

The New Theory from an Economic Viewpoint

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ABSTRACT

The New Theory of His Majesty King Bhumibol is a mixed agriculture method. This New Theory takes advantage of the positive externalities that many farm activities have among one another. For instance, animal waste is used as fertiliser for the crops hence save the farmers expenses from purchases of fertiliser. On-arm water storage can be used to supply water to the rest of the farm as well as for fish farming. With many types of crops grown on the farm it will help increase farm diversity and provide the necessary diet for the whole family all year round. Any excess farm output beyond family consumption will then enter the market in return for cash income.

This article shows that while the New Theory concentrates on on-farm mixed agriculture, the economics of the New Theory stretches beyond the farm level and covers the economics of rural livelihood as well as the national economic policy as well. This article discusses two reasons that make the New Theory very relevant for Thailand, they are, the inefficiency the market mechanisms at the rural level and the failure of government actions at the national level.

At the rural level this article shows that the rural families in remote areas can not fully benefit from being part of market economy. Reasons include the lack of the ability to engage effectively in risk management, lack of market diversity and opportunities, high transaction costs, less than competitive agricultural markets as well as high cost of information leading to high interest rates. These reasons suggest that in areas where market mechanisms cannot benefit the people, particularly the small farmers living in remote areas, adopting the New Theory is certainly a viable alternative.

At the national level history shows that the Thai government policy has been biased against the agriculture sector. Maintaining strong exchange rates for many decades has penalised agricultural exports. Government promotion efforts has concentrated mainly in the manufacturing and servicing sectors. Many agricultural policies has produced a transfer effect where economic rent is transferred from the agricultural producers to the urban consumers. Increasing agricultural output via land expansion has also led to reduction in forest areas and ecological imbalances.

The above reasons shows that while market economy have benefited the urban Thai economy in many ways but it has not done so well in increasing the welfare of the rural farming sector in Thailand, particularly in the remote areas. For this reason introducing the New Theory to the rural farming sector in the remote areas of Thailand becomes a viable solution.

A Survey of Perceptions, Understandings and Practices of New Theory

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ABSTRACT

New Theory has been perceived and understood in broad spectrum of development ideas and practices. It is perceived to be a general development thesis, a social development approach, a *human resource development module*, an economic development process, a rural community development program, by academicians and practitioners, an appropriate practice for farmers in a rain-fed remote rural area, and etc. New Theory has been experimented, and implemented, by various government agencies, NGOs, and individual farmers. Surveys of New Theory at works found mixed results. While most participating farmers were found to be those who tend to be already better-off than otherwise the targeted farmers, they found to have improved quality of life. There are however practices and performance below the expected standard practice and inconsistent with the principal ideas of New Theory. There is a danger of indiscriminatory expansion of New Theory implementation to inappropriate areas where it is either infeasible or over qualified as a target area.

“Sufficiency Economy”*

“Sufficiency Economy” is a philosophy bestowed by His Majesty the King to his subjects through royal remarks on many occasions over the past three decades. The philosophy provides guidance on appropriate conduct covering numerous aspects of life. After the economic crisis in 1997, His Majesty reiterated and expanded on the “Sufficiency Economy” in remarks made in December 1997 and 1998. The philosophy points the way for recovery that will lead to a more resilient and sustainable economy, better able to meet the challenges arising from globalisation and other changes.

Philosophy of the “Sufficiency Economy”

“Sufficiency Economy” is a philosophy that stresses the *middle path* as the overriding principle for appropriate conduct by the populace at all levels. This applies to conduct at the level of the individual, families, and communities, as well as to the choice of a balanced development strategy for the nation so as to modernise in line with the forces of globalisation while shielding against inevitable shocks and excesses that arise. “Sufficiency” means moderation and due consideration in all modes of conduct, as well as the need for sufficient protection from internal and external shocks. To achieve this, the application of knowledge with prudence is essential. In particular, great care is needed in the utilisation of untested theories and methodologies for planning and implementation. At the same time, it is essential to strengthen the moral fibre of the nation, so that everyone, particularly political and public officials, technocrats, businessmen and financiers, adheres first and foremost to the principles of honesty and integrity. In addition, a balanced approach combining patience, perseverance, diligence, wisdom and prudence is indispensable to cope appropriately with critical challenges arising from extensive and rapid socioeconomic, environmental, and cultural changes occurring as a result of globalisation.

* Compiled from remarks made by His Majesty the King on various occasions.