

1987 TDRI Year-End Conference on

Efficiency and Competitiveness of the Thai Economy

**Economic Policy Management in Thailand: Response
To Changes in The World Economy, 1973-1987**

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Presented at

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Regent Cha-Am Beach Hotel

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**ECONOMIC POLICY MANAGEMENT IN THAILAND:
RESPONSE TO CHANGES IN THE WORLD ECONOMY 1973-1987**

**A Paper Presented at the
1987 TDRI Year-end Conference
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by

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Unlike the other papers being presented at this Year-end Conference, this paper is not the result of completed or on-going research projects. It is more in the nature of a broad examination of some of the problems encountered in the management of economic policy in the face of rapid and significant external change. As such it bears only a peripheral relationship to the ongoing project on the Management of Economic and Social Development (EMT) which concentrates on the administrative side of the problem. It should thus be read as a complement to the EMT project reports, and may or may not represent the beginning of a small new project, depending on an assessment of the merit of the approach used in the paper.

My two colleagues on the team, Dr. Direk and Khun Chanin have succeeded in assembling a great deal of interesting information and data and have been invaluable in helping to interpret some of the data, a thorough analysis of which will require many more months of work. The shortcomings to be found in the paper remain, of course, the responsibility of the principal author.

Phaichitr Uathavikul
November, 1987.

As a small open economy, Thailand is highly vulnerable to fluctuations and changes in external conditions. Since 1973, the world economy has undergone periods of rapid and substantial change accompanied by a high degree of uncertainty in both the real and monetary sectors. Inevitably, such changes have had serious repercussions on the Thai economy which, in turn, have increased the need for appropriate and timely responses on the part of the Thai Government. This paper represents an attempt to trace significant developments in the world economy from 1973 to the present, relate them to major changes in the Thai economy, and examine the role played by policy adjustment in response. No attempt will be made to be comprehensive in the treatment of the problem, and the paper will concentrate only on salient features of such policy responses. Several areas of policy intervention will thus be dealt with only in passing or entirely left out because they did not, in retrospect, have a significant impact on the overall problem of structural adjustment. And, as the focus of the paper is on the management of policy changes, it will concentrate on three aspects of the problem, namely, the effectiveness, the timeliness, and the process of policy response.

I.

THE SETTING

An overview of the World Economy since 1973

Three factors may be identified that underlie the major changes which have taken place in the world economy over the past fifteen years. First, the pressure which had been building up in the world monetary order since the latter half of the 1960s finally culminated in 1973 in the collapse of the Bretton Woods System which had endured for 27 years. This abandonment of the fixed exchange rate system coincided with the advent of the first oil shock late in 1973 which led to a quadrupling of petroleum prices in 1973/4. These, two drastic changes in the rules of the game, i.e., how a national currency was valued vis-a-vis the currencies of the rest of the world, and the costs of energy, set in motion a train of fundamental changes in the global economy which continues to this day. This process of adjustment has been aided and abetted by the third factor, i.e., the accelerated development of high technology in various fields, especially in those of production and communications. High technology has made it easier for industrially advanced countries to adjust to a world in which cheap energy is a thing of the past; however, less developed countries have found it much more difficult to cope with the new reality where high technology has resulted in a reduction in the traditional dependence on imported raw materials on the part of industrial countries.

For our purposes, it would be convenient to divide the past fifteen years of momentous change into four distinct periods. As is the case with most attempts at categorization, there is an element of over-simplification in this classification. Obviously the world economy is far too complex for such a simple division and there are serious overlapping and internal contradictions. However, such a classification will help in the visualization of major trends, and it should be taken as such. The four periods are briefly discussed below:

Period I: (1973-1975):

This was the period of initial reaction to the twin shocks of the prices of energy and a highly uncertain and volatile exchange rate system. The rate of growth of world output declined sharply from 6.2% in 1973 to 1.6% and 1.0% in 1974 and 1975 respectively. Growth of world trade plummeted from a high of 12.1% in 1973 to -5.3% in 1975 (Table 1 and Figure 1). Both inflation and interest rates rose sharply between 1973 and 1974, and though they declined towards the end of the period, remained at relatively high levels. In short, this was a period of recession with low levels of production and trade accompanied by relatively high inflation and interest rates.

Period II: 1976-1979:

The second period was one of modest recovery in world output with growth rates ranging from a high of 4.9% in 1976 and a low of 3.6% in 1979. World trade also picked up steadily with a high growth rate of 6.1% in 1979. These improvements were, however,

accompanied by sharply rising inflation and interest rates, indicating the difficulties that both developed and developing countries were having in coping with the situation. After its initial violent reaction during Period I, the world was slowly learning to adjust to the new reality but was not making a noticeable success of it.

Period III: 1980-1982:

The process of adjustment was abruptly brought into total disarray by the second oil shock which took place late in 1979 and resulted in an increase in oil prices of over 110% in real term in 1979/81. The growth in world output declined sharply to only 0.3% in 1982, and world trade registered negative growth rates of -0.1% and -2.1% in 1981 and 1982 respectively. Inflation and interest rates rose sharply early in the period, eased considerably towards 1982, but remained at rather high levels. This was a period of "stagflation" similar to Period I, but somewhat more pronounced in the amplitude of change. 1982 was also the year in which the long-pending debt problem emerged as a major crisis with the default of Mexico which was followed in rapid succession by several major debtor countries.

Period IV: 1983-1987:

This was a period of recovery where there was an upturn in both world output and trade from the low year of 1982. The significant development was that this was the first time since 1973 that there had been sustained recovery with low inflation

and interest rates. It may indicate that, finally, after a decade of turmoil, the world might have learned to live with the new reality of high costs of energy, flexible exchange rates, and high technology. Unfortunately, the debt problem remains intractable, and many developing countries are finding their difficulties compounded by the drastic decline in capital flows from both public and private sources. On a more positive side, non-oil exporting developing countries are having an easier time since oil prices began to soften in 1983 and there has been a major decline since last year.

Salient features of changes in the world economy are presented in summary form in Table 1 and Figure 1. More detailed information will be found in Appendix 1.

Table 1

World Economy: Selected Variables, 1973-86.

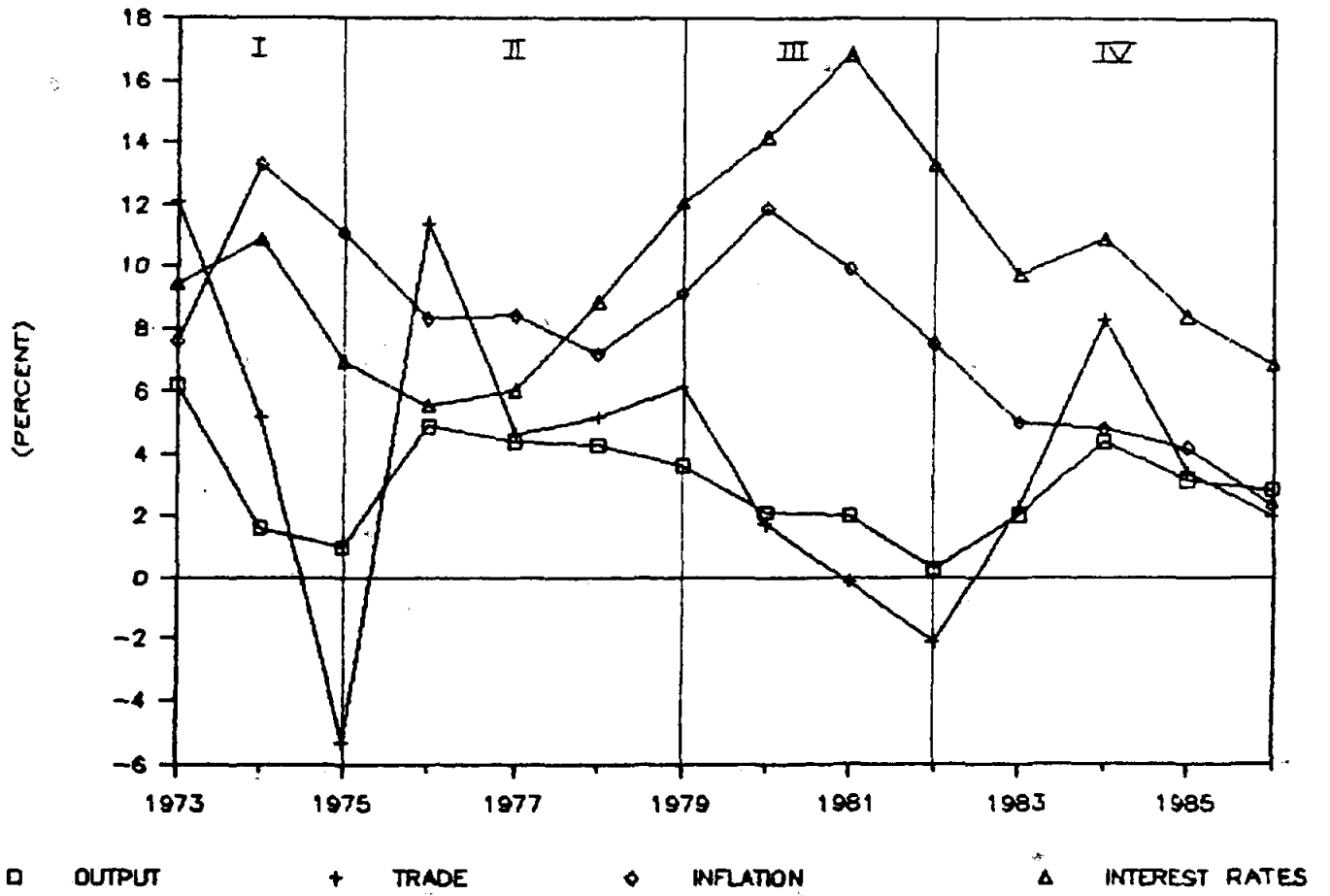
(percent)

Year	Rate of change		INTEREST*	
	OUTPUT	TRADE	INFLATION~	RATE
1973	6.2	12.11	7.6	9.42
1974	1.6	5.21	13.3	10.90
1975	1.0	-5.30	11.1	6.95
1976	4.9	11.42	8.3	5.57
1977	4.4	4.64	8.4	6.05
1978	4.3	5.19	7.2	8.85
1979	3.6	6.14	9.1	12.09
1980	2.1	1.73	11.9	14.19
1981	2.0	-0.13	9.9	16.87
1982	0.3	-2.13	7.5	13.29
1983	2.0	2.23	5.0	9.72
1984	4.4	8.25	4.8	10.94
1985	3.1	3.40	4.2	8.40
1986	2.8	1.95	2.3	6.86

Note : * LIBOR (three month rate)
 ~ industrial countries only

Source : IMF, International Financial Statistics.

Figure 1
 WORLD ECONOMY : OUTPUT, TRADE, INFLATION
 AND INTEREST RATES, 1973-86



THE THAI ECONOMY

Impact of External Change

It can readily be seen from Table 2 and Figure 2 that, between 1973 and 1986, the pattern of growth of the Thai economy closely paralleled that of the world economy but the rates were approximately twice as high. The parallel trends underscore the strong influence that fluctuations in the world economy have had on the levels of overall economic performance in the country, while the consistently higher growth rates are an indication of the underlying strength of the Thai economy. Two substantial deviations from this trend occurred in 1978 and 1985 and were due to entirely different factors. In 1978 the Thai economy showed a marked increase in the growth rate from 6.96% in 1977 to 9.59% in 1978 at a time when world growth remained steady at around 4.3-4.4% ; and in 1985, for the first time in decades, the growth of the Thai economy was about the same as that of the rest of the world (around 3.1%). These two deviations are a good indication of the two variables found to have a significant impact on the performance of the Thai economy besides external change, namely, the weather and government policy. The high growth of 1978 was due simply to the fact that there was a big bumper crop in that year. The below-par performance of 1985 was due to a more complicated set of factors, i.e., the congruence of the baht

Table 2

Thai Economy : Selected Variables, 1973-87.

YEAR	GROWTH RATE (%)		INFLATION RATE (%)		EXPORTS (% change)			INTEREST RATES (%)				# NET FOREIGN DEBT (% of GDP)
					Agri.	Mfg.	total	CR	ELR	TD		
1973	9.40	14.31	19.78	58.05	35.97	9.30	10.73	7.0	0.20			
1974	5.40	21.81	69.66	33.55	43.52	11.30	12.30	8.0	-0.40			
1975	7.10	5.22	-3.33	-11.61	-10.12	10.70	11.99	8.0	2.30			
1976	8.70	4.05	28.44	41.61	30.07	7.70	11.43	8.0	4.60			
1977	7.20	7.21	13.00	23.40	15.79	9.32	11.08	8.0	8.40			
1978	10.10	7.65	1.53	40.89	15.42	12.00	11.54	9.0	10.50			
1979	6.10	9.41	21.38	31.77	26.42	14.76	12.34	9.0	13.40			
1980	5.80	18.03	18.79	23.72	20.80	16.55	15.34	12.0	16.10			
1981	6.30	11.96	15.52	23.99	13.86	14.29	15.56	13.0	22.80			
1982	4.10	5.10	0.21	14.37	4.30	11.99	15.45	13.0	25.60			
1983	5.90	3.64	-9.56	-2.97	-8.66	14.94	13.50	13.0	29.00			
1984	5.50	0.89	16.35	21.53	17.93	10.97	13.90	13.0	32.40			
1985	3.20	2.39	-6.45	22.83	9.84	15.03	14.10	13.0	39.00			
1986	3.50*	1.79	7.86	28.40	17.88	6.35	11.70#	9.5	38.40			
1987	6.10#	3.55#	NA	NA	NA	5.78	10.80#	9.5	36.50			

Note : * estimates

TDRi estimates

CR = Call Rate

ELR = Effective Loan Rate

TD = Time Deposit Rate

Net Foreign Debt excluding direct investment

Sources: 1. Bank of Thailand.

2. Macroeconomic Policy Program, TDRi.

Figure 2

RATE OF GROWTH OF OUTPUT, 1973-1986.

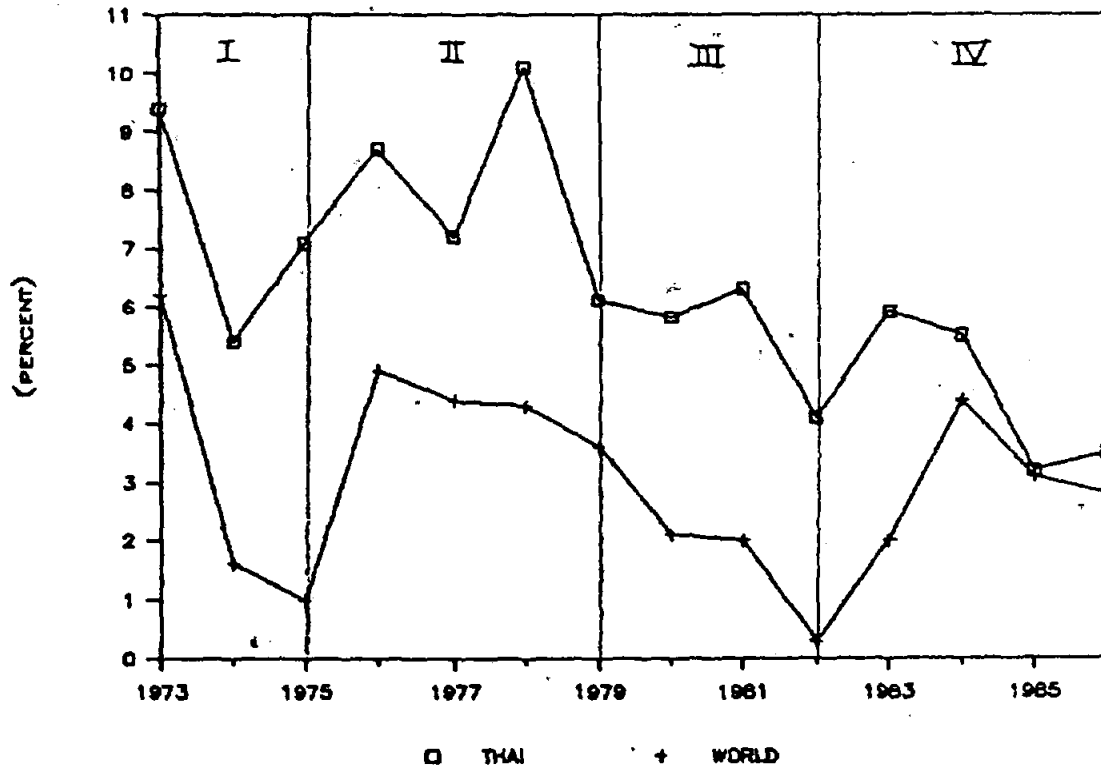
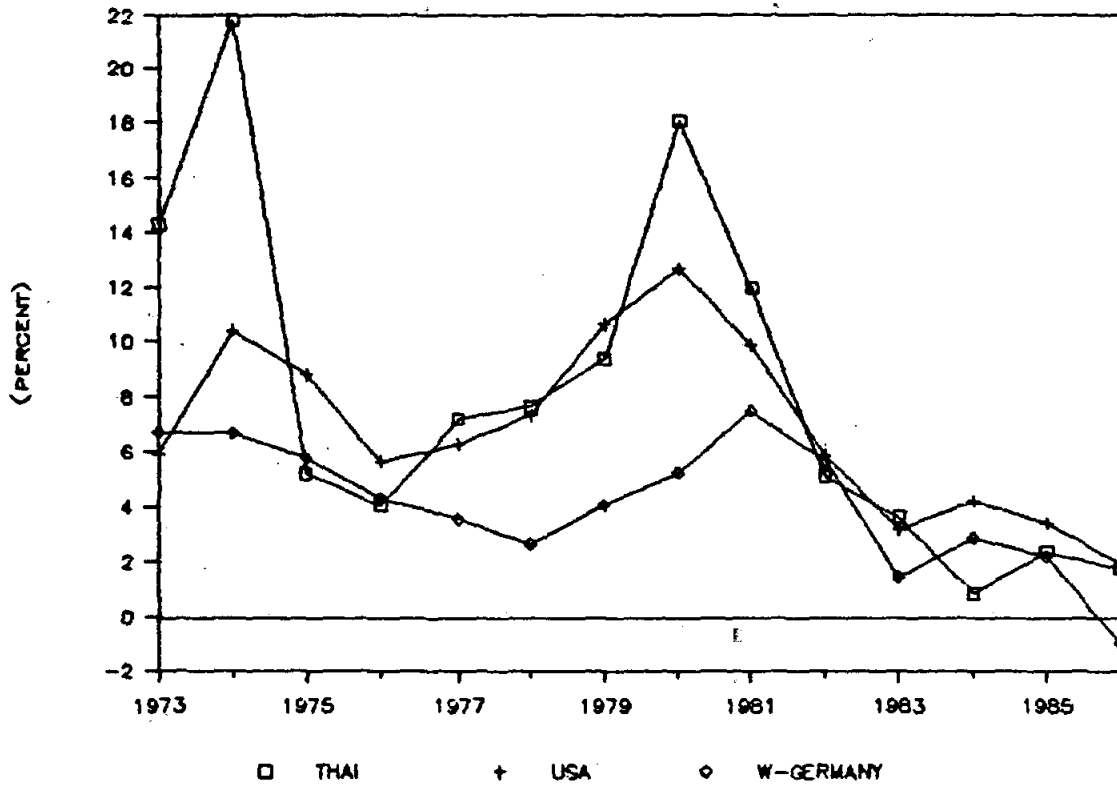


Figure 3

RATE OF CHANGE OF CONSUMER PRICE INDEX, 1973-1986



devaluation in November 1984, a severe credit squeeze, and very high real interest rates.¹ Of course, these are only two instances of deviation and should not be taken as firm evidence, but they are, nevertheless, quite suggestive and would seem to agree with general observations of the Thai economy.

It should also be noted that in the first two periods (1973-1975 and 1976-1979), the growth of the Thai economy remained mostly higher than or equal to the "traditional" rate of 7%, the only two exceptions being 1974 and 1979. There was little serious attempt at adjustment and government policy could be characterized as "business as usual", with accommodative monetary and fiscal policies. The resulting large financial gaps were filled by resorting to external borrowing, and foreign debt grew very rapidly from 0.2% in 1973 to 13.4 of GDP in 1979 (see Table 2 and Figure 5). A serious attempt to come to grips with the situation was not made until 1981 with a long overdue baht devaluation, strict measures of fiscal discipline, and a formal structural adjustment program. The austerity program initiated in 1981/82 has largely been adhered to, except for some temporary lapses, until the present. The political will and courage of the government and its perseverance in the face of severe political pressures constitute an indispensable factor in the maintenance of economic stability over the difficult third and fourth periods of our analysis. Prudent fiscal policy, borrowing and debt

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For a more detailed discussion, see the section on the exchange rate policy.

management resulted in keeping the external imbalances within manageable limits and preserving a strong base for further rapid expansion expected to take place over the next few years.

The attempt at adjustment has been made much more difficult by the deteriorating terms of trade, and even with the austerity program, additional foreign financing was unavoidable. Foreign debt grew rapidly throughout the period and peaked at 39.0% of GDP in 1985. It has declined appreciably since then and is projected to be at 36.5% in 1987. This reduction could be attributed partly to the stringent foreign borrowing ceiling (at 1 billion U.S.dollars annually) and the lower oil prices. As for inflation, it is interesting to note that the Thai pattern followed closely that of the industrial countries. In Figure 3, changes in the consumer price index are portrayed for Thailand, the United States and West Germany. (The latter two countries have been chosen as more "representative" in that the index for industrial countries includes more volatile economies such as that of Italy which would tend to distort the overall picture.) However, the amplitude of change was much higher in the Thai case, reflecting a general lack of ability to cope with rising pressures on prices. This is not surprising, given the lack of cushion in a small open economy and the lack of effective policy instruments to influence the price level. From Figure 3, it can be seen that there were two peak periods of inflation, one in 1974 (at 22%) and one in 1980 (at 18%). The first was caused by a combination of rapidly increasing oil prices, a commodity boom,

Figure 4

THAI NET BARTER TERMS OF TRADE, 1970-86.

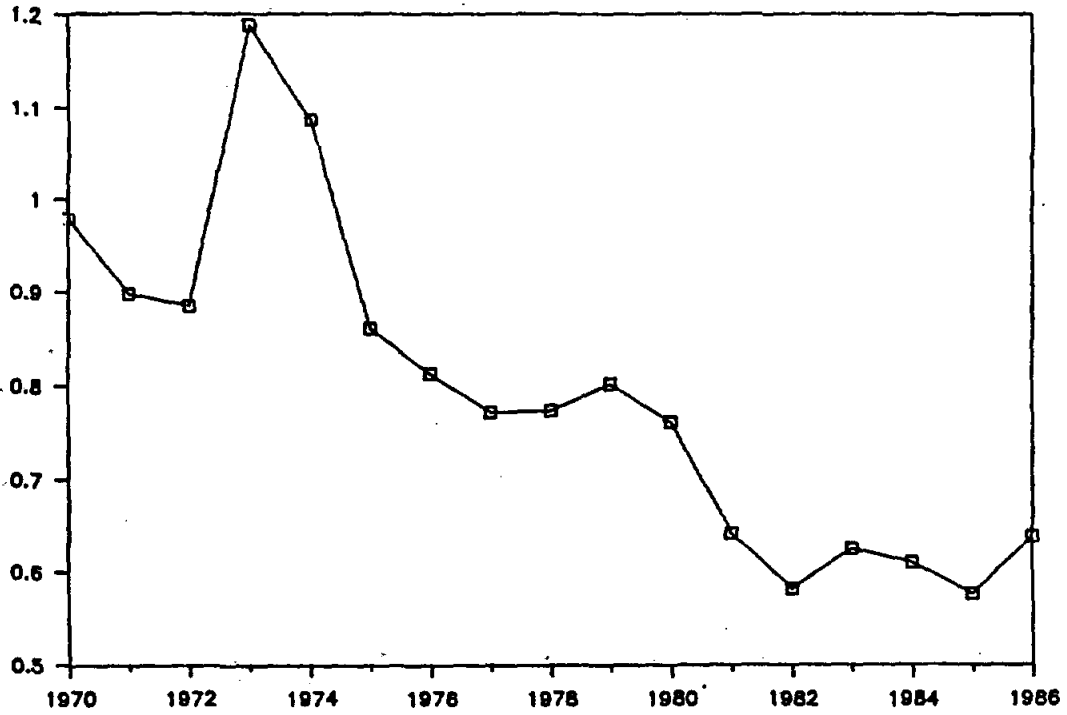
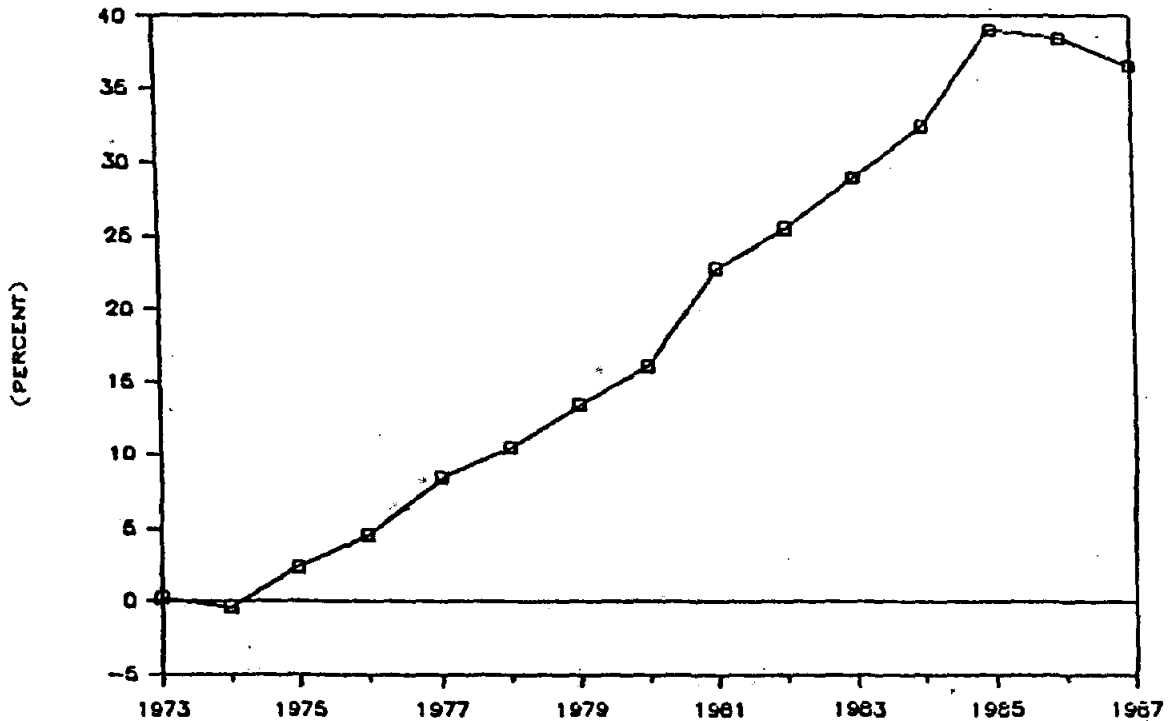


Figure 5

THAILAND : RATIO OF FOREIGN DEBT TO GDP, 1975-87.



and permissive fiscal and monetary policies. The second was a result of government counter-cyclical spending which led to both higher inflation and a sharply deteriorating current account deficit.

