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Private Enterprise and Economic Progress in Thailand

ELIEZER B. AYAL

THE most often mentioned impediments to the development of private enterprise in underdeveloped countries are: (1) shortage of capital; (2) deficient economic setting such as poor infrastructure, small market and inadequate credit facilities; and (3) shortage of the right kind of entrepreneurs, sometimes presented within a broader context of the low level of awareness of and responsiveness to economic opportunities.¹

The relative importance of these factors differs among countries and in the assessment of those concerned with economic development. While the difficulties caused by the first two factors are generally recognized by economists, the importance of the third has been argued. Specifically the bone of contention has been whether or not government policies which provide economic incentives are sufficient to bring forth the required entrepreneurs.

Recent comparisons based on available data have shown that, at least in Southeast Asia, countries which allow substantial free play to private enterprise have experienced higher rates of growth than those centrally planned.² Such evidence has led development economists to believe anew in the merits of the market place as an allocative mechanism and in the efficacy of what are customarily called "neoclassical policies" in underdeveloped countries.

I suggest that the evidence is not sufficient for concluding, as some do,³ that a shortage of the right kind of entrepreneurs is no longer important. The evidence, for what it is worth, tends to support the contention that indigenous participation in the progressive sectors has yet a long way to go, with very specific groups, mostly aliens and their direct descendants, still occupying the main entrepreneurial stage. Differences among countries in such factors as the availability of entrepreneurs are at least as important as differences in the extent of central planning and government in-

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¹ A very similar division can be found in Sayre P. Schatz, "Economic Environment and Private Enterprise in West Africa," *The Economic Bulletin* (Accra, Ghana), VII (No. 4, 1963), 42-56. He calls our item (2) "difficulties in the economic environment." Such difficulties are quite familiar to students of underdeveloped countries. In Adreas G. Papandrea's *Strategy for Greek Economic Development* (Research Monograph Series 1, Athens, Greece, 1962) p. 30, these are listed as follows: "Inadequate infrastructure, technological backwardness and inefficiency, scarcity of market information, widespread monopoly, and extreme inequality in the distribution of wealth." A related imperfection he mentions is the "lack of reliance on the stability of institutions." Of course, this list is not exhaustive nor does it apply equally in all countries.

² See, for example, Charles Wolf, Jr., "National Priorities and Development Strategies in Southeast Asia," and Theodore Morgan, "Economic Planning—Points of Success and Failure," *The Philippine Economic Journal*, IV, No. 2 (Second Semester 1965).

³ For example, Sayre P. Schatz, "Economic Environment," and Gustav Papanek, "The Development of Entrepreneurship," *American Economic Review*, LII (May, 1962), 46-58.

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volvement. To take a rather obvious example from Southeast Asia—the reasons for the differences in economic performance between Indonesia and Malaysia are not restricted to the “socialism” of Indonesia but to many factors, the most relevant of which, in the present context, is the high proportion of Chinese immigrants and their descendants in Malaysia. One tends to doubt whether a purely Malay Malaysia would have much to show for itself in terms of economic development under the same policies now being pursued.

A similar line of argument can be applied to Thailand. Almost all economic activity, other than rice farming and certain government ventures, was, and to a large extent still is, carried on by aliens and their direct descendants. Moreover, until the last decade or two, development was slow and largely, although not exclusively, confined to traditional lines of economic activity. Government policies pursued since the middle of the nineteenth century were largely laissez-faire and cannot be blamed for the slow development. Such policies could probably be more vigorous but it is not clear whether this would have made much difference.⁴ Moreover, substantial government investments in social overheads such as an extensive canal system for irrigation and transportation, and railroads, were made. These appeared to be adequate for the needs of the times.

In more recent years the pace of development in Thailand has accelerated with the gross national product, increasing by 108 percent in real terms in 12 years (1951–1963).⁵ This growth was supposedly enhanced by recent policies encouraging investors, especially foreign ones, through various tax and other benefits; the somewhat more stable government (caused by the elimination of the democratic trappings); and the institution of rudimentary planning. But all these are of rather recent origin and the upward trend was already evident before they came into effect. There is, therefore, strong evidence in support of the proposition that the really important change that has occurred lies in the slow, cumulative transformation of the Thai society.

A kind of a “pinzer” movement has been taking place. On the one hand, more Thais have become attuned to business activities through contact with foreign firms, either as employees or as government officials; through exposure to foreign products, techniques, and mass media; through education and training abroad. On the other, a substantial number of Chinese have been integrating into Thai society while still maintaining their business acumen (and increasingly using modern techniques, although still only to a moderate extent). Thus a Thai “business community,” responding “rationally” to market incentives, has been evolving and is expanding.

