Bankers and Bureaucrats
Capital and the Role of
the State in Thailand

Kevin Hewison

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<tr>
<td><strong>AID</strong></td>
<td>Agency for International Development</td>
</tr>
<tr>
<td><strong>ASEAN</strong></td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td><strong>CP</strong></td>
<td>Charoen Pokphand group of companies</td>
</tr>
<tr>
<td><strong>CPB</strong></td>
<td>Crown Property Bureau</td>
</tr>
<tr>
<td><strong>CPT</strong></td>
<td>Communist Party of Thailand</td>
</tr>
<tr>
<td><strong>ECAFE</strong></td>
<td>Economic Commission for Asia and the Far East</td>
</tr>
<tr>
<td><strong>EOI</strong></td>
<td>Export-oriented industrialisation</td>
</tr>
<tr>
<td><strong>ESCAP</strong></td>
<td>Economic Commission for Asia and the Pacific</td>
</tr>
<tr>
<td><strong>FEER</strong></td>
<td>Far Eastern Economic Review</td>
</tr>
<tr>
<td><strong>GDP</strong></td>
<td>Gross Domestic Product</td>
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<tr>
<td><strong>GNP</strong></td>
<td>Gross National Product</td>
</tr>
<tr>
<td><strong>HMSO</strong></td>
<td>His Majesty's Stationary Office</td>
</tr>
<tr>
<td><strong>IBRD</strong></td>
<td>International Bank for Reconstruction and Development</td>
</tr>
<tr>
<td><strong>IFC</strong></td>
<td>Industrial Finance Corporation of Thailand</td>
</tr>
<tr>
<td><strong>ISI</strong></td>
<td>Import-substitution industrialisation</td>
</tr>
<tr>
<td><strong>NA</strong></td>
<td>National Archives</td>
</tr>
<tr>
<td><strong>NEDB</strong></td>
<td>National Economic Development Board</td>
</tr>
<tr>
<td><strong>NEDCOL</strong></td>
<td>National Economic Development Corporation Limited</td>
</tr>
<tr>
<td><strong>NESDB</strong></td>
<td>National Economic and Social Development Board</td>
</tr>
<tr>
<td><strong>PSA</strong></td>
<td>Paul Sithi-Amnuai Group</td>
</tr>
<tr>
<td><strong>U.N.</strong></td>
<td>United Nations</td>
</tr>
<tr>
<td><strong>U.S.</strong></td>
<td>United States of America</td>
</tr>
<tr>
<td><strong>USOM</strong></td>
<td>United States Operations Mission</td>
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THE AUTHOR

Kevin Hewison completed his Ph.D. at Murdoch University after taking undergraduate degrees at both Murdoch and the Western Australian Institute of Technology. He has taught Politics and Sociology at both of these institutions and at the University of Papua New Guinea. Later he held the position of Post-Doctoral Fellow in the Department of Social and Political Change, Research School of Pacific Studies at the Australian National University. He is co-editor of Southeast Asia in the 1980s: The Politics of Economic Crisis (Sydney, London, and Boston: Allen and Unwin, 1987), and has written extensively on Thailand and Papua New Guinea for a number of scholarly publications and journals including Journal of Contemporary Asia, Asian Survey, Journal of Southeast Asian Social Science, and Australian Outlook. Now a consultant sociologist based in northeastern Thailand, he works on a rural development planning project, and has also conducted consultancies in the Lao P.D.R.
This study has grown out of a Ph.D. thesis, completed in late 1983 at Murdoch University, Western Australia. My interest in the subject of the study goes back to 1974, when I first visited Thailand. This was an exciting time, for a young student such as myself, as Thai students were in the vanguard of social and political change. The excitement and energy was contagious, and I read a great deal about the country. It soon became clear, however, that the standard texts on Thai politics and society did not offer convincing explanations of what was happening. I was concerned to explain what was happening in Thailand, at least to my own satisfaction. More than a decade later, this study represents my (partial) 'explanation.'

A number of points concerning the statistics and conventions adopted require explanation. Thai statistics have been notoriously inaccurate; while this has been partially rectified in recent years, the problem remains. Every effort has been made to use reliable statistics in this study, but the reader should note this caveat.

Generally I refer to the Thai currency, the baht. As an indication of exchange rates, from 1850 to 1893 one pound sterling was worth between 8 and 13 baht. From 1894 to 1906 this figure rose to roughly 16 to 19 baht, returning to 9.5 to 14 baht between 1907 and 1941. Following World War II, despite some fluctuations, the exchange rate has been around 20 baht to the US dollar (the dollar replacing sterling as the main measure of the currency's worth). From late 1984 the rate changed to about 25 to 27 baht. When dollars are referred to, it is U.S. dollars unless noted otherwise. The most common measures and weights used are the area measure, rai, and the weight, picul. One rai equals 0.16 hectares or 0.4 acres, and one picul equals 60 kilograms or about 132 pounds. Until 1940, the Thai year ran from April to March of the Western calendar. Thus, some of the pre-1940 statistics mentioned will refer to Thai (fiscal) years with a double date, for example, 1937/38.

As a study examining business groups, many Thai names have been used. The practice adopted in this study has been to use the most common English transliteration of a name. Where such a transliteration cannot be found, the Library of Congress system has been used, but with all diacritical marks omitted. Throughout the text, the words 'Thai' and 'Thailand' have been preferred to 'Siam' and 'Siamese,' whereas the latter terms have been retained in quotations.

Many people have helped, advised, encouraged, supported, and criticised my work over the past few years. The list is a long one, but all deserve thanks and

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INTRODUCTION

Writings on the 'Third World' are voluminous. It has been only in recent years, however, that the role of the state in capitalist development has received serious attention. The suggestion that a domestically based process of capitalist industrialisation is underway in parts of the Third World has often been scorned, and academic scrutiny of the subject has been relatively recent.

A transition to capitalism is taking place in Thailand, and the process of capitalist development shapes the contemporary political and economic scene. This study is an examination of the development of capitalism in Thailand and, in particular, the relationship between the state and capital. It will be argued that the specific form of this relationship has emerged as a consequence of a specific historical, social, and political context in which both domestic and international factors converge. Two elements are emphasised: first, the central role of the state in the process of capitalist development; and second, the importance of the growth of a domestic capitalist class. Although it may appear self-evident, it has been only in recent years that these factors have been seriously pursued in scholarship on Thailand.

The questions which arise from this focus include: What form does capitalism take in Thailand? Who are the capitalists? When and how did they emerge? What is the role of foreign capital? Are there conflicts within the capitalist class? What is the relationship between capital and the state? What role does the state play in the development of capitalism? What is the connection between capitalists and state officials? Few of these questions have been contemplated seriously in the Thai case, and the list could easily be extended. In studies influenced by structural-functional and modernisation theories, it has been argued generally that the Thai political 'elite' would not want to adopt or enforce any general rules to protect the property interests of business people. At the other end of the political and theoretical spectrum, 'radical' writers heavily influenced by dependency theory have usually suggested that Thai capitalism is not 'real' capitalism and that the Thai capitalist class can never be more than a subordinate, comprador class.

Because of their many theoretical inadequacies, dependency perspectives on the role of the state and on underdevelopment led inexorably to questions concerning the nature of class conflict and the role of the state and, finally, to the most significant question: What kind of society is Thailand? This is not merely an academic question. Even the Communist Party of Thailand, finding itself wracked by internal conflict, has struggled with this question. Their inability to provide a convincing analysis is one reason for their recent failures.
One of the objects of development theory has been to identify the 'position' of particular societies. Modernisation theory, considerably influenced by structural-functionalism and economic growth theory, attempted to place societies somewhere along the traditional-modern continuum. Dependency theorists built up a dichotomy of developed-underdeveloped or centre-periphery relations (or 'trichotomy' if world system's version of centre/semi-periphery/periphery is preferred). Modernisation theorists believed that the capitalism of Western Europe, the US and Japan would probably develop in traditional societies. The only requirement for achieving the transition was --- depending on the theoretical or disciplinary bent --- an infusion of capital, certain modern pattern-variables, or a psychological disposition for capitalist development.

In this study, it will be suggested that the search for a 'pure' form of capitalism is misleading, if not inappropriate. The argument here is that a theoretically informed discussion of capitalism and capitalist class relations in Thailand will necessarily draw on analyses of the original transformation in Western Europe, but that no form of capitalism is theoretically superior to any other. Moreover, there is no single path to capitalist dominance. Thai capitalism will not be the same as the capitalism of Britain, Brazil, or Kenya, but it is nonetheless capitalism --- and an ever changing form at that. Similarly, Thai capitalists will not necessarily exhibit completely similar traits to capitalists in other societies, but they remain capitalists who have developed a powerful economic and political base.

This point is crucial, for it suggests that the Thai capitalist class should not be considered merely a comprador class, lacking independence in its development and inextricably tied to foreign capital. While there is no question that foreign capital is a powerful force, the data presented in Part II suggest that domestic capitalists are more powerful than the term 'comprador' conveys.

Likewise, it is a misrepresentation to portray the Thai state as simply a tool of foreign capital, or as little more than a mediating force between local classes and foreigners. It cannot be denied that the Thai state has played these roles, but the data assembled in this study refute both simplistic propositions. It will be argued that the Thai state has developed policies, strategies, and rules beneficial to the capitalist class (or particular fractions of it), and has protected the property interests of this class. The picture is of a state determined to industrialise Thailand along capitalist lines, and thus constantly linked with the general interests of the domestic capitalist class. The focus here is not on notions of dependency, but instead on domestic capitalist development, public policy, and the role of the state.
On the other hand, capitalist development in Thailand has not been an autarkic process; as the case studies of Part II emphasise, international capital has played a crucial role. Nonetheless, a strong domestic capitalist class has emerged, and members of this class are able to make their own decisions on the accumulation process within the limits of the international capitalist system. Only in this sense can the Thai capitalist be regarded as 'independent.'

The first chapter is an examination of various theoretical models of Thai politics and society, beginning with structural-functionalism and dependency theory. Because their theoretical models are flawed, neither is adequate for a discussion of the development of capitalism and the role of the state. This is followed by an examination of a number of Marxist categories, which are shown to be useful in generating a more thoroughgoing discussion of capitalism, class and state. The aim is not to produce another model, but rather to allow for a theoretically informed analysis of these aspects of Thai political economy.

The study then turns to the analysis of Thailand proper, along the lines established in the theoretical discussion. Part I examines the development of capitalism in Thailand from the middle of the nineteenth century to the early 1980s, with particular emphasis on the position of the state and industrial development. It analyzes the overthrow of the absolute monarchy in 1932, which ushered in the rise of a state determined to promote national and nationalist economic development, as well as the origins and development of the capitalist class. It is argued that by the 1980s, Thailand was a rapidly industrialising capitalist country with an interventionist state operating in the interests of continued capitalism development. Political and economic intervention by the state has permitted the capitalist class to expand its accumulative base, moving from a reliance on trade and small-scale production into large-scale financial and industrial activities. While this intervention has enhanced the position of foreign capital, the state has also been concerned to promote domestic capital. In summary, Part I is a demonstration of the inadequacy of perspectives based on structural-functionalist and dependency models.

Part II is an examination of the structure of the capitalist class. The four principal fractions of capital -- agrarian, commercial, industrial and banking -- are discussed in terms of their internal structure and their relationships with other fractions of capital as well as in relation to state policy. Case studies of companies and/or sectors of the economy are included. This analysis is based on ownership data for more than 1,000 companies and indicates that Thai capitalists form a class which is bound by many business and family interconnections. Banking capital is the most powerful fraction of capital, and a major force behind the emergence of Thai corporate capitalism. In the
concluding chapter, an attempt is made to relate the data and results of the study to the models of Thai politics and society examined in Chapter 1, emphasising the relationship between state officials and capital. Finally, some general comments on the future of the Thai political economy are made.

Essentially this study indicates that a transition to capitalism has taken place in Thailand, and that the capitalist 'revolution' continues, shaping the contemporary political and economic environment.
Chapter 1
MODELS OF THAI POLITICS AND SOCIETY

The most influential models of Thai politics have been derived from Western theories of politics and society developed during the 1950s. These models draw heavily on liberal-pluralist, structural-functionalist and behaviourist thought, and have been influential both in shaping Western understandings of Thailand and in producing a generation of Thai scholars who have adopted the dominant Western models. This has been an important force in the formulation of Thai government and international agency development strategies, which are implemented as social, economic, and political policies in Thailand. Only in relatively recent times has a 'radical' Western scholarship emerged, reflecting on the underdevelopment of Thailand and drawing inspiration from dependency theory.

The tradition of Thai 'radical' scholarship is, however, more long-standing, having its roots in opposition to the absolute monarchy and later associated with the communist movement. Attempts to provide a 'radical' analysis of Thai society were made in the fifties and early sixties, most notably by Udom Srisuwan (writing as Aran Phromma-chompoo) and Chit Phumisak. Both were influenced by official Soviet and Chinese Marxism. Such analyses, however, were banned by the authorities, and it was not until the early seventies that another period of 'radical' scholarship flourished, with a coincidence between the 'radical' approaches of both Western and Thai scholars, centring on dependency theory.

In the first part of this chapter both the structural-functionalist and 'radical' models will be briefly examined. While both perspectives have been subjected to considerable criticism, versions of each remain dominant in studies of Thailand. The second part of the chapter will present a theoretically informed discussion of a more appropriate approach to Thai politics and society. Stress will be placed on the relationship between business and the state in each of the models under discussion.

The Liberal-Pluralist Conception of the State and Politics

Between World War II and 1980, liberal-pluralist political analysis largely ignored the utility of the state as a meaningful concept. Indeed, the very word 'state' seemed to have been expunged from political science analysis, with David Easton urging that 'state' should be 'avoided scrupulously' and exorcised from the political scientist's vocabulary. This exorcism has been more ritualistic than real, however, as the spirit of the state remains implicit, embodied in the notion of the 'political system.'
The political systems model is the basis of much of the literature of North American political science. It was upgraded in the mid-sixties into a 'unified theory of politics' by Almond and Powell, who believed that the functional model of the political system could be generalised to all societies in all historical epochs. They defined political systems by reference to three common features. First, a political system has the legitimate right to sanction by the use of force, thus securing the interests of the system as a whole. Second, there is a functional interdependence of the parts within the system, so that if one part is changed the whole structure will be affected. Finally, the separation of the political system from the economic and social systems is maintained. The influence of structural-functionalism is clear.

The lack of concern for the state in this 'unified theory' is, however, merely an appearance. Almond and Powell's first point -- the legitimate right to sanction -- is common to many definitions of the state, not least that of Max Weber. Indeed, it could be argued that there is a basic congruence between the manner in which the political system is viewed in this approach and the conceptualisation of the state in 'classical' liberal theory, determined by their common assumptions concerning politics. While liberal-pluralist thought owes much to Weber and Emile Durkheim, especially through the interpretive prism provided by Talcott Parsons, there is considerable and often unacknowledged debt to Hobbes, Locke, and Adam Smith, in whose philosophies a definite conception of the state was developed. They came to the conclusion that the state acted as an 'umpire' or 'facilitator' within society.

Classical liberalism's most basic concern was to encourage political arrangements which facilitated capital accumulation by:

- removing traditional encumbrances to the market in labour power, encouraging a conception of man based on self-interest, and creating a government structure that facilitates control over the system by those with ability in economic affairs rather than social standing. Each individual was portrayed as pursuing his or her own political and economic interests within society. In seeking to further these interests there was said to be a tendency for interest groups to form in order to articulate common concerns. But as each individual's interests were manifold, a large number of these groups formed, and each had varying but intersecting objectives to promote. At this point a common, liberal, conception of power emerges; that is, the tendency to consider that power is fragmented...
and spread throughout society. In the last instance, therefore, everyone's best interests will be served when any political decision is made. The political system is somehow believed to be working for the general good, distilling the 'general will' of the whole society. In this view, what might be referred to as the state has no real independent existence, but is merely a processing terminal for the operation of the whole polity.

Such perspectives have been applied to studies of Third World politics, and remain important models for the study of Thai politics and society.

Structural-Functional Models of Thai Politics and Society

The seminal work on Thai politics was Wilson's *Politics in Thailand*, published in 1962. Wilson was mainly concerned with politics in the forties and fifties, a period when there were a number of attempts on the part of some Thai political figures to portray at least the trappings of parliamentary democracy: political parties, parliament, constitutions, and the like. He soon realised, however, that the categories designed for Western political systems analysis did not fit the Thai situation. Specifically, the Thai system indicated few inputs into the government and bureaucracy, and little feedback. The bureaucracy seemed to be the totality of politics, with a small, politicised elite dominating an apolitical mass. Politics was seen as a matter of competition between powerful cliques of politicians and bureaucrats jockeying for the highest offices and the perquisites which flowed from them.

To explain this system, Wilson attempted to show that cultural factors had determined the pattern of politics. He described Thais as individualistic, and driven by the Buddhist's desire to accumulate personal merit. Moreover, they seek to avoid regulation. Social organisation is 'loose,' characterized by a 'fluidity of social status.' Wilson observed that social and political relationships were organised along loose patron-client lines, class barriers were few and not impenetrable, and occupational stratification was limited. Religion and kingship were given considerable weight as overall determinants of stability in the social system. In summary, cultural and psychological factors are delineated as the principal elements in social and political organization, leading to a situation where the bureaucrats rule over the masses who rarely participate because they are passive, unconcerned, apolitical, and unable to organise.

When applied to the relationship between business and politics, Wilson argues that business people, mostly Chinese aliens, suffer a 'psychological disadvantage' in dealing with Thai officials. Because they needed to
establish an accommodation with the political power brokers, a symbiotic relationship emerged. On the one hand, state revenues were to a large extent derived from the regulation of commercial activities, and were essential for the stability of the administration. On the other, business people sought the services of managers and executives who, through political influence, could help them find relief from 'heavy' regulation. As Wilson writes, the opportunities for enrichment for political and personal uses have not been overlooked by Thai political leaders. As the prime source of ready cash the business community is a political force of substance, but since it has neither guns nor votes, its relative weakness makes it manageable.

The foci of future studies were set by Wilson's work: military cliques, political passivity, 'loose social structure,' and weak extrabureaucratic influences (most notably, influence from business). Culture and personality became the hallmarks of studies of the Thai political process and political behaviour was thought to be representative of particular, shared patterns of Thai values, attitudes and beliefs. Wilson's analysis ignores conflict, and rather emphasises passivity, individuality, deference, and social coherence. These areas of analysis have remained central to the study of Thai politics and society to the present day, albeit with attempts to integrate a concept of conflict. Wilson's basic approach was the subject of considerable theoretical criticism by Riggs, who nonetheless attempted to show that an adequate structural-functional model could be formulated. His approach represents the most theoretically complete structural-functional analysis of Thai politics. Riggs's innovative study is set within the context of his theoretical discussions of transitional, or 'prismatic,' societies.

The prismatic model is a heuristic device which draws an analogy from spectrology, providing two ideal types (or in Riggs's terminology, 'polar constructed types') of society: the traditional, or 'fused' society and the ideal, or 'diffracted' society. In the 'fused' society, a single structure (defined as 'any repetitive pattern of behavior in a society') may serve many functions. Functions are a consequence of a structure, and affect the whole system of which they are a part. In 'diffracted' society, structures are functionally specific. Riggs places prismatic societies between these two ideal types. Later he identifies one of their political manifestations as the 'bureaucratic polity,' a 'system of government that is neither
"traditional" nor "modern" in character. The key to Riggs's classification is the degree of differentiation of structures.

Riggs adopted the input-output model of political systems analysis, and, like Wilson, notes that political struggle in the Thai case was limited to the bureaucracy; there was no guiding outside force capable of establishing the parameters of bureaucratic action. Modernity in the political system, therefore, is defined by the extent to which the bureaucracy is brought under extrabureaucratic control. The reasons for the absence of such control are never fully explained, but the impression is that Riggs accepts that this is a function of culture and personality, as well as insufficiently advanced political development. Indeed, Riggs suggests that differentiation within the bureaucracy has advanced rapidly, but that outside the bureaucracy such changes have occurred at a much slower pace. Because the extrabureaucratic overseers have not developed, the bureaucracy is free to act as it chooses.

These perspectives are well-illustrated in Riggs's view of the relationship between business and politics, a relationship he characterizes as 'pariah entrepreneurship.' Within prismatic societies, there is a tendency for several communities to arise, with a dominant elite drawn from the dominant community, and a counter-elite drawn from the 'differentiated' or 'deviant' community. There will be considerable opposition between the two elites, with the counter-elite often specialising in entrepreneurial activities. Riggs suggests that in Thailand and other prismatic societies, it is governmental service rather than business that provides opportunities for status and wealth. Those who have been excluded from this arena will gravitate towards entrepreneurial activities. Business develops, but:

precisely because of their lack of political access, a business community having such a background would be unable to gain power to the extent needed to impose constitutional restraints upon the elite, and to compel those in authority to protect the economic institutions without which private enterprise and a free market can scarcely flourish.

Business persists only in the form of pariah entrepreneurship:

Individual businessmen could be permitted by influential officials to carry on their activities, provided they contributed financially
to the private income of their protectors and patrons in the government. The institution of pariah entrepreneurship, in other words, can become a necessary condition for making careers in government service lucrative....

In essence, the wealth of the counter-elite tends to be productive but insecure, while that of the elite is secure but generally unproductive. This lends itself to a situation where economic growth is retarded by the risks involved in any long-term investments, and the emergence of the institutions necessary for economic growth is obstructed. For Riggs, the emergence and survival of particular enterprises is only possible through the intervention of influential officials. Yet, at the same time, the ruling elite:

is not politically responsible to the business community, [and] there is no reason to think that it would want to adopt or enforce any general rule protecting the property interests of the businessman.

This important point is a logical outcome of the notions of bureaucratic polity and pariah entrepreneurship within structural-functional theory. It is a central proposition of this study that such a position is both theoretically and empirically mistaken.

Riggs's bureaucratic polity is the most common theoretical and descriptive tag attached to Thai politics. Among Thai specialists, it is now commonplace to refer to the bureaucratic polity, with the term conjuring up a picture of a burgeoning and immovable bureaucracy dominating the whole of society. Although Riggs's major work was published in 1966, and referred to the pre-1963 period, even recent publications tend to accept his position and terminology. So appropriate has the term seemed that it has been translated into Thai (rabop kanmuang ongkanthipatasi) and is also applied to other parts of Southeast Asia.

Critique

The works of Wilson and Riggs remain influential, even though their general theoretical position has been the subject of considerable criticism in sociological and political theory. In a study which sets out to challenge some of the basic assumptions about Thai society and politics, it is necessary to present a brief critique of these perspectives. Herbert Phillips argues that Wilson's structural-functional framework prevented him from
presenting a full analysis of 'disjunctive questions' (such as conflict, change, and class struggle), and demands instead that Wilson examine how a structure operates, integrates, and maintains itself. The same criticism has been made of Riggs. In the conclusion of his major work, for example, Riggs states:

It seems clear that if a system is well-integrated, its performance, by definition, is adequate to maintain the system at the prevalent level of differentiation. Consequently, we can assume that a well-integrated system will resist change. It will be in a state of equilibrium. However, a malintegrated system might precipitate forces of dissatisfaction...which could lead to system change.

Thailand is said to be well-integrated, but at a low level of performance.

One of the principal, substantive criticisms of structural-functional models has been its inability to account for change. While it has been argued that change and conflict can be theorised within a structural-functional framework, others have shown that change can only be explained by reference to 'disturbing factors' within the system -- factors which remain largely untheorised. Consensus is assumed rather than demonstrated, with 'disturbing factors' resulting from increasing differentiation within the system. Differentiation within a system becomes not only an explanation of change but also a measure for classifying the level of development of different societies. There is no attempt to delineate causal explanations of social change or the historical processes of transformation. In short, this approach is essentially neo-evolutionary, merely presenting a typology of some well-integrated systems that precipitate forces at different stages of evolution. Such a position is evident in Riggs's model of prismatic societies, and is implicit in Wilson's work. It is not an oversight that neither writer can adequately explain change and conflict, but rather a shortcoming of their theoretical frameworks. There is no more than a teleological concern for social change, with a focus on the processes of change rather than on change in general.

In turn, their neo-evolutionary approach leads to a position where a previously recognized end-point to the development process -- the industrial, differentiated, or diffracted society -- is also a part of the theory. At its most simplistic level, modernisation theory suggests that all societies will follow a universal path towards this final state, with alternative end-points or paths being considered deviations or shortfalls from the norm.
Wilson's view approximates this perspective. While the bureaucratic polity is clearly considered to be a deviant form, Riggs believes that such forms might well persist due to elements of neo-traditionalism acting in concert with more modern features of society. Nevertheless, for Riggs, development still translates into increasing differentiation, with the destination being defined by the process. The ethnocentrism of this approach is clear: while alternatives to development are considered, the category of traditional (or fused) remains residual and the final destination is established primarily by reference to an essentially non-problematic Western model.

In adopting a structural-functional framework, both Wilson and Riggs have in mind analogies between society and organisms. Riggs, for example, in explaining his notion of 'function,' provides an analogy with the 'biological functions in man.' Such a conception raises serious problems, not the least being the spectre of social Darwinism and the inherent conservatism of such theory. The organic model of society is utilised to emphasise the interdependence of the parts of a system in preserving the whole within reasonably closed limits; that is, in maintaining equilibrium. Combined with a tendency for post facto analysis and an inability to establish the conditions by which a system regulates itself, there is a tautological assumption that equilibrium is essential if the system is to be maintained. In this sense, behaviour is conceived to be largely determined by the system, and there is a tendency to consider people as mere creations of the system. Such a reification of society is clear in assumptions concerning social action and the role of culture. Culture is seen to be necessary for upholding an actor's orientation and society's customs and rules, and for sanctioning its use of power. Religion is recognised as the foundation of the social system, as it provides an orientation to 'ultimate reality.' While cultural patterns were initially viewed as a separate component of analysis, they now come to be seen in systemic terms. Apart from the reification of society and a reductionist tendency in this conception, there is also a degree of cultural determinism involved.

Examples of cultural determinism, laced with elements of behaviourism and psychologism, abound in the literature on Thailand; the most common is the emphasis placed on Buddhism as the most significant element in the structuring of social action. This view is certainly found in Wilson's work, and is also reflected in Riggs's studies and in other more recent works. In reality, such views -- impossible to test -- suggest that culture exists independently of people in society. But as Barrington Moore has explained, this is a false assumption: 'Cultural values do not descend from heaven to influence the course of history.' Culture is rather influenced by the course of history, and possesses its own history. It is this which should be
analysed and explained, instead of using culture as the basis of explaining the course of history or the structure of social action.

Some of the problems of the structural-functional analysis of Thailand are emphasised in the discussions of the relationship between business and politics. Both Wilson and Riggs adopt crudely instrumentalist perspectives on the state. They consider the state subject to the direct influence of various groups, one of which should be business, and argue that various policies will be implemented at the behest of business for the benefit of business. But in Thailand there are no such inputs; thus, the state does not implement pro-business policies. This is explained by reference to cultural factors, such as orientation to reward structures and the institutionalisation of collective codes of behaviour. If the state is not influenced by extrabureaucratic interests, then the bureaucrats will take over — leading to the genesis of the bureaucratic polity. Business people must then 'purchase' influence with individual bureaucrats. The emphasis is on individual behaviour rather than on classes, fractions of classes, or class interests. At the same time, there is a tendency to consider business people as one homogeneous group, with a single set of mutual interests. There is little emphasis on the competition between business people, producing an ahistorical analysis with little attention paid to the development of the business class and its specific and changing interests.

While there have been a number of attempts to re-orient these approaches, especially that of Riggs, these works have not seriously challenged the theoretical assumptions of the model. Unless the theoretical implications and shortcomings of the structural-functional model are confronted, it is not possible to use the theoretically-specific terminology developed by Riggs because importing the terminology brings with it the theoretical cargo.

In summary, the models favoured by Wilson, Riggs, and others who are influenced by structural-functionalism have been shown to be theoretically weak, leading to a distorted picture of Thai society and politics. These shortcomings relate to failures to adequately account for change and conflict; tendencies towards neo-evolutionary and deterministic analysis; functionalist and instrumental conceptions of the state; tendencies towards cultural determinism; and assumptions of ruling class homogeneity.

'Radical' Models of Thai Politics and Society

In October 1973 Thai students led an uprising which overthrew an authoritarian military regime. Together with the emerging victories of revolutionary movements in Indochina, a new spirit of enquiry emerged amongst Thai
intellectuals and some Westerners studying Thailand. Earlier conceptions were challenged by the student-led overthrow of the military regime in 1973, the emergence of coalitions of students, farmers and workers, and escalating political violence. The vicious and bloody coup of 1976, in which the military returned to power by marching over the bloodied, mutilated, and burned bodies of students, confirmed the need for a more critical approach to the study of Thai politics and society.

The Dependency Approach

'Radical' scholars turned to dependency theory and Marxism in search of more insightful analyses and political prescriptions. No longer were the central issues to be consensus, order, and growth, but rather class conflict, imperialism, exploitation, and surplus extraction. The works of dependency theorists like Andre Gunder Frank and Samir Amin offered seemingly appropriate models for the analysis of Thai society, economics, and politics as an underdeveloped, peripheral, or satellite social formation. Thailand's underdevelopment was seen as the direct result of capitalist development in the centre or metropolitan countries. According to the dependency theorists, the engine of underdevelopment was surplus-extraction, caused by the unequal exchange of commodities and the actions of transnational corporations.

Dependency theorists argued that although capitalism had developed in the periphery, its form was somehow distorted. 'Real' capitalism developed only in the advanced centre countries. Amin summarises the problem in a diagram (Figure 1).

**FIGURE 1**

**SELF-CENTRED AND PERIPHERAL SYSTEMS**

Central determining relationship

<table>
<thead>
<tr>
<th>Exports</th>
<th>'mass' consumption</th>
<th>Consumption of luxury goods</th>
<th>Capital goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
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<td>2</td>
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<td>4</td>
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</tbody>
</table>

Main peripheral-dependency relationship

For Amin, 'real,' self-centred capitalist development is determined by the linkage of sectors 2 and 4, 'mass' consumption and capital goods production. He states that:

[t]his determining relationship has been the characteristic feature of the historical development of capitalism at the centre of the system....Thus it provides an abstract definition of the 'pure' capitalist mode of production.

The peripheral model, determined by the relationship between sectors 1 and 3, is viewed as a deformed, 'externally propelled' form of capitalist underdevelopment, hybridised by the unequal exchange of labour values.

The various approaches to Thai politics and society based on the dependency perspective focus on slightly different aspects of underdevelopment, but all exhibit similar weaknesses in their conceptions of state and society. First, their class analysis is flawed by a tendency to place emphasis on imperialism rather than domestic classes and class struggle. For example, even with his emphasis on class, Elliott's analysis is based on an inadequate theorisation of class, leading to a false identification of Plaek Phibunsongkram (hereafter referred to as Phibun) as representative of the royalist fraction of the ruling class when he was prime minister in the 1938-44 period. A production-based conception of class would have made such an identification impossible. More serious is the tendency to view the domestic capitalist class as little more than a comprador class. Central to many 'radical' studies has been the notion that the Thai capitalist class is a puppet of international masters in the US, Japan, the International Monetary Fund, and the World Bank. One of the primary concerns of this study is to show that such a perspective is both theoretically and empirically dubious.

Second, 'radical' approaches tend to view the Thai state as being little more than the link between Thailand and the international economy, providing the pipeline through which surplus is drained. For example, a recent study argues that the Thai state is a comprador state, and cannot implement policies which are not in the interests of international capital. Again, there is a one-sided emphasis on external determinations, and like the structural-functionalist models, there is a tendency towards a crudely instrumentalist perspective on the state.

Third, the 'radical' approaches present a theoretically dubious interpretation of the development of capitalism. They suggest that the development of capitalism in Thailand is blocked, or if it emerges at all, it is a dependent capitalism. Such a perspective is similar to that
of the structural-functionalism model, where the development of Thai capitalism is compared to an ideal type of capitalism based on the West European, U.S., and Japanese experience. Not surprisingly, it does not measure up, and it is therefore said to be dependent capitalism— not dissimilar to Riggs's bureaucratic polity. There is little attempt to focus on the historical development of capitalism; instead, the centre of attention is the world economy, asking how international events have shaped the Thai economy. In short, exchange and the circulation of commodities is the focus, with little attention accorded to the production process.

For all of these reasons, the 'radical' models are unacceptable. In the following sections an attempt will be made to present a discussion of theoretical categories which are more appropriate to the themes of this study.

**Capital and the State**

The possibility of the development of a Thai form of capitalism has seldom been contemplated by proponents of either modernisation theory or dependency theory who argue that 'real' capitalism cannot emerge in Thailand. Modernisation theorists such as Riggs assert that the development of a bureaucratic polity prevented the emergence of a truly modern society and economy. Dependency theorists believe that 'real' capitalist development is blocked and that local capitalists can never be more than a class of compradors. In their view, the determining political and economic relations are located not in the state apparatus (for state officials are mere lackeys), nor in the domestic class structure, but rather in the boardrooms of Tokyo, London, Paris, and New York. This study argues that there is indeed a domestic class of politically and economically powerful capitalists. This class has enjoyed a promotional relationship with state managers, and the state has played a pivotal role in shaping Thai capitalism and the domestic capitalist class.

It is not possible to achieve an understanding of the political economy of modern Thailand without an adequate conceptualisation of the emergence of capitalism and a domestic capitalist class. The transition from a pre-capitalist mode of production to a capitalist one, and the further development of capitalism, has been crucial in the shaping of Thai society, politics, and economics. The emergence of capitalism has brought fundamental changes to people's lives, as it transformed social relations and the economic structure of society, which in turn affected political structures. This position rejects the argument that the most fundamental aspect of society is its transformation from traditional to modern cultural forms. Moreover, it rejects the notion that it has been Thailand's subordinate position in the world economy which has been
the basic force in change and conflict. What is to be proposed here is a shift in emphasis to class analysis, focussing on the role the state plays in the development of capitalism.

A discussion of Thai capitalism obviously raises questions that must be examined in theoretical terms: (1) How is capitalism to be defined?; (2) What is the position and composition of the capitalist class?; and (3) How may the position and role of the state be conceived in theoretical terms?

What follows is not an attempt to develop a complete theoretical model for the analysis of Thai capitalism for such a model would extend far beyond the scope of this study. For example, too little attention will be given to class as a two sided relationship; the focus will rather be on capital and the state, with only brief comments on labour and other subordinate classes. The attempt here is to place the discussion within a broadly Marxist framework, defining and discussing various categories which are useful in the analysis of capitalist development. The intention is to produce a theoretically informed discussion rather than a complete model.

**Defining Capitalism**

One of the first and most incisive criticisms of dependency theory came from those who said its emphasis on the extraction and transfer of the economic surplus (in short, exchange relations) was detrimental to any theoretically meaningful discussion of the relations and forms of production. It was argued that Frank and other early dependency theorists had not provided a precise definition of capitalism, but had merely identified the circulation of capital with the capitalist mode of production. Such confusion bedevils not only development studies, however, but also the historical analysis of the European transition from feudalism to capitalism, where the debate has centred both on the relative weights to be assigned to exchange and productive relations and the relationship between agriculture and industry. Recently, these same questions have been raised by those Thai scholars critical of the dependency perspective on Thai development. Given such confusion, it is appropriate to define 'capitalism' for the purposes of this study.

Capitalism emerges historically from the growth of commodity production, and from the generalisation of such production. Marx argues that both commodities and money are necessary for the emergence of capital, and that this emergence requires a foundation of trade in commodities. Lest it be imagined that this implies a 'circulationist' perspective, it should be added that Marx argues that neither the production nor the circulation of commodities
alone implies a capitalist mode. Capital exists in pre-capitalist societies but generally remains outside the sphere of production, residing instead, as merchant's capital, in the sphere of circulation. It is when capital enters the production process that capitalism begins to develop. This development does not arise spontaneously, but rather requires a historical base of initial accumulation of capital in the hands of individual producers. Historically, this initial accumulation represents the separation of the producer from the means of production. The producer becomes a wage-labourer with nothing to sell but the ability to labour, and confronts the propertied, capitalist class. Capital exploits labour by extracting surplus-value; that is, the difference between the value produced by the worker and the wage paid by the capitalist. The capitalist class sustains itself from this surplus, and reinvests a part of it back into the productive process (or, the process of accumulation). Together these processes represent the expanded reproduction of capital, the essence of the capitalist mode of production.

If it is accepted that the separation of producers from the means of production is a defining characteristic of capitalism, then a serious question arises for the Thai case. As many reports have shown, the majority of the Thai people remain agriculturalists owning their land. How, then, can Thailand be defined as a capitalist society? Recent conceptualisations of the position of the peasantry consider them part of a pre-capitalist mode of production articulated with a capitalist mode; the nature of the articulation is said to be determined by the needs of the capitalist mode. In addition to being tautologous, functionalist, and voluntaristic, such a perspective tends to be overly technical by concentrating on forms of production and failing to recognise that elements of a pre-capitalist mode can continue to exist within societies where the capitalist mode is dominant. This important point provides a basis for a more convincing discussion of the position of the peasantry.

Henry Bernstein argues that the destruction of the 'natural economy' — dominated by the production of use-values, with only limited exchanges of surplus-product — led, in some cases, to the establishment of peasant commodity production, where the producer was not divorced from the means of production. Often there were no drastic changes in the instruments of labour or in the forms of labour, but there were fundamental social changes as Third World societies were incorporated into international circuits of capital. This incorporation is marked by a break in the cycle of reproduction, often in the form of monetarisation of the economy, with labour being withdrawn from the production of use-values and 'invested' in the production of exchange-values.
Simple commodity production, in which a commodity is produced to be exchanged for another, is not the same as capitalist production, in which a commodity is produced to be exchanged, to realise surplus-value, and to enhance the accumulation of capital. It is, however, a form of production that may be readily subsumed by the capitalist form. As Chapman explains:

The subjugation of simple commodity production by capital produces a capitalist mode of production, perhaps in embryonic form, but nonetheless capitalist. The determinate organization of labour and the process of production could be termed pre-capitalist but it is not thereby incompatible with capitalism. The labour of the household is not legally separated from legal ownership of the means of production, but it is labour that is subject to considerable control by capital.

This corresponds to Marx's category of the formal subsumption of labour by capital, where capital takes over pre-existing forms of labour. The formal subsumption of labour gives way to a real subsumption through a process of internal differentiation and an expansion of the scale of production.

Clearly, capital does not have complete control over labour where peasant commodity production exists, but it can, to a significant degree, determine production. This is achieved through a 'wage-labour equivalent,' defined by three factors. First, prices paid to producers do not represent a category of exchange but rather a relation of production, a concealed wage, in which peasant producers are in effect selling their labour. Second, it is not the peasant household that is the capitalist enterprise, but rather the purchaser of the commodities produced by the household. This is because the purchaser determines prices, volumes, quality and even the kind of commodity produced. Third, the reproduction of labour is situated within the household, effectively subordinating the household to capital. Its persistence is also determined by capital. In this sense, it is possible to conceptualise the peasantry in Thailand as a class subordinated by another class, rather than a class subordinated in spatial terms (through an urban-rural bias or centre-peripheral relations).

The emphasis on class analysis reinforces the idea that the capital-labour relation is basically a social relation. Wage-labourers must sell their labour in order to survive, and the capitalist must buy it in order to continue production. The continued extraction of surplus-value depends on the dominance of the capitalist in this relation. This is maintained by
For Marx, class analysis shows that the 'history of all hitherto existing society is the history of class struggle.'

Schematically, then, the capitalist mode of production will exhibit the following characteristics:

1. Capital has entered the sphere of production.
2. Commodity production is generalised.
3. The means of production are privately owned.
4. The mass of producers neither own nor control the means of production and must sell their labour.
5. The reproduction of capital is on an expanded scale.
6. Coercion is usually economic. Politics and economics are separated.

These characteristics will be used to determine the extent of capitalist development in Thailand, and the dominance of the capitalist mode of production. As noted above, the emphasis will be on the capitalist class and its development.

The Capitalist Class

Given that scholars have seldom considered the development of a Thai form of capitalism possible, it is hardly surprising that the existence of a capitalist class has generally been ignored or considered improbable.

As already noted, the most common 'radical' perception of the capitalist class in the Third World is of a small, weak, and constantly threatened class, dominated by international capital. Empirically, this position has taken a battering in recent years; if nothing else, the emergence of 'newly industrialising countries' such as Brazil, Taiwan, South Korea and Singapore has forced many dependency theorists to rethink their earlier, more simplistic approaches to capitalist industrialisation and the position of the capitalist class in the Third World. Theoretically, the critiques of dependency theory have been as telling, revolving around the fact that there is no logical reason to suggest that the emergence of a domestic capitalist class or of capitalism in the Third World is impossible. It is therefore necessary to develop a more complex approach to the development of the capitalist class in the Third World.
In his study of the capitalist mode in Western Europe, Marx identified the capitalist class as one of the three great classes along with wage-labour and landowners. But even where the capitalist mode is most advanced, this class structure does not emerge in pure form. In the Third World, where the capitalist mode evidences many diverse levels of development, a possibly even more complex pattern of class relations emerges perhaps nowhere more so than in Thailand. While this study does not pretend to provide an analysis of the total class structure of Thai society, it does attempt to delineate the capitalist class and to show the complex structure of this class.

A definition of the capitalist class is, in the first instance, quite simple. The capitalist class is that group of people who possess capital and own the means of production. They invest this capital productively with the aim of realising surplus-value through the accumulation process. A capitalist is 'capital personified and endowed with consciousness and a will....His [her] aim is...the unceasing movement of profit-making.' So far so good, but the definition is not this simple, for it neglects many of the historical elements of class. Marx's analysis overcomes this problem by emphasising competition and by introducing the notion of fractionalisation.

One of the basic elements of the capitalist mode is that while there is a tendency toward the centralisation of capital, there is also the countervailing movement towards concentration, which increases competition. Individual capitals, situated in the various spheres of production, confront each other as competitors. Such competition is at the heart of capitalist production; not only do individual capitalists confront their opposite, wage-labour, but they also confront other capitalists.

Marx used a number of different terms interchangeably when referring to sub-groups within the capitalist class -- part, faction, section, and fraction. But in recent years, particularly due to the influence of Nicos Poulantzas, 'fraction' has become the recognised term for describing intra-class differentiation. Zeitlin, Neuman and Ratcliff, who prefer the term 'class segment,' provide a concise definition when they state that a 'segment' (fraction) has a relatively distinct location in the social process of production and, consequently, its own specific political economic requirements and concrete interests which may be contradictory to those of other class segments with which, nonetheless, it shares essentially the same relationship to ownership of productive property. As such, a class segment has the inherent potential for developing a specific variant of 'intra-class
A fraction of capital is not merely an 'interest group,' and should be defined according to the circuits of capital which give rise to specialised capitals. It is important to understand that fractions are subordinate to the interests of the whole capitalist class, as fractions of capital cannot exist except as parts of total capital. Total social capital is composed of the following circuits of capital: industrial capital, banking capital, commercial capital, and agrarian and landed capital. Each of these fractions will be discussed in the Thai context in the second part of this study. The fractions of capital, like individual capitals, are not homogeneous and equally powerful parts of a total capitalist class: competition among them leads to countervailing tendencies in the development of capitalism.

Historically, there has been a tendency for firms to grow from workshop to factory to corporation. As firms have developed along these lines capitalist enterprises have no longer been able to expand solely on the basis of the resources of individual owners. The corporation is an attempt to overcome this problem by raising capital from a number of different sources. This in turn accelerates the process of centralisation whereby many capitals are brought together to form a single, larger capital, representing the emergence of social capital which further expands the scale of production. The transnational corporation and global capitalism are the logical outcomes of this process. The significance of such a development for Thailand may seem remote, especially as a fully-fledged stock exchange, essential to corporate development, did not emerge until the 1970s. However, as will be shown later, corporate capitalism has emerged and is a powerful force for the further expansion of Thai capitalism. Even so, this process must be seen as uneven, both among individual firms and internationally.

Uneven development is intimately linked with the twin processes of concentration and centralisation; this is as true for Thailand as for the more advanced industrial nations. Marx's discussion of these points is precise:

Every accumulation becomes the means of new accumulation. With the increasing mass of wealth which functions as capital, accumulation increases the concentration of wealth in the hands of individual capitalists. The growth of the social capital is accomplished through the growth of many individual capitals. All other circumstances remaining the same, the individual capitals grow, and with their growth the
concentration of the means of production increases, in the proportion in which they form aliquot parts of the total social capital. At the same time offshoots split off from the original capitals and start to function as new and independent capitals.

As the number of individual capitals increases, so does the concentration of the means of production. Concentration is the growth in size of productive units, a process synonymous with accumulation. These units confront each other as competitive entities within the total social capital. Centralisation, however, counteracts the repulsion of competing capitals:

It is concentration of capitals already formed, destruction of their individual independence, expropriation of capitalist by capitalist, transformation of many small into few large capitals....Capital grows to a huge mass...in one place, because it has been lost by many in another place.

By this means capitalists can extend their operations on a vast scale.

While these processes continue to operate in capitalist economies, the historical tendency has been towards greater concentration as capitalists attempt to regulate competition, evidenced by the formation of trusts, cartels, and holding companies, as well as by the merger movement and the emergence of finance capital. Centralisation and concentration act to reinforce each other. There is a tendency towards the growth of large corporations because they tend to be more profitable and to grow more rapidly through internal accumulation. While small firms still become established and grow, the relative importance of the big corporation increases. As noted above, banks play a significant and eventually dominant role in this process.

Perhaps the most significant feature of the contemporary international political economy is the rapid development of international banking and international indebtedness. In the initial stages of industrialisation in the Third World much of the private capital inflows came in the form of direct foreign investment, but bank loans and credits are now predominant. Of crucial importance in this shift has been the rapid internationalisation of banking and the creation of European and Japanese capital markets.

As industrialisation advances beyond the production of import-substituting consumer goods, often foreign
capitalists are reluctant to provide the much larger investments required for heavy industry. Into this gap have stepped the transnational banks. The expansion of finance capital at the international level has seen a parallel growth of financial capacity in the Third World, with local banks, joint-venture banks and transnational branches playing important roles in loan management. In addition, the larger Third World banks are beginning to internationalise their operations. Such a development is not surprising given that as production capacities expand in the Third World, there must be a concomitant development of capabilities in the sphere of circulation, where surplus-value is realised. It is important to remember that

the circuits of individual capitals are interlinked, they presuppose one another and condition one another and it is precisely by being interlinked...that they constitute the movement of total social capital.

The significance of the expansion of banking, and especially transnational banking, is that through their investment, power, and increasing control over lending, the banks have a substantial influence over decision-making within corporations.

The processes of concentration and centralisation, together with uneven development and the development and internationalisation of finance capital, are central to an understanding of the development of capitalist enterprise in Thailand. Thai firms vary enormously in size, with the largest, especially the banks, regionally and internationally significant, and the smallest mere backyard enterprises. Such variation in size and power cannot be adequately understood without reference to these processes.

Given their differential locations in the production process and their varying power, the fractions of capital have different interests to maintain. Furthermore, the various fractions will exhibit different relationships with other classes -- relationships that are determined both economically and historically. Clearly, it is important to ascertain exactly which fraction or fractions of capital dominate the class at any particular time, while also recognising that fractional interests remain subordinate to those of capital in general. In determining dominance, one must address the vexed questions of ownership and control of companies.

The corporation often presents a separation between management and the owners of capital. Who, then, controls the corporation? The 'managerial thesis' suggests that managers have effective control, because there are no
longer owners holding enough stock to be able to determine company policy. Ownership is fragmented, so managers are left to their own devices and initiative. Recent assessments have argued that this position should be rejected, however, as empirical evidence suggests the link between ownership and control remains strong. These writers suggest that there has been a move away from personal possession to impersonal possession. Individual and family ownership of industrial and commercial companies has gradually been supplemented by the interweaving interests of financial companies. 'Control through a constellation of interests' becomes the characteristic mode of control in large industrial corporations.

This constellation of interests is seen in the linkages of ownership and interlocking directorships, processes which has given banking capital considerable power in its dealings with other fractions of capital. Big banks and financial institutions have expanded their ownership and control over the corporate economy, a development that will be of special interest in the examination of ownership in the Thai economy.

In addition, there is a more personal bond holding capitalists together. As capitalists become a class, they develop a consciousness of their own class that is often reflected in social relationships such as marriage. Because they share the same interests, move in the same circles, and obtain education at the same level and in the same places, the scions of one capitalist family will tend to marry into other capitalist families. Especially in the earlier phases of development, these kinds of connection are significant.

A number of concepts thus emerge as central to the discussion of the capitalist class in Thailand:

1. The capitalist class is fractionalised. As capitalism is marked by uneven development, competition is central to fractionalism. For the purposes of this study four fractions have been identified -- agrarian, commercial, industrial, and banking.

2. Concentration and centralisation emerge as essential processes in the development of capital. Concentration of the means of production and the growth in the size of firms are essential to capitalist development, and these processes are encouraged by competition between individual
capitalists. Centralisation is a countervailing tendency whereby many small capitals are converted into a few large capitals. Concentration and centralisation account for much of the unevenness of capitalist development.

3. While competition remains a crucial element of any understanding of capitalist development, the trend towards centralisation has led to the emergence of finance capital, a most powerful form of integrated capital, combining especially the industrial and banking fractions of capital.

4. Corporate capitalism is the outcome of these processes. Because individuals and families can no longer provide the resources for continued growth, public companies develop with control through a constellation of interests. These are often represented as finance capital.

Each of these concepts and processes will be important in the following chapters, especially Part II. There it will be shown that Thai capital has evidenced each of the trends noted above, including the rise of corporate capitalism under the dominance of the banking fraction of capital.

The idea that the banking fraction emerges as the predominant fraction of capital under the conditions of corporate capitalism raises the questions of power, politics and the state.

The State

The analysis of the state and its relationship with society has been one of the stumbling blocks to an understanding of Thai capitalism. Because the state is not subordinated to a political party that clearly represents the interests of capital and espouses the capitalist ideology, and because the state has been dominated by the military, it has not generally been identified as a capitalist state. In this section a theoretical position which allows for other forms of state organisation will be outlined.

Radical theories of the state have proliferated in recent years, and several versions have been applied to the Thai situation. Generally, though, all of these applications have shown a tendency towards functional and instrumental explanations. Certainly there is no single adequate Marxist theory of the state, and doubt has been raised as to the possibility of such a theory. Nevertheless, a few general points regarding the state need to be explained if the relationship between the Thai state and capital is to be understood.
The most common conception of the state derives from Weber's view that it is an institutional structure with a legitimate monopoly over coercive power within a specific territory. 'State' has generally been used to refer to government, both its administrative and bureaucratic apparatus and its police, military, and judicial arms. Others have argued, however, that this is merely an identification of the state's manifestations -- the state apparatus -- rather than the state itself. These theorists insist that the state does not exist but is rather a process embodied in the state apparatus and in the manner in which various institutions are brought together. One must then define the parameters of the 'logic' that determines the operations of the state apparatus.

Theoretically, the first assumption to be made in studying the state is the essential division between the state and capital. Given this autonomy it is then necessary to delineate the limitations and imperatives placed on the state within a capitalist system. These may be conveniently grouped into two categories: economic-structural and instrumental.

The economic and structural constraints and imperatives on the state apparatus are arguably the most significant, and operate at both the national and international levels. In the Third World, states operate within an international capitalist system of production and exchange. To a greater or lesser degree, the range of possible decisions and actions open to state officials is limited by the nature of a particular country's integration into the world system. The relationships among countries, as well as between individual countries and international agencies, are the preserve of state managers. But they are also of central concern to domestic and foreign capitalists, especially when loans, aid, and trade are so important to the operations of capital in the Third World. As recent cases have shown, rebellion against the logic of the international system is fraught with obstacles. Nonetheless, it should be emphasized that there is a fundamental coincidence of interests between domestic and international capital, despite their divergent sizes and scope of operations. Both are concerned about the maintenance of stability for their operations within any particular country.

This leads directly to national economic constraints and imperatives, as international constrictions interact with and shape national aspects of class and the exercise of state power. The capitalist state must, above all else, seek to maintain the basic conditions necessary for capitalist accumulation; that is, private property must be protected and the capital-labour relation maintained. Without these basic conditions capital could not operate, and the capitalist state would collapse or be transformed. In addition, Block has recognised three areas of internal
economic constraint on the operations of the capitalist state apparatus. First, capitalists control the investment process. State managers are dependent on high levels of domestic and foreign investment and economic activity in order to finance budgets which, in turn, pay for infrastructural development. Moreover, economic decline or stagnation is feared by state managers because it can lead to political instability. Second, capitalists have control over the wealth of their societies with resources such as the media which are also essential to the operations of the state apparatus. This wealth can similarly be used in more fundamental ways such as bribery and corruption. Third, the inherent tendency of capitalist production is toward periodic crises. It is necessary for state managers to regulate against this, or at least to soften the impact of these crises in order to avoid social and political instability. 'Yet in regulating the market,' Block explains, 'state managers act to save capitalism from itself, reforming and modifying the system in ways that tend to increase its viability.'

These international constraints and imperatives together indicate that, in general, the managers of the capitalist state operate in a manner that serves to maintain the accumulation process. At the very least state managers are reluctant to disrupt this process, because it serves their interests as state officials. But at the same time it locks them into the process.

In the Third World, where the capitalist class has yet to achieve its full measure of development and, correspondingly, where industrialisation has been slow or recent, the state often becomes a political agent for industrialisation. It provides the economic infrastructure and organises the conditions necessary for the exploitation of labour. Besides organising the conditions of exploitation, the state attempts to maintain political control over the working class and the peasantry. While economic control derives from the production process, political control is necessary to prevent the organisation of these classes. The state, which is also challenged by the rising of organised, subordinate classes, supplies this control through law and repression.

Each of these points is crucial to an understanding of the relationship between the Thai state and domestic capital. While one cannot deny that this relationship has been pervaded by corruption and distrust, it is essential to understand that structural and economic factors nonetheless prevent the state from going entirely its own way. Third World capitalist states occupy a position in which they must serve the interests of capital-in-general, both furthering the operations of international capital and fostering the development of domestic capital.
The relationship between the state and international and domestic capitals should not, however, be seen as merely symbiotic; such a view would obscure the fact that there is conflict and competition between the three. Certainly capitalists remain wary of an all-powerful state because regulation involves a certain devolution of class privilege and power. International capital is not, in theory, opposed to the development of capitalism in the Third World, and the growth of domestic capital enhances this process. But capitals of different sizes compete against each other and will generally seek all competitive advantages, including any available political weapons. Political influence raises the question of instrumental constraints.

Instrumental constraint refers to the possibility of a particular class or class fraction controlling the state and its apparatus. An important aspect of this relates to the class position of state managers. In advanced capitalist countries it has been shown that the people occupying the commanding heights of the state apparatus have tended to be of the same class as those identified as the ruling class. Miliband states:

> The assumption...is that a common social background and origin, education, connections, kinship and friendship, a similar way of life, result in a cluster of common ideological and political positions and attitudes, common values and perspectives. There is no necessary unanimity of views..., but these differences occur within a specific and fairly narrow conservative spectrum. This being the case, it is to be expected...that those who run the state apparatus should, at the very least, be favourably disposed towards those who own...the means of economic activity....

While such an instrumentalist position cannot be used to explain all policies and actions, it would be wrong to assume that the world-view and connections of state managers have nothing to do with their actions as state officials.

Miliband has taken this further, suggesting that state managers have particular interests to promote and protect. He argues that there are two sets of impulses which act upon state managers: self interest and a conception of 'national interest.' While it is a truism to suggest that people in power generally wish to retain their positions, Miliband notes that such a perspective has not been central to Marxist theory. Marxists have rather tended to concentrate on social and economic factors, underestimating the weight of the political processes.
High state offices are coveted because they pay well and provide status and accumulative opportunities. At the same time, those who seek state power find it easy to persuade themselves that their achievement of it, and their continued hold on, are synonymous with the "national interest".... This position seems close to that advocated by Riggs, yet whereas Riggs argues that only the interests of officials need by considered, Miliband argues a convergence of interests between officials, for capitalism; this perspective does not, however, explain why there is a convergence of interests. From the discussion of the state in this chapter, it can be suggested that convergence derives from the nature of capitalist social and economic organisation. If state managers did not work for the interests of capitalism, then their own positions would be threatened, for to oppose the logic of capitalism is to suggest alternative systems and risk the overthrow of the state.

There are a number of ways in which instrumental constraints might operate, each of which is important in the Thai case. One area is family ties between capitalist families and the families of state managers sitting on the boards of various companies, both of which are common. Such ties can prove beneficial if state policy-making is to be influenced; all business people, of course, know the value of 'connections.' Such constraints vary considerably at different places and different times, but they should be considered carefully when discussing the role of the state in Thailand.

In analysing the role of the state and the relationship it has with the domestic capitalist class, it is necessary to focus on state policy. While some policies may be 'dead letters,' it must be emphasised that the social character of a regime is not defined by the class origin of those who occupy the state apparatus but by the nature of state policy.... A bourgeois state...is a state which provides the economic conditions for capital accumulation and the political protection for the bourgeoisie in the process of conflict.

Again it is intended that these theoretical points on the state should weave their way through the following chapters, for it is from this perspective that an understanding of the Thai state is sought.

Conclusion

The main limitations of the structural-functional models of Thai society and politics are their neglect of
change and conflict, tendencies toward neo-evolutionism, instrumentalist interpretations of the state, cultural determinism, and assumptions of ruling class homogeneity. Implicitly, 'radical' and Marxist models have sought to overcome these shortcomings; however, many of these models are afflicted with similar failings. In attempting to develop a more appropriate approach the following points are considered essential:

1. The destruction of the 'natural economy' is marked by the replacement of the production of use-values by the production of exchange-values.

2. Trade and commerce play an important role in the monetarisation of the economy and its integration into international circuits of capital.

3. Capital moves into the production process, leading to the formal subsumption of labour by capital. In the case of the peasantry, this subsumption takes the form of a wage-labour equivalent. Commodity production becomes generalised.

4. As capitalist production develops, the scale of production increases and the instruments of labour are transformed.

5. Concentration and centralisation of capital are connected yet contradictory processes which transform capitalism as it develops.

6. Competition is fundamental to capitalism.

7. Capital's fractions are industrial, banking, commercial and agrarian capital. Each has its own fractional interests, but these are subordinate to the interests of capital-in-general.

The discussion of the state made the following essential points:

1. The state should be considered as being autonomous from the economic sphere, at least in theory.

2. There are two sets of constraints and imperatives which impinge upon this theoretical autonomy: (a) economic-structural, operating at both the international and national levels; and (b) instrumental constraints.
3. State officials have particular interests to protect, but in a capitalist society there is a convergence of interests between officials and capitalists.

Few of these points have been seriously considered in the Thai case, and each of them will weave its way into the chapters which follow, organising the data and providing theoretical points of reference for the body of the study.
PART I
CAPITALIST DEVELOPMENT AND THE ROLE OF THE STATE

Chapter 2
THE STRUCTURE OF SAKDINA SOCIETY AND THE EMERGENCE OF CAPITALISM IN THAILAND PRIOR TO 1932

This chapter provides an account of the development of Thai capitalism to the end of the absolute monarchy in 1932. Before proceeding with this discussion, however, it is necessary to provide a brief description of the social structure in which capitalism was to take root, because the specific form of capitalist development can only be explained by reference to this precapitalist structure. Both structural-functional and 'radical' analyses place considerable emphasis on the 1855 trade treaty between Britain and Thailand as representing the incorporation of Thailand into the world system of trade. While this event was indeed significant, it will be argued that the treaty was a formal recognition of developments both within the domestic political economy and within an international system of production and exchange dominated by the rapidly industrialising West.

