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The Politics of Technocracy in Southeast Asia
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Technocracy and Economic Decision-Making in Southeast Asia: An Overview

The Editors
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This article provides an overview of issues important to studying technocracy and economic decision-making in Southeast Asia. Historically the subject extends from the incorporation of non-communist states of the region into the US-molded post-World War II international order to the East Asian financial crisis of 1997. To Indonesia, Malaysia, the Philippines, and Thailand, advisory and expert missions of the United States, World Bank, and other international agencies bore "state-of-the-art" economic policy-making and development planning that reserved a special, politically immunized role for technocrats. Yet, technocrats occupied a contentious position because of conflicting interests in changing conditions of underdevelopment, late industrialization, trade and investment liberalization, and financial globalization. As such, the assessment of the relationship between technocracy and economic decision-making in Southeast Asia should consider such opposed expectations as: the claims of technocratic efficacy against claims on social equity; demands of professional efficiency against demands of public accountability; appeals to state priorities against appeals to democracy; advances of national interests against defense of vested interests; promotion of economic targets against the attainment of social objectives; and the autonomy of technocrats against their captivity to patronage.

Keywords: technocracy, economic decision-making, Southeast Asia, technocratic efficacy, social equity, public accountability, democracy, patronage

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There has been a sustained academic interest in technocracy in Southeast Asia even if the volume of academic work directed specifically at technocracies and technocrats has not been immense. Compared with the enormous and still growing academic literature on technocracy in Latin America, say, the academic literature on Southeast Asian technocracy may seem to be slight, if not inadequate. Even so, various studies in political economy and politics assessed the contributions of technocracy to economic development and growth of the Southeast Asian region (Milne 1982; Shiraishi and Abinales 2005), or in specific countries. Although, arguably, the region's best publicized technocrats were the so-called "Berkeley Mafia" of Indonesia while its most admired was the technocratic elite of Singapore, studies have covered different aspects of the roles and impacts of technocrats in Indonesia (MacDougall 1976; Robison 1986; 1990); Malaysia (Montgomery and Esman 1966; Hamilton-Hart 2008); the Philippines (Bello *et al.* 1982); Singapore (Rodan 2004; Barr 2006); and Thailand (Stifel 1976; Anek 1992; Pasuk 1992).

Much of the early academic work on technocracy in Southeast Asia which went beyond making scattered comments on technocrats focused on their deployment by particular regimes for the task of leading economic and development planning. For studies typically conducted from the perspective of modernization theory, the technocrats' roles and contributions were largely conceived as an important factor or "input" in development. Such studies assumed that the technocrat's role was politically neutral and the technocratic input was economically positive (MacDougall 1976; Stifel 1976). To that extent, a benign technocracy served as a professional counterpart to an entrepreneurial vanguard. Later studies in political economy were more critical of the technocratic record in economic policy-making. They rejected any assumed neutrality on the part of technocrats, and instead targeted technocratic "complicity" in the construction of authoritarian regimes, the imposition of socially inequitable programs, and the eventual consolidation of neoliberal governance (Bello *et al.* 1982; Robison 1986; 1990).

Behind those two opposed perspectives stand several issues which have not been systematically discussed with reference to Southeast Asian technocracy, economic decision-making, and politics. Some of those issues might usefully be explored here as a general guide to the concerns of the research project that has culminated in the present volume of articles.

Technocracy and Politics

Technical decision-making, applied to industrial production and management in the west, notably the United States, prompted some early twentieth-century visions of organizing government according to the merits of technocracy, the latter understood as "a system of governance in which technically trained experts rule by virtue of their specialized knowledge and position in dominant political and economic institutions" (Glassman *et al.* 1993). Partly due to the growing importance of technocracy and bureaucracy in capitalism after World War II, and partly due to a "general waning of authority of all large institutions and effectiveness of governments" burdened with fiscal problems and "overcomplexity" (Peters 1979, 342), technocracy held an attractive promise of de-politicized rational alternatives to the problems of society. To that degree, a major point of contention in discussions of technocracy in Western countries was the loss of accountability in decision-making that diluted public debate in favor of technocratic inputs and procedures.

One striking example of that trend towards a greater reliance on technocracy was the highly visible entry, among others, of corporate lawyers, bankers, and professors—America's "best and brightest"—into the United States' high-level policy-making, not least in the conduct of war.[1] What was preferred at home was soon exported, and American technocratic thought and practice entered the newly-independent non-communist countries of Southeast Asia, an important region that was being integrated into the United States' sphere of influence in the United States' strategic remaking of the post-World War II international order. To these countries, what seemed like international "state-of-the-art" ideas and practices of technocratic decision-making were conveyed by official or advisory missions of the World Bank and other international agencies, and by a range of American experts—from political advisers to technical consultants, and from academics to Peace Corps volunteers. Indeed, US influence over if not intervention in Southeast Asian affairs was accompanied by an important assumption that "modern development administration" (a forerunner of technocracy in changing "traditional" societies technically and behaviorally) included "innovation, experimentation, active intervention in the economy, major involvement with clients, building new capacities, and conflict-management activities," that is, functions that were supposedly beyond "the norms of classical Western models of administration" (Esman 1974, 16). Not coincidentally, then, there was a steady replacement in high-level bureaucratic positions of the old-style colonial civil servants by social scientists (and especially economists) who were increasingly trained in American universities or influenced by their current theories and

1) For the original "best and brightest," see Halberstam (1972). Gabler (2010) argues that the Obama administration is packed with "The Best and Brightest 2.0"—"cool, unflappable customers . . . Ivy-educated, confident and implacable realists and rationalists. Like their forebears, they have all the answers, which is why they have been so unaccommodating of other suggestions on the economy, where economists have been pressing them for more stimulus, or on Afghanistan, where the President keeps doubling his bets."

models of modernization and development.

In newly independent underdeveloped countries generally, technocracy's potential was differently valued. Usually equipped with "applied modernization theory," technocracy appealed to postcolonial regimes striving to shed a "techno-economic backwardness" that produced an "unholy trinity of ignorance, poverty and disease" (Mkandawire 2005, 13). Not only were technocrats a scarce "sub-group of bureaucrats that possesse[d] specialized knowledge" (Centeno 1993, 310), they were presumed by training, expertise and professionalism to bear the progressive values, rational attitudes, and specialist methods needed to modernize their societies. In Southeast Asia, for example, amidst debates over which developmental paths were economically ideal, politically feasible, or socially desirable, many regimes reserved, or were advised to reserve, in economic policy-making and development planning a special role for "professional and sub-professional classes," or technocrats, as an international consultancy report on improving development administration reasoned:

> Modern government depends increasingly upon modern technology for national security, for the conduct of its own developmental and recurrent operations, and for the performance of its regulatory and control functions. The proficiency and knowledge of its professional and sub-professional classes therefore define the ultimate limits of its technical capabilities. . . . Because of the rapid obsolescence of professional and technical knowledge in certain fields, in fact, it may be necessary to devote disproportionate emphasis to those services where the rate of change is greatest. (Montgomery and Esman 1966, 14)

It was not just hopes of development that made technocracy appealing. Where development had failed, "the permanence, the technical skills, and the anonymity of [technocrats] ma[d]e them appear the possible receivers for otherwise bankrupt regimes" (Peters 1979, 342).[2] As often happened under economic crisis, regimes would be urged by international institutions to induct technocrats into high-level policy-making. Rulers and technocrats hoped, thereby, that "technocracy's apparent emphasis on order, rationality and apolitical criteria" would be reassuring in a moment of "general societal crisis" (Centeno 1993, 324).

Whatever the circumstances that occasion it, the deployment of technocrats as a force in policy-making basically signals a shift in power to "a set of actors and institutions [that would] make decisions . . . implement those decisions in the society and economy, and . . . do so with a minimum of opposition" (Peters 1979, 340–342). Hence, although non-partisanship is held to be a technocratic virtue, an apolitical technocracy does not obtain. In practice, politics and technocracy are interlocked. Politics in the shape of

2) Here, "technocrats" has been substituted for "bureaucrats" in the original text.

regimes and leaders needs technocracy's expert knowledge, methodical applications, and reasoned expectations for complex and credible decision-making. Conversely, technocracy, signifying the use of technocrats rather than the more precise but rarely encountered *rule by technocrats*, needs politics, that is, the sanction of power, if it is to be heeded, let alone used productively. Politics would ideally harness technocracy to clear objectives while insulating technocrats from interference so that they can function "without fear or favor," as the cliché goes. The reality is more complex: there is latent conflict between politics and technocracy. The conflict is apparent enough in certain forms. For example, seemingly technical recommendations may be rejected and the technocrats associated with them ejected from their positions for running afoul of the powers that are supposed to insulate them from political interference. Or else popular resentment against "rational" policies which result in differential socio-economic impacts may erupt into anti-regime protests or must be put down by repressive measures. For that matter, particular (teams of) technocrats may find themselves opposed by institutional rivals with different ideas of planning and development. Or private non-state quarters may defend their vested interests by circumventing or sabotaging technocratic forms of governance. In each instance, the technocrat may be as much a scapegoat as a disinterested expert.

Yet the politics-technocracy conflict lies deeper. Politics looks to technocracy for expert inputs and calculated outcomes but does so to embed the exercise of state power in diverse economic and developmental agendas, policies, decisions, and programs. An actually functioning technocracy, therefore, operates as an appendage of politically shaped structures, institutions, and configurations of power. At certain levels of work in circumscribed situations, some socio-economic problems may require no less, but no more, than technical solutions.[3] Beyond that, it is illusory to conceive of highly placed technocrats as backroom experts whose task is to prepare disinterested rational-technical solutions to the problems of economic planning, resource allocation, and social distribution, each of which is inherently a political matter.

Understanding Technocracy in Southeast Asia

The potential for politics-technocracy conflict in economic decision-making is especially large in times of rapid transformation, severe restructuring, or actual collapse when policies and outcomes, no matter how technocratic they are made out to be, are unavoid-

3) "Clearly, some expertise is necessary to operate a statistical office or build a bridge. It is not so obvious, however, that one need be familiar with econometrics to be able to discuss economic policy or be an engineer in order to judge the merits of a new airport site" (Centeno 1993, 318).

ably political. Under contentious conditions, readily pitted against one another will be different sets of expectations and interests, including the following:

- claims of technocratic efficacy against claims on social equity
- demands of professional efficiency against demands of public accountability
- appeals to state priorities against appeals to democracy
- advances of national interests against defense of vested interests
- promotion of economic targets against the attainment of social objectives
- the autonomy of technocrats against their captivity to patronage

Technocrats are bound to be assessed in partisan ways in such times. In judging their performances, their supporters and detractors alike will make much of supposed technocratic ideals and disposition—faith in techniques and models, professional aloofness, ideological conservatism, and pro-establishment proclivities, as well as affinities with non-democratic institutions, centralized decision-making, and statist priorities. But these are not the only important aspects of technocracy. In fact, how far technocrats perform to expectations crucially depends on other matters, including their assigned roles, their scope of authority, and their institutional milieu.

It was a concern with these kinds of issues, pertaining to the separate and comparative records of Southeast Asian technocracies that inspired the research conducted for this volume of articles. The focus of the volume is the relationship between technocracy and economic decision-making in Southeast Asia. Its principal approach is to explain and assess the roles and performances of technocracies in Southeast Asian countries whose economies had had significant moments of economic and political crises while showing comparable experiences of underdevelopment, late industrialization, trade and investment liberalization, and financial globalization. Indonesia, Malaysia, the Philippines, and Thailand were selected for this study because their experiences more fully extend from the post-World War II period when technocracy emerged to the present when technocracy's positive or negative impacts on the management of the 1997 financial crisis in East Asia generated economic and political effects which continue to reverberate.

Each of the case studies of Indonesia, Malaysia, the Philippines, and Thailand grapples with the record of technocracy in its selected country, weaving together economic and technical issues with social concerns and political pressures. Neither elevating nor maligning a technocratic role in economic decision-making, particularly in times of economic stress, the volume seeks collectively to provide detailed investigations and assessments of the relationship between technocrats and economic decision-making as experienced within Southeast Asia's socio-economic development in the postcolonial era.

The relationship has been a relatively long, complex, and fascinating one given the pathways of Southeast Asian development, the roles of technocrats in charting them, and the conditions under which development occurred. Over half a century, as is too well known to be rehearsed at length here, Southeast Asia's economic development has covered modernization, structural transformation, late industrialization, debt and crisis management, economic stabilization and structural adjustment, trade and investment liberalization, and closer integration with a global economy. Compelled to respond to these multidimensioned twists and turns in development, Southeast Asian technocrats have performed a multiplicity of roles and borne a wide range of responsibilities as economic planners, program implementers, fiscal managers, power brokers, and institutional intermediaries. At the same time, many high-level technocrats have had to tread fine lines between domestic and foreign parties, especially in times of economic distress when the intervention of international financial institutions crucially shaped post-crisis policy options.

In all this, different technocrats operated under the patronage or the protection of leaders and regimes that differed as well in their personal capabilities and influence over economic decision-making. Domestic and global conditions often changed rapidly and sharply, too, creating a need for technocratic deployment but also imposing constraints on its courses and outcomes. Domestic political conditions were critical: in three out of the four countries studied, authoritarian regimes or military dictatorships ruled for long periods, defining the political and institutional frameworks within which technocrats worked. Transitions to democratic regimes—reversed more than once in Thailand—brought their own conditions, not always favorable to technocrats. Between the 1970s and 1990s, technocrats had to manage the ramifications of global economic changes or instabilities which included: the dismantlement of the Bretton Woods fixed foreign exchange mechanisms; oil shocks; the collapse of commodity prices; trade and investment liberalization; the integration of the global capitalist economy after the implosion of the Soviet bloc; the huge expansion of the "paper economy"; and the wild gyrations of the money markets.

Indeed, one way to understand the differences between Southeast Asian technocracies "then and now" is to note the considerably altered circumstances of their deployment. "Then," as in the era of decolonization and the Cold War, the circumstances of economic planning were dominated by a need to resolve pressing domestic problems. "Now," as in the post-Cold War age of "globalization," the conditions of economic management demand stable interfaces with volatile external markets. In this context, probably the most far-reaching moment of change came with the financial crisis of 1997. If the so-called "East Asian miracle" marked the height of Southeast Asian economic advance, the so-called "East Asian financial crisis" signaled its reversal. To approach technocracy in Southeast Asia, therefore, is to understand why, how, and to what consequence technocrats were used to build up a "miracle" and subsequently to manage its "meltdown." Only then, as envisaged by the research project, can the technocrats' roles, influences, and impacts—positive and negative—be properly assessed. Hence, the research project set out to establish how technocracy, utilizing different teams of technocrats, helped to lay the foundations of policy- and decision-making, chart the directions of transformation, manage crises, and make or unmake selected Southeast Asian economies at different times.

Structure of the Special Issue

Many of the issues bound up with technocracy in Southeast Asia are closely examined in Takashi Shiraishi's study of technocracy in Indonesia from its origins in the 1960s to its present post-New Order transitional state. The original corps of Indonesian technocrats had an uninterrupted involvement in economic policy-making over four decades of growth, crises, and reforms. In Shiraishi's assessment, the pioneer technocrats performed well in macro-economic policy-making, namely, in maintaining a balanced budget, an open capital account, and a pegged exchange rate system. As the details of their qualifications and appointments show, they were a small and tightly-knit elite believing in free trade, comparative advantage, limited state intervention, and reliance on the private sector. The natural allies of the international financial institutions, the technocrats—virtually pre-Washington Consensus neoliberals—had serious rivals in a domestic group of "engineers" committed to industrial policy and state intervention. Moreover, the technocrats' macro-economic reforms were constrained by resource and revenue fluctuations. In difficult times, Soeharto relied on the technocrats, partly to still international concern. In good times, Soeharto gave the "engineers" ambitious state projects. But the technocrats' influence could not extend beyond fixing macro-economic policies: they were unable to check cronyism and corruption in implementation. When push came to shove in 1997–98, and their proposed financial reforms made them side with the International Monetary Fund (IMF) against Soeharto's family and cronies, the technocrats' utility to Soeharto ended. The technocrats saw their work, mission, and influence in technical terms. Still, Shiraishi concludes, their operational milieu was highly politicized and they were only effective within certain political parameters: the New Order's centralized decision-making process, their immunization against dissent by the political demobilization of society, and Soeharto's personal trust. When Soeharto fell, and his repressive "politics of stability" yielded to democratization, decentralization, and electoral demands for a "politics of economic growth," the technocrats' scope was truncated by new political conditions. Now, their influence was challenged by emerging parties and politicians operating at national, provincial, and local levels. In this likewise politicized but multipolar order, not even a President who wants to entrust policy-making to proven technocrats can shield some of the latter from powerful figures who are not less predatory for being allies and partners.

Compared to its Indonesian counterpart, Thai technocracy, examined by Pasuk Phongpaichit and Chris Baker, and Akira Suehiro, experienced more swings in status and influence from its post-World War II genesis to the administrations of Thaksin Shinawatra before he was deposed in the September 2006 military coup d'etat. Pasuk and Baker chart the Thai technocracy's "rise and fall" through three generations of technocrats. Their considerably different perspectives, duties, and conditions of work reflected domestic and global changes that had transformed the Thai economy from an agricultural into a newly industrializing economy by the mid-1990s before plunging it into its direst condition in 1997. The few and cohesive pioneering technocrats laid the foundation for macro-economic management. Much valued for their skills, they could even wring some scope of autonomous planning from the generals. The political upheavals of 1973–76, though, cast uncertainty over the position of the technocracy as they did everything else in Thai society. (Shockingly, threats against his personal safety drove Puey Ungphakorn, the dean of the pioneer technocrats, into exile, never to return to Thailand.) The second technocrat generation was divided between those who eschewed long-term planning for pro-market quantitative modeling and short-term management of market instabilities, and others who wanted to follow the East Asian developmental state's path to industrialization. In short, the technocrats were apt to serve as advocates of competing ideological positions within a context of mounting trade and investment liberalization. The third generation, active after the Plaza Accord-induced, foreign investment-led growth, was tasked with carrying out full-scale financial liberalization as Thailand emerged as a foreign investment-led newly industrializing economy. By this stage, however, the technocrats' scope of action had been reduced by new politicians, big businesses, and party-sponsored think-tanks. From these turns, Pasuk and Baker show that the pervasive influence of neoliberal ideology undermined the efficacy of technocratic management while competing agendas and cross-cutting political pressures damaged the technocrats' cohesion. Consequently, a technocratic record commended for competence, autonomy, and insulation in its heyday was discredited for a lack of understanding of the global economy, lack of anticipation of risks, and lack of independence from political intimidation when the Thai currency collapsed in 1997!

After his Thai Rak Thai party won its first general election in 2001, Thaksin attempted ambitious reforms of the Thai economic and financial systems, as Suehiro's detailed analysis of the Thai civil service shows. Thaksin reduced the status and effectiveness of the technocrats associated with three core planning, budgeting, and fiscal management agencies, and the central bank. He accomplished this partly by substituting formerly fragmented decision-making, which favored ministry-based technocrats, with centralized decision-making (over economic strategies, budgetary allocations, and transmission of funds) that was more closely controlled by the Prime Minister, his political deputies, and his special advisers. In fact, Thaksin reorganized the bureaucracy to prioritize his agendas, reformed personnel management to place meritocracy ahead of seniority, and compelled state agencies to improve public service delivery. Whatever their actual impact on post-crisis recovery, Thaksin's public service reforms undermined an established and stable if conservative bureaucracy. The power shifts that necessarily accompanied the reforms threatened to emasculate technocrats and bureaucrats alike. Yet, reducing technocratic control over budgetary allocations and procedures of expenditure simultaneously left some sectors with lowered funding. Critically, these sectors included the military when Thaksin decided that the post-Cold War security position required less not more defense spending. In a sense, Thaksin's downgrading of technocracy which was a pillar of the political system indirectly destabilized the system. If the reforms left the technocrats helpless against the most popular Prime Minister and political party ever elected, Thaksin's other moves—which are beyond the scope of this volume—led to his overthrow in September 2006. And, then, ironically, the post-coup Cabinet had 18 retired and serving public officials, and only one politician. Whether such a Cabinet composition reflected the military's disdain for the other political parties that could not compete with Thaksin's Thai Rak Thai, Suehiro wonders if Thai politics was perhaps returning to its mold of a "bureaucratic polity."

Teresa S. Encarnacion Tadem assesses and contrasts the scope of technocratic influence in pre- and post-martial law Philippines. She notes that the elite Filipino technocrats had first become prominent under the Macapagal Administration (1961–64) for their role in opening the economy to foreign investments and loans, the latter mainly from the IMF. Under martial law (1972–86), insulated from opposition to their economic schemes, the technocrats became one of the Marcos regime's "three pillars." They supplied him with a credible development program endorsed by the international financial institutions while the latter's support conferred credibility on the technocrats themselves. Under technocratic oversight, trade barriers were removed and the economy made export-oriented and dependent on an influx foreign capital. Yet, the martial law technocrats' failure to alleviate poverty contributed to Marcos's ouster and their own decline. Their technocratic successors retained an economic strategy of liberalization now implemented via globalization, privatization, and deregulation. To some degree, the post-martial law technocracy has been shielded from public criticism because of the prevalence of neoliberal ideology among influential policy-makers and the prevailing transnational character of economic policy-making. Even so technocracy under democracy is vulnerable to criticisms by political interest groups, non-governmental organizations, and the business community. The technocratic scope of decision-making is now constrained, partly due to strong rivalry within the ranks of technocracy and bureaucracy. Above all, the democratic system has left an ironic impact on technocracy that underscores the latter's loss of insulation: the expediency of electoral politics and the calculations of patronage politics are liable to cause the political leadership to sacrifice unpopular economic policies and, sometimes, their technocratic proponents.

Khadijah Khalid and Mahani Zainal Abidin relate the changing influence of Malaysian technocracy to several factors that framed the technocrats' position in economic management, namely, the fundamental orientations of the economy; national socio-economic objectives; the relationship of the political leadership to the technocrats; and pressures from the global economy. From 1957 to 1981, the technocrats enjoyed a close relationship with the first three Prime Ministers, each a former member of the civil service elite. Whether the orientation of the national economy was roughly laissez-faire (1957–69) or state interventionist with social objectives (1970–81), senior technocrats in development planning, financial management, and state enterprises were well insulated from political pressure. Policies devised by them were rarely debated even in Parliament. For a quarter century, then, the technocrats directed export-oriented industrialization, high-growth strategies, petroleum development policies, and socio-economic restructuring. However, when Mahathir Mohamad was Prime Minister, from July 1981 to October 2003, he emulated the East Asian developmental state, dominated economic decision-making, and favored private-sector initiatives. The technocrats were still insulated from public pressures but technocracy was no longer a privileged source of ideas and policies. For those, Mahathir relied on himself and a circle of political and business advisers. Faced with the volatility of 1997–98, the central bank and the Ministry of Finance offered the counsel of caution and accord with market sentiment and the IMF. Mahathir instead confronted the money markets with limited capital controls and a fixed foreign exchange rate. Thus a tradition of technocratic autonomy ended: now the technocrats would only implement the policies determined by Mahathir and his crisis-management council. Khadijah and Mahani argue that sidelining the technocracy had created major problems of macro- and micro-economic and financial management before the 1997 crisis. When he became Prime Minister in November 2003, Abdullah Ahmad Badawi, an ex-bureaucrat, restored some of the technocracy's lost prestige. But socio-political conditions have changed, and economic policy-making has become the shared but contested terrain of bureaucrats, young professionals, and politicians with technocratic backgrounds.

Finally, Khoo Boo Teik locates Southeast Asian technocracies within a depiction of an international trajectory of technocracy that covers the issues raised by this volume. Khoo suggests that the technocratic trajectory has been long but troubled. Developing countries embarked on many projects of economic advance and transformation only to lurch from development to debt and crisis management to structural adjustment, and the neoliberal reconfiguration of the global economy. In each project, technocrats emerged as an identifiable decision-making force under unavoidably politicized circumstances. Technocrats assumed different roles as planners, implementers, managers, brokers, and intermediaries. Yet, with few exceptions in the developing world, despite technocratic inputs, visions of postcolonial progress collapsed under structural adjustment while state intervention was reduced to neoliberal good governance. What began as a basic need to deploy technocracy for its skills and to insulate its workings from political pressures and interference led to a complex trend of "technocratization"—or a fusion of technocracy and politics—to overcome the latent conflicts between technocracy and politics. Politics could no longer depend on technocratic solutions while technocracy could not resolve its political problems. Thus, technocrats played a central role in modernization, economic transformation, or crisis management, all extraordinarily politicized situations, but they could scarcely live down their reputations as the expert collaborators of authoritarian regimes, the designers and implementers of harsh economic programs, or the allies of international institutions bent on reducing social spending via deflationary policies. Moreover, neoliberal globalization has whittled the path of relatively autonomous state-led, technocracy-implemented national economic strategies. As Southeast Asia after 1997 has demonstrated, technocracy's old role has been truncated. Technocrats found themselves being squeezed between popular demands for equitable social policies and oligarchic resistance to reform agendas, between satisfying the calculations of politicians and meeting the claims of civil society. To that extent, technocracy's trajectory, which included its course in Southeast Asia, has shown how relatively ineffectual was the impact of technocracy on political economy in crises, precisely when, it was thought, technocracy would best fulfill its role.

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Indonesian Technocracy in Transition: A Preliminary Analysis*

Shiraishi Takashi**

Indonesia underwent enormous political and institutional changes in the wake of the 1997–98 economic crisis and the collapse of Soeharto's authoritarian regime. Yet something curious happened under President Yudhoyono: a politics of economic growth has returned in post-crisis decentralized, democratic Indonesia. The politics of economic growth is politics that transforms political issues of redistribution into problems of output and attempts to neutralize social conflict in favor of a consensus on growth. Under Soeharto, this politics provided ideological legitimation to his authoritarian regime. The new politics of economic growth in post-Soeharto Indonesia works differently. Decentralized democracy created a new set of conditions for doing politics: social divisions along ethnic and religious lines are no longer suppressed but are contained locally. A new institutional framework was also created for the economic policy-making. The 1999 Central Bank Law guarantees the independence of the Bank Indonesia (BI) from the government. The Law on State Finance requires the government to keep the annual budget deficit below 3% of the GDP while also expanding the powers of the Ministry of Finance (MOF) at the expense of National Development Planning Agency. No longer insulated in a state of political demobilization as under Soeharto, Indonesian technocracy depends for its performance on who runs these institutions and the complex political processes that inform their decisions and operations.

