

Entangled Governance: The Role of Social Networks and Transaction Costs in Thailand's Corruption Conundrum

Ronnayut Bongbut¹

Waiphot Kulachai²

^{1,2}College of Politics and Government, Suan Sunandha Rajabhat University, Thailand

E-mail: s65563825050@ssru.ac.th¹, waiphot.ku@ssru.ac.th²

Received: 8 May 2024

Revised: 26 July 2024

Accepted: 4 December 2024

บทคัดย่อ

บทความวิชาการเรื่องนี้มีวัตถุประสงค์หลักเพื่อค้นหาความสัมพันธ์ที่ซับซ้อนระหว่างเครือข่ายสังคม ต้นทุนการดำเนินงาน และการเอื้อประโยชน์ต่อการทุจริตคอร์รัปชันในระบบการปกครองของประเทศไทย โดยใช้กรอบการวิเคราะห์ที่ครอบคลุม ผลการศึกษา พบว่า เครือข่ายสังคมที่ฝังรากลึกได้เพิ่มต้นทุนการดำเนินการเป็นอย่างมาก ส่งผลให้เกิดการทุจริตคอร์รัปชันในระดับต่าง ๆ ข้อค้นพบนี้สามารถอธิบายกลไกการทำงานของเครือข่ายเหล่านี้ ซึ่งมีบทบาทสำคัญที่ทำให้ปัญหาการทุจริตคอร์รัปชันยังคงฝังรากลึกอยู่ในสังคมไทย ข้อค้นพบจากการวิเคราะห์นี้ถือว่ามีส่วนสำคัญในการปรับปรุงกรอบแนวทางการต่อต้านปัญหาการทุจริตคอร์รัปชันที่มีอยู่ และเสนอแนวทางที่สำคัญในการแก้ไขปัญหาดังกล่าว ซึ่งมุ่งเน้นไปที่โครงสร้างทางเศรษฐกิจและสังคมที่เอื้อให้เกิดการทุจริตคอร์รัปชัน ดังนั้น จึงควรดำเนินการปฏิรูปแบบองค์รวม โดยเน้นการเพิ่มความโปร่งใสและการเสริมสร้างความรับผิดชอบภายในเครือข่ายเหล่านี้

คำสำคัญ: การปกครอง, เครือข่ายทางสังคม, การคอร์รัปชันอย่างเป็นระบบ, ต้นทุนการดำเนินงาน

Abstract

This investigation elucidates the complex interrelationships between social networks, transaction costs, and their facilitation of corruption within Thailand's governance systems. Utilizing a comprehensive analytical framework, the study reveals that entrenched social networks substantially augment transaction

costs, thereby perpetuating systemic corruption across various administrative levels. The findings delineate the mechanisms through which these networks operate, highlighting their role in both the perpetuation and the entrenchment of corrupt practices. Implications derived from this analysis are pivotal for refining existing anti-corruption frameworks and suggest the necessity for innovative policy interventions that target the underlying socio-economic structures facilitating corruption. This study advocates for a holistic reform approach, emphasizing enhanced transparency and strengthened accountability within these networks.

Keywords: Governance, Social Networks, Systemic Corruption, Transaction Costs

Introduction

Corruption remains one of the most enduring challenges to governance and economic development across the globe. Defined broadly as the abuse of entrusted power for private gain, corruption undermines the effectiveness of government institutions, distorts economic markets, and erodes public trust (Refakar & Cárdenas, 2023). While corruption is a universal problem, its manifestations and impacts vary significantly from one context to another. In Thailand, corruption has been particularly persistent, deeply embedded in both the political and bureaucratic fabrics of the nation (Vichit-Vadakan, 2017). This pervasive issue affects various levels of governance and has profound implications on the country's social and economic landscape.

The understanding of corruption dynamics has evolved, acknowledging that it is not merely a legal or ethical issue but also a complex social phenomenon influenced by an array of institutional and economic factors. Among these, social networks and transaction costs have emerged as critical lenses through which the mechanisms of corruption can be explored. Social networks, referring to the structures of relationships among actors within a system, play a dual role in governance. On one hand, they can facilitate cooperation and collective action for public good; on the other, they can form conduits for corrupt practices, such as nepotism and clientelism, especially when the networks involve powerful political and business elites (Granovetter, 1985). In the Thai context, where hierarchical social structures are pronounced, these networks are particularly influential.

Transaction costs, a concept primarily derived from the field of economics, refer to the costs associated with making an exchange, which include not only financial costs but also the costs in time and other resources spent in negotiating and enforcing agreements (Williamson, 1981). In the realm of governance, high transaction costs can create barriers to entry for businesses and can limit access to public

services, thereby increasing the opportunities for corrupt transactions as individuals and companies seek to 'grease the wheels' to get things done. In environments where regulatory frameworks are complex and bureaucratic procedures are cumbersome, the transaction costs of abiding by the rules can become so high that individuals and businesses find it economically rational to engage in corruption.