The Structure of Sakdina Society

Agriculture was the principal economic activity of the mass of the Thai people in the pre-capitalist period. While rice was the staple crop, others included pepper, cotton, sugar-cane, vegetables, and fruit. Additional economic activities included fishing, mining, and the collection of forest products. Handicraft production was carried out at the household and village level, mainly to meet the immediate needs of the family and community for agricultural implements, cooking utensils, cloth and the like. Artisans worked at both the village level and as bonded craftspeople for the aristocracy, producing a range of arts and crafts. Sakdina society was thus dominated by the production of use-values, products necessary for subsistence and the reproduction of society. The cycle of reproduction was located almost entirely within the household. There were only limited exchanges of surpluses, as products were not generally produced for their exchange-value; thus, only a small portion of the total product entered circulation. The principal means of production were land and labour, with the class and political organisation of sakdina society tending to reflect this.

Land is the universal means of production, and within sakdina society it was subject to 'private possession.' In law, the king had rights over all land in the kingdom, but his subjects could also take up land. The nobility
dominated, taking large tracts of land and holding them as estates. The peasantry often laboured on land they possessed, yet their labour was not entirely their own.

A complicated system of status rankings, the *sakdina* gradings, formally demarcated the two basic classes of society: the commoners (*phrai* and *that*) and the ruling class of aristocrats (*nai*). All commoners were bound, by various laws, to their *nai* and were compelled to provide their masters three to six months each year. The *nai* had the right to allocate these services as they saw fit, or as the king demanded, on public works (such as irrigation projects), on temple construction, or on their own estates. Alternatively, a commoner could be registering pay a tax-in-kind (or a money tax) through the production of certain valuable commodities, and thus avoid the required labour services. In addition, commoners could be called upon for further service in times of war. Some commoners, the *that*, were more directly bound to their *nai* through slavery or debt-bondage, and owed all of their labour to the *nai*. Indeed, by 1850 perhaps one quarter to half of the non-Chinese population was subject to various forms of bondage. Through these forms of labour control, the ruling *sakdina* class of aristocrats was able to extract the surplus-product from the peasantry. The rights of the aristocracy were enshrined in law; commoners, for example, had no access to legal processes except through their *nai*, thereby confirming a powerful patron-client relationship between aristocrats and commoners.

While much of the surplus-product extracted by the *sakdina* class was consumed directly by them, the remaining surplus was either purchased by merchants or extracted through taxation. Trade was an important state activity, providing considerable revenue for the king and his treasury, aristocrats (who also acted as state officials), and merchants. Trade was profitable during the first reign of the Bangkok period, with chronicles stating that the 'greatest revenues in that era came from the Chinese junk trade,' and that the 'profits from the junk trade were tremendous.' Both internal and external trade were significant. Some crops, notably sugarcane, pepper and many of the goods collected as taxes-in-kind, were produced and collected with an eye towards their export potential. A network of traders and merchants was established to collect and transport these goods to Bangkok, which had become something of an entrepot in Southeast Asia for the China trade. Generally such goods were exported in Chinese-style junks owned by the aristocracy. At times foreign trade had been the monopoly of the king's trading house, but when Nangklao (Rama III, who reigned from 1824 to 1851) came to the throne he acknowledged a system in which powerful aristocrats were trading on their own account. In conducting trade, aristocrats often operated through Chinese intermediaries.
Chinese merchants had long been involved in trading activities within Thailand, and were essential to the smooth operation of overseas trade — especially when China was the predominant trading nation in East and Southeast Asia. This relationship was mutually beneficial to Chinese merchants and Thai aristocrats. The aristocrats enjoyed increased personal wealth, and found prosperous merchants more profitable clients than poor peasants, who were rarely in a position to provide more than their labour and subsistence products. The Chinese merchants benefited by gaining control of trade. Their close relationship with aristocrats meant they often received noble ranking, and this accorded them the benefits of being incorporated into the sakdina system proper.

The organisation of politics reflected the structure of the economy. There was an almost total congruence between state officials and the ruling, sakdina class, as all aristocrats were also the king's officials. The king depended upon the support of his aristocrat-officials, who provided their peasants for military and labour service. At the same time, however, the nai were dependent upon the king for their legitimacy; he was the guarantor of their social and political status. The king and his aristocracy justified their rule through a belief system that drew heavily on animism, Hinduism, and especially Buddhism. Very much the ideology of the sakdina class, official Buddhism served not only to justify the exploitive position of the ruling class to their subjects but also to bind the ruling class together. Both functions were important, for while it was necessary to justify the demands of the corvée, military service, and taxation, it was also essential to maintain cohesion within the sakdina class, which was subject to factionalism and palace intrigue. The maintenance of a stable aristocracy was a central concern of the monarchy. Despite its power, the ruling class was not large. It has been estimated that in a population of roughly two million, the sakdina class numbered fewer than 2,000 during the late Ayudhya period, prior to the sacking of that capital by the Burmese in 1767.

Both the territorial and administrative structures of government in the late Ayudhya and early Bangkok periods seem to have centred on the control of trade and labour. S. J. Tambiah has referred to Thai kingdoms as 'galactic polities,' suggesting a centre-satellite relationship between the principal centres of power (notably Bangkok) and their hinterlands, with power decreasing as the distance from the centre increased. This territorial system was designed to maintain stability in as large an area as possible, thus ensuring the smooth flow of tribute, tax, and trade goods to the centre. Bangkok's centrality has been explained in the following terms:
The capital, Bangkok, was the home of the royal family and the leading officials of the kingdom. Here were concentrated the kingdom's wealth, its palaces, temples, monuments, and workshops. Here were found its main workshops, foundaries and shipyards. Bangkok was not only an intellectual center; it was also the administrative and economic center...especially of the royal base which supplied it with the necessary rice, material goods, and manpower.

At the centre the basic unit of administration was the krom (usually translated as a department). There were a large number of krom, but only a few -- the muang (city), khlang (treasury), wang (palace), and na (fields) -- came to dominate. They were often headed by a very powerful minister. In addition, the whole structure was divided into military and civil sections, overseen by two strong ministers, the kalahom and mahatthai.

Everyone was supposed to be attached to a krom, with commoners assigned to the krom of their nai. According to King Totsah (Rama I, r. 1782-1809), the basic premise of this organisation was that all people had a duty to serve the king, receiving in return protection. There was an effort to control peasant mobility so that armies of soldiers and labourers could be raised at short notice. The administration of the outlying regions was divided amongst the various krom, and it was the duty of officials in these areas to forward a proportion of the region's surplus product to the capital. Officials were expected to support themselves, usually by compelling commoners to work their estates or by appropriating a portion of the taxes collected.

This 'elaborate system whereby every Siamese owed service and allegiance to some superior' placed considerable restrictions on the peasantry. Labour service limited their movement, and was a primary means of the peasantry's subjugation. There were numerous changes over the years in the manner in which labour was obtained, but the registration of commoners was maintained. This sometimes included tattooing, which made it difficult for peasants to escape their compulsory services. Moreover, tattooing clearly emphasised the class differences between marked commoners and the unmarked sakdina class. The significance of tattooing to the latter is evident in a decree promulgated by King Taksin of Thonburi, where the penalty for falsifying a tattoo was death not only for the offender, but for the offender's family as well. While their husbands and sons were completing their labour requirements, women were responsible for the family's fields and also for supplying the men's food while they completed their labour services. Indeed, labour services were a heavy burden for the Thai peasantry.
There can be little doubt that the governmental structures reflected and reinforced the class power of the sakdina official-aristocracy. This class became wealthy by the system it managed. When Mongkut (Rama IV, r. 1851-1868) came to the throne, the Treasury was estimated to contain 3.2 million baht and 8,000 baht-weights of gold, approximately equivalent to the total annual tax collection at the time. When it is added that all maj and the Buddhist hierarchy also took their share of the surplus, it can be concluded that the demands upon commoners were heavy.

Although the preceding description of pre-capitalist society is rather static, it must be emphasised that Thai society was undergoing considerable change by the middle of the nineteenth century. Try as they might, the first monarchs of the Bangkok period were unable to restore the organisational structure of the society which had existed prior to the destruction of Ayudhya in 1767. The sakdina class itself was severely shaken by the Burmese attacks on Ayudhya and, later, by the purges which followed the rebellion against Taksin in 1781-82. More importantly, significant economic and social changes were taking place in the heart of sakdina society. The following section will examine some of these changes in the context of the emergence of capitalism.

The Emergence of Capitalism

Changes in the sakdina system prior to 1855

Historians and economists have often neglected or disputed the fact that there were important internal changes taking place within Thai society prior to the 1850s. Chatthip and Suthy, for example, argue that there was no intensification in the division of labour prior to 1850, and that sakdina society remained intact until after the impact of the Bowring Treaty of 1855. Vella places great stress on the treaty and the opening of Thailand to Western trade and influence in accounting for change in the economy and society. There can be no doubt that the provisions of the treaty were important influences upon the development of the economy, as will be discussed below, but the dynamism of economy and society shaped these influences to a large extent. The most important forces stirring within sakdina society were two, closely related activities: the organisation of surplus extraction, and trade.

The system of corvée labour had been undermined by the time King Mongkut came to the throne in 1851, despite many attempts at restructuring it. The kings found it increasingly difficult to gather the labourers required for public and religious works; indeed, they had all but ceased trying to recruit labour in this manner. Many
commoners avoided registration by absconding and hiding in the jungles and towns. At the same time, a struggle developed among aristocrats for the control of peasants. Because the bureaucracy had expanded considerably since 1782, there was much competition among aristocrat-officials to influence the king's appointments. Thus it was necessary for aristocrats to produce increased wealth from their estates and trading activities in order to influence the king and other powerful officials. This, in turn, meant that the labour of as many peasants as possible had to be controlled. The monarchy was left short of labour, and they were forced to hire labourers in order to complete major public works.

Trade provided part of the cash required to hire labour, but even in this area change was occurring. King Nangklao had acknowledged the dominance of powerful aristocrats and Chinese merchants in trade, but the China trade had diminished as China was assaulted by Western imperialists. In addition, technological changes were overtaking Asian trade, as junks could no longer compete with the faster and larger Western ships. The Treaty of Nanking, in 1842, opened Chinese ports to square-rigged, Western vessels, thereby hastening the decline of the junk trade and rendering the Thai king's trading ships largely obsolete in the process. This led to declining trade revenue for the King's treasury, while there was a simultaneous increase in the demand for money. Monetarisation of the economy brought new demands upon the state, as cowrie shells, the traditional means of exchange, were supplanted by the cash payments demanded by Westerners and increasingly, by the Thai state.

A number of other factors also contributed to the requirement for increased taxation and tax payments in cash rather than as taxes-in-kind. Especially during the reign of Rama II (1809-24), there had been revenue shortfalls, so acute that it had been impossible to cover even the nominal salaries of officials. In increasing state spending, Rama III took advantage of improved local economic conditions, and attempted to bolster revenues by raising more tax internally and by altering the structure of the labour force. During the reigns of Rama II and Rama III a broader range of items were subject to taxation, payment in cash was demanded, and the tax-farming system was expanded. Prior to the signing of the Bowring Treaty, Mongkut again expanded tax-farming. These changes were successful in increasing revenues as the economy had, by then, largely been rebuilt after the destruction of Ayudhya.

Changes to the organisation of labour were also significant. To hire labour there had to be a pool of labourers who are not subject to the obligations of sakdina bondage. Labour was scarce for the monarchs and their state, especially since many Thai peasants were already
paying a money tax to commute labour services. As a result, the kings turned to non-Thai groups, mainly Chinese, who were exempt from the corvee and other forms of bondage (although they did pay a light poll tax). While a number of Chinese acted as merchants, tax-farmers, officials, and small traders, many worked as coolies, and were increasingly sought by the state for public works. The demand for this type of labour was quite high in such ventures as canal construction, which required thousands of labourers. During the reign of Rama I, for example, the construction of the Ropkrung Canal in Bangkok required 10,000 labourers. Chinese labour was also set to work in mines and plantations. In the South, Chinese coolie labour had long worked in Chinese-owned tin mines. The Burmese invasions disrupted tin mining during the first and second reigns, but it began to expand again in the third reign, with a heavy demand for coolies from southern China.

Plantations were also important employers. When Bowring arrived to negotiate his treaty, he predicted sugar would "probably become the most important of all the exports of Siam." He mentioned "extensive sugar plantations," and added that another observer had counted "more than thirty manufactories, each employing from two to three hundred workmen, almost all Chinese." Plantation-based commercial production of sugar and pepper had begun in earnest during the first years of the nineteenth century. Most plantations were on the east coast and in areas to the south and south-west of Bangkok, and were worked by thousands of Chinese coolies. The plantation owners were usually Chinese, and many were members of the sakdina ruling class by virtue of their roles as tax-farmers and officials.

The number of Chinese entering Thailand increased during the second and third reigns. Estimates vary, but Skinner has suggested that by the 1830s six to eight thousand Chinese were entering each year. Such immigration indicates the initial development of a class of essentially free wage labour within a pre-capitalist society. Yet this development was not as disruptive as it might have been, it did not wrench this new class from the heart of the existing class structure and thereby force major realignments in basic productive relations. The new category of labour did nevertheless herald further changes in the economic, political and social structures. These changes are perhaps best emphasised by the turmoil of the third reign, described by Virginia Thompson as a period of 'chronic internal unrest' punctuated by rebellions involving Chinese, Laotians, and other minority groups.

By the 1840s, Rama III had become deeply suspicious of the intentions of the West. On his deathbed he predicted that
there will be no more wars with the Burmese and
Vietnamese. There will be troubles only with the
farang (Europeans). Take good care; do not fall
into their traps. Whatever they have invented,
or done, which we should know of and do, we can
imitate and learn from them, but do not
wholeheartedly believe them.

Many of his aristocrats, however, were aware that Thailand
needed to make concessions to the rapidly industrialising
countries of the West. They had seen imperialist aggression
in Burma, India, China, the East Indies, and the Malay
peninsula, and feared the same for Thailand. Some aristoc-
crats seem to have been well-prepared for the possible
consequences of Western imperialism and the Bowring Treaty.
During the third reign, That and Dit Bunnag both declined
politically powerful posts for more financially lucrative
positions in the bureaucracy. Another Bunnag, Sisuriyawong
(Chuang), conveyed to the British that traders would be
welcome immediately following Rama III's death. Even prior
to the king's death, some aristocrats and officials were
preparing for increased trade with the West.

Bowring's task was therefore made much easier by the
time he arrived in Thailand. The treaty he negotiated
granted British merchants rights that had previously been
enjoyed only by Chinese and Thai traders. More impor-
tantly, it also granted the right of extraterritoriality.
The most significant articles of the treaty related to
extraterritoriality and trade.

Extraterritoriality had significant legal impli-
cations for the Thai. Western consuls tended to interpret
the provision liberally, accepting many different ethnic
and national groups as their 'citizens.' In addition,
extraterritoriality placed the status of debt bondage in
doubt, since some debtors could seek the protection of
consuls and their courts if the consuls defined them as
'foreign citizens.' Similarly, extraterritoriality forced
the Thai court to reinterpret its relations with vassal
states in a more Western manner. The Bowring Treaty was
dealing with an Asian kingdom, but viewing it as a modern
nation-state with more or less fixed borders.

In trade, duties were generally fixed at three
percent ad valorem, although opium became a duty-free
import, having previously been banned. In addition,
Western merchants were allowed to trade freely, without
having to operate through Thai intermediaries, and
permitted to purchase property and to travel throughout
the country. Each of these activities had earlier been
restricted.

Clearly, significant changes had been occurring within
Thai society prior to 1855. While it is not possible to
refer to the development of capitalism at this stage, it is apparent that the Bowring Treaty was not imposed on a static 'Eastern' society. In fact, there were those who were poised to take advantage of the new environment that Western imperialism would herald. These were elements of the sakdina class who had both wealth and power, and the commercial sections of the Chinese population who were intimately connected with the sakdina economic and political system. It is not appropriate to refer to these groups as a nascent capitalist class, but their role is crucial to an understanding of the development of capitalism and the capitalist class in the 1855-1932 period.

Capitalist development, 1855-1932

One of the short-term effects of Bowring's treaty was the 'trickle of trade [that] turned almost immediately into a torrent as one firm after another...swarmed in....' Although a number of these new firms failed in the following twenty-five years, Thailand's trade was set for a course of rapid growth. The best available statistics indicate that the value of exports increased from 5.59 million baht in 1850 to 198.45 million baht in 1929/30. Despite Bowring's optimism concerning the export potential of sugar, it was rice which was to soon achieve the status of Thailand's major export with average annual exports rising from less than a million piculs in 1857-59 to 25.7 million piculs during the 1930-34 period. Such export growth was made possible by a tremendous expansion of rice cultivation, spurred on by heightened Chinese and European demand. There was a minor scramble to become involved in rice production, and the area under cultivation expanded considerably. Such expansion indicates significant changes in Thailand's economy and society, especially in the development of capital in the spheres of circulation and production, in landholding, and in the nature of labour utilisation and surplus extraction.

Rice had hitherto been produced for its use-value, and had been exported when surplus production permitted. By the 1870s, however, rice production was clearly Thailand's major cash crop, engaging large numbers of peasant families in an economy which was becoming increasingly commercialised and monetarised. This expansion was attractive to peasants because it required relatively small capital outlays in the initial phases, promised reasonably high rewards, and required skills and technology that were already available. After 1855, rice became the predominant commercial crop, and in the areas where it was grown, there were declines in subsistence and handicraft production and in plantation agriculture. Cheap imported commodities also began to circulate in these areas.
In this situation the peasantry was not separated from the means of production; in fact, peasant 'ownership' of land seems to have expanded after 1855, especially as the demands of the corvee declined and the various forms of bondage were phased out. The peasantry did not, as a rule, own their land in the full, legal sense, but after 1855 legal categories of property came to be redefined, as King Mongkut decided that the monarchy should no longer have an absolute right to all land. Except for those lands set aside for royal duties, he decreed, the king should pay a 'fair market price' for land. These changes in production and land ownership led to the emergence of a system of peasant commodity production.

Peasant commodity production became increasingly subordinated to the interests of merchant capital. Capital did not control labour, but international circuits of capital (represented by foreign demand for rice) largely determined peasant production. This was the practical effect of the new organisation of production and exchange in post-1855 Thailand, where peasants produced rice as a cash crop and sold it to middlemen, who in turn transported it to provincial centres or Bangkok. There the rice was milled and sold to Chinese and Western merchants who exported it to China and Europe. About one-half of total rice production was exported in the period from about 1900 to 1932. Clearly, the cycle of reproduction had expanded beyond the household.

One of the problems associated with peasant rice production was low productivity; almost all growth in production was accounted for by increases in the area planted. There were attempts to overcome this with the introduction of new technologies and techniques, but generally individuals rather than the government took the initiative. The government was reluctant to expend large amounts on agricultural development, preferring instead to support the armed forces, railroads, and royal projects.

While much of the most fertile land remained in the hands of the aristocracy, a class of small landholders was created as the peasantry was permitted to take up unoccupied land in the fringe areas of the central plain. In 1861, for example, King Mongkut appropriated 16,200 rai of land along the Mahasawat Canal, dividing it amongst some of the royal children 'for cultivation by their slaves and servants or for renting out to other persons.' Land had become far more valuable, speculation developed and private capital -- led by the aristocracy -- began to invest in land development schemes.

There is considerable evidence to show that the aristocracy considered landholding to be a potentially lucrative activity, and many aristocrats expanded their holdings considerably, especially in the areas around Bangkok. An important method of acquiring land, apart from royal grant,
was to invest in canal construction. In return for financing the development of a canal, aristocrats and wealthy Chinese were given land on the banks of the canal. Initially, these lands were to be worked by the owners' slaves and by bonded labour, but as these sources dried up rentier activities became more profitable. As one aristocrat-official commented:

Having considered [the] matter fully and engaged in various types of business myself, I come to the conclusion that any activity suitable for a Thai noble to take up for a living or to invest his capital in are hardly as good as land dealing, and that the gains from any kinds of land are hardly as good as tiggse from renting a plot of rice land to a farmer.12

Rentier activities held sway because shortages of both wage-labour and capital limited the potential of commercial agriculture. These activities were most important in the vicinity of Bangkok. Commenting on plans to uplift the position of the cultivator, the Bangkok Times stated: 'Theory is one thing, but interests are strong. The modern history of these six [inner] provinces would make a telling paragraph in Karl Marx's chapter on the Expropriation of the Agricultural Population from the Land.'13 There was considerable debate concerning the abolition of bondage, with one side arguing that the abolition would deprive large-scale agriculturalists of a workforce. The monarchy and government's need to increase revenues dominated, however, and the state eventually freed the peasantry. Peasants were encouraged to produce a surplus that could be sold, allowing them to pay their taxes with cash. At the same time, as will be discussed more fully below, many influential aristocrat-officials were becoming increasingly involved in trade, and profiting from the development of peasant commodity production.

The production of rice by a peasantry freed of its pre-capitalist obligations became the main economic activity in post-1855 Thailand. This gradual change from largely subsistence production to commodity production affected the cycle of reproduction, relations of production, land ownership, and the circulation of commodities in an expanding area of Thailand.14 At the same time, it encouraged a movement of capital into production and the further development of a class of wage-labourers.

As noted above, handicraft production and manufacturing declined following the 1855 treaty because of competition from Europe and its colonies. This particularly affected weaving, spinning, smelting, iron manufacture, pottery, and local paper production. There were also some gains, however, as rice and timber milling, ship building,
and the manufacture of construction materials all expanded.\textsuperscript{25}

With the growth of rice and teak exports, milling became an important area of investment for those with capital, namely Chinese merchants and tax-farmers, the aristocracy, and foreign merchant firms. In the 'natural economy,' most milling had been carried out at the household level, and there was no need for middlemen. But as rice cultivation expanded and milling became a lucrative activity, it was separated from the household. The first steam mills were built in Bangkok in 1855, and the opening of the Suez Canal further stimulated milling. The mill owners, who were also traders, were in a position to take advantage of the increased opportunities offered by expanded trade, particularly with the West but also with China and European colonies. A British trade report of 1867 gives some idea of the developments in Bangkok which flowed from trade:

Throughout the year the Siamese government docks have been busy...building and repairing steamers. Iron bridges have been erected over some of the creeks; gasworks constructed in the Palaces of the King and Prime Minister; two steam dredges put together and set to work; and another steam rice cleaning mill added to the four large mills already existing. A large sugar mill and distillery, a saw mill, British shipyard and dry dock have been in operation.\textsuperscript{26}

While Western merchants derived considerable profit from these developments, so too did local investors. As one British official explained the situation, in 1879 there had been five European mills and five Thai or Chinese mills in Bangkok; by 1894, while the Europeans still controlled five mills, there were 24 Chinese or Thai mills. This official claimed that the Europeans have taught the Chinese to mill by steam, and, with the Chinaman's trading ability, backed by the wealth of the Siamese, John Chinaman has gained the hold of the rice trade of Siam, which the Europeans of 40 years ago looked to secure to themselves....Of late years, the...rice mills have been a favourite investment of Siamese Princes and nobles who now own many or hold mortgages on them.\textsuperscript{27}

After the turn of the century, expansion continued, with over 300 mills established in the provinces by 1928. Chinese and Thai ownership was predominant. In Bangkok,
milling was entirely in local hands by 1919 as the Chinese proved more competitive than the Europeans. Perhaps the most significant factor in this change was that from 1909 Chinese firms began shipping rice and selling directly to the European market, bypassing European trading houses, completely altering the conditions under which the rice trade had been conducted. Milling was not necessarily a small scale industrial activity, with Markwald’s mill, for example, the largest and best equipped, valued at 790,000 baht. The mill, Chinese-owned from 1917, was housed in a two-storey building over twenty metres to the eaves, with machinery above that level.

A good example of Chinese merchants expanding into this type of industrial activity is the Lamsam family. In the mid-nineteenth century, one Ung Yok Long (or Ng Yuk Long) arrived from China and established Lamsam (Lamsam Store). The firm grew, receiving timber-marking concessions for Kampaengpet and Prae, and established a saw mill. Expanding into foreign trade, branch offices of the family business were opened in Hong Kong, Singapore, Swatow, and Shanghai. By 1932 the family owned businesses involved in the milling and export of rice and timber, shipping, rubber, ice manufacture, insurance, real estate, and hardware, as well as a restaurant. Such expansion was not unique: Thom Yor (Luang Chitr Chamrong Wanit), a well-known miller and a pioneer of the European trade, was engaged in a number of industrial activities such as tanning and pineapple canning in the early 1900s.

As will be discussed in more detail below, a degree of cooperation developed between aristocrats and Chinese business people. King Chulalongkorn (Rama V, r. 1868-1910), in particular, granted loans to Chinese with collateral. This cooperation was motivated by obstacles that local capitalists encountered in expanding into manufacturing: cheap imports, a relatively limited domestic market, and a government unable to impose any meaningful tariff protection due to the provisions of the 1855 Treaty. Industry was not generally an attractive investment in the late nineteenth and early twentieth centuries, because if a profit could be made it was often small.

Nevertheless, many attempted to move into industrial activities and there were some profitable industrial enterprises established during this period — mainly due to the combined efforts of aristocratic investors and Western and Chinese business people. Perhaps the best known example was the Siam Cement Company, which was formed in 1913 and began production two years later. Half of Siam Cement’s one million baht capital came from the Privy Purse, with the remainder supplied by Thais and resident Europeans. Its capital was raised to three million baht in 1921 and ten million baht by 1923, when it employed 250 labourers. Siam Cement, (with modern plant and production methods,) regularly made large profits, even at the height of the depression.
This movement of capital into production intensified in the twenties and early thirties. Throughout the period between 1910 and 1932 there was considerable expansion in domestic industrial activity. Ingram ignores many developments when he states that by 1919 there were just seven large factories in Bangkok (three producers of aerated waters, and one producer each of cement, soap, leather, and cigarettes) together with rice and timber mills, printing shops, electricity generation, and numerous workshops. By 1927 factories manufacturing ice, bread and biscuits, small ships, toothpaste, metal products, canned fruit, bean and coconut oil, textiles, matches, paper, cement and porcelain tiles, bricks, foods (such as fish sauce and *khānom chin* noodles), sugar, batteries, oxygen, fertilizers, and animal feeds. In addition, there were engine works, tanneries, railway works, vehicle body-building plants, and film production studios.

There were three stimuli for this intensification. First, the treaty revisions that became effective in 1927 allowed tariff levels to be raised. This led to a surplus in government finances by the end of the 1927/28 fiscal year and a reduction in the public debt. For the first time since the Bowring Treaty, a small measure of protection was provided for developing industries such as sugar, soap, matches, and liquor. Second, during the depression years there was a significant downturn in the activities of foreign capital, and a dramatic decrease in imports. The value of imports dropped from a level of 201 million *baht* in 1927/28 to less than 90 million *baht* in 1932/33. Only Japan increased the value of its exports to Thailand. While in part this represented a decline in the purchasing power of consumers, the economic downturn also provided a 'gap' that domestic industry could attempt to fill. Third, after previous economic crises, the depression confirmed for many policy makers and business people that economic development based on the monocultural production of rice was indeed problematic. Efforts were thus begun to further develop domestic manufacturing.

An example of manufacturing investment made in this period is the Boonrawd Brewery. Its principal founder, the aristocrat Phraya Bhirombhakdi (Boonrawd Bhirombhakdi), was a student at Dr. S. G. McFarland's Suan Anand School. There he studied English, and received considerable tuition from Westerners prior to going into government service. Boonrawd had numerous contacts with Chinese business people, and often travelled overseas. After a brief sojourn in the teak industry, Boonrawd set out to establish his brewery in 1931. King Prajadhipok (Rama VII, r. 1925-1935) was approached about the project, and in an audience with Boonrawd is reported to have been very pleased to know that there would be...beer production in Thailand. He said that he was fond
of beer. If there was a beer industry in Thailand, the money would be kept within the country. Therefore, the king would provide a suitable contribution.

In addition, the company was granted tax concessions for a number of years. The overthrow of the absolute monarchy intervened, however, and higher taxes were imposed. Nevertheless, these new rates were still lower, after three years of operations, than would have been the case under the old regime (0.10 baht per litre rather than 0.15 baht). Boonrawd, who had always been close to the royal family and various princes, received further contributions from the King even after the coup, and the brewery officially began production in mid-1934. The brewery was registered with a capital of 500,000 baht, 75 percent of it in Thai hands. Its initial operations were not profitable, and the company could not have survived without the support of the new King and, later, of the constitutional regime. This support proved effective, and by 1938 the Brewery was producing some 30,000 bottles a day and was earning a profit of 12 percent on its paid-up capital.

Another useful example is the development of the match industry. As early as 1921 attempts were made to establish a modern match factory, in response to a considerable increase in demand. But it was only in 1928 that the Min Sae Company made a solid proposal for a modern factory, with registered capital of two hundred thousand baht. Even before it was operating, a Swedish-based manufacturer tried to buy it out. After having failed, the same manufacturer sought to destroy it by cutting prices. Unsuccessful once again, the Swedish Match Factory Company was established in Bangkok. Min Sae opened in late 1929 on a twenty rai site also in Bangkok, employing 700 workers (mainly women and children) and using mechanical methods. The Company recognized the possibilities for labour activity, and stationed three policemen in the factory to prevent the formation of unions. The Swedish plant opened in early 1931, with 550 labourers, working two twelve-hour shifts. Both factories experienced a number of difficult years because of tariff rate changes, excise duties, and smuggling.

While the results of such increased industrial investment may not be spectacular in a statistical sense, it had the effect of providing local managers and entrepreneurs with practical experience that would prove useful as industrialisation expanded -- albeit somewhat shakily -- on the base that had been built since the 1850s.

Significant development also took place in the banking sector. Although the first banks were foreign-owned, a number of local banks soon developed, all supported with capital subscribed by Chinese millers and merchants.
most successful of these banks was the Siam Commercial Bank, officially opened in 1906, which was capitalised with a combination of royal, aristocratic, Chinese merchant, and foreign funds (although the latter were very much in the minority). While foreign banks attempted to maintain control over trade, at the domestic level, small, local banks, remittance agents, and pawnshops controlled the market.

From these discussions it is apparent that a capitalist class was developing within pre-capitalist Thai society. One of the distinctive features of this class was its compromised position in relation to the aristocracy and foreign capital. Rather than emerging as an openly antagonistic class, the capitalist class accumulated much of its initial wealth through administrative and business cooperation with the sakdina class through acting as compradors for Western firms operating in Thailand. These categories of initial accumulation, which are not mutually exclusive, require further elaboration.

**Accumulation through cooperation with the sakdina class**

Under the absolute monarchy, the aristocracy -- and especially the royal family -- amassed the bulk of the wealth through their control of taxation and surplus product. Within a political and economic system that perpetuated royal privilege, it was not possible for capital to be accumulated by an independent capitalist class; indeed, it was only through collusion with the sakdina class in tax-farming, provincial administration, and business cooperation that capitalists could accumulate.

**Tax Farming.** Although tax-farming was used as a method of revenue collection prior to the accession of King Mongkut, it was not until his reign that it became the predominant means of revenue-raising. The Bowring Treaty included a provision that specifically precluded any form of royal monopoly, which Bowring believed to be the beginning of 'free trade' for Thailand. In reality, however, it was little more than a formal recognition of events already under way as the monarchy sought domestic sources of revenue.

Predominant amongst tax-farmers were Chinese merchants. Legally free of labour service obligations incumbent upon Thais, they were able to move about the countryside; as merchants, they could put together the cash required to purchase the most lucrative tax-farms. Because many of the new and expanded taxes (for example, taxes on gambling, opium, liquor, market gardens, shops, and warehouses) fell heavily on the Chinese community, Chinese-speaking tax collectors had obvious advantages. While the state boosted its tax-farm revenue from about 1.3 million baht to almost 2.9 million during Mongkut's
reign, Chinese tax-farmers were also able to secure a considerable income. Their involvement in legal action required that they be incorporated within the sakdina system as minor officials, as only those with sakdina gradings greater than 400 could attend to litigation.

Tax-farms were soon providing the government with a large proportion of its revenue; in 1915 the opium and gambling farms alone furnished almost one-third of all revenue (24.02 million baht of the total 74.36 million baht). It provided considerable profits for the tax collectors, and many of them were able to invest their accumulated capital in productive enterprises. For example, Luang Udophanphanit, an ennobled Chinese and proprietor of the Kim Seng Lee Company, accumulated sufficient wealth through tax-farming to be able to invest in rice and timber milling, banking, and transportation.

Provincial Administration. Another area of importance for initial accumulation was the mao muang system of provincial administration, in which semi-autonomous governors were appointed for outlying areas. Particularly in the South, Chinese merchants were often appointed provincial governors. At other times, the government in Bangkok had little choice but to accept existing political relations and appointed local potentates. Tribute, tax revenue, and the maintenance of order were the main objectives of the central government, and because the southern rulers could generally provide these, they were given a reasonably free hand in their areas. The result was that much of the trading, industry, and tax-farming in outlying areas came under the control of large Chinese families who, at the same time maintained effective political control. Their political influence and economic power developed hand-in-hand, especially after 1855 when they began to trade more freely, most notably with the British in Penang and Singapore. The profits derived from this trade were often reinvested in other business enterprises; in the South, for example, especially in mining.

Business Cooperation. It is not surprising, given the large personal fortunes of the royal family and other powerful aristocrats, that the developing capitalist class actively sought their patronage and investment. Foreigners also saw a chance to make use of this wealth. In 1888, for example, it was reported that one of the prime reasons for establishing a Bangkok branch of the Hong Kong and Shanghai Bank was the possibility of tapping into the "[v]ast sums of money...guarded for many years without use waiting for investment." The Treasury and the Privy Purse did become significant financiers of a variety of business enterprises, particularly during the fifth and sixth reigns, although there were some failures and experiences of fraud. The kings encouraged this business activity, extending credit and political favours to Chinese businesses in steam-powered rice milling, land development, transport, power generation, and banking.
An excellent example of this type of business cooperation is the case of Hak Ngee, a Chinese rice miller. Hak Ngee had a profitable business, but wished to expand it by purchasing another rice mill and a saw mill. He petitioned King Chulalongsorn for a loan of 160,000 baht, claiming that he lacked the necessary liquid assets to finance the expansion himself. The king was quite willing to agree to the request as Hak Ngee was prepared to put up his mills as collateral and to pay a high rate of interest. Westerners, too, attempted to take advantage of these kinds of arrangements. An example is Ramsey and Company, which was invited by King Chulalongsorn to establish in Bangkok. In 1872, when an office was opened, the King provided the company with rent-free premises and two rows of tenement houses for its employees. The company, which imported armaments and other goods, held a 'privileged monopoly, and did most of its business with the palace.

Quite apart from the financial benefits to be gained from cooperation with Chinese business people, aristocrat-officials were cognizant of the advantages of securing their loyalty. In the middle of the nineteenth century, Thailand experienced a number of Chinese revolts in rural areas and from the 1860s to the early twentieth century, there were a number of Chinese riots in Bangkok. All were attributed to the activities of secret societies, and Thai rulers were acutely aware of this threat. As a result, symbiotic economic, political, and social relationships emerged. An excellent example is the case of Lao Jong Min (known as Phaya Joduk Rajasresthi), head of the Ministry of Interior section responsible for the Chinese community. A successful merchant and rice miller, he had served as a Privy Councillor and member of the select Committee of the Privy Council. Because his daughter married one of Prince Narathip's sons, he was close to many members of the royal family.

**Accumulation through compradorial activities**

As trade grew following the Bowring Treaty, many opportunities for capital accumulation developed amongst those assisting European firms -- especially compradors. Bowring felt that Thailand had failed to become a thriving centre of economic activity because of the 'baneful influence of bad legislation -- such as the destructive progress of monopoly.' His treaty altered this, and foreign business houses were soon established in Bangkok. Compradors were the link between these firms and the local economy.

If foreign firms were to operate smoothly, they obviously required this link to facilitate their dealings with the local community; business would have been difficult, if not impossible, without the assistance of knowledgeable locals. The chief benefit compradors derived
from the relationship came in the form of commissions, which in the case of some bank compradors was as high as twelve percent. Compradors were usually Chinese merchants, and employed assistants who could speak English, Thai, and Chinese dialects. This was important in such ventures as rice trading, because compradors of Western firms had to both purchase rice from Chinese middlemen and deal with government agencies. Particularly astute compradors not only worked for Western firms, but also built thriving businesses of their own.

While Westerners made handsome profits from trade and commerce so did Chinese merchants. In the early twentieth century compradors were among the most prominent Chinese in Bangkok. As Skinner points out, the irony of this situation was that Western firms were forced to rely on their main commercial competitors. Even though Western capital attained a strong position after 1855, and while:

the solely Chinese proportion decreased somewhat, the absolute increase of the Chinese part of the trade was tremendous, and in addition Chinese were able to secure employment from their essential role in the Western trade operations.

A capitalist class emerged with the expansion in trade, the gradual development of manufacturing, and the use of those sources of accumulation obtained through cooperation with the sakdina class. Prior to 1932, however, the fortunes of this class remained closely linked not only to foreign capitalists, but most especially to the aristocracy, who remained masters of the political structure.

Wage-labour. The expansion of accumulation and industrial manufacturing in the 1855-1932 period also saw the further development of wage-labour. As noted above, labour was gradually freed after the 1860s through a series of official measures. As early as 1857 King Mongkut argued that the labour restrictions of the sakdina system inhibited economic development. Mongkut was not yet prepared to abolish compulsory labour services, however, because labour payments would have emptied the royal purse. But the mould was cast, and during Chulalongkorn’s reign, (when state revenues rose from eight million baht in 1868 to 63 million baht in 1910), labour laws were changed without placing too much pressure on the Treasury and Privy Purse.

Despite the freeing of the peasantry, labour demand could not be satisfied from domestic sources because the majority of peasants continued their agricultural pursuits. The influx of Chinese labour was therefore increased, and from 1882 to 1931 951,000 Chinese, mainly of coolie origin,
were added to the workforce. This was a significant develop­ment in the formation of a class of wage-labour, a class which continued to be dominated by Chinese labourers well into the twentieth century. Labourers were employed mainly in mining, the plantation sector, construction (of roads, railways, bridges, canals, temples, and buildings), dock work, milling, the skilled trades and crafts, and unskilled occupations.

By the mid-1880s more than 40,000 Chinese lived and worked in the South, some in small tin mines and others in large mines employing as many as 900 workers. Conditions in the mines were not good. According to one contemporary observer, Warrington Smyth, mine labourers were often over­worked (regardless of weather conditions), were prone to opium addiction, suffered from poor health, and were subject to high death rates. Other areas of employment were equally harsh for labourers. Although Chinese workers on the Bangkok-Korat railway line, for example, were specially recruited in their homeland and paid twice the wages of Thai and Lao labourers, they often tried to escape the harsh working conditions in which hundreds perished. Conditions were not so severe in Bangkok, but they were nonetheless often very difficult.

Such conditions served to forge a degree of class consciousness among wage-labourers. Because the labouring class was mainly Chinese, it is often difficult to distinguish between secret society activity and that of fledgling unions. But it is clear that strikes for better working conditions took place in the nineteenth century. In the mines of Ranong and Phuket, for example, there was a major workers' rebellion in 1876. At the same time, lesser conflicts seemed nearly endemic to the mining societies. The main causes were gang fighting between different secret societies and the conflicts between the owners and the coolie labourers who felt that they were being cheated and exploited.

The government acted decisively in repressing these workers.

There were other strikes, with dock workers gaining a particular reputation for industrial militancy. Labour activity became a serious concern for the state in 1896 and 1897, when tramwaymen staged a series of strikes following the formation of an illegal union. Reports that many Thai and Chinese were joining 'secret societies,' led to the promulgation of the Secret Societies Act of 1897 designed to control the activities of all associations. Nevertheless, periodic strikes continued to occur, some labour-related, such as the lightermen's strike of 1907,
and others based on secret society activity, such as the 1910 general strike over the increased poll tax.\[8\]

A new labour militancy emerged in the 1920s, especially within the tramway companies which hired mainly Thai labour. The first hints of dissatisfaction were seen in two short-lived strikes in 1921. Seventy-eight workers were arrested in one case, and there was a lockout in the other.\[9\] One of the most violent strikes in Thai history began on 31 December 1922, when about 300 drivers and conductors on the Siam Electricity Company's tramline withdrew their services and demanded both better bonuses and changes in company work rules. The Minister of the Interior intervened, and the police guarded company property and travelled on all trams. Workers were fired, and a number of violent incidents occurred: tramlines and trams were blown up, barricades were erected on tram lines, scabs were threatened and assaulted, and there were incidents of stabbings and shootings. Most workers were not reinstated, and the strike lost its momentum after about six weeks. It was later admitted that the strikers had legitimate grievances, but the company and the government (a major shareholder in the company) were not prepared to tolerate action by labour, no matter how justified it may have been.

Ironically, only weeks prior to this strike, the government declined a League of Nations invitation to join a committee to protect labour. In rejecting the offer, the government argued that there was much happiness in labour relations: workers were satisfied with their conditions, no unions existed because of cooperation between employers and employees, and there were no strikes or lockouts. As much as the government might have desired such a situation, strikes continued throughout the twenties. Fear of communist influence among workers encouraged a 1927 amendment to the criminal code that made peaceful picketing and sympathy strikes illegal, and set a penalty of death for strikes aimed at political or economic change.\[10\] Even with such repressive laws, workers still formed illegal unions at many workplaces, involving groups as diverse as women workers in the military arsenal and waiters in hotels. Strike activity reached another crescendo in the 1928-30 period, but tough action by the state kept the lid on labour unrest until after the overthrow of the absolute monarchy. Even at this early time, a degree of class consciousness had emerged amongst the still-small working class.

These developments in the social and economic structure brought many new pressures for the state. Economic expansion demanded that the infrastructure be further developed to allow for the continued growth of industry in Bangkok, increased agricultural production, and better transportation of the agricultural surplus. Telephone, telegraph and postal services all began in the period 1875-81, while railway lines expanded rapidly from
20 kilometres in 1893 to 3,130 kilometres by 1940. Irrigation, canal, and road construction also expanded considerably during this period. Such infrastructural development facilitated the production and circulation of commodities; for example, much of the canal construction after 1855 was designed not for irrigation, but for the promotion of trade. Soon after the signing of the Bowring Treaty, Western merchants and consuls had in fact requested that the government provide improved road and canal services. Infrastructural development also led to a further strengthening and centralisation of the power of the state.

The sakdina system of government could not cope with these new demands upon its offices. From the beginning of Chulalongkorn's reign, there was an intensified drive to regularise and centralise the state administration, a process strikingly similar to developments in neighbouring French and British colonies. The motivations behind this process seem to have been threefold: first, there was a perception that France and Britain posed a threat to Thailand's territorial integrity; second, there was a need to further bolster state revenues; and third, it was believed that centralisation and regularisation were essential ingredients for progress.

In seeking such progress, Chulalongkorn introduced a quasi-ministerial form of government. Each minister was responsible for a particular branch of the administration, but with the whole apparatus overseen by the king. He believed that only a strong monarchy was capable of initiating the required social and political changes, and considered some powerful and conservative aristocrat-officials obstacles to progress. Laws were rewritten, the education system was expanded, and the bureaucracy grew on a massive scale. In 1910, for example, the Ministry of Interior had fifteen thousand employees, more than the twelve thousand employed by the entire bureaucracy in 1892, prior to reorganisation. Provincial administration was also completely restructured, and as a result, Chulalongkorn became perhaps the most absolute of monarchs, and succeeded in concentrating political power in Bangkok.

By 1932, Thailand's administrative structure had become a system largely comprehensible to Westerners. While it would be inaccurate to suggest that all these changes were carried out at the behest of the emerging capitalist class, it should be admitted that many of the changes aided the political and economic development of this class since secure borders, regular administration, and trade promotion are all more or less important for the development of a national capitalism.

While the discussions in this chapter have focussed on the emergence of capitalism, it should be emphasised that the economy and social structure of 1932 can hardly be
described as capitalist. Nevertheless, the capitalist mode of production was on the rise, and growing in the womb of sakdina society. Both the classes of capital and wage-labour remained small, but were developing a consciousness of themselves as classes.

To summarise, some of the significant developments of the period prior to 1932 were as follows:

1. Peasant commodity production of rice became the predominant economic activity. Production was increasingly for exchange-value rather than use-value. The peasants were being subordinated to the capitalist mode of production, and their labour increasingly represented a wage-labour equivalent.

2. The means of production were privately owned.

3. Production or rice, tin, teak, and rubber tied Thailand into international circuits of capital.

4. Administrative structures were centralised and Westernised, and the infrastructure developed rapidly.

5. The system of surplus extraction changed from one based on labour obligations and tax-in-kind to a money-oriented system of taxation, rents, capitalist production, and capitalist circulation.

6. The historical premises of capitalism -- trade, monetarisation of the economy, and commodity production -- were firmly established.

7. Wage-labour and capitalist classes emerged, taking advantage of increased trade and production.

The following developments were crucial to the formation of a capitalist class:

1. Opportunities for investment of wealth by the sakdina aristocracy and Chinese merchants expanded with the growth in trade (especially in rice, teak, and tin). As traditional forms of labour organisation and surplus extraction broke down, opportunities for accumulation grew further.

2. New avenues for productive investment in such areas as milling were opened with the growth of trade. Trade and productive investment also led to expansion in the financial sector. It is,
however, important to emphasise that commercial capitalists were able to profit, not so much by 'revolutionising production but by controlling the markets of import and export related activities.'

3. Tax-farming, provincial administration, and business cooperation between the aristocracy and powerful Chinese provided considerable opportunities for initial capital accumulation.

It is clear that, contrary to the formulations of both modernisation and dependency theorists, the opening of Thailand to the world market in 1855 cannot be identified as the primary determinant of development or underdevelopment prior to 1932. While growth in trade was significant, intensified surplus extraction on a pre-capitalist basis magnified class struggle and established the conditions for capitalist exploitation.
The period from June 1932 to 1957 represents a crucial period in the history of Thai capital. On 24 June 1932, Thailand's absolute monarchy was overthrown in a coup organised by a small group of conspirators who called themselves the People's Party (khana ratsadon), and a constitutional system came into existence. From this time to 1957 the state played a central role in the further development of capital, taking on the functions of policy maker, financier, and model investor. The period can be seen as one of haphazard, state-led industrialisation. To a large extent, the further expansion of capitalism was to be shaped by the actions and inactions of the state and state managers, as well as by their policies and investments. While the state's role was significant, it also brought political contradictions that in turn induced changes in the nature of the regime and its policies. Economic contradictions also resulted from state industrialisation policies; namely, a crisis of accumulation as capital outgrew the parameters of the strategy. This eventually brought an end to state-led development. To begin the discussion of this period, however, it is necessary to provide a background to the overthrow of the sakdina system.

The Background to the 1932 Coup

The members of the People's Party indicated their motivations for the coup in the principal announcement issued immediately following the event. Pridi Phanomyong, the foremost and most radical ideologue of the group, wrote the statement, portions of which follow:

When the present king came to the throne the people hoped that he would give an equitable administration. Their hopes were unfulfilled. The king was above the law even as his predecessors had been. His relatives and friends, even when without ability, were given the highest government positions. The king allowed government officials to be dishonest. [He] elevated the royal class and permitted them to oppress the common people. The king ruled unwisely and allowed the country to fall into decay, as the present depression proves. The government of the king, who is above all law, is unable to right these wrongs.

The government cannot right the above wrongs because it does not rule for the good of the
people. The government regards the people as servants, as slaves, even as animals. Instead of helping the people, the government oppresses them. The taxes collected are used personally by the king. In a year he receives many millions of the people's money. As for the people, for them to earn even a little money requires them to sweat blood. If the people cannot pay taxes their property is seized or they are forced to labour without pay. Royalty sleeps, eats, and is happy. No other country gives its royal class so much. Perhaps only the Czar and Kaiser have been so favoured.

The king's government rules dishonestly. It claims to help business and trade but does not actually do it. It despises the common people.

Let us have a clear understanding. This country belongs to the people. Where does the money come from that royalty uses? It comes from the people. The country is poor because of this custom of draining off the wealth of the people. Money collected by taxation should be used on behalf of the nation and not for the enrichment of royalty. The savings of royalty are sent abroad to foreign banks to await the day when a bankrupt nation is abandoned by its rulers. This is evil work.

In its policy the party emphasised the essential differences between its constitutional form of government and the absolutism of the sakdina class. The new regime promised 'freedom and equality' in politics, the law, and business; law and order; a 'national economic policy...to guarantee remunerative work to everyone,' no special privileges; and as complete an education as possible for every citizen.

Scholars seem to agree that the coup resulted from problems that arose during the sixth and seventh reigns, problems which were themselves determined by the political, social and economic reforms of Mongkut and Chulalongkorn. There is considerable debate, however, concerning the significance of the event.

A common view is that the 1932 coup was not a 'democratic revolution,' as was sometimes claimed by its perpetrators, but little more than the replacement of one group of rulers by another. 'Radical' scholars have also tended to accept this. Elliott, for example, argues that the overthrow of the absolute monarchy represented 'nothing more than a re-alignment within a dominant power-bloc which was made up of the pre-capitalist ruling class.' This position emphasises continuity between the absolute regime and the new, constitutional government, and the 1932 coup
is accorded little significance. Yet such a view ignores the significant political and economic changes that followed the coup.

Another school of thought has a conspiracy theory. Immediately following the coup, elements of such a theory began to be unveiled, and there were suggestions that the Chinese community was behind the plot. Much was made of the fact that a number of the coup leaders were of Chinese extraction, while later writers suggested that Chinese capitalists -- especially the commercial fraction -- were active supporters of the coup. There is, however, little evidence to infer that the overthrow of the absolute monarchy represented a class action on the part of the capitalist class, or even a part of it. While some capitalists were quick to cooperate with the new regime, this does not constitute evidence of active support. In any case, there is no need to seek instrumentalist explanations in determining the class nature of a particular event. It is not necessary to search for capitalist participation or connivance to explain the class significance of the 1932 coup.

Songchai na Yala shows an awareness of this, arguing that 1932 represents the overthrow of the sakdina state. In his view, it smoothed a path for the expansion of capitalist relations of production and the development of capitalism as the dominant mode of production. In this context it is appropriate to take one step back and to examine briefly some of the contradictions that emerged as capitalism developed within sakdina society.

Throughout the 1910-1932 period, a series of political and economic crises clearly indicated the fragility and instability of late sakdina society. King Vajiravudh (Rama VI, r. 1910-25) faced considerable opposition throughout his reign, including two foiled plots in 1912 and 1917. Prajadhipok's reign prior to the 1932 coup, while not one of great political turmoil, saw vigorous debate over the development of the political system. Financial crises hit the country in 1913, 1919, and 1927, and the effects of the depression were felt from 1930.

The financial crisis of 1913 provides an excellent illustration of the problems associated with attempting to operate capitalist enterprises according to sakdina principles. The crisis began with the December 1913 collapse of the Chino-Siam Bank, which had been unable to collect the considerable credit it had extended to rice traders. The Bank had been formed in 1908 by a group of Nationalist Chinese who, at the same time they were financing the rice trade, may have channelled funds to Sun Yat Sen's cause in China. The closure of the Bank was related to the eclipse of Sun by his rivals, but more important were bad debts in Bangkok, Singapore, and Hong Kong. The collapse could have been seen as a relatively normal business failure were it
not for the king's personal support for the manager of the
bank, Chalong Naiyanath, who had been a page in King
Vajiravudh's court. Vajiravudh decided that the ailing
bank should be supported by the Siam Commercial Bank, but
this placed considerable strain on Siam Commercial and a
number of foreign banks, which together provided a sum of
roughly one million pounds sterling to try to rescue the
bank. Vajiravudh's contributions from the Privy Purse, that pre­
vented a major breakdown of the financial system. Chalong
was arrested and charged with embezzling almost 1.4 million
but was eventually acquitted.

The crisis highlighted the problems that arose when
the aristocracy -- acting according to the personal rela­
tionships characteristic of the sakdina system -- attempted
to manage modern, capitalist enterprises. A similar and
recurring problem was the continual confusion over the
status of companies in which the monarch and Privy Purse
had investments. An example is the Siam Coal Company, in
which the Privy Purse was the major shareholder. In a
rowdy meeting called to decide the future direction of the
Company, the managing director was astonished to find that
the government was attempting to dictate policy contrary to
what he considered to be in the best interests of all
shareholders.

Sakdina principles were also less than effective in
the organisation of national finances. Vajiravudh believed
that the natural system of government for Thailand was a
monarchy in which the king was the 'ultimate source of all
power in the state.' As a result, he tended to treat all
government revenues as his own. His lavish spending on
projects of dubious worth left his successor with
a deplorable inheritance....[T]he authority of
the sovereign had fallen much in respect and
confidence, the treasury was on the verge of
bankruptcy, and the government was corrupted and
the services more or less in confusion.

King Prajadhipok's attempts to overcome these prob­
lems centred on budgetary and staff cuts, implemented on the
advice of senior princes. These measures, however, alien­
ated many students and intellectuals, as well as elements
within the military and the civil services. But, when the
depression began to affect the economy, additional cuts
were made. Commerce became even more difficult for mer­
chants already in the depths of a depression, and in the
countryside rural families suffered from poor harvests and
low crop prices. The depression served to highlight the
contradictions inherent in an economic and political system
based on anachronistic principles, and the stage was set
for its overthrow.
Politics and Economic Development, 1932-1947

Politics

Nineteen thirty-two marked the beginning of a curious period in the class history of Thailand. Prior to this the ruling class was readily identifiable as the sakdina aristocracy, but following the coup no one class or class fraction was able to become immediately dominant. This made the period from 1932 to 1947 a time of intense maneuvering amongst politically powerful groups and class fractions, as they attempted to further their own interests, through the agency of the state, in the quest for dominance.

In seizing state power, the People's Party indicated its opposition to the aristocracy and to the outmoded economic system dominated by the sakdina class and Western and Chinese business people. But the groups making up the People's Party and its supporters did not possess any common economic base, and could not reach agreement on fundamental economic tasks. Their nationalism was an expression of the desire for economic progress, in the absence of an agreed development strategy. At the same time it also represented an attempt by competing factions to establish their own economic bases.

Until at least 1938, these struggles involved a basic political division between conservative royalist elements and those who supported the constitutional movement. This division was often expressed in conflict within the National Assembly and between the various factions of the People's Party, which together embodied the competing interests of a number of classes and class fractions. Such struggles were not merely 'political'; discussions focusing on intra-bureaucratic and inter-clique rivalry identify only the outer shell of political struggle, and fail to recognise the class interests involved. Most sources divide the People's Party into a number of civilian and military groups. Narong Phuangphit identifies a civilian, a navy, and two army factions, while Thawatt Mokarapong recognises a junior and a senior faction, as well as army, navy, and civilian factions. Undoubtedly the party was factionalised, but many of the factions remained fluid throughout the period. Therefore, discussions which focus entirely on personalities and factions tend to ignore many of the motivating factors behind the incessant political infighting. In any case, the People's Party was only one part of the political scene at this time. Writers who have attributed some class basis to the party and its supporters have ignored the amorphous nature of party factions, and ascribe to it class characteristics that it did not possess. Such a view masks the main impact of the 1932 coup: the eventual defeat of sakdina economic and political principles.
While many contemporary writers neglected the significance of this defeat, the lesson was not lost on reactionary aristocrats who wished to regain power. Initially a spirit of reconciliation prevailed. In a telegraphic message to American friends just six days after the coup, King Prajadhipok explained that the

People's Party and I have been working towards the same aim, namely [a] Constitution for our Country, but without knowing each other['s] plans. My plans have met with much opposition of ultra-conservatives and even Foreign advisers deemed radical changes unwise. The people became naturally impatient....Legal Government composed [of] well-known and able Statesmen...and merits all confidence....

The new regime, for its part, made no immediate attempt to root out aristocrats; only one prince was exiled. And despite early statements that there would be a redistribution of wealth, there was no systematic attempt to confiscate the property of aristocrats.

Despite such conciliatory gestures, reaction soon set in. Aristocrats and the monarch opposed a number of reforms, and a political crisis developed. On 1 April 1933, Phraya Manopakorn Mitthada (hereafter, Mano) and the king, with the cooperation of other conservatives, dissolved the National Assembly -- which had tended to support Pridi -- and vested legislative power in the king and the State Council. Pridi was sent into exile. As a result, just one year after the events of June 1932, elements of the People's Party had to stage another coup in order to regain control of the government they had created. But the royalist opposition was not immediately defeated. Prince Bowaradej led an attempted military rebellion in October 1933, and after two weeks of fighting, loyal government forces were able to defeat the rebels. Many of the conspirators were imprisoned or sent into exile, removing them from the political sphere. The final act in this drama was the abdication of Prajadhipok in 1935, although even after this pro-royalist plots continued to be hatched.

Political struggle and economic policy

Much of the political struggle of this period centred on economic policy. As noted above, the People's Party was not a cohesive group of political revolutionaries. When it came to economic policies there was little consensus other than a general feeling that some kind of 'progress' was necessary if Thailand was to escape its perceived state of economic torpor. This situation, they thought, had been induced by a combination of the economic
depression, overly strict fiscal policies, and the con-
clusion of foreign and Chinese merchants with aristocrats.26
The first shots in the battle over economic policy were
fired as early as July 1932. Mano, an official of the old
regime and the appointed president of the People's Com-
mittee, announced three primary changes. First, the re-
strictive financial policies of the previous regime were
to be continued. Second, the poorer sections of the com-

munity were relieved of some of their burden with the
abolition of certain taxes and the promulgation of a law
preventing the confiscation of the property of indebted
peasants. While not a panacea for rural problems, the
latter measure struck at the heart of the sakdina system,
eliminating what had been a fundamental right of the
sakdina class and altering the relations of production in
the countryside. Third, the government introduced a gradu-
ated income tax and business taxes. The taxes were more
significant for their symbolism than for their impact on
government revenues, as they had been anathema to many
aristocrats.27 There were inherent contradictions in
these changes, as Mano attempted to implement conservative
policies while reformist programmes were being promoted by
the more progressive members of the government. These
contradictions emerged most vehemently in the battle over
Pridi's economic policy.

Although very naive in certain of its provisions,
Pridi's policy represented a radical approach to national
development, promising far-reaching economic reforms and
attacking the basis of the sakdina system.28 His proposal
that the state should purchase agricultural land and con-
trol all aspects of rice marketing, for example, struck
horror in the hearts and purses of the rich and the land-
lords. King Prajadhipok considered the proposal no differ-
ent from the confiscation of land from the kulaks in the
Soviet Union.29 Prince Sakol Varavarn, an adviser to the
Ministry of the Interior, argued that Pridi's policy ap-
peared to be based on Marx's theories. Although he claimed
not to be opposed to the policy in toto, he nevertheless
preferred a compromise in which socialism and capitalism
could co-exist. Pridi denied that he had used Marx's ideas
or that his plan was 'communistic,' and assured the Prince
that capitalism would be maintained.30 While the Prince
was not one of Pridi's opponents, it was difficult to con-
vince the conservatives, especially with passages from the
draft policy asserting that if Thailand
continues to allow private ownership of manu-
facturing plants, the advocates of the system
should know that it inevitably entails industrial
conflict. Siamese who have studied in Europe are
well aware of the... quarrels and hatreds between
employer and employee....[T]he cause of this
discord was the system of private ownership....
The more a nation prospers, the more factories
there are. And when industry is fully developed here you will see how extensive will be the discord even in Siam.

In order to avoid this industrial conflict, Pridi advocated a system of state ownership in the manufacturing sector. The conservatives went on the offensive, and even though Pridi's proposals probably owed more to the German nationalist economist Friedrich List than to Marx, both Mano and the king accused him of 'Bolshevism.' As noted above, he was forced into exile, his policy was scrapped, and the National Assembly was dissolved. Mano quickly announced an alternative policy based on the 'right of private property and the liberty of vocation.' A restoration of the monarchy appeared possible, especially since the British segged to appreciate Pridi's defeat and Mano's conservatism. It was after this that Phibun led the second coup which took place in June 1933, bringing Phaya Phahon Phomphayusena to power.

