

SUSTAINABLE ECONOMIC DEVELOPMENT THROUGH THE SUFFICIENCY ECONOMY PHILOSOPHY

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I. INTRODUCTION

What is worrying to mainstream economists at present is the extent and intensity of the opposition as well as criticisms of liberal market-oriented policies. In Thailand, economists and other social scientists have for the last few years been trying to find a more balanced development strategy guided by His Majesty the King's "Sufficiency Economy Philosophy". We would like to report the progress of this pursuit in this article and propose that there is considerable room for application in other countries as well.

It is now quite clear to us that the goal in all countries is sustainable development and not economic growth per se. It is also clear that development is not possible without economic growth since a relatively poor country cannot hope to give its growing population a reasonable quality of life without economic growth. Therefore critics should make themselves clear by declaring that they are not against economic growth but the manner of such growth.

In order to create economic growth as a means to achieve the development goal, a strong case can be made that developing countries should adopt the so-called liberal market-oriented policies. Since the Second World War, Thailand has chosen to take this route. With the emergence of development economics and international development institutions such as the World Bank, the UNDP etc, after the Second World War, Thailand took advantage of the situation to pursue its development policies. With the help of a world bank team in 1957, Thailand developed a blueprint for the country's economic development.² The development strategy implicit in this blueprint contained the following elements,

1. The expansion of infrastructure consisting mainly of roads, electricity and irrigation projects financed by aid and loans from abroad.
2. The improvement of education and health services using external financial and technical assistance to send people for education abroad as well as to build up facilities at home.
3. The encouragement of foreign and local investments to increase exports with particular emphasis on agricultural commodities while promoting industrial products as import- substitutes.
4. The strengthening of existing as well as new institutions to manage the package of economic policies. The National Economic Development Board, the Board of Investment and the Ministry of National Development were created at that time. The role of the Bank of Thailand, the Fiscal Policy Office in the Ministry of

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² International Bank for Reconstruction and Development, A Public Development Program for Thailand, The John Hopkins Press, Baltimore, 1959.

Finance, the National Economic Development Board and the Budget Bureau were greatly enhanced and these institutions were encouraged to coordinate with each other and to be responsible for the economic management of the country.

5. Private entrepreneurs were encouraged as markets were liberalized. State enterprises created mostly prior to 1957 to engage in commercial activities were either discontinued or contained.

II. SUCCESS AND PROBLEMS OF DEVELOPMENT IN THAILAND

Within the last 45 years, per capita income in Thailand has risen from B 1,748 in 1956 to B81,435 in 2001 at current market prices.³ Such a success can be attributed to the development strategy and economic policies aimed at stabilization, close cooperation between the government and the local private sector, the encouragement of foreign investment, an export-oriented strategy and the building up of economic institutions which were encouraged to coordinate and manage the development process using the private sector as the spearhead of economic growth.

Looking back, one cannot exaggerate the importance of stabilization policies after the Second World War when Thailand inherited severe monetary, fiscal and external problems of high inflation, accumulated public debt and fiscal deficits, low exports and unstable exchange rates. Fiscal and monetary discipline was extremely important in establishing international and internal confidence. As has already been mentioned, this success was achieved through the close cooperation and solidarity of four main institutions namely the Ministry of Finance, the Budget Bureau, the Bank of Thailand and the National Economic and Social Development Board. Only because this was attained, Thailand was able to achieve sustained growth for a long period of time.

However, despite this background of considerable success, many problems remained unsolved as Thailand was approaching the new millennium. A critic who has become disillusioned by the sort of success that Thailand had achieved wrote,

“Behind the facade, millions of people were living in dehumanising destitution — many as a consequence of development’s intrusion into their lives. Shocking numbers have been driven by development projects from homes and communities that had afforded them a modest but dignified living. Dams, forestry projects, and many other interventions financed by the World Bank and other foreign assistance agencies had disrupted their lives for purposes that benefited those already better off”⁴

2.1 The “Poverty Problem” in Thailand

With such criticisms, it is essential that an assessment has to be made about poverty in Thailand. The Thailand Social Monitor, published in 2001 by the World Bank, provided “the best evidence currently available on poverty in Thailand”⁵ and contained many insights to ponder about. Data were available for 1988, 1996 and 1999 and they were broken down into geographical regions namely Central, Northeast, South and North regions. The urban areas of Bangkok and the surrounding conurbations were separated from the rest.

