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Economic Development and Rural-urban Disparities in Thailand

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The development age of Thailand can be said to begin in the early 1960's with the adoption of the first 6-year economic development plan in 1961. A series of 5-year plans has followed. The present 6th plan covers the period from 1987 to 1991. Development efforts have brought many changes to Thai society, both positive and negative. In terms of economic development Thailand has been able to achieve remarkable growth rates. The National Economic and Social Development Board has estimated that during the past 25 years since 1961, the country's GNP has increased 18 times from 58,900 million *baht* to 1,407,500 million in 1985. Per capita income is almost 10 times larger, i.e. from 2150 *baht* to 20,420. Even discounting the effect of inflation which can be estimated to reduce the value of the present money to as low as one fifth that in 1961, this achievement still looks impressive. The annual growth rates during the 5 plans are estimated at 8, 7.5, 6.2, 7.0 and 4.9 percent respectively [Thailand, NESDB 1987 a : 16-18]. More important, the economy has been diversified. Formerly rice and rubber were the only important, agricultural export com-

modities. Now tapioca, maize, sugar, frozen chicken, canned fruits and fishery products are significant exports as well. Manufacturing industries are also making a significant contribution to the economy and total export, an achievement that has Thai technocrats confident that by the end of the 6th plan Thailand will be able to attain the status of a newly industrialized country. Table 1 below presents some important indicators of the structural change which has taken place in Thai society since 1960.

One disturbing fact is that despite rapid economic growth rates, the problem of rural-urban disparities in Thai society persists. Since the late 1970's there has been a growing concern about the severity of this problem and questions have been raised regarding the appropriateness of the kind of policy that emphasizes overall growth without proper attention to the problem of distribution of income. As pointed out by Dr. Puey, a famous Thai economist, Thailand adopted the policy of increasing economic growth rates assuming that overall growth would have a trickle down effect which sooner or later would benefit the poor masses. But, he observed, Thailand has pursued this policy for more than two decades without any appreciable success. There

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Table 1 Indicators of Structural Change Since 1960

	1960	1970	1980	
1. Population ¹ (million)	26.26	34.40	44.82	52.97 (1986)
2. Population in Urban (municipal) Areas ¹ (percent)	12.47	13.24	17.03	17.81 (1986)
3. Population in Municipal Areas and Sanitary Districts ¹ (percent)	—	22.76	26.38	—
4. Bangkok Metropolis (BM) Population ¹ (million)	1.70	2.50	4.70	5.47 (1986)
5. Proportion of BM Population in Total Urban Population ¹ (percent)	52.02	54.80	61.54	57.98 (1986)
6. Number of Agricultural Household ¹ (percent)	73.87	62.60	55.5	—
7. Economically Active Population 11 years of Age and Over Engaged in				
a. Agriculture ¹ (percent)	82.29	79.28	72.25	58.9 (1986)
b. Manufacturing ¹ (percent)	3.42	5.17	5.62	10.9 (1986)
8. Proportion of GNP Contributed by				
a. Agriculture ² (percent)	38.93	28.46	25.84	24.34 (1985)
b. Manufacturing ² (percent)	10.56	15.99	20.00	21.86 (1985)
9. Value of Rice in Total Export ³ (percent)	30	18	16	—
10. Value of Manufactured Goods in Total Export ⁴ (percent)	—	5	29	42.29 (Jan.—Oct. 1986)

- Sources: 1. National Statistical Office, Population Censuses, except for the year 1986, i.e. items 1, 2, 4 and 5 from registration data compiled by the Ministry of Interior, item 7 from labor statistics compiled by the Dept. of Labor which concerns only the *employed* persons in the labor force of 21.5 millions.
2. Thailand, NESDB, reported in *Statistical Yearbook Thailand* Nos. 27, 30 and 33 and *Statistical Summary of Thailand 1985*.
3. Bank of Thailand, quoted in Krirkkiat [1985: Table 7-6].
4. Suehiro [1985: 5] for 1970 and 1980; Ministry of Commerce for January–October 1986, data including products from agroindustry.

is evidence pointing to widening gaps between the rural and urban populations. In many cases it looks like the rich get richer while the poor get poorer [Puey 1977: 25].

There is basic agreement that the results of past development efforts have benefited some groups more than the others. The rural population in general may enjoy a higher income in absolute terms, but the rate of increase in many cases has been found to be slower than that of the urban population. Other disparities have also been found. There

is growing concern about the increasing dominance of Bangkok over the rest of the country, as well as regional disparities resulting from the favorable position of the Central region which includes Bangkok and is endowed with plentiful land and water resources compared with the other regions, particularly the arid Northeast. Within the rural populations themselves it is alleged that there is an increasing tension between the minority who have benefited from development and the majority who still live in poverty. Critics who are concerned with the

distribution of wealth, equality of opportunities and the influence of businessmen in politics have pointed to the phenomenon of concentration of wealth and monopoly capitalism arising from the emergence of big conglomerates in banking, finance and modern manufacturing industries.¹⁾

Public Consciousness of Rural-urban Disparities

Public awareness of the plight of the rural populations suffering from exploitative middlemen, money lenders and landlords, as well as from government negligence has been heightened since the student-led uprising of October 14, 1973 which put an end to the military's monopolization of political power in Thailand. Immediately following the uprising, farmers' demonstrations were held in Bangkok to dramatize their problems and bring pressure on the government to take corrective action. Their demands were often unrealistic, being influenced by the Marxist politicians and student-leaders who were behind the demonstrations and had the ulterior motive of creating political disorder. Anyway, there was public sympathy for their cause. The govern-

ment was obliged to take a more active approach in solving the problems of rural poverty and injustice.

