

๖๐ ปี นายอภิชาต

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๖๐ ปีนายอภิชัย

ผศ. ดร. ชัยยุทธ ปัญญาสวัสดิ์สุทธิ์
บรรณาธิการ

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คำนำนิยาม

ศาสตราจารย์ ดร. อภิชัย พันธเสน เป็นนักเศรษฐศาสตร์ที่ต่างจาก นักเศรษฐศาสตร์กระแสหลักโดยทั่วไป ในขณะที่นักเศรษฐศาสตร์โดยทั่วไปมักจะคิดเรื่องเศรษฐกิจแบบแยกส่วนจากกระบวนการชีวิตทั้งหมด ซึ่งเมื่อขับเคลื่อนไปก็ทำให้เกิดการเสียสมดุลภาพอย่างร้ายแรงบนพื้นพิภพ ดร.อภิชัย เป็นนักเศรษฐศาสตร์ที่สนใจความเชื่อมโยง ดังที่มีผลงานชิ้นใหญ่เกี่ยวกับชนบท และพุทธเศรษฐศาสตร์ เป็นต้น และต่อมาได้เป็นผู้ริเริ่มโครงการดุสิตบัณฑิตปรัชญา สหวิทยาการของมหาวิทยาลัยธรรมศาสตร์ ซึ่งเป็นเรื่องที่มีความสำคัญยิ่ง เพราะทุกวันนี้มีการมองแบบแยกส่วน การคิดแบบแยกส่วน การทำแบบแยกส่วน และการเรียนแบบแยกส่วน เต็มไปหมด อันเป็นสาเหตุของวิกฤตการณ์ของมนุษย์ในปัจจุบัน อะไรๆ ที่แยกส่วนจะนำไปสู่การเสียสมดุลภาพและสภาวะวิกฤตเสมอ

บูรณาการระหว่างวิชาต่างๆหาเพียงพอไม่ แต่ต้องบูรณาการกับชีวิตและความเป็นจริงด้วย สำคัญที่สุดคือ วิธีชีวิตร่วมกัน การอยู่ร่วมกันด้วยสันติระหว่างมนุษย์กับมนุษย์ และระหว่างมนุษย์กับสรรพสิ่ง ควรจะเป็นจุดมุ่งหมายร่วมกันของมนุษยชาติ ผมคิดว่างานทางวิชาการของดร.อภิชัยทั้งหมดมีจุดมุ่งหมุดเพื่อการอยู่ร่วมกันด้วยสันติ ในโอกาสที่ลูกศิษย์รวบรวมตีพิมพ์บทความทางวิชาการของ ดร. อภิชัย เพื่อเป็นการเฉลิมอายุครบ ๕ รอบนักษัตรในปีนี้ ผมขอถือโอกาสอวยพรให้ศาสตราจารย์ ดร. อภิชัย พันธเสน บรรลุความดีงาน ความสุข และความสร้างสรรค์ยิ่งขึ้น เพื่อประโยชน์ของมนุษยชาติ

ประเวศ วะสี

๒๑ กันยายน ๒๕๔๕

คำนำนิยาม

ผมรู้สึกยินดีเป็นอย่างยิ่งที่ลูกศิษย์และเพื่อนมิตรได้จัดงานแสดงมุทิตาจิตในโอกาสครบรอบ ๖๐ ปี ของ ศาสตราจารย์ ดร. อภิชัย พันธเสน

ศ. ดร. อภิชัย พันธเสน เป็นทรัพยากรบุคคลที่มีคุณค่าเปี่ยมล้นต่อแวดวงวิชาการ แวดวงนักคิดนักเขียนของสังคมไทย ที่ได้นำความรู้ความสามารถมาอุทิศรับใช้สังคมไทยอย่างมั่นคงมาจนถึงปัจจุบัน

ผมรู้จักอาจารย์อภิชัย พันธเสน ในยุคที่ภาวะการเรียกร้องประชาธิปไตยเริ่มร้อนแรง ถึงแม้ผมจะไม่ได้เรียนมหาวิทยาลัยธรรมศาสตร์ และไม่ได้เรียนเศรษฐศาสตร์อันเป็นวิชาที่อาจารย์อภิชัยเป็นผู้สอน

แต่ผมก็รู้จักท่านจากการที่ได้สัมผัสงานเขียน ทั้งในรูปของบทความทางวิชาการ การอภิปรายและสังสรรค์เสวนาเรื่องสังคมการเมือง โดยเฉพาะเรื่องเศรษฐศาสตร์การเมือง ซึ่งเป็นวิชาที่คนรุ่นผมให้ความสนใจใฝ่รู้เป็นอย่างมาก เนื่องจากเกี่ยวข้องกับผูกพันโดยตรงกับการเพียรหาความยุติธรรม ความเท่าเทียมกันในด้านเศรษฐกิจและสังคม

อาจารย์อภิชัย เป็นผู้หนึ่งซึ่งยืนเด่นเป็นสง่าอยู่แถวหน้าของปัญญาชนในการเรียกร้องประชาธิปไตย เรียกร้องการเปลี่ยนแปลงเพื่อความถูกต้องยุติธรรมในสังคม

ในช่วงที่การเคลื่อนไหวเข้มข้นขึ้นเรื่อยๆ ขณะที่จำนวนผู้ร่วมแถวต่อสู้เรียกร้องค่อยๆ ลดลง หลายคนถูกลอบทำร้าย หลายคนหลบหนีเข้าป่า อีกหลายๆ คนที่อยู่ในเมืองก็ต้องเผชิญการคุกคามจากอำนาจเผด็จการ ผมและอาจารย์อภิชัย ตกอยู่ในฐานะผู้ร่วมเผชิญชะตากรรมเดียวกัน เราจึงใกล้ชิดสนิทสนมกันเป็นพิเศษ

จนกระทั่งเกิดเหตุการณ์ ๖ ตุลาคม ผมถูกจับกุมคุมขัง อาจารย์อภิชัยเดินทางไปร่วมต่อสู้อยู่ในต่างประเทศกับนักศึกษาไทยและองค์กรต่างประเทศ เพื่อเคลื่อนไหวกดดันให้มีการปล่อยตัวผมกับเพื่อนๆ ให้เป็นอิสระ

และเมื่อผมได้รับอิสรภาพ ก็ได้รับเชิญไปพบปะคนไทยและมิตรต่างแดนที่ออสเตรเลีย นิวซีแลนด์ โดยอาจารย์อภิชัย ในฐานะผู้ประสานงานได้ทำหน้าที่ดูแลช่วยเหลือเกื้อกูลผมเป็นอย่างดี

ในช่วงหลัง นอกจากท่านอาจารย์จะอุทิศตนเองให้กับงานสอน งานเขียนแล้ว ยังได้ผลิตงานวิจัยอันทรงคุณค่า ๓ ช่วง ๓ เหตุการณ์คือ

๑. การศึกษา : การปฏิรูปหรือปฏิวัติ ๒. พัฒนาชนบทไทย : สมุหทัย และมรรค และล่าสุดคือ “พุทธเศรษฐศาสตร์”

ทั้ง ๓ เล่มนี้ ท่านอาจารย์ได้อุทิศให้กับผู้มีพระคุณยิ่ง ๓ ท่านคือ ดร.เดือน บุนนาค ศ. ดร. ป่วย อึ้งภากรณ์ และบิดาของท่านตามลำดับ ซึ่งงานทั้ง ๓ ชิ้นเป็นงานที่ทรงคุณค่ายิ่งต่อแวดวงวิชาการและสังคมไทย

ความผูกพันของผมนับกับอาจารย์อภิชัย ยังต่อเนื่องยาวนาน จนแม้เมื่อเข้าทำงานการเมืองในฐานะผู้แทนราษฎร และผู้บริหารพรรคการเมือง ผมก็ยังติดตามบทบาทและงานเขียนของท่านอยู่อย่างสม่ำเสมอ โดยเฉพาะในด้านการพัฒนาชนบท อันเป็นหน้าที่ของผู้แทนราษฎรอย่างผมจะต้องสนใจใฝ่รู้ เพื่อนำมาปฏิบัติดำเนินการให้เกิดผล ซึ่งท่านก็เต็มใจให้ความช่วยเหลือเต็มที่

จนกระทั่งผมมีโอกาสเข้าไปทำงานด้านการศึกษาในฐานะรัฐมนตรีว่าการทบวงมหาวิทยาลัย อาจารย์อภิชัย ก็ยังติดตามมาให้คำปรึกษาหารืออยู่เสมอมิได้ขาดหาย โดยเฉพาะโครงการปริญญาเอก “สหวิทยาการ” ของมหาวิทยาลัยธรรมศาสตร์ที่ได้นำแนวความคิดของ ศ. ดร.ปรีดี พนมยงค์ ผู้ประศาสน์การ มหาวิทยาลัยธรรมศาสตร์ และรัฐบุรุษอาวุโส ได้วางไว้ มาปรับใช้กับภาวะสังคมไทย ซึ่งเปลี่ยนแปลงไปได้อย่างกลมกลืนมีพลัง

น่าเสียดายที่การพบปรึกษาหารือกันระหว่างท่านกับผม อยู่ในช่วงท้ายของการรับตำแหน่งรัฐมนตรีของผม การทำงานร่วมกันจึงสะดุดหยุดลง ซึ่งทราบภายหลังว่าท่านอาจารย์ได้ลาออกจากความเป็นผู้รับผิดชอบในโครงการ ท่ามกลางความอาลัยรักของนักศึกษาและผู้ร่วมโครงการ

ในโอกาสครบรอบ ๖๐ ปี ของท่านอาจารย์อภิชัย พันธเสน ผมซึ่งเป็นผู้่ออนอาวุโส คงไม่อยู่ในฐานะที่จะอวยพรใดๆ นอกจากจะตั้งความหวังไว้ในใจว่าจะได้เห็นผลงานทางวิชาการอันทรงคุณค่า เปี่ยมประโยชน์ต่อสังคม...ออกเผยแพร่อุสสาธาณชนเพิ่มมากขึ้นไม่หยุดยั้ง

แน่นอน-ตราบเท่าที่ผมยังมีชีวิต ผมยังพร้อมที่จะร่วมกับอาจารย์ก้าวเดินไปบนเส้นทางอันถูกต้องดีงามเพื่อสังคมไทยสืบไป

**ด้วยรักและคารวะ
สุธรรม แสงประทุม**

คำนำนิยามแต่ อ.อภิชัย

อภิชัยเป็นคนที่ซื่อตรงในสิ่งที่คิด พูด ทำ ก็เลยทำให้บางทีคำพูดอาจไม่ถูกหูใคร ด้วยความที่เป็นคนลักษณะนี้ ทำให้เขาอยู่กับโลกของความเป็นจริง ไม่ใช่โลกที่เต็มไปด้วยม่านมายา ลักษณะตรงไปตรงมาผนวกกับความคิดที่ลึกซึ้งและเปิดกว้างทำให้เขามีพัฒนาการทางความคิดทฤษฎีตลอดมา จากสีแดงในวัยหนุ่มสู่สีเขียวและสีเหลืองในบั้นปลายพุทธเศรษฐศาสตร์ ถือได้ว่าเป็นพัฒนาการทางความคิดที่ลุ่มลึกบนพื้นฐานรองรับจากประสบการณ์และความเข้าใจโลกมาอย่างโชกโชน เขานับถือพระที่นับได้ว่าเป็นปราชญ์แห่งตะวันออกสองท่านคือ ท่านพุทธทาส และพระธรรมปิฎก (ป.อ.ปยุตฺโต) การปฏิบัติตามหลักพุทธธรรมไม่เพียงแต่ทำให้สุขภาพที่สู้ไม่คืนักกลับฟื้นแข็งแรงขึ้นมาก แต่ยังทำให้เขาเข้าใจธรรมะอย่างถ่องแท้จนมีปัญญาสามารถบูรณาการพุทธธรรมเข้ากับเศรษฐศาสตร์ได้อย่างลงตัว พุทธเศรษฐศาสตร์เป็นทฤษฎีที่เหมาะสมแก่สังคมไทยในการเผชิญกับวิกฤตทางเศรษฐกิจและเป็นการสนองต่อพระราชดำริเศรษฐกิจพอเพียงของพระบาทสมเด็จพระเจ้าอยู่หัวให้เป็นที่ประจักษ์ใน ระดับวงวิชาการ

ไม่เพียงแต่ทาบทาสีเหลืองให้แก่ผืนแผ่นดินไทย เขายังเติมเต็มสังคมไทยให้มีหลากหลายสีสรร ด้วยการเป็นหนึ่งในผู้ริเริ่มก่อตั้งโครงการปริญญาเอก สหวิทยาการ ขึ้นเป็นครั้งแรกในประเทศไทย แม้ว่าโครงการฯจะถือกำเนิดขึ้นภายในรั้วธรรมศาสตร์ แต่แท้จริงแล้วเขามีริ้วไธเบ่งกันไม่ เขาเป็นผู้ชักนำให้คณาจารย์ผู้ทรงคุณวุฒิจากหลากหลายสถาบันการศึกษามาร่วมมือกันสร้างบัณฑิต ให้มีความรู้ความสามารถใน การพัฒนาองค์ความรู้ใหม่ที่มีลักษณะองค์รวมและบูรณาการจากศาสตร์หลากหลายสาขา การดำรงตำแหน่งผู้อำนวยการโครงการฯของเขาได้ช่วยให้โครงการฯมีชื่อเสียงในด้านคุณภาพทางวิชาการจนเป็นที่ยอมรับในวงกว้าง

ที่กล่าวมานี้เป็นเพียงแค่อะไหล่ของผลงานที่อภิชัยได้สร้างสรรค์ไว้ให้แก่สังคมไทย ยากนักที่จะกล่าวถึงคุณูปการทั้งหมดที่อภิชัยมีต่อสังคม แต่สิ่งเดียวที่เราอาจสรุปได้จากสิ่งที่อภิชัยได้ทำมาโดยตลอดคือ อุดมการณ์ของนักต่อสู้เพื่อสังคม ที่ไม่เคยเหือดหายจางไปจากจิตใจของเขาเลยแม้แต่น้อย และเขาก็ได้เคลื่อนวงล้อแห่งอุดมการณ์ให้กลายเป็นที่ประจักษ์แก่พวกเราทั้งหลายเป็นแบบอย่างอันดีให้แก่ชนรุ่นหลังได้เจริญรอยตาม

ปรีชา เปี่ยมพงศ์สานต์

กิตติกรรมประกาศ

หนังสือ 60 ปีนายอภิชัย ที่ท่านถืออยู่ในมือนี้ สำเร็จลุล่วงได้ดี ได้อาศัยมิตรไมตรีจากกัลยาณมิตรของอาจารย์อภิชัย ทั้งที่เป็นลูกศิษย์ลูกหา และเพื่อนทางความคิดของอาจารย์อภิชัยเอง ทางผู้จัดทำหนังสือ อยากขอแสดงความขอบคุณเป็นอย่างสูง สำหรับอาจารย์หมอประเวศ วะสี ดร. ปรีชา เปี่ยมพงศ์สานต์ และคุณ สุธรรม แสงประทุม ที่กรุณาเขียนคำนำนิยมให้กับหนังสือ

ผู้จัดทำหนังสืออยากขอขอบคุณเป็นพิเศษสำหรับคุณสุธรรม แสงประทุม ที่เป็นผู้สนับสนุนด้านการเงินทั้งหมด และการติดต่อกับสำนักพิมพ์ไพลินสีน้ำเงิน เพื่อจัดทำหนังสือเล่มนี้ อีกทั้งยังได้ให้กำลังใจ และกระตุ้นให้เกิดการจัดงานสัมมนา 60 ปีอาจารย์อภิชัย ที่เป็นการเปิดตัวหนังสือเล่มนี้อีกด้วย

นอกจากนี้ผู้จัดทำหนังสือยังสมควรขอบคุณผู้ที่ได้เสียสละเวลาในการเตรียมการจัดทำต้นฉบับอีกหลายท่าน คุณมนัสวัลย์ พัฒนวิบูลย์ ช่วยให้การจัดพิมพ์และจัดเตรียมต้นฉบับเป็นไปอย่างเรียบร้อย คุณพงษ์ธร ตันติฤทธิศักดิ์ และคุณประโยชน์ ธรรมวิจิตเดช ในการจัดทำงานศิลป์ปกหน้าและหลัง ที่ดูสวยงาม สดท้าย ผู้จัดทำหนังสือ อยากขอแสดงความขอบคุณ อาจารย์สุรัสวดี หุ่นพยนต์ มหาวิทยาลัย ธรรมศาสตร์ ที่กรุณาช่วยประสานในหลายด้าน และกระตุ้นให้หนังสือสำเร็จลุล่วงด้วยดี

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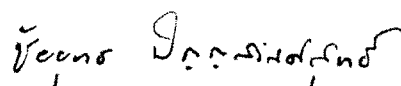
หนังสือเรื่อง ๖๐ ปี นายอภิชัย เล่มนี้ เป็นหนังสือที่กลุ่มลูกศิษย์ลูกหาจากมหาวิทยาลัยธรรมศาสตร์ และเพื่อนฝูงที่เคยร่วมอุดมการณ์เดียวกันได้จัดทำขึ้นเป็นที่ระลึกเนื่องในวาระครบรอบอายุ 60 ปีของ ดร. อภิชัย พันธเสน กীরติยาจารย์ แห่งมหาวิทยาลัยธรรมศาสตร์ เพื่อเป็นการแสดงกตเวทิตาต่อท่านที่ได้สร้างสรรค์ผลงานทางวิชาการที่เป็นคุณประโยชน์อย่างยิ่งต่อวงการการศึกษา การพัฒนาชนบท และสังคมไทยโดยรวม

เนื่องจากผลงานของอาจารย์อภิชัยมีอยู่เป็นจำนวนมากทั้งในเชิงปริมาณ และความหลากหลายของเนื้อหา ผลงานวิชาการที่เป็นภาษาไทยจำนวนมากก็ได้มีการตีพิมพ์ไปบ้างแล้ว เช่น หนังสือพุทธเศรษฐศาสตร์ วิวัฒนาการ ทฤษฎีและการประยุกต์เข้ากับวิชาเศรษฐศาสตร์สาขาต่างๆ หรือ หนังสือพัฒนาชนบทไทย สมุทัยและมรรค ความหวัง ทางออก และทางเลือกใหม่ เป็นต้น กลุ่มลูกศิษย์จึงได้รวบรวมผลงานบางส่วนของท่านที่เป็นภาษาอังกฤษจำนวน 9 บทความ บางส่วนเป็นบทความที่เขียนร่วมกับนักวิชาการท่านอื่นๆ บางส่วนยังมิได้ตีพิมพ์ที่ใดมาก่อน บทความเหล่านี้แสดงให้เห็นความคิดและจุดยืนของอาจารย์อภิชัยในมุมมองนักพัฒนาการเศรษฐกิจแบบบูรณาการ และนักคิดที่เชื่อในแนวคิดแบบพุทธเศรษฐศาสตร์

หนังสือเล่มนี้แบ่งเป็น 2 ส่วน ส่วนแรก กล่าวถึงงานเขียนที่เกี่ยวกับ การประยุกต์แนวคิดเศรษฐศาสตร์การเมือง การพัฒนาชนบท และการพัฒนาเศรษฐกิจโดยรวม ส่วนที่สองเป็นข้อเขียนที่วิเคราะห์เจาะลึกปัญหาเศรษฐกิจ ที่เกิดขึ้นภายหลังวิกฤตเศรษฐกิจปี 2540 เป็นต้นมา พร้อมทั้งการนำเสนอหนทางแก้ไข เพื่อไปสู่แนวทางการพัฒนาที่ยั่งยืน โดยประยุกต์แนวคิดแบบพุทธเศรษฐศาสตร์ นอกจากนี้ การได้มีความพยายามนำแนวคิดดังกล่าวใช้เพื่อวิพากษ์แนวคิดทางเศรษฐกิจ และปัญหาสิ่งแวดล้อมของสังคมไทยในปัจจุบัน

หนังสือเล่มนี้จัดทำขึ้นเนื่องในวาระครบรอบอายุ 60 ปีของอาจารย์อภิชัย มิใช่หนังสือที่ระลึกในโอกาสเกษียณอายุ เนื่องจากท่านยังคงทำงานต่อเนื่องในโครงการปริญญาเอกสหวิทยาการของมหาวิทยาลัยธรรมศาสตร์ที่อาจารย์เป็นผู้คิดริเริ่ม และเป็นผู้อำนวยการโครงการคนแรก เพื่อรังสรรค์ความคิดเพื่อสังคมไทยที่ดีขึ้นต่อไป

บรรณาธิการ



ชัยยุทธ ปัญญาสวัสดิ์สุทธิ์

คณะเศรษฐศาสตร์ มหาวิทยาลัยธรรมศาสตร์

Part 1

Political Economy,
Development,
and Rural Development

Democracy in Thailand: A Struggle for Civil Society

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By Apichai Puntasen and Paradon Preedasak

Abstract

The development of democracy in Thailand can be traced to its origin in 1892 when the regime of absolute monarchy of King Rama V decided to reform the Thai bureaucracy in response to external threat from western colonialism. Thailand or Siam then consisted of only two classes of people, namely, the ruling class and the peasantry, with the exception of a tiny minority of “middle class,” basically of Chinese origin, who enjoyed the privilege of trade under the protege of the ruling class. The reform of bureaucracy actually provided an impetus to an emergence of a true middle class who was equipped with real power to challenge the supreme power of absolute monarchy. The result was the over thrown of absolute monarchy exactly forty years later, 1932. The emergence of strong bureaucracy through the pre-designed system of centralized control by the monarchic government for the sake of unification of the country, while the extra bureaucratic group of middle class of traders of Chinese origin was weak, resulted in the bureaucratic group to emerge with the one and only strong political power with no matching challenge. Authoritarianism widely known as “bureaucratic polity” was the sole political force dominating the country for another forty-one years. Student uprising on October 14, 1973 as a “proxy” of extra-bureaucratic middle class rocked the military dictatorial regime of Thanom-Praphas. The quiet rise of the extra-bureaucratic middle class was actually engineered by the most infamous dictator in Thailand, Field Marshall Sarit Thanarat, who effectively introduced capitalist development in Thailand since 1961.

Since 1973, capitalist class has gradually been liberated from the bureaucratic control especially from that of military bureaucracy. The strength of this new political force independently increased in ascendancy. The election on twenty-fourth of July 1988 as General Chatichai Chuhavan leader of the Chart Thai (Thai Nation) Party was allowed to form the government, marked the emergence of the new business class to have full control over the political power in Thailand. The coup organized by General Suchinda to overthrow the elected regime of the Chatichai government in order to regain political power for the bureaucrats on February 23, 1991, was not long after being pushed out of power by extra-bureaucratic middle class developed from series of street protest during May 17, to May 20, 1992. Business or money politics is now back on its course in Thailand. The call for and the actual process of the reform of politics in Thailand has now been the most popular issues. Democracy in Thailand is now moving towards a new struggle, a struggle for civil society. The new era for the Thai democracy predicted to emerge is around 2013 or about 40 years from the student up rising of October 14, 1973.

Founding a Pillar for Democracy

The process of modernization through westernization in Thailand originated in the mid nineteenth century during King Rama IV (1851-1868) followed by King Rama V

(1968-1910) was in response to external threats from the colonial rules basically from France and the United Kingdom.

Among various attempts at such response was to unify the country through increasing centralized control of the state power aided by improvement in communication technology and the reform of bureaucracy, financial reform as well as the reform of governance. All these measures were deemed necessary for state building. The model was replicated from the West especially from the Great Britain because it was conceived as a modern technique for state management. The threats perceived by the ruling class were not shared by other members of the society since they were either peasantry or a very tiny middle class of traders of Chinese origin. The latter two groups virtually had no say in the modernization process. The whole process could be viewed as that of “state building” and not the “nation building” because most resources were mobilized to expand the functions and roles of the state without any participation from other external forces (Smudhvanija, 1995 : 8).

In fact, the idea of democracy was already circulating around at that time among some tiny group of intellectuals as an integral part of the modernization process. From outside it was proposed by group of officials and Thai students of royal blood led by Prince Prisdang, a graduate in civil engineering from London University, King’s college, and was a Thai ambassador to England and ambassador designated to other European countries as well as that of the United states of America. While he was on his mission in England, King Rama V asked Prince Prisdang for his opinion to deal with international politics where many European countries were hunting for new colonies on personal and private basis. However, Prince Prisdang discussed it with his embassy staff in Europe and made a draft he intended to be the first democratic constitution which stipulated that the monarchy be subject to constitutional law and that there be a cabinet. Thailand was not yet ready for so radical change and the prince was recalled to Bangkok, where he worked as civil servant until 1896 before resigning to become a monk in Sri Lanka (Sukphisit, 1996 : 1).

Within Thailand, the press and intellectuals outside the court circle also played this stimulating role. Again, they were also a very tiny minority as well as the social condition then was not conducive for participatory politics (Laothamatas, 1993 : 64). Obviously, their voices were not sufficiently heard. Under such circumstance, one would anticipate that without strong interference by external forces and no strong opposition from within, the rule of absolute monarchy should continue for long time without any serious challenge. Actually, the real challenge was from internal contradiction. The old system of politics of absolute monarchy was incompatible with the newly introduced administrative system. At the core of the contradiction, most administrative power was rested with the minister of each ministry, while the system of absolute monarchy was unable to develop the system of collective responsibility of the cabinet experienced by the parliamentary system in England, the model for modern administration adopted by Thailand at that time. The result was lack of coordination for the uniform policies, especially the set policies needed for concerted effort to solve a national economic problem especially at the time of severe crisis.

As the wind of the Great Depression of the 1930 originated in the west started

to affect the Thai economy in subsequent period, the government of absolute monarchy was ill prepared to face such severe challenge. This was in part, resulting in the overthrow of the absolute monarchy in 1932, basically by its own modern bureaucracy created exactly 40 years earlier. The dawn of the new era for one major step towards the development of democracy in Thailand was just begun.

Constitutional Monarchy mostly under Authoritarian Reigns (1932-1973)

Under the system of absolute monarchy, major ministries under close supervision of the King were, Finance, Defense and Interior. Two significant features resulted from this abrupt change that deserve special attention are the transfer of the absolute power of administration of the King to the newly established cabinet and the independence from a state control of a military power. The former feature was considered to be necessary at the time of such abrupt change, for fear of the reversal the old power just being overthrown. The latter could be explained, in part, from the fact that the People Party who organized to overthrow the absolute monarchy was dominated by strong military group, especially, the ones who actually seized the power from King Rama VII, though they were not the real engineers behind the plot.

These two main features after the change in 1932 were among dominant factors obstruction the progress towards more democracy in Thailand in subsequent period. The military power is currently fading away gradually. Unfortunately, not like that of the parliamentary system in most developed country, the Thai cabinet still has very strong administrative power. Such power provide legal justification for an intervention of a minister into an administration of policies by functionary officials. As a result, a minister has been empowered to full control over government officials. While monitoring forces outside the polity such as mass media and various citizenry groups are either ineffective or inefficient, politicians can easily collaborate with the functionaries in extracting illicit economic rent from the existing politico-administrative setup for their own advantages. This specific factor, in part, explains the rise of “money” or “business” politics after the fading away of military power since 1973, the subject that will be discussed in more details later.

Independence from political control of military power was the root cause for the rise of authoritarian regimes not long after the change to constitutional monarchy since 1932. By 1938, six year after the change, Field Marshall Phibun Songkram, one leading member of the People Party was able to consolidate his power by controlling four influential posts at the same time, Commander of the Army, Minister of Defense, Minister of Interior, and the Prime Minister. His absolute power was only a little less than that of the King under the absolute monarchy in that he did not has direct control over the Ministry of Finance. Nevertheless, he can easily exert his influence over it through his post of the premiership.

During his strong control (1938-1942), the power that was customarily rested on collective responsibility of the cabinet was transferred to only one individual, Field Marshall Phibun as more or less a dictator with his slogan, “trust your leader to lead the nation from peril”. This period marks the rise in militarism in Thailand (Smudhvanija, 1995 :

69). Although Phibun was able to hold on to his power until 1944, his prestige was on the decline since 1942, as he led Thailand to side with the Axis upon the invasion of Japan into Southeast Asia. He was temporarily ousted from power as the Japanese position in the Pacific war was deteriorating in 1944, after the defeat of his Petchabun and Saraburi Bills in the parliament and Phibun resigned from his premiership.

The Pacific was ended abruptly after the atomic bombing of Hiroshima and Nagasaki in August 1945. Dr. Pridi Bhanomyong, a key civilian member of the People Party who engineered the overthrow of absolute monarchy in 1932 and was a secret leader of the Free Thai Movement against Japanese invasion while he was serving as a Co-Regent to King Rama VIII, was asked to serve as the next prime minister after the war. This coincided with the return of young King Ananda (Rama VIII) upon the invitation of Pridi after the war, in December 1945. There was light political optimism during that time. "There seems little reason to doubt that full-fledged democracy will be attained in Siam. The king brought up by democratic parents is a genius supporter of democracy and will depend on it. Laung Pradit (Pridi) the ex-Regent, recognized as Siam's flaming liberal and unswerving son of democracy, has blazed the trail for it" (Prabha, 1946 : 117). Such euphoria did not last long because of the fact that military was already an independent power.

The first fatally political blow to his the Pridi government was the assassination of the King on June 9, 1946. With the calculation of all political circumstances, Pridi failed to bring the assassin forward. This had become the target of attack by the conservative elements opposing to liberal politics supported by military bureaucrats who were temporarily removed from the political circle. Problems of corruption which resulted from the unrealistic salary scale in the civil service hard hit by the crippling economy after the war were also used for the attack on Pridi. In August, 24, 1946, Pridi decided to step down and asked Rear Admiral Thamrong Nawasawat to replace him. On November 8, 1947, the military bureaucrats led by General Phin Chanhavan staged a coup against the Thamrong's government. Phibun was behind the scene but did not have enough prestige to emerge as the coup leader. Riding over the global wave of fear against communism especially among the western allies, Phibun was installed back into power in early 1948. There was no room for liberal politics in Thailand then. Phibun was back to power until 1957 as was toppled by his close subordinate, Field Marshall Sarit Thanarat on September 16, 1957.

Industrialization and the Rise of National Capitalism

The new government under constitution monarchy in 1932 began to promote industrialization by the way of the policy so called "economic nationalism", through the promotion of more state own enterprises basically under the Ministry of Defense. Among them were Fuel Division, spinning and weaving factory by the name of Siam Norton Mill and a paper mill such as Siam Paper Co. Ltd (Suehiro, 1985: 2-39). Such creation of industries was in line with the promotion of economy of self-sufficiency and the expansion of armaments in the 1930's.

Apart from directly establishing industries, the Thai government also gave

financial support to private businesses. Such an attempt was made because private commercial banks were unwilling to finance such a long-term industrial project (Golay, 1969 : 309-311). In spite of all these efforts by the government, foreign capital still dominated the Thai industrial scene. In 1938, the total amount of foreign investment was 2,480 million baht. Of this amount, 80 per cent were British and Chinese (Callis, 1942 : 70) Therefore in 1938, Thailand was still at the dawn of its policy of economic nationalism.

Since 1938, as Phibun became a strong prime minister and Pridi was his minister of finance, the policy of economic nationalism was further pursued. This was in part due to dominance of foreign investment in Thailand and the complete abolition of unequal treaties to the advantage of foreign power by the Thai government in 1937. Series of naturalization of foreign businesses of various degree was taken place. During 1938 to 1944, the Thai government took control over the four broad categories of industries and businesses, rice milling and its related industries, imports and distribution of imported and domestically produced goods, commercial banking, manufacturing and handicraft industries (Suehiro, 1985 : 2-45).

Upon returning to power in 1947, Phibun announced the policy to create the "Thai economy for the Thais" (Suehiro, 1985 : 2-3). This time the motivation was slightly different from that of the 1938-1944 one. There were three sets of motives then. First, the new ruling elites wanted to generate employment for the Thai outside the bureaucracy which was facing financial stress right after the war. Second, they wanted to contain the role of ethnic Chinese in commerce and industry to pre-empt them from rising to political dominance. Third, they wished to enlarge their own economic bases to match those of the royalist faction which they replaced (Jacob, 1971 : 130-131). The rise of Phibun for the second time was with less power to control the military split in loyalty among them. In order to have significant number of supporters, positions in state enterprises and related businesses were used as rewards (Silcock, 1967 : 160-161). Muscat described such characters of state enterprises as "bureaucratic capitalism" because they were created to be creatures of the bureaucracy rather than instruments of the state (Muscat, 1996 : 197-198).

Such practice would normally result in inefficiency as Suehiro pointed out (1985 : 3-26) : "Bureaucratic capital, by its nature, aims at exploiting and appropriating the economic surplus for political purpose, not economic purpose. It pays little attention to improvement of technology and the expansion of production capacity. Even though a firm suffers economic loss, the military and political leaders who enter into board of directors will not worry about its situation, at least so far as it provides a certain amount of income for them in the form of salary, bonus and the others. A major motivation of bureaucrats to take part in the economic activities is not to expand production, but to expand their political power. Economic activities are not the purpose but a mean for them."

Because of such economic policy, under the intense "cold war" situation, the policy was short of satisfaction by the United States that advocated for rapid expansion of capitalism as one of the means to contain the expansion of communism into the region. The United States always pressed for Thailand to encourage more of foreign investment especially

from the United States by sending the Griffin team to plan for the purpose. Although, the Agreement on Guarantee Investment of the Americans was signed on September 1, 1954, followed by the promulgation of Investment Promotion Act on October 12, 1954, the foreign investment situation, especially that which concerned the Americans, was not much improved. Actually, the new Investment Act was used for the expansion of the economic base of the ruling clique (Puntasen and Chenvidyakarn 1987 : 47-48). Such resistance to open up the Thai economy for the U.S. investment by Phibun and all others related matters, the way the Thai government wanted to handle the problem of communism on its own, prompted the United States to turn the support to Sarit Thanarat, another quick rising military officer under Phibun to topple him finally in September, 1957.

Sarit and the Rise of Middle Class

Towards the end of Phibun regime in 1957, there was a slight change in the American policy during the second term of President Eisenhower. More attention was given to infrastructure development for defense against communism. Highways were constructed. Among them was the "Friendship" road from Saraburi to Korat (Numnon, 1983 : 8). The World Bank began to take more active role in developing infrastructure in Thailand. In August, 1955, the World Bank provided an additional loan of U.S\$ 12 million for railroad improvement followed by another loan of U.S\$ 3.4 million for improvement of the Bangkok Harbor in September 1956. In May 1957, the World Bank agreed to loan Thailand U.S\$ 100 million for the Yanhee Dam project for hydro-electric power (Puntasen and Chenvidyakarn, 1987 : 58). In November, 1955, with the recommendations of the World Bank, the Thai government made the request for the Bank to send a team of experts to conduct an economic survey in Thailand. The team worked from July 1957 to June 1958. In July 1958, a report was published under the title of "A Public Development Program for Thailand", and was subsequently used as the First National Economic Development Plan (1961-1966) (Puntasen and Chenvidyakarn, 1987 : 58).

Due to his poor health, after coup, Sarit went to the United States to undergo a medical treatment at Walter Reeds Hospital in late January 1958, and was not until February 9, 1959, he became a full-fledged prime minister. The policies clearly stated by him were to have strong and stable government with special emphasis on promotion of foreign investment. The new politico-economic development during Sarit regime is called by Pongpaichit (1980), "an urban middle revolution." She explained further that, "With the new policy of encouraging private foreign investment, there would be no longer conflict of economic interests among urban middle classes as experienced during Phibun regime". Sarit died on December 8, 1963, and was replaced by Field Marshall Thanom Kittikhachon his closest deputy. The same policy was continued until October 14, 1973.

Urban Prosperity against the Background of Rural Poverty

While urban middle class enjoyed the fruit of development policies initiated by Sarit and carried forward by Thanom, the poor in the rural area took the blunt of almost all undesirable consequences. In 1959, Sarit repealed the Limited Land Tenure Act of 1954

enacted by Phibun to limit the amount of land holding for industrial and agricultural purposes up to 50 rai (20 acre). The law was to ensure equal spread of land holding and to discourage land speculation by absentee landlords. Sarit scrapped the law on the ground that it had become major obstacles for industrial and agricultural development. Without the Act, Sarit and his supporters occupied sizable amount of land gained from the construction of new roads connecting different parts of the country. In scrapping the law, Sarit had inadvertently increased the rate of tenancy among farmers and the destruction of the vast area of forestry in Thailand, the main sources of economic support for most rural population in the long run. At the same time rural population in Thailand were also caught in the middle of fight between the communist insurgents and the government troops, and various forms of strategies adopted by the government designed to suppress communists whose strong holes were in the rural areas.

Soon after John F. Kennedy became President of the United States succeeding Eisenhower in 1960, Kennedy and Robert McNamara, experiencing Cuban Revolution in 1959, Planned for the counter-insurgency (COIN) in the Third World (Bell, 1978 : 63). The main tactics adopted were the Green Berets (Special Forces) and the Green Revolution (rural development). Project Agile created as a top secret program in the Pentagon by McNamara in 1961, sought to combine the research as posed by insurgency into a research development program for overseas mercenary armies in the client regimes (Klare, 1972 : 215). Project Agile would support research and development carried out by Advanced Research Project Agency (ARPA) of the Department of Defense. Agile's R&D system were intended to provide a basis of knowledge, techniques and technology from which to draw "blueprints" for deterring insurgency in its early stages. In Thailand, the majority of the staff were civilian researchers supplied by the RAND corporation, Research Analysis Corporation, Stanford Research Institute, and other Agile contractors (Klare, 1972 : 228). Several rural development project in Thailand were parts of the outcome or the inputs into the research works of Agile. Among them were Mobile Development Units (MDU), Accelerated Rural Development (ARD), Community Development (CD), Information System and other related village security development projects. In sum, all these "rural development" projects were part of the warfare at suppressing the communists that resulted in more conflict among rural population than improving their welfare or standard of living.

As a result, while real economic progress took shape among urban population and generated an emerging urban middle class, the rural sector in Thailand were left stagnant under the situation of sporadic civil wars. The majority of them were left with poverty, the major contrast between urban and rural population resulting contrastingly different pattern of members of the parliament (MP's) being elected. The matter will be discussed in more details later.

The Emergence of a System of Strong Executive

A system of strong executive introduced to Thailand in 1959, has been in part to solve the problem of the delay in decision making process by the cabinet resulting from too much power given to it. Since 1932, more than ten constitutions were enacted and abrogated.

Nevertheless, all of them has one article in common, to instill supreme authority to the cabinet. Even with the constitution of 1991 being enforced currently, the article 163 of this constitution also states that “the cabinet is responsible for general administration”. of this clause is that the cabinet’s role is not only confined to the formulation and regulation of the policies only as the one adopted by most countries operated under a parliamentary system. The Thai cabinet is also responsible to general administration, the supreme authority vested in it.

Because of this nature of powerful cabinet’s authority, most decision making processes concerning administration of the policies that should be ended within the boundaries of power of the functionaries have been passed on to that of the cabinet’s decision. As a result, a weekly cabinet session is normally flooded with matters to be acknowledged, considered, approved and decided. Many of those could normally be settled at various functional levels. Not surprisingly each cabinet session is normally loaded with many finer details resulting the glaring or clouding important policy issues. The whole process will normally result in ineffective and/or inefficient execution of the government duties and responsibilities.

During Sarit regime which was also coincided with the peak of the cold war in 1959, under the recommendation of the U.S. advisors, the strong executive system, a prototype of the U.S. presidential system was introduced into Thai administration as another layer placing no top of the existing administrative system which is supposed to be that of the Westminster parliamentary system (Smudhbanija, 1995: 94). As a dictator, Sarit decided to by-pass the delayed decision making process of the cabinet and justified his increasing absolute power for the sake of the “urgent needs for development” to give supreme power to the prime minister by the adoption of the said “strong executive system”. Under the said system, the Thai prime minister would have at least the same level of administrative power as that of the U.S. President. All the power in allocating resources, planning for development, planning and development of human resources and energy, allocation and development and training of human resources as well as monitoring and inspecting the use of fund and other regular administration of all other government agencies, are vested solely to the prime minister.

The existing circumstances between Thailand and that of the United State are vastly different. The U.S. President is elected democratically through elaborated processes and has limited tenure, while the Thai premier, at that time, was more or less a self-proclaimed without any limitation on his tenure. The power of the U.S. President is limited by close checking of the powerful U.S. Congress, while that of Thai premier, there was no matching mechanism to counter balance his executive power. Also, the United State of America is of federalism while that of Thailand was and is a monism. The presidential power of the U.S. President is limited by certain degree of local autonomy of each State. In Thailand, local government was very weak and is still weak, currently, The strong executive system in Thailand only results in the concentration of power to the center without being sufficiently checked or monitored by extra-bureaucratic forces. Consequently, the system has been directly responsible for the delay in the development of democracy in Thailand.

Under vastly different circumstances between the United States of America and Thailand, the system of strong executive adopted by the Thai government in 1959 during the Sarit regime resulted in the Thai prime minister became much more powerful than that of the U.S. President. The system is still operating in Thailand currently. As the Thai prime minister has a supreme executive power both legally and in actual practice, there is always a tendency for the Thai prime minister to abuse his power for his personal gain as well as for his close associates or his clique. He can easily gain close cooperation from the functionaries for any irregular or illicit activities in order to appropriate economic rent through such activities. Under such circumstance, it will not be too difficult to understand why investing in politics can be very highly profitable activity. As a result, the combination of the two, too powerful cabinet and the system of strong executive in the Thai public administration, has been instrumental for the rise and the maintenance of the 'money' or 'business' politics as the opportunity opens to such operators.

October 14, 1973 and the Rise of Money Politics

Sarit himself, at the time he decided to initiate economic development along the capitalist route through liberalizing investment especially that of industrial, as well as to install stable governance through his dictatorial power, he might not have conceived that in the process, he would also generate a strong urban middle class as well. A decade later (in the 1970's), new class of extra-bureaucratic elites began to emerge as a result. A new capitalist class who used to operate under the bureaucratic capitalism during Phibun regime began to appear on the scene as new political forces. Many of them were still operating under the *prot?gu?* of the military bureaucrats who also had expanded their own economic empire in order to reinforce their military dictatorial power. Such prototype of practices was originated by Phibun since 1947 and was enhanced by Sarit and was closely followed by Thanom and his close associate, Field Marshall Praphas Charusathien, to form a new dominant military and politico-economic clique of Thanom-Praphas.

The monopoly of military and political power of Thanom-praphas clique under the scenario of rapid expansion of extra-bureaucratic capitalist groups who must also seek protection from different military factions due to conflicts of interest among them, finally resulted in conflicts among rival factions within the military.

Various forms of protest started from November 1971, as Thanom staged a military coup against his own government. The main reason stemmed from the fact that Thailand was changing and no longer were its people so willing to subordinate themselves to the whims of the military masters. Collectively, peasants, workers, and students sought participation in government (Cooper, 1995 : 231-231). The peak of such protest was the October 14, 1973 incident of massive student uprising of more than 500,000 of them. The major source of discontent was from the increasing gap between the urban riches and the rural poor brought about by continual development policies of the long tenure of military dictators in succession with their increasing arrogance. Nevertheless the situation would not have developed to the overthrow of Thanom-Praphas clique were it not fueled by fictional rivalry within the military ranks backed up by their businesses' clients. Laothamtas explains student

movement at that time as a “proxy” of the middle class movement. It marks the beginning of the extra-bureaucratic forces into the equation of political power in Thailand (1993 : 61).

The overthrow of Thanom-Prapas dictator was resulted in the enactment of one of the most democratic constitution of that time allowing full participation of various interest groups into formal political process (Dhirevegin, 1996 : 150). Given the opportunity of open politics for the first time, the next well organized group after the Thai bureaucrats, military and civilian, was obviously various business groups who formerly operated under the patronage of various military factions. Naturally, these groups would want to emerge as independent political forces on their own. By doing so, they would be able to significantly reduce the share of surplus from economic rents generated by the monopoly of political power of various military factions and retained them within the groups. Similar degree of economic benefits could still be reaped since the implicit dictatorial power vested in the system of national administration have not been changed, strong administrative power given to the cabinet since the end of absolute monarchy in 1932 and the system of strong executive introduced to the administration in Thailand during Sarit regime in 1959.

The two sources of power can impose close collaboration between politicians and the functionaries. Given the existing rules where politicians hold absolute responsibilities, obviously, they have upper hands over the functionaries. As a result, the former can easily force the latter into close cooperation. Consequently, the two groups may collaborate in extracting economic rents without being effectively monitored by the general public, especially, the mass media for various reasons. The media can be coerced or bribed. They may not understand the issues clearly or they may be faced by covered up attempts made jointly by politicians and the functionaries. Without being sufficiently monitored by the general public, politics in Thailand can turn to be very lucrative businesses.

The lucrative returns from such business have made investment into politics, in spite of, a very high risk yielding very high gain. Those businessmen who used to operate under various military factions under the military dictatorial regime would morally be very familiar with such calculation. As soon as the opportunity was widely open for them, not surprisingly most of them would not hesitate to come out and form their own political parties openly. The end result was the dawn of the new era of the “money” or “business” politics in Thailand.

Local Influences and National Politics

The overthrow of Thanom-Prapas regime followed the October 14 1973, incidence not only gives rise to money or business politics of urban middle class bases, it also supports the emergence of a new political force based on local influences. Such influences have been accumulated mostly through illegal activities such as gambling, sex trade, drugs, armed counterband, smuggling, illegal logging, etc. During the dictatorial regime of Sarit followed by Thanom-Prapas (1957-1973), all these activities were bred quietly. Most activities of such nature must have been within the knowledge of most regional government officers, who also benefited from such illegal activities. Part of the shares would be passed

up to much higher levels who were also government officials as well as politicians at the top. The activities had not been openly criticized by the public because of the suppression of media, especially, the press by the succession of dictatorial regimes. The fact that they went on rather discretely did not necessarily imply that these illicit activities were not large in size (Chantornwongs, 1993 : 124).

Taking the advantage from rapid economic growth during the said period, the local influential figures also undertook legitimate businesses such as being middle-men buying agricultural products, being sawn millers, being money lenders and buying land for speculation in parallel to their illicit activities as a means to laundry their illicit money. Their legitimate activities normally brought them to close contact with local population in the role of being their patrons. Such role would normally generate their popularity. As their social status being elevated by such popularity and wealth, they could increase their influences through providing protection to their clients by shielding them or rescuing them from malpractice or strictly legal enforcement by regional officials (Chantornwongs, 1993 : 123-124). By that time these local influential figures would already command respect from regional government officers.

All these functions adopted by local influential figures helped them to enhance more popularity among local population. Such situation was due to the fact that political power was monopolized at the center, and it was not to the best interest of regional officers to serve those under-privileged in the rural area as needed. Such needs for assistance stemmed from the fact that most rural population were deprived from the should be benefits brought about by modern development initiated by Sarit and his followers, Thanom-Praphas. Because of the rapid increase in popularity of these local influential figures, soon as the national political atmosphere was ripe for them, as general election along a democratic tradition was permitted on January, 1975, their services as being financiers to candidates or being canvasses or participating electoral politics by being full-fledge candidates were called for.

Through the said process, the local influential figures were turned to be provincial politicians and as well joined the rank of money politics enjoyed by urban business classes who gain their fortune through the so called “urban middle class revolution” ironically organized by the military leadership of Sarit in 1957.

The Origination of Civil Society

Theerayut Boonmee, a former leader of student activists during the October 14, 1973 incidence who currently turned to be an academic of Thammasat University, as well as another leading Thai academic, Chai-ananda Smuthvanija have advanced their thoughts on the inverse relationship between state and society at least among developing countries. Strong state will normally lead to weak society and vice versa (Boonmee, 1993 : 149). The problem is that strong state always has its own internal weakness that will not lead stable government as well as overall sustainable development. As a result, the other alternative of a strong society and the weak state or the emergence of civil society should be given a trial.

According to Therayuth Boonmee 1993 : 193-194) there are four stages for the emergence of civil society: (1) the development of public or social consciousness, (2) the emergence of social organization, (3) the emergence of common ideology, (4) the institutionalization of ideology and related institutions.

In Thailand before the era of modern development led by Sarit in late 1950's, local communities were still very strong, the so called "public consciousness" was only confined to "local communities". Modern development, the way it introduced to Thailand did lead to the destruction of many "local communities", especially to the ones who came to have received strong impact from the development. Such destruction of local communities resulted in social conflicts and further developed into "social problems" such as problems of rural and urban poverty which had their roots from the disintegration of rural families as well as rural communities, and the accompanied problems of prostitution and child labor as well as resource and environmental problems. Such problems have led to the development of "social consciousness" as a necessary step at generating awareness to cause sufficient momentum to generate attempts at solving the problems.

Students and many other isolated civic movements, such as workers and farmers since the early 1970's were part of the emergence of various social organizations developed from the awareness of social problems that became quite evidence after a decade of modern development in Thailand in the 1960's. Observing student movements in the early 1970's from this angle, although the movements can be correctly interpreted by Laothamtas as a "proxy" of the middle class movements, they also part of the movements towards the ultimate goal of "civil society" in their own tires.

It can now be concluded that although Sarit's "urban middle class revaluation" did give rise the emergence of 'money' or 'business' politics as an independent political forces, after October 14, 1973, it has also prepared a fertile ground for the quick germination of movements towards "civil society" as well. Of course, the latter was less prepared and less organized because of the its late inception. However, they are potential challengers of the money politics which was a new wave of development after the old wave of "bureaucratic polity".

A Tug-of-War Between Bureaucratic Polity and Money Politics

A During October 14, 1973, to October 6, 1976, the political terrain in Thailand was widely opened for all political forces for the first time. Among them were three significant players, a movement for civil society the emergence of money politics and the old bureaucratic polity. The movement for civil society was consisted of a broad but loose united front consisting of students, workers, farmers and some academic as well as other middle class intellectuals. This group is a late comer into a Thai political scene. Not surprisingly, most of them were idealists, inexperienced and less organized. Because of the strong wind of socialism in the region, especially the influence of cultural revolution in China and conflicts in Indochina especially by the patriotic forces in Vietnam, Cambodia and Laos against their governments bucked by the United States of America, the new movements were

seen a those of the socialist leaning tendency.

The other new group emerging as new political forces for the first time was the so called money politics. The group may be seen as inexperienced on a formal political stage. Yet, they were rather strong financially and well organized. The leading member among many others was known as the "Rachakru" group (the name of the street of their residences) led by General Praman Adireksarn, a son-in-law of General Phin Chanhavan who organized the coup for General Phibun in the 1947, and General Chatichai Chanhavan, the only son of General Phin. The group was ousted from power by Sarit in 1957, and since then accumulated their wealth through various business activities. As the new opportunity opened for them, they formed the new political party of Chat Thai (the Thai Nation), the most conservative political party during that time. The new group of money politics collectively appeared on the Thai political stage as formal political actors.

The last group was the old bureaucratic polity consisting mostly of military and civilian bureaucrats. They were forced by the new system of open politics to retreat to the background and performed their duties as regular functionaries. Actually, they were still the most powerful and well organized group among the three.

The demand for rapid advancement towards civil society while their actual action was seen by the general public as a left leaning strategies of the loose united fronts, would be naturally countered by the two conservative forces, money politics and the old bureaucratic polity. Finally, the latter two groups joined their forces to put an end to the new direction of political movement. The result was the massacre of more than 300 students and activists participating the demonstration against the return to Thailand of Thanom in the guise of a Buddhist novice at dawn of October 6, 1976, within the compound of Thammasat University. The event was followed by the military coup against the elected civilian government, as Mr. Thanin Kraivichien, a right wing senior bureaucrats was installed as a puppet prime minister. Mr. Thanin himself announced his planned tenure for another sixteen year before there was to be any further risk of democracy (Copper, 1995 : 253).

The taste of being the real actors on the formal political stage during, 1975 to 1976, instinctively reminded the group of money politics that they should not retreat to the background for other 16 years. As a result, systematic measures that would pressure Mr. Thanin to be out of power was set to work. At the time, the former progress forces of the loose united fronts faced with no other options after being suppressed by the government backed by the military junta. Some went to the jungle to join the insurgent forces led by the Communist Party of Thailand. Some went overseas creating networks of progressive movements outside Thailand. The rest remained at their usual residences and occupations seeking for opportunities to voice their concerns.

Being pressured by opposing forces from all directions, Mr. Thanin's prestige diminished very quickly. On October 20, 1977, General Kriangsak Chomanan, a person who was actually behind the October 6, 1976, coup declared yet another military coup against Mr. Thanin and was subsequently voted by the so called "Reform Council" to be the prime minister (Cooper,

1995 : 258). The pressure for rearrangement for another election had been passed on to General Kriangsak. On April 22, 1979, another general election was returned to Thailand under the new constitution known as the “half-leave democracy”, meaning that the old bureaucratic polity still has the upper hand because it stipulated under a transitory clause that the military would rule for the next four years (Cooper, 1995 : 262). Nevertheless, the election can be interpreted as some limited victory of the money politics over the old bureaucratic polity.

As a general rule, Kriangsak’s popularity was rapidly diminishing. Within the military ranks, General Prem Tinsulanonda turned out to be a new rising star. February 29, 1980, Kriangsak was forced to resign from his post of the premier. Subsequently, General Prem was elected by the National Assembly (composed of both elected MP’s and appointed senators mostly military and civilian bureaucrats) as the next premier and was able to continue his tenure from February 29, 1980 to July 1988. He was able to service two major coup attempts and many other coup plots as well as a series of assassination attempts. He became one of the longest prime ministers while there were two more elections by neither setting up a political party nor being elected as a member of a parliament, because he has the strongest “political” party behind him, the bureaucrats. Not until the election return of July 1988 that he decided to give up politics completely. His decision gave rise to General Chatichai Chonhavan, leader of the Chat Thai Party that won more seats than any other political parties to form the government.

The rise to the premiership of General Chatichai, for the first time marked the clear victory of money politics over the old bureaucratic polity after their long tug-of-war of a struggle for over the period of more than 14 years since October 14, 1973. However, the war was still far from over, because the old bureaucratic polity would watch the politicians closely and make an attempt to topple them at the first available opportunity.

The nature of money or business politics is that running an election can be considered as political investment. Under the situation of great disparity between rural population and urban middle class, as well as the fact that local influential figures, normally dominated the scene of provincial election, vote buying of various forms in the rural areas are widely practiced. Ammar Siamwalla, former president of the Thailand Research Institute has observed: “Rural voters know their politicians are corrupt and, in fact, want them to be corrupt, because that’s the only way to get the loot back home” (Branegan, 1992 : 22). Under such politico-economic setting, the environment is generally conducive to business politics. As political parties have normally made significant amount of initial investment during the election campaign, to optimize the return from their investment as they become government is considered to be normal business practice by the standard of business politics.

Given his business instinct, Chatichai had one prominent line of his election campaign that he would “turn Indochina from a battle ground into a trading market” (Far Eastern Economic Review, 18 August 1988). Being aware of criticism leveled at him based on his past performance, upon receiving the Royal Assent to his premiership, Chatichai announced that, “I promise justice and fairness in my performance as prime minister to resolve business problems” (The Nation, August 5, 1988). In a stark contrast with General

Prem that the general public acknowledge his government as a reasonably clean one, the Thai press began to call Chatchai's cabinet towards the end of 1990 a "buffet cabinet", meaning that his cabinet members were rather greedy in handling most business transactions. From the very beginning of his government both domestic and foreign based media made the following observation; "Judging by their past performance, certain new cabinet members appear to fall short of the rigorously high standards the public has a right to expect of them. The raises the question of just how much hope it is realistic to place in the new administration" (The Nation, August 5, 1988). "Little regard was given to competence or qualifications in choosing the cabinet. Instead, influential personalities and wealthy party sponsors were name to several important post. Among them were some veteran politicians with controversial records" (Far Eastern Economic Review, August 18, 1988).

Finally, a military coup led by General Suchinda Kraprayoon was erupted on February 23, 1991, with the strong allegations of corruption in the outgoing government at a level of spectacular hights, even for Thailand (Cooper, 1995 : 340). Fortunately, this time the military rule was only a rather short life in spite of the fact that it had managed to have Mr. Anand Panyarachun a former senior bureaucrat and was a leading businessman in Thailand at the time to receive the Royal Assent for the premiership.

Mr. Anand was and is still known to be a straight forward person with high personal integrity. Such fact could not safe the military junta to service soon as it clearly indicated its wish to continue ruling Thailand along the previous military style. Conflicts in various forms of political protest erupted all over Thailand towards the end of 1991 and was developed into major political confrontation during May 17 to May 20 ,1992. The conflict was ended after the resignation of General Suchinda from his premiership on May 24, 1992.

This time the challenge was no longer led by a tiny base student movement together with workers and farmers experienced in the early 1970's but a much larger base of an ever growing middle class consisting of business men and professional people. A survey conducted by The Social Sciences Association of Thailand from those who participated in the demonstration on 17 May 1992 revealed the following results (Dhiravegin, 1996 : 33).

Age (year)	Percentage	Occupation	Percentage	Income (baht per month)	Percentage
20-29	39.4	owner of business	13.7	less than 5,000	14.1
30-39	36.5	employees in private sector	45.7	5,000-9,999	28.5
40-49	14.2	employees in public sector	21.0	10,000-19,000	30.0
50 and over	6.7			20,000-50,000	15.5
				over 50,000	6.2

Source: Social Sciences Association of Thailand, A Survey conducted on May 17, 1992.

The above figures indicated the growing in strength of the movement towards civil society. The movement has gained certain degree of maturity since the days of student

protest in the early 1970's.

After the overthrow of the last military junta since May 24, 1992, three general elections were organized successively. One was in September 1992. The other was in July 1995. The recent one was on November 17, 1992. During the period money politics still reigns as usual with increasing degree of severity for the election each time in term of vote buying as long as a conducive incentive structure still prevails, namely, the existence of business classes who seek to do their business of protect their business through politics, the existence of local influential figures who directly benefit from business politics, high income disparity between urban middle class and rural population. These three conditions are enhanced by the existing system of public administration of strong executive and too powerful cabinet. All these factors will reinforce the continuation of money or business politics in Thailand for years to come. Unless, radical measures are taken to correct all those factors that result in undesirable incentive structure.

