

Two and A Half Cheers for Economic Growth: An Assessment of Long-term Changes in the Thai Economy*

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Between 1950 and 1995, the total output of goods and services grew by more than 17 times ([Figure 1](#)). The best guess for the previous fifty years (1900-1950) was that output grew by less than three times, barely more than the growth in population.

Two questions arise from this simple fact. How was this growth possible? And, what are the consequences?

Simple questions tend to have complicated answers. Take the question of causation first. It is wrong to assign a single cause to a very complex process. What would be more in the realm of possibilities would be to stress the preconditions which generated this process and allowed them to continue.

Recall that the high economic growth of the postwar years really began with the Sarit reforms of the late 1950s. The single most important achievement of those reforms was the establishment of economic stability. Without this achievement, Thai entrepreneurs would be easily diverted to speculative activities which from a long-term point of view is unproductive, to themselves and certainly to the national economy.

But, let it be emphasized, economic stability by itself, while necessary, was insufficient to generate growth. Before the Second World War, Thailand had enjoyed economic stability, but not much growth. Indeed, some argue that the quest for stability was then so obsessive as to be detrimental to growth.

Economic stability after the Sarit reforms was, however, allied with another process, that of capital formation, and it is here that some real changes have taken place. The key to this change was the incorporation of the Chinese entrepreneurs as a class into Thai society. Again, it is true that, in the past, descendants of Chinese immigrants had gradually assimilated and become Thais, but they did so as individuals. More to the point, they did so after accumulating wealth as tax farmers or monopoly traders on behalf of the monarchs, and when their children assimilated, they became part of the officialdom. The expansion of rice production for exports and the heavy immigration of Chinese in the first half of this century, as well as more aggressive Chinese and Thai nationalism, had made the process of assimilation somewhat more difficult. But Chinese entrepreneurs continued to accumulate wealth, primarily from rice processing and trade. Although no reliable estimates exist, it was widely assumed that the bulk of this wealth flowed back to China.

The closing off of mainland China after 1949 and the *modus vivendi* achieved with the Thai political leadership set the stage for Chinese entrepreneurs to redirect their energies to the Thai economy. In the process, they set up commercial banks which helped to focus those energies much more profitably, certainly to themselves, and as a byproduct, to the national economy as well.

We have thus far focused on developments in Thailand and to some extent in China, but of course the rest of the world was not standing still during this period. It is alleged that the Thai economy has only recently been caught up by the "globalization" of the world economy, and that is the explanation for the recent rapid expansion. But surely, Thailand had joined the world economy since it signed the Bowring Treaty in 1855, which limited the import duty on general merchandise to 3 percent *ad valorem*, later 5 percent. This remained in force until 1935, when fiscal autonomy was returned to Thailand. How much more open could an economy be? Yet, at one time, it was argued that it was precisely the inability to protect its industry

which kept the Thai economy from industrializing and from growing.

This is not to say that the rest of the world has had no impact on the Thai economy. The impact came through the technology that became accessible. Being backward in this area, Thai entrepreneurs could draw on considerable technology almost available "off the shelf." Almost, but not quite. To acquire such technology itself requires skill on the part of Thai factory workers and managers -- and, lest it be forgotten, of Thai farmers using the tractors and threshers as well. Without investments made in schools and universities over this period, the acquisition of such technology would have been much more difficult. Despite the large investments made, they are proving insufficient for Thais to keep up with the pace of technology worldwide, and our ability to acquire and master new technology is a matter of serious concern.

What then are the consequences of this enormous economic expansion? Two divergent answers are given, reminiscent of the dispute between those who see half a glass of water as half-full and those who see it as half-empty.

Thais are, on average, five times richer than they were 50 years ago. Of course, this increase in the average hides a great deal of disparity in the gains to economic expansion, but it is mere sloganeering to say that, as a result of the growth, "the rich has gotten richer, and the poor poorer." Economic growth has indeed trickled down to the poor. If we define the poor as those receiving less income than is needed to maintain adequate nutrition, then the poor has been reduced from 57 percent of the population, or 15 million persons in 1963, to 25 percent of the population, or 13.8 million persons in 1988. The fall in the number of people who are poor would have been more dramatic had it not been interrupted and indeed reversed in the first half of the 1980s—the number of poor, in fact, stood at 10 million in 1980. Since 1985, the downward trend in the number of poor has continued ([Figure 2](#)). It is difficult to imagine how the decline in poverty would have taken place without the economic growth.

It is not only in terms of incomes that people have become better off. The physical quality of life has also improved. Not only has infant mortality declined, but the picture holds true of health care generally. Without the scourge of AIDS, the picture would even be more triumphant. True, the wonders of Western medicine sometimes come at a heavy price, but the rural poor at least have the option of paying that price to buy good health. Their situation is, of course, not a pretty one, but compare this to the situation of a hundred years ago, when even princes and princesses could not be prevented from dying from cholera. Measured against this, the sheer availability of that option, however expensive, should not be sneezed at.

The AIDS problem, of course, is a standing indictment of the type of economic system that we have developed. It is hard to imagine its spread without the rampant prostitution that we now have, and there are grounds to believe that the prostitution is itself a consequence partly of the unequal distribution of income that has accompanied our growth. But before we go on to attribute *all* the blame to economic growth, let us remind ourselves that Central Africa is also experiencing rampant AIDS (also propagated through the sex industry) without experiencing much in the way of economic growth.

Other than health care, the provision of public services to the rural population has continued apace. The 1960s and the 1970s saw the extension of the road network, the 1980s of electricity and the 1990s of household water supply. The formal agricultural credit system was greatly expanded in 1975, and now makes up the bulk of the credit supplied to farmers, compared to their dependence on informal lenders at exorbitant interest rates in earlier times.

Each of these gains has introduced much convenience and reduced the isolation of rural life, but each of these gains comes with question marks hanging over it. Road-building has facilitated migration, and, according to some, the breakup of families. Those who see this as a new phenomenon overlook the history of Northeastern villages which is replete with accounts of migration of whole villages to escape war, pestilence and starvation. Electricity has encouraged a consumerist society, it is alleged, usually by Bangkokians speaking in the comforts of an air-conditioned room. The availability of credit is also alleged to have encouraged indebtedness, overlooking the peculiar needs of agricultural production.

It would be absurd to deny that in too many areas and to too many people, economic growth has introduced real pain and hardship. There is no excuse for two hundred factory workers dying in a fire—and this is merely the most dramatic episode that threw into relief daily occurrences in unsafe factories. There is no excuse for many Bangkok families having to have breakfast in their cars to "beat the traffic." There is no excuse for the air quality over Bangkok. There is no excuse for so many Thais living in poverty while the country continued to increase its fleet of Mercedes cars. There is no excuse, in all these cases, because Thailand can afford to solve or at least ameliorate many of these problems with the wealth that economic growth has generated. The failure is a failure of collective will. Surely the most telling criticism against economic growth is that it has dissolved traditional social bonds and communities, without forging new bonds and new organizations to understand and tackle the problems that it has created.

Measured against the reality of the past, much has been accomplished and Thais can be proud of these achievements. Measured against what is possible to achieve with the wealth generated by five decades of growth, much is wanting. Critics of economic growth are wont to paint the past in rosy colors in order to put in relief the shortcomings of the present. Such a tactic may be effective propaganda but it is bad history. It denigrates the achievements of the past five decades, and, far more importantly, it detracts from the task of finding real solutions to the real problems of today.

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