³ NESDB, National Income of Thailand, 2000 Edition. US\$ 1 is approximately equal to B42

⁴ David C. Korten, When Corporations Rule the World, Kumarian press Inc, USA, (2ed.) 2001. and The Post-Corporate World, Alkem Company, Singapore, 1999 , p.5

⁵ The World Bank, Thailand Social Monitor, Poverty and Public Policy. November 2001

The latest report by the NESDB revealed an improved trend in poverty reduction in general.⁶ The NESDB assessed that although poverty reemerges as a central issue after the 1997 crisis, it has now recovered and fallen below the pre-crisis level. The decade up to the mid-1990s was a period of strong growth and poverty reduction in Thailand, just as in East Asia as a whole, with poverty falling from over 30 percent to less than 12 percent. The trajectory of high growth with declining poverty was interrupted during the Asian Crisis, but the economic recovery over the last few years has again led to increasing living standards.

In 2002, poverty had dropped below the pre-crisis level. Using the official poverty line, the latest survey for 2002 shows that Thailand's incidence of poverty fell to 9.8 percent of the population last year, below the level of 11.4 percent in 1996 and the peak level of 14.2 percent in 2000. The absolute number of the poor fell to 6.2 million in 2002, from 6.8 million in 1996 and 8.8 million in 2000, as shown in Table 1 below. Other indicators of poverty-the poverty gap (average income shortfall of the poor compared to the poverty line), and the poverty severity (distribution-sensitive poverty indicator)-also fell.

Table 1: Growth, Poverty and Inequality in Thailand (1990-2002)

Poverty indicators	1990	1992	1994	1996	1998	2000	2002
Real Growth GDP per capita	1.11	2.05	0.80	4.8	-11.4	3.6	4.8
National poverty line (Baht/person/month)	522	600	636	737	878	882	922
Poverty incidence (%)	27.2	23.2	16.3	11.4	13.0	14.2	9.8
Number of the poor (million)	15.3	13.5	9.7	6.8	7.9	8.9	6.2
Poverty gap	8.0	6.8	4.3	2.8	3.3	4.1	2.4
Poverty severity	3.3	2.8	1.7	1.1	1.3	1.6	0.9
Inequality (Gini coef.)	0.524	0.536	0.527	0.515	0.511	0.525	0.511
Share of the poorest quintile in national income	4.2	3.9	4.0	4.2	4.2	3.9	4.2

Source: Bank of Thailand, NESDB, NSO/SES

The success of poverty reduction was, however, unfortunately accompanied by inequalities among groups of income earners and regional disparities. The gini coefficient in Table 1 shows inequality has been stagnant for a period of time.

In 1988, despite many decades of continuous growth, the degree of poverty was still high in all regions except Bangkok. By 1996, the number of people below the poverty line had dwindled considerably, suggesting that the growth strategy did alleviate the poverty problem to an impressive extent during the previous eight years. Nevertheless, the absolute percentage of people below the poverty line in the Northeast, at 19%, was still high in 2002, comparing to all other regions.

⁶ NESDB, "CDP-PAM Annual Review", November 2003.

Table 2: Percentage of Head-counts below Poverty Line by Regions.

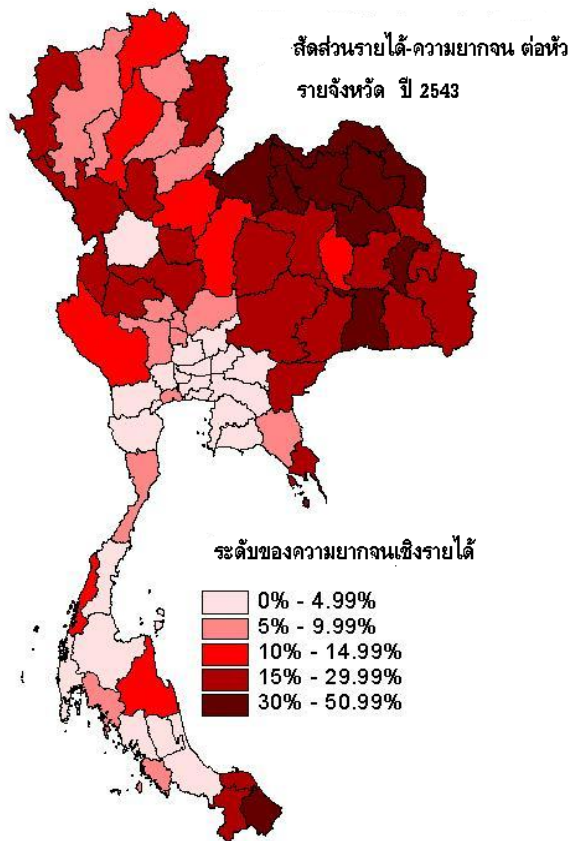
Region	1988	1990	1992	1994	1996	1998	2000	2002
Whole Kingdom	32.6	27.2	23.2	16.3	11.4	13.0	14.2	9.8
Bangkok	3.8	3.3	1.9	0.6	0.3	0.5	0.3	1.5
BMA	8.7	3.0	1.7	1.6	1.0	0.5	0.7	1.5
Central	25.2	20.5	12.1	8.4	5.9	7.0	5.4	4.3
Northeast	48.4	43.1	39.9	28.6	19.4	24.0	28.1	18.9
North	32.0	23.2	22.6	13.2	11.2	9.1	12.2	9.8
South	32.5	27.6	19.7	17.3	11.5	14.6	11.0	8.7

