10. Post 1932 Urban Economy

Topics

- Phibun's economic nationalism
- Pridi and the reorientation of government and business
- The Effects of Economic Nationalism (A.Suehiro)

10.1 Phibun's Economic Nationalism

The military faction in the People's Party, who dominated Thai politics in mid 1930s, had anti-capitalist ideas. Urban business seen as exploiting peasants. Chinese seen as foreign. As Praya Songsuradet mentioned: "We now dominate the Chinese, who have to do whatever we want them to"

The gap between the Khanarat's military faction and the Chinese business community widened through different attitude toward Japan. Business leaders were dissatisfied with influx of Japanese imports. They also supported Chinese political causes against Japan

On the other hand, Luang-Wichit and Phibun were impressed with Japanese Fascism. Luang-Wichit revoked Rama VI comparison of Chinese with Jews

The military group also launched policies to free peasants from the domination of businesses. They advocated the government to drive out foreign (Western and Chinese) businesses by forming government's own enterprises. New industries were founded under government direction. Government invested in cotton and paper mills to supply the army, and slaughterhouse and silk plant to supply local market.

Campaign to exclude the Chinese

The campaign "a Thai economy for the Thai people". Thai peasants selling rice to and buying manufactures from organizations run by Thai government to exclude the Chinese.

From 1937-9, government imposed more measures to control the economic presence of Chinese immigrants. Immigration fees raised, registration of immigrants required. Law and regulations were made to exclude Chinese from economic activities. For example, salt and tobacco trades were placed under government monopoly.

State's control of urban economy

The government also embarked on a plan to control urban economy by controlling the rice trade, the distribution networks of goods, and investing in import-substitution manufacturing. Under this plan, government eventually set up or took a stake in a number of businesses.

To dominate the rice trade, government established "Thai Rice Company" to replace the role of Chinese middlemen. Thai Rice Company also expanded ownership over many rice mills. Government also took a stake in shipping business and set up banks and insurance company. To dominate distribution of goods, "Thai Niyom Phanit" company, was set up to distribute import and locally made goods from city to villages.

From 1930s to 1940s, government started a number of industrial enterprises under full or partial government ownership. Founded industries included those that provided public utilities such as railways, electricity, and water works. And also producers of consumer goods such as textiles, soaps, paper, cigarettes. These products replaced European imports disorganized by depression and war.

As economic disruptions occurred through the war, the government further justified its increased control over the economy. Government kept increasing the number of state enterprises, investing further on businesses such as match, hotel, gold dealing.

10.2 Pridi and the reorientation of government and business

Despite the military rulers attempted to have the government control of the urban economy, Bangkok-based Chinese businesses still grew significantly during 1940s. Their growth was eventually assisted by the civilian faction of the People's Party, who had a contradicting approach to the military faction.

The civilian fraction of the People's Party played a role in bringing back protective measures for domestic businesses, and used government funds and power to help promote private businesses. War led to retreat of colonial businesses and gave room for the expansion of domestic capitals. This eventually led to a dramatic reorientation of the relationship between business and the government in 1950s

Khanarat's Civilian Faction Approach

The civilian leaders of Khanarat handled the implementation of economic nationalism differently from the plan the military envisioned. They promoted joint ventures between the government and private businesses. They wanted government to facilitate Chinese businesses by helping with capital injection, political protection, and sometimes monopolistic privilege. In return, politicians get share of the revenue from the businesses.

After the failure of his economic plan, Pridi revised his earlier vision of economics managed by a benevolent bureaucracy. Pridi turned to support the proposals made by his earlier urban entrepreneurs allies. Through his role as the foreign minister, he renegotiated the trade deals to enable the import tariffs to be raised. And through his role as the finance minister, he played an instrumental role in founding the central bank.

In contrast to the military attempt to take industries under the state's control, Pridi group brought state's capital to join with private businessmen. Pridi took private businesses as partners to state's companies such as Thai Rice Company and Thai Niyom Panit. Big five families controlling rice business (such as Wanglee, Lumsum, Bulasuk) cooperated as partners and sub-contractors. He also used state's funds (Thammasat) to set up banks such as Bank of Asia. Pridi's group founded Bank of Ayudhaya

New State-Business Relationship

The state-private business partnership resulted in the newly founded "reciprocal relationship" between those who held political powers and businesses. Pridi supporters and his business partners occupied position of board of directors in government enterprises. In return, members of Pridi's group were invited onto boards of the private companies of his business partners. Through such a relations, Pridi's group was able to gain affluence and support for their political power.