Keywords: Indonesia, technocrats, technocracy, decentralization, democratization, central bank, Ministry of Finance, National Development Planning Agency

At a time when Indonesia is seen as a success story, with its economy growing at 5.9% on average in the post-global financial crisis years of 2009 to 2012 and performing better

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than its neighbor economies of Malaysia (with its economic growth of 4.1% a year in 2009–12), the Philippines (4.8%), and Thailand (3.0%), it is easy to forget that less than a decade ago many people wondered and worried whether Indonesia would turn into a Yugoslavia, in danger of breaking up owing to ethnic and religious tensions, or a Pakistan, subject to periodic military intervention and the rising jihadist threat, or a Philippines, democratic but with insurgencies simmering in the provinces and a weak and stagnant economy.

Nothing of this sort has happened. Instead, and most remarkably, a politics of economic growth has returned, but under conditions that are different from the politics of economic development pursued by Soeharto under the New Order.

The politics of economic growth is politics that transforms political issues of redistribution into problems of output and attempts to neutralize social conflict in favor of a consensus on growth, thus creating a "virtuous" cycle of political stability which leads to economic development which leads to the rising living standard which in turn leads to further political stability. Under Soeharto, this politics provided the ideological legitimation to his authoritarian state, while also delivering on its promise to improve the living standards of a substantial majority of the Indonesian people, helping to create a sizeable Indonesian middle class. In this context, technocrats emerged as major allies of Soeharto, working closely with the President on all economic policy issues.

The new politics of economic growth works differently under the current decentralized democracy, and technocrats also now work under conditions different from Soeharto's New Order. The salience of this politics of economic growth was underscored in the reelection of Susilo Bambang Yudhoyono in 2009 as President. Public support for the incumbent President and his Democratic Party nicely correlated with public perception of Indonesia's economic performance. Thanks in part to the global financial crisis that pushed down fuel prices, for which the President took credit, Yudhoyono was reelected overwhelmingly in the first round voting with technocrat Budiono as his running mate. The resurgence of the politics of economic growth in Indonesia and with it the comeback of technocrats as a force (though as vulnerable as the technocrats in Soeharto's time, but in a different way) in Indonesian politics can be seen in the prestige and authority that former Minister of Finance Sri Mulyani Indrawati enjoys even after she was sent off to the International Monetary Fund.

What made technocrats effective as economic policy-makers under Soeharto? What conditions have enabled technocrats to be effective under the current democratic system? Who are they in the first place? The answers to these questions illuminate the important but nevertheless fraught position occupied by technocrats in Indonesia's changing political structure and processes of economic policy-making.

The Making of Indonesian Technocracy

Technocracy in Indonesia emerged and developed in the 1960s and 1970s in tandem with the rise and consolidation of Soeharto's authoritarian developmental state. Soeharto fashioned his New Order regime with the state as his power base and the army as its backbone. The regime was centralized, militarized, and authoritarian. Army officers dominated the military and occupied strategic positions in the civilian arm of the state as district chiefs, provincial governors, directors-general, and ministers in the name of dual functions. State power was repeatedly impressed upon regime "enemies"—"communists," "separatists" in East Timor, Aceh, and Papua (Irian Jaya), criminals, labor activists, journalists, and Islamists. The government contained the question of social divisions along ethnic and religious lines through state repression (politics of stability, that is) while it addressed the question of class divisions through its politics of economic development. The government thus achieved the state of political demobilization (as opposed high level of political mobilization under Sukarno's Guided Democracy) deemed necessary to national development by barring oppositional groups (whether ethnic, religious, or political) from participation in the political processes and imposed its politics of stability and development on the public.

Technocrats, who were in charge of development, thrived in the state of political demobilization under the New Order. They started their technocratic career in the early days of the New Order as Soeharto's economic advisers. They were young academics trained as economists at Indonesia's premier university, the University of Indonesia (hereinafter UI), and abroad who maintained their academic status as UI professors while joining the government as technocrats. Five of them emerged as key members of Soeharto's economic team and founding fathers of the Indonesian technocracy: Widjojo Nitisastro, Ali Wardhana, Emil Salim, Subroto, and Mohammad Sadli.

In the early years of the New Order, there were not very many Indonesians who had the technical expertise to formulate and manage economic policies and to communicate in the language of economics with their counterparts from other countries such as the United States and Japan and from international agencies such as the International Monetary Fund (hereinafter IMF), the World Bank (hereinafter WB), and the Asian Development Bank (hereinafter ADB). The first-generation of technocrats obtained the expertise and the language thanks to their training at foreign, largely American, universities. Their small number and close personal relationships with each other (as well as their expertise) set them apart from the great majority of civilian bureaucrats and military officers who ran the New Order state. While they could have a significant impact on broad economic policies, above all monetary policies and major allocations of government resources, they had relatively little influence on or control over the political and bureaucratic processes that enabled the policy implementation of contracts, licenses, promotions, payoffs, and other micro-economic details (Bresnan 1993, 73).

Technocrats enjoyed Soeharto's trust and confidence as his ally and were appointed as ministers in charge of key economic agencies: Widjojo Nitisastro as Chairman of BAPPENAS (Badan Perencanaan Pembangunan Nasional) (1967–83), Coordinating Minister for Economy, Finance and Industry (hereinafter Menko, 1973–83), and presidential economic advisor (1993–98);[1] Ali Wardhana as Minister of Finance (1973–83) and Menko (1983–88);[2] Emil Salim as State Minister for State Apparatus (1971–73), Minister of Transportation, Communication and Tourism (1973–78), State Minister for Development Supervision and Environment (1978–83), and State Minister for Population and Environment (1983–93);[3] Subroto as Minister of Manpower, Resettlement and Cooperatives (1978–83) and Minister of Mining and Energy (1983–88);[4] Mohammad Sadli as Minister of Manpower (1971–73) and Minister of Mining and Energy (1973–78).[5] They were soon followed by their juniors: J. B. Sumarlin who served as State Minister for State Apparatus (1973–83), State Minister for National Development Planning and BAPPENAS Chairman (1983–88), and Minister of Finance (1988–93);[6] Saleh Afif who served as State

1) Widjojo Nitisastro (UI; Ph.D., University of California, Berkeley) joined Soeharto's advisory team in 1966 as a member of the National Economic Stabilization Board. He was appointed Chairman of BAPPENAS in 1967 and served in that position until 1983, while also serving as Menko from 1973 to 1983. He was appointed as advisor to BAPPENAS (1983–98) and presidential economic advisor (1993–98), while working as professor of economics at UI from 1964 to 1993.

2) Ali Wardhana (UI; Ph.D., University of California, Berkeley) was professor of economics at UI. From 1966 to 1968, he was a member of the Economic Advisory Team of the President, served as Minister of Finance from 1973 to 1983, and replaced Widjojo as Menko from 1983 to 1988.

3) Emil Salim (UI; Ph.D., University of California, Berkeley) served as Deputy Chief of BAPPENAS (1967–71), State Minister for State Apparatus (1971–73), Minister of Transportation, Communication and Tourism (1973–78), State Minister for Development Supervision and Environment (1978–83), and Minister of State for Population and Environment (1983–93).

4) Subroto (UI; Ph.D., University of Indonesia) served as Director General of Research and Development at the Department of Trade, Minister of Manpower, Resettlement and Cooperatives, and finally Minister of Mining and Energy (1983–88) before becoming Secretary General of the Organization of Petroleum Exporting Countries, OPEC, in 1988.

5) Mohammad Sadli (UI; Ph.D., University of Indonesia) studied at the Massachusetts Institute of Technology (MIT) and the University of California, Berkeley, and served as Minister of Manpower (1971–73) and Minister of Mining and Energy (1973–78).

6) J. B. Sumarlin, a UI graduate, who obtained his Ph.D. from the University of Pittsburgh started his technocratic career as deputy chairman for fiscal and monetary matters at BAPPENAS (1970–73), then served as Vice Chairman of BAPPENAS (1973–82) and State Minister for State Apparatus (1973–83); as State Minister for National Development Planning as well as BAPPENAS Chairman (1983–88); and finally Minister of Finance (1988–93).

Minister for State Apparatus and Deputy Chairman of BAPPENAS (1983–88), State Minister for National Development Planning and Chairman of BAPPENAS (1988–93) and Menko (1993–98);[7] Adrianus Mooy as BI (Bank Indonesia) Governor (1988–93);[8] Rachmat Saleh as BI Governor (1973–83) and Trade Minister (1983–88);[9] Arifin Siregar as BI Governor (1983–88) and Trade Minister (1988–93);[10] Soedradjad Djiwandono as BI Governor (1993–98).[11]

As their careers show, four of the first-generation technocrats studied at the University of California, Berkeley, and three of them obtained their Ph.Ds there, hence the group appellation "Berkeley Mafia." But a more appropriate label for the technocrats under Soeharto should have been the "UI-Gadjah Mada Mafia" because many of the technocrats who followed their footsteps were either trained at the UI or Gadjah Mada University, which would serve as the nesting grounds for grooming the technocrats who succeeded the original five.

In the early years of the New Order, technocrats were instrumental in setting the principles that informed the macro-economic policy framework under Soeharto: the

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7) Saleh Afif, another UI graduate, obtained his Ph.D. from the University of Oregon and started his technocratic career as State Minister for State Apparatus and Deputy Chairman of BAPPENAS (1983–88) before being appointed State Minister for National Development Planning and Chairman of BAPPENAS (1988–93) and finally Menko (1993–98).

8) Adrianus Mooy was a Gadjah Mada graduate, and had a Ph.D. in Econometrics from the University of Wisconsin. He joined BAPPENAS in 1967, and rose up the BAPPENAS hierarchy, serving as Bureau Chief for Domestic Finance, Assistant to the Minister for Development Planning/BAPPENAS, and Deputy Chairman for Fiscal and Monetary Affairs (1983–88) before being appointed BI Governor (1988–93).

9) Rachmat Saleh, a UI graduate, joined the BI and climbed the central bank hierarchy as Representative of BI in New York in 1956; Secretary to the Board of Directors of BI in 1958; Head of Research, and later Vice Director of BI, in 1961; Director of BI, 1964; and Chairman of the Directorate of Foreign Exchange Institute, Jakarta, in 1968; BI Governor (1973–83) before being appointed Trade Minister (1983–88).

10) Arifin Siregar graduated from the Netherlands School of Economics, Rotterdam, in 1956; got his Ph.D. from the University of Muenster, West Germany, in 1960; then worked as Economic Affairs Officer in the United Nations Bureau of General Economic Research and Policies in New York in 1961 and the United Nations Economic and Social Office, Beirut, in 1963. He was an Economist at the Asian Development, IMF, in 1965 and a representative of the IMF in Laos (1969–71), then joined the BI as Director in 1971, served as Alternate Governor of the IMF in Indonesia (1973–83) and finally as BI Governor (1983–88) before being appointed Trade Minister.

11) Soedradjad Djiwandono, BI Governor (1993–98), was a graduate of Gadjah Mada (1963) and had a Ph.D. from Boston University (1980). Married with a daughter of Sumitro Djojohadikusumo, the founder of the Faculty of Economics, University of Indonesia, he joined the Ministry of Finance (MOF) as a staff member of the Director General for Monetary Affairs in 1964, rose to Junior Minister for Trade (1988–93) under Arifin Siregar, and was subsequently appointed BI Governor in 1993.

balanced budget, the open capital account, and the pegged exchange rate system. The balanced budget principle and its international institutional framework, IGGI/CGI, served as a mechanism to keep total public expenditures under domestic government revenues plus official capital inflows.[12] It was instrumental in keeping the government from resorting to deficit financing and served to shield the Minister of Finance from excessive financing demands (Ginandjar and Stern forthcoming, 13–14). It also functioned to prevent the government from attempting to raise funds by issuing domestic government bonds (and indeed, the government did not issue domestic bonds until the 1997 crisis). But it was never made into a law. It essentially depended on the ability of the Finance Minister to persuade the President to reject proposals that required excess expenditure. The government also relied on off-budget expenditures, the size of which was often unknown even to senior policy-makers. Over time, the government increasingly resorted to off-budget accounts to fund numerous pet projects (such as the state aircraft industry and Krakatau Steel), finance government election campaigns, and underwrite persistent public enterprise sector deficits by borrowing from state banks (*ibid.*).

The second principle—the open capital account—was introduced in 1971, when the government eliminated controls on foreign exchange transactions, most notably capital flows. The open capital account was meant to provide a further brake on monetary policy by ensuring that any monetary mismanagement would show up almost immediately in an outflow of foreign exchange. And finally, an adjustable pegged exchange rate (the third principle) was meant to maintain the real international value of the rupiah by adjusting the nominal rate to reflect changes in domestic consumer prices relative to the international prices of its major trading partners (*ibid.*).

Technocrats, enjoying Soeharto's trust and armed with the three principles, proved effective in the economic policy-making as long as the president supported them. They formulated broad economic policies collectively. A good example is monetary policy. Under the New Order, the BI was not independent. Central Bank Law No. 13, 1968 (Law of the Republic of Indonesia Number 13 of 1968 concerning the Central Bank) explicitly stated that BI implement monetary policy formulated by the Monetary Board. The board was composed of the Finance Minister, Minister of Trade and Industry, State Secretary, government Economic Advisers (Widjojo Nitisastro and Ali Wardhana, that is), and the Governor of BI. Policy recommendations and decisions as well as their implementation were in due course reported and discussed with the President. Decisions

12) IGGI (Inter-Government Group for Indonesia) was established in 1966 and was succeeded by the CGI (Consultative Group on Indonesia) in 1992 as an international framework for consultation to provide concessionary loans to the Indonesian government.

were generally made after going through him. Sometimes decisions were made for immediate implementation. Otherwise, they went through Cabinet meetings, which were conducted once a month (Djiwandono 2004, 46).

But the above technocrats only represented one school of thought on Indonesia's economic development. They adhered to the doctrine of free trade and advocated limiting state intervention in the market to a minimum and guaranteeing as much as possible the free economic activities of the private sector. They also hewed to the notion of "comparative advantage" of a country for economic development. Another school of thought—mainly represented by engineers, many of whom were trained at the Bandung Institute of Technology (ITB)—believed in industrial policy and upheld state-led economic nationalism, arguing that the state should actively intervene to promote long-term growth of domestic industries, if necessary shielding these domestic industries from outside competition.

Officials representing these two opposing camps sought Soeharto's support and blessings. Indonesia's development strategies oscillated between the two schools of thought as Soeharto oscillated between the two strategies. When the economy was booming, economic nationalism manifested itself in the form of large-scale capital-intensive state projects, which often turned out to be wasteful and served to increase Indonesia's external debt. When the economy experienced a downturn, those projects were shelved, the exchange rate was devalued, and deregulations were introduced to integrate the Indonesian economy more deeply into the global market.

BAPPENAS was the stronghold of technocrats with the physical presence, either formal or informal, of Widjojo Nitisastro, while the nationalist school was represented by such high-ranking officials as B. J. Habibie, who served as State Minister for Science and Technology and Chief of Technology Assessment and Application Agency (Badan Pengkajian dan Penerapan Teknologi, BPPT) from 1983 to 1998; Ginandjar Kartasasmita who served as Junior Minister for the Promotion of Domestic Products (1983–88), Head of the Investment Coordinating Board (Badan Koordinasi Penanaman Modal, BKPM) (1985–88), Minister of Mining and Energy (1988–93), and State Minister for National Development Planning and Chief of BAPPENAS (1993–98); Hartarto, Minister of Industry (1988–93); and Tunky Ariwibowo, Minister of Industry (1993–95) and Minister of Industry and Trade (1995–97). Rent-seekers with vested interests, above all presidential cronies and, increasingly, Soeharto's family members, openly allied themselves with the nationalist school.

Technocrats had their heyday in the mid- to late 1980s. One contentious issue between technocrats and nationalists was import controls. In 1982, an "approved traders" system was introduced. The system established a list of categories of raw materials, components, and products that could be imported only by specified agencies. By early 1986, 1,484 items were under import license controls and 296 items were under physical import quotas. These items amounted to USD2.7 billion worth of imports in 1985, representing more than half the value of Indonesia's total imports. These controls did little to protect local industries, and functioned more as a means of generating income for the president's family and friends (Bresnan 1993, 247, 249). Another issue was controls on private investment. Foreign investment was tightly controlled; from 1974 onward, the Investment Coordinating Board (BKPM) issued comprehensive guidelines every year listing the priority areas for investment. Under the leadership of Ginandjar Kartasasmita, the 1985 investment priority list, for instance, included 400 projects which were open to foreign investors, others which were restricted to domestic investors, and areas that were closed to investment altogether (*ibid.*, 251).

But oil revenues were declining because of the collapse of oil prices in the early 1980s. The Fourth Five-Year Plan, announced in 1984, made it clear that the days of state-funded projects were over. The Plan estimated that the economy would have to create nine million new jobs over the five-year period; this in turn would require the investment of Rp145.2 trillion, but the government budget would only be able to provide around half of that amount. The remainder, Rp67.5 trillion, would have to come from the private sector and state enterprises. Both the Commander in Chief of the Armed Forces Gen. Benny Murdani and the State Secretary and Chairman of the government's party, Golongan Karya (Golkar) Lt. Gen. Suhdarmono—Soeharto's two top lieutenants in those days—called on ethnic Chinese businessmen to support the Plan by calling for the end of racial discrimination in government policies (*ibid.*, 254–255).

With this broad political backing, technocrats took initiatives toward deregulation from 1983 to 1989. The economic team which retained control over the major economic portfolios took steps to reform the financial system, adopted a more open trade stance, and introduced a modern tax system (Ginandjar and Stern forthcoming, 17). Soeharto took his economic ministers' advice, as he had on earlier occasions when resources were constrained. Menko Ali Wardhana and his economic ministers proceeded with their reforms when they had the formal authority, bureaucratic strength, political backing, and Soeharto's personal support to act on such issues as trade, investment, exchange rates, interest rates, and taxes. The incremental approach included bank reforms in 1983; a tax reform at the end of that year; reform of the customs service in 1985; the devaluation of the rupiah in 1986; and partial trade reforms in 1986 and 1987. Investment controls were eased in 1986 and 1987, and in 1988 a package of deregulation measures in trade and customs was announced by Radius Prawiro, the new Menko (Bresnan 1993, 262–263).

But technocrats had lost their momentum and political support by the early 1990s. In the 1993 reshuffle, most of the technocrats were replaced by economic nationalists and bureaucrats (Ginandjar and Stern forthcoming, 17–18). This was in part because of the rise of nationalists led by Habibie and Ginandjar and in part because of the rise of a new breed of career bureaucrats who were able to obtain technical expertise by doing graduate work abroad (technocratic bureaucrats) and who were often supported by Soeharto and his family members and cronies.

Mar'ie Muhammad[13)] replaced J. B. Sumarlin as Finance Minister; Ginandjar Kartasasmita[14)] replaced Saleh Afif as State Minister for National Development Planning and BAPPENAS Chief; S. B. Joedono,[15)] Habibie's ally, replaced Arifin Siregar as Trade Minister; while one of two remaining technocrats, Saleh Afif, was appointed as Menko to replace Radius Prawiro[16)] and another, Soedradjad Djiwandono, replaced Adrianus Mooy as BI Governor.

It is also important to note that the Indonesian economy was undergoing major changes by the early 1990s. The private sector emerged as the driving force for economic growth. There was a general surge in foreign direct investment after the 1985 Plaza

13) Mar'ie Muhammad, a UI Accounting graduate with an Islamic activist background, joined the MOF in 1970 and rose in the Finance bureaucracy to serve, from 1988–93, as Director General of Taxes before being appointed as Minister of Finance from 1993–98. Soeharto gave him the finance portfolio because he had known him since his student activist days and because he was impressed by his performance as the clean and forceful Director General of Taxes.

14) Ginandjar Kartasasmita, a Chemical Engineer graduate of the Tokyo University for Agriculture and Technology (1960–65), rose in the state secretariat bureaucracy from the G-5 of the Supreme Command as one of future Vice President Sudharmono's lieutenants in the early days of New Order to Junior Minister for the Promotion of Domestic Products from 1965–83. He then served as Chief of the Investment Coordinating Board (BKPM) from 1985–88; as Minister of Energy from 1988–93; and finally as State Minister for National Development Planning and Chief of BAPPENAS from 1993–98. He was given the job of the BAPPENAS chief in part because he enjoyed the presidential trust and in part because he was acceptable to B. J. Habibie who was intent on increasing his bureaucratic power at the expense of the technocrats.

15) Satrio Budihardjo Joedono was born on December 1, 1940 in Pangkalpinang, Bangka. A graduate of UI (Economics), he obtained his Ph.D. in Public Administration from the State University of New York, Albany. While teaching at UI (promoted to professor in 1987) and serving as director of the Institute for Economic and Social Research (1970–78) and Dean of the Faculty of Economics (1978–82), he also served as assistant to the Minister of Trade (1970–73) and to the Minister of Research (1973–78), Assistant Minister of Research and Technology (1978–82 and 1986–88) and Assistant Minister for Industry and Energy (1988–93) before being appointed as Minister of Trade (1993–95). Known to be incorruptible, he was elected Chairman of the Board of Audit, 1998–2003.

16) Radius Prawiro, a graduate of the Nederlandse Economische Hogeschool (The Netherlands Economic High School), obtained his Ph.D. from the UI. He began his technocratic career as Governor of BI (1966–73), and served as Minister of Trade in 1973–83, Minister of Finance (1983–88), and finally Menko (1988–93).

Accord as realized foreign investment rose from USD0.3 billion in 1985 to USD4.3 billion in 1995. Most notable was the shift in the ratio of non-oil and gas revenue receipts as a proportion of the Gross Domestic Product (GDP), which rose from slightly more than 8% in 1985–86 to nearly 12% in 1994–95 (*ibid.*, 19, 22). But attempts at curbing vested interests were not very successful. As Menko, Saleh Afif knew that eliminating or even reducing the monopolies Soeharto's cronies controlled would be impossible. Protectionism also reared its head in the form of Soeharto's son's national car project, which began in 1996 and was routinely ridiculed as the "family car project."

But most important was the fact that as private capital flows increased in the 1990s, the government found it increasingly difficult to manage the exchange rate regime. The BI purchased foreign currencies to manage increasingly large capital inflows and to prevent an appreciation of the rupiah, thereby increasing the money supply and forcing the BI to offer higher Certificates of Deposit rates to raise interest rates, which in turn invited more private capital inflows under the pegged exchange rate regime. As the economy overheated and the real exchange rate appreciated, imports grew rapidly while exports slowed down. Though the government took steps to reduce domestic demand, it failed to address the issue of export growth. As a result, the growing trade imbalance and Indonesia's debt, above all short-term private debt, began to rise significantly. The BI widened the intervention bands around the pegged exchange rate in a belated effort to introduce more flexibility into the foreign exchange market and to warn offshore borrowers that they were taking considerable foreign exchange risks that had to be covered. But widening the bands was immediately followed by pressures that drove the exchange rate to the appreciation edge of the band. Serious concerns were also raised when it became known that the president's cronies and family members were using state banks to obtain foreign funds for a range of large investment projects since such borrowings were assumed to have a measure of sovereign guarantee. In short, adherence to the exchange rate regime in place led in the 1990s to significant and large unhedged foreign exchange exposure by many Indonesian companies. Eventually, widespread bankruptcies would follow when the exchange rate regime collapsed in 1997–98.

Technocrats in Crisis

The implicit inconsistency between the open capital account policy and the reliance on a pegged exchange rate was exposed when the economic crisis started in Thailand and spread to Indonesia (Ginandjar and Stern forthcoming, 17, 34–35). Technocrats initially believed that Indonesia's economic fundamentals were sound and viewed the crisis as containable.[17] They in fact characterized it as a "mini crisis" that could be used to redress long-term structural problems which had not been addressed after the deregulations lost steam in the early 1990s. Between 1989 and 1996, real GDP growth averaged 8%; the overall fiscal balance remained in surplus after 1992; public debt as a share of GDP fell; and inflation hovered near 10%. Confident of Indonesia's sound economic fundamentals, technocrats seized the opportunity to persuade Soeharto to introduce structural reforms as they deemed fit and to address structural problems such as expanding bad loans in the banking sector, the dependence of business groups on short-term dollar-denominated funds from foreign sources, and the control of Soeharto's children, lieutenants, and crony business tycoons over commanding heights of the Indonesian economy.

The government abandoned its long-standing crawling peg exchange rate regime on August 1, 1997; in September, the government announced 10 policy measures, which technocrats named their own IMF conditionality, calling for financial and fiscal tightening and structural reforms, including the suspension of government development projects and banking sector reforms, i.e., bailing out healthy banks which faced temporary liquidity difficulties, merging unhealthy banks with other banks, or else liquidating them (Shiraishi 2005, 33; Ginandjar and Stern forthcoming, 48).[18]

Yet the rupiah kept going down; by early September 1997, it plunged below the symbolic USD1:Rp3,000 line. On October 8, Widjojo persuaded Soeharto to ask for assistance from the IMF. The President appointed Widjojo Nitisastro to head the eco-

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17) What Djiwandono has to say in his memoirs is instructive. He writes: "A question that I kept being asked was, if our fundamentals were strong how come Indonesia suffered so much? To shed some light on this issue, I like to think that there is a different perception about what constitutes the macro fundamentals of an economy. I would argue that at least until the Asian crisis, macroeconomists generally thought about growth of national products, exports, current accounts, inflation rates, unemployment rates and several other macro indicators every time they talked about economic fundamentals. I would even argue that, in general, macroeconomists did not include the state of the banking sector as an important item in economic fundamentals. Banking issues have traditionally been treated as microeconomics. . . . In other words, in a macro-economic analysis, the workings and soundness of the banking sector had been assumed to be present or taken for granted" (Djiwandono 2004, 28).