One field in which this development has been clearly demonstrated is agricultural exports. The production of new agricultural exports sprang up in a very impressive way in response to favorable foreign markets.⁶ City entrepreneurs as well as farmers have been involved in the spectacular rise in the production and export of maize, tapioca and kenaf. The organization of the production of these goods is more com-

⁴ The relevant aspects are elaborated in Eliezer B. Ayal, “Value Systems and Economic Development in Japan and Thailand,” *The Journal of Social Issues*, XIX (January, 1963), 35–51.

⁵ Thailand, National Economic Development Board, *National Income Statistics of Thailand, 1964* Edition, p. 94. The year to year changes were erratic, and in 1954 there was even a decline due to bad rice harvests.

⁶ See Table I.

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TABLE I—GROSS DOMESTIC PRODUCT ORIGINATED FROM
SELECTED AGRICULTURAL CROPS

	(Thousand Baht)						Gross Domestic Product originated in agriculture
	Paddy	Maize	Tapioca	Kenaf	Jute	Kapok	
1951	5,164,404	35,777	25,600	29,740	4,896	—	10,876,298
1953	5,495,681	63,900	28,200	11,900	1,530	—	10,421,781
1955	5,390,196	80,987	25,800	23,726	2,497	—	11,975,196
1957	4,105,178	127,184	41,761	38,978	26,851	453,413	12,014,335
1959	5,090,864	269,597	173,314	95,200	30,498	341,017	13,703,030
1961	6,622,395	569,559	397,016	1,041,093*	52,982	351,942	16,626,330
1963	8,041,215	805,671	475,520	325,385	28,089	229,726	18,418,958

*In 1960 the value was 489 million baht and in 1962 it was 267 million baht. The very large increase in 1961 was spurred by floods and crop failures in competing jute producing areas, especially Pakistan.

Source: *National Income Statistics of Thailand*, 1964 edition, pp. 96-97.

mercialized and represents an improvement over rice production with its small holders and ancient production methods. Although non-Thai were prominent in initiating these expansions, the fact that a significant number of Thai rice farmers have been enticed by the more remunerative, though less secure, conditions of the new crops is important. It indicates that the transformation of significant segments of Thai society has advanced to such a degree that incentives and policy measures can reasonably be assumed to yield results which are not too far removed from what one would normally expect from such policies.⁷

As already noted, gross national product has shown impressive rates of growth during the last decade, especially since 1958. Table I shows the increased diversification in agriculture.⁸ There are other signs which indicate increased economic sophistication and which portend growing modernization in the future. There has been a remarkable rise in all kinds of deposits in financial institutions. Table II shows the impressive increase in demand deposits. Of particular significance is the substantial increase in the ratio of these deposits to total money supply [column (6)], which is one indicator of increased monetary sophistication.⁹ The upward trend in time deposits was even more impressive than in demand deposits. Time deposits in the com-

⁷ Some qualifications might be appropriate here. Much of the "upland" (namely nonrice) crops are grown on newly cleared areas in the Northeast. Often, especially in the case of kenaf, they are grown in addition to subsistence rice. However, evidence of interest in increased income should be weighed against contrary evidence. Platenius points out that many farmers are satisfied with the income already gained from a single crop and show little desire for the additional income derivable from growing a second crop. See Hans Platenius, *The North-East of Thailand, Its Problems and Potentialities* (Bangkok: National Economic Development Board, October, 1963) pp. 36-37.

⁸ The large increases in rice production during the last two years was largely fortuitous—a result of good weather. But in part it reflects improved water control resulting from the irrigation works started a few years earlier, and a small increase in harvested areas. Therefore, the higher level of rice production can be expected to continue.

⁹ The decline in demand deposits in 1962 was not a reversal of the trend. On the contrary, the reason for it was the abolition of the tax on interest income which caused a major shift from demand deposits to time deposits. This is a clear sign of "rational" response.

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mercial banks increased from B78.5 million in 1950 to B3,752.8 million in 1963. It is true that the number of persons involved in these changes is still relatively small, but it is growing, and the significance of their behavior is clear.