Source: NESDB.

Note: BMA implies Vicinity of Bangkok Metropolis which includes Nontha Buri, Pathum Thani and Samut Prakan

Magnifying the poverty problem further, the NESDB is preparing the poverty map to use as a tool in examining the provincial and village differences in poverty. The result in the year 2000 is presented in the map below which shows that, apart from a small area in the South, poverty was concentrated in the Northeast. Indeed, 3 out of 5 poor live in the Northeast in 2002.

Figure 1 Incident of income poverty (%) by province, (2000)



Source : NESDB, 2003

What conclusions can be drawn from these findings?

The first observation is that while a strategy of overall national growth can alleviate the problem of poverty, **the growth strategy alone cannot by itself deal adequately with the regional aspect of poverty.** There is need to find a future development strategy which tackles regional and local poverty problems and does not merely depend on the same blanket growth-oriented policies or the “trickling down” effects of overall growth policies. The second observation is that steady **sustainable long-term growth should be chosen rather than rapid growth with great risks.** When rapid growth results in instability or melt-down, the problem of poverty is highly exacerbated as can be seen by the effect of the economic crisis in 1997 on the poverty problem in the Northeast as shown by the 2002 data presented above.

III. GUIDELINE FOR FUTURE DEVELOPMENT — THE SUFFICIENCY ECONOMY PHILOSOPHY

The Sufficiency Economy concept was first mentioned in 1974 when His Majesty King Bhumibhol warned enthusiastic aspirants of totally modernizing the Thai economy to consider “sufficiency” as a more appropriate objective.⁷ Since the 1950’s, His Majesty has been travelling extensively throughout the rural areas in Thailand and had set up study centres in different regions to do research on the potential development of each area relevant to their resource conditions. It must have been clear to His Majesty the King that excessive commercialization leading to monoculture specialization of the farm is unlikely to solve the poverty problem and may even exacerbate it. In addition, a more balanced approach to development with the right emphasis on rural and urban development is more preferable. Specifically, His Majesty the King suggested, since 1974, that:

“Economic development must be done step by step. It should begin with the strengthening of our economic foundation, by assuring that the majority of our population has enough to live on. ... Once reasonable progress has been achieved, we should then embark on the next steps, by pursuing more advanced levels of economic development. Here, if one focuses only on rapid economic expansion without making sure that such plan is appropriate for our people and the condition of our country, it will inevitably result in various imbalances and eventually end up as failure or crisis as found in other countries.”⁸

Since then His Majesty the King developed the concept further which can now be summarized as follow,

“Sufficiency Economy” is a philosophy that stresses the middle path as the overriding principle for appropriate conduct by the populace at all levels. This applies to conduct at the level of the individual, families, and communities, as well as to the choice of a balanced development strategy for the nation so as to modernize in line with the forces of globalization while shielding against inevitable shocks and excesses that arise. “Sufficiency” means moderation and due consideration in all modes of conduct, as well as the need for sufficient protection from internal and external shocks. To achieve this, the application of knowledge with prudence is essential. In particular, great care is needed in the utilization of untested theories and

⁷ Royal Speech, December 4, 1974. Amarin Printing and Publishing, Bangkok, p.12

⁸ Ibid.,p.12

methodologies for planning and implementation. At the same time, it is essential to strengthen the moral fibre of the nation, so that everyone, particularly political and public officials, technocrats, businessmen and financiers, adheres first and foremost to the principle of honesty and integrity. In addition, a balanced approach combining patience, perseverance, diligence, wisdom and prudence is indispensable to cope appropriately with critical challenges arising from extensive and rapid socioeconomic, environmental, and cultural changes occurring as a result of globalization.”⁹