18) Djiwandono says about the bank closure as follows: he went to President Soeharto to propose closing seven small commercial banks as a first step in December 1996. But the President did not approve the proposal and instructed Djiwandono to finalize a government decree to regulate bank closure. It was issued at the end of 1996 as Government Decree No. 68, 1996. In April 1997, he went back to the President with the proposal to close the seven banks once again. This time he approved it, but asked him to postpone execution until after the 1997 general election and the general assembly of the People's Consultative Assembly in March 1998. The financial crisis began in July 1997 (Djiwandono 2004, 128).

nomic team to make the necessary preparations to notify the IMF (Djiwandono 2004, 63). The team was composed of members of the Monetary Board—Minister of Finance Mar'ie Muhammad, Minister of Trade and Industry Tungky Ariwibowo, State Secretary Moerdiono, Economic Advisors Widjojo Nitisastro and Ali Wardhana, and BI Governor Soedradjad Djiwandono. Interestingly, Ginandjar Kartasasmita, BAPPENAS Chief, was not included in the team. A small team who negotiated the program in details assisted the team, which was composed of Director General of Financial Institutions (MOF) Bambang Subianto, BI Managing Director Boediono, and Assistant to Coordinating Minister for Economic and Financial Affairs Djunaedi Hadisumarto.

In November 1997, the government signed the letter of intent (LOI) with the IMF. The President was well aware of the essence of the program. But Soedradjad Djiwandono tells us in his memoirs that whether the program should be precautionary or stand-by was never brought up in discussions between the economic team and the President. After the signing of the first LOI, BI Governor proposed at an economic team meeting that the team should explain the details of the program, including the meaning of first and second line of defense and the issue of conditionality, to the President. But Widjojo Nitisastro, the chairman of the team, decided to wait for a better moment. This never happened (*ibid.*, 72).

The November 1997 LOI was based on the assumption that the crisis was essentially a moderate case of contagion and overshooting of the exchange rate. The program was thus designed for such a mild crisis (Ginandjar and Stern forthcoming, 49). But the LOI required every structural and bureaucratic reform that were deemed good for Indonesia. Both technocrats and the IMF wanted to use the crisis to achieve what Indonesian technocrats had worked for. Taking over the broad reform agenda without fully appreciating what the reforms entailed, what political and social changes they implied, and the capacity of the government to manage such rapid economic change, the team and the IMF not only weakened the focus of its own agenda but in the end undermined the political structure that had evolved under Soeharto over 40 years (*ibid.*, 109).[19]

The structural reforms required by IMF not only threatened to hurt the business interests of Soeharto's children, his crony business tycoons, and his lieutenants, but also worked to undermine Soeharto's huge patronage networks and the informal funding

19) It is useful to note what Djiwandono has to say about the conditionality and the bank closure. He writes on the IMF conditionality that "my instincts told me then that our government would not be able to fulfill the stringent conditionality that went with the stand-by arrangement" (Djiwandono 2004, 64). He also tells us about the bank closure as follows: "I was comfortable about liquidating the seven banks with the President's approval. However, I had to admit that liquidating more than twice the number of banks really scared me" (*ibid.*, 130).

mechanisms of state agencies (including the military). When the government closed 16 troubled banks and suspended government development projects right after it signed the agreement with the IMF, Soeharto learned that he was duped. He allowed his son to take over another bank and revived government development projects the government had suspended and which were controlled by his family and crony businesses. The closure of banks also triggered a bank run and led to a systemic crisis in the banking sector.

Technocrats' attempt to correct the "distortions" of cronyism backfired because they failed to understand the huge political significance and functions of patronage under the New Order. In trying to rein in the activities of Soeharto's children as well as cronies, the technocrats not only antagonized their President, but unwittingly triggered a crisis in an already jittery market. Bank closures, rather than addressing the question of unhealthy banks, had the opposite effect, undermining confidence in *all* private banks and precipitating an open political confrontation between the presidential family and the Minister of Finance and BI Governor. The presidential family won the battle. But the price paid was high: the market confidence in the government will in complying with the IMF conditionality was deeply undermined, while technocrats lost the presidential confidence.

The most contentious issue between the President and the economic team was the question of liquidity. The BI had to deal with banks that suffered from bank runs, but adding liquidity into the banking sector could jeopardize the efforts to strengthen the rupiah and possibly violate IMF conditionality. The BI thus found itself in between the two opposing camps. "On the one hand, the President mounted pressure for easing liquidity to help the weakening real sectors. On the other hand, the Fund (IMF) kept reminding BI of the need to keep interest rates high to defend the rupiah as agreed upon in the LOI" (Djiwandono 2004, 99). Besides, the President instructed state banks to start lending to small and medium scale enterprises with subsidized rates of interest. To make things worse, this scheme was designed by the President and some Cabinet ministers and senior officials of several ministries without consulting either the Governor of BI or the Ministry of Finance (*ibid.*, 112–113). Soedradjad Djiwandono asked for the presidential approval to raise the interest rate in compliance with the LOI, but he never got it (*ibid.*, 113). Instead the President instructed the BI to inject liquidity into the troubled banks and loosen monetary controls. The resulting sharp increase in liquidity support from the last quarter of 1997 to 1998 spurred further deterioration of the macro-economic situation and increasingly strained the relationship between the government and the IMF (Ginandjar and Stern forthcoming, 95). Sino-Indonesian businesses benefited the most from the liquidity support. A 2000 study by the Supreme Audit Agency (Badan Peneriksi

Keuangan) claimed that around Rp138 trillion of the BLBI funds issued was misused between 1997–98 (*ibid.*, 96).

Then, in December 1997, Soeharto fell seriously ill and did not attend the ASEAN summit meeting. This instantly transformed the economic crisis into a political crisis. Conflict manifested itself again between the government and the IMF in January 1998 when the government announced a draft budget with no surplus, in spite of the IMF requirement of a 1.3% GDP surplus in the November agreement. The draft budget was also criticized for its "unrealistic" tax revenue and exchange rate assumptions. In reaction, the rupiah plummeted by 70%, reaching 10,000 rupiah per dollar. Another round of negotiations between the government and the IMF began. This time, though, it was Soeharto himself, and not the technocrats, who took charge of the negotiations with IMF representative Stanley Fisher (*ibid.*, 51)—another sign that the President had lost faith in his economic team. To compound the matter, Soeharto pointedly chose not to invite the Minister of Finance and the Governor of BI to the official signing of the LOI.

By that time, US high officials began to see Soeharto as part of the problem. Soeharto understood this very well and wanted to wage what he called "guerrilla warfare." He let the IMF spell out all the structural reform measures it wanted (which amounted to over 100) without any intention of abiding by the conditionality (Shiraishi 2005, 24; Ginandjar and Stern forthcoming, 53). Soeharto also entertained the possibility of introducing a currency board system as a solution to the crisis, calling it "IMF plus"; this was supported by some officials in the MOF (Ginandjar and Stern forthcoming, 52). Japan and the United States, however, were alarmed since the ill-timed introduction of a currency board system would instantly deplete Indonesia's foreign currency reserves and devastate the Indonesian economy while providing Soeharto's children and cronies with a small window of opportunity for bailout. BI Governor Soedradjad Djiwandono opposed the idea and was dismissed in February 1998.[20] In a few weeks, Deputy Governor of the BI, Boediono, was also dismissed.[21] Ginandjar writes: "For a time it seemed that Finance Minister Mar'ie Muhammad would be headed for a similar fate but he survived for reasons that may never be known" (*ibid.*, 101).

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20) To be precise Soedradjad Djiwandono never opposed a CBS because he was afraid to publicly air his difference with the President on the matter. But he says he also knew that being vague was the best technique in that peculiar environment to send a message to the President that he did not support the CBS scheme (Djiwandono 2004, 9, 19).

21) In fact all the BI managing directors except one, Syahril Sabirin, were dismissed before their terms ended (Djiwandono 2004, 3). This untimely dismissal demonstrated his intention to the public that he would punish any official for violating his unwritten rule not to embarrass his family (*ibid.*, 12).

With the economic team in disarray, Japan and the United States intervened. President Clinton sent former Vice President Walter Mondale in March 1998 to dissuade Soeharto from introducing a currency board system. Suspicious of US intentions, however, Soeharto was in no mood to listen to the US envoy. The meeting was cut short when Soeharto rejected Mondale's suggestion about the need for "political reform." Shortly thereafter, Japanese Prime Minister Ryutaro Hashimoto visited Indonesia, met with Soeharto, persuaded him not to introduce the currency board system, and opened the way for yet another IMF rescue package, which was to be agreed on in April 1998.

In the meantime, Soeharto was re-elected president once again on March 11, 1998, with B. J. Habibie as his vice president. The positions of Menko and BAPPENAS chief were held by Ginandjar Kartasasmita. Fuad Bawazir,[22] who was known to be close to Soeharto's children and in favor of introducing a currency board system, was appointed as the Minister of Finance, while Syahril Sabirin,[23] the only survivor of the BI massacre and in support of a currency board system, had replaced Djiwandono as BI Governor. The new cabinet thus further reduced the role of technocrats with some ministers becoming closely identified with the presidential family.

After his re-election, Soeharto established the Economic Stabilization Council with Menko Ginandjar Kartasasmita as its executive chairman. Ginandjar promptly set as his top priority the need to repair relations with the international community and regain market confidence. The committee also had Anthony Salim, the son of Indonesian Chinese business tycoon Liem Sioe Liong, as Secretary General (*ibid.*, 55–58). He also regularly consulted with Widjojo.

Ginandjar was in charge of negotiations with foreign governments and the IMF. His counterparts were the so-called "Three Musketeers": US Treasury Undersecretary for International Affairs, David Lipton; Japanese Vice Minister for International Finance, Eisuke Sakakibara; and German Director General of International Affairs, Ministry of Finance, Klaus Regling. The committee decided to abandon the currency board scheme,

22) Fuad Bawazir who is of Arab descent and a Gadjah Mada graduate with a Ph.D. from the University of Maryland rose in the MOF hierarchy. Similar to Mar'ie Mohammad, he had an Islamic activist background and granted favors to Soeharto's family members while he was Director General of Taxes before he was appointed the Minister of Finance.

23) Syahril Sabirin, a graduate of Gadjah Mada University (1968), obtained his Ph.D. in 1979 from Vanderbilt University. From 1969 to 1993, he worked at the BI, rising in the bank hierarchy and serving as section chief for current account (1982–83) and for bank development (1982–84), bureau chief of economics and statistics (1985–87) and of clearing (1987–88), and director (1988–93). He was senior financial economist at the WB (1993–96) before returning to BI as director (1997–98), and finally as governor (1998–2003).

reestablished dialogue with the IMF, and concluded a new LOI two weeks after the new cabinet was formed. Ginandjar states that all the programs resulting from the negotiations were embraced by the Indonesian economic team as its own. All the government departments were given specific and written instructions by the Menko to carry out reforms within their areas of responsibilities and to abide by the timetable (*ibid.*, 56–57).

But it was too late. By then Soeharto's politics of stability and economic development had been thoroughly discredited. Its collapse was triggered by the fuel price increase in May 1998. Following massive riots in May in Jakarta and elsewhere, Soeharto resigned. The New Order came to an end.

The Remaking of Indonesian Technocracy

B. J. Habibie succeeded to the presidency according to constitutional stipulation. He had a weak presidential mandate and power base. He chose to present himself as a reformer, initiating measures in the name of *reformasi*, which eventually led to the transformation of the Indonesian political system from developmental authoritarianism into decentralized democracy.

The basic shape of the post-Soeharto regime was defined by the constitutional revisions and new laws introduced over the transitional period under Presidents Habibie (May 1998–October 1999), Abdurrahman Wahid (October 1999–July 2002), and Megawati Sukarnoputri (July 2002–October 2004). These constitutional revisions—which took place incrementally from 1998 to 2003—reformulated the relationship among the three branches of government in terms of the division of powers. The President and the Vice President, formerly elected by the People's Consultative Assembly (Majelis Permusyawaratan Rakyat, hereinafter MPR), are now to be elected directly; the legislature is to consist of the DPR (Dewan Perwakilan Rakyat), the Council of People's Representatives and the newly created DPD (Dewan Perwakilan Daerah), the Council of Local Representatives; and the MPR, the highest decision-making body under Soeharto which saw the peak of its power in the transitional years under B. J. Habibie and Abdurrahman Wahid, lost much of its powers. While Soeharto controlled the MPR through direct and indirect appointment of its majority members and by extension all the government organs, constitutional revisions in the post-Soeharto era have created a division of powers in which the presidency has to share power with a parliament whose members are directly elected and in which political parties dominate. Elections, both parliamentary and presidential, are to be held every five years and define the national political calendar. Though still powerful with its own sphere of influence and interests curved out in the name of national unity and security, the army no longer dominates politics. The military doctrine of dual functions was scrapped and military officers were withdrawn from the civilian arm of the state. New defense and police laws were enacted. The army domination over the military establishment came to an end. Navy and air force officers serve as a military chief in rotation with army officers. The police was separated from the military (Matsui and Kawamura, 2005, 75–99; Honna, 2013).

Free and fair parliamentary elections were held in 1999, 2004, and 2009. The first direct presidential election, which brought the current president Susilo Bambang Yudhoyono to power, took place in July and October 2004. The second presidential election brought the incumbent back the second term in 2009. Democratization has also gone hand in hand with decentralization. New laws on local autonomy and local finance in 1999 have created local governments which are no longer accountable to the central government but answer to the local parliament. While Soeharto could in effect appoint provincial governors, district chiefs, and mayors, the central government now has to share powers with local governments. More powers and resources have been devolved to local governments, above all district and municipality governments at the expense of—and often in tension with—the central and the provincial government. An increasing proportion of central government budget has been allocated to local governments: from 19.3% in 2001 to 30.7% in 2005, when direct elections of local chiefs started, to 33.9% in 2007. Expanded authority combined with guaranteed and increasing resource allocation to the local governments created incentives for local groups to create more local governments and to control such governments with their own men. The number of districts and municipalities increased from 311 in 1998 to 478 in 2008 while the number of provinces expanded from 27 in 1998 to 41 in 2008. Parties formed coalitions to control local governments, the composition of a governing coalition different from one locality to another, some being made up with only nationalist parties or Islamic and Islamist parties, but more often combining both nationalist and Islamic and Islamist parties (Okamoto 2010).

In democratic politics, the DPR, the lower house of the parliament, has emerged as a new power center along with the presidency and the military, and electoral politics has assumed a crucial role in organizing the government. Yet no single party controls the parliament. A party or two may emerge or disappear every election, but the multiparty system will remain with no single party controlling the parliament, as long as the current electoral system stays and deep social divisions along religious (pious Muslims vs. statistical Muslims and non-Muslims, traditionalist vs. modernist Muslims), ethnic, and class lines inform party divisions. It is not easy for any president to organize any cabinet to work as a team because a "team" composed of technocrats, professionals, military officers, bureaucrats, and politicians from different parties needs to be cobbled together not only for the business of governing but also for achieving a majority in the parliament.

This is evident in all the teams assembled by the successive Presidents. Instrumental in checkmating Soeharto in his final days, Ginandjar Kartasasmita emerged as a key player in the Habibie government, along with the President himself and General Wiranto, Commander in Chief of the Armed Forces and Defense Minister. Ginandjar, not Habibie, assembled his economic team as Menko, including Boediono[24] (formerly Ginandjar's deputy for macro-economic affairs at BAPPENAS before his transfer to the BI) as BAPPENAS Chief and State Minister for National Development Planning, Bambang Subianto[25] as Minister of Finance (appointed at Widjojo's recommendation), and Syahril Sabirin as BI Governor. The arrival of Abdurrahman Wahid as the fourth President marked a clear break with the New Order past. Elected as an outcome of back room dealings among political party bosses in the MPR, his cabinet was dominated by party politicians: out of 35 cabinet ministers in his first cabinet, 22 were party politicians while 6 were retired military officers and 4 career bureaucrats; in the second cabinet, 11 party politicians, 4 military officers, 6 career bureaucrats in the 26 member cabinet. Kwik Kian Gie,[26] Indonesian Democratic Party of Struggle (Partai Demokrasi Indonesia Perjuangan, hereinafter PDI-P) politician and Vice President Megawati's confidant, became Menko. Bambang Sudibyo,[27] Gadjah Mada accounting professor and a confident of National Mandate Party (Partai Amanat Nasional) Chairman and People's Consultative

24) Boediono was trained abroad (B.A., University of Western Australia; M.A., Monash University; Ph.D., Wharton School of Business, University of Pennsylvania) and served as deputy for fiscal and monetary affairs at BAPPENAS (1988–93) and Deputy Governor of the BI (1993–98) before being made State Minister for National Development Planning and BAPPENAS Chief in 1998.

25) Bambang Subianto, a graduate of Leuven Catholic University in Belgium, rose in the finance hierarchy to become Director General of Monetary Affairs, and was appointed the first Chief of Indonesian Bank Restructuring Agency, only to be dismissed by Soeharto after a few months.

26) Kwik Kian Gie, born in Juwana, Central Java, is of ethnic Chinese ancestry. A graduate of the Nederlandse Economische Hogeschool (The Netherlands Economic High School) Rotterdam in 1963, he worked as an investment company executive and joined the Indonesian Democratic Party (PDI). He served as a member of the People's Consultative Assembly (MPR) from 1987 to 1992. He became the chief economic advisor to Megawati Soekarnoputri after her election as the Chairman of PDI in 1994. He headed the party's research and development department until Megawati elected as Vice President before he was appointed as Menko under Abdurrahman Wahid.

27) Born in Temanggung, Central Java, on October 8, 1952, Bambang Sudibyo, a graduate of Gadjah Mada University and a Ph.D. (Business Administration) from the University of Kentucky (1985), spent most of his career at Gadjah Mada University. He joined the National Mandate Party when it was established in 1998 and served as chairman of its Economic Council before he was appointed as Finance Minister under Abdurrahman Wahid.

Assembly (Majelis Permusyawaratan Rakyat, MPR) General Chairman, Amien Rais, was appointed Finance Minister. Djunaedi Hadisumarto,[28] inheriting the technocratic mantle, served as Chairman of BAPPENAS, but was not made State Minister for National Development Planning. Syahril Sabirin remained as BI Governor. In the second Abdurrahman Wahid cabinet, Rizal Ramli—a former student activist with the background in engineering who was sent by technocrats to do graduate work at Boston University, but who rebelled against his seniors by openly attacking technocracy and establishing his own business consultancy firm upon his return to Indonesia—became Menko, while Prijadi Praptosuhardjo, previously Bank Rakyat Indonesia director, became Finance Minister.[29]

Mindful of the fate of Abdurrahman Wahid whose administration was chaotic and who was eventually ousted from power in impeachment, Megawati was careful not to antagonize any party. The Jakarta elite had also come to the agreement that political alliance alone would not suffice to lift Indonesia out of the mess and that Megawati needed "professionals" unbound by party politics. She gave ministerial positions to party representatives, but reserved some of the more important economic posts for non-partisan professionals and her confidants. Dorodjatun Kuntjoro-Jakti,[30] UI professor of political economy whom Soeharto in his final days sent to the United States as ambassador, was appointed Menko; Boediono Minister of Finance; and Kwik Kian Gie Minister of National Development Planning. Burhanuddin Abdullah replaced Syahril Sabirin in 2003 as BI Governor.

By the time Susilo Bambang Yudhoyono came to power in 2004, Boediono had

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28) Under normal circumstances, Djunaedi Hadisumarto should have inherited the mantle from Boediono to serve as State Minister for National Development Planning and Chief of BAPPENAS. But Abdurrahman Wahid did not appoint any minister for national development planning. Djunaedi, a UI graduate and UI professor of economics, had served as Secretary General of the Ministry of Transportation and Vice Chairman of BAPPENAS under Boediono before being promoted to Chairman of BAPPENAS.

29) Rizal Ramli, a graduate of the ITB and a student activist, obtained Ph.D. in economics from Boston University in 1990. Upon completion of his graduate work, he established an economic research and publishing firm, Econit, and emerged as a critic of Soeharto's crony Liem Sioe Liong, Freeport, and the IMF. He served as Head of the National Logistic agency (Bulog) before he was appointed as Menko from 2000 to 2001. Prijadi Praptosuhardjo, Abdurrahman Wahid confidant, is a graduate of the Bogor Institute of Agriculture (IPB) where he studied fishery. He spent his career in Bank Rakyat Indonesia (BRI) where he became friends with Abdurrahman Wahid. He was appointed as BRI director in 1992 but failed in his bid to become the bank president despite Abdurrahman Wahid's recommendation. Instead, he was appointed Minister of Finance.

30) Dorodjatun Kuntjoro-Jakti, a UI Economics graduate, holds a Ph.D. (Political Economy) from the University of California at Berkeley, and was ambassador to the United States before being appointed as Menko under Megawati.

restored the credentials of technocrats by his success in achieving macro-economic stability. With his party controlling only 10% of the parliament, it was imperative for the President to gather a stable parliamentary majority. He enlisted most of the political parties except Megawati's PDI-P for the government coalition, while encouraging the Vice President to take over the Golkar leadership and destroying the opposition coalition of PDI-P and Akbar Tandjung-led Golkar. But he paid a high price. He gave almost one third of ministerial positions to party representatives in organizing his cabinet and allowed the Vice President to have a say in appointing economic team members, even though parties, including the Golkar, in the governing coalition do not hesitate exploiting opportunities to promote their own gains at the expense of the President and the government.

As mentioned earlier, the fact that the Indonesian economy did well under Yudhoyono enhanced the stature of his Finance Minister Sri Mulyani and was a factor in his designation of BI Governor and former Menko Budiono as his running mate in the 2009 presidential election. Given the new division of powers and the effects of decentralization on center-local relations, however, it is clear that the president can no longer preside over Indonesia's political life in the way Soeharto had done before. This was amply demonstrated recently when Sri Mulyani was sent off to the IMF in 2010 despite (or perhaps because of) her success as Finance Minister because her principled budget-making angered many politicians, particularly Golkar boss Aburizal Bakrie, who demanded pork barrel funding. Even a technocrat of her stature who has enjoyed good relations with the President can be politically expendable.

The government can take policy initiatives to address problems and policy issues only on the basis of an achieved national consensus. But achieving a national consensus under the new democratic dispensation is a challenge precisely because the era of political demobilization is over and various social forces are making themselves felt in political processes.

There are important commonalities among those who now dominate local and national politics: the great majority of national and local parliamentary members are men, born in the areas they represent (*putra daerah*), highly-educated at least formally, with activist backgrounds in party, youth, and religious organizations (whether nationalist or Islamic), belong to Indonesia's small but fast expanding middle classes, and are represented by business people, professionals, civil servants, school teachers, military and police officers, religious teachers, and journalists. There are hardly any parliamentary members with peasant, labor, and urban poor backgrounds.

The implications are clear. In national as well as local politics, local men with middle-class backgrounds dominate. In part a product of Soeharto's politics of stability and development, this emergent elite thrived under Soeharto, but now encompasses formerly marginalized (but nonetheless middle-class) groups composed of journalists, school teachers, and religious leaders. This elite shares in the belief that economic growth is the key to Indonesia's future, and is in a position to make its belief a part of the national agenda, even though its members disagree on how to achieve growth and they do not shy away from calling for populist and protectionist measures in the name of welfare whenever those measures suit their political and economic interests. In his election manifesto, Yudhoyono (2004) made the achievement of economic growth, along with maintaining national unity, central to his agenda. The new system of decentralized democracy has also worked for him, despite its decisive curbing of the executive power of the presidency.

At the same time, however, decentralization has given real powers and resources to local governments, above all district chiefs and mayors. To see how decentralization combined with democratization, above all direct elections of local chiefs worked, it is useful to examine two provinces with very different sets of social conditions, North Sumatra and Central Java (including the special region of Yogyakarta).

In North Sumatra, which is ethnically and religiously highly diverse (with 33% Javanese, 16% Tananuli Bataks, 10% Toba Bataks, 8% Mandailing Bataks, 6% Nias, 5% Karo Bataks, 5% Malays, 3% Angkora Bataks as well as smaller minorities, while 65% Muslim, 27% Protestant, 5% Catholic, 3% Buddhist), the number of districts and mayoralty increased from 19 in 2000 to 26 in 2008 (BPS 2001a). Seventeen small parties (which do not have members in the national parliament) along with seven national parties helped forge governing coalitions that differed in composition and membership from one district to another (on average, about 2.7 small parties in a coalition). In 12 out of 26 districts/municipalities, governing coalitions were made up with a combination of nationalist parties (PD, Golkar and/or PDI-P) and Islamic parties; only 4 districts/municipalities were controlled by Islamic/Islamist parties.

In Central Java which is ethnically and religiously homogeneous, with 98% Javanese and 96% Muslim, a different picture obtains (BPS 2001b). The number of districts and municipalities has remained the same. A smaller number (2.3 on average) of small parties joined governing coalitions in smaller number of districts and municipalities (6 out of 40); in 18 out of 40, a coalition of nationalist parties (PD, Golkar and/or PDI-P) with Islamic and Islamist parties, while 6 districts and municipalities came under the governing coalition of Islamic and Islamist parties.

