

# **Corruption, Governance and Development in Thailand**

**By**

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## **Introduction**

Explanations of economic and social development have always been a complex and inexact exercise. Since the emergence of 'Development' as a separate sub-discipline in the social sciences in general and in economics in particular, a variety of theoretical formulations and empirical generalizations have dominated the literature explaining both developmental successes and failures.<sup>1</sup> Over the last decade and especially since the East Asian Crisis of 1997, a consensus of sorts has developed in the mainstream development literature that the most important element separating successful developers from unsuccessful ones is the quality of governance in countries (see World Bank 1997, Kauffman and Kraay 2001).

While there is no one and accepted definition of governance, it can simply be defined as "the manner in which power is exercised in the management of a country's social and economic resources for development."(ADB, 1995). One important manifestation of the lack of effective governance is the prevalence of rent-seeking and corruption in economic management of countries. In recent years, there has been a proliferation of studies which demonstrate through cross country regressions the negative relationship between various indicators of socio-economic development and the prevalence of corruption and the lack of effective governance.(Mauro, 1995, 1996, Kauffman and Kraay, 2001, Kauffman et.al. 2002).

At first sight, Thailand's developmental trajectory poses a conundrum to this consensus view in development discourse. Although somewhat stalled since the financial crisis of 1997, in terms of growth in per capita incomes, structural change and reduction in absolute poverty, Thailand has performed creditably over the last four decades.<sup>2</sup> Yet Thailand displays all the signs of a 'misgoverned' polity. Its formal politics has been interrupted frequently by military coups, money politics appears to be the modus operandi of the party political process (Siamwalla and Christensen, 1993) and according to a recent survey, corruption is pervasive (Pasuk et.al., 2000 and Transparency International, various issues).

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<sup>1</sup> See Toye,( 2003) for a comprehensive review on the history of thought on development issues since the second world war.

This first order observation does merit an enquiry into whether the experience of Thailand poses a problem for the existing development consensus. Even if we consider the case of Thailand as an aberration to a more general observed pattern across countries the nature and conditions of those circumstances that enabled Thailand to develop in spite of corruption and bad governance will have to be explained. Moreover, the case of Thailand can also provide important qualifications on different elements of governance and rent-seeking which may be less debilitating to growth and development. The case of Thailand thus promises to enrich and perhaps extend contemporary presumptions in development theory and policy.

The paper is organized as follows: Section 1 lays out the concepts of rent-seeking/corruption and governance along with a critical review of the concept. Section 2 subsequently looks at Thailand's performance in terms of governance and corruption. Section 3 then provides different explanations for Thailand's developmental strides alongside the existence of mis-governance and the existence of corruption. Section 4 then moves on to provide alternative political economy explanations for Thailand's developmental successes in a less than perfect milieu so far as corruption and governance are concerned. Section 5 concludes by drawing important conceptual and policy lessons from Thailand's experience which can further enrich development theory and practice.

## **1. Corruption, Rent-Seeking and Good Governance: Description and Critical Review of Concepts**

### *1.1. Corruption and Rent-Seeking:*

There can be various moral, political and sociological definitions of the term corruption. For our purposes, the most succinct and operationally useful definition of the term is that of the "use of public resources for private gain."<sup>3</sup> In neo-classical economics, the analytical method used to track the impact of corruption on development is through the concept of rent-seeking. Rents are defined as above normal profits that private capitalists seek to capture. State generated rents usually

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<sup>2</sup> Section 2.1 provides details on Thailand's development indicators. Appendix A contains detailed and comparative indicators on Thailand's developmental trajectory.

<sup>3</sup> This is the definition used by the World Bank Executive Board while defining its anti-corruption strategy in September 1997.

take the shape of subsidies and fiscal benefits, the allocation of licenses and quotas, the imposition of tariffs on imports, the provision of state contracts, and through its wider regulatory functions the lowering of costs for inputs and capital. The existence of rents and the process of seeking rents are deemed to create distortions in the functioning of efficient markets, hence reducing net benefits to society (Krueger, 1974; Bhagwati, 1982).

The conclusion that emerges from the rent-seeking literature is that rent creation is a necessary correlate of state intervention. State intervention creates artificial monopolies, which in turn, creates competition amongst potential rent seekers to capture those rents. The scramble to capture rents and the disincentive to produce goods and services are the principal factors affecting economic growth through rent-seeking and corruption. The first order prescription that emerges is that discretionary state intervention should be minimized if corruption through rent-seeking is to be eliminated or curtailed.