This review article delves into the substantial body of literature examining the roles of social networks and transaction costs in the governance systems, with a particular focus on their influence in perpetuating or mitigating corruption within Thailand. The scope of this review is twofold. First, it aims to synthesize insights from theoretical and empirical studies that explore how social networks shape corrupt practices and influence anti-corruption efforts. This includes examining the mechanisms through which networks can enable or obstruct corruption, and how they affect the distribution of power and resources within Thai governance. Second, the review assesses the impact of transaction costs on corruption, exploring how different governance frameworks can alter these costs and thus influence the likelihood of corrupt behavior.

Given the complexity and opacity of corruption, this review adopts a multidisciplinary approach, drawing from sociology, political science, and economics to provide a comprehensive analysis of the interplay between social networks, transaction costs, and corruption in Thailand. By integrating these perspectives, the review aims to offer a nuanced understanding of the systemic nature of corruption and propose informed strategies for reform. The following sections will provide a detailed examination of the existing literature, highlighting the significant contributions as well as the gaps in research that future studies might address. This comprehensive synthesis not only enhances our understanding of corruption in the Thai context but also contributes to the broader discourse on governance and corruption globally.

Literature Review

Social Networks and Governance

Social network theory continues to provide a robust analytical framework for understanding the nuanced interactions between individuals, groups, and institutions within governance systems (Larsson, 2019; Gamper, 2022). This theoretical approach is particularly relevant in examining governance practices, as it highlights both the enabling and obstructive potentials of networks in public administration and policy-making. Recent literature further emphasizes the complex role that social networks play in influencing governance outcomes, offering deeper insights into how networks can facilitate collaborative policymaking as well as foster environments conducive to corruption.

In the governance context, social networks serve as channels for the flow of information and resources, which are essential for efficient and effective decision-making processes. Networks that are characterized by diverse and inclusive membership tend to foster broader participation in governance, integrating a range of perspectives that can enhance policy solutions and increase the legitimacy of public decisions (Burt, 2017). Such diversity within networks is shown to prevent the problems of echo chambers and groupthink, which often plague more homogenous networks where similar viewpoints reinforce existing biases and lead to poor governance outcomes.

However, the structure and transparency of these networks critically determine their impact on governance. Networks with opaque interactions and centralized control—where a few individuals hold significant power—can easily become instruments for corrupt activities. These networks may facilitate undue influence on policy processes, allowing for the manipulation of decisions that benefit a select few at the expense of the broader public interest (Mischen & Jackson, 2017). In this regard, network transparency becomes a vital aspect of governance; when the activities of networks are visible to the public and regulatory bodies, there is a higher likelihood of accountability. Visibility acts as a deterrent to corrupt practices, as it subjects network operations to external scrutiny that can expose and discourage integrity violations.

The adaptability of networks also plays a significant role in governance, particularly in crisis situations. For instance, during the 2011 floods in Thailand, networks that effectively incorporated community leaders and local non-governmental organizations were instrumental in managing the disaster. These networks leveraged their established relationships and local knowledge to coordinate responses and distribute aid effectively, underscoring the importance of adaptive and responsive network structures in emergency governance.

Despite the benefits, networks can also solidify existing power structures and facilitate the persistence of corruption, especially in contexts where institutional frameworks are weak or under transition. In tightly knit networks, often referred to as closed networks, there is a high degree of reciprocity and information sharing, which can enhance trust and cooperation among members. However, such closed networks can also exclude outsiders and create barriers to entry for new participants, leading to discriminatory practices and corruption. These networks can become self-serving, with members prioritizing personal or group interests over the public good, thus perpetuating cycles of corruption and undermining democratic governance.

Given these dynamics, the role of institutional frameworks cannot be overstated. Effective institutions are necessary to govern the behavior of networks, establishing clear rules and norms that ensure

networks contribute positively to governance. Elinor Ostrom's work on collective action emphasizes the need for robust institutional arrangements that can manage the complexities of network interactions and ensure that they serve their intended purpose in enhancing governance rather than undermining it (Ostrom, 2015).

In conclusion, social networks hold considerable power in shaping governance practices. Their influence can lead to enhanced collaborative governance and effective crisis management or contribute to the entrenchment of corruption and exclusion, depending on their structure, transparency, and the institutional contexts in which they operate. As such, understanding the dual potential of networks and strategically managing their development and operation is crucial for promoting good governance and mitigating the risks associated with their negative impacts.

