aspects. In the first aspect, it shows that majoritarian democracy tends to apply to a two-party system, whereas consensus democracy applies to a multiparty system. The second aspect is that a system of single party cabinet in a majoritarian democracy differs from consensus democracy that applies a power-sharing cabinet. Thirdly, as a consequence of different cabinet systems, there is a strong executive dominance in majoritarian systems, while such a balance of power is seen in a consensus democracy. Fourthly, their different characteristics are that the group-accommodation system in majoritarian democracy is conducted in a pluralism way, while corporatism is mostly applied in a consensus democracy. In the fifth facet, a majoritarian democracy tends to implement a unitary-governmental system, while the federal pattern of government is mostly applied in a consensus democracy. In the sixth difference, it appears that the legislature body in the majoritarian is unicameral, while a consensus democracy is bicameral. Seventhly, a more flexible constitution is applied in a majoritarian democracy, in contrast to consensus democracy countries. The eighth difference is that countries with majoritarian democracy do not apply a tough judicial review, as is done in consensus democracies. Lastly, he suggests that countries with a majoritarian democracy apply a majority/plurality election system, while countries with a consensus apply a proportional election system.
Furthermore, Lijphart (1999) emphasises that a consensus democracy system tends to allocate more to welfare spending, due to the fact that minority groups are better accommodated than in the majoritarian model. Yet, Lijphart’s opinion mostly stems from European countries and developed members in the OECD. Further investigation is required to prove whether his opinion accurately reflects the difference between a material democracy pattern and the choice towards a government-preference for implementing social policies, especially in Southeast Asia.

On the other hand, a number of scholars, such as Linz (1994) and Gerring et al. (2009) argued that a parliamentary system is more effective in achieving development for several reasons. Firstly, they state that the debate on policies in a parliamentary system is more institutional, while it is more personal in presidential systems. The second reason is that the interest of aggregation and voters’ political aspiration is more specified in a parliamentary system, while ideological certainty in presidential system remains unclear—since political aggregation results from personal matter rather than party’s ideology. The third reason is that the political bargaining process in a presidential system would continually exist, while it lasts only one term in a parliamentary system that effectively governs. Yet, further investigation is required on this argument, particularly in a Southeast Asian context. The parliamentary system is claimed to be more stable. Thailand is a country with a parliamentary system that has experienced an unstable and fragile government.

Thus, this thesis will also differentiate between the two democracy models when referring to the definition of a democratic institution. Several democratic institutions, such as elections, check-and-balances, public participation, and civic communities, remain the cornerstones for both majoritarian and consensus democracies, as well as for presidential and parliamentary government systems. As such, these basic norms of democracy can both grow and even deteriorate within the two models of democracy
(consensus and majoritarian). Notably, there are other external influential factors that could possibly exist hand in hand with the development of democratic institutions over time. However, differentiating the two models of democracy is important to understanding the impact resulting from the practice and norms of how certain social policies appear and function.

Table 27. Institutions in Majoritarian and Consensus Democracy

<table>
<thead>
<tr>
<th>No</th>
<th>Variable/institution</th>
<th>Majoritarian Democracy</th>
<th>Consensus Democracy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Government System</td>
<td>Parliamentary</td>
<td>Presidential</td>
</tr>
<tr>
<td>2.</td>
<td>Number of election</td>
<td>One election for all positions</td>
<td>Multiple elections</td>
</tr>
<tr>
<td>3.</td>
<td>Party system</td>
<td>Two-party system</td>
<td>Multiparty system</td>
</tr>
<tr>
<td>4.</td>
<td>Executive power</td>
<td>Single party cabinets</td>
<td>Board coalition cabinets</td>
</tr>
<tr>
<td>5.</td>
<td>Executive-legislature relations</td>
<td>Executive dominance</td>
<td>Balance of power</td>
</tr>
<tr>
<td>6.</td>
<td>Degree of centralisation</td>
<td>Unitary-centralised</td>
<td>Federal-decentralised</td>
</tr>
<tr>
<td>7.</td>
<td>Bicameralism</td>
<td>Unicameral</td>
<td>Bicameral</td>
</tr>
<tr>
<td>8.</td>
<td>Election system</td>
<td>Majority/pluralist system</td>
<td>Proportional system</td>
</tr>
</tbody>
</table>

Table 27 provides a summary of the main variables that distinguish the majoritarian and consensus models of democracy. In this chapter, only eight variables will be considered, which are relevant to the purpose of this thesis. First, as has been described in the literature review, majoritarian democracy tends to use a parliamentary system while consensus democracy tends to use the presidential system. Secondly, majoritarian democracy only has one time elections, which covers legislature and executive branches in each term. Meanwhile, consensus democracy requires several election cycles to elect legislature officers, executives or other key positions. Thirdly, majoritarian democracy tends to apply a two-party system, whereas consensus democracy applies multi-party system. Fourthly, majoritarian democracy applies a single party cabinet in which one winning the election will be a ruling party that dominates the entire cabinet. In contrast, consensus democracy utilises a coalition cabinet. Fifthly, there is a very strong executive dominance in majoritarian, while in a consensus democracy experiences a balance of power between the executive, legislature, and judiciary branches of government. Sixthly, majoritarian democracy tends to use a unitary and centralised system
of government, whereas a consensus model tends to use federal and decentralised models. Seventhly, legislatures in majoritarian systems of government are generally unicameral, while those of consensus are bicameral. Lastly, countries with a majoritarian system, in general, use the electoral system majority/plurality, while the consensus democracies use proportional electoral system (Kaiser, 1997; Lijphart, 1999; Cunningham, 2002; Cheibub et al., 2013).

As has been reviewed in chapter one, these two categories are of a general nature. The majority of democracies in the world are not purely implementing these two models. In the case of Southeast Asia, the diversity found makes it difficult to determine which country is considered as majoritarian or consensus. However, in general, it can be concluded that Malaysia is a country that has a very strong tendency to be regarded as majoritarian democracy, while Indonesia and the Philippines are considered consensus democracy, whilst Thailand is in the middle.

Table 28. Models of Democracy amongst Four Cases

<table>
<thead>
<tr>
<th>No</th>
<th>Variable/institution</th>
<th>Majoritarian Democracy</th>
<th>Consensus Democracy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Government system</td>
<td>Malaysia and Thailand</td>
<td>Indonesia and the Philippines</td>
</tr>
<tr>
<td>2</td>
<td>Number of election</td>
<td>Malaysia and Thailand</td>
<td>Indonesia and the Philippines</td>
</tr>
<tr>
<td>3</td>
<td>Party system</td>
<td>Malaysia</td>
<td>Indonesia, the Philippines, Thailand</td>
</tr>
<tr>
<td>4</td>
<td>Executive power</td>
<td>Malaysia</td>
<td>Indonesia, the Philippines, Thailand</td>
</tr>
<tr>
<td>5</td>
<td>Executive-legislature</td>
<td>All</td>
<td>None</td>
</tr>
<tr>
<td>6</td>
<td>Degree of centralisation</td>
<td>Malaysia (federal-centralised)</td>
<td>The Philippines, Indonesia, Thailand (unitary-decentralised)</td>
</tr>
<tr>
<td></td>
<td>(unitary/federal)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Bicameralism</td>
<td>The Philippines</td>
<td>Indonesia, Malaysia and Thailand</td>
</tr>
<tr>
<td>8</td>
<td>Election system</td>
<td>Malaysia, Philippines, Thailand</td>
<td>Indonesia</td>
</tr>
</tbody>
</table>

Table 28 groups the material democratic institutions in the four countries, in which the institutions are viewed according to two models of democracy. Firstly, the four countries can easily be grouped into two groups, which are Malaysia and Thailand into the majoritarian because both countries apply a system of parliamentary government, while Indonesia and the Philippines use the presidential government system (Funston, 2001). Secondly,
referring to the frequency of an election, which is held one time in each term of government tenure, Malaysia and Thailand are classified as a majoritarian democracy (Ufen, 2008). Thirdly, in the context of the party system, Malaysia tends to fall into the category of majoritarian democracy because of the two main rival camps, which are the National Front (Barisan Nasional) against the Alternative Front (Barisan Alternatif). Meanwhile, the other three countries, Indonesia, Thailand, and the Philippines, could easily be categorised as a multi-party system (consensus). Fourthly, majoritarian democracy tends to have one dominant party whereas grand parties create coalition cabinets by consensus. Despite a lot of records, only Malaysia can be categorised as a majoritarian democracy in this variable. Fifthly, these four countries essentially have the same pattern as an executive-centralised power, in which, although formally Malaysia and Thailand use the parliamentary system, political control remains entirely of the executive domain (Funston, 2001; Deinla, 2014). Sixthly, Malaysia is the only country that uses a federal system, yet the extent of decentralisation in Malaysia is the lowest among other three countries. On the other hand, Indonesia, the Philippines, and Thailand formally embrace a unitary system, but their decentralisation policy is much broader than Malaysia (Lee, 2006; Nickson et al., 2008). Seventhly, currently none of the four countries in this thesis applies the unicameral system. Eighthly, from the four countries mentioned, Indonesia is the only country that uses a proportional electoral system (Chambers, 2008; Ufen, 2008).

From the eight variables of democracy models, a conclusion can be drawn that that Malaysia has the closest political system to majoritarian democracy; Thailand is in the middle, while Indonesia and the Philippines are closer to the model of consensus democracy. From a political stability standpoint, Malaysia is at the extreme of being stagnant in both political institution and regime changes, while Thailand is at the opposite side, being too unstable. Thus, Indonesia and the Philippines are theoretically supposed to
possess stronger influence of democratic institutions on social policy, because the political developments are quite dynamic. In a consensus democracy, aspirations of minority groups must be accommodated more than in a majoritarian democracy (Lijphart, 1999). Nevertheless, none of the political institutions of the countries fall entirely to the two categories of democracy models. Therefore, although the previous section shows that the four countries are relatively more democratic than other countries in Southeast Asia, the construction of democratic institutions is different from one another.

4.1.5 Democratisation and Regime’s Stability

In looking at the relationship between democratic institutions and inclusive economic growth, the other pertinent institutional aspect is regime stability. In this thesis, the development of democratic institutions can be categorised into three groups: stable, unstable, and stagnant. A stable political institution can be identified by its ability exist over a long time period and not experience fundamental or radical change, even in the face of political turmoil or international events. Therefore, the democratisation process can be identified as a stable one when regulations for strengthening and deepening are created by the state, and accepted and used by the society in their daily political life. This can be seen from its initial emergence and seen from the critical junctures and institutional strengthening which occurs afterwards. Several studies show that when the development of a political institution is stable, either directly or indirectly, it will impact development outcomes. This is because parties have greater incentives to strengthen regimes and there is more certainty around their development and future (Asteriou and Price, 2001; Comeau, 2003; Jun and Sunde, 2014).

Contrastingly, the more fragile and unstable a regime, the lower the performance development. For example, Asteriou and Price (2001) employed GARCH-M models to examine the effect of political instability on economic
growth in the United Kingdom from 1961 to 1997, from which they found a strong negative effect of political instability on prosperity growth. Comeau (2003) tested the hypothesis that socio-political instability has a negative effect on growth in a group of countries selected from the Latin American and East Asian regions and discovered that socio-political instability has a negative impact on growth.

Thus, there are at least four main arguments stating the influence of political institutional instability on the development performance. The first argument states that political instability creates situations where binding agreements among different groups or parties cannot be made, since parties can break alliances with other parties from a ruling coalition. Such a situation leads to a less expected pathway of policy development. This includes a minimal achievement of development and weak implementation of development policy. If such instability persists over the long term, then the development policy produces the unexpected outcome (Jun and Sunde, 2014). The second argument mentions that such a long political process is detrimental to the property rights and would trigger an unanticipated situation, leading to a decline in investment. Yet, they argue that persuading investors that economic activity would remain stable is an alternative way to avoid an unexpected condition. The third argument states that decision makers would experience difficulty in adopting medium and long-term development policies, leading to frequent switches of policies, and thus creating a volatile state that decreases economic performance. The fourth argument relates to decreasing government revenue. Political instability would undermine the government’s performance in both producing and administering the revenue. Low government revenue would weaken the government budget that will be used for raising development in all sectors (Aisen and Veiga, 2013).

Nevertheless, it is important to note that stable political regimes do not always produce positive outcomes for development. In some cases, stability
could be maintained as power stagnation within one political group. A political institution or regime changes which is overly stagnant, would create less innovation on development policies as the elites will probably be inaccessible and self-sufficient (Ballettini et al., 2013). This situation would deviate from the popular demand of the people, compared to the more competitive political environment. Under a stagnant regime, public policy would be dominated by the relationship within the internal group who controls power, rather than as the result of political bargaining among many parties in a country. The most noticeable impact of political stagnation is institutional stagnation, including the effect on public policies. If public policies remain stagnant, the development of policy planning will be strict and the policy fluctuation will be less likely to occur. In short, regime stagnation will lead to the development of policy stagnation.

4.2 Research Method: Process Tracing

Qualitative research is vital since statistical results can only explain the degree of correlation between variables; qualitative research is able to describe real-life circumstances that underpin those correlations. Therefore, a qualitative approach is required to address this limitation. By combining statistical data and archival research, this thesis aims to produce a more comprehensive understanding of the differences and similarities between the four countries during the period of 1973 to 2013. This thesis employs the process tracing method, which will be conducted through archival or documentary research. The technique is particularly useful in revealing a comprehensive description of the historical relationship between democracy, social policy, and inclusive economic growth. The qualitative method using the techniques of process tracing and documentary descriptive analysis, which is based on a historical institutionalism approach by emphasising the importance of institution structure, political legacy (creation), path dependency, and reproduction of
institutions and their impacts (Pierson, 1996; Hall and Taylor, 1996; Clemens and Cook, 1999; Peters, Pierre and King, 2005; Duric, 2011; Tsai, 2014).

4.2.1 Process Tracing Method and Historical Institutionalism

The process tracing technique is chosen as the consequence of using historical institutionalism as the analytical framework. The goal of the process tracing method is to find causal mechanisms between certain aspects and their impacts through a set of events and sequences within one or several cases. This technique focuses on describing and explaining a specific topic historically in order to test a hypothesis or build and fix a theory (Collier, 2011; Beach and Pedersen, 2013). This is in line with the historical institutionalism approach, which also attempts to analyse the development process of institutions and their impact on several aspect. In the context of this research, the focus is on analysing the development of democratic institutions, how they interact with the formation of social policies, and whether the interaction provides inclusive economic growth to the people.

The ability of the process tracing technique to track, identify, and analysing the impact of institutional development can be explained in four aspects. First, process tracing inherently conducts analysis on trajectories of changes and causation (Mahoney, 2010). In the context of historical institutionalism, Thelen (1999) emphasised the importance of analysing the emergence of institutions and their developmental process. This research also focuses on the trajectory of democratic institutions development and how that affects social policies and inclusive economic growth (causation). Second, the process tracing technique pays close attention to sequences of independent, dependent, and intervening variables (Collier, 2011). Sequence is an important aspect in the historical institutionalism approach, especially for explaining path-dependency (Pierson, 2000). The process of increasing returns in certain institutions can only be identified if the researcher looks closely at the
sequences of events and how the institutions develop within it. Third, process-tracing consists of analysing a case through a sequence of important events and demonstrating how these events are linked by assessing the interests and situations faced by the groups or individuals involved (Wilson, 2011). Fourth, this technique focuses on the consequences of actors’ actions within a certain institutions or arenas (Wilson, 2011). The third and fourth aspects are relevant to this thesis, especially for examining the values and belief systems of society as a result of the internalisation of certain institutions. For instance, when the internalisation of democratic institutions is weak, the people will be permissive of undemocratic leaders and regulations, and vice versa.

4.2.2 The Strengths and Weaknesses

As mentioned before, the process tracing technique will be refined by providing knowledge about causal processes. Thus, process tracing can identify important mechanisms not yet identified by the theory and thereby contribute to its further development (Wilson, 2011). In the context of this research, the advantage of using the process tracing technique is its ability to strengthen the results of the quantitative analysis, especially the narrative causal process of the relationship between democracy, social policy, and inclusive economic growth that cannot be provided by the PLS-SEM test. The statistical test cannot provide a contextual explanation of why the relationship between democracy and social policy is strong in Indonesia but not in Malaysia from 1973 to 2013.

Though there are considerable advantages, the technique does have a few limitations. The main weakness of process tracing is that it needs to be supplemented with both large amounts of theoretical background knowledge and evidence from comparative and statistical research settings (Beach and Pedersen, 2013). This research employs quantitative (statistics) and qualitative data. This thesis overcomes the challenges by providing not only statistical data but also
statistical analysis, which can be used as a starting point for further analysis with process tracing technique. Regarding the background knowledge challenge, this thesis does not only rely on the literature review, but also on the documentary data which is carefully selected following the procedures explained in section D of this chapter. Thus, the source of information has passed the credibility test, and will minimise the lack of knowledge background problem.

4.2.3 Types of Process Tracing

Based on its purpose, the process tracing technique can be divided into three types (Beach and Pedersen, 2013; Kay and Baker, 2015). The first is process tracing research aimed at Theory Building. This type of process tracing focuses on discovering new causal mechanisms from case-specific empirical evidence. The intention is to use empirical evidence to develop a theoretical explanation and to generalise causal mechanisms of a particular case. Thus, the researcher has no prior hypothesis or theory about the phenomena he/she investigated. The result of this analysis is a fundamental explanation regarding the relationship between several variables that will be tested in the further research, qualitatively or quantitatively.

The second type of process tracing is one aimed at theory testing. While the first type is inductive, this type of process tracing follows deductive logic. This technique starts with an existing theory of causal mechanisms and tests whether that mechanism is present in a particular case. If present, this method will ask further questions to investigate whether the mechanism function as hypothesised? Therefore, the final result of this type of analysis would be similar with normal statistical tests (hypothesis testing) that conclude whether the hypothesis is rejected or accepted. However, the conclusion from the type of technique is richer than the statistical test as this provides a more complete
and contextual narrative of why the hypothesised theory should be accepted or rejected.

The third type of process tracing is used to provide a historical explanation of certain phenomena in a single case (case centric). This type of analysis is not strongly related to theory (whether building or testing) but rather, it is more concerned with describing a comprehensive understanding of a specific topic’s history. So, research using this technique will construct an explanation for a specific historical case and explain how a particular outcome or set of events came about.

This thesis somewhat a combination all of the three types with a strong reliance on the second type. This is because the main goal of this research is to test whether the hypothesised relationship between democracy, social policy, and inclusive economic growth should be accepted or rejected, and whether social policy plays as intermediary role between democracy and inclusive economic growth. The literature review has provided the conceptual arguments regarding the relationship between the three variables. The PLS-SEM analysis has already provided the results of the relationship between the three variables in the four countries. This section will test the theory from both the literature review and statistical testing regarding the relationship between democracy, social policy, and inclusive economic growth. Hence, this part also explores the contextual explanation regarding the result from statistical test.

4.2.4 Data Sources

The main data source for conducting process tracing is documentary data. The selection of the data source is also very closely related to the analytical framework used in this thesis. Studies using the historical institutionalism approach may not be removed from the study of documents or archives, because historical research is linked with documentary research, though archival research is not always historical (McCulloh, 2004; Burnham, 2008). The
events surrounding the change and institutional dynamics in the past would be difficult to describe without support from documentary analysis. Likewise, interviews and observations are ineffective in exposing the detailed events that occurred in the past. As previously explained, historical institutionalism must discuss several aspects or important moments in the past, such as political legacy, institutional creation and early development, crucial junctures, and long-term process of political institution (Pierson, 2000; Peters, Pierre and King, 2005; Clemens and Cook, 1999; Duric, 2011). Identification of those matters must be conducted by using highly accurate data and resources connected to past events. Therefore, documentary study becomes an effective way to obtain information on important moments in the past. Thus, the use of archival analysis will consequently support the application of the historical institutionalism framework.

There are many types of documents that have content directly related to topic of this thesis. In this thesis, however, only official documents published by public institutions and scientific journals are taken into consideration. Data documentation or archives are classified into three types. The first type is data that is a primary document directly created by the author, close to the event, and very private. The second type of document is a secondary document, which is issued following political or policy events. Policy review, working papers, and project reports, are examples of secondary documents. The advantage of using these kinds of documents is that the information has been placed in a broad context within the policy. The third type of documents is tertiary archives, which are mostly scientific publications. Information or data of this kind of document has been thoroughly analysed through several theories and approaches. Thus, it is not limited to a mere factual descriptive presentation as in the first and second type of documents (McCulloh, 2004; Burnham, 2008; Payne and Payne, 2004).
The advantage of employing secondary and tertiary documents is that the documents contain information that originates from official sources in the context of the theme being studied. Therefore, there are documents that intersect directly with policy makers, and they are formally responsible for the content and information contained in the document. In addition, by using the secondary and tertiary archives, it is possible to deduce political events in 1973, for example, by using a document that was published in 2013. The data sources for documentary analysis are listed in appendix 1.

4.2.5 Steps

There are four steps in conducting process tracing for this thesis. The first step is conceptualisation of causal mechanism (Beach and Pedersen, 2013). In this thesis, the conceptualisation of causal mechanism is between democracy, social policy, and inclusive economic growth. Hence, the relationship between the three variables will be further discussed from the institutional aspect. The result from this analysis is that the development of democratic institutions will be stable only when the public norms and belief systems supports the existence of material democratic institutions such as elections, parliaments, party systems, check and balances mechanisms and so on.

The second step is conducting case selection (Beach and Pedersen, 2013). In research using the process tracing method, this step is crucial because the problem with small-N research is the bias of selecting the case to be studied. This problem can be minimised by meticulously developing arguments of the reason for selecting the cases with enough support from both data and literature. This step has already been presented in Chapter One of this thesis.

The third step is collecting diagnostic evidence or evaluating empirical material (Beach and Pedersen, 2013; Kay and Baker, 2015). To perform the first stage of the data analysis, there are four items which are taken into account: authenticity, credibility, representation, and meaning (Payne and Payne, 2004).
The term “authenticity” refers to the claimed object of a document. To this extent, this thesis strictly controls those related to democracy, social policy, and its impact on inclusive economic growth in the countries under investigation. Furthermore, “credibility” is the extent to which the reputation of an author or institution of an archive can be trusted and reliable. Next, the term of “representativeness” (relevance) is defined by the extent of generalisations that can be constructed from a document. In this context, it is important to thoroughly check whether the data, methods or references used in the document are reliable and in conformity with academic standards. Lastly, “meaning” in this context refers to the deeper comprehension of what a document suggests. In the current research, all documents are simultaneously reviewed and analysed to discover their explicit “message”. Plus, “reading between the lines” is also conducted to discover a deeper interpretation of these documents.

The fourth step is hypothesis testing or operationalisation of empirical test (Mahoney, 2012; Kay and Baker, 2015). In this step, deductive analysis will be conducted in order to test the research hypotheses from Chapter Two and the findings of PLS-SEM as presented in Chapter Three. This stage will be conducted by employing descriptive documentary research.

The process of the data analysis covers three components, namely data reduction, data display and drawing, and conclusion verification, which supply an overall view of the data analysis. Data reduction aims to reduce the data without significant loss of information. The main technique for conducting data reduction is by coding and noting. By coding, this thesis will firstly make a list of the required information from various documents; for example, about the condition of democratic institutions in the Philippines during the Ferdinand Marcos era. Then the various archives that contain information about political institutions in the Philippines at that time will be coded. This coding procedure leads primarily to a categorised inventory, accounts tabular,
summary, or index of the document's content. After completing the coding of the entire document, the next stage is to create analytic memo writing. This procedure includes future directions, unanswered questions with the analysis, insightful connections, and anything about the research and the researcher. Returning to the example of the Philippines, after tabulating information about democratic institutions under the Marcos era, the information will be connected. Referring to the research questions, it must then be surmised whether the information is appropriate and able to provide answers to the research question, associated with facts or other information in answering research questions (Saldaña, 2009). The second stage is the data display which aims to systematically present information to the reader and is designed to combine structured information in such a form that is coherent and easily understood by the reader. A set of analytic memos will be put together and assembled with another memo to create a larger narrative about the conditions observed in a comprehensive manner. This step will be presented in Chapter Five. In the final stage, conclusion of the data is presented, which is an integral part of the overall research process from beginning to the end. This step will be elaborated in Chapter Six and Seven. The main analysis tool is to always associate a variety of information with the research topic and research question. This is required in order to classify the relevance of the data.
Chapter Five
Democratisation in Southeast Asia and Its Impact on Social Policy and Inclusive Economic Growth

This chapter will present the findings of the qualitative research gathered through the process tracing technique in Indonesia, Malaysia, Thailand, and the Philippines respectively. In each country, the analysis will be divided into three historical time spans. The first will look at the initiation of democracy including the existence of democracy under colonialism; second is the early development and reproduction of democratic institutions; third is the development of democratic institution in the four cases between 1973 and 2013. This is in line with the historical institutionalism approach. The most important part of historical institutionalism analysis is to identify the institutions in their early creation (initiation). Socio-political settings and the motivation in early creation of democratic institutions and social policies are also included. This discussion is important because the perspective of path-dependency is believed to be very difficult to change; even these early institutions have a tendency to continue evolving and reproducing. Even though this thesis is primarily focused on the 1973 to 2013 period, this does not mean the study is limited to that period alone. The historical context in which democratic institutions and social policies are established also need to be studied; though to understand the
interaction between democratic institutions and social policies, only the period of 1973 to 2013 will be emphasised. The process tracing of the social policy aspect will also be presented in a similar manner to the discussion of democratic institutions. The early emergence and development of social policy between 1973 and 2013 will also be presented in this chapter. The main goal of this chapter is to provide data that will be useful in drawing conclusions about whether there is a connection between the development of democratic institutions and the formation of social policy in the four countries. This step will also provide the contextual or real-life reasons that underpin the quantitative findings of the relationships between democracy, social policy, and inclusive economic growth variables.

5.1 Indonesia

From the statistical analysis, it is apparent that there is a strong relationship between democracy, social policy, and inclusive economic growth. To address the reason of why this relationship remains strong, it is worth providing a narrative explanation of the historical development and relationship among the three variables. To conduct this, the following section will present the results of a qualitative data analysis using a process tracing and descriptive documentary technique.

5.1.1 The Development and Changes of Democracy in Indonesia
- The Creation and Reproduction of Democratic Institutions

The early creation of normative democratic institution in Indonesia can be historically traced back to the beginning of the nineteenth century, in the second period of Dutch colonialism. There were three prominent periods that

Colonialism in Indonesian history began in the 16th century when the Dutch aimed to have direct trade lanes for agricultural commodities from Indonesia to their country. In 1596, the VOC (Vereenigde Oostindische Compagnie – East Indian Company) was established to accomplish it. VOC received huge powers to execute the trade mission, including declarations of war against those who opposed their trade policy. At the time, Indonesia was actually colonised by a company (VOC), not by the Dutch royal government. During the period, VOC
forged the building of democratic institutions in Indonesia. The first aspect was the ‘culture system’, in which farmers were forced to cultivate certain crops designated by the Dutch. The minimum obligation for farmers was 1/5 of their land to plant those crops (Olsson, 2007). The second phase was the Dutch *Ethische Politiek* (Ethical Policy), which was initiated by Max Havelaar in 1901. The third phase was decentralisation via the Decentralisation Act 1903, which comprised two main policies. The first was an establishment of a tiered governance structure consisting of central government, provinces and municipalities. Then, the second policy was the division of jurisdiction territories in Indonesia based on the tiered structure (Niessen, 1999).

As a means of implementing the decentralisation policy, elections were introduced. The right to vote (suffrage) was available for Dutch citizens older than 23 years, whose minimum income was f.900 (Europeans) or f.600 (Indonesians), and had the ability to speak Dutch. Plus, political representativeness was introduced through the establishment of *Volksraad* (Council of People) in 1918 (Jonkers, 1947). *Volksraad* was the embryo of a legislature body in Indonesia. Initiation of the emergence of democratic institutions was also driven by the well-educated youth, studying in the Netherlands and later formed the organisation of the Association of Indonesia (Indische Vereeniging). Encouraged by Cipto Mangunkusumo and Ki Hajar Dewantara, this organisation strove and fought for Indonesian’s independence and the democratisation agenda of the political system simultaneously.

The presence of an educated youth is important for establishing the basis of democracy in Indonesia. *Indische Vereeniging* had five major programs related to ideas of democracy in the context of Indonesian independence. The five programs are: 1) Right to determine its citizens’ destiny. 2) The kind of

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made no changes on the structural and political cultures in Indonesia due to their sole purpose in commercial affairs. VOC was dysfunctional however, and in 1799, the colonialism continued through a direct control from the Dutch government (Olsson, 2007).
future government system, which as a central pillar, recognised rights for rural communities. 3) The abolition of specific rights of the Governor General (Dutch government) 4). The freedom of press and the right to gather and conduct open meetings without limitations. 5) The right to a universal vote (Feith 2006). Despite undertaking the cooperative pathway, their ideas of democracy struggled until the formation of Volksraad and this group becomes important in placing the basis of democracy in Indonesia.

The creation of democratic institutions in Indonesia during this period existed in at least three aspects. The first one is the introduction of democracy through the election for either local officials or the Volksraad. Although these elections were not entirely free and fair at first, at least an election mechanism had emerged in Indonesia as a political norm in appointing public officials. Thus, current elections at various levels in Indonesia cannot be separately claimed from the tradition that existed in 1903. The second, most obvious legacy is the introduction and strengthening of democracy in the form of normative institutions (public awareness of democratic values), championed by educated youth organisations as mentioned earlier. The main agenda of this organisation includes the democratisation of the system of government, freedom of the press and the granting of universal suffrage to all Indonesians. The third legacy is the judiciary system whose institutional structures are similar to the Netherlands in many ways. For instance, the Indonesian criminal law (KUHP) is in fact a product of the Dutch colonial government. Besides, the current pyramidal division of jurisdiction in Indonesia, which is the Lower Court, the High Court, and the Supreme Court, is exactly the same as the Netherlands’ hierarchical law system, i.e. Rechtbank (supreme court), Gerechtshoven (higher court), and the Hoge Raad (High Council) (Niessen, 1999).

Later, the Japanese took over the control of the former Netherlands Indie (Indonesia), during World War II. During the Japanese colonial period (1942 – 1945), the nationalist movement for sovereignty of the country grew even
stronger, which was largely led by Soekarno and Mohammad Hatta. Eventually this fruitful endeavour brought the colonialism era to an end on August 17, 1945 (Niessen, 1999).

- *Early Development of Democratic institutions*

  Since the independence of Indonesia on August 17th, 1945, the Constitution clearly declares Indonesia a democratic country. The Constitution states that the President of Indonesia shall be responsible to the People Assembly (MPR), a supreme political institution with representatives elected by the Indonesian people. Feith (2006) mentions that the early development of the Indonesian “constitutional democracy” exhibited a strong push-and-pull phenomenon between democratic and non-democratic actors in establishing the political architecture that dates back to 1949. Two among the four largest political parties at that time, namely PIR (*Persatuan Indonesia Raya*, Great Indonesian Unity) and PARINDRA (*Partai Indonesia Raya* or Great Indonesian Party), were associated with democracy, while the others, PNI (*Partai Nasional Indonesia*, Indonesian National Party) and the Catholic Party, have declared their rebuttal to liberalism in relation to either political or economic issues (Feith, 2006).

  Indonesia experienced a brief period of democracy in 1955, when the first free and fair election (1955 parliamentary election) was successfully held by the country. However, it was not until President Soekarno declared *Demokrasi Terpimpin* (Guided Democracy) in 1959 that Indonesia became the largest democratic country in the region. Soeharto took power from Soekarno in 1965, and established another pseudo democracy, *i.e.* Demokrasi Pancasila (Pancasila Democracy). Soeharto aimed to preserve his own authoritarian power, by which he successfully maintained his authoritarian grip for around 32 years. Either Soekarno’s model of Guided Democracy or Soeharto’s Pancasila
Democracy has created authoritarianism, which in fact, have bounded the political freedoms of the citizen (Eur, 2002).

Particularly in Soeharto’s New Order (Orde Baru) era, state controls were very powerful and repressive, in both politics and economic aspects (Chalmers and Hadiz, 1997; Martin et al., 2001). During the authoritarian period, Macintyre categorises the relationship between the state and society in Indonesia into three approaches, i.e. corporatism, co-optive, and patron-client (Macintyre, 1990). Soeharto’s regime took control over economic and political life through either military force or the Golkar Party as its political machines. Although Soeharto managed to carry out regular elections and allow opposition parties to compete, the normative institutions of democracy, such as individual’s freedoms of assembly, association, and speech were rigidly constrained, and the regulations were enacted to prevent the formation of new political opposition parties. In short, such a model of democracy is so-called a pseudo or façade democracy (Lee and Chung, 2004; Ufen, 2008).

5.1.2 The Development and Changes of Social Policy in Indonesia

Formally, the early occurrence of social policy was organised by the material and modern state context since 1901. During this time, the Dutch colonial government applied the Ethische Politiek (Ethical Policy), which was inspired by the thoughts of Max Havelaar. Generally speaking, the Ethical Policy was a form of ‘debt of honour’ or moral responsibility, as a means the Dutch government was willing to recompense all indigenous people who had supported wealth creation for the Netherlands. The “Ethical Policy” provided a wide range of assistance. For example social policy support from the Dutch government to the Indonesian people included education, health care, infrastructure, and irrigation systems (Olsson, 2007).

Of the aspects of social policies, the Dutch colonial government put emphasis on education. Many school buildings were built during this period
and were reserved for local Indonesians. Using Dutch as the language of instruction, the education system applied European-style education and was exclusively facilitated for the Indonesian elite’s children. Educational institutions that existed during that era still survive today, although they have developed and are modified in some ways. However, the education policy containing colonial interests harvested harsh criticism. The colonial interest behind the social policies of the colonial era was to create "bureaucrats” willing to cooperate with the Dutch colonial government. It was believed that educating local Indonesians might reduce the government’s spending, as these intellectual elites could take over the duties the Dutch bureaucrats previously managed (Olsson, 2007; Vlasblom, 2005).

