Economic Change in THAILAND Since 1850

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Preface

THE PRIMARY purposes of this study are, first, to describe the major economic changes in Thailand since that country was exposed to the influence of world trade and Western culture in the middle of the nineteenth century, and second, to seek interpretations, explanations, and generalizations about that experience in so far as it is found to be repetitive or amenable to the apparatus of economic analysis. Much the greater part of the book is concerned with the first purpose.

The scarcity and unreliability of data concerning the economy of Thailand will be mentioned in several places. Here I wish merely to observe that in the course of this study I made a systematic search for information in the files of the various ministries of the government of Thailand. Officials at all levels were cordial and co-operative, and they kindly gave me much time and assistance. In this way I obtained a considerable amount of information about recent events, but I found relatively few sources of historical information other than those already known. Only the Ministry of Finance possessed extensive files going back to 1890. These records, particularly the files of the Financial Advisers, contained much valuable information. In other ministries I found only occasional bits of information for the period prior to 1910.

I had hoped to find some data in the records of long-established banks and trading firms in Bangkok, but in this I was disappointed as the important concerns had lost their records either in the war or through fire.

An effort was also made to find information about economic changes in the writings of Thai authors. Some relevant material was found in such works, but on the whole I concluded that the Thai as private individuals have not written much about the economic problems facing their country.

These comments about sources may help to explain the use of some rather questionable sources, as well as to indicate the difficulty of the task undertaken here. Information is more plentiful for the more recent decades, however, and it appears likely to become more so in the future.

An earlier version of this study was submitted to Cornell University in 1952 as a doctoral dissertation. It has undergone considerable revision since that time, principally in the interests of brevity, and the final chapter has been added.

I am indebted to a long list of individuals and organizations for assistance with this study. I cannot list all who helped, but I particularly wish to acknowledge my debt to the following persons who gave me much encouragement, assistance, and advice: Mr. Sommai Huntragul, chief of the Research Division, Bank of Thailand; Dr. Puey Ungphakorn, then in the Ministry of

Finance; and Mr. Prayad Svastixuto, Research Division, Bank of Thailand.

Dr. Flournoy A. Coles, Jr., economist for the MSA Mission in Bangkok, and Mr. Graham Quate, agricultural attaché of the United States Embassy in Bangkok, also gave me advice and information on several problems.

I am grateful to Professor Alfred E. Kahn, Cornell University, for his perceptive criticisms and suggestions; to Professor Edwin P. Reubens, City College of New York, for much friendly counsel and advice; and to Professor Lauriston Sharp, Cornell University, for his encouragement and support.

I wish to express my appreciation to the Social Science Research Council for a fellowship which made it possible for me to spend a year on research in Thailand, and to the Institute of Pacific Relations for financial assistance in the publication of this study.

Finally, I wish to acknowledge the aid of my wife, Alice Graham Ingram, whose contributions to this study have been many and varied.

