

How Does Democracy Shape Economic Policies in Thailand?

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1. INTRODUCTION

Bringing the issue of democracy to the forefront is timely for Thailand, as the political events, particularly the coup d'état that took place in September 2006, will be well recorded in Thai history. Despite the fact that there was not a single casualty of this internal political turmoil, 2006-2007 are the years that have put Thai democracy to the test. In 2006, the democratic Thaksin Shinawatra government, which controlled the majority of the lower house (and probably the majority of the upper house as well), was accused of massive corruption and was then overthrown by a military faction in a coup d'état on September 19, 2006. During that event, the then Thai Constitution B.E. 2540 was essentially abrogated. The army-led coup initially ruled Thailand under martial law and by executive decrees. The coup leaders appointed an interim National Assembly and appointed an interim cabinet led by a Royal Privy Councilor, General Surayud Chulanont, who then restored a sense of normalcy to Thailand. In 2007, the new Constitution B.E. 2550 was promulgated and a general election is scheduled for December 23, 2007. In this general election, former Prime Minister Thaksin Shinawatra will not be permitted to enter the political race as there are a series of corruption allegations against him. Furthermore, 111 of his political friends and colleagues have also been prohibited as well from any form of political involvement during the next five years.

The general election scheduled for December 23, 2007 has already shown some improving features, but in many ways this democratic event still repeats the previous election traditions that Thailand has had for many years. Politicians still switch parties regardless of their stated political beliefs; political parties still refrain from engaging in public-choice debate, but rather stick to handout policies; and voters still cast their ballots depending on the appearance of the candidates rather than their stance on public policy issues. Questions worth asking about Thailand are: Do the Thai voters know what kind of public choice Thailand needs to make that will have an impact on the country's

economic future? As future members of parliament, will these candidates know what the constituents they represent like or dislike and hence act accordingly so as to protect the interests of the voters? And without a political stance, how will these hard-working, honest, well-spoken and, more importantly, better-looking candidates be shaping economic policies once they enter the parliament or become cabinet members?

Democracy is a relatively new concept for Thailand. Compared with many Western societies where democratic lifestyles have existed for hundreds of years, democracy was introduced into Thailand much more recently. It was only in 1932 (B.E. 2475) when His Majesty King Prajadhipok (King Rama VII) agreed to give up absolute monarchy. Subsequently, the role of the monarch was reduced to a constitutional one. The first democratic constitution was promulgated in Thailand on December 10, 1932. In 1935, the country's name Siam was changed to Thailand. Given that all these political structures were introduced into Thailand only about 75 years ago a question worth asking is the extent to which democracy has determined the shape of Thai public policies. In addition to democracy, one may also ask what other institutions have played a role in shaping Thai public policies.

This article is aimed at providing an economic view of how democracy has been shaping economic policies in Thailand. In doing so section 2 will look at the economics of public policies. Section 3 provides an overview of the Thai policy market and section 4 examines the Constitution. Section 5 forms the conclusion of the paper.

2. ECONOMICS OF PUBLIC POLICIES

Economic policy is as much science as it is art. Two branches of disciplines that govern the theory of economic policy are the market failure approach and the public choice approach. The market failure approach is based on the notion that a competitive market yields efficient outcomes except under some circumstances:

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where markets fail then government intervention in some form of economic policies is warranted. The public choice approach deals much more with issues of collective goods, where a decision-making mechanism is required when a society faces a policy choice. It is often within this public choice approach where democracy, often through a representative government, is used as a mechanism for decision-making.

Economic policies under the market failure approach can be categorized into five groups. First, a do-nothing policy is used when competitive markets already yield efficient and equitable outcomes. Second, removal of distortion policies, such as a price support policy in the agricultural sector, product taxes or tariff barriers will reduce the distortion and raise welfare. Third, fixing market failures includes policies such as a Pigouvian tax for environmental pollution, anti-trust laws, the provision of public goods, supervizing State enterprises for decreasing-cost industries, establishing secure property rights for opened-access resources and correcting for information asymmetry. Fourth, stabilization policy includes monetary policy and fiscal policy. And fifth, distribution policy covers areas such as public housing, compulsory education, minimum public health-care services and progressive tax schemes.

On the other hand, economic policies that are geared toward addressing public choice issues include, for instance, investing in nuclear power plants, signing free trade agreements (FTAs), establishing the minimum drinking age, enacting a gambling law, enacting an inheritance tax or even enforcing the execution of sentence for death-roll prisoners. What these issues share in common is their lumpiness. In making a decision on these issues a society needs to make a single collective choice, for instance, a “yes” or a “no.” Thus, for a democratic society, one will generally resort to the mechanism of a representative government or a parliament to yield decisions that will, hopefully, reflect what the society in general would like to see. In this regard, economists refer to the policy market as a way to obtain a government whose public policies reflect the needs of the people. Likewise, the members of parliament who are representatives of their electorates will bring to parliament the viewpoints of their electorates when promulgating legislation.