A little light at the end of a tunnel is currently shining. There has been a continuous movement by various civic groups calling for the redrafting of a new constitution from the existing on left behind by the military junta since its inception in December 1991. The latest amendment of article 211 completed in November 1996, has been resulted in the election of 99 members of the Constitution Drafting Council. All members were already elected on December 25, 1996. They were given 240 days to complete their drafting task. Corrective measures can be incorporated into the new draft if the members truly understand the problem of money of business politics discussed above. A ray of hope must be rested with these members. One thing that will be certain in the Thai politics is that the civic movement will continue to gain their experience and strength. It is also certain that the old bureaucratic polity is fading away gradually and being replaced by full fledge business politics. Continued battles in the future in Thailand is no longer between military bureaucrats and the various forces of civic movement but a direct confrontation between money or business politics and the making of civil society whose interest are in direct conflict.

The Move Towards Civil Society

The development towards civil society in Thailand currently reaches the third stage classified by Thirayuth Boonmee (1993: 193), the emergence of common ideology after the second stage of the emergence of social organization has elapsed. According to Anuchart Pongsomlee, associate professor at Mahidol University, "a civil society is the one in which diverse people form different groups with varying roles all share the common goal of contributing for the common good" and elaborated further by Chiwat Thiraphan of the Bangkok Forum, "a society in which people have the power to take care of and to manage for themselves issues in political, economic and cultural spheres" (Lilasrichai, 1996: C2). Such will require higher degree of decentralization of the government from what already existed currently.

The question is how the movement has been developed thus far and replaced the roles of those in the early 1970's, namely, student, worker and farmer movements. As the democratic curtain was close by the Thanin government after the military coup of October 6,

1976, those propagators of democracy were ~~forced to join~~ the insurgency led by the Communist Party of Thailand or to form a network of democratic fronts overseas and transmitted political pressure on the Thai government, and the rest took up a low profile role under the sphere of oppressive power of the dictatorial regime in Thailand. Such concerted efforts gradually bore the fruits. Under General Kriangsak as a prime minister, in August 1978, a bill granting an amnesty to all associated with the 1976 Thammasat massacre followed by the bill allowed eighteen students arrested on the date of the massacre to be freed. Those who so wished to return from the jungle or foreign countries could do so. Finally, the election on April 1979 was also promised (Cooper, 1995: 261). As General Prem succeeded General Kriangsak, in 1980 the new military order of No. 66/1980 was issued changing the nature of the military operation of "search and kill" type to that of the "politics to take precedence over military operation". This order resulted, in part, a massive defection of students and intellectuals from the jungle as well as the return of those from overseas.

Two years later, Order No. 65/1982 was issued with the objective "to promote true faith and understanding that sovereignty rests with the people" (Bunbongkarn, 1987: 94). With the new order, democratic organization were allowed to be formed among the farmers and workers. Students were to be allowed to conduct all the proper university activities, including political activity, and to be given opportunity to participate with the government in joint efforts to solve practical problems. The mass media was given qualified freedom. Those promoting democratic aims would be encouraged and backed while those who were not would be subject to curtailment and legal action. The armed forces were called upon to have a correct understanding of democracy and to support it (Cooper, 1995: 271-271).

Students and intellectuals who defected from the jungle normally selected one of three options upon completing their education, working with the rapid increase in number of the non-government organization (NGO's), joining business pursuits or joining academics. The ones who joined the NGO's helped further propagate various forms village self-help organization. Among the most well known one is the alternative agriculture movement. According to the Thailand Environment Directory in 1995, there were various forms of the environment related NGO's listed of 129 organizations (Thailand Environment Institute, 1995: 142-151).

From the statistic of those who joined the demonstration on May 17, 1992 surveyed by the Social Sciences Association of Thailand, about half of them can be classified among the middle class group judging from their monthly income within the range of 10,000-50,000 baht. About two third of them is in the range of the working age of 20-40 years old. Apart from those who defected from the jungle who join their rank, these middle class and young business persons are part of the fruit of rapid economic expansion during 1987 to 1990, the last year of General Prem's government followed by that of General Chatichai. It was estimated in 1987 that in Bangkok, the number of middle class was 1.8 million or about 31 per cent of Bangkok population. About 1.2 million had the age range of 25-35. Most of them received a bachelor degree and was rather western leaning in their life-style (Smudvanija, 1990: 123-124).

During May 17-20, 1992, these middle class, business persons, NGO's and academics were converged in the streets of Bangkok protesting against the tendency to continue their tenure in the government of the military regime of General Suchinda. Such gathering eventually led to the down fall of the regime already discussed.

There is also strong intrinsic incentive for a young business profession to join democratic forces, especially the ones who are in close association with transnational activities. It has been proven clearly to them before, during General Suchinda regime (1991-1992) that authoritarianism was not conducive for international competition. Authoritarian regime normally makes rule for the appropriation of surplus from economic tent to the retained within its own group. The study of Thongchai wongchaisuwan confirms this argument (1992).

Through various processes of democratic struggles by 1996, there have been a broad coalition of the democratic forces emerging under the broad umbrella of the "middle class" movement. Basically the group is composed by business persons, mass media, academics and the NGO's. There are also connected movements, with minor exceptions, of workers in urban area and numerable grass root organizations of rural bases. All these forces, sometimes, due to their conflicting interest may not be supported by the other. However, all are moving towards the same direction "in search for civil society".

Kaewsan Atipho (1994: 1-30) has outlined in his blueprint for people participation as the key to the development of democracy. He classify people participation into three categories; (1) participation in the decision making process that will involve the processes of public hearing, the right to have access to public information and the decentralization of power, (2) participation in political process that will involve participation in political party and participation in parliamentary process, (3) participation in judicial process. The above set of proposals is in line with the forth stage of the development of civil society, institutionalization of ideology and related institution advanced by Therrayuth Boonmee (1993).

It is rather evidence that the movement towards civil society in Thailand has taken a rather well defined shape. All required in additions are the mobilization of all scattered forces to create critical mass sufficiently to generate sporadic changes among different parts within the Thai society with a clearly defined strategies. The forces needed are already in existence and are gradually growing, The major obstacle this time is, of course, money or business politics. This type of politics is less forceful than militarism but more deceitful. Nevertheless, if the development of democracy in Thailand is moving along its fateful course as the long history has already indicated, one would expect to see the end of money or business politics with 40 years after its inception in 1973. That would be the early part of the 2010's The time will be coincided with increasingly fierce competition globally in the coming Century.



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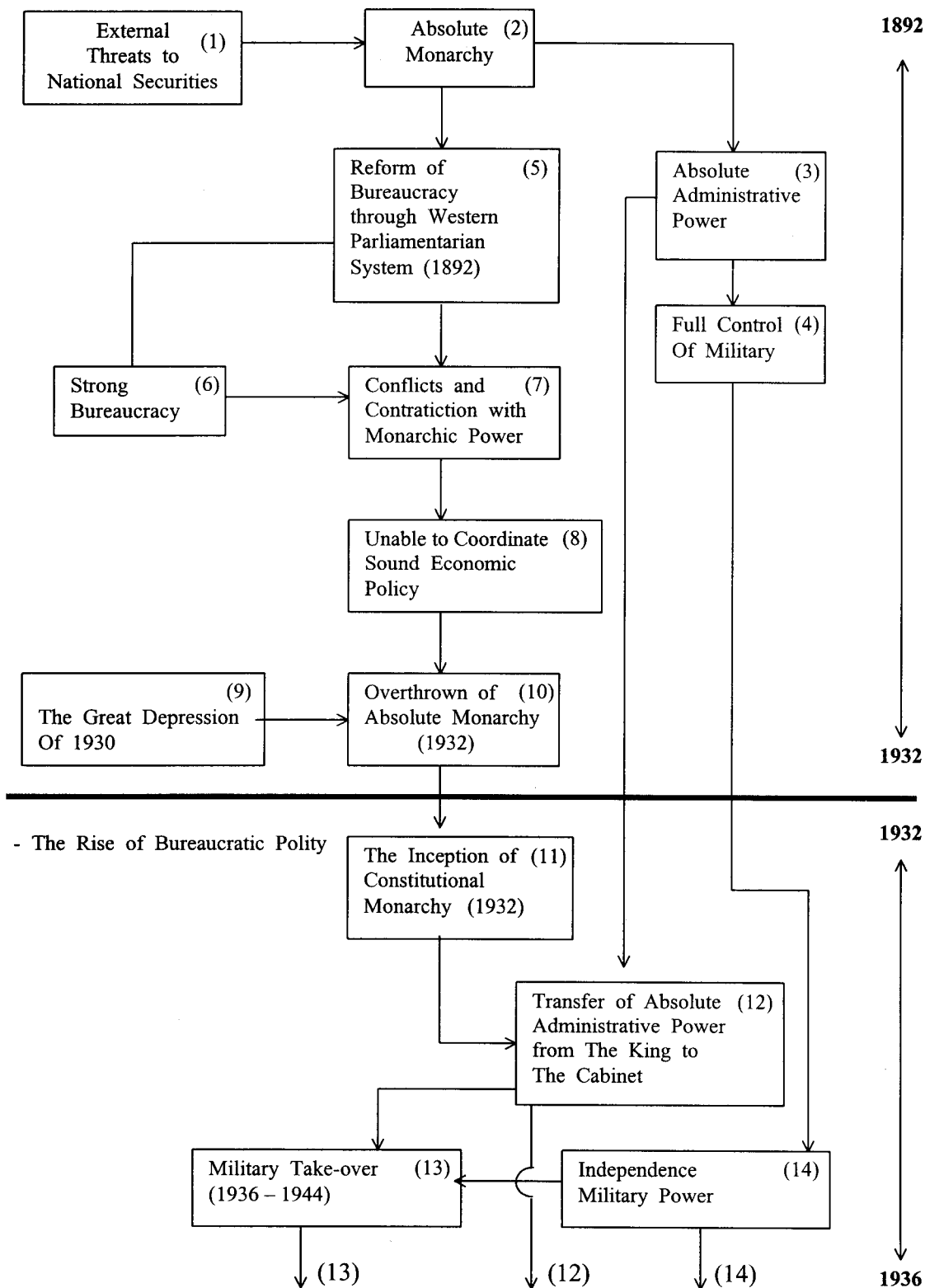
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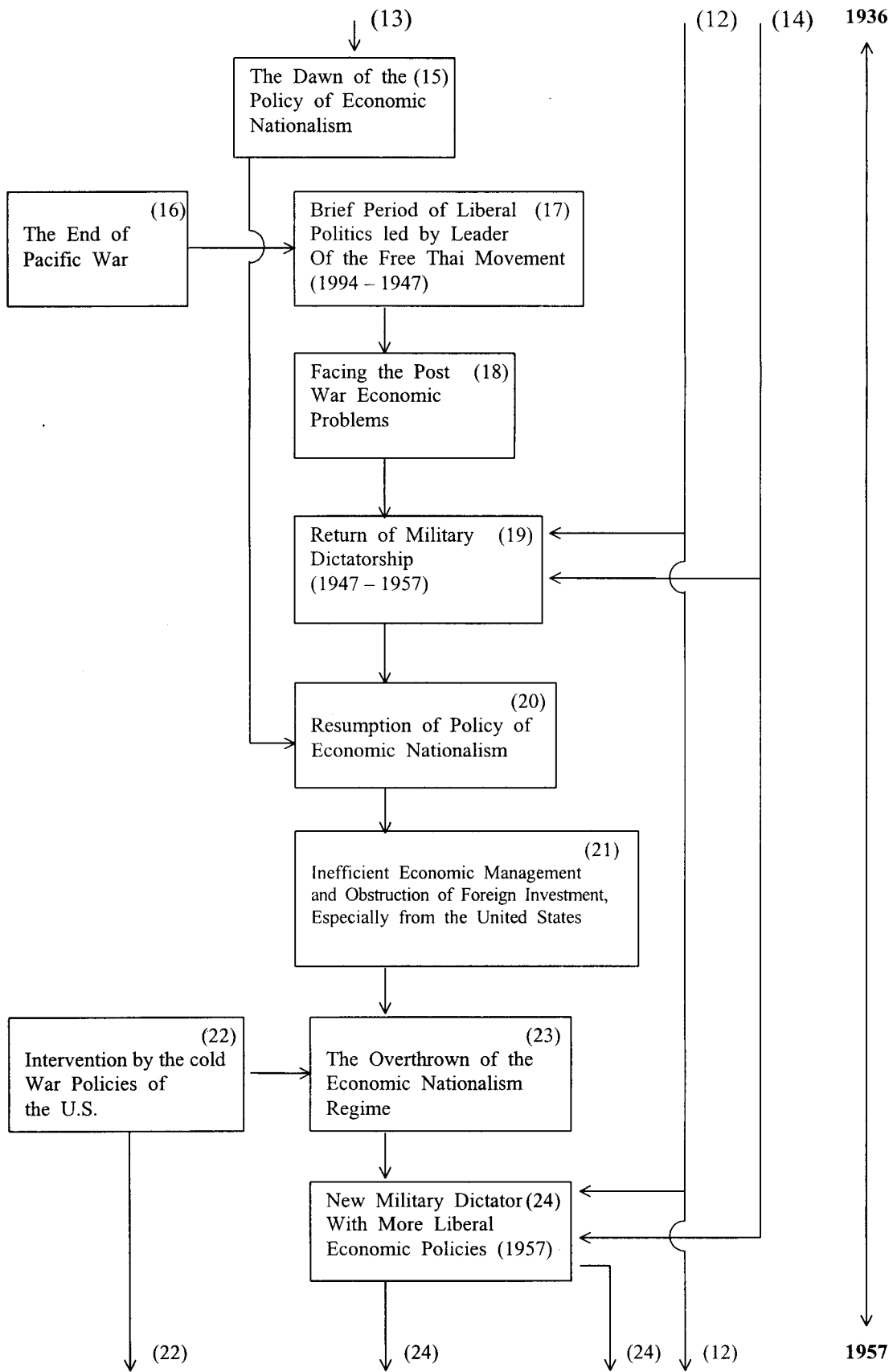
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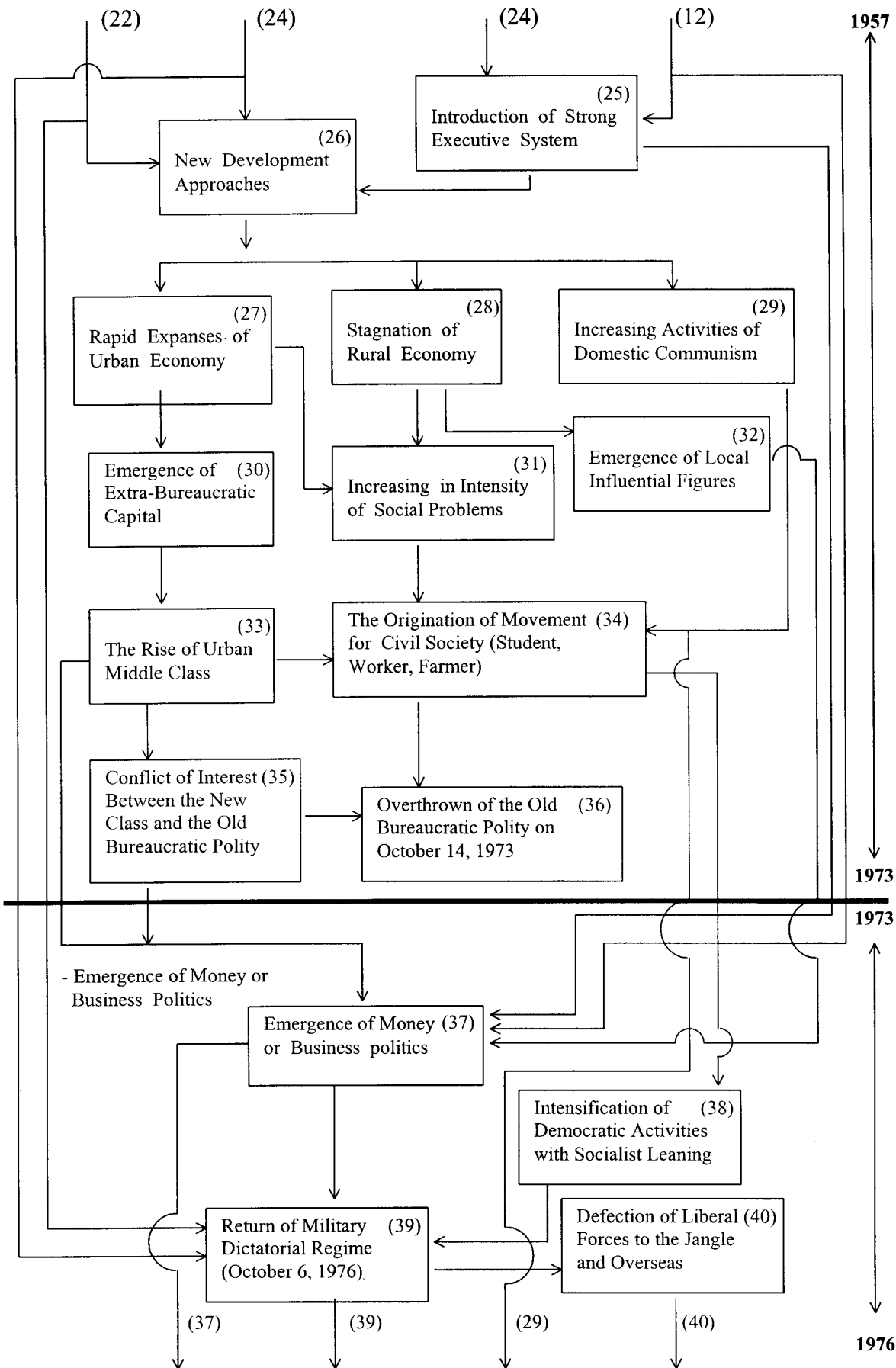
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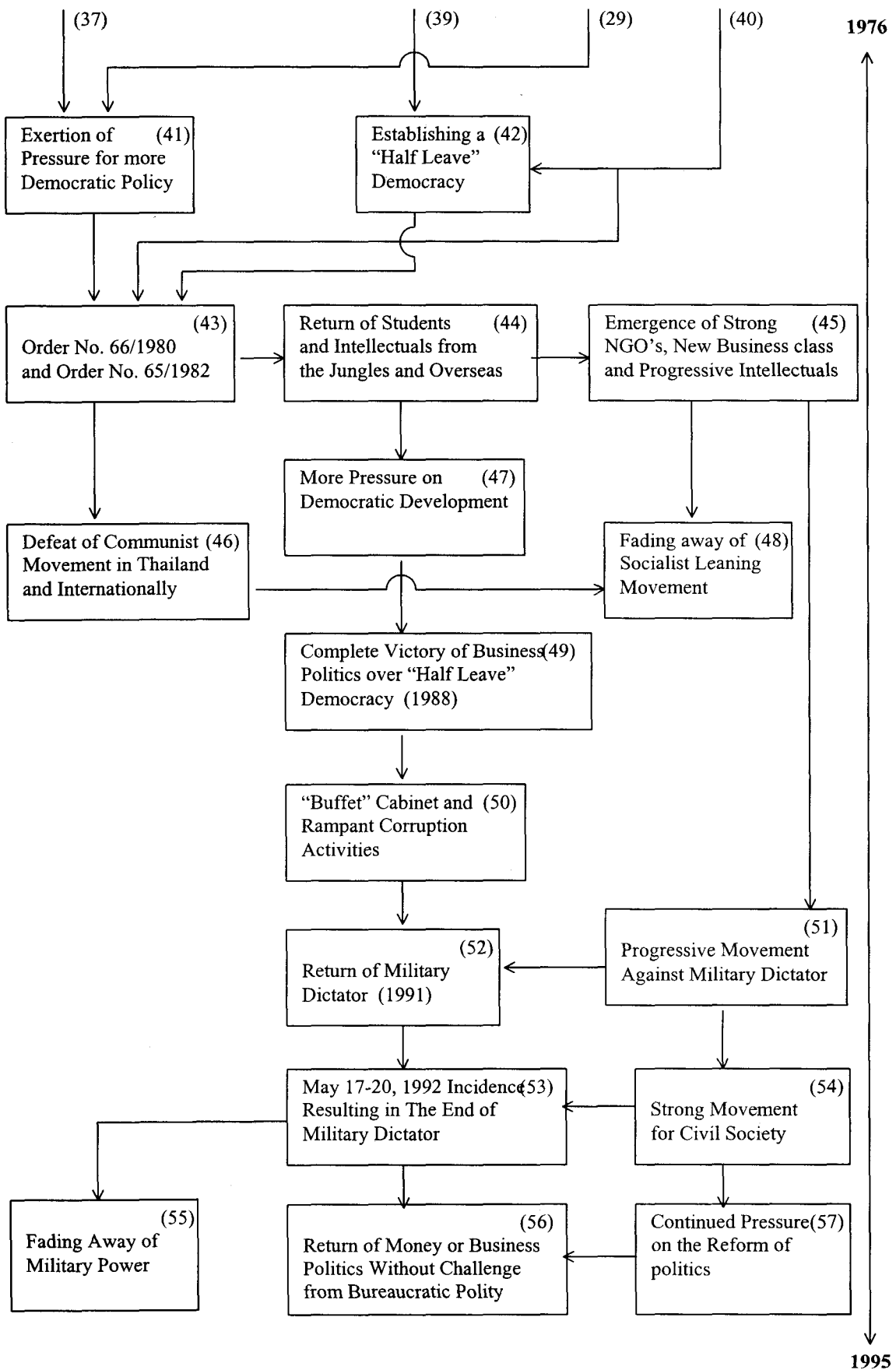
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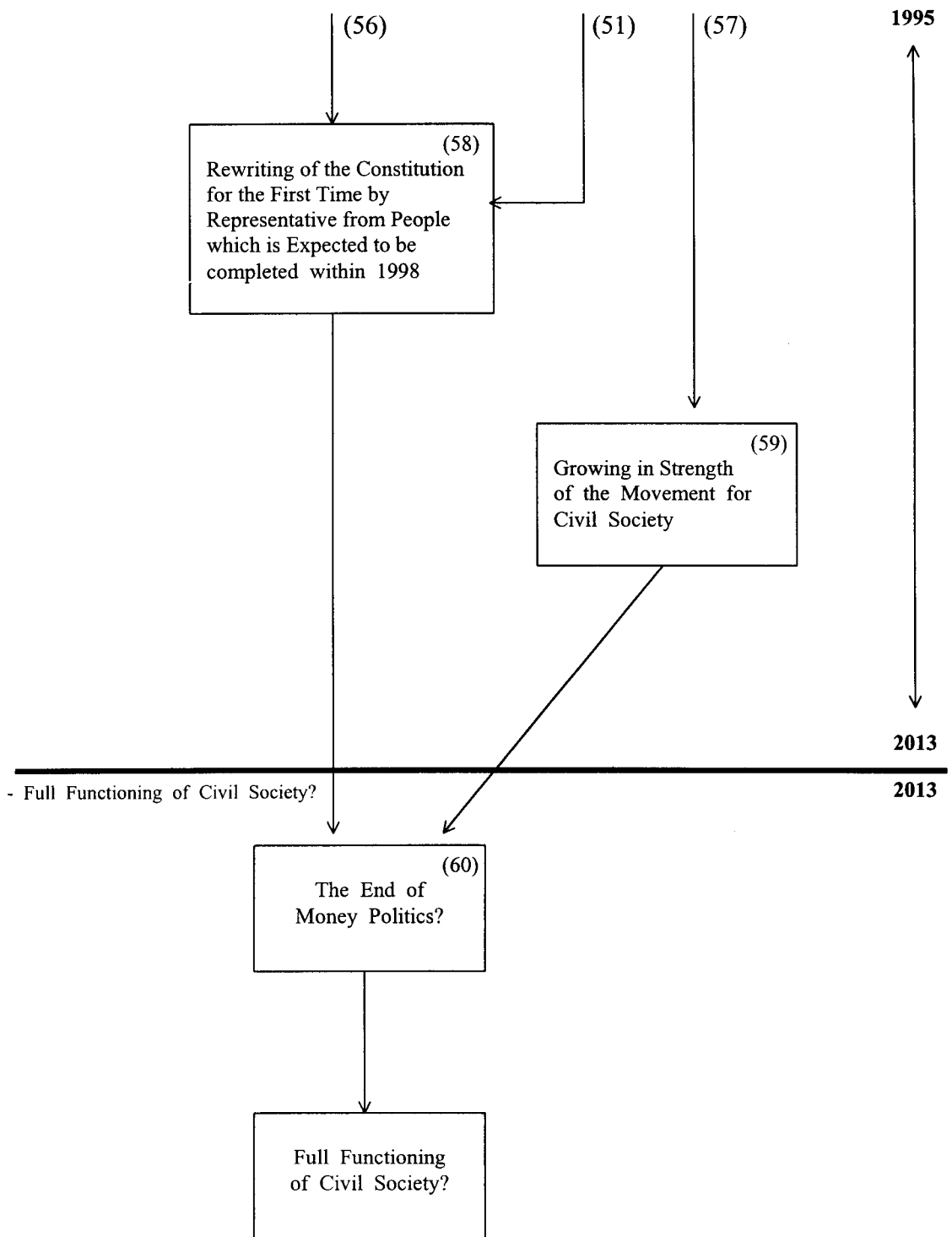
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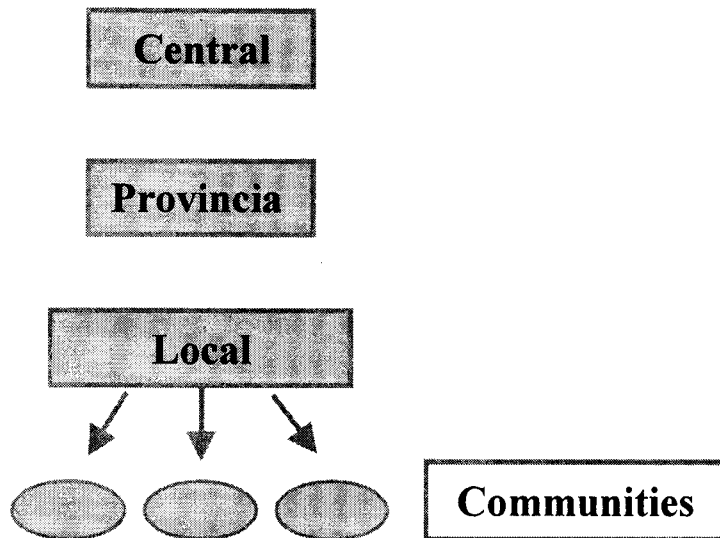


Strategies In Strengthening The Community (Synthesis And Recommendations)

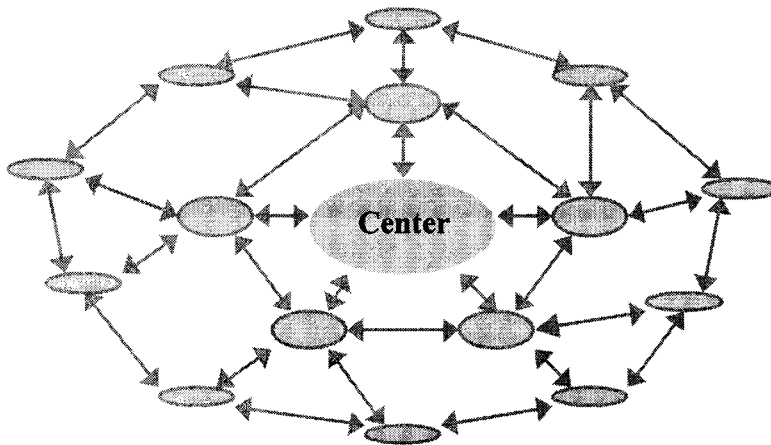
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By Apichai Puntasen and Pattamawadee Suzuki

Why a "strengthened community" should be a goal of development

Empowerment of the community is the main emphasis of this report. The key objective is to have as many empowered communities as possible covering as much of the area of the country. This is derived from a basic belief that the strengthening of the community at every point in the country must begin in the smallest unit, namely the family, to the various groups within the community, within the village, within the sub-district (tambon), within the district, within the province as well as the network of communities in a region of a country and between different countries. In other words, the strengthening or empowerment of a community plays a vital role in easing the burden of the administration of the country and the solving of national problems from the central government. This is because the community has the knowledge and understanding of the problem, possess the resources to better deal with and resolve the problem more effectively than some analytical unit in the central government. The administration of a country which is centralized in terms of political and economic authority, with the administrative structure being vertically applied is undoubtedly less efficient than management and administration of local problems through horizontal linkages within the community. If it is certain that every social unit which are linked horizontally have more or less the same degree of resources and potential to solve problems, these horizontal linkages or relations should prove to be a more effective social model to deal with all problems. At the same time, each unit (of the community) in that society may act independently to assist members of its own community to reap the most benefits. However, communities which have these horizontal linkages can only really work efficiently under three conditions 1) the overall social climate must be an open society where every unit in that society can utilize its knowledge and capability to equally benefit from available information; 2) each community must have similar level of knowledge and ability to manage the community's resources; and 3) the problem must not be too big for the community to tackle by itself. Without these three conditions, especially the third and first pre-requisites, it would be difficult for a community to solve its own problem. It therefore remains necessary to have a strong administrative center to serve as a coach, rather than as a superior or ultimate authority.



VERTICAL RELATIONSHIPS



HORIZONTAL RELATIONSHIPS

The reality of Thai society in the past was an important factor which undermined the strengthening of the community stemming from the vertical linkages since the advent of the Thai nation state in a form of centralized feudalism—which differed from feudalism in medieval Europe or Japan during the Meiji period. This was complemented by a deep-rooted culture of political and social patronage which reinforced centralized feudalism -most pronounced during the reign of King Chulalongkorn (Rama V), partly as a means to defend itself from the colonial expansionism from the West. Even after Thailand became a constitutional monarchy in 1932, the centralized system of administration remained intact and resulted in a bureaucratic hierarchy consisting still of a strong patronage system.

In the 1950s during the Cold War when the United States was the leader of the Free World in the fight against Communism, military means was used together with capitalist economic development to strive for the country to develop into an industrialized nation. Emphasis was given to investment in infrastructure and the government of the day was more than happy to accept foreign assistance and investment. This in turn strengthened the position

of the military government, supported by the bureaucracy in very much the same way as the patronage system so rampant in Thai society. The communist movement in Thailand at that time was based on the principle of the rural countryside encircling urban centers and this again served to make it necessary for the state to respond by increasing its firm grip on power in the centralized structure. The argument used at the time was that decentralization would provide opportunities for the Communist Party of Thailand to operate more easily.

The result of this type of national development led to Thai society becoming a commanded society which emphasized issuing of orders from top down. The penetration of capitalism into rural Thailand following the defeat of the Communist Party of Thailand in 1980 more than ever weakened the rural community generally. At the same time, the national policy to support foreign investment, as prescribed in the National Economic and Social Development Plan since the First Plan onwards in the 1960s, gradually made the private business sector able to grow stronger and eventually began entering the sphere of political influence for the first time in the brief period of so-called "Open Democracy" (between 14 October 1973 to 6 October 1976). But this influence of private business which began to clearly emerge over the bureaucracy, especially the military, was only during the era of Prime Minister Gen Chatchai Choonhavan (1988-1991) which led to the May events of 1992. Since that time, the real and absolute political power have been in the hands of the business elite. This has led to the business politics of today.

The most obvious benefit of business politics is the awareness of the inefficiencies of the bureaucratic system and the impotence of a commanded society in their very negative impact on Thailand's competitiveness against other countries. As such, even though business politics does stress the interest of the private business sector as a priority, but it does still recognize the importance of promoting horizontal relations/linkages as an important tool in improving the economic potential of the country. The idea of empowering the community has therefore also been embraced by business politics, although it remains secondary to the interest of the private business sector. At the same time, another important obstacle to empowering the community is local dark influences which, again, evolves from the deep-rooted culture of patronage. Local influence provides the fundamental economic and political power base for business politics at the national level. As such, even though business politics play an important role in strengthening the community to a certain extent, the situation could easily become problematic or even confrontational if the community is empowered to a point which affects the political base of the local influential element.

It should be noted that within the political framework which is dominated by business politics, the civil society movement has more opportunity to grow than in a commanded society framework. This creates both opportunity and grounds for capacity building of civil society groups which are scattered in areas of little or no interest to business politics. The reason for this could well be that those groups have on potential to impact negatively on the business politics, or that they are strong enough to not be affected by attempts on the part of business politics to create legitimacy for entering that area. In this scenario, the strength of the community could be sustained within the area outside the boundaries of interest to the business politics or the local influences. or alternatively within

the boundaries where the community itself is stronger and able to withstand pressures from local influences and business politics.

Formation of Scattered Empowered Communities

The formation of civic groups can be traced back to the latter half of the 1970s and the early part of the 1980s especially in the era when NGOs were leading the development activities in rural Thailand which coincided with the defection from the communist Party of Thailand of former student political activists. Some of these former activists went to work for these rural development NGOs. Another key development was the “military defeat” of the CPT through the change to the Politics Ahead of Military Policy advocated by Gen Prem Tinsulanonda and Gen Chavalit Yongchaiyudh in Order 66/2525. This helped to promote the work of NGOs in rural development which, in turn, supported the formation of civic groups which were no longer branded as communist sympathizers.

The government under the leadership of Gen Prem also gave priority to strengthening “people’s organizations” which at the time the government meant “Tambon Councils”. They were actually formed by the State under the Revolutionary Council Order No. 326 dated 13 December B.E. 2515 (1972) which was in force up to 26 November 1994.

A strong or empowered community has many diverse characteristics, but the important characteristic usually is the coming together of people who share common economic interest. Forming groups on this principle did not arouse suspicion from state agencies that these were political groups formed to defy state power. In many cases, these groups actually received support from government agencies especially from the Community Development Department whose role and responsibility is directly in rural development. The formation of these groups might have been primarily to solve the economic problems of the groups themselves starting out as youth groups, housewives groups, and other activity-based groups such as a small savings group, rice bank group, cattle and buffalo bank, alternative farming groups, local handicraft groups, food processing groups etc. The objective of these groups is to solve their own economic problems, with no political agenda. For this reason, state officials rarely regard them as insurgents or those who pose any security risks to the state. At the same time, these groups were often neglected by local influences as they were generally located outside the desired sphere of influence, as these groups were most often in the poorer areas, possibly more remote and distant from markets or economic centers. These factors contributed to the development and empowerment of the communities. And with good management, these groups were able to establish savings for the welfare of their community.

The formation of another type of civic group resulted from economic and political injustices which the people could not resolve unless they mobilized themselves to fight. The alternative would have been to allow the community to disintegrate. The struggles which have achieved success are those which were directed against state projects or projects which the state had some involvement. Once the public saw that those projects did not follow due process or had no legitimacy, support shifted to the opponents of the project, at least on the part of the mass media. Examples of these are cases where communities have

been evicted from an area where the state wanted to build dams such as the Pak Moon Dam and others in the Northeast, Kaeng Sua Ten Dam in Phrae and Nam Chone Dam in Kanchanaburi. The affected communities were uprooted and lost their rights to the community forest areas when the Forestry Department declares the area a national forest reserve. In the East, there was conflict over salinity of farm areas resulting from a state project to set up an industrial plant; demands for compensation from the state for agricultural promotion projects which went wrong.

In the eastern and southern parts of the country conflicts arise where the state awarded concessions to mangrove forests and the concessions are abused or there is encroachment by private shrimp farmers into mangrove areas, as well as fishing techniques which destroy the habitat or breeding ground of marine life. In many of such cases, there is also the involvement of state officials and this has forced citizens to unite to protect their livelihood. There has also been a case where residents have had to collectively fight for their right to protect public land such as in the case of the Kaoseng Slum Community in Songkhla.

The lessons learned from these struggles have taught the people and the community that if they do not unite in their struggle, they will never get justice or any semblance of an effort from the state to solve the problem they face. And the more they are united, the stronger they become. This is why the various groups in the northeast joined forces to become the Assembly of the Poor of the Northeast. Individually, the groups, with their different problems and issues, putting forth separated demands to the Government to assess their problems, were just not vocal enough for the state to take notice. The success to a certain extent of this particular group has led to the formation of a national Assembly of the Poor and the mobilization professional groups such as the Farmers of the North, the Network of Forest Communities of the North, Congress of the Small Farmers of the Northeast, the Southern Rubber Growers, etc.

Another model in the formation of civic groups resulted from opposition to a major infrastructure project initiated by the state which might have a negative impact on the local people or on the general environment as a whole. Examples of these would be the opponents of the Thai-Burma gas pipeline project in Kanchanaburi Province. While the group has not been entirely successful in derailing the project, it has succeeded in raising social awareness. At the same time, there is also the group opposing the Thai-Malaysian gas pipeline project, and those who protest the building of Bor Nok and Hin Krud Power Stations in Prachuab Khiri Khan Province.

It should be noted that in these cases the formation of the groups were mainly based on economic needs or economic reasons—whether to improve their economic standing or to protect their livelihood, or to prevent destruction of the environment which would adversely affect the well-being of the community. When the group is formed for economic reasons, it rarely comes into conflict with local influences as the group is usually located outside the area of interest to the local influences. As such, the success or the strength of the community depends on the management skill of members of the group in effectively dealing

with their specific problem as well as their credibility which could gradually build up to the national level and serve as a case study or example for others. The fact that it does not come into conflict with any local dark influences means that its growth is unlikely to be hampered and members of the group themselves will be empowered, their knowledge, experience and management capabilities will be accumulated to eventually allow for sustainable development.

In cases where the forming of groups was mainly for the purpose of opposing a state project, an important factor is also whether and to what extent the local influences share a common interest with the state project. In many instances, the strength of the group and the community is initially tested by opposition from the local influences and state officials, as well as the legal system eventually. Therefore, if the groups can withstand all these pressures and hold out for success, it shows that members of the group and the community were strong and committed enough. A good example of this is the struggle by the group to protect the mangrove areas who succeeded in preserving the area as well as their livelihood and economic security. This group will be further strengthened whereas those ad hoc group which oppose the Nam Choan Dam Project, Kaeng Sua Ten Dam or the Thai-Burma, Thai-Malaysia gas pipeline projects, or the power plant projects in Bor Nok and Hin Krud of Prachuab Khiri Khan have no guarantee that they will continue to flourish without longer term activities which would promote sustained economic development of the community. The lesson that if one does not fight then one has no opportunity of winning might serve as a reminder for all communities that a strong community which will benefit from long-term development is one which is united by economic interest and has become successful to the point where the benefits have reached the community as a whole. In the case of a group which had been fighting for long-term economic benefits, its activities must be supplemented by community welfare exercises. As such, regardless of how the group was formed in the first place, if its activities are not limited to the exclusive economic benefits of the group itself but can be expanded to cover the welfare of the wider community and surrounding areas, then a lasting and sustainable empowerment process is more likely.

The Importance of the Theory of Development of the Empowered Community

The importance of an empowered community can be explained by the theory of development in the case of Thailand. It can be generally explained that the important factors of production of an economy are human capital, physical capital, social capital, environmental capital. Since the First National Economic and Social Development Plan in 1961, emphasis has been placed on increasing physical capital at a rapid rate. Some improvement in terms of the human capital includes improvement in general level of literacy, increasing the number of the educated population at all levels within relevant age groups of the population, and the increase in the life expectancy of the general population. However, if the index used is Buddhist Economics, namely increasing in the development of Mind and the increase in social peace and harmony, the results can be problematic. It might not be possible to determine whether there has been development of human capital. A general reading of the reality of the existing situation could well be that the development of Mind and the level of peacefulness and harmony for the society are declining. This is a direct result of the more

sophisticated technological advancements and material progress which have severe repercussion on Thailand's delicate social fabric.

At the same time if social capital in the form of social fabric is considered, the overall picture that emerges is that a lot of this has eroded as evident from increasing individualism in society. Compassion, caring and social commitment seem to be diminishing. Social relations and human relationships are being replaced more and more by financial relations. The relations within a family in the form of extended families is also declining. In fact, the family unit is often broken. More marriages are ending in divorce. It can almost be said that the past economic development efforts played a key role in destroying Thailand's social capital.

As social capital diminished, natural resources and environmental capital were also exploited. The country's most important natural resources—forests, mangrove forests, bio-diversity, soil fertility, abundant and clean water and air, as well as natural life forms—all severely diminished. Minerals have been depleted. In summary, the overall picture of development in the last 40 years depicts great material progress at the expense of exhausting Thailand's environmental and social capital. Whereas the development of human capital might have increased in terms of volume but in terms of quality there is a definite decline. In 1996 at the assessment of the past 7 National Development Plans prior to the beginning of the Eighth Plan (1997-2001) it was rightly concluded that **“A flourishing economy, proliferation of social problems, unsustainable development.”**

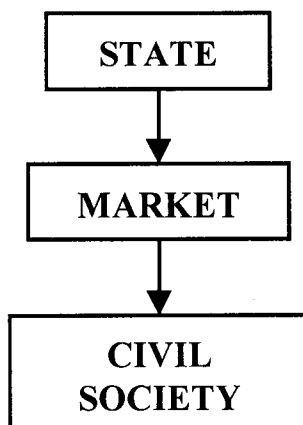
The impact of development patterns in the past has made it necessary for a review of development trends which might better serve to rehabilitate our human, social and environmental capital. As a starting point, it is essential to come back to the community and look at the economy of the community which consists of the four capital components (human, physical, social and environmental). The emphasis here is on the rural community and its economic system.

When considering the economic system of the community, it is apparent that even if the development of human capital measured in terms of quantity has been slowly increasing, or in many cases, actually decreasing—the index which measures quality of which local wisdom as is a key factor, has not really been affected as much. And even in cases where there is considerable impact, it is still in a state which can be rehabilitated. The reason for this is because accumulation of physical capital in the rural community was not at such a rapid pace as was the case in urban areas or at the national level. This resulted in the social capital in the rural community still being intact to provide essential communal fabric as long as the community is still existed. As such, rehabilitation of social capital in the rural community stands a much better chance of succeeding than in an urban community.

As for environmental capital in the rural area, the extent of damage to this depends on the real circumstances in each area. A strong community might be able to better protect and preserve its natural resources and environmental capital. A weak community could lose more of these. However in general terms. The natural resources and environmental capital in the care of the community remains more better cared for in relative terms because

the natural resources which have been destroyed or depleted are mainly those which were open access as well as being public property which belonged to the state and was looked after by government officials whose interest was not coincided with sustainable use of resources and their capabilities and efficiency were limited.

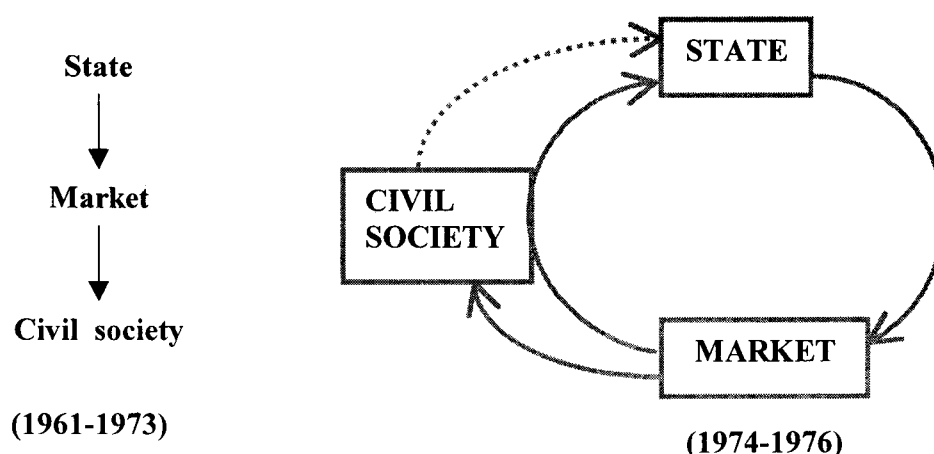
From this fact, it is therefore possible to use both rural and urban communities as units to rehabilitate human, social and environmental capital all at the same time. But before it is explained how the community can be used as a base for development and rehabilitation of the capital which have been destroyed, it must first be explained what factors contributed to the destruction of these capital components. It was already mentioned earlier that the characteristics of a commanded society as prescribed in the First National Economic and Social Development Plan came about at a time when Thailand was under a military dictatorship led by Field Marshal Sarit Thanarat and followed by Field Marshal Thanom Kittikachorn in a scenario where the World was in the Cold War era with the United States acting as leader of the Free World, whose major policy was that of military strength to defeat any possible aggression by communism. At the same time, the US also advocated a capitalist economy which emphasized industrial development and the promotion of foreign investment was the main national development strategy. Under such scenario of a strong military state, the state actually controlled the market and the market, in turn, controlled civil society, as shown in the diagram below.



This development strategy was actually the one which used the state to control the market and used the market to control the populace in a vertical structure that did not allow the populace to have any control over the state. Behind the state, of course, was the United States and other multilateral agencies led by the World Bank which was the most influential of all the time.

That is why the development plans resulted in the outcomes they have been mentioned: “A flourishing economy, proliferation of social problems, unsustainable development.”

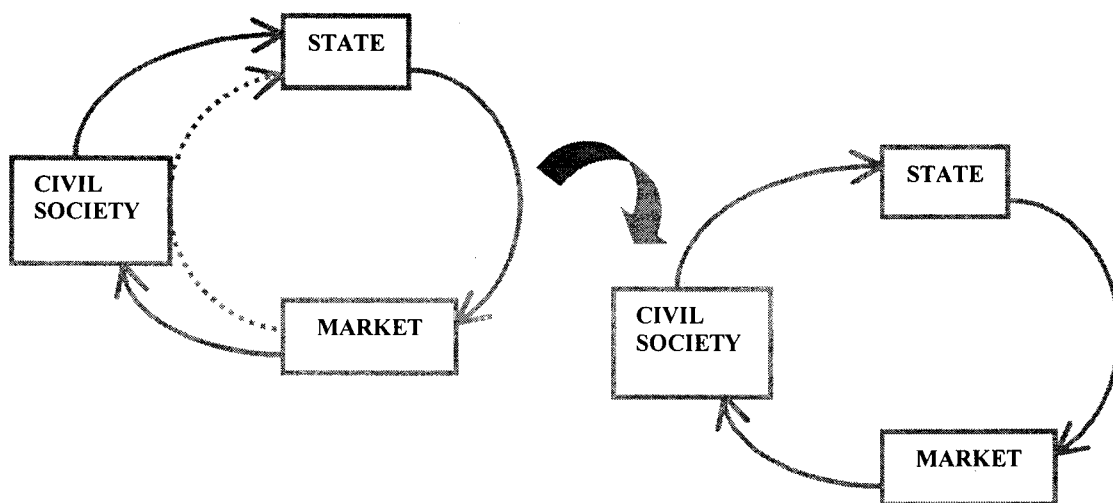
Development Paradigm and Actual Implementation:



The Image of Development :

<u>National Economy</u>	<u>Communal Economy</u>
• Human Capital +/-	• Human Capital +/-
• Physical capital +	• Physical capital + (less than national average)
• Social Capital -	• Social Capital - (less than national average)
• Environmental Capital -	• Environmental Capital - (less than national average)

Following the end of the era of military dictatorship, the period between 14 October 1973 to 6 October 1976 was the turning point which allowed the market or private business to begin having some influence over the state, which was originally partly controlled by external influences especially the United States and the World Bank under the atmosphere of the Cold War between 1977 to 1988. This was a time of fierce rivalry between business politics and power politics. The latter gradually lost its legitimacy with the easing of the Cold War. From 1988 onwards, it can be said that business politics truly overpowered the state while in 1992 business politics won a decisive victory over the state. The economic crisis which started in 1997 provided the opportunity for the emergence of people's democracy or the sprouting of movements of the civil society. The most tangible outcome is of course the new constitution which is regarded as one which for the first time promotes the role of civil society in Thailand and allows citizens to participate in the political process, much more so than any other constitutions in the past. At the same time, the influence of business politics remains a strong force which is shown in the chart below :



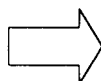
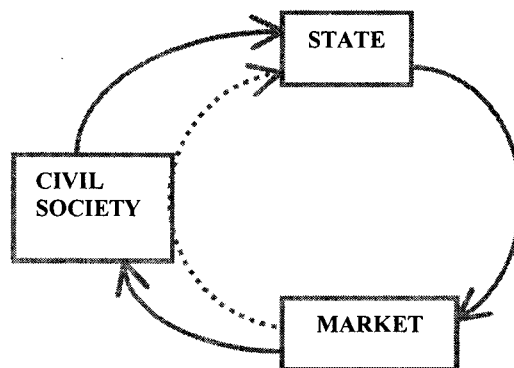
Desirable Path of Development

The bold arrow points to the market having control over the state and at the same time controlling civil society while civil society remains weak and incapable of controlling the state. The image which should emerge in the future to reflect democratic pluralism is the one which civil society can control the state so that the state becomes more responsive to the needs of the people. In the meantime, the strength of business politics should also be lessened by the fact that the state has to control the market so that it (the market) operates under a more competitive code and regulations. The state must also intervene in the market to allow those who are disadvantaged to have better opportunities in society. Ultimately the image that is mostly desired is that of perfect democratic pluralism — which means that the state, market and civil society exist together in a balanced and harmonious arrangement whereby civil society can control the state, the state controls the market and the market controls the management and use of the resources of the civil society in an efficient and effective manner. (As the image on the right.) The immediate obstacles in the transitional phase in the local level is the local influences while at the national level it is the business politics. In order to attain the desired developmental trend in the future, the following chart should explain:

Stage 1

Communal Economy

- **Human Capital**
Emphasis on quality
- **Physical Capital**
Moderate Improvement
- **Social Capital**
*Significant improvement****
- **Environmental Capital**
Moderate improvement



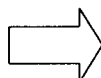
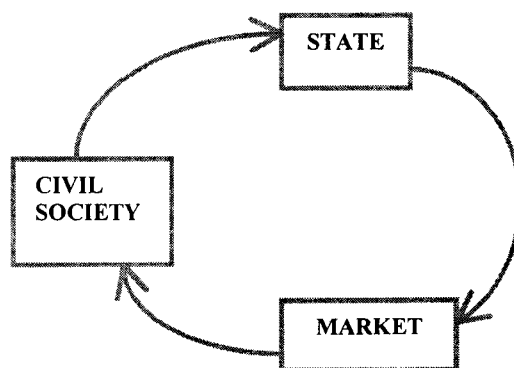
National Economy

- **Human Capital**
- **Physical Capital**
- **Social Capital**
- **Environmental Capital**

Stage 2

Communal Economy

- **Human Capital**
Quality and quantity improvement
- **Physical Capital**
Moderate Improvement
- **Social Capital**
Further improvement
- **Environmental Capital**
*Significant improvement****



National Economy

- **Human Capital**
- **Physical Capital**
- **Social Capital**
- **Environmental Capital**

The above charts separate development into two stages. In the first stage, the local influences and business politics were dominant forces while civil society was not yet as strong as it should have been. At the level of community economy, it is necessary to further develop human capital, with an emphasis on development in terms of quality and not quantity. As mentioned earlier, Thailand has had some success in human capital development in terms of volume. Development in terms of quality here means mental development and wisdom, placing emphasis on strengthening and further improving of local wisdom while at the same time advocating for well-being from non-consumerism. Development of physical capital within the community should be gradual with an emphasis on capital which gives access or uses information technology more efficiently, rather than accumulation of other forms of physical capital which might have a negative impact on the environment.

At the same time, it would also be appropriate to improve the quality of human capital for the purpose of developing the community's social capital especially to compensate or replenish what had been depleted by past development in the last 40 years. As for environmental capital, it would not be possible to increase this quickly in this initial phase because of resistance from local dark influences and business politics which have traditionally relied on these natural resources and environmental capital as important factors in building their own power base. Concerted efforts to increase environmental capital, therefore, will pitch civil society in direct confrontation with the local influences and business politics. Examples of this include the coal-fire power plants in Bor Nok and Hin Krud of Prachuab Khiri Khan Province, and the Thai-Malaysia gas pipeline project. Once the various forms of capital within the community economy increase, so will the capital of the national economy be rehabilitated.

The second stage would be the decade after this first initial period, when democratic pluralism under the current constitution has been operating relatively smoothly for a while, and after the implementation of the 9th National Economic and Social Development Plan which has shifted the national development strategy to that of "sufficiency economy" as expounded by His Majesty the King. The 10th Plan is likely to continue on this same path but with more clarity in terms of tangible methods and practical processes. At that point, it is expected that the people's democracy and the civil society movement will be even stronger and more empowered while the local influences and business politics would have been significantly weakened.

However, since it is not possible to foresee where the tide of economic globalization will take us—seeing that on the hand multi-national corporations are putting up a fierce struggle to dominate the business politics at the global level, but at the same time opposition and resistance to this movement is also gaining momentum. This has become increasingly evident from the mass protests at almost every major international economic forum or summit meeting. It could well be that the trend of economic globalization would have become less servers by that time.

If this situation eventuates, then it is even more important for the accumulation and improvement of human capital to continue both in terms of quality and quantity. This is to say that even though there has been considerable development of human capital at the national level in terms of volume, when you look at the rate of human capital development

in the rural community the ratio is lagging a great deal behind the national average. It is, therefore, necessary that emphasis is to be given to development of human capital in the rural community level in terms of quantity, while accumulation of physical capital can be more gradual with emphasis being given to developing the information technology infrastructure as this will substantially contribute to development of human capital as mentioned earlier.

Social capital must also be accumulated as the community becomes more confident that its goal should be empowerment and peace and tranquility rather than material progress which normally resulting in environmental and social problems. This is an ideal period for the rehabilitation of the environment. If the objective of development is no longer materialistic, the local influences and business politics should also diminish as their struggle to control the resources and environment of the community subsides, thus allowing the local community to focus on efficiently improving and managing their natural resources and environment.

The next question is if this is the hypothetical analysis then how do we proceed from here...from this point where the strength of communities are still scattered, to a point where future two tiers development is attainable. These issues must be considered when formulating the national development policies by the government because the policies play such an crucial role in determining the future path of development.

Strong Community under Current Government Policies

It is generally well known that the economic policies of the present government is essentially the very same policies announced by the Thai Rak Thai Party in its election campaign earlier this year. The party's platform led to its overwhelming victory in the general election for the first time in Thailand's political history. This was also the first time that the election was fought on the basis of policies. As such, there is a valid reason as to why the political party must make every effort to implement the policies it had popularized during the election.

In order to fully understand what has happened in the political landscape, it is essential that we study the economic problems Thailand faced before this last general election. If we go back to when the Thai Government had to float the Baht in July 1997, the course of action the government at the time tried to strictly carry out as recommended by the IMF was to have a surplus budget of 1 per cent of the GDP. This translated in real terms into a 20 per cent cut in government spending in Fiscal Year 1998, an increase in the VAT from 7 to 10 per cent which automatically impacted on the total credit squeeze resulted in more than 10 per cent decline in the country's economic performance in 1998. Domestic interest rates rapidly rose and there were massive capital outflows with no new foreign investment. That situation was a complete meltdown of the real economic sector and resulted in tremendous increase in non-performing loans which severely crippled the country's financial system to the point where the state had to inject more than 800,000 million baht to salvage the Financial Institutions Development Fund.

Despite the fact that in July 1998 the Government began to stimulate the economy by using foreign loans from the World Bank and started Social Investment Programs (SIP) followed by another loan from the Asian Development Bank (ADB) and the so-called Miyazawa Plan; followed by a further stimulation package directed at small and medium size enterprises, the economic stimulation in short term did

cause the growth rate in 1999 to increase by 4.2 per cent over the previous year but the NPL problem was not resolved and remains a major problem for the country even to this day.

The impact of the economic crisis caused public debt to rise many folds, partly because of the growing debt of the state enterprises resulting directly from the depreciation of the baht, and partly because the Government absorbed corporate debt in the private sector through the FIDF. This resulted in public debt which before the crisis was 176 billion baht or 4 per cent of the GDP in 1996, became 958 billion baht (or 18 per cent of the GDP) at the end of 1999 and increased to 25 per cent of the GDP in December 2000. It is estimated that foreign debt is now as high as 56 per cent of the GDP and public debt will be amount to over 65 per cent of the GDP in the year 2003. Whether the debt will further increase or start to decline depending on the following 4 key conditions, namely (1) if the country's economic recovery happens sooner or faster which for this current year already shows signs of registering only 2 per cent growth; (2) the size of the capacity in the restructuring of the financial system; (3) recovery in the real estate sector and the inflow of foreign investment capital; and (4) the ability of the public sector to revert from a deficit budget to a surplus budget. From the existing economic outlook, it is not likely there is any good prospect for future growth especially by the end of this year and the next (2002). In that case the year 2003 will not be the peak of foreign debt for Thailand.

The current situation can lead us to expect that if the hope of Thailand reaching its highest debt beyond 2003 and that if public debt continues to rise, then the crisis would be more severe and will have adverse impact in the national economic recovery, then the most serious problem that needs to be addressed is the NPL problem especially as this is the major impediment to investment and increases public debt burden. Therefore, during its election campaign, the Thai Rak Thai Party proposed the setting up of a national assets management corporation (Thailand Assets Management Corporation or TAMC) to allow financial institutions to lend to debtors who have been through a debt rehabilitation plan. This is because it is unrealistic to think that new businesses or entrepreneurs would want to obtain loans to start a new business in the present economic climate. And even with measures and incentives to promote SMEs, known as the August 10 Measures, and the establishment of the TAMC, economic recovery has not yet taken place because the economic situation at the grass roots level remains slumped.

For this reason, the Thai Rak Thai Party has formulated many policies to stimulate the economy at the grass roots level such as the 30-baht universal health care scheme, the farmers debt suspension program, the people's bank/credit project, the one sub-district-one product project, promotion of community business as a juristic entity, the one-

million-baht per-village fund, etc. These projects and programs will help to stimulate investment and spending at the grass roots level. The health care program will ease the burden of medical costs while farmers' debt suspension will allow them to breathe more freely and have more cash flow. These monies in the system will be used to pay for goods and services from SMEs. Thus also helping to generate business for them and causing a chain of economic activities. But the important thing of course is to control the amount of imported goods so that they never exceed what Thailand exports. Otherwise, the situation would be compounded by problems of trade deficits and current account balance.