The implications should be clear enough. In ethnically diverse North Sumatra, ethnic politics are now very much localized and contained in local politics because ethnic groups have ended up with creating their own local governments and/or joining governing coalitions. Religious politics have also to some extent come to be contained locally

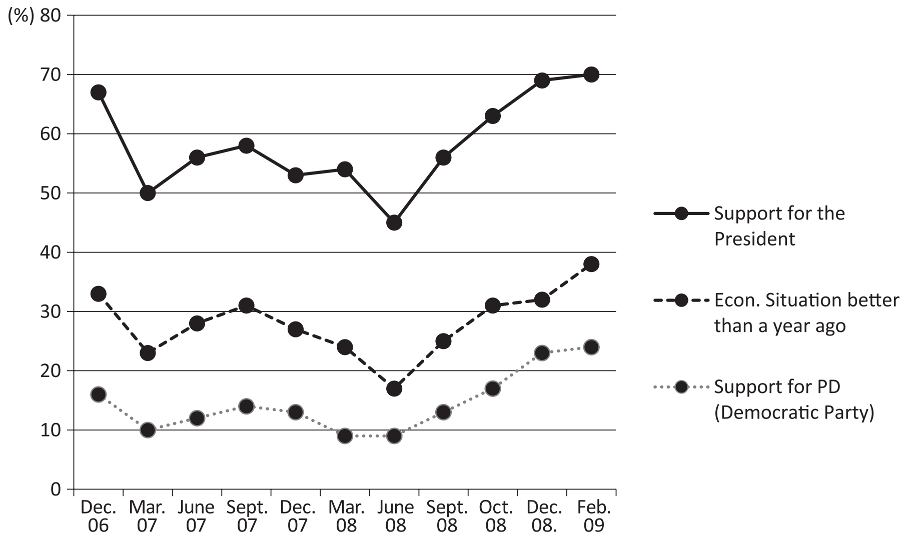

Fig. 1 Economic Performance and Public Ratings of the President and the Democratic Party
Source: Lembaga Survei Indonesia (LSI) (2009).

because the areas with a high concentration of pious Muslims now have Islamic/Islamist party coalition under which local governments introduce religious regulations to meet the demands of pious Muslims, while in other districts these religious issues remain muted because of the coalition that brings together both nationalist and Islamic/Islamist parties.

To put it simply, democratization and decentralization have "contained" ethnic and religious politics by localizing them. Politics of identity, once suppressed by Soeharto, now thrives, but as a local issue, with some exceptions (such as pornography) flaring up occasionally. "National" issues are now largely framed by, and very much tied to, a politics of economic growth, with the central government deriving its public support and electoral success from its perceived capacity to deliver economic growth, create jobs, reduce poverty, and keep inflation under control as we can see in Fig. 1. The language of economic growth—a byproduct of economics as a discipline—is part of a discursive field in which technocrats claim expertise. But the irony is that the elevation of this discourse of economic growth to the national agenda comes at a time when technocrats have become no more than technicians who are charged with "fixing" the economy while having no control or say over how politics, or more specifically the purpose of politics, is defined. The transformation of technocracy and the changing conditions under which technocrats now work need to be located—and can only be understood—within this larger context of political and ideological transformation, rather than a simple question of economics and economic policy.

This is not to say that Indonesia did not undergo important institutional changes for the economic policy-making in these transitional years. The Central Bank Law, enacted in 1999 under Habibie, guaranteed the independence of the BI from the government for the first time; and prohibited the BI from purchasing government domestic bonds. BI's independence was tested in 2000 when President Abdurrahman Wahid asked BI Governor Syahril Sabirin to resign while promising him other positions. Syahril Sabirin refused to resign and was arrested and put in jail, but was subsequently cleared of all charges by the High Court.[31] It was a symptom of the technocrats' marginalization from economic policy-making that Wahid's first Coordinating Minister (Menko) for Economic Affairs, Kwik Kian Gie, went so far as to refer to his government as "they" and did not bother to coordinate. No State Minister for National Development Planning was appointed, because the President wanted to undercut the power of BAPPENAS.[32]

Under Megawati, who came to power in July 2001, restoring macro-economic stability became the top priority. Megawati appointed "professionals" who were unbound by party politics to two strategic posts for this objective. Boediono[33] was named Minister of Finance and Burhanuddin Abdullah replaced Syahril Sabirin as BI Governor. Both Boediono and Burhanuddin did their jobs well to achieve macro-economic stability and banking sector reform to pave the way for Indonesia's graduation from the IMF program. But the economic ministers did not work as a team. Megawati confidant Kwik Kian Gie, appointed Minister of State for National Development Planning, openly attacked his own agency, BAPPENAS, as a nest of corruption.

Megawati years also witnessed two major institutional developments in the economic policy-making. One was the enactment of Law Number 17 on State Finance in 2003. It introduced the European Union Maastricht treaty-type rule to achieve economic

31) For Abdurrahman Wahid's attempts to oust Syahril Sabirin from the BI governorship, see Fachry *et al.* (2003, Ch.5). It should be noted that Abdurrahman Wahid even entertained the idea of liquidating the BI to oust him and that he was supported by some of the key players in the economic policy-making in those days such as Kwik Kian Gie, Rizal Ramli, and Prijadi Praptosuhardjo.

32) Under normal circumstances, Djunaedi Hadisumarto should have inherited the mantle from Boediono to serve as State Minister for National Development Planning and Chief of BAPPENAS. A UI graduate and UI professor of economics, he had served as Secretary General of the Ministry of Transportation and Vice Chairman of BAPPENAS under Boediono before being promoted to Chairman of BAPPENAS in 1999.

33) Boediono was trained abroad (B.A., University of Western Australia; M.A., Monash University; Ph.D., Wharton School of Business, University of Pennsylvania) and served as deputy for fiscal and monetary affairs at BAPPENAS (1988–93) and Deputy Governor of the BI (1993–98) before being made State Minister for National Development Planning and BAPPENAS Chief in 1998.

and financial stability, legally requiring the government to keep the annual budget deficit below 3% of the GDP and the total government bonds issuance (both central government and local government bonds) below 60% of the GDP. In other words, the law holds the government politically accountable for maintaining a self-restraining fiscal policy.

This law led to the reorganization of the Ministry of Finance, expanding its powers at the expense of BAPPENAS, the National Development Planning Agency. The Agency for Economic, Fiscal, and International Cooperation Research was created out of the former Agency for Fiscal Analysis and was made responsible for budget making, while the budget planning function was assigned to the Directorate General for Budgetary and Fiscal Balance, which was created out of the former Directorate General of Budgeting. The power to make the Fiscal Policy and Macro Economic Framework, a power previously shared by BAPPENAS and MOF, came under MOF jurisdiction with the passing of the new law. Equally important, the budget which had previously been classified as the routine budget and development budget and were respectively under the jurisdiction of the MOF and BAPPENAS came under MOF jurisdiction with the elimination of the routine and development budget distinction. By abolishing the distinction, the law stripped BAPPENAS of its control over the development budget (Hill and Shiraishi 2007, 123–141).

Under Soeharto, BAPPENAS was in charge of national planning, the development budget, coordination with foreign governments and international organizations for international assistance, and development project coordination and implementation. This in effect made BAPPENAS the super ministry to oversee the entire economic policy-making. In its heyday, Widjojo Nitisastro, Soeharto's most trusted economic adviser, served as Coordinating Minister for Economic and Fiscal Affairs, State Minister for National Development Planning, and Chief of BAPPENAS simultaneously. Under Soeharto, national development planning was implemented by presidential decree, not by law. The legal status of BAPPENAS was not clearly defined. Its effectiveness depended on its chief's ability to work with Soeharto and on his commitment to prioritizing national development.

In the post-Soeharto era, BAPPENAS lost much of its powers. A new law on the national development planning system was enacted in 2004 in the final days of the Megawati presidency. It granted legal status to BAPPENAS and stipulated that the Chief of BAPPENAS support the president in formulating the presidential national development plan and assume responsibility for drafting the central government development plan. Now, however, almost two thirds of budget for public works, for instance, is allocated to provinces and districts/municipalities. BAPPENAS not only lost its control over the development budget, but also has no say in almost two thirds of the public works budget.

The Indonesian technocracy evolved under the New Order from 1966 to 1998 as a strategic component of its politics of stability and economic development. Technocrats were instrumental in persuading Soeharto to adopt reform measures in the 1980s that imposed market discipline on the government's developmental policies. Indonesian technocrats as a group were effective because they were cohesive in their adherence to the three principles of balanced budget, open capital account, and pegged exchange rate system, and also because they enjoyed Soeharto's confidence and could therefore function as his right arm in formulating and executing national development policies. In the 1990s, however, technocrats faced increasing challenges from economic nationalists entrenched in the government agencies such as the Ministry of Industry, the Investment Coordination Agency and the BPPT/BPIS (Agency for State Strategic Industries), Soeharto's family and crony business interests, and bureaucrats who were trained abroad and rose in their individual departmental hierarchies as career officials. In their attempt to regain their power, technocrats tried to seize the opportunity offered by the 1997 currency crisis to persuade Soeharto to go to the IMF and to introduce reform measures, but the move backfired because technocrats lost his confidence.

The transitional governments led by B. J. Habibie, Abdurrahman Wahid, and Megawati Sukarnoputri sought institutional and political alternatives to the discredited Soeharto-era economic policy-making process. These alternatives ranged from relying on technocrats while consulting key players in Indonesia's economy and politics such as businessmen, mass media, politicians, public intellectuals, and future technocrats, as well as foreign governments and international organization (as Ginandjar Kartasasmita did as Coordinating Minister under Habibie) to outright disregard for technocracy and its institutional bulwark BAPPENAS (under Abdurrahman Wahid) to the empowerment of MOF for the sake of macro-economic stability at the expense of BAPPENAS and long-term national planning (under Megawati).

In retrospect, however, it is decentralized democracy, introduced in those transitional years, which created a new set of conditions for a politics of economic growth: social divisions along ethnic and religious lines are no longer suppressed as they had been under Soeharto but are now contained locally, while the politics of economic growth is embraced not only by middle-class people who dominate local and national politics but more broadly by the population. With the enactment of a series of laws governing the BI and government finance as well as constitutional revisions, a new institutional framework based on the two preeminent agencies of BI and MOF is now in place for macro-economic policy-making. But technocrats are now more dependent on their ability to court public support for policy measures they are advocating and to secure the backing of the president and the vice president who may or may not agree on any policy issue and whose decisions on economic policy will be influenced by non-technical and highly political issues such as public reception, parliamentary approval, and personal chemistry. The era of political demobilization during which technocrats had a freer hand in formulating economic policies and could rely on the backing of the president alone is over. In retrospect, however, technocracy has never been shielded from "politics." If it once looked as if this had been the case under the New Order, it was because Soeharto used the enormous state power to demobilize popular politics. But those days are over. Although the institutional foundation is now in place for the independence of the Central Bank and the fiscal prudence of the Ministry of Finance, their performances ultimately depend on who runs these institutions and the complex political processes that inform their decisions and operations.

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A Short Account of the Rise and Fall of the Thai Technocracy

Pasuk Phongpaichit* and Chris Baker**

Thailand's sustained growth from the 1960s to 1990s was often attributed to a strong technocracy relatively free of political influence. Members of the first cadre of technocrats, which emerged in the 1950s, were mostly educated in Europe. In the "American" era, more were educated in the United States and believed the role of government was to provide a safe and liberal environment for capital, mostly through a fixed exchange rate and balanced budget. After 1975 the technocrats had to manage a more complex environment because of internal political conflicts and external shocks. They became more powerful because their skills were in demand and because they had strong backing from international institutions. During the boom that began in the mid 1980s, their grip on policy diminished. After the financial crisis of 1997, the technocrats were blamed for not adjusting to changes in the domestic and international economy.

Keywords: Thailand, technocrat, development policy, financial crisis

In the 1990s, it became conventional to attribute the extraordinary success of the Thai economy to careful and conservative management by technocrats. After World War II, Thailand had been one of the most backward economies in Asia, lacking even basic institutions implanted elsewhere by colonial governments. For the next half century, the economy grew at a cumulative average rate of over 7% a year, without once coming even close to a year of the negative growth experienced by most other Southeast Asian countries during the oil shocks. Inflation never got out of hand. Trade deficits were always manageable. Oil shocks were severe but never disastrous. In the great boom which began in 1986–87, the growth rate surged into double digits without suffering from inflation or other diseases of over-heating. Given that Thailand's politics were punctuated by coups and crises, and that the country was famous for the weakness of the rule of law, some explanation was needed for the smooth, sustained record on economic growth. The

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technocrats were paraded as that explanation. According to this view, the Thai technocrats managed to operate with some independence from vested interests and some insulation from political flux, and had developed traditions of conservative economic management which worked. This view was canonized in a book entitled *Thailand's Macroeconomic Miracle*, published by the World Bank in 1996. The book concluded, "By investing technocrats with the power to say 'no' to politicians, a state can institutionalize long-term fiscal and monetary restraint, despite the short-term incentive for politicians to act otherwise" (Warr and Bhanupong 1996, 234).

A year later, Thailand led the region into the Asian financial crisis. A year following that, a report commissioned by the Thai government to explain the genesis of the crisis placed the blame firmly on technocrats (Nukul 1998). This Nukul Report reversed every main point of the theory of the technocrats' stabilizing role. It argued that they had not understood the modern global economy, had been manipulated and intimidated by politicians, had failed to coordinate among themselves, and had taken unfathomable risks with Thailand's reserves in futile attempts to avert the crisis. How could two such contrasting views of Thailand's technocrats appear within such a short space of time? What has been the outcome of this crisis for the role of the technocrats since 1997?

This article provides a brief overview of the rise and fall of technocrats in Thailand across the second half of the twentieth century. The first generation of Thai technocrats consisted of a tiny handful of trained economists who established a basic framework of economic management in the post-war era. Their role was boosted by the arrival of US aid and patronage in the development era which began in the late 1950s. The role of the technocrats changed and expanded during the 1980s when the domestic economy began to become more complex, and when the world economy became a source of destabilizing shocks after the end of the Bretton Woods era. The second generation of technocrats acquired influence because of the demand for their skills, and because of the backing they received from international institutions. They became not only economic managers but prominent advocates for changing the direction of economic policy. In the third generation which emerged during the great boom, technocrats had to cope with the consequences of market liberalization on one side and the emergence of parliamentary democracy on the other.

Before the Technocrats

Thailand's first framework of modern government was created in the last two decades of the nineteenth century, and patterned on colonial models which King Chulalongkorn

(Rama V) had inspected in India and Indonesia. In these models, the two main functions of government were taxation and control. Accordingly in Siam, ministries of finance and interior were created to undertake these two functions. The Finance Ministry was created by replacing many, scattered revenue-gathering bodies with one central office. The resulting funds were then spent on replacing localized control systems by a single pyramid of paid, permanent bureaucrats under the interior ministry, and by a new standing army. In the original colonial models, the government had a third function to oversee the "moral and material progress" of the colonial subjects. In the Siamese translation of the model, this function was much reduced, and largely limited to primary education and centralized administration of the Buddhist Sangha (monkhood). Government bodies were formed to oversee agriculture, irrigation, and other aspects of the economy, but were of little account given their very limited budgets. Until the 1930s, revenue-raising was limited by the lack of fiscal autonomy under colonial treaties, and a large proportion of the revenues was devoted to the upkeep of the court and royal family. Siam's first institution of higher education, Chulalongkorn University, founded in 1917, focused on law, public administration, science, and engineering with no teaching of economics or other social sciences.

The two constraints on revenue were removed after the 1932 revolution ended support for the royal family, and the successor government was able to renegotiate the colonial treaties. More funds became available and were largely used to invest in infrastructure, but the impact of this change was limited by the economic disorder of the great depression and World War II.

Pridi Banomyong, the ideologue of the 1932 revolution, had been trained in Paris in both law and political economy. In 1933, he drafted an economic plan which proposed much greater state control over the economy in order to increase efficiency, raise income, and improve equity (Pridi 2000, 83–123). The plan was slated as communist, and had to be abandoned, yet several other plans were drafted around this time, reflecting a worldwide trend to propose greater state coordination to overcome the great depression. In 1934, Pridi founded the University of Moral and Political Science, which later became Thammasat University. Economics was included on the curriculum. Anyone with a high-school diploma could enroll for a BA in law, politics, and economics. Several people who became officials after World War II were educated through this route (Likhit 1978, 126).

Over the late 1930s and World War II, the government became much more involved in managing the economy. Many industries were founded by state investment, or taken over by government, within the framework of a war economy. Pridi laid the first foundations of a central bank by taking charge of the country's gold reserves which had been deposited in London. During the Japanese occupation of Siam from 1941 to 1945, the government founded a central bank, primarily to defend these reserves from appropriation by the Japanese (Sithi-Amnuai 1964, 97–98). After the war, the currency was subject to runaway inflation as a result of shortages of basic goods, and distortions in the economy left over from the war. In efforts to limit the social disorder that resulted, government became involved in attempts to regulate prices, manage the flow of commodities, and regularize the relations between the Thai economy and the outside world. These efforts created a demand for technocrats with skills to understand and manage a modern economy.

Puey and the Pioneers, 1949–60

An identifiable technocracy emerged in the 1950s and flourished in the 1960s. The main characteristics of this group are best viewed through its most prominent member, Puey Ungphakorn.

Puey came from a modest family of Chinese origin, and made his own career by sheer talent (Wannarak 1996; Puey 2000). His colleagues tended to come from similar origins, or from old Thai bureaucratic families which had invested in education. In background, they stood apart from the old royal order, the new military elite, or the business world. They formed a self-consciously independent new stratum of educated professionals.

Most were educated in Europe. Puey studied at the London School of Economics (LSE) in the era of Harold Laski. He and his colleagues were strongly affected by the democratic socialism of Europe in the post-war years which combined a distrust of central planning with a belief in state responsibility for basic welfare.

Puey and his colleagues were very few in number and the skills they possessed were in great demand. As a result, they enjoyed meteoric careers. Puey returned with a doctorate from LSE in 1949 and joined the Ministry of Finance. Four years later he became deputy governor of the central bank at the age of 37. He was appointed the first head of a new Budget Bureau in 1957, and of a new Fiscal Policy Office in 1959, before becoming governor of the Bank of Thailand in the same year at the age of 43. Suparb Yossundara returned to Thailand with a degree from Birmingham University in 1942, joined the Bank of Thailand, and climbed to a peak as the first female director of the World Bank (Puey *et al.*, 1975, vii). This small group knew one another well, and shared a common sense of duty to use their skills to lay the groundwork for modern economic management. From this period, prior to the foundation of a full set of institutions, came the culture of cooperative management.

They worked for authoritarian military leaders who understood the importance of the economy but had no inkling about economic management. Puey and other technocrats were able to bargain with the generals for the freedom and resources they needed in return for quietly ignoring ways in which the generals looted the economy (see for example Amnuay 1964).

As the economy was still based largely on agriculture which could fluctuate widely from year-to-year as a result of seasonal change and shifts in world market conditions, these new economic managers adopted a highly conservative approach designed to prevent such fluctuations provoking inflation or any other serious imbalance. Their main strategies were to maintain a balanced budget, tie the currency to the dollar, and fine-tune with interest rates (Ammar 1975; Warin 1975).

The American Era

Over the course of the 1950s, the United States gradually adopted Thailand as a key Asian base for prosecuting the Cold War, and in particular for combating the rise of communism in Indochina. The close alignment of Thailand with the United States was confirmed after General Sarit Thanarat seized power by coup in 1957.

In this "American era," the role of the technocracy expanded and changed (Muscat 1990; 1994). The United States provided aid funds and loans which vastly boosted the resources available for developing the economy. Sarit and his US patrons also placed a priority on "development," meaning economic growth which would insulate the population against the temptation of communism, and ensure the political stability needed for the country to act as a reliable base for US operations.

US advisers helped to install a stronger institutional base for managing this larger budget and more complex task. A new Budget Bureau was formed inside the Ministry of Finance to systematize the allocation and monitoring of government funds. A Fiscal Policy Office (FPO) was created to plan fiscal policies. A new planning agency was formed which eventually was known as the National Economic and Social Development Board (NESDB). The Bank of Thailand was strengthened after Puey became governor in 1959. A World Bank mission visited Thailand in 1957–58, and its report was adapted into a first five-year plan. The NESDB assumed the responsibility for drafting these plans and overseeing their implementation, though much of the input came from advisers provided by the World Bank or US government.

The members of this small pioneer group of technocrats were dispersed to head these principal institutions, but continued their tradition of cooperative management. The Budget Bureau, central bank, and planning board formed a triangle which shared the management of the economy. Their technocrat heads were still able to leverage their skills to gain considerable freedom of action from the military rulers. In addition, they also now had US patrons who could sometimes be called upon for support against the generals.

The approach outlined in the World Bank report and in the early five-year plans reflected an American view of the role of the state in the economy. Growth would come from providing a safe and liberal environment for capital. The remnants of the wartime command economy were quickly dismantled.

Although the economy became larger and more complex in this era, the management remained simple and conservative. The state did not have to do very much in order to stimulate growth. Investments in infrastructure, especially roads and ports, made it cheaper and easier for private capital to tap the country's very considerable natural resources. The economy grew on rising exports of primary produce. The world economy was enjoying the growth of the post-war recovery and stability of the Bretton-Woods era. Strong world demand ensured steadily rising exports. The shocks and tremors imported from the world economy were minor. The technocrats had to make only very minor adjustments to their formula of a balanced budget, fixed exchange rate, and fine-tuning with interest rates (Ammar 1975; Warin 1975). Ammar Siamwalla called the actions of the technocrats in this era a "behavior pattern," quipping that "to use . . . the more purposive term 'policy' . . . would be altogether too flattering" (Ammar 1975, 30).

During his tenure as governor of the central bank, Puey not only contributed towards development and the tradition of cooperative economic management, but also laid the foundations for the future evolution of the technocracy. He created central bank scholarships for overseas education of talented young economists, and set up funds for sponsoring research on the Thai economy. He gained the central bank a reputation as a center of excellence and expertise which attracted talented young professionals, despite lower rewards than in the expanding world of business (Wannarak 1996, 77–82). Puey also became Dean of the Faculty of Economics at Thammasat University and secured ample funding from US foundations to educate future technocrats there.

At the same time, the US patrons invested in creating a new generation of technocrats who shared an American viewpoint. Several senior officials were taken to the United States for training. Around 1,500 went on Fulbright or similar grants between 1951 and 1985, and another 3,000 on other US funding. The numbers attending US higher education rose from a few hundred in the 1950s to 7,000 by the early 1980s (Muscat 1990, 60).

The Second Generation and Policy-Making, 1976–88

In October 1976, Puey fled from Thailand and spent the rest of his life in exile. His departure marked the end of an era in the history of Thailand's technocrats. The reasons for his departure signaled changes which would alter their role. Puey was branded as a communist in an extreme right-wing reaction to a phase of liberal and leftist politics. Behind this deep ideological division lay social strains, conflicts, and aspirations stirred up by the economic changes of the prior generation. From this point forward, policy-making would have to pay more attention to social consequences.

The late 1970s were also the end of the era when the world economy would serve as a stable and largely benign background to Thailand's growth. The first oil crisis announced the start of a period of price shocks, sharper business cycles, and more eccentric money flows in the post-Bretton-Woods era.

The departure of Puey also marked a passage of generations. The largely Europe-trained technocrats of the post-war era were gradually replaced by a generation which was far more likely to have been trained in the United States. By 1974, 71% of the foreign-trained officials in the top ranks of the bureaucracy were schooled in the United States, compared to 18% in Europe (Likhit 1978, 124). A prominent example was Narongchai Akrasanee, who returned from Johns Hopkins University in 1973 with a doctorate on trade policy (Narongchai 1973) and became a lecturer, author, and policy adviser. Thailand had no policy "mafia" associated with a single school, though Harvard enjoyed marginally more prestige and popularity than others.

The training of this new generation of technocrats reflected the ideology of the United States at the point of its triumph in the Cold War. The content had less political economy, more models and maths. Plans were wrong and markets right. The technocrats became a strident lobby for liberalizing trade.

The period from the early 1980s to early 1990s was the golden age of the Thai technocracy. Growing frequency of external shocks, heightened sensitivity of local politics, and increased complexity of the economy as it shifted towards industrialization increased the demand for the technocrats' skills. A renewed influence of the World Bank, which provided Thailand with loans to tide over the second oil crisis, provided the technocrats with another base of support. In the early 1980s, the technocrats in the NESDB and FPO acquired an important new role in liaising with the World Bank and other international financial institutions which provided Thailand with loans (Bhattacharya and Brimble 1986).

On the tail-end of the second oil crisis, the Thai economy entered a deep slump which felled two banks and forced a devaluation of the currency. On the backwash of this mini-crisis, a small group of technocrats became prominent in public debate over policy. Snoh Unakul gathered a group in the planning board including Phisit Pakkasem, Kosit Panpiemrat, and Sippanonda Ketudhat. Suthy Singsaneh and Panas Simasthien who had managed the 1984 devaluation served as finance ministers. Chavalit Tanachanan and Nukul Prachuabmoh headed the central bank. Among academics, Virabongsa Ramangkura acted as adviser to the prime minister, and Narongchai Akrasanee worked as consultant to the planning agency. Most of this group had been educated in the United States during the time of US patronage of Thailand in the 1960s and early 1970s, and were affected by the prevailing enthusiasm for market liberalization. They lobbied for policy changes to liberalize markets and reorient Thailand towards the export-oriented industrialization that had been so successful in Korea and Taiwan. They argued that more liberal markets would destroy the monopolies and oligopolies which hindered growth (Snoh 1987). Over 1984–86, often working closely with World Bank advisers, this technocrat group guided reforms in tax, trade, and investment policy to favor export-oriented industry.

At the same time, the significance of planning declined. In the early 1980s, the NESDB drew up ambitious plans to shift Thailand towards industrialization through exploitation of newly discovered reserves of oil and natural gas. In these plans, government took a major role as investor, and the NESDB provided overall coordination. But over 1983–85 as a consequence of the second oil-shock, this ambitious scheme had to be abandoned. Government investment was scaled down, NESDB's role in the project was reduced, and the initiative was handed to private enterprise.