While a useful benchmark for conceptualising corruption in countries where states intervene pervasively and state created rent-seeking is significant, a large body of literature has pointed out its shortcomings (Chang, 1994, Sayeed 1995, Khan, 1996 and Khan and Jomo, 2000). Rents take different forms. If rents are defined simply as payments to a factor of production over and above their opportunity cost in a perfectly competitive market, then a number of activities can be considered as rents. Apart from simple monopoly rents mentioned earlier, there are natural resource rents, innovation rents ala Schumpeter and politically negotiated transfer payments through the state. It is obvious that the creation of some of these rents are important for purposes of capital accumulation or redistribution of resources in society. Khan (2000) and Chang (1994) have thus argued that while looking at rent-seeking and corruption, its developmental impact needs to be assessed in its entirety. In other words we need to assess what the net costs and benefits of corrupt activities are. The rent-seeking literature generally analyses the input costs of rent-seeking without an explicit analysis of the outcomes of the rent-seeking process.

Having said this, the process of rent-seeking can be negative and result in an absolute waste of resources if instead of being invested they are squandered away in luxury

consumption or stashed away in Swiss bank accounts. It is, therefore, important to specify the actual nature of rent-seeking as well as its net benefit or costs to society.

### *1.2. The Good Governance Framework*

The 'good governance' view (henceforth governance) sets out the preconditions of state conduct and capacity which underpins sustained economic growth and development.<sup>4</sup> The central criterion of a well governed state is that policy formulation and implementation is in the public interest – however defined – and that there are mechanisms to check for the arbitrary behaviour of the state.<sup>5</sup> A commitment to, and the creation of, the appropriate infrastructure for accountability of state personnel is thus the underlying *raison d'être* of good governance.

Lack of transparency and accountability in setting state goals is deemed to result not only in the adoption of the wrong policies, but also in their persistence even after it is clear that they do not work.<sup>6</sup> This is seen in the literature as the principle cause of economic regression and/or underdevelopment.

To create the appropriate infrastructure to hold the state accountable, it is necessary that the conduct of the state – in terms of policy formulation and implementation – should be transparent. Transparency in the conduct of state functions essentially creates access to information and reduces asymmetry in information between the governed and the governors. It ensures that policies are adopted in consultation with and in the best interests of the private sector. Also, arbitrary changes in policy or their lack of implementation can be checked more easily if the policy formulation process is more transparent. Creating access to information, which in turn reduces the asymmetry in information between citizens and the state creates the basic condition for accountability and hence a check on the arbitrary behaviour of the state (World Bank, 1997, p99). Such arbitrary behaviour can range from downright plunder of national wealth to seeking rents from society in the form of inordinate levels or

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<sup>4</sup> There is no precise and succinct description of Good Governance that can be found in the literature. This description has been inferred from the literature produced on the topic by the multilateral development agencies. See ADB (1995) and <http://www.worldbank.org/prem>