From the above brief discussion, it can be seen that there was a clear distinction in terms of government policy in response to external change between the period of 1973-1980 and subsequently from 1981-1987. The first period was marked by the customary permissive policies of the pre-1973 era. Growth rates were kept high but the external imbalances were rapidly becoming untenable. In retrospect, it should be fairly obvious that, had the trend not been reversed since 1981/82, the Thai economy would not have remained viable. In contrast, the real hardship of austerity in the latter periods has kept the economy on a sound basis for further rapid growth.

A more quantitative portrayal of the impacts of change and subsequent responses is given in the next section on shocks and responses.

An Estimate of External Shock and Response

This section adopts a shock-response model, earlier used in 2 World Bank studies to estimate the impact of external shocks on the Thai economy over the period 1973-86 and to describe responses of our economy. The model is quite simple and not without weakness, but it is a convenient way to provide an overview sketch of what happened and an estimate of the magnitudes of impact. The model is based on a Keynesian-demand driven approach and does not take into account the plausible supply shock.

In brief, the shock-response model divides external shocks into two components, viz., the terms-of-trade effect and the export volume effect. The model identifies four responses, viz., the import-saving response, the import-substitution response, the export-promotion response, and additional financing.

<u>Shock</u>	<u>Response</u>
Terms-of-trade	Import-saving
Export volume	Import-substitution
	Export-promotion
	Additional financing

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Bela Balassa, Adjustment to external shocks in developing economies, World Bank Staff Working Paper No.472;
Preadeep K. Mitra, "A Description of Adjustment to External shocks: Country Groups", in Deepak Lal and Martin Wolf (ed.), Stagflation, Savings, and the State, Baltimore: Johns Hopkins Press, 1986.

The terms-of-trade shock was estimated on the difference between the actual price levels (import and export price indices) and the hypothetical levels multiplied by the actual volume of import and export. Similarly to Balassa and Mitra, this paper assumes hypothetical prices to be at the pre-oil shock (1972) levels. The estimate mainly reflects two oil price increases and the brief period of commodity price increase during the 'commodity boom'. Positive figures should be interpreted as negative shocks for Thailand's balance of payments.

The export volume shock was estimated from the difference between the trended and the hypothetical export volume. The hypothetical export volume is assumed to depend on growth of the world economy and Thailand's export elasticity. A positive figure should be interpreted as a drop of export performance due to a slowdown of the world demand.

The model identifies four types of response: The first type is called an export-promotion response, which refers to an attempt to increase the country's export share in the world market to compensate for the shock. The second type is called an import-substitution response which refers to the discrepancy between the hypothetical import and actual volumes. The hypothetical import volume depends on import elasticity and growth of the Thai economy. Import-saving is the third type of response; it refers to the discrepancy between long-term trend of imports and the hypothetical level. The fourth type of response is in fact a residual and is called 'additional financing'.

Estimates of external shock and response, expressed in million baht at a constant (1972) price, are presented in Table 3. The total external shock abruptly rose from 4.8 billion baht in 1973 to 10.7 and 20.2 billion in 1974 and 1975 mainly because of the first oil shock; notice also that the large portion of the shock during this period originated from the terms-of-trade effects. The external shock amounted to 5.7% and 9.9% of GDP during 1974/75.

The external shock temporarily dropped in 1976 following a brief recession, and increased later on towards the end of the seventies. The magnitude, from 4-8% of GDP, was not as severe as in 1974/75.

The second oil shock caused a sharp increase in the external shock in the period 1980/82; the magnitude rose from 18.6 billion baht in 1978 to a peak of 41.1 billion baht in 1982, 21.2 and 32 billion baht in 1981 and 1982 respectively. It should be noted also that the export-volume shock rose significantly during the early 1980s; its magnitude surpassed that of the terms-of-trade shock since 1982. The total external shock ranged from 12.2-14.7% of GDP.

The recent oil price decrease plus domestic energy substitution significantly lessened the burden of import and the terms-of-trade shock; hence, the total shock decreased by 5% of GDP, from 14.7% to 9.3% of GDP.

How did the Thai economy respond to the worsening external situation? A striking result shown by the analysis was

the steady increase in the Thai export share in the world market, (see Column 4 in Table 3). Without this the debt problem of our economy would be much more severe. An increase of the Thai export share in the world market was an interplay of many unknown factors. The simple model that we are using cannot identify the underlying factors, so we shall leave this topic for further investigation.

Import-saving and the import-substitution responses are also identified in this model. Our estimate indicates that the import-saving was of minor importance as its magnitude was much less than the export-promotion and the import-substitution response; before 1981 there was no sign of import-saving at all (see negative figures in Column 5 of Table 3); it was only after 1982 that the import-saving measure began to take effect.

The import-substitution effect has been increasing over time (see column 6 of Table 3). The readers should be reminded also that this was an interplay of many factors, and that the short-term response, e.g., tariff increase, or import ban, etc., could be subsumed under this response. Thus, the estimate indicates a jump in the import-substitution during 1975/76 when the economy was in a brief recessionary period.

Again, we should like to mention that this model is a simple one; it is based on a Keynesian demand-driven analysis and does not take into account the plausible supply shock. Conceptually, it is possible to improve somewhat the estimate by correcting for uncertainty in the food supply in some 'irregular'

years, that is to say, by identifying the supply shock and subtracting it from the total shock. Time limitation prevents us from performing this exercise. In any case, we feel that this analysis may be useful in that it is a convenient way to portray the broad picture of external impacts on the Thai economy during the past fifteen years.

Table 3

Estimates of External Shocks and Responses, 1973-86.
(1972 price)

YEAR	SHOCKS				RESPONSES				Total Shocks (as % GDP)
	TERM OF TRADE	EXPORT VOLUME	TOTAL SHOCKS	EXPORT SHARE	IMPORT SAVING	IMPORT SUBS.	ADDITIONAL FINANCING		
1973	5735	-983	4752	-4144	-92	3084	5904	2.64	
1974	11453	-726	10727	-5153	286	3699	11895	5.65	
1975	16442	3728	20170	-2619	135	8882	13772	9.91	
1976	5664	3172	8836	5714	-490	11852	-8240	3.99	
1977	9106	4786	13892	9842	-626	9738	-5062	5.86	
1978	12314	6335	18649	11621	-1775	8983	-180	7.14	
1979	13774	7382	21156	13337	-957	6288	2488	7.64	
1980	22344	10303	32647	14604	-289	4587	13745	11.15	
1981	26488	14656	41144	22895	851	7316	10082	13.22	
1982	19052	20550	39602	31844	2859	13602	-8703	12.22	
1983	24017	24436	48453	24367	3249	14337	6500	14.12	
1984	24739	26712	51451	34205	4409	10802	2035	14.13	
1985	23538	31385	54923	38752	8322	13373	-5524	14.69	
1986	2012	33797	35809	48070	11403	16819	-40483	9.26	

Sources: Calculated from data from the Bank of Thailand and NESDB.

Figure 6

TERMS OF TRADE AND EXPORT VOLUME SHOCKS, 1973-1986.

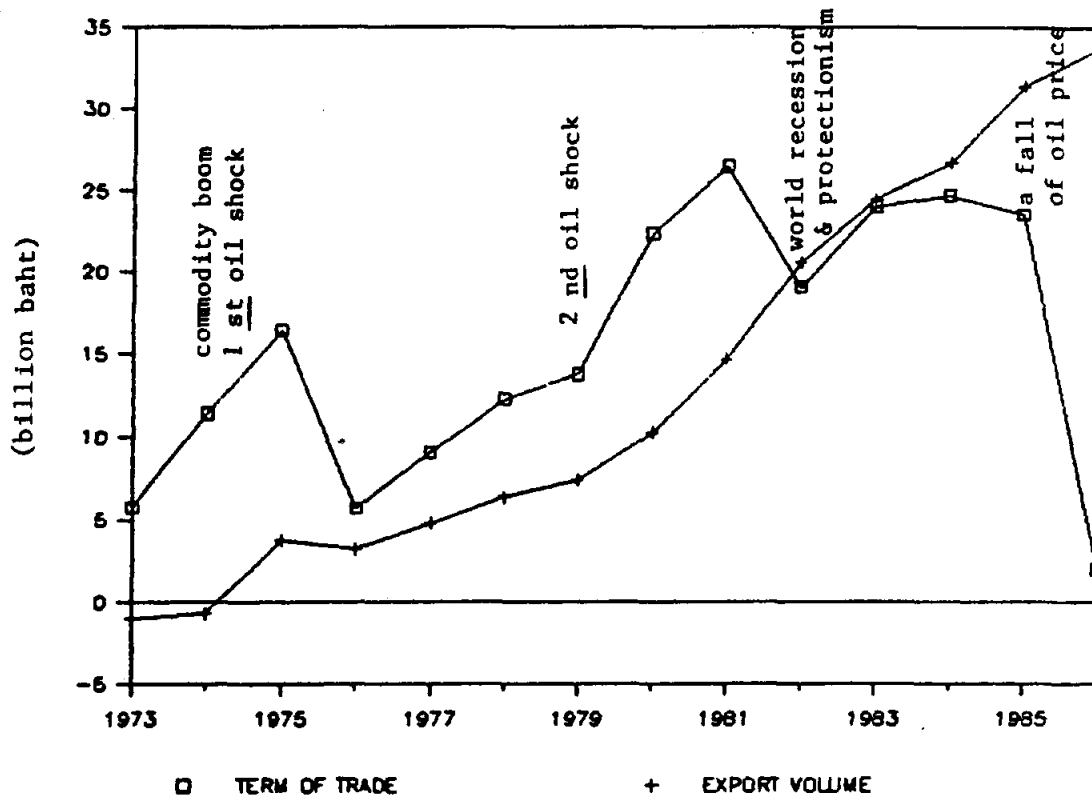


Figure 7

TOTAL SHOCKS, 1973-1986.

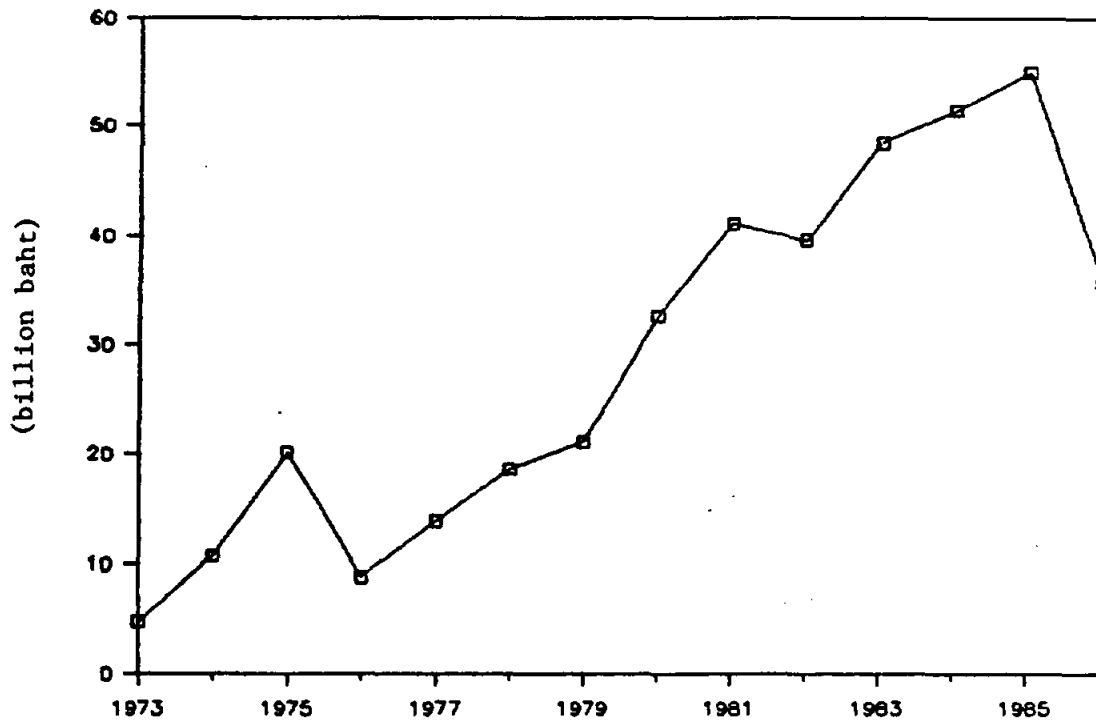
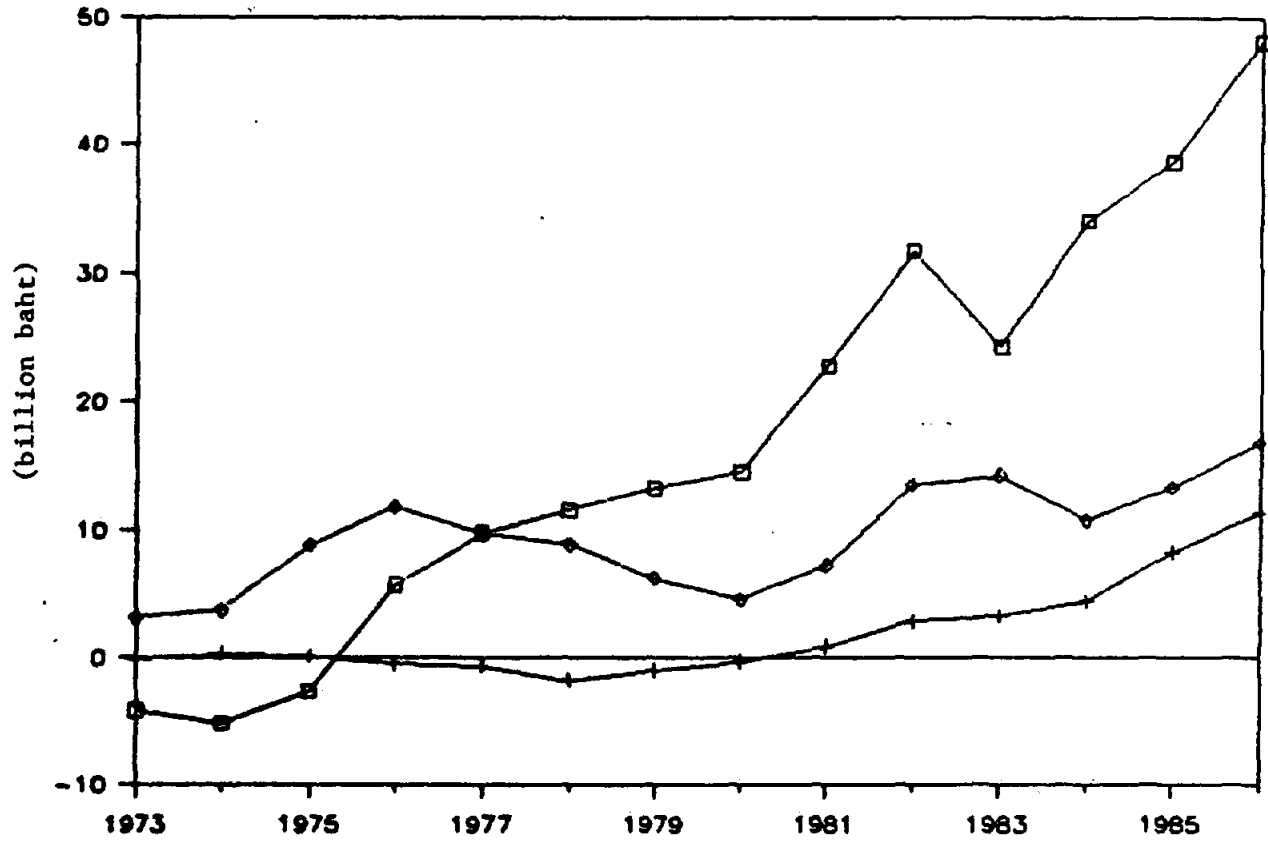


Figure 8
 RESPONSES, 1973-1986.



◻ EXPORT SHARE + IMPORT SAVING ◊ IMPORT SUBS.

III.

POLICY RESPONSE ANALYSIS

In this section, an attempt will be made to examine some of the policy responses made by the government to meet major changes in the world economy over the past fifteen years. The focus of the analysis will be on the way policy decisions were made, and their impact on the economy, with a view to gaining a better understanding of the factors involved. If the attempt is successful, the understanding should serve as a useful basis for determining what should be done in the future to meet the challenge of external change in a more effective and timely manner.

1. PRICE POLICY:

In a free enterprise economy, price changes constitute the most powerful signals for necessary changes and adjustments in the economy, and insofar as governments interfere with price mechanisms, the process of adjustment will be interrupted or distorted. Governments do, however, interfere with price mechanisms for both legitimate and unjustifiable reasons. The degree and manner of such interference remain issues for debate and controversy but, in the last analysis, the issue is essentially one of political ideology rather than economic rationality. It would not serve any useful purpose to try to deal with this question here, as our main purpose is to examine,

given the right-of-center ideology prevalent in Thai society, what the accomplishments of the government have been.

In this respect, the past fifteen years provide a good array of examples and cases for study because there were several periods of abrupt and violent fluctuations. As we have seen, Period I (1973-1975) saw a rapid rise in inflation, reaching a peak of 22% in 1974. Typically the main policy response was the imposition of price controls on a fairly large number of consumer goods regarded as "basic necessities" through the invocation of the Anti-Profiteering Act. It is true that the government did adopt a variety of other measures, including the raising of the discount rate from 8% to 10%, the reduction of business taxes for certain types of businesses (such as rice-milling, transportation and food processing) and reduced tariffs for certain imports (including iron and steel products and pharmaceuticals), but these measures were strictly peripheral. There were also increases in certain taxes including those on "luxury" consumer goods (such as tobacco, liquor, and electrical appliances) as well as an increase in the excise tax for gasoline and oil products.

Again in Period III (1980-1982), there was high inflation, with a peak of 18% in 1980. Although the impact of high world inflation was severely compounded by the government's clumsy attempt at counter-cyclical spending, nothing was done to reduce the pressure generated by excess demand. The government again resorted to direct price controls, but at the same time it also adopted certain measures which added to the inflationary

pressure, including for example the 20% salary increase for government officials and other public employees.

Interestingly enough, it should be noted that this penchant for direct price control was not limited only to the case of an attempt to lower prices. It was also used to increase prices. A classic example occurred in 1984 when the government attempted to use the same Anti-Profiteering Act to force rice millers to buy paddy at levels considerably higher than prevailing market prices. Predictably, rice millers stopped buying paddy, prices declined further, and the cabinet minister involved was forced to resign.³

Some observers have argued that the Thai Government is now too sophisticated to resort to direct price control measures because it realizes the futility of trying to legislate prices by administrative fiat. Unfortunately, there does not seem to be any basis for this contention. In the Thai context, it would seem that appearance is far more important than substance. The government has to appear to be "doing something" even though it is clear that that "something" will not work. The danger of such

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A working group was appointed to study the matter and to make a final recommendation to the Cabinet. At a meeting late in 1984, it approved the proposal of the Ministry of Commerce by an 8-3 margin. The three negative votes were cast by bureaucrats; all eight Cabinet Ministers present voted for the proposal. And yet, when the matter came to a head one month later, all the Ministers involved took a hands-off attitude and only the Minister of Commerce was blamed. Such is the way that important policy decisions are made and responsibility assigned in this country.

an attitude lies in the fact that, having satisfied itself and its critics by the adoption of certain plausible and facile gimmicks, the government then feels no compulsion to pursue more rational and effective policy measures. This tendency thus constitutes a basic weakness in the policy decision-making process, and as long as it prevails, it will act as a serious impediment to better policy formulation and implementation.

We can also briefly examine another example of the government's attempts at price intervention. Except for brief periods in 1974 and 1980 (see Table 4 and Figure 9), export prices of rice have been declining steadily. Again, the government has dealt with the problem largely by administrative fiat. The one notable exception took place in 1980 when the government attempted to intervene in the domestic rice market by trying to influence the level of market demand through a system of "strategic" purchases. Unfortunately, the intervention program was poorly designed, and because of this as well as the lack of market instruments, corruption, and inefficiency, the program amassed a deficit of over 6 billion baht, while little, if any, benefit accrued to the farmers. Since then, governmental actions have consisted essentially of the adoption of "declared" prices of paddy accompanied by some highly visible, albeit marginal, governmental purchases. More recently, a scheme of paddy "mortgaging" with the Bank for Agriculture and Agricultural Cooperatives (BAAC) was also adopted and has been hailed this

year as a great success.

It should also be noted that, while all these price support measures were being pursued, export taxes in various forms, including the rice premium, were not finally abolished until 1986.

Another matter of interest is the government's action in the case of oil prices. In this instance the government seems to have been pulled in opposite directions; on the one hand, it saw the necessity for increasing prices as a means to reduce demand, and on the other hand, it saw the political necessity to keep oil prices low to ensure its own survival. Interestingly enough, what it did accurately reflected these two imperatives. Taxes on oil and oil products were allowed to rise with oil import prices, except for some relatively minor adjustments at various time. Of course, this action resulted in very substantial increases in retail prices. At the same time the government set up an Oil Fund to soften the impact of price increases. Summary information on prices and the impact of government policy actions

4

It is at least arguable that, given the shortfall in world-wide production, the price of paddy would have improved substantially with or without government intervention.

5

The first Oil Fund was set up in 1974 but it remained largely inactive until it was abolished in 1979. A new Fund was created in June 1980 and, up to the present time, it has remained the main mechanism for oil price intervention.

Table 4

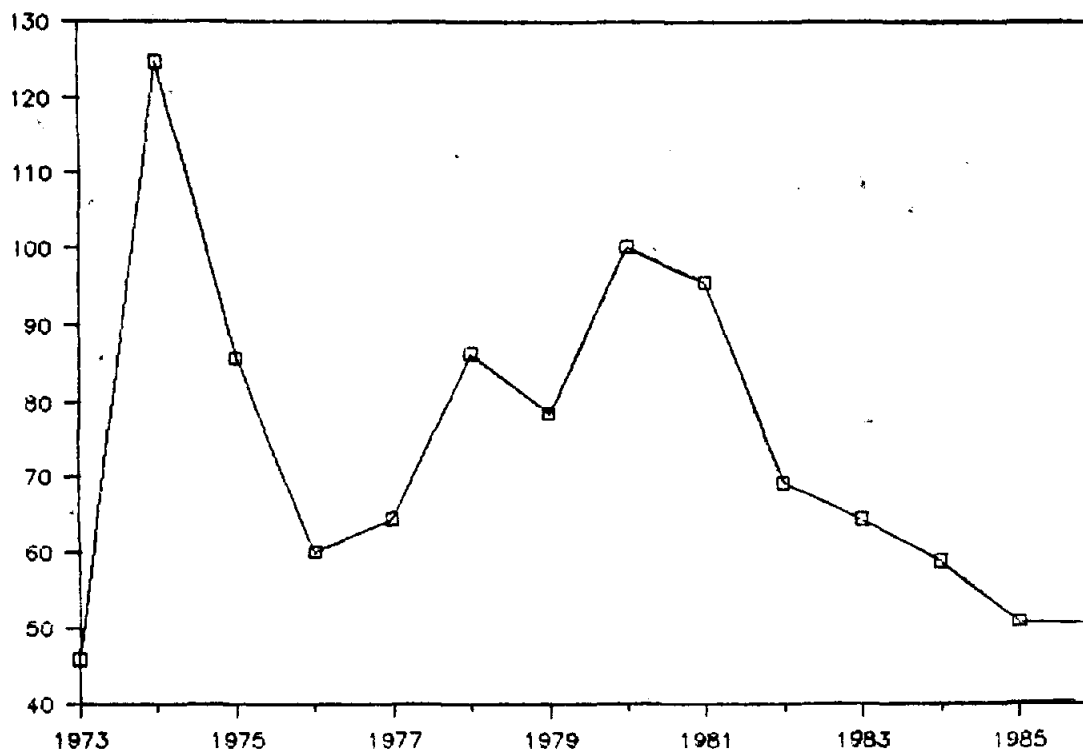
Average export price of white rice 100%
(f.o.b)

year	price (us\$/ton)	index (1980=100)
1973	203.61	45.9
1974	554.05	124.8
1975	380.38	85.7
1976	267.11	60.2
1977	286.44	64.5
1978	382.79	86.2
1979	348.55	78.5
1980	443.86	100.0
1981	424.08	95.5
1982	307.44	69.3
1983	286.25	64.5
1984	262.25	59.1
1985	226.31	51.0
1986	224.64	50.6

Source: Board of Trade of Thailand.

Figure 9

RICE EXPORT PRICE INDEX, 1973-86
(1980 = 100)



*
RICE PRICE SUPPORT POLICIES, 1975-1983

During the period from 1975 to 1983, the Thai Government went out and bought quantities of rice from either the rice mills of the farmers, hoping that such an exercise will raise the domestic price of rice. The expression normally used by officials to defend this policy was that the government was creating an "artificial demand" to achieve its aim.

Such a policy was misguided for several reasons. At the most practical level, the government was ill served by the institutions that it deployed to implement the policy. From the beginning, the Thai government did not have an organization capable of handling the volume of transactions that were sometimes envisaged. Both the Marketing Organization for Farmers (MOF) and the Public Warehouse Organization (PWO), the institutions charged with the task of procuring the rice, had little experience of the rice trade. They were not allowed to acquire the experience over the nine years during which the policies were carried out, because the government was continually changing its policies. Both organizations, ran up large losses. In the case of MOF, this was disguised by subsidies from the Farmers' Aid Fund, about which more below. In the case of PWO the losses were first financed by loans, which when defaulted, became a burden for the central budget.