This shift marked a more general change. Planning no longer had much meaning. NESDB continued to draw up five-year plans but they were only indicative documents and they bore less and less relation to actual policy. Technocrats were increasingly involved in short-term policy-making to manage the instability imported from the international economy (see for example Pisit 1991). New measures were added to their array of policy tools. A balanced budget was no longer a religious goal, and deficits could be used to stimulate the economy. Policies were used to stimulate specific sectors, such as tourism and labor export, when they were needed to earn foreign exchange because commodity exports faltered. Technocrats were also needed to revise the tax system and investment promotion to serve a new emphasis on export-oriented industry. Some technocrats began to specialize in social policies to overcome poverty, to counter growing regional imbalance, to reorient the education system for the needs of industry, and to track the impact of growth on the environment (Warr 1993; Phisit 1988).

With growing specialization and an increased emphasis on short-term fine-tuning to cope with external shocks, the technocracy ceased to be so effective in providing overall coordination. The old triangle gradually crumbled away. The NESDB declined in importance, though its long-term head, Snoh Unakul, was the single most important guide of policy-making through his personal role as advisor to a succession of governments. The role of the Budget Bureau also diminished as parliamentary politics took root over the 1980s and budget allocation were increasingly influenced by political bargaining in parliamentary committees.

By this time, the Ministry of Finance and the central bank had become clearly separate institutions with their own respective internal cultures. No longer did senior figures migrate between posts in different institutions. The bank and the ministry tended more often to fall into conflict over the roles of fiscal and monetary policy, their respective areas of expertise.

After the economy entered a ten-year boom in 1986, buoyed up by relocation of Japanese industries, the growing lack of coordination scarcely mattered and was easily ignored. Yet in this period, even more than ever before, the long-term strength of the Thai economy was attributed to the relative independence of the technocrats, the coordination within the triangle, and a tradition of conservative management.

The Third Generation: Financial Liberalization and Politics, 1988–97

Until the late 1980s, technocrats did not have to bother much about elected politicians with some responsibility to their constituents. Since the 1930s, there had been four interludes with elective parliaments but these had not lasted long enough to disturb a pattern of relatively unfettered rule by generals and senior bureaucrats. From 1979 onwards, however, parliament began to take root. Demarcation disputes multiplied between elected ministers and senior bureaucrats. These remained muted while the government was still headed by a military official, General Prem Tinsulanond, but escalated rapidly after Prem was replaced in 1988. The new prime minister, Chatichai Choonhavan, was a former military officer but had become more of a businessman than a soldier, and had risen to power with the support of businessmen MPs. With the economy now in a phase of breakneck double-digit growth, the business community in general had a new confidence about its economic and political status. Ministers were keen to use state power for both fair reasons (especially, upgrading infrastructure to keep pace with economic growth), and foul (profiting in the process). They launched the first significant assault on the power of the senior bureaucracy in a century.

Ministers sacked or reassigned several senior officials who were not fully cooperative, and revised the boards of key government agencies. These changes sent a general message to the bureaucracy about the shifting location of power. The prime minister set up an internal think-tank, staffed by young academics and assigned to advise on policy. Before this innovation, governments had little capacity to develop policy, and policy-making had remained largely the preserve of bureaucratic agencies. The think-tank was soon in conflict with senior officials, especially over the direction of foreign policy, but also over economic issues. Politicians argued that bureaucratic conservatism served as a constraint on economic growth and business profit. The cabinet adopted resolutions which increased ministers' personal discretion to approve large budgets for infrastructure projects. Finally, the parliament challenged the size of the military budget and the secrecy surrounding its use, insisting that more funds be diverted to development activities.

Under Chatichai, the finance portfolio was held by a politician rather than the technocrats who had virtually monopolized the post in the past. The first was a businessman, Pramual Sabhavasu, who wanted to abandon cautious financial management in order to spur economic growth. He gathered his own group of policy advisers, tried to take direct control of fiscal and monetary policy, and intervened directly in the operations of the NESDB, FPO, and central bank. The governor of the central bank, Kamchorn Sathirakul, reacted strongly against this interference, and argued that the central bank should be more independent. The conflict between the two men became the stuff of the daily press, and Kamchorn was sacked from the governorship in early 1990 (Zhang 2003, 114–115). Pramual was also later reshuffled, and in December 1990, the finance portfolio was allotted to Banharn Silpa-archa, an elected politician, who had specialized in diverting an excessive share of budget funds to his own province and who patently had very limited grasp of economics. From this point onwards, the relations between the Finance Ministry and Bank of Thailand were marked by conflict.

These attempts to shift power and funds from official to political hands provoked a large reaction, expressed mainly in accusations of corruption directed against ministers. This provided the background against which a military clique was able to perform a coup against the Chatichai government in February 1991, and arraign several ministers on grounds of corruption.

The coup junta chose a diplomat-turned-businessman, Anand Panyarachun, to become prime minister. For his cabinet, Anand selected some of the most prominent technocrats of this generation, including several who had been prominent in the advocacy of market liberalization in the 1983–85 period. This cabinet took the opportunity to push through a range of liberalizing reforms in the belief they were needed to increase efficiency and sustain the extraordinary boom. In particular, these reforms completed the liberalization of the capital market which had begun tentatively in the late 1980s. Almost immediately flows of international finance rose rapidly as Thai corporations tapped cheaper sources of loan capital and as foreign investment funds experimented on the Thai stock market. In the initial stages these new financial flows served to stimulate the economy and increase private wealth and hence were viewed as largely benign. In the longer term they brought a new element of instability into the economy and demanded new methods and disciplines in economic management.

Although the liberalization of the capital market represented a major change in the relationship between the Thai economy and the outside world, there were no attempts to reform institutions or rejig established practices to reflect the new situation. Although in retrospect, the attempt to retain a fixed exchange rate in parallel with free capital flows was a fatal combination, for seven years the technocrats debated and dithered over the need to free up the exchange rate without coming to any decision.

The twin forces of democratization and financial liberalization conspired to create a major crisis for the technocracy in the mid-1990s. In 1992, the junta was ejected after violent street demonstrations, and elective parliaments returned. The Democrat Party which headed the coalition government installed in 1992 recruited its own team of technocrats, largely professional bankers, to manage the economy. However, these were soon in conflict with businessmen-politicians intent on using state power to sustain the faltering boom, to deliver goods to their constituents, and to gain favors for their own enterprises.

The desire of business politicians to relax controls and restraints created tensions within the Democrat-led coalition which finally brought the government down in early 1995. By this time, the cracks which would finally turn boom into crisis were already beginning to show. Political parties tried to recruit technocrats in the hope they would win the party votes with an increasingly nervous urban electorate. But the politicians still hoped to find technocrats who were amenable to their will. Over 1995–96, the prime minister (Banharn Silpa-archa) sacked his own nominee as finance minister, replaced him with a tame tax official, and then sacked the head of the stock exchange.

The conflict between technocrats and politicians spilled over into the press and public debate. The association of stock market investors called on the government to resign. Businessmen complained that "politicians increasingly interfere with the day-to-day operations of the Bank of Thailand" (*Nation*, June 18, 1996). The Bankers Association demanded the "depoliticization" of economic management. A senior technocrat urged that macro management "is so urgent and technical it cannot be left to the politicians" (*Nation*, August 31, 1996). Academics petitioned the prime minister to leave economic management alone.

Turnover at the top of the Finance Ministry and central bank became more rapid than ever before. When another cabinet folded in 1996, technocrats lined up to announce publicly that they would *not* take the posts which were normally the crowning point of a technocratic career. On press and public platform, technocrat spokesmen argued for reforms which would insulate economic management from political pressure. The Bank of Thailand governor was obliged to resign after becoming too embroiled with politicians and with the stock market. With no good candidates keen to take the post, succession was decided by seniority. A bureaucrat-turned-banker who accepted the finance minister's portfolio lasted only weeks. The permanent secretary of the Finance Ministry was effectively sacked for being too independent.

After the crash in 1997, government commissioned a report to analyze the causes of the crisis and to recommend reforms. The resulting Nukul Report pinned the blame firmly on the policy errors committed by the central bank, and related these to a more general long-term decline in the technocracy. The quality of recruitment had declined since the boom had vastly widened the salary gap between officialdom and business. The old traditions of cooperation between the principle institutions of economic management had withered and been supplanted by conflicts over turf and precedence. The central bank had totally failed to introduce the reforms needed in the wake of financial liberalization. The report was an obituary for the Thai technocracy (Nukul 1998).

Rebirth Aborted

A plan for rebirth was hatched within the World Bank and IMF teams engaged in helping Thailand recover from the crisis. The plan was broadly supported by technocrats who participated in the new Democrat-led coalition government installed in late 1997. The prime focus of these reforms was to make the central bank a more independent, more rule-based, and more skilled custodian of the interface between the national economy and the outside world, as well as a more effective overseer of the banking system. The central bank was restructured internally to reflect that vision. Legislation to make it more independent of political influence was drafted but persistently delayed. Inflation targeting was adopted as a discipline to make monetary policy more principled and transparent. The bank undertook to intervene in the foreign exchange market only to counter short-term eccentricity. New indicators were devised to monitor the economy's health and predict any looming disaster.

The same principles dictated reforms in the Finance Ministry. The Budget Bureau and budget process were overhauled. The FPO was allotted an enlarged role to introduce a longer-term perspective into fiscal policy.

Since the mid-1980s, the World Bank had been pressing Thailand to undertake a more general reform of the bureaucracy based on the principles of New Public Management (NPM), meaning the adaptation of modern business management practice to the public sector with an emphasis on setting goals, measuring results, rewarding performance, and punishing corruption and other abuse (Bidhya 1994). After the 1997 crisis, the World Bank was able to push this agenda through to a comprehensive *Public Sector Management Reform Plan* produced by the Office of the Civil Service Commission in 1999. The plan covered finance, personnel management, legal changes, redistribution of roles among departments, and measure to eliminate corruption (Bidhya 2004; Painter 2005). These various post-crisis reforms appeared to rescue the technocracy and assure them of a future role.

But the conflict between technocrats and businessmen soon returned and aborted the technocracy's revival. In 2001, the first elections after the crisis returned a government dominated by business. The new prime minister, Thaksin Shinawatra, campaigned for popular support on grounds that officialdom served as a drag on economic growth, and that businessmen rather than bureaucrats ought to take greater charge of the economy. Thaksin reflected a return to the Chatichai era's program to shift power between bureaucracy and politicians. Several members of Chatichai's policy think-tank surfaced in Thaksin's government including Surakiat Sathirathai as foreign minister, Pansak Vinyaratn as chief adviser, and Bowornsak Uwanno as cabinet secretary. The first few months in office saw a purge of senior officials and members of public sector boards on a scale not seen since the Chatichai era. Also as in the Chatichai era, the Thaksin government created an infrastructure for policy-making which took the initiative away from the bureaucracy. Thaksin and the major ministers had extensive teams of advisers. Some of these were honorary posts or business friends, but many were full-time workers, often recruited from university or professional backgrounds. Some were employed on official salaries under new rules for the appointment of "vice-ministers." Others were employed directly by Thaksin's Thai Rak Thai party, or by individual leaders. The numbers employed in this policy-making establishment were significantly larger than under any previous Thai government.

Thaksin removed the head of the central bank who had been a strong advocate of the bank's independence and was known for his inflexibility. The legislation to guarantee the central bank's independence drifted away to limbo. However, thereafter the prime minister left the bank alone. He locked horns with the new governor repeatedly over policy, but refrained from removing him, perhaps because of the impact that would have on international markets.

Thaksin's impact on the Finance Ministry was more dramatic. He oversaw a major overhaul of the budget which saw the process brought firmly under the prime minister's control (see Suehiro in this volume). Although the NESDB continued to produce five-year plans, these were now completely meaningless. The NESDB was converted into an executive agency for projects hatched by the prime minister and his policy advisers. Outsiders were brought into key posts such as the head of the NESDB and of the FPO so that they would be closely linked to the premier rather than to the traditions and factions of these bureaus.

Conclusion

The history of technocrats in Thailand and in other countries of Southeast Asia has followed a similar trajectory. The demand for technocrat skills appeared after World War II with the post-war economic disorder, decolonization, and a new responsibility for development. In the pioneer era, there was a small group of technocrats, usually trained in Europe, who quickly gained considerable power because of the rarity of their skills. In this era there was a close cooperation among a small group which later became mythologized.

A breakpoint appeared in the early 1980s, largely because of the collapse of the Bretton-Woods system on a world scale, but also because of increasing complexity in the economies of the region. This was an era of fierce ideological debate over the direction of macro development policy. On the one side were advocates of liberating markets on the grounds that freer markets would deliver greater efficiency. On the other side were supporters of the developmental state model, arguing that the success of Japan, Korea, and Taiwan came from concerted government policies to engineer markets with the aim of developing industry. In this era, technocrats become prominent not just as necessary technicians for managing a modern economy but as advocates of different choices for policy-making.

A third period began after 1986. More foreign investment came to the region. Booming economies strengthened businessmen vis-à-vis officials. Neoliberal ideology provided theoretical justification for replacing technocratic management of the economy with rule-based systems and institutions which would be less vulnerable to political manipulation. In this era, any remaining unity among the technocrat communities in all the countries was broken down by competing agendas and cross-cutting political pressures. Many potential recruits to the technocracy were diverted to more glamorous and rewarding careers in private enterprise, especially finance.

The 1997 Asian financial crisis brought technocrats into some disrepute in the short term on grounds that they had been partially responsible for allowing a crisis of such magnitude to happen. But the crisis also created new roles for technocrats in building stronger institutions and practices to guard against further crises. Across the region, technocrats returned to some prominence in the early 2000s, though in Thailand their re-emergence was overshadowed by the political project of Thaksin Shinawatra.

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Technocracy and Thaksinocracy in Thailand: Reforms of the Public Sector and the Budget System under the Thaksin Government

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Thaksin Shinawatra seized power in 2001 and then was exiled from Thailand after the military coup d'etat in September 2006. He himself is still the focal point of serious political conflict taking place in contemporary Thailand. He has always been attacked by anti-Thaksin groups on account of the following reasons: extreme power concentration, the political style of Thaksinocracy, nepotism, corruption, and populism in favor of rural people. However, very few scholars have focused on his political and social reforms which aimed at modernizing the Kingdom of Thailand in order to reorganize the country into a strong state.

This article seeks to clarify the characteristics of the Thaksin government as a "destructive creator" of existing power structure and traditional bureaucracy. The article offers a brief discussion of Thaksin's populist policies such as village funds, 30 baht medical services, and one *tambon* one product (OTOP) project, and then explores the background of, the process behind, and the policy results of two major reforms undertaken by the Thaksin government in the public sector (bureaucracy) and the budget system. These reforms appear to have transformed Thailand from a traditional bureaucratic polity into a modern state in conjunction with an emerging middle-income country in the global capitalism. But Thaksin's ambitious reforms ultimately collapsed because they were too radical and too speedy for all the people, including royalists, the military, government officers, as well as conservatives.

Keywords: Thailand, Thaksinocracy, political reform, public sector, the budget system, bureaucracy, populism, strong state

Introduction

In September 2006, a military coup d'etat toppled Prime Minister Thaksin Shinawatra's five-and-a-half-year-old government. The Temporary Constitution dated October 1 claimed the following as the reason for the coup:

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> The head of the Council for Democratic Reform under Constitutional Monarchy which seized power successfully on 19 September 2006, informed the king that the reasons for seizing power and abrogating the Constitution of the Kingdom of Thailand were to correct the deterioration in the government of the realm, and inefficiency in managing the government of the realm and monitoring the use of state power, which caused widespread corruption and malfeasance, for which those responsible could not be brought to account. This brought about a serious crisis of politics and government, and problems of conflict among the mass of the people who were aroused to such divisive partisanship that the unity and harmony among the people of the nation collapsed into a severe social crisis.[1)]

Likewise, the mass media of Thailand criticized Thaksin's management of the state on the grounds that he had provoked a serious national crisis owing to the concentration of power, prevalence of nepotism, wide-ranging corruption, and destruction of democracy under his watch (Nariphon 2006; Wichai 2006). However, viewing the military coup simply as the result of a conflict between the movement of democratization and Thaksin's dictatorship, and a product of popular protest against a corrupt government does not offer an adequate understanding of why the coup happened as well as an insightful analysis of fundamental problems facing contemporary Thailand under the strong pressures of globalization and economic liberalization (Suehiro 2009).

After the 2006 coup, Thailand has suffered continuous political instability due to the conflict between the pro-Thaksin group or red shirts group and the anti-Thaksin group or yellow shirts group. For the past six years from 2007 to 2012, analyses of Thai politics and society have significantly deepened. Those who focused on the sharp conflict between the red shirts group and the yellow shirts group began to turn their attention to more fundamental problems rooted in Thai society, namely, the widening gap in income and assets among the people (*not* poverty problems), and the basic conflict between the mass people (lower-income class) and the traditional ruling elites (royalists, military, bureaucrats, and capitalists) (Montesano *et al.* 2012). However, these arguments fail to provide explanation of the real cause of the military coup in 2006. More importantly, they fail to provide a comprehensive explanation of the impact of Thaksin's reforms on Thai politics and society. Given this situation, we still need to explain the real cause of the military coup as well as the total picture of reforms undertaken by Thaksin.

My hypothesis in this article is very simple. The real cause of the military coup is the conflict between Thaksin, on the one hand, who forcibly conducted reforms of the state, and royalist-military groups, on the other hand, who believed that his state reforms constituted a serious threat to the monarchy. At the same time, government officials and people have been apprehensive about the outcomes of Thaksin's intensive reforms

1) Text is quoted from a provisional English translation by Pasuk and Baker (2007).

because these reforms were undertaken too speedily and too radically in the context of Thai social values, which preferred *gradual* reform towards a democratized country over *a big-bang style* reform towards an advanced country. This is the most important reason why the majority of the people including the people in rural areas temporarily welcomed or accepted the military coup, at least in its initial stage.[2)]

We should not overlook the fact that Thaksin was Janus-faced in his style of state management: he presented himself as an ambitious populist[3)] as well as an active state reformist. These two faces exactly correspond to two world-wide movements during the 1990s: the political movement for democratization and the economic movement for globalization and liberalization. As Tamada cogently pointed out, the 1997 Constitution was a direct product of the democratization movement after the May 1992 bloody incident, or *Phrusapa Thamin*, in Thailand. Ironically, the 1997 Constitution also created a "strong prime minister" like Thaksin Shinawatra through changes in general election system, new regulations on the activities of political parties, increased authority of prime minister, and elimination of parliament members from cabinet members (Tamada 2005; Tamada and Funatsu 2008).

It was the enhanced executive power of Thaksin that enabled him to implement his populist policies, and in turn contributed to his great popularity among the people. On this account, many scholars including anti-Thaksin group and mass media have frequently analyzed Thaksin's management of the state by focusing on his *populist*-oriented policies such as village funds, people's banks, one *tambon* (village) one product movement or OTOP, and 30-baht universal health services (Worawan 2003).[4)] But these projects are only one part of his overall policy objectives, and populist-oriented policies have reduced importance in his reform efforts after February 2005, when a ruling party of Thai Rak Thai or TRT won 377 out of the total 500 seats in the House of Representatives in the general election.

Thaksin's second face, that of a state reformist, revealed itself in 2005. Indeed, he attempted to remake the Kingdom of Thailand into a modernized state that would survive

2) According to the survey of the Assumption Business Administration College or ABAC in October 2006, 71% of the people were in favor of the Surayud Julanonda temporary government. However, slow-paced response to rural people's problems eroded popular support for the new government and support, which quickly dropped to 35% in February 2007. See Pasuk and Baker (2009) and Suehiro (2009, Ch. 6).

3) "An ambitious populist" here implies another king as great father of a country, who provides support to all the people with great mercy. Nidhi analyzes the presence of Thaksin as a competitor to the king in the context of Thai political culture of the patrimonial state (Nidhi 2006).

4) For more detailed study on backgrounds and the progress of 30-baht universal health services in reference to the reformist groups in the Ministry of Public Health, see Kawamori (2009).

the world-wide waves of globalization, economic liberalization, and IT revolution. In his eyes, old-fashioned management of the state would isolate Thailand from global capitalism. An economically advanced country needs to reform its institutions, practices, and social values in line with the new international circumstances, just as a modern corporation needs to reform its management in keeping with the times (Pran 2004, Vol. 1; Suehiro 2009, Ch. 5).

Such assumptions are apparent in his *Kingdom of Thailand Modernization Framework* or the KTMF. KTMF was addressed to foreign and domestic investors who were present at the prime minister's residence in December 2005, and provided detailed information on the Mega Projects amounting to 1,800 billion baht (*Shukan Tai Keizai*, January 30, 2006). Interestingly, Thaksin also used other key words such as *knowledge*, *technology*, *management*, and *finance* to explain the KTMF. The major obstacles to the KTMF, in Thaksin's view, are the old-fashioned public sector and the conservative culture of government officials (Pran 2004, Vol. 1, 300–301).[5] Consequently, his reforms were naturally directed at the public sector (Thai-style bureaucracy) and the budget system under the control of the bureaucracy. He aimed to fill the gap between the economic status of Thailand as a middle-income country and her poor-performing institutions which had failed to ride the new wave of international movements.

This article aims to clarify the changes in Thai bureaucracy and technocracy under the Thaksin government (between February 2001 and September 2006) in particular the effort to transform Thai bureaucracy into Thaksinocracy (*Thaksinathipatai*) rather than democracy (*Prachathipatai*) by answering the following questions: what were the major characteristics of Thaksin's style of state management or *Thaksinomics* (section II)? how has Thaksin changed the mechanism of decision-making in order to reform the Kingdom of Thailand (section III)? what kind of socio-economic policies were introduced (section IV)? how did Thaksin view the traditional bureaucracy and how did he reform the public sector (section V)? how did he change the budget system to promote his strategic agenda (section VI)? and finally, what were the results of his drastic reforms (section VII)? Through these arguments and the follow-up of the political turmoil after the 2006 coup, I explore the essence of Thaksinomics and Thaksinocracy rather than provide mere criticism of his arbitrary use of state power.

5) Concerning the collection of speeches of Thaksin, a lot of books are available. Among them, three volume books edited by Pran Phisit-setthakan (2004) are the best ones, which consist of Vol. 1 (Thaksinomics and a CEO Country), Vol. 2 (Thaksin and Social Policies), and Vol. 3 (Thaksin as a Leader in Asia and the World).

What is a Thaksinomics?

Three Elements of Thaksinomics

Originally, "Thaksinomics" is a term employed by the mass media and scholars to criticize Thaksin Shinawatra's political style. But after 2003, Thaksin himself also began to employ this term in his speeches to express his own political thought as well as his strategy of "dual-track policies" (Pran 2004, Vol. 1, 26–38). Based on my observations, Thaksinomics consists of three major elements: 1) a corporate approach to management of the state; 2) a strategic approach to reform of public services as encoded by the slogan, "vision, mission, and goal"; and 3) a dual approach to revitalize Thai economy and society, or so-called "dual-track policies" (*nayobai khuap-khu*).

First of all, Thaksin has frequently and publicly expressed his idea that "a state is a company, and a prime minister is a CEO of country" (*ibid.*, 223–233; Pasuk and Baker 2004, 101). The CEO or Chief Executive Officer is the supreme person who is essentially empowered to appoint a top managerial class and to make the final decisions in operating a company. Following this concept, Thaksin envisioned the prime minister position as unchallenged leadership in state management. In the same way, he expected a minister to be the CEO of his or her respective Ministry, a governor to be CEO of a province (*phu-wa* CEO), and an ambassador to be CEO of an embassy (*Thut* CEO), and so on.[6)]

His idea seems to have percolated from his own experience as the top leader who controlled the Shin Group, the largest business empire of the telecommunications industry in Thailand.[7)] He also borrowed his idea from the arguments of Somkid Jatusripitak, a professor of National Institute of Development Administration (NIDA), as laid out in his remarkable papers on "Thailand Company" as well as "A Leader in the Future" (Somkid 2001, 76–80; Wirat 2001). Thanks to these ideas, Somkid served as one of the key members of the TRT executive committee, and was later appointed Finance Minister when Thaksin set up his first government in February 2001.

Second, Thaksin ordered all the government agencies including public schools and hospitals to clarify their own "vision, mission, goal" (*wisaithat, na-thi, paomai*) in reference to their tasks for the people. He requested this clarification at each level of govern-

6) Thaksin himself defined the CEO system as a system of moderator, or *rabop chaophap* (Pran 2004, Vol. 1, 294–295) or a system of integrator of organizations, or *phu-wa buranakarn* (*ibid.*, Vol. 2, 223–233).

7) For a detailed account of the development of Thaksin's business activities, see Sorakon (1993), Suehiro (1995; 2006, Ch. 4), Athiwat (2003), and Pasuk and Baker (2004, Ch. 2).

ment agencies from ministerial level through departmental and divisional levels, and finally to the individual level. At the same time, they are all subject to performance evaluation by both internal bodies and third-party team in reference to the initial targets of each group. Analogous to a company management, strategy and competition were deemed by Thaksin as essential instruments for improving public services, and therefore he claimed a strategic approach rather than experience-based practices.

Third, he introduced the new agenda of dual-track policies, which aimed at promoting a grass-roots economy (*setthakit rak-ya*) in rural areas on the one hand, and enhancing international competitiveness among big firms in urban area on the other.[8)] What is unique about Thaksin's policies is that the main purpose for promoting the grass-roots economy is not to reduce poverty in rural areas (the traditional style politics of clemency and charity), but to give chances or opportunities for rural people to create their own business and employment (a new style politics in the era of the global capitalism).

In this context, Thaksin promoted "community business" (*thurakit chumchon*) through programs of village funds, people's bank, and OTOP movement, which adopted an approach to tackling poverty that was quite different from that adopted by previous governments. Promotion of the grass-roots economy also aimed to court votes in rural areas in favor of TRT in the next election (February 2005). This is the precise reason why Thaksin emphasized populist-oriented policies in his *first* government between 2001 and 2004.