All of these projects, although not directed at strengthening local community, are aimed at improving the economy of the community and the country in general. In practical terms, these projects, especially the one-sub district-one product program and the village fund project, if properly managed, will indeed have a positive effect in empowering the community. This is because on the one hand they provide the community with the means to initiate a community business venture. On the other hand they provide the opportunity for members of the community to participate in the management of the funds which should be a positive learning process.

In reality, it could be that these projects do not fully achieve the desired objectives in terms of stimulating the economy, since they have only just been started not long ago. Moreover, the projects do not yet cover all areas throughout the country as they were started in selected areas which were deemed better placed or were more ready—which is the correct approach. As for the TAMC, that has only just been established and has not yet started operating. Obstacles in terms of timing and legislative/regulatory impediments have to be addressed. But both the Village Fund Project, which provide the opportunity for villagers to manage their own credit facility in the form of a village committee, and the one-subdistrict-one product program, will have a direct effect in strengthening the community especially in communities which do not have local influences, and communities which already possess basic knowledge and understanding of management issues. A key element of these types of projects is the opportunity they provide to members of the community to learn and gain a better understanding of financial and economic management. This learning process is essential in the new globalised economic world order. Although there might be certain negative effects in that relationships within the community could become more individualistic and people have become more money oriented. If in the final analysis whether it is the one sub-district-one product project or the village fund project that can develop and evolve into a viable community welfare system in the same way as the community savings groups or the small community businesses which have proved to be successful in the past; then they would serve the purpose of strengthening and empowering the community without having to go through that confrontational process as the time when the struggle was for the survival of the community to protect its environment.

In writing this synthesis, it might not be possible to say conclusively that the overall policies of the government will result in a stronger and more empowered community. But if analyzed in accordance to the theory of accumulative capital as explained earlier, these projects initiated by the government while beginning with the injection of physical capital

into the community, and at the same time also promotes improvement of the human capital within the community. This is very important because if human capital is improved then this will lead to more efficient management while also increasing the potential and local knowledge within the community—thus bringing the community together rather than breaking it up. Increasing the capability of the community in this way also results in increasing the level of social capital while whether or not the environmental capital of the community increases, depends largely on the awareness of the people in that community.

However, if we consider the prescription in the new Constitution which gives the community the right to look after and manage their own resources including the increasing opportunity of self-government, not to mention better access to information technology which will allow the community to receive information more conveniently and quickly. All of these factors when further enhanced by the weakening of local influences and the strengthening of civil society groups, it should be highly probable that these projects and policies initiated by the new Government will surely strengthen rather than undermine the fabric of the community and civil society.

At the same time, the fact that the current Thai Government is facing serious problems in collecting government revenue to speed in implementing these policies, is not necessarily a threat but rather an opportunity in that this will ensure that the Government proceeds with the greatest caution. Instead of squandering the budget to secure its popularity and support from the people, it looked for better alternatives. For example, the Village Fund Project, which was to allocate 1 million baht to each village, did not pool the funds from the nation budget but used a credit facility arrangement with the Government Savings Bank. This requires repayment of the loan and thus ensures that the village committee be more prudent in approving such loans.

Civil Society and the 9th Economic and Social Development Plan

At present, in addition to the Office of the National Economic and Social Development Board which is responsible for formulating policies and setting the direction of long-term national development, with the participation of permanent government officers and the best brains which can be recruited throughout the country, a National Advisory Council to offer counsel on economic and social development issues has also been established. This is actually an organization from the people's sector as prescribed in the constitution whose most important responsibility is to give its endorsement to the 9th National Economic and Social Development Plan in the direction as set in His Majesty the King's initiative regarding the sufficiency economy and sustainable development. Even though this Council only has an advisory role and no real decision-making authority, but its views and recommendations will be disseminated and publicized so that the general public can take part in scrutinizing the national development plan. This will result in making it much more difficult for vested interest groups to initiate projects for their own benefit. In all counts, this will mean that the ultimate benefit and national interest are considered and protected. Should the government or the Cabinet have an ulterior motive to deviate from the set target, then it would have to face cross examining from the public and from society. In this way, it will be easier for

development policies which benefit or serve the interest of a wider group of the populace to get approval. It will also mean that those projects which are questionable or which serve the interest of only a certain group will be closely monitored and scrutinized.

For this reason it is credible enough to say that the 9th National Economic and Social Development Plan, which emphasizes sufficiency economies and sustainable development, and has the endorsement of a wider circle of civil society groups, will have a better chance of being realized. The only problem is how can that Plan result in tangible projects which can be practically implemented. All depends on the understanding of this Advisory Council. It depends on whether they fully understand the concept of “sufficiency economy” which principally refers to the building of sound economic foundations within the community, the local area, the region and then the country—before expanding to economic competition at the international level.

Moreover, the principle also emphasizes sufficiency in terms of moderation—meaning that one must not be too greedy, must be honest and not take advantage of others. The emphasis is similar to that of the teachings of Buddhism and other ethical standard available in most religions.

The tangible implementation of the 9th Plan should actually stress the expansion of the community economic base. The effects of this would be that the communities which are already strong should receive financial support from the state to serve as a training center for weaker communities so that the new coming groups can have the opportunity to learn and appreciate the experience from the former groups. Such activities will promote the exchange of knowledge and experience among all the groups to be able to manage their own affairs much better than before based on concrete experience. The emphasis should also be on capacity building and helping the community to increase their expertise in managing and protection their natural resources. This is because the natural resources base of the community is the most essential factor for the community’s survival and sustainable development.

The constitution has set out the trend for development of authority to local administrative bodies, including a plan of action which prescribes the boundaries in preparing for their new role with some modification to the role of civil society to learn and participate in such administration process for the first 10 years. The emphasis has been to transfer power to local administrative bodies which demonstrate their readiness within 4 years. As for those bodies which are not yet ready, the transfer of power will take place in the next 10 years with the initial authority being devolved having to do with raising the standard of living and promoting the quality of life of the people in the community, followed by the basic local infrastructure needs to strengthen the community in the first instance.

There are provisions dealing with taxation and other income for the local administrative bodies which stipulate that the income of the local administration should increase in 2001 by no less than 20 per cent of all state revenue and increase by no less than 35 per cent by the year 2006.

An important problem here is how decentralization can be implemented in such a way that real decision making power and financial management power is truly devolved to the local community and its members in the next 5 years rather than being held by local influences. The only way would be if the group of civil society in the local community come forward to participate in the local administrative bodies. Mechanisms must be created to allow the groups to formally assume the role of managers, at the very least as counselors to the local administrative bodies. At the same time, it is vital that precautions be taken to so that there is no disagreement which could lead to confrontations and which would eventually break up the community.

Another major obstacle to national development is the bureaucracy. Ideally, a bureaucracy should be small and compact but highly efficient, with a strong sense of accountability, as well as being transparent and fair. The bureaucracy should contribute to the people's participation in development for all sectors in the society. Most importantly, a bureaucracy should be agile and timely in terms of financial administration and management such that funding is allocated to the non-government agencies to perform their role that which will help to strengthen the community with more emphasis on the outcome. In the past, these types of projects operated by government officials themselves have had a tendency not to be as effective as they should have as well as unnecessarily wasteful. The main reason for this being that those who assess the outcome of the projects were the same people who implemented them in the first place.

Education reform as a means to increase and improve human capital through the development of human Mind cannot be achieved through the current educational system which is a result of the education designed during the colonial time in the 19th and 20th centuries which stresses the transferal of a given body of knowledge from teachers to students rather than stressing the creative ability and development of thinking from learning and solving problems in real situations. Education should be utilized for the benefit of the community and therefore should be organized in the form of community schools as the basis for education management. Education should be viewed as a part of the community development process with the teacher assuming the role of developer and friend who can offer constructive advice which will assist community members to learn by themselves and practice problem-solving. This would be different from the teacher's present role in which the teacher is merely the person who imparts body of knowledge to students. One of the most crucial elements of education reform is the necessity to revolutionize the learning process and not just decentralize administrative power.

The development of teachers and school curricula are also important elements but not as important as changing the process of learning. Changes in the curricula specifically in the substance of the subjects themselves, will not solve the problem prevailed in our education system. It is necessary to develop the process of learning so that students have the opportunity to attain self-learning and teaching by using information technology as a component in educational management as much as possible. This will inevitably increase the potential and capability of the community in development use of information technology.

Small and medium size enterprises will be the mechanisms which complement and

enhance national developmental at the macro level. Moreover, they are important tools which will modify development trends in the direction of sufficiency economy. Unfortunately, in past efforts to solve problems faced by the SMEs were based on the wrong assumptions. This was largely because studies that were undertaken compared Thailand's SMEs to those of more developed industrialized countries. As such, those studies naturally concluded that Thai SMEs were at a great disadvantage on all fronts: capital, management, manufacturing technology, raw materials and the efficiency of manpower. When problems are pointed out in such light, the effort to solve the problems emphasize the issues of capital, management, technology and efficiency of workforce. However, if the emphasis is on efforts in line with the concept of sufficiency economy as expounded by His Majesty the King, then what should be emphasized are local markets and raw materials available locally, the hiring of local labour, usage of machinery only as appropriate and necessary, technology with technically sound should be adapted at the lowest costs. At the same time, there must be continuous research and development, focusing on the smallest scale of manufacturing plant so that it would be all the more easier for the community to follow such prototype. In terms of capital, it would be important to concentrate on capital which has accumulated from profit rather than unnecessary external borrowing. Special care must be taken to avoid creating a waste in the production process, as well as attempting to reuse or reprocess residual material into a new product. Try to have as many and as diverse a range of products as possible which can use the same production facilities. This will reduce the risk of depending too much on one product. And most importantly a producer must not be too much greed but honesty and integrity not to take advantage of others whither they are the clients, more workers or those who provide the raw materials.

If the emphasis can be shifted from increasing the amount of capital to promotion of enterprises so that they can operate in the model of sufficiency economy, even if those enterprises will not grow so quickly, they will not create pollutants for the environment and will not destroy or deplete the natural resources. They would promote employment for local workers and allow the community to have a greater opportunity to participate while at the same time develop their own knowledge and expertise continuously. This kind of enterprise will contribute to the strengthening of the community rather than only focusing on generating income at the expense of the community's welfare.

The most important thing to be emphasized is whether these issues have been included in the 9th National Economic and Social Development Plan, because while this new plan may be on the right track, if it has no tangible details which can lead to actual implementation, then it cannot result in national development on the path of sufficiency economies and sustainable development while at the same time strengthening or empowering the community.

Other Points to be Considered for a Communal Strength

In addition to the issues and subjects already discussed above, there could be other related issues which have not yet been considered in as much detail as they should. This is a reference to the idea of whether there should be special measures which will effectively and expeditiously lessen the influence of business politics and local dark influences. This leads to the

question of what can be done for communities which are weak currently. Another issue which has not yet been widely discussed is how the negative impact of a globalised economy can be limited and prevented from having a negative impact on the strengthening or the empowering of the community. And finally, should there be some change in the development indices which are used to gauge human development to measure communal strength

1. Is it possible to decrease the influence of business politics and local dark influences at a quicker pace?

From what has been discussed so far, if the current political evolution is allowed to proceed as it is, business politics and local dark influences will diminish gradually in terms of their importance and their role within the next ten years. This fact results from increasing activities of people's politic and increase strength of civil society groups, especially if the national economic development is in the direction of sufficiency economy. At the same time, if local influences are exposed more and more by the public and the media, their role will diminish eventually.

The most important reason that allowed local dark influences to fester in the first place can be traced to illegal activities. Problems that still exist today such as illegal narcotics trafficking, interests in underground lotteries, concessions and monopoly in businesses which destroy and deplete the environment for example forest concessions, sawmills and quarrying mills etc. Or even being an owner of huge plot of in the rural area, a middleman for agricultural products, a rice miller or a construction contractor who relies on public works projects, the operator of the regional transport business. These types of influential businesses usually provide financial support to both local and, in return, they received protection from these will join with provincial bureaucrats in a patronage relationship which results in the weakening of the community.

These influences have grown gradually and continuously through the patronage system so much so that they have become rooted in the political and economic power structure and, thus difficult to eliminate in a short time. However, the strength and intensity of these dark influences can only last and expand to politics at the national level by establishing a strong connection with business politics at the national level. At the same time, business politics at the national level can hold on to power partly because of a base of support from the local influences; but also partly because the national business politics has an interest which is a national monopoly and/or cooperation with multi-national corporations.

As such, the way to lessen the influence of business politics at the national level and local dark influences at the same time is to discontinue the linkage or connection between the two. This can be done by decreasing the interest from national monopolies, opening the opportunities for private businesses to compete for such concessions in a fair and transparent way through a responsible process which is fair also to the smaller share-holders and the general public. In short this calls for good corporate governance.

Therefore, if the national media cooperate with national civil society groups in

exposing information regarding the activities of these groups, and if the anti money laundering laws can be fully enforced, then this will surely play a part in lessening the influence of business politics at the national level. An important pre requisite here would be a vigilant and strong mass media which seriously take the responsibility of speaking out for the people. This ability to speak for the people depends greatly on their ability to analyze and understand the issues, including the strength of the press and other media associations, who must uphold their responsibility in being neutral and putting the public interest above all else.

As for local dark influences, if these have been effectively cut off from the business politics at the national level, their own influence will greatly wane. In this case the effort to rid the area of what remaining influence there might be, depends largely on the empowerment of the community so that it can have a role in checks and balance without direct confrontation especially at a time when the community is still weak. There might be many ways of handling such situation at many different levels. The most delicate and probably the most effective one in recruiting or convincing the local influential figures to join as part of the civil society movement—which can be at the provincial level, district level or the sub-district (tambon) level.

Since at present the administrative unit in the provincial and sub-district levels are units which are clearly formed, the trend towards promoting a civil society group at the provincial and the sub-district levels seems highly probable if properly promoted. Recruiting of inviting the local influential figures to become part of the movement by pointing out to them the existing problems within the local area and problems at the national level and how these will affect them, in the long run if natural resources of the area are destroyed beyond rehabilitation. Or pointing out to them that the poverty of the local community will not be able to support their economic base in the future.

Changing the behavior these local influential figures is a much better approach than a confrontation or an outright conflict. At the same time, if the relevant laws are fully enforced in a straightforward manner, these local influential figures will have additional incentive to change. Lessening the power of local influences by convincing them to become a part of the civil society movement is one of the best ways to avoid confrontation while also strengthening the community at the various levels concurrently.

2. What can be done to help communities which are presently weak?

A weak community is partly affected the local influences. But a community can also be weak without the presence of local dark influences. Such weakness results from the loss of its resources to a point where they can no longer be retrieved or restored if there is no change in the way things are managed. A very good example of this is the loss of resources from their lands being expropriated by state agencies in order to build dams. The loss of land to till because the authorities declared the area a conserved forest or the loss of coastal mangrove forests because wealthy financiers decided to encroach on the area to start shrimp farming. Or even examples of villagers having to be relocated because a nearby was being used as a garbage dump site, or those who had to move because of fallout and dust from a rock-blasting site. In many of these instances, the community only has two options: either to give up

and relocate themselves elsewhere or fight in every way and using any means they can to win. In the latter option, of course, there is no guarantee that the community would indeed win in the end. However, if it is an issue which can be resolved by a management decision such as when villagers lose their land because of an announcement declaring the area part of being decreed as conserved forests—then a cooperative effort to solve the problem would be to allocate some part of the land to villagers while at the same time also designating an area as a community forest under the protection of the community in which members of the community can harvest products from the forest so long as they do not cause any negative impact on the environment. In this way, not only will the community be allowed to remain and survive, it will also flourish and become empowered.

Apart from the issue of losing the resources and the right to manage the resources, indebtedness compounded by economic hardships was also the cause of the community weakness. The way the Government currently trying is to resolve the problem by rolling out the carpet, so to speak, with projects such as the Village Fund and the One Sub-district On Product program. Such attempt can potentially help to alleviate problems in communities with a certain degree of success. However, for communities which are not yet able to manage the resources effectively, whether for lost of their livelihood or wisdom or because of strong tendency for individualism within the community, which is a typical characteristic of a highly-populated poor community in an urban area whose members might have migrated from different localities with diverse indigenous cultures which make it impossible to establish relations as relatives or neighbours. The Government's assistance programs as mentioned earlier might be able to help these communities as well but they won't solve the real problems and will ultimately reflected as a failure of the projects.

Another aspect of a community's weakness can come in the form of conflicts between different interest groups within the community. If such situation is to be rectified, it is necessary to change the conflicting interest into a common interest which might not exactly be easy to do but at least it would be more desirable and a lot easier than having the community lose its livelihood or its local wisdom.

To solve the problem (of the weakness of civil society) systematically, it would not be sufficient to merely have an overall restructuring to create a situation conducive to resolving these complicated issues. It is vitally necessary to begin with a study of the indices which are generally regarded as indicators of the strength of civil society and empowerment of a community for the entire country. This is so that it can be determined how many of these weak communities there are which would require more or less a concerted effort to empower them. The next logical step from there would be to study to find out those factors which directly cause the weakening of the community and civil society so that they are clearly identified. From there will it be possible to study the appropriate ways and means to resolve the issues in each community. In this way, it would be possible to decrease the number of weak communities, especially those which cannot be helped immediately by across the board policies. This is not to say, however, that such policies are not useful because they are solutions which are cost-effective in detecting the weak communities from the strong ones. Following the implementation of the policies, if it is evident that there are shortcomings or even complete failure, the causes of failure can be studied and examined. For example in 1 Million Baht

Village Fund project, understand the project failed in certain communities is important so that the project could be further improved.

3. What can be done to allow the strengthening of community to be compatible with economic globalization?

By its own definition, economic globalization is a state where capital and products can move freely as if there were no boundaries. In the new economic order, the market is highly competitive as long as a country can produce a high-quality product at low cost. However, once these conditions cannot be met, there is no longer any room in the market for that country. Moreover, the flow of capital mostly comes and goes very quickly, and is a form of short-term loan seeking to maximize profit which undeniably destabilizes the country economy, especially in terms of physical capital or financial capital. Globalization is not something that can be avoided. Not being part of it would mean lost opportunities in terms of access to markets for goods and services, technology and capital. This would cause a country to be left behind and become easy prey when it is necessary to open itself to the outside world. Therefore, there is only one possible way of dealing with this and that would be to participate in the globalised world as a knowing player.

The most important capital which will enable us to deal with the trend of globalization is human capital which emphasizes the importance of knowledge and being up to date with the advancement of information technology. Therefore, with regard to education reform with emphasis on encouraging creative thinking, problem solving from actual situation. This can be achieved by radically change learning process from the existing one and to shift the management responsibility to the community and community-based schools using the local community and local market as the place of learning, using the benefits of information technology in providing knowledge of interest to the students with the students as the focal point. It is essential that this system of education be established as soon as possible. At the same time, the community's sufficiency economy or community business do not reject the market system. However, emphasis is placed on the formation of groups to do business so that the businesses will be more secure to better help themselves. Other important issue to be emphasized is that the characteristic of community business must be developed along the SME that operate along the concept of sufficiency economy discussed earlier with the emphasis on "down side risk management" and continuous research and development in order to increase the technological capabilities to suit the scale of production with the production cost being the lowest possible. At the same time, emphasis should also be on not being greedy, and honest to the client, employees and the owners of the raw material —with the ultimate aim to increase employment.

Doing business in this way will result in much lower cost and without the problem of unemployment which means it is more competitive in the global environment without much difficulty. And while foreign capital may flow into and out of a country relatively quickly, if there is no real need to use such flow of capital, it can do no harm because greed is no longer part of the problem. What is required is being up to date with technology change which will translate into real reductions of cost in order to increase the competitiveness. But it is also be

necessary to adapt the in technology so that the condition of employment is not lost. If the operations of the SMEs is done under the principle of sufficiency economy, the national economy will certainly be strengthened in the age of globalization without much trouble. In addition, it seems there is ever growing popularity for products from natural ingredients that are environmentally friendly, including organically grown fruits and vegetables free of GMOs, alternative herbs and medicines and other natural food supplements. These products are actually becoming more popular the world over and research and development in this field would also be in line with strengthening the community-based economy.

As for large enterprises, namely those which require a capital of more than 200 million baht and the employment of over 200 workers, they can operate very much in the same way as those multinational companies because they are only a small proportion of the overall component of the Thai economy. Even if those businesses have faltered and face serious damage and losses, they will not have direct impact on the national economy. In order to achieve what has been discussed above, a change in the paradigm for the SMEs is required to the development in line with the principle of sufficiency economy. This is the most difficult hurdle because the business sector and policy makers at the national level do not yet completely understand this concept.

4. In what way can the human development indices be changed to be consistent with the strengthening of civil society?

Indices which serve as indicators for something will always inevitably influence the way in which that “something” changes. One of the main problems which causes the expansion of physical capital but at the same time destroys a community’s social and environmental capital, is the fact that at present we still use Gross Domestic Product as the main development indicator. It is well known that this index is calculated from all expenditures, under the assumption that if there is spending then eventually there is also a product for such spending. But has it ever been asked whether it is necessary for spending in order to have such a product finally, whether it would after all be better to have such a product. Such questions have never been asked seriously. For example, the health care cost produces medical service. But if the question is asked whether it might be better to have a good health so that the need for medical treatment is eliminated. The answer is obviously that this latter scenario is a better option. Another case would be a situation where a mother or father has the opportunity to take good care of his or her child, to provide for the child and raise it to be a productive member of society while the alternative would be for both mother and father being forced to work and neglecting the care of their child who grow up to be a problem to society. Which would be the better option and which would actually cost less. In reality, it costs much more in terms of police and the judicial system if society is plagued with problems and crime. The rapid increase in GDP in the past was the result of exploitation and destruction of natural resources and the environment. There is the better option of economic growth without negative impact to the environment. However, because GDP is used as the index to measure expenditure and the higher the expenditure the greater the economic growth; then economic development has caused massive destruction to our social capital and depletion of our environmental capital. These costs have rarely been taken into consideration. While it is easy

enough to see the destruction to the environment, destruction to our environmental capital has never been measured because it is a very abstract thing. Moreover, social awareness has not been created because these negative changes have taken place slowly and gradually. This has been compounded by the fact that the way of life of the community itself has changed so much so that the destruction to its social capital has gone completely unnoticed.

All of these explanation were to point out that indices are important tools in measuring and also affecting the direction of the development. In order to stress the importance of natural resources and the environment, the first index to measure development should be Green GDP—which requires that any negative impact on natural resources and the environment be fully considered. And in order to make it consistent with empowering the community, the community itself should also participate in calculating this index by themselves. By doing this, the community will be more aware of economic activities which might have a negative impact on their environment. In case it might not be easy to measure, statistics on the community's natural and environmental resources should be compiled consistently over a continuous period of time.

Aside from this, there are other indices such as the Composite Index of Human Development (IHD) which reflects “deprivation” of members in the community consisting of other indices such as income per capita and income per household, employment, health, education and human resources development, living conditions and environment, transport, access to consumer durable goods, the comparative status of women, etc. Most of these indices reflect a qualitative measure in terms of volume or amount, but do not reflect the happiness or strength of the community. This results in, despite the increasing index, the community might not be happy or empowered. For example, Bangkok is slightly more deprived than the Central Plain and the Western region, and much less so than the North, the South and the Northeast. But does this imply that the Bangkok communities have a better standard of living than the rural community? This should be a possible topic for debate. And if you ask members of those communities whether their members would want to come to live in Bangkok, their answer will most certainly be no. This is just one example to show the need to re-think what indices should be used to measure development.

Human Development Index (HDI) is a popular index for human development. It consists of life expectancy, level of education (educational attainment), the standard of living (adjusted real GDP per capita). Bangkok and the vicinity has ranks first on HDI. But HDI is reflective of volume-based quality and not of the mental development or wisdom which have no direct relationship to the level of education. They do, however, have a direct relationship to the improvement of educational process which is more important to the empowerment of the community. It is therefore, also necessary to change these indices to reflect the real strength and happiness of the community. In this case it might be necessary to measure the education process itself rather than the success or educational attainment of members of the community. This is important in that such indices will have bearing on how other countries measure human development so that a comparison can be made but in the final analysis they do not contribute towards the strengthening of the community. This is because the attainment of higher education in the present system can also undermine a community's empowerment as it destroys local wisdom and in the end, those with higher education tend to leave the

community and leaving behind those with little education. Even if those remaining in the community are able to restore the community's strength—this would not be reflected in the existing indices. As such, this could mislead us in the wrong direction in terms of solving the problems of the community by convincing us that we should continue with a system of the colonial education rather than the communal one.

All of these points that have been put forth were done so in the hope that their importance to the strengthening of the community and the civil society movement can be recognized. And should any of the recommendations be followed, fully accepting of course that not all of them are tangible or practical enough to be immediately implemented, they can certainly be adapted for future reference. It is hoped that this will generate thought-provoking debate and serious discussion which will eventually lead to true empowerment of the Thai civil society movement and not just a scattered image of some strong groups in different areas of the country. Ultimately, it is hoped that Thailand will comprise strong and happy communities which will thrive on the sustainable development of the country.



Politics Of Rice In Thailand

Policies, Issue And Conflicts

By Apichai Puntasen and Montri Chenvidyakarn

“The story of rice is more dramatic than martial-art Chinese movies. Anyone who is stupid will be dead. I was stupid so I was dead.”

Commerce Minister Kosol Krairek, in an interview on January 20, 1986. Shortly after a rice crisis forced him to resign.

I. Introduction

Conflicts over paddy and rice price policies in Thailand have almost invariably turned

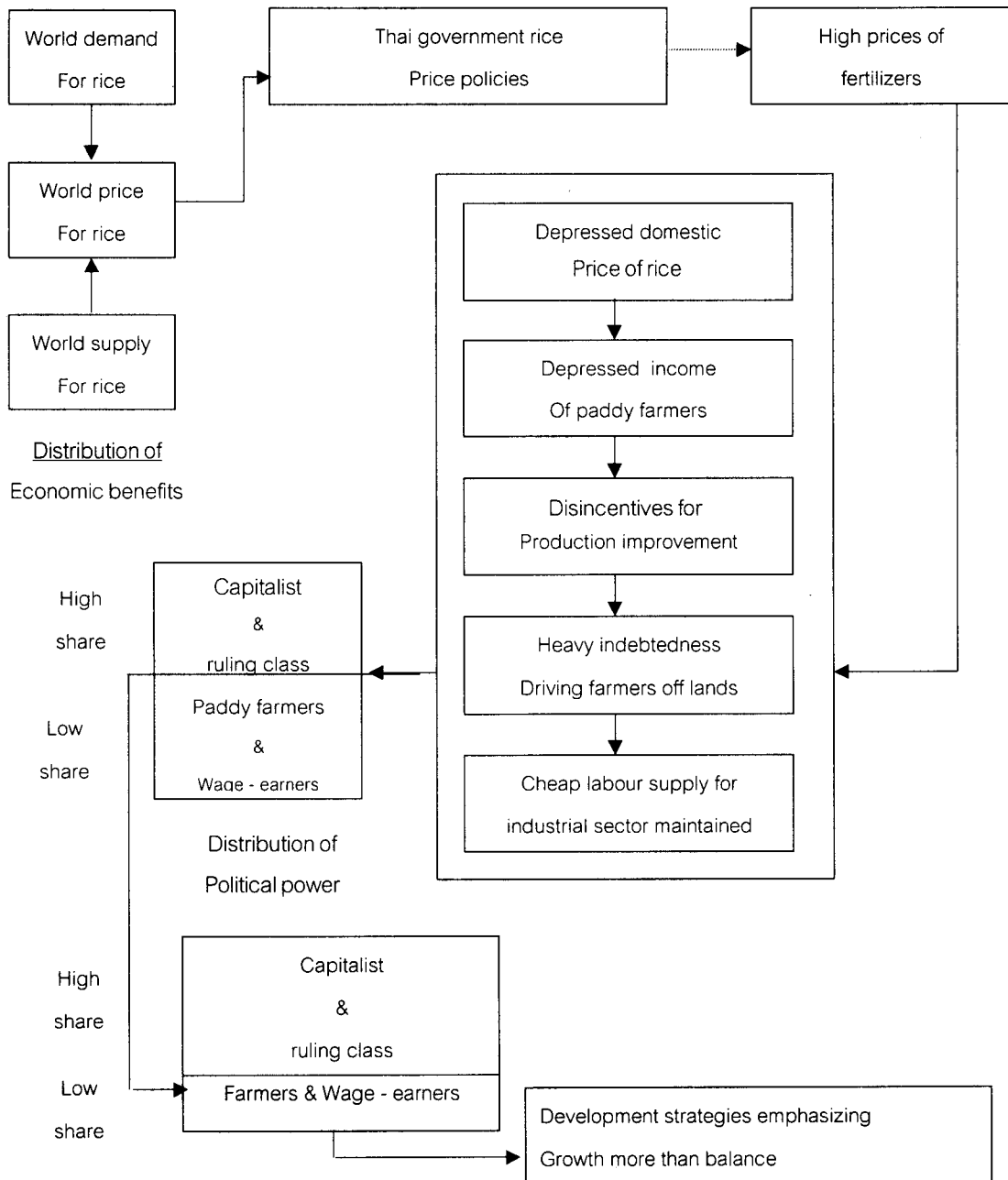
into important annual political events which in some year could have escalated into serious crises threatening the government stability as shown in the latest case in the 1985/86 planting season. But more significantly, such conflicts provide us with clear insights into the development of Thai political economy over the years and its impact on the distribution of the costs (burdens) and benefits among various classes and group in society. This is particularly so when various government measures and institution instruments have been constantly changed to obtain optimal results from the rice policies. Conflicts over the prices of rice once described by a veteran rice trader as similar to a “bug-of war”. In this game, the farmers pull one side of the rope, and the consumers the other side. But the spectators, rice sellers, exporters and the umpires compound of government officials in charge of implementing the policies also join the game, helping one side or the other as they see fitting with their interests. (Pathaichan, S. 1974: 104-5) Such a portrayal of conflict over rice policies is not quite accurate in the actual game, the so-called “spectators” are in fact serious players. What is really true as it has been historically shown, is that both paddy farmers and urban consumers, especially wage-earners, end up as major losers, while other players and the umpires themselves emerge as net winners. The rule of the game as embodied in the politico-economic power structure always works against the interests of poor farmers.

Indeed, politics of rice in Thailand has followed a pattern set by a power structure in which paddy farmers and wage earners are put in a disadvantaged position vis-?-vis the capitalist and ruling classes. To understand this structure is to understand why the government policies on paddy and rice have been, and continue to be, formulated in such a way that paddy farmers and wage-earners are the losers, and rice seller, rice exporters and other middlemen, and the bureaucrats and politicians are major beneficiaries. Such a pattern of uneven distribution of economic wealth is the consequence of, and is reinforced by a similar uneven share of political power. This situation, in a broader context, has in turn resulted in past development strategies which had given priority to rapid over balanced growth, the strategies which have helped to enhance the status quo of elite

groups. Politics of rice in Thailand can thus be also studied as a good case of the political economy of development of Thailand.

The following diagram provides an overall picture of how the arguments are hung together:

DIAGRAM I
THE STRUCTURE OF THE POLITICAL ECONOMY OF RICE IN THAILAND



As shown in Diagram 1, the world price of rice determines the domestic prices of Thai rice. That by itself is not as surprising as the fact that historically the world price of rice have been always been higher than the domestic ones. Factors explaining such discrepancies are the various government policy instruments to keep the domestic prices of rice far below the world level. They include the export taxes, the controversial “rice premium” (officially not treated as a tax but a kind of fee to be paid as a price for obtaining an export license), quota allocation, and rice reserve (stocks) requirements. These policy instruments the application of which have been adjusted to suit changing circumstances, are invariably aimed at assuring that there will be an adequate supply of rice at cheaper prices for urban consumers among whom are poor wage-earners. Since rice is basic wage good for these workers, its low price benefits the industrials who can pay wages based on the cost of living determines largely by price of rice. Cheap domestic prices of rice means low wages for worker who migrate from the farms.

The depressed domestic prices of rice which result in the depressed paddy farmers’ income have created a situation in which paddy farmers have been kept in perpetual poverty. Most farmers have been deprived of their own saving and have incurred heavy debts. They have had to pay such exorbitant interest rates which have been quite exploitative as they have been charged beyond the risk and the high cost of debt management.

Also the high prices of fertilizers have acted as grate disincentive for rice farmers adopt new technology to improve their production.

Caught in vicious circle which has kept them in absolute poverty, the farmer have chosen to retreat from their lands to seek other means of survival in the urban centers resulting in a big pool of supply of cheap labor in the cities. Furthermore, the availability of an adequate supply of cheap rice will ensure for the ruling classes that the masses would not revolt as they did in some years when there was shortage of rice, causing political crisis.

As the structure of the rice economy has worked for the advantage of the capitalists and ruling elites, it is not surprising that are the ones who have largest share in the distribution of wealth and power. Naturally, they have chosen the economic development strategies which have given more emphasis to rapid than to balance growth. As a result, the regressive policy on domestic prices of rice has been kept intact. Despite the awareness of the ruling class of the “mistakes” of past development strategies, and of their attempt to redress the grievances of paddy farmers in recent years, the old politico economic structure has remained basically unchanged. And as we will demonstrate later, all the government policy instruments continue, as in the past, to work for the benefits of capitalist and ruling classes; and it is the farmers who carry major burdens, and the wage earners who are deprived of rightful and decent pays.

For the purpose, the politics of rice in Thailand will be studied in a chronological order covering three major periods, namely, the period before the conclusion of Bowing Treaty in 1856; the period from 1856-1932 which marks the end of the Absolute Monarchy, and the development after 1932. The last period will be divided into four more periods: one from 1932 to end of World War II in 1945, the 1946-73 period, the 1973-76 period which saw a brief surge of political freedom, and the last from 1977 to early 1987. Some detail of the rice crisis in 1985-86 will be given. The last part of chapter will discuss the economic development consequences of the government rice prices policies.

II. Paddy Farmers and Their Status Before 1856

Rice cultivation had been concentrated in the Chao Phya flood plains since the fourteenth century, and had rapidly expanded to the delta in the early nineteenth century in response to foreign trade.

Because of the sparse population of the Kingdom of Ayutthaya during the fourteenth and fifteenth centuries, the concentration of this Kingdom during the said period had resulted in the continuous flows of war slaves to the plains. These slaves and their families constituted the biltk of rice growers in the Central Plains. Most were removed from the North and from Cambodia (Sayswang, P., 1978:8). There were reports as documented by Portuguese travellers in early sixteenth century that Thailand had exported rice to Malacca (Meilink Roelofs, 1962:pp. 72-73). Another reason for the removal of the people from other areas to the Chao Phya Plains was to replenish the loss of population in the country's regular wars with Burma which lasted from early sixteenth century to about the second decade of the seventeenth century.

The consequences of the wars had led to a strong emergence of feudal lords. Citizens and new settlers were classified under the "nai"(master). This system of manpower control had resulted in the restricted movement of the people to open up new cultivating land. Although from the seventeenth century to the last days of Ayutthaya (1767) there were no major wars, strong regulation to restrict population movements were imposed for fear of revolt. The normal relationship between the court and the citizen was through regular conscription to serve public works in most peacetime.

As observed by Van Vliet, Siam exported rice to Java during 1624-26 to meet the shortage there (Smith, G.V. 1974: 239), but rice was not a major export item compared with deer-skins, sapper woods, pepper and saltpetre. Towards the end of Ayutthaya, rice was a regular item of export to China and was the top foreign exchange earner for Siam then as it is to China (Canton), (Veeraphol, S: 1977).

Unfortunately, the increasing wealth of the Kingdom through the export of rice during the period was made possible at the cost of increasing debt slaves in Siam. As early as 1686, the Iranian emissary observed that debt slaves abounded and possessing debt slaves was only means by which the enterprising people enriched themselves (O'Kane, J., 1972:131). Because of the lucrative rice trade, many townships sprang up during the said period. Many canals were constructed. As many as 30,000 corvee labourers were conscripted for the purpose. (Saysawang, P., 1978:12)

After the fall of Ayutthaya in 1767, the population were scattered everywhere. Those in the Central Plains were replenished mainly by migrants from other areas. Malloch estimated that in 1849, in the early Ratanakosin Period, the population in the area was 3.6 million (1 kwien = 1 tonne), but only 2 per cent were exported.

The social structure of Siam in the nineteenth century was inherited more or less from the one along the line of Ayutthaya Period. The so-called "Sakdina" syatem which graded the social ranks of people into two social classes-the ruling elites composing of government officials and the royal families, and the commoners, slaves and beggars. The lowest rank government official was entitled to 400 rai of farmland, and had a status of a "nai" (master). Commoners, or "prai" were entitled to 25 rai of farmland, though they were in fact allowed to cultivate less than 15 rai of their own land (Saysawang, P.,1978:32). It was noticeable that the King as the "Lord of Life" and "Lord of Land" theoretically owned all the land in the Kingdom. The ruling elites who had high sakdina ranks of up to 10,000 rai for high-ranking officials and 20,000 rai for the King's brothers, also actually owned vast areas of land for which they had the "prai luang" who registered to work direct-

ly for the government, and “prai som” who worked under the “nai”, to work in the farms for them.

Exploitation of “prai” who composed practically of all paddy farmers was quite heavy. Prai luang worked alternate months for the government and thus simply had no time to work on their own farms. For Prai som he could retain one third of his products for seeding and his family’s consumption. The other two thirds was taken by “nai” – one third for his own use, and the other third to be transferred to the government (Quaritch Wales, H.G., 1934:71). Heavy tax in the form of corver forced many farmers into debts, and they sometimes turned themselves into debt slaves to avoid hard labour (Vella, W.F., 1955:329-30).

Apart from regular services during peacetime, faemers were conscripted to fight in various wars and to give special provisions for war supply. From 1785-1854, a period of 69 years Siam had been involved in 37 years of wars. Although not all farmers were engaged in the wars, they suffered special hardship, especially those living in the areas affected by fightings (Langmorya, S., 1978:25-37).

Compared with the Chinese immigrants who Mollach estimated to account for 31 per cent of the population in 1849, Siamese farmers were treated unfairly. If a farmer wanted to pay in lieu of his service, he was required to pay the annual rate of 18 baht (Langmorya, S., 1978:38), while a Chinese who enjoyed Freedom of travel was levied only 4.25 baht for every three years.(Skinner, W.G., 1957:97).

But more graphic was the exploitative nature of the land taxes imposed on farmers which had put them in perpetual poverty and even in slave bondage. Farmers who owned the lands were required to pay land tax ranging form 1.50 to 2.00 baht depending on the size of their holdings. During that time the price of paddy was 10 baht per kwien, and the average production was three rais per kwien (Subwattana, T., 1978). Therefore, the average income of a paddy farmer was only 50 baht while they had to pay taxes of 17.50 baht, leaving 32.50 baht income annually for the whole family. Because of the heavy land taxes levied on farmers, they had become debt slaves, especially in the years of bad harvest. Pallegoix observed in 1854 that slaves consisted of one fourth of the whole population of Siam (Pallegoix, Mgr., 1854:14). This number represented up to almost 60 per cent of Siamese citizens of Thai who constituted about 42percent of the settlers in the Central Plains.

This low status of paddy farmers was to be maintained even after the country was opened up for foreign trade and rice production was rapidly expanded after the Bowring Treaty in 1856. Farmers would continue to be on the short end of the rice trade.

III. Continued Exploitation after 1856

Before Siam was opened up to outside trade as the result of the Bowring Treaty concluded with Britain in 1856, export of rice was about 2 per cent of the total production and was the prerogative of the government. Rice exports were allowed only during the surplus years. For instance, during 1833-46, the export of rice was banned because sizeable supplies which were needed for about 50,000 troops mobilized for the military campaigns in Cambodia had pushed up the price of rice. After return of troops in 1846, the price of rice had dropped gradually, and the export of rice was necessary to get rid of the surplus, and the export ban was lifted in 1851 (Sayswang. P., 1978:39-40). The lifting of this ban served as a “signal” to the West that Thailand which it had pressured to liberalize trade, was ready for the “opening up” policy (Siamwalla, A ., 1975:11).

After the conclusion of the Bowring Treaty in 1856 Exports of rice started to increase sharply. The initial exports of 1,169,000 piculs during 1857-60, was increased to 6,167,000 piculs

during 1886-90, more than a five-fold increase within the period of 30 years. (Sayawang, P., 1978: 42). Exports had increased from 17 per cent to 47 per cent of total production during the said period. Rice farming in Thailand had been completely transformed from self-sufficiency into a commercialized activity.

Such rapid expansion of rice production and exports could not be accomplished without the increase in the land for cultivation. The first measure was to expand cultivation through tax incentives. The government in a 1857 decree gave a special treatment for newly cultivated land. Both na kuko (the upper farmland), and na fang loi (the lower farmland) were exempted from taxes on the first year. For the three following years a half tax rate was applied for na kuko, while two-thirds of the tax rate was applied for na fang loi. Full tax would be charged thereafter (Ingram, J.C., 1955:33-4). On top of this tax incentive, new canals were dug in order to open up new land for rice cultivation and to improve land productivity for the existing rice fields. It was reported in the Bangkok Calender for 1871 that five great canals were dug. The canals, each 17 miles long or longer, went through thousands of acres of the richest rice fields.

The expansion of cultivating rice land would have not been possible without the release of labour force from the feudal lords for rice farming, In 1874, a decree was proclaimed to abolish slavery, and men under bondage were gradually released to the status of "prai" or free men. This decree had generally brought about one-step improvement in the social status of sizeable numbers of farmers.

Unfortunately, the general economic status of farmers was not much improved. The major problems were land ownership and the increasing monetization of the Thai economy which forced farmers to earn more cash for their products. The cash system was to bring great hardships to farmers when Siam was brought into the orbit of world capitalism, and when the world prices of rice were to greatly affect their livelihood later on.

The problem of land ownership stemmed from the situation that most of the fertile lands were already occupied by royal families and noblemen. Small farmers could only occupy less fertile lands far away from water irrigation and canal transportation. Their costs of production and transportation were much higher than those who owned the fertile lands. Living far away among many other poor farmers, their lives and property security were threatened by crimes and robberies. (Suriyanuwat, Phraya 1975: 86). Every time a new canal was dug, royal families were given the privilege to buy very big pieces of choice lands along both sides of the canals. Small farmers were removed from their original lands to the areas further away from the canals. At the time of the digging of canals by the Siam Canals Company during 1892 and 1901, royal families, noblemen and government officials were hurriedly buying the land for speculation or for rent. Among 691 owners who owned 235,822 rai of farmland, 5 per cent of them owned 113,539 rai or about 48.1 per cent of the total area (Asaway, S. 1978).

During this period, the original feudal lords had gradually transformed themselves into absentee landlords. Renting out lands to farmers was the most profitable activity. The rental rate then ranged from 9-10 baht per rai to that of 1-2 baht for the faraway land. Their rental rate amounted to 12 to 24 per cent of the yield per rai. On top of the rent, in 1905 land taxes were collected at the rate ranging from 0.38 baht to one baht depending on the quality of farmland. The tax added to the production cost of farmer ranging from 16 to 30 per cent of the yield per rai. The trick adopted by these landlords was to invite farmers to work on their land on a rent-free basis. After the farmers moved in and cleared the land, landlords started charging then the rental rate of 1-2 baht per rai, though the whole land was originally bought at the price of 4 baht per rai only. As the rate of settlement was increased,

the rental rate for farmer settlers would increase to 3-4 baht. By the time these poor farmers were well settled they had no other way out except to pay the demanded rent. This high rate of rent can be viewed as an exploitative instrument to absorb surplus from rice farmers (Langmorya, S., 1978:155-72). As a result of these projectable activities land price in Rangsit area increased very rapidly from one baht per rai in 1880 to 37.5 baht per rai in 1904. (Johnson, D.B., 1976: 59-60). For the best plot of land in the middle of the canal system the price was around 80 baht per rai.

The real problem of small paddy farmers under the Absolute Monarchy was that they were very weak politically. None of the ruling elites would want to represent their interests soon after the feudal lords had transformed themselves into absentee landlords. The lack of strong political force resulted in no long-term plan for the improvement of the welfare of paddy farmers by the government.

One major piece of evidence which showed the ruling elites' lack of concern for the welfare of small farmers was the combined forces which opposed a project to construct an elaborate irrigation system which could have brought a long-term overall improvement to the Central Plains. The plan for the project was drawn up by J.H. Van der Heide, a Dutch irrigation expert hired for the purpose in 1902. In his report published in 1903 (Van der Heide, J.H., 1903), Van der Heide proposed to construct a barrage across the Chao Phaya River at Chainat to bring a great river under control, and to channel water in vast areas of rice fields through many connected small irrigation systems.

The Siamese Government's British Financial Advisor, W.F.F. Williamson strongly opposed the project on grounds of insufficient fund though the real motive could have been the fear of the improvement of economic position of Siam and the Thai people in general. Williamson also feared that the project would probably enhance the political influence of The Netherlands over Siam, the situation which would be in direct conflict with British interests. But more importantly, two main political groups in the country, the military and the Interior whose major concern was with national security, also did not want to support the project. The project was as well rejected on the ground that it could not pay for itself in a short period- the standard judgment for all government investment projects then. Not to be overlooked also was the opposition of the influential landlords in Rangsit who feared that the improvement of farmlands in other areas could have drawn settler farmers away from their farmlands thus depriving them of the good income from rent. It is doubtful whether even if farmers had been a strong political group, they could have pushed the project through against the opposition of all these combined forces of vested interests. In retrospect, the failure to carry out this project reflected the shortsighted policy and the lack of welfare consideration on the part of the government. This irrigation project had suffered from a considerable delay for 47 years. In 1950 under the constitutional monarchy, the project was funded by a World Bank loan of 18,000,000 baht.

The lack of government interest in improving the livelihood of small farmers was also reflected in its budget allocation during 1894-1906. While the average share of the Ministries of Defense, Interior and Transportation and Communications were 17.3%, 15% and 12.7% respectively, the share of the Ministry of Agriculture was only 3.4% (Ministry of Finance, 1916:38-9). It should be noted that the high budget of the Ministry of Transportation and Communications resulted from the policy of strong centralized control for "security" purpose and the major concern for quick returns on investments.

Another example indicating the government's unsympathetic attitude towards farmers is the case in 1906 which saw many farmers in Rangsit areas leave their farmland. Going back to 1900, rice

exports began to increase dramatically. The average rate of export increase during 1900-04 was almost 7 per cent while the price had increased by 20 per cent. The rapid increase in the price was partly due to the devaluation of the baht currency which was then on the silver standard. Rice exports kept on growing at the annual rate of 6 per cent during 1905-09, but the price of rice ceased to rise. Farmers began to suffer from the rising cost of living because of the devalued baht, though they were compensated by the price increase. As soon as the price of rice ceased to increase the farmers found themselves in greater troubles since the rent and the tax had gone up at a more rapid rate than the price of rice. In 1904, the tax for na kuko increased from 0.25 baht to the new range of 0.375 baht to 1.00 baht per rai. The tax for no fang loi increased from 0.375 baht to a new range of 0.469 baht to 1.25 baht. (Langmorya, S., 1978: 261). On top of that, cattle taxes were increased from 0.50 baht per head to 4.00 baht.

As farmers began to desert their lands, the government sent an investigation team to find out the problems. Apart from high rental rate and high tax rates, other problems reported were unfair treatment by the landlords and the increasing rate of thefts and robberies and disputes over irrigation. (Langmorya, S. 1978: 456-7). The government was slow in finding the means to tackle the problems. It was already 10 December 1907 when it decided to hold a farmer meeting for the first time; but among those 33 farmers who turned up, nearly all were landlords and wealthy men from Bangkok, both Thai and foreigners. Earlier, 36 farmers in Rangsit sent a submission to the government requesting for loans ranging from 20 to 200 baht per family. The total amount requested was 2,540 baht only. The government responded by studying the feasibility of setting up a farmer credit institution the way it was operated in Egypt instead. At the "farmer" meeting, the resolutions reached were not surprisingly compatible. They felt the farmers were in debts because of their extravagances. They did not save for the lean years and also enjoyed gambling. The credit institution proposed should not be set up. Saving bank for farmers should be a more desirable solution.

On the criticism that farmers enjoyed gambling, it is to say that it was the original government policy to raise its revenue by encouraging gambling after the concluding of the Bowring Treaty. In 1892 the government revenue from opium and gambling farm was almost 44 percent of total government revenue. Though this amount was reduced to 28 percent in 1906, it constituted a very high proportion in the total revenue. Farmers who were subject of various kinds of risks and uncertainties had found that gambling did not increase their risk margin more than what they have to take everyday in their usual occupation.

Another case which showed in the poor attitude of government towards farmers occurred in 1919. The government had found that farmers in certain areas of Rangsit had to use their land as collateral to their loan from private moneylenders and were charged up to 30 percent of interest rate against the normal official lending rate of only 7.5 percent. It was suggested then the government should loan the money to farmers using their land as collateral and charge them 15 percent rate of interest. This idea was very much welcome by government officials. (Langmorya, S., 1987:494.)

Tenant farmers had another disadvantage in renting the land. In 1900, a law on rental organization was passed which clearly protected the interests of the landlords by subjecting farmers who failed to pay rent to one of the one of the following punishments: (1) they would not be allowed to work on the farmland until the rent is paid, or (2) all their properties are to be confiscated and sold through auctions to cover the rental and auction costs, or (3) they must work in lieu of money payment to the government with the deduction allowance of 0.25 baht a day until the rental debt is paid.

Apart from the negative attitude of government towards them, farmers also faced other

forms of hostility: exploitation by middlemen which was so common then as now, corrupt government officials which was another standard story, and natural catastrophes such as drought and flood, as those major ones occurring during 1910-14 because of lack of good water control system.

All in all, during the fast expansion of the rice trade up to 1910 and in spite of the increase in the exports and in the price of rice, the only improvement that farmers gained was the relief from corvee requirement. The system was repealed by a regular military conscription. Slaves gained freedom for the first time after long bondage. Unfortunately, the economic status of subsistence farmers were not much improved than serfs in the medieval period of Europe because they were allotted to bone. Only a few fortunate ones had made their gains from the system that was hostile to them.

Lack of incentives for the improvement of farmland on the part of both the absentee landlords and tenant farmers, together with the fact that increase in rice production were made from the expansion into poorer arable land, not through the application of new technology, the average yield per rai had declined steadily, as shown in the statistics below

<u>Year</u>	<u>Yield per rai (k.g.)</u>
1907-16	288
1917-26	287
1927-36	261

(Source: Ministry of Agriculture, Division of Agriculture Economics, Agricultural Statistics of Thailand 1962, pp.39-40.)

Some improvement was made after farmers were faced with five consecutive years of flood and drought during 1910-14. Rice export and the price of rice increased steadily and reached in the peak in 1919. During 1914-17 the price of rice per pieul was 5.5 to 7.5 baht. In 1918 the price was increased to 9-11 baht and further to 14 baht in December. The price in June 1919 was 34 baht. The increase in the price of rice during this period was partly due to the First World War. Because the high price of export rice was endangering food supply, in June 1919 rice export was prohibited. The high price of rice in 1919 was in part due to crop failure which developed into a crisis in that year and had a great negative impact on the government finance for many years afterwards.

During 1920-24 rice production continued to increase at a rate of 2 percent but, unfortunately, the price of rice dropped by almost 6 percent during the period resulting from the termination of war. Problems of tenancy became widespread in early 1930s. A study by Zimmerman indicates that the number of peasants without land ranged from 14 percent in Southern Thailand, to about 27 percent in North, and 36 percent in the Central Plains. (Zimmerman, C.C., 1931:18). Since 1925, the price of rice began to soar sharply again at the average annual rate of 6 percent. During this time medium sized farmers and landlords were quite prosperous. As M.C. Sithiporn Kridakara observed:

Some even bought Model T. Fords. About that time an energetic young man, Thien Lai of the Karnasut family, began pushing the sale of small Fairbanks Morse engines to drive the dragon wheel pumps (rahad), then in general use, and they caught on! Group of farmers used to come into town toting bags of baht coins and paying down cash for these engines" (Kridakara, s., 1970:15)

This happy occasion died down when crops were severely damaged in 1930s, compounded by the Great Depression. Most farmers lost their savings as shown by 76 million baht worth

of gold exported in the thirties (Kridakara,S.,1970:16). The Great Depression in the 1930s had some contributive effect in bring to an end the Absolute Monarchy.

It should be noted that not only neglect and lack of seriousness on the part of government officials, but also the conflicts and lack of coordination among themselves had hampered efforts to help rice farmers. As Langmorya described the situation during the region of King Chulalongkorn (1868-1910), officials at the lower level in the provinces were contented with only sending good reports to their superiors and avoided reporting the problems and situations which required assistance. Their reports were thus mostly unreliable. This lack of seriousness was also evident at the top level as when the Ministry of Interior refused to give police protection to the Siam Canals Company which was building barrages in two villages in Ransit which were harassed by criminal gangs.

Most serious were the conflict and lack of coordination among various government agencies responsible for the aid of rice farmers. Langmorya (1978: 470-81) told of conflicts between Cho Phraya Surasakmontri, Ministry of Agriculture and some members of the royal families which had blocked the work of the ministry, resulting in the ministry being forced to resign and King Rama v deciding to abolish the ministry was re-established, it was best with the same problems of conflicts which also involved the King himself and foreign advisors. The conflicts were of the nature of bureaucratic infighting, but they produced wide-raging adverse effects. Not only farmers had suffered, but also Thailand's rice exports.

Corruption by officials sent out to settle the disputes among farmers was quite common. At the lower level and in the provinces, officials' harassment of farmers, their lack of attention, factionalism and conflicts of interests had inflicted more hardships on farmers. The failure to maintain law and order, arrests on false charges, forced payment of land taxes, all these and similar actions had caused further sufferings to farmers.

During 1856-1932, although the government learned of the problems and hardships of farmers from official reports, it did very little to help them. Most of the government policies, and sometimes the kinds of assistance given, were not relevant to the problems feed. There was also confusion in the land ownership system, and the state still occupied large portions of arable land which it refused to give to farmers.

Farming technology was let undeveloped. No attention was given to the improvements of seeding, and an agricultural school set up was geared for book-learning and only for children of well-to-do families, not practical training of children of poor farmers. Provincial officials assigned to help farmers improve their techniques merely sent in perfunctory reports on production results. A seed farm set up in Ransit in 1916 was a failure.

Most serious was the problem of the lack of fund, and the state knew of this need of farmers. The idea to set up a bank for farmers was pondered since towards the last days of the Fifth Reign, but the first bank to be established was the Siam Commercial Bank which catered to the need of the rich and the businessmen in the city. The cooperative system introduced in the reign of King Wachirawut (1910-25) was also unsuccessful, as only farmers who owned their land were to benefit from the loans given by the cooperatives. In 1931 there was an idea to set up banks in various monthons (circle) to help farmers, but again it was not implemented.

On the rice trade, domestically the state did not pay enough attention to the disadvantage of farmers in selling their paddy. The problems which the farmers faced in selling paddy since the Fifth Reign have remained to the present. Prices of paddy were heavily depressed by middlemen who used various kinds of tricks to exploit farmers.

In the export of rice, the period from 1868-1931 saw free trade in rice because of the government's desire to export as much as possible to earn enough foreign exchange to finance its modernization projects. Taxes from the export of rice were however used for other purposes than for helping improve the lot of farmers. As a result, farmers benefited very little from this free trade of rice. Moreover, rice farmers had to shoulder heavy burdens from having to pay farm taxes, which in 1906 increased by 300 percent. They had to pay registration taxes for cattle, and also the rise in the cost of living, yet farmers could sell their paddy at lower prices still. The levy of capitation taxes and the corvee caused similar financial hardships to farmers and their families. It was the rice crisis caused by drought in 1919 which prompted the government to pay attention to the irrigation projects (Subwattana, T., 1978:263-79).

Because of many hardships placed on small farmer described earlier, six farmers revolts were recorded in Siamese history. Three revolts took place in the Northeast in 1895, 1901-02, the most difficult time for small farmers, and the last one in 1924, the last year of the bad time in early 1920s. Two revolts were in the North, one in 1889 and the other in 1902. The revolts in the South occurred during 1909-11 (Kaewthep. K., 1983: 3-6). Observe that 1900-10 was the hardest years for Siamese small farmers. And when the Communist movement was formed in Siam in 1930 its leaders issued a draft statement in a Marxist style basing its appeal on some factual situations. It said the ruling power of the royal family was based on the economic foundation that they were large landowners (Batson, B.A., 1974: 64).

Not surprisingly, the hardships imposed on small farmers were used in the argument of the People's Party at the time of their overthrow of the Absolute Monarchy. Their first declaration was quite strong. It reads as follows:

Dear People,

.....The monarchic government always considered people as slaves and treated them like animals. Therefore, instead of helping people, they exploit them....."

Dear People,

This land is ours and does not belong to the King as we had been deceived. Our ancestors protected this land and maintained independence from enemies. Royal families only took opportunity to exploit us ... (Saipradit, K., 1978:245-60)

IV. Improvement Efforts, 1932-44

Although the period between 1932-14 was a rather short one, it was quite significant in that overthrow of the Absolute Monarchy in June 1932 had brought noticeable changes in government policies for the improvement in the livelihood of paddy farmers. Among many factors, the coup of 1932 was partially motivated by two severe incidents of crop failure during 1919-20 and the Great Depression in the early 1930s. These two incidents not only increased the debts of the farmers, but also made the existing debts more onerous resulting in more severe problem of tenancy (Ingram, J.C. 1955:66). Against this background, it is not difficult to understand why in their first declaration, the People's Party came out with a strong statement condemning the monarchy. However, The People's Party was composed mostly of elite of middle-class and high-class background, most of whom having personal grievances against the Absolute Monarchy rather than strong ideological commitments. Also, the coup was organized in such secrecy that there was no mass base of support, especially from the farmers. Therefore, any programmes to improve the livelihood of farmers on a permanent basis

which required structural changes such as proposed in the economic plan of Dr. Pridi Bhanomyong, considered the brain of the People's Party, would be rejected, as they were, as there was no strong force of support from the masses, in spite of the benefit the programmes would have definitely brought to the great majority of the people.

