

Anotai Tipanate 2012: The Effect of Financial Liberalization on Government Size: A Case of Malaysia Singapore and Thailand. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Assistant Professor Arunee Punyasavatsut, Ph.D. 211 pages

This study is about the effect of financial liberalization on government size in the case of Malaysia Singapore and Thailand. The objectives of the study are: to consider the overall government size, the degree of financial liberalization and to examine the effects of financial liberalization on government size both the overall of the three countries and each country. The financial liberalization is measured by De Facto and De Jure. These are base on the secondary data which use the annual report of Malaysia, Singapore and Thailand since 1975 to 2005. In the case of overall the three countries, Panel Unit Root Test and Panel Model both Fixed Effects Model and Random Effects Model are used to estimate. In the case of each country, Unit Root Test and the Ordinary Least Square are used to estimate.

The result of descriptive study found that the government sizes that measure by the ratio of real government consumption expenditure to real gross domestic product is between 10-16 percentages. That is too low from the optimal size of the developing country and developed country. Moreover, the result that measure by the ratio of real government consumption expenditure to real wealth is between 3-8 percentages. The degree of financial openness that consider from the financial indicator found that all three countries have the tendency of financial liberalization increase.

The effect of the financial liberalization on government size in the case of overall of three countries found that the change in degree of openness that measures from De Facto, and the change in ratio of real government revenue to wealth have positive effect on the change in government size. In the case of each country, the result is the change of the financial liberalization from De Facto method effect to the change of government size of Malaysia and Singapore in positive effect but Thailand is not affect to the change of government size. However, measurement by De Jure method the change of the financial liberalization is not affected to the change in government size both overall of three countries and each country. In conclusion, the policy that concentrates about the financial liberalization not only effect to the economic growth but also effect to the government size. Therefore, the committee of the policy should concern cautiously and appropriately in determine and plan the policy about the financial liberalization.

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Thesis Advisor's signature