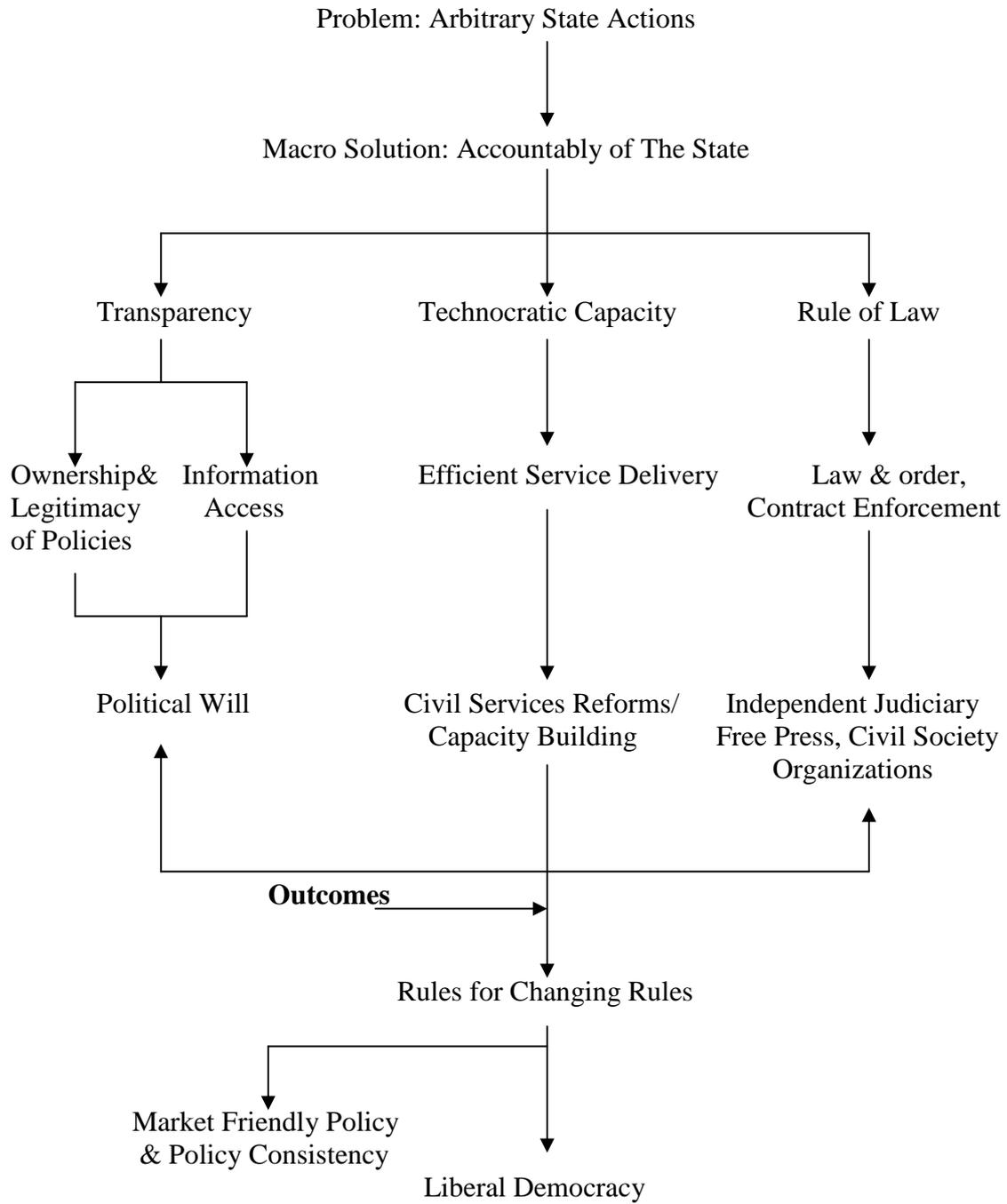
<sup>5</sup> The state is defined as having a monopoly over violence. This creates the temptation for state the personnel to indulge in arbitrary behaviour, either for self enrichment or simply assertion of power.

<sup>6</sup> North (1990) states such situations arise because of either information and/or knowledge failures or for 'false' ideological reasons.

incidence of taxation or through rent-seeking in the provision of public goods. Transparency thus creates the basic condition for checking such malevolence on the part of state personnel. An added virtue of transparency in policy formulation is that it creates ownership for the policies adopted and the requisite legitimacy for their implementation.

While transparency in the affairs of the state is a necessary condition for checking arbitrary behaviour, it is by no means sufficient. There are two other important conditions that need to be met. First is the existence of the rule of law. This is necessary to ensure that the affairs of the state are conducted in the best utilitarian tradition of the greatest good for the greatest number. Not only does rule of law check arbitrary behaviour of state personnel but it also ensures that state autonomy is maintained so that the state does not become prey in the hands of special interest groups or particularistic interests. Rule of law is thus deemed to create the fine balance between state autonomy and state responsibility to its citizens. In societies where codified laws do not have a tradition and rational legal norms do not exist, state leaders or legislators have to demonstrate sufficient political will to create such a system. It is obvious that for politicians this is the most difficult element in the governance package to accomplish. However once good intent is demonstrated by the leadership, it will change norms in society and become part of the political culture.

**Figure1: Elements of Good Governance**



Rule of law, in turn, will only become operational in the presence of a competent and independent judiciary as well as a free and diverse civil society. A free press is the most important ingredient of a dynamic civil society. Similarly, NGOs that act as watchdogs on state behaviour are deemed important elements that complete the mosaic of a well governed state.

The transmission of policies into effective service delivery requires a competent and rules based bureaucracy. This is all the more important if increasingly diverse and complex issues of a modern and dynamic political economy have to be well governed.

