

CHAPTER V THE GROWTH OF BANGKOK, 1950-1970

Abstract: This chapter focuses upon the spectacular growth of Bangkok which occurred between 1950 and 1970. The central framework underline s two major points. **First**, a great expansion of Bangkok's population due to the post-war migration as jobs were more available and wages higher than the provinces. The influx of rural migrants helped to keep down urban wage rates. **Secondly**, construction activity was boosted by the involvement of the US military in the Vietnam War and tourism.

Previous chapters have shown that Bangkok was clearly established prior to the 20th century. Bangkok's growth was tied to foreign trade. Trade and city developed together. For example, trade brought Chinese immigration to Bangkok. The Chinese constituted a substantial component of the entire Bangkok's population before 1950. The period 1892-1920s saw an enormous growth in the physical size and economic diversification of Bangkok. We find that in those years a change from a city based on water (river and canal) to one based on roads. Before 1950, settlements were largely concentrated along Charoenkrung road. Bangkok's primacy gradually increased from the turn of 20th century. However, prior to the 1950s, Bangkok's primacy did not mean rapid growth of population or the emergence of a modern industrial city. There were no large industrial base nor influx of rural migrants to the city. Furthermore, prior to 1950, Bangkok's proportion of Thailand's population increased only gradually. Bangkok's population as a percentage of Thailand's population contained 4-6 percent in 1913-1929, and may even have fallen a little by 1947, when it stood at 4.4 percent as shown below. Why was Bangkok's growth before the 1950s relatively slow? Some major factors will be discussed in Chapter VI and VII.

Year	Bangkok's Population	Percentage of Bangkok's Population to Total Population
1913	365,480	4.5
1920	434,438	4.7.
1930	687,966	5.9
1947	781,652	4.4

Sources: N.A. R.6. M. of the Capital 27/3 (1904-1914); N.A. M. of Finance 0301.1.1/13 (1931); Ministry of Interior, Report of Municipality Operation (Bangkok and Thonburi), Various Issues; and Constance M Wilson, Thailand: A Handbook of Historical Statistics, Boston: G.K. Hall & Co., 1983, p.30.

Even in the late 1950s, Bangkok was far from being a dynamic industrial city of the sort familiar in the west. A report from an American group of consultants to the Thai government noted that:

By Asian standards Bangkok is a sprawling city. To a person accustomed to western sprawl, however, the city is remarkable for its compactness. A vigorous walker can transverse it from north to south in three hours or less. The internal structure of Bangkok lacks the zones or sectors which characterise most western cities. There are the old city area, the Chinese quarter, a western type residential area and formal administrative districts; but in much of the cities, thatched indigenous housing and rice paddies mingle with modern roads, western-influenced housing, and shop-houses, creating areas which seem neither rural nor urban. In addition, there is relatively little formal separation of industrial, commercial, and residential areas of Bangkok and Bangsue....¹

By 1960, Bangkok was in the process of a transformation taking it from a moderately-sized metropolis of some 1 million in 1950 to a large diversified and growing industrial city of some 3 million by 1970. By the late 1980s, Greater Bangkok had grown to more than 6 million. In 1950, the city ranked 41st largest in the world, but rose to 24th by 1988 and is expected to rank 20th by the year 2000.²

As before, most of Thailand's urban population was centred in Bangkok and Bangkok continued to account for a preponderant share of urban growth. Bangkok held a remarkable concentration of city's population, was the main centre of trade and industry, housed most of the major educational institutions, served as the focus of all major routes of transportation by rail, shipping, and road. Bangkok exerted an increasingly dominant influence on nearly every aspect of Thai economic, social and cultural life.

In 1947, Bangkok's population was 20 times the size of the second largest city Chiang Mai. By 1960 this ratio had risen to 26-to-1, and by 1967 to 32-to-1. Bangkok's size relative to the ten largest cities is shown in Table 5.1 below.

Table 5.1 Population in the Ten Largest Cities in Thailand in 1947, 1960 and 1967

1947			1960			1967		
1.	Bangkok-Thonburi	781,662	Bangkok-Thonburi	1,800,678	Bangkok-Thonburi	2,614,356		
2.	Chiang Mai	38,211	Chiang Mai	66,823	Chiang Mai	81,5793		
3.	Lampang	22,952	Korat	44,630	Korat	73,030		
4.	Korat	22,340	Haadyai	36,197	Haadyai	49,324		
5.	Nakhon Pathom	22,007	Lampang	36,002	Udon Thani	46,686		
6.	Samut Sakhon	20,754	Nakhon Sawan	34,371	Nakhon Sawan	44,851		
7.	Phuket	19,550	Ayutthaya	33,547	Chon Buri	42,141		
8.	Songkhla	18,662	Chon Buri	33,237	Songkhla	40,682		
9.	Ayutthaya	17,807	Phitsanulok	33,233	Lampang	40,515		
10.	Chon Buri	17,671	Songkhla	31,488	Nakhon Si Thammarat	39,426		
Total		981,616		2,150,206		3,072,593		

Source: Department of Provincial Administration, Ministry of Interior.

¹Litchfield Whiting Bowne and Associates, **Bangkok-Thonburi City Planning Project**, Technical Monograph, Government of Thailand, Bangkok, January, 1960, p.3.

²Falkus, "Bangkok: From Primate City", p.1.

In 1960, Ginsburg measured urban primacy in 104 nations in both developed and developing countries by expressing the population of the largest city as a percentage of the total population of the four largest cities. Thailand ranked first at 94.2 percent, followed at some distance by Uruguay at 87, Hungary 85, and Guatemala 84. The median rate of all 104 countries was 60 percent.³ In 1970, Thailand remained one of the most pronounced examples of primacy in the world.⁴ There were very few countries in which the population disparity between the largest and second-largest cities was equal to that in Thailand in the 1960s, 1970s and 1980s. The outstanding features of urbanization trends in Thailand were the concentration in the Bangkok metropolitan area, and the low levels of urbanization elsewhere. In 1947, Bangkok accounted for 45.4 per cent of total urban population, increasing to 52.0 percent in 1960 and 60.9 percent in 1969. Approximately two-thirds of the growth of the urban population between 1947 and 1967 occurred in Bangkok-Thonburi. Other regions of the country had relatively low rates of urbanization.⁵

Bangkok's proportion of Thailand's total population had risen steadily over the years, from under 5 per cent in the 1940s to some 10 percent in the 1960s. As shown by Table 5.2, Bangkok's dominance over the economy was out of all proportion to its share of the country's population.

Table 5.2 Dominance of Bangkok: Selected indicators - 1969

Percent of total	
54.19	Thailand's urban population
37.30	GDP
77.00	Telephones
72.00	Commercial bank deposits
73.00	Personal income tax
71.15	University students
33.00	Service workers
40.00	Industrial workers
61.51	Business and commercial workers
44.46	Hotel rooms
79.06	Private cars

Sources: News from the Department of Town and Country Planning, Number 22, April 1970 ; and TURA, *Urbanization in the Bangkok-Central Region*, Bangkok: Social Science Association of Thailand, Table 103, p. 267.

³ N.Ginsburg, *Atlas of Economic Development*, University of Chicago Press, 1961., Table 12 and Dole A. Anderson, *Marketing and Development The Thailand Experience*, MSU ,Michigan Sate University,U.S.A. 1970, p.42.

⁴ Fuller discussion of a primacy in Thailand. see London, *Metropolis and Nation*. The "Z" slope of the distribution according to the distribution according to the rank size rule for 1970 was 1.84. This is an extremely high index concentration of urban population (ESCAP, *Migration, Urbanization*, p. 20).

⁵Goldstein, " Urban Growth ",pp.100-118.

I Population Growth

The population of Bangkok rose gradually prior to the outbreak of World War II but then accelerated. In twenty years following the war, the city's population tripled - from 963,626 in 1950 to 2,380,213 in 1965 and 2,971,753 in 1970 (Table 5.3). Between 1948 and 1970 the city's population increased at an annual average rate of 7 per cent compared to the national growth rate of about 3 per cent.

Table 5.3 Population Growth in Greater Bangkok

Year	Greater Bangkok	Pranakorn	Thonburi
1937		533,104	
1938		556,655	
1939		589,306	
1940		624,776	
1941		653,364	
1942		674,172	
1943	843,431	696,097	147,334
1944	888,788	735,373	153,415
1945	897,886	734,208	163,678
1946	733,999	564,642	168,357
1947	781,652	608,520	177,132
1948	860,707	675,929	184,778
1949	907,848	713,641	194,207
1950	963,626	757,636	205,990
1951	1,020,291	803,046	217,245
1952	1,072,964	845,374	227,590
1953	1,131,654	924,990	246,664
1954	1,231,439	971,570	259,869
1955	1,313,959	1,024,502	289,457
1956	1,430,655	1,127,927	302,702
1957	1,526,715	1,204,894	321,821
1958	1,622,461	1,286,422	336,039
1959	1,725,566	1,369,036	356,530
1960	1,800,678	1,419,492	381,186
1961	1,898,234	1,492,593	405,641
1962	1,893,398	1,548,047	435,351
1963	2,106,881	1,632,127	474,754
1964	2,173,724	1,669,246	504,478
1965	2,380,213	1,858,645	521,568
1970	2,971,753		

Source: Ministry of Interior, **Report of Municipality Operation**, (Bangkok-Thonburi), Various Issues.

Figures of the population in Bangkok are very unreliable and hard to interpret. We do not know to what extent the growth rate of Bangkok's population was determined by (1) the increase in numbers of rural migrants and (2) the increase in the natural growth. The census enumerations often understated the number of migrants working at seasonal employment, while calculations based on house registration data also underestimate the resident population considerably. Many dwellers did not inform

the registrar about births, deaths, and moves across district boundaries. Seasonal migrants seeking work in the city for a limited time often did not register.⁶ As Bangkok expanded quickly to include adjacent areas in Samut Prakarn, Nonthaburi and Pathum Thani, the rate movement between districts was probably rather high but largely unrecorded. It was often found that a migrant family with around 20 members would occupy a dwelling, but only 4 or 5 members would be registered. Also much of the information which was recorded at the district level never found its way to the registrar of municipalities of Bangkok and Thonburi. In 1968, Sternstein, an authority of Bangkok's demography, noted:

By way of example: Tambon Wachira Phayaban, that is, the ward of the Wachira Hospital (largest Municipal hospital), registers several thousand births each year; a number wholly disproportionate to its population in that adjacent Tambon credited with much greater populations by the censuses of 1956 and 1960 register but several hundred births annually. (From this springs the great per cent error in the population data for this Tambon). Similarly, Tambon Pathum Wan, wherein are located several hospital including the large Chulalongkorn Hospital, registered some three hundred deaths in 1956, while neighboring Tambon with populations twice as large registered but half these fatalities; again, in 1966 more than 800 deaths were registered in Tambon Pathum Wan and less than a hundred in adjacent Tambon Wang Mai with triple the population.⁷

Reasons for Population Growth

Nij attempted to decompose the year-by-year growth of Bangkok's population from 1948 to 1964 to show the contributors of natural increase and migration (Table 5.4). His figures showed a steady rise in the contribution of natural increase, from 25,815 persons in 1948 to 81,042 persons in 1964. The contribution of migration fluctuated erratically (we will discuss the problems of data reliability below).

⁶Larry Sternstein, *A Critique of Population Data and a Proposed Reorientation*, Registration & Statistics Division, Municipality of Bangkok, 1968, p. 10.

⁷Larry Sternstein, *Greater Bangkok Metropolitan Area, Population Growth and Movement*, Institute of Population Studies, Chulalongkorn University, 1971, p. 22.

Table 5.4 The Growth of population in Greater Bangkok (1948-1964)

Year	Natural Growth			Migration			Total
	Pranakorn	Thonburi	Both	Pranakorn	Thonburi	Both	
1948	20,571	5,244	25,815	50,828	2,402	53,230	79,045
1949	23,698	5,757	29,455	14,014	3,672	17,687	47,141
1950	26,660	6,059	32,719	17,335	5,724	23,059	55,778
1951	27,721	7,343	35,064	17,689	3,912	21,601	56,665
1952	28,461	8,616	37,077	13,867	1,729	15,591	52,673
1953	30,964	10,845	41,809	48,652	8,229	56,881	98,690
1954	36,368	11,847	48,215	10,212	1,358	11,570	59,785
1955	41,294	13,652	54,946	11,638	15,936	27,574	82,520
1956	45,101	13,313	58,414	58,320	-38	58,282	116,696
1957	50,419	15,625	66,044	26,552	3,464	30,016	96,060
1958	48,888	15,383	64,271	32,640	-1,165	31,475	95,746
1959	56,537	17,423	73,960	26,077	3,067	29,190	103,150
1960	56,433	18,633	75,066	error	6,023	error	error
1961	55,471	19,528	74,999	16,900	4,928	21,823	96,827
1962	60,263	20,215	80,478	error	7,495	2,686	error
1963	61,496	21,481	82,977	22,584	17,923	40,502	12,348
1964	60,760	21,082	81,042	error	8,642	error	error

Source: Nij Hincheraanun, "The Population Growth and the Expanding of Metropolitan Areas", from Memorandum of the 25th Anniversary of the Ministry of Public Health 1943-1967, Table 3, p. 231, based on Register Division : The municipality of Bangkok and the municipality of Thonburi, 1969.

Natural growth : birth and mortality rates

The birth rates in both Pranakorn and Thonburi increased significantly from the late 1940s (Table 5.5). In 1946, the birth rate of the combined cities was 36.4 per 1,000 persons and this jumped to 50.3 per 1,000 persons in 1957, and then declined slightly to 47.0 per 1000 persons in 1960. On the other hand, the crude death rate declined significantly between 1946 and 1964 (Table 5.5). The high natural growth rate of the population between 1946 and 1957 could be partly explained as follows. Improved economic conditions such as rising income generated more demand for children, while the introduction of modern health care facilities significantly reduced mortality from epidemics and other fatal diseases.

Table 5.5 Bangkok: Trends in Birth and Death Rates (per thousand)

Year	Crude Birth Rate			Crude Death Rate		
	Pranakorn	Thonburi	Both	Pranakorn	Thonburi	Both
1946	35.7	38.7	36.4	27.7	23.6	23.0
1947	38.3	37.0	38.0	19.5	20.8	19.8
1948	41.2	45.0	42.0	10.8	16.6	12.0
1949	44.4	48.2	45.2	11.2	18.6	12.8
1950	45.1	48.9	45.9	9.8	19.5	11.2
1951	44.0	49.1	45.1	9.5	15.3	10.2
1952	41.7	48.8	43.2	8.0	10.9	8.6
1953	40.2	51.8	42.6	6.7	7.8	6.9
1954	44.0	52.8	45.9	6.6	7.2	6.7
1955	46.7	52.2	47.9	6.4	5.0	6.1
1956	45.4	51.1	46.6	5.4	7.1	5.8
1957	49.0	55.2	50.3	7.2	6.7	7.1
1958	44.4	53.0	46.2	6.4	7.2	6.6
1959	46.8	54.2	47.3	5.5	5.1	5.4
1960	45.0	54.2	47.0	5.4	5.2	5.3

Source: Ministry of Interior, Report of Bangkok and Thonburi Municipality Operation, Various Issues.

Rural migration to Bangkok

Table 5.4 presents some puzzling features. The figures for net in-migration seem low and inconsistent. The real figures of in-migration were considerably underestimated. Nij's analysis exaggerates the contribution of natural growth, and underplays the contribution of in-migration.

A survey conducted by NSO in 1965 showed that the age-specific fertility rates among currently married women aged 15-49 were higher in the rural areas than in urban areas at every age range. The rate in provincial urban centres was 29 percent lower than the rate in rural areas, and the rate in Bangkok was 39 percent lower.⁸ It is very common to find that the rate of natural increase is lower in the urban areas than in the rural areas mainly due to the higher birth rates in the latter, though the higher death rates in rural areas. For example, a study done by NSO confirmed that in 1964-1967 the levels of fertility and mortality were lower in municipal areas than in the rural sector of the country as shown by the Table below.

	1964-1967		
	Urban	Rural	Total
crude birth rate (per thousand)	29.9	43.2	42.2
crude death rate (per thousand)	5.6	11.3	10.8
rate of natural increase (percentage)	2.4	3.2	3.1

Source: ESCAP, Migration, Urbanization and Development in Thailand, New York : United Nations, 1982, p.29.

⁸Medhi, "The Growth of Bangkok", pp.12-13.

However, comparison of population growth rates by region (Table 5.6) shows that Bangkok significantly outpaced the other regions, particularly in the decade of the 1950s.⁹ The faster rate in Bangkok can only be explained through migration. Moreover, after some time lag, large-scale migration will alter the contribution from natural increase. The majority of migrants are young people in the age ranges with high fertility rates. Following any large-scale rural-urban migration, we can expect the fertility rate in the urban area will increase, and that in the rural area may decline slightly.

Table 5.6 Regional Growth Rates 1940 - 1970 (in Percentage)

Region	1940-50	1950-60	1960-70
North	1.3	3.1	2.6
Northeast	2.5	2.7	2.9
Central	2.5	3.2	2.5
Central - excluding Bangkok	-	-	2.1
Bangkok	-	6.0	3.7
South	2.1	3.0	2.7
Whole Kingdom	2.4	3.0	2.7

Source: ESCAP, *Migration Urbanization and Development in Thailand*, New York : United Nations, 1982, Table 4, p. 14.

Surveys confirm the large contribution made by in-migration. Regarding to the figure of rural migrants in Bangkok, firstly we focus upon volume and streams of life time migrants in 1960 and 1970. Bangkok and Thonburi had experienced gains of life time migration from every region. The total gain for Bangkok and Thonburi was 342,000 in 1960 and 601,000 in 1970 respectively.¹⁰ Secondly, in dealing with volume and streams of five - year migrants, Bangkok again gained from every other region with almost 70,000 in between 1955-60 and almost 170,000 between 1965-70.¹¹ In terms of gross in migration, between 1965 and 1970 approximately 300,000 persons from various provinces migrated to Bangkok. Its percentages of five - year

⁹It is surprising that figure from Table 5.6 gave very average high growth rate of the population in Bangkok reaching 6.0 percent annually in the 1950s compared to 3.7 percent in the 1960s. We have no reasons to indicate why Bangkok's growth in the 1950s exceeded the 1960s. In this chapter, we will show that the 1960s saw an enormous growth in physical growth and economic diversification. The interpretation of Table 5.6 should be done with caution.

¹⁰ESCAP, *Population of Thailand*, Bangkok, Country Monograph Services no.3, 1976, p.15. It is interesting to note that while Bangkok gained the highest, the northeast had lost almost 198,000 persons to other regions by 1960 and 309,000 by 1970. As for the other regions, in 1970 the central region gained from the northeast, the northern region gained from the central and the northeast, while the southern region gained from all except Bangkok-Thonburi (*ibid.*, p.15).

¹¹*ibid.*, pp.18-19. It is evident that the central plain lost to all other regions. The second largest loser was the northeast, which gained 4,000 persons from the central region but lost almost 45,000 persons to other regions. The north gained substantially from the central and the northeast regions. Finally, the southern region gained approximately 12,000 persons from the northern, central and northeast regions while losing almost 3,000 persons to Bangkok (*ibid.*, p.16).

migrants as a proportion of Bangkok's population are as follows; 1960; 7.3 percent, 1970; 11 percent, and 1980; 8 percent. Most of the increase in the growth rate of Bangkok-Thonburi over the period can be explained by the migration and Bangkok was the largest receiving areas in the country¹² and dominated the stream of regional movement in Thailand between 1955-1970 (Table 5.7). As noted by ESCAP basing on Table 5.7

Among the four regions, the central region was unique in that one fifth of its population were lifetime migrants in 1970. It is interesting to note that, when Bangkok is excluded from the central region, this high rate fell to 14.6 percent, not much higher than that of the north, 12.7 percent; and that the rate for Bangkok by itself was as high as 35 percent. The north-eastern region, despite its large area and total population, had the lowest proportion of lifetime immigrants, 10 percent, quite close to that of the southern region, 10.3 percent. These patterns of regional variation also occurred when five-year migration is considered, but the differences were slightly smaller than for lifetime migration. The data indicate that the central region, or in fact Bangkok, was the centre of migration activities in Thailand.¹³

The share of lifetime migrants and five-year migrants in Bangkok constituted one fifth of total number of both types of migrants in Thailand in 1960 and 1970. Furthermore, the Bangkok region was found to be the highest ratio of persons classified as migrants to 100 population residing in their place of present residence at the time of census. Its ratio of life time migrants was 30.6 and 35.0 in 1960 and 1970 respectively, while the ratio of five-year migrants was 9.3 and 17.1 in the same period.

¹²ESCAP, *Migration, Urbanization*, pp. 13-14.

¹³*Ibid.*, p.36.

Table 5.7 Lifetime and Five -year immigration; Percentage Distribution, 1960 and 1970

Region of Present Residence	1960			1970		
	in migrants	%	Rate ^a	in migrants	%	Rate ^a
Lifetime^b						
Bangkok	584,689	20.5	30.6	1,019,832	21.8	35.0
central excluding Bangkok	633,650	22.2	10.5	1,085,724	23.2	14.6
Central	1,218,249	42.6	55.3	2,105,556	45.1	20.3
Northeast	765,423	26.8	13.6	1,198,858	25.6	10.0
North	624,559	21.8	11.0	943,975	20.2	12.7
South	250,863	8.8	4.8	424,729	9.1	10.3
Total	2,859,094	100.0	11.1	4,673,118	100.0	13.7
Five-Year^c						
Bangkok	167,802	20.3	9.3	459,600	20.7	17.1
Central, excluding Bangkok	210,211	25.5	11.1	566,304	25.5	8.9
Central	378,013	45.8	21.4	1,025,904	46.2	11.3
Northeast	206,149	25.0	11.8	558,946	25.2	5.7
North	156,721	19.0	7.3	410,636	18.5	6.5
South	84,555	10.2	4.1	224,777	10.1	6.3
Total	825,438	100.00	11.8	2,220,263	100.00	7.7

Source: ESCAP, *Migration, Urbanization and Development in Thailand*, New York: United Nations, 1982 p.36 Table 22 based on NSO. *Thailand Population Census, 1960 and 1970*.

Notes: ^a Representing the ratio of persons classified as migrants to 100 population residing in their place of present residence at the time of census.

^b includes native -born population only.

^c includes population 5 years of age and over, and excludes international migration.

Where were they from ?

Up to the 1960s, the overwhelming majority of the migrants into Bangkok came from the provinces in the central region. In 1960, 69.7 per cent of life-time migrants and 59.9 per cent of five-year migrants in the city were from the central region. In 1970, the figures were slightly lower, but the central region still accounted for the majority - 62.9 percent of life-time migrants and 55.6 percent of five-year migrants. The northeast ranked second, trailed by the north and finally the south. (Table 5.8).

Table 5.8 Distribution of Life-Time and Five-Year Migrants to Bangkok- Thonburi by Region of Origin (Percentage)

Region	% of life-Time Migrants		% of 5 Year Migrants	
	1960	1970	1960	1970
Central	69.7	62.8	59.9	55.6
Northeast	14.7	18.1	21.0	22.4
North	10.2	11.2	7.3	9.8
South	5.4	7.9	7.3	9.3

Sources: NSO. Population Census 1960, Table 8 and 9 ; and NSO. Population Census, 1970, Table 5 and 6.

The provinces contributing the largest numbers of life-time in-migrants in 1960 were Ayutthaya, Nakhon Pathom, Chachoengsao, Pathum Thani and Samut Prakarn, all in the central region and close to Bangkok. In 1970, the four central provinces of Ayutthaya, Nakhon Pathom, Chachoengsao, Ratchaburi headed the list followed by the northeastern province of Nakhon Ratchasima. Among five-year migrants in 1960, the most important provinces of origin were Ayutthaya, Nakhon Pathom, and Suphan Buri in the central region, followed by Nakhon Ratchasima and Ubon Ratchathani in the northeast.¹⁴ These data tend to confirm Ravenstein's law of short-distance moves.¹⁵

During the 1960s, the growth of the city population flowed out beyond the official borders of the Bangkok-Thonburi municipal area. The two adjacent provinces of Samut Prakarn and Nonthaburi, which had figured among the largest contributors to Bangkok in-migration in 1960, began to grow rapidly and to draw migrants from the city. The number of migrants from the city to Nonthaburi doubled between 1960 and 1970, and to Samut Prakarn increased five times.¹⁶ At the 1970 census, the two provinces were net gainers from migration (Table 5.9):¹⁷

¹⁴TURA, *Urbanization*, p.88.