While Pridi had been at the centre of many of the events which led to the second coup, the new government was not greatly sympathetic to Pridi's brand of socialism either. It immediately sought to reassure business groups, foreign investors and Western governments of its intentions and of its opposition to communism. Once the reactionaries had been defeated, however, it was agreed that some form of state intervention in the economy was necessary for economic progress. This is one of the keys to understanding the period of cooperation between Phibun, who admired the strong statist models of development as applied in Japan, Germany and Italy, and Pridi, who was inclined towards a utopian socialist model. Another important factor in their cooperation was a shared desire to firmly oppose the royalist elements longing for a return to the older order. Especially after 1938, when Phibun became premier and Pridi became the minister for finance, an aggressively nationalist economic policy was pursued. It was designed to relieve rural hardship and unemployment, and to move the economy out of the hands of aliens. But what in fact emerged was an early and rather haphazard attempt at import-substitution industrialisation, bolstered by investments in infrastructure such as railways and roads, as well as a host of statutes intended to improve all aspects of social and economic life.

In essence, the sakdina state was put to rest, and a new logic, that of capitalism (albeit clouded by nationalism and populism), was brought to bear on the operations of the state apparatus.

Struggles over the economic direction of Thailand did not only effect politics and policies, but also permeated the class structure. While the majority of the population did not understand the full significance of the
overthrow of the absolute monarchy, important class developments did take place, especially in the development of organised labour and the rise of peasant protest.

The role of organised labour in politics increased after 1932. Immediately after the coup there was a spate of strikes and demonstrations, involving Chinese, Thai, women, government, and private employees. Unions were formed among printers, boat labourers, tramway workers, and a number of other groups. Thailand’s first, legal, registered union was the Tramwaymen’s Association, established in October 1932. Thawatt Riddhidej was its president, and it was welcomed by various figures in the People’s Party, including Phahon as Commander-in-Chief of the Army. Many of these newly formed unions were strong supporters of the ideals of the 1932 coup promoters, and actively assisted Phibun and Phahon in their coup against Mano. Indeed, it was Thawatt and three supporters who attempted to bring libel charges against the king for his comments on Pridi’s economic plan. This may well have precipitated the royalist rebellion led by Prince Bowaradej that broke out a week later, for the episode was said to have ‘greatly embittered the king, [and] infuriated his followers.’ During the rebellion, tramway workers and taxi-drivers aided the government military forces.

Workers even managed to bridge barriers among ethnic groups and among different trade groups. Thawatt and the Tramwaymen’s Association, for example, gave support to Chinese labourers who went on strike in the rice mills in 1934. And, when Pridi returned from exile, he was given a stirring reception by workers and students. While the intensity of labour activity seemed to ease after 1934, strikes continued to occur throughout the decade until World War II.

Peasants also showed a willingness to engage in political activity. Their grievances had been aired prior to the change of regime, but the freer atmosphere allowed for a more vigorous participation in politics. Four hundred Nakorn Nayok farmers, led by a police sergeant, called on the government in May 1933 to cancel their debts and to expropriate the lands of the rich and give them to the poor. In early 1935, hundreds of peasants from fifteen provinces protested credit arrangements at the Ministry of Economic Affairs, prompting the government to appoint a committee to examine debt. Peasants were also prepared to take direct action, as they did in August 1937 when 800 hungry farmers stormed a rice mill in Cholburi in search of food.

Even at this early date, solidarity was sometimes evident between workers and peasants. Thawatt Riddhidej, in confronting the king, stated that assistance should be given to farmers, especially to the poorest peasants. Such actions were a threat to the conservatives, and
elements within the new government were not pleased, either. The government, nevertheless, seemed prepared to keep the lid on a boiling pot rather than try to snuff out the fires of political activity.

These protest activities clearly indicate the beginnings of a class consciousness among the working class and peasantry, a consciousness that would develop further as the economy became increasingly monetarised and industrialised.

**Economic development policies**

While the economy had not been devastated by the depression, it was not until 1935 that it showed signs of recovery. Significantly, it was rising rice prices which heralded the recovery of the overwhelmingly agricultural economy. In 1937, 87 percent of the economically active population aged over 15 years remained tied to agriculture and animal husbandry. The new regime did make limited attempts to promote the rural sector, with the taxation relief and land tenure protection mentioned above, as well as the promotion of crops other than rice and the expansion of rural industry. In 1937, 37 percent (or almost six million bāht) of the state's ordinary capital expenditure was set aside for rural-based activities such as irrigation, cooperatives, the promotion of rural trade, new crop development, and rural industries such as sugar milling and paper. Thoroughgoing reforms such as those proposed in Pridi's policy, or those which promised land reform, were shelved as being 'too radical.' The sparse achievements of the progressives in this area is testimony to the power of the conservative forces. It also reflects an attitude (not entirely dissimilar to that of the previous regime) that relatively little investment was necessary to swell state coffers in the wake of a long recession because of the already increased earnings from primary product exports. Importantly, the government left the question of land ownership largely untouched, which meant that the aristocracy retained many of its properties, as well as its rights to collect rent.

Even though economic development remained tied to agricultural development throughout the period 1932-47, there were some significant changes made in the industrial sector, where the nationalistic attitudes of the new regime were most influential. One important advantage inherited from the previous regime was the 1927 revision of trade treaties with Western nations. Although the original treaties had limited import duties, the revision permitted a range of increased tariffs. This granted some protection to local manufacturers, and at the same time increased government revenues. As Thailand emerged from the depression and as Europe slid towards war, the idea of national self-sufficiency became firmly embedded in government
thinking. Such a policy was forcefully expressed by Phibun when he became premier, as he reflected on how Thailand exported huge quantities of rice during the depression, but received only meagre returns. Industrial development seemed to offer a way out of the malaise.

The government sought to move the small industrial sector, and part of the service sector, into Thai and Sino-Thai hands and attempted to initiate industrial development from a national base. Diversification was seen as an essential means of avoiding large import bills. The nationalist sentiments motivating these policies are well expressed by the anonymous author '123,' writing in a pro-government newspaper:

I am very pleased with the Premier's policy of industrialising Thailand.... From the economic point of view an agricultural country without any industrial system...is being placed at a disadvantage in... international transactions. An agricultural State has to dispose of its raw materials to the industrial States in order to effect the purchase of finished products. In such exchange[s], if there exists no industry inside the country, [then] that country puts itself at the mercy of the industrial nations which possess gold for the settlement of their accounts. But industrialisation required large capital investments, and this was something private investors were generally not able to provide. Industrial projects could be initiated only by foreign investors, the state, a few Chinese capitalists, and those aristocrats prepared to cooperate with the new regime.

Spurred on by memories of the depression and examples of apparently successful state intervention in Europe, the government was determined to promote industrial activity despite the capital shortages. This was to be achieved through providing protection for trade marks and patents; promulgating labour laws for the 'mutual benefit' of employers and employees; and promising that any industry, which the Government desires to create but which is too big an undertaking for private persons, shall be started by the Government in the form of a private corporation, having private individuals as share-holders and conducted semi-officially.
In addition, starting in the mid-1930s state managers attempted to redirect and limit Western investment. One of the first moves was the further revision of foreign treaties, negotiated by Pridi in 1937, which finally allowed the government to determine its own economic policies free of treaty restrictions. While the government still declared its continuing desire for Western investment, Thompson explains that the handwriting on the wall has for years been sufficiently plain to make foreign businessmen resign and various agencies merge, for they had to contend simultaneously with the depression, intense Japanese competition and ever-increasing governmental control.

In the fields of oil, teak, and shipping the government moved against Western interests. For example, the two major oil companies, Asiatic Petroleum and Standard Vacuum (both foreign-owned), refused to continue operations following what they considered unsatisfactory negotiations with the government in 1939. For a time, no oil was imported.

Also of concern to Western interests was the dramatic expansion of Japanese economic interests in Thailand. Japanese-made consumer goods, cheaper than those of Western manufacture, flooded the market. In the thirties, British imports were particularly affected. Some Westerners felt that this economic competition extended into the political arena, and they were wary of those Thais they saw as being pro-Japanese.

It is difficult to determine the strength of foreign capital during this period with any certainty. Contemporary publications could not provide estimates, because most foreign capital was financing trade, and thus fluctuated according to season. However, according to Helmut Callis's 'rough estimates,' total foreign investment rose from US$65 million in 1914 to $132 million in 1930, but declined to $124 million by 1938. Nevertheless, direct investments actually increased, suggesting that while investor confidence may have been shaken by nationalist policies, investments could be easily redirected into other, less restricted fields. It was only the figure for public loans which declined, as the government redeemed them.

The nationalist spirit pervaded not only foreign relations, but also the domestic sphere. As the government intensified its drive for industrialisation, the Industry Division of the Ministry of Economic Affairs was established in 1936. It became the Department of Independent State Commerce (Krom Itsaratthaphanit) in 1937 and
the Department of Industry in 1941, before being upgraded to a full Ministry in 1942. The nationalist and populist spirit spilled over into all aspects of business. In 1933, a Thai Chamber of Commerce was formed, designed to counterbalance the power of the Chinese and Western Chambers. The government provided it with considerable support, despite the fact that many of its leaders were ethnic Chinese. The onset of World War II made industrial development a more pressing problem, especially as Thailand's principal trading partners in Europe were greatly restricted in the international marketplace. When the semi-governmental Thai Niyom Company was formed in 1939 it was argued that the company represented an attempt by the government to provide 'some measure of economic relief for the Thai people' by making 'articles of daily use, made in Thailand and also imported from abroad, available to the people... at reasonable price[s]' through the elimination of middlemen. Such nationalism and populism coincided with the restrictive social and cultural policies implemented by the Phibun government as Thailand moved closer to Japan and the Axis powers. Nationalist slogans such as 'Made by Thai, Used by Thai' and 'Made With Thai Labour' were adopted by many companies, including some foreign companies like the bottlers Fraser and Neave.

Industrial development and domestic capital

The results of this push for self-sufficiency, however, were not totally satisfactory. Despite the war, during which time some industry developed to replace goods which had previously been imported, only minor progress was made. There was indeed potential: F. J. J. van Cant, an industrial chemist, wrote in 1940 that after five months investigating uses for local raw materials and viewing a display of imported products, he was convinced that 'practically the whole of the imported exhibits can be manufactured here.' But a decade later an official publication still lamented: 'There are many articles in daily use... which could well be produced locally instead of being imported' and manufacturing of domestic essentials was still described as negligible.'

Even so, some advances had been made. In the 1932-42 period a number of new industrial establishments began operations, including factories making cigarettes, matches and mechanical lighters, glass, beer, textiles, paper, rubber products, farm implements, sugar, porcelain, and even aircraft assembly. Published statistics detailing industrial expansion are scarce for the period prior to 1947, but those available indicate some expansion. A case in point is the state's paper mills, which increased production from 364 tonnes in 1937/38 to 931 tonnes in 1947. Similarly, cement production grew by more than 10,000 tonnes between 1937/38 and 1938/39, to 91,962 tonnes. This declined during the war, however, and it was not until 1949
that the 1938/39 figure was surpassed. Sugar production rose from 1,320 tonnes in 1937/38, to 3,581 tonnes in 1947. This slow growth also reflected the impact of the war. A survey conducted in the Bangkok-Thonburi area in 1939 indicated the existence of a reasonably wide manufacturing base (see Table 1).

### Table 1

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>No.</th>
</tr>
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<tbody>
<tr>
<td>Tanneries</td>
<td>32</td>
</tr>
<tr>
<td>Power Rice and Timber Mills</td>
<td>27</td>
</tr>
<tr>
<td>Textile Factories</td>
<td>26</td>
</tr>
<tr>
<td>Food Canning and Bottling</td>
<td>21</td>
</tr>
<tr>
<td>Machinery Shops</td>
<td>20</td>
</tr>
<tr>
<td>Ice Factories</td>
<td>12</td>
</tr>
<tr>
<td>Coconut Oil Plants</td>
<td>5</td>
</tr>
<tr>
<td>Match Factories</td>
<td>4</td>
</tr>
<tr>
<td>Toothpaste and Toothbrush Factories</td>
<td>4</td>
</tr>
<tr>
<td>Soap Factories</td>
<td>3</td>
</tr>
<tr>
<td>Cigarette and Tobacco Factories</td>
<td>2</td>
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<tr>
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<td>Glazing Works</td>
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</tr>
<tr>
<td>Paper Mill</td>
<td>1</td>
</tr>
<tr>
<td>Cement Plant</td>
<td>1</td>
</tr>
<tr>
<td>Metal Shops</td>
<td>285</td>
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</table>

Source: 'Kon chathung,' p. 77.

Because the depression and the war partly removed international constraints, the state was able to embark on its nationalist industrial development policies. In addition, the further development of the domestic capitalist class heightened the national imperatives influencing the state. Japanese investment increased, but their defeat in 1945 robbed them of the dominant position they briefly held within the Thai economy. Despite Japanese occupation, the Thai state remained intact throughout the war and maintained considerable influence upon economic policy. Thai state managers attempted to encourage domestic capitalist development during the war, an effort which included the establishment of the Thai National Banking Bureau in October 1939, which became the central Bank of Thailand, in December 1942. Also in 1939 an industrial loan scheme was established, supported with 20 million baht raised from the sale of government bonds. There was a strong demand for the loans, and the fund was soon depleted. The Thai Industrial Promotion Company was also formed by the government in 1942 to oversee the operations of a number of its manufacturing enterprises. In addition, the new Ministry of Industry centralised and consolidated all government agencies concerned with industrial development.
State investment in industry was significant. Beginning in 1934 the state embarked on an investment programme that was to give the country an industrial capacity in a wide range of enterprises. It began with weaving and spinning, and later, state investment went into paper and sugar mills (in 1935, 1937, and 1941); a silk factory (in 1936); distilleries and textiles (in 1941); and glass, hat-making, coconut oil, and farm equipment (all in 1942). By the late forties, state enterprises were involved in rice mills, salt, trading companies, cement, transport companies, waterworks, tapioca, pharmaceuticals, rubber goods, banks, gunny bags, smelting, electrical generation, chemicals, tobacco and cigarettes, shipping, tanning, fish storage, railways, lotteries, and abattoirs.

Despite Thailand's less than spectacular industrial development prior to World War II, and despite wartime damage to industrial infrastructure, Snoh Unakul is incorrect to argue that during this period there was 'no development whatsoever in the economic structure of Thailand.' An industrial base was indeed being established and consolidated during this period, and production was growing — especially as the state increased its investments in industry. Chatthip suggests that this was due to the partial breakdown of the sakdina system and the relative weakness of imperialist capital during the depression and onset of the war. But the period was too short, he argues, to allow for the emergence of 'complete capitalism'; sakdina bondage re-emerged, and foreign capital re-asserted its dominance after the war. While there is much truth in this, Chatthip neglects the significance of this period for the domestic capitalist class. This class previously concentrated its investments in the merchant and commercial areas, but it was able to expand and diversify its activities through the combined impact of the depression, state investment and promotion, and the contraction of imperialist capital.

The period from 1938 to 1944 is usually portrayed as one in which Chinese business people had their activities severely curtailed by the Thai government. Most restrictions, however, struck at the Chinese petty bourgeoisie, small traders, and workers, leaving the larger capitalists relatively unscathed. Occupational restrictions did not severely restrict Chinese capital, but were designed to move Thai nationals into certain occupations: taxi drivers were required to be able to converse in Thai, half of the workers in rice mills were to be Thai nationals, and fishing ventures were to include a Thai partner.

In the sphere of politics, Chinese who opposed Thailand's closer relations with Japan were harassed, and following the landing of Japanese troops a number of pro-Kuomintang Chinese community leaders were arrested or deported, while others fled to Burma and China. Nevertheless, some Chinese business leaders sought an accommodation
with the Japanese and the Phibun government. Indeed, the Japanese sought a working relationship with the Chinese, realising that cooperation was necessary for the smooth operation of the occupation, and for preventing sabotage of operations south of Thailand. The result was that a new group of community leaders was created to deal with the Japanese. Some of those Chinese business people who did cooperate with the Japanese saw their enterprises benefit accordingly. At the same time, however, a number of these collaborators also aided the small resistance.

Pasuk refutes studies emphasising restrictions against the Chinese, arguing rather that such state policies were aimed at enhancing the popularity of the government during a period of nationalist xenophobia. But, while this may have been successful, the Chinese remained economically dominant. One of the major effects of the discriminatory legislation was to prompt many Chinese to adopt Thai citizenship and Thai names, leading to their assimilation. By the end of the war, Chinese capitalists not only controlled the commercial sector, but expanded into banking and developed several industrial projects. In banking, the closure of Western banks forced an accommodation between former aristocrats and Chinese investors in forming new domestic banks. The postwar predominance of the Chinese is best illustrated by the fact that in the 1946-48 period some 90 percent of foreign investment in firms with a registered capital in excess of one million baht was listed as Chinese (see Table 2). While there is no data to indicate the extent of domestic Chinese or Thai investment, the data on 'overseas Chinese' investment gives an indication of Chinese capitalists' wide diversification of economic activities (Table 2).

While significant in the Thai context, Western investment was never large compared with that in Malaya or the Dutch East Indies, and was generally surpassed by domestic and overseas Chinese investments. Unlike the colonial countries of Southeast Asia, Western capital never seems to have gained an ascendancy over domestic capital in Thailand.

An indication of the extent of industrial development can be seen in the fact that the percentage contribution to gross domestic product (GDP) of manufacturing rose from 9.9 percent in 1938/39 to 11.1 percent in 1946 and 12.6 percent in 1950. While the data is not directly comparable to that presented above for 1937/38, Table 3 shows that by the end of the war, industrial capacity expanded significantly in certain areas, most notably those which received considerable state support or were state enterprises (e.g., sugar, cigarettes, paper, and tobacco).

While Chinese workers and small business people were discriminated against by state policy, there was increasing cooperation between Chinese capitalists and state managers.
### TABLE 2

FOREIGN INVESTMENT IN THAILAND, BY SECTOR, 1946-48

(percentage) [a]

<table>
<thead>
<tr>
<th>Sector</th>
<th>1946</th>
<th>1947</th>
<th>1948</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese[b]</td>
<td>16.3</td>
<td>15.2</td>
<td>21.1</td>
</tr>
<tr>
<td>Chinese Other</td>
<td>19.5</td>
<td>8.5</td>
<td>35.1</td>
</tr>
<tr>
<td>Chinese Other</td>
<td></td>
<td>5.6</td>
<td>0.0</td>
</tr>
<tr>
<td>Agro-industry and mining</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commerce</td>
<td>44.7</td>
<td>72.3</td>
<td>26.3</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Total (thousand baht) 36,900 100,250 5,700 73,500 16,000


Note: [a] Data are for firms with capital in excess of one million baht.
[b] There was no 'other' foreign investment in 1946.

### TABLE 3

PRODUCTION OF THAILAND'S MAJOR INDUSTRIAL PRODUCTS, 1946-48

<table>
<thead>
<tr>
<th>Product</th>
<th>1946</th>
<th>1947</th>
<th>1948</th>
<th>Increase 1946-48</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer (litres)</td>
<td>103,958</td>
<td>138,247</td>
<td>246,742</td>
<td>137.3</td>
</tr>
<tr>
<td>Cement &amp; Products (tons)</td>
<td>16,141</td>
<td>50,053</td>
<td>84,251</td>
<td>422.0</td>
</tr>
<tr>
<td>Cigarettes (thous. packs)</td>
<td>73,625</td>
<td>204,359</td>
<td>314,214</td>
<td>326.8</td>
</tr>
<tr>
<td>Ice (tons)</td>
<td>69,100</td>
<td>125,000</td>
<td>113,400</td>
<td>64.1</td>
</tr>
<tr>
<td>Matches (thous. boxes)</td>
<td>154,080</td>
<td>250,704</td>
<td>400,320</td>
<td>159.8</td>
</tr>
<tr>
<td>Paper (tons)</td>
<td>489</td>
<td>915</td>
<td>1,131</td>
<td>131.3</td>
</tr>
<tr>
<td>Soap (tons)</td>
<td>n.a.</td>
<td>3,536</td>
<td>5,790</td>
<td>63.7[a]</td>
</tr>
<tr>
<td>Sugar (tons)</td>
<td>2,645</td>
<td>3,581</td>
<td>10,789</td>
<td>307.9</td>
</tr>
<tr>
<td>Tanned Leather (tons)</td>
<td>476</td>
<td>540</td>
<td>865</td>
<td>81.7</td>
</tr>
<tr>
<td>Tobacco (tons)</td>
<td>n.a.</td>
<td>2,074</td>
<td>3,218</td>
<td>55.2[a]</td>
</tr>
</tbody>
</table>


Note: [a] 1947 to 1948 only.
This led to the establishment of a number of enterprises by a combination of different actors: the state, the state in partnership with private interests, politically powerful individuals, and capitalists operating under the patronage of those with political power. Sungsidh's study of Ministry of Commerce records lists twenty-three companies established in the 1932-46 period by people who had been members of the People's Party or of groups associated with the Party. The combined registered capital of these companies exceeded fifty million baht, with the bulk of investment in industry and finance (53 and 40 percent, respectively). This investment was consistent with state policy, which emphasized expansion in the more directly productive areas, rather than in commerce -- the preserve of the Chinese and foreign capitalists. In actively promoting investments in these areas the state was furthering the interests of the banking and industrial fractions of capital.

Business investments allowed the competing factions of the post-1932 regime to consolidate their positions, both economically and politically. For business, especially the Chinese business people, cooperation with powerful political figures provided protection from petty political harassment. Such links also gave 'protected' firms an edge over competing firms without similar arrangements. Even large companies, which did not necessarily need to buy political protection, still found it useful for obtaining government quotas, permits, licences, and lucrative contracts ahead of competitors lacking such influence. Moreover, private companies in such a capital-scarce country as Thailand often welcomed investments by both the state and wealthy officials. It was also in the capitalists' class interests to establish contacts with state managers and to attempt to influence state policies through them. As some state managers were drawn into business, their personal interests were no longer merely those of the state. The lines separating bureaucrats, politicians, and capitalists became at best indistinct, establishing a further instrumental constraint on the autonomy of the state.

The involvement of the state and of state officials in business enterprises was not merely an attempt by 'corrupt' officials to accumulate personal wealth through the misappropriation of profits that should have accrued to the state or to private companies. There can be no doubt that such corruption existed, often on a grand scale, and that it was a serious problem for the state. But Sungsidh's study shows that bureaucrats and politicians did not fully milk the companies with which they were associated. Indeed, just two of the twenty-three companies operated at a loss, and the profits made by the other twenty-one companies were often substantial. There is no way of knowing whether the profits made by these companies were commensurate with the advantages gained through the involvement of officials, but it is clear that in addition to the
desire for personal wealth, there was at least some concern for the development of business and for the accumulation of capital.

A well-known example of the relationship between state managers, private capital, and state policy is the Thai Rice Company, formed as a state enterprise in December 1938. The company was ostensibly formed to break the grip of alien Chinese on the rice trade, especially as anti-Japanese boycotts by the Chinese community were having a serious impact on rice exports and reducing state revenues. Within a month the new company was operating eight large rice mills, and providing Chinese millers with stiff competition. Premier Phibun and other officials urged farmers to sell to Thai Rice and not to Chinese buyers. By 1946 the company had become the country's leading rice exporting company, controlling some fifty mills. Declared profits rose from 1.5 million baht in 1939 to 7.8 million baht in 1947. This would seem to be a successful example of removing alien control from an important area of trade and industry, but the real situation was more complex. Thai Rice had begun its operations by renting mills from Chinese millers and the Crown Property Bureau. Ma Bulakul, a hastily naturalised Chinese who was formerly president of the Chinese Chamber of Commerce, was appointed as managing director of the company. Many of the mills that were rented and later purchased by the state were owned by Ma and his relatives, many of whom also retained managerial positions within the Thai Rice Company.

A prime reason for the success of the company was its political position. Established as a state enterprise, shares were later offered to the public, and a number of political figures became the largest shareholders. The board of Thai Rice came to resemble a government cabinet meeting, including two future prime ministers and the ministers of commerce and of economic affairs among its ranks. Political connections and the official position gave it significant advantages over private firms, including such benefits as cheap freight rates on the state railways. Competing firms encountered difficulties, and could do little more than rent or sell their mills to Thai Rice and move into other areas of business. Although unsatisfactory to these companies, the situation did force a diversification that would prove beneficial in later years. For example, the Wang Lee Company had concentrated its business interests in rice, but was forced to diversify into a number of commercial, financial, and industrial activities. This provided a wider base for the development of Wang Lee businesses as the economy expanded.

The Thai Rice Company, formed to take the rice trade out of Chinese hands, was itself subject to the whims of state policy. While successful for a time, the winds of change soon swept the company aside. Despite its political
position, it was not immune from competition, and in 1946, for example, rival milling and export groups associated with General Pho Choonhavan were established in the Northeast and North. While Thai Rice began to crumble, Ma Bulakul had profited and his business group had greatly expanded. Chinese capital continued to control the rice trade, albeit with new political partners.

Despite political fluctuations, Thai capitalism had advanced steadily, as the state fostered the expansion of the capitalist mode. While the actions of state managers were largely based on political and personal expediency, the dominant trend in policy making was the enhancement of capitalist industrialisation. In achieving state power, the People's Party (as well as later regimes) was able to defeat a set of outmoded principles. Economic development was no longer subject to the personalism of a king and his coterie of advisers. Increasingly, development became subject to the demands of capitalism that were being etched into the operations of the state apparatus.

State policies were still influenced by populism, nationalism, and the quest for personal gain, but a base for further capitalist development had been established. Indeed, after World War II the future appeared relatively bright for many capitalists. The cloud on the horizon was the return of intense political infighting, especially with the restoration of civilian rule.

Politics and Economic Development, 1948-1957

Politics

The postwar civilian governments were unable to effect the kind of alliance that might have led to a continuation of their rule, with the struggle between conservatives (many of them proroyalist) and Pridi's supporters remaining central. The former could never overcome the suspicion that Pridi was a Communist, intent on establishing a 'communist state,' as Pridi's radical proposals remained in the minds of some conservatives after some fifteen years. So intense was their desire to defeat Pridi, and what they felt he stood for, that the conservatives were prepared to forego their formal control of the state apparatus. They eventually managed to force his exile by implicating him in the mysterious gunshot death of the young King Ananda Mahidol in 1946.

Labour militancy was on the rise, adding to the fear of radicalism. On May Day 1947, forty to fifty thousand workers marched in Bangkok. This must have caused concern amongst socialists and business people, especially as people associated with the Communist Party were occupying official positions within some workers' organisations. Strikes proliferated, and 168 were officially recorded in
1946 and 1947. Interestingly, in relation to the earlier discussion of the Thai Rice Company, the largest strike of the period involved 4,000 of its workers. Combined with the death of the King and the severe economic troubles of the time (balance of payments problems, 1000 percent inflation, war damage, and rice shortages), the military could use many excuses to justify their coup of November 1947.

The 1947 coup group, nurtured during the period when state-initiated industrialisation policies were in command, was quite different from previous regimes. They opposed the economic policies of the civilian regimes. These policies had sought to re-emphasise the export of primary commodities as a solution to economic problems and to appease Western investors with less restrictive investment policies. There had been no rush to reinvest after the war, but the British were keen to re-establish their economic and political position in Thailand. The formal agreement terminating the state of war between Britain and Thailand stated:

The Siamese Government agree[s] to take all possible measures to re-establish [the] import and export trade between Siam...and neighbouring British territories.

[Except where the [1937] Treaty specifically authorizes such action, [the Siamese Government will not]...enforce any measures excluding British commercial or industrial interests or British professional men on grounds of nationality from participation in [the] Siamese economy.]

The civilian governments further indicated their subservience to Western interests when they relinquished the state monopoly in the oil industry, and by 1947 Western investment was making a cautious return (see Table 2). But following the 1947 coup and the return of Phibun as premier, these policies were blocked and state-led economic development again came to the fore.

Economic development and state policy

Once the economic and political problems of the post-war period receded, the economy again began to expand. An annual growth rate of about 5 percent was achieved between 1952 and 1957. Although this rate exceed that of population growth, it was somewhat sluggish compared with the previous decade. Again, much of this growth must be attributed to state investments in industry. Between 1948 and 1955 the percentage of state expenditure devoted to economic development rose to about 32 percent, compared with

[...]

[...]

[...]
an average of just 10 percent prior to 1938. Perhaps of greater significance, however, were the structural changes taking place in the economy (see Table 4). Agriculture was declining in importance, while other sectors such as finance, services, transport, and manufacturing were beginning to grow in significance.

### TABLE 4

**GROSS NATIONAL PRODUCT, BY INDUSTRIAL ORIGIN, SELECTED YEARS, 1951-58**

<table>
<thead>
<tr>
<th>Sector</th>
<th>1951</th>
<th>1955</th>
<th>1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>50.1</td>
<td>42.0</td>
<td>40.7</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>1.9</td>
<td>1.6</td>
<td>1.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10.3</td>
<td>11.8</td>
<td>11.2</td>
</tr>
<tr>
<td>Construction</td>
<td>2.9</td>
<td>4.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Electricity and water supply</td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Transport and communications</td>
<td>3.1</td>
<td>5.1</td>
<td>5.2</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>18.0</td>
<td>19.5</td>
<td>17.4</td>
</tr>
<tr>
<td>Banking, insurance and real estate</td>
<td>0.4</td>
<td>1.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Ownership of dwellings</td>
<td>3.7</td>
<td>3.0</td>
<td>5.1</td>
</tr>
<tr>
<td>Public administration and defence</td>
<td>2.8</td>
<td>4.8</td>
<td>5.1</td>
</tr>
<tr>
<td>Services</td>
<td>6.7</td>
<td>6.5</td>
<td>8.7</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Growth in the agricultural sector, the largest 'employer,' averaged about 4 percent per year between 1950 and 1958, due primarily to the increasing diversification. Rice remained the largest crop, but production of sugar-cane, copra, maize, cotton, cassava, rubber, tobacco, and kenaf expanded considerably, at rates far above that of rice. State development policies tended to neglect agriculture, although the state did continue to urge the cropping diversification noted above.

In the industrial sector, growth was more rapid, averaging 7 to 8 percent a year. According to the World Bank, however, the bulk of the activity takes place in a large number of small and medium-sized establishments producing a great variety of goods and services, often of mediocre quality. Much family labour is used....A few large establishments exist in such fields as tin-mining, cement, sugar, tobacco, soap and weaving....The most efficient of these are, or recently have been, under foreign management,
while the most modern have been erected directly or indirectly by various government agencies.

Industrial employment and output remained relatively low. When compared with the situation of a decade earlier, however, there were significant advances as well as a degree of diversification. Cement and sugar production expanded most rapidly, as shown in Table 5, but similar growth was reported in a number of industrial pursuits. Indeed, the World Bank mission estimated that private manufacturing capacity may have trebled or even quadupled in the 1950-57 period. A more detailed estimate, prepared by the United Nations, placed total investment in manufacturing in 1952 at two billion baht, of which 80 percent originated in the private sector. Total investment reportedly doubled by 1957, but the share of private investment declined to just under 64 of the total (although it increased by 950 million baht in absolute terms).

The percentage of GDP generated by the state rose from 8.4 percent in 1951 to 13.3 percent in 1958, as the state's investment in manufacturing grew from 660 million baht in 1951 to over 1.3 billion baht in 1958. The government was again intent upon a state-led policy of industrialization, but increasingly the options for private investors were limited by the manufacturing investments of the state. In terms of total investment, however, the state's contribution was not great. The World Bank acknowledged this in the case of the manufacturing sector, but they nevertheless pointed out that the state's influence was 'disproportionately large.'

TABLE 5
PRODUCTION OF MAJOR INDUSTRIAL PRODUCTS, 1951-56[a]
(in thousands of tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cement</th>
<th>Sugar</th>
<th>Paper</th>
<th>Soap</th>
<th>Tobacco</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>228.7</td>
<td>8.0</td>
<td>1.6</td>
<td>8.2</td>
<td>7.0</td>
</tr>
<tr>
<td>1952</td>
<td>247.4</td>
<td>11.4</td>
<td>2.0</td>
<td>10.0</td>
<td>7.7</td>
</tr>
<tr>
<td>1953</td>
<td>288.1</td>
<td>13.3</td>
<td>1.9</td>
<td>10.5</td>
<td>7.1</td>
</tr>
<tr>
<td>1954</td>
<td>383.4</td>
<td>11.9</td>
<td>1.8</td>
<td>11.0</td>
<td>7.4</td>
</tr>
<tr>
<td>1955</td>
<td>385.8</td>
<td>18.1</td>
<td>2.2</td>
<td>11.4</td>
<td>8.0</td>
</tr>
<tr>
<td>1956</td>
<td>400.0</td>
<td>40.0</td>
<td>2.4</td>
<td>11.9</td>
<td>8.5</td>
</tr>
</tbody>
</table>


Note: [a] The figures in this table are roughly comparable with those in Table 3 above. The original source of both is the Central Statistical Service.
Premier Phibun reasserted his desire to move business into the hands of nationals, and deplored the fact that foreigners, and especially unnaturalised Chinese, still controlled the economy. He called on all Thais to invest capital in industry, and promised tariff and import control protection for developing industries. Both governmental and international agencies continued to identify the scarcity of domestic capital as a major limiting factor in the quest for industrialisation. The conclusion was that savings which have been mobilized and canalized for development are relatively small. Factors which explain this include a low rate of savings and apparently much hoarding of bullion, jewellery and currency. Investment opportunities have been limited with much of the savings going into land and buildings. Individual financing of projects and ploughing back of profits appear to be the principal inducement for private savings. The accumulation and direction of savings is also limited by the small number of entrepreneurs and technicians who can prepare promising plans and bring them forward for financing.

The Phibun government was determined to overcome this capital shortage with state investment. At the same time, the government was not prepared to reject foreign investment outright; some foreign capital was invited to participate in joint ventures with both state and private capital. This was the case in such long-term projects as power generation and irrigation that required large amounts of capital. Such conciliatory moves seemed to suit the interests of the major, competing political factions of the period, because it allowed them to expand their economic bases — any increase in economic activity also meant greater opportunities for them. Nevertheless, there was not a rush to invest since investors were concerned that the leading role in economic development had again been allocated to the state. The government's policies were roughly in line with those of such agencies as the U.N. Economic Commission for Asia and the Far East, which argued that developing countries should expand state investment in areas where private capital appeared reluctant to venture. State-led development strategies had become something of a fashion in the early 1950s.

Significantly, policies which in the prewar period had been anathema to Western governments and investors seemed somewhat tolerable in a changed postwar political environment. The rise of Asian nationalism, the weakening of Britain's imperial grip, and the emergence of the
U.S. as the major political and economic power in the Southeast Asian region produced a very different political and business situation. Whereas at the end of the war the U.S. government had considered Thailand to be an essential source of raw materials for a war-ravaged world, by the late 1940s and early 1950s more stress was placed on strategic considerations. As the Mutual Security Agency explained, the U.S. government perceived:

[S]outh of the ominous mass that is Red China, Thailand, along with her embattled but still free neighbors, shares a peninsula. The Communists want it. They covet its riches: rubber, tin, rice and teak. They consider it a prize base, for like an oriental scimitar, the peninsula's tip is pointed at the throat of Indonesia....In Malaya, Burma and Indo-China, Communist-led rebels plunder, kill and burn. Thailand is surrounded by these countries, each a smouldering bomb....The fuses are short.

Communism was the enemy. A 'free' Asia meant an Asia that was pro-Western, and decidedly undemocratic regimes would be tolerated as long as lip-service was paid to 'free enterprise.' Anti-business governments, like that in Burma, were considered procommunist or, at best, dangerously neutral. Thailand's military leaders soon discovered that the U.S. would nurture its friends, and from the early fifties Thailand became one of the staunchest U.S. allies. Between 1951 and 1958, total U.S. economic and military aid totalled $416.4 million. The U.S. also reaped a bountiful harvest, and in addition to gaining a strong ally on the Southeast Asian mainland it became one of Thailand's major trading partners. Thailand's position as an exporter of primary products was reinforced by the Bretton Woods agreements, which locked Third World countries into a system of trade and finance designed by and for the already industrialised capitalist nations.

The Thai state was therefore again in a position in which external factors were significant in determining the nature of state policies. While the Phibun regime was keen to reintroduce its nationalist economic policies, it also had to genuflect in the direction of international capital.

State policy and capital

After the 1947 coup the new regime attempted to justify its actions by alluding to corruption within the previous administration, suggesting that various politicians had increased their personal wealth considerably. Within a few years, however, the Thai press was making the same charges against the 1947 coup group. For example, the Siam
Rath Weekly Review published a list of twenty-three members of the group, showing that each had an interest in an average of fourteen companies. Those involved included future prime ministers Sarit Thanarat and Thanom Kittikachorn, their supporter and future army strongman, Prapass Charusathirana and their factional rivals Phao, Mongkol and Chat Sriyanond, and Pramarn Adireksan. These officials usually claimed that their business activity was an example to the Thai people, and aimed at preventing more of the economy falling into the hands of foreigners. The Siam Rath Weekly Review scoffed at this, arguing that 'the majority of persons who were shareholders in companies with members of the Coup Party are aliens, or even though some of them may have Thai names it is difficult to tell from their accent what part of Thailand they come from.' It was further suggested that the coup group's wealth was derived from the privileged trade of these companies.

There was considerable truth in the newspaper's allegations. If the investments of the two major political groups of the time are considered (Table 6), however, it can be seen that the vast bulk of their economic activity was concentrated in industry, with some interest in finance. This activity was within those broad areas being promoted by the state, indicating a significant shift in emphasis even from the 1932-46 period, when far more emphasis was placed on the financial sector.

**TABLE 6**

SECTORAL INVESTMENT BY COMPANIES ASSOCIATED WITH THE SOI RAJKHRU AND SISAO DEVES CLIQUES, 1947-57

a. Soi Rajkhru Clique

<table>
<thead>
<tr>
<th>Sector</th>
<th>Assets (Million baht)</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>186.0</td>
<td>69.8</td>
</tr>
<tr>
<td>Finance</td>
<td>64.0</td>
<td>24.0</td>
</tr>
<tr>
<td>Commerce</td>
<td>16.6</td>
<td>6.2</td>
</tr>
<tr>
<td>Total</td>
<td>266.6</td>
<td>100.0</td>
</tr>
</tbody>
</table>

b. Sisao Deves Clique

<table>
<thead>
<tr>
<th>Sector</th>
<th>Assets (Million baht)</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>206.4</td>
<td>67.6</td>
</tr>
<tr>
<td>Finance</td>
<td>76.0</td>
<td>24.9</td>
</tr>
<tr>
<td>Commerce</td>
<td>21.1</td>
<td>7.6</td>
</tr>
<tr>
<td>Total</td>
<td>305.5</td>
<td>100.1*</td>
</tr>
</tbody>
</table>

Source: Calculated from Sungsidh, pp. 286-307

*Total exceeds 100 percent because of rounding.
The data in Table 6 suggest that the relationship among capitalists, the state apparatus, and state officials was not merely one of 'pariah entrepreneurship' and corruption, as described by Riggs and others. If the business activities of the politically powerful were solely determined by the profits skimmed off for personal wealth and political advantage, then it would seem that the areas of major activity of the two cliques were misplaced. The Soi Rajkhru clique was associated with Police-General Phao Sriyanond and the families of military leaders Phin Choonhavan and Pramarn Adireksarn, whereas the Sisao Deves clique was formed around General Sarit Thanarat. Commerce remained the most profitable and widespread economic activity, yet these groups concentrated on industry, which despite state investment was still rather doubtful in terms of profitability. It would have been simpler to exploit the commercial and financial sectors, especially since these areas were amenable to near monopoly control.

A better explanation of the relationship which developed between capitalists and state managers would not only recognise corruption, but would also stress the convergence of interests between the two groups. State policy throughout the constitutional period emphasised industrial and, to a lesser extent, financial development, and it was in the interests of banking and industrial capital to further such policies. Under Phibun, the idea of a self-sufficient and industrialised Thailand was always promoted, and between 1947 and 1957 such a policy seemed equally appropriate. Here, the political and economic interests of both state managers and business leaders converged, as clearly indicated in this editorial:

Industrialization of Thailand is a goal which has become increasingly important as the kingdom's leaders have realized that rice is not enough. Thus, the goals of the projected gigantic new industrialization corporation [the National Economic Development Corporation (NEDCOL)]...are goals everyone wants to see attained. The list of individuals concerned...reads like a list of the most powerful persons (and wealthiest -- or having most control of, or access to, funds) in Bangkok. If power and wealth are what it takes, [then] Thailand will certainly become industrialized.

In a capital-scarce country where socialism was not considered an option, industrialisation required the cooperation of both capitalists and state managers, especially as investment moved into heavier industry. Competition between individual capitalists was often as intense as that between individual politicians. If a competitive edge could be obtained through political alliances, then such connections became essential business practices.
All of these constraints acted upon the Thai state in such a way that the only possible policy options were to stress industrial development as the key to economic expansion while taking a surplus (through taxation) from rice producers. The extent of the state's commitment to industrialisation and the development of capital can be seen in a number of protective and promotional policies introduced between 1947 and 1957:

1. Despite fluctuations in policy, import tariffs and bans were generally maintained so as to protect domestic industry, particularly those producing consumer goods. Simultaneously, low tariffs were charged on imported capital goods. Domestic industrial capitalists opposed any attempt to relax import controls.

2. A committee, headed by Police-General Phao, was established in September 1954 to advise the government on the formation of a Board of Trade. The Board was registered in June 1955, with an executive dominated by Phao and other powerful political figures, but by the end of 1955 many business people had joined the Board and taken over its administration from state officials. The Board's tasks included promoting trade and advising the government on economic development. Like the Thai Chamber of Commerce, which also received considerable state encouragement and assistance when it was first established, the Board of Trade was not a part of the state apparatus.

3. In the mid-fifties, some attempts were made to promote foreign capital. A revised foreign investment policy was promulgated, with the following provisions: a) investment could be totally foreign, and no special privileges would be accorded to any particular group, not even the government; b) foreign investment was recognised as being important; c) the government promised to suppress corruption, a factor considered hindering foreign investment; d) information on Thai investment and business practices would be supplied to investors by an Industrial Promotion Committee; e) any obstacle encountered by foreign investors would be investigated and eradicated.

4. Several measures were implemented in an effort to overcome the perceived capital shortage: a) commercial branch banking by local banks was encouraged, with the aim of concentrating and mobilising domestic capital (and at the same time, the expansion of foreign banks was effectively blocked); b) the establishment of a stock exchange was
planned; c) a government loan fund of two hundred million baht was established and channelled through commercial banks to business; and d) bank was set up to promote local industry, not only by providing loans but also by serving in a research and advisory capacity.

5. Closer cooperation was sought with business, including conciliation with Chinese capitalists. For example, immediately after the 1947 coup, spokesman General Phin Choonhavan announced that the new regime did not wish to create trouble or inconveniences towards business or livelihood of our fellow Chinese and other aliens who have come to seek His Majesty's protection....Commercial rights and other freedoms of our Chinese and other people in Thailand would be supported and promoted.... We must emphasize our intention that business interests and human rights covering bodily safety and property...would be fully protected .... We assure you that you would receive full protection of your rights and interests.

While some landholding restrictions were introduced in 1952, these were considerably diluted within two years. Even when restrictions operated, they were selective, and based on nationality rather than ethnicity. During this 'restrictive' period, for example, the Mekhong distillery was leased to a Chinese with Thai nationality. In addition, state officials actively encouraged representations from business.

6. There was an expansion of infrastructural development, including an upgrading of thermo-electric and hydroelectric generating facilities, an assessment of oil and coal deposits for power generation and other domestic and industrial uses, and improvement of port facilities, inland water ways, roads, and railways.

7. Quality control measures were implemented for export products.

8. Technical education was expanded.

9. Labour laws were redefined, with limitations on strikes and lockouts, in an attempt to reduce industrial conflict.
The government began limited industrial planning. Eight hundred million baht was allocated for thirty-two projects over a five-year period.\footnote{123}

This is a selective account of state policy during the 1947-57 period but each of the measures listed above were important steps toward the further development of capital, particularly in the industrial sector. Although this was a period of considerable political conflict, rife with contradictions, the trend of state policy is clear. This clarity is apparent even though policy formulation was haphazard and dependent upon the whims of particular political groups controlling the various ministries and departments. Policy makers had come to believe that industrial development would be the panacea for 'backwardness,' and that 'prosperity' would naturally flow from industrialisation. It had become an accepted fact that Thailand could no longer depend on agriculture alone, and that industrial expansion had to proceed.\footnote{125}

The Thai state was acting as a capitalist state, but this is not to deny that there were officials who acted arbitrarily. Nor is it to deny conflicts over state policy. An excellent example of conflict was the long-running dispute over cheap imports from the People's Republic of China. Many commercial capitalists were keen to trade such goods since they sold well on the local market, but industrial capitalists, the manufacturers of consumer goods, objected to competition from cheap imports. The latter utilised the government's anticommunist stance to contend that 'Red' goods should be banned, and urge that government policy on the promotion of domestic industry should be maintained. Their view eventually held sway, coinciding as it did with the anticommunist views of both Phao and Sarit.\footnote{125}

The further development of the capitalist class

A noticeable feature of the development of capitalism during the 1932-57 period was the increasing fractionalisation of the capitalist class. By 1957, one could identify the four major fractions of capital -- agrarian, commercial, banking, and industrial -- despite considerable overlapping. Agrarian capital and landholding continued to constitute an important component of domestic capital in 1957. The structure of land ownership, especially by aristocrats of the previous sakedina regime (most prominently, the royal family) and wealthy Chinese, does not seem to have been significantly altered by the overthrow of the absolute monarchy, but attempts to change the status quo were resisted.\footnote{126}
While it is difficult to find reliable data on the extent of landlordism and the size of landholdings in 1957, some information can be gleaned from press reports in the fifties. In 1953, a landlord with the royal title of mom luang, who was murdered while collecting rents, was reported to have held more than 80,000 rai of land to the southwest of Bangkok. Another, Luang Sithithepkarn, described as the 'king of landlords,' was arrested for tax evasion in 1954. His landholdings were said to total 200,000 rai in the provinces of Rakchaburi, Kanjanaburi and Nakorn Phathom. Based on such reports, it would seem that some of the landed gentry of the sakdina system retained their powerful positions in the countryside. A second group of landowners were those who were involved in rural industry (especially sugar production) rather than land rental. After a decline in the late nineteenth and early twentieth centuries, sugar production had again begun to expand in the late 1920s, a trend which continued with the introduction of tariff protection in the thirties and shortages during the war years. By 1948, about 217,000 rai of cane was planted, a figure which quadrupled by 1957. Profits were large, especially as labour was easily exploited in conditions that some reports described as 'slavery.'

Wealth obtained from both rentier and productive activities in the countryside enabled agrarian capitalists to diversify their investment activities. The royal family derived considerable income from rents (in both rural and urban areas), permitting them to begin diversifying their interests. Other aristocrats also attempted to expand from a rural base, but seemingly very few became successful capitalists, as many businesses owned by aristocrats fell by the wayside after 1932.

Agrarian capitalists remained politically influential after 1932, but only as a shadow of their glory under the absolute monarchy. Initially the royalists had had a firm foothold within the constitutionalist state apparatus, enabling them to defeat reformist proposals. Later they received support from civilian politicians such as Khuang Aphaiwong, the son of Chaophraya Aphaipudej, a prince from the Battambang area who was forced out by the French colonials after their 1907 annexation, and who became a large landowner in Prachinburi. Educated in France, Khuang was a conservative member of the People's Party, and eventually became one of the founders of the Democratic Party, which became a focus of royalist opposition. Nevertheless, political influence of this kind was not sufficient to sustain economic activity. Agriculture was not an area promising significant expansion in 1957, especially since there was little large-scale farm agriculture.

Commercial capital, politically and economically powerful through its alliance with the sakdina class and foreign commercial capital, suffered a number of setbacks after 1932. In an economy dominated by trade, particularly
the export of primary commodities and the import of consumer goods, the importance of commercial capital is readily apparent. It was also, however, an easy target for nationalist and populist policies. Although Chinese merchants were supported by the powerful and well-established Chinese Chamber of Commerce, they could not resist state measures to open petty areas of trade and commerce to ethnic Thais. The success of these nationalist programmes was questionable, and it seems that very few big Chinese capitalists were displaced. Indeed, as noted above, the major effect seems to have been a diversification of activities.

Commercial capital was unable to influence policy to any great extent, even though it had some vociferous support in the National Assembly. This became most obvious when restrictive employment legislation was opposed. But such opposition was in the minority, articulating the demands and fears of the petty bourgeoisie and workers who bore the brunt of the restrictive legislation. Through political connections and investment diversification, the few big commercialists were generally able to minimise the effects of such legislation. Nevertheless, the interests of commercial capital were gradually pushed aside as the drive for industrialisation emphasised the central positions of industrial and banking capital.

In 1932 the financial sector continued to be dominated by the Siam Commercial Bank and the foreign banks. But after that time, and particularly during the war, there was a rapid expansion of domestic (mainly Sino-Thai) capital in this area, as eight local banks were established between 1933 and 1945. A number of factors provided fertile ground for the consolidation of these fledgling institutions, including the closure of foreign banks during the war, the establishment of the Bank of Thailand, the lack of substantial Japanese interference in the banking sector, and wartime inflation.

Following the war, foreign banks were never able to regain their former position of predominance. Domestic banks expanded rapidly with injections of both state and Chinese capital. Many of these Chinese capitalists had accumulated their wealth in trade and industry, while forging strong links with powerful political figures. A good example is the Lamsam family, which began in commerce but moved into banking during the war with the establishment of the Thai Farmers Bank in 1945. Originally the family concentrated business interests in the milling and export of rice and timber, as well as in shipping, rubber, ice, hardware, insurance, real estate, and food service. Following the events of 1932, as the family developed close connections with the People's Party and especially the Pridi faction, business expanded. The second generation of Lamsams received many state concessions: Chulind Lamsam, for example, was the manager of the state-allocated
Thonburi bus concession, sometime president of the state-sponsored Thai Chamber of Commerce, and a director of the Bank of Asia (which was established by Pridi). As Pridi's political fortunes declined after the war, Chulind and Kasem Lamsam expanded their ties with the Soi Rajkhu group, and Chulind became managing director of the state-owned Erawan Hotel, closely associated with Phao. Like other important business families, the Lamsam family was able to shift its political alliances between declining and ascendant political factions, in this way ensuring their own position.

The increasing political power of banking capital is illustrated by its considerable input into state decisions affecting the operations of the financial sector. The Banking Act of 1945 did little more than define a bank, yet it stayed in force for 17 years and allowed the banks to operate relatively free of legislative restrictions—a stark contrast with the commercial sector. While the establishment of new banks was restricted from the early 1950s the existing banks profited greatly from state policies promoting the operations of the commercial banking sector. The expansion of the Thai economy during the Korean War further enhanced the position of the banks, and the growth they achieved was to provide a powerful base for their expansion into other areas of accumulation, most notably industry.

Industrial capital had expanded after 1932. As emphasised above, state policy throughout the entire 1932-57 period focused on the expansion of industrial capacity. Industrial capitalists received numerous incentives and, by 1957, industrial development was as high on the state's agenda as it had ever been.

Despite the benefits reaped by industrial and banking capital, there were storm clouds on the horizon. As the Korean War boom petered out, a recession set in. This led to a general feeling among capitalists that the time was ripe for a further expansion of private capital, especially in the industrial sector. In boom conditions state investment was not a major problem for private capitalists. As previously noted, in a capital-scarce country, strategic state investments were often welcomed. But as the recession deepened, state capital was seen to be crowding the private sector. The investment climate was uncertain and business confidence waned. In the view of the Bangkok (Thai) Chamber of Commerce:

Free private enterprise would still be the best course for Thailand....This does not mean that the State should not enter the field of private business...nor [are public and private enterprise] incompatible....On the contrary, if public authorities are extended in the orthodox areas
such as the procurement of goods and services for the [Armed] Forces, the supply of water, electricity and light, bus or rail transport, harbours, and so on, private enterprise can certainly live happily together with public monopolies. 138

At the same time, labour was becoming increasingly restive. Unions had continued to operate after the war, and a number of political leaders courted unions from time to time. When political parties were legalised in 1955, a party supporting labour was established. 139 In late 1956 a labour law was enacted, giving workers the right to organise. It also set standards for employers, including sick leave, holidays, and a 48-hour week, and imposed special conditions regarding the employment of women and children. In response, some 136 unions were officially registered in 1957, and the number of strikes increased from twelve in 1956 (with 3,673 worker days lost) to twenty-one in 1957 (with 12,947 worker days lost). While these official statistics indicate that there was still a low level of labour militancy, many of the strikes were in key areas such as saw mills, oil depots, and cement plants. Bevars Mabry has asserted that the unions involved were little more than the tools of powerful political figures. There is no doubt that some unions were used in this manner, but not all were political pawns. For example, when Phibun opened the headquarters of the National Federation of Trade Unions in 1956, he was greeted not with submissive platitudes, as was often the case, but instead presented with three requests opposed to his Government's policies: a neutral foreign policy, free trade with all countries -- including the People's Republic of China -- and an end to the Anticommunist Act. Because labour parties advocated socialism, and some unions were communist-influenced, employers and some state managers became concerned. These fears, combined with the difficulties of accumulation that were partly attributed to the 'over-extended' role of the state in business, set the stage for a policy change and a change of regime.

In summary, the 1932-57 period brought the following major changes:

1. Agricultural production remained the principal economic activity of the majority of the Thai people, but declined in national economic importance. Considerable crop diversification took place, tied to foreign demand. While agricultural development policies were neglected by the state, the expansion of the money economy and the commercialisation of agricultural production led to the subordination of the peasantry to the international capitalist system.
2. The first state policies on industrialisation were implemented and actively pursued throughout the period. State investments stimulated the expansion of the industrial base.

3. Industrial and banking capital were the main beneficiaries of state policies and investment in development, and both fractions experienced rapid growth.

4. Close cooperation between state officials and capitalists developed in the context of political and economic competition. These alliances allowed the capitalist class to shake off the shackles of the sakdina class and develop free of the previous relationship of subordination.

5. State policies were largely determined by the conjuncture of internal and external constraints, and tended to promote industrialisation as the logical path of development.

6. In terms of state policy, the capitalist class had become the dominant class by 1957.
Chapter 4

STATE AND CAPITAL SINCE 1958: CAPITALISM ASCENDENT

The Twin Coups of 1957-58

In September 1957 the Phibun regime was overthrown in a coup engineered by army strongman General Sarit. Both Phibun and Phao went into exile, and an interim government headed by the civilian Pote Sarasin took office. Pote resigned at the beginning of 1958, and was replaced by General Thanom Kittikachorn, one of Sarit's closest allies. Yet even this government seemed unable to control political events, and Sarit himself assumed power on 20 October 1958 and announced the commencement of his 'revolution.' Sarit died in 1963, but his deputies, Thanom and General Prapass Charusathirana, remained in power until October 1973.

The overthrow of the Phibun regime is usually depicted as the result of a power play between Sarit, Phao, and Phibun. If the political events of the fifties are examined, a good case can certainly be made for such an interpretation. Yet it must also be stressed that the twin coups took place at a time when Thailand faced severe economic problems. These economic factors need to be accorded some recognition in order to understand the context into which the Sarit regime and its successors introduced new economic policies.

As outlined in Chapter 3, state-led development policies had been quietly successful in the post-1932 period. U.N. figures for the 1950s show Thailand's growth rate to be respectable when compared with other Asian countries. A period of stagnation, however, followed the end of the Korean War boom, and this was exacerbated by a series of droughts and poor harvests in the mid-fifties. National income reportedly declined in 1956, and in 1958 the Bangkok Bank described the economic situation as a 'depression.' As discussed earlier, capitalists tended to blame state interference for the crisis, a view reinforced by the collapse of the National Economic Development Corporation Limited (NEDCOL) project.

Established in 1954 by a group of capitalists and state managers, NEDCOL was one of Thailand's largest companies. While only three million of its fifty million baht authorised capital was paid-up, NEDCOL managed to accumulate state-guaranteed debts and obligations totalling more than six hundred million baht. The failure of NEDCOL, and the revelation of shady dealings connected with this failure, became synonymous with the failure of state-led development policies. The collapse was also an indication of deep-seated national economic problems.
Between 1952 and 1958, Thailand suffered annual and growing trade deficits. Even with the expansion of industrial production, the economy remained dependent on the export of primary commodities, especially rice, teak, rubber, and tin. The production of these commodities stagnated as world prices fell and demand fluctuated. Meanwhile, capital and consumer goods imports expanded, and if not for substantial aid contributions by the U.S., a balance of payments deficit would have been recorded for the whole 1952-58 period. For a trading nation these deficits posed serious problems for the further development of the economy.

In addition, the Phibun government continually spent more than it collected in revenue, and resorted to deficit financing. The Bank of Thailand was highly critical of the government's administration of its financial responsibilities, charging that the deficits were due to overspending on large-scale industrial projects. Not only did this generate inflation, but it also required that the Bank sell part of its foreign exchange reserves in order to recall local currency from the private sector for financing state projects. But this met only a part of the government's requirements, so more banknotes were printed, thus further fuelling the fires of inflation. The Bank also asserted that budgetary procedures were inadequate and poorly coordinated, leading to injudicious expenditures.

For the capitalist class, these problems cast a shadow over their ability to expand accumulation. Business uncertainty and state intervention exacerbated the shortage of investable capital, and by the mid-fifties even the state was experiencing difficulties in raising capital for its projects. From the perspective of capitalists and some technocrats, the expansion of investments by the state was hindering economic growth by soaking up much of the available domestic capital and failing to create the kind of 'free enterprise' environment favoured by foreign investors. Further complicating the capitalists' situation was a renewed militancy among workers, as noted in the preceding chapter. None of this was likely to induce 'business confidence' in a capitalist class already facing economic siege. As far as these people were concerned, open political conflict made the task of increasing profitability and expanding business activity even more difficult.

The capitalists joined a number of concerned technocrats in urging an array of reforms: first, they called for a curtailment of state economic activities. As noted in the previous chapter, the Bangkok Chamber of Commerce wanted the state to limit its investments to infrastructural activities. The Chinese Chamber of Commerce complained that the bureaucracy was too large, and the Bank of Thailand quite regularly argued for a contraction of state investment. Second, the government was urged to
actively promote the private sector, especially foreign capital. While the government had made numerous public statements designed to encourage foreign investment, poor infrastructure and disputes between the government and existing foreign companies meant that there was little interest on the part of foreigners in establishing operations in Thailand. U.S. companies, backed by their government, had threatened the withdrawal of aid if the Thai government did not adopt a more positive attitude towards foreign investment and private enterprise. Indeed, aid was seen by many American business people and officials as a means to encourage 'healthy' attitudes towards private enterprise, and Thai officials who exhibited such attitudes were encouraged. Local investors were similarly wary of making large outlays in an unstable business climate.

Third, it was suggested that economic planning be expanded to overcome poor coordination within the bureaucracy. Simultaneously, various international bodies such as the U.N. and World Bank were urging development planning, and capitalists were also keen to see state activities regularized so that their operations could be better planned.

Fourth, there were demands for even greater protection for local firms. The closures of a number of companies, including twenty rice mills and G. S. Cotton Mills (employing twelve hundred people), were blamed on the recession but on inadequate state protection. Finally, many urged a return to law and order, and an end to the political and labour conflict that had developed since 1955, particularly in electoral campaigns and the period of 'free speech' prior to the 1957 elections.

Especially among technocrats and capitalists, it became a commonly held position that

the only way to promote a sustained economic growth is to encourage economic expansion both in production and investment in the private sector with a minimum of governmental interference.

