Approaches to the Study of the Role of the Thai State in Promoting Development

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ความมุ่งหมายหลักของบทความนี้คือการอภิปรายข้อถกเถียงหลักๆ ในเชิงทฤษฎีที่นักรัฐศาสตร์ นักเศรษฐศาสตร์ และนักเศรษฐศาสตร์การเมืองใช้อธิบายบทบาทของรัฐในเรื่องการพัฒนาประเทศ โดยเริ่มต้นจากการวิเคราะห์จุดเด่นและข้อจำกัดของแนวคิดหลักที่ใช้อธิบายในเรื่องดังกล่าว 4 แนวคิด ประกอบด้วย ทฤษฎีความทันสมัย (Modernization Theory) ทฤษฎีการพึ่งพา (Dependency Theory) แนวคิดตลาดเป็นตัวขับเคลื่อน (Market-Led Approach) และแนวคิดรัฐเป็นตัวขับเคลื่อน (State-led Approach) เมื่อนำแนวคิดทั้งสี่ไปใช้อธิบายบทบาทในด้านการพัฒนาประเทศของรัฐไทย บทความนี้พบว่าแนวคิดทั้งสี่สามารถอธิบายในกรณีของประเทศไทยได้แตกต่างกันไป และใช้ได้ในบางแง่มุมเท่านั้น เช่น แนวคิดตลาดเป็นตัวขับเคลื่อนอาจใช้อธิบายการพัฒนาของประเทศไทยในช่วงปกติได้ดี แต่ไม่สามารถอธิบายการพัฒนาในช่วงที่เกิดวิกฤตการณ์ทางเศรษฐกิจ (เช่น วิกฤติ “ต้มยำกุ้ง” เมื่อปี พ.ศ.2540) ได้อย่างครอบคลุม เป็นต้น ดังนั้น บทความนี้จึงเสนอว่าหากต้องการเข้าใจบทบาทของรัฐไทยในด้านการพัฒนาประเทศอย่างครบถ้วน จะต้องมีการพัฒนาตัวแบบการวิเคราะห์ที่ให้ความสำคัญกับผลกระทบจากภายในและภายนอกที่ครบถ้วน โดยเฉพาะผลกระทบจากปัจจัยภายนอกจากการที่ประเทศไทยเข้าไปเป็นส่วนหนึ่งของระบบเศรษฐกิจโลกที่มีแนวคิดเสรีนิยมใหม่ (Neo-Liberalism) เป็นตัวนำ และปัจจัยภายในคือการช่วงชิงพื้นที่ในเชิงอำนาจและผลประโยชน์ของกลุ่มต่างๆ ที่มีความหลากหลายและซับซ้อนขึ้นทุกวัน

Abstract

The method of examination used in this article consists of qualitative analysis. This article discusses the ongoing theoretical debate among political science, public administration, and political economy scholars on the role of the state, in general, and of the Thai state, in particular, in promoting the country's development. This discussion considers the strengths and weaknesses of four major approaches developed by prior research in the development field (i.e., modernization, dependency, market-driven, and state-led approaches). Applying each theoretical framework to explain the Thai case, this article finds that each approach has both pros and cons. Scholars in the pro-market camp prefer to let the market ensure the efficient allocation of resources, while the pro-state scholars strongly support necessary state intervention in economic development by mobilizing and allocating resources to strategic sectors. The mainstream of thought concerning development in developing countries in the early period after World War II included two major approaches of development theories: modernization theory and dependency theory. In order to explain more clearly the changing goals and aspirations of the state in Thailand, this article thus suggests future research to investigate and analyze the impacts of Thailand's economic integration with the international market concerning the developmental role of the Thai state. These impacts also should be considered together with the nature of conflicts among groups in Thai society—the interests, actors, and groups involved, and more specifically, why some interests have ultimately prevailed over others.

Keyword: State and development approaches, Developmental role of the state, Thai State

Thailand is an interesting case for the study of the role of the state in stimulating economic development. During the late 1980s, Thailand's stunning GDP growth rate made this country acknowledged by the world as an "Economic Miracle" (Warr, 1993) and a probable "Fifth Tiger" (Muscat, 1994). The development in Thailand since then has also been amazing including "the ebb," the weak growth of the late 1990s as a result of the 1997 financial crisis, "the flow," the economic recovery of the twenty first century, and "the puzzle," the current economic situation that has been at risk under domestic political crisis and international economic constraint, periods of country's development. In order to understand these developmental trends more clearly, this article proposes the impacts of neo-liberal globalization and group conflicts to the study of the developmental role of the Thai state, particularly as this country integrates its domestic economy with the international market.