¹⁵ Although migrants from the central plain area dominated the stream of migration to Bangkok-Thonburi until 1970, its share declined and the share of all migrants from all regions increased afterwards. It can be implied that investment in infrastructure, especially in the national highways, helped to reduce the "physical distance" between the provincial areas and Bangkok metropolis. The construction of national highways became an important factor facilitating travel between the provincial areas to Bangkok, for example, the northeast to Bangkok.

¹⁶TURA, *Urbanization*, p.88.

¹⁷NSO, *Thailand Population Census 1970*, Table 9.

Table 5.9 Five-year Migrants per 1,000 Population, 1970

Changwat	In	Out	Net
Nonthaburi	132.0	73.1	58.9
Samut Prakarn	149.7	67.7	82.0

The total number of migrants in Nonthaburi and Samut Prakarn were recorded in the 1970 census at 44,368 and 63,514 respectively.

Most of the migrants in the 1960s were young, many were female, and nearly all were poorly educated. The 15-19 age-group had the highest proportion among in-migrants. Among the five-year migrants counted in 1960, males were in a majority (70,000 to 60,000) but in 1970 females outnumbered males by 153,000 to 145,000. The female in-migration rate for 1960-70 was 112 per 1,000 population while that for the male was 110.¹⁸ The substantial increase of female migrants to Bangkok was due to many factors, but especially to increasing demand for the labour of unskilled female labourers in construction, textiles, and service industry. Many studies on migration in Thailand found that rural migrants had at best four years of primary schooling, and that many were totally unschooled and illiterate.¹⁹

From around the 1960s there was a distinct urban bias in the nature of Thailand's capitalist development. Government policies enshrined in the development plan of 1961 supported import-led growth and laid emphasis on investment in manufacturing industry. These policies promoted Bangkok at the expense of the countryside, often drawing the best human resources away from the villages. As will be shown later, jobs were by no means solely or even mainly in the industrial sector, but were spread across a wide range especially in services. The 1960s in particular was a time of immense physical change in Bangkok under the rebuilding enthusiasm of Prime Minister Sarit.

The development of capitalism was conditioned by the expanding world economic system which swelled the city at the expense of the countryside. This was reflected in a growing gap between urban and rural areas in terms of income and employment opportunities, which in turn encouraged rural migrants to leave their

¹⁸ESCAP, *Population*, pp.32-33.

¹⁹For example, see Visid, *Internal Migration*, ; and NSO, *Thailand Population Census, 1960, 1970*.

villages and move to the city. Bangkok became a magnet of aspiration for rural folk. Its image was built up through radio, television, cinema and the stories of returning migrants. So different was Bangkok to other places, with its palaces, department stores, modern shops, paved streets that in the words of one writer, "The magic spell of Bangkok is cast" among the rural dwellers.²⁰ Rural-urban migration was a form of human capital investment, transferring the labour surplus of the low productive rural sector into the more productive urban sector.²¹

Causes of migration to Bangkok

A large difference between Bangkok and provincial income

In this section we will look at differences in income between regions. It will be shown that gaps between Bangkok and the provinces widened considerably after 1950, contrary to earlier experience. The first satisfactory measures of household income by region were made in the household surveys in 1962/63 and 1968/9 (Table 5.10).

Table 5.10 Average Annual Household Income by Region and location, 1962/63 and 1968/69

	1962/63	1968/69
	Baht	Baht
Bangkok Metropolis	18,690	32,432
Urban (Municipal) Areas	14,888	26,403
- Center	13,613	20,099
-South	15,164	19,698
- North	10,362	15,731
-Northeast	13,517	22,148
Rural Areas	6,609	9,997
-Center	8,957	13,962
-South	8,233	8,957
-North	5,267	9,064
-Northeast	5,259	8,069
Whole Kingdom	8,232	13,074

Source: Medhi Krongkaew and Pawadi Thorngudai "The Unbalanced Growth Between Agricultural and Industrial Sector and Its Impacts on Social Welfare", in Rungsun Thanapornphan and Nipon Puapongskorn (eds), *The Thai Economy : On the Road of Peace and Justice*, The Faculty of Economics Thammasat University, Bangkok 1988, p. 959 and 961, Table 10, and Table 11, based on NSO *Survey of Household Income and Expenditure, 1962/63 and Socio-Economic Survey, 1968/69*.

²⁰ Paritta, *Urban Life*, p. 31.

²¹ For example, Bodenhofer, Han-Joachim, 'The Mobility of Labor and the Theory Human Capital,' in *Journal of Human Resources*, Vol.2, no.4. pp 431-448.

These surveys showed that Bangkok households enjoyed significantly higher average incomes than the provinces, and that the gap increased markedly during the 1960s. In 1968/9, the average annual income was 32,432 Baht, an increase of 1.7 times over the 1962/3 region, 2.4 times the national average, and four times the level in the poorest region of the northeast. The ratio between Bangkok and rural household incomes increased from 2.8 times in 1962/3 to 3.2 times in 1968/69.²²

What were the main causes of this large and widening income gap in the 1960s? It is obvious that the dual character of the Thai economy constituted the chief cause. Agricultural productivity (to which I shall return in Chapter VI) declined as a result of high population growth in the rural areas, while urban productivity increased with the adoption of technologies very close to those used in developed countries such as Japan. In addition, the rice export tax caused an income transfer from rural to urban sector, making the urban-rural gap wider. Several scholars have made estimates of this income transfer. Saeng estimated the rice export tax caused a net flow from the agricultural sector to the non-agricultural sector equivalent to 12.9 percent of the value of agricultural production in 1953 and 9.7 per cent in 1963.²³ Ammar Siamwalla estimated the effect of the rice premium policy, the related trade and exchange rate policies, and the resource flows between the agricultural sector and the rest of the economy. He concluded that the total nominal short-run transfers from agriculture to the rest of economy were 83,850 million Baht between 1963 and 1970, while the total nominal long-run transfers were 51,290 million Baht between 1967 and 1970.²⁴

Another factor creating regional differentials in income was the rising demand for labourers in the expanding service and industrial sectors. Jobs in Bangkok would normally pay the worker more than the same job elsewhere. From the standpoint of the workers, the possible advantage of working in a high-wage area partly depends on how expensive it is to live in such a region. The abundant availability of food, coupled with the rice export tax, kept food prices in the urban area at a low level, resulting in very

²² There are a number of studies on income distribution in Thailand. For example, see Oey Meesook, **Income, Consumption and Poverty in Thailand, 1962/63 to 1975/76**, World Bank Staff Paper no. 364, November, 1979; Somluckrat Wattanavitukul, "Income Distribution in Thailand", in Harry T. Oshima and Toshiyuka Mizoguchi (eds), **Income Distribution by Sectors and Overtime in East and Southeast Asian Countries**, Council for Asian Manpower Studies, The Philippines and Hitotsubashi University, 1978, pp.259-289; World Bank, **Income Growth and Poverty Alleviation**, World Bank Country Study, 1980; and Somchai Jitsuchon, "Sources and Trend of Income Inequality: Thailand 1975/76 and 1981", M.A. Thesis, Thammasat University, 1987.

²³ cited in Feeny, **The Political Economy**, p. 116.

²⁴ Ammar Siamwalla and Suthad Setboonsarng, **Trade, Exchange Rate, and Agricultural Pricing Policies in Thailand**, The World Bank: Washington D.C., 1989, Appendix Table A.36 and A.37, pp. 260-261.

small differentials between the cost-of-living in Bangkok and the rest of the regions.

The cost of living in Bangkok was not high. For staple foods such as rice and vegetables, Bangkok had the advantage of being the largest wholesale and retail market which resulted in highly competitive food markets.²⁵ For other crops such as vegetables, the major producing areas were concentrated in and around Bangkok itself in such districts as Nakhon Pathom, Ratchaburi, Phetchaburi, Kanchanaburi, Prachin Buri, Sanampao, Bangsua, Phra Kanong, Dindaeng, Trokchan, Talingchan, Pasricharoen, Samut Songkhram, and Bangkae. These locally produced vegetables were transported to Bangkok, sold at wholesale markets such as Talard Taklang and Talard Pakklong Talard, and then distributed to retail markets such as Bangrak and Talard Kao.²⁶ The relatively low cost of living and the relatively high wages attracted labour to Bangkok.

The educational system also contributed to income differentials. Bangkok has been a centre of modern high education since the modernisation reform era of the 1890s. Most of the nation's institutions of higher education were established in Bangkok, starting with Chulalongkorn University (1917), Thammasat University (1934), and followed by Kasetsart, Si apakorn, Mahidol, Srinakarinwirot, NIDA, King Mongkut's Institute of Technology and others. In addition, colleges, vocational school, and secondary schools were concentrated in Bangkok. Many studies indicated that in the aspect of education, the Bangkok region had numerous advantages over the provincial areas. These included, a higher number of teacher per students, a higher share of the educational expenditure budget, and subsidies on tuition fees for tertiary education. Better-off Bangkok residents received these biased benefit from the government, which in turn meant much poorer standards in primary and secondary education particularly in the rural areas. All these factors encouraged a number of provincial students to move out from their areas to continue their higher education in Bangkok. Many of them came to Bangkok at the end of April and May and this pattern increased over the years.²⁷ More than 70 percent of the students graduated from universities and about 50 percent from vocational colleges stayed on in Bangkok to work, since the city's labour market offered them more and wider opportunities, and better chances of self-improvement. In particular, many civil servants preferred to work

²⁵N.A.(1) M. of Finance 1.1.5.3/3 (1955).

²⁶N.A. (1) M. of Finance (1) 1.1.5.3/3 (1955).

²⁷NSO, *The Survey of Labour Migration in Bangkok Metropolis*, Various Issues.

in Bangkok rather than provincial areas, since public administration has been centralised in Bangkok.

The modern educational system has long been encouraged to generate the manpower required by the modern sector. Educational reform began with formal schooling for creating the manpower required by the expanding bureaucracy, both civilian and military. Later the education system was adapted to act as an engine of the industrialization which began in the early 1960s. No part of the education system was geared to the needs of the rural sector. No educational system serves (or not much existed) with explicit reference to agricultural or the rural sector. According to Medhi Krongkaew: "Some would say that the concentration of Bangkok residents in higher education institutions perpetuates the dominance of Bangkok through continuous supply of educated elites in various fields."²⁸

Some studies have examined migration to Bangkok in terms of "push" and "pull" factors.²⁹ Some important push factors were: population pressure on the land which compelled people to seek alternative employment or temporary employment outside agriculture to supplement their income, rural poverty, tenure problems, instability of agricultural prices, absence of industries in rural areas, and famine. Some important pull factors were opportunities for employment, higher income and social advancement, the attractiveness of city life and opportunities for education. In the late 1950s, a study conducted by Marian R. Meinkoth on northeastern migration to Bangkok indicated that the reason for migration was clearly economic. Almost 80 per cent of the 415 interviewed migrants came to find work, and 15 per cent came due to lack of food or an inability to grow rice.³⁰ A survey of pedicab drivers in Bangkok in the late 1950s also showed that Bangkok in the late 1950s offered ample opportunity

²⁸Medhi, *The Growth of Bangkok*, p.62.

²⁹There is a good work concerning an extensive and critical review on rural migration to Bangkok, see, Somboon Siriprachai, *Migrants from Rural Areas to Bangkok: A State of Knowledge*, Thai Khadi Research Institute, Thammasat University, 1985.

³⁰Marian R. Meinkoth, "Migration in Thailand, with Particular Reference to the Northeast" in *Economic and Business Bulletin of the School of Business and Public Administration*, Vol 44, no 4, June 1962, pp. 6-9 and pp. 31-33. The early 1950s showed an increasing numbers of young people leaving villages to seek work in Bangkok, by about the mid 1950s the majority of rural migrants were still in the age of 25-30. As found by Meinkoth's study on the migration from the northeast to Bangkok in 1957, about 75 percent of interviewed male migrants were between 20-40 years, 12 percent were under 20. Among interviewed females, 46 per cent were 40 and more. 48 percent were between 20 and 24 and only 6 percent were lower than 20. In addition, Meinkoth's study found that 90 per cent of the migrants were males. Among those married; only 10 per cent were accompanied by their wives. Almost a quarter stated that they had relatives in Bangkok and about a third had come to join friends and relatives. Only 2 per cent planned to stay permanently, but many became permanent residents when they found satisfactory employment (*ibid.*, p. 21).

for unskilled and semi-skilled workers to get well-paid jobs like samlor driving with earning 3 times that of construction workers or gardeners. Another survey showed that shortage of water put pressure on agriculture back in the villages while the city offered good economic prospects as well as adventure, experience and prestige for those moving from the countryside to the city.³¹ Klausner's study of northeastern migrants in Bangkok in the late 1950s identified six factors determining migration: (1) the demand for cheap labour in the industrial development projects supported by financial aid from USA and international agencies; (2) severe droughts in the northeast over the previous 4 years; (3) improvements in communication and transportation systems; (4) more exposure to city life among villagers (5) the desire of young men and women to see the advanced "city of Angels" and (6) the presence of many northeastern monks in Bangkok who could assist newcomers. He further noted that the northeastern migrants were bound by family ties and obligations to send back remittances of money to support their families and particularly younger siblings.³²

A study conducted by the Institute of Population Studies, Chulalongkorn University, found that 40 per cent of migrants moved to Greater Bangkok for job opportunities (both to look for jobs and to get a job), while 16.5 per cent moved for educational reasons (Table 5.11).³³

³¹ Cited in Paritta, Urban Life, p.28.

³² Ibid., p.29.

³³ Further discussion of some aspects of migration will be given in the next chapter. The discussion is based upon the change in rural areas with emphasis on the growth of population, productivity, wage rates, land expansion, labour supply and so on.

Table 5.11 Percentage Distribution of Lifetime Migrants by Stated Reason for Moving to Present Place of Residence by Urban Status in the early 1970s

Stated Reason for Move	Bangkok-Thonburi	Other Urban
Better standard of living	2.1	3.3
To look for work	13.8	4.9
To get a job	25.9	32.0
Employer required move	8.0	22.7
To continue studying	16.5	5.8
Following relatives	10.5	4.9
Following friends	0.7	0.2
To return home	2.8	2.3
Marriage	2.1	7.2
Housing and land	3.4	2.6
Other reasons	9.2	10.7
No reason	1.5	2.1
Unknown	3.4	1.2
Total percent	100.0	100.0
Number of cases	436	428

Source: Visid Prachuabmoh and Penporn Tirasawat, *Internal Migration in Thailand, 1947-1972*, Institute of Population Studies, Chulalongkorn University, 1974, Table 9, p. 52.

These and other studies contribute to a general explanation of Thailand's rural-urban migration which includes the following main points: (1) rural-Bangkok migration can be explained largely by economic factors including both "push" and "pull" effects; (2) migrants tended to move from places of fewer opportunities to areas with more actual or potential opportunities; (3) the young and the more educated are highly responsive to income and employment opportunities in the capital and hence dominate the migration flows; (4) rural migrants played an important role in contributing to the growth of Bangkok's population from the 1960s onwards.

Following the World War II, Bangkok experienced rapid growth in light manufacturing and, more particularly, in service industries, including construction, public utilities, retail and wholesale trade, entertainment, restaurants. The growth of these economic activities stimulated a considerable demand for unskilled labourers from the rural areas. Manual jobs in the service sector constituted most of the non-professional urban jobs in 1954, 1960 and 1970.³⁴ The average rates of growth of various branches of industry in Bangkok between 1960 and 1971 are shown as follows.³⁵

³⁴ Central Statistical Office, *First Report of the Demographic and Economic Survey, 1954*; and NSO, *Thailand Population Census, 1962, 1970*.

³⁵ TURA, *Urbanization*, p. 274.

Sector	Growth Rate, 1960-1971; Constant Prices (1962 Prices) (%)	Bangkok Gross Regional Product in 1971 at 1962 prices (in Million Baht)
Agriculture	6.4	1,175
Manufacturing	12.0	12,666
Construction	7.5	2,661
Electricity and Water Supply	17.6	932
Transportation and Communication	6.1	4,546
Wholesale and Retail Trade	7.8	9,150
Banking, Insurance, and Real Estate	15.2	4,247
Ownership of Dwellings	6.9	1,090
Public Administration and Defence	6.5	2,243
Other Services	9.0	6,827
Total	9.3	45,137

In the 1960s, the service sector was the largest sector in Bangkok and maintained a high growth rate around 10 percent annually at constant price. Growth of the service sector was largely stimulated by the construction sector which grew at 7.5 percent at constant prices between 1960 and 1971. In addition, other branches of the service sector such as electricity and water supply, transport and communication, wholesale and retail trade, banking and insurance, and other services also expanded at high rates. The growth of the service sector absorbed a large share of the labour supply, particularly rural migrants who moved to Bangkok in the 1960s.

In the 1960s, the expansion of tourism together with the presence of U.S. military personnel boosted the service sector of Bangkok. The number of hotel rooms rose from 2,041 in 1964 to 8,763 in 1970. The entertainment precinct, which had been concentrated around Silom road to the south of the old city, began to spread to other areas. Bangkok's notorious red light district of Patpong, and the area of clubs and bars along New Phetchaburi road, were products of this period.³⁶ Silom began to emerge as a centre of both expanding service businesses like finance and travel, and a dependent subsector of retailing and entertainment:

More and more businesses came here especially after 1965. Silom began to establish itself inexorably as the center of such business as finance and tourism. Banks, insurance companies as well as other financial institutions began to set up their headquarters here. Furthermore, airlines, travel agencies, hotels, restaurants, entertainment establishments together with shops specializing in jewelry, silk, antiques, souvenirs, and firm development all convened here. The tourist industry developed on Silom closely alongside its financial counterpart. Apart from the numerous stores catering to foreign tourists in all aspects, many airlines initially set up their headquarters on Patpong and moved elsewhere when Patpong was later devoted to entertainment business. The most outstanding here, however, is obviously the hotels.³⁷

³⁶Paritta, *Urban Life*, p.3 and p.435.

³⁷Anonymous, *Yesterday and Today*, pp.40-41.

The expansion of such service businesses in turn contributed to the boom in construction and in the provision of infrastructure such as electricity and water supply.

The rapid growth of the industrial sector in the 1960s also played an important role in absorbing the rural migrants. The industrial sector grew at 12 percent in the 1960s, but its role in employment creation was relatively smaller than that of the service sector, partly because the industrial sector was still small, partly because the service sector was more labour-intensive. Rapid growth of the service sector created a wide range of new jobs which attracted rural migrants and resulted in rapid population growth. The boom in tourist-related businesses such as hotels, restaurants, travel agencies, transportation added new jobs in areas such as airline hostesses, hotel workers, guides, souvenir shop assistants, salesmen, bargirls, massage girls, waitresses, prostitutes, bus drivers, ticket collectors, construction workers, food vendors, stall operators and various other formal and informal service activities. Over the 1960s, the share of construction in Bangkok's labour force increased from 2.10 to 5.21 percent, transport from 5.36 to 6.26 percent, and other services from 22.36 to 28.34 percent (Table 5.12).

Table 5.12 Distribution of Working Population by Main Industrial Classification in the Bangkok Metropolitan areas* in 1960 and 1970

Industries	1960		1970	
	Number	Percent	Number	Percent
Agriculture	288,975	28.52	219,549	8.30
Mining and Quarrying	1,785	0.17	5,075	0.37
Manufacturing	145,553	14.36	257,402	18.62
Construction, Repair and Demolition	21,245	2.10	72,007	5.21
Electricity, Gas, Water and Sanitary Service	8,798	0.87	13,605	0.98
Commerce	216,345	21.35	272,993	19.74
Transport, Storage and Communication	54,290	5.36	86,588	6.26
Services	229,440	22.64	391,890	28.34
Others	46,840	4.62	63,510	4.59

Sources: NSO, **Thailand Population Census**, 1960 (Table 18) and 1970 (Table 22).

*Note: Bangkok Metropolitan Area included Bangkok, Thonburi, Nonthaburi and Samut Prakarn.

These census data provide no breakdown into specific jobs, but more detailed information is available from the surveys conducted by the Labour Bureau every January and July from 1959 onwards.³⁸ Unfortunately, we have not been able to locate

³⁸ A questionnaire was taken to listed private establishments by enumerators who explained to employers or their representatives the reason for the investigation and the nature of each item of information sought. Questionnaires were sent to government establishments by post (Department of Labour, **Yearbook of Labour Statistics**, Bangkok: 1965).

complete data and can show only figures for the single year 1964. Moreover, these figures are clearly an underestimate, as the total of 67,849 falls far below the census total of workers in the service sector. Many service firms were unregistered and hence uncounted (Table 5.13).

Table 5.13 Number of Workers and Number of Non-Manufacturing Establishments with 10 or more Workers in Bangkok-Thonburi in 1964

Industry	No of Establishments	No of Workers
Construction	39	3,097
Wholesale and Retail Trade	541	22,921
Banks and other Financial Institutions	74	7,556
Insurance	35	1,316
Real Estate	1	123
Transport	68	23,285
Storage and Warehousing	32	1,818
Community Service	18	1,472
Business Services	18	398
Recreation Services	33	1,207
Personal Services	115	4,658
Total	947	67,849

Source: Department of Labour, Yearbook of Labour Statistics, Bangkok :1965.

Wage differentials

Real wage differentials between Bangkok and the provincial areas can explain only to a very limited extent the influx of rural migration to the city. In this section we will look at real wage rates in Bangkok and the countryside.

(a) Real wage rates in Bangkok. Real wage rates in Bangkok remained fairly constant in the two decades between 1950 and 1970. This stagnation can partly be explained by the high rate of migration and urban population growth.

The stagnation of real wages in Bangkok between 1950 and 1970 raises questions. First, if real wages were not rising, why did rural migrants continue to move to Bangkok? Or did real wage differentials between the city and the provincial areas become wider because of a decline in real wages in the provincial areas? Second, did the out-migration create a shortage of labour, especially young people engaged in agricultural production, which pushed up provincial wages? There is no evidence to support a decline in real wage rates in the rural areas. Thus, real wage difference between Bangkok and the rural areas cannot adequately explain the influx of rural migration to Bangkok.

(b) **Real wage rates in the countryside.** Unfortunately, rural wage rate data were not systematically collected. The data that are available are piecemeal, and often based on sample surveys with small sample sizes. In general, these data show that unskilled wages in agricultural work were somewhat lower than those in Bangkok.

In 1954, a survey undertaken by the Central Statistical Office indicated that the lowest pay was found in the agricultural sector (farming, fisheries, and forestry). The national average wage in agriculture was 89 Baht per week, with large variations across different geographical areas. Rural workers in the south earned the highest with 94.23 Baht per week; the central areas (exclude Bangkok) came second with 79.70 Baht; and the north and the northeast regions earned 47.65 Baht and 37.85 Baht respectively. Workers in manufacturing or the service industry, earned 130.01 Baht and 107.49 Baht respectively.³⁹ The northeast was the poorest region with the lowest average wage rates in several sectors (Table 5.14).

Table 5.14 Estimates of Weekly Wages Rates in the Bangkok Area and Outside Bangkok for Various Occupations (Baht/Weekly)

Occupations	Whole Kingdom	Bangkok	North	Central	N.E.	South
Professional	189.24	258.42	134.87	216.24	139.54	142.78
Managers (proprietors and officials)	301.36	392.79	171.17	137.02	199.83	274.75
Clerical and Related Workers	167.81	184.60	119.05	170.46	123.15	140.64
Salesmen and Related Workers	131.16	140.49	74.07	133.74	93.72	143.63
Farmers, Fishermen	89.56	85.40	47.65	79.70	37.85	94.23
Transport Operators	101.11	-	70.38	145.38	127.69	104.49
Craftsmen	153.69	166.92	96.00	156.67	104.05	149.72
Production Process Worker	134.72	155.31	97.78	137.30	108.60	135.12
Manual Workers and Labourers	113.78	130.01	76.92	125.84	81.00	125.10
Service Workers	91.50	107.49	74.47	91.05	77.77	105.49
Unspecified	139.23	141.88	136.56	142.13	114.99	151.86

Source: Central Statistical Office, *First Report of the Demographic and Economic Survey*, Vol 1, 1954, Table 18.

In the rice mills, unskilled workers in Bangkok earned 750-1,250 per month, or 30-50 Baht per day in 1965 (Table 5.15).⁴⁰ Comparable wage rates in provincial rice mills were only marginally lower. Usher commented: "As food is provided by the employer, the money wage is used not to buy rice, which is cheaper in the north and northeast than in the central plain, but other goods that tend to be equally expensive

³⁹Central Statistical Office, *First Report of Demographic and Economic Survey*, Vol 1, 1954, Table 18.