Among the new measures adopted were the land rent control law (1974) which put a ceiling on the maximum rent to be charged at not higher than one third of the harvest, and the land reform law (1975) which authorized the government to buy land in excess of the 50 *rais*²⁾ owned by individual landlords in order to redistribute it at low cost to tenants and the landless. Of more immediate benefit to the farmers was the reallocation of land in the denuded parts of national reserve forests which in many cases had already been illegally occupied by the landless farmers seeking land for cultivation. Promises were made to speed up rectification of social injustice concerning unfair appropriation of farmers' land by greedy landlords and funds were set up to help farmers pay debts in order to regain ownership of their land. Government revenue from the premium on exported rice, once an important source of income in the government's annual budget, was put in a special fund to be spent directly for farmers' benefits starting in 1974, in addition to other funds ordinarily spent by the government. These were among the measures the government at that time adopted to show its concern for the farmers' plight and to placate their feeling of hostility.

1) For a critical assessment of the effects of economic and social development in Thailand, see, for example, Turton *et al.* [1978]; Turton [1984]; and Girling [1981: especially Chapter 2 (Economic Change—Political and Social Implications)]. For a critical, non-Marxist indigenous view of the failure of development plans, see Krirkkiat [1985]; and Saneh *et al.* [1980].

2) *Rai* is a unit of Thai areal measurement, one *rai* being equivalent to 0.40 acre.

Measurement and Determination of Poverty

The academic intellectuals have been among the most vocal in pointing to the failure of the past development plans to raise the level of living and income of the majority of the rural populations. Studies were made to determine the poverty line and the number and distribution of households having income below this line. The number was estimated at 46 percent in 1968/69 [Methee 1975: 48-68]. Data concerning socio-economic status of different income groups and available public amenities and opportunities, such as public utilities, medical and health services and educational facilities, were collected and compared to highlight poverty in the rural areas and social injustice inherent in the economic structure of the country [Oey 1978: Table 2.1.3 and 2.4.2]. It was pointed out that the unjust tax system which relied mostly on indirect taxes and, worst of all, on

levying premiums on exported rice thus adversely affecting domestic rice prices had resulted in the rural poor paying proportionately more taxes in terms of their income than the well-to-do city people. On the contrary, the latter received more from the government in terms of its spending on public services. This was confirmed by the World Bank survey which found the poorest group paying the highest rate (16.8 percent) in 1972 compared to 13.1 percent paid by the richest group. For the rural poor this was even worse than the burden in 1969 in which the rate was 13 percent compared to 12.3 paid by the urban dwellers. As to the benefits received from the government spending in the areas of education, public health and welfare and transportation, the poorest also received the least in 1972, i.e. only about one tenth of that enjoyed by the richest group [Krirkkiat 1985: Tables 6-14 and 6-15].

The World Bank's studies of the Thai economy in the late 70's have dramatized

Table 2 Number and Distribution of the Poor

	1962/63	1968/69	1975/76	Change: 1962-1976
1. Total Population (million)	28.0	35.0	43.0	15.0
2. Population below Poverty Line (million)	16.0 (57)	13.7 (39)	13.3 (31)	- 2.7 (-26)
3. Population below Poverty Line Living in				
a. Rural Area (million)	14.1 (88)	12.9 (94)	12.0 (90)	- 2.1 (- 2)
b. Urban Area (million)	1.9 (12)	0.8 (6)	1.3 (10)	- 0.6 (- 2)
4. Percent of the Poor in the Rural Population	61	43	35	-26
5. Percent of the Poor in the Urban Population	38	16	14	-24

Source: Krirkkiat [1985: Table 3-10], based on World Bank data. Figures in parenthesis are percent.

the problem of poverty in Thai society [World Bank 1978 ; 1980]. Table 2 summarizes its findings concerning the number and distribution of the population living below the poverty line (i.e. having a per capita income per month below 150 *baht* at 1975/76 prices in the case of rural populations and 200 *baht* in the case of urban populations)

As expected, most of the poor were found to be living in the rural areas. The percentage of the poor was much higher in the rural than in the urban populations. One encouraging sign indicating positive effects of past development is the reduction in the percentage of the poor in the total population from 57 in 1962/63 to 39 in 1968/69 and to 31 in 1975/76, a reduction of 26 percent. But there remains the discomfoting fact that in absolute number the poor still constituted a large group, almost one third of the total population in 1975/76, and 90 percent of them were found living in the rural areas.

The NESDB which has been responsible for planning the strategy of development has been concerned with the problems of rural-urban and regional disparities. Its national income data indicate the existence of wide gaps between sectors. Agriculture has been found to grow at a much slower rate than manufacturing industry and usually below targets, i.e. 4.6, 4.1, 3.9, 3.0 and 2.9 percent per year during the past five plans compared to 10.2, 9.2, 8.6, 9.0 and 5.6 for industry [Suehiro 1985: 4; Thailand, NESDB 1986: 19].

Because of the rapid growth rates, the

industrial and service sectors have accounted for an increasingly larger proportion of the GNP while agriculture's has become smaller. Still, the non-agricultural sector does not expand fast enough to significantly reduce the proportion of labor force engaged in agriculture (see Table 1). The huge population remaining in agriculture has caused average income to stay at a low level. Per capita GNP in industry and service occupations were found by the NESDB to be many times greater than that of agriculture, i.e. 9.1, 12.1 and 8.3 times greater in the case of industry in the years 1960, 1970 and 1978 and 6.4, 8.8 and 7.1 times greater in the case of service in the same years [Krikkiat 1985: Table 4-5].