It is appropriate to begin this article with a brief definition of "development." By development, this article means the overall improvement of socioeconomic conditions and living-standards, including per capita GDP, literacy, health, life expectancy, infrastructure, and the political system. For this reason, the meaning of development discussed in this article is much broader than development in terms of economic growth. Economic growth is primarily associated with the expansion of production and the increase of the national economy. The United Nations recently has gone further by proposing the concept of human development. The notion of human development emphasizes "choices" with which individuals can pursue a healthy life, acquire knowledge, secure human rights, and achieve freedom (see for instance, Amartya Sen, Freedom as Development). This article thus examines development theories of state involvement in promoting growth, protecting the national economy, and providing improvement of human conditions.

Methodology

The method of examination used in this article consists mostly of qualitative analysis. Relying on the literature in the development field, this article discusses the ongoing theoretical debate among political science, public administration, and political economy scholars regarding the role of the state, in general, and of the Thai state, in particular, in promoting the country's development. This discussion considers the strengths and weaknesses of four major approaches developed by prior research in the development field (i.e., modernization theory, dependency theory, the market-driven approach, the state-oriented approach). An attempt is made to discover the most appropriate approach to the study of the role of the Thai state in fostering development. Applying each of the four theoretical frameworks to explain the Thai case, this article argues that each approach has both pros and cons. This article thus suggests that future research should include both external factors, especially the impacts of economic integration with the international market, and internal factors, in particular politics and conflicts among groups in the society, to explain more clearly the changes in the developmental goals and aspirations of the state of Thailand.

Results

There has been a lively debate among scholars over the past decades regarding the proper role of the state in promoting development. On the one hand, scholars in the pro-market camp prefer to let the market ensure the efficient allocation of resources (World Bank 2002, Friedman 1999), while the pro-state scholars strongly support necessary state intervention in economic development by mobilizing and allocating resources to strategic sectors (Katzenstein 1985, Evans 1995). However, a theoretical debate regarding the proper developmental role of the state was prominent until the 1970s when many of the East and Southeast Asian economies entered a period of economic boom. The mainstream of thought concerning development in developing countries in the early period after World War II included two major approaches of development theories. The first approach was modernization theory, the dominant perspective on development until the end of the 1960s. The second one was dependency theory, which emerged as the radical critique of modernization.

3.1 Modernization Theory

The fundamental assumption of the modernization approach to development is "universalism." This means that the strategies that have advanced industrial countries such as the UK and the US applied should be emulated by developing countries. The landmark of this universalist approach is Rostow's (1960) stage theory. Rostow posits the idea of unidirectional history—from traditional society to industrial society—by emphasizing the take-off stage. The take-off stage is a sort of threshold in development. Once the society reaches this point, the socioeconomic conditions will advance and will be less likely to regress. However, for developing countries, following Rostow's original model, the most serious challenge is how to boost industrialization to the extent that the society reaches the threshold. Some functionalist sociologists such as Parson (1951) have suggested that the increased level of division of labour is a necessary condition for modernization, in particular the establishment of modern nation-states in which various bureaucracies and agencies are responsible for various technical tasks. They also claimed that the rationalization of political systems and the secularization of society are indispensable for accelerating the modernization processes.

Similarly, political scientists have suggested, particularly during the 1950s and 1960s, that modern technical bureaucracy is required to bring traditional society into an era of modernity. Samuel Huntington (1968), for example, argues that a centralized bureaucratic state can enhance the capabilities of the state and bring about modernization reforms in a changing society. When traditional society begins to move toward modernity, the technocratic and bureaucratic aspects of the state are required to coordinate and effectively implement various policies in politics, economics, and society. Furthermore, the solidly-institutionalized state is expected to maintain political order in the changing society. If the state fails to "govern," it will lead to political decay. Huntington cautions that the role of the bureaucracy and the military is far more important in developing countries than in industrialized countries because the pace of social change is much faster in developing countries than in developed countries.