Sarit's policies, which began to be implemented in 1958, gave the technocrats and the domestic and foreign capitalists that they felt were needed. Sarit was determined to bring stability and order to a Thailand he considered corrupted by mock-Westernism. His policies in the fields of economic development, education, and law enforcement, as well as his abrogation of the constitution, his promotion of the monarchy and his pro-Americanism, are all related to a desire for order and 'civilised' progress. While Sarit might well have had other motives, there is no doubt that his policies toward business and economic development were generally well-received by both domestic and foreign investors.
Sarit's assumption of power was a political act, yet his own orientation towards private enterprise also played a part in determining the policies to be implemented by his regime. As Silcook explains,

Sarit was well disposed towards the condemnation of government enterprise. Unlike Phibun he did not base his power...within the system of government enterprise, but had extensive private interests in which he used his political power to help his friends, mainly outside the system of formal government control.

Even prior to his rise to political and military prominence, Sarit was closely affiliated with private business, and respected the power of money. Once, at an early stage in his military career, he even considered resigning to follow a business career with a millionaire associate, Phongawadi Suriyothai. Business was never far from his mind.

When Sarit assumed power, he not only desired a restoration of law and order, but also expressed concern over the precarious state of the economy:

The Revolutionary Party is resolved to improve the economy of the nation. However, before the economy could be placed on a raised level and a stable foundation, it is imperative to deal with the administrative aspects of the nation first.... Our country has never had any economic development plan, which is very strange. The truth is that planning is most important and useful....Short-term economic measures, without a plan, will not bring success.

Significantly, Sarit and his 'Revolutionary Party' were quick to meet with bankers, merchants, and the leaders of the various Chambers of Commerce. Further statements by the new regime confirmed the centrality of economic development in Sarit's brand of politics:

Regarding the current administration of the country, the Government deems it necessary that the improvement of the national economy [is] the foremost problem and [is] thus given priority with a view to boosting the national income, resulting in [a] higher standard of living....The Government, therefore, will adjust the financial and monetary status of the nation and promote agriculture, co-operatives, industries, and trade as well as improve communication facilities.
Later, Sarit explained the rationale behind the push for accelerated economic development:

I believe that the revolutionary system is the best way to build up the nation, to stabilize society, to build a middle class that is greater in numbers than other classes.

My revolutionary system calls for building up of a strong middle class such as exists in small countries in Europe....I shall move towards this goal with determination and my utmost ability because I believe that to the extent we succeed in building up the middle class to the same extent will we succeed in building a new society for Thailand, a society that is happy. The national economic plan has this aim.

Next year the Government will be like a big factory with all machines working in unison and without stopping in order to build up the country and raise the standard of living of the people....

Despite comments by state officials lauding free enterprise and denigrating state-led development strategies, the state was not to be minimised. Sarit argued the need for the Government to assume a greater role in the development of the country...[and for the] ceaseless and continuous expansion of state action in order to speed up the tempo of the national economic developmental effort.

Sarit was not satisfied with the role of labour and its militancy. Immediately on coming to power, the new government repealed the 1956 Labour Act because it contained provisions which have been exploited for the purposes of inducing dissension between employer and employee, neutralizing the sympathy and spirit of conciliation between them and inciting employees to take highly undesirable action in accordance with the communist strategy having as the final goal the utter disintegration of industry and commerce.

Henceforth, the government was to determine wages and conditions, and all strikes and unions were banned.
This was to be Sarit's 'revolution': stability, order, authoritarianism, anticommunism, state intervention, and rapid capitalist development. The response from both foreign and domestic capital was enthusiastic, as reflected in the Bangkok Bank's statement that

we are fortunate that the Revolutionary Government ... continues to put more importance [on] economic development than any other item of administrative policy.... 1962 should be a good year. 

Indeed, 1962 was a good year for capital, as were many following years. Sarit's twin coups marked the beginning of the indisputable dominance of the capitalist state, which acted to further expand and promote the capitalist mode of production.

The period following Sarit's death was one of rapid social and economic change. It was also a period which saw some of the most tumultuous political events in Thailand's history. It is thus necessary to briefly review these political events so that the discussions of economic development and state policy can be seen in the context of political change.

Politics Since 1958

Sarit's death did not initially bring any major change of direction in politics. His successors, Thanom and Prapass, divided military and political leadership positions between themselves and continued the pattern of authoritarian rule laid down by their predecessor. But Thailand was drawn even further into support of U.S. policies in the region. In 1960-61 events in Laos led to the secret Rusk-Thanat agreement, which gave the U.S. a major role in Thai defence. As the war in Indochina escalated, and U.S. involvement deepened, so did the Thai commitment. Starting in early 1964, U.S. aircraft carried out operations in Indochina from Thai bases, as the military regime stifled dissent through the provisions of martial law. Opposition did emerge, however, in the form of the Communist Party of Thailand (CPT), which expanded its guerrilla campaign. The government continually used this threat of communism to justify its authoritarian rule.

Until 1968, politics were marked by the power of the military, anticommunism, and strong support for U.S. policy. The combination of these ingredients made for a repressive, martial law regime that banned strikes, harassed political opponents, and made meaningful reform extremely difficult.
Nevertheless, the lid on dissent could not be maintained forever, and in 1968 political change accelerated in Thailand. Military leaders began to take account of U.S. President Nixon's desire to 'Asianise' military arrangements in Southeast Asia, and some in the government believed that without unconditional U.S. backing the regime would find it difficult to maintain itself. In response, a constitution was promulgated, after ten years of consideration. It was, however, a document designed to entrench the existing regime, and when elections were held in 1969 the United Thai People's Party won 75 of the 219 seats in the lower house. This ensured that it could not be defeated, since it also controlled the appointed Senate. In addition, Prapass actively 'bought' independent members of parliament. Nevertheless, the regime found it difficult to impose absolute control over the parliament. Faced with an upstart parliament, growing insurgency, and labour militancy, the military leaders carried out a coup in November 1971, dissolving parliament and abolishing the constitution -- but even this could not extinguish the sparks of dissent. Especially in the main urban centres, dissent continued despite the renewal of martial law and a ban on political parties. Thanom and Prapass, who were joined at the helm by Colonel Narong (Thanom's son, who had wed the daughter of Prapass), saw unity within the armed forces collapse as various factions competed for the economic and political spoils of office.

Student and academic groups led the expanded political activity, drawing attention to corruption within the regime and calling for a meaningful constitution. In October 1973 this activity culminated in a huge demonstration in Bangkok, in which the triumvirate of Thanom, Prapass, and Narong were unable to rely on the military and the police to rout the demonstrators. The hated trio was sent into exile, and political activity continued to expand at a vigorous pace. Almost all conceivable groupings of the political spectrum emerged, inevitably leading to an unprecedented degree of conflict. Meanwhile, the various appointed and elected parliaments vacillated while the torch was being set at the foundations of the system they purportedly represented. General instability, violence, declining foreign investment, increasing labour militancy, and the victories of the various Communist parties in Indochina led directly to the bloody events of 6 October 1976 at Thammasat University, where many were killed and mutilated, and hundreds arrested as the military came back to power. The new regime, headed by the civilian close to the palace, Thanin Kraivixian, was stridently anticommunist, authoritarian, and repressive. Hundreds of opponents were forced to flee the country or go into the jungle and join the CPT. The government's uncompromising attitude was divisive in the extreme, and within a year its military masters were forced to replace it with a more conciliatory regime headed by Army strongman General Kriangsak Chomanan.
Kriangsak began limited moves towards a form of constitutional rule, with elections in 1979. The military's position was never in doubt, however, for the upper house continued to be appointed. In 1980 Kriangsak was replaced by yet another army general, Prem Tinsulanond, who was also a palace favourite. The reasons for Kriangsak's demise are not entirely clear, but he was often accused of corruption (especially with respect to illicit drugs), and was unpopular with the royal family and elements of the armed forces. Perhaps most significantly, he apparently was unable to convince capitalists that the 'investment climate' would improve, and their investment strike seemed to persist (see Appendix, Table VII).

Prem continued a hesitant trend towards parliamentary rule and conciliation. Kriangsak's policy of amnesty for those leaving the CPT was maintained, and as a result the influence of the CPT was much reduced. While some elements within the military still favoured stronger measures, Prem was able to maintain the low-key approach. But the military remained deeply divided, as indicated by unsuccessful attempts to overthrow Prem in April 1981 and September 1985. Prem has received strong support from the now openly politicised royal family, especially the king. In addition, his period as prime minister has coincided with a resurgence in business activity (see Appendix, Table VII). These factors have combined to give the emergent parliamentary system the opportunity to develop and gain legitimacy.

The development of Thai capitalism since 1958 must be set within this context of intense social and political change and convulsion.

**Economic Development Since 1958**

Despite considerable development, even in 1958 Thailand remained essentially a producer and exporter of primary commodities, with the vast bulk of the population engaged in agricultural pursuits. Significant structural change has taken place since that time, most importantly in the productive structure (as shown in Tables 7 and 8). The percentage of GDP originating in the industrial sector expanded noticeably, and this trend will continue. Agriculture has clearly declined in significance as the importance of manufacturing, banking, insurance and real estate has increased.
TABLE 7
PERCENTAGE COMPOSITION OF GROSS DOMESTIC PRODUCT, 1960-90
(in constant 1962 prices)

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<td>46</td>
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TABLE 8
GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN, SELECTED YEARS, 1960-83 (percentage)

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<td>24.9</td>
<td>23.5</td>
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<td>Mining and quarrying</td>
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<td>1.5</td>
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<td>17.5</td>
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<td>21.0</td>
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<td>4.6</td>
<td>5.5</td>
<td>5.7</td>
<td>4.5</td>
</tr>
<tr>
<td>Electricity and water supply</td>
<td>0.4</td>
<td>1.8</td>
<td>1.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Transport and communications</td>
<td>7.5</td>
<td>6.7</td>
<td>6.4</td>
<td>6.9</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>15.2</td>
<td>17.1</td>
<td>16.5</td>
<td>16.6</td>
</tr>
<tr>
<td>Banking, insurance, real estate</td>
<td>1.9</td>
<td>4.2</td>
<td>6.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Ownership of dwellings</td>
<td>2.8</td>
<td>1.9</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Public administration and defence</td>
<td>4.6</td>
<td>4.3</td>
<td>4.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Services</td>
<td>9.6</td>
<td>9.7</td>
<td>10.6</td>
<td>11.4</td>
</tr>
<tr>
<td>Totals</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: 1960 data is from Ingram, p. 234; data for 1971, 1980 and 1983 are from various issues of Annual Economic Report (Bangkok: Bank of Thailand).

The trend towards increased industrial activity has coincided with a more footloose phase of international capitalist development. When considering the relocation of industrial investments that have become less profitable in the advanced capitalist nations, some transnational corporations have become increasingly interested in taking advantage of certain benefits common to many Third World countries: cheap labour, protection, generous tax concessions, bans on organised labour, and growing domestic markets. Others have arranged for the manufacturing of components by local firms in the Third World. More recently, there has been a trend toward money transfers, as transnational financial institutions have increased
investments in and loans to development projects in parts of the Third World. This restructuring of international capitalism has provided new opportunities both for transnational capital and for the expansion of accumulation by domestic capitalists in the Third World.\(^3\)

The manufacturing sector in Thailand has grown remarkably, as manufactured exports have risen from just more than one percent of total exports in 1960 to 31 percent in 1981.\(^2\) While the majority of the population continues to labour in the agricultural sector, the increased importance of manufacturing is a signpost to Thailand's industrial future, particularly as there is increasing interdependence between what might be loosely termed national and international capitals. This is especially so while the state determinedly maintains the country as a haven for capitalist enterprise providing 'abundant natural resources' and 'plentiful, inexpensive and dextrous labour.'\(^3\)

Between 1958 and 1980, Thailand's population increased from about twenty-four to forty-five million people. The percentage of the economically active population working in agriculture and related fields has declined from 82 percent in 1960 to just over 70 percent in 1979. At the same time, the percentage involved in manufacturing has increased from 3.4 to over 8 percent (see Appendix, Tables I-III). Other significant increases are noted for commerce, services, and construction. Although small in statistical terms, these numbers indicate a trend toward the development of a more industrially based capitalism.

Also of importance are the changes that have taken place in the occupational status of the population over the 1960-79 period (see Appendix, Tables I-III). Two salient points emerge. First, the employing class remained small. Those categorised as employers increased from 0.32 percent in 1960 to 1.15 percent in 1979; in absolute terms, the latter figure represents 244,600 people of a total working population of 21,229,100. Over the same period, the percentage of the population classed as employees increased from 11.85 percent (of which 8.3 percent were private employees) to 22.25 percent (of which 16.91 percent were private), indicating the expansion of wage-labour. Second, the percentage categorised as unpaid family labour in agriculture and related activities decreased from 54.65 percent in 1960 to 41.07 percent in 1979. Despite an absolute increase, it seems clear that such employment is being replaced by wage-labour.\(^3\) There is clearly a trend toward industrial labouring. Indeed, it is in industry that the employment of labour is most productive (see Table 9). One stimulus for the shift in employment and investment away from agriculture is the greater productivity of industrial labour.
<table>
<thead>
<tr>
<th>Sector</th>
<th>Value-added[a]</th>
<th>Labour Force[b]</th>
<th>Average value-added per worker</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions</td>
<td>%</td>
<td>Millions</td>
</tr>
<tr>
<td>Agriculture</td>
<td>5,159</td>
<td>28.5</td>
<td>13.4</td>
</tr>
<tr>
<td>Industry</td>
<td>5,125</td>
<td>28.2</td>
<td>2.0</td>
</tr>
<tr>
<td>Services</td>
<td>7,865</td>
<td>43.3</td>
<td>3.4</td>
</tr>
<tr>
<td>Total</td>
<td>18,159</td>
<td>100.0</td>
<td>18.8</td>
</tr>
</tbody>
</table>

Source: Adapted from World Bank, Thailand, introduction.

Notes: [a] Estimates, at current market prices. [b] Estimates

The trend towards increased industrialisation is also reflected in trade figures. Between 1958 and 1983, the import of manufactured goods declined and the export of manufactured goods increased, even though the percentage of import value devoted to fuel more than doubled. In general, there has been a gradual decrease in dependence on the import of consumer goods and food and beverages, but an increased reliance on the importation of capital goods and crude materials (see Appendix, Table IV). This is consistent with increasing industrialisation, as Thailand expands its technological base and range of manufactures.

Rapid economic development has also seen growth in state expenditure on infrastructural projects. For example, between 1963 and 1980 the length of asphalt and concrete national and provincial roads increased fivefold to 21,742 kilometres, while installed electrical generating capacity multiplied more than fourteen times to almost 3.5 million kilowatts. Social infrastructure also expanded. Throughout the 1958-80 period state expenditure on social, economic, and educational services has consistently been between 40 and 55 percent of total state expenditure.

But economic development has also generated a vast number of social, political, and economic problems, including rural-urban wealth and welfare disparities, high unemployment, underemployment, political oppression, and insurgency. There have also been increasing trade deficits, particularly since the oil price hikes of the seventies, rising from about twenty-three billion baht in 1977 to over ninety billion baht in 1983. Similarly, the
country's balance of payments deficit increased to sixty-six billion baht by the end of 1983, and expanding state expenditures led to almost annual deficits after 1958.\(^7\)

By the early 1980s Thailand had emerged as a rapidly industrialising country, with the Bangkok Bank anticipating a move into the ranks of the 'newly industrialised countries.' Although more cautious, the World Bank has also been optimistic in its assessment of Thailand's future, indicating that GDP growth over the past two decades was the second highest in East Asia, trailing only South Korea.\(^8\) In the early 1980s, the economy has maintained relatively high GDP growth rates of around six percent a year, despite temporary declines in some sectors of manufacturing. With mounting debt problems, Thailand began experiencing its first serious setbacks to growth in 1985, but even growth rates of three to four percent were maintained.\(^9\) Led by tourism and manufacturing, there was a return to higher growth rates after 1986. The overall performance of the economy has been dynamic, a far cry from the pessimistic assessments of the mid-fifties.

State Policies and Capitalist Development Since 1958

It is now appropriate to examine the role of the state in the process of capitalist development, focusing on the following areas: investment promotion policies, development strategies, and policy towards the working class and organised labour. In each case the discussion will begin with Sarit's 'revolution' before moving to the contemporary period.

Investment promotion policies

From the moment he came to power, Sarit made clear that economic development would be emphasised in his crusade to modernise Thailand. The national economy, he observed in early 1959,

\[\text{is beset with difficulties, [and] it is, therefore, time that something was done to save the beloved country from this plight and to lead it on the path of welfare and prosperity. } \ldots \text{[T]he Revolutionary Party...cannot brook anything lying athwart the path of progress. All obstacles...have, therefore, to be swept away.}\]

A crucial element in Sarit's strategy for economic development was the central role accorded to the private sector. Even before he took power, Sarit told an associate of his intention
to let the private sector handle more business activities than the Government; or at least, there should initially be cooperation between the private and public sectors, then let the private sector take charge.

Such a proposal demanded increased private investment, both domestic and foreign, a view endorsed by the World Bank report attempting to map out Thailand's 'path of progress.'

The Bank mission reported that the relative importance of manufacturing must be increased through private initiative, both domestic and foreign, and it urged the government to restore the confidence of private business. The government's role was to assist industry by granting promotional privileges, streamlining laws relating to business, improving credit, providing adequate infrastructure, encouraging import-substitution industrialisation, and implementing development planning. The initial phase of Thailand's first national development plan followed these recommendations almost to the letter.

Considerable prominence was accorded foreign investment, as this was the element of private investment considered to be the barometer of investor confidence and the 'business climate.' But the policies developed by the state apparatus to encourage foreign investment also applied to domestic investment, and it is these policies that will be examined here.

Under Phibun there had been some statements suggesting an improved receptivity towards foreign investment. In 1950, for example, the government said foreign investment was welcome, and foreigners would have the same rights as Thais, except in areas reserved by law for Thais. But the state also reserved the right to invest wherever it saw fit, so foreign investors were not encouraged by the welcoming statements because they failed to remove the threat of state intervention. The 1954 Act on the Promotion of Industries was another attempt to encourage private investment, but again on a restricted basis. As described by Khoonthong, its intent was to use hard currency and a stable market as a bait to attract industries of a certain minimum scale, in the expectation that they would contribute additional technical knowledge and foster a local raw material industry.

Assurances were given that industrial activities would not be nationalised and that profits could be freely repatriated, but in 1957 foreign investment was still low. Only one U.S. company had established a new operation and the World Bank's report attacked the 1954 Act as
confused in its wording [and] difficult to administer...[It] gives the impression that applicants will be penalized rather than helped...[and] there is excessive delay in dealing with applications.

During the 1957-58 interregnum an attempt was made to attract increased foreign investment, and the U.S. government tied its aid allocations to a demand for guarantees against nationalisation. There was considerable conflict within the bureaucracy on this matter, but no decision was made prior to the October coup.

By late 1958, with Sarit in power, private investment was placed at the forefront of the regime's new development strategy. It was conveyed to investors by the Thai Ambassador to the U.S., Visutr Arthayukti, in the following terms:

We feel that American businessmen will be interested in our [investment] offer. In putting your funds, your management talents and your experience in industrial enterprise in this part of the world [Thailand]...you would contribute not only to the economic betterment of...needy people under freedom and to the strength of their resistance to Communism, but, as we are members of the same human family, and you are the richer, you should also do it as a matter of moral obligation as well as self-interest. I sincerely hope that our American friends will go to Thailand and show...that the system of free enterprise is the best system.

Such language struck a resonant chord among anticommunist business leaders, and U.S. private enterprise became closely associated with the development of Thai industry.

Equally important, the U.S. government became involved in the formulation of Thai investment policies. With the assistance of the U.S. Operations Mission, the 1954 Act was withdrawn, and replaced by the Promotion of Investment Act (1960), and a Board of Investment was established. The new Act contained a specific guarantee for private enterprise, stating that the government would neither compete with nor nationalise any private industrial activity. It also allowed for the conditional repatriation of profits, the right to land ownership, some import duty exemptions, a two-year income tax holiday, and additional benefits the Board of Investment could grant in specific cases. This Act, however, did not immediately convince investors that a fundamental change of policy was taking place. In 1962 a revised Act was promulgated, designed to
provide more privileges and benefits to investors and to expedite the process of granting such promotional assistance. It remained in force for almost a decade (with minor changes), and provided for duty and business tax exemptions on imported capital goods and raw materials, five-year tax holidays, wider opportunities for profit repatriation, and increased discretionary powers for the Board of Investment. The Act had the desired effect, as an increasing number of companies applied for promotional privileges.

The Act was reinforced throughout the sixties by a number of other policy documents, developed on the assumption that 'economic development is essentially a process of increasing the rate of self-sustaining growth.' The influence of economic growth theory is clear in both the first and second development plans (1961-1971), which repeated guarantees to private enterprise and placed considerable emphasis on the acceleration of private investment, especially in industry. Because the theory held that industrialisation required foreign capital, technical skills and entrepreneurial abilities, the Acts encouraged increased foreign investment. In addition to providing promotional privileges, the Board of Investment regarded 'political and economic stability...as the key factors for economic development.' In essence, this emphasis on stability justified the continued military dictatorship from 1958 to 1973, while also recognising the importance of 'business confidence' in expanding accumulation.

While there were some domestic capitalists opposed to increased foreign investment, big domestic capital -- especially the banks and their industrial allies -- were keen to accelerate such investment. Big capital tended to agree with state managers on the need for increased foreign investment, skills and knowledge. There was much truth in these claims, but it could also be argued that the promotion of foreign investment, particularly in the form of joint-ventures, provided a sound political basis for the rapid expansion of domestic businesses. There were two factors at work. First, the privileges accorded to foreign investors also applied to locals. Second, the threat of nationalisation (to a joint-venture firm, or the harassment of Sino-Thai partners in these enterprises, was unlikely if Westerners and Japanese were also involved -- especially at a time when a stridently pro-American foreign policy was being pursued.

In the decade 1960-69, the registered capital of firms promoted by the Board of Investment totalled 6.18 billion baht, of which just over two billion baht was foreign capital. By this measure, the provisions of the various acts certainly accelerated foreign investment, and contributed to the rapid growth of the economy. By the time the third development plan was being drawn up, however, the rate of growth had begun to slow, mainly due to
a decline in U.S. aid and military expenditures, decreased demand for Thailand's commodity exports, and a drop in foreign investment. International economic changes, including alterations to monetary policies in the advanced capitalist nations, also had an adverse effect on the economy. A new spirit of economic nationalism emerged, stimulated not only by these international changes, but also by balance of payments and trade problems, and the developing belief among some state managers, business people, and Bangkok intelligentsia that Thailand was being exploited by the rich countries. Simultaneously, a re-vitalised political nationalism emerged, as many of these same people came to see Thailand as the handmaiden of U.S. policy in the region. The presence of thousands of American service personnel led some, notably Kukrit Pramoj, to argue that society was being corrupted by Western values. The 1968 Tet offensive in Vietnam indicated some of the pitfalls of following the U.S. and, from this time on, there were repeated calls for curbs on the activities of the U.S. military and foreign investors.

Much of the agitation against foreign 'domination' was directed against the Japanese. As early as May 1968, it was reported that some officials were concerned that the Japanese were not as willing as the Americans to enter into joint-venture arrangements with local capitalists. By late 1969, some domestic capitalists began to complain of foreign domination. The vice-president of the Thai Contractors' Association stated that his members were worried that business opportunities were falling into the hands of foreigners, and in 1971 the president of the Thai Chamber of Commerce and the Board of Trade, Charoon Sribunruang, claimed that there was a fear among local capitalists that the Japanese wanted to dominate the Thai economy. In July 1971, a group of thirty business and trade associations joined to form the Union of Trade, expressing their concern over foreign domination. There was more than a measure of truth in their complaints, for during these years Japanese investment expanded considerably. Between 1951 and 1966, Japanese direct investment amounted to $41 million, but from 1967 to 1972 this figure increased to $130 million.

The effects of political agitation became evident in the third plan and in the 1972 Investment Promotion Act. The plan continued to emphasise the development of the private sector, but also provided that the government would promote the position of Thais in the economy, encouraging them to 'play a greater role or hold a larger share in industries with foreign investment.' The 1972 Promotion Act introduced a degree of flexibility into the promotional process, allowing the Board of Investment to determine the 'appropriateness' of industrial proposals. More wide-ranging suggestions to limit foreign business operations were canvassed, and new legislation banning 'aliens' from 12 kinds of business was implemented. This brought strong
protests from foreign investors. Intense pressure from the West German and U.S. governments led to a degree of watering-down of some anti-foreign business legislation, but economic nationalism received further impetus following the overthrow of the military dictatorship in October 1973.

In the early seventies, economic nationalism was not necessarily seen as a threat to the interests of domestic capitalists. While those commercial capitalists specialising in the importation of consumer goods were concerned about campaigns against foreign goods, some industrial capitalists found public support helpful in obtaining concessions in state policy such as increased tariffs. More importantly, the pressure applied to Japanese investors forced some revisions in their operations in Thailand and in Japanese state policies. In 1971, for example, the Japanese government cut import duties by fifty to one hundred percent on a range of Thai products, increased loans to the Thai government, and agreed to buy more Thai goods. Some Japanese firms also began to appoint Thai managers to their companies and to increase joint-venture participation. The overthrow of the military regime brought increased pressure on foreign firms, as the political and economic aspects of nationalism were brought together, especially by students. The latter drew connections between corrupt state managers and foreign investment and influence, and argued that such alliances could only be destroyed if there was a thorough restructuring of society. By the middle of 1974 the important element of business 'confidence' was beginning to wane under the weight of activist campaigns which referred to 'blood-sucking Japanese, Americans and Taiwanese imperialist-capitalists.'

Japanese officials and industrialists began advising their government to halt further investments, and the Mitsui and Mitsubishi companies shelved investment plans. The reasons for this were said to be instability, strikes, 'anti-Japanese activities and all the talk about Japan exporting pollution.' The chairman of Mitsui, Hashimoto Eiichi, stated:

> If the anti-Japanese movement of students represents the opinion of the government and people of Thailand, we will have to consider cutting down our investment....There is no sense investing in a place where we are not welcomed....Great Mitsui is not like those small companies which are so small that, come what may, they need to earn profits in Thailand.

As strikes and demonstrations continued, and as Thai political leaders appeared increasingly unable to control events, local and foreign capitalists began to withhold
their investments (see Appendix, Table VII). These actions can only be described as an investment strike.

Thai capitalists, state managers, and foreign investors began to urge that more state incentives and assurances be given to investors. Chow Chowkwanyuen, head of the powerful Thai Oil Refinery Company, described the investment situation as an 'emergency,' while the Board of Investment urged the government to reassure investors of state support. Many were concerned to see thousands of people marching on the U.S. Embassy carrying placards that read, '[President] Ford you are a dirty pig,' and burning effigies of Uncle Sam. As one foreign oil executive put it when explaining his company's sudden disinterest in Thailand, 'when Pan Am overflies Bangkok because of demonstrations at the U.S. Embassy, you can imagine what the investment climate has become.' Such perceptions were echoed by U.S. Ambassador Charles Whitehouse, who announced that the investment climate had deteriorated due to the 'unsettled political climate' and expressed doubts as to whether Thais wanted foreign investment.

Not surprisingly, state managers and elected leaders tended to agree with these assessments. Premier Kukrit Pramoj affirmed that foreign investors were worried by labour unrest, strikes, and opposition to investment:

In my view, I do not think foreigners have really taken advantage of the Thais....[B]ecause we welcomed them, they expanded their businesses and investments here. In a way, it was mutually beneficial....

He added that the 'new democratic Thailand welcomes ... foreign business and investment,' suggesting that:

For the long-term good of all, foreign firms which have a policy of phasing in Thai nationals...and also turning over foreign equity...are those firms which are most welcomed.'

Even with these assurances the investment strike continued.

When the military staged its October coup, it was in the name of stability and order, and business and foreign governments responded positively. Only one day after the coup, the Japanese extended recognition to the new regime. This was followed by announcements welcoming foreign investments, especially by the previously vilified Japanese. By early 1977, U.S. Ambassador Whitehouse said he was sure investor confidence was returning, since
Thailand was again a 'more secure and attractive place to invest.' U.S. military and economic aid expanded as the new government 'smashed through the administrative log-jam that for years has been holding up foreign investment.' Foreign investment projects valued at 10 billion baht were approved. The new premier, Thanin Kraivixian, left no doubt about his attitude to foreign investment:

I have a vision of bright sunshine over Thailand. At the same time as I can see so many people here, I can also see American dollars, Deutschemarks, pounds sterling, French francs and other foreign currencies flowing into Thailand for our happy reunion.

He appealed to domestic capitalists also, urging them to bring back the capital they had invested elsewhere. But despite Thanin's assurances, many domestic and foreign capitalists continued to lack 'confidence.' His dictatorial methods did not seem to bring the desired stability, and even the new 1977 Promotion of Investment Act was not greeted with any great enthusiasm. Only after Thanin was replaced by the more conciliatory General Kriangsak did investment levels begin to rise.

The period from 1973 to 1976 also saw a swing away from import-substitution industrialisation to a more export-oriented approach (which will be discussed in more detail below). The fourth development plan (covering the period from 1977 to 1981) again urged foreign investment, but economic growth was to be tempered with 'social justice,' and there was an emphasis on decentralisation, employment, and income distribution. The government was to become more selective in its promotion of investment, stressing agro-industry, minerals and metals processing, export-oriented industries, and import-substitution industries utilising domestic raw materials (such as chemicals). This policy reflected two major factors: the development of Thai capitalism to a level at which it was outgrowing trading and import-substitution production, and also the advancement of international capitalism to a level at which it was actively relocating and restructuring economies on a global scale. Moreover, it marked the era of structural adjustment lending by the World Bank and the IMF. The resulting policy, which would be beneficial to both foreign and domestic capital, received its first public statement in 1980 when Deputy Prime Minister Boonchu Rojanastien announced an open-door policy dubbed 'Thailand Incorporated.' Boonchu envisaged the country being run like a business with a comfortable niche for transnational corporations. Implicit in this was the idea that Thais would retain control of economic policy-making, but that
there would be fewer restrictions on the movements of capital, both domestic and foreign.

Boonchu did not seem to have a great many supporters within the government, and he was soon moved aside. But as the eastern seaboard project developed, relations between the state and foreign and domestic investors progressed along the lines envisaged by Boonchu. The scale of the project was unprecedented: it required an estimated investment of forty-six billion baht, and the imported machinery and technology was to be financed by foreign loans. The project was included in the fifth plan (1982-1987), and required a 'tuning down' of investment growth rates as well as large trade imbalances and exacerbated balance of payments problems. These problems were targeted at the end of the fourth plan, and it was believed that only massive industrialisation could eventually overcome them and provide increased employment opportunities. In the short-term, the problems could only get worse, but state managers considered this a necessary cost in moving Thailand into the ranks of the newly industrialised countries.

Policy in the investment promotion field has illustrated many of the contradictions of policymaking in a capitalist system composed of competing fractions of capital, with some fractions operating at the national level and others at the international level. Foreign investment has been a hotly debated subject, and despite much factional conflict, state policy has tended to reflect the debates. While the policy documents have sometimes questioned whether or not foreign investment is advantageous for Thai capitalism, they have never questioned the predominance of capitalism. Who then has benefited from these promotional policies?

The evidence suggests that domestic capital has benefited greatly from the state's promotional activities. Bank of Thailand figures on foreign investment indicate that estimated foreign investment stood at eight hundred million baht by 1954 (excluding foreign bank assets), with net direct investments of just seventy million baht in the 1955-60 period. After 1960, however, foreign capital inflows increased considerably (see Table 10).

While significant, direct foreign investment has not swamped domestic investors. The inflow of direct foreign investment has been relatively low not only in domestic terms, but also in comparison to other countries of the region. The total inflow of foreign capital, loans, and investments has only been exceptionally large during the 1978 to 1983 period. Much of this increase is accounted for by large loans and credits to government enterprises especially for such initiatives as the eastern seaboard project. Only to a lesser extent has it gone to private enterprise. The resulting increase in debt has been of
concern to many state managers and domestic investors. The
trend towards financial transfers is especially strong and
while such transfers do not involve the same level of control
over the investment decisions of individual capitalists and
companies as do direct foreign investments, the supply of
large loans and credits by international agencies and private
transnational banks give these agencies and banks a consider­
able stake in the future direction of development. As a
result, they often have a strong desire to influence the
course of the development decision-making process.

TABLE 10 [a]
CAPITAL INFLOWS AND GROSS FIXED CAPITAL FORMATION,
1960-1986
(in millions of baht)

<table>
<thead>
<tr>
<th>Period</th>
<th>Gross fixed capital formation</th>
<th>Direct foreign investment (1)</th>
<th>Percent (2)</th>
<th>Other inflows (3)</th>
<th>Total inflow (2)+(4) (5)</th>
<th>Percent (6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-62</td>
<td>25,962</td>
<td>337.8</td>
<td>1.3</td>
<td>2,373.1</td>
<td>2,710.9</td>
<td>10.4</td>
</tr>
<tr>
<td>1963-65</td>
<td>42,589</td>
<td>1,591.3</td>
<td>3.7</td>
<td>2,843.4</td>
<td>4,434.7</td>
<td>10.4</td>
</tr>
<tr>
<td>1966-68</td>
<td>72,967</td>
<td>2,704.7</td>
<td>3.7</td>
<td>1,990.1</td>
<td>4,694.8</td>
<td>6.4</td>
</tr>
<tr>
<td>1969-71</td>
<td>96,272</td>
<td>2,756.4</td>
<td>2.9</td>
<td>3,586.9</td>
<td>6,343.3</td>
<td>6.6</td>
</tr>
<tr>
<td>1972-74</td>
<td>137,960</td>
<td>6,868.3[c]</td>
<td>5.0</td>
<td>8,134.3</td>
<td>15,002.6</td>
<td>10.9</td>
</tr>
<tr>
<td>1975-77</td>
<td>240,988</td>
<td>5,522.7</td>
<td>2.3</td>
<td>22,404.5</td>
<td>27,927.2</td>
<td>11.6</td>
</tr>
<tr>
<td>1978-80</td>
<td>438,105</td>
<td>5,874.5</td>
<td>1.3</td>
<td>72,637.4</td>
<td>78,511.9</td>
<td>17.9</td>
</tr>
<tr>
<td>1981-83</td>
<td>579,110</td>
<td>18,893.7</td>
<td>3.3</td>
<td>84,239.0</td>
<td>103,132.7</td>
<td>17.8</td>
</tr>
<tr>
<td>1984-86</td>
<td>716,761[d]</td>
<td>20,697.3</td>
<td>2.9</td>
<td>66,229.6</td>
<td>86,926.9</td>
<td>12.1</td>
</tr>
</tbody>
</table>

Sources: Various issues of the Bank of Thailand's Bulletin
and National Income of Thailand (Bangkok, NESDB).

Notes: [a] The data in this table are updated and
significantly revised from that which appears in Hewison,
"National Interests and Economic Downturn," p. 59. The
revisions were necessary due to errors in calculating the
figures for 1960-62 and 1978-83, and the availability of
more recent data.

[b] This figure includes loans and credits to
government and private enterprises, trade credits, and
portfolio investment.

[c] Included in this figure is a 1974 oil concession
fee of 1.07 billion baht.

[d] 1986 figures are estimates.
If the data on the paid-up capital of newly registered companies and partnerships for the period 1959-83 are collated (as they are in Table VII of the Appendix), the trends towards increased domestic ownership and investment can be confirmed. Despite questions of definition (for example, is a 'Chinese' company 'foreign' or 'domestic'?), it is clear that Thai companies have been predominant and are increasing their dominance. However, in contrast to domestic capital, foreign investment will generally be concentrated in the larger-scale, higher value-added industries. But according to available data, it would seem that Thai capital has also begun to move into these higher-level investments. During the 1960s, 'other' investment (meaning 'foreign') was, on average, larger than Thai investment in new companies (except for 1966 and 1968). In the seventies, however, the average size of investments by Thai capital often surpassed that of foreign investors (both in 1970-71 and 1975-79). Since then, Thai investments have consistently been larger. The data also suggest that much of the recent capital inflow has been for purposes other than the establishment of business ventures in the private sector.

Foreign investment has concentrated on productive sectors of the economy. Between 1970 and 1980, 58 percent of foreign investment went into industry, construction, and mining, while only 1 percent went into agriculture. Even in manufacturing, however, domestic capital retains a strong position (see Table 11). In the financial sector, domestic capital is overwhelmingly predominant (see Table 12).

While the data for the financial sector (in Table 12) is reasonably accurate, the data in Table 11 gives but a rough indication of the extent of foreign ownership and control in the sectors indicated. Real ownership and control is often submerged in a complex web of interlocking directorships and shareholdings. One example is the textile industry. Although generally considered to be foreign-dominated, ownership appears to be split between foreign investors (mainly Japanese and Taiwan-based Chinese) and Thais. It is important to note, however, that registered capital -- on which the data is based -- is not necessarily an accurate reflection of real ownership or control. This is certainly the case in the textile industry. Textile companies have raised most of their capital in Thailand, and industry sources estimate that the Bangkok Bank, alone financed 70 percent of the industry in the 1970s. Such complicated patterns make it difficult to assess foreign ownership.
TABLE 11
ESTIMATED OWNERSHIP OF VARIOUS SECTORS
OF THAI MANUFACTURING INDUSTRY, 1980

<table>
<thead>
<tr>
<th>Sector</th>
<th>Foreign-owned (percentage)</th>
<th>Thai-owned (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Automobiles</td>
<td>55.5</td>
<td>44.5</td>
</tr>
<tr>
<td>2. Textiles</td>
<td>54.7</td>
<td>45.3</td>
</tr>
<tr>
<td>3. Petroleum</td>
<td>96.0</td>
<td>4.0</td>
</tr>
<tr>
<td>4. Cement</td>
<td>[a]</td>
<td>100.0</td>
</tr>
<tr>
<td>5. Sugar</td>
<td>2.0-10.0</td>
<td>90.0-98.0</td>
</tr>
<tr>
<td>6. Tin</td>
<td>90.0</td>
<td>10.0</td>
</tr>
<tr>
<td>7. Steel</td>
<td>20.0</td>
<td>80.0</td>
</tr>
<tr>
<td>8. Milk</td>
<td>6.0-70.0</td>
<td>30.0-40.0</td>
</tr>
<tr>
<td>9. Soap products</td>
<td>65.0</td>
<td>35.0</td>
</tr>
</tbody>
</table>

Sources: For sector 1, Business in Thailand, May 1980, pp. 112-113 (calculations based on registered capital); for sector 2, Business in Thailand, August 1976, pp. 61-64 (calculations based on registered capital); for sectors 3-9, Krirkkiat, Wikhro, pp. 147-243 (calculations based on total assets in 1978-79).

Notes: [a] negligible

TABLE 12
FOREIGN OWNERSHIP IN THE THAI FINANCIAL SECTOR, 1979

<table>
<thead>
<tr>
<th>Financial sector</th>
<th>No. of foreign companies</th>
<th>Assets (million baht)</th>
<th>Percentage of market controlled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial banks</td>
<td>14</td>
<td>18,106</td>
<td>6.15</td>
</tr>
<tr>
<td>Life insurance</td>
<td>3</td>
<td>1,282</td>
<td>32.10</td>
</tr>
<tr>
<td>Other insurance</td>
<td>9</td>
<td>447</td>
<td>16.15</td>
</tr>
<tr>
<td>Investment and securities [a]</td>
<td>15</td>
<td>13,797</td>
<td>27.58</td>
</tr>
</tbody>
</table>

Source: Krirkkiat, Wikhro, p. 258.

Note: [a] Includes joint-ventures and foreign-owned companies registered in Thailand.

Perhaps more reliable are data from the Board of Investment, the most important state body involved in investment promotion. These show that more than 75 percent of total registered capital in promoted firms was classified as Thai in 1979. This continues a trend begun in the
sixties and seventies, when the Thai percentage of registered capital only dipped below 60 percent in one year (1968), and thereafter showed a general increase. In 1980, the registered capital of firms issued with promotional certificates was classified as 78 percent Thai, and almost 83 percent for firms beginning operations. About half of all firms were Thai-owned, while the other half were joint-ventures; very few wholly foreign-owned firms have been promoted by the Board of Investment since the early 1970s.

Akira has recently attempted to determine the extent of foreign ownership through a survey of Thailand's largest companies. He defines a 'foreign' company as any company in which foreigners own 30 percent or more of total shareholdings. The corollary of this is that 'Thai' companies are defined as those with shareholdings at least 71 percent Thai. While there is no doubt that minority shareholdings can mean control of company decision making, this should be equally applicable to Thai as well as foreign shareholdings. Even with his one-sided definition, Akira indicates that in 1979, 91 percent of the assets of the largest 100 banking, finance, and insurance firms were controlled by Thai shareholders. For the largest two hundred firms in manufacturing and mining, 41 percent of sales were by firms controlled by Thai shareholders, and for the largest two hundred firms in services and commerce, 49 percent of sales were in the same category. There are, in addition, thousands of firms not included in Akira's calculations. In 1979, for example, there were about 1,500 firms with capital in excess of one million baht, and 5,388 new companies and partnerships formed (Appendix, Table VIII). The conclusion that domestic firms dominate the Thai economy cannot be avoided. Foreign companies do remain a major force within the Thai economic structure, but domestic capitalists retain a dominant position in many key sectors, most notably finance, and have significant control in most other important sectors. Early in the country's attempts to promote investment, former prime minister and businessman, Pote Sarasin argued that Thailand's industrial growth...must be based upon a built-in private enterprise system with minimum government interference. By this I mean that the government must take it as its responsibility to ensure that there always exists an economic environment conducive for the growth of private investment, both foreign and local. The government must not in any way obstruct the path of private industrial growth.

The statistical evidence suggests that considerable success has been achieved.
There was, however, a price to be paid, the most easily quantified portion of which is the loss of capital, as foreign enterprises repatriate profits and loans are repaid. Between 1966 and 1978, almost twenty-seven billion baht in outward remittances were reported (or about 142 percent of direct foreign investment and 44 percent of total capital inflows). The increase in financial flows for large-scale industry will lead to a further rise in this figure. It seems that the net inflow of capital from foreign investment occurs only in the initial stages of foreign enterprise operations, and becomes an outflow once firms are established and operating profitably.

Other components in the price of foreign investment include: 1) the transfer of technology is really the sale of commodities in a nearly monopolised market, and the most modern technologies are seldom available to countries such as Thailand; 2) because Thai personnel are rarely given high-level training, the transfer of skills is problematic; 3) few Thais are given the opportunity to achieve top managerial positions in foreign-controlled companies, thus minimising the transfer of entrepreneurial skills; 4) increased employment opportunities in large, foreign-capitalised firms are often offset by the destruction of jobs in smaller, local firms unable to compete; and 5) since foreign investment is concentrated in Bangkok, producing for city-dwellers, the benefits of foreign investment are limited to relatively wealthy urbanites.

It would seem, however, that state managers and powerful domestic capitalists agreed that foreign investment was affordable. As one official explained:

We fully realize that, by leaving the economy wide open...we run certain risks of being exploited; in certain circumstances, we may even appear to compromise certain aspects of our sovereignty. But we firmly believe that the...nation can meet this challenge...[for we] are short of capital, technical know-how, and managerial ability....

Indeed, the largest and most profitable companies were, to a significant degree, Thai-owned by the 1980s. As will be discussed below, the development of Thai capital during the 1958-80 period owes much to the state's promotional policies.

Development strategies

Thai development strategies have been closely linked with promotional policies, with the latter designed to enhance the former. After 1958, the state accentuated two basic industrial development strategies:
import-substitution industrialisation (ISI) and export-oriented industrialisation (EOI). Some have questioned whether Thailand has ever had a clear and concrete industrialisation policy, 19 but in fact, first ISI and then EOI strategies have been at the core of industrial development policy since the demise of state-led industrialisation.

As shown in earlier chapters, the combined effect of the Depression and World War II convinced many policymakers that industrialisation was essential if economic hardships were to be avoided. But state-led industrialisation was uncoordinated, and planning seldom extended beyond individual enterprises or industries. By 1958 the desire for industrial development had, for some, become a crusade. One commentator, So Sethaputra, charged that a race is now on in earnest among the nations of South and Southeast Asia to industrialize their economies. In this race Thailand is in grave danger of being left behind.

Sarit's regime promised a new approach to industrial development.

Initially, the Sarit administration trumpeted its support for industrialisation, but in terms of planning and coordination, there was little to distinguish it from the previous regime. As balance of trade and payments problems emerged, however, there was a strong motivation for reducing manufactured imports. Selective import bans were introduced, but these proved unsuccessful as they were not coupled with any promotion of domestic manufacturing to overcome shortages created by the bans. Even the cajoling and threats of officials could not reduce the import bill. ISI, advocated by the Bank of Thailand, ECAFE, and the U.N. appeared as the most likely strategy for escaping the bind of deficits in the balance of trade and payments.

In general terms, ISI aims to establish industries which will produce goods that would otherwise be imported. As an ECAFE study noted, however, ISI is not meant to reduce total imports, but rather to save foreign exchange in order to allow for the expansion of capital goods imports or certain basic consumption goods. Yet in the early sixties, Thai state managers had the perception that ISI would reduce imports. A successful ISI strategy demands that domestic manufacturing industry be protected by either import restrictions or high tariffs, and beginning in 1960 the state began to erect tariff walls to protect manufacturers. It should be emphasised, how-
ever, that the state did not simply decide, of its own accord, to implement an ISI strategy for domestic industry. Contemporary reports show that domestic industrial capital exerted strong pressure for this kind of protection. When announcing increased import tariffs in late 1960, the minister for finance stated that the committee which recommended the new schedules was brought together following appeals by local industrialists for protection against cheap imports. Banjurd Cholvijarn, a prominent banker and president of the Thai Chamber of Commerce who was also close to Sarit, was very critical of the lack of control placed on merchants. He said they were creating a "terrible grade imbalance, and urged strict import controls." Such pressure for increased tariffs could not easily be ignored.

The adoption of the ISI strategy did not immediately sound the death-knell of the state's industrial activities, for ISI was equally applicable to state enterprises. Although the Sarit regime shifted its investment priorities toward infrastructural development, it did not embark on a massive dismantling of state manufacturing enterprises. State firms' contribution to the total economy remained small, accounting for just 2.5 percent of the total manufacturing workforce in 1960 (see Appendix, Table I), and only 2.4 percent of the GDP -- a decrease from 2.9 percent of GDP in 1957. Yet the commitment to state manufacturing remained strong in some sections of the bureaucracy, most notably the Ministry of Industry. Sarit realised this and established the Board of Investment to counterbalance the ministry and to oversee investment and industrial development. The board promoted investment, both foreign and domestic, and pursued the ISI strategy in its purest form, but continually encountered opposition from the Ministry of Industry. Thawee Bunyaket, the head of the board, and Boon Charoenchai, the minister of industry, clashed on a number of occasions, and the former often resigned during such disputes -- yet in each case Sarit persuaded him to stay on. Thawee's main complaint was that while the board could grant promotional privileges, it was possible for the Ministry of Industry to delay the issuing of factory licences and thus nullify the board's actions. Following Sarit's death, Thawee's on-again, off-again resignation was accepted and he was replaced by Pote Sarasin. Thawee had complained that despite statements to the contrary, Thanom's government was promoting state enterprise. Boon claimed that it was his duty to protect all industry, including state enterprises. With Thawee out of the way, Boon seemed to be in a strong position, but late in 1964 he too was replaced. Despite some criticism of the Ministry of Industry in later years, something of a truce emerged: state enterprises were maintained, yet ISI expanded, and, more recently, EOI has been promoted.
It can be said that the ISI strategy remained dominant throughout the 1960s, supported by the Board of Investment, the Bank of Thailand, the National Economic Development Board, and domestic manufacturers. Their position was reflected in policies especially promotional policies and development plans. The success of the ISI strategy is usually measured in purely economic terms, but the available assessments are ambivalent. They suggest that while ISI and protection aided the balance of payments problems and stimulated the development of some import-substituting industries (notably consumer durables, machinery, and petroleum products), there have also been significant negative effects. These include uneven development, especially an exacerbation of the bias toward urban areas, increased income disparities, and discrimination against export industries. Moreover, ISI induced only a slight decline in the proportion of manufactured imports to total domestic demand and, paradoxically, led to an increase in total manufactured imports.

In terms of political economy, however, significant changes did take place under the ISI approach. First, important structural changes occurred, most notably in the manufacturing sector, which increased its contribution to GDP from 12.5 to 17.5 percent during the sixties (see Table 8). Its annual growth rate averaged 11 percent (at constant 1962 prices) over the period. Second, high rates of protection encouraged domestic investment. Akira notes that it was during the sixties that most of the big domestic manufacturing groups got their start, many beginning as joint-ventures and producing for the domestic market. In addition, the development of domestic manufacturing advanced the whole process of capital accumulation, especially for the banking and industrial capitals (as will be discussed in the following chapters). For example, since the late 1950s the Sophonpanich family has firmly established its control over the Bangkok Bank, and the bank has become a leading investor and financier in manufacturing. Other bankers took advantage of ISI policies and expanded into industry, to such an extent that banking families have become predominant in the economy (see Chapter 8). As Pasuk has explained:

The precondition for a real strategy of industrialisation is...the existence of a powerful class of indigenous industrialists, who stand to gain from a major industrialisation of the economy, and who can over-rule the interests of middle-class consumers, merchants and foreign enterprises...[on the question of] a liberal import policy.

This was certainly the case in Thailand when ISI was at its peak.
By the late sixties, however, the expansion of manufacturing was bursting the seams of the ISI strategy. Manufacturing had outgrown the relatively small domestic market, leading to overproduction and excess capacity. As early as 1966 the Bangkok Bank began urging an expansion of manufactured exports and a revision of tariff schedules to aid local manufacturers, especially those producing for export. In 1967, the industry minister told an ECAFE meeting that it was 'inevitable,' given the pace of industrialisation, that 'external markets for the export of our manufactured and semi-manufactured products must be found to supplement our rather limited national markets.' Again, however, a policy conflict developed between the Ministry of Industry (which, by this time, favoured a more export-oriented approach) and the Board of Investment (which continued to promote ISI).

The decline of the ISI strategy was hastened by domestic and international developments. Domestically, excess capacity became a serious problem, and growth in the manufacturing sector slowed to 7.5 percent in the period between 1970 and 1972, and was matched by a drop in manufacturing investment. In 1969, domestic capitalists began to increase pressure for a revision of trade policies, with the ubiquitous Thawee Bunyaket, then president of the Thai Industries Association, urging both increased protection for domestic industries and more incentives for exporters. Simultaneously, growing fiscal problems forced the government to look towards EOI as a means of rectifying trade deficits. Internationally, higher inflation in the West and exchange rate fluctuations made Thai manufactures more attractive on the world market. State policy makers began to recognise these changed circumstances, and in 1971 the Board of Investment announced tax incentives and promotional funds for export manufacturers. These benefits were further enhanced in 1972, when the Promotion Act was revised and export targeting was introduced. The icing on the EOI cake was the formal recognition of the strategy in the third development plan -- even if ISI was not to be completely abandoned. From 1970 the value of manufactured exports began to expand at an exponential rate, rising from $40 million in 1970 to $270 million just three years later. This trend has continued, with at least 30 percent of total exports in 1983 accounted for by manufactured goods, compared to about 15 percent in 1972 and just 5 percent in 1965 (see Appendix, Table IV).

The publication of the fourth development plan (for the period from 1977 to 1981) showed the ascendency of the EOI approach, at least in terms of state policy. It was a policy congruent with World Bank recommendations to emphasise labour-intensive, export-oriented, and decentralised industries. By 1980 the Thai government had become the fifth-largest recipient of World Bank loans, borrowing $542 million in the 1979/80 fiscal year. This was twice as much as in the previous year, and clearly indicated the
government's acceptance of the World Bank's preference for the EOI strategy. As ISI had seemed to hold the formula for development in the sixties, EOI had been elevated to this position by the late seventies, and the state looked to massive export increases to reduce trade deficits. Boonchu's vision of 'Thailand Incorporated' was the logical extension of such policies. To a large degree, the eastern seaboard project represents a step down this path as well, with state management of huge investments from international finance capital and domestic investors. But the EOI strategy did not completely replace the ISI model; as Prime Minister Kriangsak explained in 1979, the issue was not one of ISI versus EOI, but rather of giving priority to export promotion while also continuing to meet domestic consumption requirements.  

The emergence of a more export-oriented strategy also reflects the further development of Thai capital. The growing strength of domestic industrial capital is shown by the fact that in many areas of manufacturing, the ISI approach has been outgrown. Under the protected and promoted conditions of an ISI strategy, industrial capital was able to expand and develop to a state where it was, in some important cases, outgrowing the domain of the Thai nation and developing a more international character. Large, highly centralised and concentrated corporate groups emerged as the most powerful elements in the economy — especially in banking and industry — and began demanding export-oriented strategies reflective of their greater internationalism.  

The greater influence of such big capitalists over state policy is indicated by the priority given to export promotion. The power of banking capitalists over the fortunes of the national economy is clear: in 1983, the total assets of Thailand's sixteen domestic commercial banks amounted to nearly two-thirds of estimated GNP. State managers are constrained by such economic realities, and it is imperative that they continue to maintain and promote domestic capital.

**Policy towards the working class and organised labour**

As part of its efforts to provide the conditions for accumulation, the state has consistently taken the side of capital in its disputes with labour, and severely curtailed the rights of workers to organise. One of the major tasks of a capitalist state, of course, is to support the interests of capital against those of the working class.  

When Sarit came to power he immediately banned unions, incarcerated some two hundred labour leaders, and announced that he would 'eliminate all behaviour which caused disunity.' Unions clearly fell into this category. His 'Thai-style democracy,' where the government knew what was best for all, became the order of the day.
Strikes were forbidden, but even so 82 strikes were reported between 1958 and 1968, as some workers risked imprisonment in order to demand their rights.

Reflecting the thinking of employer groups in the early sixties, the Siam Rath Weekly Review argued that draconian anti-labour laws were justified in the interests of order. Labourers were said to be easily led astray, and easily incited by the 'ruses and wiles' of communists. In any case, the Review suggested that Thailand exhibited no conflict between employers and employees, and therefore labour disputes were 'unnatural'.

Both local and international capitalists were generally satisfied with a repressive situation which allowed for low wages without fear of retaliation by labour. Certainly, the big capitalists actively encouraged state policy in this area, and concurred with the state's reasoning on the need to ban strikes and unions. The Bangkok Bank claimed:

We have found from past experience that whenever trade unions are allowed...they fall into the hands of undesirable elements who use the trade unions as a tool to subvert the democratic working of Government. Therefore, for security reasons, it has been found necessary to prevent the functioning of any trade unions.

As far as the Bank was concerned, the problems between workers and capitalists could best be resolved by the government itself setting as a safeguard to prevent any employer from indulging in any malpractices....It will be in a position to take appropriate measures to prevent any employer from exploiting his workers.

Not unexpectedly, having abolished the inadequate labour legislation of 1956, the government did not see the need for new legislation. It was not until 1969 that another law was drafted, which was only to be promulgated in 1972. The legislation was again inadequate and unworkable mainly due to its inordinate complexity. Therefore, between 1958 to 1972 the only legal protection a worker had was a 1965 Act on dispute settlement which was designed more for the employer than employee. The logic of this situation was explained by Thien Ashakul, the Director-General of the Labour Department:
In a developing country an industrial system without any constraint impairs the very objective -- productivity, that the nation has set to achieve. It is only by high productivity that the aspirations of the people can be realised and it is only with industrial peace with full and free participation by all parties that productivity can be materialised.

The interests of capital, rationalised in such terms, had to be met in state policy. But, but the 1970s, the situation of many workers had become unbearable.

In 1970 and 1971, reports of gross oppression of workers became commonplace. Some 500,000 factory workers were receiving wages of just 7-10 baht a day -- barely adequate for food -- and thousands were forced to sleep at their workplace. There was little or no compensation for overtime, holidays, accidents, or sickness, and there was no security of employment. Working conditions were often unsafe and unhealthy, and child labour was not uncommon. While workers paid dearly with their health, labour, and lives, capitalists continued to accumulate. Table 13 gives an indication of the degree of exploitation in the industrial sector.

TABLE 13

<table>
<thead>
<tr>
<th>Size of Firm (no. of employees)</th>
<th>No. of Firms</th>
<th>Average Profit/Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>9,134</td>
<td>11,300 baht</td>
</tr>
<tr>
<td>6-9</td>
<td>6,761</td>
<td>7,600</td>
</tr>
<tr>
<td>10-49</td>
<td>1,775</td>
<td>9,900</td>
</tr>
<tr>
<td>50-99</td>
<td>374</td>
<td>34,100</td>
</tr>
<tr>
<td>100-249</td>
<td>184</td>
<td>31,800</td>
</tr>
<tr>
<td>250-500</td>
<td>71</td>
<td>61,400</td>
</tr>
<tr>
<td>500-1,000</td>
<td>24</td>
<td>19,700</td>
</tr>
<tr>
<td>more than 1,000</td>
<td>17</td>
<td>46,300</td>
</tr>
</tbody>
</table>

Source: Sarkar, p. 31.

Such exploitation was compounded between 1971 and 1973 by a domestic economic slump and inflation, and strikes began to occur with some regularity. Between 1969 and 1972 there were 108 officially recorded strikes involving more than 21,000 workers. Japanese firms were hit hard by industrial disputation, and Japanese managers began to urge an improvement and expansion of legalisation.
relating to labour and unions. As the demise of the military regime appeared more likely, and as strikes mushroomed (numbering 501 in 1973 alone), some domestic capitalists grew more intransigent. For example, the president of the Thai Chamber of Commerce, Ob Vasuratna, claimed that the labour laws were biased against employers, and required urgent revision. By October 1973, with the installation of a civilian administration, workers had far more freedom to organise and oppose the class which denied them a decent standard of living. Between 1973 and 1976 there were 716 strikes involving about 261,000 workers.

Initially, few capitalists were concerned about increased industrial action as they were able to either resist workers' demands, make small concessions or, in the case of big capitalists, meet the demands. However, as strikes multiplied, the first warnings to workers were issued by Thai capitalists. Major-General Pramarn Adireksan, then president of the Association of Thai Industries and a leading political figure, stated that strikes remained technically illegal and warned that serious economic problems would result if strikes did not cease. Not long after, there were declines in both domestic and foreign investment levels. Coupled with the defeat of the U.S. and its allies in Indochina, wealthy Thais began to channel their money overseas, and Thai capitalists and state managers became increasingly determined to defeat the workers. For its part, the government repeatedly used its repressive powers (augmented by privately-hired thugs and assassins) to break strikes. In one instance, one hundred anti-riot police were used to smash picket lines established by women textile workers; in another, about two hundred right-wing thugs were apparently hired by the management of the Dusit Thani Hotel to break a strike in 1975.

Despite repression, unions did manage to push the state to double the minimum wage in Bangkok. Thai capitalists, foreign investors, and factions within the military, however, decided that labour militancy and growing instability in the political and business climate could not continue. The military returned to power in 1976, with the new administration seeking to rectify the situation for business.

The new Thanin regime adopted a paternalistic and authoritarian attitude towards labour, reminiscent of the Sarit period. But whereas Sarit refrained from publicly denigrating labour, Thanin did not:

Not a small number of Thais are lazy. No one will deny this fact. This is a major cause of poverty in our land. A large number of us work on a day-to-day basis. If they earn more, they stop working; but, more, they also turn to
drinking and gambling. When they earn extra income, they think it is time to celebrate.\textsuperscript{142} Such attitudes influenced state policy for a short time, and confrontation again loomed. But changes of government in 1977 and 1980 brought a more conciliatory stance, which was designed to develop a more regularised relationship between capital and labour.\textsuperscript{143} Nonetheless, conflict continued. In 1978, trade union and labour militancy led to a 244 percent rise in levels of disputation, and a 300 percent increase in the number of strikes; in the 1978-80 period some 230,000 workers were involved in 525 officially recorded disputes.\textsuperscript{144}

Despite changes in policy, the state does not encourage unionism, and the majority of workers remain outside the union movement, exploited and oppressed. Those unions which do exist are routinely infiltrated by the military. Child and 'slave' labour, unsafe and unhealthy conditions in sweatshops, and subsistence wages remain facts of life for many of the working class.\textsuperscript{145} Even though the state has set a legal minimum wage, this is widely ignored; and in Bangkok, it is estimated that a third of workers do not receive it.\textsuperscript{146} The state has not actively sought to alter such conditions. Indeed, if one compares the state's promotional attitude towards the capitalist class (chambers of commerce, trade associations, Board of Trade), with its policies of fragmentating and disrupting the working class (and peasant) movements (policies which have only recently become more conciliatory), then it is again clear that the state has represented the interests of capital. Repression of the working class has been one of the state's essential tasks in providing a climate conducive to the accumulation of capital.