*

Contributed by Ammar Siamwalla

Box 1 (cont'd)

Even if these institutions were efficient, the operations were poorly designed. The government would try to lift prices by buying rice at a higher-than-market prices. This immediately created a two-price market, and opened the way for considerable corruption. In a careful study of the program implemented by MOF in 1983, it was estimated that, of the extra profits arising out of the dual price structure, 54% was captured by millers and exporters, 27% by government officials, 6% by farm leaders and 13% by the farmers themselves. Even this could be defended if the government operations led to a lifting of the market price for rice which would benefit all farmers, regardless of whether they succeeded in selling to the government program. However, as the policy was to turn over rapidly the requisitioned money in order to spread the operations to as many parts of the country as possible, the government would quickly resell the rice it had procured. The artificial demand created by the procurement would be immediately cancelled by the artificial supply from the resale.

Even if the operations were well designed, the policy was doomed to failure because of a central contradiction in its conception. At the same time that the government was trying to lift the rice price by these ineffectual policies, it was imposing barriers to export: through export taxation--there were no less than three different kinds of export taxes going into different pockets of the government--and through export quotas

Box 1 (cont'd)

which were at times quite restrictive. These barriers of course depressed the domestic rice price--and did so quite effectively. the really ironic thing in all this is that much of the funding for the procurement policies came from the Farmers' Aid Fund, whose major source of income was the revenue from the export premium on rice.

These faults were not difficult to discern, but it took the insolvency of the PWO, with a debt arrear of Baht 4.5 billion and almost no asset, for the government to realize the true cost of its procurement programs. After 1984, the program was scaled down considerably, transferred to the Ministry of Interior, and became nothing more than a political cosmetic job. New programs were put in place, but all export taxation was removed in January 1986, the first time since the end of World War II that rice exports are totally unhindered.

will be found in Table 4 and Figures 9-11. It can readily be seen that retail prices of low-speed diesel, fuel oil and LPG prices would have been considerably higher between 1980 and 1984 without Oil Fund operations.

It might be argued that the government could have achieved the desired effects simply by varying tax rates. This would be true in the general case, but it is not true in the Thai case. Since its inception in 1980, the Fund quickly accumulated large deficits rising to a peak of 4.6 billion baht in 1982. This huge deficit was financed by the simple expediency of the Fund not paying its bills over extended periods of time. The government thus enjoyed a net increment in tax revenues which was not offset by Fund losses for approximately five years.

The object lesson of the above brief examination is threefold. Firstly, the government should abandon any attempt at price intervention through administrative fiat. It does not work and it is also counter-productive in that it would reduce the perceived necessity for more effective policy actions. The same consideration also applies to all other facile "solutions" which may appear to "look good" but are lacking in substance. Secondly, clear objectives should be set if price intervention is to be attempted in order to avoid pursuing policy measures which pull in opposite directions. And thirdly, for price intervention to be effective, it must deal with key variables affecting the levels of demand and supply. These would normally include measures in macroeconomic, monetary, fiscal and trade

Table 5

Thailand : Prices of Selected Oil and Gas Products
1975-1986 (same point of period)

YEAR	LOW SPEED DIESEL			FUEL OIL/1500			LPG. (Small)		
	Non-tax Price	Undistort Price	Retail Price	Non-tax Price	Undistort Price	Retail Price	Non-tax Price	Undistort Price	Retail Price
1975	2.1179	1.9449	2.26	1.5417	1.4390	1.54	NA	NA	NA
1976	2.1179	1.9449	2.26	1.5417	1.4390	1.54	NA	NA	NA
1977	2.1812	2.1812	2.50	1.6090	1.6090	1.61	NA	NA	NA
1978	2.2584	2.2584	2.50	1.6041	1.6921	1.61	NA	NA	NA
1979	2.6820	2.4113	2.93	1.7690	1.6921	1.77	NA	NA	NA
1980	6.0413	4.9081	7.12	3.6090	3.3159	3.61	10.4730	9.5316	11.03
1981	6.1636	5.6113	7.12	4.4690	4.1131	4.47	9.9899	10.7205	9.53
1982	6.1636	6.5407	7.12	4.4690	4.4499	4.47	9.9899	10.7342	9.99
1983	5.8173	6.3585	6.72	4.0890	4.2994	4.09	9.9899	10.5449	9.99
1984	5.5152	5.1635	6.50	4.0890	4.0428	4.09	9.5037	10.2500	9.99
1985	5.5152	6.0000	6.50	4.0890	4.9941	4.09	9.5053	11.5673	9.99
1986	5.5152	5.6342	6.50	4.0890	4.2619	4.09	9.5001	10.2439	9.99

Note : Retail price = Ex-refinery + Marketing Margin + Oil Fund + Tax
 Non-tax price = Ex-refinery + Marketing Margin + Oil Fund
 Undistorted price = Ex-refinery + Marketing Margin

Source : TDRI, Energy Program.

Figure 10
 RETAIL PRICE OF LOW SPEED DIESEL OIL
 (1975-1986, SAME POINT OF PERIOD)

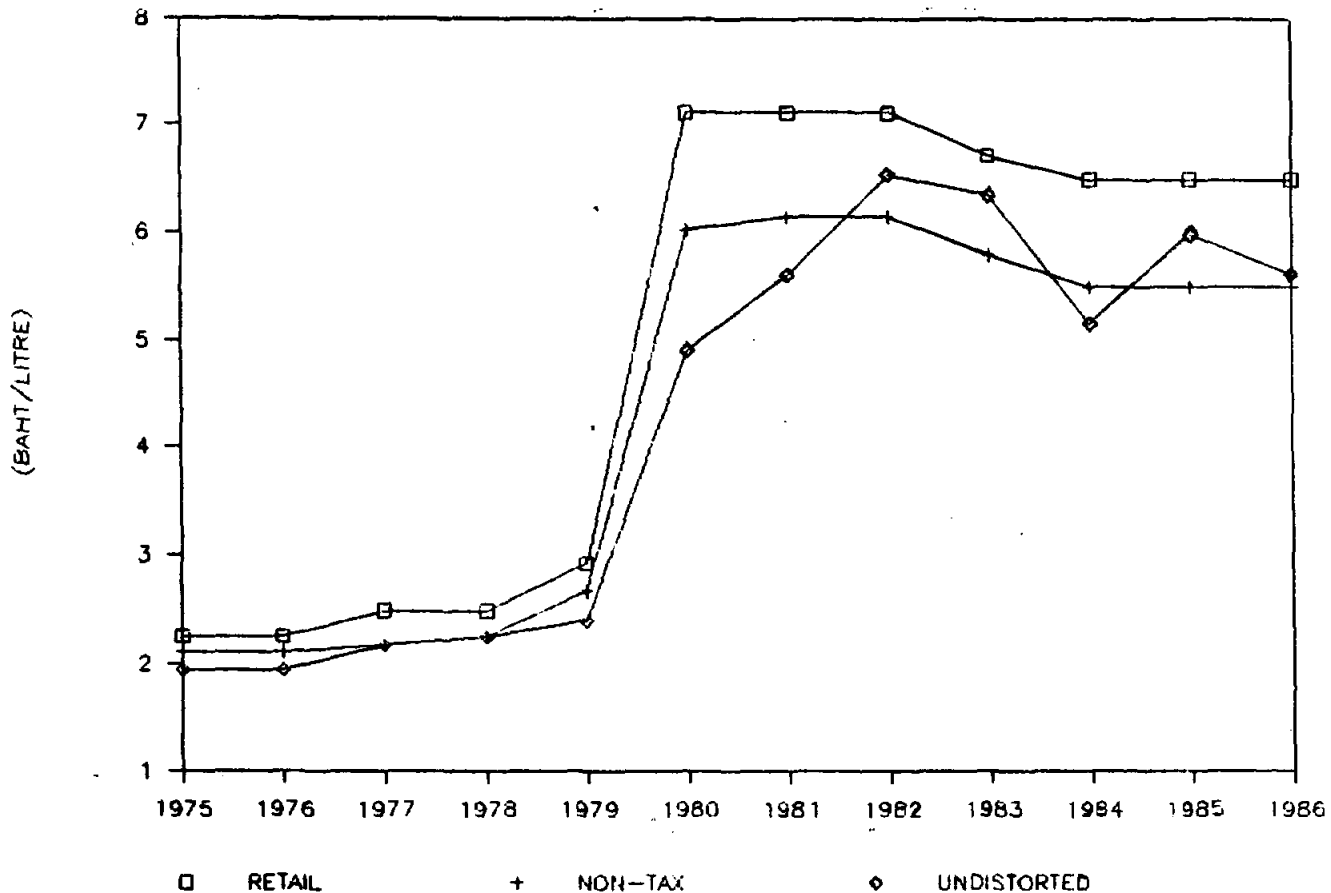


Figure 11
 RETAIL PRICE OF FUEL OIL/1500
 (1975-1986, SAME POINT OF PERIOD)

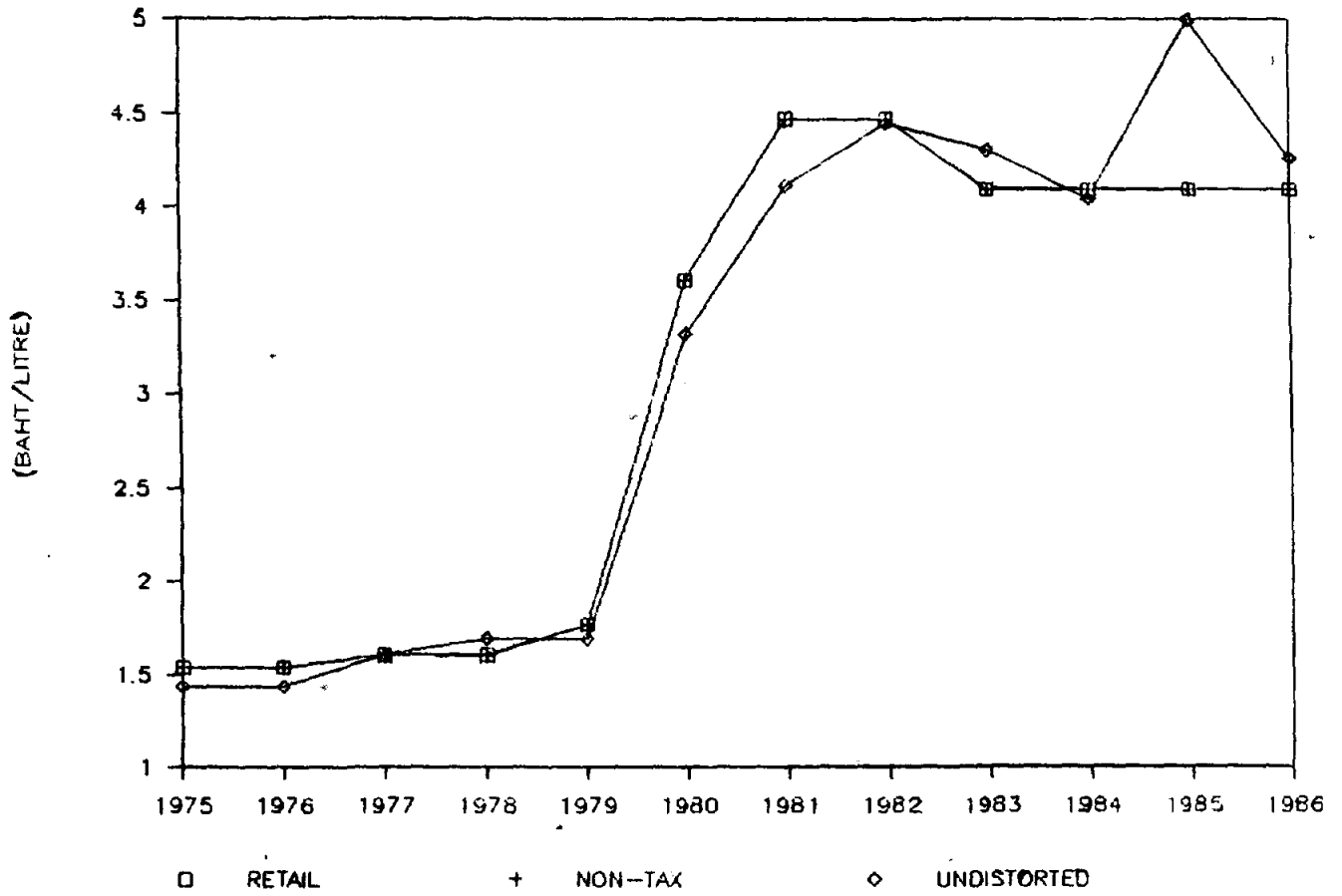
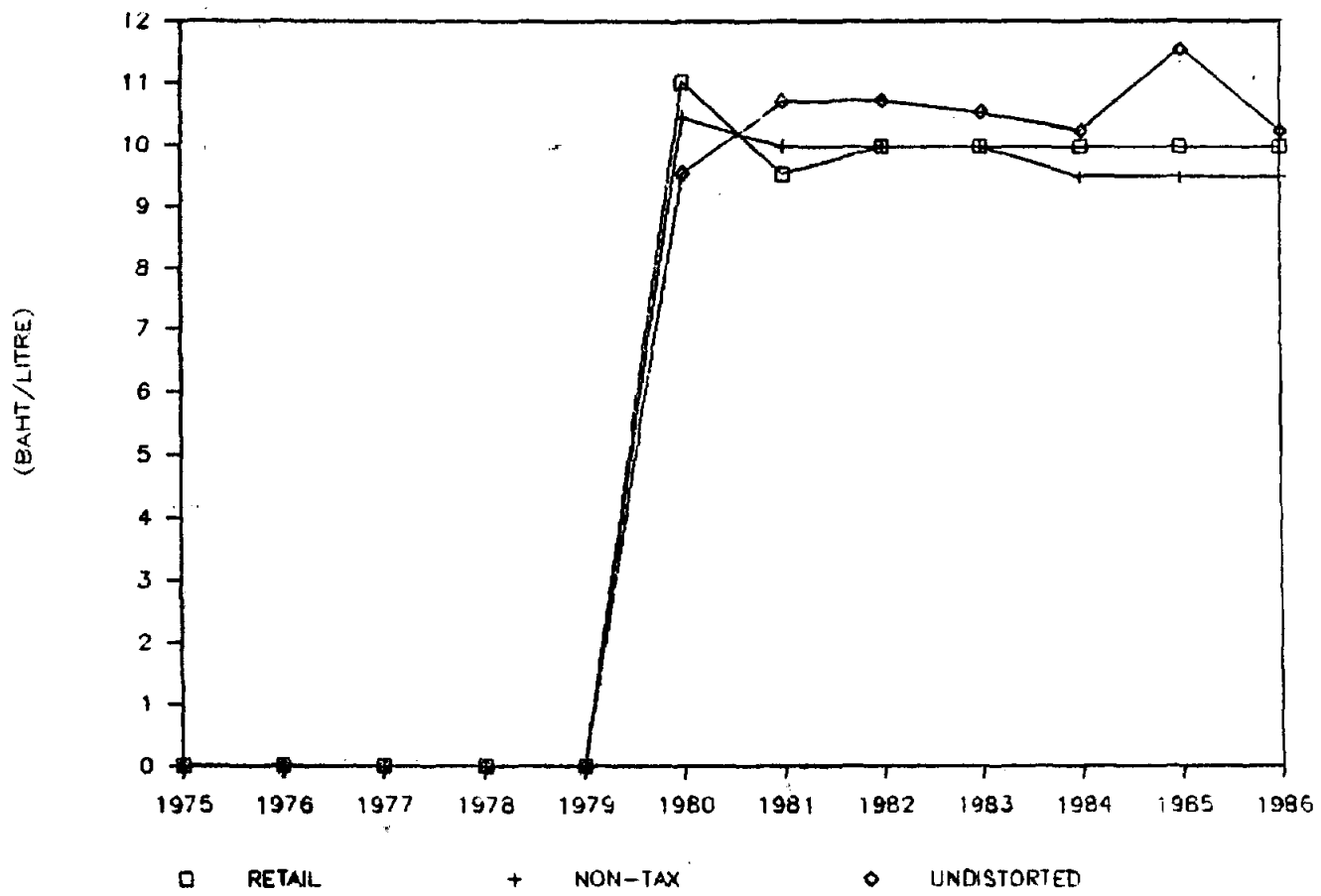


Figure 12
 RETAIL PRICE OF LPG. (SMALL)
 (1975-1986, SAME POINT OF PERIOD)



policies. A corollary of this is, of course, that effective policy instruments would also have to be developed.

In the Thai case, it might be argued that there is a general lack of effective policy instruments to influence or expedite necessary adjustments to external changes. Market prices would thus remain the most efficacious mechanism for achieving adjustments needed for stability and growth. If that is the case, it would then follow that price intervention should only be attempted where there is a clear and overriding social objective and where the above three conditions can be fulfilled.

2. MONETARY POLICY:

Monetary measures can be a very powerful but blunt policy instruments for adjustment, and should therefore be used with the appropriate degree of caution. Salient features of this instrument will be briefly discussed, again with a view to assess the way monetary policy has been used and its effectiveness.

2.1 Exchange Rate Policy: Prior to 1973, nations were willing to maintain a fixed-rate exchange system, leaving the main burden of adjustment to fall on prices, income and employment. They were willing to forego the use of a potentially powerful instrument in exchange for a high degree of certainty in the value of their currency based on the convertibility of the U.S. dollar. After the collapse of the system in 1973, there was no longer much benefit to be derived in maintaining a fixed rate regime or to tie one's currency to the dollar, because nothing remained fixed or stable. The above statement is so obvious that it should be taken for granted, but available evidence would suggest that this is not so in the case of Thailand.

Between 1973 and 1987, there were three major devaluations of the baht, two of which were formal and one de facto. Some very interesting developments took place which point to significant differences between the first two and the latest devaluations. In July 1981, the baht was devalued by 8.7% against the U.S. dollar, following a much smaller one of 1.07% in April of the same year. The basic problem was, of course, the rapid strengthening of the dollar. Eight years after

the demise of Bretton Woods, Thailand was still happily carrying on its business as usual, leaving the baht securely tied to the dollar. The value of its currency was being determined, not by the strength of its own economy, but by the capriciousness of the U.S. currency. The appreciating baht thus, willy-nilly, resulted in a considerable worsening of the competitive position of the Thai economy and severe pressures on the current account and balance of payments.

The Exchange Equalization Fund (EEF) had actually adopted a formal system of tying the baht to a basket of currencies, but it was reluctant to let the system operate. Only very small and marginal adjustments were made and the baht was left essentially pegged to its "traditional" value of about 20 baht to the dollar until April 1981 when the government decided to adjust the value of the baht downward by just over 1 percent. Unexpectedly, this move seemed to confirm the worst fears of the business community, and led to a full-blown panic by the end of June. The rates of forward coverage rose to unprecedented levels and there was a sustained run on EEF. By the first week of July it was clear that the situation had become untenable. If the panic purchase of dollars was not checked, the foreign exchange reserve of the country would be depleted in a matter of days. The government had no choice and quickly devalued the baht by 8.7% against the dollar.

In retrospect, it is clear that the long-pending crisis was brought to a head by the earlier April adjustment, but

underlying factors would ensure that sooner or later the monetary authorities would have no choice but to take action. The intention at that time was to use the devaluation as a first step in unpegging the baht from the dollar, leading to some form of flexible rates. Unfortunately, there was a continuing fear in the market that the baht would be devalued further, and it was found necessary to announce a swap program to assure a nervous business community that the new rates would be defended and maintained. This de facto confirmation of the fixed rate regime was meant to be a strictly temporary expedience, but as in the case of most such expediencies, it became permanent. A meaningful flexible rate system has never been implemented and even now, a full fifteen years after 1973, it can still be argued with good reason that the baht has remained essentially tied to the dollar, despite the oft-repeated contention of the BEF that the baht has now been effectively tied to a trade-weighted basket consisting of the currencies of major trading partners. A discussion of the next two devaluations would make clear the lack of substance in such a contention.

Technically, the 1981 devaluation was not even a devaluation. (Logically, one can only devalue meaningfully against a fixed entity, and the dollar was decidedly not such an entity.) It was more in the nature of a realignment to bring the baht into a more realistic relationship with the currencies of its major trading partners. It seems, however, to have offended a deep-seated feeling of national pride, and rational explanations were no match for such strongly-felt emotions.

Virulent and sustained attacks against the government were
6
mounted in both the Parliament and the mass media and did not die
down until the departure of the main culprit. The government,
employing the full range of the mass media, did, in fact, try to
offer a full explanation of the situation but it met with no
noticeable success. The object lesson seems to be that, in Thai
politics, telling the truth is not enough. More effective means
of public relations, including plausible gimmicks, would probably
have been a much smarter choice on the part of the government.

The second devaluation in November 1984 was quite
different in nature. There was no immediate threat to financial
stability as was the case in 1981, but with the steeply rising
dollar, the macro-economic situation was rapidly becoming
untenable. With the rise in economic activities in 1983, the
external accounts deteriorated sharply, and by late 1983 it was
becoming apparent that the imbalances would have to be corrected.
For political reasons the monetary authorities, however, refused
to address a major cause of the imbalances, i.e., an exchange
rate which had become completely out of line with economic

6

At a full-day session, legislators took turn to accuse the
government of all kinds of sins, ranging from stupidity,
cupidity, and corruption, to a lack of loyalty and traitorous
intentions. The sense of hurt pride came through loud and clear.
One parliamentarian even proposed that, henceforth, Thais should
start calling the Laotians their "elder brothers" because the
Thai currency had been debased and they had to defer to the
enhanced status of the kip. Invention of invectives also reached
a new height of creativity. One law-maker suggested that the
culprits should dig themselves a small hole and crawl in, never
to emerge again. Such antics might be highly entertaining, but
they did not augur well for the cause of economic rationality in
Thailand.

reality and trading relations. Instead, the Bank of Thailand "requested" in 1984 that commercial banks and other financial institutions limit credit expansion to within 18% across the board. As it turned out, this "request" proved to be superfluous because commercial banks were already cutting back drastically on their lending as they began to see the dangers of over-lending during the euphoric period of 1983. Credit lines were abruptly halted and loans called in, especially in the case of small and medium-sized companies. Denied access to the only source of funds available for maintaining their cash flows, a large number of enterprises foundered and the business climate deteriorated sharply. It was clearly a case of over-reaction on the part of commercial banks, but the government became the scapegoat because of its ill-advised imposition of the 18% credit ceiling. This was another example of the government opting, for political reasons, for measures which did not address the root cause of problems and thus failed to meet the situation adequately; but it got the blame anyway.

A devaluation of the baht by 14.7% against the dollar did not take place until November 1984, after one year of deliberation, procrastination and vacillation. This was in

⁷ In the process, the Governor of the Bank of Thailand had to be dismissed, setting up a dangerous precedent which would have a long-term impact on the independence and integrity of the central bank.

marked contrast to the 1981 case which was finalized in less than two weeks, although background studies and analyses had been going on for some time. Two reasons might have accounted for this difference. The first was that in 1984, although the external imbalances were worsening rapidly, there was no immediate threat to financial stability. The government thus found it possible to delay the necessary actions. Secondly, there was a lack of decisive leadership and the problem was allowed to linger on with cumulative adverse effects on the economy which could be avoided with a more timely intervention.

Politically, a potentially serious crisis was averted through the fortuitous intervention of one of the top generals who went on television demanding that the government rescind the new rates. He stopped just short, however, of making it into an ultimatum. The prime minister then made a public statement strongly defending the move, after which public opinion swung solidly behind the government. The issue thus shifted from that of devaluation to one of support for the general or the government and it was clear that the latter was by far the popular choice.

The third devaluation started in December 1985, after the dollar began to weaken markedly in September of that year. This time the baht was not devalued against the dollar, but effectively against other major currencies. Since then the baht value has declined by over 20% against a trade-weighted basket. It is, therefore, by far the largest of the three devaluations,

but in stark contrast to the first two, there have been practically no complaints from the public, the politicians and the mass media. There has hardly been any public discussion either. Several explanations have been offered to account for the difference in public reaction to the moves. The first one holds that Thai businessmen and the general public have finally learned about the appropriateness of using exchange rates as a major instrument for adjustment. It is pointed out that, after all, it has been fifteen years since Bretton Woods and public opinion has finally caught up with economic reality. It would be comforting to accept this explanation, but there does not seem to be much basis for such an optimistic interpretation. Another contention, rather more plausible, holds that the public has come to accept devaluation as a "good" thing since it helps to boost the exports of the country. This may or may not be true, but what about the importers who stand to lose a great deal? Why are they not complaining and making a political issue out of it?

A more plausible explanation might be found in the nature of the third devaluation. First of all, the value of the baht has not changed much in terms of the dollar and since the latter remains the settlement currency in about 80% of foreign transactions, the narrow range of movements do not impose a heavy burden of adjustment on the business community. Businessmen have learned to live with small fluctuations in the value of the baht vis-a-vis the dollar in their daily operations, and they are not much concerned with the much broader issue of the de facto devaluation against other major currencies and its implications

for the Thai economy as a whole. Secondly, the move was never announced publicly and the EEF, when questioned, would simply reply that the composition of the currency basket has been changed to make it more "appropriate". Since the exact composition is regarded as a "state secret", this would foreclose any possibility of further discussion.

In retrospect, the "announcement factor" might have been the decisive factor. This can be seen from what happened to attempts by the government to raise the charges of public utilities. Up until three years ago when the cabinet adopted a resolution that henceforth the pricing of public utilities would be left to the boards of the state enterprises concerned, the government had met with very serious political difficulties every time a proposal went up to the cabinet about a price increase. Since then, small but frequent increments have quietly been made in the charges for electricity and tap water, resulting in substantial increases, but there has been no public outcry or opposition. The mass media has not picked up the issues, opposition politicians seem indifferent, and the public simply pays the new charges.

If the above interpretation is correct, it would have some very serious implications for the development of democracy in this country, for it would imply that it would be safer and more effective for the government to do things on the quiet. This would be in direct contradiction to the principle of the public's right to know which is a basic tenet of democratic

governance. It would also pin-point the role of the mass media in generating issues for political debate. While the essential value of a free press is not questioned, the issue raises the question of government's reaction to public criticism and political controversy. It can also help to explain one critical problem area in the process of adjustment to change, namely, the marked reluctance on the part of the government to take necessary but "unpopular" actions.