Social Networks and Corruption

Social networks, particularly in Thailand, play a multifaceted role in shaping governance outcomes, including the prevalence or mitigation of corrupt practices. These networks, which consist of intertwined relationships among political, bureaucratic, and business entities, significantly influence the administrative and regulatory landscapes of the country. While social networks can facilitate rapid information exchange and coordination, they also create environments conducive to corruption when improperly managed or monitored. In Thailand, as in many other nations with similar socio-political structures, social networks span across the public and private sectors, blurring the lines between official duties and personal relationships. This overlap often results in conflicts of interest and decision-making that prioritize personal or group benefits over the public good. Phongpaichit and Piriya-rangsarn (1994) highlights how these networks operate within Thai governance, demonstrating that networks not only speed up processes and provide access to resources but also skew these processes and resources towards those within the network, often at the expense of fairness and transparency.

Mechanisms of Corruption Facilitation

Social networks facilitate corruption primarily through mechanisms like nepotism and patronage, where decisions on public contracts and jobs favor those within the network rather than those most qualified. Such practices not only undermine meritocracy but also entrench a system where personal relationships trump professional qualifications and public interest, leading to inefficiencies and a lack of innovation within public sectors (Rock & Bonnett, 2004). Furthermore, dense network connections can lead to collusion, where network members may manipulate market dynamics through bid rigging, price fixing, or the sharing of insider information. These actions distort market competition and can have deleterious effects

on economic fairness and development. The collusion often observed in tightly-knit networks illustrates a darker aspect of social capital—where trust and reciprocity are used not for public good but for mutual benefit at the societal expense. A study on business networks in Southeast Asia discusses how these tightly woven connections can lead to "crony capitalism," where businesses and political elites cooperate closely to maintain their economic and political dominance, often using corrupt practices to secure their position.

Deterrence of Corruption

Conversely, social networks have a potential role in deterring corruption. Networks characterized by high levels of trust and reciprocity can foster environments where members hold each other to high ethical standards. Coleman's (1988) seminal work on social capital argues that these networks can enhance the ability of members to act as monitors and enforcers of good behavior, thereby reducing the likelihood of corruption. Similarly, Tsai (2007) finds that in regions with strong community networks, public goods provision is higher, suggesting that these networks can enforce collective norms that discourage corrupt behavior. Moreover, the inclusion of diverse members in governance-related networks—from civil society, media, and international bodies—can introduce a level of scrutiny and accountability previously absent. Tsai (2007) suggest that such diversity can be instrumental in breaking down the insular nature of corrupt networks, introducing transparency and increasing the cost of engaging in corrupt practices. These networks can act as watchdogs, using their collective influence to ensure that governance processes remain transparent and that those in power are held accountable.

The Complexity of Network Influence

The influence of social networks on corruption is complex and context-dependent. In some cases, the same networks that facilitate corruption might also have the mechanisms to prevent it, depending on their structure, the norms they enforce, and the external pressures they face. Understanding this duality is crucial for policymakers aiming to harness the positive aspects of social networks while mitigating their potential for fostering corruption. Effective governance reforms must consider the restructuring of social networks within public institutions to promote inclusivity and transparency. Policies aimed at reducing corruption should focus on diversifying network membership, establishing clear rules and norms that discourage corrupt practices, and enhancing the monitoring and accountability mechanisms within networks. Recent research underscores the need for a nuanced approach to managing social networks in governance. As Lazer et al. (2020) argue, the digital age offers new tools for network analysis and monitoring, which can be leveraged to better understand and shape the dynamics of these networks in real

time. By employing such tools, governments can more effectively anticipate and counteract the ways in which networks might foster corrupt practices.

In conclusion, while the role of social networks in governance presents both challenges and opportunities, a strategic approach that leverages modern analytical tools and inclusive policies can enhance the positive impact of these networks. By doing so, it is possible to transform these networks from potential sources of corruption into foundations for robust and transparent governance.

Positive and Negative Roles of Social Network

Social networks play a dual role in governance systems, facilitating both positive initiatives such as community mobilization and transparency, and negative outcomes like corruption and nepotism. The structural characteristics and the prevailing norms within these networks significantly influence their impact on governance. In Thailand, this duality is particularly pronounced, given the country's ongoing efforts to combat corruption and enhance governance through various reforms and initiatives.

Positive Roles of Social Networks in Governance

Social networks, when structured effectively, can play a crucial role in promoting good governance practices. Networks with decentralized structures and transparent interactions are conducive to fostering accountability and inclusivity. Such networks often involve a broad range of stakeholders, including community leaders, civic groups, and non-governmental organizations, all working collaboratively to monitor and implement government projects. The transparency inherent in these networks enables a flow of information that keeps all members informed and engaged, allowing for better oversight and fewer opportunities for corruption. In rural Thailand, community networks have shown substantial effectiveness in overseeing local development projects. These networks often engage local stakeholders in the planning and monitoring stages, ensuring that the projects meet the community's needs and that resources are allocated efficiently. Callahan (2005) illustrates how these networks have helped to reduce the misappropriation of funds by increasing community oversight and participation in local governance. Such initiatives are pivotal in building trust between the government and the community, enhancing the overall quality of governance. Moreover, the presence of diverse and inclusive networks can help in breaking down the barriers of traditional power structures that often dominate public administration. These networks provide platforms for marginalized groups to voice their concerns and influence policy-making processes. The diversity within these networks ensures that a multiplicity of perspectives is considered in decision-making, leading to more holistic and sustainable governance outcomes. This inclusivity is crucial

in regions where minority groups have historically been excluded from governance processes (Ostrom, 2010).