The existence of a big gap in the average income in agricultural and non-agricultural sectors is an undeniable fact, despite the tendency to underestimate income generated in the former due to low prices calculated for agricultural produce, particularly rice, and the unreliability of the data collection procedure [Ingram 1971: 236, 240-41]. The level of income of agricultural households should be a little higher if we add income from other sources such as off-farm employment which nowadays is resorted to by most rural households to supplement their meagre income from agriculture. The nationwide sampling survey of household income by the National Statistical Office in 1976 gave a less dramatic contrast of rural and urban income: total monthly income of households in muni-

cipal areas, sanitary districts³⁾ and villages reported at 3,352, 2,211 and 1,482 *baht* respectively. The average income of households in municipal areas in the 4 regions, i.e. Central, South, North and the Northeast and Bangkok Metropolis was found to be quite similar, though a much greater difference was found among villages: The Northeast had the lowest average, the Central the highest and the North and South in-between. The difference between rural and urban income was least in the Central region (1.5 times) compared with a differential of over 2 times in the three other regions [Thailand, NSO 1976].

Of equal concern to the NESDB planners has been the problem of regional disparities. Comparison of per capita income for the years 1960, 1970 and 1979 indicated a declining relative position of the Northeast in the past two decades. There was, of course, an absolute increase, but this took place at a slower rate than that of other regions, thus leading to a

3) For administrative purposes Thailand is divided into Bangkok Metropolis and 72 *changwads* (provinces) which are further subdivided into *amphurs* (districts) each consisting of a number of *tambol* (commune) which are clusters of villages. Built-up areas around the center of each *changwad* and important *amphur* are given the status of municipality of which there are 124 at present. The status of sanitary district is given to small communities usually with a predominantly non-agricultural population deemed able to pay extrataxes to support some urban services of their own. Many of these communities are adjacent to the boundaries of municipalities and are urban in character.

Table 3 Disparities in Regional Income

Year	Whole country	South	North	Northeast	Central	Bangkok
1960	100	128	71	51	121	267
1970	100	100	70	47	121	266
1979	100	105	72	41	146	250

Source: Thailand, NESDB [1980: Table 2], Suehiro [1985: 5-8].

widening gap. In 1960 per capita income in the Northeast was about one fifth of Bangkok residents' income, but 20 years later it was further reduced to one sixth (see Table 3).

Historical Background of Rural-urban Disparities

To some extent rural-urban disparities can be expected to exist in most societies. However, in developed societies urbanization and industrialization have succeeded in reducing the proportion of the population living in the rural areas as well as enabling them to share the benefits of development. In developing countries where industrialization is in an early stage or fails to get started, the majority of the population are forced to remain in the traditional agricultural sector. They unjustly have to bear the burden of economically supporting the small non-productive urban population whose income in the last analysis derives from production in the agricultural sector.

Of course, rural-urban disparities are not entirely a new phenomenon in Thai society. They existed in the pre-modern period, i.e. before the mid 19th century which marks the beginning of the inte-

gration of Thai economy into the world economy and the spread of new values and new styles of living from the West. These disparities arose from Bangkok's political and cultural dominance over the rest of the country in the tradition of a patrimonial state. The integration of Thailand into the world economy has added to the economic dominance which has made Bangkok the center of both domestic and international trade of the country. Rice has become the most important export commodity and caused the rural economy to depend on world economic conditions and government policies. Rice farmers in general have not benefited from rice exports because of their low level of productivity, the generally low level of prices and the unscrupulous practices of middlemen, money lenders and landlords whose role became increasingly more important as rice growing was commercialized. A dual economy has emerged consisting of a depressed rural economy based on agricultural production using traditional methods and a seemingly prosperous urban economy based largely on commerce and service occupations until recently. Low income and lack of public amenities have characterized the rural populations many of whom found themselves going into debt or losing their land as a result of losses in rice growing. The urban populations, on the other hand, have enjoyed a more or less regular income and have had all the benefit of public utilities and services provided by the government at subsidized prices.

Before 1960, the Thai economy was quite underdeveloped with a very small modern manufacturing industry and inadequate infrastructure. The Chinese entrepreneurs who dominated the economy were more interested in reaping quick profits from commercial-financial businesses than in investing in industrial ventures. A part of these profits were remitted to China amounting to a huge sum of money which otherwise could have been invested in Thailand [Ingram 1971: 204]. The communist takeover of mainland China after World War II significantly reduced the remittance. But, no significant industrial investment took place in the 1950's. Political instability characterized this decade and was made worse by the adoption of the misdirected policy of direct investment by the state in business undertakings—the so-called bureaucratic capitalism—which led to a widespread corruption among top government officials and the collaborating Chinese businessmen and discouraged private investment in industrial development.

Political instability and economic chaos deteriorated in the late 1950's and led to the assumption of full dictatorial power by Marshal Sarit from 1958 on. He made economic development the first goal of his government and intended to provide the political stability necessary for it to occur. He got the support of the technocratic class in the bureaucracy as well as of private businessmen who were fed up with the political and economic chaos of the preceding decade. A new

economic policy was adopted, following the advice of the World Bank and Thai technocrats, that private capital should have the primary role in economic development of the country while the government's role should be limited to building infrastructures and providing incentives to stimulate private investment in manufacturing industry [World Bank 1959]. To expedite and guide development they suggested promulgation of an economic development plan with established objectives, policies, and strategies, and incorporating major projects. Thus began the first plan launched in 1961 which henceforth together with subsequent 5-year plans set the course of economic and social development of Thailand.

