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Economic Guidance and Contestation: An Analysis of Thailand's Evolving Trajectory of Development

Paul Chambers

Abstract: This paper broadly examines the history of Thailand's models of development from the fall of the absolute monarchy in 1932 to the present. It asks two questions: First, what have the models been? How do they interact? And how successful have they been? Second, to what extent has partisanship entered into Thailand's development debate? The paper argues that Thailand's current development strategy has enabled the country to achieve a relative degree of success in achieving economic growth. Nevertheless, Thailand continues to encounter economic problems – felt mostly amongst the lower classes. Moreover, there is today a clash in development models, which is based more on political ideology rather than economic efficiency. As such, development debates in Thailand have become part and parcel of the post-2006 political acrimony which continues to engulf the country.

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Keywords: Thailand, economics, sufficiency, Thaksinomics, development

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1 Introduction

Thailand is often considered a great success story in terms of development and growth. After all, the country had experienced robust annual GDP growth rates of 5.4 per cent between 1951 and 1986, figures which skyrocketed to 9.2 per cent each year between 1987 and 1996 (Somboon 2009: 156). Though the 1997 Asian financial crisis severely imploded the economy, it afterwards somewhat rebounded – from 1999 until 2012 GDP, growth has averaged 3.76 per year. In 2013, annual GDP growth is estimated to reach 5.5 per cent or more (OESDB 2013; see Appendix 1). Thailand today is considered to be the second strongest economy in Southeast Asia (second to Indonesia with regard to GDP, and second to Singapore in terms of amount of external trade and international reserves holdings) as well as one of the top 20 foreign investment destinations in the world. Thus from a macro-perspective, Thailand could be considered a relative success story of development.

At the micro-level, however, the country's achievements amount to a mixed bag. Though poverty and unemployment have greatly diminished since the late 1980s, per capita gross national income (GNI) has hovered at a low level of USD 4,451 – additionally, Thailand scored a poor level of 103 in the Human Development Index (HDI) Report. Furthermore, most Thai labourers exist in informal employment, which makes them vulnerable to a multitude of potential risks. Finally, Thai GDP per capita remains low at USD 5,382 (UNDP 2013). Ultimately then, development in Thailand has involved apparent large-scale successes but less accomplishments at the individual (human) level.

Though macro-economic development has been rapid, in terms of addressing Thai human economic development problems, there has been an evolution of different strategies. In general, all models were aimed to enrich the state, achieve high levels of economic growth and/or protect the country from external dependency/shocks. The three most recent models (since the mid-1980s) include (1) an aristocracy-state-led–export-oriented development model, (2) sufficiency economics, and (3) "Thaksinomics". This study[1] looks at Thailand's various development models through history. It asks the following questions: First, what have the models been? How do

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they interact? And how successful have they been? Second, to what extent has partisanship entered into Thailand's development debate? The paper argues that Thailand's current development strategy has enabled the country to achieve a relative degree of success in achieving economic growth. Nevertheless, Thailand continues to encounter economic problems – felt mostly amongst the lower classes. Moreover, the country is currently experiencing a clash in development models, which represents an elite challenge to the traditional aristocracy.

Following the introduction, this study looks at Thailand's strategy of national development up until 2001. Then, it scrutinizes sufficiency economy. Afterwards, it analyses the welfare capitalism model of Prime Minister Thaksin Shinawatra. Next, it looks at the clash in economic models since the coup of 2006. The paper concludes by scrutinizing the successes of Thailand's different development models.

2 State-Centric National Development (1932–2001)

Thailand has a long heritage of verticalised state planning dating back to the 1870s, when Siam's monarchy centralised control over the nation. From the 1932 overthrow of the absolute monarchy until 2001, the Thai state followed an economic model of development which evolved from state-guided nationalism to market-led export-oriented industrialisation. What developed was what Siamwalla (2006) has referred to as "bureaucratic capitalism" (Ammar Siamwalla, cited in Apichart 2006). As such, the state bureaucracy came to dominate and manipulate Thailand's market structure. Thailand's political structure became increasingly dominated by bureaucrats (especially military civil servants) to the extent that the country became what Riggs (1966) refers to as a "bureaucratic polity", where all key political decisions take place within the bureaucracy (Riggs 1966: 396). Plaek Phibulsongkram, who came to dominate Thailand in 1938, implemented a rudimentary form of state-led industrial development through state infrastructure projects, state expropriation of former privately held businesses, and finally the creation and expansion of new, state-created domestic industrial corporations (Brown 2004: 48). Phibul's model was a primitive form of import substitution industrialisation (ISI). ISI is a development strategy that seeks to develop domestic industries within high tariff walls, which would thus diminish dependency on the international market, expand the internal economy, reduce the reliance on expensive imports, and accordingly expand self-reliance (Franco 2007: 56–57). The state directs economic development through nationalisation, subsidisation of vital industries, greater taxation, and highly protectionist trade policies. Phibul's nationalistic ISI succeeded in expanding industrial output as well as increasing demand for industrial labour (Brown 2004: 48–49). The state maintained controls over all import and export activities with very little, if any export promotion policies.

Yet the inflationary effects of World War II, as well as rent-seeking, corruption, non-competitiveness and inefficiency of state enterprises all worked together to produce an economic downturn in the Thai economy by the late 1940s. In this environment, a small clique of technocrats was able to gain influence over some of Thailand's economic policy, inching it towards a greater measure of monetary conservativism, diminishing some state interventionism and liberalizing exchange controls (Muscat 1994: 60–78). The state's slight drift away from an economic nationalist development model principally owed to the growing influence on Thailand first by the monarchy, which regained some influence after the 1947 coup, and then by the United States. This softer version of economic nationalism and ISI continued, however, throughout the mid-1950s. In 1955, Phibul, in an attempt to shore up the economy and also mollify the United States, initiated greater democratic reforms and welcomed a move towards liberalisation of Thai development policy. As such, it was Phibul rather than his successors who embarked Thailand on the road to export-oriented development (Muscat 1994: 85).

Following twin coups in the period 1957–58, Sarit Thanarat entrenched Thailand in the direction of further liberalised economic development. New state entities came to guide the economy, some privatisations of state enterprises occurred, and the state pursued a much more market-oriented ISI as well as an export-oriented industrialisation (EOI). EOI is a development path which seeks to accelerate industrialisation by exporting goods to foreign markets. It also involves high levels of foreign investment and low tariffs. Sarit's use of both strategies produced a strengthened private sector composed of domestic and foreign businesses alike (which no longer competed with state companies) (Hewison 1999: 22–23). As a result of these policies, the economy expanded significantly throughout the 1960s and 70s, and absolute poverty also diminished. Nevertheless, economic disparities widened, slums in Bangkok multiplied, and farmer indebtedness increased (Muscat 1994: 126).