⁴⁰Dan Usher, "Wages, Land Rents, Land Prices and Interest Rates," document from Thailand Information Center, Chulalongkorn University, n.d., pp.1-14.

throughout the country."⁴¹ He further noted that "Wages in mills are on the whole very much better than wages on farms. The only farm wages that are comparable with mill wages are piece wages for harvesting which, for a good worker, are about 20 to 25 Baht per day. A farmer who works by the year can expect to make 500 Baht (plus room and board) in six months while a mill worker can earn that in one or two at most."⁴²

Table 5.15 Monthly Wages for Unskilled Workers in Rice Mills in 1965

Location	Baht per month
Bangkok	750- 1,250
Northeast	
Khon Kaen (large mill)	300
Selapum	240-360
Korat	300
Central Plain	
Pi siri	300
Chum Saeng(large mills)	450
Rangsit	300
Chai Nat	450
Nakhon Pathom and Ayutthaya	360-500
Minburi	400
North	
Lampang	180-360
Mae Chan (large mill)	300-400
Pan	250-400
Phitsanulok	300
East	
Trad	400-600

Source: Dan Usher, "Wages, Land Rents, Land Prices and Interest Rates", n.d. document from Thailand Information Center, Chulalongkorn University Table IV a and b, pp. 12-13.

Note: Monthly wage paid included room and board.

Comparisons of real wage rates between the city and the provincial areas are not easy, for several reasons: (1) the skill differentials, non-pecuniary advantages to employment in agriculture, and irrationality or other imperfections in the labour market;⁴³ (2) the small sample sizes of the rural wage surveys; (3) the variety in forms of wage payment, including by the day, by area planted or harvested, by volume of grain harvested, by year, or by growing season; and (4) the difficulties in measuring the standard of living of farm workers in different parts of the country. Because of the predominance of rice in the village economy, it is possible to use the rice price as a

⁴¹Ibid.,p.10.

⁴²Ibid., p. 10.

⁴³Dan Usher, "Income as a Measure of Productivity: Alternative Comparisons of Agricultural and Non Agricultural Productivity in Thailand",*Economica*,November,1966, p.441.

crude measure of the cost of living. But which rice price? That which the farmer gets when selling, or that which he would have to pay as a purchaser. Furthermore, the price of rice varies in different regions, and to some extent these variations reflect differences in quality.⁴⁴ In 1965, Usher reported that payment by the day seemed to be the most common form of wage payment on rice farms. The conventional work-day was from sunrise to sunset with time off for lunch. Sometimes lunch was provided by the employer and sometimes not. The typical wage allowing one Baht for the value of lunch, was about 9-11 Baht per day in the central plain and 5-6 Baht in the north and the northeast.⁴⁵ He also reported wage rates at different places in 1965 as follows (Table 5.16).

Table 5.16 Wages on Rice Farms in 1965

Places	Wage rates (Baht per day)	Meals per day
Central & East		
20 Km south of Saraburi	10	1
Pi siri	10	no
Near LopBuri	8-10	1
Chainat	7-10	no
Phitsanuloke	8-9	no
Nakhon Pathom	10	no
Krabinburi	5-7	no
Minburi	10-12	no
North		
Chiangrai	5	1
Pan	5	1
Mae Sarieng	6-7	1
Lamphun	6	3
Hill tribes	6	no
Northeast		
5 klm N. of Korat	8 (at harvest time), 5 (other time)	
90 km. N. of Korat	5	1
50 km. S. of Khon Kaen	5	3
MahaSarakhm	5-6	
Roi-et	5-6	
Selapum	3-4	1
Waeng	5	
Kuchinarai	5	1
Sakon Nakhorn	5-6	1
Mukdaham	6	1
Between Mukdaham and Ubon	5	
Between Mukdaham & Ubon	5	
Between Ubon & Yasothon	3 (at harvest), 4-5 (planting)	
Yasothon	5	

Source: Dan Usher, "Wages, Land Rents, Land Prices and Interest Rates", document from Thailand Information Center, Bangkok, Chulalongkorn University, n.d., Table 1, pp. 2-3 .

⁴⁴ Usher " Wages", p. 6.

⁴⁵ Ibid., p.1.

Farm labourers in the central plain were found to be the most prosperous compared to the rest of the regions. Daily wages in money terms there were double those in the north and the northeast. Usher also calculated real wage rates based on the average price paid for rice in the villages in each regions (Table 5.17). Although money wages were the same in the north and the northeast, real wages were lower in the northeast. Moreover, the variation across region in real wages was proportionally less than in money wages.

Table 5.17 Farm Wage Rates in 1965

Region	Wage Rates: Nominal Baht per day	Wage Rates : Real Daily wage in Kilos of Rice
North	6	6.8
Northeast	6	6.0
Central Plain	10	8.8

Source: Dan Usher, "Wages, Land Rents, land Prices, and Interest Rates ", document from Thailand Information Center, Bangkok, Chulalongkorn University, n.d , Table II a, p. 2.

Bertrand found that wages for farm labourers in the central plain were 10 Baht a day in 1965 and 1967 and increased to 12 Baht a day in 1970. This gave fairly constant real wages, as shown by the following (Table 5.18).

Table 5.18 Farm Wage for Selected years between 1965 and 1970 in the central plain (Baht/day)

Year	Wage Rate: : Nominal	Wage Rates: Real (1965 Price)
1965	10 0	10.0
1967	10 0	9.2
1970	12 0	10.4

Source: Trent Bertrand and Lyn Squire, "The Relevance of the Dual Economy Model: A Case Study of Thailand", The World Bank Reprint Series; Number 219, reprinted from *Oxford Economic Papers*, vol 32, no 3, November 1980, Table 4, p. 493.

A further difficulty in estimating rural wage rates arises from the fact that wages fluctuated significantly in response to the peaks in agricultural activities, with considerable regional variation determined by different cropping patterns.⁴⁶ In the wet season, labour demand was at a peak in the agricultural sector and farm households were so busy that they mobilized all family members - young and old, male and female.

⁴⁶World Bank, *Thailand : Case Study of Agricultural Input and Output Pricing*, Washington: World Bank Staff Working Paper ,1980, p.IV.

After the harvest season most secondary workers pulled out of the labour force, resulting in a decline in the participation rate.⁴⁷

For all these reasons, the comparison of wage rates between unskilled Bangkok workers and rural farm labourers is difficult. Within these limitations, the best estimates are likely to be gained by using the largest available data sets.

The most extensive data for regional wage differentials came from surveys by the Department of Labour conducted in 1965.⁴⁸ In the 1965 survey, data were collected for 7,840 unskilled workers broken down as 3,226 employed in building construction, 2,875 in roads and highway construction, 1,740 in dam and port. The survey showed little differential in construction-sector wages between Bangkok and the provincial areas (Table 5.19), with the exception of the northeast where wages in building construction were 30 percent below the average elsewhere, and 20 percent below in road and highway construction. However, labourers in dam construction in the northeast earned the highest average in the whole survey.

There are no reliable regional cost-of-living data available to estimate real wage differentials, but various scattered information indicate that the prices of food, transportation and housing were significantly lower in the provinces compared to Bangkok. Dan Usher estimated that the cost-of-living for farmers in rural areas was lower than the residents of urban areas by 16 percent.⁴⁹

⁴⁷ For example, see NSO, Thailand Population census, 1960 and 1970; and World Bank, Rural Growth p.176 and Department of labour, Yearbook, 1965.

⁴⁸ Department of Labour, Wage Rates in Construction, August- October, 1965.

⁴⁹ Trent Bertrand and Lyn Squire "The Relevance of the Dual Economy Model: A Case Study of Thailand," The World Bank reprinted Series, no. 219, reprinted from Oxford Economic Papers, Vol 32, no 3, November 1980, p.507.

Table 5.19 Unskilled Wage Rates in Construction by Regions, 1965 (Baht per day)

	Bangkok	Centra	South	North	Northeast
Building	18.92	18.8	18.18	-	12.96
Road & Highways	15.72	14.20	14.00	16.64	12.12
Dam & Port	-	14.42	-	-	22.64

Source: Calculated from Department of Labour, *Wage Rates in Construction*, August-October, Bangkok: 1965.

Note : Central region covered Samut Prakarn Prachaub Khirikhan, Chon Buri, Saraburi, NakhonNayok and Nonthaburi. Southern region covered Chunphon, SuratThani, Nakhon Si Thammarat, Phuket, Krabi, Phaugnga, Songkhla, northeastern region covered UdonThani, KhonKaen, SakonNakhon, Nakhon Ratchasima, NakhonPhanom, Mahasarakhan, and Nongkhai. The northern region covered Chiangmai, Phethchabun, NakhonSawan.

In the same year, Usher collected wage rates by interviews (Table 5.20) and concluded:

A farm worker living near Bangkok cannot improve his position very much by working in the city unless he is skilled in some way, for the lowest of urban wages are not higher than the typical farm wage, and farm wages at harvest time are above wages of unskilled workers in small factories. Differentials among skills seem large enough to account for a three-fold differential between farm and non-farm income per worker, for most of the high-paying jobs are in the non-farm sector and the skill of the farmer is so widespread that it commands no premium.⁵⁰

Table 5.20 A Selection of Wages, 1965

	Baht per day
Unskilled farm labour, northern Thailand	6
Unskilled farm labour, central Plain	10
Unskilled farm labour, piece work at harvest, central Thailand	20
Driver of bicycle-taxi in the city	15-20
Unskilled workers in rice mills, factories of repairing roads	10-15
Earnings of small retail trader of fruit, vegetables, meat etc.	20-50
Skilled blacksmith, coolie (at wharf), forest worker, machinist, fisherman	50
Graduate engineer or shorthand-typist in English	100-200

Source : Dan Usher, "Income as a Measure of Productivity: Alternative Comparisons of Agricultural and Non-Agricultural Productivity in Thailand, " in *Economica*, November, 1966, p. 441.

The lack of clear and significant wage differentials suggests that migration served to link the labour markets in Bangkok and the provincial areas quite efficiently. In addition, prior to the 1970s, there was no significant government intervention in the

⁵⁰ Usher, "Income", p.441.

labour market, and no minimum wage legislation. The wage mechanism reflected the movement of demand for and supply of labour.

Bertrand and Squire reached a similar conclusion on the basis of a 1972 survey by the Department of Labour.⁵¹ The survey collected wage rates for 8,210 unskilled workers, of which 4,400 were employed in building construction and 3,810 in highway construction. The survey indicated that geographical differentials in unskilled wage rates were not very substantial. Rates in the north and the northeast were roughly 15 to 20 percent below those paid for the same type of labour in the more developed central plain, while rates in Bangkok and the cities in the central plain and the south were very similar (Table 5.21). Thus when taking cost of living index into account, real wage differentials among the regions were probably very small.⁵²

Table 5.21 Unskilled Wage Rates in Constuction by Regions, 1972 (Baht per day)

	central		northeast		north			south		
	Bangkok	ChonBuri	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Building Construction	18	19	15	-	-	13	15	16	19	19
Highway Construction	17	22	13	16	12	13	12	15	16	19

Source: Trent Bertrand and Lyn Squire, "The Relevance of the Dual Economy Model: A Case Study of Thailand," The World Bank Reprint Series no 219, from *Oxford Economic Papers*, Vol 32, no 3 (November 1980), Table 12, p. 507.

Note: (1) Korat (2) KhonKaen (3) Nakhon Savan (4) Lampang (5)Phitsanulok (6) Ratchaburi (7) Phuket (8) Songkhla.

In conclusion, although we found in Chapter VI that nominal wage differentials between Bangkok and the provincial areas became wider after 1950, real wage differentials between the city and the provincial areas appear less pronounced in the years around 1965 to 1972. Since there are very limited data on rural wages in the 1960s, we cannot generalize on the long term trend of real wages in the rural areas, but it seems likely that there was a slight upward trend from the early 1950s until 1970, or at worst a stabilization in the 1960s. This trend eliminated any significant difference in wages between the city and the provincial areas, such that real wage differentials can play only a small part in explaining why people migrated to the city.

⁵¹ Bertrand, "The Relevance", Table 7, p.507.

⁵² *Ibid.*, p.507.

II

Rural Migration and the Labour Market in Bangkok

Unskilled labour wage rates

The influx of rural migrants helped to keep down unskilled wage rates in Bangkok (Table 5.22). The average unskilled wage rates across all industries increased only slightly between 1950 and 1969. The nominal wage rate for unskilled labour in 1950 was 16.10 Baht per day and this increased at only 2.5 per cent per annum to 23.88 Baht per day in 1969. When adjusted by the wholesale price index to give real wage trends, these data show no upward movement between 1950 and 1969 (Table 5.22).

Table 5.22 Nominal and Real Wage Rates for Unskilled Labour in Bangkok (1950-1969) (1948=100) (Baht/day)

Year	Nominal Wage Rates	Wholesale Price Index	Real Wage Rates
1950	16.10	96	16.7
1951	18.60	104	17.8
1952	16.80	109	15.4
1953	19.80	102	19.5
1954	19.80	100	19.8
1955	19.80	117	18.0
1956	20.00	120	16.7
1957	21.10	126	16.7
1958	20.00	118	16.9
1959	20.15	116	17.3
1960	na	126	-
1961	17.62	134	13.1
1962	na	125	-
1963	na	117	-
1964	22.56	109	20.7
1965	21.50	117	18.4
1966	22.47	141	16.1
1967	22.60	143	15.8
1968	23.05	136	16.9
1969	23.88	140	17.1

Sources: The Railway Authority of Thailand, *Wage and Salaries Act of Railway Authority of Thailand*, Various Issues; Bureau of Labour Statistics, *U.S. Embassy Wage Survey of 12 Companies in Thailand* cited in United States Department of Labour, *Labour in Thailand*, Evan Clague Commission, 1959, pp 13-14 ; and Department of Labour, Ministry of Interior, *Yearbook of Labour Statistics*, Various Issues.

Note: Real wages rates were adjusted by the wholesale price index because there were no a series of consumer price index available.

Available data on specific industries are more confusing as there are no regular time-series, but a variety of different spot surveys with varying sample sizes, definitions and collections techniques. Some of these figures are collected in Table 5.23. These show some upward movement in the period 1961-70, but possibly this is

due to a bias towards western-owned firms which normally paid higher than the average.

Table 5.23 Unskilled Labourers Wage Rates for Selected Years in Bangkok (1954-1970) (Baht/day)

Year	Transport Workers	Construction Workers	Service Workers	Manual Workers and Labourers
1953				15.00
1954		14.00		19.00
1955				19.00
1956		20.00		20.00
1957				21.00
1958		20.00		20.00
1959				
1960				
1961	20.00	18.48	18.00	19.00
1962	22.00	-	24.00	20.30
1963	24.8	-	27.60	23.60
1964	21.24	22.56	23.40	23.20
1965	22.75	20.64	26.70	24.30
1966	23.98	24.25	26.50	26.80
1967	22.40	-	29.40	22.40
1968	-	20.25	-	26.80
1969	24.30	22.10	29.70	28.00
1970	26.93	28.25	21.45	-

Sources : N.A. M. of Education 0701.21.1/12 (1952-53); N.A. M. of Education 0701.26.3/16 (1954); Department of Public Welfare, Ministry of Interior, **Labor Statistics**, Table IV Earnings and Working Hours 1963, Bulletin, no 15 ; Central Statistical Office, **The Demographic and Economic Survey, 1954**; The Railways Authority of Thailand, **Wage and Salaries Act of Railway Authority of Thailand**, Various Issues ; Bureau of Labour Statistics, Department of Labour, **Labour and Law and Practice in Thailand**, BLS Report no 267, Washington DC, U.S.A. 1964, p. 48; and Department of Labour, Ministry of Interior, **Yearbook of Labour Statistics**, Bangkok, Various Issues.

Wage differentials between skilled and unskilled labour

Data on differentials between skilled and unskilled wages are similarly hard to come by. One source is a survey of a wide range of occupations conducted by the American Embassy in the Bangkok area in March 1958 (Table 5.24).

Table 5.24 Wage Survey in Bangkok, March 1958

Occupation	Wage Period	Wage Rate (in Baht)
Blacksmith	daily	46.25
Blast furnace worker (semiskilled)	daily	43.60
Boiler fireman	daily	24.00
Boiler operator	daily	46.25
Bricklayer	daily	55.00
Cabinet maker	daily	50.00
Carpenter (general)	daily	46.25
Carpenter (construction)	daily	60.00
Clerk (general)	monthly	1,800.00
Crane operator	daily	40.00
Draftsman	daily	100.00
Driver, truck	daily	31.34
Driver, truck (assistant)	daily	31.84
Electrician	daily	46.75
Electrician (helper)	daily	31.84
Enamelware factory skilled worker	daily	50.00
Fork lift operator	daily	34.25
Foundry worker (semiskilled)	daily	43.60
Lathe operator	daily	70.00
Machine operator (semiskilled)	daily	43.60
Machinist	daily	54.24
Match factory unskilled labourers	daily	15.00
Mechanic (general)	daily	32.00
Mechanic, motor	daily	54.24
Painter (semiskilled)	daily	34.24
Painter, skilled	daily	35.00
Pile driver	daily	35.00
Pipe fitter	daily	46.24
Plumber	daily	40.00
Rubber factory unskilled worker	daily	12.00
Stamping press operator	daily	60.00
Stenographer	monthly	2,500.00
Stone polisher	daily	50.00
Textile factor skilled worker	daily	18.00
Tile layer	daily	35.00
Timekeeper	daily	24.00
Tin cutter	daily	55.00
Unskilled labourers:		
Cement worker	daily	20.00
Construction	daily	20.00
Enamelware factory	daily	15.00
Match factory	daily	10.00
Railway	daily	14.00
Rubber company	daily	10.00
Textile factory	daily	12.00
Upholsterer, skilled	daily	125.00
Watchman	monthly	550.00
Welder	daily	29.00

Source: Computed from United States Embassy, Wage Survey of 12 companies, cited in United States, Department of Labour, *Labour in Thailand*, Bureau of Labour Statistics, Evan Clague Commissioner, June 1959, pp.13-14.

This survey showed that unskilled labour in cement company construction, enamelware factory, match factories, railway, rubber companies and textile factories earned 10-20 Baht per day. Skilled labourers earned significantly higher rates. For example, construction carpenters earned 60 Baht per day.

Two other spot surveys from 1956 and 1961 confirm these large differentials (Tables 5.25 and 5.26). The 1956 survey of workers in highway construction and sawmills showed skilled workers earning roughly double unskilled rates. The 1961 survey found a similar or higher differential for skilled workers such as loom fixers (turner), head compositors of printing and publishing companies, the mixers in the manufacture of chemicals, carpenters and cement finishers in construction, and truck drivers.

Table 5.25 Differences in Monthly Wages Paid for Skilled and Unskilled Labour in Bangkok in 1956 (in Baht)

1956	Skilled	Unskilled
Highways	500-1,400	400-600
Saw mills	600-1,200	300-800

Source : Thomas Fitzsimmons (ed) **Thailand: Its People and its Society and its Culture**, New Haven, HRAF Press, 1957, p. 284.

Table 5.26 Average Monthly Wage Rates in Bangkok 1961 (in Baht)

Occupation	Skilled	Unskilled
Manufacture of Textiles	1,300	540
Printing and Publishing	900	350
Manufacture of Chemicals	1,000	400
Construction	1,400	462
Transportation	962	500

Source: Bureau of Labour Statistics, Department of Labour, **Labour and Law and Practice in Thailand**, BLS Report no 267, Washington DC, USA 1964, p. 48.

A TURA study attempted to analyse trends from the Department of Labour surveys. It found that wage rates fluctuated from year to year - up from 1966 to 1967, down over the next two years, then up again in 1970 - with the overall trend tending to decline.⁵³ With respect to sub-sector, TURA concluded:

⁵³TURA, *Urbanization*, p. 309.

Manufacturing wages remained fairly steady for the four years, although there is perceptibility a slightly increasing trend. The same is true for personal services and recreation services. Wages in storage and warehousing increased by almost 3 times, although there appears to be no reason for such a large increase. On the other side of the coin, it is difficult to understand why wages in communications and community services declined steadily between 1966 and 1970. In the other major categories the level of wages fluctuated a great deal and it is difficult to draw any inferences from them.⁵⁴

These confusing movements probably say more about the reliability of the data than real trends. The Department of Labour did not make a clear distinction between skilled and unskilled rates.⁵⁵

We cannot reach any firm conclusion on the magnitude of wage differentials between unskilled and skilled workers in Bangkok between 1950 and 1970, but the overall impression is that the small group of skilled workers earned double or more than the large mass of unskilled workers, largely because of the shortage of skills. In 1954, the ILO commented:

The shortage of skilled labour was a major problem in all sections of the country at all times. Employers are practically unanimous in stating that they have difficulty in finding trained and experienced personnel for jobs requiring skills. For example, in January 1953, the manager of an oil company stated that he could not find fitters for positions for as much as 50 Baht per day. At Phuket, employers have had to make arrangements to share available skilled labour, and members of the Thai Mining Association customarily borrow skilled workers from one another for limited periods of time.⁵⁶

The scarcity of skilled labour was due to inadequate vocational education, inadequate apprenticeship,⁵⁷ and the biases of the educational system. Educational policy tended to subsidise tertiary education at the expense of primary and secondary, particularly in the rural areas. In addition, university enrollment was limited, as universities concentrated on attempt to raise standards.⁵⁸ In 1969, Jack Reardon, managing director of Esso Standard Thailand and president of the American Chamber of Commerce in Thailand, commented:

⁵⁴Ibid., p.309.

⁵⁵ Department of Labour, Yearbook 1966, 1967, 1968, 1969 and 1970-71.

⁵⁶ILO, Report to the Government of Thailand on a Survey of Labour Conditions in Thailand, ILO:Geneva, 1954, p. 10.

⁵⁷Ibid., p.11.

⁵⁸Ammar Siamwalla, " Stability, Growth and Distribution in the Thai Economy" in Prateep Sondysuvan (ed), Finance , Trade and Economic Development in Thailand, Essays in Honour of Khunying Suparb Yossundara, Bangkok: Sompong Press, p.47.

There's just not enough Thai business talent to go around, even at the recent graduate level. Local universities turn out too few graduates even to man the Thai growing economic development program. Thai graduates from American and other overseas institutions are quickly absorbed after they return home. Many foreign firms as a matter of course conduct in-house training programs calculated to develop Thais of promise, and they promote from within to executive, management, professional and technical positions.⁵⁹

This rapid influx of rural migrants countered any upward pressure on unskilled wage rates.⁶⁰ Between 1960 and 1970, the number of recent migrants in Bangkok tripled, increasing their showing in the whole city population from one-tenth to one-fifth (Table 5.27). Moreover, these figures were likely to be underestimated, because the census surveys often missed unregistered slum dwellers and temporary migrants.

Table 5.27 Migrants 5 Years and Over in Bangkok and Thonburi 1960 and 1970

Changwat	Population 5 Years and Over	Migrants	%
		1960	
Bangkok	1,334,813	107,623	8.06
Thonburi	471,558	64,331	13.64
Total	1,806,371	171,954	9.5
		1970	
Bangkok	1,895,531	329,693	17.39
Thonburi	799,881	210,845	26.32
Total	2,695,412	540,538	20.00

Sources : NSO, Thailand Population Census, 1960, and 1970.

There were no barriers such as government regulations, minimum wage laws, or labour unions to restrict entry into the formal segment of the urban labour market.⁶¹ Thus, the labour market in Bangkok tended to absorb the supplies of labour from the

⁵⁹ Irwin C. Nye, "Thailand: A Land in Transition", *The Journal of the American Chamber of Commerce in Japan*, June, 5, 1969, p. 22.

⁶⁰ Though nominal wages, and real wages earned by unskilled labour did not show a rising trend between 1950-1970. The standards of living of some unskilled workers might not have been worse. They were provided with food and lodgings. It was quite usual for employers in some industries to provide accommodation for workers, as a rule free of charge; water and light, where such service existed, were generally included. Uniforms and some equipment were commonly supplied to employees who require such items to perform their job; vehicle drivers, for example. Many other special types of assistance were available in individual situations, such as emergency funds for medical care, etc.

⁶¹ Some special characteristics of "formal" sector activities are characterized as one or more of the following for example, (1) difficult entry, (2) frequent reliance on overseas resources, (3) corporate ownership, (4) large scale of operation, (5) capital intensive and often imported technology, (6) formally acquired skilled, and (7) protected market (through tariffs, quota and trade licenses), whereas, the "informal" sector activities are for example, (1) ease of entry, (2) reliance on indigenous resources, (3) family ownership of enterprise, (4) small scale operation, (5) labour intensive and adapted technology, (6) skills acquired outside the formal school system, and (7) unregulated and competitive market.

countryside quite efficiently, and to minimise any wage differentials across various sectors of employment. A 1963 ILC survey of employed migrants in Bangkok found that 56% had found their job in less than three days, and only 14% spent more than two weeks looking for a job.⁶² The informal sector does not fit Todaro's model as a low-income residual labour market for those who are unable to obtain wage employment.⁶³ Wages in Bangkok's informal sector were often equal to those for unskilled and casual labour in the formal sector, while the self-employed (a large group in the informal sector) earned significantly more than the average for unskilled workers in the formal sector.