Negative Roles of Social Networks in Governance

Conversely, social networks can also facilitate corruption, particularly when they are characterized by centralized power structures and opaque interactions. In such settings, networks can become closed circles of power that exclude outsiders and operate under a veil of secrecy. This opacity allows for corrupt practices such as nepotism, patronage, and favoritism to flourish, as there is little to no external oversight or accountability. In Thailand, the negative impacts of such networks are evident in the civil service and political appointments, where it is not uncommon for positions to be filled based on personal connections rather than merit. Rock and Bonnett (2004) describe how these practices not only undermine the integrity of public institutions but also perpetuate a culture of impunity. When individuals are appointed to key positions based solely on their network affiliations, it can lead to a lack of professionalism and efficiency in public administration, eroding public trust in government. The persistence of these practices can be attributed to deeply ingrained cultural norms that value loyalty and personal relationships over impartiality and professionalism. These norms can be challenging to change, as they are often reinforced by the very structures they create. Furthermore, powerful networks can resist reforms that threaten their interests, making it difficult to implement changes that could disrupt established patterns of influence and benefit-sharing within the network (Khwaja, 2001).

Balancing the Dual Roles

Balancing the positive and negative impacts of social networks in governance requires a nuanced approach that considers both the structural dynamics of networks and the cultural contexts in which they operate. Policies aimed at reforming governance must focus on promoting transparency and accountability while also respecting and working within cultural norms that value relationships. One effective strategy could be the institutionalization of mechanisms that ensure transparency and participation in governance processes. This could include the establishment of independent oversight bodies that include members from outside the traditional networks, equipped with the authority and resources to monitor and hold public officials accountable. Additionally, leveraging technology to enhance transparency and facilitate public participation in governance can also play a critical role in mitigating the negative effects of closed networks (Peisakhin and Pinto, 2010). Moreover, promoting education and awareness about the benefits of good governance and the harms of corruption can help to shift cultural norms towards more open and merit-based

governance practices. Such efforts can empower citizens to demand better governance and hold their leaders accountable, ultimately leading to more robust and effective public institutions (Mungiu-Pippidi, 2015).

In conclusion, social networks in governance exhibit a dual nature, where their impact can either promote or hinder effective governance based on their structural and normative characteristics. In Thailand, the challenge lies in harnessing the positive aspects of these networks while mitigating their potential to facilitate corruption. By implementing reforms that enhance transparency, promote inclusivity, and foster public participation, it is possible to reshape these networks into forces for good governance and development.

Transaction Costs in Governance

Transaction Cost Economics (TCE) provides a theoretical lens for understanding the inefficiencies inherent in managing transactions either within markets or through hierarchies. Initially articulated by Ronald Coase and later expanded by Oliver E. Williamson, this framework emphasizes the role of transaction costs in shaping economic decision-making and organizational strategies (Coase, 1937; Williamson, 1981). Within governance, TCE helps elucidate how policy design and administrative structures influence the behaviors of public and private entities, affecting overall economic and bureaucratic efficiency. TCE centers on several types of transaction costs: search and information costs, bargaining and decision costs, and policing and enforcement costs. Each of these plays a critical role in governance. For example, search and information costs involve the resources expended to find suitable service providers or to understand regulatory requirements, which can be substantial in complex regulatory environments (North, 1990). The application of these concepts in governance is critical; policies that result in high transaction costs can deter economic activities by increasing the time and resources needed for compliance and enforcement. In governance, reducing transaction costs can streamline processes, enhance public service delivery, and increase participation in policy-making processes. For instance, simplifying legal and regulatory frameworks can lower the barriers for businesses and individuals to engage with government services, thereby increasing economic activity and reducing opportunities for corrupt interactions (Shelanski & Klein, 1995).

High transaction costs are often directly correlated with increased opportunities for corruption. In environments where it is expensive and time-consuming to access public services or comply with regulations, individuals and businesses may seek alternative, often illicit, ways to circumvent these barriers. This scenario typically fosters a climate ripe for bribery and corruption (Dixit, 2009). Conversely, policies

that reduce transaction costs and simplify administrative procedures can decrease the dependency on corrupt practices by lowering the benefits of engaging in such activities (Klitgaard, 1988).