Interventionist states in the past have used the bureaucracy to run state enterprises and to intervene in the functioning of the market through administering subsidies, price controls, etc. While neo-liberal policy reform will have these countries do away with most of these dirigiste functions, it will still have a strong regulatory role in ensuring the public goods character of the now privatized public services is maintained. Anti-trust bodies, regulation of utility provisions (electricity, water, public transport, etc.) and managing an increasingly complex and globalised financial and trade environment have added a new dimension to bureaucratic functions.

Bureaucratic failure has been a central element of state failure. Partly this is due to malfeasance (to be corrected through transparent governance) and partly because of the lack of sufficient technocratic expertise in the bureaucracy. The malfeasance aspect is to be corrected through transparent functioning of the government. This will entail depoliticisation of the bureaucracy, its rightsizing and merit based recruitment.<sup>7</sup>

The outward manifestation of such a policy framework will be a society governed by the rule of law and its political system based on pluralistic politics which manifests itself in liberal democracy.

The manner in which the good governance framework leads to economic development in the consensus view is essentially through lowering uncertainty amongst economic agents to invest and reap the rewards of that investment without the fear of their assets

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<sup>7</sup> The emphasis of donor agencies on civil service reform, right sizing of the bureaucracy, adequate pay structures for the bureaucracy and developing their technocratic capacities has been an important element of good governance reforms.

or the income streams that accrue from profitable investment of those assets being appropriated by the state or other social groups opposed to the propertied classes. That the policy framework in a country where principles of good governance are followed will inevitably lead to the adoption of a neo-liberal policy framework as it is deemed to maximize income and wealth in the long run.<sup>8</sup> Moreover if the societal view on the adoption of a dirigiste policy is adopted, democratic politics and the principle of accountability will ensure that the failure of such policies (deemed inevitable) will result in correcting for this mistake.

Obviously perfect governance does not exist anywhere. Rules of the game have to be adopted and managerial capacity enhanced over time as knowledge and technology improves. However if the underlying principles of governance – rule of law, liberal democracy and most crucially political will exists, such economies will be deemed to be governed well. The absence of some or all of these criteria will be a signal of bad governance.

At a purely conceptual level, the simultaneity of all elements falling into place is critical if sustainable levels of economic development is to be achieved. If not, then it is a second best state of affairs in which case some elements of development can be achieved at the expense of others. The most obvious example is that of high rates of growth associated with adverse distribution of incomes (and perhaps high levels of poverty) in an arbitrary state.<sup>9</sup> Similarly an arbitrary state can impose redistributive policies without the existence of the rule of law and its associated pre-requisites spelled out in the model (the example of Cuba).

Yet another problem associated with the good governance framework is that of causality. Historically, certain thresholds of economic development have been achieved prior to putting in place different elements of good governance.<sup>10</sup> The issue of causality is thus very important to explore with reference to its correlation with developmental goals.

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<sup>8</sup> This is obviously the neo-liberal view, which is both theoretically and empirically contended.

<sup>9</sup> Pakistan in the 1960s is an appropriate example of this phenomenon (see Sayeed, 1995).

<sup>10</sup> This is also important because developing countries require significant resources to put different elements of good governance in place, especially in a globalised world, for which a certain threshold of per capita income may be necessary.

### *1.3. Empirical Evidence on the Relationship Between Corruption/Governance and Development*

A plethora of empirical studies have emerged in the recent past which investigate the relationship between corruption and/or governance and different indices of economic development. There is another body of literature which attempts to compare countries on the basis of the prevalence of corruption based on subjective indices. We shall critically appraise both these streams of empirical literature below.

Comparison of countries on the basis of prevalence of corruption is carried out by the now well known German NGO *Transparency International* (henceforth TI) since 1996. Its ratings are based on a series of questions put forth to ‘competent observers’ (usually multi-national company and large national corporate executives). Opinion polls are another method through which such cross-country ratings are generated.

Common to both approaches is that they are *subjective perceptions* of individuals. Lo and behold the most corrupt countries in these exercises turn out to be the poorest and the least corrupt are some of the richest countries. While there is some virtue in carrying out such exercises because of the lack of a fool proof objective method to measure corrupt practice, methodological problems associated with such surveys may not tell us much either about the prevalence of corruption or more importantly about its relationship to development. First of all, because of the perceptive nature of these exercises, “corruption, instability and distortions can appear to be less serious in high growth countries even to competent observers, simply because things are working well.” (Khan, 2001a, 10). Second, because a composite index is created for cross country comparisons, the problem of appropriate weightage of different types of corrupt practices is critical given different conditions and states of the economy prevailing in different countries. Third, opinion polls, in addition to the problem of perceptions also suffer from the problem of appropriate scaling across countries (Khan, op.cit).