JAMES C. INGRAM

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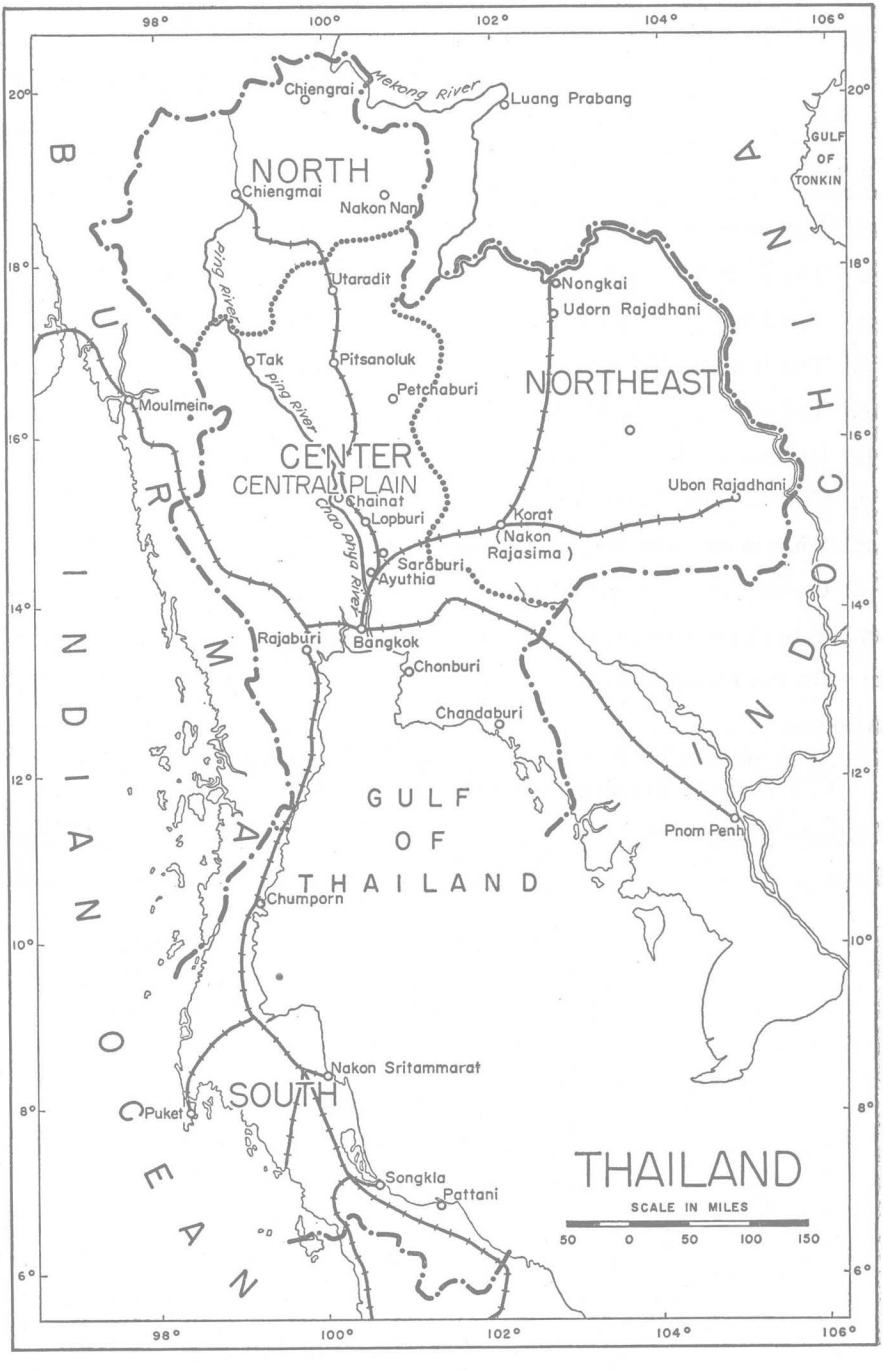
May 1954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ANNAM
INDOCHINA
GULF
OF
TONKIN

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Introduction: Historical Background

THE AYUTHIAN PERIOD of Thai history came to an end in 1767 when Ayuthia, the capital city, was captured and sacked by the Burmese armies. But Thailand did not remain long under Burmese power. Even in 1767 Phya Taksin and his followers were regaining control of parts of Thailand, and by 1771 Phya Taksin controlled nearly all of the Thailand of the Ayuthian period. He was later crowned king. For several years he ruled wisely, but then allegedly began to show signs of madness, and in 1782 he was executed. His successor, also a general, was the founder of the present Chakri dynasty.

Besides their complicated court titles and names, the Thai kings of the Chakri dynasty are given the title of "Rama." For convenience we will refer to them as King Rama I, King Rama II, etc. The dates of the successive reigns of this dynasty follow:

King	Also Known As	Period of Reign
Rama I	Yodfah	1782–1809
Rama II	Lertlah	1809–24
Rama III	Nang Klao	1824–51
Rama IV	Mongkut	1851–68
Rama V	Chulalongkorn	1868–1910
Rama VI	Vajiravuhd	1910–25
Rama VII	Prajadipok	1925–35
Rama VIII	Ananda-Mahidon	1935–46
Rama IX	Phumiphon-Aduldet	1946–

The first three kings of the new dynasty had little to do with Western nations, although toward the end of the third reign it became apparent that the traditional isolation from the West could not long be maintained. The British approach in Burma and the opening of China made this very clear. There were Western missionaries and a few traders in Thailand during the first three reigns, but the principal official Western contacts were made through the missions of John Crawfurd (1821), Captain Henry Burney (1825), and Sir James Brooke (1850) for Great Britain, and the Roberts Mission (1833) from the United States. Burney and Roberts succeeded in negotiating treaties, but they were very limited ones.