In Thailand, the relationship between transaction costs and corruption is manifest in several administrative domains. One prominent example is the property registration process. Historically characterized by high transaction costs due to complicated bureaucratic procedures and the requirement for multiple clearances, the property sector in Thailand has been vulnerable to corruption, with individuals often resorting to bribes to expedite processes (Transparency International, 2018). Efforts to digitize property records and simplify procedures have been part of Thailand's strategy to reduce these transaction costs and limit corruption opportunities (World Bank, 2019). Similarly, the government procurement process in Thailand has been plagued by high transaction costs. The complexity and lack of transparency in bidding processes have discouraged small and medium enterprises from participating, often leading to a concentration of economic power and potential collusive practices among a few large corporations and state officials. Recent legislative reforms aimed at reducing these transaction costs include the implementation of electronic bidding systems and enhanced regulatory oversight, which are intended to open competition and reduce corruption.

The analysis of transaction costs within the framework of TCE offers valuable insights into how governance can be optimized to reduce corruption and enhance economic efficiency. In Thailand, addressing high transaction costs through administrative reform and policy adjustments has been central to recent efforts to improve governance and reduce corruption. These efforts are crucial not only for economic growth but also for improving public trust in governmental institutions. By continuing to focus on reducing transaction costs, governments can foster a more transparent, efficient, and equitable governance environment.

Analysis and Discussion

The interplay between social networks and transaction costs significantly shapes governance structures and influences the prevalence of corruption. Understanding how these factors interact is crucial for designing effective anti-corruption strategies and improving governance practices. This section explores the relationship between social networks and transaction costs, discusses the challenges in reforming these areas, and provides a comparative analysis with other Southeast Asian countries to highlight both unique and common governance challenges.

Integrating Social Networks and Transaction Costs

Social networks and transaction costs are intertwined in complex ways that can either promote efficient governance or facilitate corruption. Social networks can reduce transaction costs by facilitating information flow and trust among members, which can speed up decision-making and reduce the need for formal controls (Granovetter, 1985). These networks, often built on long-standing relationships and mutual trust, can streamline communication and coordination, enabling more efficient transactions and cooperation. For example, in communities where social ties are strong, informal agreements and understandings can substitute for more costly and time-consuming formal contracts, thereby reducing transaction costs.

However, when these networks are opaque and exclusive, they can increase transaction costs for outsiders and create environments conducive to corrupt practices (Putnam, 1993). Exclusive networks can lead to favoritism, where only those within the network benefit from reduced transaction costs, while outsiders face increased barriers and costs. This creates a dual system where the efficiency benefits of social networks are only available to a select few, often leading to inefficiencies and inequalities in the broader system. In such environments, the lack of transparency and inclusivity can lead to the misuse of resources and power, fostering corruption.

For instance, in Thailand, entrenched networks within the government can monopolize access to public services, increasing transaction costs for those not within these networks and offering ample opportunities for corruption (Rock & Bonnett, 2004). These entrenched networks can control key administrative processes and decision-making, making it difficult for outsiders to navigate the system without incurring additional costs or engaging in corrupt practices to gain access. This monopolization of access not only stifles competition but also perpetuates a cycle of corruption and inefficiency, as those in power seek to maintain their advantageous positions.

Moreover, transaction costs influence the structure and efficacy of social networks in governance. High transaction costs can lead to the formation of smaller, more cohesive networks that are easier to manage but can be exclusionary and corrupt. These smaller networks may prioritize loyalty and trust over broader efficiency, leading to a governance structure that is closed off to new ideas and external input. This insularity can exacerbate corruption, as accountability is weakened and checks on power are reduced.

Conversely, lowering transaction costs through regulatory simplification and digital governance can lead to broader, more inclusive networks that reduce the scope for corruption by increasing transparency and accountability (Khwaja, 2004). When transaction costs are lowered, it becomes easier for a wider range of actors to participate in governance processes, leading to more diverse and dynamic networks. Digital

governance initiatives can enhance transparency by making information more accessible and by streamlining administrative processes, thus reducing opportunities for corrupt practices. For example, online platforms for public service delivery can eliminate the need for face-to-face interactions, where bribes or favoritism might otherwise occur.

The role of social networks in governance is thus dual-faceted. On one hand, strong, transparent, and inclusive networks can drive efficiency, trust, and effective decision-making. On the other hand, if these networks become exclusive and opaque, they can entrench corruption and inefficiency. The challenge lies in fostering social networks that are open and transparent, ensuring that the benefits of reduced transaction costs are widely shared and that governance processes remain accountable and free from corrupt influences. By focusing on regulatory reforms and digital governance, it is possible to build broader networks that promote transparency and inclusivity, ultimately leading to more efficient and corruption-resistant governance systems. According to the authors' perspectives, it is essential to highlight that while utilizing social networks to decrease transaction costs can improve efficiency, it is vital to implement strong anti-corruption strategies and maintain the transparency and inclusivity of these networks to avoid fostering corrupt practices.