By 1980, despite soaring economic growth, Thailand was in a new economic crisis. A burgeoning trade deficit, growing budget deficits, and inflation were becoming growing challenges. The Prem Tinsulanonda government responded by implementing hard-hitting structural adjustment policies to gain loans from the International Monetary Fund (IMF) and the World Bank. Rather than relying on bureaucratic advice alone, Prem's package of policies was arrived at through discussions amongst both the public and private sector (business associations) in the Joint Private Public Sector Consultative Committee (JPPSCC) – a strategy later referred to as "liberal corporatism" (Anek 1992: 3). In 1981 and again in 1984, the baht was devalued and state spending was heavily curtailed. In 1985, export taxes were considerably slashed and the 1985 Plaza Accords appreciated the value of the Japanese yen, which forced many Japanese investors to turn to cheaper labour in Thailand. By 1986, Thailand's economy had stabilised (Hicken 2004: 3–4). Meanwhile, the mid-1980s saw Thailand alter its mixed ISI/EOI policy to one of EOI alone. Foreign investment, cheap labour, a devalued baht, industrial exports, and international tourism promotion all became the hallmarks of development policy. The Thai GDP now boomed and reached annual economic growth rates approximating 10 per cent from 1987 until 1996. Moreover, the estimated number of Thais living in absolute poverty (by the mid-1990s) had dropped to 14 per cent – from a figure of 96 per cent back in the mid-1960s (Walker 2012b: 39). The neo-liberals advocating EOI thus argued that their economic model not only assisted economic growth but also helped the poor. This it did because the prosperity felt at the macro-level would "trickle down" to assist lower classes at the micro level (Hewison 2003: 12).

However, despite such rhetoric, problems in Thailand's micro-economy have persisted. Indeed, despite improvements in growth and the reduction of absolute poverty (see Appendix 2), relative poverty (the disparity between rich and poor) and uneven development accelerated from the 1980s into the 1990s (Walker 2012b: 44). By the early 1990s, Thailand's economy was becoming shaky. Its export-oriented economy was experiencing a huge current account deficit as well as skyrocketing external debt. Be it crony capitalism or capital mobility, international currency speculators soon came to anticipate an impending new baht depreciation. These speculators bet against the baht prior to the state devaluing the currency in July 1997. The result was the greatest implosion of Thailand's economy since World War II (Hewison 1999: 27–30). The economy shrank by 11 per cent and over 2 million Thais lost their jobs (Baker and Pasuk 2005: 254). Absolute poverty grew from 14 per cent in the mid-1990s to 22 per cent by 1999 (Walker 2012b: 39).

In reaction to the crisis, the Chuan Leekpai government accepted harsh structural adjustment measures in return for billions of US dollars in assistance. The stipulations mandated increased taxes, diminished subsidies, less money for social programs, and eased restrictions on foreign holdings in many Thai business sectors. These policies merely aggravated social well-being and increased public anger as economic, health, and food security was increasingly threatened for more and more Thai people (Baker and Pasuk 2005: 254–255).

For many Thai people, the Asian financial crisis and the state's reaction to it amounted to the failure of Thailand's apparent economic miracle. Although EOI and its associated tight monetarist policies had convincingly caused GDP growth to surge and helped reduce absolute poverty, the strategy tended to produce economic jolts because EOI produced so much exposure for Thailand to international market booms and busts. By 2000, two new economic models appeared as apparent replacements for the failed EOI. These models – sufficiency economy and welfare capitalism – would, in the aftermath of the 1997 crisis, compete in terms of offering macro-economic improvements as well as an amelioration in the lives of Thailand's lower classes.

3 Buddhist Economics and "Sufficiency Economy"

In reaction to the hardships induced by Thailand's experiences in the Asian financial crisis, various new economic models came to the fore. Perhaps most prominently, was the rise of "Buddhist economics." One monk, Payutto, became quite famous in speaking out on Thailand's 1997 downturn:

> When we study the reasons which made us fail […] did it arise from misguidedly developing the country in a way which relied too much on the outside? [...] Because we mis-developed the country toward consumerism, we ended up slave of the countries which produce, slave of the countries which have more financial strength, because the principle is that big money sucks up little money (Pasuk and Baker 2000: 199).

Amidst calls by monks for Thailand to become more self-reliant, Thailand's King Bhumipol Adulyadej joined the chorus by suggesting that Thailand practise economic frugality. Dubbing his approach "sufficiency economy" or "the new theory", Bhumipol seemed an unlikely proponent of efforts to promote self-discipline given that his own life was one of lavish regality. Moreover, he was an odd model for Thailand's lower classes: Bhumipol had, in 1954, unsuccessfully (twice) vetoed legislation to limit landholdings to 20 acres (legislation later overturned) (Handley 2006: 126). Nevertheless the king had won national accolades for initiating over 3,000 royal projects since the 1950s to help the poor in rural areas. As the "father" of these projects as well as a multiplicity of development efforts, the king began to elaborate during the 1990s on his vision about the right path to economic development. The king had spoken first on the need for sufficiency economy in 1974, rehashed it in 1994, but then spoke more forcefully on the subject in the aftermath of Thailand's 1997 financial crisis at his birthday speech:

> Being a tiger is not important. What is important is to have enough to eat and to live; and to have an economy which provides enough to eat and live […]. Each village or district must have relative self-sufficient […]. We have to live carefully and we have to go back to do things which are not complicated and which do not use elaborate, expensive equipment. We need to move backwards in order to move forwards. If we don't do like this, the solution to this problem will be difficult. The important thing is for us to have a sufficient economy (Chaipattana Foundation n.y.).