Upon the death of King Rama II in 1824, it was expected that Mongkut

would become king, but instead his half brother ascended to the throne, and Mongkut became a Buddhist priest. At the time he was twenty years old, and during the next twenty-seven years he remained a priest and became a scholar. When he became king in 1851, he had mastered several foreign languages and learned much of Western history and science. He is the king who employed Mrs. Anna Leonowens to teach his children.

The present study begins with the reign of King Rama IV, or King Mongkut, whose readiness to accept change made the tasks of Sir John Bowring (1855) and Townsend Harris (1856) much easier than they would otherwise have been. Most of the changes were set in motion through the leadership of King Mongkut and his son, King Chulalongkorn. A distinctive feature of the period covered by these two important reigns (1851–1910) was that the court and nation had to be led by the king to accept change and reform. The initiative came from the top. In later reigns this was less true.

Since the beginning of the Chakri dynasty, Thailand has had a period of comparative peace. The British conquest of Burma removed the major source of conflict, but the decline of the old enemy in the west was soon followed by the rise of a new one in the east. French colonial aspirations gave rise to border disputes along the whole of Thailand's eastern border which were not settled until 1907, and then only after Thailand had lost between 70,000 and 80,000 square miles of territory. The worst crisis came in 1893, when French gunboats forced their way up the Chao Phya River[1] and French troops occupied Chandaburi in the east. The British desire to keep Thailand as a buffer state between British and French possessions in Asia, together with British interest in the trade of Bangkok (then 70 percent in British hands), was largely responsible for the use of British diplomacy to preserve the independence of Thailand.[2]

That the Thai government, struggling with manifold abuses of extraterritoriality, hampered by fiscal limitations imposed by treaties, and trying to prevent the loss of territory without provoking open aggression, could at the same time (1890–1919) carry out administrative and social reforms, proceed with railway construction, and begin to plan scientific irrigation projects, is truly remarkable. The history of this period has not yet been adequately—or fairly—written.

Until 1932 the power of the king was absolute. In practice the king made use of state councils and administered the country through ministers, but the final authority lay in the hands of the king. Little or no progress toward self-government had been made, although King Rama VII had said in 1931 that

[1] Also known as the Menam River. Actually, the word "Menam" means simply "river" in Thai, but the Westerner, not bothering with all of "Menam Chao Phya," has corrupted the name to "Menam River."

[2] Cf. Great Britain [Foreign Office], *Correspondence Respecting the Affairs of Siam*, published by order of the House of Commons (London, 1894).

he approved of the idea of granting a constitution to the people. Quite suddenly in June 1932 a bloodless coup d'état was successfully staged by a small group of officials and militarists, among whose leaders were Nai Pridi Phanomyong, a Paris-trained lawyer, and the present Prime Minister, Field Marshal Phibun Songgram. The king agreed to accept the constitutional government, and for a time there was great hope for democratic government in Thailand. Space is not available here for a description of events since 1932;[3] suffice it to say that control of the government has remained in the hands of a small group, in which military men have been dominant, and that numerous coups and countercoups have been staged since the first one in June 1932. Progress toward a broadly based popular government has been virtually nil.

King Rama VII abdicated in 1935. The monarchy has been continued, however, and it has a powerful hold on the Thai people. King Rama VIII (the "boy king," Ananda) was revered by the people, and his death by violence in 1946 was a brutal shock to the entire nation. Early one morning he was found dead in the palace with a bullet through his head. The case has never been solved—theories of murder, suicide, and accident are widely held—and it is doubtful that it will be.

In 1941 the Prime Minister, Phibun Songgram, agreed not to resist Japanese occupation. Later on, Thailand officially declared war on Great Britain and the United States, an act which the United States government never recognized. M. R. Seni Pramoj, Thai ambassador to Washington, refused to transmit the declaration. Field Marshal Phibun was ousted in 1944, but when the Pridi government fell before a coup d'état in 1947, it was not long before Phibun again became Prime Minister. Since 1947 the government has become ever more tightly controlled by a small clique of army and police officers.