The devaluations of the baht is a case in point. After the experience of the 1981 devaluation, both the government and the monetary authorities have shown a remarkable aversion to any attempt to rationalize the exchange policy. The baht was allowed to continue to be closely tied to the dollar, thus leaving the value of the national currency to be determined, not by the relative strength or weakness of the Thai economy, but by the widely fluctuating values of the dollar. As was mentioned earlier, any attempt at a more flexible system was abandoned entirely after the political controversies generated by the 1981 devaluation, and the baht was allowed to appreciate strongly in line with the dollar, thus imposing a severe constraint on necessary adjustment. The long delay in effecting the second devaluation in 1984 led to some very serious repercussions on the economy and it could, at least, be reasonably argued that the severe downturn in 1985 could have been lessened or entirely avoided had the baht been devalued in 1983 or even as late as the

beginning of 1984. Furthermore, a more flexible exchange rate system could have helped considerably in the attempt to adjust to external changes both in minimizing undesirable impacts and in exploiting new opportunities created by these changes. For instance, the competitiveness of Thai exports could have been enhanced, while the worsening internal terms of trade against agriculture could have been substantially reduced. A comparison with some of the neighboring countries is quite instructive (see Tables B 1, B 2 and Figures B 1, B 2). In the case of Korea which has continued, effectively, to peg its currency to the U.S. dollar, it has made frequent and sizeable adjustments to maintain its competitive position throughout the period under study. Australia in contrast has opted for a system of "managed float" soon after the initial shocks in 1973 and has also succeeded in maintaining its competitive position. Thailand, on the other hand, has been much slower in adjusting, thus imposing a severe and entirely unnecessary constraint on itself.

As far as this tardiness was caused by the fear of adverse political consequences, the questions discussed above concerning the "announcement factor" and the role of the mass media would merit further attention from political scientists.

Insofar as the 1985 recession was caused by a congruence of three factors, namely, the 1984 devaluation, the severe credit contraction, and the excessively high interest rates, it can be argued that a more timely adjustment in the exchange rates would have considerably eased the pressure on both credit expansion and interest rates, and thus the over-reaction resulting in the recession could be avoided or at least ameliorated.

Box 2

REAL EXCHANGE RATES AND INTERNATIONAL COMPETITIVENESS

International competitiveness is a highly complex subject; ultimately, it is closely associated with the comparative costs of production in one country against another. Exchange rates are only part of this but an important one. In reality, governments in most countries try to influence, in varying degrees, the determination of exchange rates. In addition to the usual goal of stability, exchange rate policy should also aim at international competitiveness. Real exchange rate (RER) may be used as a broad indicator for international competitiveness; the idea behind it is very simple: a high inflationary country must depreciate her currency in order to maintain competitiveness with the low inflationary countries. Based on the purchasing power parity ($e = P/P^*$, where P stands for domestic price, P^* for foreign prices, and e for exchange rate); $d(\ln e) = d(\ln P) - d(\ln P^*)$; hence, the exchange rate would be higher the higher the inflation rate. We have estimated RER for 17 countries, including Thailand, eight trading partner countries, and eight competing countries (see Table B 1, B 2). Discernible from this exercise are: (a) The value of the Baht had been increasing rapidly since the end of the 1970s and was far above its pre-oil shock level (1972)--this was mainly because of the de facto fixity of the baht vis-a-vis the U.S. dollar and the rising inflation in the

Box 2 (cont'd)

domestic economy; (b) Similar to the case of Thailand, RERs of most countries in our case study were rising because of the high inflation fueled by the second oil shock. Some of our competing countries had, however, adjusted their nominal exchange rates more quickly than Thailand--Korea and Australia could be cited as cases in point, (see Figures B 1, B 2) Korea, similarly to Thailand, began to experience widening structural imbalances at the turn of the decade and adopted a structural adjustment program. On January 12, 1980, Korea devalued the won to a rate of 580 to the U.S. dollar from the previous rate of 484 which had been rigidly maintained since December 1974, and the rate was allowed to float a month later. One writer describes the structural experience of Korea as follows:

"The underlying strains and pressures were exacerbated in 1980 by disastrous harvest, the rise in international oil prices and interest rates, and domestic political disturbances: Consequently, South Korea's economic performance worsened sharply. GNP declined to register a minus 5.2 percent in 1980 for the first time in South Korea's modern history. Inflation soared, and the current account deficit rose to a record level. The government responded to the crisis by implementing a comprehensive structural adjustment program... The main elements of the program included financial policies, a substantial devaluation of the currency, and a comprehensive energy policy designed to reduce Korea's dependence

Box 2 (cont'd)

on imported oil. The program proved to be highly successful. Output rose by an average of over 8 percent during 1983-1984, while inflation was contained at 2 percent, and the current account deficit fell below 2 percent of GNP. At the same time, the growth of external debt decelerated sharply."*

*

Choong Yong Ahn "Economic development of South Korea, 1945-1985: strategies and performance", A paper presented at TDRI-KDI Joint Economic Seminar on structural adjustment and trade policy: Bangkok, July 21, 1987, p.113.

BOX 2 (Cont'd)

Table B1
REAL EXCHANGE RATE OF 14 COUNTRIES IN INDEX FORM, 1972=1
(IN SDR. TERM)

	THAI	JAP	USA	NETH	GERM	SAUDI	HK	SING	MALAY	AUST	CHINA	KOREA	INDO	PHIL
1970	1.124	0.900	1.102	0.908	0.929	0.999	1.000	1.044	1.039	0.995	1.082	1.184	1.220	1.057
1971	1.079	0.942	1.103	0.965	0.980	1.002	1.010	1.020	1.014	1.023	1.035	1.151	1.125	1.068
1972	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1973	0.949	1.016	0.870	1.012	1.038	1.062	1.046	1.112	1.040	1.063	0.921	0.830	1.065	0.917
1974	1.025	1.010	0.829	0.990	0.986	1.155	1.052	1.179	1.065	1.059	0.801	0.873	1.289	1.047
1975	0.981	1.009	0.823	1.056	0.996	1.424	1.005	1.130	1.012	1.009	0.767	0.830	1.391	0.963
1976	0.997	1.079	0.852	1.077	0.993	1.825	1.028	1.041	0.959	1.054	0.722	0.935	1.631	0.974
1977	0.998	1.199	0.840	1.148	1.040	1.894	1.063	1.011	0.966	0.997	0.719	0.959	1.425	0.984
1978	0.970	1.426	0.814	1.219	1.111	1.736	1.004	1.021	0.966	0.999	0.718	0.986	1.537	0.955
1979	0.977	1.306	0.833	1.263	1.164	1.648	0.987	1.022	0.973	0.972	0.730	1.073	1.210	1.031
1980	1.070	1.249	0.867	1.242	1.133	1.582	1.024	1.031	0.959	1.005	0.747	1.009	1.306	1.097
1981	1.156	1.377	0.976	1.081	1.007	1.633	1.057	1.158	1.014	1.130	0.688	1.115	1.487	1.205
1982	1.171	1.270	1.055	1.083	1.005	1.654	1.097	1.205	1.074	1.127	0.640	1.130	1.578	1.246
1983	1.214	1.355	1.084	1.043	0.970	1.657	1.009	1.233	1.122	1.110	0.627	1.101	1.283	1.054
1984	1.201	1.396	1.135	0.965	0.901	1.619	1.018	1.262	1.164	1.125	0.552	1.092	1.265	1.063
1985	1.068	1.418	1.172	0.952	0.890	1.468	1.055	1.230	1.099	0.957	0.448	1.035	1.221	1.172
1986	0.935	1.770	0.996	1.195	1.108	1.141	0.903	1.014	0.874	0.820	0.296	0.884	0.697	0.885

Source : calculated from data from IMF.

Table B2

REAL EXCHANGE RATE OF 14 COUNTRIES IN INDEX FORM, 1972=1
(IN US DOLLAR TERM)

	THAI	JAP	USA	NETH	GERM	SAUDI	HK	SING	MALAY	AUST	CHINA	KOREA	INDO	PHIL
1970	1.036	0.833	1.011	0.836	0.859	0.921	0.921	0.953	0.945	0.903	0.998	1.090	1.124	0.971
1971	0.997	0.874	1.012	0.892	0.909	0.926	0.932	0.949	0.940	0.945	0.958	1.063	1.039	0.985
1972	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1973	1.047	1.393	0.950	1.107	1.144	1.163	1.147	1.221	1.135	1.177	1.012	0.911	1.169	1.005
1974	1.142	1.118	0.912	1.094	1.091	1.282	1.154	1.304	1.168	1.173	0.890	0.967	1.428	1.158
1975	1.104	1.128	0.913	1.178	1.116	1.593	1.123	1.265	1.172	1.140	0.860	0.928	1.556	1.076
1976	1.067	1.148	0.899	1.144	1.057	1.945	1.031	1.106	1.012	1.115	1.065	0.994	1.735	1.034
1977	1.080	1.339	0.901	1.237	1.120	2.039	1.113	1.086	1.031	1.073	0.774	1.031	1.533	1.056
1978	1.126	1.644	0.934	1.407	1.279	1.927	1.157	1.180	1.105	1.155	0.832	1.137	1.773	1.099
1979	1.170	1.554	0.986	1.496	1.390	1.963	1.173	1.219	1.151	1.169	0.868	1.277	1.440	1.225
1980	1.290	1.497	1.034	1.479	1.360	1.897	1.226	1.238	1.140	1.202	0.895	1.209	1.566	1.314
1981	1.324	1.495	1.057	1.169	1.093	1.777	1.147	1.259	1.097	1.235	0.750	1.211	1.614	1.308
1982	1.198	1.291	1.065	1.101	1.022	1.681	1.114	1.224	1.084	1.157	0.653	1.149	1.604	1.266
1983	1.304	1.334	1.065	1.027	0.957	1.634	0.993	1.217	1.098	1.089	0.616	1.084	1.264	1.037
1984	1.141	1.318	1.072	0.910	0.851	1.531	0.961	1.195	1.092	1.066	0.522	1.031	1.194	1.002
1985	1.005	1.326	1.097	0.889	0.834	1.376	0.986	1.148	1.022	0.896	0.419	0.967	1.142	1.094
1986	1.054	1.882	1.115	1.202	1.115	1.302	1.017	1.140	0.986	0.935	0.360	0.974	1.004	1.003

Source : calculated from data from IMF.

Figure B1
 REAL EXCHANGE RATE IN INDEX FORM, 1970-86.
 (in SDR. term, 1972 = 100)

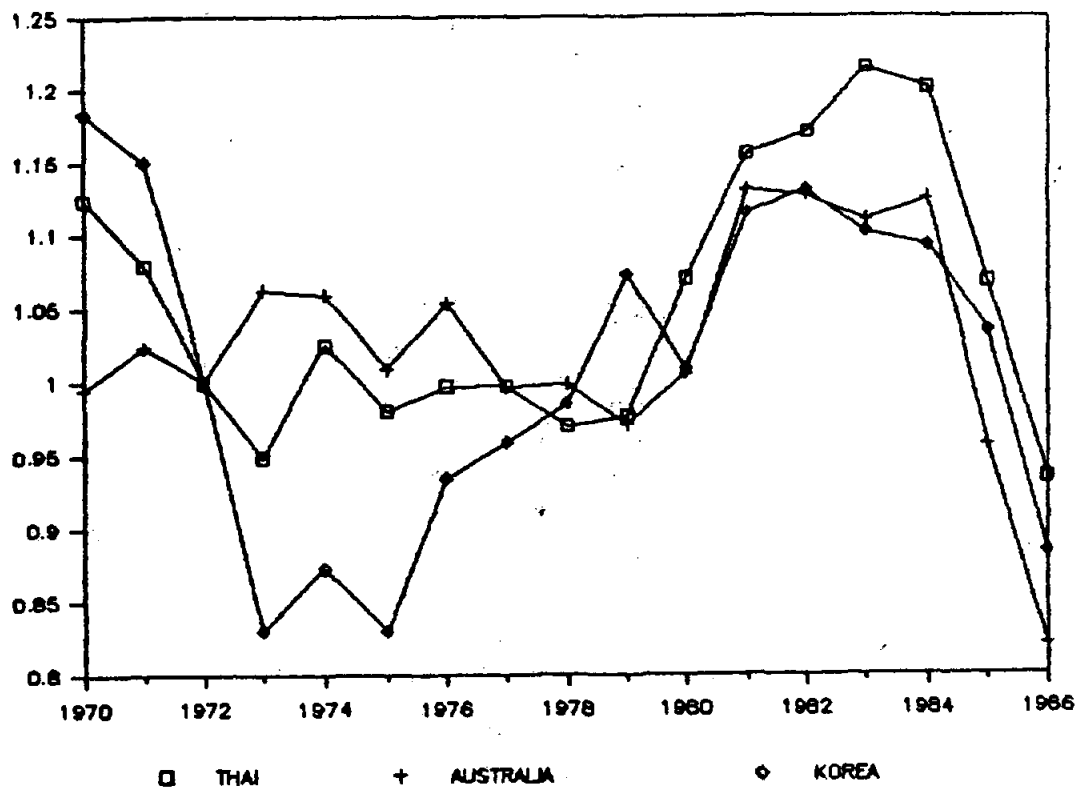
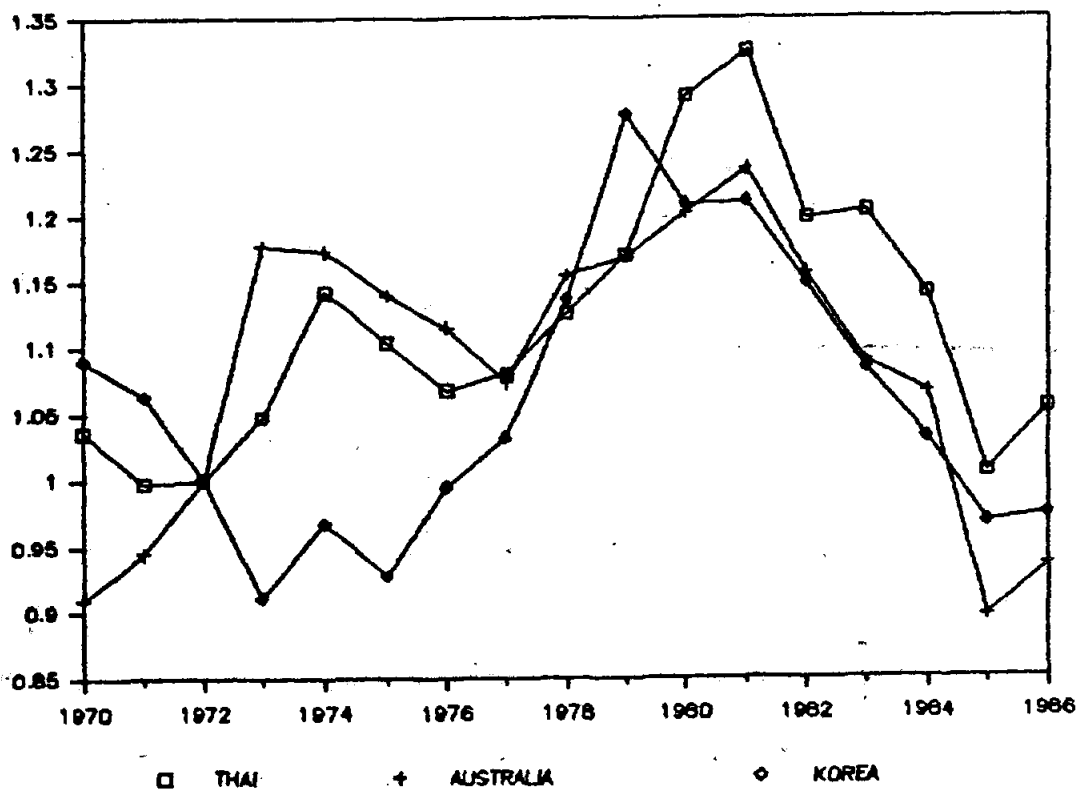


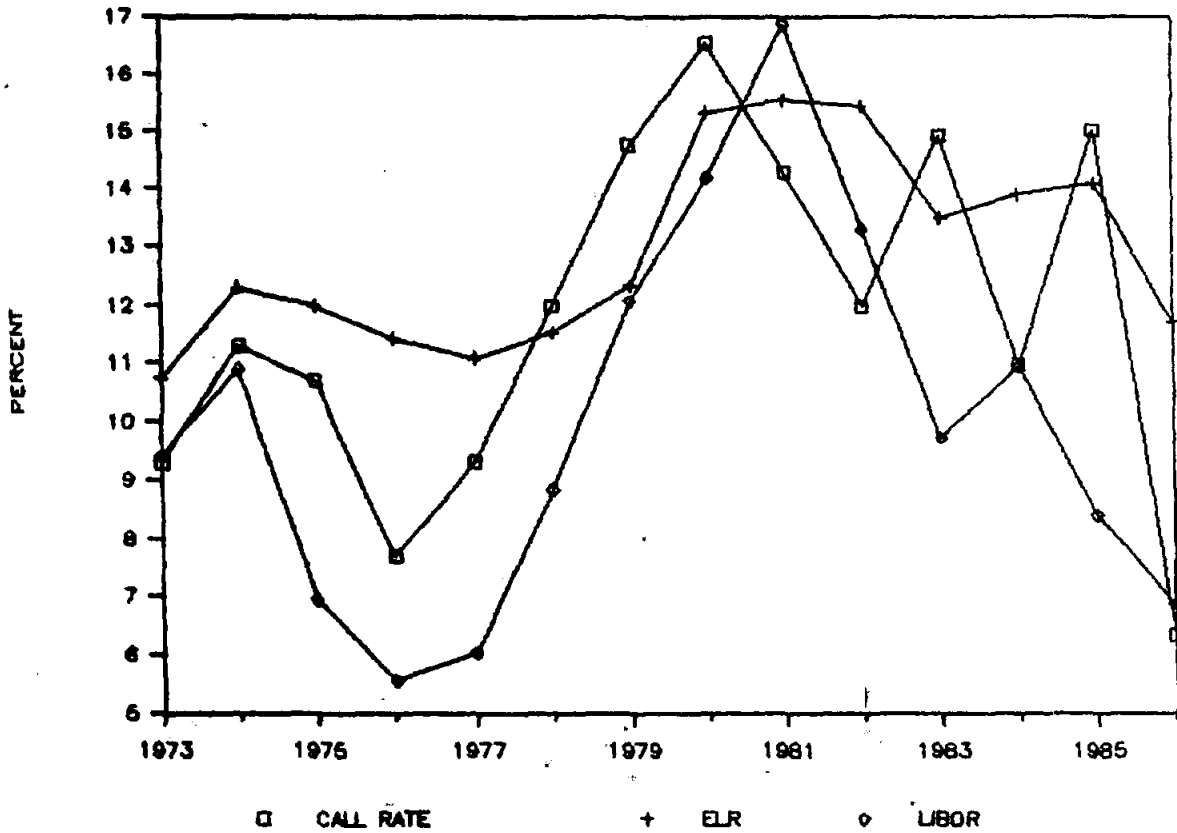
Figure B2
 REAL EXCHANGE RATE IN INDEX FORM, 1970-86.
 (in US.\$ term, 1972 = 100)



It is by no means clear how the apparent contradiction between efficiency requirements and democratic development could be reconciled in the attempt to achieve of a more timely and effective mode of management.

2.2 Interest Rate Policy: Ceilings on loan rates are set by law, reflecting an old concern with the problem of usury. While such ceilings result in a certain degree of inflexibility, necessitating legislative changes in times of high interest rates such as in the 1979/80 period, the real problem is that such ceiling rates have tended to become actual loan rates over long periods of time even if the cost of funds may have declined substantially. Interest rates in Thailand thus tend to be highly inflexible in the downward direction. The effective loan rates, call rates, and LIBOR are shown in Table 2 and Figure 13. The effective loan rates are here taken as a proxy of actual rates because they represent the average rates realized by the lender. It can readily be seen that the loan rates have been kept at very high levels throughout the period, especially between 1974 and 1979 where they exceeded both the call rates and LIBOR by a very wide margin. And even in times of recession such as in 1982 and 1985, the rates were kept high, thus compounding the difficulties. The structure of interest rates is an accurate reflection of the oligopolistic nature of Thai banking where the banks do not engage in any meaningful competition in their lending. They tend to carve out different markets among themselves and any real competition that takes place only occurs

Figure 13
 SELECTED INTEREST RATES



Source : Table 2

on the deposit side. And even here, the tendency is to wait for an agreement to change the deposit rates so as not to endanger their own positions. Even with the prevailing levels of excess liquidity, a reduction in deposit rates was delayed for several months in 1986 because the banks tried, unsuccessfully as it turned out, to pressure the Bank of Thailand to declare the desired reduction.

It is a well-known fact that the monetary authorities do not have any really effective instrument to influence the behavior of interest rates. Except for very brief and rare periods when external rates were extremely high, the discount rates of the central bank only served as an "indication", because the bank was in no way a meaningful lender of last resort. And as has been pointed out, the legal ceiling loan rates only act as a cap which reduces flexibility in both the upward and downward directions. Under such circumstances, it should be obvious that the only real solution is to allow an increased degree of competition in the banking system through a liberalized entry policy. Largely for political reasons, however, the monetary authorities have steadfastly refused to consider such a liberalization. In recent years, an additional reason has been found to bolster this negative position. It has been argued that, given the weak positions of financial institutions, it would not be opportune to allow new entries because it would further jeopardize the positions of existing banks. And the government is obliged to prevent any bank from failing because such a failure would create a panic which would endanger the

whole financial system of the country.

It is true that, as things stand, the government would have no choice but to step in and rescue any bank in trouble. The question is why it has found itself in such an unenviable position. The answer is quite clear - it has no choice because it has chosen to paint itself into a corner. Instead of protecting the investors, the government has consciously decided to establish the Fund for the Rehabilitation and Development of Financial Institutions in 1985. Since then the monetary authorities have poured in more than 18,000 million baht to shore up two commercial banks and scores of finance companies to no useful purposes. As long as this mechanism is kept in place, it is true that it would be too risky for the government to make any attempt at liberalization.

A draft legislation for the creation of a Deposit Insurance Institute was, in fact, submitted to Parliament as early as 1982. It was, however, withdrawn by the then Minister of Finance at the last minute. If small investors could be fully protected, as they would have been under the proposed deposit insurance scheme, it would have been possible to allow market forces to operate. New banks could come into being and badly-run banks could have been allowed to fail. The overall efficiency of the banking system could have been considerably improved, resulting in more efficient and timely operations in the financial sector. The undue rigidities in the system, especially in the case of interest rates, would be greatly reduced, thus making it possible for the economy to adjust in a more timely

manner to external changes. Excessive impacts on prices, income, and employment could thus be avoided.

2.3 Money Supply: Needless to say, money supply is an important variable and one of the most cited monetary indicators. In the case of Thailand the monetary authorities have limited instruments to influence money supply, interest rates, and domestic credit. We should also bear in mind that the domestic financial sector is closely linked with the world financial market. M1 is one of the channel through which the monetary authorities have good control mainly through the financing of government debt; the monetary authorities also regulate and monitor international money/capital movements by the private sector which also affect money supply.

Prior to the first oil shock, change in money supply was moderate and could be largely explained by the movement of foreign asset, i.e., during good exporting years foreign asset tended to increase and led to an increase in M1, and conversely. There were some evidences to conclude that the monetary authority did apply sterilization policy, that is to say, applied restrictive policy to counteract the inflow of foreign money (see for example the period 1960-64 in Table 6). In brief the monetary authorities were cautious in increasing money supply and hence discipline was maintained in both fiscal and monetary policies.

In the early 1970s, in connection with Thailand's windfall gain from the commodity boom, the change in M1 rose sharply. The major cause of money expansion in this period was still the favorable balance of trade and an inflow of capital. When the commodity boom ended and Thailand began to suffer from the first oil shock, money expansion was slowed down in response to the domestic and world recession.

It is striking to note that there was an abrupt change in the government macro-policy in the latter half of the 1970s, when the government deserted the fiscal discipline that led to monetary stability for the past two decades by expanding expenditures to stimulate the economy through deficit financing. State enterprises also followed a similar pattern. As a result, money supply rose sharply. Notice also that the central bank's credit for government was the main source of growth of money supply in the second half of the 1970s (Table 6). This was an unusual event.

Increase in the government spending during 1976-80 had positive multiplier impact on the private sector, especially in the construction sector. This, together with a rise of private sector demand and failure to adjust the interest and exchange rates, led to the tight money situation during 1978-80. The private sector had to borrow from abroad to finance money shortage with the help of the government in relaxing conditions to borrow from abroad, through a temporary waiving of the withholding tax on interest payment.

Change in M1 slowed down in the 1980s. The Bank of Thailand's credit for government was lessened after 1982. Change in international capital movement fluctuated considerably in this period because of the volatility of interest rates in the international market.

The period of large monetization of the government deficit during 1976-80 was a unique experience for Thailand and should serve as a policy lesson for macro-management. This, together with the higher cost of imports, aggravated the inflationary problem and growing external deficits, and put the stability of the economy in jeopardy; it also set severe constraints on government economic management in later years.

Table 6
Expansion of Money Supply and Its Sources of Growth, 1957-87
(Billion Baht)

year	change in		
	m1	govt. credit	foreign assets
1957	0.96	0.92	0.39
1958	0.26	0.37	0.01
1959	0.62	0.38	-0.04
1960	1.02	-2.25	1.09
1961	0.99	-0.55	1.70
1962	0.01	-0.04	1.39
1963	-0.92	-0.23	1.16
1964	0.60	-0.23	1.75
1965	2.17	0.02	1.81
1966	1.64	0.11	3.92
1967	1.05	-0.44	1.77
1968	1.56	2.28	0.25
1969	0.73	3.91	-0.75
1970	1.44	3.22	-1.43
1971	1.97	1.63	-0.36
1972	3.50	2.18	4.12
1973	5.12	1.46	4.34
1974	2.79	-2.94	11.73
1975	1.99	-0.26	-1.64
1976	6.64	5.76	0.16
1977	4.04	6.54	0.44
1978	9.10	9.18	13.49
1979	9.03	8.70	12.08
1980	7.90	15.90	-1.49
1981	1.86	11.42	0.30
1982	5.02	16.44	-1.72
1983	3.49	12.90	-2.22
1984	11.53	-4.66	14.16
1985	-3.24	10.94	7.04
1986	16.76	-7.03	18.61
1987*	12.27	-7.30	9.42

Note : Change in government credit refers to the credit granted by Bank of Thailand for the government

* first quarter

Source : IMF, International Financial Statistics.

3. FISCAL POLICY:

In situations of rapid change, fiscal policy can be used as a powerful instrument for adjustment, basically in two ways. The first is through variations of broad magnitudes such as governmental revenues, expenditures and deficits. Equally important is the second way--adjusting taxes and public expenditures to achieve certain objectives in meeting new requirements resulting from the change.

3.1 Budget Policy: In the case of adjustment of broad fiscal magnitude, the government has had a rather mixed record. Prior to 1982, planned budget expenditures showed a wide degree of fluctuation caused largely by political pressure. Planned expenditures for FY 1973-1986 are shown in Table 7, and the consolidated public expenditures and deficits in Table 9.