Another category of studies attempt to correlate per capita GNP of countries with indicators of governance (see Kauffman and Kraay, 2001). In these cases, the problem

of causality is not sufficiently addressed, i.e. it is not statistically proven whether good governance led to higher per capita GDP or otherwise.

The more interesting studies correlate GDP growth and other social indicators (such as literacy, infant mortality, etc.) with corruption/governance indicators. The most comprehensive in this respect have been studies carried out by Barro (1995) and Mauro (1995 and 1996). Interestingly, in Mauro (1995) the correlation between high GDP growth and corruption indices breaks down once investment rates are accounted for. Mauro (1996) does end up demonstrating that after controlling for investment rates, a statistically positive, albeit much weaker, negative relationship between corruption and GDP growth exists.

As Khan (2002,b) points out, cross-country regressions often ignore countries that tend to score low on corruption and good governance but have attained high growth rates. Thailand and China, in particular are countries that have grown rapidly in the recent past with adverse corruption and governance indicators. At best, development theory needs to analytically address the issues of such outliers if the robustness of the consensus is to be demonstrated.

## **2. Development, Corruption and Governance in Thailand: The Evidence**

This section briefly summarizes Thailand's performance in terms of salient development indicators in a regional comparative perspective. It also provides a snapshot of evidence on corruption and governance in the country with the help of existing literature.

### *2.1. Development Indicators of Thailand*

A half century ago, Thailand was a low income, poor country in terms of per capita income (see Table A-1). Since the 1970s, its rise has been meteoric.<sup>11</sup> Looking at

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<sup>11</sup> Paucity of comparable figures have not allowed us to provide a comparison with other similarly placed countries. Obviously several East and South East Asian countries have treaded the same path which is acknowledged. However, a number of others in the Southeast Asian region itself and in South Asia have lagged behind considerably.

Table A-1 we see that it was in the 1970s that there was a surge in Thai per capita incomes.<sup>12</sup>

In a comparative perspective, Thailand's GDP growth in the recent past has been at par or slightly better than others in the region, in East Asia as well as South Asia (see Table A-2).<sup>13</sup> Its recovery after the tumultuous events of the 1997 financial crash has also been at par with that of other countries in the region, albeit slower than East Asia and China.<sup>14</sup>

Table A-3 shows the rapid improvement in Thailand on social and human development indicators. The head count poverty ratio is half of that of other countries in the region and almost three times better than that of South Asia. In fact, the headcount poverty ratio in Thailand is similar to that of countries in East Asia with much higher per capita incomes. A similar picture emerges on infant mortality indicators. Thailand's income distribution, however is worse than other regions, including South Asia.

## *2.2. Corruption and Rent-Seeking in Thailand*

Evidence on corruption and rent-seeking in Thailand is evident on a number of different levels. In the annual TI ratings, Thailand has consistently been ranked amongst the 25% most corrupt countries.<sup>15</sup> Perception indices conducted in Thailand demonstrate that at an aggregate level, Thais consider corruption in the public sector to be third most important problem in the country (Pasuk, et.al 2000).

In a survey conducted on the extent and magnitude of corruption in the public sector, it was revealed that the tax authorities, land department and the police account for 88% of the bribes paid.<sup>16</sup> Another significant area where corruption was found to be rife in the survey was the judiciary. According to the above mentioned survey, one

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<sup>12</sup> For greater detail on policies and processes which led to the turn around in the 1970s, see Pasuk and Baker (1995) and Muscat (1994).

<sup>13</sup> Thailand's savings and investment patterns also appear to be more like East Asia rather than Southeast Asia, particularly in the 1980s and 1990s (Table A-4).

<sup>14</sup> It is to be noted that the impact of the financial crisis on countries in East Asia was less severe than that in South East Asia.

<sup>15</sup> See TI Annual Reports , various issues. Rankings are available on [http:// www.ti.org](http://www.ti.org)

<sup>16</sup> This survey was carried out in the last quarter of 1999 comprising of 4013 households based on the multi-stage cluster sampling methodology.

third of those households that approached the courts for judicial recourse were asked to pay bribes. Interestingly, however, the prevalence of bribery in utility services (electricity, telephone, water and railways) was minimal and these services were rated well for the quality of service provision.