Given the above theoretical setting, the article will examine the extent to which democracy has helped to shape public policies, especially the economic policies of Thailand.

3. POLICY MARKET

A policy market is referred to as a situation where political parties put forward their policy package, political beliefs, or their stance on some controversial issues. This differentiated political stance is essential in a democratic society as it will enable the voters to choose the men or women they want to represent their

views in parliament. For instance, if the establishment of a nuclear power plant is a controversial issue, then the political candidates or various political parties ought to make clear whether they will support investment in a nuclear power plant or oppose the project if they are elected. When their view on this matter is made clear, then the voters can make the right choice during the general election. Eventually, these elected candidates will be voting on this particular bill when it is put forward to the parliament for consideration. Political parties which craft the most sellable public policies will then win the most votes and will then be able to form the cabinet. This policy market concept is thus a mechanism that democratic societies use to direct their development future including economic policies.

Has a policy market been established in Thailand? Sometimes yes, but most of the time no. Currently, numerous problems beset the general elections and hence Thailand’s resulting representative governments. First, the voters are not shopping around for the kind of public policy they like. Instead of insisting that the political candidates express their views on some controversial issues, Thai voters tend to look for “good” men or women who will be doing the right thing when they serve as members of parliament. Thai voters still believe that once good politicians are elected then they will be able to do the right thing when a bill is put before them. As can be observed, this attitude of electing a good man or woman is not a useful mechanism for directing the future of the country. Sending a good person to parliament will leave the future of the country uncertain. And this is what is happening in Thailand today. In addition to being a good person, other characteristics of politicians that Thai voters are looking for are what kind of policy handout the candidates have promised, are they well spoken, and lastly are they good-looking.

Second, it can also be observed that political candidates often stay away from committing themselves to some controversial issues. Candidates generally do not take sides in a political debate and will generally say things like “my policy on nuclear power plants is to do what is best for Thailand...” Although this type of statement is meaningless from the public choice viewpoint, Thai voters buy it. On economic issues some controversial public choices that need to be made for Thailand are issues related to FTAs, inheritance or property taxes, or the operation of wholesale chain suppliers, or foreign business and investment rights.

Third, many policies of Thai political parties tend to be “handout” oriented and/or the “must-do-anyway” type policies. For instance, political parties will be selling the concept of helping the poor, promoting education, improving public well-being, improving public health care and so on. These political parties will stay away from the kinds of public policies that involve hard trade-offs. Hard trade-off policies include, for instance voting for or against the US-Thai FTA or voting for or against the forthcoming inheritance tax bill.

Table 1 provides a brief summary of economic policies that Thai political parties are “selling” for the December 23, 2007 general election. It can be seen that there is only one political party actually making a policy statement on controversial issues, which is good because the voters will know what the party’s beliefs are when it comes to legislative voting in parliament. For instance, the Democrat Party will vote against the current Foreign Business Act because it would like to revise it. That Party will also vote against the 30 percent capital control measure. Other than that, most of the political parties are not committed much to controversial issues and their policy statements are merely handout policies in various forms. Most parties will engage themselves in the railway system, promote business via a regional hub, and reduce taxes and utility prices. These policies are just “must-do-anyway” policies; they do not involve any hard trade-offs that we would expect.

On investment policy, Table 2 shows that only one political party is making a strong commitment on a controversial issue. That party is the Matchima Party, which makes it explicit that it would revise all 11 laws dealing with foreign investment that will adversely affect local Thai competitors. The Matchima Party will protect the interests of local Thais instead of enhancing the comparative advantage of the country. The other three parties are again making just a “must-do-anyway” policy on investment, that is, to promote trade and investment. On the appreciation of the baht, the

Matchima Party again has made a strong commitment to put the baht’s value at 38 baht to 1 US dollar, which would constitute about a 15 percent depreciation of the baht. The other parties are aiming for a stable baht regime that the Bank of Thailand is already pursuing (Table 3). Lastly, on the matter of oil prices, two political parties are making strong statements: the Democrat Party will cut the contributions to the National Oil Fund while the Matchima Party promises to lower the oil price by 5 baht to 25 baht per litre. The other parties all say the same thing: promote alternative energy sources, which again can be considered as a “must-do-anyway” policy (Table 4).