It can readily be seen from Table 7 that in the eight years between 1974 and 1981, there were no fewer than five years where increases in planned expenditures were 20% or greater. These were 19.76%, 20.69, 26.64%, 21.93% and 20.06% in 1974, 1975, 1976, 1980, and 1981 respectively. The first period between 1974 and 1976 coincided with the period of political liberalization following the student uprising in October 1973. There was, naturally, increased pressure on the government to do more to meet the needs of the people and to solve the pressing problems of the country. An easy and convenient way of appearing to be doing this was, of course, to increase government spending.

There does not appear to have been much concern (on the part of the government, the general public, and later on, the political parties) whether the increased spending was appropriate or fruitful, or whether the government had the financial capacity to support these incremental expenditures. It should be noted, however, that the increase in planned expenditures in 1975 could perhaps be justified as government revenue in 1974 exceeded the target by 43.5% due to high inflation, higher oil prices and a commodity boom--all of which added to tax income. On the other hand, this increase was in the nature of a windfall gain, and raising planned expenditures by almost 21% in one year would inevitably lead to serious political difficulties in setting appropriate budgets in later years. In FY 1980 and FY 1981, the high growth in planned expenditures may be explained by the dominant role in economic affairs played by one of the coalition partners in the government. It was the stated policy of the party to ensure that the government would henceforth be much more active in economic intervention, and the immediate objective was to counteract the low level of economic activity through increased government spending. And to finance this increase, estimates of government revenue were simply raised by 50%--from 80,000 to 120,000 million baht--between FY 1980 and 1981. Further details on the government budget and related matters will be found in Table 8 and Figures 14-17.

It can readily be seen from Table 8 that unplanned deficits were caused almost entirely by revenue shortfalls, indicating a general inability of the government to curtail

Table 7
Change in Planned Budget Expenditure and Revenue
(FY 1973-86)

(million baht)

Year	Expenditure		Revenue	
	value	% change	value	% change
1973	32,030	9.94	23,300	7.11
1974	39,028	19.76	26,520	12.94
1975	48,000	20.69	38,500	37.28
1976	62,650	26.64	48,675	23.45
1977	68,790	9.35	50,470	3.62
1978	81,000	16.34	62,000	20.58
1979	92,000	12.73	72,000	14.95
1980	114,557	21.93	80,000	10.54
1981	140,000	20.06	120,000	40.55
1982	161,000	13.98	140,000	15.42
1983	177,000	9.47	151,000	7.56
1984	192,000	8.13	160,000	5.79
1985	209,000	8.48	178,000	10.66
1986	211,650	1.26	185,000	3.86

Source : Bank of Thailand

Table 8
Government Budget, fiscal year 1973-1986

	REVENUE		EXPENDITURE		DEFICIT		DIVERGENCE	
	PLANNED	ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL	REVENUE	DEFICIT
1973	23300	25465	32030	30936	8730	5471	2165	-3259
1974	26520	38069	39028	34679	12508	-3390	11549	-15898
1975	38500	38329	48000	43040	9500	4711	-171	-4789
1976	48675	42795	62650	53775	13975	10980	-5880	-2995
1977	50470	51802	68790	63123	18320	11321	1332	-6999
1978	62000	62137	81000	74738	19000	12601	137	-6399
1979	72000	75046	92000	86146	20000	11100	3046	-8900
1980	80000	92146	114557	114287	34557	22141	12146	-12416
1981	120000	110459	140000	129941	20000	19482	-9541	-518
1982	140000	113809	161000	152169	21000	38360	-26191	17360
1983	151000	136448	177000	165098	26000	28650	-14552	2650
1984	160000	147778	192000	177403	32000	29556	-12222	-2444
1985	178000	159196	209000	197468	31000	38272	-18804	7272
1986	185000	165253	211650	204016	26650	38763	-19747	12113

Source : Bank of Thailand

Table 9
Consolidated Public, Expenditure and Deficit.
(in Current Price, Fiscal year; 1970-86)

(billion of Baht)

Year	Expenditure & Net Lendings			Deficit
	Current	Capital	Total	
1970	18.01	9.53	27.54	-3.87
1971	19.93	11.12	31.05	-6.04
1972	22.45	11.78	34.23	-8.32
1973	25.20	11.55	36.75	-6.08
1974	29.12	11.70	40.82	3.26
1975	36.56	14.60	51.16	-5.98
1976	42.31	21.03	63.34	-15.22
1977	49.79	27.03	76.82	-16.18
1978	62.73	35.79	98.52	-24.47
1979	75.73	36.60	112.33	-26.42
1980	100.76	58.77	159.53	-53.36
1981	119.69	62.51	182.20	-52.22
1982	131.22	68.19	200.20	-63.51
1983	145.62	68.16	213.56	-50.96
1984	160.96	69.30	230.16	-43.12
1985	177.32	79.87	258.37	-63.13
1986	185.27	78.11	264.35	-50.21
	(as % GDP)			
1970	13.42	7.10	20.52	2.88
1971	13.99	7.81	21.79	4.24
1972	14.06	7.38	21.44	5.21
1973	12.38	5.67	18.05	2.99
1974	11.30	4.54	15.84	1.27
1975	12.52	5.00	17.52	2.05
1976	12.90	6.41	19.32	4.64
1977	13.13	7.13	20.26	4.27
1978	13.92	7.94	21.86	5.43
1979	14.16	6.85	21.01	4.94
1980	15.44	9.00	24.44	8.17
1981	15.73	8.22	23.95	6.86
1982	15.51	8.06	23.66	7.51
1983	15.74	7.37	23.09	5.51
1984	16.28	7.01	23.27	4.36
1985	17.03	7.67	24.81	6.06
1986	16.75	7.06	23.9	4.53

Source : Bank of Thailand

Figure 14
 RATE OF CHANGE OF PLANNED EXPENDITURES
 (1973-86)

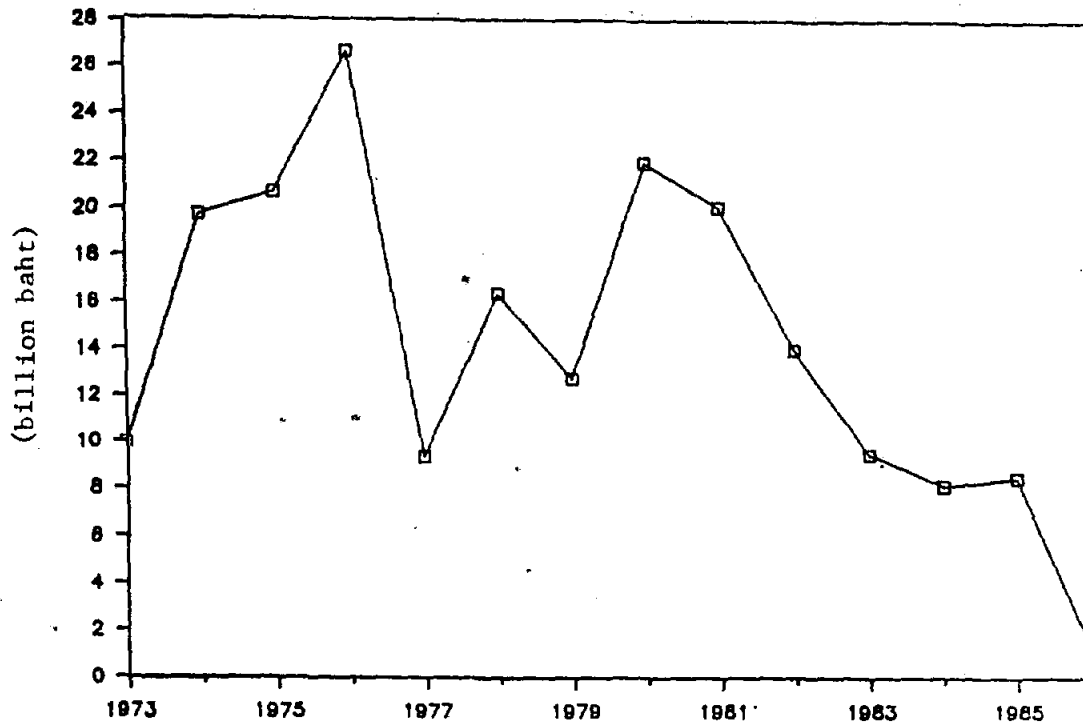


Figure 15
 GOVERNMENT REVENUE
 (fiscal year, nominal term)

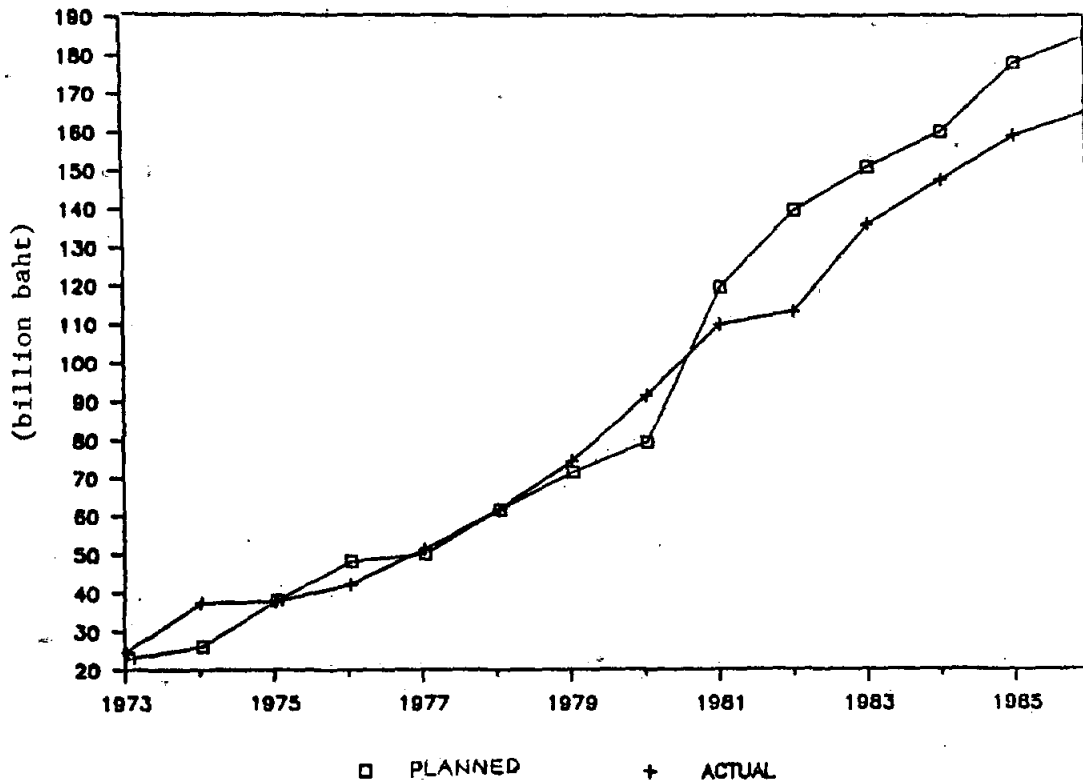


Figure 16

GOVERNMENT DEFICIT
(fiscal year, nominal term)

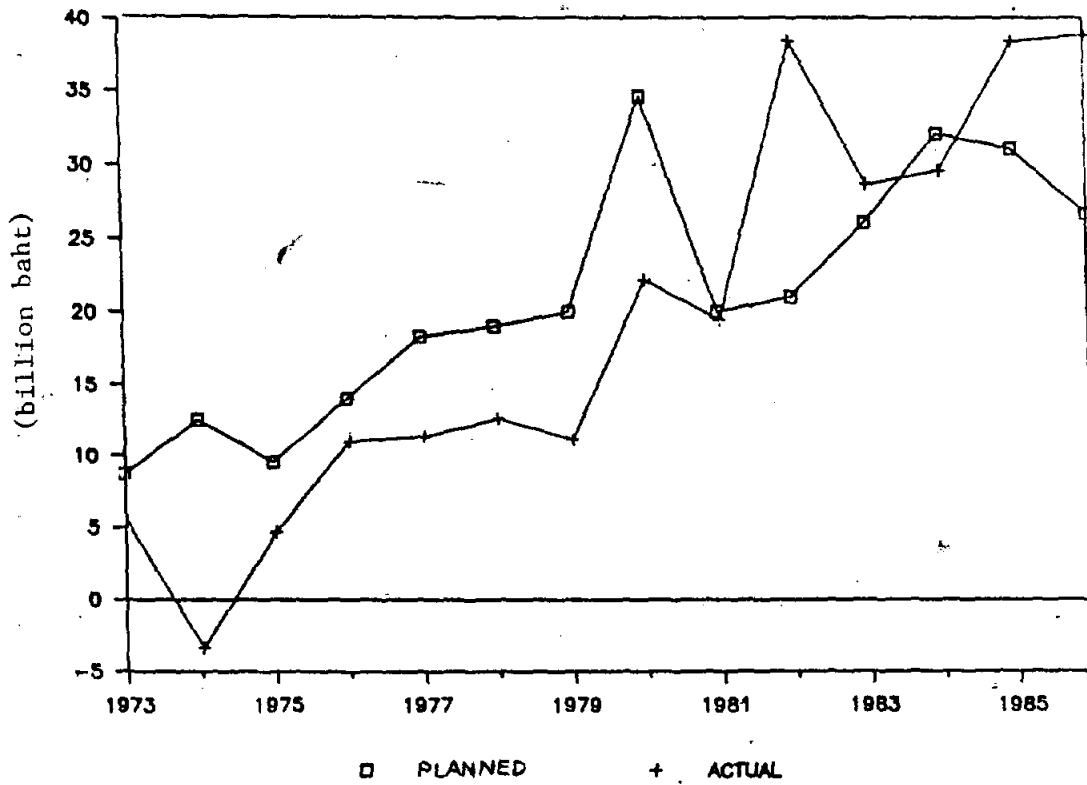
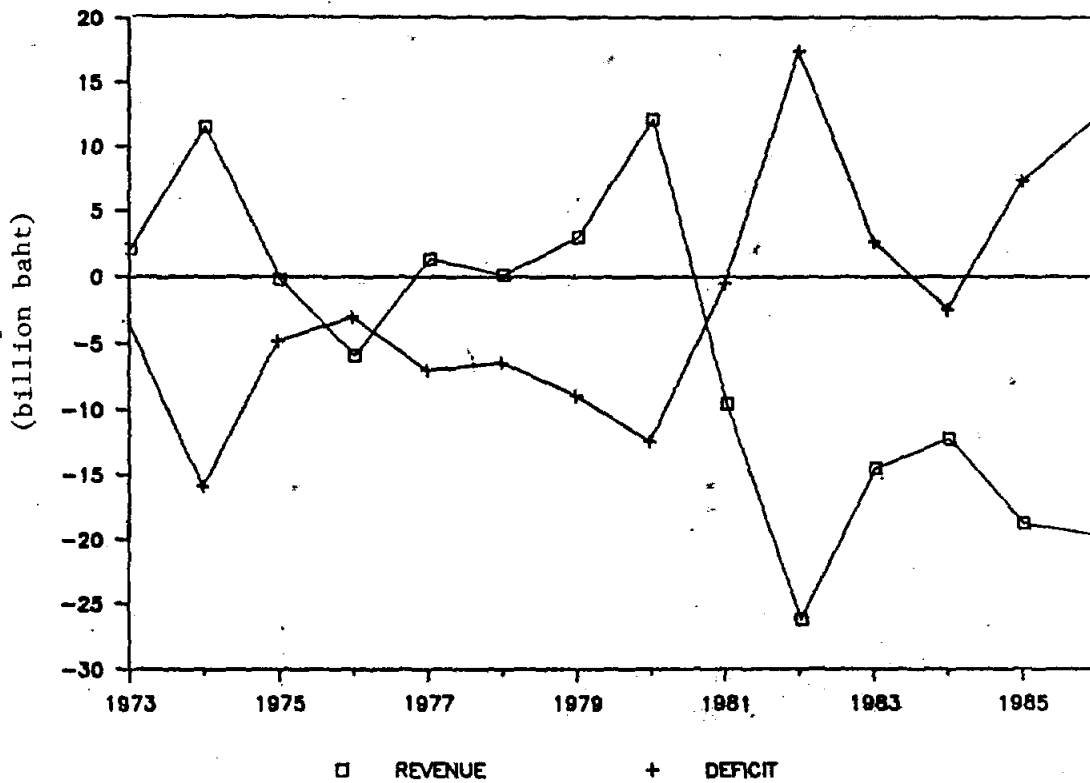


Figure 17

REVENUE & DEFICIT
(divergence: actual & budget, 1973-86)



expenditures in any meaningful manner. Major divergencies between planned and actual deficits are an almost exact mirror image of divergencies between planned and realized revenue (see Figure 17). As mentioned earlier, there was excess revenue of over 45% in FY 1974; this was accompanied by a surplus of 3,390 million baht instead of a planned deficit of 8,159 million baht (i.e., a saving of 141.5%). This trend was reversed in FY 1976 when there was a revenue shortfall of 12.1% leading to a deficits increase of 115.3%. Between FY 1978 and 1980, there were again smaller deficits than planned due to excess revenue. Since FY 1981 there have been sizeable increments in deficits every year, ranging from a low of 69.8% in FY 1984 to a high of 215.2% in FY 1982, again because of substantial revenue shortfalls.

In retrospect, it is clear that the problem of excessive deficits experienced by the government since FY 1981 has been caused primarily by its own action in that year. As mentioned above, revenue estimates were raised by 50% between FY 1980 and 1981 to permit a substantial increase in planned expenditures while keeping the projected deficits within a politically acceptable limit. Furthermore, this quantum jump in revenue estimates was not accompanied by meaningful or long-

lasting measures to improve the system and practice of tax collection. The new revenue target represented, however, a new plateau of planned expenditures which could not be brought down for political reasons. This fact, coupled with the steady decline in inflation since 1981, thus ensured that the government would have serious difficulties in containing budget deficits in subsequent years.

As far as fiscal policy is concerned, 1981 may be taken as a watershed year for it was then that previous permissive and expansionary policies were abandoned. Through the close cooperation of the then Minister of Finance and economic advisors to the Prime Minister, a proposal imposing strong disciplinary measures on expenditures was submitted to the Cabinet and duly approved late in 1980. Until that time the practice of approving extra-budgetary requests at weekly Cabinet meetings (using the device of "additional" agenda items, through which additional requests were approved on an ad hoc basis) was widespread. This practice was stopped entirely after a new team took over at the Ministry of Finance early in 1981 and except

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An "extra-legal" measure was employed where prominent businessmen were requested to make additional "voluntary" tax payments in exchange for a promise that the government would not pursue selected cases of back taxes and tax evasions. Apart from being of doubtful legality and morality, the measure only yielded a one-time revenue increment, an increase which could not be repeated. It ensured, therefore, that revenue targets could not be sustained over time.

perhaps for certain lapses in 1983, strict fiscal discipline has been maintained until very recently. This steadfast adherence to strict discipline had, as it turned out, become one of the major pillars for stability during the turbulent years of the first half of the 1980s. It was one of the main reasons why Thailand was able to keep its external imbalances in check and to maintain a relatively strong credit position. Unfortunately, with the upturn in the economy since the beginning of this year, a tendency towards the approval of "additional" extra-budgetary requests has reappeared in recent months. If such a practice continues, it will seriously undermine the discipline which is still necessary in a changing world, and thus the problem deserves a close watch by the government.

As for the second way that fiscal policy can be used as an adjustment instrument--adjusting taxes and expenditures to serve new requirements and objectives--it has to be said that the government has failed almost entirely to make use of this micro-instrument. Changes lead inevitably to new requirements which, in turn, necessitate a reallocation of budgetary resources. This reallocation can essentially be done in three ways: (1) by increasing revenue to support new projects; (2) by curtailing old projects and freeing resources for new ones; and (3) a combination of both. Between 1973 and the present, there has been little meaningful attempt to improve the efficiency of

revenue collection and, thus, this avenue for action was foreclosed. Curtailing old projects could only be done in a rational manner if there were a meaningful system of substantive evaluation and feedback. And, as everyone knows, evaluation in Thailand has, until now, been limited to financial auditing. There is thus no way to cut down or phase out projects and activities which are outdated, of low productivity, or counter-productive.

Without the ability either to raise revenue or curtail old expenditures, the government, not surprisingly, found itself incapable of adjusting to the rapid changes of recent years. A potentially powerful instrument for adjustment had to be foregone, thus leaving many important societal needs unfulfilled. Data are not available from past years, but it can be seen from the current budget (FY 1987) that, out of a total of 1,762 projects, programs and activities, there are only 94 new projects (equivalent to 5.3%). In terms of funding, the proportion is even much smaller. The new projects account for only 1,000.7 million baht or 0.6% of total expenditures (excluding those

Several studies have been done, including major ones carried out with the technical cooperation of the IMF, but, to date, there has been almost no implementation. A notable exception was the creation, in 1982, of local Revenue Department tax offices, but there has not been much tangible evidence of an increase in efficiency or revenue collected. This can serve as another example of the futility of administrative reorganization without corresponding changes in the work process and the attitudes of government officials.

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earmarked for debt servicing). Clearly the bulk of the budget is being allocated to maintain on-going activities regardless of their relevance or usefulness.

What lessons can be learned from the above brief examination of the problem? Firstly, it is clear that it would be self-defeating to try to raise budget expenditures without a corresponding improvement in the government's ability to collect revenue. Thus, improving the efficiency of the system and practice of revenue collection would constitute the first requirement of any attempt to increase the role of government spending to influence economic activities. Secondly, counter-cyclical spending should be treated with extreme caution; a successful application would require a system of fine tuning with a degree of sophistication, timing and precision which is entirely lacking in the Thai case. And thirdly, a meaningful system of substantive evaluation should be put in place as soon as possible to make possible the rational curtailment and phasing out of low-priority projects and activities. In the meantime,

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Computed from data from the Bureau of the Budget.

some reasonable ad hoc instrument would have to be found to free very scarce resources for new projects and activities to meet the challenge of change.

3.2 Taxation: In principle, taxation can be used as a means to: (1) generate government revenue; (2) achieve income distribution targets; (3) promote or discourage economic activities at the micro level; and (4) perform the function of fine-tuner for stability objectives. In Thailand, taxation has been primarily used to serve the first function of generating revenue. To a lesser extent and in a rather unsystematic way, it has been used for investment promotion--without any clear knowledge of its effects.

The salient features of taxation in Thailand may be summarized as follows: first, indirect tax constitutes the major portion of government revenue. As of 1985, it accounts for 76.63 percent of the total tax revenue and 68.14 percent of central government revenue. Secondly, the tax structure has changed but little in the past ten years. The tax-GDP ratio has remained at about 13-14 percent throughout the past decade and its

Partially as a result of a recent TDRI study, preliminary understanding has been reached between the Budget Bureau and the NESDB to put in place a limited version of such an instrument. As far as may be ascertained, no application has been attempted to date. See: Management of Economic and Social Development: Main Report (unpublished TDRI research report), September 1987.

composition has not changed much (see Table 10). The constancy of the tax-GDP ratio may be explained by the nature of high dependence on indirect taxation, which is almost unitarily elastic with respect to the GDP. In the past tax packages were often announced in the midst of pressures to generate revenue. It may be unfair to say that there has not been any attempt to reform taxation; in fact the government attempted to perform such a task after the second oil shock when it began to experience a revenue shortfall and applied strict discipline to fiscal and monetary policies. Under the structural adjustment program, the government agreed to liberalize industrial protection with the plan to adjust import taxes to, more or less, uniform rates on the grounds of economic efficiency objectives, and to broaden the tax base on the grounds of an equitable tax burden. The plan under SAL initiated the use of a tax map, computer, and local tax office or "Sor Por Tor" as a means for policy implementation; however, the plan has not been implemented in the way it was intended. Thirdly, like many other LDCs, taxes on wealth and property are of minor importance, because of the difficulty in implementing them and strong opposition from the vested-interest groups. Fourthly, there are loopholes in the tax system which result in an unduly small tax base; part of this is due to the nature of informal businesses which makes it difficult to bring them into the tax net. But it cannot be denied that the tax privileges granted to promote investment enterprises also contribute to this situation. Fifthly, there is duplication in and a multiplicity of taxes.

Looking forward into the future, as the industrial sector replaces agriculture and future policy directions seem to be settling on an outward-looking strategy, it is clear the trade tax will lose its importance as a revenue generator; hence the government needs to find alternative sources of revenue and at the same time liberalize the tax structure. The government has planned another reform for next year. The essence of the plan is to replace business tax with the value-added tax (for a discussion of this and related matters, see a recent TDR¹³I study). VAT has many virtues in principle, but whether it is workable in reality has yet to be seen. Debates on the VAT focus on two issues: (1) Will VAT result in a revenue loss to the government? and (2) Is VAT workable as a large number of our business enterprises have poor accounting systems?

The government has experienced a revenue shortfall in the past six years (Table 8) despite the increased tax efforts. This clearly indicates the extreme difficulty of implementing any kind of tax reform in "bad" years and expecting a good outcome. As the country is in the process of recovery, it is high time to implement tax reforms. In our opinion, two policy directions should be kept in mind: (1) liberalization of our industrial sector and (2) broadening the tax base. We are of the opinion

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The Impact of High Business Tax Rates on Tax Evasion of Industrial Operations and Financial Status of the Government, Bangkok: TDR¹³I, 1987.

Table 10

TAX REVENUE
(Calendar Year in current prices)
(million baht)

YEAR	TAX REVENUE				TOTAL TAX	TAX-GDP RATIO (%)
	INDIRECT		DIRECT			
	amount	% total tax	amount	% total tax		
1973	22726	86.81	3453	13.19	26179	12.1
1974	32623	86.56	5066	13.44	37689	13.9
1975	31411	82.68	6581	17.32	37992	12.7
1976	35563	83.37	7092	16.63	42655	12.6
1977	44767	83.56	8808	16.44	53575	13.6
1978	52725	81.32	12112	18.68	64837	13.8
1979	64262	81.65	14445	18.35	78707	14.1
1980	77122	81.72	17254	18.28	94376	13.8
1981	84844	78.69	22970	21.31	107814	13.7
1982	87290	77.53	25303	22.47	112593	13.3
1983	104538	78.60	28456	21.40	132994	14.4
1984	112808	77.70	32378	22.30	145186	14.7
1985	117498	76.63	35831	23.37	153329	14.7
1986	123483	77.31	36235	22.69	159718	14.5

Source : NESDB, National Income of Thailand.

that the income tax privileges (better known "tax holiday") should be reconsidered because, to continue it in the future may unduly constrain the tax base, and it also contradicts the objective of an equitable tax structure.

