

Patanavadee Sailasuta 2012: The Effect of Public Debt on Private Consumption.  
Master of Economics, Major Field: Economics, Department of Economics.  
Thesis Advisor: Assistant Professor Kanokwan Chanchaoenchai, Ph.D. 157 pages.

The objectives of this study focus on management policy on public debt and its impacts on private consumption during 1997-2009. The results of the study can be the insightful information for improving public debt management, long-term policy planning and a guideline for public debt controlling.

Data used in the study covers from the first quarter of 1997 to the fourth quarter of 2009, the total of 52 observations. The stability test was used to test for the stationary process of data. The Two Stage Least Squares (2SLS) and Autoregressive Model (AR) are compared. The results of the study show that Autoregressive Model (AR) is the appropriate model as it can solve the problem of autocorrelation and also give the better log likelihood function value.

The results of the study also illustrate that gross domestic product and private consumption increased in internal debt but had no effects on private investment since public debt is a process that transfers the resources from private sector to public sector. External debt did not affect on aggregate demand but positively affect on domestic interest. As a consequent of increasing in interest rate, the private consumption and private investment are decreased. To minimizing the negative side effect of the internal and external public debt as the financial support of government activities, the government should strictly prioritize its projects to control government expenditure throughout public debt.

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