Editorial Introduction

Celebrating the journal's fourth year, this issue contains a well-diversified combination of quality research findings that have important policy implications, particularly for developing and emerging countries. In the first article, "Contests for Power: The Cases of Siam and Tonkin in the Seventeenth Century," Arayah Preechametta of Thammasat University and Minh-Tam T..Bui, Srinakarinwirot University develop and present a theoretical framework for analyzing contests for power applicable to seventeenth century Siam and Tonkin. The model is an extension of Myerson's (2008) "The Autocrat's Credibility Problem and Foundations of the Constitutional State" published in *The American Political Science Review*. Within the model, there are concessions that autocratic leaders must make to retain sufficient support to remain in power. The added feature is the effect a random adverse signal has on the decisions made by a court leader. The analysis focuses around the ability of a leader to make credible promises to supporters, and how this reflects upon the historical rise of stronger courts and constitutional states.

The two extremities are: weak court (that is, strong leader's power) and strong court (a leader ceded power to some supporters). The model assumes that leaders promise an income stream to their captains, while captains must weigh the benefit from (credible) promises of income against the cost of going into battle for their leader. The random adverse signal has the effect of increasing the cost for leaders to retain their captains' support. A strong attempt is made to apply the solutions in the model in explaining certain historical episodes in seventeenth century Siam and Tonkin. In fact, for future research, it would also be very interesting to modify the model in such a way that can be applicable to more recent happenings, say, the contests for power among leaders in the

big and small economies to win the hearts of their supporters in times of economic downturns and the current Trade War.

The second article, "Microfinance Development in Cambodia: Challenges and a Case Study of AMK" by Phon Sophat of the National Bank of Cambodia explores microfinance institutions in Cambodia, highlighting the role they serve in improving financial inclusion in the country. A survey data set pooled across several years collected by a microfinance institution in Cambodia is employed in the study. A brief description of the financial sector of Cambodia is provided, noting the fast growth of microfinance lenders in recent years. These microfinance lenders, similar in characteristic to others found in developing Asia, provide a service to those who are unable access traditional banks and lenders.

The data set and analysis conducted reaffirms these characteristics: a majority of the borrowers of the microfinance institute studied in the article are unable to access formal lenders. Thus, microfinance institutions provide an alternative to informal lenders, which are often based on trust or coercion. Non-clients included in the survey were more often found to be better off, and had sources of income which were more stable than those of clients of the microfinance institution studied.

The study also notes several issues which may need to be addressed in the future, to ensure that financial inclusion continues to improve. Several policy changes are also recommended to ensure that microfinance institutions are able to survive, while also noting that financial literacy among the general population needs to improve in order to avoid potential future problems of indebtedness or default.

The third article of this issue is "Time-Varying Risk Aversion: A Dynamic Application in Index Hedging" by Aran Phringphred of Thailand's Securities and Exchange

Commission. This article portrays the study of time-varying risk aversion and its applications for index hedging. The author builds upon models in the finance literature to develop a GARCH-M model and a multivariate GARCH-DCC model to analyze the relation between time-varying risk aversion and expected return. Time series data from the Stock Exchange of Thailand is used to analyze how investors' attitude and appetite for risk changes over time. The author also looks at the difference in outcome between hedge ratios designed to minimize variance, as compared to risk aversion hedge ratios designed to maximize utility. The study finds that the former tends to lead to sub-optimal hedge levels.

The study finds that, as expected, portfolios utilizing risk aversion hedge ratios outperformed conventional minimum variance hedge ratios for both short and long hedgers. It was also found that taking time-varying risk aversion into account had a positive impact on systemic risk of the SET, and thus suggests that policies should be put in place to develop time-varying risk aversion as an alternative sentiment index of the SET.

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