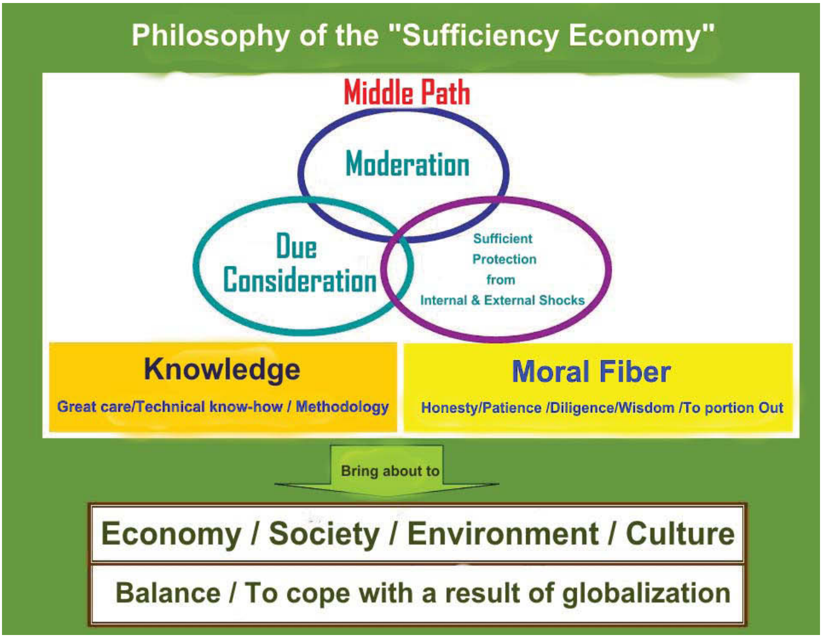
According to the state-approved definition of "sufficiency economy",

> Sufficiency Economy stresses the middle path as an overriding principle for appropriate conduct by Thai people at all levels, from family to community to country […]. "Sufficiency" means moderation, reasonableness, and the need of self-immunity for sufficient protection from impact arising from internal and external changes (ONESD 2012: 7–8).

Sufficiency economy argues that economics cannot be separated from ethics. Luxury is only attainable for those with the capacity to enjoy it. Thailand, as a predominantly agricultural country, should look towards agricultural and food security. Farmers are encouraged to work in cooperatives, live moderately at a frugal level, and be more self-reliant. The ideals of moderation, due consideration, and risk management are essential to guard against external (e.g. globalisation) and internal shocks to the economic system and thus promote sufficiency economy (Chaipattana Foundation n.y.).

In several speeches between 1997 and 1999, Bhumipol scolded the orthodox capitalist policies which had sunk the Thai economy. He insisted that his sufficiency economy approach, if correctly practised, would usher in economic sustainability for Thais. The king's words proved to be very powerful given that he was the king of Thailand. As such, he could easily influence the national mood and affect changes in public policy formulation. By 1999, his sufficiency economy became a popular subject amongst academics, journalists, NGOs, bureaucrats, and in temples. What was not discussed was the fact that the Thai king's Crown Property Bureau had benefited immensely from EOI development policies, and as such, the monarch's words were in many ways hypocritical. Moreover, the "theory" was so ambiguous that it could hardly be put into practice (Handley 2006: 414). But sufficiency economy succeeded in building up an economic model of the king; a model which resonated with Buddhists, Thai nationalists, monarchists, and common people looking for inspiration to escape economic suffering.

Figure 1: Philosophy of the "Sufficiency Economy"



Source: *Good Siam* 2013.

In reality, there was little difference between the ambiguous ideas of sufficiency economy and earlier forms of Buddhist economics – though the concept served to undergird loyalty to the Thai king. As such, sufficiency economy now became a political vehicle to assist in sustaining popular support for the monarchy in Thailand. Unfortunately for the palace, though it castigated the government of Chuan Leekpai in the late 1990s for supporting neo-liberalism, this helped to weaken Chuan and his Democrat Party in the face of a difficult 2000 electoral contest from telecommunications tycoon and welfare capitalist Thaksin Shinawatra. In the end, Thaksin won a landslide victory election and the king was now faced with a stiff challenge to his sufficiency economy approach.

4 Thaksin Shinawatra and Welfare Capitalism

When Thaksin Shinawatra became prime minister in 2001, he shifted Thailand's economic paradigm from the previous neo-liberal EOI approach, where growth comes from a generally unbridled market, to one where the state guides and encourages development (Pasuk and Baker 2009: 100). Thaksin saw himself as the CEO of a corporation (Thailand in this endeavour) and his model of development eventually became referred to as "Thaksinomics". Thaksinomics offered a dual-track policy of development whereby one track would push foreign investment, international trade, exports, and tourism while the second track sought to tackle poverty (via populist policies) as well as strengthen small and medium-sized businesses. The objective of both tracks was to diminish Thailand's overly high reliance on an export dependent economy (prone to booms and busts) and make the economy more reliant on the more controllable domestic market (Looney and Spring 2004: 71). Moreover, by improving supply and demand simultaneously, Thailand's economy would recover and grow, while improving the economic condition of the poor.

The first track was built upon the East Asian development model whereby the East Asian "tigers" (i.e. the economically strong states of Japan, South Korea, Taiwan and Hong Kong) had promoted foreign direct investment and export-oriented labour-intensive industrialisation. Under Thaksin, the state would increasingly connect Thai manufacturing with global production chains, while protecting the national economy from international instability to some extent. Also, integrating the economies of the Association of Southeast Asian Nations (ASEAN) was encouraged to promote more foreign investment in the region. Moreover, in 2003, Thaksin initiated the Arrewaddy-Chao Phraya Mekong Economic Cooperation Scheme (ACMECS) as a way to tighten Thailand's economic relations with Myanmar, Laos, Cambodia, and Vietnam. Under ACMECS, Thailand's neighbours could borrow develop funds from Bangkok for infrastructure projects (using Thai companies), assisted by Thai investment (Chambers 2006: 131–161). Ultimately, a principal goal of the first track was to retain Thailand's outward-oriented strengths and earn even more foreign exchange in this area. The first track helped to continue boosting GDP growth at the macro-level. With the establishment of ACMECS in 2003 and Thailand's repayment of all international loans the previous year, Thailand turned – in principal – from being an aid lender to an aid donor. By 2009, net overseas development assistance had fallen to -0.03 (see *Trading Economics* 2013a, b).