A 1970 survey of 8,540 people in Klong-Toey, one of the largest slum areas in Bangkok, found participation and employment rates almost as high as for the total of Bangkok. Some 90 percent of household heads were employed. Only 3 percent were looking for employment. For all household members, 33 percent were employed and 8 percent looking for employment. The occupation breakdown gave labourers 29 percent, craftsmen 22 percent, traders 19 percent, transport workers 13 percent, and service workers 10 percent. Of those in employment, 61 percent worked seven days a week. The average daily earnings of self-employed were 19.8 Baht per day, over 20 percent higher than the prevailing wage rate in construction of approximately 16 Baht. Of course, the return to the self-employed might include a return to non-labour inputs. If the comparison was made to those engaged in trade (mainly vendors) who one would expect use little other than their own labour, average daily earnings were reported to be 16 Baht, approximately the same as the prevailing wage in construction, and slightly below the average earning of 18 Baht a day in textile industries. The income of labour in the informal sector was not low when compared to unskilled labour in the formal sector.⁶⁴

All this suggests that rural migrants did not face underemployment, unemployment and low-income earning as indicated by Todaro.⁶⁵ The informal sector seemed to absorb most of those migrants.

⁶²Cited in Bertrand, "The Relevance", p.105.

⁶³M.P.Todaro, "A Model for Labour Migration and Urban Unemployment in less Developed Countries", *American Economic Review* 59, March 1969, pp. 138-148.

⁶⁴ cited in Nipon Poapongsorn "Labour Market in Bangkok," in *Thailand Is Bangkok? A Paper Presented at the annual Symposium of the Faculty of Economics, Thammasat University*, 17-18 February 1983, pp. 5(2)58-59.

⁶⁵Todaro, "A Model for", pp. 138-148.

The rice premium hypothesis and urban wage rates

Stagnation in real wages can also be partly attributed to government policies that were biased against the agricultural sector.⁶⁶ These policies included the export tax, export quotas on agricultural products, the rice premium policy, and tax exemption on imported machines and equipment for firms promoted by the Board of Investment.⁶⁷ We will look in particular at the impact of the rice premium on urban wage rates and non-agricultural employment.

The rice premium was first levied in 1955, and finally effectively abolished in the mid-1980s.⁶⁸ The rice premium was introduced to replace the profits which government had previously obtained from the multiple exchange-rate system and from state trading in rice. The premium accounted for approximately 15 percent of total revenue during the late 1950s and around 10 percent in the 1960s. The rice premium was used to prevent any marked rice from the world price of rice resulting in an excessive increase in the domestic price. The statement of the government objectives in regard to the use of the premium was as follows: (1) to serve as an instrument to regulate the flow of rice exports and to stabilize the domestic price of rice; (2) to serve as an instrument to keep Thai rice competitive with rice of competing countries; (3) to make it possible to sell rice on a government-to-government basis; and (4) to be a source of government revenue.⁶⁹

Supporters of the tax argued that the export demand for rice was very elastic,⁷⁰ and the structure of internal rice trade was competitive. Therefore exporters

⁶⁶ There were many agricultural policies in Thailand between 1950-1969; for example, export quotas, and export agricultural taxes. Those included rice, sugarcane, the rubbers. However, the most important effect of all agricultural policies was the rice premium, which was first introduced in 1955.

⁶⁷ World Bank, Growth and Employment.

⁶⁸ There is much literature on the rice premium. A most comprehensive and useful of the subject, covering work in English and Thai is Rungsun Thanapornphan, **The Economics of Rice Premium : A State of Knowledge**, Bangkok, Thammasat University Press, 1987. Also see, Dan Usher, "The Thai Rice Trade," in T.H. Silcock (ed.), **Thailand: Social and Economic Studies in Development**, Canberra: Australian National University Press, 1967, pp. 206-230. Ammar Siamwalla, "A History of Rice Price Policy in Thailand," in Prateep (ed) pp.141-157. Also see, World Bank, Thailand.

⁶⁹ Chaiyawat Wibulswasdi, "Thai Rice Exports: An Analysis of its Performance in the 1960s" in Prateep (ed), p.171.

⁷⁰ The estimation of the elasticity of Thai rice varied at times. Tsujii's and Pichai's estimates indicate that the elasticity for Thai rice is inelastic. Tsujii argued that for the 1950s and 1960s, given the degree of imperfect competition in the international rice market, thus the rice premium was an inappropriate policy. On contrary, Chung Ming Wong (1978) Sarun (1978), and Udom (1970) indicate that the foreign demand for Thai rice is moderately elastic (-4.0, -1.90, and -1.35 respectively) (cited in Feeny, the Political Economy, p.114). However, most of the studies found that the elasticity of the foreign demand for Thai rice were elastic (Rungsun, The Economics, pp. 60-61). The varied

could not push the tax burden to foreign market. The rice premium helped keep domestic rice prices down and therefore lowered the cost of living. The rice premium therefore satisfied the objectives of lowering the cost of living for urban groups as well as raising government revenue. Furthermore, another benefit claimed for the premium was that it was relatively easy to vary and thereby permitted a greater flexibility in the tax system. When foreign demand for rice was high, the premium might be raised to capture windfall gains from producers and to stabilize the internal price for consumers. When foreign demand for rice declined, the premium could be reduced, thereby stabilizing the price of rice and maintaining farm income.

For the government, the rice premium satisfied three main purposes. First, it was a major source of government revenue, easily administered and collected. The premium provided the government revenues as much as 17 per cent of total revenue during the periods of the 1956 and 1957. Afterwards, the share declined to between 9 and 14 percent during the period 1958-1965, and to 3.5 to 8 percent during the period of 1966-1970. Ammar Siamwalla noted in 1975: "The premium has provided the government revenues which were roughly stable in absolute amount in the period 1956-1966. Policy makers were somewhat reluctant to drop this source, even though the dependence on it is much less than in the early post-war period with the government now able to expand its revenues from other sources considerably."⁷¹ Second, the premium acted as a price regulator which the government could use to cushion urban consumers from changes in the international price level. The World Bank noted: "During the stable 1955-1966 period, rice taxation was at a rate around 40% of the FOB price which implies a tax of slightly over 80% of the farm gate prices".⁷² However, when the world price of rice increased, the premium could be raised in order to keep the domestic prices of rice stable. This was achieved to some extent in 1967/68 when the world price rose dramatically.⁷³ Third, the premium formed part of government's anti-

estimations in the study of the price elasticity by foreign demand for Thai rice was caused by the major factors, for example, the reliability of data, the various use of techniques of estimation, the assumption employed in the studies, etc., (*ibid.*, pp.58-59).

⁷¹ Ammar, "A History of Rice", p.151.

⁷² World Bank, *Thailand*, p. vi.

⁷³ Dr Ammar Siamwalla gives a good example:

The real test for the classical methods of stabilisation came from in the crisis of 1966-1968 when the magnitude of the price fluctuations went beyond the range of 1955-1966. Price shot out of the 60 pounds per ton limit in the middle of 1966 and climbed steadily to reach 90 pounds levels towards the end of 1967 and early 1968, after which prices began to drop. To judge the effectiveness of this policy, let us first note the fact that the peak for the *domestic* price was 179.50 Bath per picul reached in September 1967. This is about 75 % higher than the "norm" for 1955-1966 which was about 100-105 Baht per picul. The jump in foreign prices to 90 pounds on the other hand meant roughly a doubling of the norm for 1955-1966 which

inflationary policies. The government attempted to keep the rate of inflation low by capping civil servant salaries, and then manipulating the rice premium to maintain purchasing power. In the war and post-war period, high rates of inflation resulted in declines of real income for government officials of all levels, particularly over the period 1942 to 1954 (Appendix Table 5.1A). Among urban unskilled labourers, expenditure on rice constituted 40-50 percent of the total expenditures. Hence any reduction in urban rice prices amounted to a significant subsidy for urban wages, and for the non-agricultural sector as a whole.⁷⁴ The introduction of a rice premium was one instrument to stabilise the real incomes of civil servants and unskilled labour.⁷⁵

Opponents of the rice premium argued that the tax distorted the terms of trade between rural and urban sectors. Most economists believed that the farmers not only had to bear the burden of these rice taxes, but also received smaller returns from their sales. The export price of rice was fixed in the world market, because Thailand faced a very elastic demand curve for its rice exports and the domestic rice trade was very competitive. Hence, a rise or fall in the premium would be transmitted directly to the paddy prices which rice farmers received. In addition, the rice export tax raised the profit rate in the urban sector, which in turn encouraged more investment in the non-agricultural sectors, and contributed further to a widening income gap between urban and rural areas. Ingram pointed out that "Because rice is a staple food and an important component of the standard of living, low rice prices permit firms to pay lower money

was around 45- 50 pounds per ton. By this test, therefore, the classical methods have been moderately successful" (Ammar, "A History of Rice", p.152).

⁷⁴ Sometimes, the rice farmers would not benefit from a reduction in the rice premium because they would have to pay higher taxes in some other way, and because the prices of goods the farmers bought would rise. In short it is argued that the real terms of trade between rice farmers and the rest of the economy would not be improved by a reduced premium. (Ingram, *Economic Change*, pp.258-259). Prasarn Trairatvorakul employed the 1975 socioeconomic survey and concludes that a reduction in rice premium would have little impact on rural poor, while making the urban poor worse off and leaving the relative income distribution of the population as a whole virtually unchanged. He found that the net gains to the rural poor from increases in rice price would be minimal. Most of the gains would accrue to large commercial farmers. Many small farmers subsisted on the paddy they produced, and many were net purchasers of rice. The top three deciles of rural households, the richest households, would receive about 48 percent of the total net gains to the rural sector. Only about 13 percent of the rural net gains would go to the bottom four deciles, the impoverished group (Prasarn Trairatvorakul, *The Effects on Income Distribution and Nutrition of Alternative Rice Price Policies in Thailand*, Research Report 46, International Food Policy Research Institute, 1984).

⁷⁵ Ingram argued that:

A related point, one that no doubt carries much weight in top governmental circles, is that low rice prices permit salary levels of government workers to be lower than they would otherwise be. Without the premium, the cost of living would rise, civil service salaries would have to be increased, and government expenditures increased accordingly. Tax revenues would have to rise. It has been argued that the political constituency most vital to the ruling government is the civil service, whose welfare is a paramount concern in setting policy (Ingram, *Economic Change*, p.259)

wages and thus to compete with imported goods. Low wages also encourage foreign capital inflows. The rice premium stimulates import substitution and the growth of new exports, and thus contributes to the modernization of the Thai economy" ⁷⁶ Furthermore, the low domestic price of rice in Thailand discouraged production, which decreased the demand for rural labour and depressed the rural wage rate. This argument assumed that the production of rice was labour intensive, and that rural labour market was efficient in the sense that there was no significant pool of unemployed and underemployed labour.⁷⁷ Overall, critics argued that the rice premium obstructed the modernisation of the major subsector of Thai agriculture since it distorted the rate of return on production of rice relative to other agricultural products.⁷⁸ The wage subsidy in the urban sector, combined with the depressive effect on the rice sector, acted as a direct stimulus to rural-urban migration.

Several scholars estimated the burden the premium placed on the farmers, Usher (1967) estimated that if the rice premium were eliminated, paddy prices would rise by 85 percent.⁷⁹ Lam concluded that the abolition of rice premium would have raised paddy prices by 23 to 59 percent over their annual levels between 1962 and 1972. He also estimated the sum of the indirect and direct burdens of the premium were between 6 and 15 percent of total farm income in 1962-72.⁸⁰ Chesada(1978) simulated the abolition of the premium in a dynamic crop-choice model and estimated that the domestic price of rice would rise by 38 percent and paddy output would increase.⁸¹ According to Renaud and Suphaphichat, if all export taxes on rice were abolished, rice prices would have risen by between 63 percent and 109 percent depending on quality.⁸² These studies tended to confirm that the foreign demand for Thai rice was very elastic,

⁷⁶Ibid., p.258.

⁷⁷An interesting discussion of the effect of rice price changes on the rural farm wage rate, see, Prasarn, The Effects, pp.38-45. He also concludes that if rice production were not labour intensive, the argument might still hold, but the impact on the wage rate would not be significant. Similarly, labour demand would increase irrespective to the existence of a pool of unemployed labour but the wage rate would not be significantly affected. ..(ibid., p. 38).

⁷⁸ Trent J. Bertrand, "Rural Taxation in Thailand", in Pacific Affairs, Vol XI,III, 1969, pp.178-188.

⁷⁹ Usher, "The Thai Rice", pp. 206-30.

⁸⁰N.V.Lam, "Incidence of the Rice Export Premium in Thailand", Journal of Development Studies, Vol14 (1); 3-13.

⁸¹Cited in Feeny, the Political Economy, p. 13.

⁸²Renaud, Bertrand M. and Phichit Suphaphiphat, "The Effect of the Rice Export Tax on the Domestic Rice Price Level in Thailand", The Malayan Economic Review, Vol.16, no. 1, April 1971, pp. 84-107.

so that the tax was not substantially shifted to foreigners but was borne by Thai rice producers.⁸³

Other studies estimated the impact of the premium on the urban cost of living. Platenius and Lertdumrikarn (1964) concluded that the abolition of the rice premium would increase the price of non-glutinous rice in Bangkok in 1963 from 2.23 to 3.12 Baht per kilogram, and would raise per capita expenditure on rice from 4.22 to 5.90 Baht per week. Taylor, (1965) found that without the rice premium the urban cost of living would have risen by 6.1 percent in 1962-63. Similar to Usher, he shows that if the rice premium was eliminated, urban cost of living would rise by 23 percent in 1962-63.⁸⁴

This is a complicated issue for, as Ingram noted, "at a deeper level the arguments become more complex, as emphasis is placed on various intersectoral effects and on alternative uses of agricultural resources".⁸⁵ Here we are interested only in the impact on the labour market, but even this is complicated by the lack of good data on the number of hired farm labourers engaged in rice production, and of estimates of the supply elasticity of hired labourers in the rice sector. Prasarn Trairatvorakul (1984) found that the Thai rural labour market was quite responsive to market demand. However, hired labourers were only a small portion of total labour used in rice production. The effects of rice price changes on the rural farm wage rate depended on the supply elasticity of hired labour in the rice sector, which is difficult to estimate. The study tentatively suggests that the supply elasticity of hired labour was high, and the impact of changes in rural wage rates would be minimal.

We conclude tentatively that the premium contributed to low urban cost-of-living and hence to low wage rates for unskilled labour.

Economic implications of "cheap labour" on the growth of Bangkok

The stagnant real urban wage rates caused by the pressure of labour supply from the countryside and by the effects of the rice premium between 1950 and 1970 played an important role in boosting service and industrial sectors in Bangkok. Low wage rates encouraged the rise in profits in the urban sector or capitalist sector, and therefore

⁸³ A detail of empirical work, see Rungsun *The Economics*.

⁸⁴ *Ibid.*, p.267.

⁸⁵ Ingram, *Economic Change*, p 257.

enhanced the capacity for further growth. In the 1960s, foreign direct investment flowed in to boost the growth rate of the industrial sector. This investment was concentrated in the Bangkok region. In the 1960s Bangkok contained one half of Thailand's registered manufacturing enterprises and produced more than 75 percent of the kingdom's manufacturing output. Furthermore, the city absorbed the largest share of foreign investment and foreign trade in Thailand. The emergence of cheap labour in Bangkok stimulated the growth of private enterprise. Following Lewis' 'unlimited supplies' argument, Udom Kerdpibul concluded:

The population in developing countries is so large compared with capital, and in agricultural areas where marginal product of labour is negligible, zero or even negative. Not only in agriculture that one can find the abundant labour but also in commerce and service sectors. With the large pool of labour reserve, the modern industrial sector can draw away the surplus labour without affecting the real wages. Capital investment would also tend to be in commerce sector, with a little in manufacturing sector, but none at all in agriculture. As new investment is made, more capital is used and the marginal product of labour already employed increases, the capitalist will recruit new workers. New recruits will be taken until the marginal product of the last man employed is equal to the existing wage rate. None of the workers will enjoy the benefit of the increase in their productivity but the increment of income will accrue entirely to the capitalists in the form of profits. The per capita income of wage earners would remain unchanged while that of capitalists continuously increases since in this model, the wage earners are the poorest individuals in the economy. Such phenomenon will imply a higher degree of income inequality.⁸⁶

It is not surprising that the growth of household income in Bangkok was thus relatively high compared to rest of the country mainly caused by the growth of profits in the capitalist sector in Bangkok. Furthermore, the heavy dependence on imported raw materials and capital goods coming through the metropolitan port, the agglomeration economies of the capital city itself, and the centralisation of political and economic power, all increased the incentives for locating industry in the metropolis.⁸⁷

(b) Factors encouraging the growth of the urban middle classes

Economic development brought marked expansion in skilled jobs in trade, banking, manufacturing and professional occupations such as engineers, lawyers, nurses, university teachers, accountants, school teachers. The education expansion programmes of the 1960s boosted by an overseas scholarship program, produced an educated and

⁸⁶ Udom Kerdpibul, "Distribution of Income and Wealth in Thailand," in Prateep (ed), pp. 279-280 based on W.A. Lewis, "Economic Development with Unlimited Supplies of Labour," *Manchester School*, May, 1954. Furthermore, during this stage of development, one can expect income distribution to be increasingly unequal. As the outflow of labour from the backward sector continues, a point will be reached where there is no longer surplus labour, thus wage rates will rise and the trend in direction of income would reverse its direction.

⁸⁷ Mike Douglass, "Regional Development for Rural Development: the Case of the Central Plains of Thailand," National Economic and Social Development Board, Bangkok, 1979, p.18.

well-paid professional class. By virtue of the historical concentration of administration and business in Bangkok, more than 70 per cent of Thailand's graduates resided in Bangkok metropolitan area in the 1950s.⁸⁸ As a centre of higher education institutes of Thailand, Bangkok drew a number of students from the provinces (despite the existence of Chiang Mai and Khon Kaen Universities). Almost 50 percent of the students who came from the provinces for higher education would eventually end up settling down in the Bangkok Metropolis Area. Between 1960 and 1970 there were large rises in the numbers employed in professional technical, management personnel, administrative, executive and managerial workers (Table 5.28). In particular, the share of administrative, executive and managerial workers among all employed males in Bangkok increased from 1.86 per cent in 1960 to 10.10 per cent in 1970.

Table 5.28 Percentage Distribution of Economically Active Population 11 Years of Age and Over by Major Occupation Group Work Status and Sex in Bangkok, 1960,1970

Major Occupations	1960		1970	
	Male	Female	Male	Female
Professional, technical and Related Workers	3.20	4.93	4.62	7.59
Administrative, Executive, and Managerial Workers	1.86	0.33	10.10	2.33
Clerical and Related Workers	10.34	3.74	7.98	7.67
Sales Workers	15.46	21.85	15.58	19.90
Farmers, Fishermen, Hunters Loggers, and Related Workers	22.96	37.97	12.52	16.39
Miners, Quarrymen, and Related Workers	0.15	0.18	0.04	0.02
Workers in Transport and Communication Occupations	7.12	0.48	7.44	0.46
Craftmen, Production Process Workers, and Labourers	26.72	16.83	31.14	25.68
Service Workers	8.55	12.98	9.62	19.10
Unknown	3.64	0.71	0.96	0.86
Total	100.00 (611,611)	100.00 (391,498)	100.00 (810,595)	100.00 (542,302)

Sources : NSO, **Population & Housing Census, 1970**, Table17;and NSO, **Population Census,1960**, Table 16.

⁸⁸ TURA, *Urbanization*,p. 256.

The expansion of the middle class widened the gap between city and countryside. Between 1960 and 1970, per capita income in the Bangkok metropolitan area grew faster than the kingdom's average, reaching 11,234 Baht in 1970 compared to 3,849 for Thailand as a whole.⁸⁹ The growing urban middle class stimulated Bangkok to become a centre for western-style consumer spending with expansion of retailing, entertainment and other economic activities geared to cosmopolitan tastes.⁹⁰ The middle class began to extend Bangkok's cultural influence throughout the nation with respect to standards of behaviour, dress, outlook, consumption habits and living conditions. According to Pasuk Phor gpaichit:

The lifestyle in Bangkok is regarded as more modern and socially superior and is imitated in varying degrees by the rural people. The spread of compulsory education with a uniform curriculum and mass media which convey Bangkok fashions and ideas has contributed further to the popularity of Bangkok influences. This development became one of the factors which encouraged increasing migration from the country into the city from the latter half of the 1950s.⁹¹

⁸⁹ Askew, *The Making*, p. 11.

⁹⁰ *Ibid.*, p. 11.

⁹¹ Pasuk Phongpaichit, *Economic and Social Transformation of Thailand, 1957-1976*, Bangkok : Chulalongkorn University Research Institute, 1980, pp 97-98. According to Pasuk:

The growing urban middle class was the greatest beneficiary of Thailand's economic development, indeed the development of this social formation, the 'middle class' is generally acknowledged to be one of the more striking developments in Thailand in the post-war period. Bangkok siphoned off the larger proportion of the profits of national economic growth. The 'urban middle-class revolution' (that is to say, the union between the key commercial, bureaucratic and military elements of the middle class) represented by Sarit's takeover of 1957 introduced a new period of ideological commitment to the open economy; the dynamic growth of the urban sector helped to diffuse the values, tastes and aspirations of the urban middle class far beyond the posh Bangkok suburbs - and indeed far beyond the city limits (Askew, *the Making* , p.11).

III TRADE AND INDUSTRIALIZATION

The relationship between the growth of Bangkok and industrialization is not difficult to understand. A growing numbers of industrial plants created diversified jobs for unskilled labourers who migrated from the provinces. The rural migrants constituted a substantial component of the city's population. Often, growing industries were established on the fringe of the city to take advantage of low land prices and the urban public utilities. A very rapid growth of industry not only encouraged the urban area to expand but also generated demand for building construction for offices and housing.

(1) The Development of the Industrial Sector in Bangkok

The role of government towards industrialization

There was little industrial development in Bangkok prior to 1950. Most existing industrial establishments were small-scale industries with a small work force. After 1950 the manufacturing sector became increasingly important. Government policies made a major contribution to development of the industrial sector and its concentration in Bangkok through infrastructure, loan financing, tax exemption and other promotional policies (we will turn to the next section).

There was a close relationship between the industrialization in Thailand, the world economy, the World War II and the government policies.