Numerous activities of corruption have also been documented in the Thai context. The title of Pasuk et.al's (1998) book *Guns, Girls, Gambling and Ganja* adequately conveys the prevalence of unlawful activities in Thai society.<sup>17</sup>

Specific to economic corruption, a number of studies have documented the prevalence of rent-seeking in various economic sectors in Thailand. The most contentious and politically high profile case is that of concessions awarded in the Telecom sector. Ukrist (1998) and Sakkarin (2000) document the intermingling of political power and economic rents in this sector. Similarly, state protection and subsidies and the scramble for their capture has played an important role in the development of the Thai automobile industry (Kamaruding, 2000). In the construction sector, the bidding process for public sector projects have remained controversial – the most high profile of which has been the controversy over the construction of the new airport in Bangkok.<sup>18</sup> Interviews with those involved in the construction sector say that cost overruns to the order of 30-40% have occurred in government contracts for infrastructure projects.<sup>19</sup> Similarly, Doner and Ramsey (2000) and Somboon (1998) have documented the prevalence of business-state collusion for rent capture in the textile and cassava industries respectively.

### *2.3. Governance Issues*

In terms of the governance framework outlined above, Thailand falls far short of the ideal type. As mentioned above, the judicial process – which is the bedrock for providing justice to the common citizen as well as necessary for contract enforcement (and hence protection of property rights) is open to corruption. Judicial malfeasance

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<sup>17</sup> Also see Pasuk and Sangsith (1994) for details on corrupt and illicit activities prevalent in Thailand.

<sup>18</sup> Details of collusion and bribery in public projects – specifically the award of contracts for BOT – was obtained from an interview with Dr. Tortrakul Yomnak, President of the Anti-Corruption Committee of Business Associations involved in the Bangkok Airport Terminal Project.

<sup>19</sup> Interview with Dr. Tortrakul, cited above.

also translates into lack of accountability of those indulging in corruption and rent seeking. According to Christensen and Siamwalla (1993, 7-8)

Corruption in high places rewards its perpetrators well and they are almost never caught. Only one cabinet minister was jailed for corruption during the entire postwar period. Only three of the country's leaders had their wealth confiscated, one (Sarit) after his death and two (Thanom and Prapas) after their fall from power. Corruption though is not limited to the highest offices. It is one of the core elements of the system of patronage ... [and is] testimony to a conspicuous absence of accountability in the Thai body politic....

The problem of lack of accountability and transparency is also evident in the Thai political process. The corruption survey cited above also reveals that one third of the households surveyed were offered money by contending candidates. Moreover, Christensen and Siamwalla (1993) in addition to a number of authors demonstrate the lack of transparency in both policy formulation and execution. Historically, it was the bureaucracy in collusion with the military that formulated and executed policy and now a collusive arrangement between big business and politicians (which frequently overlaps) which dominates the state.

While a certain degree of policy autonomy is necessary for developmental policy formulation – which the collusive and non-transparent Thai state provided - the lack of transparency and accountability as well as a patronage based and corrupt electoral system means that a number of elements of good governance have not been fulfilled in Thailand.

The picture of high attainment on various indicators of socio-economic development coupled with prevalent corruption and weak governance indicators is evident. In the next two sections, we explore the explanations provided for this apparent paradox.

### **3. Explanations of Thailand's Development Successes: The Conventional View**

Usual explanations of Thailand's development successes are based on the premise that special conditions permitted Thailand to develop *in spite* of pervasive corruption and rent-seeking as well as weak governance. There are essentially two streams of arguments in this category. The first argument is that exogenous conditions, such as Japanese investment in the region as well as US aid during the Vietnam war played an important role in providing the investible surplus which enabled Thailand to make the

giant leap, so to speak, in economic development. The second stream of such explanations is that in spite of corruption and bad governance, good macroeconomic management predicated on a high degree of state autonomy formed the bedrock of Thailand's developmental success (Christensen et.al. 1993, Muscat, 1994, Doner and Laothamatas, 1994).