TABLE II—MONEY SUPPLY 1948-1963

End of December	Currency Held by public	Demand Deposits Held by public	Money Supply (1) & (2)	Annual increase (%)	(Millions of Baht)	
					(1) as percent- age of (3)	(2) as percent- age of (3)
	(1)	(2)	(3)	(4)	(5)	(6)
1948	2,206.6	740.8	2,947.4		74.9	25.1
1950	3,042.8	924.7	3,967.5	25.3	76.7	23.3
1952	3,679.3	1,395.4	5,074.7	3.4	72.5	27.5
1954	4,548.3	1,888.3	6,436.6	9.8	70.5	29.3
1956	5,424.1	2,304.3	7,728.4	6.9	70.2	29.8
1958	5,504.0	2,947.9	8,451.9	3.1	65.1	34.9
1960	6,045.3	4,020.5	10,065.8	10.9	60.1	39.9
1961	5,497.4	4,749.2	11,246.6	11.7	57.8	42.2
1962	6,573.4	4,519.9	11,093.3	-1.4	59.2	40.8
1963	6,703.5	5,177.5	11,881.0	7.1	56.5	43.5

Sources: Columns (1) through (4) for the years 1948-1961, Bank of Thailand, *Twentieth Anniversary* (in Thai), pp. 56 and 78. Columns (5) and (6) for the years 1952-1963, and columns (1) to (3) for the years 1962 and 1963, Bank of Thailand, *Monthly Reports*. The rest calculated.

Another way of looking at these changes is to point to the signs of increased monetization of the economy. Since the core of the unorganized money market is in agriculture, a crude indicator for the increased monetization of the economy is the decline in the relative importance of agriculture in gross national product. The percentage of value added originating in agriculture declined from 50.1 percent in 1951 to 35.1 percent in 1963, in spite of the rise in agricultural exports. Moreover, even some parts of agriculture, especially the new export crops, are managed in a businesslike fashion which involves a greater resort to the services of financial institutions.

A more direct measurement of the increased monetization is through an indicator suggested by U Tun Wai.¹⁰ That indicator is derived by dividing the monetary system's claims on the private sector over national income. Table III presents the results for the period of 1955-1963.

The increased importance of the organized money market is quite clear from the very impressive rise in the indicator in such a short period. This, together with the large increase in demand deposits, the proliferation of bank offices, and similar indicators, point unmistakably to the increased importance of, and resort to, the financial institutions.

The vigor of the Thai economy can also be demonstrated by the capital formation

¹⁰ U Tun Wai, "Interest Rates in the Organized Money Markets of Underdeveloped Countries," *International Monetary Fund, Staff Papers*, V, No. 2 (August, 1956), 249-250.

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TABLE III—INDICATORS FOR RELATIVE SIZE OF
ORGANIZED MONEY MARKET^a
(percent)^b

Year	1955	1956	1957	1958	1959	1960	1961	1962	1963
Indicator	7.62	8.83	10.08	11.38	11.73	12.08	13.16	14.29	15.40

^a Ratio of the monetary system's claims on the private sector (end of year) over national income.

^b The percentages should be viewed more as index numbers than as numerical measures of the size of the organized money market.

Sources of original data: National income—*National Income of Thailand*, 1962 and 1964 editions; claims of the monetary system on the private sector—Bank of Thailand, *Monthly Reports*.

which increased continuously in practically all sectors since 1952 (first year for which data are available). The ratio of gross investments in fixed capital to gross national product averaged 17 percent in recent years (1957-1962).¹¹ This ratio may not be spectacular, but it is quite respectable for an underdeveloped country and is higher than the 15 percent considered by Rostow and Lewis, among others, to be the mark of a country in the so-called "take off stage."

Instead of the usual distinction made in economic models between exogenous and endogenous factors, I prefer here to refer to the relevant factors as "fortuitous" versus "continuous." By such a distinction we may identify which factors are here to stay and those which are subject to unexpected change. This division also allows the inclusion of the so called noneconomic factors among the "endogenous" ones. When only the private enterprise is considered, moreover, the number of the fortuitous factors increases further since government policies then become "quasi-fortuitous."

The process of development often involves fortuitous developments which, if continued long enough, transform into or create continuous factors.¹² The prevailing factor in Thailand's economic history, ever since the country was opened for trade in the middle of the nineteenth century, has been foreign demand for her agricultural products. At first it was the ever-rising demand for rice which Thailand was able to meet through horizontal expansion of production. The ample supply of suitable land allowed the production of surplus rice for export even without any significant improvement in the methods of production. In more recent years it was again largely fortuitous development of foreign demand which was responsible for the very impressive rise in nonrice exports. For example, the change in the post-war Japanese diet, which generated large imports of maize for chicken feed, was almost exclusively responsible for Thailand's maize production and exports. Similarly, a major reason for the rise in tapioca could have been the decline in Indonesian exports due to the insistence of foreign processors on special soluble containers.¹³

These favorable developments, while clearly fortunate, have been fortuitous in

¹¹ According to the 1964 Edition of *National Income Statistics of Thailand*, p. 120. The readers should be warned, however, that Thailand's capital formation data are not entirely satisfactory and are being revised.