After the Second World War, a considerable economic change took place in the world and Thailand itself underwent many changes. The post-war years saw many countries including the United States turn their attention to the cultivation of rice. Such change affected Thailand's position in the world rice market. The government, therefore had to alter its economic policy in view of this economic change. Instead of being too dependent upon rice as had been the case in the past, Thailand, then pursued to expand her industrial potentials. During the war the Thai people experienced a shortage of goods especially medical supply which became very expensive. The economy was beset by dislocation and people were greatly disturbed. To cite a few examples, prior to World War II the population of Bangkok was only 600,000. Around 1954, it multiplied to well over 1,200,000. One reason for such a great expansion of population in the capital city was the post-war migration to the city where jobs were more available and wages higher than in the provinces. During the war while economic

activities in general were curtailed a great number of farmers deserted their farms to seek employment in the Bangkok area because farming hardly seemed to pay. Meanwhile export was definitely suspended. Furthermore, the war-time situation continued in Thailand until liberation, as soon as the Japanese military was lifted foreign merchants began to resume their business activities. The cost of living started to rise while the value of the Baht began to depreciate; inflation was gathering force. As wages began to rise, prices soared to new levels; consequently wages were increased which in turn sent prices higher. Before the war, the population of Thailand was estimated to be between 17-18 million, but in around 1954, it exceeded 22 million. Despite the increase in population, productivity did not increase in proportion, resulting in a great confusion in the economy. For instance, the low-income group found it difficult to make ends meet. There was a housing shortage which compelled the people to live in crowded quarters unsuitable to their health. Goods and services became scarce; price soared. Shifts in world prices caused unfavorable terms of trade. All of this greatly affected the economy, and the government was trying in earnest to improve the situation by various corrective measures. The World War II gave a good lesson to Thailand that she must chart a new course for the economy; for it is evident that the country's abundance and the well-being of the people, including freedom from undesired political ideology, depend entirely upon the economic stability of the country as a whole. Some countries fell under the tyrannical rule of totalitarianism, because their peoples were poverty-stricken and hard pressed with hunger. The Thai government was well aware of this and launched a program of industrial promotion along with its agricultural program. The important duty on the part of the government was to help the people to appreciate the fact that democracy brings happiness and prosperity to the masses of the population. The government had to see to the economic stability of the country, enabling the people to enjoy a certain degree of public welfare with an increased income conducive to a higher standard of living. If and when the people were properly provided with the necessary requirement in welfare, housing and reasonably high income, and a fair share of public utility and social services, they would have the assurance of their security. It was with such aims in view that the Thai government was trying in every possible manner to strive toward an increased level social welfare and personal income. In order to achieve this ends as described above, the government intended to chart the national economic policy to promote simultaneously agricultural development and industrial expansion. In this way agricultural surplus might be diverted to industry in case it could not be exported. On the other hand, if we could establish our own factories we would be in a position to

process our surplus materials and export our home-made products to strengthen the country's foreign earnings.⁹²

After 1950 the government devoted larger and larger shares of its expenditure towards providing basic facilities which were needed for urban growth. Some were in the nature of rehabilitation of damage sustained during the war years. In 1950, the government obtained three loans from the International Bank for Reconstruction and Development: US\$18 million for an irrigation project in the Chao Phraya area, US\$4.4 million for development of the Bangkok port, and US\$3 million for rehabilitation of the railways. A second port loan of US\$12 million followed in 1955. The Yanhee dam loan for \$66 million and the associated economic and technical co-operation agreement with the Government of the United States, signed in 1957, was designed to provide both power and irrigation. Between 1951 and 54, economic aid in various forms averaged more than US\$6 million annually, but during the period 1955-1963, aid and loans from the US Government averaged nearly US\$30 million per year. In addition, government agencies obtained financing from the US Export-Import Bank for a Development Loan Fund. Financial and technical assistance was also received from the United Nations and other foreign governments both directly and through the Colombo Plan.⁹³

In 1954, the Industrial Promotion Act was passed. This Act, which offered several benefits to promoted industries, signalled the government's policy of non-interference in the private sector. The Act was amended and revised several times to offer more encouragement to private investors as well as ensuring the practicability and speedy implementation of the provisions. In 1959, the Industrial Finance Corporation of Thailand was established to stimulate the establishment, expansion and modernization of private industrial enterprises and to encourage the participation of private capital, both domestic and foreign, in such enterprises. In 1959, the Board of Investment was established under The Office of the Prime Minister. The Board was empowered to encourage domestic and foreign investment in industry and public utilities, and to negotiate conditions of investment agreement on the basis of the mutual interests of both investors and the government.⁹⁴ The Board promoted industries in three main categories as follows:⁹⁵

⁹² N.A. M. of Finance 0301.2 12/3 (1959-1961).

⁹³ BOT, "Economic Development in Thailand, 1955-1964", a Personal View of Puey Ungphakorn, August 27, 1965.

⁹⁴ Kayser Sung, *Far Eastern Economic Review*, Vol XXIX, no 3, 28/9/60.

⁹⁵ N.A. M. of Finance 0301.2.12/3 (1959-1961).

- (1) Industries which would satisfy the four basic needs, namely, food, shelter, medical care and clothing.
- (2) Industries which would utilize domestic raw materials from agriculture to be processed into finished goods, such as canned food, canned fruits, vegetable oil, and other industries using raw materials which were available in the country.
- (3) Other industries which could not be established in the United States and other countries due to a lack of raw materials or scarcity of such materials, lack of power, etc., which if established in Thailand would benefit all parties concerned.

A significant start was made towards 'import-substitution' industrialization in the 1960s. This aimed to reduce the relative importance of agriculture in the economy, to utilise local raw materials, to reduce the shortages of foreign exchange, and to develop employment opportunities for the rapid growth in population. Promotion measures were as follows.⁹⁶

- (1). Exemption from import duties on machinery accessories and equipment to be used by industrial establishments as they were first set up or undergoing a major expansion.
- (2). In the case of new companies, exemption from payment of taxes on income derived from the sale of products of their industries for two to ten years.
- (3). Normally, the export of products from the authorized industries should be permitted. In certain cases of necessity so required by national economic interests, exports might be prohibited.
- (4). Skilled workers and industrial experts would be permitted to enter the country even in excess of immigration quotas.
- (5). Remittances abroad in foreign currency would be permitted for dividends, profits, interest, capital and principal.
- (6). In addition, authorized industrial undertakings were given other special rights and benefits, such as exemption from or reduction of import and export duties under certain conditions.

Among industries promoted between 1959 and June 1969, those producing consumer goods with a total value of investment of 4,526.3 million Baht represented about half of the total (Table 5.29). Policies were successful in stimulating the growth of the import-substituting consumer goods industries such as food, beverages, tobacco, clothes, furniture, and printed products. Capital goods industries ranked second with investment of 1,454.6 million Baht.

⁹⁶ Sung, Far Eastern .

Table 5.29 Number of Industries Established and the Amount of Investment under Industrial Promotion Legislation(1959-1969)

Type	Number of Industrial Establishments	Value of Investment (Million Baht)
Consumer Goods	129 (40.8%)	4,526.3 (50.7%)
Food	55	956.1
Beverages	5	29.0
Tobacco	-	-
Clothes products	68	3,537.7
Furniture	-	-
Printing product	1	3.4
Intermediate Goods	58 (16.3%)	2,091.8 (23.4%)
Timber	22	120.8
Paper products	2	43.2
Leather and Leather products	-	-
Rubber and rubber products	4	136.2
Chemical products	10	145.1
Non-metal mineral	15	876.5
Petroleum and oil products	1	770.0
Capital Goods	80 (25.3%)	1,454.6 (16.3%)
Metal and metal products	29	614.2
Machinery	9	170.9
Electrical equipment	16	156.8
Transport equipment	26	512.7
Miscellaneous	54 (17.1%)	857.4 (9.6%)
Total	316 (100%)	8,930.0 (100%)

Source : Pranee Tinakorn "The Path of Industrialisation" in Rungsun Thanapornphan and Nipon Poapongsakorn (eds), *The Thai Economy: On the Road to Peace and Justice*, (vol 1), The Faculty of Economics, Thammasat University, March 1988, Table 5, p. 178.

Structural change in industrial sector

Industrial growth in the 1950s was slow, but accelerated perceptibly after about 1957 (the Sarit era). Manufacturing contributed about 12 percent of GDP in 1960, compared to 10 percent in 1951⁹⁷ and the major industries were cotton textiles, gunny bags, cement, sugar, paper and tobacco. During the period of 1960-1964, the output of the first three industries more than doubled, while that of paper and tobacco also increased although at a much lower rate.⁹⁸ The high growth rate of the manufacturing sector was partly due to the revised Investment Promotions Act. Over 90 percent of promoted industrial plants were constructed in Bangkok and its adjacent districts of Nonthaburi and Samut Prakarn. An impressive growth rate also was recorded in the construction

⁹⁷BOT., "Economic Development".

⁹⁸BOT., "Economic Development".

industry, in services and in wholesale and retail trade. The figures on the geographical distribution of industry, on gross regional product, on the number of factories, on the number of wholesale and retail businesses, and on the value added classified by various sectors of industrial origin all indicated a heavy concentration around the capital. Bangkok and the adjacent areas of Nonthaburi and Samut Prakarn accounted for over 70 percent of total value added in the manufacturing sector from the early 1960s through to the present.⁹⁹ Employment in manufacturing in Bangkok increased from 145,553 in 1960 to 257,402 in 1970, or from 14.3 percent to 18.6 percent of the total labour force.

Foreign direct investment was a factor encouraging both rapid industrialization and concentration in Bangkok. Import-substitution industries which involved assembly of components imported from Japan tended to locate close to Bangkok because of access to the port and to the large Bangkok market. Modernization theorists such as Hozelitz (1960) viewed urban growth as an inevitable result of development in which countries from the periphery adopted industrialization through diffusion from more advanced countries. Cities offer overwhelming advantages for profitable investment because of the infrastructure of transport, communications, public utilities, and so on which attract multinational corporations.¹⁰⁰

(2) The Development of a Modern Port as a Major Factor Affecting the Expanding Industrial Sector in Bangkok

The development of the modern port

Bangkok itself is on the mid-reaches of the Chao Phraya river at a distance of about 17 miles from the sea. Prior to 1947, the area of the port of Bangkok comprised Koh Sichang and Angsila on the northern shore of the Gulf, and the outer parts of the Chao Phraya River bar. The river was not navigable for ocean-going vessels up to the city, as there was a bar at the mouth of the river which could not be crossed by vessels drawing over 41 decimetres.¹⁰¹

⁹⁹TURA, *Urbanization*, p.271.

¹⁰⁰cited in Sit Fung -Shen Victor, " Transitional Capital Flows, Foreign Investments and Urban Growth in Developing Countries" in John D.Karsardar and Allen M. Parnell (eds), *Third World, Problems, Policies and Prospects*, London : Sage Publication, 1993, p. 181.

¹⁰¹*Thailand Statistical Yearbook*, no 22, Vol II, 1945-1955, p. 315.

Large ocean-going vessels over 10,000 tonnage could not discharge at the riverside wharves near the city. Bangkok was accessible only to small vessels or vessels of medium tonnage and light draught, for at high water the depth on the bar was only 15-16 feet. Large vessels which were too deep to cross the bar had to be discharged and loaded in the deep water anchorage off Koh Sichang, a well sheltered island some 50 miles distant from the city. The cargo was sent up to Bangkok or brought down for shipment by lighterage which involved a considerable expense from double handling and lighterage costs.

This heavy cost of lighterage was a problem which confronted the government for many years and prompted them to consider the possibility of dredging a channel through the bar and building a new port with deep water accommodation alongside and with all modern facilities for handling cargo. In 1933, the Thai government invited experts from the League of Nations to survey the feasibility of constructing a new and modern port at Bangkok.¹⁰² A League of Nations commission surveyed the approaches to the port in 1933, as a result of which it was decided that a new port at Klong Toey should be built and that a design for the port should be open to international competition. The design presented by Professor Dr. A Agatz, then chief Engineer of the Port of Bremen, was the one finally selected.¹⁰³

According to the report of the experts in 1935,¹⁰⁴ there were three significant losses arising from the deficiencies of the old port of Bangkok. First, it was estimated that double handling of goods cost 1,400,000 Baht annually. In addition the extra time costs involved in slow handling at Koh Si Chang added another 1,700,000 Baht. Moreover, the use of small ship navigation between Bangkok and Koh Sichang increased costs by another 225,000 Baht annually. Second, since most of the imports and exports cargoes were usually trans-shipped at Hong Kong or Singapore, the double handling of cargoes at these ports increased freight costs by an estimated 1 million Baht annually. Third, many of the private docks, quays, and warehouses along the Chaophraya River were small-scale with a lack of efficient large-scale machinery (cranes) to lift heavy cargoes, resulting in expensive manual handling which added cost

¹⁰²Preatikrai Kooamporn, "Port of Bangkok the Gateway of Thailand", in *the Port Authority of Thailand Magazine*, April-May, 1961, p. 26.

¹⁰³ Anonymous "Talk on the subject of the Port of Bangkok", in *the Port Authority of Thailand Magazine*, March, 1956, p.10.

¹⁰⁴Phraphrakobyarntrakit, "The Maintenance of The Bangkok's Port", *Craft News*, The Craft Society of Thailand, vol. 1, Part 3, 1935, pp. 94-209 ; and Preatikrai Kooamporn, "the Role of the Port of Bangkok in the Economic Development of Thailand", in *the Port Authority of Thailand Magazine*, January-March, 1967, pp. 23-31.

of about 1 million Baht annually. In summary, the total loss estimation according to the inefficiencies of the port were as follows:

Item	Annually (Million Baht)
1. Direct and indirect losses from double handling at Koh Sichang	1.700
2. Losses from small ship lighterage at Singapore and Hong Kong ports	1.025
3. Losses due to little depth of water	1.000
4. The total tangible losses	3.725
5. Some intangible (indirect losses)	1.237
6. Total losses (4+5)	5.000

Construction commenced at the beginning of 1939 but was held up by the war and some bomb damage. The first phase of the plan was completed after the war, but dredging a channel through the bar, which had begun towards the end of 1939 with one small suction hopper dredger, the "Sandon I", was not undertaken on a major scale until 1951.¹⁰⁵ The area to house the new port was Klong Toey, about 5 miles downriver from the existing wharves, where around 900 acres were reserved to allow for the expansion of trade as the trade of the port developed.

In 1950, the Thai government agreed to improve the Klong Toey Port, and a loan amounting to US\$ 4,400,000 was obtained from the International Bank for Reconstruction and Development for several extensions:¹⁰⁶

- (a) The dredging through the sand bar at the mouth of the Chao Phraya River of a channel which will permit fully loaded vessels of up to about 10,000 DWT to enter the river. This channel will approximately be 100 metres wide and 9.3 metres (31 feet) deep below a plan of reference about 0.2 metres below mean high water and will be kept at such a width and depth by the borrower (Thai Government Authority). The dredging involves the removal of about 12,000,000 cubic metres of material, about 10,000,000 cubic meters of which will be removed by a contractor engaged by the borrower (Thai Government). Such contractors will provide his own equipment. The remainder will be removed by the borrower.
- (b) The improvement and expansion of facilities at the Klong Toey Port Terminal by the procurement and installation of:
 - (i) cargo handling equipment, including eight semi-partial cranes of three and five tons, to be installed on the quay, crane raise, feeding lines and weighting scales;
 - (ii) rails, and shunting track and equipment;
 - (iii) steel shutters and sliding doors for warehouses;
 - (iv) a power plant of approximately 1500 kw, consisting of three diesel electric units having a capacity of about 500 kw each;

¹⁰⁵The Port Authority of Thailand, "Port of Bangkok the Gateway of Thailand", Bangkok: 1965,p.2.

¹⁰⁶N.A. M.of Finance 0301.2.4/3 (1950).

- (v) a tug boat ;
- (vi) navigation lights and buoys to mark the approaches to the port.¹⁰⁷

In 1951, the Port Authority of Thailand was established as an autonomous organization. In 1954, the harbour was completed. The new facilities in the 1950s included 1,650 metres of modern wharves with transit sheds, sufficient to accommodate ocean-going shipping up to 10,000 tonnes to discharge and load cargoes along side the new wharf without having to break up cargo bulk at Koh Sichang. The wharf was serviced by rail and road, and was well equipped by modern standards together with land reserved for further industrial development. According to the Law on Navigations in Thai Waters Act, all imports were now landed at the New Harbour Wharf at Klong Toey. Ships were discharged at the wharf by private stevedore contractors engaged by the shipping agents, but controlled by the Port Authority and handled by forklift trucks, tractors and trailers, power-driven platform trucks and mobile cranes.¹⁰⁸ The electric semi portal wharf cranes helped speed up the rate of discharge and the turn-round of ships. In a speech at the Rotary Club of Bangkok on Thursday 19 January 1956, Mr Guy L. Beckett, General Advisor to the Port Authority of Thailand emphasised the continuing importance of the port and the need for enlargement:

Bangkok is a growing and expanding city and is now one of the great cities of the east, and had long since outlived the old port and today has great need of the modern port built at Klong Toey with all its facilities. It is a great advantage for a large port city to have a modern deep water port close at hand to keep down the cost of carriage of its imports and exports for sea transport which is the cheapest form of transport, and it is of great benefit that ships should bring cargoes as close as possible to the factories, stores and depots for distribution, and that export cargoes can be loaded in the river close to the city.¹⁰⁹

In the mid 1960s, Bangkok ranked as a major port. Bangkok was one of the great rice ports of the East and was well known for its rapid loading of rice cargoes. The port was also famed for its exports of teak, timber and maize, and additionally encouraged transport between Thailand and Laos. Under a Customs Agreement between Thailand and Laos which was signed in 1955 and came into effect from November of that year, Bangkok became the port of entry for Laos. Goods arriving in transit were sent up by rail to Nongkhai in northeast Thailand and transported across the River Mekhong to Vientiane by ferry raft.¹¹⁰ The principle imports were machinery,

¹⁰⁷N.A. M. of Finance 0301.2.4/3 (1950) .

¹⁰⁸ "The Port Authority of Thailand," Port of Bangkok", p. 5.

¹⁰⁹ *Ibid.*, p. 10.

¹¹⁰ *Ibid.*, p. 11.

steel and ironwork, motor cars and vehicles, mechanical equipment, electrical goods, hardware and manufactured goods.

The new port provided both import and export facilities, and large ocean-going vessels up to 10,000 tonnes and could discharge alongside the new wharf without breaking bulk as before. The growth in the tonnage handled by the port increased from 5.2 percent per annum in the 1950s to 12 percent in 1961-4 (Table 5.30).

Table 5.30 Number of Ships, Commodities, Revenue and Expenditure of the Port Authority of Thailand (1951-1964)

Year	No of Ships	Ships Tonnage (‘000)	Weight of Commodities (‘000 tonnage)	Revenue (‘000 Baht)	Expenditure (‘000 Baht)	Net Revenue (‘000 Baht)
1951	501	981.9	518.7	33,195.0	15,012.5	18,182.4
1952	632	1,256.1	778.5	50,700.2	29,639.6	21,060.6
1953	684	1,437.8	807.9	60,090.3	34,410.8	25,679.4
1954	709	1,680.0	778.1	67,254.4	38,006.6	29,247.7
1955	682	1,682.2	702.8	61,186.7	42,124.5	19,162.2
1966	694	1,723.7	742.2	69,162.4	43,321.9	25,840.4
1957	722	1,843.5	840.0	90,232.9	55,888.8	34,344.2
1958	813	2,343.9	803.8	85,522.2	61,255.7	24,266.4
1959	898	2,772.4	863.7	90,686.0	67,382.2	23,303.8
1960	987	3,077.0	904.4	98,686.0	68,855.3	29,604.3
1961	725	2,224.0	725.3	84,014.0	57,768.0	26,245.9
1962	1,084	3,517.3	1,172.7	122,603.3	75,741.5	46,861.7
1963	1,048	3,571.8	1,229.9	133,089.3	79,313.3	53,776.0
1964	1,118	3,399.3	1,404.5	146,122.5	85,885.3	60,237.2

Source: Port Authority of Thailand, *Port Authority of Thailand Magazine*, January -March 1965, p. 68.

Note : 1961 covers January-September.

As Bangkok's international trade expanded in the early 1960s, extension and improvement of wharves was necessary. Falkus noted:

Almost from the first, new facilities at Klong Toey proved inadequate, and by the beginning of the 1960s there was serious congestion and delays at the wharves. The port had originally been planned to handle mainly import cargo; exports (then predominantly rice) were sent from private wharves and from lighters to ships anchored midstream. The huge growth of exports other than rice increased demand for further port facilities. Moreover the facilities had been planned to cope with an expected import of 1.5 millions of cargo by 1975; in fact this volume was easily surpassed as early as 1966. By this date the container revolution was dawning, and since Klong Toey could accommodate ships no larger than about 12,000 tons, the much larger container ships which soon made their appearance could not journey to the port. Critics of the port also complained of the social consequences of the port: the salination of orchards and fields near the river mouth, the large slums which developed in the port area, and the congestion which was brought to the inner city, with Klong Toey being only a short distance from the central business district.¹¹¹

¹¹¹ Falkus, "The Port of Bangkok", p. 18.

During the 1960s, a number of plans were laid to cope with the congestion of the port of Bangkok. In 1965, Netherlands Engineering Consultants proposed a new deep water port on the eastern seaboard at Laem Chabang, but the project did not get off the ground until the period of rapid growth in the 1980s.

Bangkok 's port and the growth of Bangkok

The Port of Bangkok at Klong-Toey handled more than 80 percent of the country's international trade in the 1960s. About 60-80% of rice and paddy for export from the central plain was shipped to Bangkok by barges and boats. New import-substitution industries such as processed food, beverages, tobacco products, non-durable consumer goods and construction material located around Bangkok to take advantage of access to the port. Imports increased from 2,625 million Baht in 1954 to 13,848 million Baht in 1964, or by about 5 fold. Imports of capital goods and raw materials together had risen from about 48 percent of the total import value to around 65 percent in 1964. Chemicals and petroleum products showed the largest increase, while raw materials and machinery and transport equipment also increased substantially (Table 5.31).

Table 5.31 Percentage Distribution of Imports by Main Categories 1955 and 1964

	1955	1964
Food	8.8	6.1
Beverages and tobacco	2.1	1.3
Crude materials	1.0	2.0
Mineral fuels and lubricants	9.2	10.2
Animal and vegetable oils and fats	0.4	0.3
Chemicals	7.8	10.4
Manufactured goods	36.8	30.5
Machinery and transport equipment	18.4	31.7
Miscellaneous manufactured articles	12.2	4.8
Other commodities	3.3	2.7

Source: Department of Customs.

The establishment of the port necessitated improvements in related transport facilities including ships, roads, bridges, railways, motor vehicles, storage, equipment, utilities, services and organizations for the handling of cargoes. By the early 1960s, the Ministry of Communications built a freight station at Phaholyothin to serve as a depot for transit between Bangkok (and its port) and the rail and roads linked to the provinces. The goods were transported from warehouses at Klong Toey to a depot at Phaholyothin, and over time the road network along this route was substantially

improved. The route passed along Sunthornkosa, Rama IV, Wongwien (circle) Lumpini, Wongwien Saladaeng, Rath Jamri, Wongwien Rajprasong, (at the section of Saenseab Canal at Petchaburi Road (Chalermloke), Rajaprarob, Sam Yaek, Dindaeng, Rajawithee, Wongwien Chai Smorapum, Phaholyothin, Krungkasem, Larnluang, Petchaburi, Wongwien Ratcheви, and Phayathai.¹¹²

In the early 1970s, some roads were built and extended in order to cope with the serious congestion and the delays of the Klong Toey, especially from the beginning of 1960. In 1972-73, four major roads projects were contemplated. The Wong Wien Yai- Dao Kanong route was expanded from four to eight lanes over a distance of 2.9 kilometres. It was built in 1972, this expansion cost 37.5 million Baht. Secondly, the 5.7 kilometres stretch from Dao Kanong to Prapradaeng intersection was expanded to four lanes at a cost of 35 million Baht. Another project was Dao Khanong - the Chaophraya river stretching from the exit of Taksin Road at Mahasawan road to the Krungthep Bridge. This was 1.4 kilometres in length and cost 15 million Baht. It was an extension of the Thonburi Pak Toa road built with World Bank funds. The fourth major road project planned for Bangkok-Thonburi involved the old route from Bangna to Samut Prakarn which was converted to eight lanes over a distance of 8.5 kilometres, at a cost of 51 million Baht.¹¹³

The establishment of the port led to physical changes in the city, and also stimulated Bangkok as a centre of trade and manufacturing of Thailand. After the construction of the port was completed, the surroundings rapidly became congested, and Klong Toey became the site of a large slum development which housed rural migrants working in the port and related areas. One research noted that:

At first people from up-country came and wanted to earn some money for marriage or something else. When enough money was earned they returned to the villages. The people there were astonished at the amount of money he had earned and soon, Klong Toey became for them the only known destination in Bangkok. There was no need to build good houses because they only wanted to stay for a few months during the dry season or for some years. A simple and small hut was sufficient. Later on, they stayed in Bangkok but still the houses were only slightly improved because no money was available. Since then Klong Toey has really emerged as a slum.¹¹⁴

A survey of Klong Toey conducted by Thammasat University in 1970 found that most (81 percent) of the household heads were migrants from the provinces,

¹¹² N.A. Personal File 10/267 (1964).

¹¹³ Thailand Yearbook, 1973-74, p.16.

¹¹⁴ Korff, Socio-Economic Structure, p. 178.

especially from the central region (58 percent). Among the slum population as a whole, however, the majority were born in Bangkok. By this time, the population had started to become settled, and the numbers included many children born in Klong Toey itself (Table 5.32).

Table 5.32 Places of Origin of Household Heads and Individuals in Klong Toey in 1970

Region of Birth	Individuals	Household Heads
North	1%	1%
Northeast	8%	19%
Central (excluding Metropolitan Area)	32%	58%
Bangkok -Thonburi	58%	19%
South	1%	1%
Abroad	1%	1%

Source: Rudiger Korff, *Socio-Economic Structures of Underdevelopment in Cities: Urban Subsistence Production in Bangkok*, University of Bielefeld, 1983, p. 183.

IV

Two Generators of Change: The Vietnam War and Tourism

In the 1960s, Bangkok changed dramatically. The population increased. The area of the city spread. The urban landscape was transformed by new construction, especially of hotels, office buildings and department stores. These changes were driven largely by growth of the service industry, which in turn were stimulated by the US presence connected with the Vietnam War, and by the growth of international tourism.

1. The Vietnam War

The decade of the 1960s saw (1) the involvement of the U.S.A in the Vietnam war and (2) the influx of foreign direct investment to Thailand. The latter was to an extent caused by the former. Both obviously contributed to the growth of Bangkok due to a huge injection of spending.