It seems likely that the power of domestic capital will increase as the secondary and tertiary sectors continue to expand. So, too, will the power of wage-labour, but it seems that capital has all the advantages. The power of the capitalist class is enhanced not only by close business and family ties that provide internal cohesion, but also by ties with influential state managers (to be discussed in the following chapters). Additionally, the local influence of the domestic capitalist class is strengthened by its regional and international connections with counterparts in other countries (again to be discussed more fully in the following chapters).

In summary, the state has generally supported the interests of the capitalist class since 1957. The state has not taken a merely passive and intermediary role, but has actively promoted domestic capital. Political and economic intervention by the state has allowed the capitalist class to expand its accumulative base, moving from a reliance on trade and small-scale production to financial
and industrial activities. State intervention has also enhanced the position of foreign capital, but that is a price that domestic capitalists were prepared to pay. Indeed, through various agencies the state has sought to regulate the conditions under which foreign capital operates, while at the same time not forgetting that the Thai capitalist class operates within an expanding international capitalist system. No capitalist state can afford to ignore this, for to do so threatens the accumulative base of domestic capital and the position of the state itself. Nor can the capitalist state afford to ignore the constraints and imperatives placed upon it by the domestic class structure. As has been shown in this chapter, the Thai state has been receptive to these pressures and constraints. Clearly, a dialectical relationship has developed between state policy and the expansion of Thai capitalism, each reacting to the other, producing fertile conditions for the consolidation of the capitalist system and capitalist class. It is now appropriate to begin an examination of the contemporary structure and power of the capitalist class in Thailand.
Chapters 5 to 8 examine the structure of the capitalist class in Thailand in the late seventies and early eighties. Each chapter discusses one of the four fractions of capital -- agrarian, commercial, industrial, and banking -- and outlines their development since about 1958, their structure and relationship to other fractions, and state policies that affect them. Case studies are included to provide illustrations of key points.

As discussed in Chapter 1, in referring to the capitalist class, a class fraction is defined in relation to the circuits of capital that give rise to specialised capitals. Fractions of capital thus share a similar relation to the ownership of property, but cannot exist except as parts of a total social capital.

These chapters draw on a survey of more than one thousand companies divided amongst Thailand's fifty-six largest corporate groups selected on the basis that the sum total of the assets of the companies within the group exceed one billion baht. In analyzing the structure of business, considerable reliance has been placed on the pioneering work of Krirkkiat Phipatseritham. He has produced the most comprehensive listings of ownership, but given the nature of company records held by the Department of Commercial Registration even thorough studies have important gaps. Where possible, these omissions have been rectified, and a number of additions have been made when more recent data is available. Nevertheless, the data presented in these chapters should be taken as a guide, rather than as a definitive statement. Another compilation of data on Thai companies warns: 'We have to admit that finding up-to-date data in Thailand is extremely difficult....Many, in both private and public sectors, try to keep information confidential.'

While the data on Thai company ownership is now more readily available than ever before, there have been few attempts to delineate the structure of the capitalist class. A prime assumption of Part II is that the relations between capital and the state cannot be fully understood without an adequate conception of the internal structure of the capitalist class. Such an understanding requires an analysis of both the formal and informal networks generated by interlocking shareholdings, directorships, and family connections. It should be remembered, however, that this study is based on data from the late 1970s and early 1980s, and it thus presents a settled, even static, picture of a class which, in fact, is in a constant state of change, conflict, and realignment.
These chapters represent not only an attempt to demarcate the capitalist class but also to address some of the theoretical issues raised in Chapter 1. First, it is intended to show that the vigorous growth of the domestic capitalist class and its political and economic power cannot be adequately explained from the perspective of either modernisation theory or dependency theory. It will be shown that the domestic capitalist class is solely dependent neither upon the largesse of the state nor upon the operations of foreign capital, and is not merely a comprador class.

Second, it will be demonstrated that even though capitalist development has been uneven, the trend has been towards increased firm size and a corporate business structure. It will be suggested that these trends have been fueled by the expansion and dominance of banking capital and by the development of finance capital. These factors have combined to produce a complex network of interconnections within the capitalist class, a network which has become characteristic of Thai capitalism.

Third, the crucial role of the state will be indicated. It will be clear, from both the general discussions and the case studies, that the state has played a pivotal role in the development of capitalism in Thailand. While this should be clear from the preceding chapters, the emphasis below is on state policy towards the four fractions of capital, and on illustrations of the state's selective actions.

A more general point, reflected throughout the following chapters, is that the capitalist class has become the dominant social class in contemporary Thailand. The capitalist path to development has been selected through a structured interplay of domestic and international capitals, and is maintained and enhanced by the state.

Each of the following chapters follows a similar line of exposition. Initially, a brief account of the economic development of each sector is provided, together with a discussion of the intra-class linkages of each capitalist fraction. This is designed to show the economic power of each fraction and to indicate the network of interconnections that exist within the class. Following this is a discussion of state policy towards each fraction, pointing to the pivotal role of the state. Finally, case studies are included to elaborate and demonstrate both uneven development and the power and weaknesses of domestic capital.
Agrarian capital is composed of two elements. The first of these consists of landowners, who extract a surplus through rent. Especially in the Third World, such rentier activities remain an important arena of initial capital accumulation. The second form, however, is of more significance: the development of productive capital in agriculture through the application of capitalist methods of production. This increases the subordination of agriculturalists to capital, and irreversibly alters the relations of production in the countryside. Agrarian capital is, in this guise, barely distinguishable from industrial capital -- except in location. Nevertheless, in a country like Thailand a distinction between agrarian and industrial capitals is important in delineating changes in the countryside. Thus, 'agrarian capital' will be used here to refer to both capitalist agriculture and landowning.

It was not until the late sixties and early seventies that 'real' capitalist enterprise emerged in the Thai countryside. Prior to this, most accumulation in the rural sector had been through rentier activities, and to a limited extent through plantation agriculture (especially sugar). These forms of surplus extraction do not seem to have expanded greatly between the late thirties and early sixties, as peasant production was the norm. Surveys carried out between 1937 and 1963 indicate that tenancy was on the decline, in part because of state regulations nominally controlling the size of landholdings, and in part because large tracts of land remained unoccupied. This trend was governed when the Sarit government abolished the regulations restricting ownership, arguing that they were an obstacle to economic development. In addition, since the early seventies, the Board of Investment has become more active in promoting agricultural projects, and capitalist agro-industry expanded considerably.

Data on landholdings in rural Thailand is extremely difficult to find, due to the politically sensitive nature of such questions, and even available statistics can be contradictory. Nevertheless, it is possible to draw some general conclusions. First, landlessness is now a major problem, especially in the northern and central regions, and a class of landless rural wage-labourers has emerged. Second, although the rate of expansion of cropped land (73 percent) has exceeded the rate of rural population growth (65 percent) between 1954 and 1974, much of the newly-opened land was consolidated into relatively large landholdings. As there are only limited opportunities for the further expansion of cropped land, landlessness can only increase, especially with the exhaustion of short-term remedies (such as when a family retains its land while some
of its members sell their labour). If non-agricultural employment opportunities are not expanded, this problem becomes critical. Third, rural indebtedness has grown to quite staggering levels. As early as 1962, it was estimated that Thai farmers were 9 billion baht in debt. By 1974, estimates had mushroomed to 80 billion baht, prompting one observer to comment: 'Never in the field of human economics has so much been owed by so many to so few.' These figures may, in part, indicate the increasing capitalisation of farming. But it is clear that as debts increase, tenants and small landholders occupying dwindling plots will begin leaving the land -- thus further exacerbating the problem of landlessness. Fourth, commercialisation (through the expansion of non-subsistence crops, the availability of cheap farm labour, access to credit facilities, and the diffusion of improved technologies like tractors and fertilizers) has led to the development of a class of relatively rich peasants. Small, indebted farmers have generally not been able to take advantage of such improved facilities and changes. Finally, landlordism is on the increase. In the context of this chapter it is appropriate to examine landlordism in some detail.

While data on landlordism is not abundant, that which is available provides at least some sort of a profile of the landlords. A 1969 survey of Nakhon Nayok, Ayudhya, Prathumthani, and Chacheongsao provinces in the central region indicated a total of 127 absentee holdings in excess of 1,000 rai. The total area of these holdings was over 363,000 rai (or 58,000 hectares). Of these, the largest holdings were those of noble families, while state ministries, and the Crown Property Bureau and the royal family, were the next largest. In addition, in each province, between 59 and 83 percent of absentee landlords were listed as residing in Bangkok. It is worth noting that the pre-1932 ruling class -- the aristocrats and royal family -- still holds almost 37 percent of total absentee landholdings in these provinces, suggesting that they retain considerable economic power in some areas of the countryside (see Table 14). Indeed, in the seventies, one source stated that the Crown Property Bureau and the royal family together had the largest landholdings in Thailand. At the same time, however, it seems that developments since 1932 have also given wealthy commoners, and especially urban-dwellers, much greater control over rural land.

Obviously the data presented for four central provinces in Table 14 are exceptional, and do not reflect country-wide tenancy rates. Nevertheless, one estimate had put the total absentee ownership of paddy land at 21 percent, together with a further 10 million rai in upland areas. Recent official figures suggest that, by the mid-seventies, almost 12 percent of all landholdings were rented. There are significant regional disparities, but rented land now comprises more than a quarter of all land holdings in three of the six regions -- with the central
region, where landlordism has clearly been on the increase, registering the highest figure, 38.3 percent. In the North, a similar situation seems to be developing. Bruneau notes that even though the small, landholding peasant still predominates, the distribution of land is becoming more unequal, land fragmentation is increasing and landlessness is more widespread. It may well be that in the capitalist development of the central provinces, other regions can see the image of their own future.

**TABLE 14**

**LARGEST ABSENTEE LANDHOLDINGS, FOUR CENTRAL PROVINCES, 1969**

<table>
<thead>
<tr>
<th>Size of Holdings</th>
<th>% of Total Held By All Absentee Landholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nobles</td>
<td>97,922</td>
</tr>
<tr>
<td>State Ministries</td>
<td>51,956</td>
</tr>
<tr>
<td>Royal Family and Crown Property Bureau</td>
<td>35,479</td>
</tr>
<tr>
<td>Total</td>
<td>185,357</td>
</tr>
</tbody>
</table>

Sources: Sayam Rat Sada Wichan, 5 March 1978; and Krirkkiat, 'Land Reform,' pp. 193-201.

Perhaps as significant as increasing land fragmentation and landlordism is the expansion of capitalist methods of production of primary commodities. Between 1958 and 1970 the proportion of cropped land planted to crops other than rice increased from 17.6 percent to 31.8 percent. Rice is, of course, the major subsistence crop, but it is also a significant cash crop. It can therefore be presumed that cash-cropping had, by 1970, probably taken over half of the total crop area planted. Moreover, this trend has been furthered as the rate of cropping of land to other crops has increased far more rapidly than the rate of expansion of rice land (which is merely 2.3 percent a year). These changes were accelerated by state agricultural development policies, including the Board of Investment's active promotion of agro-industry through the Investment Promotion Act of 1972 (revised in 1977). Agro-industry is a significant area of investment, and in 1980, 106 of the companies listed among Thailand's 1,399 largest operated in this area. The assets of these companies totalled more than 20.6 billion baht (or 3 percent of GDP). The twelve business groups identified as agrarian capital (which have interests in at least two hundred companies in all sectors of the economy) have based their development entirely within the sphere of agro-industry. In 1979-80, the combined assets of these group totalled more than 19.5
billion baht. Figure 2 provides a picture of the extent of investments by these groups, while Figure 3 indicates the known investment linkages among agrarian capitalists. These connections, it is shown, are all among the sugar groups. This pattern can be explained by two main factors: first, sugar is one of the oldest of the agro-industries; and second, as will be discussed below, it operates as a highly concentrated and centralised industry.

**FIGURE 2**

**AGRARIAN CAPITAL**

<table>
<thead>
<tr>
<th>CP GROUP</th>
<th>THANAPHONCHAI</th>
<th>THAI SERI</th>
</tr>
</thead>
<tbody>
<tr>
<td>agro-industry</td>
<td>agro-industry</td>
<td>seafood</td>
</tr>
<tr>
<td>fertilisers</td>
<td>silos</td>
<td>cold storage</td>
</tr>
<tr>
<td>seed supply</td>
<td>rice milling</td>
<td>oil</td>
</tr>
<tr>
<td>feed milling</td>
<td>finance</td>
<td>finance</td>
</tr>
<tr>
<td>livestock</td>
<td>manufacturing</td>
<td>commodity trading</td>
</tr>
<tr>
<td>fisheries</td>
<td>petrochemicals</td>
<td></td>
</tr>
<tr>
<td>textiles</td>
<td>textiles</td>
<td></td>
</tr>
<tr>
<td>metals</td>
<td>insurance</td>
<td></td>
</tr>
<tr>
<td>paint</td>
<td></td>
<td></td>
</tr>
<tr>
<td>finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MITR PHOL</th>
<th>CHINTHAMMITR</th>
<th>MAH BOONKHRONG</th>
</tr>
</thead>
<tbody>
<tr>
<td>sugar (all aspects)</td>
<td>sugar (all aspects)</td>
<td>rice milling</td>
</tr>
<tr>
<td>agriculture. chemicals</td>
<td>food manufacture</td>
<td>rice trading</td>
</tr>
<tr>
<td>hotels</td>
<td>housing development</td>
<td>chemicals</td>
</tr>
<tr>
<td>finance</td>
<td>seasonings</td>
<td>construction</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WATANAVEKIN</th>
<th>THAI RUNG RUANG</th>
<th>WANPHASERT</th>
</tr>
</thead>
<tbody>
<tr>
<td>sugar (all aspects)</td>
<td>sugar (all aspects)</td>
<td>sugar (all aspects)</td>
</tr>
<tr>
<td>distillery</td>
<td>finance</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MONGKONGCHAROEN</th>
<th>VORAWONGVASU</th>
<th>SINTHAWATARANONG</th>
</tr>
</thead>
<tbody>
<tr>
<td>sugar (all aspects)</td>
<td>sugar (all aspects)</td>
<td>sugar (all aspects)</td>
</tr>
</tbody>
</table>

Source: Hewison, 'The Development,' Appendix B.
FIGURE 3
LINKAGES BETWEEN BUSINESS GROUPS WITHIN AGRARIAN CAPITAL

WATANAVEKIN — MITR PHOL
VORAWONGVASU — CHINTHAMMITR
WANFRASERT — MONGKOLCHAROEN
SINTHAWATARANONG — THAI RUNG RUANG

Source: Hewison, 'The Development,' Appendix B, Part I.

Note: The linkages represent at least one common shareholding between the linked groups.

If these linkages are extended to include other fractions of capital, as in Figure 4, it is clear that even though the linkages are few in number, they include some of the most important of the banking and industrial groups: the Sophonpanich family, the PSA group, and the Ratanarak family in banking and the Saha Union group and the Mahadamrongkul family in industry.

Clearly, the linkages between agrarian capital and banking capital are important. Such connections will almost certainly expand as agro-industry grows, and requiring ever larger injections of capital.

State Policy and Agrarian Capital

An examination of both recent government policy and trends within the Thai economy indicates that the position of agrarian capital, especially that involved in agro-industry, is assured. Since the late sixties there have been repeated calls for increased agro-industrial development, but it was only after the oil-price rises of the early seventies that the Board of Investment began to promote this type of industry. More recently, and especially after the 1978 World Bank report, the development of agrarian-based industry has become one of the central features of state development policy.The fifth
development plan (covering the period from 1982 to 1986) suggests that considerable emphasis be placed on the agricultural sector. The draft of the plan accorded this sector highest priority, on the assumption that it contributed significantly to export earnings and employment, and was not, as yet, dependent on huge inputs of energy or foreign capital. For the state, there are essentially two reasons for the promotion of agro-industry: first, the perceived need to increase the incomes of people living in the countryside; and second, the need to further increase exports.

FIGURE 4

LINKAGES BETWEEN AGRARIAN CAPITAL AND OTHER CAPITALS

Industrial Agrarian Banking Commercial

CHINTHAMMITR — PSA

SAHA UNION

THAI SERI

MAHADAMRONGKUL

CP GROUP — CENTRAL GROUP

SOPHONPANICH

THAI RUNG RUANG — TEJAPAIBUL

RATANARAK

CHOLVICHARN / PENCHART

Source: Hewison, 'The Development,' Appendix B, Part I.

Note: The linkages represent at least one common shareholding between the linked groups.
A populist element of the programmes of all governments since 1932 has been an expressed concern for the living conditions of rural people. Nevertheless, there remains considerable inequality of income between rural and urban dwellers, which has been generated in part by the emphasis on industrial development. As Prime Minister Prem expressed it, the 'weakness that threatens the whole future of the nation is rural poverty.' The awareness of this amongst politicians and bureaucrats was hammered home during the period between 1973 and 1976 when groups of peasants banded together to demand better conditions from the government. Perhaps even more ominous for state managers and capitalists was the collaboration between activist and worker groups in the cities and the organised peasantry. Indeed, under the elected governments of this period it seemed as though the activists were making some headway, and many landowners felt threatened by the enactment of land reform legislation. The 1976 coup, however, brought an abrupt end to any hopes the progressive elements might have had for meaningful land reform. Recent governments, headed by Kriangsak and Prem, have adopted an approach less threatening to entrenched class interests. They argue for an increase in rural incomes, by giving peasants an opportunity to 'share' in economic growth and pay lip-service to meeting basic human needs in the countryside. However, the basic direction of rural development was firmly capitalist.

While agricultural expansion and social development in the rural areas has been prominent in policy documents since the late sixties, it was not until 1978 that any real policy initiatives were made. In the words of a leading business magazine:

Although 1979 has been declared the year of the farmer, 1978 may well prove to be the year the farmer was noticed. While the five year plans have paid attention to the economic implications of farming, and the possibility for increased production and yield, the urban population...has pointedly ignored the poor folk breaking their backs in the tropical sun. They are just beginning to consider an attitude towards the rice-winners more positive than naked exploitation; their government is discovering that it would pay to give farmers incentives.

Such policies were, at the time, in line with the thinking of the World Bank and U.N. agencies like ESCAP, which stressed rural development and the meeting of basic needs. For example, World Bank policies on rural development sought to further modernise and monetarise rural society, and to integrate it into both the national and international economy. Clearly, some state officials had
realised that if rural political instability and insurgen-

cy were to be overcome, they had to give the impression

that attempts were being made to increase rural incomes.

The reorientation of Thailand's industrialisation
strategy towards a more export-oriented approach has
created a new awareness of the importance of agriculture
and its related activities. While much emphasis was placed
upon the promotion of manufactured exports, it was soon
realised that EOI was not merely a strategy for industrial
manufacturing, and that the export of luxury foods is a
logical extension of the strategy. In addition, increased
exports of agricultural commodities are necessary for
funding further expansion in the industrial sector.

For the state, the advantages of agro-industry are
clear. The processing of primary produce for export in-
creases value-added, provides employment, diversifies the
agricultural base, and, above all, earns valuable foreign
exchange -- thus easing balance-of-payments problems. At
the same time, the policy of promoting agro-industry fits
neatly with the desires of transnational corporations in-
volved in the field of primary commodities, who wish to
develop production areas in countries with low land and
labour costs -- at least for the more labour-intensive
aspects of their operations. The potential for agro-
industries is enormous, as can be seen in three examples.
First, Thai canned seafood exports rose 11.5 times between
1975 and 1979, to more than one billion baht. Second, Thai
penetration of the Japanese frozen chicken market has in-
creased from 5 percent to 20 percent over the same period,
and earned over 515 million baht in export income. Third,
the production of processed chickens increased from 8,500
tons in 1977 to an estimated 39,000 tons in 1980. Given
such growth, the promotion and further expansion of agro-
industry appears certain to remain an important element of
state policy.

Case Studies

The Sugar Industry

Even with many fluctuations, sugar has historically
been one of Thailand's most important rural industries.
Between 1975 and 1981 from 2.5 to 3.5 million rai of sugar-
cane were planted each season, and in the 1979/80 season
400,000 planters (mainly small-scale) and 53,000 labourers,
were working in the industry. As noted above, the sugar
industry is one of the most highly concentrated and cen-
tralised in Thailand. Total 1980 assets of the twenty-nine
largest sugar companies were in excess of 7.07 billion
baht, with sales approaching 8.3 billion baht. The five
largest companies accounted for 31.4 percent of total
sales. In addition, the sugar industry has numerous
linkages with banking capital, providing it with a strong financial base. The so-called 'sugar barons' are therefore in a powerful position, controlling a large rural industry that generates high levels of employment and revenue. This allows them to bring tremendous pressure upon policy makers.

Over the past two decades the production and export of sugar has been on the increase, as can be seen in Tables 15 and 16. Some 60 percent of all production has been for export, mainly to Japan, the U.S., Malaysia, Hong Kong, and Singapore. As well as being a major export (and earner of foreign exchange), the sugar industry has been an important political concern, mainly because of the never-ending series of booms and crises which have characterised both the industry and the patterns of state intervention.

### TABLE 15
NUMBER OF SUGAR MILLS AND QUANTITY OF SUGARCANE CRUSHED, 1961/62 TO 1980/81

<table>
<thead>
<tr>
<th>Season (Crop Year)</th>
<th>No. of Mills</th>
<th>Cane Crushed (Million Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961/62</td>
<td>40</td>
<td>2.20</td>
</tr>
<tr>
<td>1962/63</td>
<td>39</td>
<td>1.69</td>
</tr>
<tr>
<td>1963/64</td>
<td>41</td>
<td>2.39</td>
</tr>
<tr>
<td>1964/65</td>
<td>42</td>
<td>3.91</td>
</tr>
<tr>
<td>1965/66</td>
<td>39</td>
<td>3.04</td>
</tr>
<tr>
<td>1966/67</td>
<td>32</td>
<td>2.53</td>
</tr>
<tr>
<td>1967/68</td>
<td>32</td>
<td>2.38</td>
</tr>
<tr>
<td>1968/69</td>
<td>31</td>
<td>4.40</td>
</tr>
<tr>
<td>1969/70</td>
<td>29</td>
<td>4.06</td>
</tr>
<tr>
<td>1970/71</td>
<td>27</td>
<td>5.32</td>
</tr>
<tr>
<td>1971/72</td>
<td>30</td>
<td>5.02</td>
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<tr>
<td>1972/73</td>
<td>30</td>
<td>6.48</td>
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<tr>
<td>1973/74</td>
<td>34</td>
<td>9.23</td>
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<tr>
<td>1974/75</td>
<td>41</td>
<td>10.60</td>
</tr>
<tr>
<td>1975/76</td>
<td>42</td>
<td>16.04</td>
</tr>
<tr>
<td>1976/77</td>
<td>42</td>
<td>22.12</td>
</tr>
<tr>
<td>1977/78</td>
<td>42</td>
<td>15.84</td>
</tr>
<tr>
<td>1978/79</td>
<td>44</td>
<td>17.95</td>
</tr>
<tr>
<td>1979/80</td>
<td>42</td>
<td>10.46</td>
</tr>
<tr>
<td>1980/81</td>
<td>43</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (tons)</th>
<th>Revenue (Million baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>38,954</td>
<td>46.0</td>
</tr>
<tr>
<td>1963</td>
<td>52,328</td>
<td>121.8</td>
</tr>
<tr>
<td>1964</td>
<td>48,750</td>
<td>211.1</td>
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<tr>
<td>1965</td>
<td>83,834</td>
<td>100.5</td>
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<tr>
<td>1966</td>
<td>54,858</td>
<td>81.8</td>
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<tr>
<td>1967</td>
<td>15,126</td>
<td>37.0</td>
</tr>
<tr>
<td>1968</td>
<td>52</td>
<td>n.a. [a]</td>
</tr>
<tr>
<td>1969</td>
<td>15,795</td>
<td>46.9</td>
</tr>
<tr>
<td>1970</td>
<td>34,294</td>
<td>107.3</td>
</tr>
<tr>
<td>1971</td>
<td>145,010</td>
<td>330.7</td>
</tr>
<tr>
<td>1972</td>
<td>226,808</td>
<td>1,252.0</td>
</tr>
<tr>
<td>1973</td>
<td>258,294</td>
<td>1,086.2</td>
</tr>
<tr>
<td>1974</td>
<td>420,241</td>
<td>3,533.5</td>
</tr>
<tr>
<td>1975</td>
<td>584,988</td>
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</tr>
<tr>
<td>1976</td>
<td>1,081,527</td>
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<tr>
<td>1977</td>
<td>1,654,610</td>
<td>n.a.</td>
</tr>
<tr>
<td>1978</td>
<td>1,040,050</td>
<td>n.a.</td>
</tr>
<tr>
<td>1979</td>
<td>1,123,279</td>
<td>n.a.</td>
</tr>
<tr>
<td>1980</td>
<td>380,273</td>
<td>n.a. [a]</td>
</tr>
</tbody>
</table>

Source: Chumchai, p. 54; and Chapman, 'Observations,' p. 2.

Note: [a] Drought years.

As noted in previous chapters, sugar was a major export prior to the 1850s, but gradually declined in importance thereafter. Following the 1932 coup, the state intervened and established two sugar refineries in Lampang and Uttaradit, but the growth of the industry remained slow. It was not until World War II and after, in the face of severe shortages, that significant expansion took place. In line with the Phibun regime's policies on state-led industrialisation and the expansion of primary commodity exports, state intervention and assistance for the industry increased in the 1950s. This included the establishment of a state-administered monopoly on imports and exports, considerable assistance to growers and millers, and price controls on the domestic market, so that wholesale prices were supported. Between 1948 and 1959 the number of mills increased from 21 to 48, and the viability of the local industry was maintained in the face of stiff overseas competition.

Since 1960 the sugar industry has stumbled from one crisis to another, and state policy has reflected and, at the same time, been a part of this. Generally, as world
prices have increased, growers and millers attempt to increase production. But by the next season, this has led invariably to a glut, as other producer countries also increase their output. Prices fall, and the cycle begins again. The state, generally a further season behind market trends, tends to initiate promotional measures when world prices are high, or protection when prices are low. But because the implementation of these policies seems to have rarely matched the fluctuations of world prices, Thai production has seldom been subjected to all of the vagaries of the world market. For example, even when there were huge domestic and international surpluses there seemed to be no brake on production or expansion. Two of the most important changes to state policy which promoted this situation were enacted in 1961 and 1969. In 1961, the government decided to ban the import of refined sugar. With this policy in place, millers were assured a market and despite fluctuations of world sugar prices and production, there would be no dumping on the local market. Eight years later, under mounting pressure from local sugar millers, the government ended the Thailand Sugar Corporation's monopoly on sugar exports, which had been in place for seventeen years.

But even this was not sufficient to break the cycle of boom and bust that plagued production. Discontent within the industry mounted, and in November 1975 millers refused to begin their operations until a minimum price had been negotiated with the government. When agreement was reached a month later, with a guaranteed price of 300 baht per ton, domestic prices were increased by one baht to 5.5 baht a kilogramme. World prices rose in the 1976, and large quantities of sugar were smuggled out of the country to avoid the lower-priced domestic market. In an effort to secure domestic supplies, the government raised prices to 6 baht. By 1977, however, world prices had declined, and while the guaranteed price was maintained, millers and exporters alike received a 5 percent tax rebate. World prices did not begin to rise again until 1979. But following a dispute between the exporting corporations in 1978, Thai production had been reduced, and domestic shortages returned in 1979. Local prices were again raised, this time to 7.8 baht per kilogramme. This was followed by yet another rise in 1980, to 12 baht, as the government sought to keep the domestic market supplied and as exports again rose to meet increased world demand. In addition, the government raised the guaranteed price to 650 baht per ton, but this fell to 540 baht the following year when, once again, the cycle returned to a situation of oversupply.

A number of political leaders and officials appeared to grow weary of the continual disputes among the government, millers, and planters, and in October 1982 introduced the so-called 70/30 policy. This was a five-year programme, designed to stabilise the industry and to guarantee domestic supplies. Seventy percent of the net proceeds of
sugar sales would go to planters, and the remainder to millers. As a Bangkok Bank staff writer expressed it, this policy was the 'first of its kind ever to call upon sugar mills to accept the planters as equal partners in...production and marketing.' Despite this, it must be stressed that those who would benefit would not be the majority, the poorer planters, but rather the wealthier 'quota supervisors.' These supervisors hold the power of purchase, allocated by the millers, who themselves have near monopsony powers over the planters. Even so, some mills have openly defied the government's policy. In December 1984, a leader of the planters -- an individual who had helped to negotiate the 70/30 policy -- was assassinated.

It is significant that the state has attempted to intervene in this field, clearly indicating its role in cushioning the impact of the crises of capitalism. Evidently state managers viewed the slumps in the sugar industry as a threat to social and economic stability, and sought to even them out. Despite the continuing cycles of boom and state-cushioned crisis, the total area planted between 1961 and 1976 increased by more than 500 percent and the total tonnage of cane crushed increased by almost 1,200 percent, with the largest increases found in the traditional growing areas of the central region.

The sugar industry is effectively an oligopoly, with only a few wealthy mill owners controlling the labour and production of the thousands of small producers and labourers who stand at the base of the productive process. This latter group grow cane in anticipation of sales to mills through the quote supervisors, who are often the wealthiest planters. In this manner, the mill owners control production within the industry. As indicated in Table 15, there were forty-three sugar mills operating in 1981, twenty-six of which were associated with the four major sugar groups controlled by the Chinthammitr and Manpragert families and the Thai Rung Huang and Mitr Phol groups. These four groups are bound together in a network of interconnecting shareholdings, and account for more than two-thirds of total production. On top of this, the entire export production of sugar is channelled through two companies, the Thai Sugar Corporation and the Thailand Sugar Trading Corporation, owned by the millers, the state, and commercial banks (see Table 17). The importance of banking capital is clearly indicated at this level of the industry, where large capital outlays are required.

In addition to controlling the export corporations, each of the groups connected with the two corporations has its own producers' association. The Thai Sugar Trading Corporation and its associated Thai Sugar Manufacturers' Association control 60 percent of exports, while the remainder is in the hands of the Thai Sugar Corporation and its Thai Sugar Producers' Association.
TABLE 17

OWNERSHIP OF SUGAR EXPORT COMPANIES, 1979

1. Thai Sugar Corporation

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage Of Shares</th>
</tr>
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<tr>
<td>a. Ministry of Industry</td>
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</tr>
<tr>
<td>b. Ministry of Commerce</td>
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<td>c. Bank of Ayudhya</td>
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<tr>
<td>d. Bangkok Bank</td>
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<tr>
<td>e. Union Bank of Bangkok</td>
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</tr>
<tr>
<td>f. Thai Rung Ruang group and Associated Companies</td>
<td>8</td>
</tr>
<tr>
<td>g. Kosin family</td>
<td>2</td>
</tr>
<tr>
<td>h. Others</td>
<td>-3.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
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2. Thai Sugar Trading Corporation

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage Of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Ban Pong Agricultural Collective</td>
<td>33</td>
</tr>
<tr>
<td>b. Chinthammitr family and Associated Companies</td>
<td>19</td>
</tr>
<tr>
<td>c. Mitr Phol group</td>
<td>12</td>
</tr>
<tr>
<td>d. Ang Vian Industry Co.</td>
<td>3</td>
</tr>
<tr>
<td>e. Rajburí Industry Co.</td>
<td>3</td>
</tr>
<tr>
<td>f. Nong Yai Industry Co.</td>
<td>4</td>
</tr>
<tr>
<td>g. Eastern Sugar Co.</td>
<td>2</td>
</tr>
<tr>
<td>h. Others</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


There is little doubt that the milling groups control the sugar industry and that since the early 1960s, even with the series of crises, these 'sugar barons' have greatly expanded their wealth, their accumulation, and their control of the industry. The oligopolistic structure of the sugar industry is symptomatic of Thai agro-industry. For example, there is also a high degree of concentration in the export trade of rice, rubber, maize, tapioca, tobacco, and pineapple. Indeed, the export-oriented pineapple industry, which has substantial foreign investment, is similar to the sugar business in its reliance on small growers rather than plantations. Of the fourteen pineapple-canning companies granted Board of Investment promotional privileges prior to 1978, four companies produced 97 percent of all canned pineapple exports.
State policy toward the sugar industry has not seriously challenged the highly centralised nature of the industry. From the late fifties to the mid-sixties, the state adopted measures to promote primary commodity exports, and sugar was of central importance. The Japanese government, for example, urged the Thais to expand sugar production as a means of reducing the huge trade deficit between the two countries. State efforts to promote, regularise, and stabilise the industry received considerable support from millers and traders, who acted through the Board of Trade. A levy was introduced to promote the export of sugar, and 80 percent of the levy was earmarked for this purpose. Attempts to maintain prices have been a key goal of state policy; at various times, the state has provided export subsidies for millers (150 million baht in 1965), purchased sugar on the domestic market (at inflated prices) and actively participated in export marketing. This latter role explains the on-again, off-again relationship between Thailand and the International Sugar Organisation, in which Thailand has withdrawn each time the allocated export quota was deemed too low by capitalists and state managers.

Even though the state has generally acted in the interests of the millers and exporters, it has been involved in disputes with those it is assisting. For example, in 1979 and 1980, stand-offs developed between millers and the government when the former attempted to raise the controlled price of domestic sugar by withholding sugar from the domestic market. The mill owners eventually achieved a partial victory, by having the price raised by almost 54 percent -- a clear indication of the benefit of having sympathetic and powerful supporters (and shareholders) within the state apparatus. At the same time, though, everything did not go entirely their way. Banker and businessman Boonchu Rojanastien had become deputy prime minister and took a strong interest in those ministries which were dealing with the sugar dispute. Boonchu's own interests in the sugar industry were well-known, but he was able to control the course of the dispute and the public controversy, which saw the demise of Commerce Minister Tamchai Khambato, and small price increases. Boonchu did this by borrowing large amounts of sugar from abroad, and dumping it on the local market, thus managing to keep the price rises lower than they might have been. Many in the sugar industry labelled Boonchu a traitor, but it was clear from this point that state managers were losing patience with the old formula. This led directly to the 70/30 policy of negotiations of 1982.

It is true, of course, that it would have been extremely difficult for any government to take action against the same persons that had been supported and maintained by state policy for so many years. The difficulties are further heightened by other factors: the sugar industry is dispersed throughout the country, provides substantial
rural employment, and plays a central role in state policies designed to promote agro-industry. In summary, it seems unlikely that the highly concentrated and centralised nature of the industry will be seriously challenged.

The Charoen Pokphand (CP) Group

The rapid development of Thai agro-industry is demonstrated by the phenomenal growth of the CP group. The group has significant investments in some seventy companies in seven countries, spread across a range of sectors, from agro-industry to finance and manufacturing.

The beginnings and growth of the CP group in its early years, however, were unspectacular. Two brothers, Chia Ek Chaw and Chia Seow Whooy, operating from a small Bangkok shophouse, established the Chia Tai See and Agriculture Company in 1921. Basically a trading company, Chia Tai imported seeds and vegetables from China and Hong Kong, and exported pigs and eggs. The company was eventually registered in 1951, when Charoen Chiaravanont took over from his father and uncle. He soon expanded into animal feed production, and established the Charoen Pokphand Feedmill Company in 1954. The establishment of this mill meant that farmers could buy their maize, soya-beans, or other seeds from Chia Tai, and sell their produce to the CP mill. This was the beginning of the vertical integration which has become the hallmark of both capitalist agribusiness in general, and the CP empire in particular. Charoen Pokphand was registered in 1967 with a capital of just under one million baht, and expanded rapidly. The group continued to import fertilisers, and in 1968 established another mill, the Bangkok Feedmill Company, which was then the largest in Thailand.

To increase vertical integration, the obvious next step was to expand the company's livestock production, particularly poultry. The potential of the livestock industry had become clear to a number of observers. Board of Investment chairman Pote Sarasin announced in 1967, for example, that poultry farming would be heavily promoted. But a major problem was the state monopoly on animal slaughtering, a monopoly which had been attacked by both foreign investors and local investors such as the Bangkok Bank. Pressure was brought to bear upon the government to relinquish its monopoly, pressure which coincided with increasing criticism of the military dictatorship in the late sixties and early seventies.

Initially, however, CP was not able to breed a suitable local chicken for export. The problem was overcome when CP entered into a joint-venture arrangement with the Rockefeller agricultural transnational, Arbor Acres, in 1970. As Business in Thailand explained:
CP was looking for an efficient chicken breed and Arbor Acres wanted overseas projects to diversify into, partly because of the limits U.S. anti-trust laws put on their potential domestic activities, restricting their investments in the research and breeding fields.

This marriage of convenience proved most productive, especially since it came at a time when the military regime was under extreme political pressure. The 1973 collapse of the regime (along with its livestock slaughtering monopoly) meant that CP was given far more room to expand. The CP-Arbor Acres alliance spawned a series of other companies, which were involved in all aspects of livestock breeding, production, processing, marketing, and export.

In addition, CP established a linkage with the Bangkok Bank-Sophonpanich group, the most powerful domestic economic group, which enjoyed extensive regional and international ties. These external connections proved useful in expansion overseas, and by 1978 CP had affiliates operating in Hong Kong, Singapore, Indonesia, Taiwan, the Middle East, and the U.S. A year later the group controlled 90 percent of Thailand's poultry exports, the vast bulk going to Japan, and 40 percent of all animal feed production. By 1980 the CP group was one of the largest business groups in Thailand, and its subsidiary, Bangkok Livestock, was ranked amongst the biggest manufacturing enterprises in the country by virtue of its production of 70,000 chickens a day. At this time the total assets of the group exceeded three billion baht.

Most interesting about CP are its production methods and its relations of production with farmers -- relations which are likely to be the model for the future development of agro-industry. CP generally works out contracts with small peasants that guarantee a certain price; the group once attempted to operate its own farms, but found wage payments to be uneconomical. Under the contract system, peasants can borrow from commercial banks (initially it was the Bangkok Bank) to build the facilities required to produce CP-standard poultry, and CP guarantees the loan. CP also provides credit to farmers for the purchase of company breeding stock, feed (produced by the group's companies), veterinary services, and technical services. In return, contract farmers are bound to sell their produce to CP at pre-determined prices. Within five to seven years, a contract farmer has usually repaid all loans, and the facilities become his/her own. The farmer is then free to sell poultry to any buyer, but although the special relationship with CP is officially over, the farmer will generally continue to sell to the company -- primarily because there are no other buyers. At this point, the price CP pays is often lower than when the contract was in force. CP, as a capitalist enterprise, has in effect subsumed what was formerly
peasant labour, through the creation of a wage-labour equivalent. While contracted farmers are formally selling their labour, CP decides what will be produced, how and according to what standards it will be produced, and how much it will sell for.

On this basis, the expansion of the CP group has been spectacular. It is now a fully-fledged, vertically-integrated transnational agro-industry. CP management controls virtually all aspects of a wide range of agricultural activities: sourcing, processing, distribution, and marketing. Dhanin Chiaravanont, executive director of CP, spoke of the future in glowing terms:

The soil and the climate [of Thailand] are perfect. We have 105 million rai of agricultural land. Once irrigation is settled in and seeds of high quality are put in, Thai agriculture will be very prosperous. As for our group, we won't promote only cropping but also livestock and fruit-growing....We [also] have to provide technology.

It seems that elements within the state have also perceived a bright future for agro-industry. In 1979, CP received Board of Investment promotional privileges allowing it to develop plantations for the cultivation of mung beans and maize in the Saraburi area. Companies like CP can look forward to promising years to come, as agro-industry continues to expand.

Also in 1979, CP formed its international trading company, CP Intertrade. Based on a study of European, Japanese, and Korean trading companies, and motivated by the Thai state's call for increased exports, CP Intertrade was established with a paid-up capital of 30 million baht, also with Board of Investment promotion. In many respects, it was the logical step for the CP group to take, as many of its companies were already heavily involved in trade. CP Intertrade meshed well with state policy, and was staffed by a group of young, university-educa¬tives. But its growth has been slow, with exports total¬ing only 570 million baht in 1979/80.

The CP group plans to further entrench capitalist relations and methods in the countryside. Such expansion and development is not without its problems, because the disruption to rural life brings with it rapidly developing class antagonisms which can, in turn, easily lead to con¬frontation. Development and change in the countryside have created a situation where the small farmer is placed in a vulnerable position, both because of insufficient facil¬ities and inadequate knowledge of new circumstances, and because of control exerted by rich and powerful farmers and
landlords. The events of 1973-76, when farmers demonstrated in the streets of Bangkok against capitalists and state policies, indicate the possible political ramifications of the subordination of peasant agriculture to capitalism. Fiery statements by peasant leaders, in which both the state and capitalism were condemned, suggested a threat to both. For example, Intha Sribunruang charged:

"As long as the capitalist government is in power, we will never see an improvement in our living conditions. As long as the state's power is not in our hands, we will continue to live this way [in relative poverty]."

Since that time, partly in response to the threats from below, many proposals for land reform and income redistribution have been put forward, some by the representatives of capital. From the agrarian capitalists' point of view, it is in this arena that the state must play its crucial role: first, by providing assistance to investors; second, by maintaining the agrarian capitalists' accumulative base through the development of social and economic infrastructure; and third, by keeping rural labour and peasants under control."
Chapter 6

COMMERCIAL CAPITAL

Commercial capital is that fraction of capital which converts commodities into money through selling, with a profit realised in the process. Commercial capital operates exclusively within the sphere of circulation, producing no surplus-value but enhancing surplus-value through marketing. The importance of this form of capital to industrial capital is obvious in, for example, its role in the sale and distribution of commodities. Through their provision of such services, commercial capitalists are able to share in the surplus-value created in the productive sphere. Their task is to increase the amount of surplus-value extracted by the industrial capitalist by, for example, expanding the market for certain goods or by reducing the amount of capital which must be outlayed by industrial capitalists for circulation. Commercial capital thus plays a significant role in the capitalist process of production and circulation.

Even though the percentage of GDP originating from wholesale and retail trade and services in Thailand has not risen greatly between 1960 and 1983 (see Table 8), commerce and, increasingly, services, remain important areas of accumulation for domestic capitalists. Five hundred twenty-seven of the 1,399 largest firms (ranked by their 1980 assets) operated in commerce and services with total assets of 64.99 billion baht (or 9.5 percent of GDP). The number of people engaged in these fields has grown from 1.4 million in 1960 to 3.5 million in 1979 representing an increase from 10.45 percent of the economically active population in 1960 to 16.74 percent in 1979 (see Appendix, Tables I-III). These figures indicate the significance of these sectors in providing employment.

It should be noted, however, that the commercial sector is increasingly divided between big commercial capital and small operators such as traders and shopkeepers, who can rightfully be referred to as a petty bourgeoisie. Even the largest companies in this sector have average assets smaller than companies in, for example, agro-business. In retail trade only nine companies are listed among the largest 1,399 companies, and of these, the top three accounted for 65 percent of sales. Similar patterns of oligopoly can be seen in other areas of commercial capital. In wholesale trade, of the 109 companies listed with capital in excess of one million baht, the five leading firms (ranked by sales) accounted for 71 percent of all sales. The overwhelming majority of companies and individuals involved in commerce can be defined as small capitalists. A survey carried out in 1980 suggested that almost 81 percent of all wholesale trade, retail trade, and service sector
establishments employ fewer than ten persons, while less than 2 percent employ more than 50 people. These few larger firms, however, provided about one-third of the total value-added in the sector. Because of the clear importance of the big commercial capitalists, they will be the focus of the discussion below.

There are nine large corporate groups which base their activities in commerce. These nine groups have interests in more than 125 companies that are involved in a range of economic activities, and in 1979/80 their total assets exceeded 11.3 billion baht. Figure 5 provides a summary of their major interests, and shows that most of these groups have diversified considerably. For example, the Central group has moved towards a degree of vertical integration in its operations, using its commercial base to expand into manufacturing. This would seem to be a future trend for big commercial capital. Examining interlinked shareholdings, it is interesting to note that there are no identifiable, coterminous shareholdings between any of the commercial groups. The significance of this is not immediately clear but it should be noted that while it is the only fraction lacking such internal strength, commercial capital, perhaps the most pervasive fraction, is also the weakest. However, as can be seen in Figure 6, there are significant linkages between the commercial and industrial capitals and, importantly, between commercial capital and banking capital. These links are notable in the case of the Central group, which has coterminous holdings with six groups classified as banking capital. Central is, significantly, the largest of the commercial capital groups.

Perhaps one of the reasons for the lack of obvious linkages among commercial capitalists is that while competition is fierce in the petty-trading sector, cosy 'clubs' exist for the big commercial capitalists. These 'clubs' are formalised as exporters' associations, such as the Rice Exporters' Association of Thailand. The majority of the groups listed as commercial capitalists are members of these 'clubs,' together with such notables as the Sophonpanich family (through the Huai Chuan Company and Huai Chuan Rice Trading Company), the Wanglees (through the Wanglee Company), the Bulakul family (through the Mah and Boonkhrong Company), and the Chaiyaporn family of the Thai Seri group. Even within these exporters' groups, there is considerable concentration, as can be seen in the data on the companies' handling of Thailand's primary commodity exports. In 1975, seventy-five companies exported rice, ten of which exported 48 percent of the total and twenty-five of which exported almost 80 percent. By 1979, eighty-four companies were involved in the trade, with the top ten controlling 51 percent of the trade. The profits of the rice trade are potentially huge, but difficult to estimate, as a government-sponsored business magazine, The Investor, explains:
Considering that approximately one million tonnes of rice are exported each year, a profit of only 100 baht per tonne totals 100 million baht, or an average of one million baht for each of the approximately 100 traders. One observer has said that profits could run as high as 500 baht a tonne in some years. If anyone knows what the real profits are, they are not talking.

FIGURE 5

COMMERCIAL CAPITAL

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Source: Hewison, 'The Development,' Appendix B.
This situation also exists for a number of other major commodity exports. In rubber, there were thirty-nine exporting companies in 1979, but the five largest exported almost three-quarters of total rubber exports. For maize, there were 160
exporters, with the largest seventeen controlling 42 percent of the trade. The ten largest tapioca exporting companies (six of which are foreign-owned) handled about half of the tapioca trade. Such centralisation within the export trade gives commercial capitalists considerable influence over production in the countryside. Like some agrarian capitalists, primary commodity exporters control the market, and have an important role not only in determining what will be produced, but also in setting standards for the quality of production. They, rather than the middlemen, determine the prices to be paid to producers.3

A second distinctive group of commercial capitalists are those involved in the retail trade, where the petty-traders predominate. Since the 1960s, however, large retail operations have begun to emerge, based on large capital investments. The giants in this field of supermarkets and department stores are the Central group, owned and controlled by the Chirathivat family, and Thai Daimaru, which is 49 percent owned by the Daimaru Company of Japan and associated with the Sarasin family in Thailand. The extent of the operations of these retailing enterprises may be seen in their sales figures. Thai Daimaru reported sales of 582 million baht in 1979, while the sales of Central Department Stores totalled 467 million baht. By 1983, Central Department Stores' sales had quadrupled to 1.74 billion, and it was said to be the largest chain of department stores in Southeast Asia. In 1984 the Department Stores Association put the turnover of all department stores at about 6 billion baht.4

Big commercial capital exhibits a reliance on banking capital, as can be seen in Figure 6 above. A principal reason is that the commercial enterprises have become increasingly dependent on large capital outlays, or at least the ability to call on large amounts of capital. For example, rice exporters must be members of the Board of Trade, and this requires that the exporter have a registered capital of five million baht and storage facilities of at least 1,000 tons. In retailing, large capital investments are necessary in land, buildings, stock, and other fittings. This was illustrated when even the largest group within commercial capital, the Central group, deemed it necessary to join with a number of other groups, including the Tejapaibuls, the PSA group, and Saha Union in the construction of the giant Central Plaza hotel and shopping complex. The investment required was too large for a single, family-controlled, commercial group.

**State Policy and Commercial Capital**

In terms of state policy, commercial capital has been very much the poor relation of the industrial, banking, and agrarian capitals. Whereas it had been heavily promoted during the period of the absolute monarchy, particularly during Phibun's premiership, commercial capital -- as the largest and most visible fraction of capital -- was subject to much pressure from populist and nationalist elements within the state apparatus. Pasuk has
suggested that discrimination against Chinese, mainly traders and merchants, was little more than an attempt to increase the popularity of the government. This is especially true when it is considered that those most affected by discriminatory legislation were the petty-bourgeois elements of commercial capital; the total structure of Chinese economic power was not greatly altered. Nevertheless, business confidence in the sector was low, in part because the state involved itself in a number of commercial enterprises (notably, the rice trade).

The advent of the Sarit regime did not bring immediate gains for commercial capital. Initially, Sarit's government was concerned to reduce trade deficits, and this involved a reduction of imports. This move was to the detriment of importers and retailers, especially those who were trading in cheap goods imported from China. Such 'Red goods' were banned, although merchants were later permitted to sell of their stock. Other policies also hurt commercial capital. Tariffs were also increased on a range of consumer goods, while Sarit had ceremoniously reduced prices on a whole range of goods when he came to power.

Commercial capitalists attempted to exert pressure upon the government to try to change such policies. They succeeded in having price controls either lifted or ignored, and in having tariffs lowered on such goods as automobiles, motorcycles and films -- areas where employment in the retail trade was being adversely affected. In pressing for such changes, Chinese retailers and importers combined forces with their foreign counterparts. At the same time the Government Purchasing Bureau, originally established to purchase goods in short supply, by this time defunct, was dissolved in the cause of promoting free enterprise.

With the implementation of the first development plan in 1962, and in line with the government's guarantees to capitalist enterprise, policy makers indicated that commerce would remain in private hands and state competition would be scaled down. Such guarantees must have encouraged commercial capitalists, who had suffered or expected to suffer from state intervention.

State expenditure for the development of commerce in the period between 1961 and 1966 was only 51 million baht or 0.37 percent of a proposed development budget of 13.89 billion baht. This very much reflects the emphasis the state was placing on import-substitution industrialisation, and the development of economic and social infrastructure. Because state managers believed that commerce could look after itself, it was relegated to the backburner and forced to wait for the benefits of increased economic activity in other sectors to trickle down.

Even so, with the appearance of trade deficits (largely caused by the impact of the ISI strategy), other capitalists and state managers were always ready to point an accusing finger in the direction of commercial capital. In 1962, for example, Banjurd Cholvicharn, president of the Thai Chamber of Commerce, claimed that Thailand's 'terrible' trading situation was due to the lack of control of merchants who were, he said, permitted to
import anything they desired without impediment. State control of commerce throughout the sixties and seventies was generally maintained by tariffs and bans. Such control was strongly supported by industrial and banking-based capitalists.

The third development plan introduced some modifications to policy, as commerce was given heavier emphasis in 1972. The plan stated that commerce and services would be promoted to earn more foreign exchange income, provide further business opportunities for Thai nationals, generate employment, and improve the relationship between producers and sellers. Specific policies were, inter alia, 1) the maintenance of free trade and fair competition; 2) the curbing of unnecessary state competition; 3) the coordination of monetary, fiscal, and trade policies; and 4) the promotion of exports. In line with these policies, the Board of Investment became more active in the promotion of enterprises in the services and commercial sector. Between 1960 and mid-1980, 301 projects were promoted in this sector, and 204 began operations. While ninety-two of this latter group were hotels, there has been considerable diversification in recent years, with warehousing, cold storage, international trading, and computer services all receiving Board promotion certificates.

The impact of EOI has been of great significance to big commercial capitalists. As export promotion has become increasingly central to state policy, the interests of big traders have been consistently served—although conflict does continue to emerge, most notably concerning issues of price control. After a long period of slackness and low growth rates, export-oriented policies promised a renaissance for commercial capital. Heading the revival are the large trading companies, formed in the late 1970s. Based on the Japanese and Korean trading company models, the companies were to act as collection points for exports and distribute them to overseas markets. The state, keen to promote production for export, provided incentives for the development of such companies. The development of trading companies, it should be noted, represents something of a solution to the conflicts of interest among commercial capital and industrial and banking capitals over such issues as tariffs. At the same time, however, this solution will exacerbate the contradictions which exist between big commercial capital and petty traders. Bank of Thailand research shows cooperative stores are unable to compete with the larger turnover of the big shopping centres, while small retailing operations are in an even less favourable situation, overwhelmed and increasingly marginalised by the bigger operations.

An examination of two groups operating in the commercial sector, one in wholesaling and trade and the other in retailing, will serve to illustrate some of these points.
Yip-In-Tsoi Group

The Yip-In-Tsoi Company was first established in the southern town of Hadyai in 1926, by a group of Chinese businessmen headed by Yip-In-Tsoi and Chu Chutrakul. It had an initial capital of 50,000 baht. Six years later, the company's head office was relocated to Bangkok. Originally involved in mining and in the trade of rubber, timber, vegetable oils, and petroleum products, the company gradually expanded into agro-industry, insurance, and finance. As the Yip-In-Tsoi group's interests expanded, it entered into marketing arrangements with the William Jacks Company of Malaysia in 1967, eventually taking it over in 1972. The list of products traded by the expanded group then came to include building materials, sanitary wares, office equipment and computers (in an agreement with Burroughs), engineering equipment, textile machinery, chemicals, fertilizers, insecticides, and other pesticides. By 1980 the Yip-In-Tsoi group of companies had expanded from mere trading to participation in industrial joint ventures such as Bang Chan General Assembly, 34 percent owned by Isuzu Motors (Thailand), which had a registered capital of 16 million baht. The increasing corporate power of Yip-In-Tsoi group was shown in 1980, when it purchased the Chase Finance and Securities Company, Thailand's largest consumer finance and industrial credit company. The price, although not officially disclosed, has been estimated to be as high as one billion baht. In addition, the group has moved into finance, with its own Yip-In-Tsoi Investment Company. This is especially noteworthy, because the main inter-corporate linkages of the Yip-In-Tsoi group are with banking capital, notably the Lamsam family and the Crown Property Bureau/royal family groups. The link with the Lamsams is a historical connection, for the Lamsam and Chutrakul families are both of Hakka origin, and participated in the foundation of the Thai Farmers Bank in 1945. Both the Chutrakuls and Yip-In-Tsais continue to have significant shareholdings in the bank. In addition, the Lamsam, Yip-In-Tsai, and Chutrakul families all have marital connections.

Executive Director Tawat Yip-In-Tsai has emphasised the importance of state export-promotion policies to the group, as when he stated that Thailand 'must now become an export-oriented nation, producing more, selling more.' Tawat, a Harvard Business School graduate, epitomises the new style of management. He is educated, aggressive, and politically astute, and has moved the Yip-In-Tsoi group into areas which are expanding rapidly: agro-industry, manufactured exports, and finance. The group's activities will continue to diversify out of the commercial field into a more conglomerate-like organisation, especially as it has established a strong interest in the finance sector. This is not only important for further diversification, but also allows the group to do its own financing in its more traditional sphere of trade.
The Central Department Stores Group

As stated previously, the Central Department Stores group is the largest retailing chain in Thailand. Its development has been rapid, and its approach to retailing has been innovative, setting the pace for the retailing element of commercial capital. The group is controlled by the Chirathivats, a Hainanese Chinese family which established its first retailing outlet in Thonburi in the mid-1920s. The founder of the family business, Tiang (Tae Sim Peng), father of twenty-six children, was reportedly involved in the timber trade during World War II and immediately after. In 1948 he established a retail operation on the busy Charoen Krung Road in Bangkok, specialising in imported books and periodicals.

Growing steadily throughout the fifties and early sixties, the family business moved to larger premises at Wang Burapha in 1957. This establishment was said to have been Thailand's first, Western-style department store. As growth continued, the Chirathivats were able to open new, larger premises on Silom Road in 1967, and at Chidlom on Ploenchit Road in 1974. Both stores were in the centre of the expanding tourist trade. Bolstered by thousands of U.S. service personnel taking rest and recreation leave from Vietnam, as well as by large doses of U.S. aid and military spending, Bangkok experienced a tremendous wave of growth in the mid- and late-sixties. The Central Department Stores and associated supermarkets were carried on the crest of this wave, expanding rapidly and achieving high rates of profit. At the same time, the Central group was able to move from retailing and the importation of consumer goods to the manufacture of a range of consumer durables, cosmetics, and soft goods. In addition, the group had begun to expand outside Bangkok, opening a store in Chiangmai. In 1983, with the opening at Lard Prao of its newest store and hotel complex, the Central Plaza, the group became the largest retailer in Thailand, overtaking the Japanese joint-venture, Thai Daimaru. As mentioned previously, by 1980 Central was said to be the largest department store chain in Southeast Asia, and it was reportedly considering overseas expansion.

Such expansion and diversification requires large capital outlays. Investment in the Chidlom brand, for example, was estimated to be in excess of 70 million baht. It is thus noteworthy that the Central group's principal inter-corporate linkage is with the Euawatanaskul family, which has large banking interests. The Euawatanaskuls and the Central group are related through marriage and business, and together operate the import agency for Wrangler clothing. In addition to controlling a number of finance and investment companies, the Euawatanaskuls are also linked to the Tejapaibul family, one of the major groups of banking capitalists. This latter linkage is reinforced by a family connection between the Chirathivats and Tejapaibuls,
making for a close and powerful relationship among the three groups. The connection with the Tejapaibuls, for example, was useful in the development of the Central Plaza complex.

With the Central Plaza project, the Central group has moved to a new level of retail development. Its previous developments have been wholly occupied by Central itself, but the Central Plaza complex substantial space is rented out to other, smaller retailers. This allows Central to construct and operate a huge complex, and make large profits from leases, commissions and sales within a few years. This innovation has not been ignored by other retailers. Indeed, the development of the Central group has shown other business groups that retailing, following an essentially Western model, can be very profitable in Thailand. Between 1950 and 1979, only eight shopping centres had been established in Bangkok. Between 1980 and 1984, however, a further ten centres were constructed, and at least another four complexes were planned for 1985 and 1986. By 1984, there were 25 department stores with 38 branches operating in and around Bangkok.

In terms of policy, at least, commercial capital has been the poor relation of Thai capital since the late 1930s. This reflects its position as a fraction of capital that enhances the process of the extraction of surplus-value, but does not itself produce surplus-value. It is only now re-emerging as a force in the Thai political economy, riding on the coattails of banking and industrial capital.

Since the beginnings of the ISI period, the retailing element of commercial capital has often lacked an effective political voice. But with the development of department stores, a new pressure group has emerged, the Department Stores Association. The Association, comprised of fourteen locally-owned stores and chains, was formed in 1984, with Central's Suthikist Chirathivat as its president. Its first political act was to put pressure on the government in an attempt to limit the development of foreign-owned stores. Until 1984 Thai Daimaru had been the only chain with substantial foreign ownership, but another four opened or planned to open in 1984 and 1985. The Association presented a petition to the government requesting that the opening of all new foreign retail businesses be 'controlled' by the government, using the argument that all retail stores should be fully Thai-owned, and that foreigners should be prohibited from holding managerial positions. The Board of Trade rejected the petition, on the grounds that it was state policy to welcome foreign investment. Despite this initial defeat, however, the Association must have felt some satisfaction in December 1984, when students took to the streets to demonstrate against Japanese goods at Japanese-controlled department stores.
In summary, the emergence of a more export-oriented development strategy augurs well for the future of big commercial capital, as exports of manufactured goods expand, and commercial capital fulfills its role in the sphere of circulation. This is especially so when it is considered that the services sector is an expanding employer and thus increasingly important to state development policies. In addition, the political profile of big commercial capital is likely to develop even further.
Chapter 7

INDUSTRIAL CAPITAL

Industrial capital is of prime significance for this study, as it is productive capital par excellence, applying both labour and the means of production to the process of commodity production. In addition, it is in industry that surplus-value is produced and first appropriated by the industrial capitalist. But this capitalist must share the surplus-value with other capitalists who have different locations in the total process of production, and especially those in the circulation stages, banking and commerce. The centrality of industrial capital is thus clear.