The second track, meanwhile, sought to institute policies which would improve the lot of Thailand's mostly rural poor, who made up the majority of Thailand's population and voters. The second track was the peoplecentred portion of Thaksinomics that had initially appeared in Thaksin's own 2000 election promises and Thai Rak Thai Party platform – upon being elected, Thaksin made good on the promises. In its implementation, Thaksinomics might be termed a populist, Keynesian application of economic reform for Thailand. In other words, Thaksin supported a proactive role for the state in initiating some welfare policies as well as making fiscal changes to accelerate capitalist growth and bring capitalist expansion to the peripheral areas of Thailand. The idea was that if enormous sums of money were poured into Thailand's rural economy, this would stimulate consumption, causing a Keynesian multiplier effect. This would amount to a redistribution of some of Thailand's wealth, directly improving economic security for lower class Thais. Local consumption and enterprises would be built up, which would bring Thailand away from direct competition with China in labour-intensive industrialisation, while protecting Thais from external economic shocks (Looney and Spring 2004: 72). Amongst Thaksin's welfare policies were those below:

1. A three-year moratorium on farmers' debt payments,
2. Small loans to urban vendors,
3. A revolving loan programme whereby each of Thailand's 70,000 villages is loaned USD 24,000,
4. Credit to micro-enterprises,
5. One Tambon (Sub-district), One Product (OTOP) – a programme that seeks to generate employment, income-earning opportunities, and preserve localism by promoting the production of original products with materials distinctive in regions for sale domestically and internationally,
6. The "30-baht health care scheme" – a programme that allows all Thai citizens to pay only 30 THB per hospital visit, regardless of the ailment,
7. The small, medium and large (SML) loan scheme – a programme that gave out money to villages, that were categorised into small, medium, and large sizes, where different-sized villages received different amounts of money for village development (i.e. infrastructure purposes).

The effect of the second track was to create a form of welfare capitalism. Thailand's rural poor increasingly became an important part of Thailand's economy as consumers and producers. In addition, more capital was invested in rural areas. As Walker has stated:

> Shinawatra's policies recognised that the most important challenges for Thai peasants were to diversify their livelihoods, increase productivity, limit exposure to debt and maintain the flow of government support for the rural economy (Walker 2012a).

In this way, Thaksin improved economic security for Thailand's mostly rural peasants. In return, the poor (Thailand's largest demographic) now became a loyal constituency for Thaksin. Nevertheless, such welfare capitalism also benefited Thaksin and his cronies in the sense that his business loyalists received concessions for state projects. In fact, according to some sources, one of the main goals of Thaksinomics was not to keep the poor out of poverty but rather to secure profits for political cronies (Rattapong and Prachak 2003: 35, 93).

In 2002, Thaksin even initiated a bureaucratic reorganisation of various ministries to improve efficiency – such as the Ministry of Social Development and Human Security (MSDHS). The principal task of this new ministry was to promote "social development and create public equity and social justice" (Ministry of Social Development and Human Security n.y.). The prime minister even attempted to piggyback Thaksinomics on to sufficiency economy – itself devoid of the detailed welfare packages in Thaksin's strategy. Indeed, perhaps because of sufficiency economy's ambiguities, Thaksin sought to co-opt and subvert its messages in support of his dual track policy. However, there was a clear difference: sufficiency economy encouraged "Buddhist moderation over market-driven acquisitiveness", while Thaksinomics sought to transform Thai peasants into "a new class of export-oriented, profit-maximizing capitalists" (Crispin 2006).

In public, Thaksin did not hold back on viewpoints which might have appeared disdainful of the king's sufficiency economy approach: "The world is very interconnected […] we cannot […] stand alone having nothing to do with anybody – just living off fishing and harvesting rice. No way" (Pasuk and Baker 2009: 129). Nor did Thaksin keep to himself proud views that the success of his policies was at the heart of his problems with the palace. In a 2006 conversation with the US ambassador, Thaksin exclaimed that "his [Thaksinomics] economic policies had made the rural population 'richer and smarter' and therefore less beholden to the King. This was the root of the King's antipathy to him" (*United States Cable* 2011, "King" capitalised in original).

To what extent have Thaksin's policies been a success? Economic growth resumed in 2001 and, despite some fluctuations, has generally continued until 2013. According to some economists, Thaksin's dual track policy appears "to have been effective in helping to halt post-meltdown asset deflation [following the 1997 crisis] and in reviving domestic demand" (Looney 2008: 11). Thus, on this second point, Thaksin's model of economic development assisted the poor not just through "trickle down" improvements to their lives as a result of GDP growth, but also through welfare policies designed to empower the poor towards greater participation in the country's political economy. Finally, regardless of the economic success rate of Thaksinomics, the policies were indeed successful in creating a solid political base of support.

Yet, Thaksinomics has not been without criticism. By 2006, his welfare capitalism policies had accrued a "whopping Bt150 billion worth of debts, both on and off the budget" (*The Nation* 2007). Under Yingluck Shinawatra, public debt increased from 36 per cent of GDP in 2008 to 44 per cent in 2012 (*The Nation* 2013b). Meanwhile, Warr (2009), using data on poverty incidence and growth in Thailand from 1988 to 2004 (culled from the National Economic and Social Development Board (NESDB)), found that three interesting points stand out under Thaksin in comparison to earlier periods in Thai economic history. First, there was no higher reduction in aggregate poverty incidence. Second, the annual rate of GDP growth never grew over earlier periods. Third, aggregate (including rural) poverty reduction was never greater than earlier periods. As such, "in economic terms, the Thaksin government was nothing special" (Warr 2009: 170–171). In addition, the 30-baht programme was alleged to have created conditions where hospitals were inundated with patients and had fewer resources available (Pasuk and Baker 2009: 93). Another criticism is that despite Thaksinomics, Thailand continues to suffer from a high incidence of relative poverty. Indeed, statistics have shown that in the mid-1970s, the richest 20 per cent of the population earned eight times more than the lowest 20 per cent; in the period 2000–2010, this ratio has climbed as high as 14 (Walker 2012b: 45). Thus, although absolute poverty dropped from 63 per cent in 1969 to 12 per cent in 2004, inequality actually increased – this is reflected in the fact that the Gini coefficient increased from 0.426 in 1975 to 0.515 in 2006 (Kuhonta 2012: 6, 122). Though Gini data have changed somewhat as of 2013, the trend stills shows only very slight improvements in relative poverty for Thailand from 1990 to 2010 (see Appendix 3 below). Other criticisms include charges that Thaksin's pressures on banks to make loans to the poor increased consumer indebtedness, while his populist policies and megaprojects (as well as fiscal tinkering by his sister and later prime minister, Yingluck Shinawatra) hastened inflation (Szep 2011).

Ultimately, Thaksinomics amounted to an eclectic package of policies that may well have assisted Thailand in coming out of the economic malaise of the late 1990s. At the macro-level, it continued a liberal orientation towards open markets but with the state guiding development and at times protecting the national economy from external shocks. In addition, there was a micro-dimension to the programme which sought to stimulate consumption and cultivate an empowered class of Thais in the country's rural areas. As Thaksinomics was identified with Thaksin (himself a highly controversial political figure), the strategy has remained a centrepiece of Thailand's divisive political discourse.