The Vietnam War, industrialization and the Thai economy: a general background

The Vietnam War had a major stimulating effect on the Thai economy through direct aid, the construction of American bases and related infrastructure such as highways, spending by American servicemen on leave, and by a boost to Thai exports of various

products to war-torn countries in Asia. American measures to combat the spread of communism in Thailand included support for the Thai military, direct aid for infrastructure projects, and social measures to improve welfare in the Thai countryside (for example agricultural improvements and better health and education). Social aid went into and other measures to raise living standard in rural Thailand.

The involvement of Thailand in Vietnam reflected a close military alliance with the United States. A number of major air bases were constructed beginning in 1961. Five were in the northeast at Korat, Udon Thani, Nakhon Phanom, Ubon Ratchathani and Khon Kaen. The sixth, usually referred to as Utapao, was the B-52 air base at Sathahip in ChonBuri province, and the seventh was in Nakhon Sawan in the central region.¹¹⁵ The inflow of US military spending in the period 1965-72 was equivalent to 4 per cent of GNP or around 26 per cent of the total value of exports (Table 5.33).

Table 5.33 US Military Expenditure as Percentage of National Income and Exports, 1960-72

Year	(1) National Income (Million Baht)	(2) US Military Expenditure as % of (1)	(3) Thailand Exports (Million Baht)	(4) US military Expenditures as percentage of (3)
1960	46,448.5	0.1	8,541.9	0.4
1961	50,453.1	0.1	9,922.7	0.7
1962	54,332.6	0.3	9,434.5	1.8
1963	57,496.1	0.5	9,577.7	3.2
1964	62,203.1	0.7	12,165.0	3.5
1965	70,321.1	1.3	12,663.5	7.2
1966	85,050.1	2.9	13,817.2	20.2
1967	89,594.0	5.0	13,808.1	32.6
1968	95,345.0	5.6	13,227.6	40.1
1969	104,581.0	4.5	14,267.2	33.2
1970	111,598.0	4.1	14,256.4	31.0
1971	117,175.0	3.4	16,567.3	24.2
1972	125,399.0	3.6	21,252.3	21.1

Source: Boonkong Hunchangsith, "Economic Impact of the US Military Presence in Thailand, 1960-72", Ph.D thesis, Claremont University, 1974, Table 4, p. 34.

Thai economic success in the 1960s was partly because of the Vietnam War. In the period 1965-1969, when the war escalated, the United States significantly raised spending in Thailand from 438.4 million Baht in 1964 to 4,445.7 million Baht:¹¹⁶

¹¹⁵Boonkong Hunchangsith, "Economic Impact of the US Military Presence in Thailand, 1960-1972," Ph.D thesis, Claremont University, 1974, pp. 1-2.

¹¹⁶*Ibid.*, p. 31.

Year	Million of Baht
1964	438.4
1965	922.1
1966	2,589.1
1967	4,109.2
1968	4,917.8
1969	4,445.7

The large amount of US spending made it possible to finance the widening gap in the trade balance deficit and gave a surplus balance of payments during most of the 1960s. The rising imports of raw materials, parts, and machinery would not have been possible without huge American spending.

Thai politics reflected the pro-American stance. Martial law was declared in 1958, after which the government under Sarit Tanarat was a staunch supporter of American anti-communist policy. This stance was partly motivated by the communist takeover of China in 1949, and also by the deterioration of France's position in Indochina. As a by-product of these geopolitics, Bangkok was selected as the site for various international organizations, and for frequent regional conferences of various agencies, groups and business firms. Such organizations included:

The Asia Foundation;
the UN Economic Commission for Asia & Far East (ECAFE);
the UN Food and Agricultural Organization (FAO);
the Fulbright Foundation; the International Civil Aviation Organization (ICAO);
the International Institute for Child Study;
the UN International Children's Emergency Fund (UNICEF);
the Southeast Asia Treaty Organization (SEATO);
the U.N. Technical Assistance Board (UNTAB);
the U.N. Economic & Social Council Organization (UNESCO);
the World Health Organization (WHO);
the World Veterans Foundation.

Source: Anonymous, **Bangkok in Brief**, published by the Municipality of Bangkok, not dated. This document is available at Thailand Information Center, Chulalongkorn University.

Also by the mid 1960s, there were more than 50 embassies, legations and consuls-general in Bangkok representing the major nations of the world.

The economic impact of Vietnam War on Bangkok's development

The Vietnam War and the U.S military presence in Thailand resulted in three main impacts on the economy of Bangkok: foreign direct investment, construction for hotels and other service industries.

Foreign direct investment.

Investment opportunities in Thailand became much more attractive to foreign investors in the 1960s. There was an influx of foreign direct investment into Thailand, especially from Japan. The Japanese presence is indicated in Table 5.34 and 5.35.

Table 5.34 Approval of Japanese Investment Project in Some Selected Countries

Year	Taiwan	Thailand	Hong Kong	Singapore	Indonesia	The Philippines
<u>Before 1960</u>	3	4	1	1	-	-
1960	4	4	1	-	-	-
1961	2	2	4	1	-	-
1962	9	6	1	-	-	-
1963	8	5	4	8	-	-
1964	-	14	4	-	-	-
1965	9	10	3	3	-	-
1966	24	9	10	4	-	-
1967	46	6	2	4	-	5
1968	80	8	1	3	1	2
1969	73	17	6	10	8	2
Total	258	85	37	34	9	9

Source: Adapted from Kunio Yoshihara, *Japanese Investment in Southeast Asia*, Honolulu: University Press of Hawaii, 1978, Table 2.2 p 18 and Table 3.1, p 65.

Table 5.35 Japanese Joint Ventures in Southeast Asia (as of March 31, 1971)

	Thailand	Malaysia	Singapore	Philippines	Indonesia	Total
Manufacturing	103	51	54	13	30	251
Food	8	8	2	2	5	21
Textiles	29	3	8	2	6	48
Wood & Pulp	1	8	2	0	0	11
Chemicals	16	8	10	1	6	41
Metal Fabrication	12	6	8	3	5	34
G.Machinery	5	2	3	0	1	11
Electric Appliances	12	7	2	3	3	27
Match	8	2	5	0	1	16
Others	12	11	14	2	3	42
Non-manufacturing	61	31	19	18	18	147
Agr & Forestry	0	6	0	1	9	16
Fishery	0	4	0	1	5	10
Mining	1	13	0	6	0	26
Construction	4	2	2	0	1	9
Commerce	34	3	11	6	1	55
Finance & Insurance	3	2	1	2	1	9
Others	13	1	5	2	1	22
Grand Total	164	82	73	31	48	398

Source: Anonymous "Japanese Relations with Southeast Asian Countries: Past Experience and Perspective on Bangkok", in *Bangkok Monthly Review*, April, 1973, p. 229.

In the 1960s Thailand was a relatively attractive site for foreign investment. The crucial factor for Japanese investors was stable political and military conditions. Thailand was spared from the turmoil and political conflict that occurred in Indonesia,

Malaysia, Singapore, and the Philippines. In the case of Indonesia, the government under Sukarno prior to 1967 nationalized all foreign property and generally made foreign investment unattractive. Between 1957 and 1965, a number of foreign enterprises were seized.¹¹⁷ Larger foreign investment in Thailand compared to other Southeast Asian countries also reflected that the Japanese took advantage of import substitution investment opportunities. Especially, the large textile investment in Thailand was due to the large size of Thailand's internal market.¹¹⁸

In 1968, Paul Sithi-Amnuay, from the Bangkok Bank Ltd and the Thai Board of Investment in New York analyzed reasons why an increasing number of American firms were investing in Thailand in preference to other nations of the region in 1968:

In Japan, foreign investment now is not wanted. Korea lacks cheap sources of power. Taiwan's political future remains in doubt. Australia offers no incentives unless the investment is used to develop her natural resources. Investment in New Zealand is out. Malaysia has only 11 million people, and the direction its government will take remains in doubt. The Philippines ask that 50% of investment be made by its citizens. Singapore is just too small. Thailand has 33 million people and a stable economy backed by about one million dollars in foreign exchange holdings on deposit in America.¹¹⁹

Similarly, a not very perceptive English businessman noted why foreign investors looked to Thailand in the early 1970s:

Hong Kong's prices are too high. Singapore has a scarcity of labour. Both these boom towns have burnt out. The Philippines has become very attractive lately and this is attributed to the nonsense inducements of the Marcos regime. Malaysia is sort of catching the spill over from booming Singapore Indonesia is also attracting investment but is not yet a threat to Thailand. Indonesia has such a large population, and such a large domestic market, that it is an "island unto itself". Taiwan has political uncertainties, ... South Vietnam could emerge as a major attraction if stability comes to that area. Investors are keeping a close eye on this situation. ... In Thailand labour is still cheap and it is adaptable.¹²⁰

¹¹⁷ Kunio Yoshihara, *Japanese Investment in Southeast Asia*, Honolulu, University Press of Hawaii, 1978, pp. 54-57.

¹¹⁸ A comprehensive work on foreign investment in Thailand and other southeast Asian countries was by Pasuk Phongpaichit. She found that the flow of investment out of Japan into Asia increased steadily from the mid-1950s onwards. In the period up to 1985, three major trends can be identified. First, Japanese investment sought to secure supplies of raw materials which were scarce in Japan. Second, Japanese firms relocated manufacturing processes to countries with lower production costs. Third, Japanese firms established subsidiaries in countries which had erected tariff barriers to encourage import substitution. Japanese capital began investing in import-substitution projects in ASEAN in the 1960s. This form of investment increased through the 1970s, and then tailed off. In the early 1970s, the Philippines was a favorite destination, but investment there subsequently declined and more flowed to Malaysia and Thailand (Pasuk Phongpaichit, *The New Wave of Japanese Investment in ASEAN*, Singapore: Institute of Southeast Asian Studies, 1990, pp. 29-30).

¹¹⁹ Nye, "Thailand", p.22.

¹²⁰ *Bangkok Post*, 6 September, 1973, p. 8.

The Gross Domestic Product increased by 5.6 percent per year in real terms between 1951 and 1960, and by 7.3 percent between 1960 and 1970. In the 1960s, the economy went through significant structural changes with an increase in domestic savings, rise in annual capital formation, increase in exports, greater diversification in exports, and improved sectoral balance. Agriculture, manufacturing, construction and public utilities all showed high rates of growth. The rate of inflation was modest compared to most developing countries, at not more than 5 percent annually for the period 1951-1970. The balance of payments was strengthened by foreign economic and technical assistance.

In summary, foreign investment was encouraged by Thailand's stable political and economic system and by the presence of the U.S. military in the Vietnam War. Thailand's labour costs were low compared with neighbouring countries and the domestic market was relatively large. The workforce was also mobile and receptive to new methods of training.

In addition, Sarit's government (1959-1963) aimed at reducing the direct role of the government and encouraging private domestic and foreign investment in the manufacturing sector, with only a few minor restrictions such as in public utilities. The government's role was reduced to the provision of economic infrastructure and to the establishment of a legal and political order favourable to the growth of private enterprise, which was now regarded as the engine of development. Since Thailand lacked technical know-how and capital, it was deemed imperative that foreign capital be attracted to invest in Thailand, and hence the Board of Investment was established in 1959. Sarit promised that all private enterprises, whatever their nationality, would enjoy similar rights. Once an investment project had been approved, the government guaranteed that it would not set up any enterprise to compete with it. Nor would the government nationalize private industrial enterprises. The government offered to facilitate investment to the extent of waiving import duties on machinery, accessories and equipment, and offering exemption from income tax for a period of two to five years.¹²¹ The inflow of foreign capital was in excess of the outflow by about 153.7 million Baht in 1963. By 1969, the net inflow had grown to 669.7 million Baht (Table 5.36).

¹²¹N.A. M. of Finance 0301.2.13/3(1999-1961).

Table 5.36 Capital Movements in Thailand, 1961-1969 (in Million Baht)

Year	Capital Inflow	Capital and Profit Outflow	Net Inflow
1961	120.9	204.9	-84.0
1962	156.7	204.7	-48.0
1963	348.2	194.5	153.7
1964	373.3	201.6	171.7
1965	603.7	205.0	398.7
1966	587.7	345.6	245.1
1967	869.5	377.4	492.1
1968	1 312.5	339.0	973.5
1969	1 090.0	420.3	669.7

Source: Bank of Thailand.

The capital inflow increased from around 120-370 million Baht between 1961 and 1964, to 580-1,090 million Baht between 1965 and 1969. According to Board of Investment statistics, more than 70 per cent of Thailand's new factories were owned and operated by foreigners, leaving only small plants to be operated by Thai owners, while many medium-sized factories were jointly-owned by Thai and foreigners.¹²² Among the foreign investors from over 20 countries, the leading nations were Japan, then the USA., and the Republic of China respectively. Between 1959 and 1971, 17,510 million Baht of registered capital was invested in industry. Of this 5,014 million Baht was owned by Thais, while Japan's share constituted 852 million Baht (11.3% of total registered capital, or 34% of total foreign registered capital), the USA 468 million Baht, and Taiwan 398 million Baht.¹²³

In December 1969, Japanese enterprises employed 19,891 workers (Table 5.37). Total wages paid in 1969 to Thai workers in Japanese enterprises were estimated at 157.4 million Baht, and the monthly average pay per worker was estimated at 812 Baht (Table 5.38). This was higher than the national average, surveyed by the Ministry of Industry at 638 Baht per month. The higher wages in the Japanese enterprises were caused by a relatively higher use of capital creating an increase in labour productivity.

¹²²Sidhiphol Vichaidist "Foreign Investment in Thailand", in *Bangkok Bank Monthly Review*, January, 1972, Vol 13, no. 1, p. 279.

¹²³*Ibid.*, p. 280.

Table 5.37 Number of Employees in Japanese Enterprises, 1968-1969

Type of industry	Male		Female		Temporary Employees		Total	
	June'68	Dec'69	June'68	Dec'69	June'68	Dec'69	June'68	Dec'69
Textiles	1,890	3,323	5,556	8,703	-	126	7,546	12,152
Automobiles	994	1,632	182	241	-	48	1,176	1,926
Metals	1,628	1,826	106	105	106	163	1,840	2,094
Foodstuff	617	722	97	114	230	900	944	1,736
Others	824	1,017	294	429	-	537	1,118	1,983
Total	5,953	8,525	6,335	9,592	336	1,774	12,626	19,891

Source: Investor, August, 1970, p. 817

Table 5.38 Wages of Thai Employees in Japanese Industrial Enterprises, 1969-1969

Types of Industry	1969 Total amount of wages paid during the year ('000 Baht)	1969 Per capita monthly average of wages (Eaht)	1968 Per capita monthly average of wages (Baht)	Monthly of wages in Manufacturing Industry investigated by Ministry of Industry (1968) (Baht)
Textiles	63,587	€13	540	449
Automobiles	23,287	1,040	960	782
Metals	34,260	1,363	877	813
Foodstuffs	15,015	721	858	877
Others	21,247	583	1,007	540
Total	157,393	Average 812	Average 718	Average 638

Source : Investor, August, 1970, p. 817.

Foreign direct investment projects were concentrated around Bangkok, where they contributed to the increases in employment and constructions. Many were established on the fringes of Bangkok (such as Rangsit) to take advantage of low land prices.

R & R and Tourism

The Vietnam War also stimulated growth of hotels, restaurants and what might be termed "soft" industries (night clubs, bars and brothels) was partly explained by an increase in the number of tourists as well as increased US spending, together with Rest

and Recuperation (R & R). The available statistics on R and R and foreign visitors are given in Table 5.39 as follows:

Table 5.39 Visitors, R and R and their Expenditures, 1965-1968

Year	1965	1966	1967	1968
Number of Visitors				
Overseas Visitors	189,620	207,111	244,283	297,856
Neighbouring visitors	35,405	78,006	91,562	79,406
Totals	225,025	285,117	335,845	377,626
R & R	n.a.	33,000	54,000	n.a.
Visitor Expenditure (US \$ million)				
Overseas Visitors	21.8 (86.1)	24.1 (64.2)	23.7 (49.7)	35.1 (67.7)
Neighbouring Visitors	3.5 (13.8)	6.8 (18.1)	13.4 (27.5)	5.9 (11.3)
R and R	n.a.	6.8 (19.1)	10.8 (22.6)	10.8 (20.8)
Totals	25.3 (100.0)	37.5 (100.0)	47.6 (100.0)	51.8 (100.0)

Source: Thailand Yearbook, 1969/70, p. N35.

R & R military personnel from Vietnam accounted for 11-16 per cent of total visitors during 1966 and 1967. They spent 6.8-10.8 million US dollars each year between 1966-1968, accounting for around a fifth of the total visitors expenditure (Table 5.39). The expenditure per head of R-and-R military personnel was double that of general visitors in 1967.

As the gateway to Thailand, and thus a centre for all travelling in the kingdom, Bangkok attracted most of the tourists; and the US military personnel. The importance of R & R spending on the hotel construction in Bangkok was recorded in 1972, a year in which there was a decline of R & R visitors to Thailand:

The first hotel category, R and R type, would certainly appear to be in trouble at this time, what with the rapid decline in the number of R and R visitors to Bangkok and with the long range prospect of their eventual complete withdrawal. Most of these hotels certainly are not the international class and consequently must look for new markets, if they are to survive.¹²⁴

Looking at the growth of "soft" service industries, which included nightclubs, bars, and massage parlours, these activities were generally recognized as products of the large spending of US military personnel in the 1960s on recreation and entertainment. One newspaper noted that "Petchaburi Road extension, dubbed the American strip, grew out of a swamp rice field and fruit orchards. The main activity along the five mile strip reflects the influence of American involvement in South Vietnam."¹²⁵

¹²⁴ Impact, April 1, 1972, p.3.

¹²⁵ Bangkok World Annual Review, 1969, p 70.

In 1966, for example, there were at least 652 night clubs, bars, and massage parlours in the whole country of which 336 were in Bangkok, 126 were in the five provinces housing US bases in the northeast, and 190 in the other provinces particularly close to the two bases in provinces in the central region. In 1972, there was a reduction of the US military personnel in Thailand. The Takli base in Nakhon Sawan was closed in 1971, and Khon Kaen base in 1973. This naturally effected investment in the soft services industry, and there appears to be a considerable decline of these kinds of industries. For example, bars declined from 652 in 1966 to 499 in 1972. In Bangkok alone the number halved between 1966 and 1972.¹²⁶

The expansion of the service industries from the 1960s resulted in a growing number of rural migrant women working as prostitutes, offering massage services and dancing. There were no official records on their actual numbers. Unofficial records on brothels, or places which were related to prostitution or service girls, show these were found at Bangkhunphrom, Banglumpoo, New Pethchaburi road, Patpong and so on, from the 1960s.

2. Tourism

The Checchi Company of Washington DC., which came to Thailand under contract with the US Department of Commerce, sponsored by the PATA (Pacific Area Travel Association), noted that the tourist industry had barely existed before 1960:

In 1959, of the total 189,000 international air travelers who arrived at Bangkok airport only one-third visited Bangkok and 120,000 were in-transit international travelers who did not leave the airport. The report pointed out that the group represented a great tourist market, already at Thailand's door step. A decade ago nothing was done to tap these perspective resources. Bangkok had only 871 hotel rooms of tourist standard and there were no trained guides or organized towns. In fact, tourism was a neglected trade and the only income gained was accidental.¹²⁷

In 1959, the government under Field Marshal Sarit Tanarat established the Tourist Organisation of Thailand (TOT) to take an active lead in the development of the industry. The Prime Minister in his speech at the opening of the TOT office in 1962, stressed the necessity for the TOT to give full co-operation, assistance, support and guidance to business enterprises and individuals closely connected with the travel industry. He further stated: "I feel that the promotion of tourism can be best achieved for the benefit of our people and our country only when every government office,

¹²⁶Boonkong, "Economic Impact", Table 10, p 52 .

¹²⁷Thailand Yearbook, 1969/70, p.N5.

individual enterprise, and the people themselves give their full co-operation and support to this important industry."¹²⁸ TOT largely promoted tourism in the capital, with advertisements focused on Bangkok's palaces, temples, markets and night life. Only rarely were provincial attractions such as at Chiangmai or Sukhothai noted. TOT opened its first overseas branch office in New York on June 7, 1965 and the second in Los Angeles in November 1969. Offices followed in Frankfurt, Tokyo, Sydney, Toronto, Paris, and London.¹²⁹ In 1969, the government approved 200 million Baht to improve the facilities for commercial air traffic and to accommodate the new jumbo jet era which was dawning.¹³⁰

Bangkok as a crossroads of international aviation

The role of Bangkok as a crossroads for international aviation needs to be emphasised. Bangkok has grown rapidly in importance as a tourism centre. One of the main reasons for this has been Bangkok's location on several major trunk routes. Thus, most of the airlines flying to Europe or Australia and via other the world routes found Bangkok a convenient stopping place for refueling. A growing importance of Bangkok as a crossroads of air transportation in the Asia - Pacific region, increased local and regional travelers. Flying time to the major centers of Mainland Southeast Asian Countries (e.g. Rangoon, Mandalay, Kuala Lumpur, Vientiane, Phnom Penh and Saigon) approximated one hour; Hongkong, Singapore and Calcutta were but two hours distant; and Delhi, Djakarta and Manila might be reached in about four hours. Don Muang was, in fact, Southeast Asia 's busiest international airport. Immediate communication with all the capitalist world was available through such facilities as a 24 hour cable service and radio telephone to the major cities of Asia, Europe, the United States and South America.¹³¹ Statistics of the growth of civil aviation at Don Muang and some interesting statistics are given below.¹³²

¹²⁸Thailand Yearbook 1969/70,p. N6.

¹²⁹Thailand Yearbook1970/71,p. F7.

¹³⁰Thailand Yearbook 1970/71,p. F6.

¹³¹Anonymous, **Bangkok in Brief**, the Municipality of Bangkok, n. d. p. 52.

¹³²**Bangkok Post**, 20 September, 1973; and **Bangkok Post**, 26 September 1969.

Number of aircraft movements through Bangkok (including transit)
1960 - 15,800 movements; 1972 - 40,400 movements.

Twenty eight international airlines were being used in 1969, Don Muang among them. The best known and fastest growing being Pan Am, TWA, BOAC, Qantas and JAL.

In 1950, 16,800 flights landed at Don Muang, in 1965 there were 22,400 and in 1966 the number had reached 27,900, in 1968, there were 45,000.

Passengers passing through Don Muang in 1959 numbered at about 225,000. This figure rose to 550,000 in 1965 and in 1969, it was 1.5 million. Direct income from commercial airlines was about nine million Baht in 1959, In 1965, this reached 40.4 million Baht and by the end of September, 1969, the income had reached 60 million Baht

We may add that Bangkok was, and remains the hub of the domestic air network. Direct links between provincial air ports have remained virtually non-existent. Other factor stimulating tourism was the prosperity of developed countries (boosted by mass air travel) relative political calm. The substantial improvement in air transportation linking Bangkok to developed countries, and the development of Jumbo jets which increased the capability of air craft, the availability of modern transportation and hotel facilities, boosted tourism. Political stability was also significant. In the 1960s, Thailand was spared from turmoil which contrasted with neighbouring countries of Vietnam, Laos, Cambodia. Bangkok was also the terminus for international railway service to Malaya, Singapore, Laos and Cambodia. The development of the railway network linking the border countries allowed for short haul journeys which in turn encouraged a growing neighbouring tourist market.

Under the impact of the US presence and the development of Bangkok as an air hub, tourism developed quickly from a fledgling industry to a giant enterprise. In 1960 total tourist revenues were estimated at 196 million Baht. By 1969, these had grown to 1,485 million, and tourism revenue ranked fifth among earners of foreign exchange.¹³³ Total tourist arrivals doubled between 1965 and 1969, to reach 469,784. Americans formed the largest group (133,327) followed by the Japanese (42,872), British (31,331), and Germans (20,190) (Table 5.40).

¹³³Thailand Yearbook, Various Years.

Table 5.40 Tourism Basic Data, 1957-1971

Foreign visitors in thousands	1957	1960	1965	1969	1970	1971
Total (000' person)	44.3	81.3	225.0	469.8	628.7	638.7
US			78.3	133.3	159.2	147.6
Of which: R & R			(15.0)	(70.3)	(44.3)	(26.6)
Japan			17.3	42.9	47.0	55.8
Malaysia			18.4	59.6	105.0	128.9
Germany			7.4	20.2	28.0	35.8
U.K.			20.3	31.3	37.0	37.7
France			6.7	12.7	21.1	17.9
Australia			6.6	14.7	20.3	18.8
Average length of stay (days)			4.8	4.9	4.8	4.9
Hotel Capacity in Bangkok (rooms)			4,469.0	7,984.0	8,763.0	9,259.0
Foreign Exchange Earnings (Millions of Baht)	76.5	147	506.0	1,770.0	2,175.0	2,214.0

Source: Thailand Yearbook, 1975-76, Table 26, p. L81.