¹² In another paper I develop this argument in a more technical and rigorous way but this is not essential for the present paper.

¹³ This was suggested to me by Dr. Leon A. Mears.

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nature. They might, of course, continue for a long time, as has been the case with rice, in which case they would be "continuous" for all practical purposes. It is nonetheless important to bear their fortuitous origin in mind.

The direct result of increased foreign demand was, of course, a rise in export earnings.¹⁴ These served to finance the importation of a variety of items which enhanced the transformation of Thai economy and society. Also, the attractiveness of imported items served as incentives for increased production and greater income as well as catalysts of change in tastes and behavior. Among their other attributes, the imported products familiarized the Thai with a variety of mechanical implements. Other imports, such as movies and transistors, have influenced peoples' thoughts by exposing them to new and different ideas and ways of life. The cumulative effects of these developments are not likely to be reversible.

A parallel development has been the influx of Chinese into Thailand. As with the factors just mentioned, this was largely fortuitous in that the Chinese left China primarily for reasons not of Thailand's doing. At present, the presence of a substantial number of Chinese in the country (about 10 percent of the population) is a decisive factor in Thailand's economy. This presence of the Chinese in Thailand should be considered a "continuous" rather than a "fortuitous" factor, since the vast majority of them can be expected to remain permanently in the country. The essential contribution of the Chinese to the recent impressive performance of the Thai economy cannot be attributed to newcomers, Chinese immigration having been virtually stopped since 1950.¹⁵ It is very unlikely that Thailand would have been able to exploit the fortuitous opportunities which came her way were it not for the resident Chinese.

Of the second category of factors—actions taken by government, the following deserve mention: The expansion of the infrastructure by the government made possible and encouraged an increase in the irrigated areas and in the transportation of goods (primarily exports and imports).

The most significant short-run change in policies in recent years has been in the field of policy toward investors. Since 1958, the government has introduced a succession of laws and regulations encouraging private investments. The nature of the concessions (such as permission to remit capital as well as profits) made them particularly attractive for foreign investors. These laws demonstrated a major change in the attitude of the Thai authorities, especially in that the previous fear of alien control over the economy has been toned down considerably.

Although local capital has responded favorably to these policies, it was mainly foreign entrepreneurs, sometimes with local partners, who have given the main thrust to new kinds of industry. Local businessmen still confine their activities mainly to agriculture and ancillary production, although they have also made big advances in a few other fields, especially banking and insurance. Local businessmen,

¹⁴ There are no data accurate enough for drawing conclusions concerning the trend, if any, in the terms of trade. It might be pointed out, however, that the benefits due to the expansion of the production of exportables, the foreign exchange gained thereby, and the accruing benefits mentioned in the text would remain valid even if the terms of trade had turned against Thailand.

¹⁵ There are, of course, some exceptions. The most prominent is Mr. Chow Kwan-Yun, a comparatively recent arrival, who has been the driving spirit in a number of new enterprises. The most notable of these are the new Thai Oil Refining Company and the contemplated Kra Canal.

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both Chinese and Thai, appear to feel safer in the more traditional lines of business which do not constitute a major departure in terms of methods, products, and size of firm from what they have been accustomed to. However, a combination of changing underlying circumstances and increasing exposure and experience is beginning to accelerate modernization.

The picture that emerges is that of an expanding group of businessmen responsive to incentives and pressures within a semi-traditional framework. There is still little self-generating dynamism in the local business community. In other words, although values have been changing, the money market improving, and dynamic impetus increasing, it is still doubtful whether private enterprise in Thailand has already reached the stage from which it can expand into new fields without alien participation.

We can gain some perspective on the performance of the private sector by comparing it with the government sector. The percentage share of gross domestic product generated by the government sector was within the range of 11-14 percent during the 1952-1963 period.¹⁶ The share of the government in total value added is smaller in Thailand than in all west European countries.¹⁷ This agrees with some current opinions that the share of government tends to increase with development irrespective of the political system. Great Britain reached the share of government now prevailing in Thailand in 1900 and, except for the wartime, this share (10-13 percent) was maintained through the late nineteen twenties.¹⁸ Such comparisons are only suggestive, of course, because of the multitude of conceptual and theoretical questions which remain unsolved concerning the role of government and the measurement of the extent of its involvement in the economy.