Challenges in Addressing Corruption

Reforming entrenched networks and altering transaction costs present significant challenges. Networks that have existed for generations within government structures are resistant to change because they often benefit those in power. Efforts to dismantle or reform these networks face strong opposition from vested interests that are invested in maintaining the status quo (Rothstein & Teorell, 2008). For example, initiatives to introduce digital governance in Thailand, aimed at reducing transaction costs, have been met with resistance from parts of the bureaucracy that benefit from the complexity and opacity of the existing system (World Bank, 2016). Furthermore, altering transaction costs requires comprehensive reforms that not only change laws and regulations but also address the underlying administrative and cultural practices that contribute to high costs. This involves not only technological upgrades and process optimization but also a shift in organizational culture towards greater openness and efficiency—changes that are often slow and difficult to implement (Peters & Pierre, 1998). A critical perspective argues that without addressing the deep-seated interests and cultural barriers within these networks, attempts at reform may remain superficial, ultimately failing to produce meaningful and lasting improvements in governance and efficiency.

Comparative Analysis with Southeast Asian Countries

When comparing Thailand with other Southeast Asian countries, similar patterns of interaction between social networks and transaction costs can be observed, though the specific manifestations and challenges vary. For instance, in Indonesia, like in Thailand, dense and hierarchical social networks have facilitated corruption, particularly in relation to natural resource exploitation (Hadiz, 2010). However, Indonesia has made significant strides in reducing transaction costs through anti-corruption reforms and improvements in digital governance, which have helped to disrupt some of these networks (World Bank, 2019). Conversely, in Singapore, strong institutional frameworks have historically kept transaction costs low, which has limited the scope for corruption. Singapore's success in governance is partly attributed to the integration of technology in public services, which has streamlined processes and reduced the human element where corruption typically festers (Quah, 2010). This has allowed Singapore to create efficient, inclusive, and relatively corruption-free governance networks. According to the authors, the variations in how these countries handle social networks and transaction costs underline the importance of context-specific strategies in governance reform. In Thailand and Indonesia, breaking down entrenched networks requires not only technological advancements but also significant political will and institutional support. Singapore's experience demonstrates that strong institutional frameworks and technological integration can effectively reduce transaction costs and corruption. However, replicating Singapore's model may be challenging in countries with weaker institutions and more deeply rooted social networks. Thus, the authors emphasize that while technology and reforms are crucial, they must be accompanied by broader efforts to strengthen institutions and foster a culture of transparency and accountability.

The analysis reveals that both social networks and transaction costs play critical roles in shaping governance and influencing corruption. Social networks, which are integral to the social and political fabric of any country, can facilitate efficient governance by promoting trust and information sharing. However, these same networks can also enable corruption when they become opaque and exclusive, serving the interests of a select few while increasing transaction costs for outsiders. Addressing the challenges associated with reforming entrenched networks and altering transaction costs is complex and requires a multi-faceted approach. Efforts to reform entrenched networks often face resistance from those who benefit from the status quo. These networks are deeply embedded in the political and administrative structures, making them resilient to change. For example, in Thailand, attempts to introduce digital governance aimed at reducing transaction costs have been met with opposition from bureaucratic entities that thrive on the existing system's complexity and lack of transparency. Similar challenges are observed in Indonesia, where

hierarchical social networks have facilitated corruption, particularly in natural resource exploitation. However, Indonesia's recent anti-corruption reforms and advancements in digital governance show that it is possible to disrupt these networks and reduce transaction costs, albeit with significant effort and political will. Comparatively, Singapore presents a successful case where strong institutional frameworks and the integration of technology in public services have kept transaction costs low and minimized corruption. Singapore's model demonstrates that when governance processes are streamlined and the human element, where corruption typically festers, is reduced, it is possible to achieve efficient, inclusive, and relatively corruption-free networks. This success is attributed to robust anti-corruption measures, a commitment to transparency, and a culture of accountability that supports technological integration. Learning from these comparative experiences within Southeast Asia can provide valuable insights into successful strategies for governance reform and anti-corruption initiatives. Countries like Thailand and Indonesia can look to Singapore's model for inspiration, but they must adapt these strategies to their unique socio-political contexts. This might involve not only technological upgrades and process optimization but also comprehensive reforms that address underlying administrative and cultural practices. Strengthening institutions, fostering political will, and cultivating a culture of openness and accountability are crucial steps towards sustainable governance reform.

Implications for Policy and Practice

The dual role of social networks and the impact of transaction costs on governance and corruption have significant implications for policy and practice, particularly in the context of Thailand. Addressing these issues requires a thoughtful approach to leverage the positive aspects of social networks while minimizing transaction costs to foster a more efficient, transparent, and corruption-resistant governance environment. This section outlines specific policy recommendations and practical steps for implementation to combat corruption effectively in Thailand.