Criticism of Thaksinocracy

The above three elements combine with each other to characterize the *Thaksinomics*. However, Thaksin's political style was attacked by mass media and academic circles for leading to "policy corruption" (Pasuk and Baker 2004), "prime ministerialization" (Bhidhaya 2004), "Thaksinocracy" (*Thaksinathipatai*) against democracy (Rungsan 2005), "Thaksinization of Thailand" (McCargo and Ukrist 2005), "Thaksin regime" (*rabop Thaksin*) (Nariphon 2006), and new nepotism or revival of family politics. Three aspects of these criticisms are worth noting.

Firstly, they criticized Thaksin's politics for being a "business of politics" (Pasuk and Baker 2004; 2009). Although Thaksin did not directly involve himself in illegal activities, he was criticized on the grounds that he depended heavily on money rather than the traditional Thai idea of justice or "*thamma*."

8) The objectives of dual-track policies were explained by Thaksin himself in his speech in Manila, the Philippines, on September 8, 2003 (Pran 2004, Vol. 1, 26–38).

Secondly, many scholars also criticized the increasing concentration of power under his term as well as his dictatorial behavior. For example, Rungsan Thanaphonphan argued that while a CEO in a company was usually supervised and monitored by both the board of directors and shareholders, Thaksin did not brook any criticism from the outside. Accordingly, he was not a CEO of state in a real sense, but a one-man-show type of *taoke* (owner-operator) of the state (Rungsan 2005, 168–175).

Finally, they criticized Thaksin's politics for reviving nepotism. As a matter of fact, Thaksin appointed a lot of family members to key posts: his younger sister Yaowaret became chairperson of the National Women Association; another younger sister Yaopa was the clique leader of TRT; Somchai Wongsawat, Yaopa's husband, was appointed permanent secretary of Justice and the prime minister (September–December 2008); and Priaopan Damapong, his wife's elder brother, was given the number-two position at the National Police Office.[9] Thaksin also appointed two cousins (Chaiyasit and Uthai) to the key posts of Army Commander-in-Chief and the permanent secretary of Defense, respectively (Athiwat 2003; Tamada 2005). It is fair to say that such nepotism in personnel management contributed to fueling anti-Thaksin sentiments among the military group as well as among the middle classes in the Bangkok Metropolitan area.

Economic Performance of the Thaksin Government

Before looking at the socio-economic policies of the Thaksin government, let me review briefly the economic performance of Thailand. Table 1 compares the targets of Ninth Five-Year Economic and Social Development Plan (2001–2006) formulated by the National Economic and Social Development Board (NESDB) and actual figures in particular targets. Table 1's actual figures concerning economic growth rate, inflation, fiscal balance, and job creation show that the Thai economy was performing better than NESDB's forecasts and targets. Contrary to pessimistic projection by Thai economists on growth rates (2–2.5%), Thailand had achieved over 5% growth since 2002. Such economic recovery from the crisis in 1997 has contributed not only to rapid increase of private consumption but also to the nation-wide support of the people in favor of Thaksin and TRT.[10]

Two characteristics distinguish the Thaksin government's management of macro-

9) In August 2011, Yingluck Shinawatra, the youngest sister of Thaksin, was appointed a prime minister owing to a victory of pro-Thaksin political party in a general election of July 2011.

10) Increase of private consumption can be attributed partially to rapid growth of consumer's credit (mini bubble economy) in the period of the Thaksin administration. Indeed, outstanding consumer's credit doubled, from 72.5 billion baht in the end of 2002 to 143.5 billion baht at the end of 2005 (Bank of Thailand website).

Table 1 Targets of the Ninth Five-Year Plan and Actual Performance, 2001–04

Items	Units	Targets of the Ninth Plan	Actual Figures under the Thaksin Administration			
			2001	2002	2003	2004
GDP nominal	Billion baht	–	5,135.5	5,446.0	5,930.4	6,576.8
GDP actual growth rate	%	4.0~5.0	2.2	5.3	7.0	6.2
Current accounts	Billion baht	–	6.2	7.0	8.0	7.3
Current accounts/GDP	%	1.0~2.0	5.4	5.5	5.6	4.5
Consumers' price	%	3.0	1.6	0.7	1.8	2.7
Fiscal balance	Billion baht	–	–	–150.4	–40.8	–69.7
Fiscal balance/GDP	%	–1.0~–1.5	–	–2.8	–0.7	–1.1
Public debt	Billion baht	–	2,900.3	2,930.8	2,902.4	3,120.8
Public debt/GDP	%	60.0~62.0	56.5	53.8	48.9	47.8
Public debt/ Budget expenditure	%	16.0~18.0	10.9	11.3	12.5	11.6
Employed persons	1,000 persons	–	32,137	32,997	33,815	34,850
Additional employed	1,000 persons	230	880	824	817	1,035

Source: Made by the author on the basis of NESDB (2005, 1/4).
Notes: 1) The ninth plan was authorized at the cabinet meeting in September 2001.
2) Growth rates for 2003 (6.9%→7.0%) and 2004 (6.1%→6.2%) were replaced by latest ones.

economy compared with previous governments. First, Thaksin attempted to reduce public external debt and its ratio to nominal GDP, and obtain budget resources from the national revenue, profits of state enterprises, profits from privatization of state enterprises, and private investments. In spite of the fact that the NESDB projected public debt ratio against nominal GDP as 60% and over in the Ninth Five-Year Plan and the International Monetary Fund (IMF) requested recipient countries to meet 55% as the maximum standard, Thailand had successfully reduced this figure to less than 50% by 2003. When Thaksin operated his own private business (Shin Corp.), he preferred *direct* corporate finance based on issuance of stocks and corporate bonds to *indirect* corporate finance based on banking loans. In exact accordance with the strategy of corporate finance, Thaksin insisted on applying the principle of non-borrowing or stand-alone approach to the financial and fiscal management of a state.

Second, there was an increase in state revenue, which was by far larger than initially estimated. After the currency crisis in 1997, state revenue had dramatically dropped, and the Ministry of Finance and the Bureau of the Budget were naturally inclined to adopt conservative stance in estimating national revenue. They therefore tried to control budget allocation in conjunction with conservative revenue projection. After the economic recovery, however, actual revenue has always exceeded initial estimates, and in turn granted additional budget resources to the Thaksin government.[11)]

Additional revenue came from an increase in collection of corporate taxes, value added taxes, and excise taxes owing to economic recovery during the term of the Thaksin government. Along with the increase in tax revenues, an equally important development was the *computerization* of the state revenue collection system, which not only helped speed up tax collection procedures but also minimized unintentional failure in tax collection in the fields of excise taxes and value-added taxes. Additional revenues were separated from the ordinary proceeding of budget allocation and were eventually placed under the direct control of the cabinet, in other words the prime minister. Such free-hand revenue naturally became significant fiscal sources for the Thaksin government to promote money-consuming populist-oriented policies. I will return to this problem in section VI of this article.

Changes in Policy-Making Process

Four Core Economic Agencies and Technocrats

After seizing political power, Thaksin significantly changed the process of policy-making. To clarify the difference in policy-making process between the Thaksin government and previous ones, let me briefly review the role of major economic agencies engaged in formulating and implementing macro-economic policies in Thailand.[12)]

As Warr and Bhanupong have already argued, there are four core economic agencies in Thailand: the National Economic and Social Development Board or NESDB, which is the government's main economic planning agency; the Fiscal Policy Office or FPO of the Ministry of Finance for the management of public finance; the Bureau of the Budget or BOB of the Prime Minister Office for the estimation of state revenue; and the Bank of Thailand or BOT for financial arrangement (Warr and Bhanupong 1996, 69–70; see Fig. 1 in Suehiro 2005, 17).

These four core agencies have played a preeminent role in the process of national budget allocation since the 1960s, and have been fully responsible for the stable development of the macro-economy. The NESDB principally screens the bottom-up investment plans of each ministry and department in reference to the targets of the Five-Year Plans,

11) Additional state revenue amounted to 48 billion baht in FY 2002, 146 billion baht in FY 2003, and 89 billion baht in FY 2004, respectively. Original estimated revenue in each year was around 1,000 billion baht, and then surplus accounted for 5% to 15% of the total (See Table 7 of this article).

12) For more information on the decision-making process of economic policies in Thailand, see Muscat (1994), Warr and Bhanupong (1996), Suehiro and Higashi (2000, Ch. 1), and Suehiro (2005).

while the BOB investigates revenue aspects. The FPO proposes the possible government expenditure, consistent with the monetary policy of the BOT. The four core agencies have traditionally cooperated with each other through their personal networks under the leadership of the distinguished governor of the BOT, Dr. Puey Ungpakorn, and have maintained their policy independence from the political influences of military forces (Suehiro 2005, 22–28).

When Thailand experienced long-term economic recession in the early 1980s, the interrelationship among the four core agencies changed. Since the Prem Tinsulanond government applied for standby credit from the IMF and structural adjustment loans (SALs) from the World Bank between 1981 and 1983, the NESDB and the FPO began to play more important roles in managing and monitoring public external debt from these international organizations (Muscat 1994, Ch. 5). In addition to the expanded role of the two agencies, the Prem government also established three important institutions to implement macro-economic policies. These three are the National Public Debt Committee chaired by the finance minister; the Economic Ministers Meetings, which exclusively discussed economic matters before the regular cabinet meeting; and the Joint Public and Private Sector Consultative Committees (JPPCCs, or Kho.Ro.Oo.) to argue jointly current economic problems (Anek 1992, Ch. 4; Suehiro 2005, 32–35). At the same time, the NESDB was expected to serve as a coordinating organ for these national committees in addition to its original task of planning the Five-Year Plan.

When Chatichai Choonhavan (Chart Thai Party) won the 1988 election, he established the first political party-based coalition government in Thailand. But he hardly changed the existing policy-making system. It is true that the Finance Minister was not appointed any more from qualified persons of the Ministry of Finance, but was picked from the ruling political party. And the Finance Minister sometimes intervened in both fiscal policies of the FPO and monetary policies of the BOT (Suehiro 2005, 37–39; Apichat 2002). But there was no noticeable change in the process of policy-making. Technocrats at the four core agencies could still continue to manage macro-economy as long as they did not touch on the sensitive business interests of political party leaders and royalist members.

Changes in the Chuan Government: Politics of Public Hearings

The currency crisis of 1997, however, changed the roles of the four core agencies. The major developments in economic policy-making under the second Chuan government (1997–2000) may be summarized as follows.

First of all, since the government decided to request standby credits from the IMF and SALs from the World Bank to overcome the crisis, the two international financial organizations came to play a decisive role in formulating the economic reforms of Thailand.

Second, the Finance Minister, Tarrin Nimmanhaeminda, was given supreme power to control the financial sector and to negotiate with international financial organizations as well as Japanese government agencies.[13] Tarrin was the key person of the Democrat Party, which was the ruling party of coalition government, and was former president of the Siam Commercial Bank.

Third, the policy role of the FPO was diminished, in comparison with its role in the era of the Prem government. The Public External Debt Section was separated from the FPO to independently handle the growing loans from the IMF, the World Bank, and Japanese government. Along with this organizational restructuring and transfer of several sections, the number of FPO staff was cut from 250 to 150 by 1999. Instead, the Economic Ministers Meetings began to play more important roles. The meetings which were held every Monday ahead of the Tuesday cabinet meeting eventually made the final decisions on economic matters (Suehiro 2005, 44).

Fourth, the Chuan government increased the number of the Deputy Minister (*Phu chuai rattamontri-wa*) from 8 to 24 persons in addition to 4 Deputy Prime Ministers and 13 ministers in order to invite influential political party members into the coalition government.[14] The posts of the Deputy Ministers in several ministries such as the Ministry of Transport and Communications were very attractive for party leaders seeking political rents.

Finally, the Chuan government placed importance on public hearings in the process of formulating nation-wide policies such as a Five-Year Plan, the Social Investment Fund (SIF), and the Industrial Restructuring Plan (IRP). This policy is due in part to the ideology of the 1997 Constitution which aimed at promoting people's participation in politics and in part to the political agenda of the Democrat Party which promised further democratization in Thailand (Suehiro 2000). Patcharee Siroros of Thammasat University has characterized the Chuan government's politics as a "politics of public hearings."[15]

In brief, the major players in economic policy-making diversified into four groups: 1) international financial organizations (IMF and the World Bank); 2) economic techno-

13) After the currency crisis, Japanese government provided a huge amount of credits through the Miyazawa Plan and extra yen credits between 1998 and 1999 (Suehiro 2009, 64–65).

14) The total number of cabinet members accounted for 26 to 44 persons between 1973 and 1990, while deputy ministers accounted for 12 to 21 persons in corresponding period. The Anant government in 1992 reduced its members to 26 persons and 8 persons respectively due to the nature of temporary government after the May bloody incidents in 1992.

15) Author's interview with Patcharee Siroros in Bangkok, February 1999.

crats in the NESDB and the Ministry of Finance; 3) particular political party leaders in the positions of the finance minister, industry minister, and the deputy ministers in economic affairs; and 4) participants in the public hearings. Each group was inclined to seek its own interest without mutual cooperation and policy consistency. Such fragmentation of decision-making became the object of Thaksin's criticisms, which targeted the structural weakness of the Thai public sector.

Thaksinocracy in Policy-Making: Prime Ministerialization

The Thaksin government appeared to have aimed at completely changing the traditional policy-making system, despite the carryover of human resources from the Chatichai governments.[16] The new institutional elements may be summarized as follows.

First, Thaksin abolished the regular meetings of the Economic Ministers on Monday, and replaced them with the meetings of the Strategy Committee[17] to argue national urgent matters. The Committee reportedly consisted of Thaksin himself and leading figures from the Army, the National Police Office, and business circle, but there is no precise information on its membership.

Second, he set up the five Screening Committees (later increased to seven ones) at the first cabinet meeting on March 6, 2001, and appointed five Deputy Prime Ministers as chairpersons of each committee to examine particular policy issues. Important policy proposals from responsible ministries including the NESDB were first submitted to these committees, and then discussed before final decisions were reached at the cabinet meetings.

Third, he abolished the public hearings, and replaced them with the practice of direct dialogue with the people through his own speeches at the government-sponsored radio (FM 92.5) every Saturday from 8:00 to 8:30 pm. Between April 28, 2001 and August 19, 2006, his radio speeches continued to convey his political thought along with explanations of decisions of cabinet meetings.[18] Thaksin appears to have put more importance on such type of direct dialogue with the people rather than on time-consuming discussion in the House of Representatives.

Fourth, he appointed TRT members as the Vice Ministers (*Rong rattamontri-wa*,

16) Such key persons in the Thaksin government include Pansak Vinyaratn (prime minister's advisor), Vishnu Krua-ngam (chairman of the Public Sector Development Commission), and Kittidej Sutsukorn (advisor to the Industry Minister), who came from policy advisory team of the Chatichai government (Nakharin 2008).

17) The full name of the committee is the Committee on Strategies and Tactics to Solve National Urgent Problems.

18) All of Thaksin's speeches at the radio broadcasting until 2003 are edited and included in Supawan (2003). This style of direct dialogue with the people was adopted by the Samak government and the Abhisit government (on TV).

non-cabinet members), in addition to the Deputy Ministers (*Phu chuai rattamontri-wa*, cabinet members) because the 1997 Constitution strictly regulated the number of cabinet members (reduced from 47 to 36 persons). The Thaksin government is the first one to be elected under the 1997 Constitution. To overcome limitations to the number of cabinet members, he created the new post of Vice Minister and appointed influential TRT party members to this post to supervise ministers and technocrats. It is reported that he obtained this idea from the Japanese system of having parliamentary vice ministers (*seimu-jikan*).[19]

Institutional reform in policy-making system contributed to the strong leadership of the prime minister. This movement is clearly evident in Table 2, which compares the distribution of cases of policy submissions to the cabinet meetings in two periods of the Chuan government and the Thaksin government. Computing the average frequency of policy submissions to the cabinet meeting per month, we see that the Thaksin government tackled more cases (100.8 cases against 95.3 cases). And the role of the Prime Minister Office increased in the Thaksin government (19.1% against 17.6%). But the differences in these figures are not so impressive. Rather we should note the differences in major agencies responsible for submitting policies inside the Prime Minister Office. As Table 2 clearly shows, three groups or agencies of the Deputy Prime Ministers who chaired the Screening Committees, the Prime Minister Secretary Office, and the Cabinet Secretary Office became to play more significant roles in submitting policies.

Looking at the increasing percentage of the NESDB (from 1.3% to 2.6%) in Table 2, some may argue in favor of the revival of the four core agencies. In actuality, however, Thaksin frequently ordered the NESDB to formulate new policies in strict accordance with the state strategies, as well as the ordinary task of planning the Five-Year Plan, which resulted in an increase in the number of cases of policy submissions from the NESDB. Ironically, increasing cases reflect the diminished role of the NESDB. Ministry of Finance also reduced its role in exchange of increasing role of the Deputy Prime Ministers.

Aside from restructuring the cabinet, Thaksin also preferred to invite formal and informal groups outside of the government. These groups include:

1) Members of the TRT Economic Policy Formulating Committee including Pansak Vinyaratn (*private* policy advisor to Prime Minister Thaksin), Somkid Jatusripitak (finance minister), Suranan Vejjajiva (spokesman), Kittidej Sutsukorn, Kitti Limsakul, and Pramon Kunakasem

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19) Interview conducted by the author with the TRT's executive committee members in Bangkok, March 2001.

Table 2 Policy Submissions to the Cabinet Meetings, Classified by Ministries and Institutions under the Chuan Administration and the Thaksin Administration

Ministries, Institutions Independent Bodies	Chuan Admin. (1999–2000)		Thaksin Admin. (2001–June, 2006)	
	Cases	%	Cases	%
Prime Minister Office	404	17.6	1,268	19.1
Prime Minister Office itself	157	6.9	299	4.5
Deputy Prime Minister	**25**	**1.1**	**206**	**3.1**
Prime Minister Secretary Office	**19**	**0.8**	**94**	**1.4**
Cabinet Secretary Office	**28**	**1.2**	**112**	**1.7**
Legal Office	47	2.1	132	2.0
Civil Service Administration	25	1.1	82	1.2
NESDB	29	1.3	171	2.6
Bureau of the Budget	74	3.2	172	2.6
Ministry of Defense	35	1.5	123	1.8
Ministry of Finance	433	18.9	806	12.1
Ministry of Foreign Affairs	89	3.9	313	4.7
Ministry of Interior	145	6.3	506	7.6
Ministry of Agriculture and COOP	169	7.4	466	7.0
Ministry of Commerce	92	4.0	390	5.9
Ministry of Industry	97	4.2	231	3.5
Ministry of Justice	42	1.8	117	1.8
Transportation, Technology etc.	206	9.0	865	13.0
Labor and Social Welfare	76	3.3	289	4.3
Ministry of Public Health	48	2.1	239	3.6
Education and Culture	105	4.6	341	5.1
Secretaries for the House of Representatives and the Senate	20	0.9	43	0.6
National Police Office	16	0.7	51	0.8
Others	312	13.6	606	9.1
Sub-total Ministries	2,289	100.0	6,654	100.0
Personnel appointments (Head of department and higher positions)	85		232	
Independent bodies under the 1997 Constitution	8		44	
Public Sector Development Office	0		58	
Grand total	2,382		6,988	

Sources: Computed and classified by the author and Kei'ichiro Oizumi on the basis of the full texts of cabinet meetings between 1999 and 2006.

Notes: 1) Table covers the last two years of the Chuan administration (1999 and 2000) and five years of the Thaksin administration (February 2001 to June 2006).

2) Transportation, technology etc. include Ministry of Transportation and Communications and Ministry of Science, Technology and Environment. Since October 2002, this column includes four ministries.

3) Labor and social welfare include a new Ministry of Social Development and Human Security since October 2002.

4) Education and culture include a new Ministry of Culture and Ministry of Tourism and Sports since October 2002.

5) Independent bodies include the Constitution Court, the Administration Court, and the Justice Court.

6) The National Police Office became an independent body from the Prime Minister Office since October 2002.

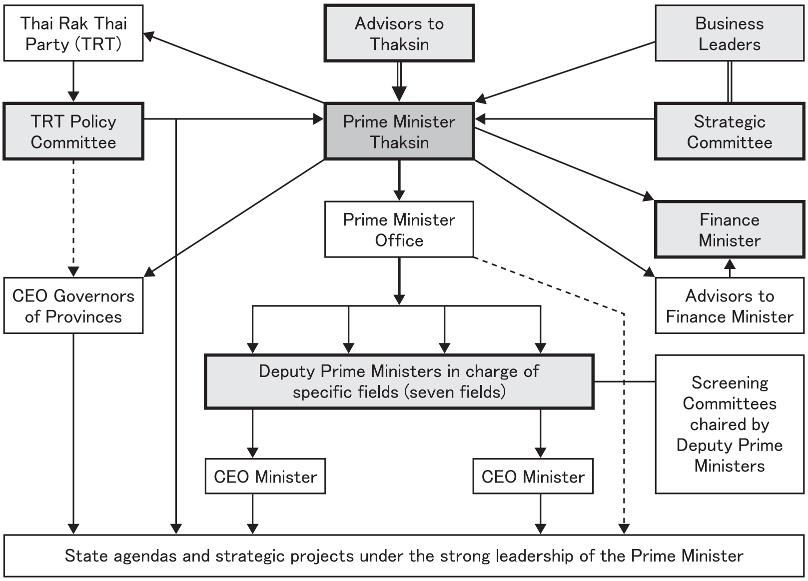

Fig. 1 Policy-Making Structure and Major Players in the Thaksin Administration, 2005
Sources: Interview research by the author in Bangkok from 2001 to 2005.

2) Policy advisors to the prime minister such as Pansak, who was a journalist, and Phrommin Lertsuridej, who was also appointed the Secretary-General of the Prime Minister Secretary Office in February 2001
3) Policy advisors to the finance minister such as Chaiyawat Wibulsawasdi, the former Governor of the BOT (1997–98), and Olarn Chaiprawat, who was the former president of the Siam Commercial Bank
4) Influential deputy prime ministers who chaired the Screening Committees
5) Members of the Strategy Committee
6) Leading figures in business circle such as Dhanin Chearavanont, the chairman of the CP Group, and Boonsithi Chokwatana, the head of Saha (SPI) Group[20)]

Fig. 1 shows the whole structure of the policy-making under the Thaksin government. Fig. 1 suggests the increasing concentration of power in the hands of the prime minister alongside the exclusion of bureaucratic influence from the decision-making process. Thaksin apparently aimed to replace the Thai bureaucratic polity with a prime

20) These business groups changed their strategies in favor of the Thaksin government in July 2006, and shifted their political donations to the Democrat Party.

minister-led politics or *Thaksinocracy*.

Dual-Track Policies

Populist-oriented Policy

As discussed in section II, Thaksin adopted dual-track policies, which consist of promotion of the grass-roots economy in rural areas (the first track) and the enhancement of national competitiveness of big capitalists in urban areas (the second track). After establishing a new government, he favored the first track over the second one. This is in part because economic recovery from the Asian crisis became an urgent task for the country and in part because the first track was more essential for Thaksin and TRT to attract the support of the people. For these reasons, Thaksin announced nine urgent economic and social programs in his policy speech at the Diet on February 27, 2001.

These nine programs include: 1) three years' moratorium on farmers' debt; 2) provision of village funds; 3) establishment of people's banks; 4) establishment of new government-sponsored SMEs banks; 5) introduction of universal health services (known as "30-baht medical services"); 6) solution of non-performing loans through the Thai Asset Management Corporation (TAMC); 7) privatization of state enterprises; 8) eradication of drugs; and 9) anti-corruption campaign (Samnak Lekhathikan Khana Rattamontri 2002, 91–95). In addition to policies 1) to 5), Thaksin also introduced two well-known programs of OTOP and a "Ban Ua-arthon" project which provided lower-income households with cheaper housing facilities. Seven of the policies were originally part of the TRT campaign promises in the general election and became core projects of the first track or the promotion of the grass-roots economy.

In July 2001, the Thaksin government announced the "mid-term economic policies 2001–2006" to the public. Before the cabinet meeting, NESDB and the Fiscal Policy Office prepared their original plan which was principally based on the Ninth Five-Year Plan (2001–2005). But this plan did not fully reflect Thaksin's policy speech in February. Glancing at the original plan, Thaksin got angry and immediately ordered the NESDB to revise it in accordance with his policy speech. Consequently, the revised agenda was submitted to a cabinet meeting in July, which included all the programs in both prime minister's policy speech and the TRT campaign promise.[21] In Thaksin's view, the

21) Author's interview with the NESDB staffs in Bangkok, August 2001. This plan is officially named a "Strategies for Improvement of Quality of Economic Growth and Sustainable National Economic Development 2001–2006," which consists of two parts and 28 items.

Table 3 Populist-oriented Policies under the Thaksin Administration (As of 2005)

Programmes	Policy Performance
(1) Village funds	Start from March 2001, providing investment funds with 1 million baht (3% of preferable interest rate) equally for villages and urban communities. By the end of 2002, 73,941 villages and communities registered and received a total of 77.5 billion baht, while outstanding loans accounted for 233.3 billion baht (16.3 million cases) (NESDB 2003b, 3/4–3/6; 2005, 5/19).
(2) People's bank	Start from June 2001, providing non-collateral loans through the Government Savings Bank for small business and own-account merchants in urban and rural areas. By the end of 2003, 310,000 persons joined this scheme, while outstanding of loans accounted for 3.1 billion baht (NESDB 2003b, 6/4–6/5; 2005, 5/20).
(3) Debt moratorium for poor farmers	Start from April, providing moratorium for farmers' borrowings from the Bank for Agriculture and Agricultural Cooperatives (BAAC) for three years. By September 2001, 2.31 million farmers were approved by the BAAC with a total amount of 94.3 billion baht (NESDB 2003b, 3/4–3/6).
(4) One *tambon* one product (OTOP)	Start from September 2001 to promote village business on the basis of the Thai Rak Thai's "stand-alone model" as well as Oita Prefecture's experience. Total sales of certified village products amounted to 33,000 million baht (6,921 products) in 2003 and 43,000 million baht (20,589 products) in 2004, respectively (NESDB 2005, 5/21).
(5) 30-baht medical service program	Start from April 2001, providing medical services with each 30 baht payment at public health centers for all the people who did not joined any scheme of the government health insurance services. By the end of 2004, 47.07 million persons were given "gold cards" (NESDB 2005, 6/8).
(6) SMEs finance	Financial supports by the government for the SMEs amounted to 157 billion baht between 2001 and 2004.
(7) Ban Ua-arthon project (Housing project for low-income groups)	Total of 48,000 households obtained houses through this project.