One major improvement for farmers during the conservative regime of Phraya Manopakorn (June 1932- March 1933) was the suspension of land tax (Vella, W.K., 1955:374). This action was followed by Dr. Pridi's proposal calling for drastic economic reforms of the country. (Bhanomyong, P. 1983: 167-243). This proposal was a remarkable document. The benefits that would have directly accrued to rice farmers were the systems of land reform and the strengthening of cooperative movements. As Vella commented:

Their (The People's Party's proposal seems to have been made in good faith and they asked that it be acted upon democratically. Their aim was to provide a permanent solution for economic ills of the country – in particular, to relieve the distress of the farm population, especially the farmers in the central plains area (from which Pridi came), where commercialized agriculture was prevalent and where the depression had aggravated already (Vella, W.F., 1955: 377)

The proposal was charged by King Prachadhipok and Phraya Manopakorn as being communistic. During the charge, the liberal elements in the People's Party remained quiet. There was no strong movement to support the proposal at the grassroots level.. Finally Dr. Pridi was pressured to leave the country. Not until after the coup of June 1933 to overthrow Phraya Manopakorn by Phraya Phahon, on the insistence of liberal elements of the National Assembly, Pridi was recalled home, but he was not given a government position until September 1934, after a special commission named by Phraya Phahon had cleared him of the communist charges.

The conservative government of Phraya Manopakorn was fully aware of the situation faced by rice farmers. In a report to the Assembly on the achievements of the People's Party in the few months before the promulgation of the first permanent constitution on 10 December 1932, Phraya Manopakorn said the effects of the Great Depression still remained. The price of rice had dropped, farmers had suffered great hardships, works were jobless, and the whole country was poor. (Charumane, N., 1975:56-7). As said earlier, his government took one measure to help farmers. It suspended land tax.

During the Phahon regime (June 1933-December 1938) which declared it had a definite policy to urgently help rice farmers, especially to make them solvent, some improvements were made for Thai rice farmers. Apart from the suspension of the land tax during the Manopakorn regime, there was a series of tax reduction. The government declared excessive charge of interest rate punishable by law, and enacted legislation forbidding the seizure of farmer's crops and cattle to pay for debts. This piece of legislation was aimed at repealing the law on rental organization passed in 1900 to the advantage of landlords.

In 1933, the price of rice dropped sharply. It remained as low as 2.72 baht per pieul in November and 2.76 baht per pieul in December. The Cabinet decides to send teams to Europe, South America and Asia, to find more markets for Thai rice, but the Ministry of Economic Affairs objected to the plan, arguing that such a move would have had little effect in lifting the price of rice. In fact, Thai rice exports to China almost stopped when the Chinese Government increased import duties on rice five times as a retaliation against the alleged hostile policy of the Thai Government towards local Chinese.

On rice production, cable reports from 60 provinces reaching the government in January 1934 showed extensive damage of rice crops. The government also took other measures to

ease the farmers' hardships They includes distribution and loaning of rice seeding and establishment of more cooperatives during 1935-38. Another measure to limit rice cultivating areas was proposed but it was not acted upon. The government also set up an emergency fund using an original amount of 90,000 baht to start it in order to help farmers.

It was to be noted that Mr. Raymond B. Stevens, a foreign advisor, had reminded the government that Thailand was not in any political, economic and financial position to influence the world price of rice. The best it could do was to organize its economic system especially with regard to rice production. This warning is still relevant to the rice trade situation at present.

The Phahon government did try to find more foreign markets for Thai rice by attempting to establish economic contacts with Poland and Cuba, but it did not succeed: and in the case of Cuba, the efforts were even blocked by American rice dealers. (Conflicted over the world rice trade between Thailand and United States have taken a more open and serious form in the 1980s.

In 1937, Mr. W.A.M. Doll, Financial Advisor to the government estimated that only half of the export price of rice was paid to rice farmers. Millers, exporters and middlemen received the other half. Of all, middlemen between growers and millers probably took the largest share. In 1938, the government set up the Thai Rice Co. by taking over ten large Chinese mills in order to reduce monopolistic power of millers and exporters but without much success. (A successor to this company still exists today, but its operation is in a limbo). The government had also periodically announced plans. (The silo construction plans are still much alive in the current discussions as a measure to help farmers store their paddy crops for sale when prices are good).

Overall, the Phahon government had achieved some moderate success in easing the hardships of farmers despite serious economic conditions due to the Great Depression and the political limitation it faced (Chatasing, R. 1978:294-319).

Colonel Plaek Phibunsongkram, one of the leading promoters of the People's Party came to power after the resignation of Phraya Phahon in December 1938. Phibun who later was promoted to the rank of Field Marshal after Indochina War, was influenced by National Socialism as practiced in Nazi Germany, Fascist Italy and in Japan. He led the country into World War II on the Japanese side and was ousted in July 1944, after the Allies had driven Japan out of most Southeast Asian countries. During his regime, Phibun's main occupation was to transform Thailand into a strong military state with some degree of modernization through the promotion of ultra nationalism under his dictatorial guidance. The country's name was changes from Siam to Thailand for the first time. Many problems on cultural changes to make the Thai more westernized were imposed. Phibun did not have much time to promote the welfare of rice farmers, and in contrast to the more liberal regime of Phraya Phahon, his regime had shown less concern for the improvement of the farmers' livelihood. This contrast in their respective attitudes towards farmers between liberal and dictatorial regimes could be seen again between Sarit and Thanom-Prapass dictatorial regimes in power from February 1959 to 14 October 1973, and the liberal regimes during October 1973 to October 1976. Historically, liberal regimes have demonstrated relatively more concern for the welfare of farmers.

During 1932-44, there had been some steady increase in rice production from about 54 million piculs to 58 million piculs. Prices of rice rose steadily from 3.5 baht per picul during 1930-34 to 3.7 baht per picul during 1934-35. The price increase more than doubled during 1940-44 as a result of the rapid increase in the price of rice during war time. Since the 1932 coup up to the end of World War II, it could be said that farmers for the first time had more opportunity to improve their gains from rice farming as some burdens imposed on them were relieved. But once the war was over, farmers again suffered.

V. The Post – War Years, 1945-55

After Field Marshall Phibun was ousted in July 1944, Khuang Abhaiwongse, also a leader of the People's Party, became Prime Minister. The Khuang Government was succeeded by the Tawee Bunyaket Government in August 1945. As soon as the war ended in 1945, Tawee was replaced by M.R. Seni Pramoj. All these governments, though short-lived, were liberal conservative in their nature. Naturally they represented more the interests of the middle-class elites than those of farmers. It was M.R. Seni who signed the peace treaty with the Allies (known officially as the Formal Agreement of January 1946 with the United Kingdom and India), which forced the Thai government to supply 1.5 million tons of rice free of charge as war reparations.

Thai agreement was the starting point of the government's entry into rice trade, and it was to impose the hard burdens on farmers which they have had to carry with them up to the present. Clearly only the government had the capacity to buy rice locally at the average price of 15-16 pounds per tonne while the world price then was 40 pounds per tonne. The prices of rice in neighbouring Malaya were much higher, ranging from 200 to 500 pounds per tonne. As soon as rice started moving out of the country, there was a great drain on the government budget. At the same time the pressure on government to acquire foreign exchanges to pay for the most essential rehabilitation imports had led it to pass its financial burden on to farmers by depressing domestic prices of rice. Export of rice by private trade was banned. To have the sole right to export rice, the government set up a new Rice Office for the purpose.

After M.R. Seni resigned, Khuang was back as Prime Minister for three more months until March 1946 when Pridi who was the Regent then, stepped down to assume the office of the Prime Minister. Because of widespread corruption caused by increases in the cost of living as the price of rice rose in comparison with the meagre salaries received by civil servants, and the assassination of King Ananda Mahidol on June 9, 1946, Pridi was forced to resign. His supporter, Rear Admiral Thawan Thamrong Nawasawat succeeded him from August 1946 to November 1947. Pridi was very much behind the country's economic policy throughout the whole period. During the 18 months of high political instability, Pridi and Thamrong had made some improvements for the country and the farmers.

There were constant renegotiations on the delivery of rice as reparations because the Thai government could not, and did not want, to fulfill the obligations imposed by the treaty. Finally, in August 1947, the country was permitted by the Allies to export rice at the same price received by other exporters from the Allies but which was still below the full market price.

In early 1946, the exchange rate between the baht and pound sterling was regulated at 40 baht per pound. At this rate the baht was said to be over valued by 50 per cent, and it caused active trading activities in the black market. In 1947, the government adopted the multiple exchange rate system. For non-traditional export goods, traders were permitted to sell the foreign exchange in the market for 60 baht per pound. However, rice exporters were to surrender the entire export proceeds to the Bank of Thailand which was quoting 40 baht per pound. That amounted to 33.3 per cent tax on rice farmers, although the practice was considered necessary when the country was in great need for foreign exchanges. Meanwhile, to continue with the policy to help strengthen the cooperative movement, a Bank for Cooperatives was set up in 1947. The government could not do much to help farmers during that critical time, but the establishment of the bank at least showed its good intentions to alleviate some economic burdens of the people, and to a lesser extent, of rice farmers.

The coup on 9 November 1947 by a group of army officers led by Gen Phin Chanhavan

toppled the Thamrong Nawasawat Government. One of the major reasons cited by the coup promoters in the first announcement they issued was the government failure to solve the problem of rice shortage which had become critical.

As background to this political event, it may be said that rice production after the war did not improve much. The amounts of rice produced remained more or less the same or even decreased over the years, which the numbers of consumers increased. In 1937 Thailand had a population of over 14,440,000. By 1947, the number had increased to over 17,400,000. In 1939, about 4.5 million tonnes of paddy were produced, with about 1.2 million tonnes of rice exported. In 1947, over 5.5 million tonnes were produced, but the amounts exported decreased to a little over 384,000 tonnes. The delivery of rice to the Allies under the Formal Agreement was partly responsible for the shortage. As a result, the government in 1946 was forced to enact two legislation, one to prevent rice hoarding, and the other to regulate rice trading, in order to control the movements of rice with the country and to make sure that government got hold of enough rice to honor its war reparation obligations.

The Thamrong Nawasawat Government had come under heavy criticism from the Democrat Party and the general public for the severe rice shortage in the city. People were seen queuing to buy rice, and only poor grade of the staple was available. Newspaper reported in August 1947 that about 2,000 workers marched to the Prime Minister's Office to ask for rice. Corruption was widespread in the distribution of rice, and rice smuggles could not be stopped as the prices outside the country were 10-20 times higher. As the cost of living soared, a sack of rice which sold in 1941 for 8-10 baht, cost 170-190 baht in 1947. Prices of other commodities also rose sharply by 10-15 times (Tantikul, S., 1972:26-34).

After the coup, Khuang was temporarily installed as Prime Minister. Six months later he was forced to resign by the same group of army officers who staged the coup. Field Marshal Phibun returned as the Prime Minister. This time his regime was to last until September 1957.

As usual, Field Marshal Phibun enjoyed his dictatorial role. He had no strong intention to relieve the burden imposed on farmers. By 1948, Thailand was allowed to sell rice to all countries at the going world prices. If the government had really wanted to improve the welfare of rice farmers, it should have done two things. First, it should have abolished the Rice Office. Secondly, it should have revamped the multiple exchange rate system. Had these two measures been carried out, rice farmers could have regained its pre-war position. Unfortunately, the two measures had been retained, if only as the means to earn revenues for the government. The Rice Office in particular was used as the means to reward Field Marshal Phibun's supporters so that they could find ways to earn extra income through irregularities. It was not until 1954 that the Rice Office was closed. The multiple exchange rate system was abolished in 1955. The period coincided with the gradual weakening of Phibun's political position, while the two major contesting supporters of his regime, Police Gen Phao Siyanond and Gen Sarit Thanarat were waiting in the rear, each looking for the opportunity to seize power from one another to succeed Phibun.

One useful project launched by the Phibunsongkram Government was the construction of the irrigation system in the Central Plains. In 1948 fifteen projects were under construction. The Great Chainat Project was finally undertaken during this period. Another possible contribution of Phibun was his introduction of an important piece of legislation which would have benefited farmers, as it aimed at limiting landholding for agricultural purpose up to 50 rai. The idea was to prevent the concentration of land in the hands of big landlords. Unfortunately, this piece of legislation was dismantled by Field Marshal Sarit in 1958 on the ground that it would be a major obstacle

to the country's economic development. Upon Sarit's death, it was revealed that he himself had accumulated thousand rai of land during his five years in power.

Because of corruption and briberies in the licensing of rice exporting, as the Rice Office could not handle all the rice export by itself, rice "premium" was introduced in 1950 as a condition to obtain export licenses. The premium was actually proposed by more honest civil servants, but it turned out later to be one of the most severe taxes ever imposed on rice farmers, and there had been continuous call for its abolition since. In fact, the Rice Office was closed down partly because of the efficient collection of the rice premium. On 30 December 1954, the premium system was regularized in that there were official schedules on the rates. When the rates were changed, they were always officially announced. The multiple exchange rate system which was another form of tax on rice farmers was dropped since the revenue lost from the system could be recovered sufficiently by the increase in the rate of rice premium (Siamwalla, A., and Wongtrangan, K., 1985:2-3).

Approaching 1957, it was quite evident for both Field Marshal Phibun and Police Gen Phao that Gen Sarit had received increasing support from the U.S. Government especially from its Department of Defense. Evidence suggested that Phibun and Phao planned to seek some support from such socialist countries as the U.S.S.R. and the People's Republic of China to counter the American influence. Progressive journalists, labour leaders and students were secretly encouraged to accept invitations to tour these two countries. Sarit was finally successful in seizing power in September 1957. Phibun and Phao were forced to leave the country and they had never returned.

Similar lessons can be drawn for rice farmers during the 1954-57 period, when they had been heavily exploited through various kinds of taxes. Siamwalla argued that the amount of taxes collected from farmers in various forms ranged from 166 million baht in 1948 to 1,257 million baht in 1953, or a total of 3,084 million baht collected during the said period. The amount of annual collection in 1948 was 9.8 per cent of the government revenue and it was increased to 32 per cent in 1953. (Siamwalla, A., 1975:145). The last figure represented a sizeable revenue for the government, the amount that rice farmers did not have to pay prior to the war. Towards the end of Phibun's regime when he wanted to be seen as supporting democracy, farmers started to make some gains from his limiting land holding legislation. Unfortunately, it had been proven too late.

VI. "Bureaucratic Polity" and Rice Farmers, 1957-73

When Field Marshal Sarit died on 8 December 1963, his successors, Field Marshal Thanom Kittikachorn and Gen Prapass Charusathiara followed closely in his foot steps until they were overthrown by the student-led popular uprising on 14 October, 1973. In terms of political freedom and democracy, 1957-73 was the real dark age. More importantly, as the dictatorial regimes lasted for so long, the power of the government technocrats was at its peak. They were the ones who directed government policies, leading to the strong emergence of a full-fledged form of "bureaucratic polity". There was no parliamentary opposition. The electronic media were officially owned or controlled, and newspapers were not a strong source of challenge. As the government had the prerogative to decide what policies and their implications would be good for the people or for themselves, not surprisingly all government measures to regulate the domestic prices of rice and to collect revenues through various forms of taxes on rice continued throughout the period without strong opposition.

Actually, the policies regarding the prices of rice had been perceptibly changed since 1955 and 1956. As said earlier, the multiple exchange rate system was abolished, and definite rice premium rates were charged instead of the license charges for export quotas. Newly introduced was

a control on the export volumes, including outright ban on exports. In order to facilitate exports whenever it was needed, the government was equipped with a policy instrument of government-to-government sales. On top of these measures, advance rate of 5 per cent were charged on the value of rice exports.

Since Field Marshal Sarit came to power with the strong support of the U.S. Government, his main interest was not the welfare of rice farmers. He ran the country the way he was advised by American Officials. The explicit policy of the U.S. at that time was to fight Communism in Asia and the Far East. The strategies adopted by the U.S. government were to increase military might as well as step up economic development in the region.

On the economic front, a World Bank mission was sent to Thailand in 1958 and published its proposed outline of development programme for Thailand in 1959 (International Bank for Reconstruction and Development, 1960). The document was used by the Thai government as the basic guideline for economic development planning. The First National Economic Development Plan was drawn in 1961. The Plan consisted of two phases, 1961-63 and 1964-66. The Second and Third Plans covered the period 1967-76. The three plans basically gave strong emphasis to industrial development, especially import substitution industries. The First Plan emphasized the construction of infrastructures such as dams for hydro-electric purpose and highways for tactical and logistical purposes.

Massive road construction under the First and Second Plans had the effect of driving small farmers off their lands, a situation similar to the time when canals were dug in the Region during 1888-1914. Every time there was a plan to cut a new road, lands on both sides of the road were reserved or bought up cheaply by high officials and business men from Bangkok, or by provincial landlords, before the road was cut. After the road was completed, small farmers were simply forced to move to new unoccupied areas. It was estimated that during 1959-63, farmers lost their lands from hire purchases and collateral loans up to 172,869 rai from 7,016 land titles worth a total value of 347.3 million baht. During 1967-1973 farmers in the Central plains lost their land in the same manner which amounted to 92,401 rai from 2,598 land titles at a total value of 251.2 million baht (Chiengkul, W., 1982:112).

The industrial development plan depended for its success on the abundant supply of cheap labour. The low wage was made possible by keeping domestic price of rice at low level. At the same time rice farmers were taxed quite heavily by an assortment of tax measures—premiums, export duty, quota system, and other forms of restrictions introduced later.

The premium charges were varied by the rice grades and by specific times of the year. The range of charges was from 890 baht per tonne on 10 December 1959, to 2,070 baht per tonne in March 1963 for 100 per cent white rice; and it was from 450 baht per tonne to 1,270 baht per tonne for broken rice A-I Super during the said period (Ingram, J.C., 1971:245). Revenues collected by the government from both export taxes and rice premiums amounted to 19.8 per cent of the total government revenues in 1957 and decreased to a little more than 10 per cent up to 1966. This amount represented a sizeable revenue to the government especially during the investment in the construction of infrastructures during the First Plan (1961-66). The revenue lost by farmers was calculated to be more than the amount collected by the government. Both the export duty and the premium contributed to the depressed domestic price of rice. This income lost was equivalent to the difference between export price and sometimes price multiplied by about half of the domestic amount of rice consumed by non-farm population. This part was even larger than the revenue collected directly by the government.

The revenue lost to rice farmers contributed to the low urban wage rate. The low

wage policy would in turn reinforce industrial development policy designed by the government. Therefore, the industrialization during the said period was achieved at the cost of impoverishing rice farmers. Kridakara calculated that based on late 1960s figures, it has been shown that an average rice farmers whose income was around 16,424 baht had to pay 3,600 baht for premium. This amount represented 24 per cent of his total income. This tax rate should be applied to those whose income rang was in the bracket 100,000-150,000 baht, after deductions of 10,000 baht for the tax payer and his family (Kridakara, S., 1970:45).

The other form of tax on rice farmers introduced in 1962 was the reserve ratio requirement. Towards the end of 1961 and early 1962 when Thailand exported a record amount of rice because of the high world prices which resulted in the rise in domestic prices, the government intervened in the rice market by controlling exports, raising premium rates and requiring exporters to deliver an amount of rice for reserve at the ratio of 15 per cent of the amount exported. Exporters were forced to supply rice to the government at cheap prices. The measure was enforced on 19 March 1962. The reserve rice supplied then was given to the Public Warehouse Organization (PWO) to sell to consumers, particularly civil servants. It was lifted in December that year when the new crop of rice came out and paddy price was declining. But it was imposed again in 1966 when rice production was poor and there were signs of a possible rice shortage which could affect the livelihood of city people.

In the 1970s, the circulation of reserve rice was made wider to urban population. Half of it was distributed in Bangkok and the other half was transported back to provincial towns. Naturally this requirement added more cost to exporters, and inevitably the cost was passed to paddy farmers. This is another way of subsidizing richer urban consumers at the cost of poor rice farmers.

When rice shortage was critical in 1973 the reserve ratio had been adjusted 10 times and in the last adjustment in December that year, the ratio was 1:1. The total amounts of reserve rice supplied by exporters were 3,729,494 sacks (a sack contains 100 kilogrammers of rice). The reserve rice requirement continued at a ratio of 50 per cent from 1978-82. Thanks ti the sharp drop in the world prices of rice that year, it was abolished.

All these policies which worked against the interest of rice farmers were proposed by the technocrats. They were adopted by the dictatorial regimes and continued without much opposition. Small groups of opposition, mostly academics, emerged in mid-1960s. Among them were Dan Usher, Chaiyong Chuchart, Sopin Tongpan, Melvin M. Wagner, Phairach Krisanamis, Sura Sanittanont, and the most prominent of all, M.C. Sithiporn Kridakara. Unfortunately, the majority of rice farmers were unconscious of the very unfair treatment they had received. The few who were aware were quite weak and had no means of making their voices heard. The opposition was more or less in the form of academic exercise and gained only little attention from the government.

The downfall of Thanom-Prapass regime in 1973 was due party to the rice crisis during 1972-73. In early 1972 there was a rapid upsurge in rice export. Rice prices were beginning to spiral. It was estimates that the export surplus was running low. The government was about to stop private export, but it mistakenly concluded some extremely large sales on the government-to-government basis, particularly to Indonesia. As the news reached the market, prices began to climb up very rapidly. The government reacted by selling rice out of the reserve stocks at the price below the market price. Towards the end of 1972, as the old rice was about to disappear from the market and part of the new crop was still in the fields and some with rice millers, the crisis became much severe. Even after the new crop started flowing into the market the crisis remained. This was because of the speculation that the new supply of rice would only last until July 1973. People lined up to buy cheap rice and the became longer each day. The government declared it would ban the export

of rice. Soon the export of rice was banned, and the amount of rice reserve requirement was adjusted up at a ratio of 100 per cent in June. In July, the ratio was raised to 200 per cent! The supply of reserve rice came to a complete halt, and the reserve dwindled. Rice disappeared from the market. This led to the panic of individual consumers who started hoarding rice for their own consumption by buying from the free market as well. Rice was also smuggled out through Malaysian borders.

Finally, Col. Narong Kittikachorn, a son of Field Marshal Thanom and a son-in-law of Field Marshal Prapass, who at that time was a Deputy Secretary-General of the Board for the inspection and Follow-up of Government Operations (BIFGO) was given the government emergency power declared by his father under Article 17 of the Constitution, to seize and confiscate rice hoarded in Bangkok. In four days of warehouse raids in June, 134,000 tonnes of rice were seized. Actually, this amount only represented a small flow of rice from the North through Bangkok to the South. Whether because of the confiscation of rice by the BIFGO or the second crop (500,000 tonnes) which came out to the market, the mid-1973 rice crisis disappeared in August 1973.

However, a new crisis started on other froats. Student started a city-wide campaign against Japanese imports in 1972, followed by the so-called "Thung Yai" scandal in which government officials were caught using government helicopters for their hunting pleasure in the National Reserve Forest. The incident was followed by a protest by students against unjust dismissals of nine student leaders of Ramkhamheang University. These students were responsible for publishing a satire on the scandal in the student's newspaper. The protest developed into a demand for the completion of a new constitution the drafting of which had dragged on for more than a decade. This protest gained strength and turned into a massive student movement in October 1973 which finally led to the overthrow of the Thanom-Prapass-Narong regime in the middle of the month. Protesters also used the issue of the government's management of the rice policy to gain public sympathy.

VII. "Democratic Respite," 1973-76.

The downfall of the Sarit and Thanom-Prapass dictatorial regimes after a lengthy period of 14 years in power led to the emergence of a brief period for the restoration of freedom from 1973-76. During this period, rice farmers had the opportunity to voice their grievances more than any time in history. Unfortunately their grievances were often met with responses which were symbolic in style and subtlety from the ruling groups.

Soon after the October 14 event, Thailand was run by the caretaker government of Mr. Sanya Dharmmasakdi. During that time the first oil crisis known as the "oil shock" caused by the actions of OPEC countries began to hit the world community for the first time. Export price of rice meanwhile continued its upward trend since 1972, increasing from 2,101 baht per tonne in 1972 to 4,235 baht per tonne in 1973 and rising to 9,500 baht per tonne in 1974. In that year, Thai rice farmers were charged exorbitant tax rates in the form of rice premium and export duty which amounted to 5,727 baht per tonne. The rate of premium 5,100 baht per tonne, the highest rate ever collected in the history of premium collection. Such rate was levied while the wholesale price of rice in Bangkok was only 3,773 baht per tonne. The premium rate charged was about 110 per cent, the highest export tax in the world. The amount of premium baht per tonne in 1972 to 4,235 per tonne in 1973 and rising to 9,500 baht per tonne in 1974. In that year, Thai rice farmers were charged exorbitant tax rates in the form of rice premium and export duty which amounted to 5,727 baht per tonne. The rate of premium 5,100 baht per tonne, the highest rate ever collected in the history of premium collection. Such rate was levied while the wholesale price of rice in Bangkok was only 3,773 baht per tonne.

The premium rate charges was about 110 per cent, the highest export tax in the world. The amount of premium collected by the government in that single year alone rose to 8 per cent of the government revenue after its lowest record of 0.1 per cent in 1973. Finally, the government adopted the quota restriction on rice exports. This severe action caused widespread discontent among farmers. Students began to join forces with them. Not realizing that the government robbed a great portion of their earnings through rice premium, hundreds of farmers from various provinces staged their protest in Bangkok on 1 March 1974 at Sanam Luang. Not surprisingly, instead of demanding for the abolition of rice premium, they demanded the government to declare the support price of 3,000 baht per tonne of paddy. The paddy price demanded by farmers was still very low in comparison with the going world price. Compared with the sharp increase in the price of fertilizer caused by the rapid increase in the price of oils and other costs of living, farmers were still not losers at the demanded support price of 3,000 baht per tonne of paddy.

In May 1974, another wave of farmers gathered in Bangkok to demand the government to help them with their heavy indebtedness and to regain for them the lands they had lost to money-lenders by various tricks. The government set up the Committee to Indebtedness of Farmers (CIIF). The CIIF was actually equipped with no real power to solve the acute land problems of farmers. In June 1974 thousands of farmers staged another protest which stemmed from the ineffectiveness of this committee. According to the CIIF's own report released in June 1974, 12,800 grievances had been submitted by farmers in nine provinces covering the areas of 213,000 rai (Luther, H.U., 1978:871). By the end of September 1974, 52,015 grievances reached the CIIF. At the same time CIIF could deal with only 1,635 cases. The Secretary-General of the CIIF admitted openly that most of the grievances were valid. The CIIF also could settle only one case for a farmer to regain his land (Samudavanija, C., 1980:10).

Frustrated by the slow action taken by the government, farmers staged their protest in Bangkok again on 19 November 1974. This time the Independent Farmers Union of Thailand (FUT) was formed for the first time. During that time, few pieces of legislation were passed aiming at relieving the plight of farmers, but most of them were rather symbolic. Nevertheless they all showed a genuine concern of government that forces of farmer movements could really threaten its stability. Among the legislation enacted were Land Management Act which developed into the Land Reform Act in 1975, the Rental Control Act, first enacted in 1950 in the time of Field Marshal Phibun and reintroduced with some modifications in 1974. More interesting was a new policy to put the rice premiums collected from farmers in a trust fund under the Farmers Aid Fund (FAF) Act. But these actions by government resulted in no real gains for farmers. The Land Reform Act had limited usefulness to farmers because it only involved small pieces of land. After 6 October 1976, the Land Reform Office was only interested in the resettlement of war veterans in strategic areas for security purposes. The rental Control Act became effective after 6 October 1976. At present. The FAF still survives but it has few records of direct assistance given to rice farmers. In fact, money from the fund was often used for other purposes of no direct benefit to farmers (Thanapornpan, R., 1983).

M.R. Kukrit Pramoj succeeded Mr. Sanya as Prime Minister in early 1975. This government proved to be more deceitful than its predecessor. First, it announced the much-heralded policy to channel the government fund into rural areas, as scheme which was officially know as Rural Development and Employment Stimulation during Dry Season. The amount allocated was 2,500 million baht. It became the Commune Council Development Project in 1976 which received 3,500 million baht allocation.

This project itself provides some monetary gains to farmers. However, large por-

tions of the money were in the hands of local government officials, local sub-contractors, commune and village chiefs, and only a small amount trickled down to farmers. On the other hand, it had intervened in, or exposed the illegal practices in the use of the fund. Many others were arrested on Communist or other subversive charges. The true gainer from this project was M.R. Kukrit's own Social Action Party whose popularity rose very quickly as evident in the second polls in early 1976. It was indeed an undignified way of using the treasury reserve for political campaign purposes. The abolition of rice premium would have provided a more direct benefit to rice farmers.

In 1975, rice production dropped due to the rapid increase in the price of fertilizer. In 1974 the price index of fertilizer increased from 100 in 1973 to 153; it rose further to 188 in 1975 and 208 in 1976. At the same time the world price of rice also dropped from 9,500 baht tonne in 1974 to 6,152 baht per tonne in 1975. The domestic price of rice also dropped from 3,775 baht per tonne in 1974 to 3,723 baht per tonne in 1975. Prime Minister Kukrit offered the support price of 2,500 baht per tonne of paddy to placate the farmers. Meanwhile, urban workers complained about the increase in the price of rice sold in the city, but instead of demanding higher wages they blamed the "exploitative" middlemen. The government thus could get away with little blame on its part as the main attack was directed elsewhere.

At the same time, the farmers' movements gained alliances in the workers and students who formed a new force known as "Sam Prasan" (Three United Front). The strength of this force was responsible for the collapse of the Kukrit Government towards the beginning of 1976. The extra-legal groups backed by the military which was in turn backed by the U.S. Government considered Kukrit's government too weak to deal decisively with the farmers. Terror campaigns and scare tactics were adopted by these rightwing groups against farmer groups. From March 1975 to July 1976, 17 farmer leader were killed and the authorities were unable to arrest the killers. After the formation of the Farmers Union of Thailand (FUT), farmer leaders declared that they would not come back to seek help from the government any more and would wage their own struggles in their areas. This declaration helped intensify the terror campaigns until 6 October 1976, when 25 more farmer leaders were killed. Many of them were forced to join the armed insurgents led by the Communist Party of Thailand (CPT) in the jungles prior to the 6 October 1976 massacre of students on Thammasat University ground. The last farmer leader from the FUT was shot dead on 21 July 1979, bringing the total number of farmer leaders killed to 48. (Kaewthep, K., 1987:161-4).

In 1976 the export price of rice dropped further from 6,125 baht per tonne to only 4,358 baht while the price of fertilizer in 1975 kept on increasing from the index of 153 in 1974 to 188. The domestic price of rice was kept at 3,822 baht per tonne resulting in the sharp reduction of rice premium. Its significance rapidly diminished.

During the short period of the Seni Pramoj Government (from 1 June to 6 October 1976), one measure adopted in the right direction to help farmers was to supply them with cheap fertilizer. In 1976, the price index of fertilizer dropped from 208 to 435. The domestic price of rice started to pick up again to 4,107 baht per tonne in August and September 1976, respectively.

On the political front, 1976 was the year which saw internal political conflicts reach their high point. There were several attempts made implicitly by the military-backed groups to overthrow the elected government led by M.R. Seni then. Finally they succeeded in installing a civilian authoritarian regime of Mr. Tanin Kraivixien after the October 6, 1976 massacre. After that date, more farmers, workers, students and intellectuals fled to the jungles to join the armed struggles led by the CPT.

VIII. From "Dark Age" to "Half Democracy", 1977-87

The Tanin Government's main preoccupation was the suppression of communism. Its suppressive actions had alienated a large number of educated people and led to a quick deterioration of the political situation. After less than a year in power the Tanin Government was overthrown by a military group led by Gen Kriangsak Chamanan on 20 October 1977. Gen Kriangsak was himself forced to resign on charges of economic mismanagement on 29 February 1980. Gen Prem Tinsulanonda succeeded him and formed the government with the help of the elected political parties which were implicitly forced by the military groups to choose him as Prime Minister. Having formed his fifth government in August 1986, Gen Prem had been in power longer than any of his predecessor since Field Marshal Thanom Kittikachorn.

During its one year in power, the Tanin Government's record concerning rice trade was to put a temporary ban on rice export in October and November 1976 simply because the domestic price of rice became too high due to the large outflow of rice during the Seni Pramroj Government. Gen Kriangsak who replaced Mr. Tanin used another tactic to handle the rice situation, The country suffered from a severe drought in early 1978, a few months after he came to power. He started the popular action by allocating 1,600 million baht from the treasury reserve as a special fund to finance the project "Rural Rehabilitation of the Areas Affected by Natural Catastrophes". The main purpose of this project was to prevent undesirable social and political problems resulting from the severe economic conditions of the rural poor. As such the project gave emphasis to the government security than to improvement of the people's welfare. During that time, the struggles led by the CPT in certain rural pockets had intensified. (Puntasen, A., 1985:325-6). In general the policy to regulate the prices of rice was completely back in the hands of the technocrats.

At this point it is useful to understand the whole benefit structure from various government policy instruments on the rice export. This understanding is crucial for the explanation of all political forces that work against the interests of rice farmers.

Actually, since the government started to collect the rice premium, the Department of Foreign Trade in the Ministry of Commerce has the power to sell rice on the G-to-G basis with the special privilege that the premium charge on the government rice trade is rated at the Department's discretion. The minimum charge should however not be less than a token one baht per tonne, and the Department has always used its discretionary power to charge the rate of one baht of rice premium per tonne on all of its G-to-G sales. At the same time, it has set up a profit-making unit called the Rice Account Unit (RAU) within the Department to handle all money transactions. Because of its premium exemption privilege, the RAU always demonstrated profits from its trading activities. Therefore, this business enterprise has never been questioned by Parliament, as most of the profit-making enterprises of the Government have always registered losses. In 1974 when the premium rate of 5,100 baht per tonne was charged to rice export, this unit recorded the high net profit of 1,100.5 million baht. (Siamwalla, A. and Wongtrangan, K., 1985:6). Therefore, the premium charged by the Ministry of Commerce provides additional incentives to the government official to have some free hands in manipulating rice trade especially the G-to-G sales. It also provides them with the opportunity to earn income outside the normal budget allocation. This extra channel of income earnings provides government officials with the opportunity to find the way to spend the money at their own discretion. Naturally, those in the Department of Foreign Trade are among the strongest advocates of rice premium collection, because it coincided with their vested interests in this policy instrument.

Since the passing of the Farmers Fund Aid Act in 1974, rice farmers have encoun-

tered more supporters of rice premium who are government officials. This Fund is supported by the premium collected by the Department of Foreign Trade. The premium is passed to the Fund after the collection without having to go to the Ministry of Finance first. The chairman of the board of this Fund is the Ministry of Agriculture and Cooperative and the secretary is the Permanent Undersecretary of the same ministry (Siamwalla, A., and Wongtrangan, K., 1985:4). The Fund virtually provides an extra budgetary resource at the disposal of the ministry. It is not therefore much surprising that the Ministry of Agriculture and Cooperatives has become another strong advocate of rice premium. (Thanapornpan, R., 1987).

Because of large vested interests in these two ministries, they are the two most coveted Cabinet portfolios for political parties.

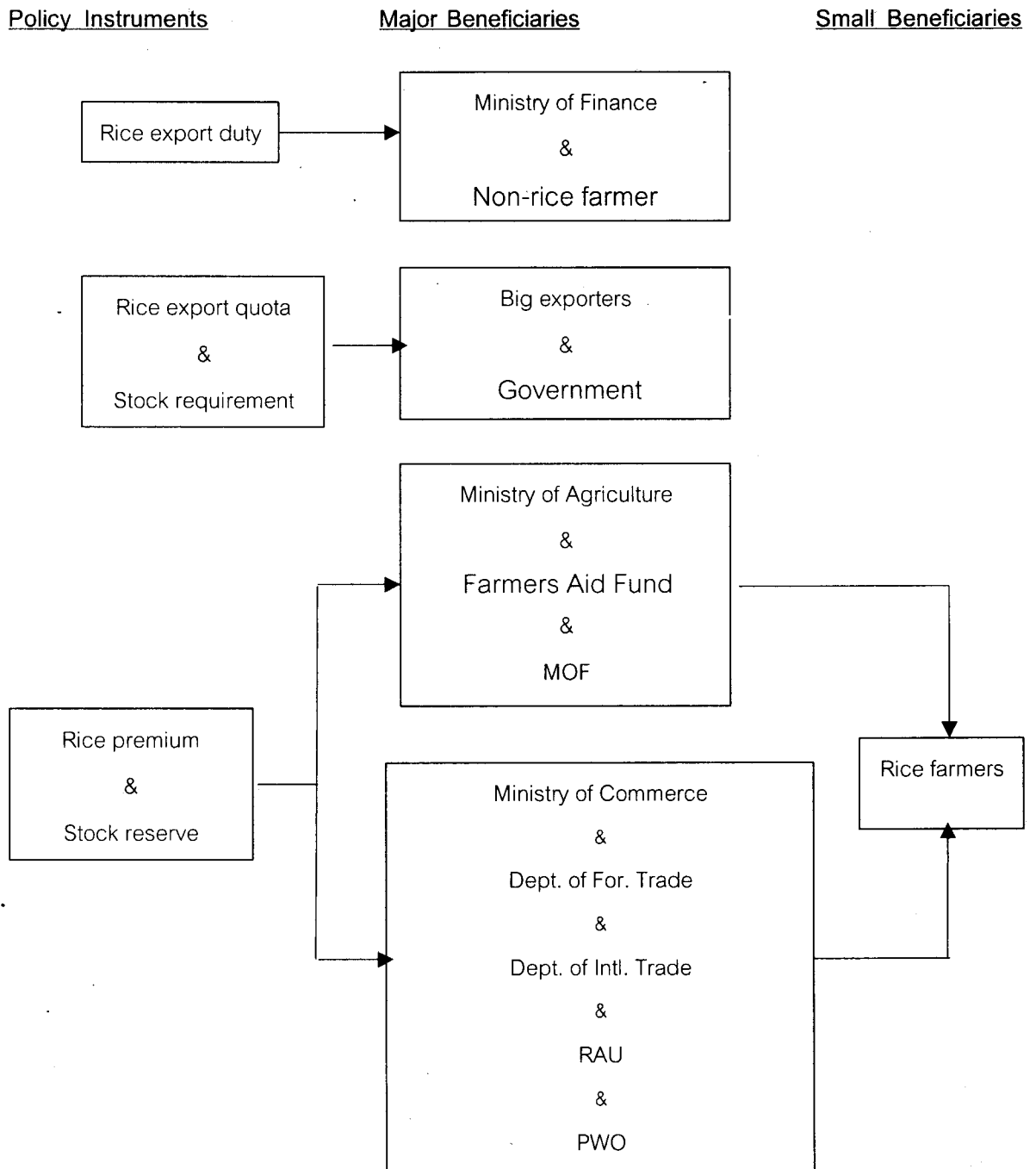
To indicate its good intention towards rice farmers, the government has created two organizations to handle the buying and selling of rice. The first one is the Public Warehouse Organizations (PWO) under the Department of Internal Trade, Ministry of Commerce. The main Function of the PWO is to sell cheap reserve rice to urban consumers. At the same time, it also acts as government agent in buying rice into stocks under the occasional policy of rice support price programmer. The other organization is the Marketing Organization for Farmers (MOF). This organization is under the Ministry of Agriculture and Cooperatives. Its main responsibility is to supply cheap fertilizer to farmers and receive payment from farmers in the form of paddy at the going price. The MOF receives loan support from the FAF while the PWO receives some support from the Rice Account Unit.

These two organizations have proved highly inefficient in their operations and have incurred losses most of the time. They have greatly wasted the implicit taxes collected from farmers, namely, rice premium and required rice reserve. Farmers also benefited proportionally less from their trading activities. In a study of the operation of the MOF in the 1982/83 planting season, it was calculated that exporters and millers altogether received the highest profits, of around 54 per cent from rice trading; government officials and policy-makers 27 per cent; and farmer leaders and “lucky farmers”, the rest 19 per cent. (Pinthong, C., 1984:166-87).

Another obstacle to rice exports is the export duty. This helps suppress the domestic price of rice at the same time that it provides revenues to the Ministry of Finance. The main beneficiaries in this case are the Ministry of Finance and non-rice farmer consumers.

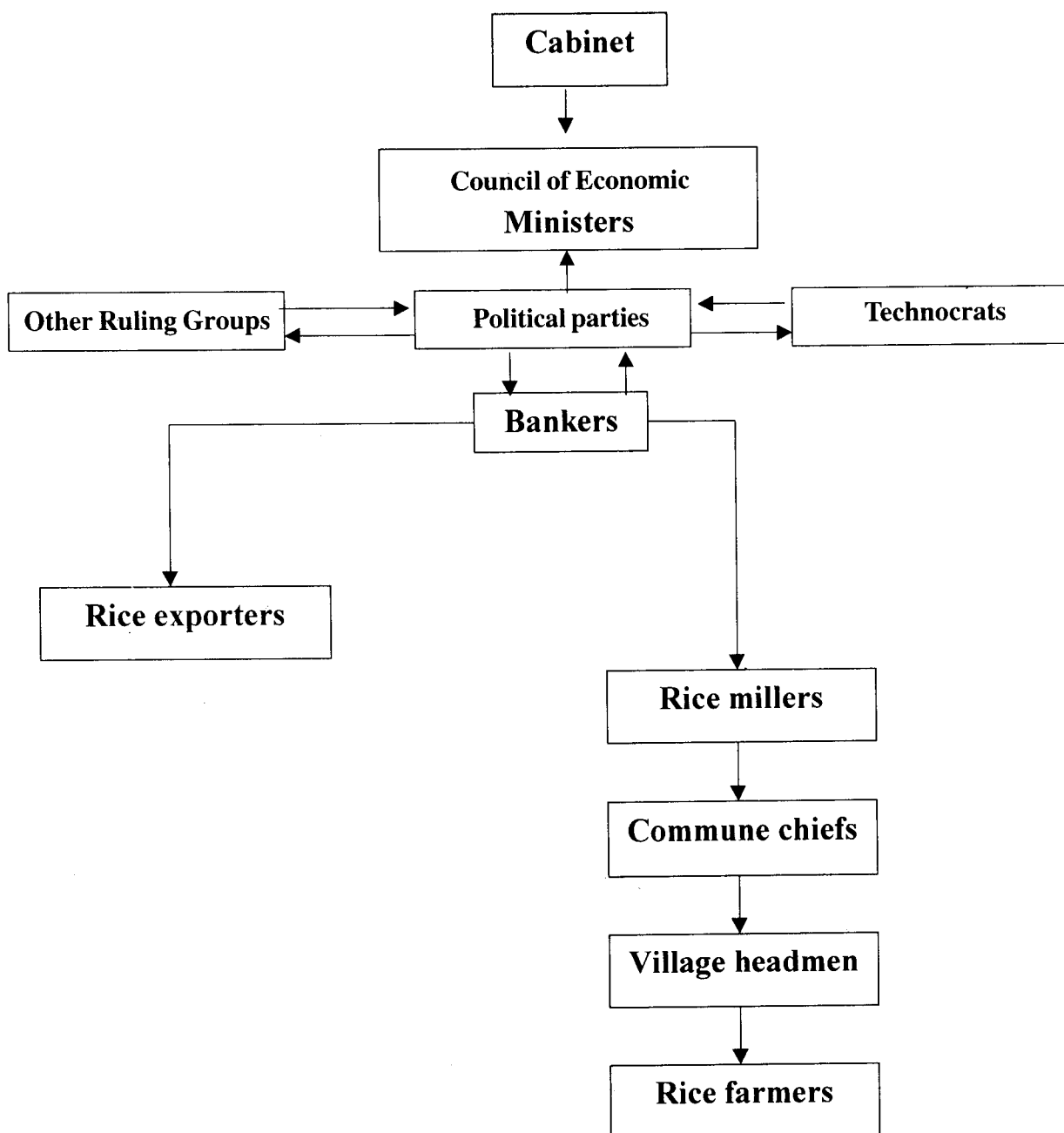
Yet other obstacles are rice quota and stock requirement. The main purpose of the rice quota is to provide quota to specific rice exporters in order to effectively regulate the amount of export for the full control of the domestic price of rice. The other purpose of the rice quota as well as the stock requirement is to limit competition among exporters. It is often argued that free rice trade would result in the cut-throat competition among many exporters, thus lowering the export price of rice. The stock requirement is also the instrument to support the quota system, that is, exporters who carry the larger amount of stocks are given larger export quotas. This practice has the effect of enhancing the position of big exporters, though the gain from the high price of exported rice will not be passed back to rice farmers but will be retained among exporters as extra benefits known to economists as “economic rent.” This economic rent will be finally shared by the government officials who have powers to allocate export quotas to exporters and the exporters themselves. Obviously, all these people will not support the abolition of rice trade barriers.

DIAGRAM II
 BENEFIT STRUCTURE FROM RICE EXPORT TRADE RESULTING
 FROM GOVERNMENT POLICY INSTRUMENTS



From Diagram II, it is quite evident that only a small portion of all the surplus taken from rice farmers re-circulate back to them. The rest are shared among major beneficiaries. It is also quite obvious, as shown in the power structure in Diagram III, that political parties receive support from the bankers, technocrats and other ruling elites. In turn, bankers have some control over exporters and millers; and the exporters themselves have some control over millers. Millers, on the other hand, have control over the commune chiefs and village headmen and rice farmers. Rice millers and rich farmers are also the power bases of politicians. Top politicians who can master the real political power however do not necessarily represent the interests of rice farmers.

DIAGRAM III
POWER STRUCTURE OF JAMOR POLITICAL FORCES IN THAILAND



With regards to politician, a study of the records of achievements of Parliament from 22 April 1979 to 19 March 1983 shows clearly that very few politicians have been concerned with the welfare of rice farmers. During the said period, only four draft bills which expressed concern for farmers had been tabled for consideration of the House of Representatives. The first was a proposal to compromise the debts of farmers, the second to establish a farmers' council, the third to set up a special court to hear cases involved with farmers disputes, and the fourth one to forbid the sale of farmlands with the right of redemption. The first three draft bills contained proposals which are impractical, and the last one, proposed by the Cabinet itself, has yet to be taken up for deliberation by the House.

Similarly, of the total number of 280 motions submitted by the MPs during the said period, 19 could be considered relevant to the problems of farmers, and only a few received any serious attention from the government. In the same way, of all the 719 interpellations entered by the MPs, only 21 touched on the problems of rice farmers, but only one, on the price-lifting scheme for paddy, was answered by the Minister of Commerce in the House in 1979.

Such poor records of the House of Representatives on matters concerned with the welfare of rice farmers testified either to the lack of serious concern on the part of the MPs for the welfare of farmers, or to their political weakness vis-a-vis the Executive Branch.

From October 1977 to February 1980, when Gen Kriangsak was Prime Minister, not much change was made in the rice policy instruments. Government officials merely manipulated several policy instruments they had at their disposal in order to regulate the outflow of rice and its price at the time of surplus and shortage. Gen Kriangsak did declare 1979 the Agriculturists Year as a symbolic gesture. However, one event worth noting was the embargo of rice sale to Iran and the U.S.S.R. on 30 January 1980. The embargo was imposed as a result of the political conflict between Iran and the U.S.A., and the latter's request for Thailand to join in a boycott against the U.S.S.R. in its invasion of Afghanistan. This action indicates that rice as a commodity can be used as a tool to accommodate the government's foreign policy. In this particular case, Thailand gave full support to the U.S. Government in both incidents.

Since Gen Prem took office upon the resignation of Gen Kriangsak, some change had been made in the government attempt to improve the living conditions of rice farmers. This attempt was part of the major change in the policy to combat the communist movement led by the CPT, as the consequence of the Order of 66/23 which changed the major tactic to combat the Communists by political actions rather than pure military operations. The order redirected the rural development policy of the government from the original emphasis on the suppression of Communism to that of a more sincere commitment to the improvement of the welfare of the rural people. In his statements made on various occasions, Gen Prem admitted openly that past development strategies had failed. He saw that past development efforts have made capitalists and businessmen become richer but rural masses poorer. Future rural development, he said, must lead to self-independence of farmers and their communities. (Puntasen, A., 1985:35)

IX. The 1985-86 Rice Crisis: A Case Study

Reassured of his power after the second abortive coup against his government on 9 September 1985, Prime Minister Prem left for a two-week tour of the United States and Europe on 24 September 1985. In the Cabinet meeting a day earlier, Gen Prem assigned his deputy, Mr. Bhichai Rattakul, a leader of the Democrat Party, a partner in the coalition government, to prepare all the necessary solutions for the annual paddy and rice problems. The Prime Minister told Mr. Bhichai

that he would come back to decide on the issues involved which he hoped would be of purely “economic nature”. At that time a new rice crisis was already brewing. Rice exporters had called on the government to reduce export taxes for rice and if possible, also to abolish premiums for certain grades of rice, the quota system and the stock requirement. They were calling, in short, for a free rice trade. The rice committee of the Board of Trade of Thailand met at the Rice Exporters Association on 18 September 1985 and resolved to propose to the government’s Rice Price Maintenance Committee chaired by Commerce Minister Kosol to abolish all barriers to rice export trade. On the same day, Mr. Kosol declared he was all against the abolition of the controversial rice premiums and stock requirement. The conflict began to emerge into a clear pattern. The 23 September 1985 Cabinet meeting agreed to scrap only the export tax of 2.5 per cent levied by the Customs Department. But the rice premium and the stock requirement would remain.

On the other fronts, the central committee of farmer groups from eight provinces convened in Suphanburi Province, the stronghold of the Opposition Chart Thai Party. The meeting voiced its concern over the plunge in the prices of dry-season (na prang) paddy which were then as low as 1,800 - 1,900 baht per kwien. The price of the wet-season (na pi) paddy also dropped from 3,300 baht per kwien to 3,000 baht. The farmer groups decided to appeal to the government to find urgent measures to help them. At the same time academics who were following the rice situations closely urged the government to abolish rice export taxes, rice premiums and rice stock system to reduce the exporting cost which they said was responsible for the depressed price of paddy. Some MPs from the Social Action Party also denounced the Commerce Ministry’s rice stock system as a failure.

The height of the conflict came when 11 Cabinet Ministers belonging to the Social Action Party met at the residence of party leader, M.R. Kukrit Pramoj, on 1 October 1985 and adopted a resolution calling for the government to guarantee the floor price of paddy for the 1985/86 planting season. New paddy crops were due to be harvested in

November 1985. The SAP Ministers threatened to pull out from the coalition if their call was ignored. Other SAP MPs later joined the move. But opposition to SAP’s proposal came immediately from the Chart Thai Party which condemned the move as politically motivated to gain popularity among farmers. Other Ministers not affiliated with parties also voiced their disagreement. They said the price guarantee policy did not work in the past and the government did not have enough money nor adequate administrative machinery to implement the policy.

Things moved quickly. Prime Minister Prem was kept constantly monitored of SAP movements. Meanwhile, Dr. Virabhongse Ramankura, a close economic adviser to the Prime Minister came out strongly against the price guarantee, arguing that in the past very few farmers had gained from the scheme. The major groups who had benefited were influential rice millers and exporters. Besides, he said the country would incur huge debts from having to borrow the money for the purpose.

Meanwhile, Commerce Minister Kosol declared his Social Action Party was serious in pursuing the paddy price guarantee policy, arguing: “The government has to shoulder the loss in order to help farmers.” (Matichon, 8 January 1986 : 2). But he insisted that he opposed any attempt to abolish the rice premium and stock requirement because their abolition would bring disastrous results. “Somebody else will have to do it, not me,” he said. (Matichon, 8 January 1986: 2). Anxiously, Prime Minister Prem called from London to ask Mr. Narong Wongwan, Minister of Agriculture and Cooperatives about the pending move to guarantee the floor price of paddy. A group of about 30 SAP MPs then met with representatives of the rice mills associations who agreed to buy a

kwien of paddy at 3,300 baht on conditions that they receive low interest loans from the government.

By the time Gen Prem returned from his trip on 10 October 1985 the Social Action Party had already settled on a package of measures to implement its new rice policy. These measures were taken up for discussion by the Council of Economic Ministers on 14 October 1985. The meeting, chaired by Gen Prem, was a beated one, lasting for more than five hours, but there was no solution. to map out the next moves.

On 17 October 1985 the Committee on Rice Policy for the 1985/86 planting season met at the Ministry of Commerce for eight hours and agreed to settle for a 3,000 baht per kwien guarantee price for paddy (5% grade), and to enforce the measure with two legislations, the Act of Commodity Prices Control and Anti-Monopoly and the Rice Trade Act. The rice mills which agreed to join the scheme and received low-interest loans could face jail terms and fines if they refused to buy paddy from farmers at the guarantee price. The millers would receive loans at 9 per cent rate instead of the ordinary 15.5 per cent from commercial banks to buy paddy. Rice premiums and rice stock requirement would be maintained.

The Chart Thai Party which had been agitating farmers and had taken other moves also proposed its own measures to solve the price problems to Prim Minister Prem. A group of economists from Thammasat University issued a declaration denouncing the price guarantee scheme and calling for the abolition of rice premiums and rice stocks.

Minister Kosol won the first round of the fight when the Economic Ministers on 21 October 1985 approved his price-lifting measure, to be put into force on 1 December 1985 with most of the money for the purpose to come from the Farmers Aid Fund. About 3 million tonnes of paddy were expected to be sold by farmers at the guarantee price of 3,000 baht per kwien (5% grade). This price still did not satisfy most of the SAP MPs who told Mr. Kosol they wanted it to be 3,300 baht per kwien. Farmer groups also expressed their dissatisfaction with the newly-set price.

The situation was heading for the final stage of the crisis when the guarantee price failed after a few days of implementation. On 9 December 1985 a group of about 1,500 farmers from Suphanburi, Chainat, Angthong, Singburi gathered in Si Prachan District of Suphanburi, to protest against the low price of paddy. They complained that rice mills were trying to depress paddy price further. At the same time, rice mills in many provinces in the Northeast postponed their decisions to join the rice price guarantee scheme on the grounds that commercial banks refused to give them loan credits. Farmers agitated more. A group of them from Chacheongsao Province met with Mr. Kosol to complain about the failure of the scheme. Prime Minister Prem ordered all government agencies concerned to coordinate their operations in implementing the scheme, but he refused to meet farmer representatives who demanded to see him.

On 20 December 1985 Minister Kosol started to complain that his scheme did not get the cooperation from the Bank of Thailand, commercial banks, and particularly from the Ministry of Agriculture and Cooperatives.

On 24 December 1985 the Chart Thai Party announced it would call on the Prime Minister to sack Mr. Kosol for the failure of his policy. The party alleged there was corruption involving commercial banks which joined the price guarantee scheme.

Towards the end of 1985 and in early January 1986 farmer groups began to move. On 29 December 1985 about 1,000 of them in Kamphaengphet gathered to discuss the low price of paddy. On 2 January 1986, 70 farmer representatives from Phitsanulok, Chainat, Angthong, Singburi and Suphanburi met at the home of Mr. Prapat Potisuthon, a Chart Thai MP from Suphanburi, and voted to "march" farmer groups down to Bangkok on 6 January 1986. Their target was the Ministry

of Commerce. Meanwhile, some rice mills started to attack the Ministry and rice exporters for buying milled rice from them at lower prices, and threatened to withdraw from the scheme.

On 6 January 1986 about 3,000 farmers massed at the Royal Plaza near the Government House. A twist to the event was that a group of pineapple growers from Phetchaburi suddenly came to join with many truckloads of ripe pineapples which they scattered all over the area around the Government House. The pineapple growers were alleged to come to thwart Chart Thai's attempt to discredit Prime Minister Prem. The man behind them was said to be Col. Phol Roengprasertvit, MP from Uthai Thani who owned a pineapple canning factory in Phetchaburi.

Although the farmers' protest in front of Government House was over in a few days, the discontent of farmers had spread. Both farmers and rice millers blamed the government for failing to implement the measures. Price of paddy fell to 2,300-2,400 baht per kwien (5% grade) in some areas. There was a call for a Cabinet reshuffle. Minister Kosol "drew a deadline" for himself. He said if he could not boost the price of paddy by 15 January 1986 he would step down. And on 13 January 1986 he tendered his resignation to be effective on 16 January. In a eight - page statement he issued, Mr. Kosol said politics partly contributed to the failure of his rice policy, but he insisted that the future would prove his policy to keep rice premiums and rice stocks correct. In an interview later on, Mr. Kosol said he wanted to remind any future Commerce Minister that "The story of rice is more dramatic than martial-art Chinese movies. Anyone who is stupid will be dead. I was stupid so I was dead." (*Naew Na*, 21 January 1986:46)

The Cabinet reshuffle which finally came affected only the Social Action Party. Mr. Kosol was replaced by Mr. Surat Osathanukroh, a former Deputy Interior Minister. The new Commerce Minister immediately dismantled Mr. Kosol's measures. He abolished the paddy price-lifting programme, rescinded the enforcement of the two laws which caused rice millers to be reluctant to join the scheme. They now had the choice to join or not to join in other supplementary measures to help farmers. Also abolished were the export quota system, the collection of premiums of medium and low grade rice, i.e., those lower than 10 per cent. He relaxed the stockholding requirement from 2,000 tonnes to less than that amount, but four groups of rice exporters who had the privileges to sell in governmentspecified rice markets were stillrequired to stock altogether 80,000 tonnes of rice at all time. Mr. Surat said his measures were tantamount to setting the rice trade free.

There were some problems of adjustments at the beginning of this political change. Farmers still complained of low paddy price. Rice millers who joined Mr. Kosol's scheme protested at their losses. But by all indications the rice crisis for 1985/86 season was over.