Political stability during the 1960's and early 1970's plus favorable world economic conditions which brought a huge amount of direct foreign investment in manufacturing industry under the government's promotion as well as a huge amount of foreign aid, both in the form of loans and grants flowing into Thailand, including American military spending in connection with the Vietnam war, were among the major factors contributing to rapid growth rates during this period. There was no more political chaos of the 1950's during which businessmen were not sure which military-political factions were really in power and had to operate their businesses under the constant threat of political extortion, while government technocrats were equally demoralized by the interference of poli-

tical influence in carrying out their duties. Of course, the practice of having political-military leaders sit on the boards of important private companies was continued and was not to be abolished until the student-led uprising on October 14, 1973. Fortunately, this practice seemed to be limited to the cases of major banks and companies in traditional businesses. Most of the new companies including foreign joint ventures were left free to conduct their businesses and could expect reasonable assistance from the government. Under these conditions Thailand was thus able to mobilize local capital and entrepreneurship as well as attract foreign investment which together have enabled her to start a modern manufacturing industry.

Still, the economic and social development taking place during the past 26 years has not been able to significantly reduce the gaps existing between the rural and urban populations. The task is enormous indeed in view of the declining prices of agricultural produce and the huge population living in the rural areas. Thailand's level of urbanization has been rather low. It was less than 10 percent in 1947 and increased to 12.47 in 1960 and 17.03 in 1980. The latest figure from 1986 is 17.8 percent. Of the total urban population more than half (58 percent) live in Bangkok whose population at the end of 1986 stood at 5.5 million and was about 34 times larger than Chiangmai, for a long time the 2nd largest city of Thailand, until recently surpassed by the city of Korat in the Northeast. Other than Bang-

kok, most of the towns in Thailand are small with only 8 towns surpassing the 100,000 population mark. Bangkok grew very fast after World War II at the annual rate of 4 to 6 percent from 1947 to early 1970's, testifying to a large number of migrants from the rural areas, as well as signifying its increasing dominance. With a reduced birth rate and a smaller number of migrants due to the government policy emphasizing rural development and development of principal towns in other parts of the country, Bangkok's growth rate has slowed since the late 70's averaging around 2-3 percent per year, but of course the absolute increase each year is high due to the already large population base.

The large number of migrants to Bangkok indicates the relative lack of opportunities in the rural areas and other urban centers which are usually small towns serving as administrative centers and outposts of Bangkok in its commercial relations with the surrounding rural areas. Having a small hinterland and lacking modern manufacturing industry, most of these towns have a weak and stagnant economy and as a result can sustain only a small population. The growth rates of these towns were rather slow in the past. Only in recent years have some of them been able to grow faster—in some cases even higher than Bangkok's—partly as a result of the government attempt to increase their role in regional development. Since 1981 a regional development policy has been explicitly adopted. Five centrally located towns in

the 4 regions of the country have been selected for intensive development of their infrastructures, hoping thereby to stimulate economic activities both in them and their immediate rural hinterland, to disperse growth, and, not least important, to discourage rural migration. Special appropriations supplemented by foreign loans were allocated for this purpose [Thailand, NESDB 1983]. The soundness of this policy has led to its continuation and extension to cover six more towns in the 6th plan. Another 11 towns have been selected for a feasibility study in preparation for full development in the subsequent plan.

The large size and high growth rate of Bangkok and its economic and political dominance over the rest of the country have made it a perfect example of a primary city. It is not an overstatement to describe Thailand as a one-city state. Studies have been made to compare socio-economic characteristics of Bangkok population with the rest of the country [Goldstein 1972] and to dramatize the unfair advantages enjoyed by Bangkok residents in terms of such indices as average income, public utilities and amenities available, health service and medical care, educational facilities, number of cars and telephones per thousand population and other conveniences, etc. [Phisit 1977].

More difficult is the evaluation of the role of Bangkok in the economic development of Thailand. A case certainly can be made that Bangkok's growth was parasitic to the rest of the country to some extent, at least until the beginning of the 1960's.

Bangkok's role in the economy in the past was mostly that of middlemen who provided commercial and financial service in the domestic and foreign trade of Thailand. This sector earned a high rate of profit—in many cases unfairly and with debilitating effects on the majority of the rural populations who were made poor, perennially in debt and, for quite a few, eventually landless. The unfortunate fact is that the profit was not used to stimulate economic development of the country, but rather a considerable part was consumed wastefully in importing luxurious manufactured goods or remitted overseas as mentioned earlier. The government itself did not have enough financial resources to invest in developing large-scale infrastructures nor to initiate effective measures that would help alleviate the problem of rural poverty and indebtedness as it would certainly have liked to do. The problem stemmed partly from the limitations of its taxing power on imports and exports imposed by unfair treaties which were not abolished until the late 1920's [Ingram 1971: 189–202] and partly from the emergence of other problems which demanded more attention. The rural populations were thus left mostly on their own to solve their problems, and increasingly suffered from the injustice of the economic and social system.