As war and Japanese invasion arrived, Western businesses and European trade were in decline. Thailand's domestic capitals would found opportunities to expand rapidly. They took the chance to produce products in substitute for the declined import goods. Domestic businesses such as ice factories, water plants, and oil factories expanded.

Many trading and retailing businesses of the second generation Chinese began to rise. The examples of this new group include:

- Sukree Potirattangkun's textile
- Thiem Chokwattana's consumer product business
- Uthane Techaphaibun's banks and liquor business
- Chiratiwat's retail business
- Betagro and Mitrphol

Domestic banks were founded through the emerging network of Chinese businesses and their pool of assets. The services of these new banks went beyond the earlier banks owned by rice barons. Bangkok Bank provided the key example. Other banks founded also from new group of businesses. For example, Srinakorn Bank, Saha-Thanakarn Bank.

Military-Business Relations

As Pridi and his group was ousted from power, the new military group followed the path that Pridi took. The Ratchakru group also allied government with private businesses. They removed Pridi's group from positions in government enterprises, formed new companies, and took over banks owned by Pridi's groups.

The military leaders forged close relationship with banks, especially with Bangkok Bank. Bangkok Bank made into the largest local bank. Members of military group invited to sit on the banks' board in return. Chin Sophonpanich help Ratchakru group extended their power over a number of enterprises. Military leaders skimmed revenue of enterprises through fees, dividends, and bonuses. They also formed companies through foreign aids that the government received, and formed industries that supplied uniforms and arms to government

The new era of the military politicians extending their power to gain business opportunities began. Entrepreneurs responded by inviting military politicians to act as advisors or board of directors. The tradition of "special shares" set aside for "benefactors". For example; 7 of the promoters of 1947 Coup occupied a total of 91 directorships. Members of 1947 Coup group involved in 101 companies. Major businesses and banks had forged alliances with key figures in 1947 Coup.

10.3 The Effects of Economic Nationalism (From A.Suehiro's Capital Accumulation in Thailand 1855-1985)

Who were the "Thais" that benefited the most from "Thai Economy for Thai People"?

The policies led to the emergence of the new group of "bureaucratic capitalist" who dominated the structure of ownership and directorship of major state enterprises. The benefits fell to bureaucrats and political groups.
"Bureaucratic capitalists" signify this realignment of the military and bureaucrats role in capitalism.

How far the "Thai Economy for Thai People" policies did negatively affected the Chinese?

In fact, the state enterprises required cooperation from the Chinese big players, especially in rice trade. The policies forced the realignment of the Chinese, rather than excluding them. The Chinese who are willing to be assimilated as Thais became the new partners of the bureaucrats.

Bureaucratic Capitalist Development (1947-1957)

The interval b/w Phibun second return and Sarit rise (1947-1957) saw the continuation of economic nationalism, with an even faster rise in the number of state owned enterprises with military leaders sitting in the board.
The newly emerged group of Chinese "bankers" as new domestic capitals, who became crucial partners to the military.

The implications of the aforementioned development during 1947-1957 include 1) the continuation of bureaucratic capitalism causing the under-development of Thai industrial sector; 2) the industrial sector was dominated by inefficient state enterprises, with the bureaucrats capitalists having no incentive to improve them; and 3) the new Chinese bankers' were founded still on families' and personal network, and should be seen as an extensive form of family-business.

The European businesses eventually returned to Thailand, but they did not resume their old businesses. They found the banking and insurance business to be taken over by the Chinese. They had to divert their business to import of consumer products, and they started to manufacture toiletries, sanitation, and pharmaceutical products. With their new businesses, they became the "pioneer" in Thailand's industrialisation.

Reading

- Pasuk Phongpaichit and Chris Baker (2002). ***Thailand: Economy and Politics***, KL: Oxford University Press. (Chapter 4)
- Suehiro, A. (1998) ***Capital Accumulation in Thailand 1855-1985,*** Bangkok: Silkworm Books (see Ch 4-5)