Thus, the state in developing countries has to simultaneously fulfil two responsibilities: (1) the promotion of socioeconomic development and (2) the maintenance of political order. In short, for modernization theorists, underdevelopment is internally or endogenously caused. Because it is assumed that developing countries can advance to industrial society by taking the similar paths and strategies that the developed countries had experienced, underdevelopment is an outcome of the states' failure to adopt the lessons from the West and to imitate it.

Applied to the Thai case, the modernization approach and its revised version, which indicates the critical role of the state in development, are helpful in explaining the change in social and economic structure as a result of the Thai state's development policies particularly after the end of World War II. Since the 1960s, many developmental projects have been set up and promoted by the Thai state aiming to develop the economy and society in order to help the country to become modern. However, the consequences of such socioeconomic-modernization policies have not advanced Thailand to be the same type of industrial society as characteristic of western countries. That is, instead of totally devastating the production of the agricultural sector, the transformation of the economic structure converted Thailand from an exporter of agriculture products, mostly consisting of rice and land-intensive production, to an exporter of manufactured goods and tourism (Pasuk and Baker, 1995). This change in the social and economic structure—production forces and the social relation of productions—does not indicate that the Thai state has failed to adopt the developmental lessons from the West. Rather, it illustrates that Thailand has successfully transformed itself in another way of development—from an agrarian economy to an export-led economy that combines agriculture, agro-industry, manufacturing, and services (Bhidya, 1995).

Moreover, the changes in the economic structure alone could not have brought this succession to the Thai economy if the Thai state had no commitment to a free-market (World Bank 1993; Naher, 2002). As can be observed through its developmental strategies, the Thai state showed its commitment to a free-market by implementing economic policies such as autonomy liberal regulations on foreign investment and export-driven policies. In this regard, it would be useful to note here that the operation of the free market in Thailand (and in other East Asian countries) has not meant adherence to what the neoclassical approach asserts as the primacy of market over government (Hewison, 2006: 78). Instead, the free market has been constructed in ways that benefit certain interests of the state in promoting capitalist development. Hence, one of the major shortfalls of applying modernization theories to the case of Thailand is that the approaches pay too little attention to international factors, in particular the structure of the international capitalist system, which for many other scholars (e.g., dependency theorists) was responsible for the underdevelopment of the less-developed countries.

3.2 Dependency theory

Dependency is a concept popularly used in comparative analysis of the Third World countries in Asia, Africa, and Latin America. Originally, it was the most flamboyant criticism of political development and its dominant modernization paradigm. More recently, we may distinguish two types of analytical frameworks in the dependency approaches. The first one is the earlier literature in this tradition, which emphasizes international factors and their strict constraints on developing countries. The second type is the later literature developed by O'Donnell and Evans, which acknowledges the role of the national state in the process of development (Maxfield, 2002).

By dependency, Baran (1956) and Dos Santos (1970) meant the situation in which economic development of the third world is conditioned and constrained by the economies to which they are subjugated. In this sense, the world is comprised of a centre (metropolis) and a periphery (colony). However, economic preconditions of the third world (the periphery) are quite different from initial conditions, in which the industrialized countries (the metropolis) had started modernization. That is, when Europe and the North America began to develop, there were no external constraints. In contrast, the preconditions for the third world were already structured by the imperial states. The domestic markets of the third world were arranged so that the centre could extract raw materials. Some natural resources were monopolized by big business at the centre. Thus, given these unique preconditions, Baran and Dos Santos argued that the third world could not achieve development using the economic strategies that had worked in the West.

For the earlier generation of the dependency theory, the solutions included nationalization of industries and the Import-Substitution Industrialization (ISI) which broke the tie with the global market. It was also suggested that the third world states should be allied in international politics in order to challenge the hegemony of the first world. This suggestion led to the attempt to establish the New International Economic Order (NIEO). Some radicals went further to argue that the third world needed to get out of the capitalist economy.