The worst social injustice was undoubtedly the premium on rice export instituted after the end of World War II and not entirely abolished until 1986. The reasoning for the charge was to tax

foreign rice consumers, assuming that without it export prices would more or less fall down to a lower amount. The levy of the premium earned a nice sum of revenue for the government at the same time as it succeeded in keeping domestic rice prices from not rising too high. World rice prices were unusually high in the immediate years after the war, and to an extent the premium was justifiable if the rates were not kept so high as to cause a depressing effect on domestic prices. However, the rates were usually kept at a high level even when world prices fell, causing domestic prices to remain at a level so low as to barely cover the cost of production. The premium was in effect a direct tax on rice farmers who were already poor and were made to sacrifice for the benefit of urban rice consumers. Most of the time the rates averaged higher than 25 percent, and were sometimes as high as 35 percent of the export prices, resulting in a large differential between domestic and export prices. For example, during the period 1969–1976 the average, was 38.83 percent for 5 percent white rice [Krirkkiat 1985: 127].

Rice farmers have never enjoyed a benefit from a rise in world prices. Their income was perennially at a low level and undoubtedly was the major reason why many of them were in debt and forced to sell their land. The problem seemed to be worst in the 1960's as can be seen from the number of land title deeds (7,469) transferred by farmers who failed to redeem their mortgaged land. The number decreased to 2,149 during the

1970's and 123 for the period 1980-82, partly reflecting a small increase in the level of income of farmers following a reduction of the premium rates which were generally kept at a low level [Thailand, NSO 1966-84]. The premium was abolished entirely in 1986 when world rice prices fell drastically and it became evident that the levy of the premium would only obstruct Thai rice exports. By this time world rice trade had changed adversely affecting Thailand owing to the problem of oversupply and subsidized exports by developed countries. Even without premiums now, domestic prices have remained low in line with falling world prices and have undoubtedly caused further suffering to the already poverty-stricken farmers.

The domestic low rice price policy of the government reflects the low political power and the traditional disadvantaged position of the farmers despite the lip-service recognition of their importance as backbone of the nation's economy. There is a public expectation, shared even by small farmers who do not produce enough rice for own consumption, that domestic rice prices should be kept low to benefit the country famed for its rice surplus. This has worked to the disadvantage of farmers with rice surplus and favored the urban populations, particularly those in Bangkok who are vocal in their demands and can effectively pressure the government. Even though the government in the past was authoritarian, when it came to the issue of rice prices, it was willing to pacify urban demands rather than risking

political unrest. The farmers had no effective means to air their grievances, and to some government leaders their problems did not seem to be pressing, nor could they be solved simply by raising rice prices. It was argued that the real causes were found in low productivity and exploitative middlemen rather than in low prices.

Development from the First to the Fourth Plan

The development of Thailand from the early 1960's got started with a background of inequitable rural-urban relationships and disparities. The first two development plans did not change that situation much. As a matter of fact, the gaps seemed to be widened in some respects. The emphasis in the plans on provision of infrastructures such as highways, dams, electricity-generating plants and other public utilities and facilities led to a construction boom which directly benefited a small group of people including the contractors, material suppliers, professional technicians, technocrats, bankers who provided loans, government officials who supervised biddings and construction and, not least privileged, landowners and speculators whose properties increased in value many times as a result of the construction of infrastructures. Besides, under the authoritarian government without popular control, it was relatively easy for influential persons to enrich themselves by demanding a cut from the budgets allocated to these construction projects,

while the contractors in collusion with them could conveniently boost the prices to increase their profits. This period was also notorious for illegal exploitation of natural resources, particularly reserve forests and tin mines, by influential persons having political connections. Quite a few businessmen got rich from American military spending in connection with base construction and transportation of military equipment.

The wealth accumulated by these privileged groups must certainly be responsible for the widening gaps between Bangkok and the rest of the country. Bangkok's population grew very fast during this period testifying to rapidly expanding economic activities facilitated by cheap oil, cheap rice and cheap labor of migrants from depressed rural areas. Bangkok's prosperity contrasted sharply with rural poverty and by the end of the 2nd plan in early 1970's, it became evident that most of the rural populations did not benefit much from, nor were they ready to take advantage of the government investment in infrastructures. For example, even though big dams were built, little investment was made in improving water distribution network at the terminal stage. Even with the availability of water, many farmers did not have resources to use it to increase their production. Construction of main highways got the priority, but their economic effects were limited to the extent that feeder road systems to villages were underdeveloped and the villagers themselves did not have much produce to sell

in the market. Power lines from hydro-electric dams got near the villages, but without benefiting them because the electricity was intended for urban use. Development also led to deterioration of environmental conditions and natural resources such as destruction of forests, soil erosion, soil salinity and the silting up of natural waterways and ponds.

Rural-urban and regional disparities so heightened the confidence of the Communist Party of Thailand that it decided to launch armed struggles in 1965 in the Northeast which later on expanded to other regions of the country and was not to be successfully suppressed until early 1980's. Communist insurgency gave an urgency and a new dimension to the problem of rural poverty and development. Accordingly in the 3rd and 4th plan more emphasis was given to measures that would lead to a more equitable distribution of the benefits of development including investment that would help the rural populations take advantage of infrastructure completed during the past plans. Basic services under several social development projects were to get more attention to assure more balanced and more equitable development.

A community development approach to rural development was emphasized under which the government was committed to giving financial and technical help to villagers who were encouraged to take initiatives and participate in the development of their own villages. In addition, under the policy of accelerated rural development which received a consider-

able amount of foreign aid and which aimed at immediate amelioration of living conditions in villages under communist infiltration various projects, particularly road building, small-scale water resource development and occupational training for villagers, etc. were undertaken. Supplementing these efforts were mobile development units consisting of heavy equipment and technical personnel and mobile medical teams consisting of doctors from urban hospitals which were sent to remote villages to symbolize government presence there, as well as to demonstrate its concern for the rural populations' welfare.