It should be pointed out in this context that seldom was there in Thailand an ideological controversy over what is the legitimate scope of such government involvement. Whether or not the government should encroach on the private domain has been decided on a pragmatic basis. An apparent exception to this rule was the concern, now relatively dormant, over the dominance that the nonethnic Thai have had over important sectors of the economy. This apprehension occasionally led to direct government involvement in economic activities. Such government involvement appeared as the only way to achieve greater Thaiification, so long as individual Thais did not show sufficient interest in, and ability at, business entrepreneurship. Therefore, once the decision was made to promote the Thai character of the modern sector, government participation in business logically followed.

Although the practice of erecting government enterprises has virtually stopped since 1957-58, government investments have continued to increase. Government share in total fixed capital formation has been greater than its share in total value added;¹⁹ namely, the capital/output ratio in government investments has been higher than in the private sector. This is to be expected since most government in-

¹⁶ *National Income Statistics of Thailand*, 1964 Edition, pp. 92-93.

¹⁷ For the data on the European countries see United Nations: *Economic Survey of Europe 1959*, Chapter V, page 3.

¹⁸ See Alan T. Peacock and Jack Wiseman, *The Growth of Public Expenditure in the United Kingdom* (New York: National Bureau of Economic Research, 1958), Table A-12.

¹⁹ Its share in total gross fixed capital formation averaged about 25 percent during 1957-1962 while its share in total value added was within the range of 11-14 percent.

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vestments have been in infrastructure projects designed to enhance private income. Good examples are the irrigation barrages and dams which regulate water for irrigation, power and transportation.²⁰

In spite of the favorable developments mentioned earlier, it remains true that prospects for a substantial expansion of Thai manufacturing are not impressive. The reasons are similar to those customarily advanced for other underdeveloped countries—the almost inevitable inefficiency at the present stage of development precludes competitiveness in external markets, and the small scale of the domestic market precludes economies of scale in many products. The symptoms of and the causes for the inefficiencies are again the ones familiar from other underdeveloped countries—plants work at less than capacity because of the shortage, high costs, or unreliability of electric power supply;²¹ because of inadequate transportation facilities and consequent bottlenecks in supplies of raw materials; because capital is often tied up in precautionary accumulations of inventories; because of the shortage of trained personnel.

The factors limiting the scale of the domestic market are, again, the familiar ones—the low per-capita income and the large share of the near-subsistence sector. Consequently, both the absolute level and the share of gross national product that is transacted through the money economy are small (although growing, as already mentioned earlier). Also, the relatively small segment of the population, situated mostly in the Bangkok area, which enjoys a comparatively high income has developed tastes for products which could not be expected to be economically produced in Thailand in the near future.

While these limitations are serious enough, there is still sufficient room for the expansion of certain kinds of industry. First, the upward trend in income and population calls for a more dynamic view of the scale of the market. On the cost side, individual enterprises will benefit from the new hydro-electric works and the expanding road and canal system. The latter will also expand the market by exposing hitherto largely isolated areas to commercial channels.²² Since some of the imported products are for mass consumption and are easy to manufacture, development of such production appears both feasible and promising. This is true primarily of nondurables such as soap, processed foods, textiles, drugs, etc. The production of some simple producers' goods useful for the manufacture of these products and for improved agricultural implements also appears feasible. For some of these products there are local raw materials available.

What are the prospects for a development on these general lines in Thailand? Schumpeter made explicit the central role that the innovating entrepreneur plays in economic development. Without engaging here in the fine points of the proper distinction between innovators, entrepreneurs, managers, etc., the need for them is ob-

²⁰ The Thai rice farmers do not pay for water.

²¹ The erection of hydroelectric projects, especially the near completion of the gridding system from the Yanhee Dam, has been increasing the availability and reliability of a power supply. Formerly, firms had to produce their own power at high costs.

²² However, Platenius, in *The North-East*, pp. 69-70 and 91, expresses doubts whether the costs are significantly reduced by improvements in the conditions of the highway system. He also doubts whether the primitive road system in the Northeast really affects farmers' decisions to grow upland crops or the prices they receive.