Sources: NESDB (2003b; 2005); Suehiro (2009, 163).

NESDB ought to follow the state strategy addressed by the prime minister rather than the targets of the Five-Year Plan set by the former government. This incident symbolically highlights the declining autonomy of the NESDB in policy-making.

Table 3 summarizes the major programs in the first-track policies. All the programs started within 2001 and total expenditure amounted to 300 billion baht, or the equivalent of 30% of total budget allocation in FY2002. As the table shows, each program achieved a visible outcome, which contributed to the huge popularity of the first Thaksin government. On the other hand, the enormous amount of expenditure for these populist-oriented policies provoked severe criticism from the mass media on the grounds that these programs were undertaken without ordinary budget allocation (off-budget system). In section VI, I will return to the important question of how the Thaksin government financed these policies under the existing budget system.

Shift of Policy Priority to the Second Track

In 2002, the Thaksin government expanded its policy objectives to the *second* track or the National Competitiveness Plan (NCP), in which the government selected five major sectors (food processing, automobiles, fashion industry, tourism industry, and development of software services) as targets and planned to enhance international competitiveness in the world market. What should be quickly noted here is the fact that the previous Chuan government had already adopted a similar plan, the Industrial Restructuring Plan (IRP). IRP was formulated by the Ministry of Industry in collaboration with the Japanese Ministry of Economy, Trade and Industry (METI) and Japan International Cooperation Agency (JICA), and selected 11 strategic industries for promotion. But Thaksin completely neglected this plan, and ordered the NESDB to submit a new plan in collaboration with Michael Porter, a professor of the Harvard Business School (NESDB 2003c).[22)]

Unlike the IRP which focused on the improvement of efficiency and productivity of *manufacturing sector* through the development of supporting industries (Japanese ideas), NCP imported key concepts such as *innovation* and *industrial clustering* based on the policy advice of Porter as well as textbooks in the American business schools (Porter 2003). The complete text of NCP was submitted by the NESDB and approved by the cabinet meeting in October 2003. Although NESDB was officially designated the responsible agency of NCP, the actual people in charge were Porter and the SASIN which was the most influential business school in Thailand. NESDB could no longer take initiative as a primary planner, and merely served as a coordinator for planning.

After the general election in February 2005, the second Thaksin government explicitly shifted its policy priority from the first track in favor of the people to the second track in favor of domestic and foreign investors. Since TRT had won 75% of seats in the House of Representatives, Thaksin did not need to pay special attention to the masses as he had to do before. For instance, in May 2005, the Ministry of Finance announced "Mega Projects" with a total cost of 1,800 billion baht and appealed to foreign investors to invest in attractive mass transportation projects in Bangkok Metropolitan area. In the same period, Thaksin also ordered the NESDB to formulate the 10th Five-Year Plan (October 2006–September 2011), which emphasized profit-making agriculture on the basis of bio-technology and provincial cluster development plans based on the CEO Governors. Unlike the Ninth Five-Year Plan, the new plan accorded less importance to traditional policy objectives such as poverty reduction in rural areas (World Bank

22) For a comparative study on the objectives, the process of policy-making, and the institutional framework between the IRP and the NCP, see Suehiro (2010).

2001).[23] From the middle of 2005 onward, Thaksin also accelerated the privatization of state enterprises to attract more foreign capital to the local stock market. All the programs were integrated into state strategies to modernize the Kingdom of Thailand (KTMF) (Suehiro 2008).

From Thaksin's viewpoint, there are two major obstacles to KTMF's ambitious strategy aimed at transforming Thailand into a modern state. One is the traditional bureaucracy, including government officers' culture, and the other is the existing budget system under the strict control of line ministries. Consequently, he focused his political targets on the two major fields of the public sector and the budget system.

Reform of the Public Sector

Thaksin's Views on Traditional Bureaucracy

The first obstacle to Thaksin's reform is the old-fashioned bureaucracy. According to his observation, Thai bureaucracy has too many agencies and there is no organic linkage in activity between organizations. Thai public services are too slow despite global capitalism's "economy of speed."[24] He also severely criticized the traditional bureaucracy because it lacked efficiency in delivering public services, had no strategy in policy-making, and lacked competition in the work place. Rather it merely encouraged bonding among its members and a conservative attitude against any criticism coming from the outside.

On September 11, 2002, Thaksin addressed the issue of "Reform of a country, reform of the public sector" in the prime minister's residence. In this speech, he disclosed the fact that he ordered the Prime Minister Office to disband around 300 out of 600 national committees, and revealed his plan to reorganize existing government agencies into more networking-based and agenda-based organizations (Pran 2004, Vol. 1, 291–308). More important, he emphasized in the same speech the necessity of reforming traditional bureaucratic *culture* and government officers' *consciousness*. He claimed:

23) In October of 2005, March and June of 2006, the NESDB submitted again and again revised drafts to the cabinet meeting because there was a sharp conflict between the Thaksin's own ideas based on his state strategy and the NESDB's original proposals based on the philosophy of "sufficiency economy" (*setthakit phophiang*) propounded by the king. For an account for the ideas behind the "sufficiency economy," see UNDP (2007) and Suehiro (2009, Ch. 4).

24) Thaksin preferred to use the term "the economy of speed" rather than "the economy of scale," because he liked very much the book, *Business at the Speed of Thought*, by Bill Gates of Microsoft Corporation (Pran 2004, Vol. 1, 177; Vol. 2, 338).

"Most important task for us is to reform the *old culture* of work together into a new one at the levels of government officers, the relationship between public sector and a country, and the relationship between public sector and the people. We need a *new culture* of work together. We cannot make the excuse that we have poor performance because our system is out-of-date. The era is always changing and it requests us a reform" (*ibid.*, 300–301, *underscoring* by the author).

On this account, he severely condemned the out-of-date system (*rabop la-samai*) and called for the introduction of modern public services on the basis of advanced technology (e-Government), agenda-based organizations, explicit visions (*wisaithat*), well-organized strategy, and competition among government officers. Based on such views, he launched the reform of traditional bureaucracy by setting up the Public Sector Development Commission (PSDC) in October 2002 (Nakharin 2008). Before examining the activity of the PSDC, let me briefly review the structure of government officials and the mechanism of personnel management in the public sector in order to help the reader to understand the real cause behind the Thaksin's reform.

The Structure of Government Officials in Thailand

Fig. 2 shows the category of public personnel and the distribution of civil servants and employees by the category. Figures on the basis of my own research in 1996 are out of date for the current situation. However, there are no comparable figures and the present system principally follows the same category. Therefore, I employ the 1996 survey to depict the structure of Thai bureaucracy (Suehiro 2006).

Public personnel (2,586,000 persons) consists of five major categories: political officials (776 persons); permanent officials (1,169,000 persons); departmental employees (695,000 persons); local officials (421,000 persons); and staff and employees of 23 state enterprises (300,000 persons). Among them, permanent officials belong to a category of government officials *in a broader sense*. Permanent officials are further classified into seven sub-categories including police officers and prosecutors. Among them, three groups belong to a category of government officials *in a narrower sense*. They include 530, 000 teachers at public schools under the auspice of the Teacher Council, 380,000 civil servants in central public agencies under the auspice of the Civil Service Commission (CSC), and 49,000 professors and lecturers under the auspice of the University Official Commission. Here, I focus on the second group of civil servants under the CSC.

All the civil servants are recruited through standard examinations adopted by the CSC and otherwise through particular examinations conducted by several high-ranked ministries (Ministries of Interior and Foreign Affairs). After entering public agencies,

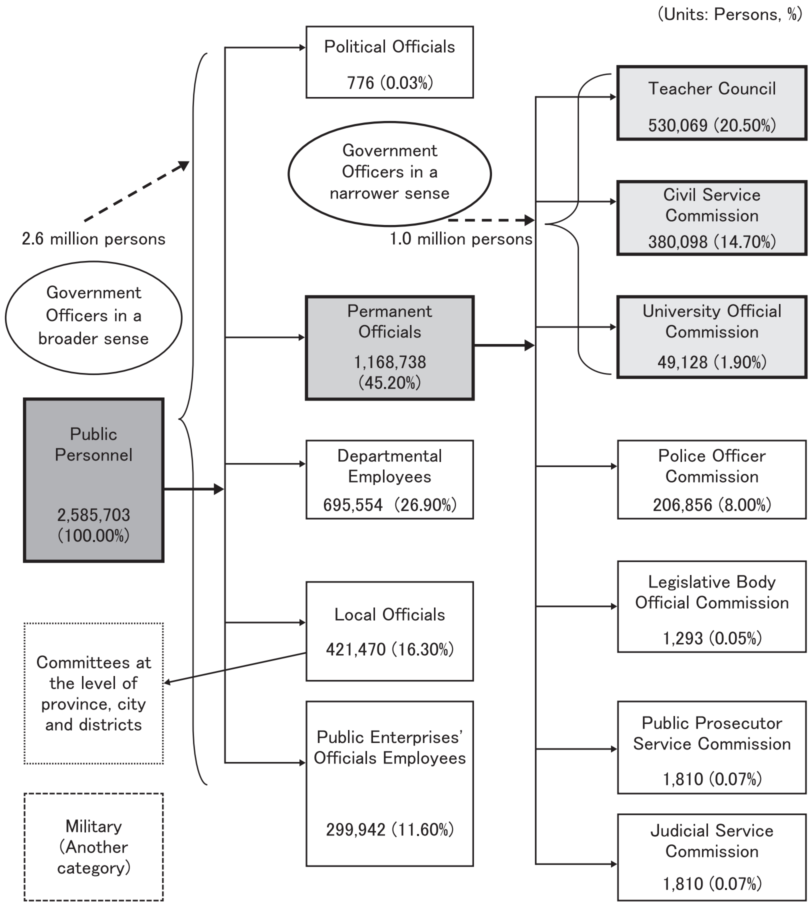

Fig. 2 Structure of Bureaucracy in Thailand (1995)
Source: Interview research by the author at the Ko.Pho in Bangkok, April 1996.

they are all ranked in the P (position) and C (classification) table according to their final educational qualifications. For instance, a person with educational level of high school or vocational school is ranked as C1, while a new graduate from a university is ranked as C3-2. A Ph.D. holder starts his/her career at C5-4. The PC table is completely linked to the salary table, and every person is automatically promoted by at least one rank each year.

What is unique to Thailand is that the government principally does not employ mid-career persons from the private sector. Those who desire to enter into the public agency must start their careers in the same way as fresh students in accordance with educational

Table 4 Distribution of Government Officers by Position and Classification (P.C.), 1994

Classification	Position	Persons	%	Educational Qualification
P11	Permanent-Secretary of the Ministry (Palat Krasuwang)	13	–	
C11	Advisor, or Inspector-General of the Ministry (Phu Taruwat Rachakan Krasuwang)	84	0.01	
C10	Director-General of the Department (Athibodi Krom), Governor of the Province, Regional Inspector (Phu Taruwat Rachakan Khet), Governor of the State Enterprise	786	0.08	
C9	Director of the Bureau, the Office or the Board, Deputy Director-General of the Department (Rong Athibodi Krom), Deputy Permanent Secretary (Rong Palat Krasuwang)	4,558	0.49	
C8	Director of the Division (Huana Kong, Phu-amnuaikan Kong, Phu-amnuaikan Suwan), Assistant Governor, Nai Amphoe (District Officer), Governor of High School	15,981	1.72	
C7	Section Chief (Huana Phanaek), Deputy Nai Amphoe, School Master of Primary School	46,067	4.95	
C6	Group Chief	280,273	30.11	
C5	Ph.D.	221,642	23.81	C5-4
C4	Master degree	193,115	20.75	C4-2
C3	Bachelor degree	108,001	11.60	C3-2
C2	Two years technical college (Po.Wo.So.)	42,426	4.56	C2-4
C1	Vocational school (Po.Wo.Cho.)	17,844	1.92	C1-4
	Total	930,777	100.00	

Sources: Interview research by the author at the Ko.Pho. (April 1996) in Bangkok; Somucho Chokan-kambo Kikaku-ka (1995, 46).
Notes: 1) C=Common Level, P=Permanent Secretary.
2) Rector of the University is ranked as C10.
3) C1–C5 indicate the range of promotion for government officers with non-university while C3–C7 for government officers with bachelor degree and over. C5 is the ceiling for the former; C7 for the latter.
4) Promotion to C8 and over (managerial posts) is conducted on the basis of selection and evaluation. Nobody can be promoted to the post of C8 and over so far as the post is not vacant.

qualification. On the other hand, all the civil servants are guaranteed employment until the retirement age or 60 years old (since 1953), and they can equally enjoy the right to receive government pension, medical health insurance, and other fringe benefits. In this sense, personnel management of government officials has been basically designed as a closed organization on the basis of service years.

Civil servants are also ranked by the job and post classifications from C1 to C11 and P11 as illustrated in Table 4. For example, C7 is given to a section chief, while C8 to a director general of department. Between C1 to C4 (or C5), each person is automatically promoted according to his/her years of service. From C6 and over, performance evaluation becomes more important in the screening process because of limits in the number of available posts. Indeed, civil servants with C7 account for 46,000 persons, equivalent to 16% of those ranked with C6 (280,000 persons). Finally, a group of C8 and over belongs to *an elite class* in the public sector of Thailand, and account for a mere 2.3% of the total number of civil servants.[25)]

Promotion to the High Ranked Posts

Apart from the cases of director generals of the Department of Customs, secretary generals of the NESDB and governors of the Bank of Thailand (BOT), most of civil servants enter a particular department and are promoted to higher posts in the same department. For director generals of the Department of Customs until the 1970s, several persons were recruited from the National Police Office (Krom Sulakakorn 1994, 11–31), while both governors of the BOT and secretary generals of the NESDB until the end of the 1980s were appointed from among the elites of the Ministry of Finance (Suehiro 2005, 58–59). Except for these cases, we see very few cases of personal transfer across different ministries, and even across different departments. Personnel changes across at departments are basically confined to persons who will be promoted to the posts of director general, superintendent, and the permanent secretary.[26)] In addition to the strict rule of internally-promotion, three other principles seem to characterize personnel management in higher ranked posts of Thai bureaucracy.

First, a permanent secretary is expected to have occupied the highest posts of important departments in each ministry. These posts include the Department of Comptroller General, the Department of Customs and the Fiscal Policy Office (FPO) for the Ministry of Finance; the Department of Foreign Trade and/or the Department of Internal Trade for the Ministry of Commerce; the Department of Medical Services and/or the Department of Health for the Ministry of Public Health; and the Department of Industrial Economics and/or the Department of Industrial Promotion for the Ministry of Industry.

Second, the tenure of director general and permanent secretary is neither regulated by law nor determined by an implicit consensus, as is the case in Japan. Tenure is fre-

25) Position and classification (P.C.) system for government officers was officially abolished by the Thaksin government before the 2006 military coup.

26) These fact findings and description on the rule of personnel management are based on the author's survey on 750 persons in director generals and permanent secretaries in major ministries. This work was conducted in cooperation with Ukrist Pathmanand of Chulalongkorn University in 2004 and 2005.

quently determined by the will of superiors such as the permanent secretary and the ability of candidate. Consequently, the period of tenure varies very widely between one month and 10 years. From the 1990s onward, however, tenure seems to converge into two or three years, and the person is customarily appointed on October 1, and resigns on September 30, in accordance with the Thai fiscal year.

Third, prior to the 1970s, there was frequent evidence of a "fast track system." If a candidate had a good family background (royal or aristocrats family members), high educational qualification outside of Thailand, and prominent performance, he/she could obtain higher post faster than others. It was not difficult to find permanent secretaries in their mere 40s. Since the mid-1980s, however, the age of appointment to the post of permanent secretary began to concentrate in the range of 57 to 59 years old, or 1 to 3 years before retirement. This fact implies that the promotion to the post of permanent secretary has been *standardized* in a hierarchical structure.

These characteristics have contributed to creating the stable structure of Thai bureaucracy. As I mentioned above, civil servants with lower ranks are automatically promoted according to their years of service, while an elite class with higher ranks is promoted on the basis of performance evaluation and good human relationship inside a particular organization. These rules naturally produce characteristics specific to the Thai bureaucracy, notably an inward-looking and conservative culture that is impervious to criticism from the outside. This is precisely the point that Thaksin attacked in the process of his public sector reform.

Who Were Promoted to Permanent Secretaries?

To test and confirm the rule of determining the promotion system, let me employ two case studies of the Ministry of Finance (MOF) and the Ministry of Interior (MOI) as examples. Table 5 summarizes the career path of each person who occupied the permanent secretary (PS) of the MOF between 1975 and 2005. Major facts derived from the table together with my research on PS's educational qualification are as follows.

1) The majority of these PSMOF was holders of Ph.D. or Master Degree (Economics), and was educated in prestigious universities in the United States and Europe such as Michigan University (Amnuay), University of Illinois (Panas), University of London (Suparat), and Cambridge University (Jatumongkol).
2) Except for Aran (1993–95) who was transferred from the Ministry of Commerce, all the persons were promoted internally within the MOF.
3) For the cases of Amnuay (1975–77) and Panas (1982–92), PSMOF were promoted with the ages of 46 and 50, and the tenure of Panas covered 10 years.

Table 5 Career of the Permanent Secretary of the Ministry of Finance, 1975–2005

Name of PS of MOF	Birth Date (Death)	Tenure	Department of Comptroller's General	Fiscal Policy Office (FPO)	Department of Revenue	Department of Excise (Samphasamit)	Department of Treasury (Thanarak)	Department of Customs	Others
Amnuay Virawan	1928/5/21	1975/4–77/10 (46 years old)						1973–75 Director-General	1967–71 Secretary General of the Board of Investment (BOI); 1980–81, 1996–97 Finance Minister
Charnchai Leethawon	1923/12/17	1977/11–82/10 (53 years old)		1971/10–72/9 Director-General	1974–75 Director-General	1972–74 Director-General		1975–77 Director-General	1982–84 Secretary General of the Board of Investment (BOI)
Panas Simasathien	1932/9/29, Bangkok	1982/10–92/6 (50 years old)	1972–78 Director-General		1978–82 Director-General				1962– entered in Dept. of Comptroller's General; 1968–72 Director of Institutions of the Comptroller's; 1992 Finance Minister
Bandit Bunyapana	1934/10/6–1993/7/8 died	1992/6–93/7 (57 years old)	1982/10–86/9 Director-General		1986/10–92 Director-General	1980/5–82/9 Director-General	1979/11–80/4 Director-General		Child of Sarasin family; 1957– entered into the Dept. of Comptroller's General; Secretary of Finance Minister
Aran Thammano	1936/2/9	1993/7–95/10 (57 years old)		1986/10–90/8 Director-General	1982–85 Director-General		1985–86/9 Director-General	1990/9–93/6 Director-General	1953– Ministry of Commerce; 1964– moved to the Ministry of Finance; 1968–75 Director of Tax Collection
Jatumongkol Sonakul	1939/9/27	1995/10–97/7/28 (56 years old)	1989/10–91/? Director-General		1992–96 Director-General				1998/5–2001/5 Governor of the Bank of Thailand
Supachai Pisitwanich	1940/9/1	1997/8/1–2000/9/30 (56 years old)	1986/3–89/10 Deputy Director-General	1992/7–92/9 Director-General		1992/10–93/7 Director-General		1993/7–97/8 Director-General	1963/10– entered into the Revenue Dept.; 82– Income Section Chief; 91–92 Deputy Permanent Secretary
Somchainuk Engtrakul	1944/4/20	2000/10/1–2004/9/30 (56 years old)			1996–97 Director-General	1993–96 Director-General		1987–91 Deputy Director-General; 1997–2000/9 Director-General	1991–92 Inspector-General of the Ministry; 1992–93 Deputy Permanent Secretary
Suparat Kawatkul	1948/1/15	2004/10/1– (56 years old)		1996 Deputy Director-General; 1998–2000 Director-General	2000–2004/9 Director-General				1989–92 Director of Planning and Policy of the Revenue Dept.; 1996–98 Advisor to the Permanent Secretary

Sources: Made by the author on the basis of his database for "Thai High-ranking Government Officers from 1932 to 2005."

However, since the period of Bandit (1992–93), a "fast track system" was replaced by a more standardized system in which the PS was appointed to the post three to four years before retirement, and his tenure was confined to two to three years.

4) Before being appointed to the post of PSMOF, most of people had stints as director generals in at least three different mainstream departments of Comptroller General, Customs, and FPO. In recent years, main departments have shifted to the Department of Revenue and the Department of Excise due to the increasing authority in revenue estimates.

A comparison of the cases of PSMOF and PSMOI reveals both similarities and differences in their promotion systems (see Table 6).

1) Concerning educational background, based on my research, all the people of PSMOI were educated in local (not foreign) prestigious universities such as Chulalongkorn University and Thammasat University. And all the persons were further educated in the National College of Defense.
2) Most of these PSMOI were promoted step by step from district chiefs (*nai amphoe*) to governors of multiple provinces to director generals of mainstream departments such as the Department of Government (*Krom Kan Pok-khrong*) and the Department of Local Government. The career path for PSMOI seems to be more institutionalized than in the case of the Ministry of Finance.
3) Except for Chanasak (1997–2002), the tenures of all the persons were short (one to two years). Furthermore, appointment to PSMOI was conducted in accordance with regular personnel changes starting in October of each year.

The cases of PSMOI suggest that personnel promotion of the high ranked officials has been completely dominated by the explicit rule of the line ministry. Even Interior Minister must follow this rule in personnel management.

Thaksin's Reforms of the Public Sector

Since October 2002, the Thaksin government embarked on ambitious reform of the public sector in three different directions. These reforms include: 1) reorganization of government agencies on the basis of the *agenda*; 2) changes in personnel management on the basis of *meritocracy* rather than seniority system; and 3) improvement of public services according to the documented four year plan in each agency.

Concerning the reorganization of the public sector, Thaksin ordered the restructur-

Table 6 Career of the Permanent Secretary of the Ministry of Interior, 1957–2005

No.	Name of PS of MOI	Birth Date (Death)	Tenure	Latest Post	Second Latest Post	Third Latest Post	Fourth Latest Post
1	Char-trakankoson, Luang, Phon Tamruat Ek	n.a.	1957/9/19–63/9/30	n.a.	n.a.		
2	Dhavin Suntharasaratoon	1907/12/15	1963/10/1–68/9/30	Deputy Permanent Secretary (58–59)	Director-General of Land (56–57)	Deputy Director-General of Mahat Thai (51–55)	Director of Kong Kan Pokkhrong (47–49)
3	Puvong Suwannarat	1913/7/11	1968/10/2–72/12/31 (55 years old)	Deputy Permanent Secretary (62–68)	Deputy Director-General of Mahat Thai Department (58–61)	Governors of Thonburi, Uttaradit, Lampang etc. (48–57)	
4	Vitoon Chakkaphak	1914/2/18	1973/1/1–74/9/30 (58 years old)	n.a.	Governor of Samut Prakarn (59–)		
5	Chaloo Wannaput	1915/3/31	1974/10/1–77/9/30 (59 years old)	n.a.	n.a.	Inspector-General of Interior (58–)	Governor of Bangkok (54–57)
6	Vinyoo Angkhanarak	1925/6/04	1977/10/1–80/6/6 (52 years old)	Director-General of Government	Deputy Permanent Secretary	Director of Policy and Planning Office, MOI	
7	Damrong Suntharasaratoon	1920/9/20	1980/10/1–81/3/2 (59 years old)	n.a.	n.a.	n.a.	1961–Permanent Secretary of the Province
8	Pisal Munlasat-sathorn	1929/5/10	1981/4/1–89/9/30 (51 years old)	Acting Director-General of Government (80–81)	Governor of Udonthani (77–80)	Governor of Nokhon Phanom (75–77)	Governor of Sisaket (74–75)
9	Anek Sitthiprasart	1929/12/21	1989/10/1–90/2/16 (59 years old)	Director-General of Government (87–90)	Deputy Permanent Secretary (86–87)	Governor of Nakhon Srithammarat (82–86)	Deputy Director-General of Government (75–82)
10	Anan Anantakul	1932/12/22	1990/2/17–91/2/25 (57 years old)	Secretary of the Cabinets (Prem, Chartchai, 85–89)	Deputy Permanent Secretary (77–85)	Governors of Chaiayaphum, Samutprakarn (73–77)	
11	Charoenjit Na Songkhla	1930/12/08	1981/2/26–81/9/30 (50 years old)	Deputy Permanent Secretary (Pokkhrong, 90–91)	Deputy Permanent Secretary (Borihan, 87–90)	Deputy Permanent Secretary (Personnel, 82–87)	Inspector-General of the Ministry (81–82)
12	Anan Anantakul	1932/12/22	1991/10/1–93/9/30 (58 years old)	n.a.	n.a.	n.a.	
13	Aree Wong-araya	1935/2/28	1993/10/1–96/9/30 (58 years old)	Deputy Permanent Secretary (Pokkhrong, 91–93)	Director-General of Land (90–91)	Deputy Permanent Secretary (Borihan, 88–90)	Governors of Sathun, Saraburi, Prachuap etc. (76–88)
14	Chuvong Chayabutr	1937/8/24	1996/10/1–97/9/30 (59 years old)	Senate member (92–96)	Director-General of Government (Pokkhrong) (91)	National Law Council member (89–90)	n.a.
15	Chanasak Yuwaboon	n.a.	1997/10/1–2002/3/5	n.a.	n.a.	n.a.	
16	Yongyut Vichaidit	n.a.	2002/3/5–9/30	n.a.	n.a.	n.a.	
17	Sermsak Phongpanich	1946/7/23	2002/10/1–present time (56 years old)	Director-General of Civil Engineering (2001–2002)	Governor of Khonkaen (97–2001)	Governor of Nakhon Phanom (94–97)	Master of School of Government (93–94)

Source: Made by the author in cooperation with Ukrist Pathmanand of Chulalongkorn University in 2005.

ing of 14 ministries (plus the Prime Minister Office or PMO) with 125 departments into 19 ministries (plus PMO) with 156 departments.[27] Contrary to the original plan of downsizing public organizations, Thaksin was forced to increase the number of government agencies. This is in part because he had to deal with the potential dissatisfaction of government officials by increasing the number of posts (departments), and in part because he planned to reconstruct government organization more strategically by allocating a particular agency for a particular agenda.

