Editorial Introduction

In this issue, Chayanisa Chaisuekul from Fiscal Policy Research Institute, Thailand, conducted an investigative research on government credit guarantee, which can be considered one of the fiscal instruments for public support on infrastructure and public goods investment. Her article, "Credit Guarantee Optimization of State-owned Entreprises", studies the risk profile of government credit guarantees in Thailand which are overseen by the Public Debt Management Office (PDMO) of the Ministry of Finance. Government credit guarantees are particularly effective in cases where the government is the best stakeholder to anticipate, control, and minimize risk. They are best viewed as endogeneous risks since the risks can potentially be influenced by government policy.

The state-owned enterprises (SOEs) examined in this study are categorized into financial institutions and non-financial institutions. The paper studies the relationship between default events and credit rating of these two types of SOEs over the period 2009-2014. In the case of financial institutions, a separate definition for a 'default event' was utilized (focusing instead on the rollover and restructuring of debt) as no financial institution SOEs failed to pay scheduled debt service in that time period. Intuitively, this may be due to the fact that a financial institution defaulting on a payment has the potential to be much more disruptive than a non-financial institution from the government perspective. The probability of default for financial and non-financial SOEs was estimated using the hybrid forward model.

Government credit guarantees can entail both benefits and risks for the government. In Thailand, the role of the PDMO is to manage the fiscal risk stemming from government guarantees. The optimal credit guarantee values were

calculated using linear programming models of two types: maximizing net benefits, and minimizing net expected loss. The paper found that the two methods yield similar results. The probability of default for both types of SOEs closely follows rank-order in terms of credit rating. However, in contrast to the literature, it was found that in the time period studied, the probability of default for financial institution SOEs was higher than that of non-financial institutions, for a given credit rating. This is perhaps due to the turbulent time period which was studied where the government of Thailand embarked on many new initiatives which were not all successful. Further studies may consider longer time periods to further clarify the picture.

The second article of this issue is "Investigating relationship between Government Spending and Economic Growth: Public Spending and long-run GDP level" by Kritchasorn Jarupasin from Office of the National Economic and Social Development Board (NESDB). This article analyses the impacts of fiscal policy using a Solow-type model with transitional dynamics, allowing for persisting effects of fiscal policy à la Gemmell, Kneller and Sanz (2016). Previous studies have looked at, through various methods and with various dependent and fiscal variables, the effects of fiscal policy changes on economic growth. While findings reveal evidence for both significant and non-significant effects on short-run and long-run growth, the literature indicates that careful design is required to isolate effects and derive results.

The article displays the effects of fiscal policy changes in 38 countries, with 17 developing countries and 21 high-income OECD countries. The data indicates that, on average, high-income countries spend more (as a percentage of Gross Domestic Product, GDP) on healthcare and social welfare, while developing countries spend more on general public services. Unweighted averages suggested that, as a percentage

of GDP, developing and high-income countries spend similar amounts on education. Pooled mean group (PMG) estimator with an autoregressive distributed lag (ARDL(1,1)) structure was employed to analyse short-run dynamics and long-run equilibrium relationships between fiscal change and growth. There is evidence that an increase in the share of a particular type of spending could improve the level of per capita GDP in the long run for developing countries in the sample, for example, in healthcare and in general public services. For high-income countries, the model suggests additional spending on education could boost long-term GDP levels. However, how this additional spending is financed also has implications for growth; the data suggests that in the high-income country group, excise taxes play a large role in determining the effectiveness of spending increases.

Overall, one important key point from the study implies that increasing revenue through distortionary taxes should be avoided, since it reduces economic growth rate. Moreover, the growth impacts of fiscal changes vary by different implicit financing elements. In developing countries, the focus should be on increasing the share of spending on general public services and healthcare.

The third article, "Linkage of Technological Innovation toward ICT base and Economic Output in CLMV Region," by Theara Chhorn, Chiang Mai University, considers the relationship between information and communication technology (ICT) development in Cambodia, Lao PDR, Myanmar and Vietnam, and economic growth and development, with a view towards providing policy recommendations.

Technological innovation and progress through improvements in ICT has driven economic growth and reduced poverty across the world. In the vein of similar studies in the literature on technological progress and growth, ICT is

assumed to augment labour and capital productivity. Estimation methods used include the fixed-effects and random-effects model, the maximum-likelihood random effects model, and feasible generalised least squares estimation. The different approaches are used to obtain more efficient and consistent estimates, as well as minimize the effects of heteroskedasticity and serial autocorrelation.

Estimation of the impact of technological progress is proxied in two ways in the study: (i) number of internet server connections, and; (ii) imports of computers and other ICT-related goods. The literature suggests that estimation of both factors should be positively correlated with economic growth. The study finds that, for the period 1995-2016, internet server connections have a positive and significant relationship with per capita GDP growth. However, there is opposite relationship between imports of computers and ICT products, i.e. increased imports lead to lower per capita GDP growth.

The study supports the notion that greater access to technology has the potential to improve economic growth and development. Policymakers should thus harness this relationship to bolster domestic development, as well as take steps to attract increased investment in technology. Further research should, however, be conducted to identify why greater imports of computer and ICT products are negatively related to economic development in the CLMV region.

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