Development of Poor Rural Areas under the Fifth Plan

Even with all these efforts, at the end of the 4th plan it became evident that the measures adopted so far had failed to solve the problem of rural poverty. Among other things, they were found to be lacking in concreteness, not aimed at the groups that deserved the most attention and relying too much on increasing agricultural production. The agricultural sector lagged far behind the industrial sector in rates of growth, and prices failed to keep up with the high inflation rates caused by the sudden increases of oil prices after 1973. Taking 1973 as base year, CPI rose 2.6 times in 1981, while

urban minimum wage rates per day rose 5.08 times, i.e. from 12 to 61 *baht*.⁴⁾ This contrasted sharply with the rise in rice prices which was only 1.95 times during the same period [Suehiro 1985: Table V-1]. The government tried several means to boost rice prices but without success due mostly to insufficient funds.

Stagnant production and low prices caused per capita income in agriculture in 1980, the last year of the 4th plan, (11,464 *baht*) to be only 38 percent of the average income of the whole country. Compared with income in industrial, commercial and service sectors, it was less than 20, more than 20, and more than 50 percent less, respectively [Thailand, NESDB 1985 a: 53]. This was an improvement over the estimates made in 1976, the first year of the 4th plan, which found even higher differentials in favor of industry, commerce and service, i.e. 6.2, 9.1 and 4.6 times that of agriculture (7,113 *baht*) [Thailand, NESDB 1977: 102]. Still there was a sense of disappointment that the 4th plan failed to significantly lower the gaps, particularly to reduce the number of rural people living below poverty line which was estimated at about one third of the total, or about 10 million, mostly concentrated in the Northeast and the upper part of the Northern region.

A kind of soul searching went on during the preparation of the 5th plan to find out what went wrong with the past 4 plans,⁵⁾

4) The minimum wage rates have been periodically raised. Since April 1987 the rate for Bangkok and surrounding provinces has been raised to 73 *baht* per day.

5) For a summary of the official evaluation of the past 5 plans, see Thailand, NESDB [1985 a: 48-57].

and to propose new measures and strategies. Though reducing the gaps still remained the goal, this was admitted to be a formidable task in view of the slow growth rate of agriculture and the inability of the government to guarantee prices. Preoccupation with increasing agricultural production for the sake of export earnings while disregarding effects on the rural poor who lacked the means to be more productive was deemed a wrong policy which would lead only to a wider gap. Instead, government efforts were decided to be concentrated on raising the level of living of the poor in the poorest rural areas. The aim was to provide them with basic services which at least should meet the minimum requirements of life and enable them to have a decent standard of living and to rely on themselves to solve their problems. For the sake of social justice the government gave priority to the development of these areas, while in the more developed parts of the country the private sector should be relied on to enter into joint investment with farmers to increase agricultural production [Thailand, NESDB 1980: 1-34].

This line of thinking led to the adoption of the "Plan for Development of Poor Rural Areas" in the 5th plan which commenced in 1981.⁶⁾ Criteria were set up to identify poor *amphurs* (districts) which eventually totaled 286 in 38 *changwads* (provinces), including 12,586

villages with a population of 7.79 million. The Central region was excluded from the plan and not surprisingly most of the *amphurs* in the Northeast were included [Thailand, NESDB 1987 b : 34]. Four ministries—Agriculture, Public Health, Education and Interior—were assigned responsibilities to draw up projects to be specifically implemented at the village level. These projects classified under 33 categories were in addition to regular activities normally undertaken by them in the rural areas. The new projects concerned such services to the villagers as water resource development, improvement of fish ponds, modern techniques for raising poultry, distribution of salinity-resistant rice strains, supplementary foods to prevent malnutrition among children, school classes for the illiterates and construction of community hospitals and village health stations, etc. A total of 6,126 million *baht* were spent during the 5 years of the plan [*ibid.*: 35]. On the average a village had 8 projects implemented directly for its benefit [Thailand, NESDB 1985 b : 33].

On the whole the plan for development of poor rural areas has been evaluated to have met its targets. The NESDB claimed that on the basis of their criteria used in identifying poor *amphurs* and villages, 58 percent of the poor *amphurs* in 1981 were found to be above the poverty line in 1985. Forty-eight percent of villages achieved the same result after only two years of implementation of the plan. The per capita income of *changwads* under the plan

6) For more details see Thailand, NESDB [1982]. For evaluation see Thailand, NESDB [1985 b] and [1987 b : 34-41].

increased generally at higher rates than the regions' as a whole [Thailand, NESDB 1987 b: 35-36].

Together with the development plan for poor rural areas, the 5th plan also adopted a new administrative approach to rural development. The failures of the past plans were partly attributed to inefficiency of the bureaucracy which, among other things, was found to be lacking in coordination, operating without clear-cut plans and without data about the villages concerned and following a top-down approach which did not pay adequate attention to the villagers' interest and participation. A national committee consisting of key cabinet members and top bureaucrats headed by the prime minister and NESDB as secretariat was set up to direct and coordinate rural development activities. The same type of committee was set up at the *changwad* and *amphur* level. At the *tambol* level villagers from constituent villages were organized in the form of a council and charged with the responsibility of directing development within its boundaries. At every level development plans were prepared through consultation among the units involved. Projects to be undertaken were jointly determined and let known to the villages concerned in advance.