Tourist expenditures were concentrated in Bangkok. In 1969, foreign visitors spent 1,770 million Baht in Thailand 690 million Baht more than the total expenditure of Thai people traveling abroad. Foreign tourists in Thailand spent an average 55% of expenditure on lodgings, 19% on food, 17% on travelling and sightseeing, 32% on shopping, and 7% on miscellaneous items.¹³⁴

The impact of the Vietnam War and tourism on Bangkok

The 1960s was a crucial period in the shaping of modern Bangkok. A visitor in 1970 would hardly have recognised the city from a decade before.

Expansion began in the 1950s, but at this stage the overall shape and appearance of the pre-war city still remained intact. From the early 1950s, the old European business area along Charoenkrung road was pushed out from the river along Silom and Suriwong roads, and finally joined with Rama IV road to form the most fastest growing area in Bangkok. The expansion of other business districts was noticeable along Ploenchit, Petchaburi and Asoke roads. Old roads were re-surfaced, widened, reconstructed and provided with modern facilities for sanitation and traffic control. Roads were built or upgraded to improve access to the Klong Toey port and to Don Muang airport.

¹³⁴Thailand Yearbook 1970-71,p.F1.

By the early 1970s, the Don Muang - Saraburi Highway was widened and improved in order to cope with the growing traffic congestion and an expanding city. Because this highway leads to several major provinces in the central region, four major provinces in the northern region and many provinces in the northeast of the country, its traffic was very heavy along this route. As noted by the Bangkok Post:

The [existing] road with its 7-metre asphalt concrete travel way was not adequate to cope with the ever growing traffic volume. All motor vehicles traveling from the northeast use this route and the highway had to handle more than 8,000-10,000 vehicles per day on the Saraburi-Wangnoi section. There are many accidents along this section of the highway. The Highway Department therefore decided to widen the road from Don Muang to Saraburi, a total distance of 83 kilometres by adding another two new parallel lanes to the west of the Paholyothin road. The new roadway which is nearly completed now will be separated from the existing road by a 5-metre raised median in populated areas. In other areas the road has a 9-metre dividing area between it and the existing road. The Don Muang - Saraburi highway project extends from near the Don Muang airport, about 24 kilometre-north of Bangkok, to the town of Saraburi, about 108 kilometres northeast of Bangkok. The project consists of upgrading approximately 84 kilometres of route No.1 and existing two-lane divided highway. The new road will have a 7-metre wide asphalt concrete surface with a 2.5-metre wide outer shoulder and a 1.5-metre inner shoulder. The existing road will also be resurfaced with asphalt concrete. Some major towns flanking the road and intersections will be provided with new lighting systems. The work also includes the improvement of storm water drains at both sides of the road through Saraburi town. The construction was divided into two sections. Section I extended from Don Muang to Bangpa-In intersection, a distance of 27.5 kilometres. Section II extended from Bang Pa-In intersection to the provincial district of Saraburi.¹³⁵

Settlement in outer districts such as Bangkok, Din Daeng, Phrakonong, Samut Prakarn, Pathum Thani and Prapradaeng increased in importance, and also demanded the improvement and construction of new roads. Between 1953 and 1965, many major roads were built and improved. Rajadamnoen Klang and Phetchaburi roads were widened. Din Daeng, Sri Ayutthaya and Wisutkasat roads were reconstructed and improved. Sunthornkosa and Paholyothin were widened. Rama IV Road was extended to Prakanong and Samut Prakarn. Petchkasem road was extended to Nakhon Pathom. Taksin road was extended to Pom Prachul.¹³⁶ In the late 1950s, other main roads were constructed to cope with the increase in population in Thonburi, for example, Charansanitwong, Pran Nok, Issarapap, Somdej Chaophraya, Ladya, Charoen Nakhon, and MahaSawan-Buddhamonthon roads. Three important bridges were opened for traffic: (1) Krungthong bridges, linking Rajawithee road (Bangkok) with Charansanitwong (Thonburi); (2) Krungthep bridge, linking Charoen Krung road at Bangkoalam (Bangkok) with Mahai Swan road and Bukkalo Thonburi; and (3) Nonthaburi Bridge, linking Tiwanon road (Nonthaburi) with Tambon Banmai (Pathum Thani).

¹³⁵ Bangkok Post, 14 September, 1973.

¹³⁶ Royal Government Gazette, Various Years; and Ministry of Interior, Reports on the Municipality Operation of Bangkok and Thonburi, Various Years.

The building of roads and a high growth rate in population resulted in a considerable increase in the urbanized area. So far as this can be traced back, the urbanized area of Bangkok in 1898 was approximately 4 square kilometres. This area was created by Royal decree for the purpose of sanitary administration.¹³⁷ The administrative definition of Bangkok was subsequently changed several times. By 1936, the area of Bangkok Municipality (excluding Thonburi) had reached 50.77 sq km; in 1942, 72.15 sq km; and by 1955, 124.75 sq km.¹³⁸ The area of the municipality of Thonburi in 1937 contained 47 square kilometers, and by 1955 increased to 51 square kilometres.¹³⁹ Newspapers of the time noted the changes in the city: various new buildings, road widening schemes, new bridges and so on.¹⁴⁰ The bicycle pedicab disappeared from the central streets in 1959, a sure sign of the progress of the city.

Despite this expansion, in 1960 the shape and economic functions of Bangkok would have been familiar to those acquainted with the pre-war city. The rice trade still dominated commercial activity, canals still played a role in day-to-day transport and living, and New Road still formed an identifiable "city centre".

From 1960, the pace quickened. In 1961, the start of the first National Economic Development Plan (1961-66), a number of canals were filled to build roads, including Silom, and Hua Lumpong (Rama IV). In the early 1950s, there were still nearly 100 functioning canals in Bangkok and Thonburi,¹⁴¹ but by 1970 only one-third remained, with some reduced to small conduits in the middle of major roads. The disappearance of canals in the 1960s was a feature of the period.

The expansion of the city was shaped by the network of roads built after 1950. In the northern area of Bangkok, the growth extended alongside Paholyothin and Vipawadee Rangsit roads to Pathum Thani, and then extended along Bangkok-Nonthaburi to Pakkred. The land use in this area in the 1960s was mainly residential and for government office buildings. In the eastern region, the city's expansion took place alongside Lard Prao and Ran khumhaeng roads to Bangkapi, and also along Phetchaburi Road and Rama IV road. The land was used mainly for residential areas

¹³⁷ Royal Government Gazette, Vol 15, 1898, pp. 82-86.

¹³⁸ Nuntaka Suprapatanun, "The Information on the Bangkok Municipality "in the 21th Anniversary of the Municipality of Bangkok, Bangkok:1958, p. 82.

¹³⁹ Ministry of Interior, Report of Municipality Operation, Various Issues.

¹⁴⁰ Siam Rath Thai Weekly Review, November 23, 1958.

¹⁴¹ Thebchu Tubtong, Bangkok in the Past, Bangkok :Aksornbundit Press, 1975, pp. 55-62 based on Government Gazette, Various Years.

and commercial buildings. In the southern part of Bangkok, growth extended along Sukhumvit road until Samut Prakarn district, while in the city's western area, the expansion followed Charansanitwong, Taksin, Ekkachai and Petchkasem roads. The growth of city on the Thonburi side was slow compared to Bangkok. Most of the land there was residential, commercial and industrial and some was still used for orchards and rice fields.¹⁴²

The growth of Bangkok had multiple nuclei. As the size of the city expanded, the inner part of Bangkok surrounded by the old city wall slowly lost its population as people moved away to other sections of the city. The old business district along Charoenkrung and Yaowaraj roads also suffered a decline in relative importance as new trade centres emerged at Patunam, Rajaprasong, Siam Square, Suriwong, Saphankwai, Wong Wien Yai in Thonburi, Phrakong and Banglumpoo.¹⁴³

Coupled with the physical growth of the city, land prices in Bangkok-Thonburi increased. One source in 1966 noted the high price of land in Bangkok:

One index of the buoyancy in land prices is that the prime industrial locations are ten times more expensive than rich paddy fields on the outskirts of Bangkok. While agricultural land is available at less than US \$ 1,000 an acre, there are bidders for factory sites above US\$ 6,250 an acre in Thonburi, who are prepared to spend an equal amount on land fill. These price levels are pretty small beer in comparison with the premium on sites in the most preferred locations in southeast Bangkok on the Sukhumvit highway. In this elite district, an acre changes hands at not less than US\$ 15,000, besides an equal investment in land fill at US\$ 3.75 a cubic meter. Housing lots are even more prohibitive, and none other than multi-million-dollar interests can dream of buying choice residential land in uptown Gaysorn shopping district at US \$ 125 a square meter.¹⁴⁴

The rise in the price of land reflected growing demand for housing, commerce, and industry. The average value of land adjacent to roads or large communities was higher and tended to be lower if not immediately connected to transportation and communication ways. Land in Bangkok reached its highest values along roads in the commercial zone.

Building construction in Bangkok

Bangkok's construction industry came of age in the 1960s, with a burst of building activity that produced new office buildings, factories, hotels, and public buildings. Its

¹⁴²Chulalongkorn University, *The Composition of Physical Growth*, pp. 468-471.

¹⁴³Paiboon Changrien, *The Public Administration of Bangkok*, Bangkok: Thai Wattana Panich, 1976, p. 230.

¹⁴⁴ Anonymous, "A Profile of the Bangkok Boom", *Asian Industry*, May, 1968, p. 41.

growth can be judged by the figures from the National Accounts. Gross capital formation in Bangkok increased from 4,056 million Baht in 1960 to 8,186 in 1965, and 16,244 million Baht in 1970. Building and construction activities usually accounted for more than 60 per cent of the gross domestic capital formation (Table 5.41). A rapid growth of construction both private and public sector in 1965-1970 was mainly caused by the Fifth Asian Games (1966) and infrastructure projects such as resurfacing and improving roads.

Table 5.41 The Bangkok Metropolitan Gross Capital Formation, 1960-1970 (in Million Baht)

Year	Private construction	Public construction	Total	Private equipment	Public equipment	Total	Gross capital formation
1960	1,633.1	854.6	2,487.7	932.5	294.5	1,227.0	4,056.5
1961	1,825.6	944.6	2,770.2	945.8	386.2	1,332.0	4,331.5
1962	1,873.1	1,275.9	3,149.0	1,107.2	497.5	1,604.7	5,224.8
1963	1,994.7	1,627.6	3,622.3	1,513.6	551.1	2,065.2	6,539.1
1964	1,817.1	2,127.0	3,944.1	2,001.1	667.1	2,668.2	6,757.3
1965	2,404.4	2,508.8	4,913.2	2,106.7	818.9	2,925.1	8,186.5
1966	3,414.3	3,046.1	6,460.4	2,790.4	980.5	3,770.9	10,356.3
1967	3,771.4	4,951.6	8,723.0	3,802.6	1,010.7	4,812.7	13,798.9
1968	4,361.8	4,825.2	9,187.0	4,078.7	1,288.0	5,366.7	14,623.4
1969	4,410.0	5,271.1	9,681.1	4,764.1	1,191.0	5,955.1	15,762.0
1970	4,461.5	5,474.4	9,935.9	4,962.3	6,240.5	6,202.8	16,244.8

Source: NESDB, *Gross Regional Product*, (Various Issues).

The important role that the building industry plays in economic development has long been recognized. Apart from its direct contribution to GDP, the building construction sector promotes economic growth through the provision of a large proportion of the investment goods necessary to induce growth in other sectors of the economy. In addition, the wide choice in possible techniques of construction suggests that the building industry can contribute to the creation of productivity, employment and possibly cope with the poverty of the rural migrants.

During the 1960s, the construction sector in the Bangkok Metropolitan area increased by about 15 per cent annually. This high growth rate was due to numerous construction projects, both private and public. An article in 1969 summed up what this construction growth had done to the landscape:

At the early 1950s Bangkok did not even resemble the city of 1970. The scene and moods were typical oriental - flat, soggy and humid. No sense of prevailing dynamism existed. At one point, the city boundaries ended at the Victory Monument and empty rice fields began. The Sapan Kwai area - one of the business centres today, and the Suthisarn and Lard Prao residential areas have turned into the well developed suburbs they are now. The change also hit the stately old Bangkok suburbs, then the location of splendid residences of the city's well to do. The upper-class suburbs had been transformed into a dynamic and growing town, containing Thailand's tallest building, a 22 storey skyscraper, built by one of Bangkok's new engineering companies, Chokchai International. The Sukhumvit thoroughfare, once a klong-bordered ribbon linking the seaside resorts of Bangsaen and Pattaya to Bangkok and the river town of Paknam, has been transformed into a six lane street with its klongs filled in. This effort was soon followed along other main thoroughfares in the city.¹⁴⁵

From the mid 1960s, high rise apartment blocks and office buildings, bars and food shops entered into this landscape. Phetchaburi road extension, dubbed the American strip, grew out of a swamp of rice fields and fruit orchards. The main activity along the five mile strip reflected the influence of the American involvement in South Vietnam - one of the major factors boosting the city's changes. Furthermore, a significant part of the construction activity was geared to building domestic dwelling for the growing population. One noted that "The demand for houses is escalating so fast that on a conservative count, the number of dwelling built anew in the Bangkok-Thonburi area is doubling itself almost every third year."¹⁴⁶ Rapid growth of the construction activity, especially housing, was caused by the influx of the rural migrants to the city. As noted by the same source in 1968:

One of the biggest operators in this field is possibly the government itself because the tidal influx of the working class into the capital is sharply accentuating the need for low cost housing. The success of its efforts is seen in the clusters of public housing projects in Klong Chan and Huay Kwang as well as the modern, self-sufficient communities established by the state railway, irrigation and other departments. Some of the projects are quite large by any standard. The Din Dang settlement alone, completed last year, offers 5,000 accommodation units. ¹⁴⁷

By 1970, there were some two hundred buildings providing rental office space in Bangkok, of which a quarter could be characterised as "prestigious" quality according to a survey of office buildings in Bangkok conducted by the Thai Investment and Security Company Ltd. ¹⁴⁸

Office space was in high demand, resulting in high occupancy rates, extension of office building to new areas such as Phaholyotin, Sukhumvit and Lumpini park, and

¹⁴⁵ *Bangkok World*, 1969, p. 70.

¹⁴⁶ Anonymous, "A Profile", p. 39.

¹⁴⁷ *Ibid.*, p. 41.

¹⁴⁸ *Investor*, March 1971, p. 216.

high prices for suitable land (Table 5.42). For example, land prices for sites fronting Silom road were approximately 18,000 to 20,000 Baht per square wa (four square metres), and on the Rama IV strip facing Lumpini park prices were estimated to be around 12,000 Baht per square wa. Along Wireless road to Ploenchit the rate varied between 10,000 to 12,000 Baht. The developer of Chokchai International building on Sukhumvit road bought the plot in 1968 at 6,000 Baht per square wa, and within a year the price had risen into the 9,000 to 10,000 Baht range.¹⁴⁹

Table 5.42 Some Major Office Buildings in Bangkok in the 1960s

Year Completed	Name of Building	Available Rental Area (square metre)	Occupancy Rate (%)	Rental Rates (Baht per sq metre/month)
1962	Wang Lee	5,000	99	55-65
1963	Sribunrueng I	4,900	57	50
1964	Silom	4,000	100	69
1965	Vongvanij	800	100	55-60
1966	A.I.A	6,000	100	85
1967	Thai Farmers Bank	9,666	100	95
1967	K.Y.	2,000	88	55-60
1967	B&P	3,400	91	40
1967	Sirinee	5,950	86	60
1967	B.O.A.C	1,764	79	50
1968	Bangkok Insurance	9,000	97	55-60
1968	Biya & Sons	2,160	67	70
1968	Union	4,900	100	55-60
1968	Kasemkij	4,440	80	55-60
1968	United	1,624	95	n.a.
1968	Nai Lert	3,600	96	55
1968	Maneeya	2,000	100	60
1968	Anglo Thai	4,000	100	60-80
1968	BUMC	1,920	100	60
1968	Sarasin	5,040	100	65
1969	Sri bunrueng 2	4,900	14	50
1969	CMMC	4,480	100	65
1969	Piyathanee	8,000	100	60
1969	Dusit Thani	10,000	60	15-85
1969	Zuellig	8,429	100	100
1976	Vachara-Thanawat	5,000	50	n.a.
1970	Southeast Insurance	9,200	100	60-70
1970	Olympia Thai	6,300	70	75
1970	Ploenchit Arcade	8,100	96	65
1970	Tinnakorn	4,800	66	60
1970	Sri Ayudhya Bank	10,580	75	75
1970	Thaniya	10,782	50	65-120
1970	Chokchai International	15,000	90	45-80
1970	Bara Winson	15,864	47	55-60

Source: *Investor*, Vol 3, no. 3, March, 1971. Tables 1, 1A, 2 and 2A, pp. 218-219.

¹⁴⁹ *Ibid*, p.216.

In the 1960s, the Bangkok World Annual Review held that :

Most exciting of all are the shopping centers around Rajaprasong, Patumwan and Pleonchit areas. Since the empty lot became the site of the Erawan Hotel, the surrounding has become the smart district where the best shops and restaurants are located. The Gaysorn shopping centre, built in 1962, was a forerunner of other developments which soon sprang up. Many other construction projects were planned for many other districts of the city. A look at Silom, where the klongs were filled in to turn the whole street into a row of office buildings, serves to remind one that ten years ago, Bangkok was called the Venice of the East.¹⁵⁰

Throughout the 1960s government officials evicted slum-dwellers to make way for new developments, for example the building of SEATO headquarters [near Mahidol University, Rama VI road] and housing projects in the Dindaeng and Huaykwang districts. Large retailing shops also emerged in the 1960s, for example, the Central department store, Daimaru, and Rajdamri shopping arcades. These department stores served the sophisticated markets of middle and upper income Thais and foreigners and sold a wide variety of merchandise, almost all of it imported.

Hotel construction

Hotels were a significant part of Bangkok's changing landscape in the 1960s. To accommodate the increasing influx of tourists to Bangkok and elsewhere, new hotels had to be built speedily. For example, 1966 was a peak construction year for the hotel business. During this single year, 14 new luxury and first class hotels were opened in Bangkok, adding approximately 2,500 more rooms to the business.¹⁵¹ Many of Bangkok's "tourist class" hotels were constructed in the 1960s.

Year of Establishment	Hotels
1961	Rama
1962	Capital
1963	Nana
1964	Victory, Park, Imperial
1965	Rex, Amarin, Federal, Rex, Crown
1966	Century, Majestic, Manora, Siam-Inter, Rich, Peninsular, Reno, R.S., Montien, President, Manhattan, Asia, Manora, Asia, Manora, Chavalit Rajah, Chaophraya, Continental, Bangkok Town.
1967	First, Grace, Siam, Narai

Source: Thailand Yearbook, 1968-9, pp G.102-103.

¹⁵⁰ Bangkok World, 1969, p.70.

Slum Clearance is another noteworthy effort to revive the once lovely interior of the city. Although the project has not completely eradicated ancient wooden dwellings from the city, many have been demolished by properly planned buildings, as evidenced by those sections around Chulalongkorn University, near SEATO Headquarter and in the Din Daeng road area (*ibid.*, p.70).

¹⁵¹ Thailand Yearbook, 1968-9, p. G 89.

The growth of tourism in the late 1960s prompted a frenzy of hotel building. Both deluxe and economy hotels not only provided facilities, including rooms for conventions and conferences but also served as special attraction with swimming pools, snack bars, coffee shops, shopping centres, barber shops etc. The total of hotel rooms increased from 959 in 1960, to 1,843 in 1963, 2,634 in 1965, and 7,064 in 1967.¹⁵² Numbers of some major hotel rooms are given below (Table 5.43).

¹⁵²Thailand Yearbook, Various Years.

Table 5.43 Number of Hotel Rooms in Bangkok, 1960-67

No	Name	1960	1961	1962	1963	1964	1965	1966	1967 **
1	Erawan	175	182	181	181	181	181	200	200
2	Oriental	91	90	54	130	126	126	132	132
3	Trocadero	84	84	50	150	160	160	170	170
4	Plaza	70	82	82	82	82	82	72	100
5	Kings	105	105	107	107	107	107	107	107
6	Grand	46	108	108	108	108	108	108	108
7	Royal	60	60	140	140	140	140	136	136
8	Princess	64	93	93	95	95	95	91	93
9	Metropole	42	34	41	-	-	-	-	-
10	Palace	37	37	37	37	37	-	-	-
11	Europe	40	40	40	40	40	40	40	40
12	Pacific	32	34	34	34	34	34	34	34
13	Coronet	28	26	26	26	26	26	-	-
14	Atlanta	25	105	105	105	105	105	105	70
15	Viengtai	60	70	67	140	125	125	134	134
16	Rama		180	180	180	180	180	195	195
17	Capital			121	121	121	121	121	121
18	Fuji			46	46	46	45	45	45
19	Thai			60	60	60	60	60	105
20	Nana				61	61	61	61	108
21	Victory					125	125	125	125
22	City					45	45	64	64
23	Manida					64	64	64	64
24	Park					63	63	63	133
26	Imperial						111	127	129
27	Rex						105	105	105
28	Amarin						112	112	230
29	Federal						82	82	100
30	Crown						63	63	63
31	Century							89	89
32	Majestic							67	67
33	Manora							216	216
34	Siam Inter							214	214
35	Rich							55	60
36	Rajah							139	139
37	Peninsula							102	108
38	Reno							110	68
39	R.S							142	142
40	President							180	180
41	Chao Phya							230	230
42	Manhattan							153	153
43	Chavalit							300	300
44	Montien							188	188
45	Continental							70	122
46	Asia							140	140
47	Bangkok Tower								100
48	Empire								140
49	Express								72
50	Foretuna								107
51	First								222
52	Grace								104
53	Morakot								121
54	Parliament								121
55	Siam								130
56	Narai								500

Source: Thailand Yearbook 1968-9, pp. G102-103.

** Note: Includes hotels for which statistics were not available earlier as well as the hotels that opened in the year.

Apart from the growth of business, local tourism and the US presence, the record growth of hotel rooms was triggered by the first Asian International Trade Fair and the Fifth Asian Games in Bangkok in 1966. Also the Expo fair in Japan and the Olympic Games in Tokyo, as noted by the Bangkok Post, "increased the rate of tourist growth in Thailand, although this was an artificial prop as it brought tourists to the Far East during the Expo when they would probably have visited at another time, tourist began discovering Thailand and local businessmen realized that the hotel industry had a lot of potential. A total of 11 hotel applications were promoted and went into operation in 1966".¹⁵³

Government encouraged hotel construction through incentives. From the early 1960s until the mid 1970s,¹⁵⁴ the government provided various incentives to private investors for building hotels of a high standard. These incentives included exemption from import duties on construction materials and equipment and from taxes on income derived from sales for five fiscal years after the start of operation.¹⁵⁵ Last but not least, from around 1970 came a revolution in tourist traffic associated with the new jumbo jet aeroplane.¹⁵⁶ In the late 1960s, the Thai government expanded Don Muang airport to accommodate the jumbos. In 1969, the Bangkok Post reported:

Only recently the government approved a 200-million Baht budget for a construction project that would give the airport a new look. The project calls for two more floors to be built on the two-storey terminal building so that the ground floor, which at present is the centre of all airport activities, will be remodelled to serve only domestic airline passengers. The old second floor is to be resigned as a departure lounge with space provided of course for the usual cluster of souvenir shops and restaurants. Rows of couches and passengers lane will be built in the arrival section on the third floor, and the top most floor, a more exclusive area, will house the control tower and the VIP rooms... But giving the terminal building a face lift in preparation for the Jumbo age is only part of the 200 million Baht renovation scheme for Thailand's international airport. The rest of the amount has been advanced to Wichitphan Construction company which a month ago completed resurfacing of the airport's asphalt run away after extending it to the west.¹⁵⁷

¹⁵³**Bangkok Post**, 19 September, 1973, p. 5.

¹⁵⁴In July 1970, the Board of Investment decided on a temporary suspension of these privileges for hotels in Bangkok due to over capacity.

¹⁵⁵In order to qualify for these privileges, a hotel must be first class; its design and equipment must be approved by the Board of Investment; and its management and operation must be of the standard required of first class hotels in other countries. The size of the hotel must be not less than 400 rooms if it was located in Bangkok; 80 rooms if it was located in another municipality; and 60 rooms if it was located elsewhere. Thus far, 24 hotels in Bangkok and 36 hotels in the provinces had qualified for and received these promotional privileges (World Bank's Report on Thailand's Tourism, **The Exotic Image**, 31 August, 1972, p. 18).