In Thailand, a considerable degree of cooperation and interlinking has emerged between the industrial and banking fractions of capital. This has led to the emergence of what may loosely be referred to as 'finance capital,' in which there is a merging of banking capital with other fractions, especially industrial capital. The development of finance capital and the expansion of domestic banking has been crucial to the expansion of industry and industrial capital.

Since the early sixties, industrial expansion in Thailand has been remarkable for its consistent and relatively high rates of real growth of about 6 to 8 percent per year. There has also been rapid growth in the number of people engaged in manufacturing (a term used to denote all processing industries except agro-business). In 1960, the sector employed 471,000 persons, or 3.42 percent of the economically active population, a figure which had nearly quadrupled by 1979, when there were 1,724,200 persons in manufacturing, or 8.13 percent of the economically active population. (See Appendix, Tables I-III). Total value-added in the manufacturing sector increased from 6.76 billion baht in 1960 to 164.66 billion in 1982 (at current prices). Even at constant 1972 prices, there has been a 20 percent increase in value-added produced in the sector between 1979 and 1982, and manufacturing's contribution to GDP has risen from 12.5 percent to 21 percent in the period between 1960 and 1983 (see Table 8).

Growth in manufacturing can be seen in all areas of the sector. A wide range of activities grew at rates in excess of 15 percent for the period from 1967 to 1977, including chemicals, construction materials, electrical and transportation equipment, and textiles (see Appendix, Table V). Even where growth rates have decreased within certain sectors (as, for example, in food and beverages), other areas within the sector have achieved better than average growth rates (see Appendix, Tables V and VI). Moreover, the manufacturing sector has seen considerable restructuring over the past decade, as ISI has given way
to EOI, and as heavy industry has begun to develop. One significant change between 1960 and 1982 has been the substantial decline in the percentage of total sectoral value-added contributed by food, beverages, and tobacco, from 57 percent to 29 percent. Although these areas still remain the single most important area of manufacturing, there has been considerable diversification. For example, it is noteworthy that chemicals, transport equipment, rubber products, and textiles are now producing much larger proportions of total sectoral value-added than previously, indicating a move away from the previous concentration on the mere processing of primary products (see Appendix, Table VI). Certainly, the base of the Thai manufacturing sector has widened considerably over the past two decades, and as large-scale industry expands, there is no reason to doubt that this trend will continue in the future.

Significant changes have also occurred in the manufacturing workforce over the past two decades. As mentioned above, the total number and percentage of economically active people involved in manufacturing has increased quite substantially. But, changes in the composition of manufacturing employment have also been significant. In the first place, it is noticeable that the percentage of the economically active population described as 'employers' in this sector has increased from 8,500 (or 0.06 percent) in 1960 to 12,500 (or 0.07 percent) in 1970 and, as industrialisation has gathered pace, to 44,300 (or 0.21 percent) in 1979. While some of this increase may be put down to such factors as sampling errors, it is clear that as economic development has forged ahead, opportunities for the employment of wage-labour by industrial capitalists have multiplied. Second, the total number of privately employed wage-labourers has more than quadrupled from 225,500 in 1960 to 1,075,400 in 1979. By the end of the 1970s, 5.07 percent of the economically active population worked for wages in private, manufacturing employment, and a further 0.2 percent were wage-labourers in state manufacturing enterprises. Third, private employment in industrial activities became more important. About 71 percent of those involved in manufacturing as employees or unpaid family labour were classified as private employees in 1960, but by 1979, this figure had risen to about 81 percent. The employment of wage-labour by capitalists is crucial to the extraction of surplus-value because, all other things being equal, increased employment of wage-labour enhances surplus-value. Indeed, as is indicated below in Table 13, the average profit per employee tends to increase with the size of a firm's labour force.

One of the attractions of industry, for capitalists, is the high productivity of the workers and, thus, the opportunities for relatively higher rates of exploitation compared to agriculture (see Table 9). Indeed, this is confirmed by some of the available data on profitability and wage rates. Although there is great variation in wage
rates between companies, a 1972 survey suggested that the average wage rates for unskilled workers in Bangkok-based industries ranged between about 500 and 750 baht per month, and for skilled workers between 985 and 1,620 baht per month. As a comparison, salaries for executives ranged between 2,400 and 6,300 baht per month. According to a World Bank report, in 1975, unskilled wage rates in manufacturing ranged between 24 and 29 baht per day. Wage rises since 1970 are said to have averaged 50 percent, but have been largely offset by increases in consumer prices. At the same time, however, the development of the manufacturing sector appears to have brought real increases in productivity and profitability, especially for the larger firms. The rate of exploitation of wage-labour has thus been maintained at relatively high levels.

The attractiveness of industrial pursuits to capital is of relatively recent origin, built on a base established in part by the state. From this base, consisting of both infrastructure and state-initiated industry, industrial activity has become one of the major areas of accumulation for both Thai and foreign capital. It is likely to expand even further in the next decade, spurred by both the development of heavy industry on the eastern seaboard, and the state's emphasis on the development of large-scale industries.

It is now appropriate to examine the fraction of industrial capital in more detail. Of the country's 1,399 largest enterprises (ranked by 1980 assets), 451 are in the manufacturing sector. Their total assets exceed 112.66 billion baht or 16.5 percent of GDP. Industrial capital is dominated by eighteen large business and family groups, which collectively have interests in at least 375 companies. These groups base their activities in the industrial sector, ranging across a wide spectrum of manufacturing, and their combined total assets probably exceeded 58.39 billion baht. Figure 7 lists the major groups and their activities in this sector.

Three noteworthy points emerge from Figure 7. First, it can be seen that almost all large groups are involved in trading. In fact, many emerged from automobile sales, then expanded to assembly, and finally moved into fully-fledged automobile manufacturing. Second, it is striking that most of these major manufacturing groups have also expanded into finance — one more indicator of the development of finance capital. Third, there has been a noticeable movement towards vertical integration which enhances the growth of corporate capitalism. This is apparent in both the Saha Union and Chowkwanyuen groups.

Figure 8 indicates the interlocking shareholdings within industrial capital. More than half of the business groups of this fraction exhibit links with each other,
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Source: Hewison, 'The Development,' Appendix B.
again indicating the network pattern of Thai corporate capitalism. But only when linkages with other capitals are taken into account (as is shown in Figure 9) can the real significance of the development of industrial and banking capitals be seen.

**FIGURE 8**

**LINKAGES BETWEEN BUSINESS GROUPS WITHIN INDUSTRIAL CAPITAL**

KARNASUTA ———————————— ITAL-THAI ———————————— CHOWKWANYUEN
SAHA UNION ——————————— MAHADAMRONGKUL ——————————— SAHA THAI PAPER
BOONSOONG ———————————— BHIROMBHAKDI
ASSAKUL ———————————— SRI FUENG FUNG

Source: Hewison, 'The Development,' Appendix B, part III.

The dominant linkages are with banking capital. The reason for this is clear. In the absence of a securities or stock exchange (only established in the early sixties, restructured in the mid-seventies, and becoming significant only in the eighties), banks and other financial institutions became the primary sources of large amounts of capital required for industrial expansion. The critical importance of capital, especially in large-scale industry, is demonstrated by the fact that, in 1979, the combined assets of the automobile and textile industries were equal to approximately 6 percent of the total GDP. The registered capital of the Thai automobile industry in 1982 was 1.33 billion baht, while the total assets of the ten largest automobile manufacturers in 1979 exceeded 14.32 billion baht. In the textile industry, the assets of the thirty-five largest enterprises totalled 19.39 billion baht in 1979. Even larger amounts of capital will be required as the industrialisation process continues. In recent years, both the state and private capitals have increased markedly their overseas borrowings (see Table 10).

The links between banking and industrial capitals have been important for the expansion of industrial activity, with the percentage of commercial bank loans and overdrafts going to the manufacturing sector rising from 10.1 percent in 1958 to between 17 and 18 percent by the late seventies (see Table 22). The provision of credit by banks has also allowed the most powerful industrial and banking capitalists to increase their hold over industry.
FIGURE 9
LINKAGES BETWEEN INDUSTRIAL CAPITAL AND OTHER CAPITALS

There has been a marked tendency towards concentration within the industrial sector, and high degrees of concentration and centralisation exist in a range of manufacturing areas. Of the largest twenty-one companies, in drugs and medicines, for example, the top five account for 67.4 percent of sales. Similarly, of the fifteen largest vehicle assemblers, the two largest firms account for 68.9 percent of sales, and the leading five control 85.9
percent. One of the primary forces in the movement towards concentration and centralisation has been the development of finance capital, leading to the conclusion that the:

magnates of industry and the banks are closely associated. This association, which is founded on the suppression of competition between capitalists by the great monopolistic combines, has...the effect of changing the relations between the capitalist class and the state.

Indeed, state policy has never sought to arrest the trends towards oligopoly and near monopolisation by big capital.

State Policy and Industrial Capital

One of the most consistent aspects of state policy since 1932 has been expressed desire for industrial development. Many political leaders have viewed industrialisation as being almost congruent with progress, civilisation, development and political independence. Phibun was often outspoken on these matters, and while the same views prevailed even after he was overthrown, a new sense of urgency was added to the calls for rapid industrialisation. For instance, the Siam Rath Weekly Review stated:

Thailand has now reached a stage where it is absolutely incumbent that we augment our national income and prop up our economy by increasing industrialisation. This we must realise and we have to do it fast. If we are not alert about it and move only sluggishly..., we may just as [well] bury our hopes for national progress and prosperity and we can count the days until we sink back to the deepest rung again.

Since 1932, there has been no serious questioning of the desirability of industrial development. There has been, however, considerable divergence and debate on the most appropriate path to be followed in achieving this goal.

As discussed in previous chapters, throughout the entire period from 1932 to 1957 state policies rarely diverged little from the goal of encouraging industrial activity. This was to be achieved through state leadership in establishing its own industrial activities, and in investing in areas considered to be of importance for the future. In other words, the period was characterised by a policy of state-initiated or state-led industrialisation. As has been emphasised, however, much of the business
sector was experiencing a crisis of accumulation in the mid-fifties, and urged a more limited role for the state. When the Sarit regime began implementing its programme of 'revolution' after 1958, both local and foreign capital received considerable support. Economic development became the central concern of the Sarit government's administrative programme, which was supported with the advice and aid of various international agencies and Western governments, especially the U.S.

The initial phase of the first development plan tended to follow the IBRD proposals quite closely, and encouraged private investment (see Chapter 4). Total proposed expenditure by the state on industrial development in the plan was to be 1.07 billion baht, 7.7 percent of the total development allocation of 13.89 billion for the period from 1961 to 1966. This expenditure was to be divided between the Ministry of Industry, the National Energy Authority, the Ministry of the Interior, and state-owned enterprises. In addition, there were to be large expenditures on communications, water resources, and transportation, all of which enhanced industrial activity.

The first plan was judged to have been a success, because targeted growth rates were either achieved or surpassed. The second plan tended to pursue a similar approach, although more emphasis was placed on foreign investment in order to meet a planned annual increase in manufacturing output of ten percent. During the first two or three years of the second plan, GNP growth, stimulated by foreign investment and U.S. military and aid expenditures averaged nine percent a year. However, in 1969 and 1970, a marked downturn occurred for the first time in ten years.

As a result, the third development plan (1972-76) indicated a more qualified approach to industrial development, backing away from the 'growth-at-all-costs' syndrome:

The general objective...is to increase the role of industry in the economic system, in a manner that can support and conform with...agricultural production. As measures will be taken to support and facilitate private industries, the Government will not establish additional public enterprises to compete with private industrial undertakings. The Government will...promote export industries and import substitution industries to enable people to buy domestic products, and promote industries which can be established outside the metropolitan area. Moreover, the Government will develop small-scale industries.
The shortcomings of the ISI strategy had become apparent to planners. The fourth plan (1977-1981) continued this approach, and acknowledged that economic development had produced income disparities. ISI was seen as the culprit, and came under severe criticism:

What has been happening is that after the termination of tax incentives, many companies still need some form of protection such as import restrictions or high tariffs. Overproduction in certain industrial sectors and distortions in the market mechanism have adversely affected resource allocation.

Salvation was sought through an EOI strategy. In manufacturing, targets for export growth were set between 9 and 16 percent a year. The fifth plan (covering the years from 1982 to 1986) enthusiastically embraced EOI, a doctrine promoted by international academic and institutional authorities who regarded it as a panacea for the ills of the developing world. Despite this promotion, however, there has been an attempt to temper the EOI strategy in those sectors where import substitution has not previously been attempted, especially in heavy industry. Recently, the NESDB has compiled a study which argued that Thailand's 'comparative advantage' in labour-intensive areas will decline, and the country must move to more capital-intensive industries. The report suggested that in addition to the proposed 60-100 billion baht investment on the eastern seaboard projects, a further 280 billion could be invested in other large-scale industries.

The change towards an EOI strategy should not detract attention from the major long-term trend in state policy: the promotion of industrial development, and the expansion of finance capital and corporate and near-monopoly structures. Although the focus here has been on five-year plans, a number of other initiatives have also been implemented to the advantage of industrial capital, including investment promotion laws and industrial credit facilities (as discussed above in Chapter 4). The impact on industrial capital has been substantial, as will be indicated in the following case studies.

Case Studies

Tanin Industries Group

Owned by the Vidhayasirinun family, the Tanin group began operations in the early fifties as Tanin Radio Blaupunkt, retailing German-made electrical equipment. Within a short time, however, the company also marketed
Japanese products -- and with such success that Tanin was able to expand from retailing to production. The Tanin Industrial Company was established to manufacture radio and television parts and to assemble receivers, and was registered with a capital of three million baht. The Board of Investment granted it promotional privileges, while German and Japanese companies supplied technical advice. Expansion was once again rapid. In 1967 the company established a factory in Bangkok on 13.5 rai of land, employing 440 people, and in the following year it launched the Tanin brand name in Thailand.

Decentralisation began in 1973, when Tanin opened a plant in Chiangmai that produced condensers for the export market, particularly Japan. By 1980, the export value of televisions and radios had reached 120 million baht a year, and some European manufacturers were beginning to complain of 'unfair' competition and 'dumping.' With the Tanin Industrial Group's assets totalling 200 million baht, and with an annual turnover of about 400 million baht, corporate eyes began to search the production horizon, considering plans to expand overseas. In 1981, the group reported plans to establish a manufacturing plant in Bangladesh, where Tanin already had a market for one hundred thousand radios and twelve thousand television sets each year. Although the plan was later abandoned, it is significant that a relatively small company even contemplated such expansion. As an import-substituting establishment, Tanin had quickly outgrown the domestic market, and was the Board of exports for further expansion. When faced with charges of dumping, 'transnationalisation' was one method of overcoming such restrictions, even for a relatively small company like Tanin.

By 1983, the Tanin Industrial Company ranked second in terms of assets in the Thai electrical appliances sector, behind Sanyo Universal Electric. Tanin's assets were 698 million baht, and it was listed as the 258th largest company in Thailand, with sales in excess of 451 million baht. The company remains a family-based enterprise, however, with at least 92 percent of the stock and most managerial positions held by the Vidhayasirinun family.

Tanin has attempted to cultivate its image as a Thai company and often supports royally sponsored causes and projects. In 1982 the group was awarded the royal garuda in recognition of this support, allowing its products to bear the insignia, 'By Royal Appointment to His Majesty.' Given the intensity of royalist sentiment in Thailand, this was not a small compliment, nor an insignificant boost to its trade.

Some interesting points emerge from this short case study of a retailer-turned-manufacturer. First, foreign expertise has played a crucial role. Without German and
Japanese know-how, it would have been very difficult for the Tanin manufacturing operation to develop, in such a short time, from its base as a retailer. While Tanin has been innovative, it has also had the initial technical cooperation of transnational corporations -- a fact ignored by Krirkkiat and Yoshihara when they noted that Tanin developed its own technologies.

Second, without promotion by the state, it would have been extremely difficult for Tanin Industries to survive as a manufacturer against import competition. In particular, the company relied on Board of Investment promotional privileges and steadily increasing tariff protection (from rates of about 30 percent in the early sixties to as high as 100 percent in 1978) for locally produced radios, televisions and parts. ISI-based expansion behind protective tariff barriers allowed Tanin to reach a stage, in the late seventies, where it could consider the internationalisation of its operations.

Finally, it is interesting to note that despite the Tanin group's reliance on labour-intensive techniques, and despite the relatively low cost of skilled labour, the groups still planned to adopt more capital-intensive production methods. One of the principals of Tanin, Vunnee Vichayasirinun, stated that even though Tanin had experienced few serious labour problems, increased automation was planned because 'machines can run according to management design and can be put under control more easily than men [read "labour"].' The clear desire is to increase the productivity of labour, which would further enhance the production and extraction of surplus-value. All of this in a firm which is still in the ranks of medium-sized industrial concerns.

The Textile Industry

In terms of value-added, textiles are the largest manufacturing industry in Thailand after food and beverages. At current market prices, value-added in the textile and apparel sectors increased from 885 million baht in 1960 to 32.51 billion in 1982. At 1962 prices, there was a rise in value-added from about 1.6 billion baht to 4.5 billion between 1970 and 1976 alone. Even in the early eighties, when the textile industry was experiencing a slump, value-added increased by about 25 percent in real terms.

Productive capacity has also expanded rapidly. Between 1967 and 1977 the average annual increase in the production of textiles has ranged from 28 percent in gunny bags to 55 percent in synthetic yarns. By 1980, textile companies listed among Thailand's 1,399 largest firms had total assets of almost 21 billion baht. The textile industry employed some 54,000 people in 1979, most of whom were young women.
Despite periodic slumps, the development of the industry since 1960 has been in stark contrast to its fortunes between 1945 and 1960, when the textile industry tottered from one crisis to another.

Despite the fact that textile production quadrupled between the war years and the early 1950s, production was still low, and most factories were small. Some modernisation did, however, take place, as 20,000 spindles were imported by the Ministry of Defence's Textile Organisation in 1950. According to one source, the average annual domestic consumption of lint in the early fifties was low, totalling just 8,000 tons a year, and imports were relatively unimportant. Between 1946 and 1960, Thai and Chinese investors did attempt to get a local industry underway, and twenty weaving and spinning factories were established. But serious problems began to emerge in the mid-fifties as a result of both differential state policies towards manufacturers and importers and competition between commercial and industrial capitalists. Local manufacturers began to express a concern that importers were being permitted to bring in large amounts of cloth at very low tariff rates, and claimed that this was beginning to have a serious effect on their operations. They feared that huge quantities of textiles, sufficient for three years domestic consumption, had been stockpiled by importers. The Ministry of Industry, through Deputy Minister Pramarn Adireksan, argued that such large imports were necessary due to the poor quality of local products, and suggested the need for some rationalisation within the industry. Limited import bans were imposed, but this was not sufficient to solve the problems facing local manufacturers.

Competition from foreign firms became stronger, both in the form of manufactured imports from Hong Kong and Taiwan, and Japanese firms' efforts to take control of the domestic market by setting up operations in Thailand. One of the largest industrial enterprises in the country, GS Cotton Mills, closed in June 1956, putting 1,200 workers out of their jobs. The GS management had informed the government of its problems, but Deputy Minister Pramarn and Finance Minister Boripand Yudhakit both disagreed with the company on the need to further restrict imports. Instead, government officials argued that local industrialists had to 'improve themselves' if they wanted to survive.

As imports continued to increase, GS was not the only fatality. Even though local manufacturers were going under, Pramarn travelled to Europe, the United States, and Japan, and returned with the unsurprising news that the Japanese were keen to invest in Thai industrial development --- especially in the textile industry. The Ministry of Industry was keen to attract Japanese capital. Throughout 1959 and 1960, despite the desperate situations faced by local producers, the Ministry steadfastly resisted calls
for increased protection. At the same time, it rejected a Spanish proposal for a four billion baht textile industry on the grounds that it would have meant a monopoly.

By 1961, there were eight mills with more than 95,000 spindles, the Japanese invasion of the textile industry was underway. The state had one year earlier declared spinning and weaving a promoted industry, and there was a rapid expansion of productive capacity, much of it foreign-owned. The first proposal by the Japanese to establish a large textile plant met with a bitter response from local producers. They argued that the Japanese investment would be 'huge,' and that it would have serious repercussions for the domestic industry. Others, however, opposed increased protection for a 'small group' of local producers at the expense of the 'interests of all people.' The latter view seems to have prevailed, mainly due to the support that many influential political figures, including Pramarn, were giving to the Japanese. Indeed, the story of the Thai textile industry since 1962 is dominated by the establishment of Japanese and Japanese-Thai joint-venture firms, as can be seen in Table 18 below. During the period from 1962 to 1972, investments in textiles were the largest of all Japanese overseas investments, and two-thirds of textile investments were in Asia.

TABLE 18
THAI SUBSIDIARIES OF JAPANESE TEXTILE FIRMS, 1962-72

<table>
<thead>
<tr>
<th>Company</th>
<th>Year of Establishment</th>
<th>Japanese Parent Company</th>
<th>Registered Capital (Million baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thai Toray Textile Mill</td>
<td>1963</td>
<td>Toray Industries</td>
<td>60.0</td>
</tr>
<tr>
<td>Thai Nylon</td>
<td>1963</td>
<td>Unitika Ltd.</td>
<td>20.0</td>
</tr>
<tr>
<td>Thai Teijin Textiles</td>
<td>1965</td>
<td>Teijin Ltd.</td>
<td>81.0</td>
</tr>
<tr>
<td>Toray Nylon Thai</td>
<td>1966</td>
<td>Toray Industries</td>
<td>90.0</td>
</tr>
<tr>
<td>Thai Kurabo</td>
<td>1968</td>
<td>Toray Industries</td>
<td>30.0</td>
</tr>
<tr>
<td>Siam Synthetic Textile Industries</td>
<td>1969</td>
<td>Toray Industries</td>
<td>24.0</td>
</tr>
<tr>
<td>Winner Textiles</td>
<td>1969</td>
<td>Toray Industries</td>
<td>40.0</td>
</tr>
<tr>
<td>Thai Tetoron</td>
<td>1969</td>
<td>Teijin Ltd.</td>
<td>160.0</td>
</tr>
<tr>
<td>Thai Filament Textiles</td>
<td>1970</td>
<td>Teijin Ltd.</td>
<td>40.0</td>
</tr>
<tr>
<td>Thai Suiting Mills</td>
<td>1970</td>
<td>Toray Industries</td>
<td>22.5</td>
</tr>
<tr>
<td>Capital Kanebo Textile</td>
<td>1970</td>
<td>Kanebo Ltd.</td>
<td>20.0</td>
</tr>
<tr>
<td>Union Kanebo Spinning</td>
<td>1971</td>
<td>Kanebo Ltd.</td>
<td>26.2</td>
</tr>
</tbody>
</table>

Sources: Oriental Economist, December 1972, p. 37; and Business in Thailand, August 1976, pp. 60-64.
The initial stimulus for Japanese investment in the Thai textile industry was probably to squeeze out competition from Taiwanese, Pakistani, and Hong Kong producers, who were taking an increasing share of the market. In order to maintain and extend their market share, and establish their Thai operations, Japanese firms took advantage of the ISI policy and the promotional privileges offered by the Thai Board of Investment: exemption from import duties and business taxes on imported capital goods, five-year tax holidays, and tax relief on raw material imports. Over the period from 1961 to 1972, productive capacity and production grew rapidly. The number of spindles expanded almost eight-fold, to 726,824, while cloth production increased more than six-fold, to 535 million square yards. During this period of rapid expansion, the motivation for and the nature of, Japanese investment changed. As a vice-president of Toray Industries explained the situation in the late 1960s:

Investment opportunities at home have already diminished. At this stage of the game even here at Toray we've got a surplus of personnel, money, and technology. We're going to have to put this potential to effective use abroad.

The Japanese, in effect, were intent upon developing an international division of labour within their companies. Particular labour-intensive and pollution-prone manufacturing would be assigned to Third World countries, to take advantage of cheap labour and the lack of pollution laws in such areas, while more capital-intensive projects could be maintained in Japan. Individual markets and ownership of subsidiaries became rather less important than integrating the activities of the various subsidiaries and maintaining overall profitability.

At the same time, Thai attitudes were changing. Productive capacity increased just as the world market was contracting between 1970 and 1977, and the country was threatened by severe problems of overproduction. At the same time, the Thai share of ownership in the textile companies had increased considerably. For example, when Teijin Polyester had begun its operations, Teijin of Japan was the major shareholder. But by 1979, its share had declined to less than 45 percent, although the Japanese still held half of the positions on the Board. By 1977 all of the seventeen largest textile companies were at least nominally 50 percent Thai-owned, with assets in excess of 10.8 billion baht. At the same time, the Bangkok Bank had taken responsibility for much of the financing of the industry, especially during the slump years of the mid-seventies. The result was a high level of centralisation within the textile industry by 1979, with the ten largest companies accounting for almost 70 percent of all capital invested in the industry.
This increased Thai stake in the industry has been politically important. The state would have been forced to take some action to support the textile industry during the slump anyway, but the involvement in the industry of such politically influential figures as the ubiquitous cabinet minister Pramarn Adireksan made for a rapid protective response. Thus, despite a serious crisis which lasted for five to six years, textiles and apparel were again reasonably buoyant by 1979, providing almost 6 percent of total exports of goods and services (with a value of more than eight billion baht), and accounting for almost 19 percent of value-added in manufacturing. These figures had increased marginally by 1982, even with excess capacity and another slump. Overproduction reached record levels in 1981 and 1982, and most firms operated at only 75 percent capacity. Lost revenues were estimated at about 1.8 billion baht for the two years. Significantly, the firms least affected by these problems were those which had developed a high degree of vertical integration. An NESDB study identified textiles as one of the areas in which Thailand's comparative advantage in labour is likely to be lost within the next decade, if it has not been lost already. As both the state and capital gear up to move the industry into more capital-intensive production, the promotion of vertically integrated textile groups appears certain.

Three significant points emerge from this case study. First, the state was clearly determined to promote the development of the textile industry, but not in the form that it existed in the fifties. Rather, there was a determination to promote the most technologically advanced elements, which at least in the beginning were dominated by foreign capital. Once such firms were established, the state was prepared to provide tariff protection and, later, incentives for export. As capital intensity increases in the future, this policy will continue.

Second, political connections have been significant throughout the industry's development. The single most important person has been Pramarn Adireksan, who has been influential in the textile industry in his roles as a political figure, state manager, and capitalist. In the early 1950s, together with Prasit Kanchanawat and Chin Sophonpanich of the Bangkok Bank, he promoted the Thai Textile Company. His authority was useful to Japanese investors in the fifties and sixties, but more recently he has assisted domestic textile producers. This shift, from Japanese to local investors, reflects his own investments in textiles, which have become more independent in recent years after an initial link to Japanese capital.

Third, foreign investors, especially the Japanese, have played a key role. They have been able to adjust to shifts from ISI to EOI, and take advantage of both policies. Foreign technology and capital have played a large
role in the development of the Thai textile industry, but in recent years as Japanese economic expansionism has been vociferously criticised, there has been a move to make use of Thai investment capital, especially as Thai majority-ownership became politically more acceptable than foreign ownership. Akira notes that joint-venture arrangements have often been used by local capitalists to integrate their foreign partners. The local group, not the foreign investors, control the economic surplus that is produced, and especially in textiles the joint venture system has led to a large expansion of local capital.

In summary, industrial capital has played a pivotal role in the Thai political economy since 1957. The economic development strategies adopted by the state have all aimed to promoted industrial development, and, therefore, the interests of the industrial fraction of capital. The future of industrial capital has been assured by the adoption of a more export-oriented strategy, which has overcome the crises of overproduction that appeared in the 1970s. In addition, the development of finance capital has meant that the ability of industrial capital to raise investment capital has been greatly enhanced.
Chapter 8

BANKING CAPITAL

Two of the major themes of Part II have been that finance capital has developed as a significant force in the Thai political economy, and that banking capital is the dominant fraction of capital and a leading force in the development of finance capital. In this chapter banking capital will be examined with these themes as the focus.

Banking capital, where money begets money, plays the essential role of forming the credit system for capitalist production, releasing capital into circulation so that it may be used in production, transforming inactive capital into active capital. This places banking capital in a pivotal position in the continuing process of centralisation, where access to large amounts of capital are crucial. Its role and development were explained by Marx in the following terms:

In its first stages, this [credit] system furtively creeps in as a humble assistant of accumulation, drawing into the hands of individual or associated capitalists by invisible threads the money resources, which lie scattered in larger or smaller amounts over the surface of society.

Thus banking capital organises the money for capitalist development and expansion, and shares in surplus-value through its transactions. But as capitalism develops banking

soon becomes a new and terrible weapon in the battle of competition and is finally transformed into an enormous social mechanism for the centralization of capitals.

Instead of merely accepting interest, the bankers become active investors in the productive sphere, and eventually achieve a dominant position.

In an expanding capitalist system, the outcome of these developments is finance capital. Finance capital refers to the integration of the banking, commercial, and industrial fractions of capital, a process that develops in the context of the increasing centralisation and internationalisation of capital, and occurs under pressure from banking capital. An integrated capital thus emerges as a powerful force in the expansion of capitalism, negating some of the effects of competition. At this level,
collusion among the handful of capitalists who control the giant corporate groups is possible. Even where competition remains strong, the large corporate groups have tremendous advantages over single-industry firms. Although some consider the emergence of finance capital to be an unlikely event in Thailand, this chapter will argue just the contrary.

Over the past twenty-five years, growth in the Thai financial sector has been rapid. Despite the fact that only two new domestic commercial banks have been established since 1957, there has been considerable expansion in other financial institutions, especially investment, securities, and finance companies of which there were 107 in 1984, down from a peak of 113 in 1977. As is shown in Table 19, the growth of these companies was especially rapid during the 1970s.

The financial sector is largely owned and controlled by domestic capitalists. Only in the life insurance and finance companies do foreign-owned companies control significant proportions of the market, and in no instance more than one-third of any particular area (see Table 12). In commercial banking, the largest and most important sector of banking capital, a comparison of the assets and deposits of foreign and domestic banks clearly reveals the predominance of domestic capital (as is shown in Table 20). Table 21, which indicates the expansion in assets, deposits, and credit provision by the commercial banks, illustrates the growth of the banking sector since 1957 -- a growth that has been remarkable by any standard. In 1983 almost 98 percent of all deposits were held by Thai-owned banks, compared to 76 percent in 1957, while they made over 95 percent of all loans, up from 70 percent in 1957.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial banks</td>
<td>74.6</td>
<td>72.8</td>
<td>74.2</td>
<td>73.7</td>
</tr>
<tr>
<td>Finance companies</td>
<td>1.9</td>
<td>5.5</td>
<td>8.2</td>
<td>10.8</td>
</tr>
<tr>
<td>Insurance companies</td>
<td>2.8</td>
<td>2.4</td>
<td>2.1</td>
<td>2.2</td>
</tr>
<tr>
<td>State banks</td>
<td>17.7</td>
<td>16.8</td>
<td>13.1</td>
<td>11.0</td>
</tr>
<tr>
<td>Co-operatives</td>
<td>3.0</td>
<td>2.5</td>
<td>2.4</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Adapted from Supachai Panitchpakdi, 'Role of finance companies,' *Asian Finance*, 15 September 1978, p. 78.
TABLE 20
ASSETS AND DEPOSITS OF COMMERCIAL BANKS, 1983

<table>
<thead>
<tr>
<th>Bank</th>
<th>Assets (Million Baht)</th>
<th>% of Total</th>
<th>Deposits (Million Baht)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Thai-Owned</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangkok Bank</td>
<td>217,648</td>
<td>35.08</td>
<td>159,968</td>
<td>34.86</td>
</tr>
<tr>
<td>Krung Thai Bank</td>
<td>79,335</td>
<td>12.79</td>
<td>63,369</td>
<td>13.81</td>
</tr>
<tr>
<td>Thai Farmers Bank</td>
<td>75,331</td>
<td>12.14</td>
<td>58,560</td>
<td>12.76</td>
</tr>
<tr>
<td>Siam Commercial Bank</td>
<td>40,217</td>
<td>6.48</td>
<td>31,568</td>
<td>6.88</td>
</tr>
<tr>
<td>Bank of Ayudhya</td>
<td>26,689</td>
<td>4.30</td>
<td>21,924</td>
<td>4.78</td>
</tr>
<tr>
<td>Bangkok Metropolitan Bank</td>
<td>26,152</td>
<td>4.21</td>
<td>21,641</td>
<td>4.72</td>
</tr>
<tr>
<td>Bangkok Bank of Commerce</td>
<td>24,836</td>
<td>4.00</td>
<td>18,142</td>
<td>3.95</td>
</tr>
<tr>
<td>Thai Military Bank</td>
<td>21,391</td>
<td>3.45</td>
<td>16,156</td>
<td>3.52</td>
</tr>
<tr>
<td>First Bangkok City Bank</td>
<td>18,700</td>
<td>3.01</td>
<td>14,837</td>
<td>3.23</td>
</tr>
<tr>
<td>Siam City Bank</td>
<td>17,346</td>
<td>2.80</td>
<td>11,481</td>
<td>2.50</td>
</tr>
<tr>
<td>Bank of Asia</td>
<td>12,888</td>
<td>2.08</td>
<td>9,801</td>
<td>2.14</td>
</tr>
<tr>
<td>Asia Trust Bank</td>
<td>9,017</td>
<td>1.58</td>
<td>7,043</td>
<td>1.53</td>
</tr>
<tr>
<td>Union Bank of Bangkok</td>
<td>9,036</td>
<td>1.46</td>
<td>6,063</td>
<td>1.32</td>
</tr>
<tr>
<td>Thai Dhanu Bank</td>
<td>5,720</td>
<td>0.92</td>
<td>4,201</td>
<td>0.92</td>
</tr>
<tr>
<td>Wang Lee (Nakornthon) Bank</td>
<td>3,677</td>
<td>0.59</td>
<td>2,305</td>
<td>0.50</td>
</tr>
<tr>
<td>Laemthong Bank</td>
<td>3,420</td>
<td>0.55</td>
<td>2,165</td>
<td>0.47</td>
</tr>
<tr>
<td>Sub-Totals</td>
<td>592,203</td>
<td>95.44</td>
<td>449,224</td>
<td>97.89</td>
</tr>
<tr>
<td>b. Foreign-Owned</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chase Manhattan Bank</td>
<td>4,891</td>
<td>0.79</td>
<td>1,458</td>
<td>0.32</td>
</tr>
<tr>
<td>Bank of Tokyo</td>
<td>4,150</td>
<td>0.67</td>
<td>1,378</td>
<td>0.30</td>
</tr>
<tr>
<td>Mitsui Bank</td>
<td>4,099</td>
<td>0.66</td>
<td>1,368</td>
<td>0.30</td>
</tr>
<tr>
<td>Bank of America</td>
<td>4,091</td>
<td>0.66</td>
<td>1,121</td>
<td>0.24</td>
</tr>
<tr>
<td>United Malayan Banking Corp.</td>
<td>2,598</td>
<td>0.42</td>
<td>1,118</td>
<td>0.24</td>
</tr>
<tr>
<td>Banque Indo-Suez</td>
<td>1,918</td>
<td>0.31</td>
<td>809</td>
<td>0.18</td>
</tr>
<tr>
<td>Chartered Bank</td>
<td>1,627</td>
<td>0.26</td>
<td>642</td>
<td>0.14</td>
</tr>
<tr>
<td>Hong Kong and Shanghai Bank</td>
<td>1,555</td>
<td>0.25</td>
<td>372</td>
<td>0.08</td>
</tr>
<tr>
<td>European Asian Bank</td>
<td>1,307</td>
<td>0.21</td>
<td>366</td>
<td>0.08</td>
</tr>
<tr>
<td>Bharat Overseas Bank</td>
<td>634</td>
<td>0.10</td>
<td>255</td>
<td>0.06</td>
</tr>
<tr>
<td>International Commercial Bank of China</td>
<td>557</td>
<td>0.09</td>
<td>235</td>
<td>0.05</td>
</tr>
<tr>
<td>Four Seas Communications</td>
<td>292</td>
<td>0.05</td>
<td>217</td>
<td>0.05</td>
</tr>
<tr>
<td>Bank of Canton</td>
<td>291</td>
<td>0.05</td>
<td>206</td>
<td>0.04</td>
</tr>
<tr>
<td>Mercantile Bank</td>
<td>289</td>
<td>0.05</td>
<td>166</td>
<td>0.04</td>
</tr>
<tr>
<td>Sub-Totals</td>
<td>28,299</td>
<td>4.57</td>
<td>9,711</td>
<td>2.12</td>
</tr>
<tr>
<td>Totals (a + b)</td>
<td>620,502</td>
<td>100.01</td>
<td>458,935</td>
<td>100.01</td>
</tr>
</tbody>
</table>


Note: [a] Percentage exceeds 100 due to rounding.
### TABLE 21

**SUMMARY STATEMENT OF THE OPERATIONS OF ALL COMMERCIAL BANKS, SELECTED YEARS, 1955-82**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Assets (Million baht)</th>
<th>Total Deposits (Million baht)</th>
<th>Loans, Overdrafts, Discounts Amount (Million baht)</th>
<th>As Percentage Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>n.a.</td>
<td>2,272.9</td>
<td>n.a.</td>
<td>95.98</td>
</tr>
<tr>
<td>1960</td>
<td>8,047.4</td>
<td>5,623.4</td>
<td>5,397.3</td>
<td>94.43</td>
</tr>
<tr>
<td>1965</td>
<td>18,320.1</td>
<td>13,533.9</td>
<td>12,779.4</td>
<td>94.43</td>
</tr>
<tr>
<td>1970</td>
<td>41,342.0</td>
<td>31,464.2</td>
<td>28,193.7</td>
<td>89.61</td>
</tr>
<tr>
<td>1975</td>
<td>117,878.3</td>
<td>85,590.2</td>
<td>81,302.2</td>
<td>95.00</td>
</tr>
<tr>
<td>1980</td>
<td>305,394.0</td>
<td>205,473.5</td>
<td>218,931.2</td>
<td>106.55</td>
</tr>
<tr>
<td>1982</td>
<td>434,963.6</td>
<td>308,157.2</td>
<td>299,760.1</td>
<td>97.28</td>
</tr>
</tbody>
</table>


The lending activities of commercial banks are of crucial significance to the development of the Thai economy. As one economist explains:

> Commercial banks have been the main engine generating all economic activities in Thailand.... This is because commercial banks perform the dual role of mobilising savings and providing funds for day-to-day business operations and for production.

While this statement represents something of an exaggeration, the importance of bank lending has been noted by Marxist and orthodox economists alike. There has been, over the past two decades, a significant rise in the allocation of bank loans to the manufacturing sector (see Table 22). A number of other key developments are also apparent. First, the economy -- especially the construction and services sectors -- boomed in the 1960s; second, a greater proportion of loans are absorbed by the agricultural sector, coinciding with the expansion of agro-industrial activities; third, the financing of trade, the traditional sector of banking activity, increased substantially over the two decades, but there was a decline in the proportion of credit devoted to the commercial sector. Clearly, the emphasis has shifted from trading to the development of productive forces.
TABLE 22
LOANS AND OVERDRAFTS OF COMMERCIAL BANKS, BY SECTOR, SELECTED YEARS 1958-83

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>3.4</td>
<td>99.0</td>
<td>3.8</td>
<td>1.9</td>
<td>5.4</td>
<td>7.4</td>
<td>30,450.9</td>
</tr>
<tr>
<td>Mining</td>
<td>1.6</td>
<td>45.1</td>
<td>1.9</td>
<td>0.8</td>
<td>0.6</td>
<td>0.6</td>
<td>2,439.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10.1</td>
<td>292.8</td>
<td>16.3</td>
<td>18.5</td>
<td>17.3</td>
<td>21.5</td>
<td>88,712.4</td>
</tr>
<tr>
<td>Construction and real estate</td>
<td>7.3</td>
<td>210.3</td>
<td>13.8</td>
<td>9.3</td>
<td>8.1</td>
<td>8.3</td>
<td>33,991.9</td>
</tr>
<tr>
<td>Export and import trade</td>
<td>37.0</td>
<td>1,069.9</td>
<td>30.4</td>
<td>29.5</td>
<td>26.2</td>
<td>16.2</td>
<td>66,588.8</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>16.8</td>
<td>486.6</td>
<td>15.5</td>
<td>21.1</td>
<td>22.4</td>
<td>24.6</td>
<td>101,271.4</td>
</tr>
<tr>
<td>Public utilities</td>
<td>1.5</td>
<td>43.2</td>
<td>1.3</td>
<td>1.2</td>
<td>2.3</td>
<td>1.6</td>
<td>6,552.7</td>
</tr>
<tr>
<td>Other [a]</td>
<td>22.4</td>
<td>647.5</td>
<td>17.0</td>
<td>17.7</td>
<td>17.6</td>
<td>19.9</td>
<td>81,954.4</td>
</tr>
<tr>
<td>Totals [b]</td>
<td>100.1</td>
<td>2,894.4</td>
<td>100.0</td>
<td>100.0</td>
<td>99.9</td>
<td>100.1</td>
<td>411,962.8</td>
</tr>
</tbody>
</table>


Notes: [a] 'Other' includes: banking and finance, services, personal consumption, and other unclassified sectors. [b] Due to rounding, some totals do not equal 100 percent.
Such rapid growth increased concentration and centralisation within banking capital. Of the 1,399 largest Thai companies (ranked by 1980 assets), 220 were in the areas of banking, finance, and insurance. These firms had total assets in excess of 480.52 billion baht, or 70.1 percent of GDP. The overwhelming proportion of these assets were in the banking sector, with the thirty banks accounting for about 84 percent of the total. Overall, banking capital is controlled by sixteen corporate and family groups. Together they have interests in more than 550 enterprises in a wide range of economic activities, as shown in Figure 10, and their combined assets exceed 306 billion baht.

FIGURE 10

BANKING CAPITAL

<table>
<thead>
<tr>
<th>SOPHONPANICH</th>
<th>TEJAPAIBUL</th>
<th>CPP/ROYAL FAMILY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangkok Bank</td>
<td>Bank of Asia</td>
<td>Siam Commercial Bank</td>
</tr>
<tr>
<td>banks in Hong Kong</td>
<td>Bangkok Metropolitan Bank</td>
<td>Siam City Bank</td>
</tr>
<tr>
<td>credit, finance</td>
<td>First Bangkok City Bank</td>
<td>Krung Thai Bank</td>
</tr>
<tr>
<td>investment</td>
<td>Hong Kong</td>
<td>Thai Dhanu Bank</td>
</tr>
<tr>
<td>insurance</td>
<td>Metropolitan Bank</td>
<td>Nakornthion Bank</td>
</tr>
<tr>
<td>brokerage firms</td>
<td>credit, finance</td>
<td>Thai Farmers Bank</td>
</tr>
<tr>
<td>rice trading</td>
<td>investment</td>
<td>iron and steel paper</td>
</tr>
<tr>
<td>rice milling</td>
<td>insurance</td>
<td>paper</td>
</tr>
<tr>
<td>warehousing</td>
<td>real estate</td>
<td>construction materials</td>
</tr>
<tr>
<td>textiles</td>
<td>transport</td>
<td>specialist lenses</td>
</tr>
<tr>
<td>vehicle assembly</td>
<td>sugar milling</td>
<td>aluminium</td>
</tr>
<tr>
<td>restaurants</td>
<td>brewing</td>
<td>chemicals</td>
</tr>
<tr>
<td>real estate</td>
<td>distilling</td>
<td>zippers</td>
</tr>
<tr>
<td>cement</td>
<td>wood products</td>
<td>furniture</td>
</tr>
<tr>
<td>(in Indonesia)</td>
<td>advertising</td>
<td>chemicals</td>
</tr>
<tr>
<td>tin</td>
<td>chemicals</td>
<td>rubber products</td>
</tr>
<tr>
<td>soft drinks</td>
<td>cement</td>
<td>trading</td>
</tr>
<tr>
<td>iron and steel</td>
<td>rubber products</td>
<td>cement</td>
</tr>
<tr>
<td>plastics</td>
<td>hotels</td>
<td>warehousing</td>
</tr>
<tr>
<td></td>
<td>trading</td>
<td>real estate</td>
</tr>
<tr>
<td></td>
<td>travel</td>
<td>construction</td>
</tr>
<tr>
<td></td>
<td>shopping centres</td>
<td>vehicle assembly</td>
</tr>
<tr>
<td></td>
<td></td>
<td>vehicle sales</td>
</tr>
<tr>
<td></td>
<td></td>
<td>agribusiness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>hotels</td>
</tr>
<tr>
<td></td>
<td></td>
<td>travel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>cinema</td>
</tr>
<tr>
<td>LAMSAM</td>
<td>RATANARAK</td>
<td>PSA GROUP [a]</td>
</tr>
<tr>
<td>--------</td>
<td>-----------</td>
<td>---------------</td>
</tr>
<tr>
<td>Thai Farmers Bank investment</td>
<td>Bank of Ayudhya investment</td>
<td>investment</td>
</tr>
<tr>
<td>credit, finance securities insurance</td>
<td>credit, finance insurance</td>
<td>credit, finance</td>
</tr>
<tr>
<td>trading engineering aluminium dairy products vegetable oil printing agribusiness rubber products real estate restaurants medical services shopping centres hotels</td>
<td>flour milling trading warehousing travel media lime engineering cement sugar milling transport management services tapioca peletising broadcasting</td>
<td>insurance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>real estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>trading</td>
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<td></td>
<td></td>
<td>hotels</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WANG LEE</th>
<th>EUAWATANASKUL</th>
<th>KANCHANAPAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nakornthon Bank investment credit, finance insurance trading bottling agribusiness rice milling engineering construction real estate</td>
<td>Bangkok Metropolitan Bank investment credit, finance insurance trading bottling agribusiness rice milling engineering construction real estate</td>
<td>Siam City Bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td>First Bangkok City Bank</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>TARNVANICHKUL</td>
</tr>
<tr>
<td>Asia Trust Bank [b] investment insurance entertainment cement real estate</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KANTAMANOND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of Asia finance</td>
</tr>
</tbody>
</table>

Notes: [a] The PSA group collapsed in 1986.  
[b] Asia Trust Bank was taken over by the government in 1984, and renamed Siam Bank in 1985.

Source: Hewison, 'The Development,' Appendix B.
In recent years there has been a tendency on the part of the big banking families to establish near-monopoly positions within the finance industry, both by expanding their own businesses and by using their control of other financial institutions to form conglomerate structures. This has been particularly true in the case of finance companies, as is shown in Table 23's listing of the number of financial institutions over which banking families have established some control.

### TABLE 23

BANKING CAPITAL'S SHAREHOLDING INTERESTS IN OTHER FINANCIAL INSTITUTIONS, 1979-80

<table>
<thead>
<tr>
<th>Family</th>
<th>Bank</th>
<th>Finance, investment (no. of companies)</th>
<th>Insurance (no. of companies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tejapaibul</td>
<td>Bank of Asia, Bangkok Metropolitan and First Bangkok Bank</td>
<td>36</td>
<td>3</td>
</tr>
<tr>
<td>Sophonpanich</td>
<td>Bangkok Bank</td>
<td>34</td>
<td>6</td>
</tr>
<tr>
<td>Lamsam</td>
<td>Thai Farmers Bank</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>Wang Lee</td>
<td>Nakornthon Bank</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>CPB/Royal family</td>
<td>Siam Commercial Bank</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Euawatanaskul</td>
<td>Bangkok Metropolitan</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Ratanarak</td>
<td>Bank of Ayudhya</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Kanchanapat</td>
<td>Siam City Bank and First Bangkok City</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>7</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Hewison, 'The Development,' Appendix B, part IV.

In addition to this control over financial institutions, the six largest commercial banks have been able to increase their market share significantly. These banks are the Bangkok Bank (controlled by the Sophonpanich family), the Krung Thai (state-owned), the Thai Farmers Bank (controlled by the Lamsams), the Siam Commercial Bank (controlled by the royal family and the Crown Property Bureau),
the Bank of Ayudhya (controlled by the Ratanarak family),
and the Bangkok Metropolitan Bank (controlled by the
Tejapaibul and Euawatanaskul families). In 1967, these
banks controlled almost 62 percent of total commercial bank
assets, a figure which increased to 68 percent in 1972 and
exceeded 75 percent in 1983. The five privately-owned
banks, it is worth noting, increased their share of total
assets from about 45 percent to 62 percent between 1967
and 1983, while the share controlled by the state-owned
Krung Thai Bank declined from 17 to 12.8 percent. Mean­
while, the share of the smaller banks has also tended to
decline. In terms of deposits, a similar pattern of con­
centration emerges, with the big six controlling almost 78
percent of all deposits, up from 60 percent in 1967. The
Bangkok Bank's share of total deposits has increased from
about 18 percent in 1962 to almost 35 percent in 1983.
This pattern also applies to the lending activities of the
banks.

Other sectors of the finance industry exhibit similar
patterns of concentration. In 1980, the ten largest fi­
nance and securities companies accounted for 36 percent of
total assets. Asia Credit, which is controlled by the
Bangkok Bank, and is the largest of these companies, had
assets of 3.8 billion baht. This exceeds the assets of all
but the thirteen largest banks. Among credit foncier com­
panies (which are basically mortgage companies), one-third
of the firms accounted for three-quarters of total assets.
In life insurance, two of the twelve companies accounted
for 61 percent of total assets in 1980, while the top five
companies in other forms of insurance accounted for 54 per­
cent of total assets. Bearing in mind that many of these
companies are controlled by the banking families, it is
clear that there are very high levels of concentration and
centralisation in the banking and financial sector.
Through the network of linkages among the various banking
capitals (shown in Figure 11) this fraction enjoys enormous
economic power.

Figure 11 shows the groups that have the greatest
number of linkages with other banking capitalists are the
Tejapaibul, with eight; the Sophonpanich, with five; the
Lamsam, with four; and the Crown Property Bureau/Royal
Family, also with four. This indicates a tight network of
control within an already highly concentrated industry,
but it is only when Figures 12 and 13 are also examined
that the true power of finance capital can be demonstrated.

Figure 12 shows the extensive corporate connections
between banking and other capitals, as determined by common
shareholdings. Figure 13 illustrates the family linkages
among the various fractions of the capitalist class, focusing
on banking capital. Family interconnections, through
marriage, have been important to Thai banking capitalists
for many years. Indeed, because many of the Chinese busi­
ness families are very large, there have been ample
FIGURE 11

LINKAGES BETWEEN BUSINESS GROUPS WITHIN BANKING CAPITAL

EUACHUKIATI

EUAWATANASKUL

KANTAMANOND

RATANARAK

TEJAPAIBUL

SOPHONPANICH

PHINIJ CHONKADI

PSA

KANCHANAPAT

LAMSAM

CPB/ROYAL FAMILY

WANG LEE

Source: Hewison, 'The Development,' Appendix B, part IV.

Note: The linkages denote coterminous shareholdings.

opportunities for such 'business marriages.' The same networks of business alliances and political power which Skinner described in the early 1950s still exist in contemporary Thailand. In fact, they may become stronger and tighter with the growing centralisation of modern business.

Table 24 shows the large number of directorships in non-financial companies held by those who are closely associated with banking capital, especially the largest commercial banks. With this control over other capitals, banking capital provides the cement for the corporate structure of Thai capitalism, bonding together many of the major non-financial business groups. It is notable that most linkages are with industrial capital, as was emphasised in the previous chapter. A form of finance capital has clearly emerged, dominated by the banking families who have expanded into other areas of investment, particularly industrial enterprises.

In 1954, Skinner observed that Chinese bankers in Bangkok are disproportionately Thai nationals and use Thai names.... Furthermore, having major interests in banking is a function of generation: only 8
percent of the completely first generation
[Chinese business] leaders are bankers....All of
these relationships are to be expected in view of
the remarkable rise of Thai banks in recent
years....With the expansion of Thai government
economic enterprises, government accounts are
increasingly the juiciest plums of all, and these
are naturally given to the Thai banks.

If the expansion of state enterprise proved to be of
considerable import for the growth of banking in the
FIGURE 13
FAMILIAL LINKS BETWEEN BANKING AND OTHER CAPITALS

Ophasawongse

SOPHONPANICH

Bodhiratangkura

Pornprapha (Siam Motors)

Chokewatana
(Saha Union)

Sanguan-Piyapand—Hitthiwatsin
(Saha Thai Paper) (Saha Thai Paper)

Wongsiridej
(Saha Thai Paper)

Sri Fueng Fung

Mahaguna

TEJAPAIRUL

EUACHUKIARTI—Chowkwanyuen
Sarasin

Chirathivat
(Central Group)

EUANATANASKUL

Boonsoong

NANDHABIWAT
WANG LEE

Chutrakul
(Yip-In-Tsoi)

LAMSAM

Lailert
(Yip-In-Tsoi) Yip-In-Tsoi

Karnchanajari

RATANARAK Mahadamrongkul

KANCHANAPAT Osathanukroh


Note: Banking capitalists are shown in upper case letters.
TABLE 24
SELECTED LIST OF DIRECTORSHIPS HELD BY THAI COMMERCIAL BANKS AND FINANCE COMPANIES IN OTHER COMPANIES, 1979 [a]

<table>
<thead>
<tr>
<th>BANK NAME</th>
<th>HOLDERS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BANGKOK BANK</strong></td>
<td>Berli Junker, Huai Chuan, New City, Saha Union Plastic (3), Siam City Cement, Sura Thai Tem, Thai Damrong Phattana, Thai Yip Sam Manufacturing, Union Pioneer, Union Industries, Union Weaving (2), United Flour Mills (2), United Silo and Service</td>
</tr>
<tr>
<td><strong>ASIA CREDIT</strong></td>
<td>Amaraphan Housing, Srikrung Wattana, Thai Paper Factory, United Silo and Service</td>
</tr>
<tr>
<td><strong>THAI FARMERS BANK</strong></td>
<td>Firestone Rubber (Thailand), Serm Suk (2), Siam Cement, Thai Crown Seal, Union Industries (2), Union Pioneer</td>
</tr>
<tr>
<td><strong>WANG LEE (NAKORNTHON) BANK</strong></td>
<td>Serm Suk, Thai Yip Sam Manufacturing</td>
</tr>
<tr>
<td><strong>KRUNG THAI BANK</strong></td>
<td>Union Weaving</td>
</tr>
<tr>
<td><strong>FIRST BANGKOK CITY BANK</strong></td>
<td>Asia Fibre</td>
</tr>
<tr>
<td><strong>BANGKOK METROPOLITAN BANK</strong></td>
<td>Asia Fibre, Central Plaza, Goodyear (Thailand), Thai Asahi Soda, Wiwattana Industries</td>
</tr>
<tr>
<td><strong>SIAM COMMERCIAL BANK</strong></td>
<td>Aw Kham Thai (3), Carpet International, Firestone Rubber (Thailand), Siam Cement (2), Thai Industrial Gas (2)</td>
</tr>
<tr>
<td><strong>LAEMTHONG BANK</strong></td>
<td>Bangkok Silo and Drying (2), Dusit Thani Hotel, GS Steel (2), Jalapranthan Cement, Thai Tin Plate Manufacturing (2), Thai Trading and Investment</td>
</tr>
<tr>
<td><strong>BANK OF AYUDHYA</strong></td>
<td>Karnasuta General Assembly, Siam City Cement</td>
</tr>
<tr>
<td><strong>UNION BANK</strong></td>
<td>Firestone Rubber (Thailand), Thai Sugar Corporation</td>
</tr>
<tr>
<td><strong>BANGKOK BANK OF COMMERCE</strong></td>
<td>Serm Suk, United Silo and Service</td>
</tr>
<tr>
<td><strong>ASIA TRUST BANK</strong></td>
<td>Jalapranthan Cement (2)</td>
</tr>
</tbody>
</table>

Note: [a] Number in parentheses indicates companies where the bank or finance company holds more than one directorship.
forties and fifties, since 1960 other factors have been more significant in creating dynamism within the financial sector: the tremendous expansion of industry, the growth of trade, diversification of exports, and the large inflows of both aid and foreign investment. In terms of size, influence on the development of capitalism, the expansion of corporate structures, and the growth of finance capital, banking capitalists have become the one dominant fraction of capital in contemporary Thailand. This position has been enhanced by state policy.

State Policy and Banking Capital

Since the 1950s, there has been one dominant perception of the role of finance, especially the role of banking, which has tended to colour all aspects of state policy: that low rates of domestic savings hinder the rate of economic development. A 1950 ECAFE report reflected this position by arguing that in Thailand savings which have been mobilized...for development are relatively small. Factors which explain this include a low rate of savings and apparently much hoarding of bullion, jewelry and currency. Investment opportunities have been limited with much of the savings going into land and buildings. Following this line, Ministry of Finance officials reported to the government that domestic saving should be encouraged if economic development was to take place. It was widely accepted that there was a capital shortage, with technocrats and officials holding to the view that if investment was increased, through savings mobilisation and foreign investment, the 'take-off' into self-sustained economic growth would be inevitable. State policy reflected this view.

Aside from normal business laws, two major acts governed the banking business prior to 1962: the 1937 Act for the Control of the Business of Banking, and the Commercial Banking Act of 1945. The first act loosely defined a bank, and set flexible parameters within which a bank was required to operate. But, banking remained largely unregulated, apart from the requirement of a confidential monthly statement of the bank's activities, and the necessity of maintaining a paid-up capital of only 250,000 baht. The 1945 act which followed the establishment of the Bank of Thailand by three years, empowered the latter to act as a central bank and to regulate the banking industry. In addition, it stipulated that banks must be limited liability companies. There were two obvious reasons for the
state to increase regulation: first, the desire to control monetary matters; and second, the opportunities to increase revenue through more regularised taxation of commercial banks (and insurance companies). Between 1937 and 1944, direct taxes from these institutions ranged from a low of only 2,207 baht in 1940, to a high of 137,999 baht in 1941. Even though the 1945 Act set out our regulations on other aspects of banking they tended to be ignored by the banks. In terms of real regulation, then, banks still operated relatively freely. By the 1950s, the 1945 Act was largely ineffective, as demonstrated by the state's inability to anticipate the near-collapse of a number of banks, including that of the Bangkok Bank in 1952.

A number of factors made increased regulation inevitable, including the problems suffered by many banks, the all-too-obvious involvement of a number of important political figures (some of whom tended to treat banks as their private property), and the Sarit regime's increased determination to foster economic development. By June 1959 a new act had been drafted, aiming to maintain security within the system and increase public confidence in commercial banks. The act was not promulgated, however, until 1962 after a considerable period of compromise and trade-off between the state and the banking families.

Clearly, there was a desire on the part of the state to regulate banking effectively and encourage increased savings, and thus channel the resources of the commercial banks towards the promotion of economic development. While some of the major banks were prepared to embark on such a course, there was also a fear that increased regulation and an expansion of branch banking might adversely affect bank profitability. The bankers sought, and received, some concessions from the government. Their most important request was that the state reject applications for the establishment of new banks (especially those that were foreign-owned). Unofficially, although never formally stated, this request was granted. In addition, since foreign banks already operating in Thailand were prevented from moving into branch banking, local banks were protected from international competition in what was a captive and assured market.