Therefore, it can be said in summary that the Thai policy market rarely exists. Few political parties are actually taking sides and making a strong commitment toward certain beliefs on how they will direct the Thai economy. The rest of the political parties are just selling “handout” policies, or what this article refers to as “must-do-anyway” policies. Given that the Thai policy market is weak and voters are not demanding much from their politicians on controversial issues, and that the politicians are not offering much in the way of public choices, then democracy is falling short of functioning in the kind of way that society expects it to. In other words, Thai democracy, as reflected in the way the Thai policy market is behaving, will not have much impact on the country’s future economic policy and its economic development.

Table 1 Policies Espoused by Some Thai Political Parties to Drive the Thai Economy

Name of parties	Policies to drive the Thai economy
Democrat Party	<ol style="list-style-type: none"> 1. Restore investor and consumer confidence by canceling the 30% capital control regime, reverting to the previous Foreign Business Act, and opening up the country to benefit from globalization. 2. Increase competitiveness by reducing logistical costs such as river transportation, railway extensions and mass transit. 3. Making Chiang Mai a regional export hub. 4. Reduce the oil price, cooking gas price and electricity price. 5. Extend the irrigation system to the whole country.
People Power Party	<ol style="list-style-type: none"> 1. Implement populist policies for the grass-roots people. Make tourism the main driving force. 2. Establish Thailand as a regional medical hub. 3. Promote high-speed subway and local train systems in the provinces. 4. Expand the export of exotic Thai fruits and farm produce. 5. Promote a village loan program and the 30-baht medical care program.
Ruam Jai Thai	<ol style="list-style-type: none"> 1. In the short term, keep inflation below 3% per annum and set government spending at no less than 2.5% of GDP. 2. Modify the tax structure in order to raise government revenue. Increase the standard allowable income tax deduction and allow greater deductions for parents of children attending school. 3. Exempt small and medium-sized enterprises earning less than 3 million baht annually from taxes for 5 years. 4. Increase competitiveness by investing in water resource management. 5. Extend railway lines and link them with road and river transportation.
Matchima Party	<ol style="list-style-type: none"> 1. Increase the level of productivity. 2. Provide free education up to the university level. 3. Extend the existing railway systems so as to reduce the logistical costs. 4. Reduce the maximum personal income tax rate from 30% to 20%.

Source: Summarized from *Bangkok Post*, Sunday, December 2, 2007, pages 11 and 14 “Party Line.”

Table 2 Policies on Investment Espoused by Some Thai Political Parties

Name of parties	Investment policies
Democrat Party	Wants to see more foreign investment in Thailand and wants to revise the Foreign Business Act.
People Power Party	Promote trade negotiations and conduct international road shows to attract foreign investment.
Ruam Jai Thai	Open Thailand to the rest of the world and negotiate for mutual gains in international trade.
Matchima Party	Revise 11 laws dealing with foreign investment that put Thailand at a disadvantage. Protect Thai industries and farmers from foreign competition.

Source: Summarized from *Bangkok Post*, Sunday, December 2, 2007, pages 11 and 14 “Party Line.”

Table 3 Policies on Appreciation of the Baht Espoused by Some Thai Political Parties

Name of parties	Baht appreciation policies
Democrat Party	To create stability in the Thai currency. To let market mechanisms do their work.
Ruam Jai Thai	The baht should not strengthen too much compared with the currencies of other economies in the region.
Matchima Party	To support the baht to 38 baht to US\$ 1. A stable currency rate is mandatory for fostering trade.

Source: Summarized from *Bangkok Post*, Sunday, December 2, 2007, pages 11 and 14 “Party Line.”

Table 4 Policies on Oil Price Espoused by Some Thai Political Parties

Name of parties	Oil price policies
Democrat Party	Lower retail oil prices by cutting the contributions to the National Oil Fund.
People Power Party	Reduce expenditure on oil imports and rely more on alternative energy sources.
Puea Pandin Party	Focus on alternative forms of energy that are suitable for the country. They must be clean and cheap and benefit the local people. Make greater use of ethanol, biomass, bio-diesel, wind and solar power. Promote very small power plants.
Charthai Party	Look for ways to reduce the demand for oil as well as improve logistics in order to reduce oil consumption. Promote bio-fuel and small-scale power producers.
Ruam Jai Thai	Examine the mechanisms of the petroleum industry in order to control oil prices. Promote alternative forms of energy such as ethanol.
Matchima Party	Cut gasoline prices by 5 to 25 baht per litre. Look for alternative energy sources such as bio-diesel, wind and solar energy.

Source: Summarized from *Bangkok Post*, Sunday, December 2, 2007, pages 11 and 14 “Party Line.”