The earlier literature assumes that as long as the current structure of the global economy remains unchanged, there is no chance for the third world to develop. However, with the economic growth of India and some East Asian economies, this claim has been challenged and has lost some of its former influence. The later literature on dependency then acknowledged that even dependent countries may achieve economic development, although such development is far from ideal. For instance, O'Donnell (1972) argues that bureaucratic authoritarian states, which are capitalist states guaranteeing the interests of international oligopolistic capital, can promote development and capital accumulation to some extent. These states are required to exclude the popular sector from politics, deactivate trade unionism, and invite foreign direct investment. Peter Evans (1987) similarly argued that the third world countries can achieve development, but that is “dependent” development. Such development is achievable at the expense of negative consequences in domestic societies: eradication of indigenous firms, the unequal distribution of income between urban and rural sectors, and the exclusion of the popular sector.

Dependency theory has some advantages for the study of the Thai state and development because it indicates the negative impacts of liberalization and capitalist globalization. For dependency theorists, the rapid economic growth in Thailand during the late 1980s to the mid-1990s, driven by foreign capital and domestic comprador capitalists (who are agents of foreign capital), had promoted the interests of foreign investors and Thai elites rather than the interests of the majority of Thai citizens (Dixon, 1999). In this sense, Thailand’s development was dependent on investment decisions made by a small group of leaders largely influenced by internationalized corporations and the major capitalist nations (Bello, Cunningham, and Li, 1998). The 1997 financial crisis was a great assertion for these arguments. However, economic growth in Thailand challenged these premises in several aspects.

First, like other East Asian countries, large and rapid increases in per capita GDP in Thailand were the result not only of the state’s response to international market forces but also the state’s intervention in the direction of the economy through state industrial development planning agencies such as the Office of National Economic and Social Development Board (NESDB) and the Board of Investment (BOI) (Sasitorn Srilertchaiparnich, 1994).

Another and the most important problem of dependency theories is its ignorance of the important role of the local capitalist class in fostering economic growth in East Asia in general (World Bank, 1993) and in Thailand, in particular (Anek, 1992; Pasuk and Baker, 1998; Hewison, 2005). In this respect, the 1997 financial crisis may not be proved to be the negative impact of liberalization and capitalist globalization *per se*. The bust was also seen to have been the result of misguided state interventions and the weak corporate governance of private domestic investors (Stiglitz, 1999; Wade, 2000). More precisely, the crisis can solely be explained by neither external forces (international market, foreign investors) nor internal forces (the Thai state). Rather, it was both that interactively shaped the Thai crisis (Pasuk and Baker, 1998; Glassman, 2004; Hewison, 2006).

Even though modernization and dependency approaches were obviously challenged by the rapid growth experienced in many of Southeast Asian economies, including Thailand, the revised ideas regarding development by both approaches have brought new emphasized factors to the discussion of development—the political context in which development was to occur and the role of national politics in development. Since the 1970s, among the variety of development explanations, two broad perspectives have emerged. The first perspective includes theories influenced by neoclassical economics, which view the success of the Asian Tigers as a result of the adoption of policies that embraced global market forces. The latter, in contrast, includes the revisionist theories that claim models of state-led development as the remarkable feature of Asian industrialization.

3.3 Market-Driven Approach

Basically, market-driven approaches stress the importance of self-regulating markets as the way to grow the economy: the minimal role of the state. The idea that the state should have a limited role in the economy was developed by the classic capitalist theory of Adam Smith (1776), who provided a principle source of inspiration for free-market economists across the world.

Relying on a capitalist perspective, Smith assumes that individuals and firms purchase the products that give them the greatest satisfaction for their money and that they purchase these goods in a perfectly competitive market. In *The Wealth of Nations* (2003 [1776]), he introduces the theory of the "invisible hand" of the market, through which the pursuit of individual self-interest unintentionally produces the collective good of the society. In Smith's opinion, a state could never be knowledgeable enough or impartial enough to manage a country's economy successfully.

Because the state lacked these qualities, Smith argues that non-intervention by the state in economic matters was generally the wisest policy. This analytic tradition emphasized the advantages of freely-operating markets and praised the decentralized decisions that markets permitted. His viewpoint in particular opposed the prevailing sentiment that the state should direct a nation's economic life, saying that there are only three duties that the government has in regard to its economy: (1) protection of individuals from coercion, (2) protection of individuals from injustice, and (3) providing infrastructure such as roads, electricity, water supply, and so forth.