This coincided with ownership changes within the larger banks. Although many of the banks had originally been formed by Chinese merchants of the same speech groups, there was generally a plurality of ownership. By the early sixties, however, as a centralisation of ownership took place, the shareholding pattern began to change and particular families took control of the major banks. For example, the Lamsam family increased its shareholding in the Thai Farmers Bank from 22 percent in 1945 to 58 percent by 1970.
When the Commercial Banking Act of 1962 was enacted, it had the following principal objectives:

1. to give more protection to depositors and to promote public confidence in the banking system;
2. to promote the growth of commercial banking on a sound banking basis and with a high standard of efficiency as well as making it play a major role in economic development;
3. to provide the necessary tool for maintaining monetary stability.

Except for the fact that foreign investment in banking was discouraged, the new act was generally consistent with the first development plan, which also suggested that savings be fostered and mobilised for economic development, and argued for the regulation of the financial sector. In order to promote savings, financial security became one of the main pillars of both the first and second plans.

At the same time, the state moved to control the small, unorganised, 'irrational' elements of the financial sector, particularly remittance agencies and pawnshops. Remittance agencies had been subject to state controls since 1942, but after 1946 the money sent to China by Chinese immigrants in Thailand increased considerably. When the requirement to obtain an agent's licence was abolished in 1947/48, remittances grew even larger. In 1950, these remittances totalled 216 million baht of foreign exchange, but with the reintroduction of controls on agencies in 1957, the turmoil of the Great Leap Forward in China, and the business recession in Thailand, remittances declined to seven million baht in 1960. After 1957, the agencies never recovered their earlier position. In 1962, the Pawnshop Act was promulgated in an attempt to limit the role of the shops and to take capital out of their hands and place it in the commercial banking sector. The state encouraged bank deposits rather than the hoarding of items that could be pawned, and hoped to confine the use of pawnshops to the poorer members of society.

State officials were candid about the motivations behind these actions. As Finance Minister Serm Vinichayakul explained in a 1966 interview with representatives of the Bangkok Bank:

The Government is well aware of the fact that it has not been able to exercise satisfactory control over the unorganized money market....Accordingly the Government is now trying to expand the
organized money market which should help to oblitereate, to a certain extent, the influence of the unorganized money market.

The results of these interrelated policies are evident in Tables 19 and 21 above, which show the rapid growth in the role of commercial banks. By 1972, Thailand had gross domestic savings amounting to more than 25 percent of GNP, a higher percentage than for most other South-east Asian countries. Throughout the period from 1962 to the mid-seventies, relations between bankers and the state authorities remained cordial. As Udane Tejapaibul, president of the Thai Bankers' Association, explained in 1968:

> The meetings held regularly between the representatives of the Association and the Bank [of Thailand] have been full of amicable atmosphere with a common objective: to bring about progress to the monetary and banking system.

At the same time, there was still concern that the profitability of Thai banks might be eroded if foreign banks were allowed to expand. Udane stated:

> Banking...is the lifeblood of the economy of the country. Since the Thai bankers are now as capable in the trade as their foreign counterparts in the country, is it not about time for the Government to adopt a concrete policy to preserve the business of banking in the hands of the Thais?

By 1973-74, coinciding with the overthrow of the military dictatorship and with severe problems facing economy, the relationship between bankers and bureaucrats began to show signs of stress. Certain radical elements, particularly from student and academic groups, began to charge the banks with profiteering, and with displaying a lack of sympathy for the poor and downtrodden in society. They often pointed out, for example, that the banks only lent to their friends in industry and commerce, and that very little bank credit went to agriculturalists (see Table 22). In addition, they generally alleged that commercial banks considered only their profits, and not the best interests of society as a whole. Even some state officials criticised the banks. Police Major-General Sangha Kittikachorn, for example, called on the government to regulate the banks' activities more closely, so that bankers would help farmers instead of 'keeping in league with the capitalists and supporting the middlemen to exploit the farmers.' He suggested three reforms: first, control the lending
authority of commercial banks; second, reduce the power of capitalists to obtain bank finance; and third, prevent the 'unholy alliance' between banks and middlemen."

Responding to such populist criticisms, professional banker, businessman and budding politician, Boonchu Rojanastien, (then vice-president of the Bangkok Bank), pointed out that while there was some justification in calls for social responsibility on the part of banks, 'such claims...are, in fact, not logical. Commercial banks are private businesses -- they are not government bureaus or charitable organisations.' In Boonchu's view, profits remained paramount, but he did suggest that banks might be able to alter their lending policies if the state was to further squeeze the unorganised money market and encourage commercial banks to become public companies.

Revisions in the financial regulations, were introduced in 1979, but not without some conflict. Early in 1978 the Thai Bankers' Association expressed concern over the fact that its members were not being consulted on this matter, but the Governor of the Bank of Thailand, Snoh Unakul assured them that their opinions would be sought. At the same time, he outlined the three main objectives of the proposed act: first, greater state control over monetary policy; second, limitation of commercial bank investments in other businesses; and third, wider distribution of ownership of commercial banks. Snoh indicated that some banks had failed to remain in step with general social and economic developments, an obvious reference to continued family control over a number of banks. The discussions between state officials and bankers led to a dilution of some sections of the new act: for example, individuals who already owned more than 5 percent of a bank's shares were not required to divest. It was generally accepted, however, that the act merely gave official sanction to a process that had already been taking place within the banking sector. At the time, nine of the sixteen Thai commercial banks were already public companies, and the banking families had begun to divest themselves of their very large, direct holdings. As Bancha Lamsam of the Thai Farmers Bank explained, 'financially it is not attractive for the family to keep on buying the bank's shares [as capitalisation increases]. And the family has no intention of doing so.' Essentially, then the 1979 Banking Act was a legal recognition of the modernisation of the banking system, and a prod to the laggard, less efficient, and smaller banks. State officials continued to view commercial bank operations in a favourable light as an important element in the development process, and moved to support the banks during economically bad times, as during the tight money situation in 1978 and 1979.

Thus, state policy has been important for the growth of the financial institutions of Thailand. The commonly held view that banks are the engine of development has led
to policies which have encouraged virtually unfettered growth in the industry and has fostered a highly concentrated and centralised financial sector and the emergence of a corporate capitalist structure. In this sense, state policy has tended to recognise existing trends among market leaders (that is, the largest commercial banks and financial houses), and to legislate in their favour. For example, public company regulations have not really disadvantaged large commercial banks as a shareholding of just 5 percent can be enough to maintain control where other shareholdings are fragmented. But these new regulations have made the situation difficult for the smaller banks where capitalisation is low and large controlling, family ownership had remained feasible.

The following case study of the Bangkok Bank, the largest and most powerful business group in Thailand, will serve to illustrate many of these points. The Bangkok Bank/Sophonpanich group is at the leading edge of Thai domestic capital, and is arguably the paramount force within the Thai capitalist class. As such, it merits extended study.

Case Study: The Bangkok Bank

The Bangkok Bank is a powerful and expanding economic power, both in Thailand and internationally, and has been in a position to take full advantage of state development policies and economic expansion in the post-1958 period. Controlled by the Sophonpanich family, the Bank had, in 1980, the largest assets and highest profits of any company in Thailand. It is the largest bank in Southeast Asia (a position it has enjoyed for a number of years), one of the fifty largest banks in the Pacific region, and among the top 250 banks in the world. In 1982, the bank was the tenth largest listed company in Asia (ranked by assets) -- larger than Japan's Honda Motors and the Tokai Bank, and was the only Southeast Asian company in the top ten. In terms of profitability, the bank was ranked thirty-sixth.39

The history of the bank and the Sophonpanich corporate empire, indicates how the vital relationships between capital and the state have led to the development of corporate capitalism.

Founded in 1944 by Luang Rop Rukij and Chin Sophonpanich (Chin Pik Chin), the Bangkok Bank was registered with capital of four million baht and assets of eleven million baht. It had only 23 employees. Chin was born in Thonburi in 1910 into a Teochiu immigrant family. At the age of five he went to Swatow for his Chinese education, but at the age of seventeen this was cut short when his family fell on hard times. Chin was forced to leave school and return to Bangkok. In a classic Chinatown rags-to-riches story, young Chin is said to have worked as a coolie, noodle-seller, and clerk before establishing his
own construction business. In 1939, he formed the Asian Trading Company, a hardware and canned goods firm engaged in trade with Hong Kong and Singapore, and later expanded into insurance. During the Japanese occupation of Thailand, Chin moved into saw-milling and into the rice export trade, particularly to the occupied East Indies. Despite his claims to have aided the Thai Seri anti-Japanese resistance, Chin's businesses prospered to such an extent that his business activities actually expanded during the war. He convinced his partners that the time was right for the establishment of a new bank, which could be based on the considerable profits he had earned not only in foreign exchange and gold dealings and in his expanding rice business. Chin also established the Asia Trust Company, which was to become the Asia Trust Bank, managed by one of his closest associates, Johnny Ma (Wallob Tarnvanichkul), who later acquired majority ownership.

From the outset, the Bangkok Bank had close relations with state officials, including Khuang Aphaiwong, who was prime minister for a brief period after the War. Khuang was the first chairman of the bank, but after he was elected to parliament, he was replaced by Chaophaya Rama Raghob, a wealthy prince who had prospered through his very close relationship to King Vajiravudh. Despite steady growth, there were two runs on the bank in 1952, prompted by speculation that its funds were being mishandled. These brought the bank to the brink of collapse, only through Chin's connections with state officials, most notably with the Soi Rajkhru group, that it was saved. Police General Phao Sriyanond had become one of Chin's closest friends, while then-Colonel Siri Siriyothin (Deputy Minister for Economic Affairs) and Major-General Pramarn Adireksan joined the board of the bank. It was this crisis that allowed Chin to take over the management of the bank and substantially reorganise it.

Chin's powerful political connections proved critical in 1953, when Siri was able to convince the cabinet that the Bangkok Bank should be supported. Thirty million baht was allocated for state investment in the bank, giving the Ministry of Economic Affairs 60 percent of the bank's shares. Siri's explanation for the state's intervention revolved around two factors. First, he stressed the 'Thai-ness' of the Bangkok Bank, and how an increase in capital would enhance the bank's competitiveness vis-a-vis powerful foreign banks. Second, Siri noted that the bank had been unable to secure deposits from state organisations. At the time, such accounts were crucial to the profitability of local banks, and Siri was sure that state investment in the bank would make it more attractive to state accounts. In just a few short months the bank was able to overcome its serious crisis and increase its registered capital from twenty million to fifty million baht.
One of the reasons Chin was able to convince state officials to invest in the Bangkok Bank was that the government had been considering the establishment of a bank, to be controlled by the Ministry of Economic Affairs. This bank was partly intended to finance the Seri Manangasila Party, the new, semi-governmental political grouping. Chin offered an established bank to the political dealers and in the process not only rescued his bank but also found a silver lining as the state directed its government-to-government rice deals through the bank. At the same time, Boonchu Rojanastien was brought into the bank as an accountant, to assist in planning the bank's recovery. These moves provided the bank with its passport to increased profitability and further growth. As can be seen in Table 25, the assets of the bank increased by 250 percent between 1953 and 1958 when the Soi Rajakhru clique was at the height of its political power.

TABLE 25
BANGKOK BANK: DEPOSITS, LOANS, AND PROFITS, SELECTED YEARS, 1953-83 (millions of BAHT)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Assets</th>
<th>Deposits</th>
<th>Loans</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953</td>
<td>366.59</td>
<td>221.12</td>
<td>119.06</td>
<td>n.a.</td>
</tr>
<tr>
<td>1956</td>
<td>647.33</td>
<td>375.96</td>
<td>199.55</td>
<td>n.a.</td>
</tr>
<tr>
<td>1958</td>
<td>920.32</td>
<td>580.00</td>
<td>346.32</td>
<td>n.a.</td>
</tr>
<tr>
<td>1963</td>
<td>2,907.47</td>
<td>2,077.95</td>
<td>1,265.89</td>
<td>17.35</td>
</tr>
<tr>
<td>1966</td>
<td>5,306.85</td>
<td>4,059.38</td>
<td>2,220.86</td>
<td>44.07</td>
</tr>
<tr>
<td>1969</td>
<td>9,773.84</td>
<td>7,905.93</td>
<td>4,307.84</td>
<td>82.08</td>
</tr>
<tr>
<td>1973</td>
<td>29,161.89</td>
<td>24,295.23</td>
<td>13,456.26</td>
<td>288.53</td>
</tr>
<tr>
<td>1976</td>
<td>55,219.53</td>
<td>41,534.42</td>
<td>25,403.42</td>
<td>563.42</td>
</tr>
<tr>
<td>1980</td>
<td>121,099.85</td>
<td>82,633.22</td>
<td>59,285.06</td>
<td>880.72</td>
</tr>
<tr>
<td>1983</td>
<td>217,684.09</td>
<td>159,968.14</td>
<td>169,850.34</td>
<td>1,397.73</td>
</tr>
</tbody>
</table>

Source: Annual Report, (Bangkok: Bangkok Bank), various issues.

Note: [a] After 1976, assets include re-discounted bills.

The connections with the Soi Rajakhru clique, however, worked both ways. It seems that in return for Phao's support, the bank provided Phao with a means to 'launder' money obtained through such corrupt activities as the illicit opium trade. For example, in 1955, a scandal erupted over the payment of a 27 million BAHT reward by the Ministry of Economic Affairs for the 'seizure' of illegal opium when it became known that the reward had been paid into the Bangkok Bank, so closely associated with Phao and his cohorts. In the wake of the scandal, Chin Sophonpanich was reportedly to have temporarily 'disappeared' in Hong Kong temporarily.
In addition to his connections with the opium trade, Phao was close to many pro-Kuomintang Chinese in Thailand. As head of the police, he enjoyed access to heavy funding from the U.S. Central Intelligence Agency, and his harassment of 'pro-communist' Sino-Thai business people provided his business allies with a decided competitive advantage. Moreover, as the Bangkok Bank expanded and again began to operate profitably, the Ministry of Economic Affairs (which was still headed by Siri) decided to sell half of its shareholding. Because of bank regulations, the existing shareholders (the Sophonpanich family and the Soi Rajkhru clique) had first option on them. Siri responded to newspaper attacks by arguing that the policy of the state was to have as little as possible to do with private enterprise, once individual companies were operating profitably. Obviously, however, now that the bank was back on its feet the major, private shareholders again wanted full control. For the Soi Rajkhru group, the increased profitability of the Bangkok Bank meant that more resources would be available to finance business and political activities.

Following this period of state intervention, political and economic crises no longer seemed to disturb the growth of the Bangkok Bank. Even in the aftermath of the 1958 coup led by Phao's arch-rival General Sarit, when Phao was forced into exile and Chin Sophonpanich was pressured to leave for Hong Kong, the bank continued to prosper. Sarit became an advisor to the board, while one of his deputies, Major-General Prapass Charusathirana, became chairman of the board -- a position he was to retain until October 1973. The bank's management did not seem overly concerned with the change in administration, perhaps because they believed the country to be in the midst of an economic depression, and saw the Sarit regime's policies as a means of recovery. Indeed, the bank thrived under Sarit and his 'legacy' of political stability, order, and economic growth during the Thanom-Prapass period. Even the demise of this era did little to hurt the bank.

With the defeat of Thanom, Prapass, and Narong in 1973, the bank began to display a more liberal face, financing student activities and promoting its public image. Under Boonchu's leadership the bank continued to flourish. More recently, since Boonchu's departure from the bank, it has revitalised its management team as part of an on-going effort to both improve its public image and ensure increased profits.

Chin stepped down as chairman of the bank's executive board in 1983, and was replaced by Amnuay Viravan, a former academic as well as senior official who is now a leading businessman. Despite Amnuay's desire to project the image of the enlightened, educated, and urbane capitalist, the 'old guard' was not yet ready to hand over total control. The following year, when Chin also resigned as chairman of
the bank's board, he was succeeded by Prasit Kanchanawat, the last of the older generation, whose background contrasts sharply with that of those who are now ascendent: the younger, Western-educated, and internationally-oriented managers.

Prasit was born in 1915 in Chacheongsao Province, the son of a wealthy rice miller. Educated in China and Thailand, Prasit’s first job was to run the family’s rice mill, but he later moved to Bangkok to become the headmaster of a Chinese school. His relationship with Chin and his role in the establishment of the Bangkok Bank is not clear, but by 1952 he was listed as a lawyer for the bank. According to one report, it was Chin and Prasit who bought out Chin’s original partners during the 1952 crisis. Prasit is also credited with suggesting that Boonchu, who comes from the same region as Prasit, join the bank. By 1953, Prasit was listed as a director of the bank. At the same time, he was also a manager of the Sin Sin remittance agency, one of only three such agencies still operating in Bangkok in the early fifties.

Prasit also became politically involved. He was close to the Seri Manangasila Party of Phao and Phibun, both as an assemblyman for Chacheongsao and as public relations officer for the party. By 1957, however, he began to distance himself from this group, and was elected to his seat as an independent. He was appointed deputy minister for co-operatives in 1958, and developed closer ties to Prapass, who also moved into the Bangkok Bank. Prasit’s political career continued to prosper: in 1969 he was appointed as a government member of the Senate, and in 1970 he became a deputy prime minister. Two years later, he became deputy-director of the Economics, Finance, and Industry Committee of the National Executive Council. He was an 'advisor' to Thailand’s table tennis team when it went to China, in which capacity he met with Chou En-lai, thus reopening relations between China and Thailand. Prasit easily adapted to changing trends -- some of which he encouraged. His influence endured even after Prapass was sent into exile. In 1974, he became Minister for Commerce and in the following year was elected Speaker of the House of Representatives.

Prasit represents the politically astute Sino-Thai businessmen who have been at the helm of the Bangkok Bank since its inception. Waiting in the wings, however, is the younger generation: still Sino-Thai, but well-educated, urbane, and well-connected. It is Chatri, one of Chin’s sons from his Hong Kong family, who best represents the new generation, and it is he who will take over leadership of the bank and the Sophonpanich empire.

Throughout the period between 1958 and 1983, the Bangkok Bank’s financial record has been remarkable. By
1980, the bank was financing 27 percent of the country's imports and 42 percent of exports (up from 20 and 26 percent, respectively, in 1961). Table 25 above highlights the bank's spectacular growth: 1983 assets were nearly seventy-five times what they were in 1963, while profits have increased eighty-fold over the same period.

As the bank has increased its number of employees, its profitability has also risen. Between 1963 and 1983, employment grew ten-fold and profit per employee expanded eight-fold (see Table 26).

### TABLE 26
SHAREHOLDERS, EMPLOYEES, AND PROFITS OF THE BANGKOK BANK, SELECTED YEARS, 1963-83

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Shareholder</th>
<th>No. of Employees</th>
<th>Profit per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>260</td>
<td>1,872</td>
<td>9,268 baht</td>
</tr>
<tr>
<td>1966</td>
<td>482</td>
<td>2,744</td>
<td>10,060</td>
</tr>
<tr>
<td>1969</td>
<td>1,988</td>
<td>4,291</td>
<td>19,128</td>
</tr>
<tr>
<td>1973</td>
<td>5,030</td>
<td>7,979</td>
<td>36,161</td>
</tr>
<tr>
<td>1976</td>
<td>8,416</td>
<td>12,747</td>
<td>44,200</td>
</tr>
<tr>
<td>1980</td>
<td>13,721</td>
<td>15,870</td>
<td>55,496</td>
</tr>
<tr>
<td>1983</td>
<td>19,592</td>
<td>18,842</td>
<td>74,182</td>
</tr>
</tbody>
</table>

Sources: Annual Report, (Bangkok: Bangkok Bank), various issues.

While it is generally accepted that a firm's profitability is enhanced as it increases in size, it is also clear that the Bangkok Bank's rate of profit has increased significantly as employment has expanded. In addition, it is apparent that the move away from family control and towards a corporate structure -- particularly apparent in the seventies and eighties -- has coincided with increased profitability.

The bank's rapid growth has been influenced by four main factors, each of which will be examined below: the expansion of the bank's branch network; the growth of overseas investment; the launching of a bank programme of industrial financing; and increased investments made in finance, securities, and trust companies. First, the expansion of branch banking has allowed the bank to move into every corner of Thailand and to attract ever-increasing deposits. Initially, domestic branch banking developed slowly. The bank opened its first branch in Ubon Ratchathani in May 1950, but did not establish its first metropolitan branch until 1955. State policy encouraged branch banking since the early sixties, and major branch
expansion took place in the sixties and seventies. By 1972, the Bangkok Bank had 118 branches, and by 1983 it boasted 291. Increased deposits have reflected this trend towards full-fledged branch banking.

Second, while domestic expansion continued apace, international opportunities were not neglected. As early as June 1954, the Bangkok Bank established its first overseas branch in Hong Kong, followed by a Tokyo branch in 1955. By the early eighties the bank had seventeen branches and offices overseas: in Western Europe, North America, Japan, Taiwan, Hong Kong, and all ASEAN nations except the Philippines and Brunei. Roughly 40 percent of the bank's profits were derived from its foreign operations.

Overseas expansion had accelerated during Chin's exile in Hong Kong between 1958 and 1963 as the Sophonpanich family turned adversity into prosperity. Chin was able to establish an impressive business empire in Hong Kong, and when he returned to Bangkok, the family's interests in Hong Kong were left in the hands of Robin Chan, Chin's eldest son by his first wife. Back in Thailand, the bank came under the management of Boonchu, and military strongman Prapass became chairman.

By the time of Chin's return, the groundwork for regional and international expansion had been laid. In 1980 the Sophonpanich/Bangkok Bank network stretched from Tokyo to London, New York to Hong Kong, and Bangkok to Jakarta. Clearly, the managers and owners of the Bangkok Bank now saw themselves at the helm of a truly international bank. This is revealed not only in public statements, but is also evidenced in the 1983 establishment of three major operational divisions within the bank: domestic, merchant, and foreign.

In addition to the overseas branches and offices of the Bangkok Bank, the Sophonpanich family has an interest in dozens of overseas ventures, focussed on Hong Kong. These interests reveal a network of links between the Sophonpanich family and other overseas Chinese business people in East and Southeast Asia. In addition to controlling the largest rice importing business in Hong Kong, the Bangkok Mercantile Company, the family has important connections with at least three banks in the colony: the Hong Kong Chinese Bank, the Commercial Bank of Hong Kong, and the Liu Chong Hing Bank. Table 27 summarises some of the inter-corporate linkages emerging from these connections. It shows a network of overseas Chinese businesses linked together by common investments, which in turn draw in a significant element of Japanese capital.
### TABLE 27
INTER-LOCKING DIRECTORSHIPS AND SHAREHOLDINGS OF THE SOPHONPANICH FAMILY THROUGH THREE HONG KONG BANKS, 1979-80

<table>
<thead>
<tr>
<th>Directors and Major Shareholders of Each Bank</th>
<th>Other Major Interests</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Commercial Bank of Hong Kong</strong></td>
<td></td>
</tr>
<tr>
<td>Robin S.K. Loh</td>
<td>Robin Group, Singapore</td>
</tr>
<tr>
<td>Robby T.K. Loh</td>
<td>Ednasa Investments, Hong Kong</td>
</tr>
<tr>
<td>Dorah Loh</td>
<td>Ednasa Shipping, Hong Kong</td>
</tr>
<tr>
<td>Datuk Ng Soong-Choon</td>
<td>Ng Soong-Choon and Bros., Malaysia</td>
</tr>
<tr>
<td>Ma Kam Chan</td>
<td>Tai Sang Bank, Hong Kong</td>
</tr>
<tr>
<td>Liu Lit Man</td>
<td>Liu Chong Hing Bank, Hong Kong</td>
</tr>
<tr>
<td>Tan Sri Lim Goh Tong</td>
<td>Genting Berhad, Malaysia</td>
</tr>
<tr>
<td>Ngan Wong Yick-Mui</td>
<td>Kwan Mui Co., Hong Kong</td>
</tr>
<tr>
<td>Sadao Yamanaka</td>
<td>Tokai Asia, Hong Kong/Tokai Bank, Japan</td>
</tr>
<tr>
<td>M.Y. Liu</td>
<td>Liu Chong Hing Bank, Hong Kong</td>
</tr>
<tr>
<td>Chin Sophonpanich</td>
<td>Bangkok Bank, Thailand</td>
</tr>
<tr>
<td>Choedhu Sophonpanich</td>
<td>Bangkok Bank, Thailand</td>
</tr>
<tr>
<td>John C.C. Cheung</td>
<td>Bangkok Bank, Thailand</td>
</tr>
<tr>
<td>Robin Chan</td>
<td>Bangkok Mercantile, Hong Kong</td>
</tr>
</tbody>
</table>

| **2. Hong Kong Chinese Bank**               |                       |
| Tsao Yao                                    | Overseas Trust Bank, Hong Kong |
| Leu Family                                  | Taiwan Vespa/Kao Hsing Iron and Steel, Taiwan |
| Thanee Boromratanadhon                      | Express Finance and Investments, Hong Kong |
| Tan Sri Teck-Yeow Gan                       | Overseas Union Bank, Singapore |
| Clifford C.F. Wong                           | Canadian Overseas Development Co., Hong Kong |
| Chi-wan Young                               | Miramar Hotel and Investment Co., Hong Kong |
| Hsin-Fu Mai                                 | Mese Hsin Tung Yang Foods Co., Taiwan |
| Sophonpanich Family                        | Bangkok Bank, Thailand |

| **3. Liu Chong Hing Bank**                  |                       |
| Mitsubishi Bank                             | Mitsubishi Bank, Japan |
| Liu Family                                  | Liu Chong Hing Estate Co., Hong Kong |
| Supasit Mahaguna                            | Mahaguna Distillery, Thailand |
| Chin Sophonpanich                           | Bangkok Bank, Thailand |

*Source: Hong Kong bank documents.*
The Sophonpanich family also has close personal and business links with two influential and powerful business groups in the ASEAN region: the Liem group of Indonesia, headed by Liem Sioe Liong, and the Kwok group of Singapore, Malaysia, and Hong Kong, headed by Robert Kwok (or Kuok). Together with Robin Loh, these business people control some of the largest and most powerful enterprises in Southeast Asia. The role of the Bangkok Bank in financing the growing role of regional Chinese capital was explained by Boonchu in the following terms:

In this area [international trade] -- our base before we started our domestic expansion -- we realised one thing: this is the area of the overseas Chinese. They are doing all kinds of business, and they are very good entrepreneurs, when you compare them with the locals. We needed this kind of entrepreneur to substitute or replace the Westerners and Japanese, who were quite influential in the pre-war and immediate post-war periods. Because we started our operation in this area long before the others, we were able to support this group of people, to build up their empires....[Besides Robin Loh and Liem Sioe Liong] there are another 10 or 15 who have built up their empires and become tycoons, because the Bangkok Bank started to support them...when they had nothing....We supported them financially, let them start their businesses and compete with the Europeans, Americans and the Japanese....They could not go anywhere except the Bangkok Bank. Only the Bangkok Bank understands them, knows that they have ability, and understands the way they do business. And we know how we can control and assist their projects and programmes.

Some of Southeast Asia's economically and politically powerful business people benefited substantially from their personal connection with Chin and his sons. At the same time, these relationships have been of prime importance in the internationalisation of the Sophonpanich/Bangkok Bank business group, providing local knowledge, useful services and capital.

The Bangkok Bank/Sophonpanich group's developing business relationship with Japanese and U.S. capital has also been important. Although the bank has actively competed with foreign capital, as is shown in the above statement by Boonchu, there have been carefully considered joint-ventures between the Bangkok Bank/Sophonpanich group and foreign capital. For example, the links between the Tokai Bank of Japan, the Commercial Bank of Hong Kong, and the Bangkok Bank are also manifested in Thailand, with the
Bangkok First Tokai Company operating in the investment field. In addition, the Bangkok Bank and Sophonpanich family have combined with Japanese capital to form the Bangkok Nomura International Securities Company, which had assets of almost 1.2 billion baht in 1979 -- making it the thirteenth largest finance and securities company in Thailand. Other joint-ventures with the Japanese include the Thai Toray Textile Mill, Teijin Polyester (Thailand), and a small interest in Toyota Motors Thailand. Joint ventures with U.S. capital include the Bangkok First Investment and Trust Company, formed in 1969 with the First National City Bank of New York. Initially capitalised with 100 million baht, this company was one of the fastest-growing finance companies in Thailand in the late seventies. Another important investment with U.S. capital is the Thai Melon Polyester Company, which the Bangkok Bank bought into during the textile recession, when the company was spiralling towards bankruptcy. With strategic injections of capital, Thai Melon was restructured and saved.

These connections with large-scale foreign finance capital have obviously been useful to the Bangkok Bank, not only in facilitating the bank's overseas borrowing, but also in providing the bank with the contacts necessary for major international financial transactions. For example, between 1977 and 1981 the Bangkok Bank was involved in the syndication of loans totalling $455 million, of which $310 million was raised for the Thai government. This role should expand as the industrial infrastructure projects on the eastern seaboard are developed throughout the 1980s and 1990s.

The third major factor in the Bangkok Bank's growth is its program of industrial financing. It has invested directly in about twenty industrial projects, seven of which are in textiles, and has provided financing for thousands of others. The bank has active participations in industrial enterprises for many years, building on manufacturing interests which which began in the early fifties with the establishment of Green Spot (Thailand) by the Sophonpanich family. The bank has often pointed to Thailand's competitive advantages over other countries, including its cheap and skilled labour. The philosophy of the bank, according to Boonchu, is to 'support any industry which is needed as a base of our economy.' Because both textiles and sugar were put in this category, the Bangkok Bank went to their aid. Indeed, Boonchu estimated that the bank provided eight billion baht for the support of the textile industry during the slump of the mid-seventies. As Barun Roy has argued, along with the state the Bangkok Bank has been the 'most important catalyst... for Thailand's industrialisation.' Its strategic position has also allowed it to acquire a sizable stake in the industrial sector.
Finally, it is important to examine the bank's increased investment in finance, securities, and trust companies. As was shown in Table 19, finance companies have grown rapidly since 1971. Although commercial banks still control the bulk of savings, finance companies have been able to increase their market share. But Table 23, shows many of these companies are actually controlled by the major banks. The Sophonpanich family, though the Bangkok Bank, are prominent in this sector. It controls Asia Credit, Thailand's largest finance company, as well as many others.

Companies like Asia Credit operate as merchant banks, with activities in corporate lending and finance, securities, hire purchase, and mortgage finance. Because many of the companies are associated with the big banks, however, there is not a great deal of competition between the two types of institution. Sunthorn Arunanondchai, president of Asia Credit, explains that his company operates as a 'loyal opposition' for the Bangkok Bank. The association with the bank, he continues, gives his company a competitive edge, both in terms of 'power or money...[and] vast experience. In the world of Thai finance knowledge is the key. And they impart their knowledge to me when I ask for it.' In essence, he concludes, Asia Credit operates as part of the Bangkok Bank's 'international financial supermarket.'

The expansion of the Bangkok Bank/Sophonpanich family into this field enables the group to mobilise capital it may not otherwise be able to attract, and to become involved in activities in which a bank may not be the appropriate springboard, such as securities trading. In addition, merchant banking activities by the Bangkok Bank and Asia Credit have allowed for further overseas expansion. In recent years, the Bangkok Bank has negotiated loans -- some in excess of $40 million -- for Indonesian, Singaporean, Malaysian, and Hong Kong companies.

In addition to their extraordinary economic influence, it is important to note that the Bangkok Bank and the Sophonpanich family have also initiated significant activities in the ideological sphere. The family and its supporters must have been concerned not only by the populist and radical condemnations of the role of commercial banks between 1973 and 1976, but also by the statements of those behind the unsuccessful Young Turks coup of 1981. The perpetrators attacked capitalists as exploiters with little concern for the nation, and planned the partial nationalisation of banks.' One leader of the plotters even claimed that a 'hit-list' of prominent bankers had been drawn up. Since the attempted coup, the bank and its principals have expanded their public relations campaigns, with the aim of improving their image.

The focus of these campaigns has been charitable works and other ideological projects, particularly those associated with the royal family. Since 1981, the bank has
made 4.6 million baht available to the poor for education and welfare projects. More significantly, the Bangkok Bank Foundation, the Sophonpanich Foundation, and the bank itself have financed not only the publication of books on Thai culture, literature, language, and history, but also a film on the king and a radio series on language and literature. They have also funded the Thai Music Centre, and paid 1.2 million baht towards the construction of the Air Force Cadet School, which was donated in honour of a royal birthday. Reminiscent of the activities of such families as the Rockefellers, these activities are designed to link the image of the bank and the Sophonpanich family to that of the official trilogy of national symbols: nation, monarchy, and religion. The monarchy (which is also a part of banking capital) has been an especially important focus. A separate motivation for these activities apparently was a fear among its principals that the bank's size might make it an easy political target for those opposed to big capitalist enterprise. As a result, bank officials decided to slow growth and improve the bank's public image.

The Bangkok Bank has been the cornerstone of the Sophonpanich business empire, arguably the largest and most powerful in Thailand. There have been six major ingredients in the making of this empire:

1. The Sophonpanich family and the bank have always enjoyed close relationships with important state officials.
2. The rapid growth of branch banking has placed more resources at the bank's disposal.
3. Investment in industrial enterprises has expanded from the group's earlier base in financial and commercial activities. The Bangkok Bank and Sophonpanich family are now leading forces in the development of Thai Industry.
4. Expansion and consolidation of overseas branches, investment, and business relationships has allowed the Bangkok Bank/Sophonpanich group to take advantage or regional economic developments. The growth of international involvement places the group at the forefront of developing merchant banking activities in the region.
5. The group has carefully utilised injections of foreign capital, avoiding any hint of financial dependence.
6. Investments in finance, securities, and trust companies have enabled the bank to maintain and even expand its market share within a highly concentrated financial sector.
Banking capital is now the most powerful fraction of Thai capital. It is dominant economically and there is considerable cooperation and consensus within its ranks. To maintain their power and control, big banking capitalists have been prepared to band together to crush upstart financial groups. Big banking capitalists do, of course, compete with each other, but in general their interests coalesce on important issues. Other capitals, if not controlled by banking capital, are heavily influenced by the banks and finance companies through loans and credits, as well as through banking capital's substantial investments in industry, commerce, and (to a lesser extent) agro-industry. Figure 14 traces the complete (and complicated) common shareholding linkages among the fractions of capital, and makes clear the centrality of big banking capitalists to Thai business. This centrality reflects the emergence of a Thai finance capital.

Politically, the influence of big banking capital is second to none. State policy has carefully nurtured banking activities, and has generally been receptive to such pressure groups as the Thai Bankers' Association. With the further development of corporate capitalism in Thailand, and especially with the on-going maturation of finance capital the continued domination of banking capital seems assured.
Note: Linkages represent common shareholdings.
CONCLUSION

At the outset of this study, it was argued that neither the modernisation nor dependency perspectives on development can adequately account for the emergence of capitalism. Indeed, both approaches indicate that 'real' capitalism is not likely to develop in Thailand. This study shows the inadequacies of such theoretical frameworks, and demonstrates empirically that capitalism has emerged and is developing in Thailand.

This study has shown that capitalism is a dynamic and powerful force, and analyses that attempt to examine Thai society without taking account of capitalism and the capitalist class seriously misrepresent the real situation. When the theoretical focus is shifted from crude notions of dependency to a recognition of capitalism as a major force, one can see how capitalism is making a deep impact -- not only in Thailand, but throughout the Third World. While such studies of Third World capitalism are still rare, important and pioneering works focusing on the capitalist class and capitalism have been completed for Indonesia, Malaysia, Taiwan, Singapore, South Korea, Hong Kong, Kenya, and West Africa. All of these studies lead to conclusions close to those of this study.1 In particular, all show that industrialisation has been swift and based predominantly on domestic capitalist accumulation,2 and that the state plays a central role in the process.3 This study has demonstrated the accuracy of these propositions in the case of Thailand.

At this point, it is appropriate to more clearly define the nature of the relationship between state officials and capitalists. Chapter 1 suggested that it is not necessary for members of the capitalist class to occupy positions within the state, or even to have direct influence over state officials, in order for the state to be defined as a capitalist state. At the same time, however, referring to Miliband's work, it was argued that a specific relationship did often develop between state managers and capitalists, a relationship which was determined by a convergence of interests. In the Thai case, there are significant linkages between state officials, both past and present, and the capitalist class; indeed, there is considerable overlap between the two groups. An examination of ownership within the Thai economy found that there were seventeen groups or families with important business interests who hold, or have held, significant positions within the state apparatus. Their political and state positions are shown in Figure 15.
FIGURE 15
POLITICO-BUREAUCRATIC GROUPS WITH MAJOR BUSINESS INTERESTS

SOI RAJKHRU

1. Pramarn Adireksan
   - Leader, Chat Thai Party
   - MP for Saraburi
   - Army Major General (retired)
   - Various ministerial positions, 1947-1980
   - Deputy PM, 1975-76, 1980
2. Chatichai Choonhavan
   - Secretary-General, Chat Thai Party
   - Army Major-General (retired)
   - Various ministerial positions, 1947, 1972-80, 1986-
   - Diplomatic positions, 1949-73
   - MP for Nakorn Ratchasima
   - Deputy PM, 1980, 1986-
3. Siri Siriyothin
   - Army Major-General (retired)
   - Various ministerial positions since 1951

CROWN PROPERTY/ROYAL FAMILY

1. Phumiphol Aduladej
   - King
   - Strong relationship with elements of armed forces and royalist political parties
2. Sirikit
   - Queen
   - Strong relationship with elements of armed forces and right-wing politicians

NARONGDEJ

Prajit Narongdej
- Governor of Nat'l Housing Authority
- Deputy Leader, New Force Party, 1975
- Deputy Minister of Communications, 1977
- Industry Minister, 1979

NIMMANHEMINDA

1. Sukit Nimmanheminda
   - Various ministerial positions since 1948
   - Leader of Sahaphumi Party in 1957
   - MP for Chiangmai, 1957
   - Ambassador to India
   - Member of Sarit's Constituent Assembly
2. Bisudbi Nimmanheminda
   - Deputy Governor of Bank of Thailand in 1967
3. Sirin Nimmanheminda
   - Assistant Governor of Petroleum Authority of Thailand

PRAOJ

1. Kukrit Pramoj
   - Various ministerial positions
   - PM, 1975-76
   - Leader, Social Action Party
   - Royal connections
2. Seni Pramoj
   - PM, 1945, 1975, 1976
   - Leader of Democrat Party for many years
   - Various ministerial positions

PSA GROUP

Boonchu Rojanastien
- Member committee of NESDB
- Finance Minister, 1975
- MP 1975-76, 1979-
- Deputy Leader, Social Party (retired)
- Deputy PM, 1980
CHARUSATHIARANA

Prapasa Charusathiarana
- Army Field Marshal (retired)
- Army Commander, 1963-72
- Deputy PM, 1966-73

VIRAVAN

Amnuay Viravan
- Officer, Finance Ministry 1959-63
- Advisor to PM, 1962-71
- Secretary-General, Board of Investment, 1967-71
- Director-General, Customs Dept., 1973-75
- Under-Secretary of State, Finance, 1975-77
- Finance Minister, 1980

SOMBATSIRI

1. Mahaisawan Sombatsiri
   (deceased)
   - Commerce Minister under Phibun
     - Minister, 1934-1957
2. Lersak Sombatsiri
   - Cabinet Minister, 1976-77
3. Kris Sombatsiri
   - Various state positions

RUJIRAWONGS

Prasert Rujirowongs
- Police General
- Member of Sarit's Constituent Assembly
- Director-General, Police Department, 1963-72

OTHERS

Bhirombhakdi, Limsong, Phinij Chonkadi

KITTIKACHORN

1. Tha nom Kittikachorn
   - Army Field Marshal (retired)
   - PM, 1963-73
2. Narong Kittikachorn
   - Various governmental positions
   - Army officer (retired)
   - MP for Ayudhya

SARASIN

Pote Sarasin
- Various ministerial positions after 1948
- PM, 1957
- Ambassador to U.S.
- Head, Board of Investment
- Secretary-General, SEATO

SILPA-ARCHA

Banhan Silpa-archa
- Secretary-General, Chart Thai Party
- Deputy Industry Minister, 1976
- Minister for Agriculture, 1980
- MP for many years

NANDHABIWAT

Boonying NANDHABIWAT
- Minister, 1976, 1977
- MP for Democrat Party, 1976

Note: Since 1979-80, Boonchu has devoted more attention to his own business interests, and less to those of PSA. By the time PSA collapsed in 1986, he was independent of the group.

Figure 16 shows that in addition to their ties in officialdom, there are also a number of inter-locking shareholdings among these politico-bureaucratic groups.

FIGURE 16
SHAREHOLDING LINKAGES BETWEEN POLITICO-BUREAUCRATIC BUSINESS GROUPS, 1979

PHINIJ CHONKADI ——— PRAMOJ
BHIROMBHAKDI ——— SOMBATSIRI
CPB/ROYAL FAMILY
SOI RAJKHRU
CHARUSATHIARANA
ROJANASTIEN
VIRAVAN
RUJIRAWONGS
NARONGDEJ

Source: Hewison, 'The Development,' Appendices B and C.

The links between important politico-bureaucratic groups and major non-politico-bureaucratic groups are indicated in Figure 17. It is notable that banking and industrial capitals have the greatest number of linkages with politico-bureaucrats, again indicating the predominance of these fractions of capital.
Similarly, when familial linkages between the two groups are taken into consideration, as they are in Figure 18, banking and industrial capitals continue to be dominant. The significance of Figures 15 to 18 is three-fold. First, family connections among powerful state officials remain important, not only in cementing bureaucratic alliances and the power of ruling political groups (as was common prior to 1932), but also in conducting business enterprise. Second, business people have been keen to establish semi-institutional relations with politico-bureaucrats. Corruption has been a common feature of Thai bureaucratic behavior for many years, especially since World War II, and business people have utilised various strategies to overcome bureaucratic obstruction and red tape. Particularly in the fifties, companies commonly invited state officials to join their boards. Marriage also has been used to cement such relationships. In essence, state officials
FIGURE 18
FAMILY LINKS BETWEEN MAJOR CAPITALIST GROUPS AND POLITICO-BUREAUCRATIC BUSINESS GROUPS

Wang Lee (B) -------- Framoj
|                     | Phinij Chonkadi |
|                     | Chaleechan      |

Karnchanjari (C) ---- Charusathiarana

Penchart (B) -------- Charusathiarana

Cholvicharn (B) ------- Charusathiarana

Pornprapha (I) ------ Narongdej

Sombatsiri

Bodhiratangkura (I) ---- Kraitiksh

Chowkwanyuen (I) ------ Sarasin

Sri Fueng Fung (I) ---- Adireksan

<table>
<thead>
<tr>
<th>Choonhavan</th>
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</thead>
<tbody>
<tr>
<td>Soi Rajkhru</td>
</tr>
</tbody>
</table>

| Sriyanond |

Ratanarak (B) ------- Limmon

Lamsam (B) --------- Chatikavanij

Sources: Hewison, 'The Development,' Appendices B and C; and Suthy, Thai Business Leaders, p. 30.

Note: C = Commercial Capital; I = Industrial Capital; B = Banking Capital. Boxed names are politico-bureaucrats with significant business interests, (as listed in Hewison, 'The Development,' Appendix C). The underlined names are politico-bureaucrats not listed in that source.

have been drawn into the 'family business' methods adopted by Sino-Thai business people. Third, these relationships clearly show that a two-way movement has occurred between the sphere of business and the state. On the one hand, state officials, through marriage and/or seats on company boards, have been able to accumulate both the capital and expertise necessary for the establishment of their own business groups (examples are Prapass Charusathiarana and the Soi Rajkhru group). On the other hand, business people have become involved in the political process to
influence the political and economic future of Thailand. Examples are Prasit Narongdej, Boonchu Rojanastien, and Annuay Viravan. Such cross-overs imbue each group with an understanding of the other. In a system where personal contact remains significant, they are important in the development of both business plans and state policy.

Sunthorn Hongladarom provides an excellent example of the importance of such connections. As a former Thai ambassador to Britain and the U.S., minister of commerce, minister of economic affairs, deputy prime minister, and chairperson of the NESDB, Sunthorn has been at the top of the state apparatus for three decades. Towards the end of his career, Sunthorn increasingly involved himself with the private sector, as he was appointed to the boards of a number of companies, including East Asiatic (Thailand), Thai Petrochemical Industries (TPI), and CMIC Finance. More recently, he became chairperson of the Wang Lee (Nakornthon) Bank. When asked of his motivations for joining private firms, Sunthorn responded:

I would like to take part in private business. Those who have asked me to join are my old friends. Obviously, personal ties played an important part in my decision. The former general manager of East Asiatic is my old friend. Khun Pramual Liewpairat, TPI's managing director's father-in-law is my friend. I have known the Wang Lee family since I was the Minister of Economic Affairs.

'Connections' are crucial. Sunthorn clearly indicates the network of interests that are a feature of capitalist society in Thailand. Other researchers, including Skinner and Riggs, have also pointed to this fact, but they are mistaken not to treat the pattern as integral to the Thai form of capitalism.

Perhaps more importantly, Sunthorn make a short statement that accurately summarises how state managers and capitalists have come to have a coincidence of interest. Because Thailand's economy is free enterprise, he explains, 'businesses should run efficiently so that they can make as much profit as possible and so the government can collect more tax.' While the role of the state may well be variable, this is due to the fact that the state tends to reflect the interplay of class forces. Overall, however, senior officials translate the imperative incumbent upon state managers into terms of 'national interest.' The interests of the state, state managers, and the nation invariably become the interests of capital-in-general. Certainly there are times when state managers act contrary to the wishes of capitalists, but as Miliband points out, officials generally act to ensure conditions conducive to
capital accumulation. The discussion of the Thai state has provided considerable evidence in support of this position.

It is now clear that the Thai state has sought to promote the interests of the most 'progressive' capitalist forces: both productive capital (industrial and, more recently agrarian capitals) and the dynamic financial sector dominated by banking capital. Intimately linked with this promotion has been the development of corporate structures and finance capital, making for a powerful and rapidly developing capitalist class. All of this has been seen by many state managers to be in the 'national interest'. In essence the 'national interest' is best served by what is best for capital.

To borrow the words of Miliband, the picture of state-capital relations that emerges indicates a 'partnership between two different, separate forces, linked to each other by many threads, yet each having its own separate sphere of concerns.' This is not to suggest that either the state or capital is dominant in theoretical terms, but rather that both have particular roles determined by the nature of class relations. (The same formulation could be used to describe the relationship between foreign and domestic capital.) But as noted above, the state-capital 'partnership' is tenuous, and wracked by conflict and contradictions. This was clear during the April Fools' Day coup attempt of 1981 when young military officers rose not only against the government, but also against blacklisted bankers and business people. Despite the coup's failure, it did reveal antagonisms that some middle-level officials and soldiers have toward capitalists.

The most thorough study of the contemporary Thai state, by Grit, adopts a quite different position on capital-state relations. He argues that state policy was 'designed by multinational firms to serve their own needs,' and that the Thai state is a comprador state, dependent on foreign capital. It promotes a form of industrial development closely tied to the accumulation requirements of foreign companies and their local partners. Such development, he concludes, does little for internal accumulation, and does not further the needs of the majority of the Thai people.

Grit's final point may well be accurate. Capitalist development does indeed carry with it gross inequalities, repression, and oppression. This study has shown, however, that his other positions should be rejected. Thailand does exhibit certain characteristics of dependency, but as Barone has argued for South Korea, immersion in a world capitalist system can bestow certain capitalist advantages which can enhance domestic capitalist development. Elements of the international division of labour and inflows
of foreign capital, for example, can be turned to a country's advantage. Thailand, like South Korea, has reaped some of these benefits.

Thailand, as one small part of a complex world capitalist system, may or may not be a representative case, but it has been shown that the Thai state has taken a strongly interventionist role in the economy. It is perhaps of interest to speculate on the future of Thai capitalism. Is this form of state-capital relations a stage in the development of Thai capitalism (reminiscent of Riggs's bureaucratic polity) or is it an end point (as in dependency theory's concept of underdevelopment)? Is liberal democracy the ultimate form of this development? Or will there be a return to military-dominated authoritarianism? Obviously no hard-and-fast conclusion is possible; indeed, it is worth arguing for a degree of flexibility in approaching these questions. There is no single, clear path to capitalist development, politically or economically. Capitalist development arises from the specific history of class forces in each society where it emerges.

Events and developments in Thailand suggest, however, that there is a distinct possibility that a more representative parliamentary form of politics will emerge. As demonstrated in this study, the capitalist class is extremely powerful, and there seems a determination on its part to develop a political party which will serve its interests. The events of the 1973-75 period and those following the overthrow of the Thanin government in 1977 indicate this determination. In both periods there has been an attempt by powerful sections of the capitalist class (notably, the Bangkok Bank) to promote party politics.

This is not to say that the capitalist class will not coalesce when it feels threatened, as it did in 1975 and 1976, and support military regimes as means of cutting political and economic losses. However, as the failed coup of April 1981 shows, the capitalist class is also threatened by elements within the military. Party politics within a parliamentary system appear to be one way out of this predicament.

Clearly, any movement towards a more representative system in Thailand is tied to the perceived interests of both capitalists and state managers. Nevertheless, capitalism will continue to develop no matter what happens in the political system. The alliance of capital (which is under the hegemony of banking capital) with state managers has determined that the majority of Thais will continue to face the vagaries, inequalities, and callousness of a capitalist system.
<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>OWN ACCOUNT WORKERS [a]</th>
<th>GOVERNMENT EMPLOYEES</th>
<th>PRIVATE EMPLOYEES</th>
<th>UNPAID FAMILY LABOUR</th>
<th>OTHER [%]</th>
<th>TOTALS [%]</th>
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<tr>
<td></td>
<td>No. (000)</td>
<td>%</td>
<td>No. (000)</td>
<td>%</td>
<td>No. (000)</td>
<td>%</td>
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<td>0.6 [d]</td>
<td>18.3</td>
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<td>480.4</td>
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</table>

Notes: [a] "Own Account Workers" refers to self-employed workers.
[b] Unknown or unspecified status.
[c] Percentage of the total economically active population.
[d] Negligible.
[e] No data available.
[f] Percentages vary due to rounding.

### Table II: Work Status of Economically Active Population, 11 Years and Older, by Industry, 1979.

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<tr>
<th>INDUSTRY</th>
<th>OWN ACCOUNTS WORKERS [a]</th>
<th>GOVERNMENT EMPLOYEES</th>
<th>PRIVATE EMPLOYERS</th>
<th>UNPAID FAMILY LABOUR</th>
<th>OTHER [b]</th>
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<td>&amp; Fishing</td>
<td></td>
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<tr>
<td>Mining &amp; Quarrying</td>
<td>0.4 (d)</td>
<td>7.6 0.05</td>
<td>1.1 (d)</td>
<td>66.4 0.40</td>
<td>7.7 0.05</td>
<td>3.3 0.02 86.5 0.52</td>
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<tr>
<td>Manufacturing</td>
<td>12.5 0.08</td>
<td>155.9 0.96</td>
<td>24.6 0.15</td>
<td>605.7 2.43</td>
<td>82.3 0.49</td>
<td>3.7 0.02 682.7 4.10</td>
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<tr>
<td>Construction, Repair &amp;</td>
<td>3.3 0.02</td>
<td>30.8 0.19</td>
<td>6.4 0.04</td>
<td>136.4 0.82</td>
<td>3.7 0.02</td>
<td>0.7 (d) 181.3 1.09</td>
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<td>Demolition</td>
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<td></td>
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<tr>
<td>Electricity, Gas, Water, &amp;</td>
<td>[d] (d)</td>
<td>[d] (d)</td>
<td>[d] (d)</td>
<td>[d] (d)</td>
<td>[d] (d)</td>
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<tr>
<td>Sanitary Services</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commerce</td>
<td>14.3 0.00</td>
<td>435.1 2.61</td>
<td>8.3 0.05</td>
<td>148.1 0.89</td>
<td>260.4 1.56</td>
<td>9.5 0.06 875.7 5.26</td>
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<tr>
<td>Transport, Storage, &amp;</td>
<td>1.8 0.01</td>
<td>90.0 0.54</td>
<td>54.3 0.33</td>
<td>115.1 0.69</td>
<td>4.7 0.03</td>
<td>2.6 0.02 268.5 1.61</td>
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<td>Communications</td>
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<td></td>
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<tr>
<td>Services</td>
<td>7.4 0.04</td>
<td>116.5 0.70</td>
<td>627.1 3.77</td>
<td>346.2 2.08</td>
<td>64.1 0.39</td>
<td>22.9 0.14 1,184.2 7.11</td>
</tr>
<tr>
<td>Activities not</td>
<td>1.5 0.01</td>
<td>10.8 0.06</td>
<td>29.0 0.17</td>
<td>60.7 0.36</td>
<td>4.8 0.03</td>
<td>34.1 0.20 160.9 0.85</td>
</tr>
<tr>
<td>adequately defined</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTALS [e]</td>
<td>60.8 0.37</td>
<td>4,935.1 29.65</td>
<td>777.0 4.67</td>
<td>1,814.8 10.90</td>
<td>8,934.8 53.67</td>
<td>123.4 0.76 16,646.8 100.00</td>
</tr>
</tbody>
</table>

Notes: [a] "Own Account Workers" refers to self-employed workers. [b] Unknown or unspecified status. [c] Percentage of the total economically active population. [d] Negligible. [e] No data available. [f] Percentages vary due to rounding.

### TABLE III: WORK STATUS OF ECONOMICALLY ACTIVE POPULATION, 15 YEARS AND OLDER, BY INDUSTRY, 1979 [a]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
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<tr>
<td></td>
<td>No. (000) [b]</td>
<td>No. (000)</td>
<td>No. (000)</td>
<td>No. (000)</td>
<td>No. (000)</td>
<td>No. (000)</td>
</tr>
<tr>
<td>Agriculture, Forestry, Hunting &amp; Fishing</td>
<td>127.6</td>
<td>0.60</td>
<td>5,040.8</td>
<td>13.73</td>
<td>1,096.0</td>
<td>8,717.8</td>
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<tr>
<td>Mining &amp; Quarrying</td>
<td>0.6 [e]</td>
<td>6.9</td>
<td>0.3 [e]</td>
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<td>0.7 [e]</td>
<td>83.2</td>
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<tr>
<td>Manufacturing</td>
<td>44.3</td>
<td>0.21</td>
<td>351.4</td>
<td>1.66</td>
<td>1,075.4</td>
<td>210.7</td>
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<tr>
<td>Construction, Repair &amp; Demolition</td>
<td>18.9</td>
<td>0.09</td>
<td>28.9</td>
<td>0.14</td>
<td>348.4</td>
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<tr>
<td>Electricity, Gas, Water, &amp; Sanitary Services</td>
<td>0.1 [e]</td>
<td>0.2</td>
<td>50.7</td>
<td>0.24</td>
<td>2.5</td>
<td>53.5</td>
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<tr>
<td>Commerce</td>
<td>33.5</td>
<td>0.16</td>
<td>746.8</td>
<td>3.75</td>
<td>998.9</td>
<td>494.0</td>
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<tr>
<td>Transport, Storage &amp; Communications</td>
<td>4.0</td>
<td>0.02</td>
<td>185.2</td>
<td>0.87</td>
<td>86.1</td>
<td>402.8</td>
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<tr>
<td>Services</td>
<td>15.1</td>
<td>0.07</td>
<td>255.7</td>
<td>1.20</td>
<td>499.4</td>
<td>1,740.8</td>
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<tr>
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<td>1.6 [e]</td>
<td>1.2</td>
<td>5.4</td>
</tr>
<tr>
<td>TOTALS</td>
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<td>1.15</td>
<td>6,666.9</td>
<td>31.40</td>
<td>1,132.8</td>
<td>21,229.1</td>
</tr>
</tbody>
</table>

Notes:
(a) This table represents the results of a survey and is therefore subject to sampling errors. Note that this table covers a smaller age range than Tables I and II.
(b) Percentage of the economically active population.
(c) "Own Account Workers" refers to self-employed.
(d) Percentages vary due to rounding.
(e) Negligible.
(f) No data available.

### TABLE IV: TRADE BY COMMODITY GROUPS, SELECTED YEARS, 1958-1978 (BY PERCENTAGE)

<table>
<thead>
<tr>
<th>Year</th>
<th>Food &amp; Tobacco</th>
<th>Beverages &amp; Tobacco</th>
<th>Crude Materials</th>
<th>Mineral Fuels &amp; Lubricants</th>
<th>Animal &amp; Vegetable Oils &amp; Fats</th>
<th>Chemicals</th>
<th>Manufactured Goods</th>
<th>Machinery</th>
<th>Miscellaneous Manufactured Goods</th>
<th>Miscellaneous Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1958</td>
<td>9.48</td>
<td>2.39</td>
<td>0.87</td>
<td>10.94</td>
<td>0.30</td>
<td>9.19</td>
<td>35.98</td>
<td>22.59</td>
<td>5.71</td>
<td>2.54</td>
<td>99.99</td>
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<tr>
<td>1965</td>
<td>5.69</td>
<td>1.24</td>
<td>3.09</td>
<td>8.77</td>
<td>0.20</td>
<td>10.75</td>
<td>31.29</td>
<td>30.49</td>
<td>5.31</td>
<td>3.18</td>
<td>100.00</td>
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<tr>
<td>1972</td>
<td>3.92</td>
<td>1.97</td>
<td>6.73</td>
<td>10.09</td>
<td>0.15</td>
<td>15.41</td>
<td>21.11</td>
<td>31.47</td>
<td>6.19</td>
<td>2.96</td>
<td>100.00</td>
</tr>
<tr>
<td>1978</td>
<td>2.61</td>
<td>0.93</td>
<td>6.72</td>
<td>20.98</td>
<td>0.25</td>
<td>13.75</td>
<td>16.97</td>
<td>30.89</td>
<td>4.45</td>
<td>2.45</td>
<td>100.00</td>
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<tr>
<td>1983</td>
<td>2.75</td>
<td>0.54</td>
<td>6.08</td>
<td>24.12</td>
<td>0.33</td>
<td>15.44</td>
<td>16.50</td>
<td>28.69</td>
<td>5.93</td>
<td>1.43</td>
<td>100.01</td>
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</table>

### EXPORTS

<table>
<thead>
<tr>
<th>Year</th>
<th>Food &amp; Tobacco</th>
<th>Beverages &amp; Tobacco</th>
<th>Crude Materials</th>
<th>Mineral Fuels &amp; Lubricants</th>
<th>Animal &amp; Vegetable Oils &amp; Fats</th>
<th>Chemicals</th>
<th>Manufactured Goods</th>
<th>Machinery</th>
<th>Miscellaneous Manufactured Goods</th>
<th>Miscellaneous Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1958</td>
<td>55.78</td>
<td>1.46</td>
<td>36.65</td>
<td>0.00</td>
<td>0.11</td>
<td>0.11</td>
<td>1.13</td>
<td>0.05</td>
<td>0.22</td>
<td>4.49</td>
<td>100.00</td>
</tr>
<tr>
<td>1965</td>
<td>52.37</td>
<td>0.70</td>
<td>38.19</td>
<td>0.31</td>
<td>0.05</td>
<td>0.12</td>
<td>4.63</td>
<td>0.07</td>
<td>0.22</td>
<td>3.35</td>
<td>100.01</td>
</tr>
<tr>
<td>1972</td>
<td>49.85</td>
<td>1.26</td>
<td>21.37</td>
<td>1.20</td>
<td>0.04</td>
<td>0.33</td>
<td>15.45</td>
<td>0.20</td>
<td>1.48</td>
<td>8.81</td>
<td>99.99</td>
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<tr>
<td>1978</td>
<td>48.90</td>
<td>1.41</td>
<td>15.13</td>
<td>0.02</td>
<td>0.05</td>
<td>0.53</td>
<td>21.04</td>
<td>3.27</td>
<td>5.07</td>
<td>4.57</td>
<td>99.99</td>
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<tr>
<td>1983</td>
<td>50.35</td>
<td>1.27</td>
<td>11.12</td>
<td>0.02</td>
<td>0.18</td>
<td>1.14</td>
<td>17.76</td>
<td>5.71</td>
<td>10.07</td>
<td>2.38</td>
<td>100.00</td>
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**Note:** Because of rounding, not all totals equal 100.00 percent.