4. THAI CONSTITUTIONS

A country’s constitution is an important part of a democratic society. A democratic society that adopts some form of representative government as a way of steering the direction of the country generally operates under a set of legal instruments, such as a constitution. A constitution provides some basic legal obligations that governments and their parliaments must not violate. The provisions stated in a constitution are considered mandatory and they apply to all individuals in the country. From an economic perspective, what a constitution does in terms of resource allocation is that it puts aside an amount of resources for some specific purposes that the society as a whole thinks is worth doing. These decisions are made by the general public and cannot be altered by any member of parliament, representative government, elected cabinet or prime minister.

The reason a constitution is essential for a democratic society may lie in the work of institutional economics, which shows that, when a representative government votes in the parliament, it will generally vote for the benefit of the majority of the people. These members of parliament are also committed to act in the interest of their electorates or certain special interest groups. Therefore, groups or a fraction of the citizenry often left out of representative government are minority groups, such as the poor, children, the elderly or citizens of the future who are not present here to cast their votes. For this reason, a constitution is therefore an essential tool for protecting the basic rights of minorities while representative government works for the interests of the majority.

A brief review of the Thai Constitution B.E. 2550 (a brand new one) shows that Thailand does provide safeguards for certain minority groups, as follows:

- Twelve years of compulsory education for children
- The poor are entitled to health-care services free of charge
- Child protection and adequate assistance for the elderly are provided
- Adequate water is provided for agriculture

Two issues concern Thai constitutions. First, they are rarely drafted by the Thai public. Since 1932 when democracy had been introduced, Thailand has gone through 12 constitutions. This translates into a rate of one constitution for every five years. It seems that when Thailand's basic law does not work out for the government, someone will try to draw up new "rules of the game" to serve their needs better.

Second, who drafts the constitution in Thailand? Three groups have had a hand in drafting the country's 12 constitutions at different times: elected legislatures, appointed legislatures and absolute executives. Of the 12 constitutions, on only two occasions were they drafted by representatives of society or by elected legislatures: in 1946 and in 1997. Four constitutions (in 1937, 1968, 1974 and 1978) were drafted by appointed legislatures. As many as six constitutions (in 1932, 1959, 1972, 1976, 1991 and 2006) were drafted by absolute executives.

Thus, it can be seen that only under a few conditions have constitutions in Thailand reflected the needs of the Thai public. Most of the country's constitutions have merely comprised a set of rules that some appointed or absolute executives, academics, technocrats, high-level civil servants or well-know businessmen have put together to be used to govern the country. It is therefore reasonable to surmise that the democratic content in Thai constitutions has been somewhat limited. Thus, the future of Thailand and hence its economic policy will continue to be indirectly driven by the Thai elite rather than the general public.

5. CONCLUSION

For many hundreds of years Thailand has functioned under a monarchy as its system of government. The country's economic development and economic

policies were thus driven by the monarchy. This proved to be very beneficial owing to the foresight of monarchs such as King Mongkut (King Rama IV) and King Chulalongkorn (King Rama V). They have been among the most cited leaders of modern Thailand for having initiated many new developments for Thailand, for example the modern education system, the nationwide public health-care system, national security and so on. Democracy was introduced in Thailand only in 1932, which makes it only 75 years old today.

This article shows that, as democracy is still relatively new to Thailand, its ability to guide the country in the direction that the Thai people want is still limited. The main reasons are that the country's constitutions are not entirely written by the representatives of the Thai people but instead by the elite who think they know what is best with regard to how the rest of the country ought to be living their lives. Thai policy markets have also been weak. Thai voters do not realize that they have a say about controversial public choices; thus, politicians are not willing to take sides on controversial public policy issues. Even Thailand's National Election Commission is still promoting inaccurate concepts among the people about the election. Instead of asking the people to choose the man (or woman) they want to represent their viewpoints, the Commission currently asks Thai citizens to vote for a "good person." No matter how good these men are, they will not have a clue about what the Thai public needs. The cabinet on the other hand will not formulate the kinds of economic policies that represent the needs of Thai citizens.

Democracy takes more time to evolve than most people think. Democracy is not about picking a few good people to work in the parliament or choosing a charming Prime Minister. Democracy is about exercising one's right to make public choices. People must express their desire to see their country heading in a certain direction instead of another. Also, they must feel that they, not the elite of Thailand, have the right to provide direction for their country. Thai society must rectify the misconception (often fostered by the National Election Commission) that December 23, 2007 is the day the citizenry will pick a few good men for the job of choosing Thailand's future directions. Instead, December 23 ought to be the day when the Thai people will provide directions for the future of Thailand.