Even though some original ideas of Smith were criticized as well as modified by more recent scholars, many of them (e.g. the concept of the "invisible hand") are still powerful and widely used, particularly by neo-liberalist scholars. In *The Illusion of Choice: How the Market Economy Shapes Our Destiny*, Andrew Schmookler (1993) assesses the power of the market system in characterizing our society, and indicates that the market system has great influences that are scarcely visible to us. According to Schmookler, the market system has power even to shape the spiritual condition of the people that live in the market society.

Milton and Rose Friedman’s (1980) *Free to Choose: A Personal Statement* is another example of the neo-liberalist perspective on the economic role of the state. Analyzing the role of competitive capitalism as a system of economic freedom and as a necessary condition for political freedom, the authors claim the power of the market, and prefer keeping the government in its place as the people’s servant and not letting it become the people’s master. However, according to them, the roles that should be assigned to the government are not only those three main duties suggested by Adam Smith, but also the duty to protect members of the community that cannot be regarded as “responsible” individuals (p. 32). Thus, from the neo-liberalists’ view, economic growth is a natural or inherent property of capitalist economies. The state has an important role in only providing “public goods,” such as physical infrastructure, law enforcement, macroeconomic stability, and perhaps education, which are difficult to arrange through private contracts.

Furthermore, for some scholars such as Mancur Olson (1993), the small size and minimal role of the state in its economy lead to greater development. Seeking to explain the proper role of the state in economic development, in particular distinguishing levels of development that occur between dictatorships and democracies, Olson claims that stability is necessary for development. According to him, even though both dictatorships and democracies can bring about stability, the different size and role of the state in the economy cause a different level of development. That is, dictatorships tend to bring about larger, more involved state involvement, which results in limited development, while democracies bring about less involvement and a reduced role, which can lead to greater development. For this reason, Olson would say that the proper role of the state in stimulating economic development is just to provide the rules of the game and to enforce those rules appropriately in order for the market to function.

In his *Structure and Change in Economic History*, Douglass North (1981) also indicates the necessity of the state so that markets can function. However, North argues that a theory of institutions is needed in order to enlarge the neoclassic model, and the elements of this theory are: (1) *a theory of property rights*, for the incentives they create; (2) *a theory of the state*, as the unit that specifies and enforces property rights; and (3) *a theory of ideology*, which influences how individuals' perceptions are translated into action.

According to these theories, the state is necessary for markets to function because the state is responsible for the efficiency of the property rights structure, which can bring about economic growth, stagnation, or decline. On the one hand, North agrees with the neo-liberalists' argument that the state provides essential public goods in the form of law, justice, and defence. On the other hand, he claims, in contrast, that the state develops and enforces rules in order to maximize the wealth of the "ruler" (or, in other words, to maximize the monopoly rents of the group or class of which the ruler is the agent). However, because the ruler may be constrained by the transaction costs of tax collection, the ruler eventually introduces rules to lower such costs, thereby increasing efficiency and stimulating growth.

As he notes, "secular economic change has occurred not only because of the changing relative prices stressed in neoclassical models but also because of evolving ideological perspectives that have led individuals and groups to have contrasting views of the fairness of their situation and to act upon those views" (p.58). According to North, we need a set of ideas that protects property rights, and it is the state, as a third party when facing a free rider problem, that can foster this. In short, people will invest when their property rights, which are provided by the state, are secure. As a result of people's investment, an economy eventually will experience growth.

Moreover, the necessity of state intervention in the economy, particularly when the country is facing a crisis, was introduced and is still being developed by schools of thought such as the Keynesians and the Neo-Keynesians. Writing during the Great Depression, John Maynard Keynes (1964) suggests the obligatory role of the government in securing the reliable performance of the economy as a whole. He argues that in a slumping economy, where a decrease in aggregate demand leads businesses to cut back on production and lay off unneeded workers, an activist government should come in and work intensively to manage aggregate demand in order to achieve full employment. Thus, the major political contribution of Keynesian theory is its justification for state intervention in the economy (especially intervention to secure national economic prosperity).