The exogenous explanation does not square up with evidence for a number of other countries. If Japanese investment would play an instrumental role in transforming a low income country to high levels of socio-economic development then the Philippines should have developed at the same trajectory or faster than Thailand as the Japanese looked towards the Philippines to invest much before they made their way to Thailand.<sup>20</sup> Similarly, US aid to Thailand during the Vietnam War and even after to crush the Communist insurgency is perhaps not a sufficient explanation for the simple reason that a number of other countries have also received significant doses of US aid and yet their developmental performance lags far behind that of Thailand.<sup>21</sup> The important point to note, however, is that a country can benefit from positive exogenous shocks if some level of endogenous capacity to absorb has been created. Thailand, it appears, was able to do that for specific historical reasons that need to be explored.

The sound macro management and relative autonomy story also does not by itself explain how sound macro-management could remain an island in the sea of mis-governance and rent-seeking? Second, the fact that rent-seeking was taking place is clear. If this autonomous state could not prevent such pervasive corruption and rent-seeking, it shows that after all it was either not so autonomous or that it did not consider rent-seeking to be negative for economic development.

The latter view provides some important pointers towards a more complex historical and sociological explanation of Thailand's success which is explored in the next section.

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<sup>20</sup> Doner documents that the Japanese first made investments in the Philippines auto industry in the 1950s. Once this venture proved unsuccessful, only then did Japanese investment in the auto industry move to Thailand.

<sup>21</sup> Egypt, Jordan and Pakistan are some examples of countries that have received significant US aid for long periods of time but their development performance lags far behind that of Thailand.

#### 4. Political Economy Explanations of Thailand's Developmental Success

A historically grounded and sociologically sensitive analysis of the enigma of Thai developmental success is provided in the writings of Khan (2000) and Doner and Ramsey (2000).

Khan's (2000) story places much emphasis on Thailand's unique character of being one of only a handful of developing countries that was never colonized. This fact has important implications for the social structure that emerged in Thailand without any major upheavals or discontinuities. First, it allowed for small capitalists, mostly Chinese, to continue accumulating wealth and eventually graduate to become large capitalists.<sup>22</sup> Second, because of the lack of large and organized intermediate classes that politically coalesce together in anti-colonial struggles and then seek redistributive rents was also largely absent in Thailand till very recently.<sup>23</sup> As a result, the Thai political economy was dominated by big business by the 1970s. Since then, the political clout of Thai capitalists has increased to the extent that it has gradually displaced the army and the bureaucracy as the dominant groups influencing the state.

This description of the evolution of Thai political economy (albeit in a nutshell) explains why rent-seeking and corruption did not result in an absolute squander of resources. Rents that were captured by industrial capital and money made through loot and plunder by provincial mafias was re-invested, eventually leading to the virtuous cycle of socio-economic development. This is consistent with the notion of weighing the input and output cost of rents described in section 1.1.

Doner and Ramsey (2000) take the story further by arguing that because of the large number of capitalists that emerged, there was intense competition amongst them which in turn managed to dissipate the actual quantum of rents that were there to be captured. Moreover because the state itself has been captured by capitalists in the recent past, there are a number of patrons within the state that are in a position to

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<sup>22</sup> See Suehiro (1985) for a detailed description of the process of capital accumulation in Thailand since the 19<sup>th</sup> century.

<sup>23</sup> See Pasuk and Baker (1995) for more details on this phenomenon.

distribute rents. This process adds another layer of competitiveness to the process which further dissipates rents.<sup>24</sup>

## 5. Conclusion

The story of Thailand's development is best encapsulated by the title of Benedict Anderson's article: *Murder and Progress in Modern Siam*.<sup>25</sup> Like most other countries and regions, its social and economic history is predicated on events and processes of violence, corruption, loot and plunder. The difference perhaps is that this process has been channeled into a direction where Thailand has also progressed in terms of important economic and social indicators. Today the average Thai is better off than the average Laotian or the average Indian or Pakistani, who has suffered an equal degree of injustice and corruption (if not more) than the Thais.

Thailand's specific historical trajectory mattered a lot in this virtuous outcome. The fact that it was not colonized meant that the social structure was not subjected to forms of social engineering that colonized countries went through. There was thus a degree of continuity in the social structure that has alluded post-colonial societies. The role of the King, especially since the middle of the 19<sup>th</sup> century, has also been critical. Apart from other fortuitous factors, the Kingdom in Thailand was able to negotiate with potential colonizers to keep them at bay as well as initiating the modernization of the state structure in the late 19<sup>th</sup> century.<sup>26</sup>

Does the specific example of Thailand then imply that for those countries that have lagged behind, the weight of historical determinism is so heavy that they will remain doomed to remain underdeveloped? Moreover, if this is the case, then the Thai story is not very instructive for others. While it is not easy to ward off the weight of history easily, countries such as Malaysia have done it. What can be learnt from Thailand is that political strategies and coalition building can be done in ways which are developmental in character. Thailand's experience also provides a number of pointers towards prioritizing certain developmental goals and to make certain forms of

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<sup>24</sup> This argument is based on Shliefer and Vishny (1993) where they argue that such decentralization in rent distribution bids down the actual amount of the rent.