Due to Dutch colonial interest, there was no strong colonial legacy on the current architecture of Indonesia social policy. Despite the fact that the Dutch government began to implement the Ethical Policy in 1901, the form and approach of the policy were wholly different from the current social policy in Indonesia. Social policy in the Ethical Policy’s regime was simply a medium to strengthen the control of the Dutch over the Indonesian government and therefore sharpening discrimination. For example, the Ethical Policy provided education only for certain classes of people, which were Europeans descendants, and Chinese and indigenous elites, which were very few. Thus, the general public or commoners did not enjoy any social benefit from the Ethical Policy programs (Vlasblom, 2005). Despite different motives and interests in developing social policies between the colonialism era and today, material institutional patterns remain similar, where budgets are allocated and organised to help implement social policies.

In the early years after Indonesian independence (1945), social policy in the country was far from a conducive nature. The harsh situation occurred because of the absence of an inherited social development from Dutch colonialism. The former colonial government gave much less attention to
schooling than the British colonial government did in Malaysia, the French had done in Indochina, or the United States had carried out in the Philippines (USAID, 2008). Later on, under the reign of President Soekarno (1945 – 1965), there was no accelerated effort in social policy since during the time, Indonesia had to deal with the Dutch re-invasion attempts and domestic political turmoil (USAID, 2008). Likewise, during the Soeharto era (1965 - 1997) there lacked government attention on social policy; rather, the Soeharto government was more focused on economic development than redistribution policy. The new social policy seemed to improve after the “1998 Reformasi” which will be described in the next section.

5.1.3 Democracy and Social Policy in Indonesia during 1973-2013

This section will focus on an explanation of how democratic institutions (material and normative) interact with the social policy institutions during the period of 1973 - 2013. Before looking at how both institutions interact, it is important to describe the material institutional construction of democracy in Indonesia during this period.

- Material Democratic Institution (Structure)

As already explained in Chapter Two, Indonesia is generally classified as a consensus democracy-based country. Indonesia is a republic with a presidential government system where the president serves both as a head of state and head of government (directly elected by the people since 2004). The power of the president (executive) is more dominant in the government than the legislature; even the minister also has the rights to make technical regulations that fairly determine the course of government and development (Funston, 2001). Any changes in institutions are more on the technical and operational aspects, such as the technical implementation of elections and government organisations.
Although the current system of the Indonesian government is a presidential system, during the period of 1956 to 1959, the country tried to implement a parliamentary system. However, this system could not run optimally to accommodate various political conditions at the time. In 1959, Indonesia reverted to the presidential system, during which, one of the fundamental changes that occurred in the context of this system was the 1945 Constitution amendment taking place in 2004. Since then, the president is no longer elected by the General Assembly; rather, he/she is directly elected by the people through a general election. To date, there have been three direct elections that have occurred, i.e., in 2004, 2009, and 2014. The executive possesses great authority in the decision-making process, especially in issuing and allocating budgets to policy areas. Therefore, policy proposals and development programs are exercised by the executive, rather than the legislature (Datta et al., 2011). The implication of direct presidential elections strengthens the president’s position over the parliament. The relationship between the executive and the legislature in Indonesia is also quite dynamic. During Soeharto’s leadership, the dominance of the executive over the legislature was very strong. Thus, almost all decisions the president made were approved by the legislature. Currently, although the executive power remains dominant, it is not as powerful as it was in the Soeharto era. Executive power in public policy is particularly prominent in development planning and budgeting. Budgetary policy-making process in Indonesia is still dominated by the executive. Most of the proposed programs and budgets are derived from the executive. Based on Law No. 25/2004 on the system of development planning, the preparation of the budget draft of the executive is drawn from the proposals and aspirations through a forum Development Planning Meeting/Musrenbang (which will be explained later). Then the draft is passed to the legislature for discussions; when no fundamental problems exist, then it is approved. Budget policy has to undergo two phases of process to be officially
issued, which are the medium (five years) and annual term. However, a more
detailed financial planning and operational only rests on the policy cycle of
annual budget (Blondal et al., 2009).

Party and election systems also remain unchanged. In its system,
Indonesia uses a multi-party system and proportional representation and at
one electoral district (Dapil) set of the number of seats that will be represented
in the legislature. Then the competing parties would submit the names of
candidates, each of whom will ‘fight’ for their own to get the most votes. The
competition occurs even among the candidates with the same party of origin
as they compete for the same basis (GEC, 2008). This is a one of the substantive
differences between Indonesia and the Philippines, where with the party-list
system, organisations (political parties) are led to compete with each other,
rather than competition among individuals. The combination of presidential
and proportional electoral system is very similar to the characteristics of
democratic consensus. One significant difference from the revamped electoral
system—the party list system into an open system—is that irrespective of
whether or not his/her position in a party is top priority, any candidate who
gains the most votes is certain to win a seat. In addition, space for the minorities
in parliament has become more open; although with a cost that the political
forces are more rooted personally rather than institutionally. The relationship
between social policy and electoral incentive lies more on transactional politics
among voters with individual candidates, rather than between voters with
political parties (Ufen, 2008).

- **Suharto’s Authoritarianism (1973 – 1997)**

During the ‘New Order’ regime, the Indonesian government put
priority on economic development (growth) rather than social/human
development. Suharto’s autocratic rule is often associated with rapid economic
growth, particularly during the 1970s and 1980s. However, the high economic
growth at the time did not solely result from robust economic productivity; rather, it largely relied on income from oil export sector and foreign debts (Budiman, 1988; Case, 2001; Wie, 2002). The main orientation of Suharto’s economic development policy was to deregulate and liberalise the Indonesian economy, since Suharto believed that this aspect would foster growth. The rapid and vigorous economic growth would eventually help to stabilise the political environment (Case, 2001). In fact, Suharto did not practice pure liberal capitalism; instead, he practiced crony capitalism. For instance, it is obvious when Suharto’s policy gave special privileges to several of his children’s companies to control the distribution of goods and conducted a practice of monopoly on several commodities (Budiman, 1988; Case, 2001).

The efforts to pursue rapid economic growth have generated a fundamental weakness of social policy, a deteriorated democratic system, and a restricted enforcement of human rights (BTI, 2012), which was due to his authoritarian leadership. Looking at some examples, he held very strict controls over unions, mass media, and political parties (NDI, 1997) and most of it, over the labour union. The New Order regime forbade labours to set up any new union and then forced them to join government-formed ones (USAID, 2008). The urgent demands for social policies among non-workers were also weak because civil society organisations were systematically undermined by the regime. This is evidence of how the autocratic political institutions gave a direct negative effect on the development of social policy institutions. Historically, social welfare services emerged after the first two decades of the New Order regime. In 1983, the government issued Presidential Decision No. 39/1983 on welfare for disabled people. And in 1992, the government developed a program of social policy in the health sector through the Health Law No. 23/1992 (WHO, 2006). These facts indicate a slow development of social policy in the New Order era.
Furthermore, the poor attention from the New Order on social policy for the people did not weaken the regime’s political strength. In fact, its political power was gained from its militaristic approach and the pursuit of economic growth (industrialisation) rather than providing social policies to the citizen. It was proven that despite the minimum social policy, in 1987, Golkar (Suharto’s party) won by 72% (NDI, 1997). An example on such repressive measures from the New Order regime may also be seen from the banning of Tempo magazine and the arrest of the journalists who wrote about the violations and corruption by President Suharto and his cronies in 1994 (NDI, 1997).

In 1996, movements of civil society organisations began to grow even stronger as the reaction on repressive political institutions during Suharto’s reign. Civic activists and journalists established the Komite Independen Pemantau Pemilu (Election Watch Independent Committee – KIPP) during the year. KIPP aimed to monitor elections on certain aspects, e.g. media coverage, intimidation to voters, and irregularities in the vote count (NDI, 1997). Facing strengthened social criticism, the government began to introduce some social policies, particularly for rural communities, education, and people with disabilities. The New Order regime also issued a policy to aid underdeveloped villages (IDT). Through the Ministry of Religion and Ministry of Education and Culture, government decided to provide financial aid to children with disabilities and school transportations for children living in remote areas to facilitate them to attend boarding schools (JICA 2002).

Between 1973 and 1997, the Golkar Party won all elections. They mastered Indonesian bureaucracy from the central to local levels (Budiman, 1988). In the 1997 parliamentary election, Golkar achieved an absolute win (70.02%), which gave a mandate for Suharto to serve as the president of Indonesia in his seventh term (NDI, 1997). This manipulative election result encouraged a growing number of protests, to which the New Order government responded with repressive measures. More than 200 activists were arrested and interrogated in
1997, including members of the People’s Democratic Party (PRD), labour organisation (SBSI), intellectuals, and journalists, and then finally were arrested and sentenced in April 1997 for up to 13 years detention under the Anti-Subversion Law. Some of the “subversive” leaders who were arrested and sentenced included Budiman Sudjatmiko, Mochtar Pakpakhan, Andi Syahputra, and Sri Bintang Pamungkas (NDI, 1997).

In the midst of the political turmoil in 1997, Indonesia was struck by a severe economic crisis and natural disaster (*El Nino* drought). Given these crises, the Indonesian currency fell by 15% in less than one year (mid to end of 1997). In the following year, the inflation rate increased to 78%, the magnitude of economic contraction was 13.7%, and poverty rate increased from 17.3% in February 1996 to 24.3% in February 1999. Consecutively, the declining performances in the national economy also worsened political conditions in Indonesia.

The Soeharto government reacted to these situations by developing a social policy of *Jaring Pengaman Sosial* (Social Safety Net – JPS) in 1997. JPS aimed at protecting poor people by applying four main approaches: 1) giving access to food; 2) creating jobs for the poor; 3) improving the poor’s access to education and health services; and 4) encouraging small-scale credits (Institute 2010). In early 1998, the regime also developed a policy regarding technical requirements for public buildings to improve accessibility for persons with disabilities (JICA 2002). In short, it seems that social policies in the New Order regime only occurred when its economic and political conditions were ruined.

In 1997, the prolonged lack of freedom and civil liberties finally encouraged Indonesian people to reform the political system in their own country. One year later, the reforms championed by various student movements and NGOs in Indonesia were noted as being able to finally topple the authoritarian Soeharto (New Order) regime. These reforms are recorded in history as the *Reformasi 1998*. The fall of the New Order on 21 May 1998 is
possibly the most important event to advance modern democratic values and systems in the country. Indonesia has been able to establish a relatively better democracy since then. After the democratic momentum, a fundamental change in various fields has been successfully performed as a basis for building a solid and fair democratic institution. One of its outcomes occurred on 5th July 2004 when Indonesia held its first presidential election. The election added a new colour to Indonesian history, because for the first time Indonesian people were directly enabled to elect their president. Democracy in Indonesia has since made remarkable progress. Indonesia began to enjoy relatively better democracy, including freedom of expression, a freedom of information, checks-and-balances between executive and legislature, and a depoliticised military (Bhakti in Rolfe, 2004).

In summary, the institutions of democracy during the Suharto era did not perform well. This is indicated by the lack of diversity of aspirations (particularly from minority groups), although the basic constitution of consensus democracy and proportional electoral system remain similar up to today. Policy direction was determined and was legitimated by Suharto and according to Suharto’s personal favour. Social policy in Indonesia during Suharto’s authoritarian administrations was taken as a tool to counter either political or economic crises (JICA, 2002), including strengthening its patrimonialism (Case, 2001). By providing social assistances to its people, the regime expected that the public would assume that they had been generous in helping their lives. In addition, an increase in the budget allocation for social policy since 1969 (10.9% of total expenditure) to 1983 (19.1%) was taken as a political strategy to convince the public that President Suharto was better than former President Sukarno (Prawiro, 1998). The last motivation for Suharto to deliver social policies, particularly in education, was to support economic development programs by providing educated labours (Sundrum, 1983).
After a long rule by multiple dictatorships, in the late 1990s Indonesia began to enjoy relatively democratic institutions and democratic life, including freedom of expression and opinion, freedom of information, checks-and-balances between executive and legislature institutions, and a depoliticised military. Critical junctures in the development of democracy in Indonesia have occurred since May 1998. Since then, the political history of Indonesia entered a new passage when it was marked by massive demonstrations and chaos in major cities demanding democracy as well as the resignation of President Suharto, whom had ruled for 32 years. On May 21, 1998, Habibie (Suharto’s vice president) took the presidential oath right after President Suharto stepped down from the office. The whole process was later labelled “Reformasi 1998.” The momentum created an “elite-pact” who set the reform agendas up, i.e. rule of law, eradication of corruption and nepotism, amendment of constitution, depoliticised military, local autonomy, and prosecution of Suharto and his cronies (Boudreau, 2009; Rock, 2013).

During this period, social policies entered political arena as the result of political behaviours in which political parties attempted to compete for gaining votes by offering a ‘cleaner’ government, development, and welfare to the people (Rock, 2013). Simultaneously, Indonesia introduced the concept of social protection for securing the economy of the poor from any macroeconomic shock. Despite being elitist, the fact indicates elections (material institution) and freedom of expression (normative institutions) are two aspects of democracy that have promoted social policy in the country.

The most prominent institutional changes triggered by this phenomenon were the political party system and parliamentary transformations. There were only three notable parties in the New Order Era, namely PPP (*Partai Persatuan Pembangunan*, or United Party of Development), a fusion of former Islamic-based parties; PDI (*Partai Demokrasi Indonesia*, or Indonesian Democratic Party),
a nationalist party; and the party supporting the Soeharto leadership, Golkar (Golongan Karya, or work class). Meanwhile, the competition between the three parties was forged, because all the power was held by Suharto via Golkar. Electoral incentives of Golkar in attracting public support through elections were not too large, because their political legitimacy was derived from a military approach.

In the post-reform era, the number of political parties participating in general elections increased dramatically, from only three political parties to more than 40 parties. Each party espouses public sympathy to win elections. Thus, the competition is more open on social policy in terms of quantity, diversity, and variation.

Major social policies in the post-Suharto era offered a variety of programmes, such as the provision of subsidised rice for the poor (Raskin, beras untuk rakyat miskin); targeted subsidies in healthcare (Jamkesmas, jaminan kesehatan masyarakat or health assurance of society); school block grants (Biaya Operasional Sekolah); job creation (Padat Karya); and community block grants. These programmes were first introduced under Habibie’s administration in 1999/2000. In addition, the government applied many structural policy changes. In the economic sector, some reforms were taken on macroeconomic regulations, such as reducing the domination of large scaled corporations, improving the banking system, and reducing foreign debt (BTI 2012). In mid-September 1998, a new health program was introduced to focus more on health promotion and prevention activities rather than on curative and rehabilitative services (WHO, 2006). In the meantime, democracy was becoming more consolidated. Since the beginning of 1998, dozens of new political parties, civil society organisations, and unions were established (USAID 2008).

One of the most successful democratisation agendas was the radical change of political regulations. In January 1999, new laws regarding parties, elections, and the composition of parliament were passed, including the
abolition of restrictions on the formation of political parties and political activities; and an unrestrained formation of parties, election participation, and other political activity. Following the Reformasi 1998, Indonesia initiated many institutional changes. The most fundamental of these was an amendment to the 1945 Constitution (UUD 1945) which included the formation of the bicameral system, the protection of human rights, and the establishment of the Constitutional Court. Indonesia also opened a broader democratic space through direct elections for president, governors, regents, and mayors (USAID, 2008). Changes were also made in terms of limiting the tenure of a president to only two terms (Polity IV, 2010). In June 1999, Indonesia held a parliamentary election that attracted positive ratings from many international institutions (BTI, 2012).

Next, another essential juncture of democratisation in Indonesia was Abdurrahman Wahid, who was elected as the fourth President of Indonesia. He was known as the “father of democracy” in Indonesia, and was one of Suharto’s biggest enemies. While most Indonesians feared the political stability jargon, President Wahid was committed to defending the rights of minorities in Indonesia. He combatted Islamic extremists after Christmas Eve bombings. He also held dialogues with ethnic separatists, avoiding a much-feared fragmentation of the nation (Tuck, 2001). However, Majelis Permusyawaratan Rakyat (People’s Consultative Council – MPR) impeached him due to these unpopular politics. His vice president, Megawati Sukarnoputri, then replaced him.

Under his leadership, more institutional reforms were taken in the country. The Ministry of Transportation introduced mandatory regulations for transportation operators to improve accessibility for persons with disabilities and illness (JICA, 2002). In the political area, the government passed two laws, namely No. 2/1999 regarding Political Parties and No. 3/1999 regarding General Elections, which further ensured transparency and competition in political
processes and elections (NDI and CALD, 2002). In 1999, the government also issued Law 22/1999 regarding Decentralisation, in which, public service delivery and budget planning were decentralised to the approximately 450 municipalities and districts. In addition, the country began to organise direct elections for provincial governors, regents, and mayors for the first time in 2005 (NIMD 2009). In other words, changes in the Indonesian democratic institutions strengthened Indonesia as a country with a consensus democracy system. More importantly, however, there was an emphasis on improving normative democratic institutions, which is indicated by both the elite and the masses’ attitude towards democratic values, which has grown stronger. Policies that are opposed to the values of transparency, accountability, and participation will face criticism from the public.

As a part of the reform process, in October 1999, social policy in the health sector began to be extended through a program of the Ministry of Health, the so-called Healthy Indonesia 2010. The program was taken at either central or regional levels with a substantial budget allocation (WHO, 2006). To reduce poverty in 2000, Indonesia also incorporated poverty reduction initiatives into Propenas or Program Pembangunan Nasional (National Development Programs). Poverty eradication policy was articulated into five programs, i.e. an equitable fulfilment of basic needs, accesses to essential foods, basic health, and education, as well as housing services for poor families and communities (MDG Report, 2004). Once recognised, the follow-up to the Propenas was the declaration of the “National Movement for Public Accessibility” in 2000 (JICA, 2002).

During the leadership of Abdurrahman Wahid, in November 2001, the democratisation process in Indonesia achieved another milestone when the People’s Consultative Assembly (MPR) decided on the implementation of direct presidential elections in Indonesia. The Law on the General Election for President and Vice-President was passed by the Indonesian House of
Representative (DPR) on July 2003. It provided a new technical framework for the implementation of direct presidential elections. The new law includes provisions for a two-round election. Unless a single candidate receives over 50% of total votes and wins in at least 20 provinces in the first round, there will be a second election for the top two participating candidates (NDI, 2004). In July 2004, Indonesia held its first direct presidential election with approximately 147 million voters. The 2004 presidential election was considerably democratic and fair, which gave the mandate for Susilo Bambang Yudhoyono and Jusuf Kalla as president and vice president. Despite positive assessments from international observers, there were criticisms that addressed the domination of money and media factors over programs contestation during the election process (NDI, 2004). Next, the second direct presidential election was held in July 2009, and was won by Susilo Bambang Yudhoyono and Budiono as president and vice president. Then, the third one was in July 2014, won by Joko Widodo and Jusuf Kalla (Jokowi-JK), the current president and vice president of Indonesia.

The democratisation process in Indonesia under the Megawati administration was marked by a new constitutional amendment taken in August 2002. The amendment limited the absolute power of president; provided the direct election of a president and vice president; and abolished the reserved seats for representatives of the military, police, and functional groups in the MPR, which had previously been initiated by President Wahid. Indonesia was then able to have direct presidential elections in 2004, 2009, and 2014 due to such a fundamental political reform (Case, 2009). In the 2009 presidential election, Indonesians gave the incumbent, President Susilo Bambang Yudhoyono, a chance to win his second and final term through a democratic election, a first for Indonesia. With the success of three national and hundreds of local direct elections since 2004, Indonesia has proven itself as a relatively stable democratic country.
In 2002, Megawati’s administration formalised the subsidised rice program in the so-called Rice for the Poor (Raskin). Despite the fact that during the first decade after Reformasi 1998 these policies were mainly initiated by elites, these policies demonstrate that democratisation in Indonesia has targeted the development and welfare of society. Prior to the 2004 presidential elections, the Indonesian government issued a Law No. 40/2004 regarding the National Social Security System (NSSS). The law mandated a universal coverage of social securities, which are pension, health insurance, unemployment insurance, and death insurance, with a compulsory contribution and subsidy for those who cannot afford any premium (ADB, 2012).

From the democratic institutional point of view, the aspect that encourages the emergence of social policy is the strong normative democratic institution, especially of public awareness and participation. Plus, the President has executive powers which are strong enough to initiate policy. The President requires support from the parliament only in the context of the material legislature process. The coalition that the president builds does not only benefit from securing the position but also supports all the policies that he made during his leadership. Parties supporting the president, on the other hand, also need the social policies to gain public support. The ministers and technocrats who work for the president also have a fairly wide discretion in creating various social policies, which are in accordance with the characteristics of the various constituents of the ruling party and its supporters. This is what distinguishes democratic institutions that exist in the era of pre- and post- “Reformasi1998”.

Although the Reformasi 1998 agendas have not been perfectly implemented, Indonesia has begun to enjoy a relatively better democracy. Data from Polity IV indicates a jump from -7 to +7 in 1999, which has remained stable since then. Electoral democracy in Indonesia has also been experiencing steadier
improvement, including a sharp decline of communal conflicts. The main
remaining problem in Indonesia’s democracy is the pragmatic and
underdeveloped political parties. Despite its fundamental importance,
corruption has not been effectively eradicated, and thus remains widespread.
Nevertheless, based on Schumpeter’s “free competition for a free vote” and
Dahl’s criteria of “contestation and inclusiveness,” democracy in Indonesia has
performed reasonably well, is considerably peaceful and, most importantly,
winners are not predetermined. Then, another critical development of
democratisation in contemporary Indonesia is the growing support from civil
society for the KPK (Komisi Pemberantasan Korupsi or Corruption Eradication
Commission). It is critical to go beyond a democratic election into creating good
and clean governance (Liddle, 2013; Winters, 2013).

Susilo Bambang Yudhoyono won the first (2004) and the second (2009)
direct presidential elections. In Susilo Bambang Yudoyono’s era, the
community block grants were integrated into Program Nasional Pemberdayaan
Masyarakat (the National Program for Community Empowerment – PNPM)
(Widjaja, 2012). A year later, a number of schemes substantially introduced a
new centralised funding to expand health and education coverage (APCO,
2014). The largest social policy in education was the Bantuan Operasional Sekolah
(BOS – School Operations Assistance) that provided funds for schools on a per-
pupil basis to cover operational costs. In 2008, the BOS policy increased the
national budget for educational spending by 23%. Meanwhile, in 2010,
Jamkesmas accounted for about 20% of total national spending on health (TAF,
2011). Since 2009, the educational budget allocation was mandated by the
constitution to be 20% of the annual national budget; that was expected to
support ±560 local governments, which consisted of 61 million students, 340
schools, and about 4,000 teachers in 2010 (USAID, 2012). Despite the fact that
the mandated budget allocation was never fully achieved, this effort indicated
a stronger commitment from the government to social policy aspects.
The development of democratic institutions during President Yudhoyono’s era began with the issuance of Law No. 25/2004 on National Development Planning System (SPPN), by which the government can only allocate the state budget after a public forum called the Development Planning Meeting (Musrenbang). This emphasised the importance of strengthening normative democratic institutions. The Musrenbang consisted of two types; the first was to formulate a development plan for five years, and the second was to determine the allocation of the budget for each year. The level of implementation of the Public Forum commenced at the level of village, sub-district, district/municipal, provincial and national. The basis of determining the budget allocation at all levels of government was taken from the decisions made at this Musrenbang forum (TAF, 2011).

In this context, the Musrenbang forum model is not directly related to majoritarian or consensus democracy. This kind of forum can also be found in Thailand. Therefore, the idea of participatory development only rests on the principles and values of democracy, substantially or informally. In Thailand and Malaysia, for example, despite the use of the parliamentary system, the mechanism of participatory development is also found.

In the health sector, during the second term of Yudhoyono’s administration, the government also launched the Jaminan Kesehatan Masyarakat (National Health Insurance – Jamkesmas) which applied a reimbursement scheme for public hospitals and sub-district health centres for clinical services provided to the poor (TAF, 2011). These two major social policies have managed to survive until now. They are marked as evidence in which social policies in Indonesia have become stronger and larger compared to the New

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44 Further explanation on participatory development in Thailand can be seen in the healthcare policy formulation, while in Malaysia, this is seen in the development of subsidised housing in Kuala Lumpur. More detail information on both examples will be explained in Chapters Four and Five.
In the economic area, Indonesia also improved, in part, thanks to democratic rule. This is illustrated by the fact that in 2005, the government managed to restore real GDP to the level before the 1997 crisis hit Indonesia. In the following years, Indonesia witnessed solid economic growth rates between 4% and 6%, including progress in its economic liberalisation (BTI, 2012).

Later, the bargaining position of civil society began to grow. The process of democratisation enhanced the opportunities for local NGO activists to publicly criticise domestic and foreign companies. Their criticisms demanded those companies give a significant contribution to address environmental and social issues, e.g. deforestation, pollution, and the destruction of local communities; and called for tighter regulation of their activities. In July 2007, Indonesia introduced mandatory legal requirements for Corporate Social Responsibility (CSR) following the passage of legislation of Law 40/2007 on Limited Liability Companies (LLCs). In article 74, the law explicitly states that companies have an obligation to provide social services to the people. This indicates the important role of rule of law and pro-development and welfare as two aspects of democratic institutions development (Rosser and Edwin, 2010). In relation to social policies for people with disabilities, the government and the parliament officially ratified the UN’s Convention on the Rights of Persons with Disabilities (CRPD) in 2011. This was followed by several important high-level meetings related to the implementation of CRPD in Indonesia (UNESCO, 2014). In terms of normative institutions of democracy, this is a critical point in the history of Indonesia’s institutional reform agenda, particularly as it relates to the acknowledgment of civic organisations and freedom of expression.

In terms of inclusive economic growth, social and economic developments in Indonesia have improved the authoritarianism era. During the 2008–2009 global financial crisis, the country’s economy grew by 4.5%. The growth further increased to a relatively high level, growing by 6.1% in 2010,
and even 6.5% in the third quarter of 2011 (Saparini, 2011). The number of people living below the poverty line ($2/day) decreased from 16.6% in 2009 to 13.3% in 2010. By 2010, the net enrolment ratio (NER) of primary school children reached 95.4% and the Gross Enrolment Ratio (GER) increased by 115.3%. Plus, the NER and GER at junior secondary level were 75.6% and 98.2%, respectively. There was also improvement of access through the provisions of new school buildings by using the School Operational Grants Subsidies (BOS) (USAID, 2012). According to the UNDP, Indonesia was one of the top 10 countries with the fastest progress in human development. Next, public debt fell dramatically from 100% of GDP in 1999 to 26% of GDP in 2010. Despite being a relatively open economy, Indonesia addressed the global downturn remarkably well. Supported by a strong domestic market, a sound financial system, and a well-coordinated and effective crisis management conducted by the government and the central bank, Indonesia’s economy grew by 6% in 2010, up from 4.5% in the preceding year (BTI, 2012).

Social policies currently taken by Indonesia are comprehensive and articulated in a numerous way by many ministries. For example, the Ministry of Social Welfare has implemented 19 programs, e.g. Remote Indigenous Community Empowerment; Empowerment of the Poor; Rehabilitation and Social Protection for Children; Social Rehabilitation for Persons with Disabilities; Social Rehabilitation for the Socially Vulnerable; Social Protection for Migrant Workers and Victims of Violence and Abuse; Family Hope Program or the Conditional Cash Transfer (CCT), etc. Also, the Ministry of Ocean and Fisheries has implemented Social Assistance for a Coastal Family program. Next, the Ministry of Education had four programs, the BOS for Elementary and Junior Schools, Operational Assistance for Quality Management at Senior High School level, Operational Support for Quality Management (BOMM), and Scholarship for Poor Students at all school levels. The Ministry of Agriculture has the program known as the Development of
Food Self-sufficiency Regions (Independent Rural Development Food – PDMP) program. The Ministry of Health has Social Health Insurance Program for the Poor (Assurance/Public Health Insurance) and Free Birth Delivery for All (Jampersal, jaminan persalinan or Delivery Guarantee). The Ministry of Public Housing launched the Assistance for Housing and Construction & Renovation program. Then, the Board of Logistic Affairs has the Rice for the Poor (Raskin) program (USAID, 2012).

In sum, democratisation in Indonesia has not only improved the quality of elections (material institutions), but also the quality of freedom and civil liberty (normative institutions). The number of NGOs and civil society organisations increased after the reform period. During this time, these organisations were relatively more active in influencing government policies compared to in the New Order era. A similar situation also occurred with the press. There were numerous news media - radio, television, newspapers and magazines - which reflected a spectrum of different political views. In other words, people received relatively fair and open access to the media (USAID, 2008). The enhancement of freedom and civil liberty then triggered the increasing budget allocation for social policy.

5.2 Malaysia

The quantitative research in Chapter Three indicates that there is no strong relationship between democracy, social policy, and inclusive economic growth in Malaysia. Political shifts have not significantly affected social policy in Malaysia, especially in relation to the central government’s budgetary expenditure and allocation of resources. Social policy has not strongly affected the relationship between democracy and inclusive economic growth as expected in the research hypothesis. As described in the previous chapter, the alternative explanation in the context of Malaysia can be attributed to the slow development of democratic institutions (political stagnation) and the
relationship between material and normative democratic institutions, which are not considered as complementary. The development of democratic institutions in Malaysia has slowly progressed between 1973 and 2013, both quantitatively and qualitatively. Theoretically, the existence of social policy in autocratic regimes potentially creates a patron-client relationship between the government and the people, which in turn would perpetuate deadlock toward progress for democratic institutional development. The results of this method supports the conclusion of the statistical analysis in section one, where it does not indicate strong relationship among the three variables. From the qualitative narrative over the period 1973 - 2013 it can be concluded that the relationship between democracy and social policy in Malaysia has been elite and ethnic based. Its political history discouraged either social movements or class struggles for the poor to push the government to create certain sets of social policies.

5.2.1 The Development and Changes of Democracy in Malaysia
- The Creation and Reproduction of Democratic Institutions

Unlike Indonesia, the emergence of democratic institutions in Malaysia remains unclear. However, the most noticeable indicator was when the British colonial government began to intervene in the Malaysian government system in the 1880s. Since then, the system of government in Malaysia has followed the pattern of a modern state, with a contemporary model of organisation and decision-making systems. Britain seized the Malayan Peninsula, which was originally occupied by the VOC, in the early 1800s (Emerson, 1979). In the early period of British rule in the region (1814-1860), the British royal government implemented a policy of non-interference to any political affairs within the existing kingdoms in Malaysia. Sultans were given the right to run political and administrative systems based on their traditions, while the British managed to monopolise agriculture and plantations (Ryan, 1976). The policy of non-
interference established by the British government ended in 1881 when the colonial government took control of North Borneo. Following this, the British government incorporated British Empire traditions and laws into the Malaysian legal and government systems (Emerson, 1979). British political intervention began in 1895 when the colonial government formed the Federated States of Malaysia. The purpose of the establishment was to expand its territory in Malaysia and to create uniformity among kingdoms throughout the Peninsula and North Borneo. Furthermore, the intervention affected the legal and political systems and also affected the political power of the sultans. Due to these changes, the role of a sultan became merely a ceremonial (Ryan 1976).

This new legal and political management approach by the British can be regarded as the driving factor that led the development of Malaysia’s democratic institutions. As the power of the sultans decreased, the constitutional system, and particularly the government’s public accountability—as part of democracy—became the norm. However, the sultans were not satisfied with the changes to the political systems. As compensation, the British offered decentralisation policies, which made the autonomy of local kingdoms larger. During this period of political shifts, the involvement of the Chinese community in Malaysia’s political scene began to emerge. Most notably, the Chinese community expressed resistance to the decentralisation policies. The Chinese, and some Europeans, were concerned that decentralisation would give more power to the Malays, and therefore weaken Chinese political power. As a solution for the political debate, the British implemented decentralisation only in several areas, while financial facets of the kingdoms remained highly dependent on the central government (the Federal). Afterwards, a political negotiation produced ‘the separation of roles’, by which the Chinese had more control over the economic and business aspects while Malays controlled the political and administrative divisions (Ryan, 1976).
From the above description, the initial creation of material institutions emerged as a result of elite bargaining. As a result, the building of normative institutions, such as a public awareness of the importance of transparency, accountability, and participation, are not strong. The impact to date on pro-democracy emerging powers, such as the Bersih movement (a coalition of NGOs which demand electoral reform in Malaysia), does not receive strong support from the public, especially in rural areas. In short, normative institutions of democracy are not culturally rooted in the early emergence of material institutions (Funston, 2001).

- Early Development of Democratic Institutions

The British introduced the concept of elections in Malaysia in 1955 by holding an election for a local leader in Kuala Lumpur (Laothamatas, 1997). Two years later, after having had previous experience in such a “trial”, the first national election was held to elect members of parliament. Despite its slow development, democracy in Malaysia has lasted for almost 60 years with a relatively unwavering situation free from any severe autocratic interruption. Another fundamental democratic introduction occurred in Malaysia during World War II. The British regained control over Malaysia after a brief period of Japanese occupation in Malaysia in 1941. Following the departure of the Japanese from the country, the British royal government formed a Malayan Union (the Union) with a new constitution formally enacted in 1946. The main objectives of the Union Constitution were: the formation of a central government and subordination of state governments; the diminution of sultanates’ political power; the elimination of special rights for Malays; and the

45It is important to note that there was a considerably weak democratic era, i.e. during Mahathir Mohammad’s administration period, in which the Malaysian economy increased steadily, particularly during his first term. This was the reason behind Kho Bo Teik’s statement: “growth and industrialization in Malaysia formed the background for increasing authoritarianism…” in Laothamatas (1997).
establishment of a legislature body (Emerson 1979).

Two years after its implementation, leaders of ethnic Malays expressed their position against the new constitution. In 1948, UMNO (then the largest party in Malaysia) and the British held a negotiation and agreed upon the return, of special rights for Malays, particularly related to social policies (Emerson 1979). The political event was the initial trigger for Malaysia’s independence movement. The second momentum occurred in 1951 when UMNO established an alliance with the Chinese party (MCA) to prepare Malaysian independence from the British Empire. In 1955, both parties requested independence and asked the Commonwealth commission to retract the ongoing constitution. On August 5 1957, the Federation of Malaya became independent, the Federal Parliament and the State Assemblies were elected, and special rights for the Malays were maintained (Ryan 1976).