The reigning monarch, King Rama IX (King Phumiphon-Aduldet), came home in 1951 from Switzerland, where he had lived most of his life, to take the throne. The king has little real power at present, but his *position* has a great hold on the loyalties and affection of the mass of people. Apparently, the latest coup (November 1951) was largely designed to limit the authority of the king by readopting the 1932 constitution.

By and large, the government has been conservative ever since the 1932 coup d'état. Since the war it has been strongly anti-Communistic, and Thailand is today the only country in Southeast Asia in which communism has no important hold on the people. The country is orderly and peaceful.

The following points may be taken as footnotes which apply throughout this study:

1. When reference is made to the "Chinese" in Thailand, it is necessary

[3] For a narrative of events since 1932, see K. P. Landon, *Siam in Transition* (Shanghai and Chicago, 1939); Alexander MacDonald, *Bangkok Editor* (New York, 1949); and Virginia M. Thompson, *Thailand, the New Siam* (New York, 1941).

but difficult to know who is meant. Frequently, the reference is to the 3,000,000 people who are Chinese ethnically or by ancestry. Thus, if a man has a Chinese father and a Thai mother but has been brought up as a Chinese, he may be considered "Chinese" in many cases. Frequently, the word "Chinese" is used to mean only immigrants from China. Legally, any person born in Thailand is a Thai national, and thus most official statistics classify as "Chinese" only those not born in the country. This problem is important because of the division of labor along racial or national lines, and because of the growth of an anti-"Chinese" sentiment in Thailand in recent decades. In this study we shall use "Chinese" to apply to the entire ethnic group unless otherwise stated. Even this line is difficult to draw. Sometimes, for example, one son will be Thai while his brother is brought up a Chinese.

2. The Thai have always called their country Muang-Thai (land of the free), but its official name to foreigners was Siam until 1939, when Premier Phibun changed it to Thailand. When he was ousted near the end of the war the name was changed back to Siam, and when he returned to power in 1947 it was again changed to Thailand. The official name—Thailand—will be used throughout this study, except in the second chapter and in footnote references which have Siam in the original.

3. Until 1940 the year in Thailand ran from April 1 to March 31. In converting dates from the Buddhist Era to the Christian equivalent, we will show both the beginning and the ending year. Thus, B.E. 2475 will be referred to as 1932/33, meaning the period April 1, 1932, through March 31, 1933. Since 1940 the year officially begins on January 1, although dates are still expressed according to the Buddhist Era.

4. Frequent references are made to regions in Thailand. The definition of these has been determined largely by the availability of statistics. The map (p. ii) depicts the regional boundaries used. A full definition will be given in Appendix A. The country is divided into seventy-one *changwats* (or provinces) for administration. The capital city of each changwat bears the name of the changwat. Before the constitutional regime, the country was divided into larger units called *monthons or* "circles." These varied in number from ten to eighteen, and each monthon included several of the present changwats.

5. For the most part, Thai measures of area and weight have been used. The two most important measures are:

a) The *rai*. This is a measure of area, equal to 1,600 square meters or about 0.4 acres.

b) The *picul*. This is a measure of weight, equal to 60 kilograms or 132 pounds. Formerly it was equal to 133⅓ pounds. One metric ton is equal to 16.67 piculs.

6. The currency unit of Thailand is the *baht*, also known to foreigners as the *tical*. The baht is subdivided into 100 *satang*. Before World War II, the ex-

change value of the baht was fairly steady at about 11 to the pound sterling and 2.0–2.5 to the U.S. dollar, but inflation during and after the war drastically changed the exchange value of the baht. From 1949 to 1951 the free market rates were 21–23 baht to the U.S. dollar, and 50–57 to the pound, while official rates (valid only for specified transactions) were 12.50 baht to the dollar and 35 baht to the pound. The course of the exchange rate is examined in detail in Chapter 7. Here the primary point is that the drastic changes in the value of the baht since the war make the postwar value and price statistics appear startlingly different from prewar figures. This must be remembered in examining the tables in subsequent chapters.