**Sources:**
- Bank of Thailand Statistical Bulletin 19, no. 9, (1979)
<table>
<thead>
<tr>
<th>TABLE VI: PRODUCTS WITHIN THE MANUFACTURING SECTOR WITH ANNUAL GROWTH RATES IN EXCESS OF 15 PERCENT, 1967-1977</th>
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<tbody>
<tr>
<td>1. BASIC CHEMICALS</td>
</tr>
<tr>
<td>Hydrochloric Acid</td>
</tr>
<tr>
<td>Oxygen</td>
</tr>
<tr>
<td>Sulphuric Acid</td>
</tr>
<tr>
<td>Caustic Soda</td>
</tr>
<tr>
<td>Sodium Silicate</td>
</tr>
<tr>
<td>Nitrogen</td>
</tr>
<tr>
<td>7. TRANSPORTATION EQUIPMENT</td>
</tr>
<tr>
<td>2. CHEMICAL PRODUCTS</td>
</tr>
<tr>
<td>Diesel Oil</td>
</tr>
<tr>
<td>Asphalt</td>
</tr>
<tr>
<td>3. FOOD AND BEVERAGES</td>
</tr>
<tr>
<td>Sugar</td>
</tr>
<tr>
<td>Evaporated Milk</td>
</tr>
<tr>
<td>Mint Oil</td>
</tr>
<tr>
<td>Rice Bran Oil</td>
</tr>
<tr>
<td>Butter</td>
</tr>
<tr>
<td>4. TEXTILES</td>
</tr>
<tr>
<td>Carpets &amp; Wool Rugs</td>
</tr>
<tr>
<td>Fishing Nets</td>
</tr>
<tr>
<td>Man-Made Yarns</td>
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<tr>
<td>Man-Made Woven Fabrics</td>
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<tr>
<td>Man-Made Knitted Fabrics</td>
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<td>5. CONSTRUCTION MATERIALS</td>
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<tr>
<td>Urinals</td>
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<tr>
<td>Soap Dishes and Toilet</td>
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<td>Roll Holders</td>
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<td>Wash Basins</td>
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<tr>
<td>Toilet Bowls</td>
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<tr>
<td>Vinyl Floor Tiles</td>
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<td>Compressed Straw Slabs</td>
</tr>
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<td>8. ELECTRICAL EQUIPMENT</td>
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<td>Radio Sets</td>
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<td>Television</td>
</tr>
<tr>
<td>Electric Fans</td>
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<tr>
<td>Air Conditioners</td>
</tr>
<tr>
<td>9. OTHER</td>
</tr>
<tr>
<td>Compressed Gas Cylinders (2 sheets)</td>
</tr>
<tr>
<td>Compressed Gas Cylinders (3 sheets)</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>1960 (Million baht)</th>
<th>1969 (Million baht)</th>
<th>1979 (Million baht)</th>
<th>1982 (Million baht)</th>
<th>1982 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; Beverages</td>
<td>2,892.3</td>
<td>6,384.6</td>
<td>25,358</td>
<td>37,393</td>
<td>22.7</td>
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<tr>
<td>Tobacco &amp; Snuff</td>
<td>981.1</td>
<td>1,697.5</td>
<td>7,021</td>
<td>10,215</td>
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<tr>
<td>Textiles</td>
<td>318.6</td>
<td>1,261.5</td>
<td>9,707</td>
<td>12,809</td>
<td>7.8</td>
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<tr>
<td>Wearing Apparel</td>
<td>536.1</td>
<td>1,205.3</td>
<td>10,976</td>
<td>19,702</td>
<td>12.0</td>
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<tr>
<td>Leather &amp; Leather Products</td>
<td>256.7</td>
<td>679.0</td>
<td>400</td>
<td>651</td>
<td>0.4</td>
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<tr>
<td>Wood &amp; Cork</td>
<td>92.2</td>
<td>659.1</td>
<td>2,671</td>
<td>2,895</td>
<td>1.8</td>
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<tr>
<td>Furniture &amp; Fixtures</td>
<td>18.4</td>
<td>86.4</td>
<td>1,110</td>
<td>1,554</td>
<td>0.9</td>
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<tr>
<td>Paper &amp; Paper Products</td>
<td>266.1</td>
<td>587.9</td>
<td>1,238</td>
<td>1,917</td>
<td>1.2</td>
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<tr>
<td>Printing &amp; Publishing</td>
<td>31.6</td>
<td>51.8</td>
<td>2,506</td>
<td>4,045</td>
<td>2.5</td>
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<td>Chemicals &amp; Chemical Products</td>
<td>56.0</td>
<td>112.0</td>
<td>6,862</td>
<td>11,119</td>
<td>7.6</td>
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<td>Petroleum Products &amp; Refining</td>
<td>491.3</td>
<td>1,217.7</td>
<td>11,531</td>
<td>15,808</td>
<td>9.6</td>
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<td>Rubber &amp; Rubber Products</td>
<td>2.5</td>
<td>1,461.5</td>
<td>3,792</td>
<td>5,960</td>
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<td>Non-Metallic Mineral Products</td>
<td>268.5</td>
<td>1,273.1</td>
<td>7,026</td>
<td>11,273</td>
<td>6.8</td>
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<td>Basic Metal Industries</td>
<td>26.5</td>
<td>156.6</td>
<td>2,695</td>
<td>2,239</td>
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<td>Metal Products</td>
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<td>302.4</td>
<td>2,152</td>
<td>2,662</td>
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<td>Machinery</td>
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<td>340.9</td>
<td>1,369</td>
<td>2,251</td>
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<td>Electrical Machinery &amp; Supplies</td>
<td>40.8</td>
<td>221.9</td>
<td>2,547</td>
<td>3,281</td>
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<td>Transport Equipment</td>
<td>328.7</td>
<td>1,250.0</td>
<td>9,214</td>
<td>14,877</td>
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<td>Other</td>
<td>84.7</td>
<td>347.8</td>
<td>2,545</td>
<td>5,999</td>
<td>3.6</td>
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</table>

**TOTAL VALUE-ADDED (c)**

6,759.2 100.1 19,185.0 100.0 109,740 99.9 164,650 100.1

Notes:
[a] The use of current market prices introduces certain imperfections into the data.
[b] Negligible.
[c] Because of rounding, not all totals equal 100.00 percent.

Sources: Thailand: *National Income of Thailand*, various issues.

<table>
<thead>
<tr>
<th>Year</th>
<th>Nationality</th>
<th>No. of Companies</th>
<th>Paid-up Capital (Average) (million baht)</th>
<th>Percentage of Total Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959</td>
<td>Thai</td>
<td>912</td>
<td>509.03 (0.56)</td>
<td>74.3</td>
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<td>Chinese</td>
<td>410</td>
<td>150.85 (0.37)</td>
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<td>Other</td>
<td>46</td>
<td>25.34 (0.55)</td>
<td>3.7</td>
</tr>
<tr>
<td></td>
<td>Totals</td>
<td>1368</td>
<td>685.22 (0.50)</td>
<td>100.0</td>
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<tr>
<td>1960</td>
<td>Thai</td>
<td>1134</td>
<td>528.96 (0.47)</td>
<td>66.9</td>
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<td>Chinese</td>
<td>489</td>
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<td>Other</td>
<td>54</td>
<td>65.92 (0.22)</td>
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<td></td>
<td>Totals</td>
<td>1677</td>
<td>790.55 (0.47)</td>
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<td>1961</td>
<td>Thai</td>
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<td>568.44 (0.48)</td>
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<td>Other</td>
<td>101</td>
<td>80.44 (0.80)</td>
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<td>Totals</td>
<td>1737</td>
<td>833.45 (0.48)</td>
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<tr>
<td>1962</td>
<td>Thai</td>
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<td>626.46 (0.48)</td>
<td>70.8</td>
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Notes: [a] How "nationality" is defined is not clear in the official publications. Presumably it refers to the stated nationality of the company's principal. Thus "Chinese" could refer to Chinese living in Thailand or to a foreign investor. [b] Includes limited companies, limited partnerships, and registered ordinary partnerships. [c] Because of rounding, not all totals equal 100.0 percent.

NOTES

Introduction

1. 'Radical' is used here, in preference to 'neo-Marxist,' to refer to an 'eclectic combination of intellectual thought' which draws on Marxism, bourgeois social science and orthodox development theory; it is 'not bound by a single doctrine.' See Richard A. Higgott, Political Development Theory: The Contemporary Debate (London: Croom Helm, 1983), pp. 45-47, (quotations from p. 45).


Chapter 1

1. See Kamol Somvichian, Prachatippatai kap sangkhom-thai (Bangkok: Thai Watana Panich, 1977), which is basically a Thai version of the Little, Brown and Company series on comparative politics and political development.


5. For a more substantial critique of these approaches see Kevin J. Hewison, 'The State and Capitalism in Thailand: A Critique of the Modernisation and Dependency Perspectives,' in Rural Thai Society: Development of the Thai Economy (Bangkok: Chulalongkorn University Thai Studies Program, International Conference on Thai Studies, 1984), pp. 1-21.

6. It was only in 1981 that mainstream American political science formally resurrected the state. See Higgott, pp. 78, 105.


16. David A. Wilson, 'Political Tradition and Political Change in Thailand,' in *Modern Thai Politics* ed. Clark D. Neher (Cambridge, Mass.: Schenkman, 1979), p. 287. (This article was originally presented in 1959 as a conference paper.)


21. Riggs, *Administration in Developing Countries*, p. 19. Riggs was, however, critical of the alleged universality of this model. See his *Thailand*, p. 85.


23. Riggs, 'A Model for the Study of Thai Society,' pp. 97-98; and Riggs, *Administration in Developing Countries*, p. 163.


33. Riggs, Thailand, pp. 386-88 (quotation from p. 386). Riggs did, however, suggest that it was possible that the polity may prove to be more dynamic in future years (p. 388).


35. Taylor, pp. 28-29.


37. Hoogvelt, p. 53; and Cohen, p. 47.

38. Taylor, p. 31.

40. 'Wherever we find the terms "structure" and "function" in sociology, there we may be sure the writer has in mind some conception of society as an organism.' John Rex, *Key Problems of Sociological Theory* (London: Routledge and Kegan Paul, 1969), p. 61.

41. Riggs, 'A Model for the Study of Thai Society,' p. 87. In *Thailand*, Riggs notes that such organic analogies can be misleading, but he nevertheless retains them (p. 386).


43. Taylor, pp. 21-23.


47. For example, see Girling, *The Bureaucratic Polity*; and Morell and Chai-Anan.


There are many who have taken this perspective. See, for example, Bell, 'The Historical Determinants'; Suthy Prasartset, 'Wiwatthanakan rapob setthakit thai nai rop 200 bi,' in Setthakit thai: kan pliangplaeng lae kan phakhams ed. Tron Ngowsirimani (Bangkok: Sangsan 1982), pp. 25-73; and my own 'Class and State in Thailand' B.A. honours thesis, Murdoch University, 1978.


For a discussion of these varieties see Peter F. Bell, "Cycles" of Class Struggle in Thailand,' Journal of Contemporary Asia, 8, no. 1 (1978): 52.


Grit Permtanjit, Political Economy of Dependent Capitalist Development: Study on the Limits of the Capacity of the State to Rationalize in Thailand (Bangkok: Chulalongkorn University Social Research Institute, 1982), pp. 162, 188.

Grit, whose analysis is far from 'vulgar' dependency theory, adopts the model of dependence. Akira, Capital Accumulation is also drawn to similar conclusions, not based on his excellent data, but rather on an unreformed dependency perspective. See especially pp. 2.1-2.7, 4.14-4.36, and 6.2-6.5.


64. Hamza Alavi, 'The Structure of Colonial Social Formations,' paper read at the conference on 'Underdevelopment - An International Comparison,' University of Bielefeld, 1-7 July 1979, p. 2. For a Thai critique of the articulation position see Songchai, pp. 11-14.


71. In the Thai case, two recent studies have attempted a re-orientation on these lines. Kraisak Choonhavan, 'The Growth of Domestic Capital and Thai Industrialisation,' Journal of Contemporary Asia 14, no. 2 (1984): 135-46 is an essentially empirical study showing the importance of local capital. Akira's major study, Capital Accumulation, is of another order, however, as he attempts a study of capitalist development utilising Marxist theory. The value of his study, based on a mammoth amount of research, is seriously diminished by a dependency ideology, a poor understanding of Thai history and politics, often questionable manipulation of data, and an absence of theorised class analysis. Moreover, his argument is poorly expressed.

72. See Chapman, 'The Development Debate,' Chap. 2; Higgott, Chap. 3; and Bill Warren's classic statement, 'Imperialism and Capitalist Industrialisation,' New Left Review no. 81 (1973): 2-44.


78. Zeitlin, Neuman, and Ratcliff, p. 1009.


82. Marx had spoken of a 'new and international division of labour' emerging under large-scale industry (Capital, vol. 1, pp. 579-80), but transnational corporations have greatly expanded and intensified this division.


87. Frieden, p. 429.


89. Kowalewski, p. 304.

91. Scott, p. 75.

92. Scott, chap. 4; and Kotz.


103. Miliband, The State.
Chapter 2

1. The term sakdina is used here to refer to a pre-capitalist Thai society with a mode of production that loosely corresponds to the Asiatic mode of production. For a brief discussion of the Asiatic mode as it relates to Thailand, see Elliott, pp. 32-99, passim. Some writers have suggested that sakdina is best translated at 'feudal,' but this is a misuse of the term 'feudal' and should be rejected. Sakdina literally means 'power over fields,' with sak meaning the 'might,' 'honour,' and/or 'rank' possessed by a person, and na meaning 'fields.' In this study the Thai term is preferred to 'feudal' as the latter is not an adequate representation of pre-capitalist Thai society. See the discussion in Reynolds and Hong, pp. 77-104; and Hong Lysa, Thailand in the Nineteenth Century (Singapore: Institute of Southeast Asian Studies, 1984), chap. 6.


5. For details see Akin, The Organization of Thai Society.

7. Hong Lysa, pp. 50 ff.


9. J.W. Cushman, 'Fields From the Sea: Chinese Junk Trade with Siam During the Late Eighteenth and Early Nineteenth Centuries,' (Ph.D. diss. Cornell University, 1975), pp. 7, 153-55; Cushman, 'Siamese State Trade,' pp. 52-53; and Hong Lyss, pp. 51-52.


15. This and the following paragraphs are based on Akin, *The Organization of Thai Society*, pp. 23-25, 54; Michael Vickery, 'Thai Regional Elites and the Reforms of King Chulalongkorn,' *Journal of Asian Studies* 29, no. 4 (1970): 872-73; and Terwiel, *A History*, chap 1.


17. A. B. Griswold and Prasert na Nagara, 'A Law Promulgated by the King of Ayudhya in 1397 A.D.'
The system changed over time, but the desire to regulate the peasantry and to control their labour remained constant. See Chatthip Nartsupha and Suthy Prasartset, eds., *The Political Economy of Siam, 1851-1910* (Bangkok: The Social Science Association of Thailand, 1976), pp. 245-66.


20. Wilson, 'State and Society,' pp. 609, 619-20, 683. At the time the average meal cost 50-100 cowries, with about 600 cowries constituting a single baht. See also Hong Lysa, p. 18.


23. See documents 21 and 23 in Chatthip and Suthy, pp. 246-48, 257-66. Some aristocrats were claiming control of peasants they were not entitled to claim.


25. Cushman, 'Fields From the Sea,' pp. 63, 92; and Cushman, 'Siamese State Trade,' pp. 52-53. There was a belated attempt by the King to retake control of trade, but this was soon overtaken by the Bowring Treaty. See Hong Lysa, pp. 65-66.


28. Hong Lysa, chap. 4, especially pp. 75-86. The tax-farming system was a method of tax collection in which the state sold the rights to collect tax on a particular item in a particular area. This assured the state of a fixed tax income each year.

29. Hong Lysa, p. 52.


34. Skinner, pp. 139-43. By 1859 exports of sugar had reached a peak of 203,596 piculs. Sugar was produced commercially in Bangkok, Ayudhya, Prachin, Chantaburi, and Nakorn Chaisri (*Bangkok Times Weekly Mail*), 20 July 1935; and Ingram, pp. 123-25).


38. These three examples are drawn from Wilson, 'State and Society,' p. 351; Akin, *The Organization of Thai Society*, p. 125; and Noel Alfred Battye, 'The Military, Government and Society in Siam, 1868-1910: Politics and the Military During the Reign of King Chulalongkorn,' (Ph.D. diss., Cornell University, 1974), p. 67. The Bunnags were arguably the most powerful bureaucratic family of the period.


41. Ingram, pp. 332-34. It is possible that 1850 was a poor crop year, but note that exports in 1864 were 10.5 million baht.

42. Ingram, p. 38. The reasons for the decline are discussed in *Bangkok Times Weekly Mail*, 20 July 1935.

43. On increased Chinese demand, which was the initial stimulus for expanded trade in the late 1850s and early 1860s, see Wilson, 'State and Society,' p. 615. Increased European demand is briefly discussed in David B. Johnston, 'Rice Cultivation in Thailand: The Development of an Export Economy by Indigenous Capital and Labor,' *Modern Asian Studies* 15, no. 1 (1981): 107-8; and *idem*, 'Rural Society and the Rice Economy in Thailand, 1880-1930,' (Ph.D. diss., Yale University, 1975).


45. The best discussion of these changes is Johnston, 'Rural Society.'

46. See document 17 in Chatthip and Suthy, pp. 227-30; and Chatthip and Suthy, 'Introduction,' pp. 24-25.

47. Ingram, p. 53.


50. For examples see *Bangkok Times Weekly Mail*, 12 May 1919; 10 May 1920; 12 June 1922. Commenting on the lack of irrigation the British Minister's Annual
Report for 1927 states: 'the largest owners of rice-growing land are the leading princes, and, as things are at present,...they have no difficulty in finding either tenants or labour. If, however, new areas were to be opened up, there is little doubt that the tenants...would desert their landlords' (FO 371/13264, p. 9).

51. Shigebaru, p. 55.


54. It has been argued that such changes were very limited until well into the twentieth century, affecting mainly the central region. See, for example, Chatthip Nartsupa, Setthakit muban thai nai adit (Bangkok, Sangsan, 1984). Chatthip has renounced his earlier position that imperialist penetration damaged village economies and prevented their further development; he now argues that rural areas remained largely untouched and dominated by subsistence production. This is correct, as far as it goes. For example, in 1927 production in the still remote town of Roi-Et was still mainly for subsistence, but prospects for commercialisation were said to be good, especially if transportation could be improved (Bangkok Times, 5 June 1927). It is clear that many social and economic changes followed the development of communications. Thus, the greatest impact was in the central area and in the South, where roads and railways were reasonable well developed, and in the North and Northeast as the railways were built. This is what would be expected, for capitalist development is a long process, and does not come about simply through the signing of a Treaty. For an example of the impact of railway development, see Report on the Commercial Situation in Siam at the Close of the Third Quarter, 1922 (London: HMSO, 1923), pp. 39-40.

55. van der Heide, pp. 68-70.


58. Charles S. Leckie, 'The Commerce of Siam in Relation to the Trade of the British Empire,' 1894; reprinted in Chatthip and Suthy, pp. 92-93.


60. Bangkok Times Weekly Mail, 23 June 1924 and 14 October 1929.


63. See, for example, the letter to the king from Hak Ngee (22 August 1905), in Chatthip and Suthy, pp. 305-7. The king was less impressed with requests from Thai commoners who wished to go into business. See Sirilik, 'Ton gamnoet,' pp. 94-95.

64. Bangkok Times Weekly Mail, 4 July 1921 and 18 June 1923; and The Straits Times, 23 June 1923.

65. Ingram, p. 133. He argues that there was little industrial activity until the 1950s. Ingram relies on a British report of 1919, Report of the Commercial Situation in Siam at the Close of the Year 1919 (London: HMSO, 1920), pp. 18-20. This report, however, represents a most cursory survey.

66. This is derived from various issues of Bangkok Times Weekly Mail, 1918-24, 1927-36; Bangkok Times, 1926-27; Bangkok Daily Mail, 1929; the British consular and economic reports, 1919-1932; as well as from 'Kon chatung niyom thai,' Sinlapawatthanatham 7, no. 1 (1985): 69-78.


68. 'Memorandum on the Economic Crisis.'


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71. Sungsidh, pp. 55-57; Ingram, p. 138; Bangkok Times Weekly Mail, 23 March 1931, 15 June 1931, 9 November 1931, 7 November 1932, 24 April 1933, and 7 July 1934; and Kate Mitchell, 'Thailand: A new Key Area,' Amerasia 5, no. 9 (1941): 386.


74. Sirilak, 'Ton gamnoet,' p. 96. Management expertise was provided by foreigners.

75. See Hong Lysa, especially chap. 4; Sirilak, 'Ton gamnoet,' pp. 83-89; and Wilson, 'State and Society,' pp. 621-29.

76. Of the 303 people appointed as tax-farmers between 1851 and 1868, only 51 were Thais, and they did not contribute significantly to state revenues. See Wilson, 'State and Society,' pp. 633-34.

77. Wilson, 'State and Society,' pp. 623-31. Sirilak, 'Ton gamnoet,' p. 87, produces data to indicate that one opium tax-farmer in Bangkok declared a profit 789,000 baht in the 1903-1905 period. His real profit was probably far larger.

78. A point made by Damrong Rajanubhab, taken up by Akin Rabibadhana in ' Patron-Client Relationship and the Self-Help Organization of the Poor,' paper read at "Thai-European Seminar on Social Change in Contemporary Thailand," University of Amsterdam, 28-30 May 1980, p. 16.

79. This case, and other like it, are discussed in Sirilak, 'Ton gamnoet,' pp. 89-91; and Sirilak, Ton gamnoet chonchan naithun, pp. 77-97. The figures are from Ingram, p. 185.

80. Tej Bunnag, The Provincial Administration of Siam 1892-1915 (Kuala Lumpur: Oxford University Press, 1974), pp. 11-16. The southern administration is discussed in Sirilak, ' Ton gamnoet,' pp. 91-93; and in two papers by J. W. Cushman, ' A Marriage of Convenience: Australian Mining Investment and its Thai Sponsors in Early Twentieth-Century Siam,' in Rural Thai Society: Development of the Thai Economy (Bangkok: Chulalongkorn University Thai Studies Program, International Conference on Thai Studies,


82. A 1892 report states that '[f]or a great many years Europeans and others have come and found financiers amongst the nobility. In many cases they prospered and retired honourably -- in others they simply cleared out with the advances' (Bangkok Times Weekly Mail, 29 October 1928).

83. Sirilak, 'Ton gamnoet,' pp. 94-95; and the documents in Chatthip and Suthy, pp. 305-07.

84. Bangkok Times Weekly Mail, 8 August 1933.


89. Skinner, pp. 126-27.


91. These figures are from Damrong Rajanubhab, 'History in Brief,' in The Souvenir of the Siamese Kingdom Exhibition at Lumbini Park B.E. 2468 / Thi raluk sayam rat phiphittaphan suan lumphini phrapbutasakarat 2468 ed. Committee of the Exhibition (Bangkok, n.d.), p. 67. For an explanation of Chulalongkorn's motivations for freeing labour see Document 44 in Chatthip and Suthy, p. 383.


95. Tandrup, p. 119.

96. Bangkok Times Weekly Mail, 21 March 1932; and 25 September 1933.


100. Bangkok Times Weekly Mail, 8 January - 5 February and 16 April 1923.


103. Holm, p. 223.

104. On these developments see Ingram, chap. 4; and Shigeharu, pp. 49-51.

105. See Holm; and Feeny, 'Paddy, Princes and Productivity,' pp. 132-50.

106. See Tej, chap. 2, especially pp. 18-19, 36-37; and Girling, Thailand: Society and Politics, p. 46


Chapter 3


2. Kenneth Perry Landon, Siam in Transition (1939; reprint ed., Westport, Conn.: Greenwood Press, 1968), pp. 11-12. Benjamin A. Batson, The End of the Absolute Monarchy in Siam (Singapore: Oxford University Press, 1984), would disagree with the People's Party assessment. He argues that the seventh reign was a period of basically sound administration and that the king was an able monarch. While the party statement was couched in somewhat radical terms, even some conservative commentators of the time were not as sanguine about Prajadhipok's rule as is Batson. For example, some of the British ministerial reports from Bangkok note that the population had been hard hit by the depression, that there was resentment of the power and selfishness of the high princes, and that the Supreme Council was not equal to its tasks. See the Annual Reports for 1931 (FO 371/16260) and 1932 (FO 371/17178).


4. See Batson, Absolute Monarchy, p. 2 for a summary.

5. See, for example, Wilson, Politics in Thailand, p. 199; and Girling, Thailand: Society and Politics, p. 60.


_Bangkok Times_, 7 June 1926.


For discussions of the machinations of politics in this period see Thompson, *Thailand: The New Siames*; Landon, *Siam in Transition*, chap. 1-2 and appendices 2-3; and Charnvit Kasetsiri, 'The First Phibun Government and Its Involvement in World War II,' *Journal of the Siam Society*, 62, no. 2 (1974): 30-34. Also necessary to an understanding of this period are the British minister's Annual Reports for 1932-39. The People's Party and its supporters were also split, with some far more conservative and pro-royalist (e.g., Colonel Phaya Song Suradej) than others.


Examples are Elliott, pp. 86-88; Sungsidh, pp. 78-85; and Aran, p. 124.

Cited in Thawisan Ladawan et al., eds., *The Chakri Monarchs and the Thai People* (Bangkok: Office of His Majesty's Principal Private Secretary, 1982), pp. 94-95. There is much evidence to both confirm and contradict the king's belated statement of intent, but
space does not permit a thorough examination of this question.


25. The rebellion is discussed in Thompson, *Thailand: The New Siam*, pp. 79-82; Landon, *Siam in Transition*, pp. 26-29; and Thawatt, pp. 190-214. Often portrayed as a royalist rebellion, Batson (*Absolute Monarchy*, p. 246) argues the Bowaradej Rebellion did not have the royal imprimatur. Nevertheless, the position of the king was not as 'neutral' as Batson suggests. To have remained neutral was tantamount to supporting the rebellion. A constitutional monarch should presumably have opposed the attempt to overthrow his constitutional government. There is also much circumstantial evidence suggesting the king's involvement in and foreknowledge of an attempt to overthrow the government, even if he was not in support of Prince Bowaradej's leadership of the movement. See, for example, Nicholas Tarling, 'King Prajadhipok and the Apple Cart: British Attitudes towards the 1932 Revolution,' *Journal of the Siam Society*, 64, no. 2 (1976): 18-24; the 1933 British minister's Annual Report (FO 371/18210), pp. 5-8; and National Archives, Krasuang suksathikan, s.th. 0701.1/4, especially the document 'Hetkan mua ket karani kabot ph.2. 2476;,' p. 3.


30. 'Minutes of a Meeting of a Committee to Consider a National Economic policy...,' Appendix 3 in Landon, *Siam in Transition*, pp. 303-23.


32. Bangkok Times Weekly Mail, 17 April 1933.

34. Mitchell, pp. 383-84.

35. For example, *Bangkok Times Weekly Mail*, 25 July 1932; 15 August 1932; and 5 September 1932.


41. See, for example, *Bangkok Times*, 29 September 1938 and 2 August 1939.

42. See the comments on this in the *Bangkok Times Weekly Mail*, 8 August 1932. It was not just workers and peasants who became involved, for there are reports of similar meetings by prisoners, and even by monks who voted to take control of their monasteries at the expense of their abbotts. See *Bangkok Times Weekly Mail*, 12 September 1932; 17 October 1932; and 16 January 1933.

43. The first example is from Duang prattep, 7 May 1933 (supplied by Scot Barne), and the second from *Bangkok Times*, 30 April-11 June 1935.

44. *Bangkok Times*, 28 August 1937.

45. *Bangkok Times Weekly Mail*, 2 December 1933.


49. Virginia Thompson, 'Siam Manoeuvring Towards Self-Sufficiency,' *Far Eastern Survey* 7, no. 25 (1938): 292-93. In the field of co-operatives the government
received much, if premature, praise from the financial adviser, W.A.M. Doll. See Bangkok Chronicle, 27 July 1940. Prior to the depression Thailand had a series of poor rice crops between 1905 and 1920. See Johnston, 'Rural Society,' chap. 7.

50. Ingram, p. 38.


52. See, inter alia, Report on Economic and Commercial Conditions in Siam (London: HMSO, 1939), p. 21. Thompson, 'Siam Maneuvering,' pp. 293-94, reports that in 1936-37 only 2,731 people declared an income which was subject to taxation, and that the collection of income tax yielded just 1.4 million baht.

53. 'Memorandum on the Economic Crisis in Siam.'


58. For example, in canned food, beer, textiles, iron and steel manufactures, bicycle parts, batteries, radios, paints and toiletries, the Japanese provided strong competition. See Report on Economic and Commercial Conditions in Siam (London: HMSO, 1937).

59. Tarling, pp. 11-12.

60. In The Statist, 15 April 1933, pp. 568-69, it is argued that the total amount of foreign capital in trade 'fluctuated' according to trade conditions and season.


62. 'Kon chathung,' p. 77. See also Suthy Prasartset, 'Rabop thuniyom doi rat prathet thai kh.s 1932-1959,' in Chatthip Wiwatthanakan, p. 167.


64. Bangkok Chronicle, 24 January 1940.
65. Phibun's move into the Japanese camp was not merely because he was pro-Japanese and a militarist. In 1937 he had predicted a war between Japan and the Axis on one side and Britain, the US and the USSR on the other, and had called for a strengthening of the military in order to resist any aggression. British Minister Sir Josiah Crosby noted that the Thais feared Japanese power, but that they would go over to the British if the British did not show strength in the region. See his Annual Reports for 1937 (FO 371/22215), p. 8, and 1938 (FO 371/23596), p. 10.


69. This list is drawn from various issues of the Bangkok Times Weekly Mail, 1932-36; British consular and economic reports, 1932-39; and 'Kon chathung,' p. 76-78.


71. The Japanese did limit Thailand's trading options, while exacting a number of baht loans, tying the baht to the yen, and leaving a legacy of galloping inflation. See Anuson Wiwattanachai (Bangkok: Bank of Thailand, 1961), pp. 397-403; and Direk Jayanama, Siam and World War II (Bangkok: The Social Science Association of Thailand, 1978), pp. 43-52, 189-99.

72. Suthy, 'Rabop thunniyom,' pp. 172-75; and 'Kon chathung,' pp. 77-78.


76. Skinner, pp. 317-35, lists a number of these restrictions.


79. Pasuk, p. 41. Reports of Chinese adopting Thai names are to be found in the Bangkok Chronicle in the last months of 1939 (e.g., 30 October 1939).

80. See 'Setthakit niyom thai yuk lang pliumplaeng kan pokkhrong ph.s. 2475,' Sinlapawatthanathan 7, no. 1 (1985): 82; Phansak Vinyaratn, 'Buklik haeng thun thanakhan thai,' Sinlapawatthanatham, 8, no. 6 (1986): 91-93; and Chapter 6 below.


83. Sungsidh, pp. 268-75.

84. Pasuk, p. 67. On the consolidation of competing factions, see Riggs, Thailand, chap. 8-10.

85. Sungsidh, pp. 268-284. Part of the emphasis on corruption and business interests of politico-bureaucrats derives from the definitions used by writers such as Sungsidh and Akira Suehiro. They place great emphasis on the political power of 'bureaucratic capital' in the appropriation of 'surplus' for political purposes (Akira, Capital Accumulation p. 18). However, this ignores the determined efforts of state officials to enhance capitalist development and, perhaps, confounds the 1932-47 period with the years after 1947, when corruption was more widespread and obvious.


92. Bank of Thailand, *Report for the Year 2494* [1951] (Bangkok: Bank of Thailand, n.d.), pp. 9-10. It was also reported (*FEER* 29 January 1947, p. 50) that the Thai government had, from the beginning of 1947, taken the unprecedented step of rationing rice.


94. The document is reproduced in full in Thak, *Thai Politics*, pp. 462-71. The quote is from pp. 466-67. See also the discussion in Direk, pp. 159-79.


IBRD, Public Development Program, p. 90.

Bangkok Post, 26 February 1953 and 2 January 1954.


Bangkok Post, 2 January 1953 and 1 June 1954; and Trescott, p. 78.


111. See Block, *The Origins*, chap. 3-4.


113. *Bangkok Post*, 8 November 1954, p. 4. The *Post* did, however, express some reservations about the project.


120. Sanee, pp. 33-34; and *Bangkok Post*, 14 February 1955.

121. See Gould, pp. 317-23.

123. *FEBR*, 27 September 1952, p. 407, and 1 January 1953, p. 29. The pre-War Phibun government had also attempted to implement planning, but the War intervened. See ‘Kon chathung,’ p. 77.

124. See, for example, Phibun's comments in the *Bangkok Post*, 2 June 1956. One is reminded of Vonnegut's character Phoebe Hurty who believed that a post-depression United States would be happy, just, and rational if there was prosperity -- prosperity being a synonym for 'paradise.' See Kurt Vonnegut, Jr., *Breakfast of Champions* (New York: Delacorte Press, 1973), p. 2.

125. See, for example, *Bangkok Post*, 28 May 1956.

126. Thompson, *Thailand: The New Siam*, pp. 93-95. I have been unable to locate any reliable data on royal landholdings for this period. However, some indication is given by the fact that in 1972 the Crown Property Bureau (one arm of royal wealth which returned to royal control after 1957) was reported to hold 77,000 rai of land, 12,000 of which were in the high-rent districts of Bangkok-Thomburi. See *Business in Thailand*, February 1973, pp. 20-22.


128. See Ingram, pp. 51, 126-27, 164, 260. The *Bangkok Post*, 27 February 1956 has descriptions of conditions on plantations.


130. A survey of aristocratic names reveals very few associated with modern business. The works consulted were *Ratchakan luang* [A funeral volume for Sanan Khunyasiriphan] (Bangkok, 1970); and *Kan taengtang khunnang thai nai samai ratchakan thi 5* (Bangkok: Krom Sinlapakon, 1978).

131. Rachel McCarthy, 'High Decoration For Khuang,' *Bangkok World*, 6 May 1967; and *Kan taengtang Khunnang*.

132. The Chamber was established in 1908. See Skinner, pp. 209-11; and Narong Phetprasuet, pp. 2-9. A ministerial speech quoted in the *Bangkok Chronicle*, 1 August 1940, indicated that 40.4 percent of the Chinese workforce was involved in trade and commerce, compared to 3.4 percent of Thais.
This is clear from reports of Assembly debates in the *Bangkok Chronicle* (e.g., 4 October 1939).


In one example of state promotion, the Bank of Thailand agreed to re-discount commercial papers for the banks, freeing them from the necessity to bear huge amounts of export finance. See Sithi-Amnuai et al., pp. 84-85, 109-10, 121-23, 141-42.


Mabry, pp. 45-47.


Chapter 4

1. The best survey of the Sarit period, Thak's *Thailand*, makes few comments on economic conditions.


9. Bank of Thailand, Annual Economic Report 1958 (Bangkok: Bank of Thailand, 1960), p. 16. Interestingly, however, the percentage of total planned public expenditure allocated to state manufacturing, mining and power enterprises (three percent) was lower than most other Asian countries. For example, the figure for Cambodia was four percent, while Taiwan's was 56.9 percent. See ECAFE, Economic Survey of Asia and the Far East 1958 (Bangkok: ECAFE, 1959), pp. 77-78.


13. Fortune, April 1958, p. 232. Bedford L. Seabrook, in an AID/USOM paper given at a Technicians' Staff Meeting on 'Industrial Development in Thailand,' Bangkok, 24 September 1963, discussed the political and economic objectives of U.S. aid. He stated that the Kennedy administration, 'like its predecessors, is dedicated to the proposition that the foreign assistance effort cannot succeed without a substantial increase in the participation of private
business both from the United States and from the
countries whose economic and social development is a
major goal....The United States has a national
interest in the maintenance...of a significant
measure of private initiative...and in the avoidance
of state control.'

the Year 2492, p. 13.

15. Bangkok Post, 20 June 1956, 4 September 1956, and 5
November 1957.

16. See, for example, the Bangkok Post, 5 March 1957.

17. Amnuay Viravan, 'Economic Policy and Political
Structure in Thailand,' Warsaan phanitchayaat lae
kan bancii, 5, no. 3 (1967): 272.

18. It is not possible to expand upon Sarit's political
philosophy here. Excellent studies are Thak, 'Khwan
khithang,' pp. 35-81; Thak, Thailand, chap. 4-6;
and Toru Yano, Sarit and Thailand's "Pro-American"
Policy, The Developing Economies, 6, (September

19. T. H. Silcock, 'Outline of Economic Development,
1945-65' in Silcock, Thailand, p. 20.

20. See Jitiada Sirirat, 'A Biography of Marshal Sarit
Thanarat: His Legacy to the Thai Political System,'
(M.A. thesis, University of the Philippines, 1978),
pp. 25, 48; and Norsit Setabut, The Role of the
Military in Thailand, 1958-1970 (Bangkok: Prae
Pittaya, 1971), p. 64. In addition to his general
orientation towards business and his political
requirements, Sarit's personal proclivities demanded
large cash flows. Sarit had a reputation as a
'playboy,' with newspaper headlines trumpeting, in
quaint English, 'Girls Sought For Offering To Sarit'
and 'Shapely and Delicate Bodies with Protrusive
Bosoms Fall Victims To Influential Person' (see Siam
Bath Weekly Review, 23 August 1956). At his death
one report suggested that Sarit 'protected' a 'very
large number of ladies' (Derek Davies, Bangkok
Scandals, FEER, 12 March 1964), while another
claimed that he had 150 'wives' plus a number of
mistresses and girlfriends, costing millions of baht
a year to maintain ('De Minister-President had
honderdvijftig vrouwen,' Panorama, no. 38 [1964]).
During the scandal which followed his death, various
reports gave an indication of his personal and
corporate wealth. For example, his bank balances
alone were said to total about 450 million baht
(Sayam rat, 7 January 1964); he was reported to have
control of some 50 companies including a match
factory, brewery, construction companies, banks, theatres, and insurance companies (Sayam nikon, 1 January 1964; and FEER, 17 December 1964); and his estate was variously estimated at between 600 million and two billion baht (Sayam rat, 20 February 1964; and Davies, pp. 578, 581). Later reports add that he had acquired 20,000 rai of land in the countryside, and numerous plots in the city (Jitlada, p. 80).


26. The Announcements on labour were published in Raengngan samphan, 2, no. 3 (1961): 1-34 (quote from p. 1).


28. This brief survey is not meant as a full account of the events of the period, as the focus of this study is economic policy and capitalist development. For fuller accounts of the period see David K. Wyatt, Thailand: A Short History (New Haven: Yale University Press, 1984), pp. 285-97; Girling, Thailand: Society and Politics, chap. 3-4; Morell and Chai-Anan; and Chai-Anan Samudavanija, The Thai Young Turks (Singapore: Institute of Southeast Asian Studies, 1982), chap. 2.


30. Puey, 'Violence.'

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33. These words are from two Board of Investment publications, *Welcome to Thailand* (Bangkok: Board of Investment, n.d.), and *Thailand Welcomes Foreign Investment* (Bangkok: Board of Investment, n.d.).

34. There is reason to be extremely cautious with these figures, as those for 1960 were based on a 100 percent census, while those for 1979 are from a sample survey. In addition, many identified as agriculturalists also earn income as wage-labour during the dry season. Other data collected from a survey in 1982, while arithmetically inaccurate, tends to support the general trends. A 1980 household survey produced quite different results but also indicated similar trends, albeit at a slower rate. See *1980 Population and Housing Census Whole Kingdom* (Bangkok: National Statistical Office, 1983).

35. Various issues of *Statistical Yearbook*; and *Warasan satthiti*.

36. These important problems are not discussed here as the point of this survey is to outline the development, for better or worse, of the economy. The development of capitalism has never been egalitarian or free of exploitation or oppression, but it is not the point of this section to examine these aspects. For some data, see Kevin J. Hewison, 'Revolutionary Warfare in Thailand: A Comment,' *Australian Outlook* 34, no. 2 (1980): 197-208; Akachai Athicomnanta and Prapan Saisongkroh, 'The Structure of Employment in Thailand: Labour and Wages,' *Bank of Thailand Quarterly Bulletin*, 22, no. 4 (1982): 21-52; Oey Astra Meesook, *Income Consumption and Poverty in Thailand*, 1962-63 to 1975-76, World Bank Staff Working Paper no. 364, (Washington, D.C.: 1979); and Nipon Poapongsakorn, 'Khachang: ruang khong khonchon,' *Warasan thammasat*, 10, no. 3 (1981): 70-109.

37. This data is from various issues of Thailand, *Statistical Yearbook*; and *Bank of Thailand Statistical Bulletin* and *Quarterly Bulletin*.


42. IBRD, *Public Development Program*, pp. 94-106.

43. FEER, 10 April 1952, pp. 487-89.


49. USOM involvement is noted by Jack Bailhe, chief of the Private Enterprise Division, USOM/Thailand. See Bailhe, 'The Board of Investment,' In-Depth Presentation, Director's Staff Meeting, USOM, Bangkok, 13 March 1970. Other U.S. involvement is evident in the Beitzel Report, the findings of a mission sent by President Eisenhower to study investment possibilities in Thailand. See the *Bangkok Post*, 7 October 1959; and *Bank of Thailand Bulletin*, 1, no. 2 (1960): 12-15.


51. Another deciding factor, especially for foreign investors, was the Kennedy administration's solid commitment to Thailand over the crisis in Laos, epitomised in the Rusk-Thanat agreement of 1962. See Venkataramani, pp. 100-110.


56. Ingram, p. 291.


62. 'The Third National,' in Mudannayake et al., p. C68.


71. *Bangkok Post*, 3 December 1975. The quotations are from 'Board of Investment 76,' a special supplement to the *Bangkok Post* distributed in December 1975.


74. *Bangkok Post*, 21 December 1976. It seems, however, that few of these approved projects were implemented within the following eighteen months.

75. *Thailand's Profile*, April 1977, pp. 15-22 (the quotation is from p. 21); and *FEER*, 5 November 1976, p. 9. Thanin's father was a Chinese businessman who once operated the largest pawnshop in Bangkok.


82. As the project got underway, it met with considerable opposition. The 'tuning down' coincided with an economic downturn, falling commodity prices and a spiralling debt burden. Debate over the eastern seaboard mirrored general policy debates over the direction of the economy. See Hewison, 'National Interests and Economic Downturn.'


85. Wikhritkan nitang prathet khong rattaban thai (Bangkok: Thammasat University Faculty of Economics, 1985).


87. Sarkar, pp. 60-65.


89. Interview with the then-managing director of a Thai-Australian engineering company, who was also a member of the executive board of the Australian-Thai Chamber of Commerce, Bangkok, May 1980.


91. For these figures see Sura Sanittanont, 'Economic and Social Effects of Foreign Investment in


93. Akira's belief that any thirty percent shareholding by foreigners automatically means foreign control must be rejected for it implies that Thai capitalist and managers are inherently inferior to foreigners.

94. *Million Baht Business Information Thailand '81-'82* (Bangkok: Pan Siam Communications, n.d.).


97. These arguments may be found, for example, in Suthy, 'The Impact,' pp. 1-26; Khoonthong, pp. 63-104; Chulacheeb and Somsak, pp. 38-48; Boonchu Rojanastien, 'Foreign Businesses and the Thai Economy,' *Bangkok Bank Monthly Review*, 13, no. 8 (1972): 294-396; and Sayam rat sapda wichan, 15 June 1981 and 22 June 1981.


104. There is some evidence that the true intent of ISI was appreciated by the Ministry of Industry, (see *Nangsuphim ho kan kha thai* 14, no. 3 (1960): 98-99) but more often the view was the more simplistic one of import replacement.


108. See the comments by Thawee Bunyakhet, head of the Board of Investment, in Ray, p. 135.


115. Akira, Capital Accumulation, pp. 4.49, 4.56-4.57.


117. Pasuk, p. 152.


128. Jan Schut, 'Focus on Labour: Are the Laws at Fault?,' The Investor, June 1975; and D. Insor, Thailand: A

129. Mabry, p. 52.


132. Schut, p. 8. See also the Ministerial Regulations on labour disputation in the Royal Thai Government Gazette, 1968, pp. 257-64.

133. From an address reproduced in Raengngan samphan 11, no. 1 (1969): 4-5.

134. See, for example, Raengngan samphan 12, no. 6 (1970): 15-24; and Bangkok World, 2 September 1971. The government used low wages as a means to attract foreign investors. For example, one of its publications stated that even the wages of highly skilled machine tool operators were 400-600 baht a month. See Thailand, Thailand, Private Investment Opportunities: A Summary of the Investment Climate and Economic Status of Thailand (Bangkok: Board of Investment, Ministry of Industry and Agency for International Development, 1968), pp. 9-10.


138. The Bangkok Bank, for example, certainly felt that workers wages and conditions should be improved. See Bangkok Bank Monthly Review 14, no. 8 (1973): 489-92.


140. South China Morning Post, 12 June 1975.


142. Thailand's Profile, April 1977, p. 18.

143. See, for example, Premier Prem Tinsulanonda's message to labour, Bangkok Bank Monthly Review 21, no. 6 (1980): 209-12.


Introduction: Part II

1. For Krirkkiat's data see Wikho, Appendices 1-4; and Krirkkiat Phipatseritham and Kunio Yoshihara, Business Groups in Thailand, Research Notes and Discussion Paper no. 41 (Singapore 1983). The full lists of these groups and their companies is in Hewison, 'The Development of Capital,' Appendix B. Another recent survey is Akira, Capital Accumulation.

2. Business Information Thailand '81-'82, p.1.

3. An exception is Akira, Capital Accumulation.
4. For a discussion of the importance of these relationships see Michael Useem, 'Business and Politics in the United States and United Kingdom,' *Theory and Society* 12, no. 3 (1983): 282.

Chapter 5


4. See, for example, *Thailand Investment Bulletin*, 5, no. 3 (1981): 1-9. Note that 'agro-industry' is used here to refer to activities which employ capitalist methods and techniques in primary production. It includes not only plantation production, but also contract farming and large-scale fishing enterprises.


7. The first figure is from Tongroj Onchan and Shao-er Ong, *Institutionalizing Agricultural Credit in Thailand* (Kasetsart University Department of Economics, Staff Paper no. 5, Bangkok 1971), p. 1; the second is from Jidbhand Kambhu, 'Kukrit's Inheritance: A Race Against the Clock,' *FEER*, 20 June 1975.


10. The data from this survey is reproduced in Sayam rat-
sapda wichan, 5 March 1978; and Krirkkiat
Phiphatseritham, 'Land Reform Program, 1977-1981,' 


12. The statistics are from Turton, 'The Current 

Towards the Agrarian Sector in Thailand,' 
mimeographed (n.p., n.d.), p. 22. The figures, he 
notes, should be seen as underestimates.

14. Michel Bruneau, 'Land Ownership and Tenure, Relations 
of Production and Social Classes in Rural Areas of 
Northern Thailand (1966-1976),' Paper delivered at 
Thai-European Seminar on Social Change in 
Contemporary Thailand, University of Amsterdam, 28-30 
May 1980), pp. 19-20. These trends are confirmed in 
Paul T. Cohen, 'Problem of Tenancy and Landlessness 
in Northern Thailand,' The Developing Economies 21, 
no. 3 (1983): 244-66.

15. Larry Sternstein, Thailand: The Environment of 
and World Bank, Thailand, p. 11.

16. Andrew Turton, 'Local Powers and Rural 
Differentiation,' Paper delivered at Workshop on 
Agrarian Differentiation in South East Asia, 

17. The source for these figures is Business Information 
Thailand '81-'81, pp. 406-41. The areas included in 
the calculation are: livestock and farming; 
slaughtering; preparing and preserving meat; dairy 
products; canning and preserving fruits and 
vegetables; canning, processing, and preserving fish 
and similar foods; vegetables and animal fats and 
oils; grain mill products; sugar; prepared animal 
meats; and tobacco. The comparison with GDP is not 
entirely appropriate, but given that there is no 
acceptable method of indicating concentration at the 
national level, the ratio of GDP to assets is 
utilised. See Akira, Capital Accumulation, p. 6.24.

18. Based on data in Krirkkiat, Wikhro; and Business 
Information Thailand '81-'82.

19. See, for example, Bangkok Bank Monthly Review 9, no. 
2 (1968): 33-34.

20. See Chirayu Isarangkun, Development of Agro-
Industries, Small-Scale Industries, Industries


25. An example of this approach is outlined in Chirayu, Development of Agro-Industries. See also PEER, 5 January 1979.


31. Ho Kwon Ping, 'Profits,' no. 53; Thailand Investment Bulletin 5, no. 3 (1981): 8; and Business Information Thailand '81-'82, pp. 46-47.

33. Calculated from data presented in Business Information Thailand '81-'82, section 6.


42. Chumchai, pp. 41-42.


44. Chapman, 'Observations,' p. 3.


47. Nangsuphim ho kan kha thai 15, no. 8 (1961): 109; and ibid., 17, no. 6 (1963): 117.


57. See Hawes, p. 27.


62. For a general discussion see Morell and Chai-Anan, chap. 8.

63. Intha, p. 50.

64. For example, Bangkok Bank Monthly Review 20, no. 9 (1979); 347-51.

Chapter 6


2. Calculated from data in *Business Information Thailand '81-'82*.

3. *Business Information Thailand '81-'82*.

4. Thailand, *Census of Business, Trade and Services 1980, Whole Kingdom* (Bangkok: National Statistical Office, 1982), p. 6. That there are so many small firms may perhaps be one reason for the dearth of data on this fraction. Despite its pervasiveness, commercial capital has been the least studied of the four fractions of capital. Even big commercial capital seems to have been neglected in the literature. The reader should be aware of this paucity of data while reading this chapter.

5. Based on data presented in Krirkkiat, Wikhro.


15. Excellent discussions of state policies and commercial interests can be found in Eliezer Ben-zvi Ayal, 'Public Policies in Thailand under the Constitutional Regime: A Case Study of an Under-developed Country,' Ph.D. diss., Cornell University, 1961, pp. 219-34; and Ayal, 'Thailand,' pp. 289-329.

22. See the reproduction of the plan in Mayer, pp. 58, 65.
23. *Siam Rath Weekly Review*, 1 November 1962. Ironically, the chamber has previously been controlled by commercial interests.
25. See the introduction to the third plan in Mudannayake et al., p. C73.
30. This section is based on Joyce Rainat, 'A Corporate Transformation,' *Business in Thailand*, March 1982, pp. 69-73.
34. Cited in Rainat, p. 70.
35. The sources for this section are *Who's Who in Thailand*, no. 7 (1974); *Business in Thailand*, March


38. Ibid., pp. 89-91.

39. Ibid.


Chapter 7


2. Thailand, National Income of Thailand, various issues.

3. For a discussion of the development of the manufacturing sector during the 1960s, see Narongchai, 'Growth and Structural Change,' pp. 416-42.


7. Calculated from Business Information Thailand '81-'82.


11. Calculated from Business Information Thailand '81-'82. High levels of oligopoly have also been calculated for cement and cement products, petroleum refining, iron and steel, tin-refining and smelting, chemical fertilizers, tyre manufacture, condensed milk, bicycle manufacture, beer production, glass,
bottled gas, health tonics, buttons and zippers, clay and mosaic tiles, aluminium, bottle tops, detergents, plywood, flour, bottles, whiskey, automobile assembly, electrical goods, and television and radio receivers. See Krirkkiat, *Wikkro*, pp. 149-74.

12. R. Hilferding, as quoted in Brewer, pp. 85-86.
13. As an example of Phibun’s position see *Siam Rath Weekly Review*, 9 September 1954. The quotation is from *Siam Rath Weekly Review*, 26 December 1957.
17. From the third plan, in Mudannayake et al., p. C67. Chapter 4 also discussed this period.
24. Krirkkiat and Yoshihara, p. 23.
25. See Pairote Wongwuttivat, pp. 504-5; and Narongchai Akrasanee, *Thailand and ASEAN Economic Co-Operation*, Southeast Asian Studies, ASEAN Economic Research Unit, Current Issues Series no. 12 (Singapore, 1980) pp. 86-87. Note that according to the Corden definition of effective protection, the rate of effective protection in 1975 was as high as 830 percent. See World Bank, *Thailand*, p. 99.
27. Tanin Industries does not appear in Information Thailand Business '81-'82.
28. Thailand, National Income of Thailand, various issues; and Krikkkiat, Wikbro, p. 158.
30. Business Information Thailand '81-'82.
34. Akira, Capital Accumulation, pp. 3.46-3.49.
38. Bangkok Post, 13 June 1957; and Siam Rath Weekly Review, 5 December 1957.
42. Praiphol, p. 43; Bangkok Post, 18 September 1959; and 'Teijin Polyester (Thailand) Ltd., 10th Anniversary,' a supplement to the Bangkok Post, 22 April 1980.
43. Praiphol, p. 63.

44. Quoted in the *Oriental Economist*, December 1972, p. 33.


46. 'Teijin Polyester.'


53. Akira, *Capital Accumulation*, p. 3.47. See chapter 8 for more details on the Bangkok Bank and these two figures.

54. Akira, *Capital Accumulation*, p. 4.56.

**Chapter 8**


2. Marx, *Capital*, vol. 1, pp. 777-78. This passage was added by Engels.


9. Calculated from Business Information Thailand '81-'82.


11. This data is drawn from Thailand Business, July 1984, pp. 38-39; and Kirkkiat, Wikhro, pp. 61-73.


13. Skinner (p. 443) shows that of the 135 Chinese business leaders in his study, 65 had seven or more offspring and 23 had 12 or more. He has also indicated the importance of kin and marriage relationships (pp. 637-41). Obviously, there is an element of Chinese 'social heritage' in this. In John K. Fairbank et al., East Asia: Tradition and Transformation (London: George Allen and Unwin, 1973), pp. 14-16, it is argued that the family has 'formed the most significant unit in Chinese society,' that its organization has been both hierarchical and authoritarian, and that clan organization has been important. Andrea Lee McElderry has suggested that where laws governing commerce and finance were either absent or unenforced, there was a tendency for personal connections to be emphasised in business dealings, particularly those of the family or clan and those of the native place. She also notes that this was not peculiar to China. See her Shanghai Old-Style Banks (Ch'ien-Chuang, 1800-1935 The University of Michigan, Center for Chinese Studies, Papers in Chinese Studies no. 25 (Ann Arbor: 1976), pp. 45-53.

In Thailand, commerce and particularly finance was not efficiently regulated until the 1960s, and this is perhaps one of the major reasons for a tendency towards strong family ties between business groups. As banker Apiwat Nandhabiwat recently explained, personalism is still common in Thai business because some 'Western concepts are not practical here. For example, in credit analysis, most financial statements are unreliable, therefore we really need to know personalities in management teams when banks


15. ECAFE, Division of Economic Studies, 'Mobilization of Domestic Resources,' p. 27.


17. Examples of this kind of thinking can be seen in Sarit's approach to savings (see *Nangsuphim ho kan kha thai* 14, no. 5 [1960], p. 85) and in Finance Minister Serm Vinichayakul's view that bankers and the state should work together for the economic development of the country by mobilising domestic capital 'to its zenith.' See his 'Address [to the Annual Banquet of the Thai Banker's Association],' *Bank of Thailand Monthly Report* 7, no. 2 (1967): 1-2.

18. This section is based on Sithi-Amnuai et al., pp. 140-42.

19. *Nangsuphim ho kan kha thai* 13, no. 7 (1959): 118; and *ibid.*, 13, no. 9 (1959): 127-28. The IBRD report (see *Public Development Program*, pp. 204-05) suggested that a new banking act be promulgated and that the Bank of Thailand take a more active role in the financial sector.


31. Bangkok Post, 21 January 1974. Perhaps more frightening for some banking families were police investigations directed against some of them. Most notable was the case of Chuan Ratanarak of the Bank of Ayudhya, investigated for illegal entry into Thailand, tax evasion, and illegal transfers of money. See Bangkok Post, 31 March 1976; and Thaiknikon, 20 September 1979.
35. Snoh, 'Address'; and FFEF, 6 April 1979.
36. Quoted in Kanitha, 'Thai Farmers Bank,' p. 49.
39. Ranjit Gill, 'Southeast Asia's Top 100 Companies,' Insight, August 1983, pp. 6-14.

42. Interview, Pansak Vinyaratn, Bangkok, June 1986. As noted previously, an interesting, semi-fictional account of how some Chinese merchants prospered during the War is provided by Sparrow, pp. 118-20.

43. Sungsidh, p. 183. The information on Chaophraya Rama Raghob is drawn from various issues of *Bangkok Times Weekly Mail*, 1918-1936. Rama Raghob had left Thailand when Prajadhipok came to the throne and only returned after the 1932 coup. He remained an influential social and political figure and owned considerable property in Bangkok.


45. Sungsidh, pp. 183-88; and Salamon, 'Chin Sophonpanich,' p. 16.

46. Interview, Pansak Vinyaratn, Bangkok, June 1986.


52. The story of these share dealings is told in *Siam Rath Weekly Review*, 25 November 1955, 28 November 1955, and 15 December 1955. See also Sungsidh, pp. 186-87.

53. See (then) Major-General Chatchai Choonhavan's explanation of the Soi Rajkhru clique's business activities, in Sungsidh, p. 187.


62. FEER, 1 September 1978.

63. The Hong Kong Chinese Bank has reportedly been taken over by Indonesian businessman Mochtar Riady, who is close to Liem Sioe Liong. See Asian Wall Street Journal, 29 April 1985. Liem, in turn, has been close to Chin.


66. See Verchere, 'Liem Sioe Liong.'

67. Krirkkiat, Wikhro, pp. 82-83.


70. Roy, p. 43.

71. Akira, Capital Accumulation, p. 4.76.

72. See, for example, Annual Report 1966 (Bangkok: Bangkok Bank, 1967).
73. Interview with Boonchu in Business in Thailand, May 1977, p. 43.
74. Roy, p. 43; and Phu ying yai, pp. 5-14.
76. FEER, 1 September 1983.
77. Insight, November 1981, p. 11.
78. Prachammit, 30 May 1981. See also Chai-Anan, p. 62.
80. Interview, Dr. Annuay Viravan, executive chairman of Bangkok Bank, July 1985.
81. The collapse of the Raja Finance Company is an important example. If not engineered by such pillars of banking capital as the Sophonpanich and Tejapaibul families, it was certainly fanned along by them. The story of the collapse is described in Sayam nikon, 16 July 1979, and summarized in Kevin J. Hewison, 'The Financial Bourgeoisie in Thailand,' Journal of Contemporary Asia 11, no. 4 (1981): 408-9. See also Business in Thailand, June 1979, pp. 7-11.
82. This was recently demonstrated in the boardroom struggle between the Tejapaibuls and Euachuktiartis over the control of the Bank of Asia. A struggle which eventually led to state control over the struggling bank. See Prachammit, 6 June 1981, pp. 26-28; and Bangkok Post, 31 December 1984 (Economic Review 1984 Supplement), pp. 41-42.

Conclusion


2. Hamilton, p. 64; and Barone, p. 63.


4. A number of these groups are significant business groups in their own right, but their positions as state officials are emphasised here.

5. Neither Riggs in (Thailand) nor Sungsidh place much significance in the marital connections between business people and state officials.

6. The importance of personal contact recalls the discussion in Chapter 1 of instrumental constraints upon the actions of the state and state officials.


8. This is not only the case for Thailand. See Useem pp. 281-308; and Robison, Indonesia.


10. See Miliband, 'State Power,' pp. 64-65; and Collins, pp. 418-22.

11. Miliband, 'State Power,' p. 64.


15. Grit, p. 162.
17. Barone, p. 50.
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