5 Since 2006: Clashing Models and Political Polarisation

5.1 The Surayud Regime

On 19 September 2006, the military overthrew Thaksin in a palace-endorsed coup. As arch-royalism was a rallying cry amongst Thais opposed to Thaksin – which included the People's Alliance for Democracy (PAD) and the anti-Thaksin army leadership – sufficiency economy was resuscitated as the new guiding political-economic ideology for Thailand; this legitimised both the putsch against Thaksinomics and the subsequent military regime. Moreover, a new constitution was enacted in 2007, which – according to the preamble and articles 78 and 83 – mandated that Thailand follow a sufficiency economic approach. However, sufficiency economy continued to lack specifics, which meant that any implementation of this model was subject to interpretation. Nevertheless, the appointed government was unperturbed. Meanwhile, the Council for National Security (the military junta) asked various academics to write glowing reports about sufficiency economy to prove to the international community that the theory was positive for Thailand and the world (*Bangkok Post* 2007a). To further prove its own adherence to the king's "new theory", the military-appointed Surayud Chulanond government (2006–2008) earmarked several billion baht for projects to support the sufficiency economy (*Bangkok Post* 2007b). The Surayud government devised the "Tenth National Economic and Social Development Plan" (2007–2011), which consisted of five parts:

> (i) a sufficiency economy plan aimed at building up knowledge and creating occupational skills; (ii) community development and opportunity creation plan focusing on reducing household expenditures (e.g. use of organic fertilizer and vegetable home gardening) and creating market opportunities for community products; (iii) rehabilitation plan for natural resource; (iv) vulnerable people and senior citizen assistance plan; and (v) a provisional plan for basic services (e.g. health, education, and vocational training) (World Bank 2007).

In December 2006, the government utilised capital controls, a policy partly in line with notions of self-reliance within sufficiency economy. However, Surayud also dismantled part of the Thaksinomics agenda. For example, he abolished subsidies for rice farmers and other Thaksinomics initiatives, such as the "One Laptop Per Child (OLPC)" programme (*Bangkok Post* 2006). However, the military regime was hard-pressed to completely axe programmes which were extremely popular with the people. Besides, Surayud and the military were looking to gain more acceptance from Thailand's general populace. Thus, the 30-baht universal healthcare scheme was now made completely free, though funding and eligibility for the programme were cut almost in half. Meanwhile, Thaksin's popular OTOP programme was continued (but renamed) and championed as an example of the sufficiency economy in action. Moreover, the previous government's "One District, One Scholarship" programme was continued, but now under the name "Scholarships for Community Development". Indeed, the maximum annual income for eligible recipients' families was raised from THB 100,000 to THB 150,000 (*Bangkok Post* 2007c). Finally, Thaksin's SML village development strategy was recreated as the "sufficiency village development scheme". Villagers seeking funds would propose projects based on the principles of sufficiency economy. This renamed self-sufficiency scheme was allocated a budget of THB 10 billion (*Bangkok Post* 2007d).

Nonetheless, the international community was more impressed with the stable and generally free-market orientation of Thaksinomics rather than the apparent protectionism of the Surayud regime. Under Surayud, Thailand suffered a slowdown of exports, baht appreciation, inflation acceleration, and growing political tensions. With investor confidence low, Thailand's GDP growth slowed to 4.3 per cent in 2007, the lowest since 2002 (*Xinhua* 2007). Surayud ran budget deficits in fiscal years 2007 and 2008 – the first since 2003. Finally, by dismantling or appearing to dismantle Thaksin's populist policies, Surayud gave the impression that his regime was deepening poverty in Thailand.

Sufficiency economy seemed to offer an alternative to the greed of capitalist penetration of Thailand's rural areas, something which Thaksinomics apparently lacked. Yet short on details, once implemented, the "new theory" simply rebranded or co-opted much of Thailand's welfare capitalism. Given that a military coup had forced Thailand to institutionalise the "new theory" into a military-enacted constitution, sufficiency economy now became identified not only with monarchy and Buddhist tenets of development, but also with military tyranny. Moreover, sufficiency economy in practice – under the Surayud regime – appeared to be imbued with policy lethargy, inwardness, and even economic malaise. Ultimately, sufficiency economy was harmonised with opposition to Thaksin, which saw the PAD used the term as a rallying point against the former. By 2008, sufficiency economy had graduated from being a possible economic model to simply an anti-Thaksin political ideology.

5.2 Enter People's Power

The election of the pro-Thaksin People's Power Party (PPP) in December 2007 by a hefty margin appeared to indicate the success of Thaksin's populist policies and the unpopularity of sufficiency economy with the people. The electoral outcome clarified that in future, though all governments would have to officially pay lip service to sufficiency economy, all parties, including the anti-Thaksin Democrat Party, would have to promise to implement Thaksin-esque populist policies in order to win votes. To counter growing inflation and living costs, the PPP announced a flurry of populist measures in June 2008 – including "cuts in taxes on fuel, delayed increases in the price of cooking gas, as well as free tap water, free electricity, and free transport in non-air conditioned trains and buses" (AFP 2008). Nevertheless, the PPP faced numerous legal charges relating to the 2007 election and the Constitutional Court forced Prime Minister Samak Sundaravej from office for malfeasance in September. At the same time, a growing number of anti-Thaksin PAD protestors began to occupy state facilities in an attempt to bring the PPP government to its knees. In December, the PPP was dissolved by the Constitutional Court and an anti-Thaksin coalition led by the Democrat Party came to office.

5.3 The Democrats' Development Alternative

Once in power, the Democrat-led government of Abhisit Vechachiwa was hard-pressed to come up with a new economic model that was different to that of Thaksin, was to some extent populist, and which seemed supportive of the king's sufficiency economy. Their answer was Wara Prachachon (People's Agenda). This new populist platform rejected the protectionism of the Surayud regime and established three pillars to guide Thai economic policy: (1) "restoring investor confidence", (2) "investing in people", and (3) "new investments to improve national competitiveness" (*Bangkok Post* 2007e). Together, the planks emphasised spurring economic growth; jettisoning the protectionism of the Surayud regime; developing greater economic integration with ASEAN; expanding welfare programmes in the areas of health and education; and creating "a 'rural fund' to support small enterprises and jobs in villages through the principles of the sufficiency economy" (Abhisit 2007: 66). These three pillars, were, however, hardly different than the earlier populism of Thaksin – except that now the notion of sufficiency economy became a central ingredient.

Once the Democrats came to office in December 2008, they began to implement specific pathways of the People's Agenda, consisting of:

1. "free" education for 15 years,
2. an old-age pension fund for persons who do not already have one,
3. guaranteed income for farmers through a quasi-subsidy on crops,
4. distribution of checks worth THB 2000 to impoverished Thais,
5. free career training to reduce unemployment,
6. assistance for indebted Thais to shift their debts to formal institutions, and
7. the establishment of sufficiency economy community projects – funded by millions of baht, but later found to be riddled with corruption (*Political Prisoners* 2009).