7. For those not familiar with the literature on Thailand, we should mention the scarcity of data. The Thai as private persons have not written much about the facts and figures of their own economy. As a result available information comes mostly from government or foreign sources, and before 1900 government records are few and far between. The reliance on government records since 1900 is unfortunate but unavoidable. Only the government has collected and published the statistics which must be used in this study. Inadequacy of data has hampered every phase of this study, and many important aspects have had to be omitted because of a total lack of data.

The probable margin of error in the statistics used is often quite high, but the error cannot be estimated or allowed for. Throughout this study the assumption is made that the trend values are safer and more reliable than short-term or year-to-year comparisons. Wherever possible the analysis rests on trends.

8. Finally, there is little or no mention of corruption in this study. Corruption is an extremely important phenomenon in the Thai economy, particularly in the period since World War II, but no quantitative data can possibly be obtained. Systematized "squeeze" and the routine "tea money," as found in Thailand, become regular items of national income, and because of their location at strategic points in the government, they have great influence on the allocation of resources.

This kind of bribe is found not only in government, but also in many levels of business. Outside of its importance as a source of income (a "factor" share!), corruption has economic importance because it introduces a new element of uncertainty into economic calculations. Whether a venture will succeed or fail may depend on one crucial "permit" or "special purchase," or it may depend on a succession of them, as when a permit has to be renewed every month, or when the importer's comprador must be regularly persuaded to sell a scarce commodity. With the prospect of *total* failure always present, entrepreneurs must discount the future very heavily indeed. Fortunately, a kind of "standard" has developed even in corruption, and those who exceed the standard are (sometimes) exposed and punished.

2

The Economy of Siam in 1850

SIAM IN 1850 was an independent and virtually self-sufficient kingdom whose absolute monarchs had sedulously avoided much contact with the West for a century or more. Such an accessible region did not remain outside the developing world economy merely by accident. The flood of adventurers and explorers from Europe had not overlooked Siam. The Portuguese established some slight contact with Siam in the sixteenth century. During the seventeenth century Siam was brought much closer to the West, and the English, French, Dutch, and Portuguese set up trading posts in Siam. In the reign of King Narai (1657–88), the king's first minister was the fabulous and romantic Constantine Phaulkon, a Greek adventurer whose encouragements to France and French Catholicism ultimately provoked a rebellion at the court and his own execution by the triumphant rebels.

After the demise of the unfortunate Phaulkon, the new dynasty turned against the West, and not until the middle of the nineteenth century did Siam have any important contact with Western nations. From 1688 to about 1850, the kings of Siam deliberately discouraged commercial and diplomatic contacts with the West.

One of the remarkable features of Siamese history is that the weak and tiny kingdom was allowed virtually to close its borders against the West during the heat of the scramble for colonies. Some parallels between Japan and Siam are that both had their first Western contacts with Portugal, both entered into closer relations with the Dutch in the seventeenth century, both excluded Westerners and lived in virtual isolation from the seventeenth to the nineteenth century, and both were "opened to the West" at about the same time (1854 for Japan, 1855 for Siam). Yet Siam's isolation appears the more remarkable, since she was not an island, remote from the main shipping routes and centers of interest in Asia, as was Japan.

Whatever the secret of this success, it is true that Siam, unlike Japan, came within Western influence largely because her new monarch desired this change. Somdetch Phra Paramendr Maha Mongkut, fourth in the Chakri dynasty, came to the throne at the age of forty-seven after having spent twenty-seven years as a Buddhist priest. He was a scholar of ability, and he was convinced that his country would benefit from cultural and commercial contact with the West. His reign began in 1851, and in 1855 the treaty between Siam

and Britain was negotiated by Sir John Bowring. The importance of this treaty in Siam's future development can hardly be exaggerated. Its terms were substantially unchanged for seventy years.

But before we begin to examine the changes which occurred, we need to look briefly at the economy of Siam in 1850 before the changes began.

Social and Economic Organization

Siam is a part of monsoon Asia. Her boundaries lie entirely within the tropics. The bulk of the country forms a wedge between Indochina and Burma, to which is attached a long slim peninsula ending at the Malayan border. The area of the country today is approximately 200,000 square miles, about the same as the area of France. All of the present area, and more besides, was part of the Siam of 1850, although it is not clear just what were the boundaries of the kingdom ruled by Mongkut. Since 1850, France and Britain have taken nearly 100,000 square miles of territory which was then more or less recognized as part of Siam.