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vious. There must be persons able and willing to establish new firms, introduce new (to Thailand) products, adapt new methods of production to local conditions and persist in improving them to get better quality and lower prices. These tasks as well as that of raising productivity are rendered easier with the availability of trained labor, with changes in factor costs favoring new factor proportions, etc., namely changes which lie beyond the control of individual entrepreneurs.

Moreover, even the entrepreneurial attributes narrowly defined need not necessarily be in the exclusive domain of private enterprise. In fact, in the context of the Thai situation one can think of a number of reasons which would give the government an advantage in innovational activities. The government did establish new firms and introduced new products. It can muster the required funds; it can afford to take risks; and its participation can be a guarantee against alien control, given the still rudimentary state of Thai private enterprise. One can also add that in fields of natural monopoly a case for government involvement can be advanced.

The arguments favoring private enterprise essentially lean on a belief in the effectiveness of the profit motive. In principle, the price system is still the cheapest and most effective allocative mechanism known. Moreover, it has been a near-axiom since the dawn of economics that when production decisions are made at the plant and shop level, guided by prospective financial gains, they are likely to be made in a more rational way than would be the case when the decisions are made in central government offices. In spite of these a priori reasons for favoring private enterprise, "economic developers" during the postwar years were, by and large, in favor of government involvement. The kinds of development theories which emerged were primarily of the "big push" variety emphasizing external economies and factor immobility, and thus pointing to the need for government action. Now the pendulum seems to be moving in the other direction.²³

Accepting this new belief in the efficacy of private enterprise in underdeveloped countries does not invalidate the factors favoring government entrepreneurship mentioned earlier. Most of these can, however, be achieved through private enterprise by means of appropriate policies. The government can provide easy credit, it can insure against risks (especially during the initial stages), it can legislate against monopolistic restrictions, etc. The success of such measures, which stop short of direct government involvement, is conditioned by the availability of entrepreneurial "raw material." Easy credit can hardly produce true entrepreneurs, although it can encourage those showing promise. Similar arguments apply to the assurance against risk and other measures. Of course, there are always the non-Thai entrepreneurs who need less prodding and help, but their proliferation would raise again Thai sensitivity concerning alien control over the country's economy.

What is called for, then, is the furthering of the "pinzer" movement mentioned at the beginning of this paper together with specific economic policies designed to help Thai entrepreneurs. This will involve, on the one hand, intensified educational and information programs to indoctrinate increasing numbers of Thai in the merits of business activities; government manpower training programs in various occupations; the undertaking of market research, etc. On the other hand, it will involve persis-

²³ For a recent example, see Charles Wolf, Jr., "National Priorities and Development Strategies in Southeast Asia," mentioned in footnote 2.

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tence in policies designed to enhance the assimilation of the resident Chinese in modernizing Thai society.²⁴

Latest policy declarations by the Thai government, such as the various economic plan documents, indicate the adoption of a pattern similar to that recommended above. This, however, is true only in a very general way. For one thing, Thai policymakers, like their counterparts in some other countries, do not have an entirely clear conception of what economic development involves and which policies will bring it about. Since these questions are by no means clear even to professionals specializing in economic development, it is not necessarily a reflection on the Thai authorities. In fact, their tendency to leave much of the field to private enterprise indicates, in part, a realization that not enough is known on the process of development to justify intensive direct government involvement.

Many individual policy measures are not consistent with this over-all approach, however. A major reason for contradictions is the inevitable conflict between the goal of economic development and other policy objectives. In the case of Thailand (and some other countries as well) there is another major factor influencing policy decisions—the interests of powerful individuals. This is one reason why potential investors seek the partnership of such individuals, thereby securing the desired privileges and protection. Yet it is fair to say that there seems to have been a reduction in corrupt practices, particularly after the revelations concerning the financial affairs of the late Premier Sarit and the subsequent legal actions taken by the government. Moreover, Thailand is relatively free from another range of interference in rational policy-making which is quite common elsewhere—the interests of pressure groups. Such groups, to the extent that they exist at all in Thailand, are still only in a rudimentary form. There are no labor unions to speak of; the rice farmers are not organized; the businessmen are largely alien and consequently have little political power; the Buddhist “Church” has no economic power or interest. All this will presumably change with the further development and increased sophistication of the economy which current policies are designed to facilitate.²⁵ Thus, with development, new problems will appear. The saving grace (if grace it is) would be that these difficulties are part and parcel of the process of economic development everywhere.

²⁴ There were some retractions on such policies, especially around and during World War II.

²⁵ Some would argue that pressure groups make a positive contribution towards economic development. The reader should form his own opinion on this question.