Since the mid-1980s, the robust economic performance of many Southeast Asian countries such as Thailand, Indonesia, Malaysia, and the Philippines has highlighted the role played by open economies. Indeed, the World Bank (1993) stresses that Southeast Asia's market economies grew as domestic regimes were retreating in both political and economic ways. For neoclassical theorists, the Southeast Asian states during the boom period came to see their economic role as primarily ensuring macroeconomic stability (Haggard, 1986; Fukuyama, 1999) and posited self-regulating markets as the way to grow the economy. However, many studies in Thailand have indicated the critical roles that the state has played in taking advantage of as well as directing the composition, direction, and pace of market development by using laws and regulations (Wichai Srisuwan, 1992; Surachai Chancharat, 1995; Worawit Pornpimolmit, 1998), economic policies (Neher, 2002), and monetary tools (Surat Chayasakool, 1995; Suriya Thienphaisarn, 1997). Thus, it is not clear whether factor accumulation and the efficient allocation of resources that lead to growth derived from a free-wheeling market or from properly-conditioned and properly-timed state intervention.

The 1997 financial crisis has also highlighted the issue of the role of the state and its capacity in dealing with economic problems. Andrew MacIntyre (2001), for instance, argues that the economic crisis in Thailand (and other Southeast Asian countries) has not been driven only by factors such as pegged exchange rates, heavy short-term foreign borrowing, or hopelessly financial sector regulation.[1] Thailand's weak political structure, characterized by cabinet instability under a parliamentary structure, with multiple weak parties, also constrained policy making and compounded the loss of market confidence as the crisis unfolded. In addition, the impressive role the Thai government, especially under Prime Minister Thaksin Shinawatra and his Thai Rak Thai party era, played in order to respond to the financial crisis is another assertion, indicating the necessity of state intervention in the economy when the country is facing a crisis.

In early 2001, Thaksin Shinawatra introduced many "populist" policies such as the agriculture debt moratorium, establishment of the Village and Urban

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[1] The nearly three decades of economic blooming came to an abrupt halt in mid-1997 after Chavalit Yongjaiyuth's government stopped pegging the baht from the US dollar and allowed it to float. Within a few weeks, the baht had lost 40 percent of its value. Simultaneously, the stock market had lost two-thirds of its value, two-thirds of all finance companies were suspended, and unemployment was close to 6 percent.

Revolving fund, providing public health insurance, and reforming the salary and payment of government officers (Pasuk and Baker, 2004). These policies helped the government not only to gain popular support but also to stimulate the country's economy. Apart from above "domestic-led growth" policies (Felipe and Lim, 2005) introduced by the TRT, Thailand's economic recovery also was the consequence of the state's role in supporting the expansion of tourism and service industries (Sarun Rakphao, 1998), the growth of the telecommunications sector (Bennjamas Yospanya, 2003), and the ability in manufactured goods competition (Katanavadee Kosumbongkoch, 2004; Nattakarn Rodmer, 2009; Nattaporn Tantiwiboonchai, 2009; Sukanya Satier, 2009).

3.4 State-Oriented Approach

One of the main reasons that has caused many scholars to accept the strong role of the state in promoting economic development is the state's political/economic power to carry out some activities that other organizations cannot do (or can do, but the state can do them better). Discussing the appropriate role of the state in economic development, Joseph Stiglitz (1989: 15) mentions that "the economic role of state is concern not just with the size of the government, but also with appropriate tasks for it to undertake." He suggests that there are both economic activities that are best carried out by the state and other activities in which the state should let market mechanisms work completely independently. In doing so, Stiglitz attempts to identify the differences between the state as an economic organization and other organizations. He then explains how these differences give rise to advantages and disadvantages. Arguably, the state has the power to tax, the power to proscribe, the power to punish, and some transaction cost advantages in correcting some market failures, while at the same time it also has bad characteristics—inefficiency, an excessively conservative view of administration, and red tape—which perhaps are obstacles to economic development. Thus, the role of the state in promoting economic development, in Stiglitz's view, requires a balance between private and state economics, as well as well-structured state economic activity.

According to Stiglitz, because efficient market allocations cannot be attained without state intervention, the proper economic role of the state is as follows:

(1) The state should be wary both of exercising its monopoly power and granting monopoly rights (franchises).

(2) The state should encourage competition within the public sector in order to create more incentives in investment and to increase coordination.

(3) The economic functions of the state should be decentralized to provide communities with an opportunity to obtain good public services at lower costs.

(4) The state has a responsibility to provide the requisite information and to lower costs to others in obtaining the information they might judge to be relevant.