Considerable efforts were made to encourage villagers' initiatives and participation. A good example is the Rural Job Creation Program adopted in 1980. It began under another name and with political motives in 1975. It was radical in

nature because, for the first time, it made available to the villagers a large sum of money, i.e. 500,000 *baht* per *tambol* to be spent on development projects decided and implemented by them with a minimum government supervision. Its purpose was to provide job opportunities and income to villagers during the dry season so as to discourage outmigration while the villages themselves benefited from the improvement of their infrastructures. Moreover, it was considered the best policy to stimulate villagers's interest and participation in the development of their own villages and thus lay the basis for a strong local self-government at the *tambol* level in the future. In a way the spending under this program can be thought of as a kind of transfer payment of tax money to the rural populations. It has been very popular with the villagers with an annual budget allocation of about 2,000 million *baht* lately and during the 5th plan was claimed to create 8.55 million jobs and contribute an average income of 1,132.80 *baht* per household [*ibid.*: 14].

Rural Development under the Sixth Plan

The success of the development plan for the poor rural areas under the new administrative approach has buoyed up the confidence of the NESDB planners and led to the decision to continue the same strategy in the 6th plan with a small modification. While intensive development in the poor rural areas is to be continued, it has been extended to

cover villages in other areas as well. Three types of villages have been designated in the 6th plan, i.e. poor, intermediate and advanced. Reflecting the success of the 5th plan, the number of poor villages has been reduced from 12,555 to 5,787. In Thailand 35,514 are classified as intermediate and 11,621 as advanced [*ibid.*: 18]. The poor and intermediate villages are to get priority in government attention. The advanced ones, usually located in the well-irrigated areas or areas specialized in growing profitable crops such as rubber and fruits, are to cooperate with agro-business companies in the private sector under government encouragement.

The organizational aspect of rural development is to further rationalize and increase the efficiency of the bureaucracy and to assure more villagers' participation. In addition to the 4 ministries assigned major responsibilities in the 5th plan, the 6th plan also brings in the Ministry of Industry in recognition of the important role of medium and small-scale industry in provincial towns and rural areas. Villagers' interest in self-development and self-reliance is to be strengthened by the continuation of the Rural Job Creation Program and by other means such as the setting up of village funds supported by government loans to encourage village entrepreneurship in profitable development projects.

The 6th plan sets the annual growth rate of agriculture at 2.9 percent compared with 6.6 for industry and 5.0 for the overall growth and aims at reducing the

proportion of the labor force in agriculture from 70 percent to 65 even though 33 percent (1.3 million) of the new jobs to be created will be found in this sector [Thailand, NESDB 1986: 8, 31, 47]. An optimistic atmosphere prevails at NESDB, though they are quite aware that there is still a great deal to be done to raise the level of rural income and narrow the rural-urban gaps.

The Need for a Balanced View of Rural Development

Poverty is still the lot of the majority of rural populations, but with increasing public awareness one need not be pessimistic about the future. As a matter of fact, an objective observer travelling in the rural areas cannot fail to be impressed with the improvement in living conditions of most rural populations achieved in recent years.⁷⁾ Development efforts, at least since the 1970's, have started to pay off. Houses are now built with more durable materials. Villagers are better clothed and a greater variety of foods are available. Better public facilities are provided with 76 percent of the villages

7) A restudy of a village in the area of Khon Kaen city in the Northeast in 1981, 17 years after the first study, found an increase of almost ten times in average household income and general improvement in living conditions. In terms of per capita income the increase was 3.3 times in real terms. See Fukui *et al.* [1983: 178; 1985: 45]. A restudy of another village in a nearby province of Mahasarakam in 1980, 17 years after the first study, also found more or less the same positive change. See Keyes [1983 : 353].

now having electricity and 5,000 more targeted to have it by the end of the plan period in 1991 [Thailand, NESDB 1987a: 65, 68]. The road system linking provincial towns and connecting them with surrounding villages has been very much improved and has greatly facilitated rural-urban interaction. Japanese-made motor cycles, pickup trucks, transistor radios and color television sets are now a common sight in the rural areas and have greatly contributed to increasing mobility and exposure of the rural populations to urban influence with resultant decreasing psychological and cultural gaps.

There has been also an improvement in the level of income to the extent that better opportunities for wage labor both inside and outside of agriculture, and for other non-agricultural pursuits are available for an increasingly larger number of rural populations in all regions of the country. Some provincial towns, particularly those in the Northeast, have grown very fast since the late 60's because of the increasing number of government units and personnel stationed there in connection with rural development and counter-insurgency activities. These urban developments have created new job opportunities and expanded markets for agricultural produce for the villages in the area. The increasing population and increasing pace of economic activities in many villages have also provided opportunities for enterprising villagers to earn extra income from such businesses as cattle trading, operating small rice mills and village stores, handicraft pro-

duction, trading in agricultural produce and running village-town small bus and truck service, etc. Since 1975 the most important source of income for a large number of rural families has been overseas employment, particularly in the oil-rich Middle East. In 1985 it was estimated that there were no less than 300,000 Thais or about 17 percent of the 1.8 million classified as openly unemployed, working overseas and remitting via banks 23,624.48 million *baht* or about 11.1 percent of the total export of the country in that year [Thailand, Dept. of Labor 1986: 5-6, 15].