Since 2001, a group of economists led by Dr. Preeyanuch Piboolsravut of the NESDB has been analyzing the above definition with a view to furthering its application to the development process in Thailand. Three main elements have been identified - (i) Moderation (ii) Reasonableness and (iii) Self – immunity.¹⁰

3.1 APPLYING THE PRINCIPLES OF MODERATION, REASONABLENESS AND SELF-IMMUNITY TO AGRICULTURAL DEVELOPMENT IN THAILAND

Sufficiency economy has wide applicability and provides insightful guidelines to the existing problems of agricultural development, industrial development, and national development as well as the course of appropriate macroeconomic policy. For agricultural development, in the past, there has implicitly been only one blanket policy for rural or agricultural development for the whole of Thailand. The recommendation for the farmer is **to specialize and to produce in response to market demand.**

But farmers in Thailand produce under very different circumstances. There are those who are situated in irrigated fertile areas near major ports. Agricultural productivity in these areas is high while supply risks and transportation costs are minimized. On the other hand, the majority of agriculture in Thailand is practiced in rain-fed infertile areas situated at some distance from the major ports. To encourage the farmers in these latter areas to commercialize and turn to monoculture specialization is contrary to the three core principles of moderation, reasonableness and self-immunity.

Being “rain-fed” as opposed to “irrigated” areas, these farmers are subject to risks on the supply side because of weather uncertainties. On the demand or market side, they are subject to the considerable price instability that most agricultural commodities face. They usually shift to the production of new agricultural products when the prices are high, but because of the long gestation period they will not usually be in time to reap the benefits of the high prices. When prices fall, they suffer from the disadvantages of high transportation and other costs. If they have also borrowed to finance the working capital of fertilizers, pesticides and other inputs, it is possible that their decision to specialize and commercialize would mean they have ended up in destitution and indebtedness.

Looking back at the development literature of the 1960’s, a cursory treatment of agricultural instability pinned hope mainly on international stabilization schemes.

⁹ Unofficial translation of the Thai working definition approved by His Majesty and sent by His Majesty’s Principal Private Secretary to the NESDB on November 29, 1999.

¹⁰ “Economic Theoretical Framework of the Sufficiency Economy Philosophy (in Thai)” Group of Economists led by Dr. Priyanut Piboolsravut of NESDB, October, 2001.

Most of these international arrangements have either disappeared or are functioning ineffectively. At the national level, stabilization measures usually become undermined by short-term political pressures to create expensive price support schemes. A price support scheme for one commodity then provides a precedent for others to be adopted resulting in serious breaches of fiscal and monetary discipline for the whole country. For developing countries, whose finances are usually fragile, such cumulative actions will impair the confidence of the international financial community and could lead to economic disaster as has happened to many countries in the past.

It is all very well to talk of these dangers, but the question is what are the other choices for these farmers living in the remote and rain-fed areas?

In Thailand, rice is the staple food and it can be grown almost everywhere. Traditionally, a Thai farmer will grow rice for his consumption as well as to sell in the market place. Comparing the price of rice used for consumption with those varieties that are popular in Thai cities or in the world market, many people jump to the conclusion that farmers should switch to specialize in these popular varieties¹¹ because they fetch higher prices. If the farmers who live in relatively remote and rain-fed areas listen to this advice, they would have to sell all their rice production and use the income to buy rice for their own consumption. In such cases, the farmers are then subject to the full forces of instability. On the contrary, if the farmer produces for his family's consumption, his staple food needs are "immune" from outside market forces. From such a more secure position, he can decide how to use the rest of his labour and other resources to produce for his own needs or for the market. The choices could be among such activities as poultry, fisheries, other animals, fruits and vegetables, basketry and textiles. The farmer in this case does not aim for maximum gain through monoculture specialization but is content with the principle of moderation and the principle of spreading the risks to protect the farmer from uncontrollable unstable factors.

Given all the observations above, it would appear that a new modified development strategy at the national level is beginning to emerge. For external stability, Thailand needs to export to earn foreign exchange so that it is able at least to import essential goods it cannot produce. Among the agricultural products in Thailand, many could be exported. But these agricultural exports must be competitive in the world market and can withstand short-term instabilities on their own without having to seek continued price support from the government. Such pre-requisites favour agricultural production in irrigated areas having good soil conditions which are situated near the main ports so that transportation and other costs can be minimized.

It is clear that the Sufficiency Economy Philosophy which recognizes modernization in line with the forces of globalization does not deny agricultural production for exports in appropriate areas. But for the marginal producers with high transaction costs, the aim should be towards an agro-system which is shielded from instability by spreading and minimizing the risks involved.