X. Rice Situation in the 1986/87 Season

The Fifth Prem Government faced a less severe rice situation. Soon after its installation in August 1986, it adopted a number of measures which succeeded in depoliticizing the issue of paddy and rice prices. Luck also played a part.

The government appointed a national-level body called the Rice Policies and Measures Committee chaired by an honest Deputy Prime Minister, Admiral Sondhi Boonyachai, who once was affiliated with the Prachakorn Thai Party. Admiral Sondhi, now a neutral party, has often been criticized for his lack of knowledge of the economics of rice, but he has managed to keep party politics out of the rice issue.

The Rice Policies and Measures Committee has been made a sole organization to supervise the works of various government agencies charged with the responsibilities to tackle

different aspects of the rice economy- -from production to export.

Admiral Sondhi has successfully resisted attempts by political parties and pressure groups who tried to force the government to declare a support price or target price for paddy buying. The fact that the highly corrupt and unprofitable Public Warehouse Organization under the Ministry of Commerce and the Marketing Organization for Farmers under the Ministry of Agriculture and Cooperatives had been kept out of the new policy set-up has made the government become less a target of attack. Also the low production of paddy for the 1986/87 planting season due to drought which has brought down the crop yields by nearly two million tonnes, has also helped to shore up the prices of paddy and rice.

Among the measures introduced by the government to lift up the price of paddy, the most successful was the paddy pledging scheme introduced by the Bank for Agriculture and Agricultural Cooperatives (BAAC), which work this way: Provided with a 5,000 million baht loan credit from the Bank of Thailand at a 1 per cent interest rate to launch the scheme, the BAAC loaned out the money to paddy farmers at a rate of 3 per cent per annum for a period of six months, from January-June 1987. The loans given would be up to 80 per cent of the going market value of paddy crop which were pledged to the bank as collateral. This scheme was aimed at helping farmers to slow down the sale of paddy in the early period of the harvest season when prices would be low. The farmers would keep the pledged or mortgaged paddy at their own barns, thus saving the transportation cost. When the prices of paddy later improved, they could ask for the bank's permission to sell it and repay the loans.

Prices of paddy as a result have improved and sustained to the satisfaction of farmers who had some cash to spend while waiting for the right time to sell their paddy. Prices of various grades of rice, even glutinous rice, have risen higher than the previous 1985/86 season. For example, 5 per cent grade paddy has been sold at the average 2,5003,000 baht per tonne. Attempts by the Ministry of Commerce to expedite the shipments of large quantities of export rice and to buy rice into stocks, have also helped keep the price of rice high. As of the end of March 1987, rice price has become no serious political issue, only occasionally raised by some critics who wanted to see farmers get a better deal, though they have been fully aware of the strong competition from the American rice in the world market which prevents Thailand to increase its export price of rice.

Low production of rice in such major exporting countries as Burma and Pakistan have, in addition, helped Thai rice to compete relatively favourably in the world.

There is however an increasing awareness especially among farmers, that rice growing has become no longer profitable and they have been encouraged to grow other cash crops or to turn to dairy farming, for example, to supplement their income, if not to totally substitute for rice farming.

The price of rice will continue to be a political issue, but its significance will greatly diminish since the obstacles to rice exports are now reduced to only a very few unimportant ones. Reintroduction of severe measures cannot be done easily under an elected regime. Other factors will contribute to the decrease in the importance of the politics of rice including the gradual decline in its ranking in the export list of the country.

XI. Conclusions: Development Consequences of the Past Policy.

The present uneven development pattern of the Thai economy indicates the failure of previous development plans. Unfortunately, the Thai government tends to explain this failure in terms of the uneven allocation of resources in its development efforts. As shown in Diagram I, the plan to

suppress the domestic price of rice is fully consistent with the development plans suggested to the Thai government by the United States as part of the total package to stop the rising in the popularity of the socialist ideology in the 1950s when the cold war between the East and the West was at its highest intensity. Modernization theories of development were presented as the alternative to socialism. However, without the policy to suppress the domestic price of rice, the result could have turned out differently.

It has been shown time and again that every time the domestic price of rice has gone up due to the good export price, there will be a temporary boom in the rural sector of the national economy. The expansion of the rural economy in turn helps to stimulate urban activities especially manufacturing industries and services. In economic terms, the size of a multiplier will be larger than if otherwise. This is because income from the good price of rice will flow throughout the whole economy. In the case of suppressed domestic price of rice, a smaller amount of money is left to rice farmers, and less economic activities will be generated in the urban sector. Thus, any constraint imposed on the export of rice to suppress domestic price of rice will promote unbalanced growth. At the same time this measure will also serve as a barrier against the overall growth of the whole economy.

From 1947-84, the government has collected 62,647 million baht, at the 1976 price, of premium and export duty from rice farmers. (See Appendix I). Of course this figure underestimates the total monetary value since it excludes the benefit made by the Rice Account Unit of the Department of Foreign Trade, Ministry of Commerce, from its premium exemption privilege in the G-to-G rice trade. If this amount is included, the total export tax collection will not be less than 100,000 million baht at the 1976 price during the said period. Given the fact that export is normally less than half of non-rice farmer domestic consumption, the real earnings made by rice farmers during such a period would not be less than 300 billion baht at the 1976 price. This figure only represents a low estimate because it does not include other factors that cause the depressed domestic price of rice such as the reserve ratio requirement, export quota and the straight forward ban on rice exports and the stock requirement which give rise to the increased monopoly power of rice exporters. This 300 billion baht earnings lost by rice farmers during the past 38 years are equivalent to the total expenditure on the economic sector from the First National Economic Development Plan to the Fifth (1961-86). This indicates how large is the magnitude of income lost by rice farmers during the past four decades. (See Appendix II)

Apart from the imbalanced growth resulting from the discriminatory tax policy against rice farmers, other consequences of this policy are land-intensive use in rice cultivation and slow adaptation of modern technology especially in farm mechanization and the application of chemical fertilizer (See Appendix III). The two factors have contributed to the rapid disappearance of forest lands. This in turn has caused the rapid disappearance of major water resources, soil erosion, more frequent drought and flood and rapid depletion in soil nutrients. These factors will contribute to the decrease in the yield per unit of farmland as a result of the increasing cost of production. The fact that the domestic price of rice has been suppressed for so long has resulted in the slow growth in the Thai rice supply to the world market. This factor has contributed to the long period of high price of rice in the world market, which has induced many countries to try to achieve self-sufficiency in rice production as in the case of Indonesia, once a major importer of Thai rice, and many others to produce surplus for export. The contemporary result is quite disastrous for the Thai farmers and the whole Thai economy. It explains the situation of the glut of rice in the world, a factor that has driven the world price of rice to a persistently low level.

At the same time the cost of rice production has increased. These two opposing trends have put a great pressure on the Thai government to continue to dismantle many rice export barriers discussed earlier.

Frequent crises of the price of rice in the past will develop into an annual crisis in the future still. Without any far-sighted policy on this issue by the Thai government, political debates and manipulations resulting from the low price of rice will continue. It may be said in conclusion that the degree of democracy in Thailand can simply be measured by the welfare of rice farmers. So long as the Thai rice farmers are still in constant difficulties, there will be no hope for true democracy in Thailand.



A System Of Local Exchange :

A Case Study Of Thailand

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*By Prof. Dr. Apichai Puntasen, Dr. Preecha Piamphongsant, Jaturong Boonyarattanasoontorn,
Jarupa Sodarak, Chanarun Pruthiarenun.*

Introduction

The economic crisis in January 1997 was the most profound and had serious consequences Thailand ever has had since her modern economic history. At the same time, it is an opportunity for the Thai society to seriously reconsider and rethink about the directions of her economic, social, and political development. Both internal and external factors were explained as the major causes of the crisis.

The internal factors were the political system, including vulnerable political parties, corruption was rampant at all levels, managerial and administrative structures were rather inefficient. The liberalization of monetary sector while the exchange rate was fixed induced short-term investment such as real estate, stock market and direct speculation on the value of the baht currency itself. All of these factors finally led to the bubble economy its burst and its collapse. Moreover, Thai businessmen did not pay enough attention to consolidate the local economic base, but trying to make their quick monetary gain from international trade only.

As for external factors, the economic globalization has created no boundary for capital movement. Short term investment aiming for short term monetary gain resulted in enormous capital inflow into Thailand. As the crisis started, both Thai and foreign investors were worried about losing their money, they immediately withdrew and moved their money to where they considered to be safe places overseas. Consequently, it generated the continuous and incessantly outflows of capital. A rapid outflow of money aggravated the financial crisis all over the Asian region. Rapid movement of capital facilitated by economic globalization together with the liberation of financial sector normally result in weakening both monetary and fiscal policies of most nation states, whose main responsibility are to create stable economic environment nationally in the long run. As the nation state has become powerless to prevent its own economy to be affected by external economic fluctuations, the last line of defense is local currency or local exchange at a community level.

The objective of this paper is to describe briefly, the impacts of globalization, economic instability and crises and their impacts on currency systems as already discussed above, theoretical background of the Community Exchange System (CES), a brief description of the CES practiced in some countries, the introduction of the CES in Thailand, difficulties and lessons learned from implementing the CES, applicability to other communities in Asia, and the policy recommendations for further research.

Theoretical Background of Community Exchange System

To understand community exchange, the basic knowledge of the functioning of money is a prerequisite. Community exchange can perform the key roles of any currency as a medium of exchange and a unit of account. If it is well designed, it can even play some roles that the “normal”

national currency cannot.

After August of 1971, United States has abandoned its commitment to buy and sell gold in exchange of foreign currencies. Since that day, all of existing money has become pure fiat currency without any backup in gold. However, money can still fulfill its essential task, discussed below.

Firstly, the fiat money is still a medium of exchange. It facilitates economic activities. If money is not existing, most of economic activities will be slowed down or halted.

Secondly, money is a standard of measure or unit of value. It helps to determine various rate of exchanges among innumerable goods and services.

Thirdly, money can be used to store wealth (value). It is the origin of investment and capital. Capital can be accumulated through savings and credit creation of the whole banking system.

Fourthly, money by itself is also a durable commodity. Consequently, it can be subjected to speculation as well as most commodities. More than 95 percent of the total amount of money being circulated at any particular time in the world is being used for speculation, and less than 5 percent is used as the medium of exchanges to trade for goods and services.

There are flaws and conflicts among the tasks mentioned above. In the late 1980s, Paul Ekins (1989) has indicated such flaws in his well - known book "*The Living Economy: A New Economics in Making*". In chapter 8 of his work, he has interestingly criticized the role of money in the economy. Also, Bernard A. Lietaer has pointed out the flaws and conflicts among various functions of money. Such flaws and conflicts can be summarized as follows.

There is the contradiction between the tasks as the standard of value and that of speculation of money. Money used as a store of wealth has led to creation of money market. In that market, money has been treated as commodity that can be bought and sold in its own right, for profit, through the anticipation for the variation in exchange rates. Huge amount of money in this market and the electronically speed of transactions can lead to great instability of the exchange rates. Such great fluctuation in the exchange rates result in enormous difficulties for domestic economic management of most countries that depend greatly on international exchanges. The fluctuation has generated increasing risk. As a result, money is less effective as standard of value. This risk can also result in the reduction of international economic activities.

Money as a store of wealth is also subjected to inflation, which is amount to the decrease in amount of goods and services that can be exchanged for the same amount of money. This is the hidden conflict between money as a medium of exchange and a store of value. For example, people spend more during the booming while tradable goods are limited in the short run. This is the root cause of inflation. Since money can be viewed as "goods", its price will fall when there is more supply of money compared with others goods and services.

Moreover, national currencies are subjected to manipulation at the international, national and local levels. Capital cities can extract wealth from local communities through their relatively much more wealth. Rich countries can also do the same thing to poor countries. The benefits from such devious activities are limited to a conspicuously consuming minority only.

Also, there is another critic on money as a medium of exchange. When local communities and poor countries do not have adequate amount of money, their goods and services cannot be traded with outsiders or even among themselves. Large-scale of local unemployment will be the result. Local skills and local assets are left to be idle. At the same time, many local needs are unmet, because of the lack of a means of exchange to bring these needs and resources together. As a result, communities or countries will lose almost their entire sovereignty, if their currencies are subjected

to manipulation in money market. Consequently, to correct these flaws and conflicts as well as to serve as the last line for self-defense, community exchanges must be introduced. At the same time, the above mentioned flaws and conflicts must also be restricted or eliminated.

Historical background of Community Exchange

The origin of community exchange can be traced back to the age of Babylon and Sumer civilization, 6000 years ago. Communities issued, managed and circulated their own exchanges. In addition to ensuring that the needs of people in the community would be met, the use of these currencies was to protect the community from the possible economic instability.

As economic systems have developed to the current level, the community-based exchange system must also change to suit the new realities without losing its essence while being issued and managed by members of the community themselves. Most systems currently available simply adopt the “zero interest” concept. However, there is also a “demurrage (charged money)” idea inherited from Silvio Gesell, an Argentine businessman and economist. Such concept has considered that money as a medium of exchange should be also treated as a public service (just as public transportation, for instance) and, therefore, a small user fee should be levied on it. Instead of receiving interest for retaining such an exchange, the bearer must in fact pay the interest. The idea is to discourage hoarding of the exchange (money) in order to increase its velocity for transaction. In Gesell’s time, stamps were the normal way to levy such a charge. Now, the generalized use of computers in payment and accounting systems, as well as the availability of electronic debit cards, will make this procedure much easier and convenient to be implemented.

In a more recent past, there was Guernsey experiment during 1815-36 when Guernsey State in Britain issued its own notes during the Napoleon War. The notes helped Guernsey State recover from recession. Such concept has been vitalized again in 1970s when many adverse consequences from conventional economic development such as poverty and environmental degradation appear to be evident to most communities concerned. There are many alternative thinkers of that age who has challenged conventional concept. The good examples of such challenge are arguments of Nicholas Goegescu-Roegen (1971) and E. F. Schumacher (1973). While most economists of that time focused on expanding economic activities, Nicholas Goegescu-Roegen in his work “The Entropy Law and the Economic Process“ mentioned that “bigger and better” industry always produced “bigger and more” pollution. For E. F. Schumacher, his experience of Buddhism in Myanmar inspired him to write “*Small is Beautiful: Economics as if People Mattered*” which its name has already manifested the content inside. He argued that from a truly economic point of view, the most rational way to produce is “from local resources, for local needs.”

Jane Jacobs, an expert in regional economics, emphasizes Schumacher’s point through her analysis of a healthy region as one creating “import-replacing” industries on a continuing basis. A well-developed regional economy which produces for its own needs is possible only when the control of its resources and finances lies within the region itself. Currently, the ownership of land, natural resources, and industry and the determination of conditions for receiving credit have become increasingly centralized at the national level. Now all but a few large urban areas find that their economic resources are controlled by the people from outside.

Most academic works of Schumacher were designed for actual application. In 1974, E. F. Schumacher asked Robert Swann to start a sister organization to his own Intermediate Technology Development Group. In 1980, Swann established the E. F. Schumacher Society in Great Barrington,

Massachusetts. Its work constituted a direct link with Schumacher's philosophy and is a tangible embodiment of his message. Schumacher chose wisely, Robert Swann to bring the pragmatic skills of a builder to his lifelong commitment to both community and decentralized economies. Before founding the Society, Swann worked with Ralph Borsodi to issue a commodity-backed currency on an experimental basis in Exeter, New Hampshire, a forerunner of today's local currencies.

Also in the early 1980s, the Canadian Michael Linton developed a Local Economic Trading System (LETS) in his home region on Vancouver Island. The system did not use paper scrip but did establish a credit and debit system via phone, and later computer. The LETS proved to be especially successful in encouraging trade and services within the community of the region. LETS programs now thrive in Great Britain, Australia, New Zealand, and Europe. This is one of most successful local exchanges that can be succeeded to the present day.

Other examples of a successful local exchange emerged in the 1980s. The E. F. Schumacher Society- working with members of Self-Help Association for a Regional Economy (SHARE), a micro-credit program in the Southern Berkshires-developed a program for a local currency denominated in units of cordwood to be called "Berkshares." While Berkshares were still on the drawing table, a local restaurant approached SHARE for a loan to finance a move to a new location. The E. F. Schumacher Society suggested using scrip as a self-financing technique rather than tapping the loans pool. As a result, in October of 1989 the Deli in Great Barrington, Massachusetts, issued "Deli Dollars", a transferable and dated note. Deli customers bought \$5,000 worth of notes in the first 30 days of issue, financing both the move and renovation costs. Berkshire Farm Preserve Notes, Monterey General Store Notes, and Kintaro Notes were quick to follow.

In 1991, Paul Glover of Ithaca, New York, heard a radio report about the Berkshire currencies and decided to launch the "Ithaca Hours", the improved version of its predecessors. It combined many features of the LETS program with hand-to-hand scrip. Glover proved that his idea worked very well. His monthly newspaper *HOUR Town* was entertaining, informative, and lists all businesses that accepted payment in Ithaca Hours. The program grew and flourished and now includes over 2000 listings of individuals and businesses trading in scrip, with \$75,000 worth of scrip in circulation.

HOURS-based community exchanges utilized a piece of paper ("notes" or "coupons") as the medium of exchange, while LETS systems use credits and debits in an account ledger (with no tangible representation). The value of these exchanges is determined by members of the community. With wide variation, the values of these exchanges (currencies) have been tied to the national currency; equated to an hour of labor; or allowed to determine itself through members' exchanges. Community exchange systems are backed by the resources within a community, including the labor of its members, and the trust that the members have in each other.

Community exchange also appears in many forms in different places. Gurunam Kaur Khalsa's work in the early 1990s with women in the university system of the Connecticut River Valley grew into a broad-based program called "Valley Dollars", under the sponsorship of the Franklin County Community Development Corporation in Greenfield, Massachusetts. Diana McCourt and Jane Wilson began WomanShare in 1991 as a skills exchange program. Edgar Cahn's Time Dollars concept helped mobilize tens of thousands of volunteers in the service community across the nation by employing scrip.

Community Exchange in Some Countries

The economic crisis all over the world made most familiar currency systems, such as baht, dollar, yen, pound, and gheep functioning as a media or a tool of exchange for commodities to be in great difficulty because there was no money for spending in spite that each local community still had resources to produce for consumption required by its members. To eliminate such obstacles caused by insufficient amount of currency, there is an attempt in creating a small-scale exchange system that make products or labor exchange possible even there is no money to pay. In Thailand we shall call it a “community exchange system -CES “ this system can be established immediately after the agreement among the members living in the same area. The rate or value of the exchange is made from the agreed regulation of the community or group members.

In each community, there are substantial natural resources, skilled labor appropriate for any economic activities in the community such as animal farming, fruit gardening, plantation, rice farming, food processing, herbs, weaving, and other local transactions, etc. Thus, having community exchange system will enable them to have more power in managing their own economy. Meanwhile, it will generate the capital circulation in the community without any limitation. As a matter of fact, the more the people in the community do not attach or tie to the dominant currency system, the less will be the impact resulted from the foreign fluctuations of foreign currencies.

Currently, there are 2,000 community exchanges in 40 countries all over the world. Apart from the community exchanges in developed countries, there are also community exchanges in developing countries. For example, there is an alternative community exchange system, known as “Tianguis TLALOC” in Mexico. In this system products and services are exchanged through this alternative exchange called TLALOC, alongside with the national currency. Members have accounts where local trades are recorded, but also may choose to use notes as the medium of exchange. Currently, there are four highly popular local exchange systems. They are LETS (Local Exchange and Trading Systems), HOURS, and the mixed system between LETS and HOURS, and Time Dollars (Jeff Powell and others 1999, 28-29). The LETS and HOURS have already been discussed briefly. Only the Time Dollars will be discussed in more details here.

Time Dollars is operated in a form of Local Bank Service initiated by Edgar Cahn in Washington D.C., the United States. In this system, the member will deposit credits in the bank in the form of working time measured in hour unit. This credit can be used to buy services or receive the contribution from other members in the form of working hours. This system is supported by public and private sectors. At present, there are hundreds of communities in America adopting and operating this system such as, Canada, the U.S., England and the Netherlands, etc.

Common principles of these community exchange systems are interest free and their values are determined by the community members which can partly create the balance in exchange. The fact that the communities determined the exchange rate of each goods or service, the end result will be a sufficiency in local consumption. In any national currency system, the external market will determine the exchange rate. Under such circumstance, members of the communities will be pressured or urged to search for money incessantly. The communities will always facing the situation that they can never have adequate amount of money for spending. Consequently, the resources that should be used to serve the people within the communities will be sold in exchange for money. The resources will be drained out from the communities to the external merchants or middlemen. The end result will be the stagnation of local economy finally.

The Community Exchange in Thailand

Exchange of products or barter and labor exchange (*long khack*) has been practices in Thailand since the ancient time . The local exchanges used in the past were in many forms. Ancient Indian literatures mentioned the used of gold and silver as money for more than 3,000 years ago. In Southeast Asia, “*bia*” was used as money since the premodern - historic time. For Thailand, in “Srivichai Kingdom” in the South (857 – 1457) already had their own money to be used for transaction, known as “*Na-Mo*”. It was silver pellet melded in the formed of a coffee-seed shape and labeled with Sansakrit alphabet. It was brought into the Kingdom by Indian merchants. *Lan-Na* Kingdom in the North used bracelet-shaped money, *Tok* money and Chinese money. In the Northeast, the merchants from *Lan-Chang* Kingdom used a bar-shaped money made from various kinds of metals. They also had their own names such as *Koo*, *Hoi*, and *Lad* monies.

The local exchange system was reduced in its importance since the formation of the nation state through increasing centralization and the rapid process of trade with foreign nations, after the conclusion of the Bowring Treaty in 1855. Foreign coins and commodities began to flow into Siam in larger volume since then. Various foreign coins were widely used in Siam including those from Mexico, Peru, Holland, and India (Jeff Powell and others 1999, 5-6).

The new era of currency system in Thailand began after the World War II after the Brettonwoods Agreement met in Brettonwoods, Newshamshire, the United States, Although Thailand did not participate in the signing of the Brettonwoods Agreement right after the War, she agreed to join the gold standard in January 1946. Finally, she also joined the International Monetary Fund (IMF) and World Bank in May 1949. One major purpose of the Brettonwoods Agreement was to peg various currencies with the gold standard in order to facilitate the international trade and protect the creditors from the possible devaluation of currencies of the debtor nations.

Under such arrangement, if any country imported more than the value of their exports , its central bank must intervene by buying back its own currency in order to stabilize the value. If the central bank did not have enough foreign exchange reserve to maintain the value of the national currency, then it should borrow money from the IMF as a temporary measure. The government then must try to solve the problem by raising taxes and interest rate together with its attempt at reducing the expenditure. This way the creditor nations will be fully protected.

New Era of the Thai Currency

At the end of the Pacific War in 1945, Thailand’s reserved fund consisted mostly with the Japanese Yen and its value was drastically declined. At the same time, Thailand needed to use large amount of the foreign exchanges to rehabilitate the country from the War. The government ordered the people who hold the pound sterling or the U.S. dollars to sell them to the Bank of Thailand at the official exchange rates. Exporters of basic merchandises such as rice, rubber, and teak must also sell their foreign currency to the Bank of Thailand at the specified rates. This system of exchange is known as the multiple exchange rates. By the so doing the government was able to generate the new foreign exchange reserves. At the same time, prices of farm products were suppressed for the benefit of urban population, whereas transactions of other commodities still followed the market price. Thai Farmers were the net losers from such policy by the Thai Government.

In 1955, the foreign reserve fund had increased adequately for the Thai government to adopt the system of a single exchange rate instead of the multiple exchange rates introduced by the

government since after the War. The Exchange-Rate Reserve Fund was established in order to help stabilize the exchange rate in the short-term. This fund had functioned effectively and was responsible for the stability of the baht since then. In 1953, the parities between the baht to its gold equivalent of 0.0427245 gram and 20.8 baht per one U.S. dollar were established. This exchange rate was maintained until 1972 (Bank of Thailand 1993, 139).

An attempt to set the international standard for various world currencies according to a Brettonwoods Agreement had failed since 1972. The failure was due mainly to rapid increase in economic strength of both Japan and Germany, while the United States was in heavy debt due to her full involvement in Vietnam War.

For 25 years after the World War II, Thailand's foreign exchange reserve was mainly the U.S. dollar for the reasons that were considered to be for the advantage of the Thai economy. In the 1980's, Thailand was planning to liberalize her monetary system to encourage more free flow of foreign exchanges with the hope that country would gain by being a financial hub for Southeast Asia. The establishment of Bangkok International Bank Facility (BIBF) was created for the said purpose. Commercial banks were allowed to borrow foreign exchanges and loan them to businesses in Thailand for lucrative profits. By so doing, the whole economy was over spending continuously. Eventually, the economic crisis hit the country in 1997. The baht was seriously devaluated to 55 baht per dollar in January 1998.

In 1996, the total amount of foreign fund that flew into Indonesia, South Korea, Malaysia, Philippine and Thailand was as high as 95 billion US dollars. In 1998, this amount was reduced by almost a half; that was 40 billion US dollars (Jeffery Sach 1998, 53). This rapid flight of foreign exchanges resulted into the so-called, "melt" down of many economies in the Asian regions especially those who financed their investment through foreign loans. The problem of non-performing loan (NPL) became quite common among the said economies. It was estimated then that one fourth of Thai population would be impoverished in 2000 ("World Bank says 23% of Thais will be poor by 2000." The Nation, Oct 30, 1998)

Revival of the Community Exchange System in Thailand

Because of the economic crisis caused in part by the liberalization of the financial sector in Thailand, it is envisaged that the only way to shield the local economy from such adverse effect of globalization is through the development of the local exchange system. The implementation must be adopted by local people whose lives were affected by such bad experience as well as to learn from the experience from the foreign countries simultaneously.

The Thai Community Exchange System that was the product of the cooperation among the Thai NGOs, Canadian University Service Oversea (CUSO), and Volunteer Service Overseas Thailand (VSO) with the support from Japan Foundation was established to explore the alternative economic system in both Thai and foreign contexts, with the emphasis on the community's self-reliance. The main purpose was to exchange information of local exchange systems in Thailand and overseas and use it as an instrument for enhancing and empowerment of the community strength. International experiences can be used as some endowed knowledge in order to move further to gain more practical experiences among some local communities in Thailand. The Northeast and the South have been designed as the testing ground for such valuable experience. Workshops and seminars among many Thai academics provided significant issues to be investigated further. The conventional banking system was viewed as a powerful instrument to transfer resources from local communities

to the outside world as money has been transformed into commodities directly without performing its useful function as a medium of exchange, one of the major causes of the economic crisis; It was deemed to be necessary to cut the linkage that connects communities to the larger systems. Under such scenario, community would be in much better position to generate its own capital for its own productive purposes. The alternative exchange system would then accommodate the alternative production and transactions, and the alternative market. This situation would lead to strengthening and empowerment of the community.

During the workshop in the Northeast and the South, both the local people and development agents from outside began by analyzing the figures of the family and the community's expenditures. They found with surprise, the severe excess of expenditures over earnings. The analysis provided a clearer picture of the need for economic self-management, and the importance of making daily, monthly, and annual account of earnings and expenses.

However, many local people felt that the crisis was over and they could get by the way they did in the past. At the same time, most of them did realize that the existing monetary system only served as the factor that mobilized most resources from the communities to the large cities. In the end most of them must survive with only little amount of money and resources. The revival of their culture and tradition was thought to be a crucial part for invigorating the alternative exchange system of the community.

The Rise of Bia Kud Chum

After several seminars and workshops, actual implementation of the agreed idea must be planned. The Kud Chum district was ready to serve as a candidate for such a trial. Kud Chum is a district of the Yasothon province in the Northeast. Na So is the sub-district part of Kud Chum. Na So is a small community covering approximately 20,000 rai that can be divided into the village location of about 500 rai (2.5%), paddy fields for 15,000 rai (75%) and the community forest for all members to be used for 3,800 rai (15%). Kud Chum is 38 kilometers far from the center of the province containing 750 families with 4,000 people.

It is the community resulting from immigration of some residents from Ban Pai Srang Chang, Sai Moon district, Yasothon province, almost 100 years ago. As the existing area had more people that it could feed, people had to immigrate to new area for the settlement. In those days, the means of transportation was mainly by foot from the old area to new one where more natural resources were available.

During the initial stage of settlement, due to the small number of people and richness of the soil, water and forests, the size of land claimed by a family of each settler only ranged from 5 to 10 rai. The main economic activity of Na So villagers was a natural rice farming for only once a year. Besides rice farming, the villagers grew plants and upland crops for their own consumption. Among them were onion and garlic. Other vegetables and plants were collected from the forest. Fishes were caught from the creek, canal and swamp. In general, lives of the Na So villagers depended very much on the abundance of nature.

The way of life of Na So villagers was inextricably related to the people in the community that mostly contained kinship, lineage. People still had a very close relationship to relate to one and the other as one family. They were very helpful and hospitable to each other. They preferred sharing things to other people. This way of living was traditional for most people in Thailand before the penetration of capitalism into village economies. Such pre-capitalist relation-

ship of the people was based on seniority gained through a merit system, and strict adherence to their traditional practices. In the village, there were the seniors who were highly honored, respectable, and helpful. They significantly played an important role in the community. For example, if there were any conflicts among the villagers, the seniors would resolve them through direct, transparent and acceptable judgement. In case of illness, the villagers would go to see the local medicine man who practiced traditional medicine by combining both conventional treatments and ritualistic beliefs. (Kanoksak Kaewthep 2001, 112-116).

Thailand has adopted the development direction of capitalism when she agreed to embark on the First National, Economic, and Social Development Plan in 1961. The main purpose of this plan is to transform Thailand from the so-called “stagnant” agricultural society into be the industrialized one. Such plan had an enormous impact on lives of people in communities and villages all over the country. Definitely, Na So community was not the exception. People of Na So began to use money as their medium of exchange since 1958. Gradually, money had come to play important role accompanied by rapid decline of their natural resources. Amidst the capitalist development, the villagers of Na So lived under a much more difficult condition. They encountered more problems resulting from the fact that they must continue to search for the ways to make money for their living while their natural resources has been rapidly depleted. They could not control their lives that depend much more on external factors.

Such problems existed in Na So community for quite a long time. In 1977, the people of Na So decided to quit producing for external markets and changed their development course to self-reliance. The first activity taken place in 1980 was a savings group in the form of a “store fund”. Later, this fund has been further developed into the “Village Development Fund”. The fund has been used for various activities such as the formation of a Herbal Medicine Group in 1983, and a Rice Mill for Organic Rice Farming in 1987. The two activities faced many problems. However, their members had very strong determination to overcome all difficult problems until the activities were satisfactory resolved. The two activities were subsequently developed further into more concrete activities such as *Pha Pa Pan Mai* Project (the collection of sapling to grow as a community forest) for the Northeastern people which was organized in 1989, Forest Conservation Campaign in 1990, the Thai Traditional Health Center at Wat Tha Lad in 1994, etc. These activities were operated under the direction of the community leader, including *Pra Kru*(abbot) Supa Jaruwat, *Po Yai*(male elder) Wichit Boonsoong, *Po* (leading male) Man Sam Si, *Po*(leading male) Pradit Kaewsai with the NGOs’ participation in formulating, planning, and working with local people, a housewife group and a youth group in the community (Kanoksak Kaewthep 2001, 117-122).

The important circumstance that encouraged the Na So villagers to realize an importance of natural agriculture and self-reliance took place in 1990 when *Komol Keemthong* Foundation had invited Masanobu Fukuoka, a natural agriculturist based in Japan, to come to Thailand. The herb for self-reliance project which was the NGOs’ project cooperated with the Herbal Medicine group encouraged the Na So leaders to attend the lecture of Masanobu Fukuoka. Fukuoka suggested to them to adopt the method of natural rice farming that would enhance good health, good environment, and was able to maintain soil condition for sustainability without taking any risk from using pesticide and other chemical products. The leaders agreed with the suggested concept and were interested to apply it in their own farms.

Unfortunately, such activities did not result in a genuine self-reliance for the Na So villagers. After the economic crisis in 1997, they inevitably encountered higher cost of living, their offsprings who worked in the cities were unemployed. Their wages were reduced. The crisis moti-

vated the villagers to consult and discuss about creating the economic system that depended less from the outside. At that time, there was a former volunteer from VSO, Mr. Menno Salverda who was Dutch, and the other one from CUSO, Mr. Jeff Powell, who was a Canadian. Both of them had some experiences in working with the Thai NGOs and were interested in the concept of local exchange system. The two had opportunities to exchange views and opinions with various Thai NGOs about the possibility of applying the system to the Thai community. There had been various occasions for talk and discussion with the villagers. Finally, the Thai Community Exchange System Project—TCES has been the result.

In September 1998, there was a seminar entitled “Local Exchange System and self-reliance” in the province of Surin. As expected, the villagers from Kud Chum community attended this seminar, and they thought that the local exchange system was a way to assist the community in reducing dependency from external economy and creating an actual self-reliance.

As the Kud Chum villagers were interested in the concept, they started to explore the appropriate design of their own exchange system to suite the need of their community. They also consulted the lawyers on that matter. According to the legal study and discussion, they were informed that it was not illegal for them to create their own exchange system for their own use. After then, they began to set up the rules for using the local currency, including designing “*bia*” by focusing on beauty and the community’s symbol, and organizing the membership system, the clearing house for the “*bia*” and other necessary arrangements. There was an experiment by rehearsing the role of buyers and sellers using their own medium of exchange. A year later, there was a formal opening ceremony of the TCES in March 29, 1999 (Supapan Palangsak 1999, 3-4). The main purposes of Kud Chum’s exchange were to generate productive activities for self-reliance within the community; to exchange varieties of products that were non-toxic, good quality; to reduce buying products from external market to be self-reliance and sufficiency and to generate local savings for their own uses when necessary (Piyanart Proyoon 2000, 89).

Rules in Using “*Bia*” Kud Chum

The word “*bia*” has dual meanings. A legal term of money is also known as “*bia*”, for a Northerner “*bia*” also means a sapling, the symbol of progress and prosperity. It has good meanings both ways. *Bia* Kud Chum is designed to be a medium of exchange to be used along with the baht, to exchange for goods in the community such as handicrafts, agricultural products, herbs, products from rice mill and labor services such as haircut, a daily wage for harvesting, etc. The “*bia*” cannot be used outside Kud Chum community and cannot be exchanged directly with the baht.

In applying for a *Bia* Kud Chum membership, the Kud Chum Bank’s committee must approve the application. As a person becomes a member, he/she is eligible to borrow the “*bia*” from *Bia* Bank of 500 baht per year with interest free. After one year, the borrower must return all “*bia*” that the person has borrowed to the bank. In addition, a member may want to deposit and withdraw the “*bia*”. Participate in the training organized by the Bank, express opinions and exercise the person’s voting right, and receive necessary help from the Bank.

The Membership of *Bia* Kud Chum was limited only to persons who lived in Yasothorn province only, Hundred twenty people in five villages, including Soke Khum Poon, Santisuk, Kud Hin, Koke Klang, all of those who were in Kud Chum and Sai Moon districts were initial members. The *bia* was started to be used in the temporary market open every Saturday and was to be rotated among the five villages.

The value of Bia Kud Chum depended on the agreement among the members. There was an agreement at that time that one bia worthed equivalent to one baht. For example, a hand of bananas was 10 baht, a member could pay eight baht along with two bia. As for the cost of printing the bia, the community received the grant of 30,000 baht from the Japan Foundation Asia Center to print 10,000 papers of bia that worthed 30,000 bia. The printed bia included 1 bia, 5 bia, 10 bia, 20 bia, and 50 bia (Supapan Palangsak 1999, 4).

The Outcome of Using Bia Kud Chum

Among 120 members in five villages, there were only 33 persons to use the bia, with a sum of 7,000 bia. Among those 33 persons, not more than 10 used bia in their daily life according to the purpose of the bia. Soon after people started using bia for almost 20 days, on April 19, 2000, the Fact Finding Committee of Bia Kud Chum founded by the Bank of Thailand (BOT), from the Northeast branch sent the officers to collect information about its usage. The investigation was on whether the issue of the bia violated the following legal aspects of money (Supapan Palangsak 1991, 4).

1. Monetary Act 1958, Section 9 states that any person shall not make, distribute, use or issue any materials or symbol to replace money, without a permission.

Section 240 is about money counterfeit. Section 249 stated about making things similar to money

2. Commercial Banking Act 1962, Section 9 forbids persons other than commercial banks from using the word “bank” or other words containing the same or similar meaning.

In addition, there were the officers from the National Security Council and the National Intelligence Agency entering Kud Chum to find out whether the production and the use of the bia is harmful to the national security.

During the investigation, the Bank of Thailand (BOT) requested the villagers to stop using the bia or limit the use to small group within the limited area only. It was subsequently decided by the Bank of Thailand that the bia is illegal. Such decision threatened the villagers. They were afraid that they would be charged for committing some illegal action. Consequently, no one dared to use it again. Some were afraid to bring the bia out of the house, or were scared to admit that they had bia because they were afraid of being arrested.

Legal Considerations

In June 8, 2000, the Bank of Thailand (BOT), Northeastern branch basically concluded that Bia Bank was illegal according to the Commercial Banking Act 1962, Section 9. The question of whether issuing and printing the bia violated the Money Act had to wait for the decision of the Bank of Thailand (BOT) in Bangkok.

On this issue, the Subcommittee on Human Rights Case of the Human Rights Committee, and the Thailand Attorney Association had insisted that the main purpose of this law was to prevent persons to use word “Bank” for other business activities. The Bia Bank that issued Bia Kud Chum did not aim for any business gain. Therefore, the use of the name Bia Bank or other similar word should not be considered illegal. There was a similar usage of the same word for other activities such as Rice Bank, Cattle Bank and Blood Bank. Concerning the question of issuing the bia paper, the bia was just a symbol determined and created by the people in the community to be used as

medium of exchange for agricultural products, with its aim to solve their economic problem in the community. Its main purpose was not to counterfeit or imitate the banknote. The bia had no similarities to any banknote or money, neither considering from the picture, pattern, colour or words printed on the bai paper. In addition, Bia Kud Chum did not have the qualification to be money or used as money because the bia paper is the document owned commonly by the members. The one who exercised the ownership of the bia was the Committee, the bia could not be transferred to anybody. It could not be used to pay debt or to be speculated as the baht. Therefore, the bia was entirely different from the baht. If the Bank of Thailand (BOT) insisted that the bia was illegal, the Thailand Attorney Association was willing to defend for justice of the local people. The Association believed and perceived the good intention of the villagers in finding the way to solve their economic problems.

For the Thai government who always propagates the policies of both “sufficiency economy” and the community economy, if it was sincere to support and enhance such policies, it should order the Ministry of Finance to issue the Ministerial regulations to protect the villagers because they did not oppose any existing laws (Nakorn Chompuchart, an interview on January 12, 2002).

Thai Academic's Views About Bia Kud Chum

The problem of using Bia Kud Chum stimulated many academics to express their views and opinions by presenting their views in many popular newspapers, and expressing their opinions in various public forums. Their views can be summarized as follows:

Professor Dr. Nithi Eiawsriwongse of the Midnight University wrote an article entitled “Bia Kud Chum” in Maticchon Newspaper on May 5, 2000. He made a very interesting remark that

“...an operation to escape from money power has conducted in many forms all over the world, however, this does not mean to refuse the role of the central money. It is impossible because there is no community that is able to produce everything by itself. The problem is how to connect its own economy to the national or world economy by not having been extracted its surplus labor and natural resources that serve the interest of commercial bank and external economies. Such process has been experienced through “learning by doing” for a long time. At the same time, to enlarge the local center to be much wider that its natural boundary will result in absorbing or taking the resources and surplus labor from the others. This lesson is one among many of the learning by doing. There is no standardized process or method that can be generally applicable to all communities because each community has its own uniqueness and peculiarity. Kud Chum is the pioneer in this direction that is extremely important to Thailand and the world, in demonstrating its determination to solve its own problems by its own methods. We can see clearly that issuing money for making profit will lead to the disaster, the same way as setting the economic goal for unlimited growth. The fact that there are limited resources in the world, both Thailand and the world must provide a possible alternative in exchange or trade. Such attempt will cultivate peace to the mankind more than the currency invented by the banking system.”

Mr. Somkiat Pongpaiboon, A lecturer of the Nakorn Rachasrima Rajhabhat Institute, stated in the discussion of Kud Chum members meeting at Moo Ban Santisuk, Kud Chum, Yasothorn on May 30, 2000 that

“...sustainable development by self-reliance must contain five elements. They are (1) local organization which is the seminal unit of the activity (2) local wisdom that is relatively predominant

for not depending only on the activities outside (3) natural resources and environment supporting all necessary living activities (4) mode of production focusing on living, eating, and exchange within the community and with the rest through trade (5) a just medium of exchange. For Kud Chum, it will have all five elements by having the bia to serve as a medium of exchange. Moreover, this bia does not worth only as a medium of exchange, but also contains life, hospitality, and spiritual capital in itself. In the bia that worths 50 baht, its genuine value in exchange may be only 30 baht, the rest of 10 baht is for generosity or support from others, another 10 baht is paid for an effort of the person who organizes the trade. In other words, the bia value can be flexible according to the system of relationship of the people in the community...”

Mr. Athajak Satayanulak, Faculty of Sociology, Chiang Mai University wrote an article in *Bankok Business* on June 9, 2000 that,

“...all attempts of the villagers since the first gathering until there is Kud Chum case does not happen because the need or intention of only one individual. But it is the desire of considerate and collective people in the communities who have come together to solve their own problems. This attempt is important based on a very long social relation system which can be called culture. The gathering of the people in the community in creating new activity to solve their own problems based on the cultural foundation is the creation of flexibility in confronting the new possible problems. This flexibility worths much more than using money to create social safety net adopted by the Thai government according to the IMF’s recommendations...”

Associate Professor Dr. Kanoksak Kaewthep, Faculty of Economics, Chulalongkorn University mentioned in the people’s meeting coordinating with the organizations that support the local currency on July 7, 2000 at Local Development Institute-LDI that,

“...In any economic system that has no alternative, the community must depend on the dominant economy. When there are more than one dominant economic system, the community will have the alternative to enhance its own strength due to the fact that economic decision-making will be removed to the community with the emphasis on communal benefit. When the community economy is strong, the national economy will be strong also...”

Many well-known figures supported the Bia Kud Chum concept. Among them was Surak Sivarak. He said that Bia Kud Chum was the form of self-reliance which was in line of the Buddhist ideology. Prof. Dr. Apichai Puntasen, a Buddhist economist, believed that there were several factors to support the strengthening of the community, and one of them was a community exchange system that would help the community to reduce its external dependency. Prof. Sneh Jamarik also believed that any government has no power to stop globalization and capitalism. The only institution that could deter such undesirable forces was the strength of the local community (Interview on January 2002).

Position of Ministry of Finance, and the Bank of Thailand to “Bia Kud Chum”

Similar to the HOURS system, the Bia Kud Chum is used to replace money for some transaction in the community. Bia Kud Chum is also an interest-free exchange and it plays an important role in stimulating local production for self-reliance. However, production of tangible representation of money can also be the most important source of the problem.

In the past, there are also many cases of local currencies that have been ruled out because of their tangible representative of money similar to that of Kud Chum. They are *wara*, a local scrip in Germany, the *Worgl stamp scrip* in Austria and “emergency currency” in the United States.

Although some of them (wara and Worgl stamp scrips) were proven to be good for local economy, either the Central Bank or the government prohibited the use of them. In case of wara, the Germany Central Bank, on the basis of its monopoly on currency creation, prohibited the entire experiment. In case of the Worgl, the Austrian Supreme Court overruled it. President Roosevelt also prohibited the use of “emergency currency” in the United States.

Although there was legal problem, the general attitude of many government on Bia Kud Chum was rather positive. In 2000, some government officials mentioned that such local currency would be useful for local people, if its use could be restricted to a small territory of the three villages in Yasothon. Yasothon Governor, Prasongsak Bundet said he did not see any negative effects of the usage of Bia Kud Chum in the three villages and that he also viewed the project as the one that fostered the solidarity and economic independence of the three villages. He also said that the villagers had designated their villages “Self-sufficient Farming Communities” and are using Bia Kud Chum as the exchange to purchase commodities from each other. However, if more villages started issuing their own money coupons, the practice might threaten national security. Additionally, commercial transactions and commodity exchanges between villages could become confused.

Somlak Jiranburana, an administrator at the Bank of Thailand’s Northeastern Region Branch, said that he saw no problem in the introducing of the community exchange system. Somlak also said he saw no threat to the baht, as the use of the community currency was limited to the community level only. Similar to others, Pittaya Songsawat, of the legal division of the Banks of Thailand said: “In my opinion, the system is not illegal. Furthermore, the Thailand Attorney Association has also come out to argue that Bia Kud Chum is not illegal.”

Before issuing of the coupons, the Sokkhumpoon Village Community Fund

Committee consulted a lawyer to determine whether it was legal. The lawyer told the Committee that coupons would not be illegal because they did not bear a royal image. Moreover, the coupons were limited to the use of a particular group of people only. If anyone want to imitate such practice elsewhere they would design their own exchange system. The Community Fund could issue coupons for its members without violating monetary laws if it made clear that the coupons did not represent money, and that they were not similar to bank notes.

However, a source at the Bank of Thailand said that the Committee has violated Thailand’s monetary laws. According to the Monetary Act, the Bank of Thailand alone had the authority to issue bank notes to be used as money for the entire economy. Because the Bia Kutchum coupons had several features that resembled the bank note and have been used as money on the basis of one bia for one baht, the issuance of Bia Kud Chum could be considered as a violation of the Act. There was also another detail in the law that could make the bia note illegal. The law said that no one would use any material or symbol as money without the permission of the Minister of Finance. The other legal topic that was the Bank of Thailand’s main concern was the use of the word “bia” because “bia” in a legal term also meant money. This fact would result in the violation of Article 9 of the Banking Act.

In July 2000, at a meeting of the Board of the Bank of Thailand, it was finally concluded that the use of Bia Kud Chum violated Article 9 of the Currency Act of 1958. This article ‘forbids anyone from making, distributing, using or issuing any material to replace currency, except where permission has been granted by the Minister of Finance’. In addition, the Bia Bank was said to violate Article 9 of the Commercial Banking Act of 1962 which ‘forbids individuals other than commer-

cial banks from using the word ‘bank’ or other words with the same meaning’.

During 2000-2001, the Bank of Thailand and Ministry of Finance discussed the issue of Bia Kud Chum for many times. The results remained the same that Kud Chum as a local currency was illegal, and it could be threatening to the country’s security. The reasons were as follows. There could be the problem of quality control in production and the after-use quality management. There might also be the problem of fake money. All of these problems could result to some financial loss for the holder of the local currency. If this kind of project spread widely, it could have adverse impact on the national currency system as well as the national security. They suggested that local communities should try other method of community development rather than issuing its own currency. The above statement was the reply of Ministry of Finance on 23 July 2001.

However, there was a hope for Bia Kud Chum when considered positions of government officers from the meeting at The Ph.D. Program in Integrated Sciences, Thammasat University on 15 and 17 January 2002. Mr. Vorathep Vithaviroj, a officer of the Bank of Thailand, mentioned that it was still possible for using alternative medium of exchange such as Bia Kud Chum but such exchange must be kept to the following conditions.

- 1) Such exchange must be restricted to local territory only. It must not be widely used.
- 2) The total volume and value of such exchange must not be too high .
- 3) Its physical appearance must not resemble the bath note.
- 4) The bath can be used to buy this exchange, but this exchange cannot be used to buy the bath.
- 5) This exchange must serve as medium of exchange only but not for legal tender.
- 6) Its unit value should not be equated to the bath.
- 7) The name of this exchange must not be used to implicate money such as “bath, bank, bia or other words that can be interpreted as “money” in Thai language.

In addition, Mr. Vorathep also said that this exchange must not be used for wealth accumulation. He also added that he was willing to volunteer to explain those points to villagers. If the villagers agreed to follow all those points, he would volunteer to explain to other officers in the Bank of Thailand (BOT) that such form of exchange was not illegal.

Dr. Ekniti Nitithanprapas, a representative from Ministry of Finance, also admitted that the BOT played dominant role in the decision making process of Ministry of Finance. The Ministry simply followed the suggestion made by the Bank of Thailand.

Professor Dr. Apichai Puntasen, Director of the Ph.D. Program in Integrated Sciences, mentioned that the idea of local currency was compatible with concept of the sufficiency economy of His Majesty the King Bhumipoladuyadej.

Dr. Priyanut Piboolsrawut, an officer from National Economic & Social Development Board, agreed with this statement since the Ninth National Economic and Social Development Plan (2002-2006) was designed according to the sufficiency economy concept. However, she added that economic and legal research at both the micro and macro levels were needed for actual implementation of this idea. The examples of research questions could be as follows:

- 1) How much compatibility between local exchange and sufficiency economy concept?
- 2) How can local currency support the grass-root economy?
- 3) How can system be designed?
- 4) The cost -benefit analysis of local exchange.

Dr. Ekniti Nitithanprapas and the other member from the Ministry of Finance also agreed that if this local exchange system has been well managed, it could be used as one of the long term plan for financial decentralization of the Ministry of Finance. All comments from these government officers were warmly accepted by Mr. Wanlop Pichpongsa, TCES , and other NGO representatives.

Recommendations

Base on our study, the purpose of the Kud Chum's exchange was to reduce buying products from external markets in order to support self-reliance within the community. Therefore, the research team would like to recommend the following:

1. The government should come up with the clear policies to promote the community exchange rather than opposing it.
2. Further research should focus on action research for actual implementation of the community exchange in selected communities in many parts of Thailand during the Ninth National Economic and Social Development Plan (2002-2006).
3. There should be a research on ideology of community exchange and its function to strengthen the community to be self reliance , and how to link community exchange with sustainability? whether “green convertible exchange “ possible ?

Community exchange system means a totally new kind of self-financing technology. It can bring about a wide scale of social change to the village life. Therefore, it is very important to identify possible social impacts at the local level. We need research activities in this direction.



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Apichai Punthasen, Preecha Piampongson, Vorathep Vithayaroj, Piyanut Piboolsraut, Ekniti Nitithamprapas, Wanlop Pichpongsa , Kanuson Supawatvorakul, Chanarun Pruthiarenun, Jarupa Sodarak, Jaturong Boonyarattanasoontorn, Dolchit Yuktanan, Manassawan Pattanawibul and Wonlop Pichpongsa



Thailand's Economy after the Crisis and Her Responses to an Emerging New Asian Regionalism

The Thai Economy before the Crisis

Thailand has a long reputation for maintaining strong fiscal discipline. Her fiscal policy is known to have a strong component of a built-in automatic stabilizer. At the time of economic expansion, the government normally embarks on budget surplus to prevent the growth performance from being over heated that may result in a run away inflation. On the other hand, during the time of economic downturn or economic slump, the government normally incurs the policy of budget deficit in order to provide the appropriate cover for the economic setback. As a result, for more than 20 years from 1976 to 1996, the Thai economy grew at an average of 8 percent annually, placing it firmly among the East Asian countries during the said period.

For nine consecutive years from 1987 to 1996 government surpluses provided a low-inflation environment conducive to high saving and investment. While the private sector increasingly relied on foreign borrowing to finance growth, beginning in 1988, the government countered these inflows by running surpluses of 1 to 4 percent of GDP. As private capital inflows fueled the economic boom, fiscal policy moderated the resulting increase in domestic demand. As a result, the government repaid virtually all of the domestic debt that had accumulated during the early 1980's. Public debt of central government declined steadily from 24 percent of GDP in FY89 to less than 4 percent of GDP in FY97 (World Bank, 2000a: 1).

Such a so-called "automatic stabilizer" was due to the fact that the country normally ran surpluses in high growth years and deficits in slow-growth years (see Figure 1).

Figure 1 : Economic Growth and Fiscal Balance

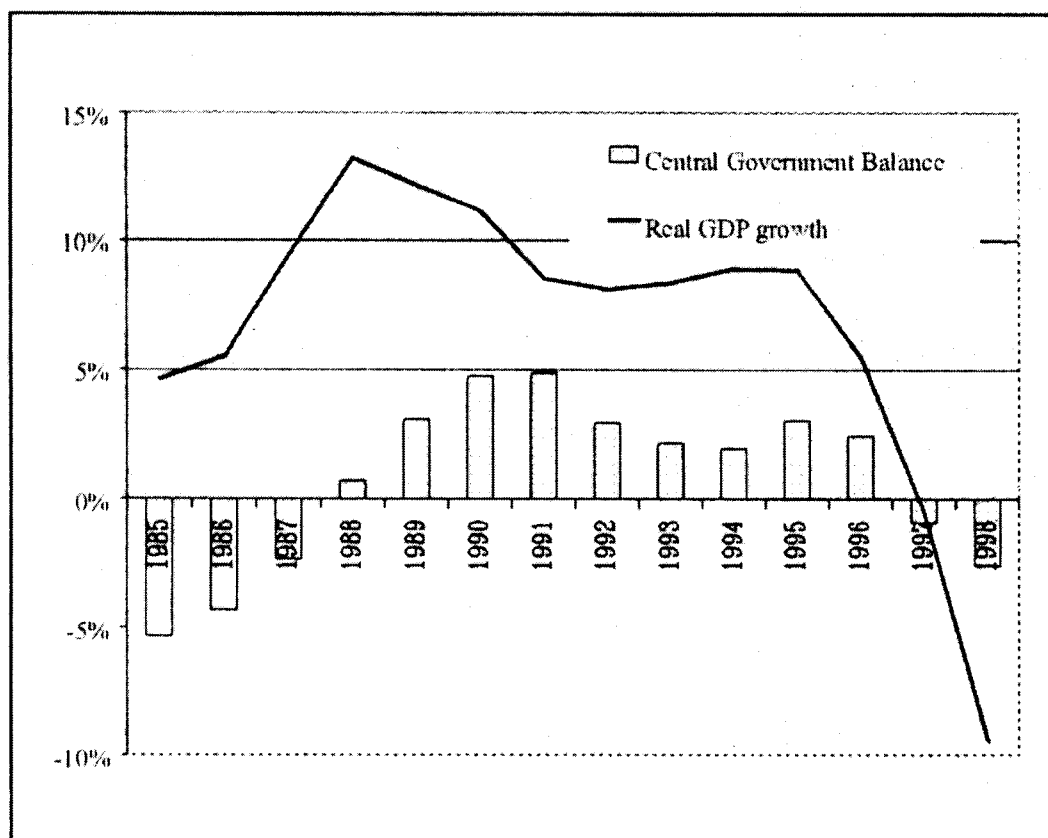


Figure 1: Economic Growth and Fiscal Balance

As the economic expansion slowed, surpluses declined and ultimately turned to deficit when the crisis erupted. From 1996 to 1997, real economic growth fell from 6.4 percent to 2.0 percent, and the balance swing from a 2.2 percent surplus to a 1.7 percent deficit relative to GDP. While fiscal balances were efficient instruments to manage demand prior to the crisis, their potential impact was ultimately constrained by relatively small share of the government spending relative to the economy-the government budget relative to GDP has historically been about 20 percent (World Bank, 2000a:2).

Unfortunately, such ‘automatic stabilizer’ was not due to any rigorous plan by the government. Contrarily, such phenomenon was more of the result of lack of proper planning and institutional limitation. For example, the 1959 Budget Law limits the difference between planned spending and revenue to 20 percent. In 1974, the deficit limit was expanded by excluding refinance payment i.e. in each fiscal year the government may borrow up to 20 percent of that year’s approximation plus 80 percent of anticipated principal repayments. However, wrong estimation of revenue during the boom years can result in less budget appropriation than what should be. During the strong growth period, such fiscal surpluses did not reveal weakness in public sector macroeconomic management.

Without a proper investment plan during both the slack and expansionary time, public investment fluctuated widely from less than 20 to 40 percent of budget allocation in 1987 and a decade later. Such fluctuation in public investment resulted in the problem of infrastructure bottlenecks during the time of rapid growing economy.

Because of strong emphasis on growth and the failure to handle social investment adequately, although economic growth led to an overall decline in poverty incidence, disparities between the rich and the poor widened. Perpetuating a trend from the mid-1970's, between 1988 and 1992, income distribution in Thailand became more skewed, with the increase in Gini coefficient from 0.48 to 0.54.

Corruption and lack of transparency in public expenditure management emerged as major concerns, with frequent scandal involving bureaucrats and politicians, with Thailand ranking 69th out of 99 surveyed countries in 1999 Transparency International Index. It has recently revealed that Thailand's rank was at the 5th of the most corrupted countries in East and Southeast Asia.

The fact that government revenues were systematically underestimated and spending always fell short of budget plans by almost 20 percent annually, it has always been a problem for the Thai government to 'fine tune' its fiscal policy (World Bank, 2000a:3-5). Because of the poor records of fiscal performance since before the crisis, it is without much doubt that such less desirable fiscal performance was one of major contributive factors to a looming fear for a new round of economic crisis in 2001, although the fear was immaterialized eventually as the rate of growth recorded in that year was still positive of 1.8 percent.

Apart from the failure to reduce disparities between the rich and the poor during the time of strong growth performance, resources and environment were also degraded very rapidly. Most areas in reserved forests that can be used for cultivation are now being redistributed as part of the land reform program. Practically, remaining pieces of forest land are conserved forest of about 25 percent of total land area in Thailand. Mangrove forest and coastal areas have been encroached to the point that without the help of aqua-culture technique, marine products from natural habitats will not be available sufficiently for domestic consumption. Dumping grounds for urban garbage as well as industrial waste have been one of the most controversial environment issues.