In addition, there is historical evidence showing that it is the role of the state that affects economic development or decline. For example, in Economic Backwardness in Historical Perspective, Alexander Gerschenkron (1962) argues that the state intervenes in economy because it is necessary for both economic and political reasons. Citing the historical case of Russian industrialization in the eighties and the nineties of the past century, Gerschenkron indicates that economic development is the result of the appropriate role of the state. For example, he writes, "through multifarious devices such as preferential orders to domestic producers of railroad materials, high prices, subsidies, credits, and profit guaranties to new industrial enterprises, the government succeeded in maintaining a high and, in fact, increasing rate of growth until the end of century" (p.19). In addition, an attempt to create guilds by state fiat, in the case of Russia, illustrates that the government's policies of industrialization also had to function as a substitute for the missing prerequisite of the craft-guild experience. Hence, according to Gerschenkron, the state becoming involved as much as possible in capitalist industries is needed, particularly in more backward societies.

The rapid-growth economic experience in East Asian countries also suggests the necessity of state intervention in economic development. In his study on the crucial role played by the Ministry of International Trade and Industry in Japan (MITI) in the post WWII economic development, Charlmers Johnson (1982) pointed out that the key explanatory variable is the state's rational prioritization of state economic policies. Economic bureaucrats of the MITI consistently prioritized the expansion of production by arranging financial and monetary structures, controlling individual spending, providing subsidies for strategically important industries, and controlling trade unionism. The MITI was able to implement economic policies effectively because of the relative autonomy of the state from societal pressures, which Johnson named the "developmental state."

Reviewing three articles that focus on economic success in East Asia, Robert Wade (1992) finds evidence to support Johnson's developmental state model—that "government intervention" is the key to the success of rapid economic growth in East Asia (particularly, the case of South Korea as in Alice Amsden's article). For example, the Korean government has acted beyond what neoliberals have suggested as the proper role of the state in maintaining economic growth in several ways: acting as an entrepreneur, banker, and shaper of the industrial structure; distorting the price structure by subsidies, protection, price controls, restrictions on incoming and outgoing movement of finance and direct investment, and so on. In addition, learning from the interpretation by Stephan Haggard of East Asian success and Latin American failure, Wade indicates that economic success in East Asian countries is a result of their political stability, in which several factors—international pressure to reform policy, the strength of different social groups, and a military regime that has enjoyed great autonomy in the decision-making process—exist. In contrast, the "external shocks," unbalance in social force, and class structure that have caused unstable governments are the main reasons for economic failure in Latin American countries.

However, it is not clear to what extent this developmental state model can theoretically hold. While it seems to have worked well in some countries, as in South Korea and Taiwan, it has failed in the Southeast Asia's newly exporting countries: Thailand, Indonesia, and Malaysia by resulting in developmental authoritarianism and serious corruption. The developmental state is likely to justify authoritarian regimes by providing material rewards or promising to do so to the mass public. Also, because bureaucrats favour some industries while excluding others, economic actors tend to establish organic relationships with the state apparatus and to ask for special favours in exchange for bribes. Thus, unlike in the relatively homogenous Northeast Asian societies, difficult problems afflicting the capitalism of Southeast Asia relate not only to the problem of the low quality of state intervention but also to other cultural problems such as "Chinese discrimination[2]" (Yoshihara, 1988).

In addition, the International Monetary Fund (IMF) and its supporters have argued that the 1997 financial crises in East and Southeast Asian countries were not simply the result of macroeconomic mismanagement, but their pathological institutions, such as corrupt government–business relationships ("cronyism"), overly-geared and overly-concentrated corporations, company-based welfare systems, and distorted financial systems. As a result, in its programs for the crisis-stricken Asian countries, especially the one for Thailand, the IMF has gone beyond its usual demand for liberalization and privatization and implemented programs that required institutional transformation to an unprecedented extent—fiscal stimulus, social protection, and reform of the financial sector (Nabi and Shivakumar, 2001).