The Sufficiency Economy Philosophy therefore calls for a more diversified and more balanced development strategy at the national level. At the specific and local level, His Majesty the King, in 1994 and 1995, has put forward more detailed

¹¹ Jasmine Rice or Fragrance Rice is one such popular variety for the urban consumers.

advices to the farmers naming the concept “Trisadee Mai” or “New Theory”¹² type of agriculture. The concept can be summarized in three stages as follow,¹³

1. In the first stage, it is envisaged that the main aim of the farmer is self-sufficiency especially in rice for his yearly consumption. His main problem is that he has inadequate or uncertain water supply. He should solve the problem by sacrificing part of his land by turning it into water reservoirs which should assure him of adequate water supply for rice cultivation for his household requirements. It is recognized that the construction of water reservoirs would require large initial expenses which are likely to call for assistance from the government and other sources. The operation expense can however be absorbed by the farmer.

2 In the second stage, the farmers are encouraged to seek further benefits by cooperating with their neighbours in the village so that they can lower the costs of raw materials, consumer and social products. The same grouping can also increase their bargaining power to sell their surplus products to the market.

3. In the third and more advanced stage, expanded activities, such as a rice mill and a cooperative store, can be contemplated with approaches being made to credit institutions and large multinational corporations (such as oil companies) for cooperation and assistance.

These guidelines have wide applicability over a large proportion of the rural areas of Thailand, especially in the Northeast where water supply is relatively scarce compared to land. The strengthening of community cooperation as outlined in the second stage of the concept is also very important and has become a main focus of the present National Economic and Social Development Plan.

Where land is relatively scarce or water supply is not a problem, the same concept minus the turning of land into water reservoirs can also be implemented. The farmer aims to supply his own needs first and then spread the risks among a number of products destined for the market. Externalities and sustainability considerations in production¹⁴ should also be encouraged.

Complementary to His Majesty the King’s “New Theory” agriculture, Dr Thanwa Jitsanguan of Kasetsart University has conducted intensive surveys on all forms of “sustainable agriculture” in Thailand. Dr Thanwa found that, in addition to “New Theory” agriculture, farmers practised four other forms namely integrated farming, agroforestry, organic farming and natural farming. Dr Thanwa’s concluding remarks in presenting the findings of his surveys were “all forms of sustainable agriculture conformed under His Majesty the King’s philosophy of Sufficiency Economy. The principles of reason, moderation and self-immunity are contained in the processes practised in these various forms of sustainable agriculture.”¹⁵

This essentially confirmed what His Majesty the King had said when he spoke in the context of agroforestry as far back as 1981 in Chiangmai,

¹² Royal Speech, December 4, 1994. Amarin Printing and Publishing, Bangkok, p.12, 80, 82, 84, 86.

¹³ For full details, see *Ibid*, p.80,82,84,86

¹⁴ The use of natural versus chemical fertilizers is a prime example. Wastes from one production line can be used as natural fertilizers which have benefits in terms of cost reductions as well as long-term sustainability of the soil.

¹⁵ Faculty of Economics, Kasetsart University, Final Report, Guidelines and Policies for Sustainable Agriculture (in Thai), September, 2001

“--- the people are clever, those on the hills as well as those on the plains. They are knowledgeable; they have worked for generations: they have earned their livelihood; they are intelligent; they know where to cultivate and where to conserve and keep intact. But the forest was destroyed by those who are ignorant ----- (those who) have forgotten that life is possible only with a right kind of agriculture.”¹⁶

3.2 TO FIND THE “RIGHT KIND OF AGRICULTURE”

Under the market-oriented economic policies, the rural sector in Thailand has contributed to economic growth by generating many agricultural commodities¹⁷ which can compete in the world market. Not all the farmers can jump on this bandwagon. Forgetting the three main elements of the Sufficiency Economy Philosophy could be highly detrimental to large sections of the rural sector. Let us consider the following scenario when the rural household forgets the Sufficiency Economy Philosophy,

Firstly, the rural household forsake the principle of “moderation” and concentrate all its resources in one single commercial monocrop.

Secondly, the rural household only looks at the present price signal and do not seek **knowledge** about past price instabilities due to demand and supply fluctuations in the world market. Then the rural household may tend to forget to use proper **reasoning** in the calculation of revenue and costs. Transportation and other transaction costs are naturally passed on to the farmers, reducing sales income but increasing input costs. The further the farm is from the market or the processing mills, the greater the reduction of net revenue earned by the farmer.