¹⁵⁶**Bangkok Post**, 26 September, 1969.

¹⁵⁷*Ibid.*,

The advent of jets stimulated a n annual growing number of tourists to Bangkok in the 1970s, and the 1980s. As ncted in 1970," There is a growing market for economy-class hotels among the Japanese, American youth, and worker-travelers, thanks to cheap charter flights and youth or student fares. The small hotels could be kept at full occupancy as hotels if they upgraded their facilities and aimed at this market ".¹⁵⁸

Capital investment of hotels

The investment involved in major hotel projects in Bangkok was very high. For example, The Siam Intercontinental cost over 200 million Baht for 400 rooms, or 500,000 Baht per room. The Dusit Thani was estimated at 170 million Baht, or 340,000 Baht per room. Below 300,000 Baht per room was the Rama, while the President was built comparatively cheaply at 250,000 Baht per room. ¹⁵⁹ According to the BOI survey in the late 1960s:

Among hotels in lower categories, the Mandarin seems to have the highest investment per room, about 300,000 Baht. It is also the newest hotel, has been subject to construction delays, and may reflect a trend towards increasing costs which future developers would do well to note. The Asia Hotel at 220,000 Baht per room was cheap for a good hotel, while Manora at 200,000 Baht represents an average for its class, as does the Florida at 160,000 Baht. In the middle range of hotels, it has been possible to build for between 55,000 and 70,000 Baht per room excluding the cost of the land, which has been frequently been rented. Both the R.S. and the Empire fall into this range, and his is about the cheapest that one could have expected to go if one aimed to cater at all for foreign visitors .¹⁶⁰

Investment in hotels reflected the general buoyant economic climate in the 1960s, creating substantial employment in the service sector and construction. The construction of hotels also gave a notable change to the landscape in Bangkok. In the 1960s, the location of hotels moved away from the previous central business district at the Charoenkrung road to new commercial and tourist areas such as Patunam, Rajdamri, Silom, and Rajthevi. There was even scepticism at the time that a new hotel planned in Patunam would be successful, so novel was its location. In 1969, it was claimed that :

¹⁵⁸Investor, October,1971, p.841.

¹⁵⁹Investor, May, 1969, p. 400.

¹⁶⁰Ibid., p.400.

Top hotels in Bangkok today are located along a fork of land starting at the riverside Oriental, which has somehow managed to hold its own, going up Suriwongse to the future Sheraton and present Montien, or up Silom to Rama and Narai, and then via Phya Thai to the Siam Intercontinental, Asia and First Hotels, or else from the Dusit Thani via Rajadamri to the Erawan, Amarin and President Hotels. Other hotels tend to gain or lose in relation to their proximity to this key area and the League leaders, and the new hotels under construction in the Suriwongse and Silom area may strengthen this tendency... The importance of site appears not to have escaped the attention of the promoters of the new Indra Hotel, now under construction and due to open in 1970 or 1971. It is located in an unfashionable, not to say down-at-heel portion of Rajaprarop road, and or what may prove to be the wrong side of the Phetchaburi road flyover. For this mammoth 500 room, 240 million Baht project, the most expensive ever undertaken in Thailand, there are two main hopes; firstly that the sheer scale of the undertaking will raise the status of the whole area, attracting prestige establishments (and thereby windfall profits for local landowners), and secondly the fact that of all top-grade hotels, the Indra will be the closest to the existing international airport, while still being within reach of shopping areas and tourist attractions. ¹⁶¹

Indeed, to some extent hotel construction was an indicator of the spatial development of the city. For example, we have already seen that in 1970 the Indra pushed into the "frontier" of Patunrun. In 1969, the Park at Ploenchit and in 1969 the Rex both indicated the extension of development along Sukhumvit Road. Interspersed on this and nearby roads were the small R & R hotels.

Business performance of hotels

Hotel expansion was fuelled mainly by the continuing tourist boom that brought in as much as US \$ 33 million in 1967, representing a six fold increase in less than a decade. Hotels at this time were highly profitable.¹⁶² For the first class hotels, such as Asia, Mandarin, Montien, and Narai, occupancy rates were well above the 50 percent bracket, which enabled them to return a profit in a short period of time. The highest occupancy rates were found in the luxury hotels such as the Oriental, President, and Erawan. As noted by the Impact Magazine in 1972:

In the early 1960s when the Mandarin, Hilton, and the old President were constructed, everyone predicted bankruptcy and doom, and in fact they did have difficulty for a couple of years, but all of us know what the situation has been for the last 6 or 8 years. They have been running nearly full and returning profits unheard of in most parts of the world... The fact also is that a number of deluxe category hotels such as Oriental, Siam Intercontinental, Rama, President and Erawan have enjoyed very good occupancies in the past years and many of them have returned their entire investments in a remarkably short period of time. ¹⁶³

¹⁶¹Investor, May 1969, p. 398.

¹⁶²Nye, "Thailand", p.41.

¹⁶³Impact, 1April, 1972, p.4.

The boom of the hotel business may partly be explained by the presence of the U.S. military during the Vietnam War.¹⁶⁴ According to *Investor* magazine:

Chavalit, which opened in 1966 with 300 rooms, took U.S. personnel in 1967, and since 1968 has turned itself into an apartment house for long-term lease.... The Chaophraya, with 230 rooms, serves as quarters for U.S. officers, and the Trocadero with 170 rooms for sergeants.... Suffice to say that such hotels readily admit that by going into the R & R business they automatically cut themselves out of any other business for the duration. A total of 17 hotels, many of them among the 66 recognized by the Tourist Organisation of Thailand as suitable for overseas visitors have signed contracts with a well-known and highly enterprising travel agency.¹⁶⁵

Hotel capacity in Bangkok more than tripled between 1965 and 1970. Hotel construction and to a lesser extent the arrival of department stores and supermarkets was itself a major activity. The connection between such construction and the development of Bangkok as a tourist centre may be exemplified through two examples, the Dusit Thani group and the Central Department store group.

The Dusit Thani Hotel

Located at Rama IV (Saladaeng circle) near Lumpini park, the Dusit Thani Hotel was opened in 1970. The chairperson and managing director, Khunying Chanut Piyaoui, had opened her first hotel, "The Princess", on New Road in 1949. This hotel no longer stands today.¹⁶⁶ Born in 1922, she came from a Chinese merchant family. While her father conducted sawmill and dock business on the bank of Hualumphong canal, her mother operated a sawmill at Saraburi province. She was educated at Saovapa school, Suksanaree school, and Traim Thammasat University (class 4) where she dropped out before graduation due to the breakout of World War II. Upon her return, she found she had lagged behind academically, and decided to continue her studies in the United States.

As the numbers of foreign visitors grew rapidly, Khunying Chanut invited a number of partners, such as the Crown Property Bureau, to take part in the hotel

¹⁶⁴ Although most of hotel in Bangkok was recorded around 50 percent of occupancy rates in around 1969, lower than 80-90 percent in occupancy rate in the mid 1960s, this was a fairly reasonable occupancy figure when compared to the United States national average was about 65 percent. Mr Boeder noted that some of Bangkok's hotels could possibly show a profit with 50 percent occupancy (*Investor*, May, 1969, pp. 398-399). As mentioned above, it seemed to suggest that the hotels in Bangkok enjoyed a high occupancy rates, which certainly enabled them to return a profit in the 1960s.

¹⁶⁵ *Ibid.*, pp. 398-399.

¹⁶⁶ It was listed in the Stock Exchange of Thailand on April 1975. By 1994, of its 600 million Bath capital, 405 million Bath was paid up (Anonymous, *Who's who in Business & Finance*, Vol 1 no 9, July, 1995, p. 21).

business as a joint venture.¹⁶⁷ Built in 1966 with an initial registered capital of 40 million Baht, of which 25 % was paid up, the Dusit Thani Hotel was designed as an international deluxe hotel with its main purpose to serve foreign visitors.¹⁶⁸ Unfortunately, we have no data on the distribution of the major share holders before 1989. But we know that the Crown Property Bureau has been a major shareholder since its operation. Figures from 1989, show that the major shareholders were distributed as follows.¹⁶⁹

The Crown Property Bureau	16.24%
Piyachantana, Co. Ltd	7.89%
Princess Co. Ltd	7.57%
Chanint Co. Ltd	6.94%
Inisathai L.P.	5.36%

The hotel performed well. Sales were: 157 million Baht in 1977, 182 million in 1978, and 192 million in 1979, delivering profits of 34, 40, and 45 million Baht in the three years.

Table 5.44 The Business Performance of the Dusit Thani Corporation, Ltd (owner of the Dusit Thani Hotel)

	1977	1978	1979
Sales ('000 Baht)	157,172	182,846	196,619
Profit ('000Baht)	34,838	40,443	45,871
Capital ('000 Baht)	189,395	199,188	389,489
Asset ('000 Baht)	235,215	258,753	470,033
Liability ('000 Baht)	45,819	59,564	81,323
Equity ('000 Baht)	189,395	199,188	388,710

Table 5.44 (contd)

	1977	1978	1979
Gross Margin (%)	33.13	40.03	36.61
Profit Margin(%)	31.33	32.87	34.65
Return on Equity(%)	25.00	30.18	17.53
Return on Capital(%)	25.00	30.18	17.49
Return on Asset(%)	20.94	23.23	14.49

Source: **Million Baht Business Information, Thailand**, Bangkok: Pan-Siam Communication Co. Ltd. 1981 p 564.

Note: Management Staff: Chairman - Poonpun Krairksh; Managing Director - Voraphong Piyaoui; General Manger - Somphot Piyaoui; Sales Manager, - Khampi Suwanarat; Financial Manager - Chamni Yudhananas; Purchasing Manager - Serisangar Mariratana.

¹⁶⁷*Ibid.*, pp.17-29.

¹⁶⁸Vira Theeraphat, **Born to be Millionaire**, Bangkok: Dok Ya Publishing Company 1989, p. 13 and Anonymous, **Who's who**, p. 21 .

¹⁶⁹**Thailand Company Information, 1990-91**, Bangkok, A.D. Business Consultant Co. Ltd. p. 986. By nationality, Thai shareholders constituted 70.02 % , Singaporean 2.89 % and American 2.81 %.

The high profit margin of the Dusit Thani was in part due to the boom in tourism and the presence of the U.S. Army in the Vietnam War. By the early 1970s, Dusit Thani attracted visitors from all over the world. One noted that:

The Dusit Group emphasises innovativeness. It strongly believes in keeping one step ahead of its competitors.... The first example was in the late 1960s when the Princess Hotel was sold to build the 500-room Dusit Thani, the world class hotel. It was an innovative movement of that time in terms of building an upscale property in a then-fledgling hotel industry. In addition, while most hotels represent international designs, Dusit used as much locally-inspired design as possible, as well as the very local name Dusit, to represent the Hotel.¹⁷⁰

The rapid growth of the Dusit Thani hotel represented the success of local business in the service sector under the conditions of dynamic change in Bangkok.

The Crown Property Bureau (CPB), previously known as the Privy Purse Bureau (PPB), was the largest shareholder in the Dusit Thani. In 1936, the CPB was separated from the royal household and its income was used for royal household expenses, entertainment for private and state visitors, donations for charitable purposes as well as for the support the pensions for members of the royal family. The CPB remained one of the largest asset-holders in Thailand, with shares in a number of business concerned including banks, hotels, insurance and construction. The CPB owned 44 percent of the Siam Cement Group, as well as shares in some 30 companies

¹⁷⁰Hla Aung May and Roger M. Heeler, "How National Compete with Multinationals in The Thai Hotel Industry; Case Study of " The Dusit Thani Group", 7 th Annual Proceedings **The Dynamics of Global Cooperation and Competition** , International Symposium on Pacific Asian Business, Bangkok: PAMI - Chulalongkorn Workshop , January, 1994 , p.143. In the late 1980s, the strength of the Dusit Thani Group lied in its innovations, image,location,constant upgrading of the facilities, unique cultural orientation,employee training, high technology applications, diversifications into related business and cooperative promotion strategies with the organizations. With the success of the hotel, by 1993 , the Dusit Thani group was in fast expansion phase. The Dusit Thani expanded its network as the following. Dusit Hotels and Resorts group (for up scale market) as well as Thani Hotels, Resorts and Inns (Franchise group). The franchise groups were entitled to reservation network use as well as assistance in operations. Also, as part of the franchise division, Dusit Thani group had established an affiliate company, the exclusive licensee of the Best Western (U.S.chain) in Thailand. To its members, Best Western has offered a world wide reservation lineup as well as international marketing support. The Dusit Hotels and Resorts Group comprised 8 projects which are as follows, The Dusit Thani (Bangkok), Dusit Resort (Pattaya), Dusit Resort and Polo Club (Cha-Am), Dusit Laguna (Phuket), Dusit Island Resort(Chieng Rai), Santiburi Dusit Resort (Samui), Dusit Rayawadee (Krabi), and Dusit Premier (Chieng Rai -underway). The Royal Princess Group comprised 8 projects which are as follows; Royal Princess (Bangkok), Grand China Princess (Bangkok), Royal Princess (Chieng Mai), Royal Princess (Korat), Wangtara Princess (Chachoengsao- underway), Charoen Thani Princess (Khon Khaen- underway), Palmeraie Princess (Rayong- underway), and Lake View Princess & Golf Club (hua Hin- underway). Thani/ Best Western Group were as follows; Nongkhai Grand Thani (Nongkhai), Suan Bua Thani (Nongkhai), Suan bua Thani Hotel & Resort (Chieng Mai), Maeyom Palace Thani (Phrae), Roi Et Thani Hotel (Roi-et), PR Union Inn (Bangkok), Bel- Aire Princess (Bangkok), T.V. Palace Hotel (Bangkok), T.V. Palace Hotel (Bangkok), and Banthani Beach Resort (Phuket). By 1993, Grand total number of rooms of the Dusit Thani Group was 3789 Rooms (*ibid.*,p. 143). Furthermore, by the early 1995, The Dusit Thani Group expanded its network by taking over the 23 Hempinski Hotels in various countries (.Anonymous, Who's Who p. 27).

including the Thai Danu Bank, the Siam City Bank, the Siam Commercial Bank, the Erawan Hotel, the Royal Hotel, the Majestic Hotel, the Siam Intercontinental Hotel and the Sri Maharaja Company, one of the biggest manufactures of plywood in the country.¹⁷¹ The *Investor* magazine recorded:

[A]s the largest of the land owners both in Bangkok and the provincial areas of which about almost one third of land in Bangkok belonged to the CPB in the period before the Second World War, the CPB played an important role in constructing buildings to rent on the long-term basis. For example, in the late 1960s Saphan Khao area with its rickety wooden shop houses and ramshackle old buildings was pulled down to prepare for construction of a multi-million Baht commercial high-density residential centre with a 20 storey office building, 356 shop houses, 1,150 unit flats and two cinemas..... The Chalermloke area, opposite Rajaprasong Shopping centre was also shaping up to become yet another first class shopping area.¹⁷²

The Central Department Store

In 1956, the first Central Department store was opened at Wangburapa with an area of 200 metres squares and initial registered capital of 3 million Baht. This store was the first department store in Thailand.¹⁷³ The founder of the Central Department Store was Tiang Chirathivat, a Chinese emigrant who had been a small restaurateur in Thonburi before the Pacific War. Shortly after the war ended, he opened his first retail business on Charoenkrung road. Although it was small, the shop prospered because of his innovative ideas in merchandising, mainly selling a range a number of newly imported goods.¹⁷⁴ The tourist trade and the presence of the U.S.A. in the Vietnam war stimulated the rapid development of department stores. In 1968, the Silom branch was opened in a nine-storey building with a total construction cost of 10 million Baht. In 1974, a branch was added on Ploenchit road. In the early 1980s, the fourth store was opened at Thonburi and in 1983, the fifth one was established at Lard Prao. The sixth branch, also in Lard Prao, comprised a hotel of 1,600 rooms, a plaza, and the department store, altogether covering 417 rai and involving a huge registered capital of 2,000 million Baht.¹⁷⁵

¹⁷¹*Investor*, February, 1971, p. 124 and for the further information of the share holding involvement of CPB, see for example, **Thailand Company Information 1990-1991**, Bangkok : A.D. Business Consultant Co. Ltd. 1992, see also **Million Baht Business Information, Thailand, 80-81**, Bangkok: Pan Siam Communications Co. Ltd., 1981.

¹⁷²*Investor*, February, 1971, p. 124.

¹⁷³Boonchai Chaiyen, **Rich as Millionaire**, Bangkok: Boonchai Publishing Press, 1990, pp. 113-114.

¹⁷⁴For Chirathivat family biography, see, Veera, **Born to be**, pp. 35-38, and Boonchai, **Rich as**, pp. 110-135.

¹⁷⁵*Ibid*, p.133.

The Central Department Store chain not only constructed modern deluxe buildings in Bangkok, but also carried a wide range of merchandise, almost all imported. Its policy was to sell only top-quality products imported from the United States, Europe and Japan to serve the high-income group and foreigners. Unfortunately, there is no record of the chain's business performance in the 1960s. But by the late 1970s, sales revenues were in the region of 4,000 million Baht a year (Table 5.45). The Central group also extended its business operation to other commercial interests including hotels, manufacturing and real estate, which included the Central Grain Co. Ltd., Central Plaza, Central Plaza Hotel, Central Sport Co. Ltd, and Central Trading Company.¹⁷⁶ One of the most successful retailing businesses in Bangkok since the middle 1960s has been the Central Department Store.

The success of the Central Department Store also reflected the boom in tourism and the presence of the U.S. military. Hewison noted that:

Both stores [Silom and Chidlom branches] were in the centre of the expanding tourist trade. Bolstered by thousands of U.S. service personnel taking rest and recreation leave from Vietnam, as well as by large doses of U.S. aid and military spending, Bangkok experienced a tremendous wave of growth in the mid and the late-sixties. The Central Department Stores and associated supermarkets were carried on the crest of this wave, expanding rapidly and achieving high rates of profit.¹⁷⁷

Table 5.45 Some Statistics for the Central Department Store group (' 000 Baht)

	1977	1978	1979
Sales	329,389	382,808	466,846
Profit	12,060	9,526	10,024
Capital	108,920	118,355	128,379
Asset	449,036	513,497	601,313
Liability	340,115	395,142	472,933
Equity	108,923	118,355	128,379

Source: Million Baht Business Information: Thailand, Bangkok :Pan-Siam Communication 80-81 Co. Ltd., 1981, p 502.

Note: Major Shareholders: Samrit Chirathivat 24.50%; Tieng Chirathivat 16.30%; Vanchai Chirativat 10.00%; and Suthijai Chirativat 6.66%.

In 1972, the World Bank estimated on the basis of employee-to-room ratios that Thailand's hotel industry employed 20,000 people.¹⁷⁸ In 1977, a Thai academic estimated that tourism generated direct employment for some 200,000 people, and indirect employment for another 900 000, particularly in the souvenir industry.¹⁷⁹

¹⁷⁶Further discussion of Chirativat family business see, Krirkiat Phipasseritham and Kunio Yoshihara, **Business Groups in Thailand**, Institute of Southeast Asian Studies, Kyoto University, 1983.

¹⁷⁷ Hewison, *Bankers and Bureaucrats*, p.155.

¹⁷⁸ *The Exotic Image*, August 31, 1972, p.18.

¹⁷⁹Teerapong Wikitset, "Tourism and Economic Development in Thailand," Bangkok : The Social Science Association of Thailand, 1977, pp 1-11 .

The Vietnam War and tourism: The implications of the growth of the construction industry

The implication of the rapid growth of tourism, and the huge spending of U.S. military together with the rapid growth of industries was significant for Bangkok's development. The construction industry was a visible example, encompassing companies, construction equipment dealers, construction equipment importers, construction equipment, rental companies, construction material importers, building contractors and a host of other businesses.

Little is known about the structure of the market performance of the construction industries in Bangkok. The industry was characterised by a large number of small and very small indigenous contractors or self-employed, and also by a small number of large and very large private or public contracting organisations. The large firms were often foreign owned. The small indigenous contractors accounted for only a minor proportion of the total demand such as the design and specifications of the simplest building, while modern, western standard complicated building was under design specifications from large foreign firms. By 1967/68, there existed a considerable range of large construction industries in Bangkok.¹⁸⁰

Construction had become a major source of employment for a large segment of the rural population who migrated to find jobs in Bangkok in the 1960s. The building industry played an active role in offering employment to rural migrants. There are no records on the volume of rural migrants entering construction industries, or other related information such as, methods of hiring, levels of skilled need, how workers entered the construction sector labour market, etc. Construction workers were usually recruited and hired casually by local foremen who were villagers themselves. Foremen were usually sent from Bangkok. The employment basis was mostly seasonal hiring (based upon the project site contract duration). A few workers were on a daily casual basis.

Different phases of the project dictated the size and composition of the work force needed. Construction companies always hired both skilled and unskilled labour. The skilled labour were, for example, carpenters, painters and welders, while there was a large number of unskilled labour or manual labourers to help the skilled workers as well as to move material and equipment, to excavate and haul dirt, to mix cement, and

¹⁸⁰ Thailand Yearbook, Various Years.

to generally clean up. Moreover, there were female workers in construction industries engaged in many types of work too. This had implications for circular migration from the rural sector to Bangkok. For the labourers, circular migration represents a means by which they could maximize their living standards. They could increase their earnings by moving to Bangkok where works were available and reduced the living costs for their families by staying, sleeping at the building site while working in the building site while working in the city. Circular migration represents an economic link with Bangkok and rural areas.

Even though there was rising demand for labour for construction in the 1960s, a survey taken by the Board of Investment indicated that the wage rates in 1970 for unskilled labourers remained low averaging about 15-25 Baht per day and the working hours reached about 9 hours per day.¹⁸¹ An article in July 1971 titled "16 Baht for a 9 hour day; the big money goes to somebody else is worth quoting :

Thai labour is being exploited by the contractors" said one Farang [western] company manager who has been in Thailand many years". "Wages are kept as low as possible and, since there are many people who want jobs and there are no labour unions to protect them, the contractors can get away with it.... A 10- hour day, 5.5 or 6 days a week is common for construction workers, but during the busy seasons there is much overtime, with extra pay. Still very few workers will take home as much as 2,000 Baht during a month .¹⁸²

The influx of rural migrants as previously discussed, kept down unskilled labour wage rates in construction and other branches of industries. A survey conducted by the Labour Department in 1965 concerning wage rates in construction industry showed average hourly wages for various trades. Wages had not risen appreciably (probably not more than 10 per cent) between 1965 and 1970. These were the average hourly wages in 1965 in Baht for various skills at that time of the survey:¹⁸³

Plumber	4.09	Concrete mixer operator	14.4
Reinforcing iron work	3.10	Erectors	14.47
Electrician	4.56	Sheet metal workers	6.77
Carpenter	3.79	Bulldozer operator	3.50
Painter	4.89	Road Grader	
Bricklayer	3.51	Operator	4.98
Tile setter	5.50	Crane operator	5.15
		Labourers (male)	2.14
		Labourers (female)	1.85

¹⁸¹Investor, July 1971, p. 12.

¹⁸²Ibid,p.12.

¹⁸³Ibid,p.12.

Conclusion

This chapter has discussed the transformation of Bangkok in the 1950s and 1960s. Particularly important was a major burst of construction activity during the Sarit period: new suburbs developed and hotels and other commercial buildings sprung up. At the same time, the new port at Klong Toey, opened in the 1950s, greatly enhanced Bangkok's role as a trading centre, and opened up a new area of the city for development.

In this period, the city developed largely as a centre of service industries, and as a commercial hub, with both sectors boosted by cheap labour drawn from the rural sector. While Chinese immigration had been cut off, Bangkok now received immigrants from the rural sector. Rapid population increase increased the stock of potential migrants in the provinces. However, it is interesting to note that real wage differentials between the city and the countryside was not significant for explaining the reasons why the migrants moved to the city. The most important factor explaining why people moved is that jobs in Bangkok were more diversified apart from the relative higher income the centre of national education and administration also caused by the Vietnam War. The influx of rural migrants substantially contributed to the growth of Bangkok's population in the 1960s. The influx of cheap-labour rural migrants helped keep down urban wage rates, and stimulated business growth since it raised profit of business sector which the import substitution industrialization depended. Wages were possibly kept down by the rice premium.

US military involvement in the Vietnam War developed Bangkok's service industries. The financial, commercial and tourist industries experienced rapid growth, and construction followed in their wake. The presence of the U.S. military in Vietnam indirectly induced an influx of foreign direct investment boosting the growth of industry in Bangkok. Tourism added to the expansion of services and construction. Among reasons for the increase in tourism were the stable political atmosphere and the development of Bangkok as a crossroads of international air transportation. The hotel industry and the retail industry both expanded rapidly on tourist demand.