Another negative impact of state intervention on economic growth is that it may cause "rent seeking," the extraction of uncompensated value from others without making any contribution to productivity, which is held to occur often in several illegal forms (e.g. bribery, corruption, smuggling, and black markets). As Anne Krueger (1974) indicates, while state interventions intended to improve the efficiency of resource allocation and channel it in a socially-desired direction, state restrictions upon economic activity by creating fairly small,

[2] In Thailand, the monarchy promoted a dichotomy between the political arena controlled by the indigenous elites and the economy dominated by the Chinese, foreign capital, and the aristocracy. In time, this historical legacy gave rise to "pariah capitalism" (Riggs, 1960; McVey, 1992; Gambe, 2000)—a situation in which an economically-dominant yet socially discriminated-against ethnic minority sought protection and patronage from indigenous political authorities who, in turn, dispensed favours as money-making opportunities to expand their personal wealth.

deadweight losses due to distortions may instead end up diverting resources to a significant extent from production to rent seeking. In a rent-seeking society, investment in productive activities is reduced, resources allocated by state policies are inefficient, and the economy under these conditions grows relatively slowly (Buchanan, Tollison, and Tullock, 1980; Gallagher, 1991; Khan and Sundaram, 2000).

Conclusions

To sum up, the above discussion reflects considerable controversy over the role that the state has played in economic development. That is, on the one hand, many studies have suggested that the state pay close attention to its economy through several economic intervention mechanisms. On the other hand, there are also studies that support the idea that the state should have a limited role in its economy. However, although there is no consensus regarding what "size" the state should be or how the state should become involved in its country's economy, for most political economy and political science scholars (even those that think that a limited role of the state is adequate for economic development), the state should do something that benefits its country's economy (e.g. providing public goods, ruling and enforcing "the rules of the game," and so on). The state's role is important in specifying and enforcing property rights as well as in shaping individuals' and groups' incentives for economic activity (North, 1981).

The role of the state is needed in order to establish the cooperative and competitive relationships which constitute a society, and more specifically, economic order. The role of the state is also essential in order to provide its economy with an efficient allocation of resources, and at the same time, strengthen individuals' capacity—meaning the ability to access social and economic arrangements—as well as political and civil rights (Sen, 1999). In addition, several forms of intervention, such as protection and selective industrial promotion, are acceptable ideas, yet in a way that does not invite rent-seeking (Wade, 1992). In this article, instead of overlooking the role of the state, I am thus interested in explaining the state's task—particularly how the state can find a balance between taking advantage of globalization and providing a secure and stable social and economic domestic environment.

As can be seen in the above discussion, the Thai state plays a crucial role in capitalist development. It would be naïve to ignore the role of the Thai state in opening up its economy to investment and trade, and its creation of infrastructure supportive of global forces (from legal systems to telecommunications), which allowed globalization to occur. However, these roles of the state have changed over time as capitalism has evolved and developed. These changing roles are the subject of conflict between competing interests (both external and internal). To explain the changing goals and aspirations of the state in Thailand, scholars need to investigate and analyse the nature of these conflicts, the interests, actors, and groups involved, and why some interests have ultimately prevailed over others. Bringing this approach to the Thai case could provide us with clear answers to questions such as: how and why the role of the Thai state in fostering economic development is important even in an age of globalization; and how and why such roles have changed over time. Indeed, how does economic globalization (external competing interests) affect the goals and aspirations of the state in Thailand? How does internal conflict (competing interests between domestic actors and groups) affect the goals and aspirations of the state in Thailand?

Moreover, during the 1997-98 financial crises, the Thai state paid more attention to the establishment of welfare systems in order to reduce the social impact of the economic downturn. Since then a number of social policies have been initiated not only to improve the well-being of Thai individuals or groups—in other words, their health, happiness, safety, prosperity, and fortunes in general—but also to cope with the possible impacts of crises (which may take place at any time and in any place under the rapid change of today's world economy) on the people in particular. Using an approach that focuses specifically on the area of social welfare policy and by applying it to several contexts (especially the period since the late 1980s) could provide us with more specific answer to questions such as how those changes in goals and aspirations of the Thai state (which result from conflicts between competing interests—both external and internal) have affected social welfare policies since the boom period; how those social policies relate to the country's development across times; and how social welfare policies help to reduce the social impact or protection of people from economic crises (e.g. the 1997-98 financial crises and the 2008 economic recession). In short, this approach helps to explain how and why the roles of the state, particularly by implementing social welfare policies, have changed over time and in what direction and the extent to which such changes have impacted the country's development.

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