Thirdly, the rural household only looks at the best-case scenario under which high prices and the best weather result in a bumper crop which can be sold to pay off all debts leaving a surplus of income for the household to buy all its needs in the market. There is no protection whatsoever in this case for its livelihood in case that prices fall or if floods or droughts occur. Such behavior therefore has no **self-immunity** compared to the case that the farmer produces partly for his consumption and is immune from price changes in the market for his consumption needs.

From such an analysis, therefore, the recommendation is that the farmer does not aim for a best-scenario monocrop specialization, but instead opt for a moderate path of development by producing for his own needs and using his surplus resources to produce for the appropriate market. It is true that the average farmer is unlikely to get rich quickly this way but he should be able to achieve a stable and growing sustainable livelihood. The country would also benefit from having an agricultural sector with most households progressing with a firm foundation of producing for its own needs and generating increasing surpluses for the market.

¹⁶ Royal Address, February 26, 1981. Amarin Printing and Publishing, Bangkok, p.30

¹⁷ In 2002, rubber and rice constituted Thailand’s top agricultural exports, accounting for 33.7% and 31.6% respectively out of total agricultural exports. Other agricultural export earners included frozen fowl 10.4% and tapioca products 6.7%

3.3 APPLICATION OF THE SUFFICIENCY ECONOMY PHILOSOPHY TO THE NON-AGRICULTURAL SECTOR

Because Thailand is still predominantly rural and agricultural in nature and since the poverty problem is mainly concentrated in rural areas, especially in the Northeast, it is understandable that the discussion in this paper has so far focused on the agricultural sector. We are however confident that the Sufficiency Economy Philosophy is also relevant to the other sectors of the economy.

For sustainable development, Thailand has to remain competitive in manufacturing, service and other non-agricultural economic activities. The principles of moderation, reasonableness and self-immunity are highly relevant for these sectors. Firms should be encouraged to grow from a strong foundation, learning to establish their niche in the market with improving quality and competitive costs. They should not be encouraged to grow too fast by overborrowing, as any uncertainty or external unfavourable factors could easily trigger their downfall. They should be reminded to think of the medium-case or worst-case scenario rather than the best-case scenario. They would be adhering to the “self-immunity” principle if they could still “survive” even if the worst-case scenario occurs.....

And for policy making on the macroeconomic fronts, His Majesty the King often remarked that “to be a tiger is not important. The important thing for us is to have a self-supporting economy.”¹⁸ “This does not mean that there should not be progress. But we should progress moderately. If we move too fast, run up the mountain ... falling down and take others down with us, then that is trouble for everyone.”¹⁹

IV. THE SUFFICIENCY ECONOMY STRATEGY IN RELATION TO MODERN THOUGHTS IN DEVELOPMENT ECONOMICS.

This journey to find a more balanced development strategy is not an attempt to abandon economic theory and principles contained in the body of knowledge known as Development Economics. On the contrary, we should look at the latest situation in the field of development economics. In May 1999, the World Bank and the University of Zagreb held an international symposium on the “The Future of Development Economics” in Dobrovnik out of which a book edited by Professor Gerald Meier and Professor Joseph Stiglitz with the title “Frontiers of Development Economics-the Future in Perspective” was published in 2001.²⁰ Many leading development economists and Nobel laureates contributed to this publication.

Going through this publication, it would appear that the development strategy based on the Sufficiency Economy Philosophy together with a strong emphasis on sustainable agriculture is not only consistent but should add substance and depth to the current trends of thoughts on development economics as appeared in the above-mentioned publication.

¹⁸ Royal Speech, 4 December 1997. Amarin Printing and Publishing, Bangkok, p.45

¹⁹ Royal Speech, May 30, 1998

²⁰ Gerald M. Meier, Joseph E. Stiglitz (editors), Frontiers of Development Economics : the Future in Perspective, World Bank and Oxford University Press, 2001.

For instance, Professor Irma Adelman, rejecting the solution of a single factor development model, strongly recommended that “development should be analysed as a highly multi-faceted, non-linear, path dependent, dynamic process involving systematically shifting interaction pattern that require changes in policies and institutions over time.”²¹

Applying these thoughts to the relatively remote rural areas of Thailand, the development process starts by building upon satisfying the basic needs of the farmers and their households. As a stronger foundation is created with dynamic changes occurring in knowledge accumulation, cooperative experience, infrastructural improvement as well as technological advancement, the farmers or the group of farmers can expand more of their production toward the appropriate markets thereby improving their standard of living with less risks and vulnerability.