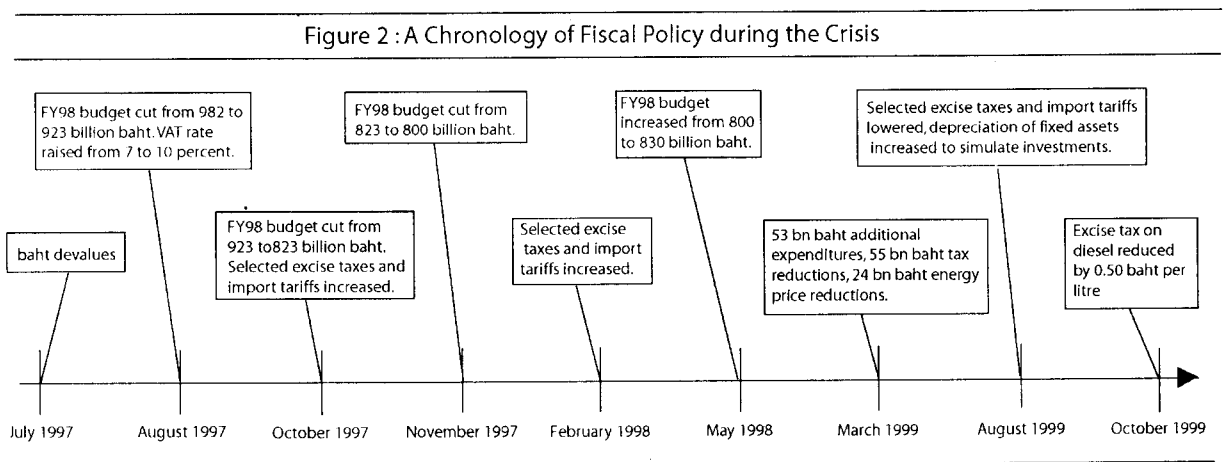
From the said deteriorated prospects related to problems of poverty, equity and environment resulted from strong growth performance in the past, it has been rather obvious that any attempt at returning to the pre-crisis growth path is no longer a viable option for Thailand's sustainable development in the future. Any expansionary measures for short, medium and long-term national development must seriously take into consideration the three necessary aspects discussed earlier as part of the solution.

The Economic Crisis and Fiscal Response

Since the float of the baht currency on July 2, 1997, that officially marked the economic crisis in Thailand, the fiscal policy from then on until February 1998 was characterized by its consolidation – budget cut and tax increases – to finance the costs of financial sector restructuring. A

succession of budget cuts and revenue measures were implemented to accommodate an expected revenue shortfall, to reduce the current account deficit and to produce a budget surplus of 1 percent of GDP. In three rounds between August and November 1997, 182 billion baht were cut, amounting to nearly 20 percent, of the original FY98 budget. The VAT rate was raised from 7 to 10 percent, causing revenue to increase slightly at the end of 1997. It was a swift action and resulted in too quick and too sudden credit squeeze. As a result, the economy was contracted sharply by more than 10 percent in 1998. (see Figure 2)

Figure 2 Chronology to Fiscal Policy during the Crisis



Not until May 1998 that the mild expansion policy began to take shape. The FY98 budget increased from 800 to 830 billion baht. More expansionary policy actually began from March 1999, 53 billion baht additional expenditures, 55 billion baht tax reductions and 24 billion baht energy price reduction were implemented. External stimuli came rather late, and the amounts were not significant. On July 9, 1998, World Bank has allocated the soft loans of US\$300 million for Social Investment Project and US\$400 million for Economic and Financial Adjustment loan. Such amount was small compared to the loan given to Korea and Indonesia, the total amount of US\$2.48 billion and US\$ 1.65 billion, respectively. Apart from the World Bank supported Social Investment Project, the Asian Development Bank allocated other US\$500 million for the purpose. The Miyazawa package of the total amount of 54,000 million baht for short-term employment generation and capacity building, the first foreign financed stimulus package was effective on April 1999. A second fiscal stimulus package was adopted on August 10, 1999. The main aim was to stimulate investment through the promotion of small and medium-sized enterprises. Other measures included a reduction in import, construction sector as well as accelerated depreciation allowances. All in all, these packages of stimuli came in later late. At the time of budget squeeze and rapid rise of the interest rates, such sudden shock did result in bankruptcy of moderate and weak enterprises in the real sector, the major cause for rapid increase of the non-performing loans (NPL) for the whole banking system in Thailand. As a result, all these stimuli only have short-term impact on the Thai economy. In 1999, GDP started to rise from 1 percent in the first quarter to 5 percent in the last quarter yielding the annual average of 4.2 percent. Unfortunately, the problem of NPL did not go away and has become a threatening factor to the weak economy of Thailand even nowadays.

Other Related Issues that Affect Economic Performance Before and After the Crisis

Disbursement of budgeted expenditure in Thailand always has a very poor record. Actual expenditure has always been around only 80 percent of the total budget allocated each year. (World Bank, 2000a: 5, for the average performance during 1992-1998). This fact implies that actual government investment has always been less than the planned one. This situation explains, in part, the problem of infrastructure bottleneck during the period rapid expansion especially from 1988 to 1996. It has also become a serious problem at the time that economic stimulus is needed especially toward the end of 1998. This practice has resulted in too deep and too long economic recession unnecessarily. The deep recession of 10 percent in 1998 was in part due to this problem of low disbursement rate of budgeted expenditure.

On the other hand, the state owned enterprises which always being painted with negative image in term of their efficiency in the eyes of media and public have actually been a net contributor to government revenue badly needed during the crisis. As a whole, state owned enterprises generate not only significant amount of employment but also profits and contribute approximately 5 percent of government revenues. Within infrastructure, the largest profits are earned by the Telephone Organization of Thailand and Electricity Generation Authority of Thailand within public utilities. Only some state owned enterprises like the State Railway of Thailand, the Bangkok Metropolitan Transit Authority incur losses due to the government policy to generate public welfare as well as to keep the country's transportation cost at low level. The loss incurred by the Tourism Authority of Thailand has been for generating more foreign exchanges from tourism. All in all, the state owned enterprises have net positive contribution to the Thai economy in spite of a negative image generally perceived.

At the same time, government debt has become a serious issue after the crisis. Central government debt has risen from 176 billion baht (4 percent of GDP) at the end of 1996 to almost 958 billion baht (18 percent of GDP), by the 3rd quarter 1999. The debt had soared because of the issuance of 500 billion baht of bonds to cover losses incurred by Financial Institute Development Fund (FIDF) and the additional sum of 300,000 million baht subsequently. The total costs of restructuring the financial sector are currently estimated at 1.4 trillion baht (The Ministry of Finance estimated that as of February 2000). Bonds issued, combined with the fiscal deficit in FY99 and the planned deficit in FY00 have raised the central government debt to more than 25 percent of GDP in December 2000. Interest expenses as a percent of the central government budget have already risen from less than 2 percent in 1996 to 5 percent in 1998 and have risen to 10.7 in 1999. Included the debt of state owned enterprises and the external debt by the Bank of Thailand, the central government debt can be substantial.

This combined debt burden by the central government will create more financial pressure on future fiscal stimulus packages. It is anticipated that short of the worst-case scenario, forecasted by the World Bank (2000b: 19), public sector debt should peak within 2003 at around 55 percent of GDP and then begin to decline. The four key determinants of medium term debt are: (i) the speed of economic recovery, (ii) the size of financial sector restructuring (iii) asset recovery and non-debt inflows and (iv) the pace at which public sector deficits can be turn into surpluses. Unfortunately, the slow growth in 2001 of only 1.8 percent has resulted in the public debt to soar to almost

65 percent in the mid 2002. This high percentage of debt reduces the government's capacity to stimulate the economy through its deficit budget as well as reducing the available fund for public investment. Only a stronger growth rate of 3.8 percent this year (2002) estimated by the IMF will alleviate the existing problem.

In spite of the huge amount of debt of the central government, the large amount of money of 800 billion baht from the government bond has turned into huge amount of deposit in the banking system, resulting in significant downward pressure on interest rates. Some of this 800 billion baht bond has contributed to the reduction of the non-performing loan (NPL). The peak of the NPL was 47.7 percent of total bank lending in May 1999. The figure reduced to 38.5 in December 1999. In September 2000 NPL was still 32 percent of total credit. The high rate of NPL explains why banks were flooded with liquidity but could not lend significant amount of money in order to stimulate the real sector economy in spite of the fact that interest rates were very low. While the real sector, a sector involved in actual production of goods and services, was being deprived from the much needed fund, it could not be clearly foreseen how the would ride over these serious problems of heavy central government debt. At the same time the banking system was flooded with liquidity with no visible sign to lend this amount of surplus fund to the much-needed sector. Unless, there was a way to reduce the NPL quick enough. The said situation explained why the concept of Thailand Asset Management Company proposed by the Thaksin's government was much welcome by banking sector. On the other hand, the proposal was also; critically received from the general public as the public debt had already passed the dangerous limit of 55 percent of GDP, reducing the ability of the government significantly at employing any useful measures for the stimuli. The result from such strong downward pressure on interest rate, the lending rate is now fluctuating between 5 to 6 percent, the lowest rate Thailand has experienced since 1960. The low interest rate as well as low inflation rate (less than two percent) provide a good opportunity for the exported turn around of the Thai economy in 2002 and 2003.

The combined effect from fiscal reaction discussed above as well as other related issues discussed in this section, the overall economic performance of the Thai economy measured by the rate of growth of GDP turned out to be as follow. The rate was 2 percent in 1997 and was dipped into more than -10 percent in 1998. With various stimulus packages, though rather late in the mid 1999, the rate of growth was installed at 4.2 percent for the first time after the crisis. The figure for 2000 revealed by the National Economic and Social Development Board was 28 percent. The slowdown in economic performance resulted in the low growth rate of the Thai economy of 1.8 percent in 2001. As already discussed the IMF anticipates that the growth rate this year (2002) will be 3.8 percent.

Response From the Government Policy

For the first time in the Thai political history, one political party has won a landslide victory and almost gained an absolute majority through an election campaign based on policy debates. The coalition government led by the Democrat Party lost the election on January 6, 2001 based on the fear that the country's crisis would not be solved in time if the similar combination of coalition government return to power again. While the Democrat Party made the policy platform based on medium and long-term solution on the assumption that fundamentally structural problems

had already been solved, the Thai Rak Thai Party believed that the crisis was not over yet. Without proper policy measures, the country could slide back into serious economic problem again. Different assumption between these two major parties were on the NPL. The Democrat Party believed that the problem of the NPL had already been solved through the previous government program of the August 14, 1998 that the additional sum of 300 billion baht of the government bond was used to encourage commercial banks with high proportion of the NPL to set up their own asset management companies to deal with the question of financial restructure of their clients as well as their existing bad debts. (Krungthep Dhurakij, March 21, 2001: 2) While the banking system as a whole did not have much good reason to lend money to customers with question of credit worthiness – their former customers with the NPL problem, these customers were actually the ones who badly needed the fund to continue their businesses in order to avoid an eventually bankruptcy. At the same time, under such depressed economic environment, new entrepreneurs who might need new loans from the banks were hard to find. While the banks had excessive liquid, they could not find much opportunity to lend the money. Consequently, the percentage of NPL decreases at a very slow rate from 38.5 percent in December 1999 to 32 percent in September 2000 and was showing a possible reversing trend.

Sensing such a possible deteriorating trend of the NPL, the Thai Rak Thai Party proposed the establishment of the Thailand Asset Management Company as the way to relieve the NPL burden from the whole banking system especially for privately owned commercial banks whose performance were not satisfactory. Such a measure was considered by the Democrat Party as a risky undertaking. Apart from the problem that it might not actually solve the existing problem of NPL because the new national company would not know how to handle bad assets as much as the banks in question, there was also an increasing risk in pushing up the central government debt closer to or beyond the critical limit of 55 percent of GDP. Nevertheless, the Thai Rak Thai Party has responded with other set of policy measures to stimulate the economy especially the real sector at the grass root level at which the Democrat Party considered as even a much more risky undertaken.

On the surface, the Thai Rak Thai's policy is similar to that of Miyazawa package of 1999. It promised to provide villagers with village fund of one million baht for each village. It promised farmers who were debtors of the Bank of Agriculture and Agricultural Cooperative a three-year moratorium. Lastly, but not least, it offered a general coverage of health insurance for all Thai people by promising that everyone was eligible for health care services by paying only 30 baht per each visit, for virtually almost all diseases (Thai Rak Thai's campaign platform, 2000). This package was named by the media as a populist policy, and was criticized severely by the Democrat Party as an irresponsible policy that would bleach the strong tradition of fiscal discipline discussed earlier. It was the policy that borrows resources from future generation as well as being an irresponsible expansionary policy, that would generate more central government debt in the long run, while the government debt at that time was already close to the critical limit of the 55 percent of GDP (early 2001). The Democrat Party severely condemned the proposal by Thai Rak Thai Party as too being risky, and urged Thai people to avoid such risk by not voting for the Thai Rak Thai Party.

However, most people especially people in the rural area felt that they did not have much to lose. In the past, they must share burden of the economic crisis which resulted from the government debt from the issuance of the government bond of 800 billion baht in order to bail out ailing financial institutions without much success. To have a chance to make some gain after the

election, if the Thai Rak Thai Party won, was considered to be a desirable option. If there was any risk involved, decision on how to deal with it could also be postponed until the problems actually came. In spite of the strong warning from the Democrat Party for the Thai people not to take a chance or to take a risk, people who supported the Thai Rak Thai Party countered the said campaign by inviting all risk lovers to vote for Thai Rak Thai Party. As a result, the Thai Rak Thai Party won the landslide victory for the first time in the election history of Thailand.

After the election, the Thai Rak Thai Party became the most powerful partner of the coalition of the three parties at that time (New Aspiration and the Thai Nation Parties) and has kept its campaign promises. The Thailand Asset Management Company was established and resulting in some reduction of the NPL. The other policy for complementary stimulus was also undertaken. Most villages and some urban communities did already receive the cheap loan for a village fund of one million baht for each village. The general health insurance policy of paying 30 baht for each visit for almost all diseases was implemented with a mixed success. The debt moratorium applicable to those with the total debt to the Bank of Agriculture and Agricultural Cooperative for not exceeding the limit of 100,000 baht with the good paying record and the promise to use the unpaid loan to restructure their farming activities as well as to start accumulating savings with the bank during the three years of a grace period was also implemented.

All these stimuli in 2001 only cost the government of 40 billion baht in 2001 less than the Miyazawa package of 56 billion baht in 1999. This amount of 40 billion baht was within the limitation of the government budget approved by the Parliament during the last Chuan's government. No inflationary pressure or additional government debt was required. The same package of the additional amount of 54 billion baht was spent in 2002. The new stimulus package for 2003 will be tabled for the debates in the Parliament soon. There has been no inflationary pressure from the stimulus packages, so far. It was estimated that the multiplier from such activities was 3 times, enough to generate economic activities in the real sector without any adverse consequence provided imports could be contained within a reasonable limit. As already mentioned, the growth rate in 2002 is expected to be around 3.8 percent and the economic performance in 2003 is still uncertain. It could be reasonably anticipated that the maintenance of growth rate between 3-4 percent in 2003 could be achieved without much difficulty. This two-prong approach, on one hand was to reduce NPL from the banking system in order to allow commercial banks to be able to lend more money to the real sector economy. On the other hand, the three stimuli discussed above went directly to people at the grass root level in the rural areas. With their high propensity to spend both for consumption and investment, it was anticipated that the real sector economy would be more vibrant with the interaction of both multiplier and accelerator. The precautions that should be kept in mind were that, the TAMC must not lose too much money in its operation as to create more debt to the central government. The other one was that the set of stimuli should not result in rapid increase of imports that would result in the deterioration of the national current account balance. Although the import trend does not appear to be encouraging resulting from the 2002 growth caused mostly from internal stimuli rather than external expansion, such mildly deterioration in trade balance should not be overly concerned.

Additional precautionary measure was for Thailand to gain more foreign exchange through activating cultural tourism and eco-tourism that would induce tourists to spend higher pro-

portion of their budget directly to villages in rural areas (Somkid, 2001). This way, it would give more stimuli at the grass root level as well as to ensure that more foreign exchanges would flow in at least to offset the more possible outflows of foreign exchanges caused by the three stimuli discussed earlier. This option still appears to be quite promising, especially as Thailand can be safely considered as a terrorist free area.

Small and Medium Enterprises (SMEs) as Other Crucial Stimulus

One of the stimuli adopted by previous government since August 10,1999 was to ignite investment through the promotion of small and medium-sized enterprises (SMEs). Unfortunately, the package was not very successful then for two reasons. First, it was introduced at the time after most economic activities in the real economic sector were completely collapsed because of the rapid budget cut and rapid credit squeeze in 1997 and 1998. Without such drastic cut and squeeze, and if the government had the policy to shield the SMEs from such severe circumstance from the outset, a subsequence stimulus of this kind might not be needed. For the said reason, the introduction of such package was far too late. Second, but more importantly, the package was introduced at the time that the NPL was still much of the problem. As a result, the SMEs were not provided with sufficient amount of credit needed.

With the new scenario, assuming that the TAMC is functioning well and that commercial banks and a specific credit institutes for SMEs that has already been created as part of the policy measure, more money will be available for the SMEs to generate their activities. At the same time more aggregate demand being spurred by the four stimuli, (one million baht for each village, debt moratorium, 30 baht per visit for most diseases and the People Bank in the urban area with more availability of cheaper credit for the poor), will result in more demand for services and products from the SMEs. Under this new environment, the SMEs can be flourished in response to such expansionary measures. Under such circumstance the SMEs themselves can also serve as an additional stimulus.

Currently, there are 850,000 SMEs being registered. Among them are 132,000 small and medium industries (SMIs). Among these numbers of SMIs, 115,000 are small industries employ- ing less than 9 persons. The remaining numbers of 17,000 are medium industries with employees ranging from 50 to 200. General criteria for classification of SMEs by the amount of fixed asset and number of employees by the Department of Industrial Promotion are as follow:

	Fixed Asset (million baht)	Employee (person)
· Manufacturing	200	200
· Services	200	200
· Wholesale	100	50
· Retail	60	30

Well over 90 percent of enterprises employ fewer than 50 person in all sectors (DIP, 2001). In 2000, the SMEs Promotion Act was passed. This Act resulted in the creation of the SMEs Promotion Committee. Under this Committee is an Executive Committee and under this Executive

Committee a new Office of SMEs Promotion with the following set of responsibilities:

1. Coordinate the SMEs development policy encompassing, industries, trade and services of all related government agencies, private organizations and people organizations for consistent implementation.
2. Administer SMEs Development Fund as to grant, invest, joint invest, lend, as well as to support principle agencies dealing with SMEs development
3. Design policy and promotional plan for the SMEs. The policy and promotional plan for SMIs was already approved by the Cabinet in April 2000. The other two policies and plans of trade and services must be completed soon.

Also, the SMEs Bank has already been established with the assigned tasks to systematically promote the existing entrepreneurs and to increase numbers of new ones in order to generate and maintain product standard, to create more employment and to generate more income through promotion of exports. It is anticipated that the SMEs will contribute to economic growth and stability in the future. Also among 6 policies for industrial development, 3 are advocated for SMIs (i) To develop SMIs to take a pivotal role for industrial development of Thailand. The government will support and promote research, product and technological development of the SMIs through providing support to related public, private agencies as well as academic institutions. Networking of information technology on factors of production and marketing for SMIs will be a higher priority area of the government. (ii) To encourage financial institutions to take active roles as well as to promote new funding agencies and joint ventures to provide financial supports to the SMIs and to create a system of credit warrant for the development of SMIs. (iii) To create new entrepreneurs for the SMIs to be ready for the new economy of knowledge base. (Office of the Prime Minister, 2001). From what have been discussed, it is evident that both policies and necessary actions for the promotion of SMEs are already in place. It is a matter of further follows up and evaluation to find out not in a distant future whether all the policy measures are actually working as promised.

A Missing Policy of Performance Base and Rolling Budgeting

One of the most valuable lessons from the past economic crisis is that although it is seen as if the fiscal policy of Thailand has a strong component of built-in automatic stabilizer. A critical analysis reveals that the mechanism did work well at the time of economic expansion. Unfortunately, during the time of economic recession the planned budget deficit designed to stimulate the economy did not seem to function properly. The problem was because disbursement of budgeted expenditure was only around 80 percent of the total budget allocated each year. In spite of the policy of the previous Chaun's government urging government agencies to speed up their planned expenditures, the real problem lies within bureaucratic procedures on how to actually use the money being allocated in time of each fiscal year.

It is evidence that under the environment of globalization that all government actions must be or able to react swiftly in response to external changes, the current budgeting procedures are actually obsolete for such challenges. Rigid structure of budgeting and spending procedures will prevent the Thai government meeting such challenges. In order to allow each government agency to react quickly to any possible changes, financial autonomy is required after annual allocation is made.

Annual allocation must be based on performance base in term of lump sum purchase of services rendered by responsive government agency. Services of each government agency should be priced. There should be methods to measure the quality of such services for the prices demanded by the said agency, the same way as any individual who opts to buy any service in a competitive market. The difference in this case is that the purchase by the government is an advanced purchase based on the record of services rendered of each government agency in the past. Actually, this type of purchase already existed in research work. A buyer of the service sets the price for each research work based on its likely costs and the anticipated quality based on the track records of researchers. Budget allocated to any government agency can be done in lump sum on similar basis. This budgeting system is known as performance base. The total allocation may be paid in one lot or on installed basis. This system of budgeting is completely different from the existing one in that no itemized details are required at all. As a result, the government agency in question can make its financial decision quite independently and swiftly.

In such research analogy, if researchers receive their total pay less than the costs incurred to them, they must cut down their unnecessary expenditures or to borrow or advance money from outside to cover their deficiency. For the government agency, it must do the same thing. The same as researchers, if the government agency makes a net gain, it should be able to keep its surplus to be used in the future. This system of budgeting is known as rolling budget. Each government agency should be able to accumulate its own surplus and carry its surplus for its own use in the lean year.

The combination of performance base and rolling budgeting will be a built—in automatic stabilizer in the real sense. In the year that the government normally has a surplus, instead of keeping the surplus with the central government, the surplus should be spread to all government agencies. In the lean year the central government can request these agencies to reduce their surplus by spending more than the amount received from annual allocation. If any agency does not comply with said policy it should anticipate budget cut in the next allocation. This way, there will be more decentralization of responsibilities as well as the ability to keep the automatic stabilizer to function much more swiftly. The central government only has to call the tune and most agencies can react almost immediately. No delay is needed in this case because bureaucratic bottleneck related to itemized details in current practice will no longer exist.

Unfortunately, in the current government policy under the policy for public administration under the sub-heading of official administration of (5), the policy statement is as follows:

Improve budgeting process urgently to serve as efficient tools for resource allocation to be consistent with national development policies and strategies. All Ministries, Bureaus, Departments will be charged with more autonomy in decision making. At the same time, effective and transparent will be accompanied by monitoring and evaluation. (Office of Prime Minister: 2001)

The above policy can be interpreted to include the introduction of performance base and rolling budget by the government as well. At the same time, it is not specific enough to denounce the policy if the government choose to do otherwise. Since the introduction of the system of perfor-

mance base and rolling budgeting by the government is crucial for the Thai government to be able to pre-empt the next possible economic crisis or at least to minimize its impact, and the government did not identify this problem of low percentage of budget disbursement for one of its urgent policy measures, it should be clearly specified at this point as one of the missing policies badly needed by the government, if experiences from the previous economic crisis are relevant for us. So far, not much effort has been paid in this direction even though, there will be a major overhaul of the bureaucracy under the name of bureaucratic or administrative reform this coming October 2002.

Sufficiency Economy: A Policy that did not Receive Adequate Attention

The policies announced by the government on February 26, 2001 has its main theme to prevent the national economy from further erosion into deeper recession as well as to restructure the economy and the society for stable and sustainable development (Office of the Prime Ministry: 2001). The first part of such policies can be clearly understood under scenario of economic recession of both the United States of America and Japan in 2001, Thailand's two major trade partners, plus the fact that the NPL problem in Thailand has not yet been solved. The second part of the policies should also be welcome from both the pre and post crisis experiences. As already summarized above, the problems of poverty, equity and environment resulted from strong growth performance in the past must be taken as part of any attempt in the future solution of economic problem in Thailand. The emphasis on stability and sustainability in the part of the government policies seems to echo the above statement.

The guiding principle already outlined by His Majesty the King on his birthday eve of December 4, 1997 of 'sufficiency economy' should be most relevant for analyzing the second part of the government policy at this point. For this purpose the King's message on that date should be reiterated again.

"To be a tiger is not that important; the most important thing is that we have sufficiency to meet our own needs, and sufficiency economy means sufficiency for self-support...Sufficiency economy does not necessarily mean that every family must grow their own food, make their own clothes, but the village or the district must sufficiently produce to satisfy their own needs. Item produced more than needed can be traded for the insufficient ones. Nevertheless, in order to save transportation costs, trade should not be conducted between faraway places." (The Royal Speech, 1998:18)

Elsewhere, the King clarified that he advocated only one fourth of the sufficiency economic activities (as against that of 'trade economy') for the whole economy of Thailand. Under such scenario, he was convinced that the country would survive any possible crises in the future. What the King actually suggested was the system of immunization, or insulation of the economy against economic and social crises. The concept is critical for a relatively small economy, since each one of them cannot afford to ignore the increasing significance of economic globalization caused by the rapid development of information technology (Puntasen, 2000: 265)

The word 'sufficiency' used by the King himself means *moderation, honesty, not too much greedy and not to exploit others*. In brief, it means moderation and rational (Apichai: 2000,

12) However, the word 'rational' here must be interpreted within a Buddhist tradition, namely, honesty, not too much greed and not to exploit others. It does not mean self-interest understood in the mainstream economics. The word 'moderation' also has its root in the 'middle way' from the teaching of Buddha, meaning that not to be involved or being indulged in either of the two extremes. One extreme is under the influence of craving and the other is self-torturing. Under the condition of either one, human wisdom cannot be cultivated. Consequently, sufficiency economy is not merely a mechanism or a technique for economic management. It is a 'moral' economy rooted in the teaching of Buddha. Failure to understand this aspect of the King's 'sufficiency economy', any attempt at implementing this concept by the government will not yield the result stated in its policies.

The practical concept of sufficiency economy implies strengthening of local communities not only through the practice of self-reliance in the area where trade is inefficient because of relatively high transaction cost and unequal bargaining power, but it also implies moral stance of being considerate, caring and sharing. Without clear understanding of this concept of 'sufficiency economy', the government can never design appropriate policies that will result in such outcome.

Having clearly defined the concept of 'sufficiency economy' to its actual depth, the next task is to show how 'sufficiency economy' can handle the question of poverty, equity and environment. It is obvious that if everyone is acting with one's own moral restraint outlined under the concepts of moderation and 'rational' it can be almost certain that equity and environment will cease to be a problem. Unfortunately, poverty for most people after basic needs are satisfied is a state of mind. People with great wealth can be very poor in their soul. Most people who admit that they are poor only because they are insecure in having adequate access to basic necessities. They are deprived from resource base used to support their livelihood. If they are assured the accessibility of their resources, in spite of their simple living, they are not poor. One practical means for poverty eradication is the assurance of necessary resource base for everyone. Each one must be able to secure a person's resource base needed for individual survival if that person acts with consideration, with caring and sharing. Good government policy must be able to create or generate such an environment.

In the policy statement of the government on February 26, 2001, six points of the resource and environment policies are very well presented. The first three are read as follow: (Office of the Prime Ministry: 2001).

- (1) Integrated management of environment resources and bio-diversity through good governance and people participation as well as local community.
- (2) Encourage and promote people participation in control and eradication of pollutant that could be harmful to health, welfare and quality of life of the people.
- (3) Encourage the inclusion of social costs in environmental impact assessment for any project that will have adverse consequence on resources and environment. Polluter pay as well as that of management of common property principles will be rigorously adopted for resources and environmental management.

Unfortunately, none of the 17-point policy for the promotion of societal strength as the 10th policy of the government contained the message to encourage interacting and mutual help among

community members. Neither is there any outstanding policy position to encourage the adoption of the sufficiency economy principle except a brief mention in the policy's pre-ambles. Such pre-ambles did not indicate that the government understands or gives due consideration to the said principle. Therefore, it is one of the most important principles that did not receive adequate attention from the government for serious implementation. In the short run, as an urgent question is how to cope with the possible economic recession, the failure to recognize the principle of sufficiency economy is not of immediate concern. However, as the economy starts to gain more momentum for growth, the negligence of such principle could be a trap leading to the next economic crisis.

Responses to a New Emerging Asian Regionalism

Thus far, the consideration of the aftermath of the crisis only focuses on internal restructure and transition. This part will discuss briefly Thailand's responses to the effect of WTO, globalization and new Asian regionalism (e.g., ASEAN plus China, Japan and Korea). Starting from this coming September 2002, there will be a change of the WTO's Director General from the incumbent one to Dr. Supachai Phanichpakdhi, a former Deputy Prime Minister and the Minister of Commerce from Thailand. It can be anticipated that there could be significant change in the emphasis of the WTO in its focusing more on trade liberalization of the agricultural products especially on part of the developed or advanced economies. This event and the admission of China into the WTO late last year (2001) will no doubt contribute to the change in export pattern and economic structure of Thailand in a coming foreseeable future.

Since 1980, export of manufacturing goods from Thailand has become increasingly important in replacing the traditional exports of agricultural products and the products after the manufacturing processes. The first major devaluation of the baht currency in 1984 did provide a supportive environment for rapid expansion of manufacturing exports especially in the 1990's. Manufacturing exports increased from 59.1 percent of total exports in 1975 to the peak of 78.1 percent in 1995 before the reduction to only 77.6 in 2000 after the 1997 economic crisis (Siriprachai, 2002 : 5-17). There has also been a considerable change in the composition of manufacturing exports, from that of light and raw material intensive industries consisting mainly of textile and garments, sugar, jewelry, leather products and furniture, to more of capital goods such as electrical appliances and electronic products, computers and their accessories, to motor cycles and automobiles. While the exports of light industrial products share was 43.4 percent of the total exports in 1975, it was reduced to only 33.2 percent in 2000. On the other hand, there has been a strong surge in the share of export of capital goods from only 3.3 percent in 1975 to the 33.3 percent in 2000. Within the period of 25 years (1975 - 2000), not only there has been the significant change in the composition of exports from agro-based to more of industrial based but also a significant change within the composition among the non-agro based exports itself.

From the study of Lall et al (1999) quoted in *Thailand Economic Monitor* by the World Bank (2002: 20), the simple correlation between the structure of manufactured exports from Thailand to various countries in ASEAN and East Asia are as follows:

Table 1 Simple Correlation Between the Structure of Manufacturing Exports Among ASEAN and East Asian Economies

	CH	HK	IN	KO	MS	PH	SI	TH	TA
CH	1								
HK	0.59	1							
IN	0.35	0.17	1						
KO	0.21	0.4	0.1	1					
MS	0.17	0.43	0.18	0.73	1				
PH	0.31	0.51	0.21	0.66	0.82	1			
SI	0.2	0.36	0.07	0.66	0.74	0.62	1		
TH	0.57	0.54	0.21	0.52	05.9	0.58	0.7	1	
TA	0.35	0.44	0.09	0.64	06.7	0.56	0.81	0.76	1

Source: Lall et al (1999)

Other relevant set of information to be introduced before the analysis of Thailand's responses to WTO and the new Asian regionalism is the pattern of trade relationship between Thailand and other major trading partners both in Asia and outside.

Table 2 Trade Relationship between Thailand and Other Major Partner

(billion baht)

Countries or trade area	Export to		Import from		Trade balance	
	2000	2001	2000	2001	2000	2001
Asean	538.1	559.9	415.2	445.9	122.9	114.0
Japan	410.7	442.5	615.7	616.5	-205.0	-174.0
China	113.3	127.2	135.7	165.1	-22.4	-37.8
Taiwan	97.0	85.1	116.4	115.6	-19.4	-30.4
Hong Kong	139.9	146.6	35.6	36.6	104.3	110.0
Korea	51.1	54.6	87.2	94.2	-36.1	-39.6
E.U.	437.3	466.5	254.2	337.5	183.0	129.0
USA.	519.8	587.9	293.6	318.7	298.2	269.2
Australia	65.1	60.4	46.8	61.4	18.3	-1.1
Total	2,777.7	2,893.2	2,494.2	2,756.7	283.6	136.5

Source: Economic Trade Center, The Department of Economic Commerce with the cooperation from the Royal Custom Department. 11/02/2002

Table 3 Percentage of Trade Relationship between Thailand and Other Major Partners

Countries or trade area	Export to		Import from	
	2000	2001	2000	2001
Asean	19.4	19.4	16.6	16.2
Japan	14.8	15.3	24.7	22.4
China	4.1	4.4	5.4	6.0
Taiwan	3.5	2.9	4.7	4.2
Hong Kong	5.0	5.1	1.4	1.3
Korea	1.8	1.9	3.5	3.4
E.U.	15.7	16.1	10.2	12.2
USA.	18.7	20.3	11.8	10.8
Australia	2.3	2.1	2.5	2.2
Total	100.0	100.0	100.0	100.0

Source : From Table 2

The figure in both Table 2 and 3 show that, currently ASEAN, USA, EU and Hong Kong are among the crucial trade partners of Thailand in that their share of exports from Thailand are high as well as the fact that Thailand also has positive trade balances over these countries and region. The next group will be Japan China and Taiwan. Japan also absorbs significant share of exports from Thailand (around 15 percent in both 2000 and 2001). Unfortunately, Thailand also has a large deficit of trade balance with Japan. The similar can be said for both China and Taiwan with lesser degree of significance. The main question to be raised is that given the fact that China is now joining the WTO, the new possible emphasis on more trade liberation of agriculture products of the WTO as expected to be implemented by the new Director General, the existing correlation of export structures of most Asian Countries (show in Table 1), the emergence of the new Asian regionalism and the existing export pattern of Thailand, will the export pattern from Thailand be altered from the existing one as already outlined above.

Obviously, given the trade pattern shown in Tables 2 and 3. Thailand will be better off under the current situation by trying to maintain her trade relationship with ASEAN, the United States and European Union the way it is now. Withdrawing herself from those major markets and increasing her involvement in new Asian regionalism, Thailand is more likely to be worse off than the current situation. Like it or not, the reality is that China is now emerging as another major player in the WTO and China also has 57 percent export structure similar to Thailand. The questions to be raised are whether China will take away some market share of major trade partners of Thailand such as ASEAN, the United States, European Union and Japan, and if there will be also diversion of capital inflow into Thailand to China. The first question should be of less concern for Thailand since Taiwan and Singapore have even high correlation of export structure to Thailand than China (76 and 70 percent, respectively). Other export structure of most competing Asian nations have also similar correlation of export structure to Thailand the same way as that of China. For example, it is 58 percent for the Philippines, 59 percent for Malaysia, 54 percent for Hong Kong and 52 percent for Korea (see Table 1).

According to *Thailand Economic Monitor*, if there is any diversion of the trade share from Thailand to China such diversion should be compensated for by the “trade creation” arising from

China's WTO membership. This gain will be reinforced by both improved competitiveness of Thai firms and the global recovery (Wold Bank, 2002: 20).

Also in the *People's Daily*, an official Chinese newspaper on November 21, 2001, it quoted the opinion of a senior Thai official by saying that, China's entry into the World Trade Organization (WTO) would yield more positives for Thailand than negatives. The paper continued with the quotation from the Deputy Commerce Minister, "China's major tariff reductions, especially on agricultural products after its WTO accession will make Thai products more competitive there The Chinese consume about 100 million tons of rice annually. And when the tax wall comes down, the price of Thai rice and other agricultural products will be cheaper, enabling Thailand to sell surplus products to compete with the rivals in the Chinese market. . . . "

The paper also quoted the Thai senior officer who said that once China become a full member of the WTO, Thailand may experience a drop in export of electronic product but it would not affect overall exports. Thailand should gain more than lose. Also, the Deputy commerce Minister rejected the idea that China's accession to WTO would spoil foreign investment from Thailand. He said, "This is because we are one of Asia's most stable nations, politically, socially and economically. The government will still have to renew laws and regulations related to foreign investment in order to attract more foreign investors". Paradon Preedasak and Pattamawadee P. Suzuki (2002: 2-44 to 2-45) in their recent work also confirm that Thailand will not receive a strong negative effect from the WTO's increasing trade liberalization of agricultural products since Thailand is in a strong competitive position in rice and that Thailand cannot complete with the United States in the production of soy bean. On the other hand, Thailand may gain more from the accession to the rice markets of Korea and Japan.

If all these explanation are correct, what could happen to Thailand in the next five year is that, the export structure from Thailand will be changed from the pattern in 2000 discussed earlier. There will be some increase or at least there will not be a further decrease in the share of exports of agricultural from Thailand, while the share of light manufacturing products will continue with its declining trend. At the same time the share of export of capital goods may diverse form rapid increasing trend to a slower growth rate or even decline like that of light manufacturing products.

The internal implication from this new tendency would be the agricultural sector in Thailand will be better off by improvement in exports of agricultural products. As a result, internal income distribution could be improved and Thailand should move into the direction of more even growth path with the increasing application of King's sufficiency economy simultaneously.

As for the emergence of the new Asian regionalism, the Asian Cooperation Dialogue (ACD) meeting held in Thailand in the June 2002 should be considered only a small step for a very long march. Long enough time for adjustment for most countries so that none of them are worse off from their existing position must be a prerequisite. The process of transition must be smooth and gradual so that soon as the process is completed none of the members feel any difference

Conclusion

This paper has attempted to explain the nature of the Thai economy before the crisis, its

strengths and weaknesses, as well as the fiscal response during the crisis. The too swift financial squeeze through the combination of budget cut and tax increase in 1997 and 1998 resulted in economic recession which was unnecessarily too deep. As a result, most weak and moderate business activities in the real sector were eliminated in the process. Consequently, the NPL increased sharply and peaked at 47.7 percent of total lending of the banking system in May 1999. The main purpose of the government then was to restructure the financial system without much consideration of its adverse impact on the real sector economy.

Various stimulus packages both internally and externally started quite late in 1999. As large proportion of economic activities in the real sector came to a complete halt, stimulating package through financial system with the aim to reduce the NPL turned into liquidity trap. The percentage of NPL did reduce but very slowly from 47.7 percent in May 1999 to 38.5 in December 1999 and to 32 percent in September 2000. The banking system was flooded with liquidity but was not able to lend the money to generate the economy. Most external packages did help stimulate the economy a little. The rate of growth in 1999 started to increase to 4.2 percent after the deep crash into more than -10.0 percent in 1998. Because of the remaining problem of the NPL, growth was not stable. Although growth rate in 2000 was estimated to be 4.3 percent, after the September 11, 2001 shock and the sluggish recovery of the Japanese economy the actual growth rate in 2001 was only 1.8 percent. However, with proper internal stimulus package of the new government given the environment of low interest and low inflation rates, the IMF has estimated that the economy will bounce back to 3.8 growth rate in 2002.

The crisis did reveal a fundamental weakness of the so-called 'automatic stabilizer' of the fiscal policy. During the time of economic expansion, although a surplus budget could help to slow down economic activities from being over heated, failure to predict government revenue accurately together with a chronic problem of only 80 percent rate of disbursement of the budget annually did result in insufficient investment in infrastructure on part of the government, the reason for infrastructure bottleneck during the time of strong growth performance. Unfortunately, at the time of economic slump where fiscal stimulus was much needed, the problem of disbursement of budgeted expenditure did hamper the situation further. For example, in 1998 in spite of the budget squeeze of only 830 billion baht, down from 925 billion baht in 1997, the actual expenditure was only 697 billion baht or only about 84.0 percent of the disbursement rate. The result was to increase the possibility of recession rather than to relieve it.

Because the NPL problem resulted in a liquidity trap, the government, which was elected by overwhelming majority for the first time in the Thai political history, campaigned to solve the problem by setting up the TAMC. The policy was severely criticized from the outset. It has now proven to be a correct one.

The setting up of the new TAMC is only part of the package for stimulating the economy. The new attempt by the Taksin's government is to stimulate of the economy at the grass root level, the measure that was expected to render more success than what have been left by the previous government. The package includes, This new set of stimulating package in 2001 will only cost the government of 40 billion baht. No additional sum is required from the existed budget already approved by the previous government. This expansionary policy will be met by the other policy package of promoting the SMEs, the package already started under the previous government in 2000. The existing government only has continued implementing this policy by setting up a SMEs Bank. It is anticipated that expenditure generated by the

former stimulus package will eventually reach the SMEs. This time actual increase in economic activities has resulted in actual reduction of the NPL, the goal set by the policy to establish the TAMC.

Under such circumstance, the three policy packages, the TAMC, the stimulus package and the SMEs have complemented each other very well. The only caution was to assure that imports will not increase too rapidly to offset all net gain generated by the said three packages. Unfortunately, such attempt has not been very successful as import was catching up closer to exports in 2001. As an additional precautionary measure as well as an opportunity to gain more foreign exchanges, cultural and eco-tourism down to village level is another economic measure of the government to generate more income from below. How well all these packages will yield their fruits depend very much on the government machinery that implements those policies, the bureaucracy. Given its known track record, moderate success can generally be anticipated under the most optimistic scenario. The implementation of such policies could end as failure if the bureaucracy is ineffective. Fortunately, under the environment of the reform of bureaucracy starting before the economic crisis in 1997, it can be generally anticipated that the optimistic scenario could be reasonably achieved.

One crucial part for the reform of bureaucracy not being treated adequately is budgeting procedure. If the 'automatic stabilizer' of fiscal policy is made to function effectively in response to rapid global changes as well as to stimulate various government agencies to function effectively, the new budgeting procedure of performance base as well as rolling budget should be implemented as soon as the opportunity is available. Unfortunately, such policy has not been clearly stated by the government. There seems to be no chance that such budgeting concepts will be implemented in time.

The whole policy package of the government appears to stress on how to halt the visible trend of recession in 2001. After all the said attempts plus the favorable environment of low interest rate of 5-6 percent and low inflation rate of less than 2 percent, it is expected that the growth rate this year (2002) will be 3.8 percent. The government also anticipates for Thailand to resume a normal growth path of 4-5 percent annually afterward. The elements of the King's sufficiency economy are implicitly included in the said policy package. Unfortunately, the emphasis on 'moral' economy for quality of growth with equity and improvement of environment did not receive adequate attention. For example, the government policy on how to strengthen society did not appear anywhere in its policy statement, that will lead to practical measures to promote the spirit of conciliation, caring and sharing among community members. Without such emphasis, it will be more likely that after growth has been generated, the series of mistakes committed before the crisis could be repeated.

Two major missing policies should be stressed here. The first one related to an effective measure as part of the package for halting further deterioration of the Thai economy in the short run (2001 and 2002), the implementation of performance base and rolling budgeting. The other one is for a medium and long term (from 2002 on), that is the serious consideration and implementation of the King's sufficiency economy into the government policies. Lesson from the past economic crisis has been quite clear for almost everyone in Thailand. It should be made known to international communities that the Thais know how to make use of such expensive lessons towards the stable and quality growth of Thailand in the future.

As for the response to an emergence of the new Asian regionalism, the WTO's new environment after China has become a new member last year and the increasing degree of trade liberalization especially on part of the agricultural products that will be resulted from the shift in emphasis of the would be new Director General. Dr. Supachai Phanichphakdhi, given the existing export pattern and trade partners, it is more likely that Thailand would try to maintain the status quo as much as possible since the best trading partners for Thailand are ASEAN, the United States, the European Union, and to a lesser extent Japan. For the first three, apart from being major trading partners, Thailand always has a trade surplus with the said country and region. An emergence of the new Asian regionalism if it were taken place too rapidly will result in adverse trade position for Thailand.

However, the fact that China is now a member of the WTO cannot be altered and there appear to be an invalid fear that Thailand will make a net loss in term of volume and trade as well as foreign capital to China, Thailand may lose some market of capital good especially that of electrical appliances to China but will also make a significant gain from increasing export of agricultural products to China, Korea and Japan. The trade pattern in Thailand may be changed gradually from the continual decline of export share of agricultural products and rapid increase in the share of capital goods, to the slow down or halt or even an increase in export share of agricultural products and a slow down in growth rate of export of capital goods.

This change should be welcome for better internal adjustment of the Thai economy. It means that the agricultural sector in Thailand will share more income than before. With more serious application of the King's sufficiency economy, the Thai economy will move in the direction of more even development. In order to be commonly accepted, the whole process of new Asian regionalism must be smooth and gradual so that when it is completed none of its members feel any difference. As a result the new Asian regionalism is still long shot for Thailand and most Asian nations.



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The Asian Economic Crisis and the Crisis of Analysis: A Critical Analysis through Buddhist Economics

To be tiger or not is not important. The most important thing is that we have enough to our own need, and the economic means for self-sufficiency.
(King Bhumibhol's speech, 4 December 1997)

The economic crisis in Thailand has been analyzed by a leading Thai economist, Ammar Siamwalla (1998: 1–7), as economic mismanagement by the Bank of Thailand, beginning with its decision to liberalize the Thai financial system. Its first move was to accept the obligations under Article VII of the International Monetary Fund in 1990 requiring the lifting of all controls on foreign-exchange transactions. The second was the opening of the Bangkok International Banking facility (BIBF) in 1993, designed to make Bangkok a center for financial services by encouraging foreign financial institutions to set up operations in Thailand. As a result, most foreign exchange control measures were removed at that time. In 1992 all ceilings on interest rates were removed. Subsequently, weaknesses appeared in the stock market where control measures against speculation proved to be insufficient, resulting in speculative fever from 1993 to 1995.

One of the most serious errors committed by the Bank of Thailand was pegging the exchange rate to the U.S. dollar while the Thai monetary system was undergoing liberalization. Maintaining a fixed exchange rate in the early 1990s when the domestic interest rate was much higher than the rate available in international markets resulted in short term foreign loans flowing in to take advantage of the difference between the two rates. Worse still, most of these short term loans were used to finance the inflated real estate sector and speculation in the stock market. These problems were initially concealed by the strong performance of exports from 1992 through 1995, but in early 1996 exports began to slow down (partly due to the appreciation of the U.S. dollar, to which the baht was pegged). The complete halt of export growth in 1996 exposed all the problems. By that time, however, the country already accumulated a foreign baht of 80 billion US dollars, the majority of in the form of short-term loans.

Beginning in November 1996, waves of attacks were made against the baht in hopes that the Bank of Thailand would be forced to devalue it. Each wave was met by a strong defense from the bank, but by the middle of May 1997 the Bank of Thailand had almost depleted its net reserves of 33.8 billion U.S. dollars. Eventually the bank was forced to float the baht (in July 1997), and the by now familiar series of financial crises ensued.

Internationally, this crisis can be analyzed in a slightly different light. Although its immediate catalyst may have been mismanagement of Thai monetary policy, the crisis was widely expected to occur eventually. With economic globalization, goods and money are allowed to flow freely anywhere in the world, and greed can be generated without restraint or control, especially by those who control capital (Korten 1996: 71). In bound to be in an advantaged position. When economies are merged, capital can flow to whatever localities offer maximum opportunity to externalize costs. The basic consequence is the shift of costs from investors to local communities (Daly and Cobb Jr. 1989: 209-35). In these circumstances, economic crises will strike net capital receiving countries sooner or later, regardless of the performance of the economic managers.

Apart from maximizing the opportunity to externalize costs, the free flow of foreign capital

can easily generate economic instability (the problem faced by Thailand in the current economic crisis). The internationalization of capital and the internationalization of finance since World War II have turned capital into a footloose factor of production. The quick mobility of capital across the globe from low return investments to higher ones – often to engage in speculation in insecure markets – results in economic instability in the countries which experience massive and rapid inflows and outflows of capital (Freeman 1996 and Felix 1994: 364 – 94). At the macro level countries with sufficient domestic savings like Japan, Taiwan, or Singapore, will be less affected by this type of capital flow.

Both the adverse economic consequences imposed by foreign capital taking advantage of low external costs and the quick mobility of capital can cause economic instability. These facts point out serious flaws in the standard 1980s model of economic liberalization that tends to emphasize quick growth over consideration of economic stability or long term sustainability. This is why Southeast Asian – centred economics (in the case of Thailand, Buddhist Economics) based on the curtailment of greed needs to be closely scrutinized.

Buddhist Economics

By applying a Buddhist paradigm of human nature, Buddhist Economics provides a new way of understanding economics. Not much can be argued against the analytical process currently employed by most economists, since the general rules of logical deduction are as well applied in this subject as in any other. However, some basic assumptions – especially those concerning human nature – have been adopted by mainstream economists with insufficient scrutiny. Most of them have been taken more or less on face value and in accepting them, economists have built their sophisticated analyses on a flimsy foundation. As a result, many conclusions derived from the analytical process in economics cannot withstand critical challenge. Parts of the basic assumptions made in conventional economics about human nature do not correspond to actual human behavior, and some even contradict natural laws. This results in weaker explanatory power of conventional economics.

Replacing these problematic assumptions with ones from Buddhism that more accurately reflect true human nature and natural laws can enhance the explanatory power of mainstream economics at least in Southeast Asian countries. This is why the modified subject should be called ‘Buddhist Economics’. The concept is slightly different from that of ‘Economics for a Buddhist’ because the latter would not deal squarely with the deficiencies of mainstream economics. It would merely investigate economics from the point of view of a Buddhist who has certain sets of values and beliefs. It would not attempt to investigate either Buddhism or economics in depth.

Without a direct challenge to existing paradigms in economics, the analytical weaknesses in mainstream economics are not likely to be exposed. ‘Buddhist Economics’ prepares to take up the challenge by pointing out the fundamental weaknesses in mainstream economics and replacing them with more realistic concepts available in Buddhism. This is then, in part, an effort to ameliorate the crisis of analysis that plagues the current economic crisis in Asia.

The Division between Positive and Normative Economics as a Fundamental Weakness

The crisis of analysis in economics is partly rooted in the strict division between positive and normative economics. Positive economics is defined as analytically objective, some-

times called ‘natural law’ without any value judgement. The concept is in contrast with normative economics that incorporates opinion and value judgements. The division between these two results forms the lack of coherent understanding of true human nature.

Positive economics assumes ‘greed’ or to put it more mildly, ‘self interest’ as a cardinal feature of human nature that directs most ‘rational behavior’. As a result, Utility maximization is considered to be rational behavior. According to Jeremy Bentham, each person is essentially a self – serving unit – all individuals are driven by the desire to do things that serve their own best interests. This desire to seek pleasant experiences and to avoid or escape from painful ones (Bowden 1990: 77) is taken as the starting point of positive economics.

One may question further whether the ‘law’ propounded by Bentham is really a ‘natural law’ that will be true in all cases without exception. Should any individual who behaves differently from this be considered an exception to this law or be seen as a person behaves irrationally? Can there be different patterns of human behavior than utility maximization? Other patterns of human behavior exist (for example, loving one’s arch enemies, or working hard for the sake of the other while living frugally); should those behaving this way be judged irrational, or are they simply the exception to the general rule? The fact that these behaviors exist at all directly contradicts the assumption made in positive economics about human nature. Therefore, should one conclude that positive economics is only “positive” because it complies with its own rule by its own definition? If so, one may ask how “positive” positive economics is. Most mainstream economists do not want to face such difficult questions. They prefer to accept the concept at face value and proceed straight to the analytical development of their models, where they find that they are in the position to have full control of their own arguments. But building models based on a shaky foundation will never result in any firm conclusions.

A more refined version of utility but not less ambiguous is the one advocated by Boulding.

Economics clearly recognizes that all material objects are intermediate goods, mere means which serve the end of increasing that ultimate spiritual product known technically as ‘Utility’. The economist does not know what utility is, any more than the physicist knows what electricity is, but certainly could not do without it. (Boulding 1968: 193-94)

Not many economists even contemplate this definition, rushing to the mechanistic part shown below.

Mechanistic Procedure

Given the starting point of positive economics, the utility function of an individual can be defined as follows:

$$\begin{array}{rcl}
 U & = & f(X_j) \\
 \text{where } U & = & \text{utility} \\
 X & = & \text{a commodity} \\
 j & = & 1, 2, 3, \dots, n
 \end{array}$$

The goal is to maximize utility within a set of budget constraints which are defined

$$b = \sum_{j=1}^n P_j X_j$$

where b is total budget and P_j is the price of commodity X_j

Mathematically:

Maximize $U = f(X_j)$

Subject to $b = \sum_{j=1}^n P_j X_j$

In order to simplify the mathematical operation assume two commodities exist as follows:

Maximize $U = f(X_1, X_2)$ (1)

Subject to $b = P_1 X_1 + P_2 X_2$ (2)

The mathematical condition for maximization

$$dU = \frac{\partial U}{\partial X_1} dX_1 + \frac{\partial U}{\partial X_2} dX_2 = 0$$
(3)

from (2) $X_1 = \frac{b}{P_1} - \frac{P_2}{P_1} X_2$ (4)

$$\frac{dX_1}{dX_2} = - \frac{P_1}{P_2}$$

from (3) $\frac{\partial U}{\partial X_1} = - \frac{\partial U}{\partial X_2} \frac{dX_2}{dX_1}$ (5)

Substitute $\frac{dX_1}{dX_2}$ in (5), we get

$$\frac{\partial U}{\partial X_1} = \frac{\partial U}{\partial X_2} \frac{P_1}{P_2}$$

$$MU(X_1) = MU(X_2) \frac{P_1}{P_2}$$

or $\frac{MU(x_1)}{MU(x_2)} = \frac{P_1}{P_2}$ or $\frac{MU(X_1)}{P_1} = \frac{MU(X_2)}{P_2}$

The mathematical condition for utility maximization is the point at which the ratio of marginal utility to price is equal for the two commodities.

In addition, the following set of assumptions has been made:

The mathematical condition for utility maximization is the point at which the ratio of marginal utility to price is equal for the two commodities.

In addition, the following set of assumptions has been made:

1. The utility function is continuous and 'smooth'.
2. The more commodity consumed, the higher the utility.
3. The marginal utility increases at a decreasing rate (commodities have diminishing marginal utility).
4. The utility function is convex.

These assumptions are made for the convenience of the mathematical operation. The operation itself is a 'positive' operation; the assumptions do not imply any positive rule of the utility function itself. Unfortunately, once the set of assumptions have been overlooked or forgotten the rule itself has already been interpreted as a positive rule.

Observe also that the above rule is very rigid because it is designed to generate a set of well-performed mathematical properties and not necessarily reflect real world situations. For example, it is impossible to discuss efficiency in consumption based on the specific nature of the utility function. Utility functions are rarely actually continuous and 'smooth'. Lastly, the assumption of the more, the better is only true in isolated cases of particular commodities. Normally, what goes into a person's consideration in acquiring a commodity for consumption is much more complex; no economic decision is a purely isolated one. Unfortunately, most mainstream economists choose to forget the above set of rules because if they relax the assumptions, the foundation of their basic 'belief' will be shaken. As well as trying to avoid being normative in their 'belief', they have made their 'belief' a positive rule through a mechanistic procedure. But this positive rule does not actually contribute to a more solid foundation in their analyses.

The Instantaneous Nature of the Utility Function

Observe also from the utility function above that it contains no time element, implying that it is instantaneous. A person will enjoy, be happy, gratified, satisfied, or delighted by the consumption of a commodity or a service instantaneously. The condition will decline afterward. Note also that many words are used to convey satisfaction at the time of consumption. None of them carries the meaning of 'utility' because utility is in fact an ambiguous word without any clear meaning (as Boulding observed above).

Two properties – the fact that this function involves no time dimension and the fact that it is not comparable across individuals – have made the concept rather absurd in the face of 'scarcity', the most important reason for the study of economics. Under the general condition of scarcity of resources this function cannot make any value judgements as to whether, for example, to devote limited resources to efficient food production or to the production of luxury cars that require a huge amount of resources.

Should scarce resources be used to feed the poor or to provide luxury cars to the wealthy? Any layman with common sense will agree that the limited resources should be devoted to produce food for the poor rather than producing luxurious cars. However, if a mainstream economist cannot provide a satisfactory answer to this obvious question, one should question the logic of their thinking or question the basic assumptions used to formulate their theories.

The Question May Rest on Pleasure and Pain

Jeremy Bentham argues that people will seek to maximize their pleasure and to minimize their pain based on their previous experiences. This argument concept is widely accepted in the Western world and is considered rational human behavior. However, if the concepts of ‘pleasure’ and ‘pain’ are replaced by slightly different words with the vastly different meaning of ‘happiness’ and ‘misery or suffering’ will there be any significant change in the conclusion? Suppose the proposition is made that humans seek to maximize ‘happiness’ and to avoid ‘misery’ or ‘suffering’, would there be any change in the conclusion discussed above? An immediate response would be to question the meaning of ‘happiness’ and ‘misery’. These two concepts are only available in the East, especially in Buddhism.

In Buddhism, only ‘misery or suffering’ needs to be defined. It is like a temperature. One only needs to specify the level of heat. With less heat it will be more cool. Similarly, with less misery there will be more happiness. Therefore in Buddhism to minimize misery is to maximize happiness, the way minimizing cost is equivalent to maximizing profit in mainstream economics.

‘Misery or suffering’ is defined as a state of conflict or contradiction of an individual (Phra Rajvaramuni 1983: 21). The cardinal conflict of all occurs when a person believes that there is such a thing as a ‘self’ and tries to hold very tightly to it, According to Buddhism, there is no such thing as the self. What could be perceived as the self is in fact a temporary composition of the ‘five Aggregates’: corporeality; feeling or sensation; perception; mental formations or volitional activities; and consciousness (Pha Rajvaramuni 1983: 15). Without any one of them, a person will not fully exist. From one second to the next, no person is the same because each element in the composition has already changed. The insistence on the temporary or impermanent composition of the ‘Five Aggregates, follows from a natural law stating that everything is impermanent, changing all the time) Phra Rajvaramuni 1983: 20). Given that everything is constantly changing, it is better to acknowledge the change and regard everything as impermanent including one’s self. If a person tries to cling to the self when everything is changing, the result will be conflict or contradiction with the natural law of change or impermanence. The more a person tries to cling to the self as if it really existed, the more likely that person is to generate suffering or misery through the three evils: desire of greed; hatred and anger; and delusion. These are the real causes for misery (Phra Rajvaramuni 1983: 31).