Policy Recommendations

1. **Strengthening Regulatory Frameworks to Reduce Transaction Costs:** Effective policy should aim at simplifying and streamlining regulatory frameworks to reduce the bureaucratic burden and associated transaction costs. Policies that decrease the complexity of administrative processes can discourage corrupt practices by making the processes faster and less susceptible to manipulation. This includes digitalizing government services where possible to enhance transparency and accountability.

2. **Leveraging Social Networks for Public Oversight and Participation:** Policies should also capitalize on the positive potential of social networks by fostering networks that include a broad range of stakeholders. Encouraging the formation of inclusive networks that encompass civil society, private sector actors, and international organizations can create more checks and balances within the governance system. Such networks can act as a counterbalance to more entrenched, potentially corrupt networks by increasing oversight and promoting standards of accountability.

3. **Promoting Open Government Initiatives:** Implementing open government initiatives can be an effective strategy to leverage technology to reduce transaction costs and enhance network transparency. These initiatives should focus on increasing access to government data, improving public engagement, and supporting the unrestricted flow of information that can help to monitor and evaluate government actions more effectively.

4. **Cultivating a Culture of Integrity:** Education and continuous professional development should be prioritized to cultivate a culture of integrity within public institutions. Training programs that emphasize ethical behavior, the importance of public service, and the negative impacts of corruption can empower public officials and reinforce their role in maintaining high standards of governance.

Practical Steps for Implementation

1. **Implementing Digital Platforms:** Practically, Thailand can reduce transaction costs by investing in and implementing digital platforms for public services. This includes online portals for business registrations, tax filings, and property transactions, which reduce the need for face-to-face interactions that can often be opportunities for corrupt transactions. The government could launch pilot projects in regions with high levels of public sector corruption to monitor the effectiveness of digital platforms in reducing corruption.

2. **Establishing Community Monitoring Groups:** To effectively leverage social networks, the government should support the creation of community monitoring groups that can include local NGOs, community leaders, and even international observers. These groups would be tasked with overseeing local government projects, ensuring that procurement processes are transparent and that public funds are used appropriately. The government could provide training and resources to these groups to enhance their monitoring capabilities.

3. **Enhancing Public Participation in Policy-Making:** Open forums and public consultations should be regularized to allow more comprehensive public participation in policy-making. This can be

facilitated by both physical and digital means to ensure broad accessibility. Such participation helps in making policy-making more transparent and less prone to influence from corrupt networks.

4. Establishing Anti-Corruption Hotlines and Portals: To encourage public involvement in governance, Thailand should establish and promote anti-corruption hotlines and online reporting portals where citizens can anonymously report corrupt activities. This step would not only empower citizens but also deter corrupt practices by increasing the likelihood of detection and prosecution.

5. Continuous Evaluation and Reform of Policies: Finally, policies and their implementations should be continuously evaluated to ensure they are effective in reducing corruption. This involves setting clear benchmarks for success and regularly reviewing and adjusting policies as necessary to meet these benchmarks.

By implementing these strategies and steps, Thailand can harness the positive aspects of social networks and reduce transaction costs to create a more transparent, accountable, and corruption-resistant governance system.

Conclusion

This review underscores the intricate interplay between social networks and transaction costs in shaping governance and influencing corruption in Thailand. Social networks exhibit a dual nature: they can enhance governance through efficient collaboration and community engagement, yet they also pose risks by fostering exclusivity and corruption, particularly when opaque and exclusionary. Similarly, high transaction costs often incentivize corrupt behaviors by making bureaucratic processes cumbersome and less transparent, while their reduction can streamline governance and reduce corruption opportunities. Addressing these challenges requires comprehensive reforms that tackle both the structural and cultural facets of corruption. Future research should focus on detailed network analyses across various sectors, longitudinal studies to assess reform impacts, comparative studies within Southeast Asia, exploration of cultural influences on corruption, and the efficacy of digital governance initiatives. Such studies will deepen the understanding of corruption dynamics and inform more effective governance strategies in Thailand, aiming for a governance system that is both efficient and transparent.