Throughout the Meier and Stiglitz publication, the writers deliberated on the usefulness as well as the inadequacy of conventional neoclassical analysis. The general conclusion seems to be that “development outcomes in the past confirm the essential contribution of market-friendly actions” but that “poor countries could be caught in a low-level equilibrium trap from which they cannot be freed by market forces.”²²

Our analysis of development in Thailand has produced evidences that successful growth has been the result of market-friendly policies and actions and that this has helped to reduce poverty to a considerable degree. But over large areas of the country, unstable conditions on both demand and supply sides could make farmers worse-off if they were encouraged to act only on short-term market signals. In these areas, it is suggested that farmers should be informed and encouraged to be more long-term and “moderate” in their decision-making by first building up a firm foundation based on sustainable agriculture and staple needs.

Another very important consideration by all the economists in the Meier-Stiglitz publication was the “role of the government.” Recognizing the limitations of market forces to achieve all of the important development objectives, all agreed that the role of the government is crucial but warned against excessive government intervention. Professor Paul Samuelson, a Nobel laureate, made the following remark on this issue,

“Centrist mixed economies, with limited powers of government, it is my hunch, are likely to outperform both laissez-faire polar cases and polar cases of paternalistic do-goodism. Human nature has a quantum of altruism, but that quantum is sufficiently limited to require rationing of altruism for its most important uses. No easy task for populist democracy.”²³

On the role of the government, we would like to reiterate once again the importance of maintaining fiscal and monetary discipline in order to achieve internal and external stability. No country within the globalized framework can develop its economy if its government cannot contain run-away inflation or has to face constant devaluation pressures. Having achieved this stability, it has to focus and deliver its role on the most essential items with good governance.²⁴ His Majesty the King has already made practical suggestions about the essential assistance which is needed

²¹ Meier, and Stiglitz, *op.cit.*, p.7

²² Meier, and Stiglitz, *op.cit.*, p.10

²³ Meier, and Stiglitz, *op.cit.*, p.503

²⁴ Out of its revenue, it should deliver expenditure on essential items with as little leakage as possible.

from the government in order to create sustainable agriculture. This is in line with what Professor Harberger recommended that “the limited scope of government action (should) focus on basic needs and opportunities for the poor rather than income distribution per se.”²⁵

For the reader who is not an economist, it should be mentioned that the principle behind the role of the government is well-developed in most branches of economics especially in welfare economics and public finance. Economists have for sometime recognized the difference between social and private costs as well as the difference between social and private benefits. Because of these differences, the government is justified to intervene against free market forces. Those who are concerned with environmental problems, for instance, should support the government to impose the full “social” cost on economic activities according to the accepted principle of “polluters pay.” On the other hand, the government should be urged to strongly support social projects such as education and health programs because their social benefits far exceed the private benefits. All these need to be done realizing the limitations of the government’s capacity to deliver and within the framework of fiscal and monetary discipline. The policies and actions must not work against constructive market forces which provide the “invisible hand” to guide and encourage entrepreneurship and sustainable growth. In order to maintain confidence and credibility in this balanced strategy and the “centrist mixed-economy system” government actions need to be carried out with good governance.

4.1 THE SHORTCOMINGS OF DEVELOPMENT ECONOMICS

If the 1999 international symposium on Development Economics can be considered to be representative of the main thoughts on the discipline, more attention needs to be placed on a number of issues which had up to now perhaps been excluded from conventional economic consideration.

Adhering to Professor Samuelson’s recommendation of limiting the government to its most essential roles and Professor Harberger’s conclusion that the government should focus on basic needs and opportunities for the poor, development economists appear to rest satisfied with the conventional role of the government. This conventional role consists of taxing those with the ability to pay (without hurting their incentives to work and produce goods) and then using the tax proceeds to pay for projects improving the basic needs and opportunities of the poor. The following considerations should be added as the role of the government is likely to be inadequate.

The first is that community organizations need to be encouraged. The government with the best of intentions is unlikely to be able to reach down to all the poor individual farmers. Farmers themselves can consolidate into community organizations helping each other in the activities of production, marketing, livelihood, welfare, education, social work and religion.²⁶

The second issue is the role of large private corporations. These companies usually have a clear stance on their missions or goals. Among these is to be a good public citizen by paying taxes and adhering to all the laws and regulations. Recognizing that it has the responsibility to contribute to society, the shareholders of these large corporations also approve budgets for social contributions. It is possible

²⁵ Meier, and Stiglitz, op.cit., p. 544

²⁶ As suggested by His Majesty the King’s “New Theory” Stage 2. Royal Speech, December 4, 1994., op.cit., p 84.

therefore to strengthen the ties between the community organizations and the large private corporations through these contributions.