Meanwhile, the Abhisit government continued the populist measures which predecessor governments had implemented. Finally, confronted with a global economic contraction and rising unemployment, Abhisit and his coalition enacted two economic stimulus packages worth THB 117 billion and THB 1.4 trillion, respectively (AFP 2009).

Wara Prachachon seemed at first to offer a populist alternative to Thaksinomics. However, it soon became clear that this democratic ideology was merely a different form of Thaksinomics, albeit with an anti-Thaksin face. Moreover, despite the implementation of Wara Prachachon, the economy continued to be bumpy due partly to political tensions throughout the country. Security forces repressed pro-Thaksin militant protestors of the United Front of Democracy Against Dictatorship (UDD) in 2009 and 2010. The image of soldiers shooting demonstrators helped to undercut any popularity which Abhisit gained from his Democratic populism. Moreover, the fact that the Democrat-led coalition had come to power with the help of the military in late 2008 diminished much of its legitimacy (Wassana 2008). As such, despite producing a populist agenda of its own, the Abhisit government was tainted by its association with non-democratic forces. Such negatives helped to sustain popular support for Thaksinomics as the only valid economic model for Thailand. In May 2011, Abhisit called for general elections.

5.4 Yingluck Shinawatra

In July 2011, the new pro-Thaksin Puea Thai Party won a majority of seats following national elections. Thereupon, Thaksin's sister, Yingluck Shinawatra, was selected to serve as prime minister. There were, however, differences between 2008 and 2011. Though a pro-Thaksin government was again in office, the UDD's power on the streets, divisions in the anti-Thaksin PAD, and the apparent behind-the-scenes accommodation between Thaksin and royalists seemed to pave the way for a period of quasi-stability. To

Thaksin's supporters, Yingluck's rise meant the resurrection of Thaksinomics – and in most respects it did. Yet Yingluck has had to superficially espouse the doctrine of sufficiency economy (as per the 2007 Constitution). For example, in 2012, following the state transfer of SML funds to nationwide communities, Yingluck noted that monies received must follow the ambiguous sufficiency economy approach (*Chiang Mai City News* 2012). Yet such an explanation appears to be quite superficial and to seem dedicated to the monarchy.

In reality, her government has continued the already-implemented policies of earlier governments and has also delivered upon implementing several new populist measures. These have included a higher minimum wage of THB 300 per day for all Thai employees – although Thais employees with a tertiary education will receive THB 15,000 per month. In addition, she revived the 30-baht health care scheme, made loans to farmers easier to obtain, and resurrected the OLPC programme. Her government also initiated new mega-projects and devised a scheme whereby the state bought rice from farmers regardless of the price or demand (Palatino 2012). Ultimately, populist policies have continued to guarantee Thaksin, Yingluck, and their associates a loyal political following amongst the poor. However, there have been fears that the Yingluck government's spending on populist measures could increase inflation (Suttinee and Muno 2011). Moreover, the rice pledging policy has been accused of being plagued with corruption, saddling Thailand with unnecessary debt, and slowing economic recovery (Poling and Bissonnette 2012; Kornchanok 2012). Yet by late 2013, the Thaksin leviathan – via Yingluck – appeared to be persevering. And it seemed likely that Yingluck would complete her 4-year term of office in 2015 given that her government's continuing popularity would probably succeed in keeping royalist forces (including possible military action) opposed to her at bay. Despite military action against Thaksin and clear disdain for him from the palace, his economic model of development remains the only game in town for the Thai economy. Regardless of his faults, Thaksinomics is a tried-and-tested approach which not only boosts macro-level GDP growth, but also diminishes poverty at the same time, thus addressing micro-level economic security issues.

6 Conclusion

Since the late 1800s, Thailand's economic model of development has generally been bureaucracy-directed, though it evolved from ISI to EOI state capitalism. Initially, monarchical centralisation (1870–1932) took most power away from localities and replaced it with kings' bureaucrats. Often times, local problems went unaddressed under this system. Then, following the 1932 coup, monarchical absolutism was replaced with bureaucratic absolutism. Military bureaucrats generally dominated Thailand during the periods 1933–44, 1947–73, and 1976–88. Though as time wore on, their power began to ebb and the palace, along with metropolitan industrialists, began to exert more sway. Throughout the period 1933–2001, Thailand's economic model of development evolved from bureaucratic capitalism (ISI) to market-dominated export substitution industrialisation (EOI) in combination with ISI to EOI alone. Despite these changes, economic security for the poor during this time (if there was any) only resulted from "trickle down" development patterns as GDP annual growth began to soar particularly from the late 1980s until the mid-1990s. The 1997 Asian financial crisis terminated Thailand's hopes of being part of the "East Asian Miracle". Thereupon, King Bhumipol Adulyadej's sufficiency economy approach scolded Thais for the materialist greed which had allowed the economic calamity to occur in the first place. But sufficiency economy was more a form of economic behaviour than an actual state model of development. Since 2001, Thaksin Shinawatra's Thaksinomics has succeeded in building up a loyal pro-Thaksin following of poor or lower middle-class consumers, who have ensured the election of pro-Thaksin parties in five consecutive general elections since 2001. Though the coup of 2006 forcefully replaced Thaksin's programmes with sufficiency economy, ambiguities in this programme and continuing rural support for Thaksin guaranteed that sufficiency economy would be replaced by Thaksinomics in December 2007.

Only one year later, however, in December 2008, the judiciary forced the pro-Thaksin government from office and the military helped to put together an anti-Thaksin government. This allowed the anti-Thaksin Democrats to attempt a populism programme of their own. However, Thaksin has continued to maintain a massive following amongst Thai voters. In 2011, his Thaksinomics approach was voted back into office following the landslide victory of the Puea Thai Party under his sister, Yingluck Shinawatra. With the continuing electoral victories of Thaksinomics, it is clear that this approach is the most popular development model in Thailand. Other strategies such as the king's sufficiency economy or the Democrats' Wara Prachachon have (in the case of the former) either failed in national implementation or (in the case of the latter) been cast out of office along with the politicians espousing them.