<sup>25</sup> Anderson (1990).

corruption and rent-seeking less promiscuous than others. For instance, the hassle free provision of utilities, the provision of quality physical and social infrastructure (although at higher costs) and competition amongst capitalist rent-seekers are areas where developing country statecraft can concentrate.

As for the consensus view in contemporary development discourse, it is clear that the case of Thailand – and indeed of many other South and East Asian countries as well as China – disprove it. The ahistorical methodology of mainstream economics as well as its lack of focus on social structures leave a gaping hole in its explanations and prescriptions to developing countries. More importantly it goes against historical evidence where messy struggles and processes have led to development and only then the high ideals of good governance have been achieved. The issue of causality in the framework is thus demonstrably problematic.

Having said this, it is not to suggest that almost all the individual elements of the good governance framework – with the possible exception of a neo-liberal economic order – are not worth struggling for. Prioritization in the light of the specific context of the time and developmental stage of a country is however critical in attaining these objectives.

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<sup>26</sup> See Pasuk and Baker (1995).

## Appendix

### A-1: GDP Trends in Thailand

	GDP (US\$)								
	1950	1960	1970	1980	1985	1990	1999	2000	2001
<b>Thailand</b>	80	100	195	688	721	1200	1980	2020	1940

**Table A 2:  
GDP Growth in Asia**

REGION	GDP GROWTH RATES			
	1992-1996	1997	1998	1999-2004
<b>Thailand</b>	7.9	-1.4	-10.5	4.4
<b>South Asia</b>	6.3	4.5	6.0	5.2
<b>South East Asia</b>	7.4	4.4	-6.6	4.2
<b>East Asia</b>	6.7	7.1	2.9	6.4
<b>China</b>	12.1	8.8	7.8	7.5

### A-3: Human Development Indicators

REGION	POVERTY HEADCOUNT		GINI	MORTALITY RATE		UNEMPLOYMENT
	National	\$1a day	1998-2001	1990	2000	2001
<b>Thailand</b>	13.1	2	0.43	34	24	3.7
<b>South Asia</b>	34.8	25.7	0.39	107	83	8.3
<b>South East Asia</b>	26.1	11.6	0.37	73	60	5.4
<b>East Asia</b>	13.3	15	0.37	27	21	4.25

**A -4: Savings and Investment in Asia**

REGION	GROSS DOMESTIC SAVING (% OF GDP)			GROSS CAPITAL FORMATION (% OF GDP)		
	1980	1990	2002	1980	1990	2002
<b>Thailand</b>	23.0	34.3	32.0	29.1	41.4	23.8
<b>East Asia</b>	28.1	29.6	26.2	36.9	31.5	27.5
<b>Southeast Asia</b>	26.6	20.2	20.5	24.3	21.2	18.7
<b>South Asia</b>	9.5	16.5	22.2	22.6	22.0	25.3

**A- V: Structural Changes in GDP composition: Structural Changes in GDP composition**

REGION	AGRICULTURAL			INDUSTRY			SERVICES		
	1980	1990	2002	1980	1990	2002	1980	1990	2002
<b>Thailand</b>	23.2	12.5	9	28.7	37.2	42.5	48.1	50.3	48.5
<b>South Asia</b>	42.3	34	27.6	20.2	24	26.6	37.6	42.5	46.9
<b>South East Asia</b>									
<b>Asia</b>	28.5	31.4	24.1	30.1	27.2	33.7	40.7	41.7	42.8
<b>East Asia</b>	13.4	11	8.2	40	38.4	32.1	45.6	50.6	59.6

Sources: Asian Development Outlook 1998,  
Asian Development Outlook 2003  
World Development Indicators 2003

East Asia includes China (and Hong Kong), Republic of Korea, Mongolia and Taiwan  
South Asia constitutes Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka  
Southeast Asia comprises Cambodia, Indonesia, Lao, Malaysia, Philippines, Singapore, Thailand and Vietnam

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