References

- Burt, R. S. (2004). Structural Holes and Good Ideas. *American Journal of Sociology*, 110(2), 349-399.
- Callahan, W. A. (2005). Social Capital and Corruption: Vote Buying and the Politics of Reform in Thailand. *Perspectives on Politics*, 3(3), 495-508.
- Coase, R. H. (1995). *The nature of the firm*. Macmillan Education.
- Coleman, J. S. (1988). Social capital in the creation of human capital. *American Journal of Sociology*, 94, S95-S120.
- Dixit, A. (2009). Governance institutions and economic activity. *American Economic Review*, 99(1), 5-24.
- Gamper, M. (2022). Social Network Theories: An Overview. In: Klärner, A., Gamper, M., Keim-Klärner, S., Moor, I., von der Lippe, H., Vonneilich, N. (eds) *Social Networks and Health Inequalities*. Berlin, German: Springer.
- Granovetter, M. (1985). Economic Action and Social Structure: The Problem of Embeddedness. In *The sociology of economic life* (pp. 22-45). London: Routledge.
- Hadiz, V. (2010). *Localising Power in Post-Authoritarian Indonesia: A Southeast Asia perspective*. Redwood City, CA: Stanford University Press.
- Khwaja, A. I. (2001). *Can Good Projects Succeed in Bad Communities? Collective Action in the Himalayas*. KSG Faculty Research Working Papers Series RWP01-043, March 2001.
- Khwaja, A. I. (2004). Is increasing Community Participation Always a Good Thing? *Journal of the European Economic Association*, 2(2-3), 427-436.
- Klitgaard, R. (1988). *Controlling corruption*. Berkeley, CA: University of California Press.
- Larsson, O. (2019). A Theoretical Framework for Analyzing Institutionalized Domination in Network Governance Arrangements. *Critical Policy Studies*, 13(1), 81-100.
- Lazer, D., Baum, M. A., Benkler, Y., Berinsky, A. J., Greenhill, K. M., Menczer, F., ... & Zittrain, J. L. (2020). The Science of Fake News: Addressing Fake News Requires a Multidisciplinary Effort. *Science*, 359(6380), 1094-1096.
- Mischen, P. A., & Jackson, S. K. (2017). Connecting the Dots: Applying Complexity Theory, Knowledge Management and Social Network Analysis to Policy Implementation. *Public Administration Quarterly*, 41(3), 467-498.
- Mungiu-Pippidi, A. (2015). *The Quest for Good Governance: How Societies Develop Control of Corruption*. Cambridge, UK: Cambridge University Press.

- North, D. C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge, UK: Cambridge University Press.
- Ostrom, E. (2010). Beyond Markets and States: Polycentric Governance of Complex Economic Systems. *American Economic Review*, 100(3), 641-672.
- Ostrom, E. (2015). *Governing the Commons: The Evolution of Institutions for Collective Action*. Cambridge, UK: Cambridge University Press.
- Peisakhin, L., & Pinto, P. (2010). Is Transparency an Effective anti-corruption strategy? Evidence from a Field Experiment in India. *Regulation & Governance*, 4(3), 261-280.
- Peters, B. G., & Pierre, J. (1998). Governance without government? Rethinking public administration. *Journal of Public Administration Research and Theory*, 8(2), 223-243.
- Phongpaichit, P., & Piriyaarangsarn, S. (1994). *Corruption and Democracy in Thailand*. The Political Economy Centre, Chulalongkorn University.
- Putnam, R. (1993). *Making Democracy Work: Civic Traditions in Modern Italy*. New Jersey: Princeton University Press.
- Quah, J. S. (Ed.). (2010). *Public administration Singapore-style*. Bingley, UK: Emerald Group Publishing Limited.
- Refakar, M., & Cárdenas, G. C. (2023). Corruption and Transactional Crime: Building up Effective Accountable Inclusive and Transparent Institutions as Ground for Sustainable Finance. In *Sustainable Finance and Financial Crime* (pp. 165-188). Cham: Springer International Publishing.
- Rock, M. T., & Bonnett, H. (2004). The Comparative Politics of Corruption: Accounting for the East Asian Paradox in Empirical Studies of Corruption, Growth and Investment. *World Development*, 32(6), 999-1017.
- Rothstein, B. O., & Teorell, J. A. (2008). What is Quality of Government? A Theory of Impartial Government Institutions. *Governance*, 21(2), 165-190.
- Shelanski, H. A., & Klein, P. G. (1995). Empirical Research in Transaction Cost Economics: a Review and Assessment. *The Journal of Law, Economics, and Organization*, 11(2), 335-361.
- Transparency International. (2018). Corruption perceptions index. Retrieved December 22, 2023, From <https://www.transparency.org/en/cpi/2018>
- Tsai, L. L. (2007). Solidary Groups, Informal Accountability, and Local Public Goods Provision in Rural China. *American Political Science Review*, 101(2), 355-372.

- Vichit-Vadakan, J. (2017). Public Ethics and Corruption in Thailand. In *Public administration in Southeast Asia* (pp. 79-94). London: Routledge.
- Williamson, O. E. (1981). The Economics of Organization: The Transaction cost Approach. *American Journal of Sociology*, 87(3), 548-577.
- World Bank. (2016). *Digital dividends*. World Development Report.
- World Bank (2019). *Improving Public Sector Performance Through Innovation and Inter-Agency Coordination*. Public Sector Governance Review.