Following the 2001–2006 positive advent of Thaksinomics, all Thai economic models will in future have to mirror it in some respect: combining macro-economic strategies of economic growth with more emphasis on improving the plight of the poor at the micro-level. Indeed, despite its name, the substance of Thaksinomics is likely to survive on both sides of Thailand's political divide. Meanwhile, sufficiency economy is also likely to survive. However, its survival is likely to exist only in form, given that it is composed of overly vague statements on moderation, self-reliance and, sufficiency – which hinder implementation. Such ambiguity allows both adherents of Thaksin and those opposed to him to voice support for Buddhist economics as interpreted by the country's popular King Bhumipol. Besides, under the 2007 Constitution, all governments must follow a sufficiency economy model.

In sum, this study initially focused on several questions: First, what have been Thailand's economic development models? How do they interact? And, how successful have they been? In answer to the first question, there has been an evolution of development models in Thailand: (1) a state-led form (2) an ISI- or EOI-led form, and (3) a combination of the two. These were followed by sufficiency economics, which has since given way to Thaksinomics. The different approaches interact in the sense that each approach was implemented following the demise of a previous strategy. Relatively speaking, Thaksinomics has been the most successful because it appears to have been the only model that brought a significant amount of both macro- and micro-economic development to Thailand. Its strategy is to enhance foreign exchange, reduce export dependency, increase reliance on the domestic economy, help Thai businesses ascend the value-added chain, and stimulate domestic demand. All of these objectives seek to strengthen Thailand's economy both in terms of its macro- and micro-dimensions. Under Thaksin, Thailand's economy generally appeared to advance – though some saw his populism as little more than doling out cash for votes and creating mega-projects to enrich his political cronies. Under Thaksin's sister, Yingluck (who continues to apply Thaksinomics), welfare capitalism has continued with mixed results. New populist policies such as the minimum wage have been quite favourably received by the mostly rural poor.

However, alleged corruption in some of the new programmes (e.g. the rice-pledging scheme) has succeeded in damaging the government's credibility. Yet despite this damage, in general, Thailand's underclass has – since the initiation of Thaksinomics – finally come to perceive that the Thai state is genuinely interested in addressing their grievances. Ultimately, Thaksinomics has offered the poor a chance of upward mobility – measures which archroyalists and coup leaders claimed were not sustainable. However, the strategy opposed to Thaksinomics (sufficiency economy) seemed to merely minimise the risks of economic shocks, turn the economy more inwards, and guarantee slower growth (Looney 2008: 14). Though it may be argued that the Democrats' Wara Prachachon was another strategy attempting to enhance growth and improve the condition of impoverished Thais, this policy was a virtual morph of Thaksinomics.

Second, to what extent has partisanship entered into Thailand's development debate? The fact of the matter is that Thaksinomics and sufficiency economy have become ideological rallying cries for political polarisation in Thailand. Indeed, Thaksinomics is seen by its detractors as a strategy which only caters to the corrupt ends of Thaksin, while sufficiency economy is viewed by some naysayers as mere royalist rhetoric geared to appearing to help the poor when, in reality, royalists are only slightly concerned with their plight.

In several East Asian democracies and semi-democracies, where strong executives are admired (e.g. Singapore, Malaysia, Cambodia), Thaksin and his development model have been praised. Both Asian and non-Asian businesspeople have also commended Thaksin's ability to implement policies which helped rescue Thailand from crisis and sustain stability for foreign investment. However, some Asian NGOs have criticised Thaksin for undemocratic tendencies.[2]

Nevertheless, supporters of Thaksinomics decry those who criticise welfare capitalism for being politically self-serving. They point to praise for Thaksinomics from international institutions. Indeed, though critics have raised doubts about the ability of Thaksinomics to successfully reduce poverty, the United Nations Development Programme has been much more positive. In 2010, it concluded that Thailand's continuing economic growth has made Thais more secure. At the same time, social security programmes have expanded for Thais, while "poverty incidence has declined from 21 per cent to 8.5 per cent between 2000 and 2007" (UNDP 2010). One issue, though, was that a large number of Thais are still employed in the informal sector. Finally, the UNDP lauds Thailand's universal health care programmes, but is worried about its financial sustainability (UNDP 2010).

Ultimately, despite the apparent positive contributions of Thaksinomics to Thailand's economy at both the macro- and micro-level, political polarisation remains alive and well in Thailand. Thaksinomics has in one way been successful because it has generally improved Thailand's economy in a more equitable fashion than ever before. It has, however, failed to escape from being associated with one political power clique – that of Thaksin, his electoral "machine", and his corrupt cronies. Meanwhile, sufficiency economy is closely connected with the king, his senior loyalists, and Thailand's traditional ruling elites. In this way, Thaksinomics and sufficiency economy have

2 Indeed, the Asian Network for Free Elections (ANFREL) charges that during the 2005 election, state-controlled radio and television was biased in favour of Thaksin. See Tul Pinkaew 2005.

failed to jettison their partisan baggage and have become contending political ideologies. As such, these two models are today mere shadows symbolising clashing elite-led social standpoints, leveraging power in anticipation of the political vacuum that will follow the impending royal succession. In this respect, whether any of Thailand's economic models resolves issues of development makes little sense to Thailand's current political tension. To this end, perhaps only after a new monarch is in place and/or when more democracy comes to Thailand can the country come out of its tunnel of polarisation and ably work towards more lasting political security solutions – which can help stabilise the economic security increasingly secured by the current development model.

In the end, Thailand will most likely continue to be relatively successful in achieving economic growth while it increasingly addresses issues of poverty. As Walker has shown, absolute poverty in Thailand has diminished considerably. Relative poverty, however, remains an obstacle. Indeed, microeconomic difficulties in Thailand continue to be felt mostly amongst the lower classes. Thailand today remains a classic case of centralised development planning, which has nevertheless been unable to sufficiently address problems of economic and political inequality, especially for the poor. Behind the rhetoric of Thailand's duelling growth models is a clash of elites. As such, a major goal of Thaksinomics has been to ensure victories at elections which will boost Thaksin's elite clique against the king's seemingly faltering and tired aristocracy. Interpreted in this fashion, Thailand's strategies of economic growth and development have not been engineered simply to improve the lot of the poor, but rather as public relations "Trojan horses" designed to advance the interests of two diametrically opposed power groups.