3.3 Debt Management: The debt crisis of some Latin American countries shocked the world in 1982 and led to an awareness of the danger of a debt problem in Thailand. The whole public sector had accumulated debt rapidly and continuously after 1976 (a number of studies have been done on this subject, so it is unnecessary to repeat the discussion in this paper).¹⁴ Administratively, there is a Committee for Debt Creation to look after foreign public debt policy, and regulation by laws (e.g., a ceiling on debt). These controls were, however, bypassed or completely neglected by some past governments during the expansionary period simply by: (i) cancelling meetings of the Debt Creation Committee; (ii) passing a law in 1976 allowing foreign borrowing for the purpose of military development of up to 20,000 million baht which was implemented between 1977 and 1982.

It cannot be denied that the Thai government took appropriate action by returning to fiscal discipline, and, since 1981, has been cautious about committing itself to new foreign

borrowing. The absolute and relative sizes of the "debt outstanding" and "debt service" categories have continued to increase; the debt outstanding/GDP reached its peak at 39% in 1985 (see Figure 15), but has begun to fall over the past two years; debt service has, however, increased in early 1980s because of the slowdown of export earnings in recent years. Prospects for the future seems to indicate that as economic recovery is likely to continue, the relative amount of foreign borrowings will continue to fall.

Yet, the task of debt management continue to be important, and it is much more complex than commonly perceived. The task of debt management is not confined to merely managing the size of total debt and debt repayments; it must take into consideration the currencies of borrowed money, debt profile, the country's reserve position and the supply of currencies, cost of debt, variable interest and exchange rates, and so on. In brief, modern debt management requires professional skill, which is still rather weak in the government sector.

There are still many weaknesses in the current debt management system. We should like to bring into focus some of the important points: (i) lack of understanding among top decision makers and legislators as to the complexity of borrowing instruments; (ii) lack of professional staff to perform the

necessary tasks; (iii) lack of a modern information network; and (iv) conflict of interest among government agencies which seek to optimize their positions without regards for the need to optimize the debt position of the country as a whole.

3.4 Management of State-owned Enterprises: A passing mention has to be made of this problem because several state-owned enterprises continue to be a source of severe budgetary drain. To date, few meaningful attempts have been made to tackle the problem. Successive national committees have been set up, ostensibly to help improve the efficiency of state-owned enterprises and guide an ambitious program of privatization. In reality, the work has been bogged down by a lack of clarity in objectives, administrative and bureaucratic wrangling, confusions, and an apparent lack of political will and commitment. In an attempt to improve the efficiency of state-owned enterprises, the government has instructed them to prepare "corporate plans" showing targets of production, cost structures, and ways to upgrade their operations that would lead to greater efficiency and cost-effectiveness. But, to date, it is not clear what has been achieved in terms of the fundamental objective of efficiency enhancement. As for privatization, the government appears to have jumped into the "deep end of the pool" by choosing to start with divestiture which, by and large, represents the most difficult and drastic form of privatization. Against opposition from parent Ministries, bureaucrats, and most important of all, the labor unions, the government has so far not

found the political will to persevere and push through a significant divestiture program.¹⁵

The reasons for privatization have never been made clear, and according to recent statements by some members of the National State Enterprise Committee, it would appear that stopping the drain on the Treasury remains the prime objective. If that is the case, abolishing unneeded enterprises would be a simpler and more rational solution. There seems, however, to be a predilection for joint-ventures, probably in the vain hope of heading off labor protests through insisting that a new company would have to agree to rehire all workers regardless of the problem of a surplus workforce. Laying down such an unrealistic requirement is actually a good way to ensure that no meaningful privatization can take place.

Conceptually, the only sound economic argument for privatization is efficiency. Ideological arguments are not helpful in that they only tend to cloud the issue and detract from a clear assessment of the situation. In the case of Thailand, many enterprises were established decades ago for various good or bad reasons, such as national security, acting

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Some recent minor achievements include the setting up of a joint-venture for the Bang-pa-In paper plant and the selling of the Cholburi sugar refinery to an association of cane planters. However, several loss-making ventures with antiquated machinery, an overbloated labor force and inefficient management have been allowed to continue operation for no better reason than the fact that the government was not ready to face the opposition of politicians, bureaucrats and labor unions.

as an example for the private sector, or as an instrument for national development. After thirty, forty, or, in some cases, even fifty years, all such reasons have disappeared, but the enterprises are allowed to linger on. The problem is actually much broader. The question of efficiency should be addressed at the whole economic system.

To round up the discussion, we might consider in passing three policy areas which could have been instrumental in effecting significant adjustments to change. These are in the areas of investment policy, trade and structural adjustment programs.

4. INVESTMENT AND PRIVATE - SECTOR DEVELOPMENT

4.1 Investment Promotion:

On the whole, there have been little significant adjustment and modification in the policy and practice of investment promotion to meet rapidly changing conditions. In recent years, there has been some movement towards the development of clearer and more specific promotional criteria, but actual operations remain largely an exercise of discretionary power on a case-by-case basis. More attention is now being paid to the provision of services for investors, but the basic thrust of promotion remains the determination and provision of privileges.

It is now clear that there will be a sharp rise in foreign direct investment in the immediate future. Substantial increases from Japan and Taiwan are a virtual certainty, with a good prospect for more investment from the United States and Western European countries. Such an increase would inevitably lead to intensified economic, social and political tension and conflicts. In the economic field, serious bottlenecks are likely to develop in both the areas of management and infrastructure. Socially, the influx of relatively wealthy foreign personnel would exacerbate the social tension arising from a highly inequitable pattern of income distribution. Politically, the sense of nationalism, chauvinism and autarchy could easily be aroused and exploited for short-term political gains. All these problems are very real, but there does not seem to be any preparation being made to meet them although it is fairly obvious that if these problems are mishandled, they could easily wreck the whole process of transformation of the country towards a higher level of industrialization.

4.2 Large-scale Investment: This is an area where Thai management has shown a curious mixture of effectiveness and ineffectiveness. On the one hand, decisions on large-scale projects have, up to now, been highly prudent with emphasis on reasonably careful and thorough analysis. There has also been an effective system of check-and-balance, with real attempts made to rely on a broad-based consensus among government officials, technocrats, academics and leaders in the private sector. Decision-making can be characterized as a poli-centric process

NATIONAL FERTILIZER PROJECT

The National Fertilizer Project (NFC) provides some policy lessons for national economic management. It is designed to be a private enterprise with the support of government and a 33 percent share of government to produce chemical fertilizer from natural gas to substitute for imported fertilizer. In 1981 the Eastern Seaboard Committee put out an invitation to international private firms to participate in this project. In October 1981 the Board selected a Scandinavian group for a formal negotiation with the government. They failed to reach an agreement on such basic issues as natural gas prices, the burden of investment cost, and the profit sharing system, and later the government terminated the negotiation (July 1982). Two weeks later the Board approved a plan to set up the National Fertilizer Corporation (August 2, 1982), and approved an allocation of up to 350 million baht from the Ministry of Finance upon request of the company. The project was registered as a company on November 11, 1982 with a 50 million Baht registered capital fund. The company selected the group of Foster Wheeler International Corporation, Arthur D. Little Inc., and the International Fertilizer Development Center to undertake a feasibility study. The feasibility study, completed in August 1983, reported that it was commercially viable although it would require an investment of 538 million U.S. dollars. In early

Box 3 (cont'd)

1984, the company announced invitation for construction bidding, and the bidding result was announced on July 6 with a surprisingly low price tag of only 252 million U.S. dollars. In spite of this fact and repeated proddings by the government, the project never got off the ground. Private investors were reluctant to invest in the project for the simple reason that the project was not financially viable.

It is not the purpose of this discussion to go into the reasons for or against the project. We are actually interested only in the questions of decision-making and implementation. The first point of interest is that, despite all-out support from the top leadership and various attempts to railroad through the project, it foundered on the scepticism and reluctance of the private sector. Questions and objections from various quarters were also important. All in all, it was in fact a good example of the poli-centric form of decision-making at work. A second point to note is that, if the project has gone through the normal process of scrutiny, it would probably not have generated the same degree of conflict and controversy which, in retrospect, seems entirely unnecessary. And the most important lesson that can be learned is probably the fact that, in spite of intense lobbying, the final outcome was based on economic rationality and financial prudence rather than political expediences. This argues well for the future of prudent investment management in Thailand.

without a single dominant center of authority and power. This type of decision-making has served the country well in a time of rapid change and a high degree of uncertainty in the external environment. It accounts for the fact that Thailand has largely escaped the crippling burden of large-scale, inefficient and inappropriate investments so common in many developing countries.

On the other hand, this type of decision-making tends to be slow and cumbersome, thus making it much more difficult to respond to change in an effective and timely manner. This obviously is a serious drawback in a situation of rapid change where timeliness of response is often the critical difference between success and failure. What can be done to resolve this apparent dichotomy?

A possible answer lies in the basic distinction between the nature and the pace of decision-making. The poli-centric process of decision-making has served the country well in the past and should be retained for the future. The question of pace is entirely different. There is no corollary requirement that in a poli-centric decision-making process, the pace has to be slow. In fact, serious delays often do not occur at the technical level; they are much more likely to take place at the level of senior officials and technocrats. This is not because senior personnel are inefficient or lazy. It is simply the result of the bureaucratic system and the way senior officials are expected to operate. Inordinate amounts of time are spent in meetings, greeting visitors, signing all kinds of papers and documents and

attending social functions. Little, if any, time is left for serious decision-making. If the pace of decision-making is to be accelerated, the modus operandi of senior officialdom will simply have to be overhauled.

The object lesson of the brief discussion above is that the "proper" way to achieve a more timely response is not to try and cut corners and do away with the system of careful analysis with adequate check-and-balance. Impatience, political and commercial pressure as well as the short time horizon among politicians could easily lead to attempts to bypass existing systems and mechanism of scrutiny. Such attempts are short-sighted and are likely to lead to pitfalls which have so far been largely avoided. A much more reasonable, albeit more difficult, way is to try to increase the pace of decision-making. In short, we should try to preserve the "strong point" of the system while trying to reduce the weaknesses inherent in the bureaucratic and management system. Given the likelihood of a deteriorating external environment in the near future, the ability to speed up the pace of poli-centric decision-making is likely to be a major determining factor of the country's ability to deal effectively with rapid changes in the world economy in the next few years.

4.3 Private - sector Development: it can no longer be doubted that the government is committed to the policy of fostering greater cooperation between the public and private sectors in order to accelerate the rate of growth and development

of the country. Changes in the attitude of leaders of both sectors are quite apparent and commendable. However, it is by no means clear that adequate mechanism for cooperation has been put in place or will be forthcoming in the near future. The Joint Public/Private Sectors Consultative Committee (JPPCC) has been doing useful work but, by itself, it cannot be expected to achieve very much in terms of real and basic change. To be truly effective, the basic thrust of such a policy should be aimed simultaneously at both the negative and positive aspects of the problem. Negatively, the basic effort should be directed at the removal of obstacles and impediments to private-sector development. Positively, it would involve the creation of an environment conducive to the attainment of efficiency and greater productivity. However, care should be taken that these developments take place within an appropriate framework for the attainment of a greater public welfare in terms of stability, equity and growth.

Obviously this is a pretty tall order. However, in practical terms, there are several areas of possible improvement. These include, among others, (i) a serious and sustained effort at law reform to remove a set of basic obstacles to private sector development; (ii) development of a modus operandi emphasizing guidance and service rather than control; and (iii) designing and implementing a well-defined program of privatization.

Doubtless, other fruitful areas of adjustment could be identified. The point of the discussion is, however, not the

development of a comprehensive program of action, but the contention that the time has come for some real and meaningful action. If we are to take full advantage of opportunities that will come about as a result of past achievements in the success of preserving a sound economic base during the recent difficult times, we shall simply have to start implementing some of the measures which have been endlessly discussed and debated. Otherwise we shall be in danger of missing the boat once again.

5. TRADE POLICY

Given the trend towards greater protectionism in the world economy, trade policy is clearly one of the most critical areas of economic management in the present and the foreseeable future. And yet, the government seems to be able to do nothing more effective than resorting to its favorite method of solving problems, i.e., the setting up of more committees. To date, four high-level committees have been set up, each charged with the responsibility of overseeing trade with an important group of trading "partners". Another high-level committee has also been formed, and reformed, to take charge of export promotion. It is not clear what the sum total of all these high-level activities is. A major achievement which has often been cited is the production of a white paper on Thai-Japanese trade relations which is now completely out of date. The solution to the problem seems to consist of no more than to find time, somehow, for the particular committee to meet so that the white paper could be updated.

What is needed in this important policy area can be summarized as follows: (i) the setting up of a unified command structure to take charge of all trade and trade-related matters; (ii) development of technical expertise and professionalism through the assignment of first-rate technocrats to work full time on the problem, and (iii) full provision of all necessary backup systems including information, communication and ancillary systems. The problem has become, in fact, so obvious that the matter has in recent days been raised in Cabinet meetings, not once but three times. Unfortunately, all attempts at improvement have been defeated by a combination of vested interest, inter-party maneuvering and jurisdictional rivalry. The end result is that, at a time when the rest of the world is gearing up for a trade war, Thailand will continue to carry on as usual, relying on amateurish treatment by part-time officials who at times seem to treat trade issues almost as an extracurricular activity.

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If any one disagrees with this statement, he or she would only have to review the classic case of mismanagement in the on-going controversy over the copyright issue.

6. FORMAL STRUCTURAL ADJUSTMENT PROGRAMS

Recognizing the need for a systematic attempt at structural adjustment, the government finally embarked on a formal structural adjustment program in 1981 by obtaining a loan from the World Bank specifically designed for the purpose. The first Thailand Structural Adjustment Loan (SAL) was signed and rapidly implemented in 1981/2. It consisted of five major areas of adjustment, namely, (i) fiscal policy, (ii) agriculture, (iii) industry, (iv) energy, and (v) institutional development.¹⁷ By the time the loan agreement was signed late in 1981, more than half of the adjustment program had been implemented, so that there was no need for the customary tranching. In fact the two Thai SALs (SAL I and SAL II to be discussed later) remain unique as the only case of World Bank's structural adjustment loans without tranching to this day. Subsequent implementation continued to be on or ahead of schedule so that negotiations for SAL II could be started in late 1982 and SAL II put in place by 1982/3.

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Details will be found in : "THAILAND - Structural Adjustment Loan", Bangkok: The Ministry of Finance, February 4, 1982.

In contrast, implementation of SAL II dragged on for three years, without the program being fully implemented. Negotiations for SAL III were undertaken in a half-hearted manner and there was a partial appraisal carried out in July/August 1985. Later in the year, negotiations were terminated when the World Bank, because of poor performance under SAL II, insisted on tranching SAL III. The government demurred, and the short-lived attempt at formal structural adjustment was brought to a close.

What went wrong? What accounted for the stark difference in the performance under SAL I and SAL II? In fact¹⁸ SAL I was by far the more difficult case because it was unprecedented and had to break new grounds in all the five major areas involved. SAL II was relatively simple, being largely a mere continuation of SAL I. And yet SAL I was almost fully implemented in less than a year while major commitments under SAL II were not met after three years. Several plausible reasons could be, and have been, advanced, e.g., a change in the political climate, growing resistance by bureaucrats, lack of interest on the part of the general public, and so on. But these reasons, even if true and relevant, cannot explain the vivid difference between the two SALs.

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For the contents of SAL II, see : "Letter of Development Policy", Bangkok: The Ministry of Finance, March 3, 1983.

A more likely explanation probably lies in what the Thais call the question of "ownership". Who "owns" what project or program? This often is the most important question in Thai political and bureaucratic life. "Ownership" here implies far more than mere responsibility - it connotes the initiation, nurturing, and seeing a project through, with the "owner" willing to go out of his or her way to remove all obstacles and impediments and to spare no effort in ensuring the successful completion of the project. We have all kinds of agencies and units responsible for all kinds of activities in this country, but very few "owners".¹⁹ The different performance under the two SALs could largely be explained in terms of ownership - SAL I was owned by the Ministry of Finance; SAL II was owned by nobody.

If the above discussion is not totally misplaced, it would raise a serious question for future operations. How does one ensure the creation and maintenance of "ownership" in critical areas of national economic management? We shall return to this question in the next section when we come to discuss future problems.

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The Forestry Department, for instance, is directly responsible for the preservation of forests; it can, by no stretch of the imagination, be regarded as the "owner" of this critical activity.

IV

PROGNOSIS

Lesson of Experience

Before attempting to draw together the lessons that could be learned from an examination of the past, it would be useful for us to take a quick look at the future and what it might portend. This is so because past experience will be truly useful only if we can put it in the context of the future.

Extrapolating past and present trends, we can discern three broad developments which may have considerable impact on the course of future development of the Thai economy. These trends are briefly discussed below.

Growth in Investment: there is likely to be a significant growth in investment, both domestic and foreign. Excess capacity which has been utilized in the increased production for exports is likely to become fully utilized and substantial new investment will be needed. As for foreign direct investment, an influx from Japan and Taiwan is virtually a certainty. Substantial increases from other sources such as the United States and Western European countries are also possible.

Such a major increase in investment activities is likely to put a severe strain on both the infrastructure and the management capacity of both the public and private sectors. Serious

bottlenecks are likely to emerge, requiring quick and effective actions from the government as well as the local business community. Is there such a capability in the system? If not, what can be done to put it in place quickly? Such questions are likely to become of increasing importance and urgency in the near future. In addition, the influx of foreign investment will probably lead to serious social and political tension and conflicts. What is being done to anticipate the problem and to prepare policy instruments and mechanism to minimize probable difficulties and damages?

On the part of the government, it is clear that the quality of its intervention will have to be substantially improved, especially in terms of appropriateness, effectiveness and timeliness.

Growth of Protectionism: barring miracles, it is virtually a certainty that protectionism in world trade will continue to rise, and this at a time when Thailand, for the first time in its history, is beginning to be successful in breaking into the world market in the export of manufactured goods. The path towards industrialization through exports, as followed previously by the Asian NICs, is likely to become much more difficult to follow. Overcoming the obstacles raised by protectionism will require a high degree of expertise and professionalism as well as political courage and perseverance. As these qualities present in the management system? What can be done to augment them? If present trends continue, the answer is, sadly, negative on both counts.

Greater Uncertainty: there is likely to be a greater degree of uncertainty and volatility in the world economy. Slower growth, persistence of the debt problem, the "crash" of stock markets worldwide, volatility of the exchange rate regimes, are but a few indicators of future difficulties. It is obvious that, under such circumstances, timely response is of the essence. What can be done to improve the timeliness of response in the Thai economy and the management system as a whole?

Given the broad picture outlined above, What can we say about learning from past experience in order to improve future performance? Possible lessons are summarized under five separate headings below.

1. TIMELINESS OF RESPONSE

As we have seen, two seemingly contradictory requirements are involved, namely, the need for check-and-balance and the pace of decision-making and implementation. The poli-centric nature of decision-making is a basic strength of the Thai system of public management and should be maintained. Special care must be taken not to bypass regular mechanism for check and control, especially in cases of large-scale investment. The temptation to "cut corners" must be resisted at all cost for it will prove in the end to be self-defeating and counter-productive. The real culprit in terms of timeliness is the slow pace of coming to a decision and getting things done. Efforts at improvement should therefore be focussed on this issue. To speed up this whole

process, a thorough reform of the civil service codes and related regulations will have to be carried out, aimed at the central issues of the delegation of power, assignment of responsibility and accountability, streamlining, and the provision of "proper" safeguards. ²⁰ The working habit of senior officials will also have to be drastically overhauled. Fewer meetings, fewer visitors, fewer papers to be signed, fewer social functions - in fact, fewer of everything so beloved of senior officialdom! More time to think, more time to analyze, more time to make decisions, more time to solve problems, more time to get things done - in fact, more of everything so hated by senior officialdom!

Contingency Planning: one potentially powerful instrument for a timely response is contingency planning. Essentially, this consists of the advance preparation of possible courses of action within a framework of probable alternative futures. Admittedly, it is a technique which is complicated, difficult and time-consuming, and it has been consistently resisted by government officials including the planners. But if long lead times are to be cut substantially, there does not appear to be very much choice. Without some form of effective contingency planning, we are likely to keep on stumbling from one crisis to the next, without having a very clear idea why we are doing the things that we are doing.

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At this stage, readers are likely to throw up their hands in despair. Certainly, reform of the civil service has been discussed ad nauseam, but is it not time to "take the bull by the horns" and try to do something about it? No less than the future development of the country is at stake.

Conceptual Clarity: this is another factor crucial to the development of prompt and timely response. Too often, government intervention has been rendered ineffective for lack of a clear conceptual framework. The tortuous pursuit of the rice price support policy (see Box 1) and the morass of privatization are cases in point. Key central policy units such as NESDB, the Budget Bureau, the Fiscal Policy Office and the Bank of Thailand must be made to work more closely together to arrive at policy recommendations and action plans which are at least fairly clear in their conceptual underpinning.²¹

Leadership: one is often told that it is useless to discuss the question of leadership: it is either there or it is not there. This is clearly a short-sighted perception of the problem. In the longer-run, the system of reward and punishment would tend to be of crucial importance. If a leader (whether political or bureaucratic) has the courage to pursue necessary but unpopular courses of action and is rewarded for his action, positive signals would be given to future potential leaders. If, on the other hand, he is punished for it, he will serve as a negative example of what one should not do. Here the role of the mass media would seem to be of critical importance. This discussion would lead us into a consideration of the next category of lessons from past experience.

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As a start the Economic Cabinet could at least refuse to consider any proposal not based on clear analysis in terms of the basic problem, feasible alternatives and probable outcome (assuming cabinet members are capable of recognizing these things when they see them).

2. SUBSTANCE vs. APPEARANCE

We have seen that governments are often swayed by the need to be appearing to do something. This is political reality and can be accepted as long as the government involved is not fooled by its own action. In the Thai case, our discussion on price policy should make it clear that there is probably a very real danger of the government confusing appearance with substance. We can draw a number of lessons from our previous discussion, thus:

Fundamentals vs. Legal and Administrative Fiat: if the government is serious about intervening in the market for certain ends, it will have to abandon the customary practice of trying to do it by legal and administrative fiat. Instead, it will have to try to affect the fundamental variables underlying the economic phenomena which it seeks to change or modify. For instance, it would have to make, as a start, a clear distinction whether it wishes to affect the general price level or the prices of specific commodities, for they would involve totally different sets of problems and possible policy instruments. Inappropriate intervention would only result in unnecessary distortions and the prevention of prices from serving as powerful signals for necessary adjustment.

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Even highly totalitarian regimes such as those in communist countries where virtually all power is, at least theoretically, vested in the state have found that this method of intervention does not really work.

Choice of Policy Instruments: closely related to the above discussion is the question of the choice of appropriate policy instruments. Assuming that there will be a shift towards an attempt to deal with fundamentals, there remains the question of the "right" policy instruments to be employed. Essentially, this will depend on two factors, i.e., the objective of the intervention and the capability of the government in using various possible instruments. Our discussion of the government attempt at counter-cyclical spending in 1979/80 is a case in point. Successful counter-cyclical spending presupposes the ability to manipulate a large number of policy instruments which may include mechanisms for controlling investment, consumption, employment, trade and exchange rate policy. It also requires precise timing. Without an adequate control, any attempt at such a policy is likely to be counter-productive as was the case under discussion here.

Allocation of resources: the annual budget is a basic instrument for the allocation of public resources which can be used in response to change. In the Thai case we have seen, however, that it has hardly been used for such a purpose. True, at the overall level, the government has adopted a restrictive fiscal position and maintained it from 1981/2 to the present, which has contributed considerably to the maintenance of internal stability and external balance. But at the micro-level, it has failed almost completely to reallocate budgetary resources to meet new demands and requirements generated by change. And as we have seen, the real problem is the lack of a meaningful system of

substantive evaluation to serve as a basis for reallocation. It would follow, therefore, that one priority area for action in the immediate future would be the establishment of such a system of evaluation and its integration into the planning and budgetary processes.

3. PUBLIC AWARENESS

Even in a more-or-less democratic society, possible courses of government action are severely constrained by the degree of public awareness and understanding of national issues. Under conditions of rapid change, the problem is compounded by the pace of events which does not allow time for the public to absorb the implications of change. There appears, therefore, to be a real and urgent need for the government to develop an effective public information program of its own.

The Role of the Mass Media: Thailand is fortunate in having a free press which, however, is rather long on freedom and short on responsibility. And although the government has direct control over radio and television broadcast, it has tended to be quite liberal in exercising that control. All this is to the good. However, there is a real problem in that the media is not always very well informed about complex national issues and often has tended to react in a rather irresponsible manner. Politicians and senior bureaucrats are therefore, understandably, reluctant to pursue adjustment policies which are necessary but painful. The long delay in the second baht devaluation, the

unwillingness to raise oil prices, bus fares, and public utility charges are but a few examples of this reluctance. The ability of the government to respond quickly and adequately has thus been severely constrained.

In the long run, the problem will tend to solve itself through the development of effective countervailing forces based on greater awareness and understanding of national issues. For the short run, however, there appears to be a real need for the government to put into place a more effective program of public information. As has been noted, telling the truth does not seem to be quite enough. The government will have to develop an expertise in information management coupled perhaps with occasional benign neglect of the public's right to know. The "announcement factor" noted earlier poses a dilemma which does not have a real solution, but the government must, in some way, be made more willing to take unpopular actions because there will surely be occasions in the near future for such courses of action.

Awareness of External Conditions: the Thai public appears to have very little awareness of what is happening in the rest of the world. Even in cases where the government has done well relative to governments in many other countries, it would still be blamed for inefficiency or incompetence. A case in point is its ability to keep external imbalances within manageable limits which is a major and real achievement. It may be useful for the government and the business community to cooperate in providing regular forums for the dissemination and discussion of

information on the world situation. In themselves, such forums may not add very much to the sum total of general public awareness, but they should at least lead to a higher degree of awareness and understanding among influential people in the public and private sectors as well as the mass media.

4. PRIVATE - SECTOR DEVELOPMENT

Given the nature of the Thai economy, it is clear that a good way to accelerate growth is the freeing of private-enterprises from the artificial constraints imposed by the government through its bureaucracy. This does not mean a free-for-all where the rich and powerful will be allowed to do whatever they like. It would mean rather the removal of unnecessary impediments to a greater contribution by the private sector to the common goal of national development and the enhancement of public welfare in general.