The most important historical political event in Malaysia was the 13 May, 1969 riot, which was an ethnic conflict between Malays and the Chinese. A total of 600 people died as a result of the violence, and most of the victims were Chinese. The riot shaped the future of Malaysia, both its political system and developmental policy. Prior to the incident, the National Front (Barisan Nasional/Barnas) was formed, involving the United Malays Nation Organisation (UMNO), the Malaysia Chinese Association (MCA) and the Malaysian Indian Congress (MIC). The Front has been the largest political power in Malaysia to date, with UMNO as the leader. UMNO assumed that granting equal rights to non-Malays would cause the dismissal of the Malays’ special position and privileges as the native ‘owner’ of the land (Yeoh, 2013). Since the beginning, therefore, UMNO’s view on public affairs has contained ethnic bias, which would strongly influence Malaysia’s policies, including social policies, to date. After the May 1969 riot, UMNO elites created an extension of the Front, which incorporated several additional parties into the coalition, to weaken the ethnic-political tension (Pepinsky, 2013). This political
unrest was then used as a tool by governments to create undemocratic policies, under the premise of maintaining social security and political stability in Malaysia (KAS 2008).

In general, democratic institutions in Malaysia have been under the category of majoritarian democracy since the beginning of independence. The parliamentary government system in Malaysia has not changed since 1957. Essentially the political party system in Malaysia is multi-party based. However, the political culture is closer to the model of a two-party system. The Coalition party behind the Alliance has remained stagnant for decades. Despite several reform demands on the electoral system (through the Bersih movements) the electoral system principle has been based on the plurality of models. Thus, the existing electoral system in Malaysia is also in line with that of a majoritarian democracy.

In sum, the emergence and development of political institutions in Malaysia was more influenced by the lobbying of political leadership (the sultans and UMNO) rather than the movement of civil society. Such a strong consolidation of civil society has not been a tradition in Malaysia. Thus, civil society movements in the country are relatively fragile and do not have a strong base when dealing with the government. Consequently, the material institutions of democracy, which were introduced long before the country's independence, cannot be fully rooted back in its political life.

5.2.2 The Development and Changes of Social Policy in Malaysia

In the late 1920s, issues on social policy began to emerge in the context of the relationship between the colonial government and Malaysian people. Raising demands addressed to the government to provide social policy was in parallel with the awakening of nationalist movement. In this period, Malay leaders began to have more concerns about the disparity and poor conditions of the Malays, particularly in relation to education, and social and economic
concerns. In response, Malay leaders organised a political party (*Kesatuan Malaysia Singapura*/KMS) to address their demands for social policy (Ryan, 1976). KMS was the first party to maintain their influence over the current political situation in Malaysia, particularly related to the existence of special rights for the Malays.

The greatest emerging momentum of social policy in Malaysia was the endorsement of the New Economic Policy (NEP) in 1971. The appearance of the NEP was the government’s reaction to the ethnic riots that occurred in 1969. As already explained, democratic institutions and public policy in Malaysia have been founded on an ethnic basis and, recently, class diversity settings46. The composition of ethnic groups in Malaysia upon its independence in 1957 consisted of 50% Malays (currently 65%), followed by 37% Chinese (currently 26%), 11% Indians (currently 8%) and 2% others (currently 1%) (Department of Statistics Malaysia, 2010). However, ethnic diversity was poorly managed and this led to political tension, particularly between the Malay and the Chinese. Such inter-racial tension culminated in the May 13 1969 tragedy.

To stabilise domestic political circumstances, UMNO (Malay party) formed a coalition with MCA (Chinese Party) and MIC (Indian Party). However, the coalition did not diffuse to the grassroots levels. Economic inequality between the Malay and Chinese sparked an ethnic conflict on May 13, 1969. The Malaysian government addressed the conflict by implementing the New Economic Policy (NEP 1971-1990), which provided social assistance

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*46In contemporary Malaysian politics, more political differences have in fact become new political determinants alongside race; class separation has become one of them. Urbanisation and industrialisation are the triggers of those separated classes in Malaysia. The cosmopolitan middle-class began to emerge and played a significant role in shaping Malaysian politics, while the lower class in urban and rural area remains widespread. However, not all middle-class people are pressing for political liberalisation and democratisation, particularly Malay capitalists raised by the NEP. In fact, the new class has significantly triggered the growth of opposition powers and democratisation movements in Malaysia’s contemporary politics. The opposition alliance (Pakatan Rakyat/PR) now attracts the urban middle-class through Parti Islam Se-Malaysia (PAS). The phenomenon is somehow almost unthinkable when looking back to the country’s political setting 30 years ago (Pepinsky, 2013).*
for the Malays to improve their socio-economic status (Torii, 1997). The NEP mission (special rights for the Malays) has a long history and can be traced back to the British colonisation era during the 19th century.

The main goal of the NEP was an affirmative action of “economic distribution” for the bumiputera (the Malays) and to increase their economic ownership from 2.5% in 1970s to 30% in 1990s. The 1991 data indicated a significant increase of ownership, achieving 20% (Neher, 1995), which was actually under the target, yet decent. Despite the NEP’s success, another main concern was the fact that Chinese and Indian labourers had been excluded from the NEP. Shortly after, four major social welfare policies in Malaysia, the National Social Policy (NCP) 2003, the National Integrity Plan (NIP), and the Malaysia Institute of Integrity 2004, and National Mission in the Ninth Plan March 2006, were revised to no longer include a strong ethnic bias (Embong, 2007; Zin, 2012). These revised policies consisted of more inclusive social welfare programs, including an imperative effort to implement democratic principles.

Consequently, social policy in Malaysia has not been affected significantly by the strong influence of, rather than civil society movements, the elite lobbies (KMS and UMNO) had influence over its political dynamics. Strong political movement within civil society is not a tradition in the history of Malaysian politics. Social policy is explicitly motivated by ethnic disparities, producing more ethnic-based tones in Malaysia. Ethnic-biased social policy has existed since the 19th century, and being endorsed by the British colonial government, it managed to develop since the NEP era to date.

5.2.3 Democracy and Social Policy in Malaysia from 1973 to 2013

This section will explain the process of interaction between democratic institutions and social policy in the period from 1973 to 2013. Democratic institutions in Malaysia did not evolved much during this period. Unlike
Indonesia, Malaysia had neither any monumental democratic awakening (critical junctures) nor any severe autocratic era in its political history. The facts have made it hard to distinguish the types of Malaysian regimes as democratic and autocratic ones. Democracy in Malaysia has undergone a slow and gradual progress. Despite the stagnation, Mahathir Mohammad’s leadership might be identified as the most undemocratic regime compared to later eras (Freedom House, 2012; BTI, 2013). Therefore, the archival analysis in this research puts a clear separation between Mahathir and post-Mahathir eras to discover whether an autocratic regime and less autocratic regimes.

-Material Democratic Institutions (structure)

Malaysia is a constitutional monarchy with a parliamentary government system. The constitution in Malaysia today remains the same as the constitution at the time of the declaration of independence in 1957. A significant constitutional amendment has only occurred once; this was in 1963 to allow the entry of Sabah and Sarawak as part of the Malaysian federation. This constitution stated that the head of state is held by the King (Yang Dipertuan Agong) who is chosen by the kings of states to serve for five years. The King holds fairly broad powers and may even regulate the senate in issuing a wide range of public policies. The head of the government is the Prime Minister, who is a member of the Representatives appointed by the King based on the party majority of the seats. The approval of the King comes from the Prime Minister to form a cabinet that will run the government. The leader of the judiciary is also appointed by the King to run the existing legal system in Malaysia. This system has been operating since 1957 and has persisted until today. There have been no major political changes in the history of politics in Malaysia since 1973 until today.

The Malaysian parliament consists of two chambers. The first chamber is the Senate consisting of 70 people, 44 people appointed by the King and 26
members of the Senate who are determined by election results. The second chamber is the House of Representative consisting of 222 people who are determined by an election. The party that receives the majority of seats in the House of Representative holds an authority to form a cabinet and run the executive. Most public policies come as an initiative from the House of Representatives, starting from the initiation phase to policy formulation. Budget policy is the exclusive right of the House of Representatives. This leaves the Senate with a very small role in the context of budgetary policy (Funston 2001).

Officially, in public policy formulation, the role of the legislature is more dominant than the executive. However, in policy implementation, the executive has broader powers. The PM and ministers, as the executive leaders, must first be elected in both the Senate and the House of Representatives. After the budget policy is proposed to House of Representatives and the Senate as well as legalised by the King, then the implementation of the policy is entirely under the authority of the executive. Practically, executive power is sometimes higher than other organisations. This is especially true during the reign of Mahathir Muhammad (1981 - 2004), in which almost all public policy in Malaysia was controlled by the executive, in this case, the Prime Minister and his cabinet, who periodically account for their work in front of Parliament.

The party and the electoral system in Malaysia remain relatively unchanged since 1957. Currently there are at least sixteen political parties in Malaysia, which are divided into two major coalitions; The Alliance (Barisan Nasional), which consists of 13 parties, and The People’s Pact (Pakatan Rakyat), which consists of three political parties. The map of the political coalition of the two camps has not changed much over the last few decades. This makes many political analysts conclude that the real politics in Malaysia is a bi-party system (as commonly found in majoritarian democracies). Competition and political coalition remain in the spectrum of the Alliance (and supporting parties)
against The People's Pact. Alignments supporting parties in each coalition is also relatively stable, demonstrating lack of party membership in the coalition movement. The electoral system in Malaysia unquestionably follows the majority system with a pattern of first-past-the-post. Consequently, from one electoral district would only come by one representative who received the most votes. This is in contrast to Indonesia, where in one electoral district, it is possible to have several representatives. The election model is similar to the one in the Philippines, yet there are some elections, executive elections (president) and legislative elections. Elections in Malaysia are only conducted one time, which is to produce the most MPs (as most senators are appointed by the King) (Brown, 2005). The majority of the electoral system has made UMNO and the Alliance continuously win the elections in Malaysia since 1957.


Before the leadership of Mahathir Muhammad, there were only two prominent events related to the interaction between democratic institutions and social policies. The first was that although material democratic institutions remained, several anti-democratic regulations were made by the government. The first regulation was the Internal Security Act (ISA), by which detention without warrant is allowed for up to two years over any person suspected of threatening either national security or economic life. The second event was the amendment of the Sedition Act in 1971. The Act contained a blurry definition of the term “sedition tendencies”, hence imposing limits to public discussions on any issue related to the Malay language, the Islamic religion, or the special position of Malaysian rulers. Lastly, there was the 1986 amendment of the Official Secret Act (OSA), which sought to prevent any leakage of governmental secrets to any public organisations (ANFREL, 2000). The second important aspect during the pre-Mahathir era was the May 13, 1969 riot. In the context of democracy, the 1969 conflict gave an excuse for the Malaysian
government to apply strict control over the media and restrict the freedom of speech in the name of nation building, racial harmony, and development (KAS, 2008). Moreover, it provided a legitimate basis for a rule of law that enabled the UMNO to strengthen its power. In terms of the economy, the National Front coalition government created the 1971 New Economic Policy (NEP), which granted an abundant advantage to the *bumiputera* through several forms, *e.g.*, quotas, bank loans, business license for Malay entrepreneurs, *etc.* (BTI 2014).

In July 1981, Mahathir Mohammad was sworn as the Prime Minister of Malaysia (ANFREL, 2000). Still, democratic institutions in the new administration have not evolved. For example, the government persists to issue undemocratic regulations such as the 1984 Printing and Publishing Act, which required the press, *e.g.*, newspapers, magazines, and journals, to apply for publishing permits annually. The regulation enabled the government to ban the circulation of *Harakat* magazine, which was critical of the government (Keadilan, 2006). In 1985, the government banned major mass media, *e.g.* The New Straits Times for a critique on the purchase of fighter aircrafts; the Asian Wall Street Journal for publishing investigation reports regarding the government; and the Far Eastern Economic Review for alleging official governmental archives. In 1986, the government revised the amendment of the Official Secret Act (OSA) to include a provision for mandatory prison terms (KAS 2008).

In October 1987, conflict between the Chinese and Malays occurred again. The main problem was related to an obligation for schools to provide Islamic religious subject. The policy received strong rejection from teachers, particularly from non-Muslim (Chinese) schools. The government arrested 106 politicians, activists, and non-Muslim religious leaders who opposed the policy, including high-ranking politicians from opposition parties, such as the Democratic Action Party (DAP) and the *Parti Islam se-Malaysia* (PAS). The government used the Internal Security Act (ISA) as its legal basis for the arrests.
(Keadilan, 2006). Besides, Mahathir’s administration closed down four newspapers that conducted investigations over the racial conflict (KAS, 2008). After the 1987 uprising, the undemocratic policies went further. In 1988, the Broadcasting Act was issued, putting electronic media under the government’s control (KAS, 2008). The undemocratic policies were endorsed under the domination of UMNO and the Alliance, satisfying several economic performances, rather than the demand on institutional democracy strengthening.

Various undemocratic policies and ethnic conflicts during the Mahathir Mohamad’s era did not weaken the popularity of the National Front and UMNO. In the 1995 election, the Front gained 64% votes and won 162 of 192 seats in the Parliament. At the time, opposition power was weak and poorly consolidated. Later, opposition parties, such as DAP, PAS, Parti Rakyat Malaysia (PRM), and the State Justice Party, formed a coalition in 1999 so-called Barisan Alternatif (BA), as the rival of Barnas (ANFREL 2000).

In contrast to Indonesia, a low commitment by the Malaysian government toward democracy did result in significant social policies. In 1988, they issued a policy of 1% job opportunities for persons with disabilities in the public sector. It aimed to facilitate qualified disabled persons to obtain a position and salary in any public sector (MoW, 2013). In the education sector, the National Education Philosophy (later: the 1996 Education Act) was issued in 1988 to strengthen the education system in Malaysia. The policy aimed at expanding access to education and improving the quality of the education sector (MEBP, 2013-2025). Social policies in Malaysia also covered more grounds, including the 1999 National Welfare Policy, which provided a greater allocation of funds and a wider scope on social policy in Malaysia (DWS, 2008).

\[47\] As can be seen from the 2004 election result (post 1997 Asian Crisis) the Alliance gained 90% of parliament seats. The Bersih movement could reduce the Alliance’s seat, although it remains the majority and larger than the opposition coalition’s seats.
NEP officially ended in 1991; however, its philosophy continued, particularly in relation to the special rights for *bumiputera* as the main beneficiaries of development in Malaysia (BTI, 2014). It appeared within the new policy, such as the New Development Policy (NDP), which included a lot of NEP objectives (ANFREL, 2000). NDP (1991-2000) replaced NEP by adding the importance of capital-intensive and sophisticated technology industries (WHO, 2011). One of its implementation arose when Mahathir launched a regulation to strengthen the educational curriculum by adding Information and Communication Technology (ICT) learning subjects into the national curriculum. The policy was in line with Mahathir’s Vision of 2020, which saw a demand from the global market for knowledge workers in the ICT sector (MEBP, 2013-2020). In 1996, the government issued the Education Act by amending the 1961 Education Act to allow the establishment of more private universities and to include preschools in the National Education System (MEBP, 2013-2025). In terms of the economy, Malaysia also experienced a rapid economic growth during the Mahathir Mohammad administration (TAF, 2014).

Less democratic political power in Malaysia continues to produce social policies to obtain political support from voters. Those undemocratic institutions also continued formally; although Malaysia is still in a legal system and democratic politics. Elections are held regularly, political parties still perform activities for political competition, and emphasis on the basic constitution of the existence of democracy also remains unchanged. As a result, the interaction between democracy institutions and social policy does not perform as expected.

In 1997, TAF noted an insufficiency of checks and balances within Malaysia’s political system. This led to an increasing concentration of power within the executive. Any strong opposition to the government was neutralised through the use of draconian laws. The press was strictly controlled, and laws governing free speech, free assembly, and free association were unjustly
applied. It indicated a lack of transparency and accountability, leading to powers being concentrated among a small group of elites (TAF, 2014). During the 1999 elections, observers stated that there were many violations found, including “phantom voters” who were voters who did not actually exist but counted (Keadilan, 2006).

Another divisive political incident occurred when opposition leader Anwar Ibrahim was accused of sodomy in 1999. The charges made the protest movement stronger, mainly led by opposition groups. The wife of Anwar Ibrahim led the movement (DAP, PAS, PRM, and CPN) and addressed reform issues, such as the independence of either the court, attorney or SPR from any political interference; freedom of the press; the retraction of the Printing and Publication Act, ISA, OSA and the Sedition Act; and the implementation of free and fair elections (ANFREL, 2000). Despite the rising of opposition groups, it could not force the government to be a more democratic and softer one. In October 2000, under the ISA, the government banned any Muslim clerics from the opposition to give speeches in mosques all over Malaysia (Polity IV, 2010).

Once again, the poor condition of democracy in Malaysia was not related to the growth of social policy. In 2000, the government issued the Employees Provident Fund (EPF) policy, covering insurance for more than half of the workers in the private sector throughout Malaysia (BTI, 2014). Within the same year, the National Vision Policy (2001-2010) was issued to establish a united, progressive, and prosperous Malaysia by living in harmony and engaging in a full and fair partnership (WHO, 2011). The non-correlation between democracy and social policy was apparent in 2003, when there was a social policy expansion in the form of National Social Policy (NSP), focusing on fairness and equity to social services particularly for rural communities (DWS 2008). However, in parallel the government received strong criticism over the decline of judicial independence and a limited freedom of assembly, association, speech, and the press (Polity IV, 2010). Mahathir and UMNO
gained their political legitimacy by successfully accelerating economic growth through foreign investments and natural resources, particularly oil and gas (TAF, 2012).

The persistence of the NEP for twenty years, followed by the NDP, cannot be detached from the domination of the Alliance as an initiator and implementer of the NEP. The NEP could survive long enough in a parliamentary system of government where the legislature and executive are controlled by a single party (or coalition). This is because the parliament as the initiator and executive as implementer are controlled by the same power—the Alliance (UMNO). Thus supporting and implementing the NEP derived from the same power source.

During the UMNO’s general assembly in 2002, Mahathir announced his resignation as the Prime Minister; however, Mahathir’s supporters objected to the resignation and attempted to reinstate him as their political leader in Malaysia. Finally, after 22 years in office, in October 2003, Mahathir officially resigned as Malaysia’s Prime Minister. He was replaced by Abdullah Badawi, another UMNO cadre, known to be softer and more democratic than Mahathir (Polity IV, 2010).


A year after Mahathir Muhammad’s resignation, Malaysia held the 2004 election on March 21, which resulted in a landslide win for UMNO and continued Abdullah Badawi role as Prime Minister. However, the election was criticised for not being free and fair (Keadilan, 2006). It further strengthened the argument in which democracy in Malaysia has never been able to develop since its independence in 1957. The political power in Malaysia has never changed since then (Table 29).
Table 29. Results of Elections in Malaysia

<table>
<thead>
<tr>
<th>Election Year</th>
<th>Alliance/Barisan Nasional</th>
<th>Combined Opposition</th>
<th>Total seats</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Seats</td>
<td>% seats</td>
<td>% votes</td>
</tr>
<tr>
<td>1959</td>
<td>74</td>
<td>71</td>
<td>51.7</td>
</tr>
<tr>
<td>1964</td>
<td>89</td>
<td>86</td>
<td>58.5</td>
</tr>
<tr>
<td>1969</td>
<td>95</td>
<td>66</td>
<td>49.3</td>
</tr>
<tr>
<td>1974</td>
<td>135</td>
<td>88</td>
<td>60.7</td>
</tr>
<tr>
<td>1978</td>
<td>130</td>
<td>84</td>
<td>57.2</td>
</tr>
<tr>
<td>1982</td>
<td>132</td>
<td>86</td>
<td>60.5</td>
</tr>
<tr>
<td>1986</td>
<td>148</td>
<td>84</td>
<td>55.8</td>
</tr>
<tr>
<td>1990</td>
<td>127</td>
<td>71</td>
<td>53.4</td>
</tr>
<tr>
<td>1995</td>
<td>162</td>
<td>84</td>
<td>65.2</td>
</tr>
<tr>
<td>1999</td>
<td>148</td>
<td>77</td>
<td>56.5</td>
</tr>
<tr>
<td>2004</td>
<td>198</td>
<td>90</td>
<td>63.9</td>
</tr>
<tr>
<td>2008</td>
<td>140</td>
<td>63</td>
<td>50.3</td>
</tr>
<tr>
<td>2013</td>
<td>133</td>
<td>60</td>
<td>46.5</td>
</tr>
</tbody>
</table>

Source: UNDI 2014

The numerous social policy and development outcomes caused UMNO and Barnas to gain public popularity. This helped Barnas win the 2008 election despite experiencing a quite dramatic decline (Polity IV, 2010). In November 2007, a group of NGO activists held a march in Kuala Lumpur with an overall aim toward reforming Malaysia’s electoral system. Similar to the Hindraf (Hindu Rights Action Force) rally, the first Bersih demonstration (2007) led to a repressive government response. The demonstration involved up to 50,000 activists and stirred opposition support for the election in 2008. During the 2008 election, opposition and civil society movements had been stronger in Malaysia. Those organisations, generally dominated by middle-class, actively demanded democracy, transparency, and accountability (TAF, 2014). However, such pressure did not result in making the political system in Malaysia more democratic and inclusive. For instance, in 2009 the government threatened to bring Anwar Ibrahim’s (the opposition leader) sodomy case to a second trial. In 2010, inter-religious tensions occurred, in which three Malay women were beaten for extra-marital sex in the first case of such Islamic punishment. Also, in 2010, the decision by Malacca state to allow underage marriages drew criticism from women’s groups (CNN, 2013).
Until 2011, elections in Malaysia were classified as less free and fair. The government continued to use repressive approaches towards the opposition and the press. In Sarawak’s state election in April 2011, there were reports of electoral fraud and vote buying conducted by Barnas during the local election. This then triggered a large protest movement called “the second Bersih” movement (BTI, 2014). Although in April and November 2011 two states (Selangor and Penang) controlled by BA issued a policy that guaranteed the freedom of information, such acts were not adopted at the federal level. In December 2011, the Malaysian government passed the Peaceful Assembly Act that required any demonstration organiser to notify district police at least 10 days before the gathering date. Until 2013, the Barnas-controlled government remained uncommitted to improving democratic institutions. The UMNO-dominated government revised repressive laws, e.g. the ISA; however, these laws were replaced by new regulations, which were more restrictive to some extent. In January 2013, the national government extended the ban to Hindraf. To date, civil society movements, e.g. Bersih and Hindraf, have managed to continue, yet the attitude of the government remains repressive and undemocratic (BTI, 2014).

Currently, analysing Malaysia’s politics by merely focusing on ethnicity is ineffective. Besides class, other potential considerations include urban vs. rural, capital vs. labour, industrial vs. post-industrial identities, etc. Since the mid-1990s, opposition and NGO movements have considered new issues no longer related to race. For instance, the massive Bersih 2.0 rallies in November 2007 and July 2011 demanded a comprehensive reform of the election system, which has nothing to do with any ethnic sentiment. Another example is the Hindraf rally in November 2007 that presaged the mass rejection of the Indian party (MIC) within Barnas itself. The Hindraf saw their problem as not only an ethical problem of representation in politics, but more fundamentally as an economic inequality in general (Pepinsky, 2013; Noh, 2014). Those events have
triggered new repertoires of contention, which new political movements in Malaysia now rely on. Thus, those many political cleavages in Malaysia might give us a layer for examining the practice of democracy in the country.

There are some obstacles for democracy in Malaysia. First, the result of the last general election (GE13) has maintained Barnas in power since 1957. It seems that the democratisation espoused by the opposition and NGOs had failed to occur. In fact, the opposition won nearly 51% of total vote; however, they lost due to their inability to defend a majority of seats in the Parliament. Second, the bombing of 12 churches in early 2010 due to the protest of Muslim Malays supremacy group (Ketuanan Melayu) over the usage of word “Allah” in the Bible indicated that Malaysia’s political culture is not yet inclusive. Last, the government maintains the implementation of the Internal Security Act (ISA) as a medium to tackle any criticism movement (Sani 2008). For example, in October 1998 Malaysian police declared the Malaysian Trades Union Congress meeting illegal and then ordered its 200 participants to disperse within 10 minutes or face arrest. The latest case was the 2007 Bersih, when the police arrested 34 people (released one night later) and injured several more (Bersih, 2007).

Election reform in Malaysia is mainly initiated by the Bersih 2.0 (Malay for “clean”) movement. However, this reform is only in the technical level of democratic institutional development. As aforementioned, in November 2007 a group of NGO activists focused on reforming the electoral system held a march in Kuala Lumpur. Four years later, the second Bersih movement held in the capital city demanded further reform of the electoral system. Backed by 62 NGOs, the 2011 Bersih demonstration raised a couple of issues related to electoral reform, including improving the accuracy of the electoral roll, improving the postal ballot system, introducing the use of indelible ink, extending campaign periods, opening free and fair access to the press, strengthening public institutions, and fighting against money politics (Ufen,
The third Bersih rally, held in April 2012, was endorsed by 84 NGOs, including environmentally-concerned organisations like Himpunan Hijau (Green Assembly). In addition to the main rally in Kuala Lumpur that attracted up to 300,000 protesters, smaller rallies were held in 10 other cities within Malaysia, as well as in 35 other countries where Malaysians live (Global Bersih, 2012). As a result, in April 2012, the Election Commission of Malaysia agreed to implement seven of the 10 Bersih proposals, including the use of indelible ink, improving the electoral rolls, and extending the campaign period from seven to ten days. Although the introduction of some reforms might be seen as a success, the 2013 elections indicated that several flaws remained (e.g., see Pemantau Pilihan Raya Rakyat 2013). Nevertheless, the Bersih movements (2007, 2011, and 2012) were aimed at changing the shape of Malaysian politics, particularly in relation to the election systems, which move democratisation in Malaysia forward.

Fundamentally, the facts above show that Malaysia was quite satisfied with its existing democratic institutions. The democratisation movement (the Bersih movements) only demanded that existing democratic procedures be clearly implemented. Demands to change the basic institutions did not seem too challenging. Despite some success of the Bersih movement in the reform of democratic institutions in Malaysia, the elite's commitment to the activation of democratic institutions (in particular normative institutions) was still weak.

Despite the low commitment to democracy, the Malaysian government manages to be proactive in developing social policies. In 2006, the Ministry of Women, Family and Community Development launched a grant of up to a maximum of USD820 (RM2,700) to encourage persons with disabilities to venture into small businesses. Up to 2012, a total of 1,027 persons with disabilities benefited from the grant (MoW, 2013). In the education sector, public expenditure on education, totalling 5.8% of the GDP in 2009, was considered high even if based on international standards (BTI, 2014). In the
early 1990s, the World Education Report stated that Malaysia had one of the lowest literacy rates (78.4%) compared to other Southeast Asian countries, e.g. Singapore (100%), Indonesia (81.6%), Thailand (93%), and Philippines (89.7%) (Zaman, 2002). In 2008, the literacy rate in Malaysia was 85% (KAS, 2008).

In July 2000, the government expressed its commitment to protect the rights of disabled people by ratifying the Convention on the Rights of Persons with Disabilities (CRPD) and issued a policy to provide employment for them. As a result, in December 2012 there were 1,754 persons with disabilities employed in the public sector compared to 1,294 persons in 2009 (MoW, 2013). The youth literacy rate has risen from 88% (1980) to nearly universal literacy 99% (2010), while the adult literacy rate has increased significantly from less than 70% to over 92% (2010). The adult population (aged 15 and above) with no education has declined from 60% (1950) to less than 10% (2010). The proportion that has completed at least secondary education has risen from around 7% (1950) to more than 75% (2010). The preschool enrolment has risen from 67% (2009) to 77% over the short two years span (MEBP, 2013-2025).

In 2011, the GDP percentage of Malaysia’s public expenditures on basic education was more than double that of other ASEAN countries (3.8% versus 1.8%), and 1.6% higher than the Asian Tiger economies of South Korea, Hong Kong, Japan, and Singapore. It is also slightly higher than the OECD average of 3.4%. By this year, the percentage of students dropping out of primary school had been significantly reduced, from 3% (1989) to 0.2% (2011). Enrolment rates at the lower secondary level have risen to 87%. In 2012, with an education budget of RM37 billion, the government continued to devote the largest proportion of its budget, 16%, to the Ministry of Education. It demonstrates the strong commitment to the education sector (MEBP, 2013-2025). In terms of the economy, from 2011 to 2013 Malaysia experienced solid macroeconomic development, with foreign direct investment (FDI) flows reaching a record level in 2012 (BTI, 2014). The overall GDP growth rate for 2012 was 5.1%. GDP
per capita increased to $15,600 in 2011, higher than before the global financial crisis. The inflation rate in Malaysia was one of the lowest in the region. In 2011, FDI increased by 12.3% from 2010 (BTI, 2014).

From the above explanation it can be concluded that normative democratic institutions have not been built firmly. It can be perceived from the elite’s weak commitment to support the democratic movement, and the weak power of the community in rejecting undemocratic policies. In addition, the power of the status quo in Malaysia is still too strong when compared with the strength of opposition parties and civil society. The political opposition in Malaysia has never won the election nor have they ever become the ruling party in the Parliament. Despite this, after the Asian Crisis in 1997, the strength of the opposition (Pakatan Rakyat) was stronger. UMNO and its coalition (the Alliance) had always controlled the composition of the members of the parliament. A civil society movement demanding new democracy emerged in 2007 (the Bersih movement). Despite some success in conducting institutional reform of this movement, the formation of power in Malaysia has remained unchanged since 1973 to 2013.

5.3 Thailand

As indicated by the qualitative analysis, the development of democracy in Thailand is similar to that in Malaysia, in that in neither case did democracy develop in a stable and progressive manner. However, the conditions in which political institutions develop are different. While political stagnation was experienced by Malaysia, Thailand experienced frequent changes. Various initiatives for strengthening democratic institutions were been introduced, yet were often disrupted by military coups. The historical development of democratic institutions and social policy is presented in this section. The essence of this part is to see how democratic institutions interact with social policies, especially between 1973 and 2013.
The qualitative study shows that the assumption of the path-dependency perspective is rather difficult to apply in Thailand to analyse the history of the democratic institution. This is due to the political changes that frequently occur in this country. Changes of power through formal democratic procedure happen in almost the same manner as changes of power through military coups. To wit, every coup is always accompanied by the formation of a new constitution and institution, and later when a democratic regime replaces the military regime, more constitutional changes occur. Yet the basic aspects of democratic institutions, such as the country’s constitutional monarchy, parliamentary system, and electoral system, have not changed much since the emergence of democratic institutions in Thailand.

5.3.1 The Development and Changes of Democracy in Thailand - The Creation and Reproduction of Democratic Institutions

As in Indonesia and Malaysia, the emergence of democratic institutions in Thailand can be traced back to the era of colonialism, where western influence was crucial in the formation of formal state power in Thailand since 1932. In the context of colonial influence in Thailand, Harrison and Jackson (2010) explain that there are two opposing poles for explaining the status of colonialism in Thailand (Siam). The first is a conservative polar that believes that Thailand was never (formally) colonised by a Western country during Western imperialism in Southeast Asia (XVII – XIX century). The second pole is critical scholars who argue that Thailand was substantially colonised and subordinated by Western powers, both economically and culturally (Chaiyan, 1994; Herzfeld, 2002; Pattana, 2005). In this conceptual debate, Harrison and Jackson (2010) categorise the political history of Thailand as “semi-colonialism”. By semi-colonialism⁴⁸, they explain that the actual condition of the existing

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⁴⁸The most obvious example of a semi-colonial country is China. The country was never formally colonised by Western countries during the imperialism era. Nevertheless, China’s political and economic policies (especially those introduced by Mao Zedong in 1939) were
policy in Thailand is hybrid of Western hegemony and the internal policies of Siam. The argument for colonialism in Thailand can be proven by economic and cultural considerations. At the turn of the nineteenth century, Thailand’s economy was largely controlled by Western firms and financial institutions, as well as the Chinese comprador and private royal investments, resulting in a semi-dependent economy.

Thailand has had constitutional status since 1932. Before this, the country was ruled through absolute monarchy. With the implementation of a constitution, Thailand became a constitutional monarchy where the supreme power of the kingdom is in the hands of its people. A Democracy Monument was established in the middle of Bangkok to mark the beginning of democracy in Thailand. As previously explained, the implementation of the 1932 constitution was inevitable due to influence of the west, and various modernisation efforts undertaken by King Mongkut and King Chulalongkorn. The main motive was to make Thailand more welcoming to western powers so as to facilitate business and political relations between Thailand and Western countries, especially Britain and France (Herzfeld, 2002).

The existence of normative institutions of democracy can be traced to the reign of King Chulalongkorn (1868-1910). King Chulalongkorn was very popular for his ideas to modernise Thailand, which came after his Europe tour in 1897. He created a policy of ‘siwilai’ (a transliteration of the word “civilised”) as a basis for identifying and categorising any matters in Thailand as civilised or uncivilised. The standards by which siwilai was measured were strongly influenced by Western standards. In the same period, the leaders of Siam (Thailand) were largely influenced by the Western style of conducting

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strongly influenced by the dominance of Western ideas and values. Mao’s principles of socialism and communism were clearly Western ideas that were applied to a wide range of domestic policies in China, many of which still exist today (Harrison & Jackson, 2010).
international relations. Government leaders at that time had begun to abandon traditional leadership patterns and implemented modern (western) political institutions (Lysa, 2008). Political and social reform movements in Thailand in the nineteenth century were strongly inspired by Western values, especially from the British and French imperialists. The main agenda of the reform movements undertaken by King Mongkut (in the 1850s) and King Chulalongkhorn (in 1890s) were based on the principles of modernisation and were influenced by Western political culture and tradition (London, 1979). This was also an important moment in the development of normative democratic institutions in Thailand. The initiation of public awareness as part of normative institutions in Thailand was undertaken long ago. This is indicated by a fairly strong civil society movement to embrace democracy in Thailand, such as the 1973 student movement, the rural doctor forums in the 1980s, and the 1992 mass protests against military regimes. However, military force remains strong in managing public outcries for democratisation.