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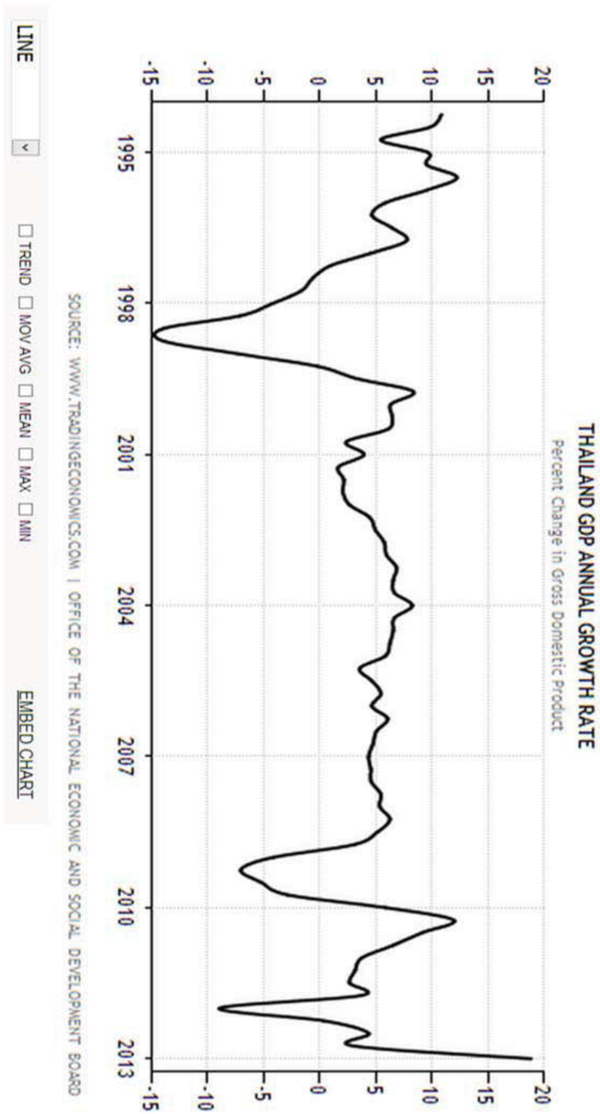
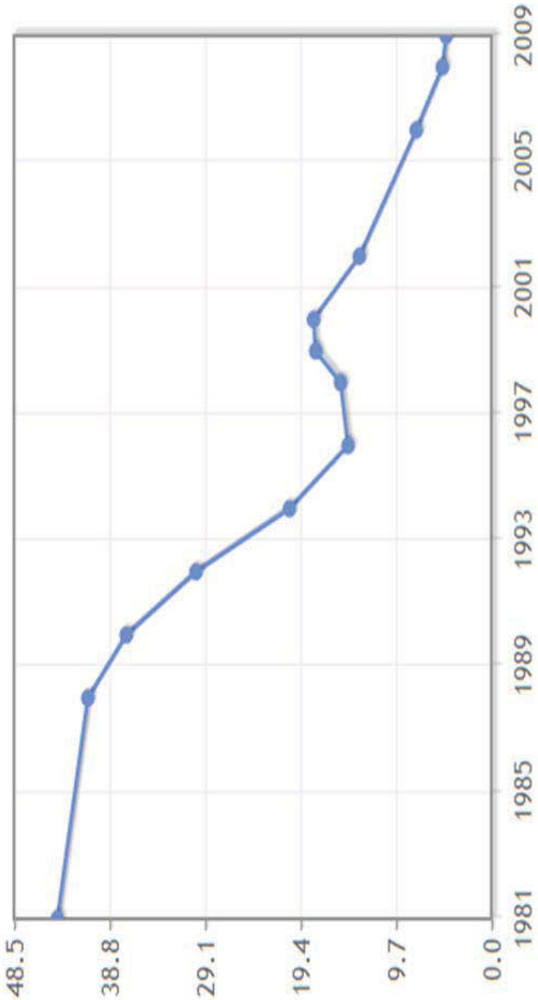
Appendix

Figure 1: GDP Annual Growth Rate in % (1993–2013)



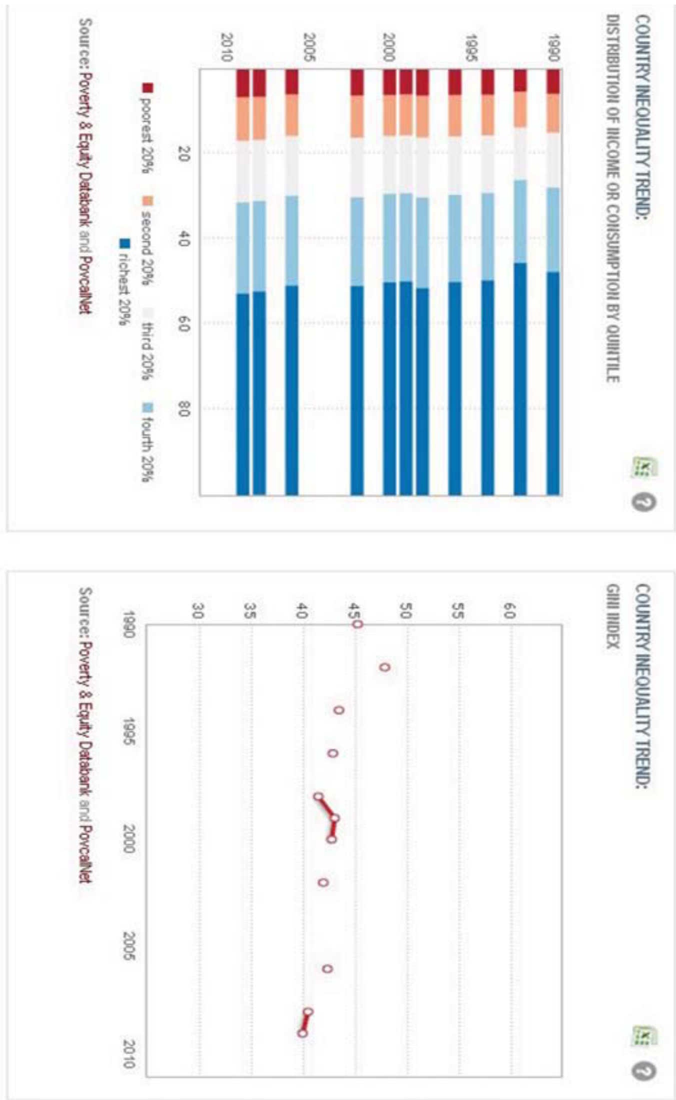
Source: World Bank.

Figure 2: Thailand Poverty Headcount Ratio (as a Measure of Absolute Poverty) at USD 2 a Day (PPP) (% of Population)



Source: World Bank.

Figure 3: Inequality in Thailand (1910–2010)



Note: The table on the left represents different distributions of income from 1990 to 2010. Few changes can be observed over this 30 year period. The table on the right, representing Thailand's GINI (Coefficiency) Index from 1990 until 2010 similarly shows only marginal improvements.

Source: World Bank 2011.