More Competition: the artificial constraints on investment created by investment promotion policy and practice, the government-created oligopoly in banking, and various other monopolistic practices in the guise of state-owned enterprises constitute a serious obstacle to greater efficiency in the Thai economy. If we are to compete successfully in the world market, these impediments to greater efficiency and productivity must be urgently removed. Investment promotion would have to be made more systematic and automatic with less selective treatment based on the use of wide discretionary power by government officials.

In banking, freer entry should be made possible, and there should be less rather than more direct control by the central bank. The Bank of Thailand should concentrate on laying down appropriate ground rules and should only intervene at the strategic level, leaving day-to-day activities to market forces. For this to be possible, there is an urgent need to overhaul the whole system of support and control. First off, the thrust should shift from the total support of commercial banks, however badly run, to the protection of investors. The fund for the rehabilitation and development of financial institutions should be replaced by a deposit insurance scheme. This would enable the commercial banks to become more efficient through increased competition while the general public and small investors would be fully protected. As for state-owned enterprises, privatization should be pursued on a broad front, with the emphasis on greater competition and efficiency. Efforts should not be limited to divestiture which is, after all, the most difficult form of privatization to be implemented.

Law Reform: Inappropriate, obsolete or contradictory laws and regulations are probably the greatest single impediment to economic development in general and private-sector development in particular. The room to maneuver is severely constrained by such laws and too much energy is expended to meet legal requirements which may no longer be appropriate or even meaningful. Furthermore, the practice of leaving excessive discretionary power in the hands of public officials makes it very difficult for businessmen and the public at large to know what is exactly

required of them. It is also a source of corruption and the misuse of official power and authority. These problems are well recognized and have been debated over an extended period of time. If we are serious about improving the efficiency and thus the competitiveness of the Thai economy, this is one area where decisive actions are urgently needed.

6. THE QUESTION OF "OWNERSHIP"

As we have seen, the problem of "ownership" of programs, projects or activities appears to be a critical factor in the success or failure of adjustment and development efforts. If this is true, the object lesson seems to be that, in the pursuit of any particular policy or measure, it is necessary to identify an appropriate owner. If one is not available, it will have to be created. There is no lack of good and committed people in the bureaucracy or the public at large. The important thing is to ensure that these potential owners are given full support by the authority of the top leadership. These people should also be rewarded, but if that is not possible, they at least should not be made a scapegoat and punished. Expediency does have a place in politics, but there should be a minimum standard of decency in public life if we are to bring out the good in people and persuade them to be the owners of necessary policies and measures, especially if these are unpopular ones.

CONCLUSION

Barring drastic changes for the worse in the world economy, the medium term prospect for the Thai economy appears to be good. Unfortunately, the global prospect appears to be highly uncertain and it would not at all be prudent to become complacent or euphoric about the situation. It is, in fact, a time to prepare and make ready to meet the challenge of both greater opportunities and possible additional problems. When times are good, there is more room to make appropriate choices and to minimize the pains of adjustment; but it is also a period when the public sees the least need for change. When times are bad, the public sees the need for adjustment, but there is little room to maneuver - often the best that could be done is to see that things do not fall apart. This is a paradox and a dilemma. How does one get the public to look beyond the short-term horizon and prepare to meet the challenge of the longer-run? That, one might say, is the essence of the art of management and, as such, it deserves a close scrutiny in the next phase of economic development in this country.

APPENDIX 1

CHRONOLOGICAL CHANGES

AND POLICY ADJUSTMENT OF THE THAI ECONOMY

-- Summary form --

- Sources:** (1) Economic and Financial Report, Bank of Thailand.
(2) Thailand Economic Conditions and Outlook, Bank of Thailand.
(3) Monthly Economic Report, Bank of Thailand.
(4) IMF, International Financial Statistics.

- Note :**
- Output refers to growth rate of real GDP (change, %)
 - World inflation rate counted only industrial countries (change, %)
 - World and Thai interest rate refer to LIBOR (three month rate) and Call rate respectively.
 - Percent of GDP for Thai trade deficit.

YEAR : 1973

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	6.2	--
2. TRADE	12.1	--
3. INFLATION	7.6	ปัญหาเงินเฟ้อยังคงทวีความรุนแรงขึ้นในหลายประเทศ
4. INTEREST	9.4	อัตราดอกเบี้ยในตลาดเงินสำคัญทั่วโลกอยู่ในระดับสูงตลอดปี
5.		มีการปรับค่าเงินสกุลสำคัญหลายสกุล เช่น การลดค่า US. \$ 10%, การลอยตัวของเงินเยน, ฟรังก์สวิสซ์
6.		ราคาสินค้าส่งออกสูงขึ้นแทบทุกชนิด โดยเฉพาะข้าว, ข้าวโพด, น้ำตาล เนื่องจากวิกฤตการณ์เศรษฐกิจของโลก และการปรับค่าเงินสกุลต่าง ๆ

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	9.0	--
2. TRADE DEFICIT	4.9	--
3. INFLATION	14.3	สูงอย่างไม่เคยปรากฏมาก่อน (ปี 1965-72 เฉลี่ย 2.5%)
4. INTEREST	9.3	--
5.		อัตราการขยายตัวของสินค้าภาคเอกชนเพิ่มสูง 4 เท่าของปี 1972 เนื่องจากอัตราดอกเบี้ยต่างประเทศเพิ่มสูงขึ้น และราคาสินค้าในประเทศเพิ่มสูงมาก กระตุ้นการกู้ยืมในประเทศ

Policy Reaction

1. นโยบายการเงิน

- 1.1 มาตรการลดอัตราดอกเบี้ยของสินเชื่อ, ภาวะเงินเฟ้อ โดยเพิ่มอัตราดอกเบี้ยมาตรฐานจาก 8% เป็น 10%
- 1.2 ลดค่าเงินบาท จาก 1 บาทเท่ากับทองคำ 0.0393516 กรัม เป็น 1 บาทเท่ากับทองคำ 0.0354164 กรัม เพื่อลดปัญหาการขาดดุลการชำระเงิน

2. นโยบายการค้า

- 2.1 มาตรการภาษีเพื่อลดระดับราคาสินค้าบางชนิดที่จำเป็นแก่การครองชีพ โดยลด, ยกเว้นภาษีการค้าแก่ธุรกิจบางประเภท เช่น โรงสีข้าว, กิจการขนส่ง, อาหาร ยารักษาโรค, สินค้าสำเร็จรูปที่ผลิตในประเทศ, ฯลฯ. และลดอากรขาเข้าแก่เหล็ก, วัตถุดิบในการผลิตยารักษาโรค เป็นต้น.
- 2.2 เพื่อชดเชยกับรายได้ที่ขาดไป จึงเพิ่มอัตราภาษีอากรสำหรับสินค้าฟุ่มเฟือย เช่น สุรา, บุหรี่, เครื่องไฟฟ้า.
- 2.3 ในระหว่างปี มีการเปลี่ยนแปลงอัตราวีเอ็มเอ็มข้าวหลายครั้ง เพื่อให้เหมาะสมกับภาวะการค้าข้าวทั้งภายในประเทศและต่างประเทศ
- 2.4 เพิ่มภาษีน้ำมันเบนซิน, ดีเซล เพื่อให้มีการประหยัดการใช้เชื้อเพลิง

YEAR : 1974

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	1.6	--
2. TRADE	5.2	--
3. INFLATION	13.3	--
4. INTEREST	10.9	--

5. วิกฤตการณ์น้ำมันครั้งที่ 1 ราคาน้ำมันดิบเพิ่มขึ้นประมาณ 4 เท่า (เริ่มเพิ่มตั้งแต่เดือนตุลาคม 1973)
 6. แผนอัตรากำไรของโลกตกต่ำ

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	5.3	ภาวะเศรษฐกิจชะงักงัน โดยเฉพาะในภาคอุตสาหกรรม (สิ่งทอ, ก่อสร้าง)
2. TRADE DEFICIT	5.3	--
3. INFLATION	21.8	รุนแรงขึ้นกว่าปีก่อน
4. INTEREST	11.3	--

5. ภาวะการเงินตึงตัว

Policy Reaction

1. นโยบายการเงิน

- 1.1 จำกัดอัตราการขายตัวสินเชื่อเอกชน
 - เพิ่มอัตราส่วนเงินสดสำรอง จาก 7% เป็น 8% ของเงินฝาก
 - เพิ่มอัตราดอกเบี้ยเงินกู้มาตรฐาน จาก 10% เป็น 11%
 - เพิ่มอัตราสูงสุดดอกเบี้ยเงินกู้ของธนาคารพาณิชย์ทุกประเภท เพิ่มอีก 1%
- 1.2 ระดมเงินฝากเข้าสู่ระบบธนาคารพาณิชย์
 - เพิ่มอัตราดอกเบี้ยเงินฝากทุกประเภทอีก 1%

2. นโยบายการคลัง

- 2.1 ลดอัตราภาษีศุลกากรสินค้าขาเข้ากว่า 300 รายการ
- 2.2 เพิ่มอัตราวีเอ็มเอ็มข้าว, น้ำตาล และควบคุมสินค้าส่งออกบางชนิดเพื่อป้องกันการขาดแคลนในประเทศ
- 2.3 ลดอัตราภาษีน้ำมัน, ภาษีการค้า

YEAR : 1975

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	1.0	--
2. TRADE	-5.3	--
3. INFLATION	11.1	--
4. INTEREST	6.9	--

5. กลุ่มโอเปคประกาศขึ้นราคาน้ำมันดิบอีก 10% เมื่อปลายปี
6. ราคาสินค้าเกษตรเริ่มลดต่ำลง เพราะผลผลิตเกษตรของโลกเพิ่มขึ้น

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	6.9	--
2. TRADE DEFICIT	6.8	ภาวะการส่งออกค่อนข้างซบเซา (มูลค่าส่งออกลดลง 3.4%)
3. INFLATION	5.2	--
4. INTEREST	10.7	--

5. ภาวะการลงทุนซบเซา เพราะความผันผวนทางการเมือง, ปัญหาด้านแรงงานและต้นทุนการผลิต

Policy Reaction

1. นโยบายการเงิน

- 1.1 มาตรการผ่อนคลายภาวะเงินตึงตัว โดยลดอัตราดอกเบี้ยมาตรฐานที่คิดจากเงินกู้ที่ให้แก่ธนาคารพาณิชย์ จาก 11% เป็น 10%
- 1.2 มาตรการเพื่อทุเลาปัญหาการเงินของอุตสาหกรรมบางประเภท เช่น สิ่งทอ โดยการต่ออายุการรับช่วงซื้อลดตัวสัญญาใช้เงินสำหรับค่าใช้จ่ายในการนำเข้าวัตถุดิบจากต่างประเทศ

2. นโยบายการคลัง

- 2.1 มาตรการลดต้นทุนการผลิต โดยการลดอากรขาเข้าน้ำมันเตาและวัตถุดิบ, ลดอัตราภาษีการค้าสำหรับอุตสาหกรรมสำคัญบางชนิด เช่น สิ่งทอ, ปุ๋ย, ไม้อัด
- 2.2 มาตรการส่งเสริมการส่งออก โดยลดอัตราวีเอ็มเอ็มข้าว
- 2.3 มาตรการส่งเสริมการระดมเงินออมในประเทศ
 - ยกเว้นภาษีเงินได้บุคคลธรรมดา สำหรับกำไรจากการขายหลักทรัพย์โดยผ่านตลาดหลักทรัพย์แห่งประเทศไทย
 - ยกเว้นภาษีการค้าแก่กิจการตลาดหลักทรัพย์แห่งประเทศไทย
- 2.4 มาตรการเพื่อบรรเทาภาระภาษี โดยยอมให้หักค่าใช้จ่ายได้มากขึ้นสำหรับเงินที่นายจ้างจ่ายให้ เพราะออกจากงานและเพิ่มประเภทเงินได้พึงประเมินที่ไม่ต้องคำนวณเพื่อเสียภาษีอีก 7 ประเภท

YEAR : 1976

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	4.9	เศรษฐกิจโลกเริ่มฟื้นตัว, ผลผลิตของประเทศอุตสาหกรรมเพิ่ม 5.3%
2. TRADE	11.4	--
3. INFLATION	8.3	--
4. INTEREST	5.6	อัตราดอกเบี้ยมีแนวโน้มลดลงตลอดปี

5. มีการเปลี่ยนแปลงทางการเมืองในบางประเทศ ทำให้การลงทุนภาคเอกชนไม่ขยายตัวเท่าที่ควร

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	8.3	เศรษฐกิจซบเซาในช่วงครึ่งปีหลัง
2. TRADE DEFICIT	3.3	--
3. INFLATION	4.1	--
4. INTEREST	7.7	--

5. อุตสาหกรรมบางประเภทประสบปัญหาหนัก โดยเฉพาะสิ่งทอ

Policy Reaction

1. นโยบายการเงิน

- 1.1 รมั้ดระวังในด้านการขยายเครดิต, ปริมาณเงินภายในประเทศ เพื่อป้องกันภาวะเงินเฟ้อมิให้รุนแรง
- 1.2 ลดอัตราดอกเบี้ยระยะสั้น โดยการเปิดให้มีการประมูลตั๋วเงินคลังเพื่อช้กจงให้อัตราดอกเบี้ยในตลาดเงินลดต่ำลง
- 1.3 ลดอัตราธนาคาร จาก 10% เป็น 9%

2. นโยบายการคลัง

- 2.1 มาตรการเพื่อรักษาเสถียรภาพราคาในประเทศ
 - ตรึงราคาน้ำมันในประเทศ โดยจ่ายเงินชดเชยแก่บริษัทผู้กลั่น
 - ยกเลิกนโยบายประกันราคาข้าวเปลือก
- 2.2 มาตรการกระตุ้นการส่งออก
 - ลดค่าธรรมเนียมและอากรขาออกข้าว
 - ส่งผู้แทนเจรจาขายข้าวกับต่างประเทศเพื่อแสวงหาตลาดใหม่ ๆ

YEAR : 1977

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	4.4	--
2. TRADE	4.6	--
3. INFLATION	8.4	--
4. INTEREST	6.0	--

5. ค่าเงิน US.* ลดลงมากเป็นประวัติการณ์ ค่าเงินเยนเทียบกับ US.* สูงขึ้น 20.7%, มาร์คเยอรมันสูงขึ้น 11.2%
 ฟรังก์สวิสสูงขึ้น 19.8%

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	6.9	ภาวะฝนแล้ง, ผลผลิตภาคเกษตรตกต่ำ
2. TRADE DEFICIT	6.5	ขาดดุลการค้าในระดับสูง (สูงขึ้น 2.2 เท่าของปี 1976)
3. INFLATION	7.2	--
4. INTEREST	9.3	--

5. สภาพคล่องของสถาบันการเงินอยู่ในระดับสูง

Policy Reaction

1. นโยบายการเงิน

- 1.1 จัดเก็บภาษีเงินได้ดอกเบี้ยเงินฝากในอัตรา 10% (เดิมยกเว้นไม่เก็บภาษีประเภทนี้เป็นระยะเวลานาน)
- 1.2 กำหนดเป้าหมายการปล่อยสินเชื่อของธนาคารพาณิชย์แก่ภาคเกษตรกรรมเพิ่มขึ้น จาก 7% เป็น 9% ของยอดเงินฝากคงค้าง
- 1.3 เพิ่มวงเงินให้กู้ในรูปการรับช่วงซื้อลดตั๋วเงินด้านการเกษตรในอัตราดอกเบี้ยต่ำแก่ ธกส. จาก 1,000 ล้านบาท เป็น 1,500 ล้านบาท

2. นโยบายการคลัง

- 2.1 เพิ่มอัตรารภาน้ำมันเชื้อเพลิงอีกเล็กน้อย และยอมให้ขึ้นราคาขายปลีก
- 2.2 เปลี่ยนอัตรารภานเงินได้นิติบุคคล จากอัตราก้าวหน้าร้อยละ 20, 25, 30 เป็นอัตราเดียว คือ ร้อยละ 30 สำหรับบริษัทที่จดทะเบียนในตลาดหลักทรัพย์ ฯ และร้อยละ 35 สำหรับบริษัทอื่น ๆ ทั่วไป

YEAR : 1978

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	4.3	--
2. TRADE	5.2	ประเทศอุตสาหกรรมหลายประเทศใช้นโยบายกีดกันทางการค้า
3. INFLATION	7.2	--
4. INTEREST	8.8	--
5. ค่าเงิน US.๘ ยังคงลดต่ำลงต่อเนื่องจากปี 1977, ค่าเงินเยนเมื่อเทียบกับ US.๘ สูงขึ้น 21.8%, มาร์คเยอรมัน 13.6%, ฟรังก์สวิสซ์ 19.6%		

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	9.6	--
2. TRADE DEFICIT	6.1	ขาดดุลการค้าเพิ่มขึ้นอีก 11.3%
3. INFLATION	7.7	--
4. INTEREST	12.0	--

Policy Reaction

1. นโยบายการเงิน

- 1.1 มาตรการชะลอการขยายสินเชื่อของสถาบันการเงิน
 - เพิ่มอัตราธนาคาร จาก 9% เป็น 10.5% เป็น 12.5%
 - กำหนดแนวทางในการปล่อยสินเชื่อของธนาคารพาณิชย์และบริษัทเงินทุน ให้ อยู่ในเป้าหมายของธนาคารแห่งประเทศไทยสำหรับการให้กู้ยืมเพื่อการบริโภคสินค้าอุปโภคบริโภค
 - เพิ่มอัตราส่วนสภาพคล่องของบริษัทเงินทุน เป็นไม่ต่ำกว่า 5% ของเงินกู้จากประชาชน
 - กระตุ้นการขายพันธบัตรรัฐบาล
- 1.2 ส่งเสริมและช่วยเหลือภาคเศรษฐกิจที่สำคัญ
 - จัดสรรสินเชื่อแก่ภาคเกษตรเพิ่มขึ้น โดยให้ธนาคารพาณิชย์กู้ยืมแก่ภาคเกษตรเพิ่มจาก 9% เป็น 11% ของยอดเงินฝากคงค้าง
 - ชยายเวลาการรับช่วงซื้อลดตั๋วเงินแก่อุตสาหกรรมขนาดย่อม
- 1.3 ปรับปรุงระบบอัตราแลกเปลี่ยน ใช้วิธีกำหนดค่าเงินบาทเทียบไว้กับกลุ่มเงินตราจำนวนหนึ่ง มีผลให้เงินบาทมีค่าแข็งขึ้นดอลลาร์ละ 20 สตางค์

2. นโยบายการคลัง

- 2.1 ตั้งงบประมาณไม่ให้สูงจนเกินไป เพื่อรักษาเสถียรภาพทางเศรษฐกิจ (งบ ฯ รายจ่ายเพิ่ม 14.4% ใกล้เคียงกับอัตราเพิ่ม 13.4% ในปี 1977)
- 2.2 ลดปัญหาการขาดดุลการคลัง
 - เพิ่มอัตราภาษีน้ำมัน, สุรา, ไซตา
 - เพิ่มประเภทสินค้าที่ต้องเสียภาษี (ได้แก่เครื่องดื่มประเภทกระหิงแดง)
 - เพิ่มอัตราภาษีเงินได้นิติบุคคล
- 2.3 ลดปัญหาการขาดดุลการชำระเงิน
 - เพิ่มอากรขาเข้าสำหรับสินค้า 141 รายการ
 - ยกเว้นภาษีการค้าแก่บริษัทการค้าระหว่างประเทศที่ได้รับการส่งเสริมจากบีไอโอ.

YEAR : 1979

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	3.6	--
2. TRADE	6.1	--
3. INFLATION	9.1	--
4. INTEREST	12.1	สูงขึ้นเป็นประวัติการณ์

5. วิกฤติการณ์น้ำมันครั้งที่ 2, กลุ่มโอเปคขึ้นราคาน้ำมันดิบ 3 ครั้ง ทำให้ราคาน้ำมันดิบสูงขึ้นกว่า 60% เมื่อเทียบกับราคาเฉลี่ยปี 1978
6. ประเทศผู้นำเข้าน้ำมันส่วนใหญ่ประสบปัญหาดุลการชำระเงินขาดดุล บางประเทศแก้ไขโดยมาตรการจำกัดการนำเข้า

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	5.9	--
2. TRADE DEFICIT	8.5	--
3. INFLATION	9.4	ค่าครองชีพสูงขึ้นอย่างรวดเร็ว
4. INTEREST	14.8	--

5. ปัญหาการขาดแคลนพลังงาน เนื่องจากมีการกักตุน
6. ภาวะการเงินตึงตัว, อัตราการขยายตัวของเงินฝากรดลงจาก 21% เป็น 15% ต่อปี
7. ความมั่นคงของสถาบันการเงินสั่นคลอน (บริษัทราชาเงินทุนถูกเพิกถอนใบอนุญาต)
8. ตลาดหุ้นซบเซา (ดัชนีราคาหุ้นตกลงจาก 230 เมื่อต้นปี เป็น 125 เมื่อปลายปี)

Policy Reaction

1. นโยบายการเงิน

- 1.1 มาตรการส่งเสริมสภาพคล่องของสถาบันการเงิน
 - ยกเว้นภาษีดอกเบี้ยเงินกู้ยืมจากต่างประเทศ (จากที่เคยเก็บในอัตรา 10% ของดอกเบี้ยเงินกู้ยืม)
 - จัดตั้งตลาดซื้อคืนพันธบัตรขึ้นเป็นครั้งแรก
 - ผ่อนคลายการดำรงหลักทรัพย์รัฐบาลตามเงื่อนไข
 - ยอมให้ธนาคารพาณิชย์นับเงินสดในมือเป็นเงินสดสำรองตามกฎหมายได้ แต่ไม่เกิน 2.5% ของยอดเงินฝาก
- 1.2 มาตรการระดมเงินออมเข้าสู่สถาบันการเงิน, ป้องกันเงินทุนไหลออก
 - ปรับอัตราดอกเบี้ยเงินฝากประจำ และออมทรัพย์ เพิ่มขึ้น 1%
 - ยกเลิกเพดานอัตราดอกเบี้ยสูงสุดสำหรับเงินฝากจากต่างประเทศ (เดิม 12%)
 - ขยายเวลาการยกเว้นภาษีดอกเบี้ยเงินกู้จากต่างประเทศ
 - ลดวงเงินขั้นต่ำสำหรับการกู้ยืมจากประชาชนของบริษัทเงินทุน จาก 50,000 บาท เป็น 10,000 บาท
- 1.3 ให้ความช่วยเหลือเพื่อบรรเทาความเดือดร้อนของผู้ถือตัวเงินบริษัทราชาเงินทุน
- 1.4 มาตรการพัฒนาระบบสถาบันการเงินเพื่อความมั่นคงและคล่องตัวมากยิ่งขึ้น เช่น แก้อิทธิพลพระราชบัญญัติการธนาคารพาณิชย์และธุรกิจเงินทุน

2. นโยบายการคลัง

- 2.1 บรรเทาปัญหาค่าครองชีพ โดยเปลี่ยนแปลงการจัดเก็บภาษีเงินได้บุคคลธรรมดา เพิ่มการหักค่าใช้จ่ายจาก 20% เป็น 30% และเพิ่มค่าลดหย่อน
- 2.2 แก้ไขภาวะเงินตึงตัว โดยขยายเวลาการชำระภาษีเงินได้นิติบุคคล และให้สามารถผ่อนชำระเป็นงวดได้
- 2.3 บรรเทาปัญหาการขาดแคลนพลังงานและปัญหาดุลการชำระเงินขาดดุล โดยเพิ่มภาษีน้ำมัน และเปลี่ยนแปลงวิธีการจัดเก็บตามสภาพเป็นตามราคา ทั้งนี้เพื่อลดอุปสงค์การบริโภคน้ำมัน
- 2.4 มาตรการพัฒนาตลาดหลักทรัพย์และส่งเสริมการลงทุน โดยลดอัตราภาษีเงินได้จากเงินปันผลสำหรับอัตราที่เคยสูงกว่า 15% เป็น 15%

2.5 เพิ่มอัตราค่าจ้างขั้นต่ำให้อีกวันละ 10 บาท ในทุก ๆ ภาค (เป็นวันละ 45 บาท สำหรับในเขตกรุงเทพมหานคร)

YEAR : 1980

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	2.1	เศรษฐกิจโลกยังคงซบเซาต่อเนื่องเป็นปีที่ 2
2. TRADE	1.7	ขยายตัวในอัตราที่ต่ำลงมาก (ปี 1979, 6.1%)
3. INFLATION	11.9	--
4. INTEREST	14.2	อัตราดอกเบี้ยในตลาดการเงินโลกมีความผันผวนมาก (อัตราเฉลี่ยเดือนเมษายนเป็น 17-20%, สิงหาคม 9-10%, ปลายปี 20-23%)

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	5.6	--
2. TRADE DEFICIT	8.5	--
3. INFLATION	18.0	ยังคงเพิ่มสูงขึ้นต่อเนื่องจากปี 1979
4. INTEREST	16.5	--

- 5. เกิดภาวะเงินเฟ้อในระยะต้นปี
- 6. การลงทุนซบเซาเนื่องจากความไม่แน่นอนในภาวะการเมืองและเศรษฐกิจ

Policy Reaction

1. นโยบายการเงิน

- 1.1 รักษาเสถียรภาพทางการเงิน โดยปรับอัตราดอกเบี้ยเงินฝากและเงินกู้ยืมของธนาคารพาณิชย์ ให้สูงขึ้นอีก 3% และปรับอัตราดอกเบี้ยพันธบัตรรัฐบาลใหม่ เพื่อระดมเงินออมเข้าระบบการเงิน, ภาครัฐบาล และเพื่อแก้ไขภาวะเงินคงตัวที่ต่อเนื่องจากปี 1979
- 1.2 เสริมความคล่องตัวในการดำเนินธุรกิจ โดยให้ความอนุเคราะห์รับช่วงซื้อลดตั๋วสัญญาใช้เงินที่เกิดจากการรับเหมาก่อสร้างงานราชการ และขยายเวลาให้ความอนุเคราะห์ทางการเงินต่อกองทุนพัฒนาตลาดหลักทรัพย์แห่งประเทศไทย

2. นโยบายการคลัง

- 2.1 บรรเทาความเดือดร้อนของประชาชนจากปัญหาค่าครองชีพที่สูงขึ้น โดยเพิ่มค่าลดหย่อนสามี (ภรรยา) จาก 7,000 บาท เป็น 10,000 บาท ต่อคน และสำหรับบุตร จาก 3,000 บาท เป็น 5,000 บาท ต่อคน
- 2.2 ปรับเงินเดือนข้าราชการ, ลูกจ้าง และผู้รับบำนาญ ทำให้มีรายได้เพิ่มขึ้นโดยเฉลี่ย 20%
- 2.3 ปรับอัตราค่าจ้างขั้นต่ำให้สูงขึ้นอีก 9 บาท ต่อวัน ในทุก ๆ ภาค
- 2.4 จัดทำโครงการ กสช. โดยเน้นหนักการสร้าง ปรับปรุงแหล่งน้ำ