- Early Development of Democratic Institutions in Thailand

One of the notable features of Thailand’s democratisation record is the discussion of military coups and democracy. The number of elections and military coups is almost the same throughout Thailand’s history. There have been eighteen elections in Thailand since 1933, and nineteen military coups (Nelson, 2014). Right after the 1932 revolution, a new government was formed on the ideals of democracy. That was the reason Phraya Manopakorn Nititada was appointed the first Prime Minister of Thailand. Though he spent only a year in power before being defeated by Thailand’s first military coup, Phraya established the fundamentals of democracy in Thailand. Military coups in Thailand have been sporadic since that first coup in 1932 (Quah, 1978).

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49In fact, the current administration in Thailand is also the result of irregular process (Constitutional Court decision) against PM Yingluck Sinawatra that occurred in May 2014.
After the enactment of the 1932 constitution, three material institutions were formed: the formal state legislature (People’s Assembly), the executive branch (Cabinet), and the judiciary (Courts). These three institutions are fundamental to politics in Thailand. However, the King’s position was not rendered weak and powerless. The King retains the right to implement strategic policy, and veto the acts and considerations of the three organisations. During the establishment of democracy, harsh conflicts occurred between the pro-democracy movement (the People’s Party) and the counter-democracy (the royal family and military), leading to the fall of King Prajadhipok after the 1933 riot. The first election for members of parliament occurred in 1937, where all citizens of Thailand who met the age requirement, including women, had the right to vote (Quah, 1978; London, 1979).

The early development of democratic institutions in Thailand was dominated by tension between civilians and the military. Rebellions after the 1933 incident led to other events that further established democracy. Initiated by King Ananda Mahidol, whose commitment to democracy was strong as stated in the constitution, including giving all seats in parliament from elections and limiting the movement of military politics, the 1946 Constitution gave greater democratic freedom. However, the democratic reforms were stopped in 1946, when King Mahidol was assassinated and Thailand was taken over by the military. Since then the ongoing tension between the military and civilian political forces have led to changes to the constitution (in 1949, 1952, and 1968). Military dictatorship peaked in 1971 when the military regime dissolved the Parliament and the Cabinet and implemented martial law. This action triggered a wave of protests and led to the eruption of protests by 400,000 people at the Democracy Monument in central Bangkok. This event is also called the October 1973 movement, and was an important moment for Thai democracy (Quah, 1978).
The material institution of democracy in Thailand is fundamentally closer to the model of majoritarian democracy, as can be seen from the elections in each period. Elections in Thailand are only for the legislature body (the People’s Assembly); the executive branch, the Cabinet, is formed by the party (or coalition of parties) that obtain a majority of seats in parliament. However, from its party system, Thailand is not regarded as a majoritarian democratic model, but a two-party system. From 1973 to 2013, Thailand embraced a multi-party system. Unlike Malaysia, whose pattern of political coalitions tends to change over time, the model of democracy in Thailand has not changed, even though the constitution has changed several times between 1973 and 2013.

5.3.2 Development and Changes in Social Policy in Thailand

The Thai government began to formally create social policy in the 1870s, motivated by anti-colonialist and national integrity agendas. At that time, the Thai Kingdom instated intensive policies of integration and centralisation. Various activities were carried out to encourage cooperation, agreements, and dependencies between the different regions of Thailand. One example was when the central government built schools to provide lessons in the central Thai dialect to people throughout the country. The end goal was to give graduates of these schools the chance to be recruited into government and military positions. This policy, initiated by King Mongkut, was a milestone in the early development of Thailand’s modern education system (London, 1979).

King Chulalongkorn continued these transformative education policies. During this time, people began to demand reforms to create a universal education system. This demand stemmed from the fact that the education system during the 1880s and 1890s was political and elitist. The system was “political” in the sense that education was only a tool to strengthen the country against threats from outsiders, especially the British and French. The “elitist” element came from the facts that only the children of upper middle
class families were able to access education. However, until the end of King Chulalongkorn’s reign, education policy did not experience much change. In practice, the central government largely preserved the ‘elitist’ education system. Meanwhile, rural communities and marginal areas continued to be exploited by the capital (London, 1979).

The ‘semi-colonialism’ era in Thailand did not see much social policy development in the country. Social policies, in particular for education, were provided only as a tool for maintaining the political interests of the ruling parties in Thailand at that time. On the other hand, social policies in other sectors did not appear during the era of absolute monarchy. The most important impact of ‘semi-colonialism’ to the current condition in Thailand was the change of the political system from an absolute monarchy to a constitutional monarchy in 1932. The idea of modernising the government and the political system emerged during the reigns of King Mongkut and King Chulalongkorn. After becoming a constitutional monarchy, Thailand entered a new phase in its political history, and in the development of democracy in Thailand, much of which remains until today.

5.3.3 Democracy and Social Policy in Thailand from 1973 to 2013

This section will explain the interaction between democratic institutions (both material and normative) and social policies in Thailand, mainly from 1973 to 2013. The explanation of the interaction among these institutions is conducted with a historical institutionalism approach. This approach will also consider the emergence, reproduction, and recreation process to building institutions during a time which had significant impact on the development of Thailand’s democratic institutions. To explain the conclusion, the thesis has limited analysis to a period of 40 years (1973-2013), and considered changes to democratic institutions over time, as well as their impact on the formation of social policy changes in the same time period.
Material Democratic Institutions (Structure)

Since 1932, Thailand has been regarded as a constitutional monarchy with a parliamentary system (parliamentary democracy). This has been the case since 1933, which was when Thailand developed a parliamentary body. Despite several amendments to the constitution, fundamental institutional change has never occurred. Thus, Thailand can be categorised as a country with a majoritarian democratic model. As the winner of an election, the party gains a majority of seats in parliament and effectively runs the government, both at the legislature and executive level. The chief executive (prime minister) and their cabinet members are appointed from the elected MPs in the winning party (Imaizumi and Comsatyadham, 2008).

It is interesting that the history of building political institutions in Thailand is closely related to the frequent coups that led to constitution changes. A coup in October 1976 led to the 1976 constitution, while a coup in 1991 replaced the old constitution. Most recently, a coup in 2006 resulted in the 2007 constitution that is in effect today. Coup groups, predominantly military officials, must get approval from the King, especially to pass a new constitution. This implies at least two things. First, it suggests that the King implicitly approves the military coups against the government, and second, that the role of the King remains dominant in determining the law and the constitution in Thailand. The King is not just a figurehead, but has the authority to approve proposed changes to the constitution and political institutions in Thailand.

The constitution being enforced in Thailand in 2013 was the constitution that was implemented in 2007. This was a replacement for the 1997 constitution. In this constitution, it is stated that the parliamentary system in

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50 After the coup against Thaksin in 2007, the Thai government was led by the military though an organisation called the The Committee of National Security (CNS), which was led by General Sonthi Boonyaratglin. The 2007 Constitution was largely the idea of the CNS,
Thailand is bicameral, consisting of the House of Representatives and the Senate. Very much like Malaysia, all members of the House of Representatives elected officials, while about half of the members of the Senate (73 out of 150 members) are appointed by the Committee\textsuperscript{51}. It is argued that this has become a way for the Committee of National Security (CNS) to control the Senate (Preechasinlapakun, 2013).

The process of policy making, including budget allocation, requires approval from both the Legislature and the Senate (Funston, 2001). In this context, there are similarities between Thailand and Indonesia. As a result of democratisation in the 1980s, the process of democratic decision-making involving multi-stakeholders has been in place in Thailand. An example of this is the formulation and establishment of the Universal Health Coverage (UHC) policy in 2009\textsuperscript{52}. The UHC policy-making process was quite long, and inclusive. Various consultation forums were also conducted by involving various elements of society (Tantivess, 2013). The position of 'un-politicised' policy making can also be found in economic policy. From the 1980s to the present, economic policy in Thailand has been dominated by technocrats and international institutions. The political tension between politicians and the military was not significantly disturb the process of formulating macroeconomic policies in Thailand (Christensen, 1992; Painmanakul, 2010).

The electoral system used to elect members of the House of Representatives is the party-list system and is implemented based on ten

\textsuperscript{51}The committee comprises The President of the Constitutional Court, the President of the Election Commission, the President of the Ombudsman, the President of the National Counter Corruption Commission, the President of the Office of Auditor General, a judge to be assigned by a general meeting of the Supreme Court of Justice, and a judge to be assigned by the Supreme Admin. Court.

\textsuperscript{52}Thailand experienced a political crisis between 2007 and 2009. Mass protests occurred in various places until the closing of Svarnabhumi airport due to the protesters blockade. However, this chaos did not impact participative policy-making process for the UHC.
constituencies (national blocks). It is harder for small parties to obtain seats in parliament under this system, compared to the system under the 1997 Constitution. For the election of members, the senate has fully implemented the majority system (pluralist). Technically, elections in the era of the 2007 Constitution (the 2007 and 2011 elections) produced power compositions that were slightly different from elections under the 1997 Constitution. It is evident that the agrarian-based political parties (pro-Thaksin) won all the elections with a significant number of votes (McCargo, 2008).

- Democracy and Social Policy during 1973 - 1976

In terms of changes to political institutions in Thailand, there are three notable movements. These occurred in 1973, 1992, and 2001. Prior to 1973, Thailand was ruled by authoritarian military regimes for long periods when political parties were banned. The first democratic movement was the 1973 student uprising against the military government. Pro-democracy forces took over as the military regime stepped down, strengthening the authority and function of the parliament. Political parties flourished in 1975 and 1976, playing a central role; although democratic rule did not last long—being hijacked in 1976 by a military coup – the military regime could not be oppressed as before (Lee and Chung, 2004).

On October 14, 1973, the students and faculty of Thammasat University held demonstrations for democracy and constitutional reform in Bangkok. At this event, as many as 400,000 people rallied in front of police headquarters and about 70 protestors were killed by police (NDI, 2000). The 1973 protests inspired political change in Thailand, making it more democratic. However,

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53From 1947 to 1973, due to successive military coups Thailand was controlled by authoritarian militarism. In 1951, after a short period of pseudo-parliamentary rule, political parties were banned. Following another short parliamentary phase from 1955 to 1957, political parties were forbidden, first under Field Marshal Sarit, then under Field Marshals Thanom and Praphat, until 1969. In 1971, the next coup, another ban on parties followed (Ufen, 2013).
democratic governments in Thailand, from Sanya Dharmasakti to Seni Pramo, did not last long. In 1976, another coup d'état occurred, led by General Kriangsak Chomanan, who remained Prime Minister of Thailand until 1979 (NDI, 2000). Following this event, political parties flourished between 1975 and 1976, and played a central role in Thailand’s politics. The democratic regime did not last long, as it was hijacked in 1977 by a military coup (Lee and Chung, 2004).

During this democratic era (1973-1976), there was an education policy that emphasised rural education and mandated six-year compulsory education. During this period, the government also began to fund the training of doctors from rural areas who agreed to work for three or more years in their regions of origin. This program remained in place for decades, until in 2002 this program accepted 293 students that increased the share of doctors who are willing to come from rural areas from 23% to 32% in 2001 (McGuire, 2008). This program was a continuation of the "Return to the Countryside" and the "Public Health for the Masses" campaigns of 1973 and 1974 (during the democratic era). These doctors later played a very important role in shaping social policy in Thailand (especially in healthcare policy) that accelerated the democratisation process in the country.

These medical students and young doctors organised themselves into the Rural Doctors Forum that spearheaded the push in government to provide support for primary care, especially for the poor. This organisation remained politically active by designing activities to demand healthcare reform. The Coordinating Committee for Primary Health Care for Thais (an NGO), for instance, issued a booklet summarising the findings of its inquiry into the health care system. Its findings were picked up by the mass media, enabling a dozen non-governmental organisations to band together to collect the 50,000 signatures required submitting to Parliament a bill for universal health insurance coverage. Despite intense lobbying from the medical profession and
the private sector to derail the passing of the Bill, Parliament approved it in November 2002 (McGuire, 2008).

Following the doctors’ movement, in the 1980s and 1990s, other groups, such as labour unions, teachers, and farmers demanded social security policies for their members’ benefit. This movement indicates that the relationship between democracy and social policy in Thailand, apparently, is deeper compared to those in Indonesia and Malaysia. The social welfare policies were created as a result of social movement and class struggle, rather than elitist initiatives. This is a strong indication that normative institutions of democracy, such as public participation, transparency, and accountability, play an important role in creating social policy. Material democratic institutions, on the other hand, have not directly impacted social policy. However, the social and political environment that democracy is created in is the main variable that significantly influences social policy and the government’s attitude to welfare spending.

In the midst of the unstable material democracy institutions, social policy in Thailand continued to grow. Social policy development in Thailand at the time was not much affected by the ongoing political turmoil and instability of political institutions. In 1974, the government still had a strong commitment to continue NEDP (1960-1976), which was the policy of the previous regime. There are four major social insurance programs that were effectively implemented in 1974: Social Security Fund (SSF); Workmen’s Compensation Fund (WCF); Pension for government and non-government Officials (GPF); and Civil Servants Medical Benefit Scheme (CSMBS) (ADB, 2012). In the education sector, by 1976, the government had established a policy of compulsory primary education, with special provisions for children with disabilities. With this policy, the dropout rate in Thailand dropped from 60% in the 1960s, to 2% in 1998 (TSM, 2007). The occurrence of coup d’états in 1976 and 1977 also did not see a decline in social policy in the health sector. In 1977,
the government introduced a policy decentralising health services at the provincial, district, sub-district and village levels. With this decentralisation, the poor, especially in rural areas, had better access to healthcare services (MoPH, 2005).

- Democracy and Social Policy from 1992 to 2001

The second democratic movement during the 1973–2013 period was in 1992, when mass demonstrations again erupted against military regime. In this event, the citizens negated a military coup organised around General Suchinda Krapravoon through mass protests, followed by the birth of a civilian government. Finally democracy was once again restored in Thailand. Since then, civil liberty and citizen participation has been stronger. If democratisation had been sequentially driven by student activists during the 1970s, in 1992 it was led by provincial business figures, a street-level amalgam of middle-class reformists, working class activists, and the urban poor. After the March 1992 parliamentary elections, the Thai people demanded further democratisation. As a result, Thailand’s electoral system enhanced its competitiveness and fairness through amendment of the constitution (Lee and Chung, 2004; McGuire, 2008; Case, 2009).

Prior to this event, normative democratic institutions, such as the political participation of the Thais, rose, and the parliamentary system became more stable (NDI, 2000). Although the quality of political parties did not increase much, participation of civil society in the political and policy-making process intensified. In 1980, Thai civilians began to indirectly influence policy-making at both national and local levels. The stronger position of civil society began during Prem Tinsulanonda’s government. As Prime Minister from 1980 to 1988, Tinsulanonda had a decent commitment to democratisation in Thailand (BTI, 2014). One example of strengthening civil society was the formation of many non-governmental organisations (NGOs) for people with
disabilities, both at national and provincial levels. In 1983, these organisations actively influenced national and local government policies, especially those on developing careers and networking to protect the rights of persons with disabilities at the regional, provincial, district and community levels (JICA, 2012). In the employment sector, labour organisations succeeded in pushing the government to introduce the Provident Fund Act (1987), which provided financial assistance and insurance to workers. This policy was followed by the legalisation of Thailand’s Social Security System in 1990, requiring all enterprises to register their employees in the system and pay contributions to the Social Security Office (SSO) (ADB, 2012).

One of the most significant political reforms in Thailand was when the government passed the 1997 Thai Constitution, commonly known as “The People’s Constitution 1997”. This constitution provided for an autonomous constitutional court independent from parliament, called for an Elected Senate, mandated civic participation in public policy-making through required public hearings, and established an independent National Counter-Corruption Commission to promote government transparency and accountability (NDI, 2000). The 1997 Constitution also strictly regulated party operations and accounting practices in order to enhance transparency and accountability within the party system (CALD, 2002). However, these constitutional reforms did not make the political situation in Thailand any more stable. In September 1997, Prime Minister Chavalit Yongchaiyudh was forced to resign by fierce public pressure and replaced by Chuan Leekpai (for his second term) as Thailand's Prime Minister from 1997 to 2000 (Polity IV, 2012). During the second term of Chuan Leekpai’s administration, the democratisation of Thailand went well. Democratisation processes aimed to improve the quality of human development, particularly in education and health, through the application of a "people-centred development" and "sufficiency economy" (UNRC, 2004).
During this era, the government created several social policies. One of which was a policy that extended compulsory education from six to nine years, and increased total education spending by 2%. In 1992 the government passed The Fund for School Lunch of Primary School Act, using an initial fund of 6 billion baht, which later on was supplemented by another 3 billion baht from the government. In 1996, the government passed the Government Pension Fund Act, which required all members to contribute 3% of their salary on a monthly basis, with the government contribution at the same rate (ADB, 2012). In 1997, the new constitution stipulated twelve years of free basic education to all citizens. In 1999, the New Education Law guaranteed better education services in Thailand, which was successfully achieved in 2001 (McGuire, 2008; Kawaura, 2010). As in the previous period, social policy in Thailand continued to increase without being much affected by domestic political turmoil and the fragility of political institutions.

The Chuan Leekpai government's commitment to social policy was also getting stronger. The Eighth National Economic and Development Plan/NEDP (1997-2001) stated that when development only pursues economic growth alone, it will damage the environment and cause social problems. Therefore, this development planning document emphasised on the balance between economic development and social development. In this 8th NEDP document, economic development was aimed at strengthening quality of life through social and environmental dimensions. However, these targets were hindered by the 1997 economic crisis (11th NEDP 2012). At the same time, the Prime Minister also signed the Declaration on Rights for People with Disabilities (on December 3rd, 1998), which became the basis for providing basic services to people with disabilities in Thailand (JICA, 2012). In 1999, the government also provided assistance to orphans, whose numbered around 8 million, in the form of scholarships and shelter (UNRC, 2004). Also in 1999, the Thai government established a policy of decentralisation, especially in terms of health and
education services. As an outcome of this decentralisation policy, rural citizens had increased access to public services and public participation, and levels of literacy and health outcomes rose (UNDEF, 2013).

- Democracy and Social Policy During 2001 - 2013

The first election under the 1997 Constitution (the People’s Constitution) was held in January 2001. The quality of this election was much better compared to previous elections. This is proven by the more independent, more neutral, and stronger position of the Election Committee of Thailand/ECT (CALD, 2002). The Thai Rak Thai party won in a landslide victory in this election and its leader, Thaksin Shinawatra, became the 23rd Prime Minister of Thailand (Polity IV, 2012). Thaksin’s leadership was quite successful, especially in improving the economic conditions in Thailand after the Asian crisis of 1997. Until 2003, Thailand’s economy grew rapidly and returned as to stable pre-crisis levels (BTI, 2014).

Shortly after the 2001 election, Thaksin rose as a popular leader, especially because of his success in raising Thailand from the financial crisis. Most of Thailand’s political parties were short-lived, fragmented, and weakly rooted. TRT, however, was different. This party managed to form the first elected government to finish a full term, then was re-elected in the next election by a significant margin of votes. However, democracy weakened during Thaksin’s second term. The political configuration in Thailand then essentially became a combat between Thaksin’s supporters and detractors (Polity IV, 2012).

After being elected for his second term in the 2005 election, Thaksin was attacked by his opponents with accusations of corruption and nepotism which, again, caused mass demonstrations by the People’s Alliance for Democracy, known as the “Yellow Shirts”. In 2006, the military, with the support of royalists, toppled Thaksin through those rallies. This action was then followed by an order from the Constitutional Court for the dissolution of TRT.
Democracy thus, once again, broke down due to this political incident (Polity IV, 2012).

In order to elect a new government, in December 2007 a general election was held. The People’s Power Party (PPP), a political proxy for Thaksin, easily won the election and chose Samak Sundaravej as the Prime Minister of Thailand. They had only one year in power before the Yellow Shirts launched protests against Samak. They took over Bangkok’s two main airports for a week, blockading air travel. This protest accused him of being Thaksin’s puppet. With the backing of the military, opposition Democrat Party leader Abhisit Vejjajiva (anti-Thaksin) was chosen as the new Prime Minister (Case, 2009).

In March 2010, pro-Thaksin “Red Shirt” protesters poured into Bangkok and demanded Abhisit’s resignation; more than 90 protesters died, and around 1,800 were wounded during the protests. As a result, the July 2011 election was held. The Pheu Thai Party (pro-Thaksin) won the election by a landslide and named Yingluck Shinawatra Thailand’s first female Prime Minister. There were two main actions of Yingluck that fuelled protests. The first was when she charged former Prime Minister Abhisit and his deputy, Suthep Thaugsuban, with murder for the 2010 “Red Shirt” incident. The second was her attempt to drive Parliament to approve an amnesty bill that would have enabled Thaksin to return without having to serve his two-year jail sentence. These two policies inspired public protests among the anti-Thaksin movement (the People’s Democratic Reform Committee, PDRC). Over 100,000 people took over Bangkok in 2013, led by Suthep Thaugsuban. In her response to this political turbulence, Yingluck called a new election to be held in February 2014; but her opponent, the PDRC, announced that it would boycott the election. The PDRC’s key slogan was “reform before elections”, because they knew that the direct election system would always favour pro-Thaksin’s parties that target rural constituents. Thus, the immediate goals of the PDRC were not only to overthrow Yingluck’s administration, including a seizure of the Shinawatras’
and their cronies’ assets, but also to replace direct democracy with indirect democracy in Thailand’s constitution (Nelson, 2014).

Political polarisation between the Red Shirts and Yellow Shirts became a defining democratic incident. This polarisation brought disruption to the normative democratic institutions which had been previously strong since 1973. Thus, group consideration dominated formal considerations. An example of this was when a mass of anti-Thaksin groups, who essentially supported democracy, eventually supported a military coup merely due to their hatred of Thaksin. However, if polarisation can be managed within the framework of democratic institutions, it can affect the emergence of political dualism, or a two-party system. Unfortunately, if this fails, dualism could potentially exacerbate the fragility of democratic institutions in Thailand, or could even create political stagnation, as is happening in Malaysia.

Social policy during the Thaksin administration was directed at rural poverty, as this allowed Thaksin to strengthen his base in the rural areas. There were two notable social policies in this era. The first one is the Farmers Debt Moratorium policy that granted a three-year debt suspension to farmers who borrowed money from the government’s agricultural bank. The second policy was the Village Fund, which allocated 1 million baht to each village, to be used as a credit facility by the people of the village (UNRC, 2004). Other social policies included employment opportunities, and providing a 500 baht monthly allowance to persons with disabilities (UNRC, 2004). The Thaksin government also made the 30 Baht Universal Health Care Policy accessible to all citizens of Thailand. Prior to the policy, 20% of Thais were not covered by insurance; by the month of October 2001, everyone in Thailand had health insurance coverage (MoPH, 2005). Other social policies introduced by his government were the Elderly Fund, which provided financial assistance to the poor elderly (those older than 60 years of age) in the form of 300 baht per month (UNRC, 2004); and an allocation of approximately 28% of its total education
budget to secondary education (TSM, 2007). As a result, in the span of 1990-2002, the poverty rate fell from 27.2% to 9.8% (using the measurement of US$1 PPP/day). In the economic field, Thailand’s GDP increased steadily, as demonstrated by the 6.7% growth in 2003 (UNRC, 2004). In short, by 2004, the country’s economy had significantly improved, and gave Thaksin a landslide victory in the February 2005 election (BTI, 2014). Thaksin and Thai Rak Thai gained an even larger majority in parliament than in his first term, taking 374 of 500 seats in the Legislature (Polity, IV 2012).

In the midst of political turmoil, social policy in Thailand continued to increase steadily. In the midst of a political crisis in 2007, the government passed the Tenth NEDP (2007-2012), which placed more emphasis on social harmony and sustainable co-existence among Thai society, and natural resources and the environment (11th NEDP 2012). In 2007, The Person with Disabilities Quality of Life Act policy was issued to provide a comprehensive rights-based law for individuals with disabilities that also contained an antidiscrimination component (ILO, 2007). Previously, disability NGOs did not get support and facilities from the government. However, with this Act, these organisations acquired financial assistance from the government through the "Rehabilitation of Disabled Persons Fund." This fund was used to support the activities of NGOs, to promote the rights of the disabled to access public services, and to encourage them to get involved in the policy making process (JICA, 2012). In 2008, when the political situation in Thailand was very chaotic, the Ministry of Social Development and Human Security of Thailand, the WHO, and the UNESCAP co-hosted the 1st Community-based Rehabilitation (CBR) Asia-Pacific Congress from December 9th to 11th in Bangkok (JICA, 2012). In the education sector, children from all socioeconomic groups had access to education at the lower secondary level (TSM, 2007). From 2008 to 2009, the Thai government initiated the Chek Chuai Chat program, or the National Check Project. This project aimed to provide short-term economic protection for the
poor with a one-time 2,000 baht per person grant to people who had a monthly income of 15,000 baht or less (ADB, 2009). The outcome of social policies in Thailand also increased significantly. Economic growth was rapid and was stable, making Thailand a middle-income country. The achievement of MDGs in Thailand was above the average international targets. Thailand even made MDG-Plus as a follow-up to the success in achieving MDGs targets (UNDP, 2012).

Social policy, as in earlier periods, continued to run without being influenced by the political issues in Thailand. The government set the Eleventh Plan (2012-2016), which emphasised building resilience at the family, community, society, and national levels under the concept of sustainable development. Compared to the Tenth Plan, the 11th NEDP featured specific development factors based on human, social, physical, financial, natural resource, environmental, and cultural assets (11th DP 2012). It is evident that the Thai government's commitment to social policy remained high, despite the continuing political polarisation.

Thus, due to the repeated coups and fragmented democratic regimes that had happened in Thailand, it is hard to conclude whether democracy has a significant impact in increasing social policy spending. A research conducted by Akihiko Kawaura (2010), suggests that Thai politicians’ self-serving motives play an important allocation role, especially in social and welfare spending. Thai legislators made a conscious effort to direct government expenditure in the capital budget category to their home provinces. However, explanation does not appear at a historical and national level. The reason for this is that democracy in Thailand has been very unstable, while the development of social policies continued to grow without being influenced by the political changes.
5.4 The Philippines

This section will explain the history of democratic institutions and social policy in the Philippines. In this section, the author will discuss the emergence of democratic institutions and social policies, and how these interacted to produce inclusive economic growth between 1973 and 2013. In the case of the Philippines, the history supports quantitative findings that the development of democratic institutions is relatively supportive of social policy. The last part will explore the relationship between the quantitative and qualitative findings in order to answer the research questions.

5.4.1 Development and Changes in Democracy in the Philippines
- The Creation and Reproduction of Democratic Institutions

The first introduction of democratic institutions and the movement of *ilustrados* was inevitable by the mid-1800s.\(^{54}\) The *ilustrados’* struggles under the leadership of Jose Rizal brought the issues of justice, nationalism, and independence to the Philippines, and quickly gained the support of the wider community, especially the poor. One result of the “1896 Philippines Revolution” was the Malolos Constitution. This Constitution, enforced in 1899, turned the Philippines into a republic. This constitution was written by Felipe Calderon and Felipe Buencamino, and legalised by Congress in Malolos City, Bulacan. The first republican constitution of the Philippines is informally called the Malolos Constitution. The principles and institutions of democracy were set up in the Constitution (Hutchcroft and Rocamora, 2003). This constitution provided guidelines for the politicians and leaders of the Philippines for

\(^{54}\) During that period, many sons of wealthy families studied in various countries in Europe, especially Spain. These young-educated men began to recognise the various discourses about justice movements and nationalism, primarily inspired by the movement of the French Revolution. The new group is then known as *ilustrados* (Hutchcroft & Rocamora, 2003). The *ilustrados* movements reached its peak under the leadership of Jose Rizal and followed by Andres Bonifacio that ultimately produce “Philippines Revolution 1896” (Abueva, 1976).
running a democracy-based state. This also meant that the Philippines is the oldest democratic country in Southeast Asia.

Formally, the US introduced indirect elections for provincial governorship in 1902, and national elections in 1907. From 1900 to 1913, William Howard Taft (the governor-general) formulated and implemented democracy as part of a policy that he described as "the Policy of Attraction." However, the practice of democracy that existed at that time was only for the elite classes, who already had all the resources (political and economical) since Spain’s colonial period (Hutchcroft and Rocamora, 2003). In 1902, the first democratic institutions in Philippines were indirect elections for provincial governors. In 1906, provincial elections of governors were done through direct elections. In the 1907 general national election, the Nacionalista Party, headed by Manuel Quezon and Sergio Osmeña, won the election and dominated politics in the Philippines for forty years. In 1937, Manuel Quezon made a large amount of social policies, primarily to dampen the political turmoil in Philippines at that time (Hutchcroft and Rocamora, 2003).

Although material democratic institutions began to exist during the US occupation, they were very elitist. The elites supported democracy because they benefited from the opportunity to occupy strategic positions in government. Therefore, material democratic institutions and democracy in the Philippines became corrupt, and based on patron-client relationships, a situation which still affects the country today (Paredes, 1988). Despite many limitations of democracy in the Philippines during US rule, the US colonial government was more democratic than the government of the Spanish colonial era. In 1902 the US Congress passed legislation that gave the Philippines the chance to set up their own political representation. In addition, the US colonial government also gave Filipinos the opportunity to occupy important positions in the government, which never happened during the 300 years of Spanish colonial rule (Schirmer and Shalom, 1987).
During the Japanese colonial period, the state of democracy in the Philippines experienced the most adverse conditions. The Japanese abolished all political parties in the Philippines, and formed *Kalibapi* (Mass Party), which was largely composed of the elites and oligarchs who supported Japanese rule. At this time, resistance against Japan was led by Benigno Aquino Sr. (grandfather of the current president), who formed an anti-Japanese party named *Hukbalahap* (Hutchcroft and Rocamora, 2003). Post-World War II, Japan left the Philippines and Philippine-US relations reverted to pre-World War II conditions, and lasted through the next decades.

- *Early Development of Democratic Institutions*

  Ever since the Philippines gained independence\(^5\), the 1989 Malolos constitution protected the basic principles of democratic institutions in the Philippines. During the development of democracy in the post-colonial era, from 1946 to 1972, the Philippines experienced a parliamentary democracy with a two-party system (Nationalist Party and Liberal Party), which is similar to the US model. Despite the imperfection and leftist nuance, the quality of democracy at that time was better compared to previous period. This is indicated by a competitive election that was not hindered by any means (NDI/ANFREL, 1996; Ufen, 2008). After gaining independence from the US in 1946, the first presidential election was held in April 1946. The fundamentals of democracy that were built decades earlier helped the presidential election run well, especially when Manuel Roxas was appointed as the first President under this system. The strengthening of democratic institutions was also more robust during the establishment of the National Movement for Free Elections

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\(^5\)The United States recognised the independence of Philippines on 4 July 1946, marked by an agreement between the US and Philippines on political independency. But since the administration of President Diosdado Macapagal Philippines until now claimed its independence from the date of June 12, 1989 of Philippines Revolution and claim independence from Spain colonialism.
(NAMFREL) in 1951. With various efforts to improve democratic institutions by NAMFREL, improvements in conducting the next elections were expected. The next presidential election was held in 1953, and elected the seventh president, Ramon Magsasay. At this time there were two major issues in the Philippines: resistance from the rebellion group, Hukbalahap, and the issue of land reform. The development of democratic institutions and social policy continued until the reign of President Diosdado Macapagal. Populist policy and democratisation ran quite well in the period 1946-1965, when Ferdinand Marcos was elected President through elections that ran expeditiously (Ufen, 2008).

At first, Marcos was democratically elected through a direct presidential election in 1965, as part of the Nacionalista party (Richard, 1970). When Marcos was elected President in the 1965 election, economic and political conditions in the Philippines were very good and stable. The Philippines’ economy was one of the best in the Asia-Pacific region, even better than the economic growth of other countries in Southeast Asia, like Taiwan and South Korea. Conditions of democracy in the Philippines in the mid-1960s seemed far more complete and deeply rooted than in India, Malaysia, Colombia, or Venezuela. The press quite freely expressed their opinion, and there were no political prisoners or serious human rights violations committed by the state (Overholt, 1986). From these facts, it can be concluded that when Marcos became President, the social, economic, and political conditions of the Philippines were well prepared and sturdy, and therefore relatively easy to manage. Once elected President, Marcos gained enough popularity to be easily re-elected in the 1969 presidential election (NDI, 2004). However, democracy was interrupted after Ferdinand Marcos was re-elected for the second time and declared martial law. Martial law dissolved the legislature body, all elections, and any banned all oppositional political activity. Since then, the country was ruled by absolute authoritarianism, until 1986. Marcos announced a snap election in 1978.
However, elections were unfair, and guaranteed that his party (*Kilusang Bagong Lipunan*/KBL) remained in power until massive public protests pushed him out in 1986 (Lee and Chung, 2008).

5.4.2 Development and Changes to Social Policy in Philippines

Social policy existed long before the Philippines gained independence under the *ilustrados*. In the beginning, the *ilustrados* resistance movement and its supporters were only able to address reform discourse and educational equity issues\(^56\). The demand for social policy, especially in education, became part of the independence movement. Although these demands met no response from the Spanish colonial government, this movement inspired political leaders in the Philippines during the early years of independence. This also strengthened the President’s commitment to making populist policy between 1946 and 1965. In the midst of the US occupation, the civil society movement that addressed issues of social policy in the Philippines began to appear. In the 1930s, the poor workers in Pampanga established an organisation called *Aguman ding Maldang Talapagobra* (AMT) to demand that social justice be upheld. In 1938, another group of lower class workers formed an organisation called *Kapisanang Pambansa Makbubukid ng Pilipinas* (KPMP) in Central Luzon. This was much larger and more organised than the AMT. These two organisations were very active in demanding social policy in the Philippines, especially for poor and marginalised communities (Schirmer and Shalom, 1987).