On the other hand, to be happy is to be free of desire or greed, to be without anger or hatred and to be clear of delusions (Buddhadhasa 1996: 23 and Phra Rajvaramuni 1983: 28). The utmost act of emancipation for human beings is to free themselves from these three evils. If an individual has not yet been emancipated it is likely to be because they lack the right knowledge (Phra Rajvaramuni 1983: 31). The most important knowledge of all is the knowledge that there is no such thing as a ‘self’. As there is no ‘self’, one cannot be ‘selfish’ or greedy (Phra Rajvaramuni 1983: 32).

According to Buddhism, humans are at the highest stage of development of all living creatures. Because of this specific nature, a person has the ability to learn, or to develop the ‘Five

Aggregates', indefinitely (Phra Dharmapidoke 1993: 34-36). Because of that, humans can never be considered irremediably incapable of development. The rate of development for each one can be different but all can be developed indefinitely. Due to this important quality, the only reason for people to behave or react differently than they should have is inadequate knowledge. If a person has proper knowledge, they will react differently. As a result, the proper remedy is to generate 'learning'. And the most important learning method in Buddhism is learning through actual experience or through advice from good friends. Good friends can be a person's parents, teachers, friends and associates or learned persons who have good intentions towards that person (Phra Dhebhvethi 1990: 16-17).

What I have discussed above is the fundamental teachings of Buddhism that are most relevant to the concept of utility maximization. The mainstream economic concept of seeking pleasure and avoiding pain is a rather shallow one that does not reach the inner core of human nature. The Buddhist notion that humans should liberate themselves from misery in order to attain permanent happiness is a superior concept. The cause of misery most relevant to economics is desire or greed. The concept of 'happiness' in Buddhism discussed here does not match the one in the West that normally carries the wide range of meanings discussed earlier such as enjoyment, gratification, satisfaction, passion or fascination. It is little wonder that the concept of 'efficiency in consumption' cannot be adequately explored in mainstream economics.

Efficiency in Consumption Explained in Buddhist Economics

There are actually two levels of misery in Buddhism. The first level of misery is comprised of physical problems caused by deprivation of basic needs like food, clothes, shelter and medicine. A person will suffer severely without adequate amount of food. It is said in Buddhism that the misery of inadequate food is the worst misery of all, since hungry people have no way to organize themselves or develop their minds (Phra Dharmapidoke 1996: 6). The less severe case is deprivation from medicine, clothes and shelter, respectively. The misery caused by physical deprivation must be solved by providing what a person needs. There is no other way to get around this problem. The needs must be satisfied. These needs are known as 'essential needs'. However, for the second level of misery, discussed above, desire has been propelled by greed resulting from ignorance of the natural law that there is no such thing as 'self'. Greed or desire may burn people inside if their artificial want is not satisfied (Phra Dhebhvethi 1990: 79-81). However the physical part of that person will not be affected by such deprivation because the physical is separate from the mental and emotional. Most likely, a person will not die from the deprivation or the suppression of such desire. Of course, the true remedy is to help the person to be able to realize the existence of the natural law of selflessness on their own. To supply a person with what they desire will not solve the problem; in fact it will aggravate the problem.

Even by applying this case to the utility function of mainstream economics to this case, a person will only achieve an instantaneous gratification when a desire is satisfied. Because previous desires have been satisfied, higher levels of desire will spiral within a person, leading to endless greed. A good mainstream economist will argue that budget or income constraint will serve as a barrier to prevent the flood from such spiraling desire. Unfortunately, for many people before income constraints have an effect, considerable damage has already resulted from the drain on resources required to produce commodities to satisfy such insatiable desires.

It is quite clear from the above discussion that 'efficiency in consumption' is the

consumption that satisfies basic essential needs (first degree misery) and that does not satisfy the demand (even if backed up by sufficient income) generated by 'artificial' want (second degree misery). For the reasons explained earlier, this problem cannot be treated adequately by mainstream economics.

Without proper treatment of this issue, discussions of efficiency in production in mainstream economics are analogous to cutting paper with one-bladed scissors. In order to provide more sense to the discussion of efficiency in production, efficiency in consumption must be equally and clearly defined. The concept can only be adequately treated by Buddhist economics. The real weakness of mainstream economics derives from its failure to engage in as thorough an analysis of human behavior as that found in Buddhism.

Reasons for Different Levels of Investigation

Mainstream economics, in spite of its claim to be a value free or positive science, does in fact have its cultural roots in the evolution of Western culture, which can be characterized by the following statements:

1. Self-interest is a normal human impulse that reflects one's true nature.
2. Individualism, individual rights and freedoms, and property right are a fundamental part of human existence and must be protected and not infringed upon.
3. The institution of the family is the most important institution for the continuation of human society.
4. The ability to control nature will improve the quality of the physical part of one's existence.
5. Technology is the most important tool for the control of nature.

Many hypotheses have been advanced in an attempt to explain the cultural roots of the West. Among many convincing arguments, climate difference – the need to survive long cold winters experienced by people in the West – seems to offer one plausible explanation. Accumulation of food, fuel and clothes for the whole family to survive the long winter was an essential activity. The whole family had more time together during the winter, with more time for reading, writing and reflection during those long months. Any successful attempt at controlling nature would generally lead to an enhancement in the quality of life. As a result, technology was innovated and developed for that purpose (Phra Dharmapidoke 1998: 54).

Such a culture is radically different from those in the East where most people live in tropical climate and some live in temperate climate. There has been no pressure on the food supply all year round. Sharing food as a method to improve food security for people who live in tropical climates makes it appear as if they are more inclined towards caring and sharing. Since nature has not been so hostile to them, there is no need to control nature; people seek to live in harmony with it.

In a tropical climate, people live in a more closely knitted community. The communal life receives much more emphasis than that of a family unit or even individuals. As a results. Communal ownership in the past was much more important than private ownership. Under these circumstances, physical difficulties or troubles were not a real threat to eastern people. Yet, under this situation of physical convenience, they are still not fully satisfied. They were troubled by what burnt inside. Investigation into the real cause of the problem must be more than skin deep. It must delve deeply into the human soul. The culprits to be discovered are the three evils: greed or desire,

hatred and anger and delusion. This is why the treatment for misery or suffering in the East must be done at a different level than in the West, where the cause of inner suffering can hardly be investigated.

Unfortunately, the sharp contrast between the two cultures (East and West) has been diminished by the emergence of capitalism. At its inception in early sixteenth century Europe, John Calving engineered a modified Christianity (his invention of 'Puritan Ethics') in order to accommodate Christian middle class sentiment in Europe as well as to facilitate the accumulation of capital (Tawney 1922: 91-111). A factory process introduced by the industrial revolution in the eighteenth century resulted in mass production. Mass production provided a big push for industrialists and businessmen to encourage increased consumption through massive advertisement campaigns. As a result, consumerism is inevitable. During the development of three modern evils, capitalism, industrialism and consumerism, money had its own evolution from being as a medium of exchange to acting as a store of value, to being capital that can generate further earnings, and most recently as a commodity that can be used for speculation. Its form has undergone significant transformation from that of shell, animal and primitive commodities to silver and gold, banknotes and credit cards. The latest evolutionary form of money is an electronic digital figure with the ability to move instantaneously almost everywhere on the face of this globe.

Needless to say, the evil four, capitalism, industrialism, consumerism and the continuous evolution of money contribute to the corruption of the human mind in both the West and the East. The problem is more severe one in the East, since there they are still quite inexperienced with the development of the evil four within a rather short span of time. Unlike in the West, where the evolution has been rather gradual since the early sixteenth century, the East in most cases, it occurred within the period of only one century.

Therefore, the impact tends to be more severe in the East than that of the West and it will continue to cause more damage to the East for quite sometime to come. The existence of the modern evil four is the major factor responsible for the unification of the two formerly sharply contrasting cultures of the East and the West. Even more problematic than the coalition of the two contrasting cultures, however, is the rapid degeneration and degradation of global resources and the environment brought about by the modern evil four. The degradation has set a limit to the life span of our common spaceship, the Earth; a limit which calls for the modification of our common culture, if human race is to survive. This is why the revival of Buddhist economics is called for in a similar manner as the old Lutheran movement at the dawn of mercantilism (Tawney 1922: 73-91).

The General Application of Buddhist Economics

As with the emergence of capitalism at the dawn of mercantilism that prompted John Calvin to modify Christianity to accommodate changes in the middle class, this time the fact that no known 'new colony' exists on this spaceship Earth prompts calls for speedy modification of the usually slow-reacting conservative mainstream economics. As already discussed, main-stream economics has no analytical tools to deal effectively with the rapidly changing situation, as its operation is much more mechanistic and its guiding light the outdated and dubious concept of utilitarian philosophy invented at the time of scarcity in Europe.

Although Buddhist teaching is even older, it has become more contemporary because it was invented during a time of plenty in the East. We are now living in a plentiful time, but catastrophe is right in front of us. It is a rather new but also a rather strange situation. Because of

this specific set of circumstances, Buddhist economics is the most appropriate tool to deal with the problems now confronting us.

Its analytical tools only require people to be alert to the fact of the existence of a natural law concerning the nonexistence of 'self'. If this concept is clearly understood, human life could be viewed from a different point of view than that of consumers. The most meaningful things in life do not have to come from consumption. Appropriate consumption can be done without much destruction of resources and the environment. In fact, resources and the environment can be upgraded while people live happily by being clean, calm, clear and very creative. However, to begin on this new path of thought one must be awakened to true human nature and the law of nature about 'self' and everything else. The law of change or impermanence and freedom from delusions generated by mainstream economics and the existence of the four evils (capitalism, industrialism, consumerism and money) must be widely propagated.

Out of the Crisis : The Buddhist Economics Way

As already shown in Buddhism, to try to satisfy greed as the method to maximize utility does not lead to maximizing happiness or minimizing suffering on part of each individual. At the same time, inefficient or wasteful use of resources and the environment is also a consequence. The only way out of this problem is to cultivate 'punya' or intellectual ability and the ability for critical analysis. Once a person understands life in its actual nature and understand clearly the concept of 'non-self', a person will not cling to the self. Greed will not be easily stimulated. As a result, consumption patterns will gradually orient themselves toward real needs rather than artificial desires (Phra Dharmapidoke 1993: 21-22). Thus, the cultivation of 'punya' or critical analysis is essential for turning the current crisis in Thailand as well as in the rest of Asia into an opportunity. The 'punya' cultivated will serve as a potent immunization against the disease spread by 'footloose' or quick mobility of global capital. Such quick mobility of capital has been the primary cause of the crisis activated by greed through rapid growth in region, a decade before the crisis. Unfortunately, such rapid growth was simultaneously accompanied by rapid accumulation of waste and destruction of resources in the region. Clearly, the fresh approach to development for Thailand and the Asian region is needed after all the nonsense. Under the new direction of the development, King Bhumibhol of Thailand explained in the speech on his birthday eve on 4 December 1997. 'a self-sufficient economy does not necessarily mean that every family must grow their own food and make their own clothes, but the village or the district must produce enough to satisfy their own needs. Items produced beyond what is needed can be traded for other necessities. Nevertheless, trade should not be conducted with the too far away places to save transportation costs' (The Royal Speech 1997 : 18).

Phra Dharmapidoke (Payut Payuto 1996: 52-64) has proposed the concept of 'economics of the middle path'. 'Middle path' is a very crucial concept in Buddhism which literally means not taking any extreme position. It could easily be equated to the 'point of equilibrium' in the mainstream economics. According to Phra Dharmapidoke (Payut Payuto), an economics of the middle path implies moderate consumption that will result in optimization of 'quality of life' (maximize happiness or minimize suffering). Such moderate consumption must be done strictly under the condition of non-exploitation of oneself and others. In other words, consumption must not result in adverse effects on the ecosystem.

Concepts advanced by King Bhumibhol and Phra Dhamapidoke (Payut Payuto) serve only as examples of how to apply Buddhist economics for a new direction of the country's develop-

ment in order to ease out the current crisis as well as to pre-empt any possible economic crisis in the future. Actually, some of the concepts have already been experimented with in Thailand for more than a decade now, especially by small farmers. Various forms of eco-farming such as forest agriculture, mixed farming and integrated farming have been introduced in Thai villages (Puntasen 1996a: 85-91 and Puntasen 1996b: 279). The results so far have been rather satisfactory. Most of those who began practicing eco-farming in Thailand a decade ago experienced almost no negative impact from the current crisis. In fact, most of them are better off because of the deflation of the baht while inflation does not keep pace with the deflated currency. As a result, their real income increases from the increased price of their produce while their costs remain unchanged due to the fact that they did not use any imported fertilizer or other imported chemical inputs.

Other activities curtailing the effects of the current crisis include the rapid increase of saving group, credit unions and their networks. Such activities began to spread very rapidly less than a decade ago. Most groups had a very humble beginning. They are initiated by members of the community being requested to save a very modest sum of money like 10 baht (about 25 u>S. cents at the current exchange rate) per family each month. The responsibility is on the families to save the money by themselves. The main purpose has been to urge people to come to meetings to discuss the problems they have faced as the way to exchange ideas as well as to try to find solutions. By the time a sufficient amount of funds has been accumulated, members of the group are likely to know each other very well and have already shared many useful ideas. Many useful investment projects have already been thoroughly scrutinized. By then, it is time for the money to be lent to the most promising investment projects. Most of the projects have been very successful. As a result, among most saving groups, especially in the South, some funds have now accumulated more than 10 million baht for their group, with some funds higher than 50 million baht. It is now estimated that the total amount of funds in all these saving groups and credit unions is more than 3 billion baht. The absolute amount of capital is still very small in comparison with the magnitude of the current crisis, which is estimated to be 4 trillion baht, but it represents an important development in economic practices.

Clearly, the potential of these saving groups and their networks is very great. Up to the present, the record of defaulting on debts has been negligible; the system has been quite cost effective since overhead only involves a tiny fraction of the total amount of the fund, as operating costs only occur once or twice a month and the wage or honorarium charged is not as high as that of commercial operation. The whole system is based on communal trust. Many of the groups begin to provide basic social safety nets to members such as funeral costs, partial compensation for health care costs, partial compensation for educational costs, and a small pension for elderly. One can imagine that with rapid expansion of such saving groups and their networks, together with the self-sufficient economy at the village or district level suggested by the King, the need to depend on foreign capital in the future will be gradually reduced. However, the practices discussed above must be within the framework of the 'economics of middle path' or Buddhist economics where consumption must be undertaken in such a way that no adverse effect results on individual 'happiness' (quality of life) or on the ecosystem. This is a fresh approach to development and a possible strategy to reduce the severe impact of the current crisis. The only requirement for this approach is a fresh look at life, the clear understanding of relevant natural laws, and the willingness to 'enjoy' life intellectually in a more consistent way with these laws.

Conclusion

The current economic crisis in Thailand and in Asia can be viewed as an opportunity

for a fresh look at a new development approach rather than simply as a threat to the existing and decaying economic system. The crisis has led to the issue of crisis in the analysis itself. Modern economics that has been facilitated by the four modern evils, namely, capitalism, industrialism, consumerism, and rapidly changing forms and functions of money, has resulted in the stimulation of greed generated by human ignorance about the concept of non-self and some related natural laws.

Within the realm of mainstream economics, this ignorance has been reinforced by the ambiguous concept of utility, which is not well understood, even by most economists themselves. The concept can be crudely explained, as being allowed to enjoy as much consumption as one wants as long as goods and services to be consumed are within one's budget constraints. There can be no comparison between one's and another person's enjoyment. As such, the concept of 'efficiency' in consumption cannot be meaningfully discussed within the framework of mainstream economics. The concept of resource cost for consumption cannot be validly discussed. Hence, discussion of overall 'efficiency' is meaningless, as one can only validly discuss 'efficiency' in production.

Buddhist economics can deal with this problem much more effectively through the concept of maximizing happiness or minimizing suffering (instead of maximizing 'utility'). It first defines suffering as a conflict or contradiction to a natural law of change or impermanence, in order to understand that there is no such thing of self or a 'non-self', another natural law. The concept further leads to the discussion of essential needs. The first level of suffering must be addressed by filling needs, but the second level of suffering comes from an artificial want or desire. To try to satisfy the later will result in escalation of the desires stimulated by the four modern evils, especially consumerism and money. The Buddhist method of treatment is to suppress artificial desires through awareness that the concept of the 'self' is in fact an illusion. As artificial desire is reduced, 'economics of middle path' can easily be realized. It will make much more sense, then to begin to develop a self-sufficient economy. In Thailand this has already begun, as demonstrated by the cases of eco-farming for small farmers and networks of saving groups. The current economic crisis in Thailand can be seen as a crisis of mismanagement especially by the monetary authority within the existing frame of analysis. However, at the international level given the rapid mobility of capital, the crisis would have taken place in one form or another due to the massive exploitation of resources from weaker economies and the instability and vulnerability of small economies that are the net receivers of foreign capital. The nature of the crisis has posed a serious question of sustainability not only for Thailand but the whole Asian region.

This is why Asian-centred economics needs to be re-conceptualized. As it turns out, Buddhist economics appears to provide a much more explicit concept of 'happiness' and 'suffering' than that of the 'utility' and can result in a solid discussion of 'efficiency in consumption' that leads to 'overall efficiency' in conjunction with 'efficiency in production', the usual concept available in the mainstream economics. With this new approach, not only can the current crisis be minimized but long term sustainability can also be ensured.

Discussion

Comment: What you have mentioned here is efficiency when oriented to resolution of basic needs, which brings up the distinction between efficiency and effectiveness. In addition, the two apply to the different sectors of consumption, which your paper addresses, and production, which is more usual orientation when dealing with Southeast Asia.

Another key issue raised here is within the realm of the sociology of knowledge.

Obviously Foucault's observation on the power/knowledge relation is of considerable interest here, even though he said surprisingly little on the colonial or neocolonial relationships. More specifically there needs to be a clear delineation of what is particularly western and what eastern within supply and demand side economics.

Comment: As a mainstream economist, I find your concept a fairly bold statement indeed. Whether or not it will become accepted and acceptable (and threaten our jobs!), I will be quite curious to see how you develop it more thoroughly.

Answer; So will I! One is so bored with supply side economics that concern with demand and its relevance to the majority of the population should be emphasized.

Comment: Maybe we are witnessing the death of (mainstream) economics; it cannot predict and it almost always wrongs. Can this then be a science?

Question: What is the solution?

Answer: According to Prawes, a well-known scholar in Thailand, the cause of the problem is the existence of a command society with vertical relationships which lacks the horizontal connections needed to deal with the modern world. Hence the obvious solution is to strengthen civil society in order to overcome this by a strong sense of community. On the more practical side this could be achieved by partnerships between business, academics, NGOs, etc. For example, more small factories could be located in small villages, which would be non-harmful to village culture and society. The idea is to revive certain village industries and even think about new products.

The other aspect is that of 'good governance'. Here an example would be small savings/credit unions with small inputs based not upon autonomous government spending but a personal commitment. Again the emphasis should be on developing institutions from the bottom up rather than those imposed by the central organizations.



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Reviewing Asian Economic Crisis: Lessons for Future Sustainable Development

Reviewing the Crisis

In the December 2, 1996 issue of Business Week magazine, there was a caution that it was time for Asia to face reality by making a critical assessment of its seemingly successful economic development record of the late 1980's and early 1990's. After achieving an all-time record export performance in 1994–1995 (especially 1995), 1996 saw sharp declines in export growth, with Thailand, Korea, and Malaysia appearing to be in more critical condition relative to other Southeast Asia.

Year over Year Growth in Exports (%)

	1995	1996
Hong Kong	16	8
Singapore	15	5
Korea	20	9
Thailand	21	6
Indonesia	15	12
Malaysia	28	13
Philippines	29	21

Source: Business Week, December 1996.

Of course, this 1996 drop in export growth rates for most countries of East and Southeast Asia was only a symptom of a much deeper economic malaise, resulting from too rapid growth lacking a sufficiently solid economic base. The immediate cause of the sharp reduction in exports was a combination of: (a) the rapid increase in domestic wages (caused by too rapid expansion of these economies in the preceding period); (b) the overvaluation of currencies (caused by too rapid inflows of foreign capital, especially short term inflows); and (c) weakening demand in importing countries (especially Japan whose economy had suffered from long term stagnation since its economic bubble burst in 1989).

In sum, the real causes of economic malaise were: too rapid growth without a solid foundation, and fed by rapid inflows of foreign capital. From this general explanation, the root causes for the economic malaise of the region can be traced back even further. Many theories have been advanced, but without much consensus being achieved thus far. Of these, only three will be considered in this paper.

The first theory focuses on the role of the International Monetary Fund (IMF) and the Bretton Woods Agreement formulated at a meeting in New Hampshire in July 1944. Theoretical approaches arising from this agreement range from specific debates on the appropriate activities of the IMF, through a broad elite-class analysis of the creation of the multilateral institution trio - the World Bank (WB), the IMF and the General Agreement on Tariffs and Trade (GATT), and its suc-

cessor, the World Trade Organization (WTO), —as tools to gain power and wealth for the global elite class (Korten, 1996: 159-160), to conspiracy theories positing a plan for world domination or hegemony of the U.S. government designed and supported by its business elite (cf. Nissen, 1975 and Broad, 1988: 21). In practice, this last view has been more-or-less shared and propagated by Malaysia's Prime Minister Mahathir Mohamad in deciding to delink his national economy from the globally liberalized financial system and to assert his country's independence from IMF control and conditionality.

The second theory takes another extreme view by fully accepting economic globalization and liberalization of monetary and financial system as universally beneficial and crucial to continuing rapid economic growth and development in all countries. The only shortcoming suggested by this theory is that countries in economic crisis were not well equipped with proper tools for dealing with the rapidly changing situation—the monetary and financial institutions, as well as the legal and policy measures needed to serve as build-in stabilization mechanisms. This view can be called incremental adjustment approach.

The third theory (like the second) accepts the proposition that the economic crisis was mainly caused by a rapid mobilization of short-term capital as a result of the increasing pressures for financial liberalization. In contrast to the second theory, however, it postulates that the main cause of the crisis was the weak structure of the economies in question: growth that was not built on an intrinsically solid foundation. In order to deal with future crises on a more permanent basis, effective socio-economic and political structures must be devised and put in place. This paper will attempt to explain why this last approach should receive more serious attention.

Blaming the Bretton Woods System (or the IMF)

It is not completely incorrect to blame the Bretton Woods System, or to single out the IMF, as a major cause for the crisis. Comprehensive documentation exists that the Bretton Woods trio—GATT, IMF and the WB—are closely aligned, at least in ideology and policy prescription. While the GATT (and now the WTO) has been constantly pushing “free trade” and “harmonization” of international standards, the WB also has a long record of pushing developing nations into debt (Rich, 1994: 9) without much prospect of them being repayable (Oliver, 1977: 160), and the IMF is best known (more or less) as the international debt collector (Korten, 1996: 165) imposing a standard a package of *structural adjustment* conditionalities aimed at coercing debtor nations to liberalize their trade and financial systems (Stewart, 1991: 1851). Clearly, the whole system works to the advantage of major investors and large business establishments in the economically advanced nations of Europe, the USA, and, to a lesser extent, Japan.

From this perspective, the Asian economic crisis can be portrayed as a conscious or unconscious plan by those behind the system of the Bretton Woods trio (WTO, IMF and WB) to gain or maintain politico-economic hegemony over the Asian region, to secure a continuous stream of economic benefits for themselves over the long run by deceptively assuring countries in the region that they will, in due time, also benefit from free-trade and the free-flow of capital. Given the basically weak politico-economic structures of countries in the region, they are bound to end up in economic crisis, and will eventually need the IMF to come to their rescue, in the way that Thailand,

Korea, and Indonesia (but thus far not Malaysia) have recently had to do.

Equally significant numbers of critics did not blame the IMF for causing the crisis, but for the mishandling or mismanaging the crisis once it had begun. Most of these critics targeted the IMF's standard post-crisis structural adjustment prescription of severely restricting domestic demand, while insisting that exchange rates allowed to be float freely. The immediate result of this is to impose severe restrictions on domestic capital, intended to steer countries away from hyperinflation. The hope is then that the very high interest rates will induce an inflow of foreign investment, and thus the ailing economies will be put back on their feet in a relatively short time. This standard IMF prescription has most recently been viewed by most critics as a real cause of the collapse of the "real sectors" of the client economies of Southeast Asia and the "melt down" of their financial sectors (See Malpass, 1997 and Danielson, 1998: 88-95). Such prescriptions naturally can be seen as paving the way for the international community of investors to take advantage of cheapened assets in these depressed economies, an overly-familiar but in this case convincing argument made by believers in conspiracy theories.

Although there are many strong points in the critical perspective set forth above, its major weakness is its failure to carefully examine intrinsic weaknesses within each economy in question. It fails to explain why a country like Taiwan or Singapore (or Japan that had suffered consequences of a previous burst of its bubble economy in 1989) still perform relatively better than countries such as Thailand, Indonesia, or Korea. Failing to give adequate attention to structural problems in each individual economy, possible solutions from this perspective are limited to strict or selective controls over foreign exchange. Malaysia took a calculated risk by reducing her ties with the international financial system through a system of exchange controls, at the cost of possible domestic political turmoil. Other members of ASEAN, such as Thailand and Indonesia, did not follow Malaysia's example because they considered such a venture to be not viable for them, politically or economically.

To sum up: while "blaming the Bretton Woods system" can offer useful insights, this theory risks being a very one-sided analysis, with which its implied recommendations may not offer a viable solution.

Blaming Control Mechanisms

Like the first approach, this also is a one-sided perspective, usually built on an even more naive view of reality. Nevertheless, the approach again contains some element of truth. As articulated by Ammar Siamwalla (1998:1-7), the economic crisis in Thailand was mainly caused by Bank of Thailand's economic mismanagement, beginning with the decision to liberalize Thailand's financial system, and in guiding its relationship with the rest of the world. The first wrong move was in 1990, in accepting the obligation under Article VII of the IMF in 1990, to lift controls on all current account foreign-exchange transactions. The second was in 1993 with the opening of the Bangkok International Banking Facility (BIBF), designed to make Bangkok a center for financial services by encouraging foreign financial institutions to set up operations in Thailand. As a result, most foreign exchange control measures were removed. In 1992, all ceiling on interest rates were also removed. Weaknesses began to appear in the stock market where control measures against

speculation could not prevent a speculative fever during 1993 - 95, one of the major causes leading up to the burst of Thailand's bubble economy in 1997.

The most crucial mistake committed by the Bank of Thailand, however, was to virtually peg the baht exchange rate with the U.S. dollar as the monetary system was being completely liberalized. With a fixed exchange rate, while domestic rates of interest in the early 1990's were much higher than rates available in international markets, short-term foreign loan funds flowed in to take the advantage of the difference between the two rates. Worse still, most of these short term loans were used to finance the inflated real estate sector and to fuel stock market speculation. Serious problems were veiled during 1992-95 by good performance of exports, but then exports started to slow down in 1996, partly as a result of U.S. dollar appreciation to which the baht was pegged. The complete halt of export growth in 1996 exposed all the pent-up problems, and by then the country had accumulated foreign debts of US\$90 billion, the majority of which were short-term loans. In November 1996, a wave of attacks began against the baht, in hopes that the Bank of Thailand would be forced to devalue. Each wave was met with a strong defense by the Bank of Thailand, with the fiercest coming in May 1997. By the middle of May, the Bank had almost run through its net reserves of US\$33.8 billion, eventually resulting in the flotation of the baht on July 2, 1997 followed by a series of financial crises that have now been well documented and explained.

It was later reported that, at the time the Bank of Thailand was attempting to defend the baht during April, May and June 1997, the currency was under constant attack by hedge fund speculators led by Quantum Fund headed by George Soros. Hansell (1994: A-1, D-15) reported that in 1994, Quantum Fund had the potential to control as much as US\$110 billion for the hedge funds, and by the time of the 1997 currency attack, the potential of the Quantum Fund to control capital could have been much larger. As a result, the Bank of Thailand suffered a net loss of \$23.4 billion on forward exchanges. As soon as the baht was floated on July 2, 1998, its value dropped by 30-40 % within a few days. The earlier attempts to protect the baht value were in vain, and a significant financial loss was incurred by the nation. Then the financial disease known as "tom-yum-kung" began to spread beyond the borders of Thailand into other parts of Asia, resulting in major crises for countries in the region.

Following from this analysis, it could be suggested that, had Thailand been better prepared to float the currency at the time of the opening of Bangkok International Banking Facility (BIBF) in 1993, or had it delayed the process of financial liberalization until the country was buttressed with better mechanisms to control the stock market and financial system (including forward markets for foreign exchanges, financial assets and commodities), Thailand need have not ended up in such a severe predicament. The same could be said for the rest of Asia, since the epidemic did spread from Thailand. Such an argument is valid to a point, but the chances for actual success still seem rather remote. It is generally known that in any new economic venture, there is always a cost associated with learning-by-doing (or trial and error), especially when dealing with matters involving high risk. Normally, costly lessons have to be incurred before any effective means of prevention can be devised and implemented (or strong medicine taken).

This blame-the-control-mechanism approach offers a somewhat better explanation than the previous analysis (blaming Bretton Woods and the IMF), in that it includes some elements of critical self-analysis (i.e., of the impacted country's own mistakes). But, in contrast, it neglects

external factors in a rather naïve manner. It provides directions for adopting preventative measures in the future, but, unfortunately, when the future comes, a new set of mistakes are likely to be committed because new learning is always required, and not all the new internal problems will have been taken into consideration. Moreover, this approach will not be able to deal effectively with the question of global sustainability—which should be of concern to all of us—if only because continuous smooth expansion will sooner or later be met by the challenge of resource and environmental constraints (unless these challenges are also effectively taken into consideration).

Realistic Assessment of the Situation

The two approaches discussed above should be considered as components of a broader and more realistic assessment of the situation of ASEAN countries in crisis. However, it views the crisis in slightly different light. Even though mismanagement on the part of the Thai monetary authorities may have specifically triggered the crisis, problems of a similar nature could have clearly been predicted to have come about eventually. With economic globalization, goods and money are allowed to flow freely anywhere in the world, and greed can be continually generated without restraint or regulation, especially by those who control capital (Korten, 1996:71). Under the condition of integrated economies, those who have capital are bound to be in an advantageous position. As economies are merged, capital can flow to whatever localities are seen to offer maximum opportunity to realize profits and externalize costs. The basic consequence is to concentrate wealth, and to shift costs from investors to host communities (Daly and Cobb Jr., 1989: 209-35). Under such circumstances, an economic crisis will eventually take place in net-capital-receiving countries, regardless of the performance of local economic management.

Apart from taking maximum advantage of the opportunity to externalize cost, free-flowing foreign capital can easily generate economic instability, as shown by the problems encountered by Thailand in the current economic crisis. The internationalization of capital and finance since the end of Second World War has turned capital into a foot-loose factor of production in both time and space. The quick mobility of capital in moving from low return investments to higher ones, and in taking advantage of opportunities to speculate in security markets anywhere in the world, results in economic instability in countries facing massive amounts of capital moving in and out in a short period of time (see Freeman, 1996 and Felix, 1994: 365-394). At the macro level, a country with sufficient amounts of domestic savings will be less affected by such capital flows. Asian cases in point are Japan, Taiwan, and Singapore.

Adverse economic conditions created by foreign capital taking advantage of opportunities to externalize costs, and the quick mobility which causes economic instability, point to the limitation of analyses based on the concept of economic liberalism without a level playing field, or the need to respect environmental or resource constraints. Such concepts foment a desire for quick growth and economic returns, without much consideration for economic stability or long term sustainability. This argument can be substantiated by the following set of country data presented and discussed by Danielson (1998: 90-93):

Table 1
The Investment-Savings Identity (Percent of GDP)

	1994	1995	1996	1997
Indonesia				
Investment	27.6	28.4	28.1	26.5
Private savings	25.9	24.3	23.4	21.6
Fiscal surplus	0.0	0.8	1.4	2.0
Current account deficit	1.7	3.3	3.3	2.9
Malaysia				
Investment	40.1	43	42.2	42.7
Private savings	29.8	29.2	33.1	35.3
Fiscal surplus	2.5	3.8	4.2	1.6
Current account deficit	7.8	10	4.9	5.8
Thailand				
Investment	39.9	41.8	40.8	35.8
Private savings	32.3	31.2	31.3	32.3
Fiscal surplus	2.0	2.6	1.6	-0.4
Current account deficit	5.6	8.0	7.9	3.9
Korea				
Investment	35.7	36.6	36.8	36.6
Private savings	33.5	34.6	31.9	33.7
Fiscal surplus	1.0	0.0	0.0	0.0
Current account deficit	1.2	2.0	4.9	2.9
Philippines				
Investment	23.6	22.2	23.2	25.1
Private savings	20.6	19.2	18.9	21.5
Fiscal surplus	-1.6	-1.4	-0.4	-0.9
Current account deficit	4.6	4.4	4.7	4.5

Source: IMF (1997); IFS (1998).

Note: 1997 values are projections from November 1997.

Table 2
Composition of Capital Flows (Percent of GDP)

	1994	1995	1996	1997
Indonesia				
Net private flows	3.9	6.2	6.3	1.6
Net direct investment	1.4	2.3	2.8	2.0
Long-term portfolio	0.6	0.8	0.8	-0.5
Short-term capital	1.9	3.1	2.7	0.1
Malaysia				
Net private flows	1.5	8.8	9.6	4.7
Net direct investment	5.7	4.8	5.1	5.3
Long-term portfolio	0.0	-0.1	0.0	0.0
Short-term capital	-4.2	4.1	4.5	-0.6

Thailand

Net private flows	8.6	12.7	9.3	-10.9
Net direct investment	0.7	0.7	0.9	1.3
Long-term portfolio	0.9	2.0	0.7	0.4
Short-term capital	7.0	10.0	7.7	-12.6

Korea

Net private flows	3.1	3.9	4.9	2.8
Net direct investment	-0.3	-0.4	-0.4	-0.2
Long-term portfolio	1.7	1.8	2.3	-0.4
Short-term capital	1.7	2.5	3.0	3.4

Philippines

Net private flows	5.0	4.6	9.8	0.5
Net direct investment	2.0	1.8	1.6	1.4
Long-term portfolio	0.5	0.4	-0.3	-5.4
Short-term capital	2.5	2.4	8.5	4.5

Source: IMF (1997).

Note: 1997 data are projections from November 1997.

In Table 1, Danielson used the concept of investment-saving identity to demonstrate that, in Asian countries during an economic crisis, the problem is that investment far exceeds domestic savings (private saving plus fiscal surplus), with the result that there are chronic current account deficits. Such an investment-saving gap was responsible in the past for the rapid economic growth of Eastern and Southeastern countries. In other words, one can interpret Danielson's figures as suggesting that growth in those countries was far beyond their actual financial capacity. Such a situation was reflected, in part, in the fiscal surplus of the respective governments (with the exception of the Philippines and Korea where the crisis has been less severe than in Thailand, Indonesia, or Malaysia). Such a situation of "over" or "excess" investment can be viewed as having been generated by "greed", since the rate of private savings in many countries (Malaysia, Thailand, and Korea) was already very high by international standards (over 30 % of GDP). Such a theory of "greed" can be substantiated by the data in Table 2 which show short-term capital becoming a major component of net private flows of capital. This was particularly true of Thailand and Korea. Not surprisingly, these countries suffered more severe crises, while in Indonesia the political crisis that followed the original economic crisis was more significant. Thailand and Korea had an edge over Indonesia in crisis management, in that both had better social capital (more democrat governments). Thailand also remained a net exporter of food.

The advantage of identifying the root cause of the crisis as stemming from greed (over the two previously-discussed approaches) is that the approach also implies a possible road to solution that is within the control of each country, and one that is also long-term and indeed sustainable. A few rules can be derived immediately from the existing empirical evidence. The first is to depend more on domestic savings. The second is to view short-term capital as undesirable and to discourage it. Some other implications are discussed below.

Sustainable Development: A Long Term Solution for Asian Crisis

The data provided in the two tables above clearly indicate that economic development

within the bounds of national capability is a necessary condition for long-term sustainable development. The primary motivation for stimulating growth in each of the troubled Asian countries has been to catch up economically with the more advanced nations within a short period of time. The consequence has been rapid depletion and degradation of national resources and ecological systems. Curiously enough, the reason offered most of the time for stimulating growth is not to catch up with more advanced economies (which has been rarely realized), but rather that it offers the “only way” to solve the problem of domestic poverty and to provide the means to protect the environment.

Witness the following statements from a former World Bank vice president, Mahbub ul Haq (1994), and from the International Chamber of Commerce (1990). The former claimed that: “To address poverty, economic growth is not an option: it is an imperative,” while the latter maintained that “Economic growth provides the conditions in which protection of the environment can be best achieved.” Most empirical experience provides contrary evidence to both of these claims. In most ASEAN countries (Singapore being the exception), wide spread poverty still prevails while natural resources and environment quality have been deteriorating at alarming rates.

The key factor that is inadequately addressed, and that is more important than growth itself, is the distribution of wealth and political influence. To a certain extent, socialist countries like China and Vietnam have achieved a reasonable degree of success in their efforts to actually reduce poverty because they have taken the question of redistribution seriously. Unfortunately, the pendulum in each of these countries seems about to swing the other way.

In the middle of the economic crisis, King Bhumibhol of Thailand proposed what he calls the “sufficiency economy” as a solution to the crisis and to its likely reoccurrence. In his birthday eve speech (an annual event) on December 4, 1997, he said, “To be a tiger is not that important; the most important thing is that we have sufficiency to meet our own needs, and a sufficiency economy means sufficiency for self-support.” He elaborated further: “sufficiency economy does not necessarily mean that every family must grow their own food, make their own clothes, but the village or the district must sufficiently produce to satisfy their own needs. Items produced more than needed can be traded for the insufficient ones. Nevertheless, in order to save transportation costs, trade should not be conducted between faraway places.” (The Royal Speech, 1997: 18)

Elsewhere, he clarified that he advocated only one fourth of the sufficiency economic activities for the whole economy. Under such a scenario, he was convinced that the country would survive further possible crises. What the King actually suggested was the system of immunization, or insulation, of the economy against economic and social crises.

The concept of immunization or insulation of an economy against future possible crises is critical for a relatively small economy, since each individual economy cannot afford to ignore the increasing significance of economic globalization caused by the rapid development of information technology. Analyzing the crisis by putting the blame on the Bretton Woods system and the IMF, as Malaysia has done, will involve considerable political risk in the short-term, and possible adverse economic consequences over the longer term. The formerly-closed economy of Burma (Myanmar) has suffered significant loss of her natural resources now that the country is under great economic pressure to open up to the rest of the world. The only viable option left for a small or very small

economy to survive economically among the much stronger global economies is to have a strong immune system, and “the sufficiency economy strategy” is one important approach contributing to such an immunization process.

Apart from “sufficiency economy,” another key word in King Bhumibhol’s speech was to satisfy the “needs” of those involved. One problem of mainstream economics that emphasizes economic growth as a crucial instrument to eradicate poverty is that the whole production process is designed to satisfy effective demand (wants backed up by purchasing power). Given the very uneven pattern of income distribution in most countries, the real beneficiaries from economic growth are the already-wealthy who have unsaturated desire (wants) backed by unlimited purchasing power. As a result, supply always lags behind the unmettable demands of the affluent, while the needs of the poor continue to be insufficiently satisfied and, at the same time, natural resources and environments continue to deteriorate rapidly. However, if meeting needs (rather than “effective demand”) were set as the goal of development, and if attention were paid to ensuring a more equitable distribution of wealth, then sustainable development could be clearly achieved. The main assumption underlying the above argument is that human needs can generally be defined, and that such needs (as opposed to wants) are in fact satisfiable.

Major Ingredients for Sustainable Development

It is not the main purpose of this paper to offer a sustainable solution specific to meet all the challenges of the recent economic crisis. However, it is appropriate to indicate, on the basis of this discussion, the direction of the significant changes needed to implement new development strategies for most countries in the region affected by the recent crisis. Recognizing that there are many factors underlying sustainability, three main ingredients (already implied) will be systematically addressed: (a) increasing the degree of democratization and political accountability; (b) increasing domestic savings; and (c) focusing on production to satisfy needs.

The data in Tables 1 and 2, and the export figures from 1996, clearly indicate that the economic crisis of Indonesia should have been much less severe than those in Thailand or Korea. At the time Thailand announced the float of the baht (July 2, 1997), Indonesia even offered to provide loans to Thailand of US\$500 million. Unfortunately, the Indonesian economy is currently in much worse condition than Thailand. One major explanatory variable, among others, is the degree of democratization in Thailand compared to that of Indonesia. The gradual improvement toward democratization in Thailand since October 14, 1973 provided a significant democratic edge over that of Indonesia at the time the economic crises struck these countries. The government of General Chavalit Yongchaiyuth of Thailand resigned peacefully under strong political pressure soon after the crisis in 1997, while the less democratic government of General Suharto had been in power for three decades and tried to survive waves of student and other popular protest before finally giving up in 1998.

Democratization and political stability are rather crucial conditions for solving severe economic problems because such a crisis involves mass psychology. Democracy with political stability provides a conducive environment for the emergence of solutions acceptable to a majority of people. A similar argument can be made for Korea under the leadership of President Kim Dae Jung.

A gradual process for increasing democratization in Thailand also implies increasing the

degree of decentralization, as well as increasing scope for direct participation of people in the democratic process. This is the main ingredient for producing a more equitable distribution of political and economic power among the people, and especially a more equitable distribution of economic wealth, the main ingredient determining sustainable development. Increasing the degree of democratization thus not only means better management (or good governance) on the part of the government; it also means increasing empowerment of people that will eventually lead to a more equitable distribution of wealth, as well as a more sustainable development.

As already mentioned, one major contributing factor to the crisis was the gap between domestic savings and investment. Countries with high rates of domestic savings (such as Japan, Taiwan, and Singapore) did not suffer as much from the crisis. One way to solve the problem is to reduce investment to match the level of domestic savings; the other is to increase domestic saving through two main means.

At a macro level, there should be increasing efforts to institutionalize savings by increasing funds for social security, through pension funds, funds for health and medical care, and various forms of fund that provide better social safety nets for the underprivileged and those living under critical conditions. Another macro-level measure would be to change the budgeting system from an annual budget to a rolling budget. This would not only allow most government agencies to use their budgets more efficiently, but would also enable them to accumulate their own reserves for use in a lean year. This may currently not appear an acceptable suggestion for good management of fiscal policy. However, taking into consideration the massive amounts of global capital that are beyond control of national governments of small economies, such a country should focus more on its own built-in stabilizing mechanism, rather than hoping to rely on the country's fiscal and foreign exchange policy which have proven to be largely powerless instruments during the crisis.

At a micro or grass-roots level, a system of credit unions or various forms of saving groups should be encouraged. This would not only increase domestic savings but would also assist in decentralizing political and economic power, and would promote a more equitable distribution of economic wealth. In Thailand, the total amount of such funds is currently estimated to be around 40,000 million baht (about US\$1 billion), which is very small in comparison with a foreign debt around 4 trillion baht (US\$100 billion at the current rate of exchange). Nevertheless, it represents a move in the right direction for the future.

An attempt to satisfy needs should be considered part of the effort to achieve a sufficiency economy at various communal levels. At the village level, people should be encouraged to discuss and identify their own needs and how to satisfy them. At higher communal levels, various civil society associations can be formed from various groups to perform similar tasks in the larger geographic and administrative areas. In this way, a sufficiency economy can be organized at various levels of communal responsibility. The main task is to plan for production and distribution of goods and services to meet the needs of members of the community, with the goal of enabling them to achieve economic sufficiency. Trade will still play a crucial role in this endeavor, by bridging deficiencies and surpluses among various communities. The only difference from the current situation is that production to satisfy domestic needs should be given a priority over production mainly for trade.

Experience from the economic crisis suggest that these three approaches—to improve the

degree of democratization, to increase domestic savings, and to give higher priority to production to satisfy domestic needs over production purely for trade—should lead in the direction of a more sustainable development for small economies in the Asian region. The next logical step that should be taken is to focus more on the common goal of sustainable development of the whole East and Southeast Asian region, and to try to formulate coherent, consistent and clear ideas for the viable implementation of these approaches. The purpose of this paper is only to provide a signpost pointing to the appropriate direction.

Conclusion

The Asian economic crisis has resulted in a shattering of confidence and growth prospects for many nations, and has brought considerable hardship to owners of financial establishments and related activities, as well to millions of workers and their families who have been unemployed or otherwise impoverished. The crisis provides a unique opportunity to rethink the development directions followed in the past, especially in the region. In the process of reviewing the crisis, a natural reaction is to look for factors to be blamed for creating it. This paper suggests that blame can be directed to the IMF and Bretton Woods system, as well to the inadequacy of the control mechanisms that were in place at the time of liberalization of the financial system. Although, there is a lot of truth to such claims, the implications for measures to be taken to prevent future crises are neither practical nor very encouraging, as such measure would not lead to long term economic or social sustainability. A more realistic assessment of the situation, which offers better prospects, involves a more critical analysis of probable causes, both internal and external. Externally, the problem has been caused by rapid mobilization of international capital, especially short-term capital mostly for short-term financial gain. Internally, the problem is caused by “greed” and “waste,” generated by “growth-oriented” development strategies, a cause reinforced in Thailand and most other countries by an inadequate process of democratization.

Such a realistic assessment suggests a fresh approach to strategizing for and achieving a more sustainable development can be devised, the components of which include:

- Improving the democratization process within each country, especially at grass-roots level, through determined efforts at decentralization and encouragement of direct political participation.
- Adjusting investment to match domestic savings through various forms of institutional restructuring at the macro level, as well as through continual mobilization of savings at the grass-roots through various forms of micro-level saving groups.
- Planning production with the aim of satisfying needs at various communal levels, as part of the plan for creating critical components of a “sufficiency economy” within the framework of the national economy.

Intra-regional trade within each country, as well as international trade within the Asian region and beyond, would still remain crucial to meeting those needs that cannot be adequately provided for locally domestically. Trade of surplus items would still be useful and necessary. Nevertheless, production for trade alone should no longer be the prime or priority objective.

The paper merely intends to provide a signpost pointing the way to a more sustainable development among economies severely affected by the recent crisis. More detailed studies are clearly needed to refine and actually implement this new approach.



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Economic Ethics, Environment and Buddhist Economics ¹

Abstract

This paper attempts to show that there is in fact, value judgement in the form of humanist ethic of the utilitarian strand in the argument of the so-called positive or mainstream economics. This form of value together with that of libertarianism, the other strand of humanistic ethic can lead to environmental destruction as well as self-destruction of a human race, if being applied without careful consideration. Income constraint, the only economic constraint to consumption activities, does not really relate to the real world of absolutely limited resources. The introduction of inter-generation utility, equality or justice in order to impose additional constraint on consumption is not so helpful because the concept cannot be clearly understood for practical purposes.

Buddhist economics can actually resolve the said problem. The clear understanding of the real world, the way it is and to behave accordingly is the one and only way out of such gloomy prospect. The key concept is that human beings can be happy (tranquil) with minimal utilization of resources provided that they understand the concept of happiness clearly. This way, a happy world is not beyond human reach if the emphasis is on accumulation of *panya* instead of material wealth.

Introduction

Economics as a subject taught in most academic institutions globally generally known as mainstream economics has made a rather rigorous claim of being a positive science, analytically objective with value free. Such false claim is based more or less on two main features. First, its analysis is based on pure reasons or 'rational' of 'self-interest' observed from human behavior. Second, its analytical method is strictly a scientific one based on logic and its mathematical derivation thereof. Consequently, it should have a status of hard science among most social sciences, subjects which are considered to be "soft" ones.

Ironically, anything that is 'hard' will not be able to change or being adjusted without damage or broken, while the real world actually operates more or less on continual changes or adjustments. Therefore, the hard sciences do not seem to fit the real world. To be more precise, the problem of the so called 'hard' sciences of economics results from a specific form of mathematics derived from Aristotelian sets of black and white logic where the entire large area of the gray in the middle are completely excluded (Rothbard, 1995: 3-4). Better set of logic explaining all possible cases is fuzzy logic where black and white are included as the two extreme cases among different shade of the gray (see, Kosko, 1994). Mathematics developed from such set of logic will be much closer to reality. On the other hand, 'self-interest' is also very much important concept needed for all living things, including plants, up to a point of each individual survival. Such natural instinct is crucial for the continuation of lives and the survival of species. Beyond basic needs for survival, self-interest can develop into desire and greed, the level that could results in exploiting other living things as well as the person with such excessive desire or greed, unnecessarily.

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In a tradition of Buddhist economics, the move into area of desire and greed is a less efficient or inefficient utilization of resources and environment, because it is already beyond the needs to maintain one's own life. By not differentiating between 'self-interest', desire and greed for fearing of adopting value judgement and becoming less scientific, economists tend to adhere to 'hard' science at a sacrifice of reality. As a result, self-interest considered as human virtue regardless of its varying degrees could turn into vice, hurting the others as well as the owners of the desire or greed themselves. Under such circumstance, the said action can be considered as being very much unwise by any conceivable standard.

In fact, what most economists do not realize is that economics is not a value free subject. Like many other subjects developed in the West, economics has adopted utilitarianism as its own innate value without questioning its root or the origin of such value. To bring this argument home, let us observe closely the following quotation from the Genesis.

" And God said, let us make man in our image, after our likeness: and let them have dominion over the fish of the sea, and over the fowl of the air, and over the earth, and over every creeping thing that creepeth upon the earth" (Genesis 1: 24-28)

Such quotation is in fact, the foundation of utilitarian ethic adopted by most mainstream economists. Fortunately, utilitarian ethic is not universally accepted though. Other rival moral philosophies exist, with quite different implications for right or just behavior. Conservationists and environmentalists often appear to subscribe to quite different ethic, according human preferences much less primacy (Perman, Ma and McGilvray, 1996: 24).

Ethical Foundation of Naturalist

In general ethical foundation developed from the West can be divided into two major strands, naturalist and humanist ethics. In humanist philosophies, rights and duties are accorded exclusively to human being, either as individuals or as communities. Whilst humans may be willing to treat other species tenderly or with respect, non-human things have no rights or responsibilities in themselves. A naturalist ethic denies this primacy or exclusively to human beings. According to naturalist ethic, values do not derive from human being, have no human psychological basis, nor reside in human exclusively. Rather, rights can be defined only with respect to some natural system, including living and non-living components (Perman, Ma and McGilvray, 1966: 25).

A clear example of naturalist ethic can be shown by the expression of Aldo Leopold (1949: 262)

" A thing is right when it tends to preserve the integrity, stability and beauty of the biotic community. It is wrong when it tends otherwise."

Such position is taken by environmentalist writers, the position described by Peter Singer (1993) as a ' deep ecology' ethic. For example, when industrial developments are being proposed that would entail large environmental impacts, a deep ecologist might argue that the project would not be right, if significant disturbances to affected ecosystems are likely to occur.

Such value was widely advocated by environmentalists and economists in the 1970's with the attempt to clearly establish man's obligation to non-human being. This value has its philosophical root from Immanuel Kant. For Kant, an action is morally just only if it is performed out of the sense of duty, and is based upon a valid ethical rule (Perman, Ma and McGilvray, 1996: 26). Kant suggests *categorical imperative* as a basic for ethical behavior. It is a principle of respect for persons. This principle states that no person should treat another *exclusively* as a means to his or her end. This follows that all persons should be treated with respect and moral to which each person is entitled.

Kant's philosophies are very close to Buddha-Dhamma (a teaching of Buddha) that emphasizes human intention. Good intention will bring about good result, bad intention will result in the opposite.

Richard Watson (1979: 99) extends the said concept to the others, specifically, to some higher-order animals. Warnock (1971) further extends the concept to cover all sentient beings which have the capacity to experience pleasure or pain. Kenneth Goodpaster (1978: 75) concludes that all living beings have rights to be considered by most moral agents.

Such position is very much close to that in Buddha-Dhamma that emphasizes on loving kindness to all sentient beings. The closeness of the two positions is not accidental. In fact, Buddha-Dhamma has its root in the clear understanding of nature and the clear understanding of natural laws that will lead to harmonic living among man and all sentient beings as well as nature. Loving kindness to all sentient beings results from the true understanding of such nature. This latter part is the clear departure of Buddha-Dhamma from that of the naturalist school, because loving and kindness for all sentient beings results from the true understanding of nature and its laws. It is not part of a moral imperative or certain ethical stand. Such position is diagrammatically opposed to that quoted in the Genesis.

Humanist Ethic

Within the humanist ethic, there are also two strands of thoughts, one is utilitarianism and the other is libertarianism. Both shares the common view as quoted in the Genesis that right are exclusively of human beings. However, the utilitarian school judges outcomes in term of the degree of utility which is achieved by society as a whole or 'the total level of happiness or pleasure in society'. Libertarianism asserts and is built upon the fundamental inviolability of individual rights. There are no rights other than the rights of individuals, and economic and social behavior is assessed, in terms of whether or not it respects the rights of individuals. The social good or social well-being has no meaning except that of a situation in which individual rights are respected. Nor is it meaningful in a libertarian framework to define community or group rights (Perman, Ma and McGilvray, 1996: 27). For libertarianism, self-interest is expressed at its extreme.

Unlike rules-based moral philosophies such as that of Kant, utilitarianism is a consequential philosophy; the moral worth of an action is determined solely by the consequences or outcomes of the action, John Stuart Mill proposes the principle of utility or the 'greatest happiness principle' as the foundation of an ethical theory. Actions are right or just in proportion to the extent to which they tend to promote happiness, pleasure or the absence pain. Pleasure and the absence of pain are the sole desirable of human activity (Perman, Ma and McGilvray, 1996: 28).

One major weakness of utilitarianism is that, while utilitarianism advocates for the greatest happiness principle, it is also generally acknowledged by most economists that utility for each individual cannot be meaningfully measured for the purpose of inter-personal comparison. Consequently, the greatest happiness principle can never be realized. Such weakness gives rise to libertarianism that emphasizes individual rights and individual utility. The compromise between the two is to accept what so called Pareto improvements or Pareto optimality, in that, the whole society will be better off if none is worse off. This position implicitly accepts inequality or the maintenance of status quo, the cardinal principle of libertarianism.

As economic subject increasingly focuses on production and consumption especially consumption as almost the sole activity for utility generation, under income or wealth constraint, the

only way to increase individual utility as well as societal welfare is to increase the level of consumption, and the only way to reduce such income constraint is to increase production. As it has become quite obvious that production cannot increase indefinitely without severe repercussion on global resources and environment, starting from *The Limits to Growth; A Report for the Club of Rome's Project on the Predicament of Mankind* by Meadows and Meadows in 1972, followed by OPEC's demand for rapid increase in oil price during 1973/74 resulting in stagflation of most advanced nations towards the end of the 1970's. As soon as most advanced nations were about to recover from the first oil price shock, the second hike of oil price during 1979/80 resulted in another round of global economic setback. In spite of the two shocks in oil price, the world is now suffering from the effect of the greenhouse gases or global warming caused by over utilization of fossil fuels and rapid destruction of global forests especially the tropical ones. It is now the time for economists to contemplate more seriously on their interpretation of utilitarianism. One aspect of this criticism is the assertion that individuals are, as a matter of fact, motivated by something rather broader than utility in the sense that have been used. The new concept of well-being has been introduced in place of utility.

Sen (1987) certainly believes that the distinction between the two concepts exists and is significant. Sen regards well-being as a multi dimensional quantity, depending not only on what individuals have achieved or attained in the way of goods and services, but also on various attributes they enjoy as citizens. Of particular importance is the natures, and the extent of freedom they possess. Such position will bring utilitarianism under the new meaning of well-being close to the explanation of happiness in Buddhist economics.

Unfortunately, the 'scientific' utilitarianism is not quite comfortable with such 'value loaded' explanation of Sen. Additional constraint on top of the failure to work of income is being searched for. The new constraint is found, known as inter-generation consumption constraint or justice. A novel search for workable concepts of inter-generation utility or justice is continuing without any visible end.

Buddhist Economics as a Solution for an Endless Search

If economics developed in the West is defined as a subject dealing with how an individual will obtain *optimal satisfaction* under resource constraints and how the society will reach *optimal social welfare* under similar condition; Buddhist Economics is a subject dealing with how an individual and a society can achieve *happiness and peace* through human interaction with material world, under the condition of resource constraints (Apichai, 2000, Chapter 1). The reason for defining the word 'economics' first because it is a western concept. Buddhist economics implies the imposition of Buddhist paradigm especially the paradigm relating to human being available in Buddha-Dhamma onto economics.

From the first glance, the two definitions appear to be very close or similar in their meaning. However, the real difference is in the emphasis. While in the West, the emphasis is on optimal or maximum 'satisfaction' of an individual and optimal or maximal 'social welfare' for the society, the Buddha-Dhamma emphasizes 'happiness and peace'. The point of departure argued in Buddhist economics is that 'satisfaction' and/or 'welfare' do not necessarily lead to 'happiness and peace'. Here the word 'happiness' has to be redefined in a Buddhist tradition. It has entirely different meaning than that understood in the West. To be 'happy' in the West may mean to enjoy, be gratified, satisfied, delighted, excited, and passionate or fascinate (Puntasen, 1996: 69). None of

them carry the meaning a peace of mind. While that in Buddhist tradition, happiness and peace actually means a peace of mind or tranquillity.

According to Buddha-Dhamma, the concept of happiness in the West propounded earlier only leads to temporary excitement or enjoyment, it does not have a long lasting impact as tranquillity. The reason we all want tranquillity or peace of mind is because we want to avoid being in the state of constant conflict, contradiction, alienation, troublesome, anxiety, pain, uneasiness or suffering or misery or in a Buddhist tradition, *dukha*. To attain a peace of mind or happiness or *sukha* is opposite to that of *dukha*. *Sukha* and *dukha* is a different side of the same coin. They are coexisting and can be varying by different degrees. More *sukha* means less *dukha* and vice versa. Like temperature, if *dukha* is like heat and *sukha* is like cold, more heat is less cold, and conversely.

The logic applied to Buddha Dhamma is a fuzzy logic, there is a lot of gray area, not black or white, right or wrong, pleasure or pain. In fact, pleasure can be pain if being achieved mischievously, for examples, through self-intoxication, through gambling, through adultery or other devious means. Eventhough, pleasure or satisfaction is obtained through a noble course, it is still only an instantaneous incident with no long lasting effect. Upon being satisfied, more desire is likely to be stimulated after, if not right after.