YEAR : 1981

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	2.0	เศรษฐกิจโลกตกต่ำต่อเนื่องจากปี 1980
2. TRADE	-0.1	--
3. INFLATION	9.9	--
4. INTEREST	16.9	อัตราดอกเบี้ยในตลาดโลกช่วง 3 ไตรมาสแรก อยู่ในระดับสูง
5. ค่าเงิน US.๙ แข็งขึ้น เงินเยนและเงินมาร์คเมื่อเทียบกับ US.๙ มีค่าลดลง 8, 12% ตามลำดับ		
6. อุปทานน้ำมันในตลาดโลกสูงกว่าความต้องการ, ตลาดเป็นของผู้ซื้อ		
7. ราคาสินค้าเกษตรตกต่ำ (ดัชนีราคาลดลง 13.35%) เพราะมีผลผลิตออกมามาก ประกอบกับเศรษฐกิจโลกตกต่ำ		

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	6.1	--
2. TRADE DEFICIT	8.4	ปัญหาการขาดดุลการค้า (6.9% ของ GDP)
3. INFLATION	12.0	--
4. INTEREST	14.3	--
5. ราคาสินค้าเกษตรชะลอตัวลง		
6. ภาวะการเงินตึงตัวในช่วงครึ่งปีแรก		

Policy Reaction

1. นโยบายการเงิน

- 1.1 มาตรการระดมเงินออม โดยปรับโครงสร้างอัตราดอกเบี้ย เพิ่มเพดานอัตราดอกเบี้ยเงินฝากประจำและออมทรัพย์ของธนาคารพาณิชย์อีก 1% ต่อปี และเพิ่มเพดานอัตราดอกเบี้ยเงินกู้เป็น 19% ต่อปี (จากเดิม 18%)
- 1.2 ขยายความอนุเคราะห์ทางการเงินแก่ภาคเกษตร, ภาคส่งออก เพื่อบรรเทาปัญหาราคาสินค้าตกต่ำ
- 1.3 มาตรการเพื่อบรรเทาปัญหาการขาดดุลการค้า และส่งเสริมการนำเงินทุนเข้าจากต่างประเทศ
 - ลดค่าเงินบาท 2 ครั้ง ในเดือนพฤษภาคม และกรกฎาคม (ครั้งละ 1.07% และ 8.70% ตามลำดับ)
 - ยกเว้นภาษีดอกเบี้ยเงินกู้ยืมจากต่างประเทศ
 - มาตรการ swap ในการซื้อขายเงินตราต่างประเทศกับธนาคารพาณิชย์ เพื่อเสริมสร้างความมั่นใจในค่าเงินบาท
- 1.4 มาตรการส่งเสริมความมั่นคงของสถาบันการเงิน
 - ลดอัตราส่วนเงินกู้ยืมต่อเงินกองทุนของบริษัทเงินทุน จาก 50% เป็น 40%
 - เพิ่มอัตราส่วนเงินกองทุนต่อสินทรัพย์เสี่ยงของบริษัทเงินทุน จาก 5% เป็น 6%

2. นโยบายการคลัง

- 2.1 มาตรการกระตุ้นการส่งออก โดยลดอากรขาออกของยางพารา, ลดอัตราค่าภาคหลวงแร่ดีบุก
- 2.2 ส่งเสริมการลงทุนธุรกิจเอกชน โดยลดอัตราภาษีเงินได้นิติบุคคลที่จัดเก็บจากบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย จาก 35% เป็น 30% และบริษัทนิติบุคคลทั่วไป จาก 45% เป็น 40%
- 2.3 ลดภาระภาษีน้ำมันของธุรกิจ, ประชาชน จากการที่ราคาน้ำมันสูงขึ้น โดยลดอัตราภาษีสรรพสามิตที่เก็บจากน้ำมันเบนซิน, ดีเซล, แอสฟัลต์ และน้ำมันก๊าด

YEAR : 1982

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	0.3	เศรษฐกิจโลกยังคงประสบภาวะซบเซาเป็นปีที่ 4
2. TRADE	-2.1	ประเทศอุตสาหกรรมมีแนวโน้มใช้นโยบายกีดกันการค้ามากขึ้น
3. INFLATION	7.5	--
4. INTEREST	13.3	อัตราดอกเบี้ยในต่างประเทศลดต่ำลง (ใน USA อัตรา discount ลดลง 7 ครั้ง, จาก 12% เป็น 8.5%)

5. ราคาสินค้าขึ้นปรุบคต่ำทั่วโลก เนื่องจากผลผลิตมีมาก และนโยบายกีดกันทางการค้า
6. ระดับการว่างงานในประเทศอุตสาหกรรม เพิ่มขึ้นสูงสุดนับแต่สงครามโลกครั้งที่ 2 (เฉลี่ย 8%)

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	4.0	ปัญหาการผลิตและการลงทุนซบเซา (เกิดปัญหาการว่างงานตามมา)
2. TRADE DEFICIT	4.3	--
3. INFLATION	5.1	--
4. INTEREST	12.0	--

5. ราคานิชผลตกต่ำตามราคาในตลาดโลก
6. ปัญหาการขาดดุลรัฐบาล, เน้นจาก 2.7% ต่อ GDP เป็น 4.9%

Policy Reaction

1. นโยบายการเงิน

- 1.1 มาตรการอัตราดอกเบี้ยเพื่อกระตุ้นการผลิตและการลงทุน โดยลดอัตราดอกเบี้ยมาตรฐาน, อัตราดอกเบี้ยพันธบัตรรัฐบาล, อัตราดอกเบี้ยเงินกู้ยืมแก่สถาบันการเงิน หลายครั้งด้วยกัน
- 1.2 ให้ความอนุเคราะห์ทางการเงินแก่ อตก. เพื่อแก้ไขปัญหาราคานิชผลตกต่ำ ตามนโยบายพุงราคาข้าว, ฝ้าย

2. นโยบายการคลัง

มาตรการภาษีเพื่อลดปัญหาการขาดดุลการคลัง

2.1 ปรับโครงสร้างภาษีครั้งที่ 1 (เดือนกุมภาพันธ์)

- ภาษีเงินได้ เพิ่มภาษีเงินได้ดอกเบี้ยเงินฝากประจำ จาก 10% เป็น 12.5% คิดภาษีเงินได้จากการขายอสังหาริมทรัพย์อื่นเป็นมรดก (เดิมไม่ต้องเสีย)
- ภาษีการขายทั่วไป เพิ่มภาษีการค้าจากรายรับที่ธนาคารพาณิชย์ได้จากดอกเบี้ย, ส่วนลด, ค่าธรรมเนียม จาก 2.5% เป็น 3.0% และกำไรเบื้องต้นจากการซื้อขายตัวเงินหรือส่งเงินไปต่างประเทศ จาก 10.5% เป็น 15.0%
- อากรนำเข้า ลดอัตราอากรนำเข้าวัตถุดิบกึ่งสำเร็จรูปสำหรับผลิตสินค้าที่จำเป็นต่อการครองชีพ จาก 80% เป็น 40% เพื่อแก้ปัญหาการลักลอบนำเข้า
- ประกาศนิตินโยบายทางภาษี

2.2 ปรับปรุงโครงสร้างภาษีครั้งที่ 2 (เดือนตุลาคม)

- ภาษีเงินได้ จัดเก็บเป็น 2 ครั้ง จากบริษัทนิติบุคคลและบุคคลธรรมดา เฉพาะเงินได้พึงประเมินจากการประกอบอาชีพอิสระ
- ภาษีสรรพสามิต เพิ่มอัตราภาษีสุราต่างประเทศ, ปรับปรุงระบบการจัดเก็บภาษีสุรา จากเดิมเก็บตามสภาพเป็นเก็บตามราคา แล้วแต่อย่างไรจะให้รายรับมากกว่ากัน
- อากรขาเข้า เพิ่มอัตราอากรขาเข้าสำหรับบางประเภทสินค้าที่สามารถผลิตได้เองในประเทศ, เก็บภาษีเสริมชั่วคราว 1 ปี สำหรับสินค้านำเข้าบางประเภท (ต้องเสียภาษีเพิ่มขึ้นอีก 10% ของอากรที่ต้องเสียตามปกติ)

YEAR : 1983

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	2.0	ภาวะเศรษฐกิจเริ่มฟื้นตัวจากปีก่อน
2. TRADE	2.2	ประเทศอุตสาหกรรมยังคงใช้มาตรการจำกัดการนำเข้าอย่างเข้มงวด
3. INFLATION	5.0	--
4. INTEREST	9.7	--

5. อัตราการว่างงานในประเทศอุตสาหกรรมเพิ่มขึ้น 8.3%
6. ราคาสินค้าขึ้นปรุมขยับสูงขึ้นตามความต้องการที่เพิ่มขึ้น

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	5.7	ภาวะเศรษฐกิจเริ่มฟื้นตัว (ราคาล้างงานลดลงและภาวะการเงินเอื้ออำนวย)
2. TRADE DEFICIT	9.7	ดุลการค้าขาดดุลมาก (เพิ่มขึ้นจากปี 1982 กว่าเท่าตัว)
3. INFLATION	3.6	--
4. INTEREST	14.9	--

5. สภาพคล่องทางการเงินอยู่ในระดับสูง
6. ปริมาณการส่งออกสินค้าหลักลดลง เพราะภาวะฝนแล้งเมื่อฤดูการผลิตก่อน

Policy Reaction

1. นโยบายการเงิน

- 1.1 มาตรการกระตุ้นภาวะเศรษฐกิจ, การลงทุน
 - ลดอัตราดอกเบี้ยมาตรฐาน จาก 12.5% เป็น 11.5%
 - ลดเพดานอัตราดอกเบี้ยเงินกู้ธนาคารพาณิชย์ จาก 19% เป็น 17.5%
 - ประกาศลดอัตราดอกเบี้ยพันธบัตร 2 ครั้ง
- 1.2 มาตรการเพื่อรักษาเสถียรภาพทางเศรษฐกิจ และแก้ไขปัญหาดุลการค้า
 - ควบคุมการเปิด L/C สำหรับสินค้าฟุ่มเฟือย
 - กำหนดให้ผู้ส่งออกทำสัญญาขายเงินตราต่างประเทศล่วงหน้า
 - ปรับปรุงหลักเกณฑ์การกู้เงินของธนาคารพาณิชย์ในตลาดซื้อคืน

2. นโยบายการค้า

- 2.1 มาตรการแก้ไขปัญหาดุลการค้า, ดุลการชำระเงิน
 - ลดอัตราค่าภาคหลวงแร่ดิบ, ลดอากรขาออกข้าว
 - ขยายเวลาการยกเว้นภาษีเงินได้ดอกเบี้ยเงินกู้จากต่างประเทศ
- 2.2 มาตรการเพื่อส่งเสริมอุตสาหกรรมและเกษตรกรรมในประเทศ โดยปรับปรุงนิศัตอัตราศุลกากรสินค้านำเข้า (เพิ่มอากรขาเข้าสินค้าหลายชนิดที่สามารถผลิตได้เองในประเทศ)
- 2.3 มาตรการเพื่อการประหยัดพลังงาน โดยลดอากรขาเข้าสำหรับสินค้าจำพวกวัสดุอุปกรณ์ที่ประหยัดพลังงาน

YEAR : 1984

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	4.4	เศรษฐกิจโลกขยายตัวในอัตราที่สูงขึ้น
2. TRADE	8.3	ขยายตัวในระดับสูงมากเมื่อเทียบกับปี 1977 เป็นต้นมา
3. INFLATION	4.8	--
4. INTEREST	10.9	--

5. ราคาสินค้าขึ้นปรุุมยังคงตกต่ำ (ลดลง 4.8%)
6. ภาวะตลาดเงินและอัตราแลกเปลี่ยนยังคงผันผวนมาก
7. ค่าเงิน US.\$ สูงขึ้น (เพิ่มค่า 35.9% นับตั้งแต่ปี 1980)
8. วิกฤติการณ์ต่างประเทศในประเทศกำลังพัฒนา (ผลจากราคาสินค้าขึ้นปรุุมตกต่ำ)

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	5.9	--
2. TRADE DEFICIT	6.9	--
3. INFLATION	0.9	--
4. INTEREST	10.9	--

5. บริษัทเงินทุนประสบปัญหาในการดำเนินงานหลายแห่ง
6. ภาวะการเงินในระบบธนาคารพาณิชย์มีสภาพคล่องในระดับสูงเกือบตลอดปี
7. รัฐบาลยังคงประสบปัญหาทางงบประมาณขาดดุลต่อเนื่อง (3.3% ของ GDP)

Policy Reaction

1. นโยบายการเงิน

1.2 มาตรการส่งเสริมการส่งออก และชลอการนำเข้า

- ปรับปรุงระบบการแลกเปลี่ยนเงินตรา จากระบบที่ผูกค่าเงินบาทไว้กับดอลลาร์ที่ สรอม. เป็นระบบที่เทียบค่ากับกลุ่มสกุลเงินประเทศคู่ค้าตามความสำคัญทางการค้า มีผลทำให้ค่าเงินบาทลดลง จากอัตรา 23 บาทต่อ 1 ดอลลาร์ เป็น 27 บาทต่อ 1 ดอลลาร์
- เพิ่มวงเงินการรับช่วงซื้อสินค้าส่งออก 4,700 ล้านบาท
- ควบคุมการเปิด L/C สำหรับสินค้าทุกประเภท ในระยะเวลา 1 ปี ยกเว้น ผลิตภัณฑ์น้ำมัน ให้ขยายตัวได้ไม่เกินกว่าระดับเดิมในช่วง 1 ปีที่ผ่านมา
- ควบคุมการปล่อยสินเชื่อของธนาคารพาณิชย์แก่ภาคเอกชน โดยกำหนดให้ ธนาคารพาณิชย์ปล่อยสินเชื่อแก่ภาคเอกชนในปี 1984 น้อยกว่ายอดคงค้าง ณ วันสิ้นปี 1983 ได้ไม่เกิน 18%
- มาตรการอัตราดอกเบี้ย เพื่อรักษาเสถียรภาพการเงินภายในประเทศ โดยปรับเพดานอัตราดอกเบี้ยเงินกู้ยืมของธนาคารพาณิชย์เพิ่มขึ้น จาก 17.5% เป็น 19% และลดอัตราดอกเบี้ยมาตรฐานลง จาก 12% เป็น 11%
- มาตรการช่วยเหลือบริษัทเงินทุน และบริษัทเครดิตฟองซิเอร์ โดยให้บริษัทที่ ต้องการความช่วยเหลือ โอนหุ้นบางส่วนแก่ทางการ ทางการจะวางระบบการ จัดการใหม่ และดูแลผลประโยชน์ของประชาชน

2. นโยบายการคลัง

2.1 มาตรการปรับปรุงฐานะทางการคลัง

- เร่งรัดให้ส่วนราชการดำเนินการเบิกจ่ายเงินที่ได้รับภายในปีงบประมาณ เป็น การลดภาระการบริหารเงินคงคลัง
- ผ่อนคลายภาระงบประมาณรายจ่ายจากผลการปรับค่าเงินบาท โดยพิจารณา ทบทวนโครงการที่จะดำเนินการในปี 1985 ว่าควรจะเลื่อนหรืองดไปเลย

2.2 มาตรการผ่อนคลายนผลกระทบจากการปรับค่าเงินบาท

- ยกเลิกการเก็บอากรพิเศษการนำเข้าสินค้า ยกเว้นการนำเข้ารถยนต์และ จักรยานยนต์

- ลดภาระภาษีเงินได้แก่ผู้มีรายได้น้อยและปานกลาง โดยเพิ่มการหักค่าใช้จ่าย สำหรับบุคคลธรรมดาที่มีเงินได้ประเภทเงินเดือน จากไม่เกิน 30,000 บาท เป็นไม่เกิน 40,000 บาท และเพิ่มค่าลดหย่อนสำหรับผู้มีบุตรและคู่สมรส อีกคนละ 1,000 บาท

2.3 ปรับปรุงโครงสร้างภาษีอากร

- ประกาศใช้ พรบ. สรรพสามิตฉบับใหม่
- ปรับปรุงประมวลกฎหมายรัษฎากร

YEAR : 1985

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	3.1	--
2. TRADE	3.4	นโยบายกีดกันทางการค้าที่ทวีความรุนแรงขึ้น (Jenkins Bill, Farm Bill)
3. INFLATION	4.2	--
4. INTEREST	8.4	--

5. ราคาสินค้าขั้นปฐมตกต่ำที่สุดในรอบ 10 ปี (ลดลง 13%)
6. ราคาน้ำมันในตลาดโลกตกต่ำลงอย่างรวดเร็ว
7. ค่าเงิน US.๕ มีการเคลื่อนไหวอย่างรุนแรง (ค่าสูงขึ้นมากในไตรมาสแรก และลดลงมากในไตรมาสสุดท้าย โดยการแทรกแซงของกลุ่ม G5, ลดลง 18.5% จากระดับสูงสุดเมื่อต้นปี)

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	2.6	--
2. TRADE DEFICIT	5.9	--
3. INFLATION	2.4	--
4. INTEREST	15.0	--

5. วิกฤตการณ์การเงินนอกระบบ (ปัญหาแชร์ล้ม)
6. ภาวะราคาสินค้าขั้นปฐมในตลาดโลกตกต่ำส่งผลต่อราคาสินค้าออกของไทยลดลงมาก และนโยบายกีดกันการค้ายังทำให้ปริมาณการส่งออกลดน้อยลงด้วย
7. การขาดดุลการคลังยังเป็นปัญหาสำคัญของรัฐบาล (3.7% ของ GDP)

Policy Reaction

1. นโยบายการเงิน

- 1.1 มาตรการช่วยเหลือทางการเงินแก่ภาคเศรษฐกิจที่สำคัญ
 - จัดสรรสินเชื่ออัตราดอกเบี้ยต่ำ
 - เพิ่มวงเงินรับช่วงซื้อลดตั๋วสัญญาใช้เงินที่เกิดจากการส่งออกข้าว
 - ให้อินเตอร์เนชันแนลแบงก์เพื่อการ stock ข้าวเปลือกของโรงสีตามโครงการยกระดับราคาข้าวเปลือกฤดูการผลิต 85/86 ผ่านธนาคารพาณิชย์
- 1.2 ช่วยเหลือเพิ่มเติมเป็นกรณีพิเศษแก่ผู้ส่งออกที่ได้รับผลกระทบจากการปรับปรุงระบบอัตราแลกเปลี่ยน
- 1.3 มาตรการอัตราดอกเบี้ย
 - ปรับปรุงอัตรารับช่วงซื้อลดการส่งออกสิ่งทอ จาก 12.5% เป็น 7%
 - ลดอัตราดอกเบี้ยมาตรฐาน จาก 12% เป็น 11%
 - ปรับเพดานอัตราดอกเบี้ยเงินฝาก, เงินกู้ของธนาคารพาณิชย์ (ออมทรัพย์ 8.5%, ฝากประจำ 3 เดือน 11%, เงินกู้ 17%)
- 1.4 มาตรการเพื่อเสริมสร้างความมั่นคงและฟื้นฟูสถาบันการเงิน
 - ให้ความช่วยเหลือแก่ผู้ถือตั๋วสัญญาใช้เงินของบริษัทเงินทุนที่ถูกถอนใบอนุญาต
 - ออกพระราชกำหนดแก้ไขเพิ่มเติม พรบ.การธนาคารพาณิชย์, ธุรกิจเงินทุน, ธุรกิจหลักทรัพย์, ธุรกิจเครดิตฟองซิเออร์ เพื่อให้มีมาตรการทางกฎหมายเพียงพอที่จะใช้กำกับดูแล, บังคับและแก้ไขปัญหาได้อย่างทันทั่วทั้ง

2. นโยบายการค้า

- 2.1 มาตรการปรับปรุงฐานะการค้า
 - ตัดทอนงบประมาณรายจ่ายประจำปี 1985 ลงเป็นจำนวน 4,000 ล้านบาท
 - มาตรการภาษีที่สำคัญ ได้แก่ การปรับปรุงอากรสินค้านำเข้าหลายประเภท, ปรับปรุงภาษีสรรพสามิตเบียร์, สุรา, ยาสูบ
- 2.2 มาตรการเพื่อส่งเสริมการส่งออก
 - ลดอากรขาออกยางพารา, ยกเว้นอากรขาออกข้าว ให้สามารถแข่งขันกับต่างประเทศได้
 - ลดค่าภาคหลวงแร่ดีบุก, ลดภาษีการค้าและภาษีเทศบาลที่เรียกเก็บจากผู้ส่ง

ออกดิบๆ

- กำหนดอำนาจให้อธิบดีกรมศุลกากรมีอำนาจผ่อนผันลดอากรขาเข้าวัตถุดิบที่ใช้ผลิตเพื่อส่งออก ให้คงเสียในอัตราเดิมได้

2.3 มาตรการส่งเสริมอุตสาหกรรม และปรับโครงสร้างการใช้พลังงาน

- ปรับนิทอัตราอากรขาเข้า 580 ประเภท ให้มีอัตราขั้นต่ำ 5% และอัตราขั้นสูง 60% เป็นการทั่วไป
- ปรับปรุงโครงสร้างและอัตราภาษีอากรที่เกี่ยวกับเครื่องจักรกล, รถยนต์ และวัตถุดิบที่ใช้ด้านพลังงาน เพื่อให้โครงสร้างการใช้พลังงานเป็นไปโดยประหยัด

YEAR : 1986

WORLD ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	2.8	--
2. TRADE	1.9	การกีดกันทางการค้าระหว่างประเทศทวีความรุนแรงขึ้น
3. INFLATION	2.3	--
4. INTEREST	6.9	--

5. ราคาน้ำมันในตลาดโลก, อัตราดอกเบี้ย, ค่าเงิน US.* ลดลงอย่างรวดเร็ว

6. ราคาสินค้าโภคภัณฑ์ในตลาดโลกยังทรงตัวอยู่ในระดับต่ำ เนื่องจากอุปทานทรงตัวอยู่ในระดับสูง แต่อุปสงค์ไม่เพิ่มเท่าที่ควร

THAI ECONOMY	GROWTH OR RATE	NOTES
1. OUTPUT	3.4	ผลผลิตเกษตรที่สำคัญของไทยถูกกระทบจากภาวะฝนทิ้งช่วง
2. TRADE DEFICIT	1.5	--
3. INFLATION	1.8	--
4. INTEREST	6.4	--

5. ผลผลิตภาคเกษตรลดลง 0.2% (ปี 1985 เพิ่ม 2.7%), ราคาผลผลิตสำคัญลดลง โดยเฉพาะข้าว, ข้าวโพด, มัน ฯ

6. ระบบการเงินมีสภาพคล่องสูงมากตลอดทั้งปี (อัตราการขยายตัวของสินเชื่อ 4%, เงินฝาก 12%)

Policy Reaction

1. นโยบายการเงิน

1.1 ใช้นโยบายการเงินผ่อนคลาย

- มาตรการการอัตราดอกเบี้ย โดยปรับโครงสร้างอัตราดอกเบี้ยให้เหมาะสม เพื่อกระตุ้นภาวะเศรษฐกิจ โดยประกาศลดอัตราดอกเบี้ยมาตรฐานลง 3 ครั้ง จาก 11% เป็น 8% ต่อปี และลดเพดานอัตราดอกเบี้ยเงินฝาก, เงินกู้สูงสุดของสถาบันการเงิน
- มาตรการช่วยเหลือทางการเงินแก่ภาคเศรษฐกิจที่สำคัญ โดยการปรับปรุงวิธีจัดสรรวงเงินรับซื้อตั๋วสัญญาใช้เงินให้แก่ธนาคารพาณิชย์ (ทำให้ธนาคารพาณิชย์ทั้งระบบสามารถขยายสินเชื่อได้อีก 34,000 ล้านบาท) และยังเพิ่มความช่วยเหลือทางการเงินในอัตราดอกเบี้ยต่ำลง, เพิ่มประเภทสินค้าและปรับปรุงวิธีการให้มีผู้ได้รับความช่วยเหลือในวงกว้างขึ้น
- มาตรการเพิ่มเสริมสร้างเสถียรภาพและความคล่องตัวของระบบการเงิน โดยปรับปรุงข้อกำหนดเกี่ยวกับการดำรงเงินกองทุนต่อสินทรัพย์เสี่ยงของธนาคารพาณิชย์ เพื่อให้เป็นไปตามหลักการความเสี่ยงที่แท้จริง (เพิ่มสินทรัพย์ 4 รายการ มูลค่า 9,000 ล้านบาท ไม่นับรวมเป็นสินทรัพย์เสี่ยง)

2. นโยบายการคลัง

2.1 เปลี่ยนแนวนโยบายแบบเข้มงวดในปี 1985 มาเป็นแบบผ่อนคลายเพื่อกระตุ้นภาวะเศรษฐกิจ แต่ยังคงมีวัตถุประสงค์เพื่อลดการขาดดุลการคลังและภาวะหนี้สิน

- มาตรการปรับปรุงรายได้รัฐบาล, รัฐวิสาหกิจ
 - เพิ่มอัตราภาษีสรรพสามิตจากน้ำมัน
 - เก็บภาษีเงินได้ดอกเบี้ยพันธบัตรรัฐบาลในอัตรา 15% เฉพาะส่วนที่เกินอัตราสูงสุดของเงินฝากออมทรัพย์
 - ปรับปรุงรายได้รัฐวิสาหกิจบางแห่ง เช่น เพิ่มอัตราค่าบริการโทรศัพท์ทางไกลและในท้องถิ่น, เพิ่มจำนวนชุดของสลากกินแบ่งรัฐบาลแต่ละงวด
- มาตรการชะลอการใช้จ่ายรัฐบาล โดยตัดทอนงบประมาณรายจ่าย 2,250 ล้านบาท

- มาตรการกระตุ้นภาวะเศรษฐกิจ, ส่งเสริมการผลิต, การส่งออก
 - เพิ่มเป็นพิเศษเพื่อการลงทุน 1,500 ล้านบาท
 - ลดอัตราภาษีเงินได้บุคคลธรรมดาชั้นสูงสุด
 - ลดอัตราภาษีการค้าสำหรับสินค้าที่ใช้วัตถุดิบภาคเกษตรและใช้แรงงานในระดับสูง