As many of the social services provided in the Philippines today are in the hands of NGOs, which rely on faith-based organisations or foreign sources for funding, these programs receive insufficient amount of financial support from the state (Yu, 2013). Major social welfare programs in the Philippines such

\(^{56}\) However, after the death of Jose Rizal’s the ilustrados movement turned into an armed resistance movement (*Katipuan*) led by Andres Bonifcio which was a working class disciple of Jose Rizal (Schirmer & Shalom, 1987).
as Kapit Bisig Labansang Kahirapan (United Fight Against Poverty) (KALAHI-2004), Self-Employment Assistance-Kaunlaran (SEA-K), and Pantawid Pamilyang Pilipino Program (Filipino Family Support 4Ps), are conducted by the government with strong cooperation from NGOs and the support of international organisations such as the World Bank, the Asian Development Bank, USAID, AusAid, and CIDA, all of which have established programs that address poverty in the Philippines (Weber, 2012). Yet gradually, these programs have been handed on to the government.

5.4.3 Democracy and Social Policy in Philippines from 1973 to 2013

Political conditions in the Philippines in the early 1970s cannot be separated from the political transition between Ferdinand Marcos’ first and second terms. As explained earlier, in the first period (1965 - 1969) Marcos proved to be an effective leader. Economic growth and democratic institutions did not meet a lot of detraction, although commitment to social policy was weaker than under previous leaders. In the last years of his second term, a variety of anti-democratic policies were implemented. The peak was in 1972, when he applied martial law and declared himself President for life. This incident became the first milestone of fundamental change in democratic institutions in the Philippines since 1973, and its impact was felt until 1986. In 1987, the democratisation that occurred in the Philippines was essentially an effort to build political institutions which were the antithesis of institutions built by Marcos from 1972 to 1986.

- Material Democratic Institution in the Philippines (structure)

The constitution enforced in the Philippines today is the 1987 Constitution, which was implemented under President Corazon Aquino as a follow up to the People Power revolution in 1986. This constitution states that
the Philippines is a republic with a unitary system. The government system is Presidential, where the President has a monopoly over all executive powers, both at national and regional levels. The relationship between the executive and the legislature branches is distant, so cabinet members cannot be concurrently a member of parliament. Presidential influence parliament is informal, and is usually gained through a network of parties or party coalitions (Teehankee, 2002; Kawanaka, 2010). From several political institutions, it can be seen that the Philippines can be considered a model of consensus democracy.

Under the constitution, the legislature branch in the Philippines adopts a bicameral parliamentary system consisting of the House of Representatives and the Senate. Initially, based on the 1946 Constitution, the system adopted a unicameral House of Representatives, without a Senate. The bicameral system was introduced to the Philippines constitution by the 1972 amendment, and remains in use today. The legislature branch is composed of 24 members of the Senate, and the between 216 to 266 members of the House of Representatives. The relationship between the executive and legislature branches in the Philippines is quite balanced. In terms of budget and policy implementation, the position of the executive is very strong. However, there are formal aspects showing that the legislature branch is stronger than the executive. The President only has the right to veto legislature processes when they have the support of at least two-thirds of MPs (Teehankee, 2002).

In terms of budget policy, the authority of the executive is huge, both in the drafting process and in the implementation phase. The President has to submit a proposal of budget policy. After the budget proposal is approved by the legislature, the budget policy comes entirely within the control of the executive. In the process of implementing the budget, the President has full authority, including making decisions to ensure the implementation of programs and budgets. In fact, the President may also alter the composition of the budget at any time if deemed necessary (Kanawaka, 2010).
Currently, the Philippines embraces a multi-party system. Initially, since the Philippines became independent in 1946 and until the EDSA I (1986) the Philippines adhered to a two-party system. At that time, there were two dominant parties in the Philippines, the Liberal Party (LP) and the Nacionalista Party (NP). Since the advent of the multi-party era, the formation of political parties in Philippines is relatively easy. A national leader can form his own political party to support his political objectives. With the new rules, it is expected that there are political forces in the party, rather than personal. One of them is to use the party-list system, so that voters, especially during the legislative elections, have more political party platforms, rather than personal candidates (Kanawaka, 2010).

The electoral system applied in the Philippines is the only variable that is not in accordance with the principles of consensus democracy. Most elections in the Philippines apply a plurality system (majority). In one period, elections are run three times. The first is the presidential election, which is carried out every six years; the President cannot be re-elected for a second term. The presidential election applies a simple majority system. The second is the Senate elections in which there are 24 members of the Senate, and which applies a plurality system (bloc voting) nationally. The official term of members for the Senate is three years, and senators may be re-elected for up to three terms in a row. The third is the House of Representatives election, which consists of two categories. The first is the 216 legislators, which are elected through the plurality system - single member districts; a maximum of 50 members are elected using a proportional system (Kanawaka, 2010). In general, the existing electoral system in the Philippines today is based on the plurality system, but gives a proportion for fraction members of the House of Representatives to be voted under a proportional system.
Three years into his second term, in 1972, Marcos declared martial law because of communist rebellion and the deterioration of civil disorder (NDI 2004). Prior to this event, the Philippines’ condition deteriorated both economically and politically. Public protests, especially from students, often occurred in various places. At this stage, Marcos constitutionally could not run for president because he had already served two terms. In the midst of the economic downturn and more mass protests, with a desire to continue ruling, Marcos declared martial law. Marcos’ reason for this was the communist threat behind the student protest movement. Yet the real communist forces were weak; it was recorded that fewer than 800 communist guerrillas were settled in the Philippines. Obviously, Marcos’ main motive for introducing martial law was not national security, but to gain a legal position to continue in power (Overholt, 1986).

This momentum was the beginning of fundamental changes to democratic institutions in the Philippines. Democratic institutions, which had been stabilising for decades, were easily broken down by Marcos within a short time, in order for him to serve as President. In 1973, Marcos amended the Constitution to allow himself to continue as President of the Philippines without any time limit. Section 1, article II of the amended Constitution categorises the "Philippines as a republican state", and intentionally removes explanations of the democratic system and presidential term limits (CADI, 2011). With this amendment Marcos governed the Philippines with absolute power for thirteen years. During this period, Marcos drastically reduced civil and political freedoms, dissolved Congress and some universities, and arrested several political figures who opposed him (BTI, 2014). From this, it can be seen that radical changes to the institutions of democracy did not only occur on presidential term limits, but also to the institutions controlling the executive, which were also dissolved. Therefore, the implementation of state control
remained entirely in the hands of the President. The new institutional changes implemented after the Philippines gained independence removed the mechanisms of checks and balances for high state institutions.

Shortly after implementing martial law, Marcos introduced a lot of populist policies in order to gain public support. He even implemented land reform policies, which were not been seriously considered by previous presidents. As a result, economic growth in the Philippines improved rapidly, especially from 1972 to 1975. Development policies in the Philippines under martial law (post-1972) were based on the economic development, liberalisation, and increased foreign direct investments. Development strategy in this era radically shifted from import-substitution to export-orientation, especially in commodities that were needed by the global market. The basic regulation made for implementing this policy was the Export Incentives Act of 1970 (Tadem, 2013). Development policies were produced and implemented in the absence of strong democratic institutions, since policies and programs were only used to secure a radical political change undertaken by Marcos. When political tensions subsided, Marcos no longer implemented various development measures.

After 1975, however, economic and social growth became stagnant. Marcos, his wife, and his cronies went back to focusing on strategic sectors in the Philippines for the sake of their personal interests (Overholt, 1986). Cronyism became the most prominent phenomenon during this era, which was mainly conducted by Marcos and his wife, Imelda. His reasoning for cronyism was due to the fact that he wanted to be the main perpetrators of the business and the country’s economy, so that he could directly supervise the productivity and performance of companies. However, those companies and conglomerates did not contribute to the acceleration of development in the Philippines, but worsened the economic situation in the Philippines, which ultimately led to the 1986 People Power Revolution, or EDSA I (Tadem, 2013). Everything that
happened to the democratic institutions in the Philippines during the period of 1975 to 1986 was similar to what occurred during the colonial era. During the period of authoritarian rule, democratic institutions weakened, along with the weakening of the government’s commitment to social policy. Social policy only accommodated ‘political bribery’ to the public, dampening internal conflict and obtaining political support for the authoritarian regime.


Movements to reject the anti-democratic political institutions began alongside their implementation. However, within 14 years of the resistance, the movements were weakened by Marcos and his authoritarian powers. In 1983, one of the political leaders of the anti-Marcos group, Senator Benigno Aquino, Jr., father of the current President, was assassinated in public. His murder ignited fierce protests among the public. The protests resulted in "the People Power" or "EDSA I" movement, which reached its peak in February 1986 (CADI, 2011). In response to this enormous protest, Marcos called a snap election, and declared victory over Corazon Aquino, Benigno’s widow. However, this election was considered undemocratic and fraudulent. After the snap election, the protest movement even became greater. Finally, the military supported the protestors and urged Marcos to step down, making Corazon Aquino President of the Philippines (NDI, 2004). Not only was Marcos forced to step down, The People Power movement also demanded institutional democratisation, and the separation of the executive, legislature, and judicial bodies. The first step taken by the Corazon Aquino administration was the drafting of a new democratic constitution, dismantling of the centralised authoritarian power structure and restoring democratic institutions (BTI, 2014). In 1987, the whole process was successfully completed by Corazon Aquino, thus officially ending the 1973 Constitution, which was succeeded by the popular, referendum-ratified 1987 Constitution, also known as the “People’s Constitution” (CADI, 2011).
The 1987 Constitution was created by Aquino not only to make the Philippines’ political institutions more democratic, but also to incorporate aspects of social policies, which were largely ignored during the Marcos administration, especially in the sector of education (UNESCO, 2012). The 1987 Constitution also stipulated basic rights, such as the recognition and enforcement of human rights, which had the consequence of increasing liberty and freedom for all citizens. Another aspect of this constitution that is very interesting can be seen in section 13, article 13, which clearly indicates the importance of improving services for people with disabilities, as well specifically designating which agencies are responsible for carrying out these tasks (DRPI, 2009). In general, the 1987 Constitution was a sign of a very strong commitment of the Corazon Aquino administration to democracy and social policies.

With the reform in its democratic institutions, the Filipino government became relatively more active and quicker to take the initiative in creative social policies. For example, in 1990, the Aquino government participated in the events of the World Declaration on Education for All (EFA) in Thailand. Soon after, the government issued a policy to implement the declaration through the 10-year EFA Philippines program, from 1991 to 2000. This plan included national objectives in the education sector, policies and strategies, and also includes plans at a regional level that must be taken by local governments to improve the quality of education services across the Philippines (UNESCO, 2012).

Also in 1991, the Filipino government set the Local Government Code, which provided a decentralisation policy in the Philippines. During the Marcos administration, all policies were centralised, and the central government tended to weaken the local government. In the period of democratic government, under Aquino, a decentralisation policy was chosen in order to extend the ability of the government to implement public services and social
programs, and to create more opportunities for public participation in the public policy process (USAID, 2000).

Although the 1987 Constitution was not fully implemented, the relationship between democratic institutions and social policy in the era of President Corazon Aquino was very strong, and the two factors mutually supported each other. This is because the government’s commitment to democracy and social policy were equally included in the basic constitution of the country. Therefore, the implementation of the 1987 Constitution allowed for the development of democratic institutions, which was good for social policy. The phenomenon of electoral incentive has yet to be seen in this era; therefore the existence of social policy is based on the implementation of the 1987 Constitution, rather than a result of the democratic institution at that time.

In 1992, Fidel Ramos (1992-1998) replaced Corazon Aquino through a fair and democratic election. Under Ramos’ government, economic development and social policies were balanced. From an economic aspect, the Ramos administration implemented economic liberalisation and privatisation policies in order to enhance the Philippines’ competitiveness in the international market (BTI, 2014). In terms of social policy, the Ramos administration implemented the Countrywide Development Fund (CDF), which was later renamed the Priority Development Assistance Fund (PDAF) in 2010. The program gave financial assistance to members of the legislature in order to meet the demands and needs of their constituents (this was called "pork barrel" funds). Most of this fund was used for programs related to social policy (AusAID, 2014).

The development process for democratic institutions in the Philippines continued until 1995, when the government published Republic Act 7941, which regulated the party-list system. With the new system, marginalised groups were able to channel their aspirations without having to pass through the mainstream parties. This system made it possible for diversity in the
legislature body of the Philippines to be realised (CALD, 2004). The party-list system was a progressive change to strengthen the process of democratisation in Philippines, which had stalled for 21 years. Another interesting aspect of this reform is the endorsement of regulations in governing social policy, such as the Reproductive Health (RH) bill and the Anti-Violence against Women and Children bill (AusAID, 2014).

In 1995, the Philippines’ government also made reforms to social policy, particularly in the health sector. National Health Insurance was passed in 1995, replacing the old health policy, which was the Medicare Act of 1969. With the new health policy, health services in the Philippines, especially health insurance, were expected to benefit the whole community. This regulation also stipulated that all healthcare providers, both private and public, must follow this scheme at both the central and regional levels (WHO, 2012). The implementing agency for this universal insurance program was the Philippines Health Insurance Corporation (PhilHealth). The health insurance program was universal and was expected to cover the whole family, without regard for the number of children. Thus, no citizen of the Philippines was excluded from this program (FES, 2013).

Not only did the Ramos administration also create policies for the protection of indigenous people in October 1997, but the Indigenous Peoples Rights Act (IPRA) was also the first policy in the history of the Philippines that provided legal protection to indigenous people, especially during conflicts with the mining industry and plantations, whether government-owned or private. This policy required that all mining activities and plantations adjacent to the residences of indigenous people get permission from indigenous communities before start their businesses (AusAID, 2014). During this year, the government also passed the Social Security Act (SSA 1997), which provided wider benefits to Overseas Filipino Workers (OFWs), especially who to the poor. With the 1997 SSA, protection for OFWs work grew, and returning OFWs
got financial assistance for housing, education, and venture capital (AusAID, 2014). The phenomenon of strengthening social policy in this era was based on the strengthening of normative democratic institution. Public awareness became an important tool for creating a more transparent and participatory policy. The people in this era had been linked to the traumatic reality of Marcos’ authoritarian administration, which neglected to provide social assistance to the community.

With an increasingly open democracy, civil society organisations also increasingly had the opportunity to be involved in the policy-making process. The most prominent example was when the National Council for the Welfare of Disabled Persons (NCWDP) was involved in the formulation of policies to reduce poverty in Philippines in 1997. A year later, in 1998, poverty reduction policies created Republic Act 8425, which regulated several important things, such as the establishment of institutions for poverty reduction at central and local levels, as well as the determination of fourteen sectors that became the focus of attention for anti-poverty programs, including individuals with disabilities (DRPI, 2009).

In 1998, the relatively clean and peaceful presidential election resulted in President Fidel Ramos giving up office in favour of Joseph Estrada. This election was the second democratic election after the end of Ferdinand Marcos’ authoritarian regime. The Estrada-Arroyo ticket won the 1998 election with a huge turnout, making it the greatest election in the history of the Philippines (Polity IV, 2010). However, this election still involved money and image politics rather than program based competition. This incident indicates that democratic institutions (elections) available at that time did not facilitate competition. Consequently, the existing democratic process cannot be used as a way of assessing the preferences of voters for the various program options. In other words, the material institutions of democracy do not interact strongly with the initiation and development of social policies. However, the Estrada
administration did not last long. In early 2001, the Estrada administration was accused of embezzling state funds, abusing its power, and undermining the stability of the democratic process (NDI, 2004). These allegations were very strong and spread quickly. This was further aggravated by Estrada’s lifestyle, which was luxurious and glamorous, and did not reflect the pro-poor platform he campaigned with in 1998 (CADI, 2011). A massive public protest movement could not be avoided, and peaked on January 20, 2001, when thousands of protestors rallied in the street to urge Estrada to step down, just like in the 1986 Yellow Revolution. Finally, Estrada stepped down at the insistence of society, and was replaced by Vice President Gloria Arroyo, who served out the remainder of Estrada’s term. The public protest movement which ousted Estrada was later called ESDA II, or People Power II (BTI, 2014). Early in Arroyo’s leadership, in 2003, there was a coup attempt launched by 300 soldiers, but Arroyo managed to put that down quickly (NDI, 2004).

Social policy strengthened slightly after the fall of Estrada in 2001. During Arroyo’s administration, the government passed the Basic Education Act of 2001, which emphasised the importance of ensuring basic education for all Filipino children at the elementary and high school levels. This policy also stated that education services must be decentralised so as to reach grassroots groups - the schools and communities. As a result, in 2003, 93.4%, or about 58 million Filipinos, were basically literate. This was far higher than during the Marcos era (UNESCO 2012). In 2001, the government also set the Medium Term Philippines Development Plan 2001-2004 (MTPDP), which provided greater attention to the issue of poverty. There are four basic policies in the 2001 MTPDP, which are: a) ensuring economic stability and growth; b) modernising the agriculture and fisheries sectors; c) conducting comprehensive human development and protecting the vulnerable; and d) ensuring good governance and the rule of law (AusAID, 2014). From this, it is clear that commitment to social policy and human development was strong during Arroyo’s first term.
In the 2004 election, Gloria Arroyo ran for President of the Philippines for the first time. However, the 2004 election was very weak in its implementation and administration, so public confidence in the election was very low (NDI, 2004). The 2004 election was also assessed by international observers as undemocratic, and included a lot of political violence; more than ninety people died during the campaign. While Arroyo was deemed the winner, domestic and international observers found irregularities to be present (Polity IV, 2010). EDSA III almost happened in 2006, as a result of the allegations against Arroyo regarding both her involvement in election-rigging and banking scandals. However, political turmoil was mitigated by Arroyo declaring a state of emergency, arresting protestors, implementing government control over private companies, and closing primary and secondary schools (BTI, 2014). This also indicates that the quality of democracy in the Philippines decreased. During the second term of the Arroyo administration, attention to social policy was very minimal. Although she managed to improve macroeconomic conditions and dealt with the global financial crisis in 2008, the majority of the population did not feel that they obtained the benefits of Arroyo development policy, since she did not alleviate poverty or reduce unemployment (BTI, 2014). Essentially, at the time of the Arroyo administration, the development of democratic institutions (material and normative) ran very slowly. In this era, many undemocratic policies were made in order to maintain power. Weak democratic institutions in the Philippines at that time were also accompanied by a weak governmental commitment to social policy. This was because, for the current government, power was maintained through elite-level alliances, especially with the military, rather than by providing social policies in order to obtain public support.

In June 2010, another presidential election was held in the Philippines. In this election, Benigno "Noynoy" Aquino, son of former president Corazon Aquino, easily won with a large number of votes. The first measure undertaken
by Benigno Aquino was political reconciliation among various conflicting sides (Polity IV, 2010). Aquino’s election as President of the Philippines restored the revival of democracy and the government’s commitment to social policy. Normative democratic institutions, such as freedom of speech and the protection of the civil rights, was much better than during Gloria Arroyo’s reign. The Aquino administration established strong communication with various NGOs and civil society groups. Thus, policies made by the government were very relevant to community needs (BTI, 2014). Expansion of social policy continued, one example of which was when the government increased the number of poor people who were enrolled in PhilHealth. To support this policy, the government provided a subsidy to the poorest 20% of the population (FES, 2012). The government also made the National Objectives for Health (2011 - 2016), which governed the provision of health services at all levels of society in order to improve quality of life, and achieve the targets of the MDGs (WHO, 2012). In 2012, the Benigno Aquino administration made three policy packages, which were the Poverty Alleviation Program, the Anti-Corruption Campaign, and the Freedom of Information Bill (CADI, 2012). These three of policy packages reinforced the government’s commitment to continue the process of democratisation in Philippines.

Table 30. Democracy Trends and Court Legitimacy

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<tr>
<th>Regimes/Periode</th>
<th>Democratisation Trends</th>
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<td>Aquino 1</td>
<td>Democratic Transition</td>
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<tr>
<td>Ramos</td>
<td>Democratic Consolidation</td>
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<tr>
<td>Estrada</td>
<td>Democratic Malaise</td>
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<tr>
<td>Arroyo</td>
<td>Democratic Deficit</td>
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<tr>
<td>Aquino 2</td>
<td>Democratic re-Consolidation</td>
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</tbody>
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Source: Deinla 2014

Table 30 summarises the democratisation dynamics in the Philippines since the Corazon Aquino era. Democratisation was resumed and strengthened under Corazon Aquino (1986–92), and then sustained under Fidel Ramos (1992–98). During the Estrada period, electoral politics was moving in the direction of patronage, and tended to authoritarianism. Poor governance and
Estrada’s personal corruption led to an uprising movement labelled the People Power II. The second term of the Arroyo government was brought about by an extra-constitutional act of people power, which is also seen as a regression to disruptive elite contestation and collusion, and attempt at authoritarian rule (Case, 2009). The democratisation process was back on track after Benigno Aquino III was elected democratically in the 2010 election (Deinla, 2014).

Economic development in the Philippines between 2012 and 2013 was very promising. The Philippines experienced an economic boom, with GDP growth rates of more than 6%, a sharp increase in foreign direct investment, and relatively low inflation rates. According to a study conducted by the Asian Development Bank (ADB), the Philippines CCT was one of the most efficient social security systems, costing less than 0.5% of the GDP, yet reaching about 15 million people. In June 2012, the first phase of the K-12 education system started, with full implementation scheduled for the 2018-2019 school year. In addition to an overhauled curriculum, the basic education program will be extended by two years to a compulsory 12-year period for every Filipino child. The reform is an attempt to counter the vast deficits in the education system (BTI, 2014). In this era, democratic institutions, especially public participation, in the Philippines were regained through the participatory policy process and re-emerging social policies. Interaction between institutions of democracy and social policy initiatives bounced back, as it did in the era of Presidents Aquino and Ramos. The electoral system also shifted from competition and became more political party competence-based. So, public preferences of the program began to replace personal political preferences.
Chapter Six
The Performance of Democracy and Social Policy in Southeast Asia

This chapter will discuss the findings from qualitative research (process tracing), which were already presented in the previous chapter. The discussion will be separated into two aspects. First is the historical development of democratic institutions in the four countries; and the second is the condition of democratic institutions in the four countries between 1973 and 2013. In discussing the two aspects, this chapter will focus on how the development of democratic institutions impact the formation of social policy in each country; and situate those with the current theoretical debates draw from the literature. The last part of this chapter will provide the dialogue between the qualitative and quantitative findings in each country. This integrated explanation is very helpful in answering the research question from both the quantitative and qualitative perspectives.

6.1 Historical Development of Democratic Institutions and Their Impacts

Chapter Two demonstrated a potential relationship between democracy, social policy, and inclusive economic growth. The main gist of this argument is that democratic institutions produce a more open, citizen-oriented, and
responsive political system that might lead to stronger civil society organisations, including unions, and give them opportunities to influence public policy (Nelson, 2007; Chen, 2008). Moreover, Large N data from different countries in the world also indicate a positive correlation between democracy and social policy and between social policy and inclusive economic growth (Chapter Two). However, the theoretical arguments and statistics above are just a general overview of the issue. The following analysis will tease out the complexities of the relationship between these variables, in particular in the context of Indonesia, Malaysia, Thailand, and the Philippines.

The historical institutionalism analysis in this thesis looks at the impact of creation, developments, and changes in democratic institutions (March and Olsen, 1984; Peters, Pierre and King, 2005), especially on social policy. The result of this description will answer further the results of the quantitative method (PLS-SEM) in the previous section, especially by providing a narrative explanation of the different cases of Indonesia and the Philippines; and Malaysia and Thailand. A more comparative explanation about institutional changes and the development of democratic institutions is provided in the next section. Section two of this chapter focuses on the exogenous factors of institutional change, which are path-dependency and critical junctures (Krasner, 1989; Hall and Rosemary, 1996; Skocpol, 1992; Pierson, 2000). From the comparison of institutional changes and development, section three of this chapter will review the setting of several important temporal scopes (Orren and Skowronek, 1996; Kuyper, 2015) especially in looking at the social and political settings which cause changes to both material and normative democratic institution. The combination of institutional development analysis (sequential) and socio-political analysis (setting) of democratic institution will finally be applied to draw conclusions on how democratic institutions affect social policies.
6.1.1 Social Policy in Colonialism, Authoritarianism and Democratic Era

This section will compare institutional changes and development in the four countries. In the case of Indonesia and the Philippines, the difference between authoritarian and democratic regimes is notable. Within the temporal scope of 1973 to 2013, Indonesia experienced an authoritarianism regime from 1973 to its democratic opening (a critical juncture) in 1998; while the Philippines experienced authoritarianism since 1973 until its democratic opening in 1986. Following their respective democratic openings, the democratisation process continued to grow in both countries. To view the impact of democratic institutions on social policy, descriptions of the development and changes in democracy must be coupled with descriptions of the development and changes in social policy.

To explain the developments and changes in social policy and its relationship to democracy, the author reviewed the existing social policies of political institutions with the social policies of existing democratic regimes. In Chapter Two, it was stated that social policy in autocratic regimes will be more biased to patron-client and elite privilege, whereas social policy in democratic regime will be more reflective of public aspirations and more accommodating of popular demand (Haggard and Kaufman, 2008). In the context of normative institutions, the author reviewed the relationship between regime types and social policy. This particularly looked at the early emergence of social policy and public awareness of the importance of social policy. The author reviewed existing social policies of political institutions and the social policies of existing democratic regimes.

The general findings in this thesis indicate that the pattern of social policy under authoritarian regimes is similar to social policy during the colonial period, when these policies were first introduced. During these periods, social policy was merely a tool to maintain the power and domination of the ruling class. The conclusion affirms Haggard and Kaufman’s (2008) argument, which
states that social policies in the authoritarian era are generally uniform, politically biased, used as a tool for countering mass protests, and designed to strengthen the legitimacy of a dictator. On the other hand, the findings of this thesis also concluded that, in democratic regimes, the paradigm of social policy is different and has different motives. Social policy in a democratic regime is more diverse, responsive, and realises popular demand, and is a tool for improving the social and economic conditions of its people (Castles and McKinlay, 1979; Haggard and Kaufman, 2008; Whitehead in Mkandawire, 2004; Stasavage, 2005; Bangura, 2007).

<table>
<thead>
<tr>
<th>Country</th>
<th>Coloniser</th>
<th>Form and Time</th>
<th>Motive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Dutch</td>
<td>Ethical Policies: Education, welfare cares, infrastructure (1901)</td>
<td>Increase popular support to coloniser</td>
</tr>
<tr>
<td>Malaysia</td>
<td>British</td>
<td>Education, social assistances, Malays special rights, KMS (1926)</td>
<td>Political support (elites) for coloniser through Malays special rights</td>
</tr>
<tr>
<td>Thailand</td>
<td>British/French (Semi-Colonial)</td>
<td>King Mongkut’s modern education system (1850s)</td>
<td>Prevent western colonialism, strengthen the central’s control</td>
</tr>
<tr>
<td>Philippines</td>
<td>Spain and US</td>
<td>Education and social assistance for the poor, AMT and KPMP (1930s)</td>
<td>Instrument of colonisation, westernised the young people</td>
</tr>
</tbody>
</table>

Table 31 presents the situation of social policies during the early emergence of democracy, during the colonial era. Similar to democracy, social policy in the early era was simply a tool to strengthen the dominion of a colonising power and gain political support from the public. Social policy and democracy in the Indonesian colonialist era are part of the “Ethical Policy”, which were introduced as compensation for Indonesia’s exploitation by the Dutch from the VOC (1800s) to early 1900s. In Malaysia, social policy issued in 1926 was compensation for Malaya leaders for the decentralisation policies introduced by the British. In the Philippines, schools were built to homogenise the way of thinking among the younger generation in line with the mindset of its colonising power. Then, social policy (education) in Thailand was used to
standardise languages between rural communities to create a central language, which also included the manners applied by its colonising country.

In the next point, the author assumes that social policy in the colonial period was identical to that during the authoritarianism era. Haggard and Kaufman (2008) explain that social policy in an authoritarian regime is generally designed to strengthen the legitimacy of a dictator. It is also used as a tool to counter mass protests and insurgency movements. The findings of this thesis confirm this argument. In Indonesia, the Ethical Policy that was issued by the Dutch government was intended to strengthen public support for the colonial government (Nielsen, 1999, Olsson, 2007). The policy of social safety net (Jaring Pengaman Sosial) that was introduced by Suharto in 1997 was also intended to create public support when the legitimacy of the Suharto regime experienced dramatic downturn (JICA, 2010). The New Economic Policy (NEP) that was issued by the Malaysian government in 1971 was also a response to ethical conflict in the press in the coverage of the riot on May 13, 1969 (Neher, 1995). King Mongkut’s motivation to strengthen Thailand’s education system in the 1870s stemmed from feelings of anti-colonialism (London, 1979). William Taft’s Policy of Attraction in the Philippines in 1902 was intended to gain support from the elite in the Philippines for the US colonial government (Hutchcroft and Rocamora, 2003). This happened again under Marcos, who introduced populist policies to generate public support after declaring Martial Law in 1973 (Tadem, 2013).

These facts conclude that the application of social policy during the colonialist era is exactly the same as during authoritarian regimes. In an ideal situation, social policies are supposed to protect and promote freedom (Sen, 1999; Stasavage, 2005; Meyer, 2007), accommodate public demand (Nelson, 2007; Chen, 2008; Haggard and Kaufman, 2008) and support economic developments (Sengupta, 1991; Lucas, 1998; Esping-Andersen, 1999). In fact, social policy in the early (colonialist) era was not intended to achieve these
goals, as they are different to the existing social policies in these countries at the time. With the exception of Malaysia, most existing social policies in the democratic era are the embodiment of freedom and political participation, rather than tools of power.

During the democratic era, social policies in Indonesia that emerged after 1998 were more responsive than those that were introduced during the authoritarian and colonial eras. On the other hand, the post-1986 development of democracy in the Philippines has not been as fast as in Indonesia (post-1998), despite the democratic opening that happened in 1986. However, the post-1986 decline of democracy in the Philippines during the terms of Estrada and Arroyo was not as bad as during Marcos’ term. Post-1986, social policies in the Philippines were more responsive than before. In contrast, Malaysia and Thailand indicate that the democratic and authoritarian eras cannot be clearly separated; hence the difficulties in analysing social policy under two different political systems.

Table 32. Social Policy in the Post-Colonial Era

<table>
<thead>
<tr>
<th>Country</th>
<th>National Plan</th>
<th>Level of Democracy</th>
<th>Popular Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Evolving</td>
<td>Affecting</td>
<td>Moderate</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Stagnant</td>
<td>Not Affecting</td>
<td>Low</td>
</tr>
<tr>
<td>Philippines</td>
<td>Evolving</td>
<td>Affecting</td>
<td>Moderate</td>
</tr>
<tr>
<td>Thailand</td>
<td>Fragmented</td>
<td>Not Affecting</td>
<td>Polarised</td>
</tr>
</tbody>
</table>

Table 32 indicates two distinguishable similarities between Indonesia and the Philippines, and between Malaysia and Thailand. Indonesia and the Philippines do not take a long-term and consistent approach to the implementation of their social policies. The development of social policy in these countries shifts and evolves in line with contemporary circumstances. On the other hand, Malaysia has a long-term approach to social policy, which is implemented in a consistent manner. The NEP policy in Malaysia, followed by the NDP, has been in effect since the early 1970s. Conversely, Thailand has fragmented social policy, despite having a long-term program, the NDP. Nevertheless, from the budget-allocation point of view, the fluctuation on
democracy quality brought no impact on the addition of social policy in Thailand.

In Malaysia, social policy is a result of NEP-NDP. In fact, social policy was not influenced by political and democratic shifts. Malaysia has never experienced any significant power shift in its political history. Table 29 has shown that power shifts have not occurred in Malaysia since 1957, when the coalition of UMNO and Barisan Nasional (BN) managed to maintain their ruling power. In contrast, the development of social policy in Malaysia experienced positive growth, as shown in the implementation of NEP and NDP. The difference is a result of the rapid changes in the political situation of Thailand. From 1973 to 2013, there were six military coups coupled with mass protests; however, due to the very short duration of each regime, these political dynamics did not significantly affect the implementation of social policies, therefore, the coordination of long term programs becomes difficult to analyse.

In Indonesia and the Philippines, social policies during democratic and authoritarian eras are clearly very different. During Suharto’s authoritarian administration, social policies were merely a tool used to strengthen patrimonialism in Indonesian politics (JICA, 2002). In contrast, social policies in Indonesia’s post-1998 democratic era in have been more diverse and comprehensive, covering a variety of sectors, and conducted by diverse ministries. Although such developmental policies were driven by economic growth considerations, the Philippines’ Ferdinand Marcos also issued similar social policies. His social policies were merely used to gain political support from his people (Overholt, 1986; Tadem, 2013). Social policy in the Philippines after the EDSA I (post-1986) was in fact more responsive and systematic. Corazon Aquino further expanded social programs to incorporate social policy (budget allocation) in the Philippines’ 1987 Constitution. Such strong commitment was substantiated by Fidel Ramos (1992-1998), who introduced a variety of social policies, like the Countrywide Development Fund (CDF), the
National Health Insurance, and the Social Security Act (SSA). However, social policy under the following President, Gloria Arroyo, declined, and her record on poverty eradication and unemployment reduction was low (BTI, 2014). Next, under President Benigno Aquino II, commitment to social policy in the Philippines went hand-in-hand with an increased commitment to democracy. This occurred due to the fact that President Aquino II provided a wide opportunity for NGOs to be involved in the formulation and implementation of social policy in the country.

Another finding of this thesis relates to the role of popular demand and public participation in either the initiation or expansion of social policy. In the cases in the previous chapters, the author described that the early initiator of democracy in Indonesia and the Philippines was civil society. The demand for democratisation in the two countries was engineered by civil society movements. Meanwhile, in Malaysia and Thailand, the initiation of democracy was dominated by the elite. As a consequence, there was a lack of democracy, so opportunities for the expression of popular demand in the public policy-making process was low, and the quantity and quality of welfare policies were reduced (Castles and McKinlay, 1979; Haggard and Kaufman, 2008). Taken as examples are the following; Malaysia is the only country in which the role of popular demand and public participation is relatively low in social policy. The *Bersih*, Hindraf, and the opposition movements were striving only for democratisation and a free and fair election, without any demands on social policy. Next, an example of the role of popular demand and public participation in initiating social policies is in Indonesia, where the passing of Law no. 40/2007, which regulates the obligations of any company in contributing Corporate Social Responsibility (CSR) to people affected by its business activities. In Thailand, there was a forum for rural doctors that enacted social policies in the health sector. In the Philippines, the role of NGOs in
initiating social policy is obvious, particularly in the administration of President Aquino II. Thus, the examples above support the hypothesis.