One complicating factor in the positive trend of change in the rural areas has been the declining prices of almost all kinds of agricultural produce in recent years. It is to the credit of the present government that for the first time in Thai history the measures adopted by the government have had a significant effect on raising rice prices. The falling prices in recent years, which have caused rice to be cheaper by about one third, have been checked and reversed to some extent, mostly as a result of the 5,000 million *baht* rice pledging scheme by which the farmers are given short-term credits at 3 percent interest rate amounting to 80 percent of the value of their rice at current prices to enable them to avoid selling it in the market at the time of the harvest when prices are at the lowest.

It is not an overstatement to say that since the late 70's rural development has been the top priority among all the government responsibilities. This con-

cern has arisen from the Thai elites' increasing recognition of social injustice done to the rural populations in the past, as well as the important role rural development plays in containing the communist insurgency and providing a firm base for the development of the economy as a whole. Looking at the changing economic and social structure of Thai society, one can optimistically expect better opportunities for the rural poor in the future. Apart from the commitment of the government and the elites, the major reason for this is the increasing importance of modern manufacturing industry in the Thai economy as can be seen in the statistics on its increasing proportion of the GNP (from 11.6 in 1960 to 22 percent in 1985) and of total exports (estimated by the Ministry of Commerce at 38.20 and 42.29 percent—including products from agro-industry—in the first ten months of 1985 and 1986, compared with 37.02 and 32.93 percent for the same period for agriculture). The expansion of manufacturing has changed the nature of the relationship between Bangkok and the rural areas from that of exploitation to that of mutual benefit, and has transformed Bangkok from being a mere consumer to being a major producer of wealth.

Bangkok still retains its primacy, of course, as can be seen, for instance, from the fact that 40.6 percent of the new factories receiving official permits in 1984 were located in its vicinity [Thailand, NESDB 1986: 35]. But Bangkok's effects on the economy and society are different

from the past, because its expanding manufacturing industries which are increasingly more export-oriented, and its modern service occupations, particularly those catering to foreign tourists, have contributed greatly to the country's wealth and in the long run will benefit the rural populations as well through the job opportunities they create for the excess labor, expanding markets for agricultural produce and the extra resources available for rural development. Industrial development might lead to the undesirable phenomenon of concentration of ownership of industrial wealth [Kirkkiat and Yoshihara 1983], but the more important long-run consequences in terms of social stability and further growth are the expansion of the middle classes and better opportunities for the working class, including the rural population.

As a result of economic development the government now has at its disposal an annual budget many times larger than 25 years ago (even discounting the effect of inflation) i.e., from 7,700 million *baht* in 1960 to 227,500 in 1980. The government revenue from direct taxes has gradually increased from 8.6 percent in 1960 to 11.3 in 1970 and 19.6 in 1983 [Thailand, NSO 1966–84]. More commercial bank loans have been diverted to the rural sector since 1975 under a government requirement that all commercial banks must set aside a sum amounting to a specified percentage of their year-end deposit for direct lending to farmers. Beginning in 1987 that figure has been raised to 20 percent, of which

at least 14 must be lent directly to farmers and small-scale industries located outside Bangkok and its surrounding provinces and 6 percent to agro-businesses. This requirement together with the one announced in the same year requiring all new branches of banks set up in the rural *amphurs* to commit at least 20 percent of their total deposit for direct lending to farmers and another 40 percent for lending to the surrounding rural areas is intended to change the image of commercial banks as appropriators of surpluses in the rural areas for lending in Bangkok and at the same time make available more capital for rural development. If these targets cannot be met, the unused credits must be turned over to the government-owned Bank for Agriculture and Cooperatives which has an extensive network of branches in rural areas and its own program of lending funded by government and foreign loans.⁸⁾ Additionally, there are now more opportunities for farmers to raise their income and learn new technology through participation in contract farming initiated by privately run agro-business companies whose modern method of management and commitment to agricultural development are a far cry from the traditional, quick profit orientation of the Chinese middlemen of the past.

In Thai society rural-urban disparities have become both a political issue and an academic topic, the discussion of which, unfortunately, is often far from

being based on objective facts or made from all relevant angles. The obvious poverty persistent in rural areas has been used to emphasize the failure of development with a view to discredit the government. Marxists among the urban intellectuals, meanwhile, are likely to point to the bankruptcy of the whole capitalist regime and the futility of rural development under its aegis. To most urban intellectuals whose sense of social justice and sympathy for the underdogs has been aroused, the rural, agricultural way of life seems to be imbued with the highest human values found lacking in and threatened by the increasingly overwhelming urban, industrial way of life. Many studies concerning rural populations have often been based on an unconscious assumption which leads to the idealization of the peasants' way of life and an almost exclusive emphasis on their being exploited and lack of opportunities, while underplaying the importance of sociological and cultural factors which in many cases have been partly responsible for their present predicaments and have made the solution of their problems not quite as easy as the idealists might think. More attention has been paid to the measurement of poverty and its distribution relying on second-hand data of dubious reliability than to the study of the social and economic processes involved, particularly the actual living conditions and way of life of the rural poor.

Rural development is certainly a very complicated and long term process,

8) For more details, see *Prachachat Business*, Saturday 11-14, April, 1987, p. 21.

involving not only a reorganization of rural-urban relationship and a provision of opportunities from outside, but also a reorientation of the farmers' traditional way of life which they must accomplish themselves. In view of the structural change taking place in Thai society and the increasing rural-urban interdependence, one need not be unduly pessimistic about the allegedly widening gaps and accompanying social conflicts. On the other hand, in view of the persistence of certain pre-modern values and customs, vested interests and, not least important, the world-wide declining position of agriculture, neither should one be overly optimistic about the possibility of immediate eradication of rural poverty.

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