Population

The population estimates by many travelers about 1850 vary widely. Bowring thought 4.5–5.0 million was a good guess, with no population growth for some time.[1] Pallegoix's estimate was 6 million, of which he said 1.5 million were Chinese.[2] It is not known when the Chinese immigration began in strength, but estimates in the seventeenth century put the number of Chinese in Siam at about 4,000–5,000.[3] By 1850 immigrants were coming in at the rate of 15,000 per year.[4]

We need not try to come to any exact conclusion about the population in 1850; a rough indication is sufficient for our purposes here. The population in 1911, according to the revised figures of the first census, was 8.3 million,[5] and there is no evidence of a *decline* in population from 1850 to 1911. Instead, it is likely that the population was slowly growing over this period, and we should not be very far off to take 5 or 6 million as the population in 1850. This would indicate a population density in 1850 of 25–30 per square mile. Thus, Siam in 1850 was rather sparsely populated. Considering the type and tech-

[1] Sir John Bowring, *The Kingdom and People of Siam* (London, 1857), I, 81–83. Other, more gullible travelers estimated population as high as 38 million. See Archibald R. Colquhoun, *Amongst the Shans* (New York, 1885), pp. 168–73.

[2] Mgr. Pallegoix, *Description du Royaume Thai ou Siam* (Paris, 1854), I, 7–8.

[3] John Crawfurd, *Journal of an Embassy to the Courts of Siam and Cochin-China* (London, 1828), pp. 450–53.

[4] H. G. Quaritch Wales, *Ancient Siamese Government and Administration* (London, 1934), p. 68. Original source of this estimate appears to have been D. E. Malloch, *Siam, Some General Remarks on Its Productions* (Calcutta, 1852), p. 6, who gives it as the estimate of a correspondent in Bangkok.

[5] Thailand, Department of Commerce and Statistics, *Statistical Year Book of Siam, 1936/37* (Bangkok, 1939), XIX, 48.

nique of agriculture employed, there was room for a large increase in the farming population.

Agricultural Production

The working population appears to have been almost wholly engaged in agriculture, and rice was the principal crop then as now. Rice was grown in river valleys which were flooded each year with a fair degree of regularity. Man-made irrigation was practiced mainly in the North, where the slope of the land was greater, or where the natural flood did not remain for a long enough period. Here the farmers developed ingenious co-operative systems for irrigating their fields, while in the Central Plain, where irrigation could have and later did extend rice cultivation over large and fertile areas, the inhabitants were content with the yearly inundation brought by the rains. At any rate they did not develop artificial means for controlling the water supply, although a number of canals had been dug which served to distribute the water, and some farmers made use of various devices to move water onto the fields from these canals.

Rice was the principal crop in the middle of the nineteenth century, but we have no statistics of the total area under cultivation, nor of the total annual output. The average area in paddy in 1925–29 was 18.1 million rai; the annual average yield of paddy in this period was 72.5 million piculs; and the average population was 11.0 million.[6] The average yield of paddy was thus 4.0 piculs per rai, and the area cultivated was 1.6 rai per capita. There has been little or no change in the technique of rice cultivation, so that we may provisionally assume that the yield per rai was the same in 1850 as in the base period 1925–29. If the area in rice per capita were also the same, the 6 million population would have cultivated 9.6 million rai. But in the 1925–29 period 40 percent of the crop was exported,[7] while in 1850 rice exports were quite small, as we shall see below. If we deduct 40 percent from the figure of 9.6 million rai, we obtain the figure 5.8 million rai as an estimate of total area in rice cultivation in 1850, an area which would yield 23.2 million piculs of paddy at the 1925–29 rate of yield.

This estimate may not be too far wrong. Available evidence since 1900 suggests that the yield per rai has fallen, however, and the estimate of production in 1850 may be low on that account. On the other hand, if yields were high in 1850 the population might have cultivated less land per capita, in which case the production estimate might be approximately correct but the acreage estimate too high.

An estimate of the total rice output could also be made from the demand

[6] *Statistical Year Book, 1936/37*, XIX, 417.

[7] Approximately 44 percent of *rice* was exported, but we use 40 percent here to allow for domestic utilization of husks, etc. Export figures are of clean rice (mostly), while our total output figures are of "paddy," i.e., unmilled rice.