In relation to the effectiveness of social policy, the data described in Chapter Three are not effective in distinguishing the achievement level of inclusive economic growth between Indonesia, Malaysia, Thailand, and the Philippines. From an economic point of view, the acceleration of economic growth in the four countries did not experience any noticeable differences. Indonesia’s economic growth remained positive in the range of 4-6% during the Global Financial Crisis of 2008 and remained constant at 6.5% thereafter. The Philippines remained stable at 6%, and Thailand at 6.7%. Malaysia’s economic growth stagnated at around 5.1%. In terms of social development, poverty ($2/day) in Indonesia fell from 16.6% (in 2009) to 13.3% (in 2011). According to the UNDP, Indonesia is one of the top 10 countries for the fastest progress in human development. In Thailand, poverty ($1/day) also fell significantly from 27.2% (in 1990) to 9.8% (in 2011). Inclusive economic growth in Malaysia were also improved; data shows that the percentage of students dropping out of primary school was significantly reduced, from 3% (in 1989) to 0.2% (in 2011). In the Philippines, 93.4%, or about 58 million Filipinos, were basically literate, a figure that was far higher in the Marcos era (UNESCO, 2012). According to a study conducted by the Asian Development Bank (ADB), the Philippine CCT was one of the most efficient social security systems, costing less than 0.5% of the GDP, yet reaching some 15 million people. The data shows that the existing developmental policies in these four countries were quite effective in achieving some of the indicators of inclusive economic growth. Therefore, the following discussion will focus on the impact of democratic institutions (political) on creating social policy in these four countries.

From the explanation above, it can be concluded that social policy in Indonesia and the Philippines was relatively more motivated by public participation and government efforts to accommodate popular demand. While
in Malaysia, the stagnation of political and social policy means democratic institutions were influential in the development of social policy, as the development of social policy in Malaysia is mostly a result of elite initiatives, rather than public participation. Extreme conditions occurred in Thailand; though increased budget allocations and constant social policy occurred, frequent changes of short-term regimes hindered the government in coordinating the implementation of social policy. Extreme political fragmentation in Thailand separated social policy from the political dynamics and political institutions in that country. Even though the inclusive economic growth of the four countries are not much different, the political setting (democratic institutions) and their interaction with social policy are clear enough to distinguish between Indonesia and the Philippines, and Malaysia and Thailand as previously described.

The general conclusion of both qualitative and quantitative analysis is that the relationship between democracy, social policy, and inclusive economic growth in Southeast Asia is divided between Indonesia and the Philippines on one side, and Malaysia and Thailand on the other. In the case of Indonesia and the Philippines there is a very significant relationship between the three main variables of this thesis, which are democracy, social policy, and inclusive economic growth. This is generally due to the material and normative institutions of democracy, which are relatively better developed than in Malaysia and Thailand. Political instability in Thailand makes the relationship between the development of democratic institutions and social policy a separated issue. When stagnation and political instability occur, the democratic institutions hinder the government in being more responsive to popular demand, and limit public participation in the policy-making process. The description of how the relationship between the material and normative democratic institutions and its impact on institutional development stability is discussed in the following section.
This section discusses research findings related to the condition of democratic institutions in Indonesia, Malaysia, Thailand, and the Philippines. Democratic institutions, which is intended in this thesis to mean material or material institution (rules, regulations, or laws) as well as non-material or normative institution (routines, norms, or shared values) which will influence the actor’s choice of action (especially politician) and policy preferences. Historical institutionalism is employed to describe the development of democratic institutions. To conduct this, there are two important aspects discussed in this section, which are the early emergence of democratic institutions (the initiator) and the development of democratic institutions (in this thesis, the focus is on the period from 1973 to 2013). This is in line with the opinion of Kathleen Thelen, who points out that historical institutionalism emphasis on how institutions emerge from and are embedded in concrete temporal processes (Thelen, 1999 p.369). The first issue is the identification of the democratic institutions introduced during the colonial era, including their effects on social policy in the four countries under investigation. This discussion is important, because the historical institutionalism perspective argues that the early emergence of an institution is determining the formation and development of the present institutions. When the initiation is undertaken by civil society (as in Indonesia and the Philippines), there is a tendency for normative democratic institutions to grow stronger. The second aspect is the description and analysis of the development of democratic institution in the four countries, especially during the period of 1973 to 2013. This aspect will analyse the change and development of democratic institutions, including path-dependency patterns and critical junctures within such development.

6.1.2 The Colonial Experience and the Introduction of Democratic Institutions

This section discusses the emergence of democratic ideas in the four countries, which can be seen from the inception of material and normative
democratic institutions. The emergence of material democratic institutions closely relates to formal regulation, which occurred under the colonial government. Meanwhile, normative democratic institutions (norms, routines, and shared values) are developed through the demand of society for democratisation. If the instigation of democracy is dominated by civil society, then the will of society will have greater influence on the implementation of democracy principles. In contrast, if the democracy is initiated by the elites, then society has much less influence on democracy.

This section will first discuss how the material institutions were introduced in the four countries. In terms of the implementation of material institutions, there is no significant difference between the four countries under study. Material democratic institutions were created to strengthen legitimate power. The findings of this study indicate that colonial governments did in fact introduce several material democratic institutions in their colonies, particularly in the four countries under investigation; this applies especially to Thailand during the semi-colonial era. However, the introduction of democracy during the colonial era is identical to tyrannical power and exploitation, and it limits the freedom of colonised people (Haggard and Kaufman, 2008). Therefore, even though material democratic institutions were settled during this era, they discouraged the government from being responsive, or participating in the policy-making process. This is clearly opposite to the ideas and key elements of democracy institutions, such as avoiding tyrannical power, protecting freedom, public participation, and transparency. Variations in the introduction of democratic institutions exist only in terms of the motivation of a colonising power in the introduction of democracy. Still, general findings indicate that early material democratic institutions in the colonial period were merely tools to reinforce the dominance of the colonising power, rather than efforts to eliminate tyrannical power and protecting and promoting freedom.
Table 33. Introduction of Material Democratic Institutions

<table>
<thead>
<tr>
<th>Country</th>
<th>Coloniser</th>
<th>Democracy Introduction</th>
<th>Motive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Dutch</td>
<td>Decentralisation Act (1903) and formation of <em>Volksraad</em> (1918)</td>
<td>“Ethical Policy”: increase popular support to coloniser</td>
</tr>
<tr>
<td>Malaysia</td>
<td>British</td>
<td>The Union constitution (1946)</td>
<td>Extending British’s influences in the Peninsula and North Borneo</td>
</tr>
<tr>
<td>Thailand</td>
<td>British/French (semi-colonial)</td>
<td><em>Siwilai</em> policies (1897) and constitutional monarchy (1932)</td>
<td>Implementing modernisation policy in political realm</td>
</tr>
<tr>
<td>Philippines</td>
<td>Spain and US</td>
<td>Philippines Revolution (1896), The Malolos Constitution (1899), and Taft’s Policy of Attraction (1900)</td>
<td>1896 and 1899 part of anti-colonialism movements 1900 using elites as coloniser proxies.</td>
</tr>
</tbody>
</table>

Table 33 shows a comparison of the introduction of democratic institutions during the colonial era in the four countries under investigation. From the description above, it appears that democracy during the colonial era was a tool to strengthen and to stabilise the colonial government in a colonised country. After Indonesia’s exploitation during the early 1880s, the Decentralisation Act of 1903 and the *Volksraad* became means for the Dutch to attract sympathy and support from Indonesians. After the establishment of the Federated Malay States in 1895, the 1946 Union’s Constitution was introduced in Malaysia’s legislature body, and was intentionally developed to create uniformity between the Peninsula and North Borneo. This helped the British claim control over other kingdoms in this region. On the other hand, the Policy of Attraction, which was introduced by William Taft between 1903 and 1913, was intentionally designed to quell resistance from Filipino guerrillas and neutralise any post-war political tension. In Thailand, democracy was introduced through the *"siwilai"* program (modernisation), which shifted the country from an absolute to a constitutional monarchy in 1932. As a result, Thailand's political system was friendlier towards Western powers, specifically the British and the French.

The material institutions that were introduced indeed changed the procedures of the political system and the behaviour of politicians. Prior to the existence of democracy institutions, the distribution of power was based on kinship. Political leaders originally only relied on family ties and relationships
with the monarch. Ever since the emergence of democratic institutions, politicians were forced to think about getting votes in elections. Material institutions of democracy in the early era changed the pattern of decision-making, which was originally limited to the King or Colonial authority; later this was distributed to other organisations, such as the Court and the Parliament. However, formalism in the operation of democracy institutions remains strong. Democratic values and processes of public participation in policy-making did not develop much in the early years of material democracy institutions.

These explanations suggest that democracy during colonial rule was very limited and formal, and did not follow any democratic standards, as described in Chapter Two. Democracy should be able to avoid tyrannical power (James Madison, Alexis de Tocqueville, Robert Dahl), protect and promote freedom (Amartya Sen and Fareed Zakaria), guarantee free and fair elections (Joseph Schumpeter, Schneider and Schmitter), and increase public participation in the political process (Juan Linz, Alfred Stepan, Stephan Haggard and Robert Kaufman). In fact, none of these standards and goals were applied to democratic institutions during the colonial period in the four countries under study. Instead, the material institutions of democracy were merely used by colonising powers to reinforce their domination and exploitation of the colonised countries. Elections in that era did not apply any principle of universal suffrage, as political rights were given only to elites. Thus, the early formation of democratic institutions at failed to promote freedom and public participation.

Secondly, this section discusses the early emergence of normative democratic institution in Indonesia, Malaysia, Thailand and the Philippines. Unlike material institution, the early emergence of normative democratic institutions in the four countries is different, which principally is a result of the initiator of democracy. In Indonesia and the Philippines, democratisation was
initiated by civil society, while elite governments took control of democratic initiations in Thailand and Malaysia. The initial emergency of democracy plays a major role in determining the development of democratic institutions. This discussion remains essential since the historical institutionalism approach determines that institutions are created in different historical periods and tend to embody the socio-political outlook at the time of their birth (Orren and Skowronek, 1996).

Democracy in Indonesia was initiated by educated youths, who created the *Indische Vereeniging*. This organisation can be considered the first civil society organisation in Indonesia; its agenda was not limited to fighting for independence from the Netherlands. *Indische Vereeniging* also set a goal to achieve a clear democratisation. The five main programs of *Indische Vereeniging* were closely linked to democratisation. These were: the right to decide the destiny of the people, the right to form democratic governments, freedom, and the abolition of specific rights of the elite Dutch and universal suffrage (Feith, 2006). These issues were actively socialised by the *Indische Vereeniging* leaders who later joined *Volksraad* (the parliament) until early independence 1949 and in the first election in 1955 (Feith, 2006; Eur, 2002). The movement of civil society towards democratisation then continued until 1965 (against Sukarno’s regime) and again in 1998 (against Suharto regime) and peaked at the critical junctures of the “Reformasi 1998” (JICA, 2002). In 1998, during the post-reform era, efforts towards democratization was demonstrated by the election of Abdurrahman Wahid, a leading democratic politician, and Suharto’s opposition as President (Tuck, 2011), the legalising of regulations on corporate social responsibility (Rosser and Edwin, 2010), and the *Musrenbang* forum within the Indonesian government system (Blondal et al., 2009).

As in Indonesia, the key initiators of democratisation in the Philippines were civil society movements. The ideas of independence and democracy in the Philippines were introduced by educated youths of civil society, namely, the
ilustrados, who were led by Jose Rizal in the mid-1800s (Hutchcroft and Rocamora, 2003). The momentum of civil society continued in the 1930s with the emergence of organizations called Agumanding Maldang Talapagobra (AMT) and Kapisanang Pambansa Magbubukid ng Pilipinas (KPMP). Similar to the ilustrados, these two organisations were active in pressing the government to prioritise society and to be more responsive (Schirmer and Shalom, 1987). The influence of shared values from civil society in demanding democracy can also be seen in the first presidential election in the Philippines, in 1946, which was relatively free and fair (Ufen, 2008). The peak of civil society power in the Philippines in demanding democracy in 1986 was seen in the overthrowing of the authoritarian Ferdinand Marcos and his 21 years of leadership (CADI, 2011), and in 2001, when civil society demanded the resignation of Joseph Estrada due to his un-populist policy (BTI, 2014). The power of civil society in demanding democratic governance continued until the leadership of Noynoy Aquino, and its impact was seen in the increasing number of government programs (mainly social policy) which involved NGOs as the main actors (BTI, 2014).

Initiation of democracy by civil society did not occur in Malaysia and Thailand. The democracy initiator in Malaysia was a result of the British political intervention in 1895. The efforts of the British to introduce democracy met with objections from the sultans. It encouraged several political bargains between the British and the Sultans to settle Malaysia’s political system. This indicates that democracy in Malaysia was elite based (Ryan, 1976; Funston, 2001), and civil society movement demanding democracy has never been found. In 1948, political bargains between the elite (UMNO) and the British took place in relation to special rights for the Malays, which has continued to date (Emerson, 1979). Since this time, politics in Malaysia has been dominated by ethnic conflict rather than pressure from civil society on the government; the peak was the incident of Malays versus Chinese in 1969 (KAS, 2008). Civil society demanding democracy was not that significant in the history of
Malaysia. Even when the government issued several undemocratic policies (such as the Sedition Act, OSA, ISA, Publishing Act, and the Broadcasting Act,) and the semi-authoritarian government of Mahathir Muhammad, civil society movement seemed unclear (Freedom House, 2012; BTI, 2013). The impact of civil society in demanding democracy has been notable only since 2007 (the *Bersih* movement), though it was not a critical juncture for the democratisation of this country.

Elite-led initiation of democracy also took place in Thailand. The early ideas of democracy in Thailand did not emerge from the civil society, but rather, were encouraged by the country’s elite (King Mongkut, then King Chulalongkorn). Similar to Malaysia, the major motive in the introduction of democracy was political bargaining between the king and Western powers, specifically the British and French (Chaiyan, 1994; Herzfeld, 2002; Pattana, 2005). The un-rooted movement of democratisation in Thailand can also be seen in the shift from absolute monarchy to constitutional monarchy in 1932, creating an early conflict between the military (supported by Royal Family) and civil society (Quah, 1978; London, 1979), which is still present today. Since that time, the push and pull between civil power and the military in Thailand has never been resolved. Until 2013, there were 18 general elections and 19 military coups (Nelson, 2014). The influence of civil society in demanding democracy was weak, and made it easy for military coups to take place without the anxiety of massive fighting from civil society, like *Reformasi 1998* in Indonesia or EDSA in the Philippines. The climax of civil society polarisation occurred between 2006 and 2010, when there was a horizontal conflict between civil societies - The Red Shirts versus The Yellow Shirts (Polity IV, 2012; Case, 2009). This shows that civil society in Thailand does not have shared values and norms of democracy. Hatred towards personal figures is prioritised, rather than the struggle for the democratisation in this country.
From the above description, it can be seen that democratic values in Indonesia and the Philippines are more embedded in civil society than they are in Malaysia and Thailand. This difference is a result of the early emergence of democracy among civil societies (in Indonesia and Philippines) and from the elite (in Malaysia and Thailand). Historically, it can be concluded that the influence of civil society in prioritising norms and values of democracy was stronger in Indonesia and the Philippines compared to the other two countries. Such public awareness, norms, and values impact public support of the running of democratic institution in the four countries.

6.1.3 The Development of Democratic Institutions during 1973-2013

In this section, the author compares institutional conditions of democracy in Indonesia, Malaysia, Thailand, and the Philippines from 1973 to 2013. The previous section explained some of these conditions, including the fact that the early development of material democratic institutions in the four countries under study was very minimal and formal. In the historical institutionalism approach, there are two explanations for viewing institutionalism development and changes. The first is path-dependency, which points out that when institutions were initiated it will continue to follow and grow (Skocpol, 1992). The second are critical junctures, which present that institutional is change possible, but needs a great deal of political pressure (Krasner, 1984). As explained in the previous in the colonial era, there is no trace of key democratic elements in the motives behind either the introduction or development of democracy. The same thing happened during the post-colonial authoritarian environment. At this time, material democratic institutions were not abolished; however, the key elements of democracy, such as free and fair elections, civic organisations, freedom of expression, rule of law, and government effectiveness, were also not realised. Thus, the situation of democracy in either the colonial or the post-colonial authoritarian era, were
similar. The introduction of the key elements of democracy between 1973 and 2013 was conducted by pro-democratic movements such as student movements, NGOs, and opposition groups.

Table 34. Democracy Development during 1973-2013

<table>
<thead>
<tr>
<th>Country</th>
<th>Authoritarianism Regime</th>
<th>Democratic Initiation/Actors</th>
<th>Public Participation</th>
<th>Major Obstacles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>No strong autocratic interruption</td>
<td>Bersih 2007: opposition leaders, students movements and NGOs</td>
<td>Stagnant</td>
<td>Elite’s commitment to democracy is low</td>
</tr>
<tr>
<td>Philippines</td>
<td>Marcos: 1965 - 1986</td>
<td>EDSA I (1986) and EDSA II (2001): opposition leaders, student and NGOs</td>
<td>Recently improved</td>
<td>Elite’s oligarchy and patron-client</td>
</tr>
</tbody>
</table>

Table 33 indicates similarities between Indonesia and the Philippines. These countries experienced long and severe interruptions of democracy before they got their actual democratic openings. In the context of historical institutionalism, this is labelled as critical junctures, in which significant political momentum instigates institutional change. Indonesia experienced severe militaristic authoritarianism during the 32-year regime of President Suharto; as did the Philippines, during the 21-year leadership of President Marcos. Each of them also experienced great momentum for democratic opening (Reformasi 1998 and EDSA I 1986), which fundamentally changed the direction of their political institutional arrangement. The presence of a severe authoritarian era remains important in directing the democratisation trajectory. However, if the normative democratic institutions in society remain weak, then severe authoritarianism will not automatically create critical junctures in democratisation.

In the context of historical institutionalism, the momentum of democratic opening is very interesting to examine when radical changes occur in the history of a country. Democratic openings become critical junctures in the institutional development process, and changes democracy. Critical
junctures play out when political institutions run for a long time and experience significant change. After the critical junctures, the direction of institutional development goes in new trajectory (Thelen, 1999; Pierson, 2000; Peters, Pierre and King, 2005). Democratic openings in Indonesia and the Philippines are relevant to the assumptions of historical institutionalism, which includes adapting to new circumstances by maintaining or changing arrangements. The shift in trajectory of political institution development in critical junctures lies in providing constraints and guidelines on the power distribution previously concentrated on one person to be dispersed in various organisations. Differences in the reaction also result in differences in the form of institutions that are built.

An example in the differences between Indonesia and the Philippines exists in the development of democratisation after their relative democratic openings (critical junctures). Compared to the Philippines, democratisation in Indonesia was arguably more stable. Democracy in the Philippines experienced a decline during the terms of Presidents Estrada and Arroyo before improving after Benigno Aquino II came into power in 2010. The history of democracy in these two countries is different from the histories of Thailand and Malaysia. In fact, these countries did not experience any severe authoritarianism during the post-colonial era. The military regimes that were established in Thailand, and the dominance of UMNO in Malaysia, were not as ruthless and repressive as Suharto in Indonesia and Marcos in the Philippines.

The above description shows that there is a difference between countries with stable development of democratic institutions (Indonesia and the Philippines) and developing countries with unstable democratic institution development. Qualitative data in this thesis indicates that institutional change and development in Indonesia and the Philippines occurred after the stable scheme of critical juncture, unlike in Thailand and Malaysia.
The development of democracy in Malaysia and Thailand was not as good and stable as in Indonesia and the Philippines. Democratic governments in Thailand never last long before being forced out by military coups. In fact, the current governing power in Thailand is the result of a military coup in 2014. In contrast, the ruling party in Malaysia has never changed since it gained independence. The Malaysian government’s commitment in democratisation process has not seen any significant growth, although civil society movements and opposition groups have been growing.

As a consequence, the problems and constrains faced by the four countries under investigation are varied. Although it remains hard to solve the problem of corruption, democratisation in Indonesia developed in a relatively more stable manner. One evidence of this is public participation in the policy-making process in Indonesia, which was legalised in Musrenbang, which has been held annually since 2004. Democratisation continued until the election of the president and head of the region at this time (see Chapter Two). In the Philippines, democratisation was constrained by a strong oligarchy and elitism. This is indicated by the fact, seen in Chapter Five, that any President of the Philippines is either the descendant of a previous president (Aquino and Arroyo) or a member of the elite (Ramos and Estrada). There are also heavy constraints in Thailand and Malaysia. Public support for democracy in Thailand is not widespread, and democracy is considered to be polarising; the problem is intensified by the political polarisation in Thailand, between the Red Shirts and the Yellow shirts. On the other hand, in Malaysia, the obstacles faced by democratisation are the low commitment of its authority to democracy, and the strong public support for the status quo (see Table 29).

In conclusion, the development of democratic institutions in Indonesia and the Philippines after the critical junctures was relatively more stable. In the perspective of path-dependency, the development of democratic institutions in the two countries underwent positive changes and increasing returns, as
indicated by the introduction of new regulations to deepen democratic
institutions (Musrenbang in Indonesia and NGO participation in the
Philippines). Those democratic regulations have been internalised by society
and become part of the norms and routines of making transparent and
participative policy, or normative democratic institutions. Meanwhile, critical
junctures in Thailand (the 1973 student movement and the 1997 constitution)
and in Malaysia (the Bersih Movement) did not result in any fundamental
changes to strengthen democratic institutions. This is indicated by the
continuous military coups in Thailand and the continuous domination of the
UMNO in Malaysia.

6.1.4 Democratic Institutions in Indonesia, Malaysia, Thailand and the
Philippines

Democratic institutions are built basically to achieve the goal of avoiding
tyrranical regimes and protecting freedom. Yet the presence of material
democratic institution gives no guarantee of achieving the two goals. An
example that occurred in Indonesia, during the Suharto regime, and the
Philippines, during the Marcos administration, is that despite the existence of
material democratic institutions, the goals of avoiding a tyrannical regime,
protecting freedom, encouraging participatory policy-making, and responsive
government were never achieved. Thus, to assess the quality of democratic
development and its impact on social and welfare policies, the study must be
conducted in a way that balances both material and normative institutions.

In the previous chapters, the research mapped the differences in
building material democratic institutions in the four countries under
investigation. It identified Malaysia and Thailand as more inclined to the model
of majoritarian democracy with a parliamentary system, while Indonesia and
the Philippines adhered more to the model of consensus democracy and a
presidential system. The model of democratic institutions from 1973 to 2013
was generally the same as at the beginning of independence. Thus for material institutions, there is a tendency of path dependency, where a model of democracy and system of government does not change from the early days of independence until now. Nonetheless, the performance and impact of material democratic institutions relates closely to the normative institutions, which includes norms, networks, routines, and shared values. If the organisation and group of society in the material institutions does not have values, norms, and routines of democratic practices, the material democratic institutions will only become the material (superficial) procedure. Democracy formalism, as mentioned earlier, happened in the colonial and authoritarian eras.

- Material Democratic Institutions

Material democratic institutions in this thesis can be identified as regulations and organisations, such as the executive, legislature, and judicative bodies, political parties, and elections. These are generally categorised into two broad categories, which are majoritarian democracy with a parliamentary system, and consensus democracy with a presidential system. In Chapter Two, the author demonstrated that there are two different views on two models of this democratic institution. The first, by Arendt Lijphart (1999), concluded that consensus democracy is better at generating populist policies (social policy) because this model allows for the possibility of various minority groups to become involved in public policy-making. The Juan Linz (1994) and John Gerring et al (2009) model of majoritarian democracy is better because policy options are not oriented to personal figure, as is the case with the consensus model. In the context of this thesis, both models are equally applicable.

At first glance, the results of this thesis present a significant relationship between countries with the consensus model of democracy (Indonesia and the Philippines) and the presidential system, compared to majoritarian democratic countries with a parliamentary system (Malaysia and Thailand). The results of
quantitative analysis in this thesis shows that the relationship between the variables of democracy, social policy, and inclusive economic growth in Indonesia and the Philippines is significant, but not in Malaysia and Thailand. However, seeing the deep impact of material institutions has never been simple. Factors outside material institutions, such as political setting and the influence of normative institutions also help explain the relationship between democracy, social policy, and inclusive economic growth. There are at least two facts that can support this argument.

Firstly, the author reviewed the initial view of Lijphart of the superiority of the consensus model of democracy within the context of Indonesia and the Philippines; this will be discussed further. In general, Lijphart stated that in the model of consensus democracy, the aspirations of minority groups will be able to be accommodated more than in a majoritarian democracy. This is concluded because the process of political coalition, and policy formulation and implementation, gives an open space for minorities to be actively involved in the election, despite of not winning the election itself. The categorisation, which was described in Chapter Two, concludes that material political institutions in Indonesia and the Philippines fall into the category of consensus democracy with a presidential system. Formally, Indonesia still uses a model of consensus democracy, but the quality of democracy and the government's commitment to social policy was different in the period of 1973 to 1998, and 1998 to 2013. The basic institutions of democracy in Indonesia practically did not change during the period under study, which is 1973 to 2013. The same things is also seen in the Philippines, where at the beginning of the democratisation (1987 - 1992), the government's commitment to democracy and social policy was much greater than from 2005 to 2009, though the material political institutions did not change much. The question is why, within similar models of democratic institutions, results can differ. This indicates only looking at material aspects of democratic institutions to predict impact is not sufficient. The factors of social and political
setting, and normative (non-material) aspects of democratic institutions, must be incorporated, as material democratic institution cannot stand alone in providing policy outcomes.

Secondly, Juan Linz and John Gerring argue that majoritarian democracy (parliamentary system of government) and the public interest is more organised than in a presidential system, because instead of personal rivalry, political power is based more on political parties. Yet this argument was not substantiated by the cases of Thailand and Malaysia. In the period of 1973 to 2013, Thailand applied a parliamentary system, but the practice shows more dominant forces than the party’s power. As an example, the political polarisation that exists today (the Red Shirts vs. the Yellow shirts) is more between pro and anti-Thaksin groups, rather than between different ideological or political platforms. In the context of Malaysia, which also applied a parliamentary system in 1997, the TAF (2007) noted an insufficient political checks and balances system in Malaysia, leading to an increasing concentration of power at the executive level. During the period of 1973 to 2013, it is also apparent that the situation is based more on conflicts of the internal party, as indicated by the attempt to indict Anwar Ibrahim in 1999. This event was motivated more by personal conflict in power, rather than differences in policy vision. Moreover, Chapter Five does not present the ideological differences of political parties in both countries.

Another example that explains the analysis that material institutions are insufficient to explain policy outcomes is party system and duration of presidential tenure. During the period of 1973 to 2013, Indonesia, the Philippines, Malaysia, and Thailand applied the same party system (multi-party), but the results of the quality of democracy and commitment to social policy were different. As for tenure regulation, a President in the Philippines gets only one term, with no possibility of re-election. The commitment of Presidents Corazon Aquino, Fidel Ramos, and Benigno Aquino III to
democratisation and social policy was relatively higher than other presidents during the period of 1973 to 2013. Therefore, the author also finds that there is no difference from other countries in terms of motivation for social policy of the President of the Philippines.

However, this does not only mean that analysis of material institutions is unimportant, as without such institutions (material), the ideas of democracy (transparency, participation, inclusiveness, accountability) will be hard to implement. Material institutions remain important as a basis for the development of democracy. For example, when Ferdinand Marcos eliminated various material institutions of democracy between 1972 and 1986, the level of democracy in the Philippines fell dramatically. When the Malaysian government issued a host of undemocratic regulations, such as the ISA, the OSA, and the Publishing act, the weakening of democracy in the country became inevitable. The problem is that the justification of the impact of democratic institutions cannot only be attributed to material institutions, because contradictions may appear, as already explained by previous examples. Thus, the analysis in this thesis of democratic institutions has not been limited to material institutions, but also includes normative (non-material) institutions as well.

- **Normative Democratic Institutions**

This section will compare the condition of normative institutions in the four countries under study. This discussion is important as Kelle Tsai stated that historical institutionalism study should also “interrogate the origins, the reproduction, and the evolution of normative institution in interaction with the dynamics derived from the study of material institutions in historical institutionalism” (Tsai, 2014, p.21). As explained in Chapter Four, normative democratic institutions include norms, routines, and shared values of democratic ideas. In the previous section, the author explained that normative
democratic institutions were formed long ago and it is possible to track the initiators. The facts show that the history of civil involvement in the initiation and development of democracy is higher in Indonesia and the Philippines than in Thailand and Malaysia, which tended to be elitist. Thus, this thesis would like to see society in general in more accepting of democratic political mechanisms and against the undemocratic procedures of politics. Institutions are identified as normative when they include civil society, promote tolerance, control the elite, protect human rights, promote participation, and encourage transparency in the process of public policy-making (Putnam et al., 1994; Lauth, 2000; Helmke and Levitsky, 2006).

The existence of normative institutions in these four countries plays an important role in explaining the relationship between the variables of democracy, social policy, and inclusive economic growth in Southeast Asia. With the rooting of democratic norms and values in society, the presence and development of material democratic institution is more stable and progressive. In Indonesia, which has the *Indische Vereeniging*, the 1998 *Reformasi*, and the *Musrenbang* forums, and the Philippines, which had the *ilustrados*, the EDSA movement, and NGO involvement in social policies, the influence of normative institutions of democracy is stronger compared to Malaysia and Thailand. As a result, junta military governments and the domination of a single political party will be less likely to occur in both Indonesia and the Philippines. In the case of Thailand, the public may not be able to permanently prevent the emergence of a military junta regime that violates democratic procedures. The frequent military coups and military junta regimes that occurred in Thailand showed that the military still seek public support for their actions. Again, democratic procedures have not yet become the norm, routines, and shared values, and do not serve as the basic reference in the power shift in Thailand. Similarly, in Malaysia, the public remains tolerant and permissive of the various governments’ undemocratic actions. This indicates that public
awareness of democratic values in Malaysia remains low. Therefore, the regime stagnancy which has seen the UMNO in power for 53-years will not face any significant pressure from civil society and opposition group. Weak public understanding of ideas, norms, and routines for democratic procedures triggered the unstable and less progressive development on democratic institutions in Thailand and Malaysia. This in turn influences the relationship between democratisation, social policy, and inclusive economic growth.

A history of strong normative institutions can also be seen in the intensity and frequency of mass resistance movements against authoritarian regimes. These four countries have a history of pro-democracy movements; only the intensity, frequency, and results have varied. The weakest historical experience of the pro-democracy movement occurred in Malaysia. Mass unrest in Malaysia is significantly influenced by racial conflict rather than the resistance of pro-democracy groups. Pro-democracy movements, which are significant in Malaysia, emerged in 2007 with the Bersih movement. Thailand is the country with the most experience of pro-democracy movements, but the results are not optimal. Since 1973, there have been at least three mass actions (or student movement) to demand democracy (in 1973, 1992, and 2008). However, the results of these various movements were always broken by military coups, and were followed by some constitutional changes. This suggests that some of the pro-democracy movement did not have enough momentum to make democratic values a norm in the political life of society. Indonesia had one fairly strong pro-democracy movement during the period of 1973 to 2013, which was the 1998 Reformasi movement. Although it only happened once, the momentum was important in laying the foundations of public awareness of democratic values in Indonesia. The development of normative institutions of democracy went very well from that point onwards; one example is the legalisation of public participation in development planning in Indonesia (the Musrenbang forums). In the Philippines there were two major
pro-democracy movements, which were EDSA I (in 1986) and EDSA II (in 2001). The two movements showed significant mass awareness about the importance of democratic values, as well as public denial of authoritarian leadership. Although the development of democracy declined in the period of 2004 to 2009, public awareness of democracy bounced back after 2010, proved by the increasingly strong position of the public and NGOs in policy processes and development in the Philippines.

Public support for the norms, routines, procedures, and shared values of democracy is a very important factor in creating stable change and developments in democratic institutions. If democratic development is stable, public involvement in the policy-making process will be higher. High public involvement will encourage the government to be more responsive and responsible in providing social policy that is in line with the people’s demands. In contrast, if democratic institution development is not progressive (that is, unstable or stagnant), it becomes difficult to review the policy outcomes (including social policy) as a result of the existence of democratic institutions.

This is one of the most important explanations of why the interaction between democracy, social policy, and inclusive economic growth in Malaysia and Thailand remains weak. Material democratic institutions in these two countries gained limited support from public norms, routines, and shared values of democratic ideas (normative institutions). The public in Thailand has been permissive of military coups and junta military governments. This fact has allowed for the fragmented development of democratisation in Thailand. These policy outcomes have lead to the erratic development of democratic institutions. The development of democratic institutions in Malaysia has also been unstable and not progressive. In general, the public in Malaysia remains permissive as well, with several undemocratic regulations such as the Sedition Act, ISA, OSA, and Publishing Act being introduced, and the government’s repressive actions in facing demonstrations, like the Hindraf and Bersih
movements which occurred between 2007 and 2010. The ideas of democracy, such as transparency, openness, checks and balances, and freedom of speech, have not become the norms, routines, and shared values of society. This kind of condition in normative democratic institution has encouraged stagnancy in the development of democracy in Malaysia.