On the other hand, if the *dukha* is diminishing, the *sukha* will be increasing. With no *dukha*, the *sukha* will be absolute and lasting. By the definition of *dukha* discussed earlier, to reduce *dukha* does not require consumption beyond biological and basic physical needs in order to maintain human dignities and the full functioning of human faculties. Beyond such basic needs, consumption is for more satisfaction of an instantaneous nature without any long lasting effect and only results in more spiral of desires that requires higher hierarchy of consumption, later. More and higher hierarchy of consumption requires more production, more waste, more resources, and more deterioration of the environment as well as ecological system. As a result, to maximize satisfaction implies to consume resources to their physical limit or beyond, if the absolute physical limit is not detected or recognized.

Resource constraint understood in common by economists is income or personal wealth of each individual. Since income is a human convention or a man made concept, it bears no relationship to actual physical resources. Income can be generated by human being collectively indefinitely while physical resources are absolutely limited. Consequently, income as a constraint is not a real constraint. To maximize or optimize satisfaction through income constraint can easily result in utilization of resources beyond their absolute physical limit. Consumption beyond absolute limit of natural resources means the end of human civilization. It can be clearly visualized by the above set of logical sequences as to why main stream economics or economics originated from the West can result in a self-destruction of human race.

As already discussed, the reduction of *dukha* does not require consumption of resources beyond basic needs but based upon more understanding of the way everything is, and not being distorted by our own feeling of like or dislike, our own perception or preconceived ideas, or our own intention. Such distortion is a root cause of ignorance that prevents us from understanding everything the way it is. If we can understand everything at its own nature, we shall have good reasons to explain practically all events that affect 'us'. The word 'us' in quotation implies also that there is no such thing as 'I' or 'me' or 'myself', because what we usually understand as 'I', 'me' or 'myself' is a temporal aggregation of basic elements.

Without such specific aggregation within a clearly defined instant of time the 'us', 'I', 'me' or 'myself' does not really exist. Nothing can affect the non-existence. Eventhough, the 'us',

'I', 'me' or 'myself' does exist, the fact that everything is clearly understood in terms of causal sequences of events, no doubt, everything can be clearly explained. As a result, there is no reason to be anxious, alienated, pain, in conflict, contradicted, suffered, or *dukkha*. To understand everything the way it is, is to have *panya*, the one and only effective remedy. The accumulation of *panya* does not require consumption beyond basic physical needs. In fact, consumption beyond basic physical needs or excessive consumption will result in increasing distortion of human mind and the distraction of *panya*. Such consumption behavior results in inefficiency of consumption, the concept that has never existed in the mainstream economics but can be clearly explained by Buddhist economics.

In fact *panya* can only be accumulated through contemplation and deep thoughts. Meditation is a useful technique to facilitate such action. Loving and kindness and always having good intention towards all sentient beings is a useful training that will lead to self-discipline unconsciously, that will, in turns, generate a continual calm state of mind or tranquillity achieved through meditation. The three forms of training, namely, always having good intention, having calm mind through meditation and contemplation or having deep thoughts in order to understand everything the way it is, known as *sila*, *smadhi* and *panya* must always be developed altogether simultaneously. One cannot be accomplished without the support of the others.

The three forms of training once started will result in a virtuous cycle. The end product will be clean, calm and clear mind, the stage of nirvana, the absolute eradication of *dukkha*. It can be clearly understood that such stage can be reached without extra consumption beyond basic needs. The only requirement is persistent practices of the three forms of training simultaneously. Consequently, individuals as well as society can actually reach the stage of happiness and peace without much utilization of resources. There is no need to introduce the confusing concept of inter-generation rights, justice or utility.

If the humanist ethic is now reintroduced for the sake of comparison with that of Buddha-Dhamma, the Buddha-Dhamma also consists the combination of the two strands of humanist ethic in a much more graceful way. One hand, at an individual level of a libertarian strand, it helps liberate humanity from greed, delusion, and hatred and anger, the ultimate freedom from all evils for humankind. At the societal level of a utilitarian strand, it will help bringing about societal or universal peace at very minimal resource cost. The beneficiaries are not limited only to human beings but also all sentient beings, the aspect embraced by naturalist ethic as well. Also, there is no specific value required for the application of Buddhist economics as that of the utilitarianism in the mainstream economics.

Conclusion

This paper attempts to demystify the 'positive' or 'scientific' cloak of economic subject developed in the West. The basic false is the belief that economics is a value free subject which is in fact a value loaded one. The value implicitly referred to in economics is humanistic ethic with a strand of utilitarianism. If being applied without any caution or reservation, it could lead to self-destruction or the end of human race.

The other false of economics is a 'scientific' guise through the adoption of a specific but an outmoded branch of physics, namely, a Newtonian physics, of trying to be an 'exact' sciences providing definite answer of true or false through the application of a specific but very popular form

of mathematics derived from Aristotarian logic of black and white with the absence of a large gray area in the middle. Consequently, economics has been developed into a ‘hard’ science that does not fit the existing continual changing world.

Exposing the two major flaws in contemporary economics will result in correcting the subject that is potentially harmful to humankind to the one that will be more useful for the purpose. The fatal mistake of the subject is the narrow understanding of human being as a *homo oeconomicus* or an economic man introduced by Alfred Marshal (1842-1924). As a result, human being has been reduced to only a consumption machine, and consumption has turned to be the one and only activity capable of generating utility or satisfaction. The only constraint to such insatiate desire of human beings is income, a human convention that has no bearing to the real world. Consequently, resources can be utilized for production and consumption without their natural limit, physically. The result will be the end of human civilization.

In order to rescue the economic subject from being a dismal science in the real sense, understanding of human being in a new light is needed. Such reorientation also requires the understanding of the new set of logic that the world is not full of black and white but the whole lot of gray area. There are actually different degrees of human reaction to a material world ranging from self-interest for the sake of the need for basic survival to desire, the want beyond basic necessities, and greed, an excessive need that could be harmful to the others as well as the owners of such greed themselves. Although there is no clear demarcation among different set of such individual reactions to material world, the fact that the differences do exist, assuming the none existence of such differences, amounts to rejection of the real world or to invite ignorance onto ourselves.

Buddhist economics faces such challenges squarely. Its only emphasis is to understand the world the way it is through *panya*. If everything that represents the real world or the real situation is clearly understood, there will be no reasons for pain, sorrow, sadness, conflict, contradiction alienation, suffering, uneasiness or *dukha*. Attainment of tranquillity or permanent peace of mind only requires clear understanding of everything as it is. It does not require excessive amount of consumption beyond basic physical needs. In fact, excessive desire for consumption resulting from desire or greed only results in the distortion of mind and the distraction of *panya*.

Understanding the true nature of human being this way will result in a tranquil world not only for human beings but all sentient beings as well, with minimal utilization of global re-



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An Institutional Approach for Environmental Protection through Analysis of Incentives: A Case Study of Forests in Thailand

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1. Introduction

In typical studies of environment and environmental protection, especially by environmentalists, factors that have been given much emphasis are direct as well as indirect costs from the environmental degradation. It is more or less their conventional belief that the most effective method to counter the said problem of environmental degradation is by increasing the general awareness of the problem by the public as well as those who are directly involved. Conventional economists would normally suggest solutions based on price mechanisms. The idea of polluters- (or those who cause environmental degradation) pay is their fundamental principle. Another approach normally suggested by those who have the authority to safeguard the environment is through rules and regulations. The first approach may be called consciousness or awareness raising. The second may be called price mechanisms or the polluter-pays principle, while the last may be called the rule and regulation approach. All these three approaches can be broadly classified under the general heading of incentive schemes or systems. There are various forms of incentives involved that serve as a deterrence against potential environmental degraders. For example in the first approach, fear regarding common survival in the future, operating as a negative incentive will serve as the deterrent. The common thought of leaving an acceptable environment to future generations will serve as a positive incentive for environmental protection for the group of conscious citizens. As for the second approach, theoretically, the cost will directly incur to individuals who cause environmental problems. The cost will serve as a negative incentive to deter action of potential problem makers. However, most economists also know that price mechanisms will operate effectively only when other cheaper alternatives are available. This is because consumers or polluters base their decisions on relative and not absolute prices. The last one, the fear from being punished for not complying with the rules will serve as a negative incentive for potentially environmental degraders.

All the three approaches adopted by developed countries work reasonably well. There have been continual debates on which approach is the most effective. General consensus is that the environmental degrader-pays principle is more effective than the rule and regulation approach, if the choices are confined to these two. In the environmental degrader-pays principle, theoretically, the punishment is effective as soon as the person takes the action, since he has to pay more for his actions right away, under the assumption that the full environmental degradation social cost is adequately calculated. While in the rule and regulation approach, a person may be able to avoid penalty if he is not being or monitored.

There is also a general consensus that even though price mechanisms are the most effective tool, it is generally advisable to keep the rules to complement them. At the same time, raising awareness of the general public is also quite helpful the long run.

There are clear reasons why the three approaches work reasonably well in developed countries. First of all, citizens in developed countries are generally well-informed, through both formal and informal systems of education, compared to their counterparts in developing countries. As a result, conscious raising can be carried out across the board although in some cases actual actions require much strong will on the part of the citizens themselves because such actions involve radical changes in their own pattern of consumption and lifestyles. Radical changes are usually difficult for those who are completely addicted to consumerism. Secondly, the price mechanism does normally function very well especially in the advanced market economies, as monopolistic elements are generally less prevalent. The functioning of the price mechanism has also been supported by a reasonable degree of awareness from the general public discussed earlier. In addition, policing rules and regulations are more effective in advanced nations where citizens are generally more informed than those of their developing counterparts.

Consequently, it can be clearly understood that measures which generally work well in developed countries, major concerns on environmental degradation are closely related to their natural resources, such forests, mountains, watersheds, river basins, and shoreline mangrove forests. These resources are generally safeguarded by the respective government does not operate in the conventional sense for these specific resources. In terms of sustainable management, some of the above natural resources such as forests and watersheds can be better understood and managed under the concept of common property resources (See, Gibbs and Bromley, 1989 and Bromley, 1993). Worse still, in developing countries the unequal distribution of political and economic power among different socioeconomic groups helps aggravate the situation.

Under such circumstance, for the majority of the poor in those countries, daily survival is prime concerns. Environmental awareness or consciousness raising for this group will simply not amount to any effective results since their daily survival takes priority over conservation. At the same time, affluent people with political and economic powers tend to exert their influences in order to gain more. They tend to encroach onto public domains for personal gain. As a result, the poor must do the same thing for their own survival. It appears as if the two groups help each other extort public goods which are vital for a sane future. The government officials who are supposed to enforce the rules and regulations, in their usual practices, help to facilitate the said activities or turn a blind eye on them in exchange for compensation to supplement their low-paid jobs in the public sector. Consequently, it is not possible to manage such resources in the form of public properties for long-term sustainability.

It can be clearly seen in this case that the existing incentive system actually reinforces the rapid destruction of environment in developing countries. Not surprisingly ecosystems deteriorate very rapidly in these countries. Conventional measures that usually work well in developed countries simply turn out to be ineffective, under the outlined conditions. For the reasons discussed above, the whole incentive system in developing countries must be analyzed thoroughly in order to gain fresh understanding before any corrective measures can be suggested.

2. Forests in Thailand

In this paper, the author will analyze the case of forests in Thailand in order to probe into the presence of the incentive system as a major factor explaining the rapid decrease in forest areas there. After the whole incentive system is clearly understood, perhaps some corrective measures can be suggested. However, if major obstacles are not eliminated, there may not be any viable

solution in the short run. Nevertheless, the point of the exercise is to gain some in-depth insight into the actual situation and hopefully to be able to make some suggestions in the longer run so that management of forest resources for sustainable use in Thailand can become possible. Obviously, as soon as the nature of sustainable management is introduced, the concept of common property becomes an integral part of the overall analysis of the incentive system.

Unlike forests in warm or cold climate countries, forests in Thailand are tropical. At a time when most of the world's unpopulated land areas were covered by forest, wood or timber was considered the only major product from forest. This traditional thinking still continues today in spite of the fact that many forest areas have already disappeared from the face of the earth, to be replaced by deserts, agricultural land and/or human settlements. Under such conditions, the major forest products especially from tropical forests, are no longer wood or timber. They are the assurance for continual supply of water for farmers and city dwellers, their function as regulators of a more steady flow of water supply all year round, providing continuous supply of natural fertilizer to top soil, keeping the top soil from being eroded, absorbing carbon dioxide and simultaneously countering the adverse results of global warming, releasing oxygen vital to all life on earth, and maintaining and generating biodiversity, the most important global resource for the future. Timber is the least significant product from forests, in comparison with all the others discussed above.

Since it helps to provide a constant flow of water supply and to maintain soil fertility, by its very nature forest becomes a "regional" good. The status of "World Heritage" given to Huay Kha Khaeng and Tungyai Naresuan Wild Life Sanctuary in Thailand is not far from the concept of "global goods." This concept results in a higher degree of complexity in management than the typical concept of "public goods" as currently understood by the Thai government. The real problem of forests as a specific form of property is how to persuade all potential beneficiaries to share the costs and how to distribute the benefits accrued fairly among them. As for the general public in Thailand, the question which is most directly relevant to them is who should conserve or protect the forests from being looted for timber and citizens in the much longer term. Without a clear understanding of the rather complex structure of the whole incentive system based in part on the concept of common property, the task of tackling the problem could be formidable.

3. Disincentives Caused by Macro-Structures

Within the space of less than a century, forest area in Thailand has shrunk from 35.9 million hectares or about 70% of the total land area of Thailand in 1910 (Department of Agricultural Economic 1991) to 13.6 million hectares in 1991 (Royal Forest Department 1993), a little more than one third of the forest area of 1910. With the continuation of the reduction in forest area left in 1996 is only around 12.8 million hectares. Most rapid rate of reduction in forest area in Thailand took place during 1961 to 1988. In 1961 the forest area in Thailand was found to be 53.3% of total land area or about 27.4 million hectares. Within the period of 25 years, that was in 1985, the area was reduced to 28.0% of the total land area or about 14.4 million hectares, a little more than half of the forest area available in 1961.

The year 1961 marked the beginning of the first Economic Development Plan in Thailand (1961 – 1966) followed by a new Plan every five years after then. For the two Plans (1961 – 1971), the aim of the Thai government was to transform the country from an predominantly agricultural economy into an industrialized nation through the promotion of import substitution industries. The first two Plans emphasized investment in infrastructure and the stimulation industries. The first

two Plans emphasized investment in infrastructure and the stimulation of industries, using funds from agricultural and timber exports to finance the two former activities. The evidence was substantiated by the fact that in 1967 while the forest area was reduced to 48.0% of the total land area, agricultural land was increased to 28.0%. During that period, the policy of the Thai government was to maintain the total forest area at 50% of total land area. By 1967, the government realized that the said target had not been achieved. Yet in 1968, it was pushing further to renew timber concessions covering more than 500 forests all over Thailand (Pragtong and Thomas 1990). This decision actually implied that the government was ready to sacrifice its conservation policy in order to gain more foreign exchange to finance its planned industrial growth.

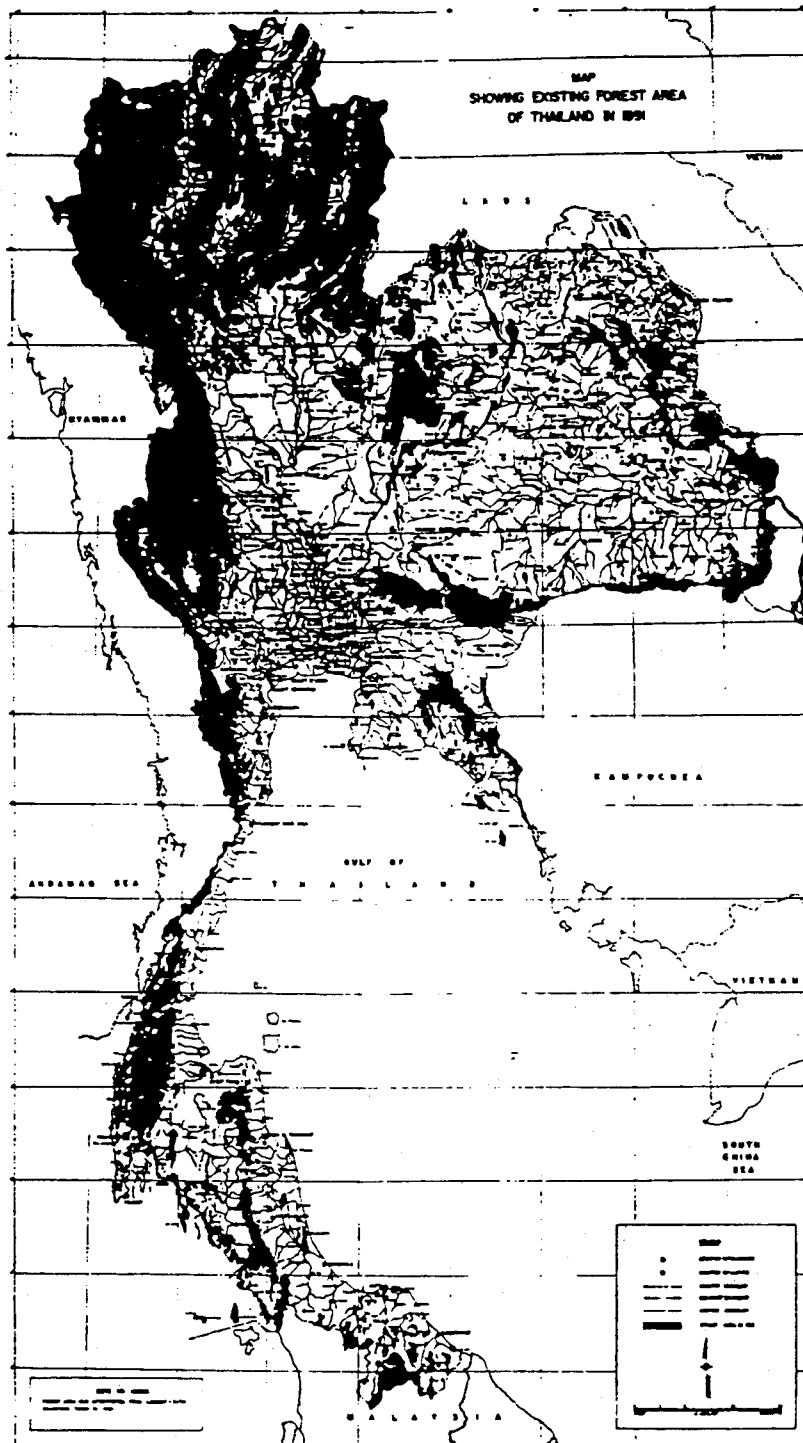
Another factor explaining the rapid reduction in forest area in Thailand was the construction of strategic roads for suppressing the insurgents led by the Communist Party of Thailand especially in the Northeast. The policy of the Thai government at that time was to press for rapid industrial development at the expense of rapid reductions in forest area in order to generate increased exports of agricultural products. According to the goal of assuring an abundant supply of cheap labor to stimulate industrial growth as well as to maintain a low cost of living domestically, the Thai government imposed high taxes on agricultural exports. These development strategies caused bankruptcy for subsistence farmers and resulted in strong resistance which developed into armed conflicts, especially in the rural areas. The communists built bases in the jungles, and the government troops responded by building security roads throughout disputed areas in order to ensure supply lines to their troops as well as to flush the communists from their strongholds. Many forests were destroyed in this process. It has been estimated that in 1944, an average village in the northeast was 14.5 kilometers away from a standard asphalt road. In 1980, at least 96 percent of the villages were within one kilometer of an asphalt road (Binswager and Panpiemraj 1983). A detailed study on this subject was done by Smuthvanich and Snitvong Na Ayuthaya (1992).

In conclusion, the unbalanced policy of national development began in 1961 with heavy emphasis on the rapid expansion of the industrial sector, especially in urban areas, through heavy exploitation of the surplus from rural areas, and especially that of the agricultural sector. It has resulted in widening socio-economic and political gaps between those in industrial and service sectors in the cities and the majority of rural poor. Influential people in cities have gained great political-economic power compared to their rural counterparts, empowering them to generate more of their economic wealth from the rural sector through the accumulation of land. Consequently, land in general, and especially rural land, has been transformed from merely a factor of production into a commodity or an asset most suitable for speculative purposes. As a result, land prices, particularly in rural area, have become much higher than actual productivity, resulting in too high opportunity costs. Within a period of less than 30 years, land prices in most rural areas increased more than 100-fold. This rapid increase has generated very strong pressure for small farmers to sell their lands and look for "virgin land," or forest area safeguarded by the Royal Forest Department. This explains the rapid disappearance of forest land in Thailand since 1961.

The strength of this force pushing for the rapid reduction of forest land was on one hand the result of poverty and bankruptcy of small farmers. It has also been caused by the aggressive activities of those with political and economic power. As it turns out, it appears as if the poor are cooperating with the rich in encroaching on the reserved forests. Of course, the poor actually serve as the front line of offense, while the rich and powerful wait in the rear. Naturally, the poor are normally the ones caught by government officials. As expected, they are the ones who are always blamed as the encroachers.

The most proactive measure for this purpose is to design various forms of land taxes to counter the speculative nature of land holding as a commodity. Unfortunately, the Ministry of Finance has not realized as yet that by not introducing such measure, it has indirectly encouraged the rapid destruction of forest land, one of the most vital resources in Thailand.

Figure 1 Map Showing Existing Forest Area of Thailand in 1991



4. Incentive System Facing Government Officials

Without having any clear understanding of the complexity of the macroeconomic relationship influenced by the whole incentive structure set up according to the development strategies of the Thai government discussed earlier, when asked to outline the reasons for the rapid disappearance of forest land, the following set of reasons were given in 1985 by the forestry “experts” of the Royal Forest Department (Ramitanonda 1985).

- (1) Increase in population and the expansion of agricultural land.
- (2) Shifting agriculture practiced by both hill tribes and low lands.
- (3) Wood carving industries.
- (4) Government policies allowing forestlands to be used for other purposes.
 - Agricultural settlement program where lands were cleared from existing forest.
 - Construction of new roads and highway through forest areas.
 - Construction of large dams.
 - Other related reasons.

(5) Some forms of forest concession caused great damage to existing forests, especially when they were given to monopolized government-and military-related organizations for welfare purposes, although these organizations actually sold their concessional rights to small sub-contractors. Such practices normally prompted sub-contractors to cut down trees indiscriminately in order to recover their costs and to make quick profits without giving much consideration to longer term environmental consequences.

- (6) Illegal cutting of trees
 - By capitalists or lumber merchants.
 - By villagers employed by capitalists or lumber merchants.
 - By villagers who subsequently sell their products to capitalists or lumber merchants.
 - By influential saw millers.

(7) Lack of effective enforcement of the related laws for the protection of forests by responsible government officials.

The reasons given by the professional foresters outlined above actually reflect, more or less, the factual evidences. Unfortunately, they have not thought over the issue deeply enough to uncover the underlying factors which influenced the evidence – the structure of the incentive system discussed earlier. As a result, many government officials, and especially those from the royal Forest Department, still emphasize the need for strict enforcement of laws and orders. Unmitigatedly, there is no convincing reason for why such a proposal will work now when it has always failed in the past. As long as the said system of incentives still exists, strict enforcement of laws and orders will never become effective since there is no conducive environment to encourage such practices.

On one hand, the officials of the Royal Forest Department must have understood very well that any personal gains to be made from strictly enforcing the laws for the protection of forests are much less than the personal risks involved. On the other hand, potential personal benefits to be gained from less strictly enforcing the laws are much greater than the risks from the negligence of their duties. As a result, an average government official will naturally choose to follow the course

of maximizing his or her personal gain while facing moderate or even miniscule risk for not exercising his or her authorities in full. This set of facts implies that outside influences, especially political-economic ones, are much stronger for government officials than incentive and disincentive factors provided by the civil service system.

More interestingly for government officials who have been assigned the task of preventing encroachment into the forests, their private gains in the long run do not coincide with the continued existence of the forests because they are neither planning or are expected to settle permanently near the forests. This last argument implies some long-term economic benefits for those who actually settle near the forests. It would be interesting to spell out all these long-term economic benefits if they actually exist. For if these benefits are significant enough, they might be instrumental for providing strong incentive to those who live nearby forests to protect them for their own long-term personal gains.

In sum, the existing incentive system facing government officials does not coincide with the long-term protection of forests. In other words, given the current set of incentives in civil services as well as the many adverse external influences, government officials cannot be expected to safeguard the forest as they have been originally expected to.

5. Incentive System Facing People Settling Around The Forest

Before getting into the details of conditions required for people to settle around the forests and protect them for their long-term gain, the general pattern of topography for different regions of the country should be observed in order to gain some in-depth understanding of the sets of incentives facing people living in those areas. For example, a study done by the author (Puntasen, 1994) reveals that in the North, where the topography is somewhat like Japan, since most of the area is covered by steep hills and mountains, while arable lands are quite scarce, farmers must keep a limited amount of arable lands continuously fertile in order to ensure optimal yields from the limited cultivable space. There has been clear evidence that people in many communities organized themselves into conservationist groups to protect watershed forests where springs originate in order to ensure a continuous supply of water all year round. They also organized themselves into water management groups know as “mueng fai” to organize the construction of small dams and to maintain them as well as to manage the distribution of water and to ensure fairness to all members. These irrigation groups are usually the ones who look after the forests. A survey done by a research team in 1992 covering eight provinces in the upper northern region revealed a total of 153 of such groups (Chamarik and Santasombuti 1993).

In the South where people earn their living growing rubber and fruit trees, after sensing the danger that water shortages resulting from the over-cutting of trees in natural forests could cause damage to their trees, many such farmers organized themselves into conservation groups and agreed to ban logging activities among themselves as well as to prevent outsiders from doing so (Puntasen, 1994).

The conservation of forests by the groups has been clearly proven to be much more effective than that under the responsibility of the officials of the Royal Forest Department. The reason is rather obvious. Those groups of farmers have a vested interest in conserving the forests for their long term gains, while the latter do not. In fact, their short term personal gains coincide more closely with illegal cutting of trees in exchange for illegal compensation for allowing such activities to take place.

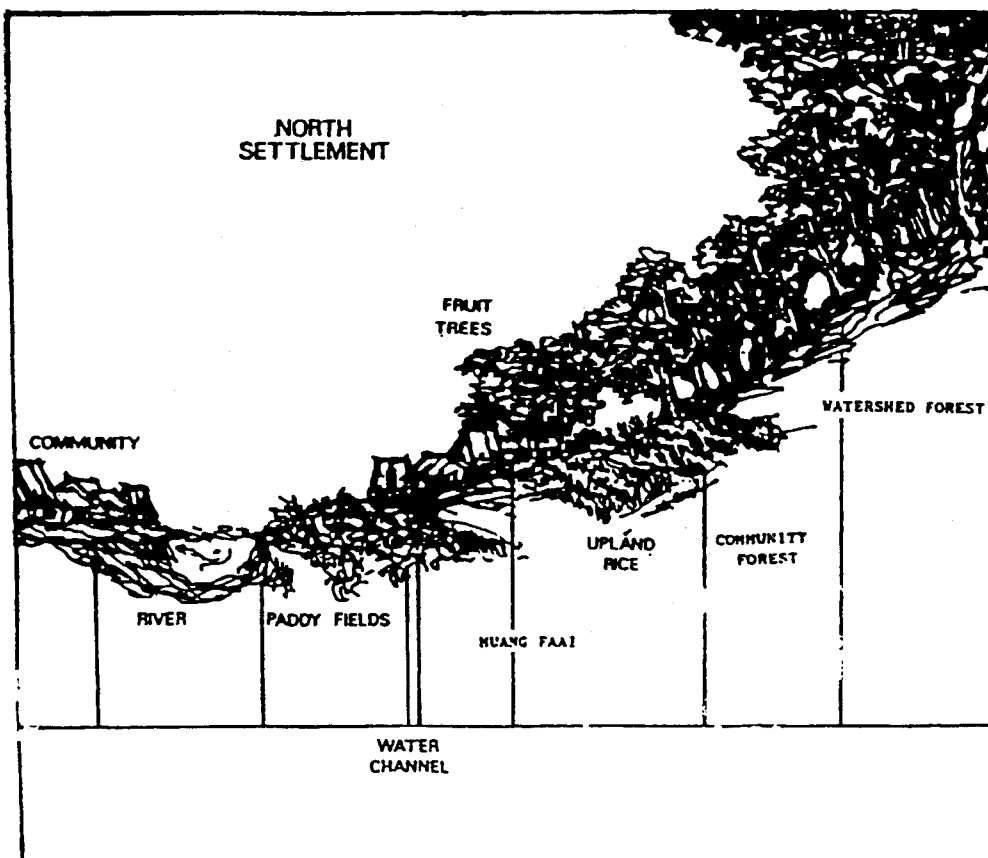
In the Northeast, where the majority of land area consists of plateau and most land are not so fertile, the basic function of forests is to provide nearby residents with basic necessities such as food supplies, medicine, fuel as well as wood for shelters. As soon as the regional economy becomes monetized through deliberate policies of the Thai government (i.e., increasing arable areas for cash crops), forest areas have been converted into agricultural lands. However, traditional practices persists among some groups of people in the Northeast to conserve some communal areas as community forests as part of their basic security system in order to ensure the supplemental supply of basic necessities. As a result of the different incentive system, more forests in the Northeast have disappeared than those in the South and the North.

In the Central Plain which is mostly a lowland area which is submerged under water for a least three months of the year as a result of flooding caused by excessive water from the North during the rainy season, there has never been a tradition of conserving forest for most people.

Considering the differences in topography between the regions of Thailand (North, South, Northeast and Central Plain) together with traditional practices of people in different regions which are reflected in their incentive structure, people in the North and the South who directly benefit from the existing forests in the long term are the best candidates for conserving their nearby forests, followed to some certain extent by groups of people in the Northeast. There is little hope for people in the Central Plain or for government officials to perform these roles actively.

The question which needs to be raised is that since the numbers of groups in respective regions are still very small, are there any factors that work against the conservation incentives discussed earlier? If there are factors that work against incentives for forest protection, they should be identified and subsequently eliminated so that more forest areas will be protected.

Figure 2 Pattern of Human Settlement and Forest in the North

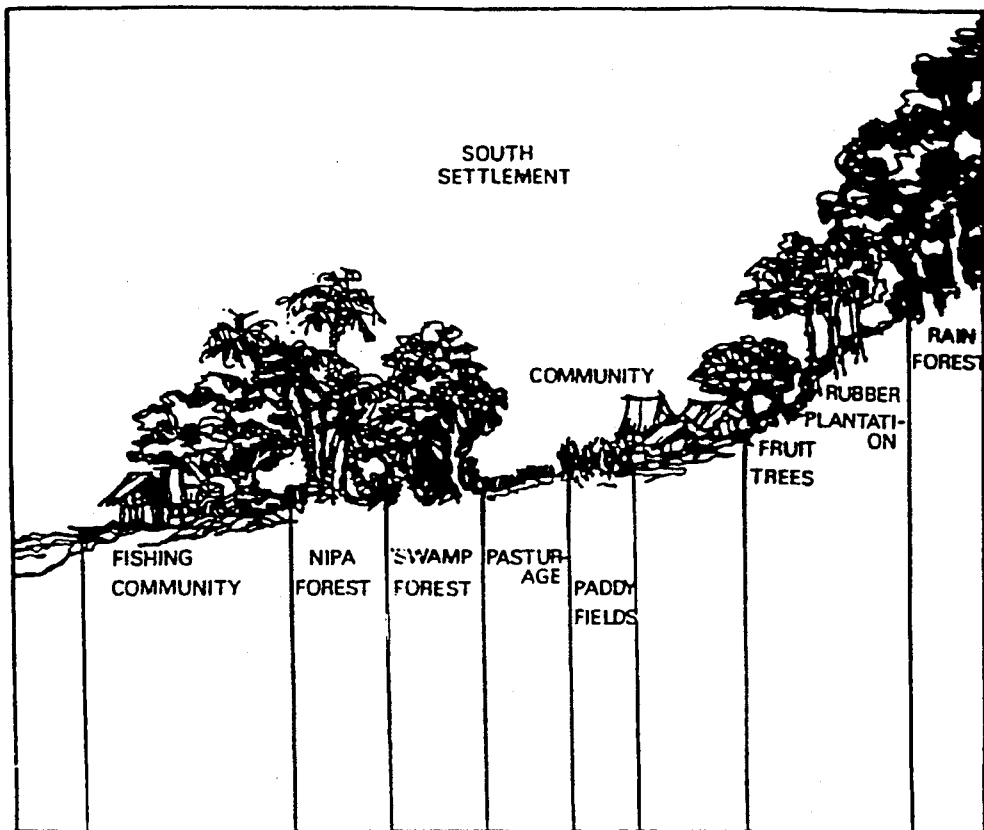


Source: Association of the Northern NGO.

6. Factors Explaining Disincentive Against Forest Protection

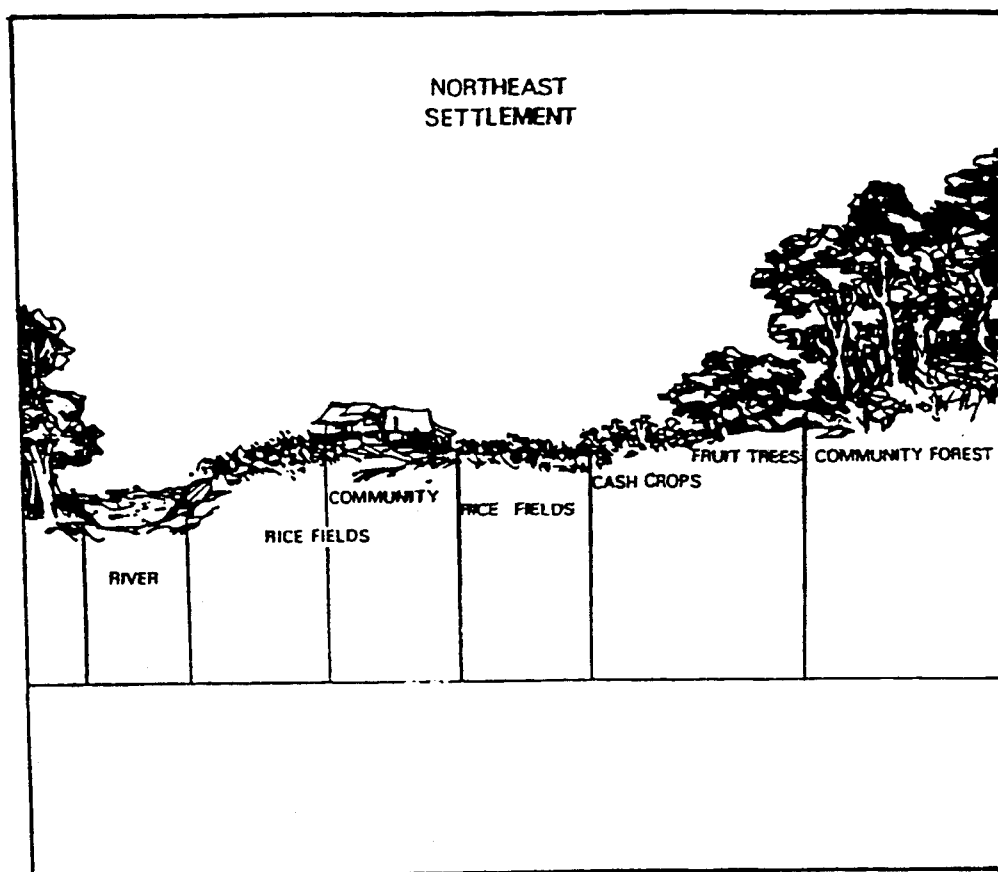
There are many factors that are incompatible with the motivation to conserve forest. For reasons discussed earlier, agricultural lands near forests receive direct benefit from them. Therefore, the first and the most important precondition for people in the community to take a keen interest in looking after the forest is that they rely basically on agricultural or farming activities that require a certain degree of fertility of the existing forest to support their activities. If their main preoccupations do not require significant support from the forest, as the case of people in the Northeast as discussed above, members of the communities will be less inclined to conserve it. Following logically, their agricultural or farming activities must also be viable ones. If they are not so, there is no point for members of the community to continue their activities and consequently conserve the forest.

Figure 3 Pattern of Human Settlement and Forest in the South



Next and most crucial after the first condition is land security. Without security of land ownership in the long run, farmers will have no incentive to keep improving or investing on their lands in order to improve or at least maintain the existing quality for improved productivity or to maintain sustainable yields. If there is land insecurity, farmers will try to make the most out of the lands under their temporary control within a short period of time, without giving much consideration to long-term consequences. The result will certainly be quick deterioration of soil quality. Hence, land security, in addition to having viable agriculture as a predominant activity, is necessary conditions for farmers settled near the forest to take a keen interest in safeguard the existing forest. Without these conditions there is no need for them to do so.

Figure 4 Pattern of Human Settlement and Forest in the Northeast



Another issue is the strength of the people's organization that will safeguard the forest. Since the attempt to conserve the forest must be done at the communal level, the presence of strong organizations formed by the people in the area is a prerequisite for such effort to be successful. Members of the community should be encouraged and given as much support as possible from outside, such as from government officials and other related organizations, in order to assist them to function effectively. Their organizational strength in turn, depends in part on some form of ownership over the property to be protected. In this case the forest conserved by the community must be in a form close to the concept of "common property" (Bromley, 1993). However, if the forest involved is a reserved forest, legally it belongs to the government and the community has no right to ownership. Nevertheless, some form of ownership should be given to the community in order to generate the incentive for the community to look after it. An acceptable "form of ownership" is for the community to be able to make rules and regulations for forest protection as well as to police those rules. Equally important is that the community must be able to collect and distribute benefits among its members generated through their sustainable conservation efforts. Such form of ownership is crucial to the organizational strength of the community that wishes to protect the forest for its long-run benefits.

Last but not least, government officials must lend strong support to the group's endeavor in their attempt at protection of the forest, for examples, formally recognize the group, legalize the group's activities, provide financial as well as material supports required for forest protecting activities, take decisive measure against all groups of outsiders who try to make direct gain out of the forest protected.

Given the set of conditions discussed above, it is necessary first to assure that the existence of forests is vital for the long-term survival of people who live around the area. In order to fulfil this condition, the concept of eco-farming should be introduced as a major source of earnings for people who live around forests. This is because the fertility of eco-farming depends very much on the fertility of the forest are close to it.

In Thailand there are currently four major forms of eco-farming practiced. They are forest agriculture, integrated farming, mixed farming and natural farming. Forest agriculture is the form of agriculture practiced under conditions close to those of natural forests. The rationale of this form of agriculture is to create a natural balance among all the plants to save the time taking care of plants in the practice of conventional farming and to cut costs from the application of chemical substance. Unlike natural forests, all plants selected must have good economic value for market purpose because a limited amount of land must be carefully planned to be used at its optimal productivity for the long-term sustenance of the farmers themselves.

This form of agriculture requires deep knowledge of all the plants involved as well as their biological nature and their economic value. The farmers themselves must be well endowed with knowledge of soil physics and botany as well as agricultural economics. This form of agriculture is of a highly technological nature but it is also a soft technology. The existing form of this type of agriculture in Thailand is a combination of herbal plants, fruit trees and trees used for valuable timber. All plants are planned to support each other in the most systematic way.

Integrated farming is a method of raising plants and animals in the most complementary way. It involves organizing several production processes such as pig, chicken, duck and fish raising as well as growing several crops such as rice, vegetables, banana trees, fruit trees and herbs at the same time. The core idea is to use the waste from one production process as input into other processes. By doing so, waste is eliminated after producing outputs. The entire productive system is very efficient, which implies that the overall cost of production will be low and there will be no negative consequences on the environment. This form of farming is also highly technologically intensive.

The farmer must understand the nature of animals and plants involved very well and must be able to manage the whole system in the most efficient way.

Mixed farming is a form of agriculture which places strong emphasis on self-sufficiency. A farmer usually grows everything with the main aim of satisfying his or her family's needs. As the produce is used mainly for the family's consumption, most chemical products are not used. With this form of farming, a farmer must plan to live a simple life. By contrast, with forest agriculture and integrated farming, which are the most efficient methods of farming, a farmer who practices either of the two previous methods can be very well off if he or she wishes.

Natural farming emphasizes natural processes in farming and minimal intervention into the natural process. The emphasis is on avoiding the application of toxins and chemical substances in the production process. Those who pursue this form of agriculture aim for a peaceful, simple life in harmony with nature.

In order to induce people who live near forests to change their farming practices from monoculture methods to eco-farming, lands around the forest known as "khet ittapol" or areas that can have strong influence on the conservation of the nearby forest should be declared by law to be reserved for eco-farming. No law of such nature has yet been proposed in Thailand.

Another form of disincentive results from the question of whether part of a forest adjacent to an existing community can be treated as common property. Equally important is the question of land security. In the past, the cultivation of land in so-called "reserved forests" was considered "illegal." No legal document can be issued for cultivating land in such areas. The situation has gradually changed due to the land reform policy advocated by the Thai government since 1993. The policy has been to issue legal documents for lands occupied by cultivators in the so-called "reserved forests" before the date of the announcement of the latest land reform policy on May 4, 1993. The maximum size of holding for each individual is eight hectares. Under this policy, it is expected that most legally cultivated lands will be properly titled by the end of the year 2000. The scheme is expected to finally solve the problem of land ownership insecurity.

In the area of common property, a draft version of a "Community Forest Act" is now awaiting consensus from opposing environmental NGOs in Thailand. This draft stipulates that members of a community can form a group to protect the forest nearby. Members of the group must be elected through a majority vote of the members of the community. They must present to the screening committee a conservation plan as part of the process of application. The approved group will be then empowered to look after all forms of forests, "reserved" as well as "conserved." They are entitled to make rules and regulations for forest protection as well as to make rules about the redistribution of forest products for sustainable use. Under the proposed law, a type of common property regime will be consistent with forest protection in the long run. Unfortunately, the opposition groups have cast doubt on the validity and integrity of the groups applying to look after the "community" forest and are inclined to allow the groups to work only on the confined area of the "reserved forest" that will no longer exist after the year 2000. The tug of war is still going on at the time of this writing.

7. Future Prospect On Forest Protection In Thailand

In spite of some recent favorable developments in the direction of generating more positive incentives for forest protection, the future of forests in Thailand is still rather uncertain. The main reason behind this situation is that there has been no systematic approach toward solving the

severe problems. Those who are responsible for formulating policy are still far from understanding the root causes of the problems. A significant number of government officials still prefer to have the authority of making and enforcing the rules themselves. This authority gives them power that can generate personal gain if they are allowed to use their own discretion. On the other hand, allowing people who live around the forests to look after the areas will eventually mean a gradual diminishing of their authority. Naturally, they will not agree with the argument of the incentive system discussed above unless they are forced to do so. The slow progress on issuing legal documents for land occupied by cultivators in the “reserved forests” and on the formulation of the draft version of the “Community Forest Act” has actually been the result of strong political pressure, especially from people who suffered from past practices and policies created by government officials. People who were evicted from the lands they were cultivating as well as people who thought they would not be recognized for their efforts in protecting their forests were the ones who have constantly fought for the said measures.

In order to understand the situation sufficiently, the policy-making process must be clearly understood. There are two groups of people in Thailand who can validly claim to represent the will of the Thai government. One is a Cabinet member, and especially Ministers responsible for decisions made on relevant policies. The second is government officials who operate under the policy guidelines prescribed by the politicians who are in command. Under present circumstance, with only minor exceptions, policies are actually formulated by government officials because politicians normally have little information about the issues involved. Their main preoccupation is to hold on to power as long as possible. In areas in which they do not clearly understand the issues and where their vested interest in the matters are not so great, it is much safer for them to simply follow the set of policies formulated by the bureaucrats who operate under them. As a general rule of thumb for politicians who want to stay in power as long as possible, it is not worth the risk of having conflicts with bureaucrats in terrain which is unfamiliar to them.

In case of the rapid disappearance of forest areas in Thailand, most politicians will normally accept the causes given to them, based on circumstantial evidences, by bureaucrats of the Royal Forest Department as discussed earlier. Unfortunately, only a few, if any, will understand the more complex nature of the existing incentive structure.

As previously mentioned, the vested interest of the bureaucrats lies in the existing power to make rules and regulations as well as to maintain control over their existing power. For obvious reasons, bureaucrats will continue to press for stiff laws and regulations rather than take a supportive role by encouraging groups of citizens who actually benefit from conserving the forests to take a more active role. As a general rule, politicians who are in command normally side with their subordinates, the bureaucrats. Consequently, things change at a rather slow rate. Meanwhile Thailand’s forest areas will keep dwindling.

The only way to solve this difficult problem is to raise the level of understanding of the complexity of the existing incentive structure regarding the maintenance of natural forests among the general public and by applying public pressure on both politicians and bureaucrats. The incentive for the general public to understand the issue and exert their pressure rests on their short term indirect loss from the gradual deterioration of their quality of life resulting from continued disappearance of forest areas. In the longer run, the disappearance of forests will affect them directly. Unlike the bureaucrats and the politicians, the general public has no conceivable short-term gain from the disappearance of forest areas. They are in a much better position to understand the issue than both politicians and bureaucrats who have a vested interest. The race between generating more understanding among the general public and the rapid disappearance of forest areas in Thailand is very

challenging for all who are actually involved.

B. Conclusion

The structure of the incentive system has been given strong emphasis in this paper as a means to seek effective measures for environment protection. Unless there is a serious attempt to spell out the incentive structure of the diverse groups and actors who have an interest in the common properties, proposed solutions that tilt to the advantages of certain groups will not coincide with public interest in the long run. Hence, the degradation of environment will not be able to be prevented. Various conventional approaches for environmental protection have been raised to demonstrate the implication of the implicit incentives involved. These implications have not been clearly raised or explicitly discussed in the relevant literature before.

The paper has utilized the situation of the rapid disappearance of forest areas in Thailand during 1961-1994 as a case study for investigating the existing incentive structure of the diverse groups and actors that may benefit in different ways from the existence or disappearance of the forests. Among them are farmers who settle nearby the forests and who can be the real protectors of the forests, if the incentive schemes are designed in their favor. The others are those who constantly seek the opportunity to make gains from the existing forest lands through the exploitation of forest products in excess of their renewable cycles as well as by trying to appropriate former forest lands. The practice was proven not to be too difficult in the past because the reserved forests in Thailand are basically public properties and can only be safeguarded by related government officials whose authority can be easily abused. The other two groups of actors, namely the politicians in their ministerial capacities and the respective bureaucrats operating under them, are also supposed to be protectors of forests. Unfortunately, in most case their personal short-term benefits do not coincide with the protection of forests. The interaction of these various factors, with different intensities of influence, and especially those from the more influential groups, can actually explain the rapid disappearance of forest areas in Thailand.

The last and most important group among all is the “general public.” Their interest in both the short and long run coincides with the conservation of existing forests. As a collective entity, the “general public” has nothing to gain from the disappearance of forest areas even in the short run. They should be the ones who encourage the groups of farmers who will directly benefit from the conservation of forests to take action and to pressure the bureaucrats and politicians to take more active roles in supporting the true conservationist groups, namely the groups of farmers who will actually benefit from existing forest lands in the long run provided that they can actually safeguard the areas.

Unfortunately under present circumstance the “general public” is either unformed or unorganized or characterized by both. Nevertheless, they are still the only remaining instrumental force that can exert pressure for actual change. As soon as they become better informed or better organized, they will actually be able to put strong pressure on both politicians and bureaucrats to perform as expected. They can only gain from exerting such pressure. While they remain inactive, they actually incur a continuous loss of welfare. The initial force for change must come from informed citizens who must keep the “general public” well informed on what they have actually lost while not taking any action, as well as what they could have gained if they had started taking appro-



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ประวัติและผลงาน

ศาสตราจารย์ ดร. อภิชัย พันธเสน

Professor of Development Economics**Faculty of Economics****Thammasat University**

Bangkok 10200, Thailand

Phone : 66 2 613 2456

Fax : 66 2 224 9428

E-Mail : apichai@econ.tu.ac.th

Personal Data

Date of Birth : Sept. 25, 1942 Place of Birth: Nakhonrajasima Thailand

Academic Training

B.A. (Econ.)	Faculty of Economics, Thammasat University	1962
M.A. (Econ.)	Vanderbilt University, Nashville, Tennessee	1967
Ph.D. (Econ.)	Vanderbilt University, Nashville, Tennessee	1973

Fields of Specialization

Quantitative Economics, Development Economics, Rural Development, Human Resources, Economics of Natural Resources and Environment, Political Economy, Buddhist Economics.

Scholarships, Awards, and Achievements

Thammasat University Outstanding Student Award 1961

Thammasat University Outstanding Student Award 1962

Rockefeller Foundation's Scholarship 1966-1970

President of Vanderbilt International Student Association (VISA) 1968

Research Grant from Asia Foundation 1970-1971

Rockefeller Scholarship, Fellowship from Vanderbilt University 1971-1973

Research Grant from Ford Foundation and University Development Council 1973

Research Grant from Council for Asian Manpower Studies, Ltd. Research Grant from Thai University Research Associates 1974

Lecture-Tour in Japan, sponsored by Japan Foundation 1975

Planning Mission to the University of British Columbia, Vancouver Canada 1987

Visiting Fellow to The Faculty of Education of Free University of Berlin 1988 (February-May)
Sponsored by Deutscher Akademischer Austauschdienst (DAAD).

Research Fellow, Department of Forestry, International Laboratory of Tropical Forest, Faculty of Agriculture, University of Kyoto, Japan, October 27 to November 26, 1992, sponsored by Japan Society for the Promotion of Science.

Visiting Professor, Graduate School for International Development and Cooperation, Hiroshima University, Japan, 1994-1995.

Visiting Professor, Centre for East and South-East Asia Studies, Lund University, Sweden, April-July 1999.

Professional Experience

- 1959-1961 Custom officer, Department of Customs, Bangkok, Thailand.
- 1961 Field Supervisor, National Statistical Office, Office of the Prime Minister, Bangkok, Thailand.
- 1962-1965 Third Grade Technician in the Section of Project Evaluation of Educational Projects under the USAID; Department of Technical and Economic Cooperation, Ministry of Development, Bangkok, Thailand
- 1965-1966 Junior Instructor, Faculty of Economics, Thammasat University, Bangkok, Thailand.
- 1973-1975 Lecturer in statistics, Econometrics and Economics of Education. Thammasat University
- 1976 Assistant Professor, Faculty of Economics, Thammasat University.
- 1977 Visiting Fellow, Economic History Department, University of Melbourne.
- 1978-1983 Research Fellow, Institute of Applied and Social Research University of Melbourne.
- 1984-1986 Assistant Professor, Faculty of Economics, Thammasat University.
- 1987 Associate Professor, Faculty of Economics, Thammasat University.
- 1996 Professor, Faculty of Economics, Thammasat University.
- 1999 Director : PhD. Programme in Integrated Sciences, Thammasat University.
- 2001 Eminent Professor of Buddhist Economics, Thammasat University Other Appointments

July-Aug.1970 of	University Representative for the Inter-Universities Seminars on the Reform of the organization of the System of Higher Education in Thailand.
Jan.-Oct. 1971	Secretary of the Committee for the Reform of Thammasat University.
Jan.-July 1974	Member of the Committee for the Reform of the Minister of University Affairs.
July 1974-Feb.1975	Member of the Founding Committee for the Reform of the Thai Education, Chairman of the Sub-Committee of Resource Mobilization and Investment in Education, Appointed by the Cabinet.
July 1974-July 1975	Supervision of the Fourth National Education Planning 1977-1981.
Aug.1974-Feb.1975	Chairman of the Planning Committee, Thammasat University, Member of the Faculty Senates and Member of the Academic Advisory Committee to the Rector of Thammasat University, Member of the Executive Committee in the Thammasat University Programme for Educational Extension to General Public.
December 1974	Participant to the Workshop of Regional Institutes for Higher Education Development, Held in Vientiane, Laos.
Feb.-July 1975	Head of the Institutional Research Unit, Thammasat University.
September 1975	Member of the Sub-Committee of Resource Mobilization and Investment in Education, The Educational Reform Committee, Appointed by the Cabinet.
June 1976	Attended the CAMS-ODA Workshop Held in Manila, Philippines, on "Labour Participation, Utilization, Migration and Education and Human Resources".
1978	Conference at IDS, University of Sussex, England on "Placement Services for Dislocated Scholars"
1979	Workshop on "World Econometric Model" Canberra Australia.
1980	Lecture-Tour in Japan on "Education for Minorities" sponsored by Private Japanese Foundation.
1981	Observe world econometric model building in Japan, and United States.
1981	Workshop on "Trade, Production and Input/Output System" organized by Input/Output Association (England) in Singapore.
1982	Workshop on "Trade for Whose Advantages" organized by Centre for Continuing Education Australian National University, Australia.

- 1984 Workshop on “Data Bank for Socio-Economic Statistics and Analysis” organized by UNESCO and Institute of Applied Economic and Social Research Melbourne.
- 1984 Conference on Manpower in Industrial Development : Japan and Thailand, Pattaya Thailand.
- 1984 International Seminar, “World Structural Change and Its Impact on ASEAN’s Employment and Manpower” Bangkok Thailand.
- 1984 Workshop on “Political Economy of Development Strategy of ASEAN Countries,” organized by Singapore.
- 1984 Chairman of the Economic Faculty Computer Committee.
- 1984 Chairman of the Working Committee for the Transformation of the Graduate Volunteer Programme into Institute of Rural Studies and Development.
- 1984-85 Director of a Research Project of “Educational and Employment” for the National Education Commission.
- 1986 Second Workshop on “Political Economy of Development Strategy of ASEAN Countries” organized by ISEAS Singapore.
- 1986 Conference organized by Australia and New Zealand Comparative and International Education Society (ANZCIES) on “Education as An International Commodity” at the University of Queensland, Australia.
- 1987 Conference organized by the Federation of Economies Association of ASEAN on “ASEAN Cooperation : In search for New Direction” in Denpasar, Bali
- 1987 Conference organized by Research Institute for Higher Education, Hiroshima University Japan on “The Role of Government in Asian Higher Education”
- 1989 Present paper to International conference organized by Regional office of ILO in Bangkok on “Workers Participation in Employment Policy” Pattaya, Thailand, 29 May-7 June 1989.
- 1989 Present paper to Sixth Annual Conference of the Nordic Association for Southeast Asia Studies (NASEAS) on “Rural Southeast Asia in Transition: Village Society and Culture in Economic Political and Gender Perspectives” at Lund University Sweden

- 1990 Present paper at the conference on “Learning through Productive Activities” organized by the International Community Education Association, Berlin, Germany, June 18-22.
- 1990 Present paper at the conference on “Aids in Asia and the Pacific”, sponsored by WHO and Australian Government in Canberra ACT, Australia, August 5-8.
- 1990 Present paper at the conference on “The Education: On Developing the Global Village” organized by the International Community Education Association at Port of Spain, Trinidad and Tobago, July 29 to August 2.
- 1993 Present paper at the conference on “Out-of-School Education Work and Sustainability in the South Experiences and Strategies: organized by BDTW-TU (Berlin)-DES, Berlin, Germany, March 29-April 4.
- 1993 Present paper at the conference on “Regional Science in Developing Countries” organized by the Regional Science Association International at Peking University, Beijing, People Republic of China, October 11-14.
- 1993 Lecture at “Thailand Update 1993”, University of Melbourne, Melbourne, Australia, October 29.
- 1993 Lecture at “Thai Study Group”, Australian National University, Canberra ACT, Australian, November 1.
- 1993-1994 Consultant on Environment, to the Thailand Environment Institute (TEI), especially problems related to reduction of forest in Thailand.
- 1994 Lecture to members of Cambodian Press of the Cambodian Media Development Program organized by DANIDA-PDIT-UNESCO, Phnom Penh Cambodia, June 1-2.
- 1994 Present paper on “Tambon Council and Community Forest” to the Asian Studies Association of Australia Biennial Conference on *Environment, State and Society in Asia: The Legacy of Twentieth Century*, hosted by Asia Research Centre at Murdoch University, Western Australia, July 13-16.
- 1996 Senior Research Fellow to the Thailand Development Research Institute (TDRI) and Consultant to the Thailand Environment Institute (TEI).
- 1999 Vice President for Social and Environmental Affairs, Institute of Social and Economic Policy.

Research and Publications

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“Survey of East and South-East Asian Economics and Their Trade Relationships with Australia” IN.056, Institute of Applied Economic and Social Research, University of Melbourne, 1980.

“World Development Report 1980” Institute of Applied Economic and Social Research, University of Melbourne, 1980.

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Co-author with Duangmanee Laowakul, "Quality of Life of the Thai in the Next Decade" a paper presented to the 17th Annual Symposium, on *The Thai Economy in the Year 2000*, organized by the Economics Faculty, Thammasat University (in Thai), Royal Orchid Sheraton Hotel, Bangkok, March 23-24, 1994.

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Co-author with Chalongsob Susangkarn, *The Public Sector and The Country's Future Development*, a paper prepared for a seminar on “Reform of the Public Sector for the Future of Thailand”. Co-sponsored by Chaipattana Foundation, December 13-14, 1996, Ambassador City Chomthien, Choburi (in Thai).

Co-author with Paradorn Preedasak, “Democracy in Thailand : A Struggle for Civil Society” Faculty of Economics, Thammasat University, Bangkok, Thailand, January 15, 1997.

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๖๐ ปี นายอภิรักษ์

พุทธเศรษฐศาสตร์

นักวิชาการตรี

นครราชสีมา

U.S.A.

เศรษฐศาสตร์

กรมวิเทศสหการ

ปริญญาเอกสหวิทยาการ

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กิตติยาจารย์แห่งมหาวิทยาลัยธรรมศาสตร์

University of Melburn

Buddhist Anarchist

แวนเดอร์บิลท์