The third issue concerns the role of philanthropic organizations, foundations and civil society groups. Individual philanthropists and companies with the resources and intention to help the poor do not usually have the time nor the expertise to carry out this function. Civil society organizations with good track record can mobilize resources and play an important role to help the poor and the underprivileged to help themselves in the long-run.

Development economists should therefore pay more attention to the role of community organizations, large corporations and civil society organizations to alleviate the poverty problem. Allowing the operation of market forces and relying entirely on the conventional role of the government to help the poor is unlikely to be adequate.

4.2 THE CONTRIBUTION OF THE SUFFICIENCY ECONOMY PHILOSOPHY TO DEVELOPMENT ECONOMICS

The Sufficiency Economy Philosophy urges economists to seek a good understanding of the “globalized framework” with all the potential benefits as well as the potential threats. With this understanding, the objective is then not to become “a new tiger”²⁷ by the quickest route but to find a national development strategy which provides a “moderate” and “self-immune” path which is sustainable in the long-run. Within this “national strategy”, “local solutions” should be encouraged according to appropriate local conditions with the government ready to perform its role with effective actions and budget in cooperation and partnership with community organizations. His Majesty King Bhumibhol’s Sufficiency Economy Philosophy and his “New Theory Agriculture” provide further depth and substance by encouraging the roles of non-governmental but public-spirited foundations and large corporations to enhance the development process. Given the limitations of the government, the mobilization of such resources should not only contribute significantly towards the development objectives but also add to the social cohesion of the society by bringing together the “haves” to help the “have-nots” voluntarily in addition to their contribution through the taxation system.²⁸

In the Meier-Stiglitz book which seeks answers about the future of Development Economics, Professor Harberger named his article “The View from the Trenches : Development Processes and Policies as seen by a Working Professional.” He has followed the tradition of Alfred Marshall in being practical but at the same time giving careful theoretical reflection.²⁹ His Majesty King Bhumibhol has also been in the “trenches” for over fifty years and has carefully theorized based upon his experience and findings as a “working professional.” He has also “blended shrewd science with devotion to people.”³⁰

²⁷ Royal Speech, 4 December 1997. Amarin Printing and Publishing, Bangkok, p.45

²⁸ Royal Speech, 1994, op.cit., p.82, 84, 86.

²⁹ Todd G. Buchholz, New Ideas from Dead Economists, Plume, (Revised Edition) 1999, p.2

³⁰ *Ibid*, p.2. Refer to Alfred Marshall.

V. THE FUTURE PERSPECTIVE

The world has now firmly entered the new millennium. Technological advancement appears to be rapid and the large multinational corporations are all geared up to change and expand in this environment of the New Economy. Thousands of other organizations and individuals are intent on opposing or even destroying this, as is evident in large demonstrations at all world gatherings organized by international organizations. It would be a great pity that “Homo sapiens” cannot use reason and wisdom to advance together despite having accumulated all the knowledge for thousands of years.

At least, Thailand should strive with confidence towards sustainable development under the Sufficiency Economy Philosophy which has added considerable conceptual and application strength to conventional economic theory and development economics. Applying the philosophy to Thailand, there is greater emphasis in building up a strong foundation in poor rural areas for future sustainable development. In countries, which are mainly non-agricultural, application of the philosophy should be no less relevant, since the principles of moderation, reasonableness and self-immunity can be usefully applied to their economies. Within the last five years, a growing number of Thai professional economists have joined to study the conceptual and practical impact of His Majesty the King’s Sufficiency Economy Philosophy and have become increasingly confident that the philosophy will guide Thailand on the proper path of sustainable development.

Because Thailand is still largely rural in nature, a great deal of emphasis has so far been made on how to find the right strategy on agricultural and rural development. Nevertheless it has been heartening to find the applicability of the philosophy to other sectors of the economy i.e. industries, services, finance or trade. The research and discussions have also led the economic participants to join forces with other social scientists and practitioners in political science, public administration and sociology etc to pursue the development goals together under the guidance of the Philosophy.

There is now a movement being orchestrated by the National Economic and Social Development Board to acquire more knowledge about the application of the Sufficiency Economy Philosophy and disseminate this knowledge to relevant participants at the national, local and individual levels. Enquiries from those in other countries who wish to examine whether they may benefit from the conceptual and empirical studies which have been carried out in Thailand should be most welcome.