- *Regime Instability and Stagnation*

The consequence of weak support of normative democratic institutions is the inability of democratic institutions in Malaysia and Thailand to develop progressively, specifically within the temporal scope 1973 to 2013. Therefore, the explanation of the weak interaction between social policy and inclusive economic growth in Malaysia and Thailand is also a result of the regime’s instability and stagnation. The two conditions (regime instability and stagnation) relate closely to the historical processes of the development and changes of democratic institutions (Hall and Rosemary, 1996; Pierson, 1996; Clemens and Cook, 1999; Duric, 2011). In the literature review chapter, it was explained that this factor has a significant influence on the pattern of social and economic development policies, both at the stages of formulation and implementation. If the political institutions are fragile and frequently changing, the performance and development of democracy will be fragmented and not progressive. The main reason is that with fragile political institutions, it would be very difficult to establish binding agreements among different groups or parties. In the short and medium term, these conditions will have an impact on the difficulty of implementing and controlling the development planning design which are short and medium term (Asteriou and Price, 2001; Aisen and Veiga, 2013). However, the literature review also suggests that regimes that are overly stable (stagnant) are also less favourable to development, because the stagnant political regime will result in fewer variations and innovations in development policies (Bellettini et al., 2013).
The arguments of Asterious and Price (2001), Aisen and Veiga (2013), and Bellettini et al (2013) are relevant to explaining the cases of Thailand and Malaysia. Thailand is an example of an unstable regime, while Malaysia is an example of overly stable (stagnant) regime. Chapter Five described that political instability in Thailand is relatively high. Qualitatively, this is indicated by the various military coups and constitutional changes which often occurred in the history of Thailand. Quantitatively, in the period of 1973 to 2013, Thailand showed significant fluctuations in the development of democracy. Nelson (2014) notes that there have been 18 elections in Thailand since 1933, and 19 military coups. This is because the attitude of the military did not change, and the polarisation of society, which has occurred since 2006, continued until the end of the study period, which is 2013. This political instability makes policies difficult to implement. Thus, political instability has become an integral part of the political history of Thailand. The military often uses the failure of the civil administration to carry out development as a reason to launch coups. After the coup, military government formed their own development plan. As a result, development policies become disjointed and fragmented. Thus, the military government tends to create different policies to prove that they are better at managing the country. Some mid-level policies are not affected by this political fragmentation. However, the very fragile condition of democratic institutions in Thailand did not provide such a positive and significant relationship among the variables of democracy, social policy, and inclusive economic growth.

Contrary to the case of Thailand, there has been no significant fundamental political changes in Malaysia, especially between 1973 and 2013. The UMNO and parties who are members of the Alliance have always been the sole ruling party against opposition parties. In the context of democracy, this regime has made many undemocratic policies, yet there has been no massive resistance from the public. In the context of social policy, the perspective
adopted by the New Economic Policy (NEP) was also unchanged until the end of 2013. There is not much public participation in the formulation of development policies, especially at the upper middle class level. The political stagnation in Malaysia has made the political elite overconfident about their policies. The impact of social policies is generally targeted at the upper middle class, so as to produce more elites and technocrats, and generate more patron-client relationships. Nevertheless, political stagnation in Malaysia is not relevant to budget allocations of social policy, which is statistically fluctuating. Yet, the social policy dynamics have nothing to do with the condition of the political institutions. This condition results in a weak relationship between the development of democratic institutions, social policy, and inclusive economic growth in Malaysia.

Political instability and stagnation is not the case in Indonesia and the Philippines. Since the "1998 Reformasi", Indonesia has continued to strengthen and deepen democracy, both in the electoral process and the policy-making process. In the Philippines, however, the process of strengthening democratic institutions suffered a slight setback during the Estrada and Arroyo administrations, but improved after 2010. Despite the fact that the development of democratic institutions in Indonesia and the Philippines did not happen as fast as expected, the barriers to democracy seen in Thailand and Malaysia are not visible in Indonesia and the Philippines.

6.2 The Two Groupings: an Integrative Explanation

This section will elaborate the reason why the results of the PLS-SEM test on the four countries are different. The explanation in this section will combine, or integrate, the quantitative and qualitative results. The main result of this integrative explanation remains consistent with the two groupings of Indonesia and the Philippines in one side versus Malaysia and Thailand on the other.
6.2.1 Indonesia

The results from statistical and archival analysis clearly show that the relationship between democratic institutions, social policy, and inclusive economic growth in Indonesia is in conformity with the proposed hypotheses. In short, there is a positive relationship among the three main variables (democracy, social policy, and inclusive economic growth), and social policy acts as a mediator between democracy and inclusive economic growth.

Normative democratic institutions determine the interaction direction between politics and social policy in Indonesia. Material institutions such as the government, the electoral system, and the party system have not changed much, but the normative institution, such as awareness of the importance of transparency and participation, have been strengthened, bringing remarkable change in tightening the interactive relationship between politics and social policies in Indonesia. This is due to the fact that the development of democratic institutions in Indonesia started from civil society; later in the development process, this captured society’s attention because of the strong roots of democracy. This can be seen from the strong civil society movement that demanded democracy in 1955, 1965, and 1998.

Regarding democracy in Indonesia, the descriptive statistics (Figure 13) indicates that the development of democratic institution in Indonesia has not changed much between 1973 and 1997. An explanation for such a condition also emerged from the archival data, in which the political situation in Indonesia since Suharto came to power never changed until 1998. Suharto’s authoritarian leadership for 32 years restricted civil liberty, human rights, and democracy in Indonesia, e.g. prohibiting the establishment of new labour organisations and arresting activists who tried to criticise the government. Social policy data (Figure 14) indicated low government spending on social
policy during the New Order regime; this only showed a slight rise just before the 1997 crisis broke out. The low allocations for social spending occurred due to the strong endorsement from Suharto to support military expenditure and his sole pursuit of economic development. The archival data also demonstrated the same narrative. However, Suharto’s administration finally made a considerable social policy (Social Safety Net/the JPS) following the economic and political turmoils. Prior to the 1997 crisis, there were very few social policies in Indonesia. In fact, the archival data showed that after democratisation, educational spending significantly increased in 2003 and 2009, and an increase in health spending was seen prior to and after the crisis, in 1996 and 2005 respectively.

The growing trend in democracy and social policy (budget allocation) was in fact also followed by enhanced inclusive economic growth. Statistical data (Figure 15) demonstrated that almost every indicator of inclusive economic growth has experienced an increase after democratisation in Indonesia. The archival data also indicated that the GDP growth of Indonesia has achieved a comeback during the democratic government with stable economic growth between 4% and 6%. Hence, social welfare conditions also improved. Archival data exhibits a considerable improvement on the quantity and quality of social policy in Indonesia during the period of democratisation. Statistical data (Figure 15) also showed that all indicators improved during the democratic era. Plus, poverty alleviation and spending on education has significantly improved since the establishment of democratic rule, while the health and employment sectors experienced steady improvements since the authoritarian era to the present.

Furthermore, the results of PLS-SEM indicate the strong and significant correlation between democracy, social policies, and inclusive economic growth in Indonesia. By looking at the stronger coefficient of an indirect effect (democracy - social policy - inclusive economic growth) compared to the
coefficient of direct effect (democracy - inclusive economic growth), social policy is stated to have a very important position in the context of democratic effectiveness in providing inclusive economic growth. The proposed research hypothesis is therefore accepted in the case of Indonesia, in which social policy is an essential prerequisite for the effectiveness of democracy in delivering inclusive economic growth.

From the data on democracy (Figure 13) and economic development (Figure 15), there are two interesting findings. The first one is related to the relationship between civil liberty and political rights in the democratisation process. Figure 6 has exhibited that in general, political rights are mostly influenced by civil liberty. Although during the Suharto era the phenomenon was unclear, in the context of the pre-Reformasi 1998 it seems that political rights developed following civil liberties. For example, the rise of civil liberty in 1996 was then followed by an improvement of political rights in 1999. It also occurred in the rise of civil liberty in 2005 that was then followed by improved political rights in 2006. In short, these facts suggest that strengthening a “democratic culture” is a prerequisite for advancement of material institutions of democracy. Hence, the existence of civil liberties stimulates public pressures for more democratic regulations and institutions. In other words, material institutional changes are less likely to occur without public insistence as a reflection of civil liberty.

From this analysis it can be concluded that there is a strong interaction of democratic institutions and social policy in Indonesia and it eventually improves inclusive economic growth. The development of democracy in Indonesia since its democratic awakening (1998) has been stable and progressive. Democratic institutions historically can provide stimulation to the attitude of the government that is more progressive on social policy. Social awareness of the importance of transparency, participation, and accountability at the same time is very significant for tightening the relations between
democracy and social policy. In addition, the electoral system, the pattern of decision-making, and a political culture that is built up to provide incentives and opportunity for the government can allocate more effective social policy. These become the key explanations of the relationship between democracy and social policy in Indonesia. This condition becomes an overview of what happened in the period of 1973 to 2013. However, the facts in a span of a 40-year period (1973-2013) can provide projections and are a potential for a stable future for both the development of democratic institutions and social policy in Indonesia.

6.2.2 The Philippines

The whole hypothesis of this thesis is accepted both quantitatively and qualitatively. The relationship between the variables of democracy, social policy, and inclusive economic growth in the Philippines was undeniably well built. This is the result of the government's commitment to strengthening democratic institutions, which is in line with its commitment to providing social policy. Apart from the downturn in democratic institutions during Estrada and Aroyo’s terms, the development of democratic institutions in the Philippines is generally more stable and progressive than Marcos’ era. This is supported by the complementary relationship between material and normative democratic institutions in the political history of the Philippines. Therefore, public awareness to strengthen the value of participation (norms, beliefs, and shared values) also influenced the strengthening of the relationship between democratic institutions and social policy. This is proven by the magnitude of the role of both NGOs and CSOs in the initiation and implementation of social policies. Meanwhile, the material institutions of the regime do not influence the formation of social policy much, as can be seen from 1987 to 2013, when the foundation of material institutions did not change significantly. However, the
Arroyo and Aquino governments had a very different commitment to social policies.

The emergence of the material democratic institutions in the Philippines began under Spanish colonialism in the early 1800s. The climax occurred when the Malolos Constitution was legalised and became the foundation for the democratic institutions of the Philippines. Early democracy in the Philippines was initiated by civil society leaders, called the *illustros*. This was followed by several critical junctures, the EDSA movements, which were engineered by the grassroots movements. This indicates that democracy became the shared values and norms of Filipino society.

Social policy made at the time of US colonialism was used as a standard instrument to strengthen colonialism and dampen resistance from Filipinos. After 2010, social policy in the Philippines was initiated and driven by NGOs. The opportunity to occupy political positions during the US regime was very different, as only the elite had the right to such opportunities through elections. This proves that there is no strong correlation of social policy between the colonialist periods and the contemporary era.

In general, democracy in the Philippines has fluctuated since the end of the Marcos administration. This can be seen from Table 30, which shows the state of democracy in the Philippines from the governments of Corazon Aquino to Benigno Aquino. Based on the information, it appears that the lowest conditions of democracy happened during the Estrada administration and the second term of Arroyo’s administration. Currently, during the terms of the Benigno "Noynoy" Aquino government, democratic conditions in the Philippines have been recovering. This fact can also be seen in Figure 21, which indicates an increase of democracy scores in all of the indicators in 1986, and which has remained stable until now. Under Arroyo’s administration, from 2003 until 2010, Figure 14 shows a decline in the condition of Political Right (PR). The Philippines’ PR condition once again showed some improvement
after Benigno Aquino took over from Gloria Arroyo. Nevertheless, the relationship between civil liberty (CL) and political rights (PR) in the Philippines is different to that in Indonesia. The condition that CL precedes PR was only seen in the period before the EDSA I. During the post-EDSA I era, however, the relationship between CL and PR is no longer systematic; an increase in PR in 1993 was followed by an increase in CL in 1994. Following that, the CL score remained stable, despite the decline of PR in 2003, and its increase in 2010. Therefore, the conclusion that a strengthening of civil liberty should precede the strengthening of democratic institutions did not find any relevance in the context of the Philippines.

The relationship between economic growth \((gdpG)\), foreign direct investment \((fdi)\), and trade \((trd)\) during the 1997 Asian Crisis was affected in a similar manner as that in three other countries. As can be seen in Figure 23, when \(gdpG\) and \(fdi\) decreased, the conditions of the trade sector \((trd)\) increased. However, the Philippines’ condition is different from the three other countries, where the 1997 Asian Crisis had little impact on reducing both \(gdpG\) and \(fdi\). In spite of decreasing, both indicators were not up to the extreme conditions of decline as they were in the three other countries. The second difference is in the Philippines’ economic condition in 1986. While the Global Financial Crisis in 2008 did not have any significant impact on the Philippines’ economy, during the year of 1986, the economic growth condition and \(fdi\) experienced a significant decline. This condition occurred in contrast to the conclusions in three previous countries, Indonesia, Malaysia, and Thailand, where international conditions greatly affected their economic development. In the Philippines, domestic political conditions had a great impact on economic outcomes. This is evidenced by the sharp decline in economic performance during the EDSA I and EDSA II, but the negligible effect of the 1997 Asian Crisis and the 2008 Global Financial Crisis on the Philippines’ economic performance.
Figure 22 demonstrates that during democratic eras, the budget for social policy in the Philippines tends to be greater than during un-democratic eras. This was particularly apparent from 1991 to 2003, when the budget allocation for the education sector and general public spending increased significantly compared to previous years. Although it then decreased, Figure 22 shows that allocation for these two sectors of social policy increased again in 2010. In the terms of allocation, evidently the budget allocation for the social security sector increased more than other sectors. The social security sector budget began to increase during the reign of Fidel Ramos (1995) and since then has kept stable until today. The data in Figure 22 also displays a decreasing trend at the end. This happened because the data used for this thesis was taken until the end of the Arroyo administration. Budget allocation of social policy during Benigno Aquino’s administration is not very visible in the graph because the scale is too small to compare with the overall time series of data that is being used in this thesis.

The relationship between democracy and inclusive economic growth in the Philippines is most evident in poverty indicators (pov) and trade (trd). In Figure 23, it can be seen that the indicator trd has increased very rapidly since the democratic opening in 1986, and peaked in 1995, during the Ramos administration. Afterwards, conditions in the Philippines’ trd run stable, and slightly decreased prior to the Global Financial Crisis of 2008. As for poverty indicators (pov), in 1989, during the Corazon Aquino regime, it showed a significant decline. The sharp decrease in poverty also occurred at the time of the Ramos administration, since 1993. Since 1993, the number of poor people in the Philippines continued to decline, and just experienced a slight increase at the end of 2013. Other economic indicators, $gdpG$ and $fdi$, have fluctuated sharply from the late 1970s until today.

The relationship between democracy, social policy, and inclusive economic growth in the Philippines seems to be significantly related.
Particularly, the relationship between the government's commitment to democracy and social policies has been very significant. The documentary analysis shows how the commitment of the Corazon Aquino, Fidel Ramos, and Benigno Aquino governments to democracy went hand in hand with a commitment to growing social policies. Meanwhile, during the reign of less democratic regimes, especially during the second term of Gloria Arroyo, low commitment to democracy is directly proportional to a lack of commitment to social policy. This conclusion is reinforced by the findings of the PLS-SEM statistical analysis in this thesis. Table 26 shows that the mediation variable coefficient (b*c) is 21.879, which is much larger than the coefficient of the direct effect (a), which is 1.719. In short, it can be concluded that the Philippines case study’s hypothesis can be accepted because, as this discussion has shown, social policy is a significant mediator in the relationship between democracy and inclusive economic growth.

Changes in political institutions in the Philippines were quite dynamic. At the beginning of democratic era, institutions were built quite well, before being brought down by Marcos for a period of more than 14 years (1972-1986). Democratic institutions bounced back after the EDSA I, which was not only anti-authoritarian, but also built the relationship between the strengthening of democratic institutions and social policy. During the presidencies of Estrada and Arroyo, the relationship between democratic institutions and social policy once again weakened due to personal competition rather than program competition. In addition, the lack of social policy is also due to low public participation in the public policy process. Under President Aquino III, democratic institutions were strengthened again, giving more opportunities for public participation in policy making. This allowed a wide range of social policies to appear both at the formulation and implementation levels through various NGOs and CSOs that were actively involved social policy implementation.
6.2.3 Malaysia

Generally, it can be concluded that the context of Malaysia displays a weak interaction between the development of democratic institutions and social policy. The statistical analysis, PLS-SEM tests, also reveals the same conclusion. The results of mediation analysis demonstrate that the estimate (loadings) of indirect effect (1.044) is weaker than the estimate of direct effect (6.771). These results indicate that social policy does not play an important role in mediating democracy and inclusive economic growth. Furthermore, the narrative on archival analysis explained the PLS-SEM test results, which shows that the Malaysian government has continuously issued undemocratic policies, like the Sedition Act (OSA and ISA) since 1957. However, the government also created several progressive social policies for the education and health sectors, including protection for people with disabilities. Unlike Indonesia, the proposed hypothesis (social policy has a mediating role on the relationship between democracy and welfare) is therefore rejected. This is mainly due to the slow progress of democratic institutions developing (political stagnation) in Malaysia, which is not directly proportional to the production of social policies by the government. The main circumstance of this stagnation is due to normative democratic institutions that are not culturally rooted in the society in general. Only a small group of urban educated people have a strong awareness of the importance of democratic institutions. A fast majority of the people still believe in the power structures that persisted in Malaysia prior to independence.

Unlike Indonesia, the emergence of material democratic institutions was initiated by external forces - the British Colonial inducement in the early 1800s). Further in their development, democratic institutions have been affected by elite bargains (the sultans). As a result, the values of democracy have never been strongly rooted in the vast majority of the Malaysian people’s minds. This also causes weak normative democratic institutions. The most notable legacies
of colonial rule to the current Malaysian political and policy configuration are
the special rights for the Malays, the subordination of sultanates’ power, and
the formation of the executive, legislature, and judicial bodies. Malaysia’s
current political system still follows two remaining legacies; one being the
symbolic power of sultans, and the other being the maintenance of *trias-politica*
bodies. In addition, Malaysia’s current social policies continue to strongly lean
towards the Malays, despite lower-class Malays’ dissatisfaction towards the
facilities provided by those social policies.

The development of democratic institutions runs very slowly and tends
to be stagnant. The ruling party in Malaysia has never changed since the
independence of its country to 2013. However, the opposition coalition (*Pakatan
Rakyat*) and civil society movements (*such as Bersih* and Hindraf) have been
more active during the post-Mahathir era. Yet state regulations and the elite’s
attitudes towards democratic institutions in Malaysia have remained low since
independence. Both statistical and archival data support the argument. The
archival data indicate a number of government policies as undemocratic, *e.g.*
the 1960 Internal Security Act (ISA), the Sedition Act (1971), and the 1986
Official Secret Act (OSA), including the repressive measures of the government
against criticisms, *e.g.* Hindraf movement (2007) and “Bersih” (2007 and 2011).
Likewise, the statistical data (Figure 10) shows that the trend of democracy has
been declining from 1973 to the present. Only the scores from the Polity IV
indicate an increased trend in the democratic situation since 2007. This may be
associated with the emergence of the “Bersih” and the “Hindraf” movements’
initial rallies in 2007 and 2011. The stagnancy of democracy in Malaysia is also
due to UMNO’s one-sided rule since independence.

From a social policy consideration, archival data from MEBP (2013-2025)
stated that budget allocations to the education sector have increased since 1980.
Figure 11 confirms the claim. Statistical data of social policy in Malaysia
showed that the 1977 decline in the education budget was followed by a
constant increase until 2011. Moreover, archives of BTI (2014) indicate an increase in Malaysia’s education budget since 2009. A similar trend also occurred on the general public service ($gpsSP$), which constantly increased and reached its peak in 2007. In terms of budget allocation in the health sector, archives of WHO data show an increase of the government’s health budget in 1979. The statistical data (Figure 11) illustrates a slight increase since 1979 until recently.

The lack of correlation between democracy and social policy in Malaysia is discovered through both statistical and documentary data. Looking at the archival analysis, the government’s lack of commitment to democracy does not lower its commitment to social policy. Instead, the archival data indicates the government’s high commitment towards social policy, despite social policies being less universal (ethnic-biased) and implemented in a patron-client basis. This condition is slightly supported by a weak democracy and the parliamentary system. Adequate demands for democracy in Malaysia have led to the dominance of the Alliance (UMNO) that has persisted since Malaysia’s independence.

The overly stable political institutions or political stagnation would result in less of a variation and less innovation on development policies. The political elites remain inaccessible and self-sufficient (Bellettini et al., 2013) and thus failed to take into account the demand of country in a competitive political situation. In the middle of such a stagnant regime, internal relations of power control groups dominated public policy. Hence these conditions resulted in a weak relationship or interaction between democratic institutions and social policy. Historically, other than some minor technical aspects, the condition of democratic institutions in Malaysia did not experience significant development. This condition is neither in line with the evolving social policy nor various inclusive economic growth. Stagnation of democratic institutions that is not directly proportional to the dynamics of social policy is the factual basis of the
PLS-SEM test results. The existence of material democratic institutions (a model of democracy, the system of government, the electoral system, the party system, etc) does not affect the size of social policy. Therefore, material institutions of democracy that exist in Malaysia have not acquired strong support from normative democratic institutions.

6.2.4 Thailand

The weak link between democratic institutions and social policy in Thailand is caused by the less progressive and unstable process of democratisation, as well as the fragility of democratic institutions. Frequent coups seem to be a tradition in Thailand. The legal position of the King also contributed to weakening Thailand’s democratic institutions. This is due to the fact that democracy has not become a shared value in Thai society as a whole. Historically, this can be traced from the early emergence of democracy in this country. Democracy emerged among the elite, Kings Mongkut and Chulalongkorn, rather than emerging from a civil society movement as happened in Indonesia. Therefore, in its development, the idea of democracy failed to be widely and deeply accepted by the society. Thus, when military coups occurred several times, most Thais were permissive of them as democracy has not been part of their beliefs and shared values.

Because the early emergence of democratic institutions in Thailand, which occurred in 1932, was very elitist, normative democratic institutions such as transparency, accountability, and public participation did strengthen until 1973. The shift from an absolute monarchy to a constitutional monarchy in 1932 is one of the effects of the semi-colonial era in Thailand. Since then, material state institutions, that is the executive, legislature and judicial bodies, as well as elections, have become a political norm in Thailand. The emergence of education and other social policies in Thailand cannot be fully detached from semi-colonial legacies. Nonetheless, the majority of social policies in Thailand
now are more influenced by policies of the NEDP than the practices of the semi-colonial era.

Both statistical data and documentary analysis indicate that during the period of 1973 to 2013, the political situation and democracy in Thailand was much more dynamic than in Indonesia and Malaysia. There were three slumps in the history of democracy in Thailand, which were in 1976, 1990, and 2006. The first slump occurred after an incident in 1973, which resulted in the killing of 70 students at Thammassat University. The high value of CL during this period is due to high public (students) criticism during that period, although it was not followed by institutional reforms. The second slump occurred with the coup carried out by General Sunthron in 1991. This event weakened the momentum of civilian rule in Thailand at that time. The 1991 military coup led to the decline of democracy. However, because of long democratic experience, the domination and intervention of military force in Thailand was no longer as repressive as before. Later on, democratic values increased, especially after the enactment of the 1997 Constitution. This can be seen in Figure 18, where both the value of CL and Polity IV ascended towards the ratification of the 1997 Constitution. The third slump happened during the period 2005-2006. At this time, the polarisation of Red versus Yellow Shirts had begun. Conflicts between civil society groups became common because of differences in political orientation. The fall in the value of democracy in this period was similar to those, seen in 1991, in which all indicators decreased simultaneously. At the transition of leadership from Abhisit to Yingluck, the democratic condition in Thailand improved, both in term of institutional aspect and democratic values. The quality of democracy continued to increase until the year 2011, when Yingluck Sinawathra was elected Prime Minister. However, to date, the political situation in Thailand has continued to change, while demands for democracy have also increase.
The similarity between Thailand and Malaysia is the fact that the development of social policy has been not affected by the domestic political situation and the degree of democracy. However, the difference between the two countries is that the political situation and democracy in Thailand grew amidst fluctuating political condition while Malaysia has been stagnant. The presence of three slumps in the history of democracy in Thailand did not affect the history of social policy. Social policy in Thailand has had its own direction since the enactment NEDP (since 1961 until today). The Rise and fall of social spending is mainly due to changes in the NEDP policy implementation, rather than changes in the quality of democracy. One instance of this is higher health spending in early 1973, which was evidence of the implementation of the National Health Development Plan which emphasised the development of health infrastructure from 1961 to 1976. Figure 19 demonstrates that social security spending ($ssSP$) had been quite high from 1973 to 1990. This is due to the fact that the Thai government implemented many social security programs, such as Workmen’s Compensation Fund (WCF); Pension for government and non-government Officials (GPF); and Civil Servants Medical Benefit Scheme (CSMBS). However, $ssSP$ then plummeted in 1990 after the enactment of the Thailand Social Security System (1990), which emphasised the employees’ contribution to the Social Security Office (SSO). By the end of Thaksin’s government, almost all social sector spending showed an increase, except for housing ($houSP$). The 11th NEDP, which emphasised social and human development, also resulted in increased expenditure in education ($eduSP$) and public services ($gpsSP$) up to the present.

The relationship between economic growth ($gdpG$), investment ($fdi$), and trade ($trd$) in Thailand was slightly different compared to Indonesia and Malaysia. Trade in Thailand increased steadily from 1973 until recently. The development of trade is not affected either by the political situation or by other economic indicators (such as $gdpG$ and $fdi$). $GdpG$ and $fdi$ indicators, as in
Indonesia and Malaysia, were only affected by international factors (economic crises in 1997 and 2008), and were not affected by domestic political factors. Documentary studies show that Thailand’s GDP increased steadily, as demonstrated by the 6.7% growth by 2003 despite the fluctuations which continued until recently.

As for the social development indicators, all indicators had improved. The documentary analysis shows that the dropout rate in Thailand was 60% in the 1960s, and was reduced to 2% in 1998. The data in Figure 20 also shows that the enrolment in secondary education has increased between the mid-1980s and the present. Decentralisation policies in education and health services in 1999 also impacted the acceleration of education indicators in the period 1999 to 2000. Statistics in Figure 20 indicate that the poverty rate has also declined significantly since the mid-1980s. The documentary study shows that within the period 1990-2002, the poverty rate fell from 27.2% to 9.8%.

Historically, democratic institutions in Thailand have been unstable. Governments created by the election almost always ended with military coups that received support from the King. Whenever the building of political institutions was set up by the military, a wave of mass protests would follow, forming new regimes and new institutions. The fragility of the material institutions of democracy in Thailand is also followed by the fragility of normative democracy institutions, especially since 2006. The polarisation between the two communities, the Red versus Yellow Shirts, exacerbated the building of normative democracy institutions. The military government gained public support by exploiting this existing political polarisation. However, social policies are not much affected by this political turmoil. It is evident that Thailand has achieved MDGs targets far beyond other countries in Southeast Asia. The emergence of social policy is motivated by technocratic processes and participatory configuration rather than the material democracy institutions in this country.
From the descriptive, statistical and documentary analysis above, it can be concluded that there is no close relationship between democracy, social policy, and inclusive economic growth in the context of Thailand. This conclusion is reinforced by the results of the PLS-SEM statistical tests in this research. The hypothesis of the mediation model in this study stated that if the coefficients of the direct effect are smaller than the coefficient of indirect effects, it can be concluded that there is a strong relationship between democracy, social policy, and inclusive economic growth. In other words, social policy has an important role in mediating democracy and inclusive economic growth. However, in the context of Thailand, that is not the case. The coefficient of the direct effect (0.314) is much larger than the coefficient of the indirect effect (0.089). Thus, it can be concluded that the hypothesis of this study must be rejected in the case of Thailand. The statistical finding does not support the conclusion of social policy having a strong role as a mediator between democracy and inclusive economic growth. In general, this conclusion is the same as the conclusions of the documentary analysis. This might be due to political changes in Thailand during this period, which occurred too quickly, while economic growth and social development improve over time.
Chapter Seven
Conclusion

The main question of this thesis is this: “Does democracy matter in the delivery of larger and more effective social policies that improve inclusive economic growth? The results from the quantitative and qualitative study prove that the answer is contingent on several variables. If the development process for material democratic institutions (such as elections, power distributions, and checks and balances) runs stable and is supported by normative democratic institutions, such as socially shared and unwritten rules, norms, routines, and values, including the initiator of democracy (March and Olsen, 1984; Skocpol, 1992; Putnam, Leonardi and Nanetti, 1994; Peters, 1999; Helmke and Levitsky, 2006; Tsai, 2014), then democracy does matter in the delivery of larger and more effective social policies to improve the inclusive economic growth. In other words, when the material and normative democratic institutions are in harmony, democracy tends to deliver inclusive economic growth through effective social policies. This observation has occurred in Indonesia and the Philippines. On the other hand, when the development of democratic institutions is not progressive and is unstable, and also not supported by established normative democratic institutions in society, then democracy does not matter. This conclusion supports the three sub questions of this thesis (Table
Quantitatively, the three sub questions are tested through four hypotheses which demonstrate a higher effect and significance in Indonesia and Philippines (hypotheses accepted). Meanwhile, Malaysia and Thailand demonstrate a lower level of significance (hypotheses rejected). The similarities and differences of the four countries are illustrated in appendix 4.

From the above conclusion, five findings can be deduced as a summary of this thesis. Firstly, normative institutions are very important, not only to view how democratic institutions develop, but also to understand how policy outcomes develop from democratic institutions. An important finding in this thesis is the context in which normative institutions are affected by the development of material institutions. In Indonesia and the Philippines after their democratic awakenings, public support for a democratic system became more robust and stable. This is demonstrated by the absence of authoritarian regimes following the start of the democratisation process in Indonesia (1998) and the Philippines (1987). It shows that the level of public support for a democratic system is strong, and tolerance towards acts of undemocratic countries is relatively low, especially when compared to Malaysia and Thailand. While in the case of Indonesia and Philippines, the development of democratic institutions created space for the public to become more involved in the policy-making process. In Indonesia, this is illustrated by the Musrenbang Forum. In Philippines this is illustrated by the high involvement of NGOs working on social policies. While, in Malaysia and Thailand, public support for the existence of democratic institutions is relatively lower. This is demonstrated by continued public support (for almost 60 years) for the Alliance in Malaysia, despite undemocratic regulations and a high public tolerance towards various military coups in Thailand.

This finding is especially relevant to the findings of this thesis. The result of the statistical test—PLS SEM—shows that the relevance between democracy and social policy is significant in Indonesia and Philippines, but is insignificant
in Malaysia and Thailand. This result is supported by the explanation in the previous paragraph which stated that there is a stronger relationship (complementary) between material and normative institutions in Indonesia and Philippines compared to the other two countries. In the broader context, the discussion towards this aspect is important. This is because the new institutionalism approach on the policy impact(s) of material and normative institutions must function as the main focus in institutional research (March and Olsen 1989; Peters 1999; Senge 2013). Analysing a mere material institution to view policy outcomes is insufficient. The formalism stand-point as argued by Linz (1994) and Gering et al (2009) that parliamentary systems (material institution) are more effective in achieving development than in presidential systems (material institution). However, the evidence in this thesis does not support that claim. The findings show that the relationship among democracy, social policy and inclusive economic growth in Indonesia and the Philippines (presidential) is more significant compared to Malaysia and Thailand (parliamentary). Therefore, normative institutions are an important part in understanding the impact of institutions towards policies and their outcomes.

Secondly, in the context of the relationship between democracy and inclusive economic growth, discussing time is important due to the one of the function of theory is to make prediction. In this context, the goal is to answer what would happen if democracy is implemented, when and how? In this context, the argument by Daren Acemoglu et al, as explained in the literature review chapter, stated that the relationship between democracy and development will only be noticeable over a 500 year period (Acemoglu, Johnson, Robinson, and Yared 2008). This thesis, however, concludes that the relationship could occurred in a brief temporal scope. In the case of Indonesia and Philippines the relationship has been empirically observed in only 40 years. The relevance of this study with Acemoglu et al lies only on the explanation of historical aspects and divergent developmental paths which becomes an
explanatory factor in clarifying the relationship between democracy and welfare. This thesis suggests that factors such the “electoral incentives” mechanism, public participation and inclusive governance accelerate the impact of democracy both in the effectiveness of social and inclusive economic growth. Statistically, this can be seen in Table 24. In the case of Indonesia and Philippines, for example, this shows almost all hypotheses about the relationships to democracy, social policy and inclusive economic growth are accepted. The stronger the democratic institutions, the more responsive the government system will be. A responsive government, therefore, becomes the prerequisite to protect and promote freedom (Sen 1999; Siegel et al 2004; Stasavage 2005; Rodrik et al 2004) which will improve welfare outcome indicators, both economically (trade, FDI, GDP growth) and socially (employment rate, school enrolment rate, and poverty rate).

Thirdly, social policies are considered as a potential intermediate variable linking democracy with inclusive economic growth. The main argument is whether the presence of democratic institutions encourages the government to be more open, citizen-oriented and responsive or whether the inclusive political conditions will create more open public participation in the policy-making process. Thus, in the context of developing countries, public participation will be more likely to demand social policies (Nelson, 2007; Chen, 2008; Haggard and Kaufman 2008). The social policies that are produced by democratic processes will be more effective in delivering inclusive economic growth to the citizen. However, this conclusion will only be applicable if there is a balance between material and normative democratic institutions, as previously discussed. For instance, the poverty reduction program (PNPM) coupled with the Musrenbang forum in Indonesia which initiated after the 1998 Reformasi successfully decrease the number of poverty rate during early 2000s to 2011 (Figure 15). The constitutional amendment in the Philippines in 1987 included social policy as part of the political reform. This resulted in decreasing
both poverty and infant mortality rates in the country during the 1990s (Figure 15). On the contrary, Thailand’s political institutions are very fragile, unstable, and stymied by five recent military coups (1976, 1977, 1991, 2007, and 2014). Confronted with such political instability, the process to formulate and implement social policies has become fragmented. The case of Malaysia is interesting; as the political system was dominated by stagnation, in which there has never been a shift of power from UMNO and the Alliance. Further, this condition created social policies mainly to support the initiatives of the technocratic elite.

Fourthly, the initiation and early development of democratic institutions becomes very important in analysing how the institution emerged and embedded (Thelen 1999) in a society or country. The findings of this thesis show that the initiation of democracy in Indonesia and Philippines emerged from the civil society (the Indische Vereeniging and the ilustrados). It is true that the early process of both initiators was inspired by several political movements in Europe in XVII century. However, the pattern of their movement in organising and struggling for ideas in democracy was undertaken by civil organisation movements, which was often against the state (colonial government) at that time. The movement was almost similar to that in the era of democratic awakenings against the authoritarianism regime. The EDSA and Reformasi 1998 movements were also engineered by civil organisations demanding democracy. This is unseen in the case of Malaysia and Thailand; where the initiation of democracy in these two counties were dominated by elite bargains. The initiation of democracy in Thailand came from the Kings, such as Mongkut, Chulalongkorn, and Mahidol; while in Malaysia the (formal) democratisation was a result of negotiations between the British and the sultans during the late 1890s. In the context of the historical institutionalism study, the researches focusing on the role of early initiators of institutions and their
impacts on the development and change of institution have rarely been conducted.

Fifthly, the studies based on the historical institutionalism approach place emphasis on the direct and continuous relationship between critical junctures and path-dependency. Critical juncture is defined as a brief moment that caused the changing direction of previous institutions. When critical junctures occur, the development of institutions will lead to path-dependency, where the institution is established and is accepted in a society. It will be very difficult to stop or alter, as it is a tendency that such institutions will be strengthened over time (Krasner 1989; Thelen 1999; Pierson 2000). Referring to the case of Thailand, this thesis indicates that the relationship between critical junctures and path dependency is not always linear. Critical junctures, in the context of democratic awakenings in 1973, 1977, 1992, and 2006, did not enable democratic institutions with the expected path-dependency. In the first democratic awakening (1973), the development process of democratic institutions began briefly, but was later stopped due to the military coup. Contrastingley, many autocratic political institutions of government (e.g. junta military) have not lasted long, as they have been defeated by civil demonstrations. The condition in Thailand becomes the great challenge for critical junctures and the path-dependency approach, which are mostly applied to studies using a historical institutionalism approach. One explanation from the historical institutionalism perspective would be that political instability (military coups and civic demonstrations) has become the path-dependency of Thailand’s political condition, as a result of the critical junctures that started from the early 1930s when the dichotomy of civil versus military took place.

This thesis proposes four main recommendations: on the analytical framework, the research method, future research and policy development, especially for government and donor agencies.
The first recommendation relates to the historical institutionalism approach, which formed the analytical framework of this research. Future researchers using the historical institutionalism perspective should conduct comprehensive studies with particular attention given to the relationship between normative and material democratic institutions; specifically in reviewing the development of institutions and policy outcomes. This also relates to the detailed analysis on how the initiators of institutions further determine the development and change of institutions. In the context of democratic institutions, the advantages of the findings of this thesis do not only provide an adequate explanation on history of the development and changes in democratic institutions in four countries, but it also provides a description of how democratic institutions (material and normative) interact with social policies and inclusive economic growth. This thesis also has advantages in terms of presenting a comparison between authoritarianism and democratic political institution in the same country at different times. Therefore, an assessment of differences in the two types of regime is still embedded in the socio-cultural and historical aspects in a country. From the comparison, it was found that although the two regime types equally produced social policy, the motive of the creation and reproduction of social policy in the authoritarianism regime leads to strengthening control by the elites, rather than to accommodate popular demand. However, this thesis is limited. It has not been able to undertake a more detailed impact evaluation assessment of the development and change of democratic institutions towards policy outcomes within a shorter temporal scope. In addition, this thesis does not also provide details or explanations about the interaction process between particular democratic institutions and specific social policy sectors. The author of this thesis also suggests conducting further study on the process of interactions between particular electoral systems. For instance, the contribution to the emergence of policy in the health services sector, or conducting research in normative
democratic institutions such as public awareness of the importance of public participation in shaping and directing the implementation of poverty reduction policies could be studied, by using the historical institutionalism approach.

In the context of research methods, the second recommendation of this thesis is to apply structural equation modelling (SEM) based techniques in the political and policy research. The results of this thesis were supported simultaneously with both the qualitative and quantitative evidence. Especially for this study, this thesis employed the quantitative PLS-SEM method. This technique is very useful, especially for political and public policy studies, because PLS-SEM techniques are able to work with abstract variables (construct) that can be measured by using various indicators. Moreover, PLS-SEM is also possible to test the effect of multi-direction between multiple variables simultaneously. In contrast, the traditional regression (OLS) was only able to test one direction effect of the independent variable (Xs) to dependent variable (Y). PLS-SEM can place variable X to Y and Y to X in a single test. Thus the results of the PLS-SEM test can be more comprehensive in looking at the totality of relationships between complex variables. Political and public policy researches are often encountered with the complex and multidirectional relationships. Therefore, the use of the PLS-SEM technique is should be applied, because the technique is very relevant to the realities of politics and public policy conditions as often faced by researchers.

The third recommendation is for further research on this topic to develop and gather more data in order to run the SEM test more appropriately. One of the challenges of conducting political research in developing countries is data availability and consistency. Official government data, most of the time, is not reliable due to not only the accessibility, but more importantly, the precision in measuring the variables investigated. Therefore, conducting surveys and developing indexes on the degree of democracy, social policy and
inclusive economic growth, especially in the four countries under investigation, will be very helpful to deepen the analysis for future researchers.

The fourth recommendation of this thesis is the importance of balancing material and normative democratic institutions within several democratisation programs, especially in developing countries. The relationship among the three variables (democracy, social policy and inclusive economic growth) is largely influenced by the balance of the material and normative democratic institutions. When there is a balance between the two types of democratic institutions, the relationship among democracy, social policy and inclusive economic growth will be strong, and vice versa. To maintain the balance between the development of material and normative democratic institutions the presence and momentum following a democratic awakening is followed not only by democratic institution reform agendas, but also by clear and effective social policy agendas. Clear and effective social policies would strengthen public support for the democratisation process. The public must also be convinced that the positive impact of social policies is the result of the democratisation process. With public support for democracy (via democratic social policies) various attempts to interrupt democratic regime can be avoided.

Donors and multi-lateral organisations must combine democracy with social policy. Any democratic strengthening and social assistance program should be in conformity with public concerns, including its development through a participatory process. It is important to create a sense of belonging from the public to these programs. Hence, public support to maintain these programs (democratisation and social policies) is expected to be stronger. In the context of ASEAN, the implementation of social policies (in ASCC and ASPC) must be complemented with the internalisation process of democratic values. Thus, the public may directly use democratic institutions and norms to achieve their pragmatic needs (via democratic social policies). With this the
demands for democratisation will then rise from the people, instead of implanting ideas from foreign donor agencies.
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Appendix 1
Qualitative Data Source and Description for Democracy

Indonesia

1. The National Democratic Institute for International Affairs (NDI) and The Council of Asian Liberals and Democrats (CALD) released a document titled the Executive Summary of Research Report Political Party Strategies to Combat Corruption in March 2002. This document describes the role of political parties in their efforts to implement internal anti-corruption reforms through enhanced democracy, accountability, and transparency in party structures and practices in eight Asian countries including Indonesia, Malaysia, the Philippines, and Thailand.

2. Democracy International, Inc. published a final report titled Indonesia: Democracy and Governance Assessment in 2008. This report reviewed the United States Agency for International Development (USAID)’s mission in Indonesia to set priorities for democracy and governance programs on five key elements of democracy: consensus, inclusion, competition, rule of law, and good governance.

3. The Bertelsmann Stiftung’s Transformation Index (BTI) released the BTI 2012 Indonesia Country Report that elaborates a global assessment of transition processes, including the state of democracy and market economy as well as the quality of political management in 128 transforming and developing countries, especially Indonesia.


5. The World Bank released the Indonesia Annual Public Opinion Surveys Report in 2008 to inform the Indonesian people and interested institutions and organisations about the perceptions, attitudes, and aspirations of the Indonesian people on a number of broad themes relating to the development of democratic governance in Indonesia.

6. The National Democratic Institute for International Affairs (NDI) published a background paper about the May 29, 1997 Parliamentary Elections in Indonesia in 2000. This paper was intended to provide information about the 1997 parliamentary elections. The paper is based on the work of the National Democratic Institute for International Affairs in Indonesia over the past year.

7. Polity IV Country Report 2010: Indonesia’s description in this report was sponsored by the Political Instability Task Force (PITF). The PITF is funded
8. NDI acknowledges the support of the National Endowment for Democracy (NED), which funded this program and the publication of Party-on-Party Monitoring of Asian electoral campaigns (Taiwan, South Korea, Philippines, and Indonesia) in 2004.

Philippines

1. The National Democratic Institute for International Affairs (NDI) and The Council of Asian Liberals and Democrats (CALD) released a document titled *Executive Summary of Research Report Political Party Strategies to Combat Corruption* in March 2001. This document describes the role of political parties in their efforts to implement internal anti-corruption reforms through enhanced democracy, accountability, and transparency in party structures and practices in eight Asian countries including Indonesia, Malaysia, the Philippines, and Thailand.

2. NDI acknowledges the support of the National Endowment for Democracy (NED), which funded this program and the publication of Party-on-Party Monitoring of Asian electoral campaigns (Taiwan, South Korea, the Philippines, and Indonesia) in 2004.

3. Representatives of the National Democratic Institute for International Affairs (NDI), in cooperation with Consortium for Elections and Political Processes partners, the International Republican Institute (IRI) and IFES report on the 2004 Philippine Elections, published in August 2004. The institutes' representatives were in the Philippines to express an interest in and support for a democratic election process, to assess the electoral conditions and political environment in which the national elections were held, and to offer an accurate and impartial report on the election situation.

4. The 2011 National Comparative Survey on Good Local Governance is supported by USAID through The Asia Foundation’s Transparent Accountable Governance (TAG) project, as part of its advocacy for strong local Filipino governments. The TAG project advances good local governance by building the foundation for civic engagement, and promoting reforms for service excellence and transparency and accountability in governance processes.

5. Polity IV Country Report 2010: The description of the Philippines in this report was sponsored by the Political Instability Task Force (PITF). The PITF is funded by the Central Intelligence Agency (CIA).

6. The Bertelsmann Stiftung’s Transformation Index (BTI) released the *BTI 2012 Philippines Country Report* that elaborated a global assessment of transition processes, including the state of democracy and market economy as well as the quality of political management in 128 transforming and developing countries, especially the Philippines.

7. The Consortium for the Asian Democracy Index (CADI) published *The

8. The United States Agency for International Development Center for Development Information and Evaluation Democracy and Governance And Cross-Sectoral Linkages Philippines released a Working Paper No. 317, March 2000 In collaboration with the Global Bureau’s Center for Democracy and Governance (G/DG) and the Africa Bureau’s Office of Sustainable Development (AFR/SD/DG), PPC/CDIE has been gathering information about how, why, and with what effect some USAID Missions have progressed toward establishing linkages between D/G and other sectors, especially local democracy in the Philippines.

Malaysia
1. Bersih 2.0 published their press release on the “Bersih Rally” in 2007, which described the situation of the event including the incident, police reaction, and the victims.

2. The Bertelsmann Stiftung’s Transformation Index (BTI) released the BTI 2012 Malaysia Country Report that elaborates a global assessment of transition processes, including the state of democracy and market economy as well as the quality of political management in 128 transforming and developing countries, especially Malaysia.


4. In May 2012, The Asian Network for Free Elections (ANFREL) Foundation in issued a report titled Malaysian Electoral Reforms Crucial for Democracy in ASEAN. This report elaborates the political aspect of the rallies on 28th April An issue raised by ANFREL and others many times, and one relevant again in the aftermath of the protests, is the need for a free and impartial media.

9. Polity IV Country Report 2010: Malaysia’s description in this report was sponsored by the Political Instability Task Force (PITF). The PITF is funded by the Central Intelligence Agency.

10. The Bertelsmann Stiftung’s Transformation Index (BTI) released the BTI 2012 Malaysia Country Report that elaborates a global assessment of transition processes, including the state of democracy and market economy as well as the quality of political management in 128 transforming and developing countries, especially Malaysia.

11. In 2008, Konrad-Adenauer-Stiftung (KAS) released a report that describes the state of key democracy sectors in partner countries of the Konrad-Adenauer-Stiftung. With the publication of the first three volumes, Meda and Democracy (2005), Rule of Law (2006), and Parties and Democracy
(2007) the first cycle of the series was completed.

**Thailand**

1. The National Democratic Institute for International Affairs (NDI) and The Council of Asian Liberals and Democrats (CALD) released a document titled the *Executive Summary of Research Report Political Party Strategies to Combat Corruption* in March 2001. This document describes the role of political parties in their efforts to implement internal anti-corruption reforms through enhanced democracy, accountability, and transparency in party structures and practices in eight Asian countries including Indonesia, Malaysia, the Philippines, and Thailand.

2. In July 1999, the National Democratic Institute for International Affairs (NDI) published a report titled *Combating Corruption at the Grassroots: The Thailand Experience*. NDI began working with the People’s Network for Elections in Thailand (PNET), a network of public and private organisations committed to election monitoring and democratisation, and the Union for Civil Liberties (UCL) to strengthen local efforts to combat corruption. Endowment for Democracy, prompted NDI to develop similar programs in four more provinces: Ubon Ratchathani, Phitsanulok, Chiang Mai, and Songkhla. The NDI worked with local civic groups in each province to implement customised programs that addressed political patronage and money politics.

3. The Asia Foundation (TAF) released *Profile of the Protestors a Survey of Pro and Anti-Government Demonstrators in Bangkok on November 30, 2013.* This report observes the political tensions that gripped Bangkok in late November and early December 2013 with concern. The tensions erupted in the context of two legislature reform initiatives pursued by the Pheu Thai government of Prime Minister Yingluck Shinawatra.

4. The Asia Foundation (TAF) published the *2010 National Survey of The Thai Electorate: Exploring National Consensus and Colour Polarisation* document in 2011. This report presents the findings of The Asia Foundation (Foundation)’s second national survey of the Thai electorate, which was conducted through face-to-face interviews with a random, representative sample of 1,500 individuals of voting age from across the country between September 17 and October 23, 2010.

5. Polity IV Country Report 2010: Thailand’s description in this report was sponsored by the Political Instability Task Force (PITF). The PITF is funded by the Central Intelligence Agency.

6. The Bertelsmann Stiftung’s Transformation Index (BTI) released the *BTI 2014 Thailand Country Report* that elaborate a global assessment of transition processes, including the state of democracy and market economy as well as the quality of political management in 128 transforming and developing countries, especially Thailand.
7. The UNDEF (UN Democracy Fund) released an evaluation report in 2013 titled *Provision for Post-Project Evaluations for the United Nations Democracy Fund Contract No.Pd:C0110/10*. This program is designed to engage young people (15 to 25 year-olds) from marginalised populations in four regions of Thailand, to empower them — to voice their needs, access their rights, participate in political processes, and improve their lives and communities.
Appendix 2
Qualitative Data Source and Description for Social Policy

**Indonesia**

3. The Asia Foundation published Occasional Paper, No. 6, in June 2011, titled *How Civil Society Organizations Work Politically to Promote Pro-Poor Policies in Decentralized Indonesian Cities*. This paper examines how civil society organisations (CSOs) have taken advantage of the increased opportunities created by decentralisation to influence the role and functions of local administrations in urban areas of Indonesia.
4. The United States Agency for International Development (USAID), under Task Order 46 of the Global Evaluation and Monitoring (GEM) II BPA, Number EDH-E-00-08-00003-00 in 2012. It prepared *Indonesia: Decentralized Basic Education Project Final Evaluation*. This report is the final evaluation of USAID/Indonesia’s Decentralized Basic Education (DBE) Program. The DBE program is the cornerstone of the United States’ assistance to education in Indonesia and is designed to directly respond to the Government of Indonesia’s priorities to decentralise and revitalise the education sector.
5. UNICEF (The United Nations’ Children Fund) published an *Annual Report 2013 – Indonesia* especially on the building of child protection systems and the implementation of central level laws at sub-national level. Moreover, UNICEF supported evidence generation through a study on the prevalence of violence against children as well as the promulgation of a Presidential Regulation on Holistic Integrative Early Childhood Development, which provides the policy framework for expansion of early childhood development (ECD) services.
6. The SMERU Research Institute in 2010 produced a working paper on *PAPER Social Health Insurance for the Poor: Targeting and Impact of Indonesia’s Askeskin Program*. This scheme covers basic healthcare in public health clinics and hospital inpatient care. In this paper, targeting and impact of the Askeskin program is investigated using household panel data.

9. The Japan International Cooperation Agency (JICA) Planning and Evaluation Department released *Country Profile on Disability the Republic of Indonesia* in March 2002. The National Council for the Welfare of Disabled Persons (NCWDP) is responsible for the registration of persons with disabilities in collaboration with local governments, the Department of Social Welfare and Development (DSWD), and other organisations.


**Philippines**


2. Philippine Education for All 2015: Implementation and Challenges in 1990, there was a World Declaration on Education for All (EFA) in Jomtiem, Thailand, which prescribed that Basic Learning Needs shall be met for all by various means. As a response, Philippines crafted and implemented the 10-year EFA.

3. Philippine Plan of Action covering 1991 – 2000. The EFA plan articulates the country’s national goals, objectives, policies and strategies, as well as the regional programs for implementation for the first decade of the EFA movement.

4. In August 2005, the Philippines’ Department of Education, Republic of published the *Basic Education Sector Reform Agenda (2006 – 2010)*, which contained a report of the Schools First Initiative program, an effort to improve basic education outcomes through a broadly participated, popular movement featuring a wide variety of initiatives undertaken by individual schools and communities as well as networks of schools at localities.
involving school districts and divisions, local governments, civil society organisations and other stakeholder groups and associations.

5. The document of Strategic Planning of Ministry of Education of Philippines 2002 – 2007 provides data collected and reported from the Philippines’ government perspective.

6. Compilation of Health Service Delivery Profile Philippines 2012, which is in collaboration between WHO and Department of Health, Philippines.

7. Friedrich-Ebert-Stiftung (FES) released a report of Health Care in Philippines: Challenges and Ways Forward in 2013. This report provides a comprehensive and objective diagnosis of the state of the Philippine health care system and its ongoing reforms, and forward policy recommendations to lawmakers and government officials, as well as to the academe and civil society organisations.

8. Monitoring the Human Rights of Persons with Disabilities: Laws, Policies and Programs in Philippines. Disability Rights Promotion International (DRPI) and Katipunan Ng Maykapansanan sa Pilipinas, Inc. The goal of the program is to improve the quality of life of PWDs by adding social and economic provisions like the 20% discount on purchase of medicine and daily essentials including transportation and recreational services.

Malaysia

1. In 2013, the CNN Network released historical data on the political history of Malaysia in Malaysia Profile from the perspective of international media.

2. The Asia Foundation (TAF) published a report titled The Middle Income Trap (MIT) in 2012. MIT refers to a situation that some countries face, where they are unable to compete against advanced economies with high levels of innovation and value-adding activities, but are also unable to compete with less developed economies of the case studies of Thailand and Malaysia.

3. In 2011, the United Nations Educational, Scientific and Cultural Organisation (UNESCO) published Secondary Education Regional Information Base: Country Profile Malaysia. This publication is part of a series of Secondary Education Regional Information Base Country Profiles developed by the Education Policy and Reform (EPR) unit, in collaboration with the Assessment, Information Systems, Monitoring and Statistics (AIMS) unit and other relevant UNESCO Field Offices.

4. Malaysia Education Blueprint 2013 – 2025. In October 2011, the Ministry of Education launched a comprehensive review of the education system in Malaysia in order to develop a new National Education Blueprint. This decision was made in the context of rising international education standards, the government’s aspiration of better preparing Malaysia’s children for the needs of the 21st century, and increased public and parental expectations of education policy.

6. The Director Planning and Development Division of the Ministry of Health of Malaysia published *The Malaysian Health Care System in 2008*. This edition of the report attempts to provide information on a comprehensive range of topics relating to health care services, population health, health system management and research undertaken by the Ministry of Health in Malaysia.

7. The Asian Development Bank released a project performance audit report on the third health (sector) project (Loan 980-MAL). The Asian Development Bank’s (ADB) involvement in the health sector in Malaysia started in the early 1980s with two successive loan projects: Loan 511-MAL: Health and Population Project, 4 and Loan 815-MAL: Health Services Development (Sector) Project. Coupled with two TA grants for studies undertaken in 1985 on health financing, and in 1987 and 1988 on health insurance, this interaction was a catalyst for further involvement of ADB in the late 1980s and 1990s.

8. Statement by her Excellency Rohani Abdul Karim, Minister of Women, Family and Community Development of Malaysia presented in high-level meeting of the general assembly on the realisation of the millennium development goals and other internationally agreed development goals for persons with disabilities round table no. 2: post-2015 development agenda and inclusive development for persons with disabilities.


**Thailand**


2. The Asia Foundation (TAF) published a report titled *The Middle Income Trap (MIT)* in 2012. MIT refers to a situation that some countries face, where they are unable to compete against advanced economies with high levels of innovation and value-adding activities, but are also unable to compete with less developed economies of the case studies of Thailand and Malaysia.

3. The Thailand Social Monitor (TSM) series was conceived as a tool to reflect on the current situations about selected social issues in Thailand in the health, education, and social protection sectors. The first “Social Monitor, Challenge for Social Reform” was launched in 2007.
4. UNICEF published the *Annual Report 2004 for Thailand, EAPRO*. In 2012, more focused advocacy undertaken by the UNRC resulted in greater awareness and government commitment to investing in the youngest children and helped influence several key policy decisions. The Prime Minister endorsed a UNICEF-backed holistic, equity-focused early childhood development policy. The policy includes targets for universal birth registration, access to early learning for the poorest, and getting all children into school at age six.

5. Health Policy is a document released by the Bureau of Policy and Strategy Ministry of Public Health in 2005. It contains an analysis of how the Thai healthcare system has developed through the past few centuries.

6. The International Labour Organisation (ILO) published a working paper titled *Promoting Occupational Health Services for Workers in the Informal Economy through Primary Care Units* (ILO Asia-Pacific Working Paper Series 2009). This working paper reviews and analyses the substantial efforts of the PCUs in different districts under the guidance of the Bureau for Occupational and Environmental Diseases of the Ministry of Public Health.

7. The United Nations Development Programme released the *Human Development Index Report of Thailand* in 2012 from the perspective of multilateral organisation on Thailand performance in terms of social development achievement.

8. The document of the country programme 2012-2016 (11th NEDP 2012) is based on and supports the achievement of the national priorities of Thailand Development Plan 2011 – 2016. The country programme has been designed around the pursuit of inclusive growth that reduces poverty, including the achievement of the Millennium Development Goals, with a special focus on four of the nine chapters of the Plan, namely social development, good governance, peace and environment and natural resources.

9. The *Country Profile on Thailand* was published by JICA in 2012. This document is a report on Thematic Evaluation on JICA’s Support for Persons with Disabilities in Thailand.
Appendix 3
Quantitative Data definitions and sources

1. **Polity IV (Pol_IV)**
Polity IV Project, *Political Regime Characteristics and Transitions, 1800-2012*, annual, cross-national, time-series and polity-case formats coding democratic and autocratic "patterns of authority" and regime changes in 167 countries in 2012. The score is an interval from +10 (represent the most democratic regime) to -10 (represents the most autocratic regime). *Time series data is available from 1800 to 2012.*
Data available at: [http://www.systemicpeace.org/inscr/inscr.htm](http://www.systemicpeace.org/inscr/inscr.htm)

2. **Political Rights (PR and PR_cvt)**
The score is hierarchical from 1 (the highest) to 7 (the lowest) regarding the quality of political rights in the country, including: the quality of election, political parties, military involvement, respect to minorities, and political violence by the state. To avoid confusion in analysis, I converted the data so that 7 is the highest and 1 is the lowest (PR-cvt). *Time series data is available from 1973 to 2013.*

3. **Civil Liberty (CL and CL_cvt)**
The score is hierarchical from 1 (the highest) to 7 (the lowest) regarding the quality of civil liberty in the country, including: freedom of expression, education, religion, discrimination, union activism, speech, and freedom of economic activity. To avoid confusion in analysis, I converted the data so that 7 is the highest and 1 is the lowest (PR-cvt). *Time series data is available from 1973 to 2013.*

4. **Education Expenditure (edE)**

5. **General Government Expenditure (ggE)**
General government final consumption expenditure (formerly general government consumption) includes all government current expenditures for
purchases of goods and services (including compensation of employees). Data on government final consumption expenditure sheds light on the involvement of governments in providing goods and services for the direct needs of the population. A high government share in the provision of individual consumption goods and services is often found in countries known as welfare states. World Bank national accounts data, and OECD National Accounts data files. *Time series data is available from 1973 to 2012.*


6. **Tax Revenue (tax)**
The value is the percentage of tax revenue in regard to total revenue from the Asian Development bank Key Indicators database. *Time series data is available from 1981 to 2012.*


7. **Education Spending (eduSP)**
The value is the percentage of total education spending (in national currency) in regard to total public spending (in national currency) from the Asian Development Bank (ADB) Key Indicators database. *Time series data is available from 1981 to 2012.*


Additional data for Indonesia 2005-2013:

8. **Health Spending (heSP)**
The value is the percentage of total health spending (in national currency) in regard to total public spending (in national currency) from the Asian Development Bank (ADB) Key Indicators database. *Time series data is available from 1981 to 2012.*


Additional data for Indonesia 2005-2013:

9. **General Public Service Spending (gpsSP)**
The value is the percentage of total general public service spending (in national currency) in regard to total public spending (in national currency) from the Asian Development Bank (ADB) Key Indicators database. *Time series data is available from 1981 to 2012.*

Additional data for Indonesia 2005-2013: 

10. Housing and community amenities (houSP)

The value is the percentage of total housing and community amenities spending (in national currency) in regard to total public spending (in national currency) from the Asian Development Bank (ADB) Key Indicators database. *Time series data is available from 1981 to 2012.*


Additional data for Indonesia 2005-2013: 

11. Arm Imports (arm)

Arms imports (constant 1990 US$). Arms transfers cover the supply of military weapons through sales, aid, gifts, and those made through manufacturing licenses. Data covers major conventional weapons such as aircraft, armoured vehicles, artillery, radar systems, missiles, and ships designed for military use. Excluded are transfers of other military equipment such as small arms and light weapons, trucks, small artillery, ammunition, support equipment, technology transfers, and other services. Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security. *Time series data is available from 1973 to 2012.*


12. Gross Domestic Product Growth (gdpG)

GDP growth (annual %). Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2005 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. World Bank national accounts data, and OECD National Accounts data files. *Time series data is available from 1973 to 2012.*


13. Foreign Direct Investment (fdi)

Foreign direct investment, net inflows (BoP, current US$). Foreign direct investment are the net inflows of investment to acquire a lasting management
interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors. Data is in current U.S. dollars. International Monetary Fund, Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development and official national sources. Time series data is available from 1973 to 2012 (with few missing values).


14. Trade (trd)
Trade (% of GDP). Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product. World Bank national accounts data, and OECD National Accounts data files. Time series data is available from 1973 to 2012.

Data available at: http://data.worldbank.org/indicator/NE.TRD.GNFS.ZS

15. School Enrolment (edO)
School enrolment, secondary (% gross) is the total enrolment in secondary education, regardless of age, expressed as a percentage of the population of official secondary education age. GER can exceed 100% due to the inclusion of over-aged and under-aged students because of early or late school entrance and grade repetition. UNESCO Institute for Statistics. Time series data is available from 1973 to 2012.

Data available at: http://data.worldbank.org/indicator/SE.SEC.ENRR

16. Mortality rate of under-5 children (heO)
Mortality rate, under-5 (per 1,000 live births). Under-five mortality rate is the probability per 1,000 that a newborn baby will die before reaching age five, if subject to current age-specific mortality rates. Estimates developed by the UN Inter-agency Group for Child Mortality Estimation (UNICEF, WHO, World Bank, UN DESA Population Division).

Data available at: http://data.worldbank.org/indicator/SH.DYN.MORT

17. Unemployment rate (Uemp)
The value is the percentage of total number of unemployment in regard to total labour force. Data is from the Asian Development Bank (ADB) Key Indicators database. Time series data is available from 1981 to 2012.


18. Corruption Index (Cor)
An economy's Corruption Perceptions Index (CPI) score indicates the perceived level of public sector corruption and its impact on commercial life as determined by expert assessments and business opinion surveys. Users are cautioned against comparing economy scores over time, as the CPI provides a snapshot of the views of business people and analysts for the current or recent years. Data shown for 1995-2011 are scores ranging between 10 (highly clean) and 0 (highly corrupt), while data shown for 2012 are scores ranging between 100 (very clean) and 0 (highly corrupt). The survey is conducted by Transparency International, Corruption Perceptions Index, various annual releases.

Data available at: http://statistics.apec.org/index.php/key_indicator/economy_list

19. Inequality (GINI)

The GINI index measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. Thus a GINI index of 0 represents perfect equality, while an index of 100 implies perfect inequality. World Bank, Development Research Group. Data are based on primary household survey data obtained from government statistical agencies and World Bank country departments. Time series data is available from 1985 to 2012 with missing values.

Data available at: http://data.worldbank.org/indicator/SI.POV.GINI

20. Poverty rate (Pov)

This is the percentage of the population living on less than $2.00 a day at 2005 international prices. World Bank, Development Research Group. Data are based on primary household survey data obtained from government statistical agencies and World Bank country departments. Data for high-income economies are from the Luxembourg Income

Data available at: http://data.worldbank.org/indicator/SI.POV.2DAY
Appendix 4
Similarities and Differences across Cases

From the results of qualitative and quantitative analyses, the conclusions of this thesis are summarised into these following three themes, i.e. the general similarities and differences, the clustered similarities and differences, and the relationship between the three main variables:

A. Similarities and differences among the four countries in general:
   Early creation of democratic institutions in the four countries was initiated since the era of colonialism. At this time, the European countries introduced and implemented political institutions (formal democracy). However, the motivation behind democracy and social policies during the colonial period strengthened the influence of colonial domination on local governments rather than avoiding tyranny and promoting freedom. Conditions of democracy and social policy institutions in the era of authoritarianism resembled those of the colonial era. Authoritarian regimes also employed democracy (in terms of formal democratic institutions) and social policies to maintain power and gain political support from masses. Thus, democratic institutions discouraged the government to be more responsive and citizen-oriented, which in turn limited the space for public participation in policy-making. The importance of democratic institutions at this time, especially in Indonesia and Philippines, were largely influenced by pro-democracy movements (student movements, NGOs, and opposition groups) that emerged during the post-colonial and post-authoritarianism era.

   Quantitatively, the proposed model is valid, and can be taken as a tool for analysing the relationship between democracy, social policy, and inclusive economic growth. This is clearly indicated by the goodness of fit (GoF) values in all countries under study, all of which exceed the cut-off values. Three indicators (political rights, civil liberties, and Polity IV) are stated as good for measuring the quality of democracy. This is visible based on the high values of CFA in all cases, except for Thailand.

B. The similarities and differences among the four countries fall into the grouping of Indonesia and Philippines, and Malaysia and Thailand.

   Indonesia and the Philippines apply the model of consensus democracy with a presidential system, while Malaysia and Thailand are majoritarian democracies with a parliamentary systems. From these results, it seems that the democratic model and government system created a difference in the relationship between the formal democratic institution and social policy. Indonesia and the Philippines
(consensus/presidential) showed a stronger interaction between democratic institutions and social policy, compared to Malaysia and Thailand (majoritarian/parliamentary). When viewed historically, the real difference is not significantly formal. For example, in the case of Indonesia in the Suharto era and the post- the “1998 Reformasi”, both countries applied the same model of democracy (consensus/presidential), but the quality of democratic institutions and social policies were much different. In the era of Corazon Aquino and Gloria Arroyo in Philippines, the same democracy models also produce a different quality of democracy and a different quantity of social policies. As for Malaysia and Thailand, it is difficult to identify the influence of democracy model and government system due to the high stagnation and political instability.

- Democratic opening momentum. Both Indonesia and the Philippines experienced a great momentum that triggered democratisation and put an end to authoritarianism. The process of democratisation and the various policy initiatives are easily distinguished between the eras of democracy vis-à-vis authoritarianism. Democratic opening momentum in Indonesia (Reformasi 1998) and Philippines (EDSA I 1986) were followed by a variety of policy reform agendas, including initiation of various social policies. In Malaysia and Thailand, there is no opening democratic momentum as a turning point for democratisation and political reform.

- Democratisation progress. Indonesia and the Philippines experienced a relatively better progress of democratisation (both material and normative democratic institutions), particularly since the opening momentum. However, there was a decline in the quality of democracy in the Philippines during President Arroyo’s terms. Still, since 2010 democratisation in the country has regained its progressive track. In Malaysia and Thailand, the future direction of democratic process remains unclear. To date, the power of status quo in Malaysia (political stagnancy) remains dominant; military coups and political polarisation in Thailand (political instability) continuously occur.

- The effect of democracy on social policy. Either archival analysis or PLS-SEM proves that democracy has a significant impact on social policy in Indonesia and the Philippines. In their democratic eras, the number and variety of social policies in these countries are higher than that the authoritarianism era. On the contrary, in Malaysia and Thailand, democracy does not have an impact on social policy because these countries have a long-term and strict planning on social policy, which is
not affected by either stagnation or rapid changes in their political situation.

C. The results of statistical test (PLS-SEM) are consistent with the grouping described in the Conclusion B, which are:

- Although all countries under investigation have a relatively better condition of democracy and social policies compared to other countries in Southeast Asia (as mentioned in Chapter Two), the relationship between democracy, social policy, and inclusive economic growth in these four countries cannot be generalised. Relationships are significant and positive (as assumed by the hypothesis) for Indonesia and the Philippines, but not for Malaysia and Thailand.

- Indicators (observed variables) taken in this study are stated as valid and reliable for Indonesia and Philippines, but not for Malaysia and Thailand. It is consistent with the GoF scores of the proposed model, in which Indonesia and the Philippines have higher GoF scores compared to Malaysia and Thailand. Such finding suggests that the proposed model works better for Indonesia and the Philippines.

- The test results on the four hypotheses also discover acceptance on most hypotheses in the context of Indonesia and the Philippines. On the contrary, most hypotheses are rejected in the case of Malaysia and Thailand. In particular, the correlation between democracy and social policy in influencing inclusive economic growth occurs only in the context of Indonesia and the Philippines.

- This is consistent with the previously mentioned conclusion in which social policy mediation has a significant and positive effect only in the case of Indonesia and the Philippines, yet has no mediating effect in the context of Malaysia and Thailand, because the development of social policy does not go hand-in-hand with the development of democracy, which is too stagnant (Malaysia) or too rapid (Thailand).
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