For instance, the Ministry of Science, Technology and Environments (MSTE: four departments and five offices) was reorganized into the Ministry of Science and Technology (one department and three offices). At the same time, the Department of Energy Promotion belonging to the former MSTE was transferred to a new ministry (the Ministry of Energy), while two agencies of the Department of Environmental Quality Promotion and the Office of Environmental Policy were integrated into another new ministry (the Ministry of Natural Resources and Environment). Each agency was attached to an existing or new ministry according to its own agenda, while a lot of departments and offices were set up to undertake *new* state strategies such as the Department of Development of Thai Traditional and Alternative Medicine in the Ministry of Public Health, the Department of Intellectual Property in the Ministry of Commerce, and the Office of Welfare Promotion, Protection and Empowerment of Vulnerable Groups in the new Ministry of Social Development and Human Security.

Concerning personnel management, Thaksin introduced a new system or promotion based on the principle of meritocracy. He empowered not the Permanent Secretary but the *Minister* to directly appoint director generals, and made it possible to transfer able persons across at different ministries, or to appoint younger persons regardless of the traditional order of P (position) and C (classification) system. Thus, in September 2004, Jakramon Pasukwanich, who was the former secretary general of the NESDB, was transferred to the permanent secretary of the Ministry of Industry, while Ampol Kittiampol, a director general in the Ministry of Agriculture and Cooperatives, was newly appointed to serve as secretary general of the NESDB. Naris Chaiyasut who was the former rector of the Thammasat University, was appointed director general of Fiscal Policy Office over possible candidates from inside the Ministry of Finance. At the level of director general, a lot of persons were selected by their abilities or their connections with TRT. Such system of promotion undoubtedly had a great impact on traditional order and familial

27) For more detail information on reorganization of the government agencies, see two royal degrees concerning "Reforms of Ministries and Departments" on October 2, 2002 (in Thai), which are included into the *Racha-kitchanubeksa* (Royal Thai Government Gazette), Vol. 119, Part 99 Ko. (pp. 14–34) and Part 102 Ko. (pp. 66–85).

relationship in each office, and in turn stoked strong resistance among government officials (Nakharin 2008).

Finally, the Thaksin government set up the Office of Public Sector Development Commission (OPSDC) by appointing Vishnu Krua-ngam as its chairman on October 3, 2002.[28) Major members include Bowornsak Uwanno, Chai-anan Samudavanija, and Orapin Sopchokchai, who had worked for the reform of public sector in the Chatichai government (1988–91) (OPSDC 2005a, 8–9). In May 2003, the cabinet meeting decided to approve an action plan submitted by the OPSDC which aimed to reduce by 30–50% the steps or the time needed for particular public service in each agency. The OPSDC document reported that the Department of Land Transport successfully reduced the time of issuing payment certification for automobile taxes from 30 minutes to 7 minutes, while the National Police Office reduced the time of arranging the formalities for going abroad from 15 days to 7 days (*ibid.*, 12–13).

In 2003, the OPSDC adopted the "Strategic Plan for Public Sector Development 2003–2007." This strategic plan consists of four major targets: 1) reform of the role, activities and the size of public sector (e-Service, service link, downsizing of organization etc.); 2) democratization of public services (people's audit etc.); 3) quality improvement of public services in order to meet the real needs of the people; and 4) capacity building of government officials such as the "I AM READY" program (*ibid.*, 11). "I AM READY" is the acronym of the slogan, "Integrity, Activeness, Morality, Relevancy, Efficiency, Accountability, Democracy and Yield" (*ibid.*, 57–58). In parallel to the NCP which used American concepts from business schools, OPSDC also preferred to use English-language key concepts from the school of modern public management developed in Australia and Europe.[29)

In 2005, OPSDC accelerated the reform of public services on the basis of the "Action Plan of Public Services Development 2005–2008" under the second Thaksin government (2005–08). This action plan requested each agency to define the target, strategy, cooperation with other agencies, concrete plan to improve the efficiency of public services, and budget needed in the four-year plan (OPSDC 2005b; Samnakngan Ngop-praman 2006). The Action Plan of 2005–2008 had a substantial impact on both working style of government officials (overtime work etc.) and the existing system of budget allocation

28) For more on Vishnu's idea of administrative reforms, see Vishnu (2002).
29) Author's interview with Nakharin Maektrairat, the Dean of Faculty of Political Science of Thammasat University in June 2006, in Tokyo. Concerning the implementation of "Strategic Plan for Public Sector Development," Thaksin himself explicitly underlined its necessity in his speech of September 21, 2003 with the title of "Development of the Quality of Our Country under the CEO Regime" (Pran 2004, Vol. 1, 73–87).

under the control of line ministries. Accordingly, let me move to another reform of the Thaksin government, namely, reform of the budget system.

Reform of the Budget System

Strategic Performance Based Budget System (SPBBS)

Another obstacle to Thaksin's state reforms is the existing budget system in which most of the budget has been put under the direct control of responsible ministries according to their *functions*. In other words, responsible (line) ministries at first submit project proposals in conjunction with the targets set by a Five-Year Plan, while the four core agencies of the NESDB, FPO, BOT, and the Bureau of the Budget (BOB) consult with each other to decide on the budget allocation for each bottom-up project. For instance, in the Chuan government, 93.5 billion out of the total of 910 billion baht in FY 2001 were allocated to projects of local development, which include the "Development of Potentiality in Rural and Community People Program" (67.5 billion baht). It is reported that eight ministries and two government agencies were responsible for these projects, and necessary funds were delivered to each project through *line ministry* (BOB, *Thailand's Budget in Brief FY2001*, 94–95). Such budget allocation typically shows the traditional style politics of clemency and charity targeting the rural poor people.

In addition, the procedures of budget allocation must follow the 1959 Act of the Budget. This act was formulated by Puey Ungpakorn (Governor of BOT and Director of BOB in that day) and his associates in order to strictly separate central budget between investment expenditures based on economic planning and ordinary expenditures including personnel expenses (Suehiro 2005). In 1982, the Prem government changed Puey's policy (British style) to the Planning Programming Budget System (American style) or PPBS for the sake of improving the consistency and the effectiveness of budget planning (BOB, *Thailand's Budget in Brief FY1982*). Introduction of the PPBS was a part of policy conditionality required of the Thai government by the World Bank in exchange of its structural adjustment loans (SALs).

Twenty years later, Thaksin ordered the BOB to replace the PPBS by a new policy of Strategic Performance Based Budget System or the SPBBS (Pran 2004, Vol. 1, 324–325). The new budget policy shifted the procedure of budget allocation from the bottom-up approach from line ministries to the top-down approach from the prime minister and the ruling party. Following the policy of the SPBBS, the BOB announced three major principles in budget planning: 1) putting priority on fiscal support of promoting the autonomy of local governments; 2) replacing *function-based* budget allocation by *agenda-based* one; and 3) introducing a four-year budget plan (FY2005–2008) for each agency in correspondence to the tenure of the second Thaksin government.[30] All public agencies were forced to follow these principles, and to demonstrate definitely the necessity of each particular project with reference to state strategies addressed by the prime minister. Such policies are completely interconnected with the shift of policy-making system from a Five-Year Plan to state strategies as mentioned in section III.

Changes in the Pattern of Budget Allocation

Table 7 traces the budget allocation by *functions*, in the period of between FY1991 and FY2011, including the period of Thaksin government (from FY2002 to FY 2006). According to the policy of the BOB, functions of budget allocation are classified into four major

Table 7 Budget Allocation by Functions in Thailand, FY 1991–2011

(Units: Million baht, %)

Fiscal Year	Total Allocation	General Administration		Community and Social Services				Economic Services
		Sub-total	Defense	Sub-total	Education	Health	Social Security	
1991	387,500	26.2	16.0	31.3	19.3	5.7	3.1	23.3
1992	460,400	25.3	15.4	31.0	18.6	5.7	3.1	24.3
1993	560,000	24.5	14.3	33.8	19.3	6.2	3.4	25.5
1994	625,000	24.1	13.8	35.5	19.5	6.8	3.6	26.5
1995	715,000	22.4	12.6	37.1	18.9	6.9	3.8	27.0
1996	843,200	22.8	11.6	38.4	19.9	7.1	4.3	28.9
1997	925,000	20.8	11.0	40.5	21.9	7.4	4.2	29.0
1998	830,000	20.7	10.0	43.0	24.9	7.7	4.1	26.0
1999	825,000	19.8	9.3	42.2	25.1	7.3	4.4	24.2
2000	860,000	20.4	8.9	43.6	25.7	7.4	5.4	22.1
2001	910,000	19.6	8.4	42.0	24.4	7.1	5.7	22.5
2002	1,023,000	18.2	7.5	41.6	21.8	7.1	6.9	23.3
2003	999,900	19.1	7.6	42.1	23.5	7.8	7.6	20.6
2004	1,163,500	18.0	6.4	40.4	21.6	7.2	6.5	24.3
2005	1,250,000	16.9	6.2	38.1	21.0	7.1	6.9	23.7
2006	1,360,000	17.8	6.3	40.0	21.7	7.4	7.0	25.0
2007	1,566,200	18.1	7.3	41.8	22.7	9.5	7.2	21.2
2008	1,660,000	19.8	8.6	41.8	22.0	9.3	6.9	19.3
2009	1,835,000	20.8	9.2	41.7	21.8	9.0	6.9	17.9
2010	1,700,000	25.1	9.0	41.7	22.3	10.5	6.9	16.9
2011	2,070,000	25.1	8.1	39.6	20.4	10.1	6.7	20.5

Source: Made by the author on the basis of *Thailand's Budget in Brief* (BOB, each edition).

30) Interviews conducted by the author at the Research and Planning Division of the BOB in August 2006, in Bangkok.

categories: 1) general administration or general government services (general public services, defense matters, public order, and security); 2) community and social services (education, public health, social security, housing, religions, etc.); 3) economic services (energy, agriculture, manufacturing, transportation, communications, etc.); and 4) miscellaneous and unclassified items (BOB, *Thailand's Budget in Brief FY2006*, 62–65). Looking at the table, we can easily find remarkable changes in the period of the Thaksin government.

First of all, the category of "national defense" showed a rapid decline in terms of percentage of allocation, which decreased from 16.0% in FY1991 through 8.9% in FY2000 to merely 6.3% in FY2006. Since the size of the total budget has increased by threefold in the corresponding period, the Ministry of Defense could maintain the same level in terms of actual value (see Fig. 3 in later). But it is apparent that the issue of national defense has been less important for the Thaksin government. In fact, he frequently addressed in his speeches that "the cold war regime collapsed and the era of competition for military expansion ended as well. We (Thailand) were facing a new era of economic competition in the world capitalism" (*Shukan Tai Keizai*, January 30, 2006). Such perception has naturally angered the military group, and became one of the leading causes behind the coup against Thaksin in September 2006.

Second, in contrast to declining role of defense matters, the percentage of social security has steadily increased from 3.1% in FY1991 to 5.4% in FY2000 to 7.0% in FY2006. This trend suggests that the Thaksin government aimed to develop a welfare state in keeping with Thailand's economic status as a middle-income country. In line with this idea, Thaksin attempted to introduce universal health services scheme and nation-wide pension scheme, comparable to those in advanced countries.[31)]

Third, contrary to our expectation, the percentage of economic services, particularly transportation and communications, does not show a notable increase because the Thaksin government sought to reduce public investments, and instead, promote private investments through local stock market. This policy was expressed strategically through strict restrictions on public foreign borrowings and privatization of profitable state enterprises.[32)]

On the other hand, Table 8 summarizes the distribution of budget expenditures from the viewpoint of *responsible institutions*. Institutions are basically classified into six groups: central funds; ministries (19 ministries and the PMO in FY2006); independent

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31) An idea of nation-wide pension scheme was abolished later due to the budget constraints. For an overview of social security system in Thailand, see Niwat (2004).

32) After the 2006 coup, the percentages of economic services have further decreased due to political needs of increasing general administration and health services.

Table 8 Budget Allocation by Institutions in Thailand, FY 1991–2011

(Units: Million baht, %)

Fiscal Year	Total Allocation	Central Fund	Ministries	Independent Public Agencies	Independent Bodies under the 1997 Constitution	State Enterprises	Revolving Fund
1991	387,500	10.2	87.0	0.4	0.0	2.3	0.1
1992	460,000	11.8	83.5	0.5	0.0	2.3	1.8
1993	560,000	9.8	84.9	0.6	0.0	3.1	1.5
1994	625,000	9.8	85.2	0.5	0.0	2.9	1.6
1995	715,000	13.6	81.6	0.5	0.0	2.6	1.7
1996	843,200	10.6	84.4	0.6	0.0	2.8	1.6
1997	925,000	9.3	85.1	0.5	0.0	2.7	2.4
1998	830,000	9.5	84.2	0.6	0.0	3.2	2.5
1999	825,000	9.3	80.3	5.2	0.0	2.6	2.7
2000	860,000	8.9	78.6	5.5	0.2	2.8	3.9
2001	910,000	9.6	77.4	5.2	0.4	3.5	3.9
2002	1,023,000	18.0	67.6	4.7	0.8	3.6	5.3
2003	999,900	14.8	69.1	5.1	0.8	4.2	5.9
2004	1,163,500	22.8	62.8	4.8	0.8	3.4	5.3
2005	1,250,000	20.0	65.6	4.4	1.1	3.3	5.5
2006	1,360,000	18.8	65.9	4.8	1.1	3.7	5.7
2007	1,566,200	12.6	68.2	4.7	0.9	5.2	8.4
2008	1,660,000	14.6	68.4	4.2	0.8	6.4	7.5
2009	1,835,000	13.1	68.3	4.2	0.6	3.0	6.9
2010	1,700,000	12.6	71.4	4.4	0.6	2.9	6.8
2011	2,070,000	12.8	67.2	4.0	0.6	5.6	6.2

Sources: Arranged by the author on the basis of "Summary of Expenditure by Ministry and Department" in *Thailand's Budget in Brief* (BOB, each edition).

Notes: 1) Independent public agencies include the offices of the His Majesty's Principal Private Secretary, the Bureau of Royal Household, the National Buddhism, the Attorney-General and so on. As of 2006, the number accounts for 13 institutions.

2) Independent bodies under the 1997 Constitution include the offices of the Constitution Court, the Administrative Courts, the Court of Justice, the Election Commission of Thailand, the Ombudsman, the National Human Right Commission, the National Counter Corruption Commission, the Auditor-General of Thailand and so on, which account for 8 bodies in 2006.

3) The number of state enterprises achieves 18 for 1992, 23 for 1994, 23 for 1996, 22 for 2000, 19 for 2004, and 22 for 2006, respectively.

public agencies (13 agencies); independent bodies under the 1997 Constitution (8 bodies); state enterprises (22 enterprises); and revolving funds (BOB, *Thailand's Budget in Brief FY2006*, 75–86).

The most prominent changes in budget allocation in the Thaksin government are the decline of ministries and increase of the central fund in terms of their percentages. Percentage of ministries had usually accounted for 84 to 87% of the total budget allocation until the FY1998. In FY1999, the National Police Office was separated from the Ministry of Interior, and was transferred to the status of independent public agency. Its budget or 38.1 billion baht accounted for 4.6% of the total amount in FY1999. If the National Police Office were included into ministries, line ministries continue to account for 84.9%, not 80.3% in the table.[33] However, in the period of Thaksin government, the percentage of ministries dramatically decreased from 80.3% in FY1999 to 62.8% in FY2004 and 65.9% in FY2006. In contrast, central fund increased its percentage from 9.3% to 22.8% and 18.8% in corresponding fiscal years.

The central fund or *ngop klang* is originally designed as a special fund to meet extra expenditures such as natural disasters, royal tours, additional payments for government employees, and special funds for early retirement of government officials. In addition to these items, two other categories took up sizable chunks of the central fund before the Thaksin government. These two include expenditures on government pensions and projects of emergency local development. Indeed, expenditures on government pensions accounted for as much as 40% of the total central fund in the Chuan government due to increasing number of government officials who reached retirement age. On the other hand, a project of "emergency local development" was frequently used as political instruments for each coalition government to attract supports from the rural people (Jarat 1995).

What is important here is the fact that the central fund (and revolving funds) is substantially independent from any line ministry and is subordinate to the cabinet. For that reason, the Thaksin government intended to utilize the central fund as much as possible to promote its state strategies. As Table 9 clearly shows, major strategic projects (see section IV of this article) such as debt repayment of village funds, reserve economic resuscitation (populist-oriented programs for SMEs and rural people), NCP, and provincial cluster development strategy plan were unexceptionally undertaken by using this fund. On the other hand, after the 2006 coup, these strategic projects were suspended by the new government, and budget allocations from the central fund were completely stopped as Table 9 demonstrates.[34]

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33) In the process of reorganizing the government sector in October 2002, Thaksin changed again the status of the National Police Office into an independent body under the direct control of the prime minister. So, it is not adequate to integrate the budge of the National Police Office into line ministries.

34) After the end of the Thaksin government, the budget allocation for the central fund reincreased from 198 billion baht in FY2007 to 266 billion baht in FY2011. This recovery should be attributed to rapid increase of government subsidies for pensions and health insurance schemes for government officials.

Table 9 Budget Allocation of the "Central Fund," FY 1991–2011

(Units: Million baht, %)

Fiscal Year	Central Fund	Govern-ment Pension	Pension (%)	Emergency Local Develop-ment	Debt Repayment for Village Funds	Reserve Economic Resusci-tation	National Competiti-veness	Provincial Cluster Strategy	Develop-ment of Village Community Potentials
1991	39,510	10,240	25.9	7,815	–	–	–	–	–
1992	54,443	11,400	20.9	3,830	–	–	–	–	–
1993	55,089	13,416	24.4	7,000	–	–	–	–	–
1994	61,180	16,129	26.4	11,400	–	–	–	–	–
1995	97,389	19,701	20.2	12,200	–	–	–	–	–
1996	89,798	24,563	27.4	12,820	–	–	–	–	–
1997	85,752	26,168	30.5	12,820	–	–	–	–	–
1998	79,081	28,287	35.8	4,491	–	–	–	–	–
1999	76,910	28,087	36.5	2,000	–	–	–	–	–
2000	76,935	31,750	41.3	–	–	–	–	–	–
2001	86,912	37,000	42.6	–	–	–	–	–	–
2002	183,940	45,000	24.5	–	11,650	58,000	–	–	–
2003	147,633	48,400	32.8	–	12,800	16,600	–	–	–
2004	265,825	82,040	30.9	–	11,525	–	75,500	–	–
2005	250,190	55,000	22.0	–	11,242	–	23,400	15,000	9,400
2006	243,185	60,000	24.7	–	13,035	–	–	40,000	19,100
2007	197,650	70,000	35.4	–	–	–	–	–	–
2008	242,775	73,145	30.1	–	–	–	–	–	–
2009	240,941	83,480	34.6	–	–	–	–	–	–
2010	215,007	87,634	40.8	–	–	–	–	–	–
2011	265,763	96,103	36.2	–	–	–	–	–	–

Sources: Arranged by the author and Shin'ichi Imaizumi on the basis of "Summary of Expenditure by Ministry and Department" in *Thailand's Budget in Brief* (BOB, each edition).

Notes: 1) If the initial budget allocation was revised due to additional revenue, the author employed the revised figures.

2) Emergency policies for local development include: Rural Employment Generation and Provincial Development Programme for FY 1989–92; Rural Employment Creation and Rural Development Fund for FY 1992–93; Provincial Development Programmes for FY 1993–94; Tambon Development Project for FY 1995–96.

3) Compensation to the government officers include adjustment of salary due to the revision of salary tables.

4) For the FY 2002, 58 billion baht was added to the initial allocation as the Economic Resuscitation Policy, and which was integrated into the Socio-economic Restructuring Policy in FY 2003.

Importantly, additional revenues continuously flowed into the state budget during each fiscal year under the Thaksin government (see section II of this article) and these additional revenues were transferred not to line ministries but to the central fund by order of the prime minister. Likewise, expenditures on the 30-baht medical services were delivered not to the Ministry of Public Health, but to another independent fund or "revolving funds."[35] By employing such techniques, Thaksin could promote his dual-track policies without any repercussions from ministries as well as economic technocrats.

Mass media frequently attacked such management of budget allocation as an "off-budget system" or an arbitrary exploitation of state revenue. But this criticism misses the point because Thaksin's technique does not violate any of the rules of the existing budget system.[36] Nevertheless, increasing proportions of the central fund and revolving funds are not normal from the standpoint of maintaining sound management of national budget. Accordingly, in 2005, Thaksin ordered the BOB to set up *ad hoc* committee to reconsider and revise the 1959 Act of the Budget in favor of agenda-based budget system.[37] But before a new budget could be enacted, Thaksin was ousted from political power by the military coup in September 2006.

Result of Thaksin's State Reforms

As mentioned in the first section of this article, Thaksin had a Janus-faced public image as populist and state reformist. As a populist, he launched a variety of policies in favor of the masses. In fact, according to the pole survey by ABAC, these policies attracted a great deal of support from the people: 84% for OTOP, 81% for the 30-baht medical services, and 79% for village funds scheme in contrast to 39% for anti-corruption campaign and 35% for restructuring of state enterprises (Tamada 2005, 182–183). Enormous popularity coupled with power concentration has resulted in a "strong prime minister." Finally, a strong prime minister, intentionally or unintentionally, suggests another chief of state (*Pramuk*), and therefore a strong competitor to the king.

35) Budget allocation of "30-baht medical services" amounted to 22 billion baht for FY2002, 27 billion baht for FY2003, 30 billion baht for FY2004, 36 billion baht for FY2005, and 40 billion baht for FY2006, respectively. After the 2006 coup, the Surayud government decided to reorganize the 30-baht medical services into a free medical services. As its result, budget allocation for health services in "revolving funds" jumped to 75 billion baht in FY2007 and finally increased to 101 billion baht in FY2011 (BOB, *Thailand's Budget in Brief*, each edition).

36) For the case of village funds (77.5 billion baht), the Thaksin government appropriated a total of 60.5 billion baht from FY2002 to FY2006 in the Central Fund for the particular purpose of debt repayment (see Table 9). This implies that even if the majority of village funds resulted in non-performing loans (the worst scenario), the state could still recoup these debts.

37) Contrary to Thaksin's expectation, the ad hoc committee addressed the basic idea of emphasizing the fiscal autonomy of local governments rather than agenda-based budget system, and was reluctant to revise the 1959 Act of the Budget in line with Thaksin's idea. Interviews conducted by the author with the staffs of the BOB and Nakharin Maektrairat, a member of the ad hoc committee, in August 2006, in Bangkok.

Immediately after the great victory of TRT in 2005 general election, the *Nation Weekly Magazine* carried a special issue headlined "The Second Thaksin Government: Next is the Presidency?" (*Nation Weekly Magazine* 2005). In the context of Thailand, the presidential system is an alternative political form against the monarchy system. Therefore, Thaksin's great victory in the general election was interpreted by a royalist-military group as a potential and serious menace to the monarchy system. At the same time, Thaksin's reform of the budget system at the expense of defense matters has always irritated a military group. In addition, he directly intervened in the top personnel management of the military by appointing his cousin in 2003. These activities finally resulted in the counter-balancing activity of a royalist-military coup to oust Thaksin from the power in 2006 (Wasana 2008).

On the other hand, Thaksin is an active state reformist. He promoted various reforms to modernize the Kingdom of Thailand: changes in the initiatives of policy making from technocrats to prime minister and TRT; changes in the principle of macroeconomic management from a Five-Year Plan to a state strategy; changes in fiscal base of national projects from public debt to own state revenue; changes in the budget system from the function-based budget allocation to the agenda-based one; and changes in public sector from traditional bureaucracy to more efficient modern agencies. More importantly, his reforms also aimed to change the traditional *culture* of Thai bureaucracy and social values of the Thai people since he wished to develop Thailand into an advanced country under global capitalism.

But his style of conducting reforms was too speedy and too radical for the Thai people. In addition, after the landslide victory of TRT in 2005 general election, Thaksin began to place more priority on the second track of his dual-track policies such as the NCP, the Mega Projects, and modernization of local stock market, which hardly delivered direct benefits to most people. Consequently, the people were disappointed with the second Thaksin government policies. Rather they tend to look at Thaksin's efforts as reforms for his own interest rather than for the people.

At this conjuncture, mass media disclosed that Thaksin had sold all the stocks of his family holding in Shin Corporation (telecommunications) to a Singaporean firm in exchange of 73.3 billion baht in cash (January 23, 2006). The Thai mass media immediately attacked his trade of stocks as an "unfair" move because Thaksin and his family did not pay any taxes for their earnings. At the same time, mass media also condemned Thaksin as a traitor to a country because he neglected a national interest (local investors) when he decided to sell his stocks. This incident became the catalyst for the anti-Thaksin movement among the people, especially among the middle-class in the Bangkok Metropolitan area, and it developed into the formation of the People's Alliance for Democracy or PAD (so-called yellow shirts group) in February 2006 (Nariphon 2006; Pasuk and Baker 2009; Suehiro 2009, Ch. 6).

Thaksin's reform of the public sector also caused to provoke resistance among civil servants. Strategic Plan of the OPSDC was designed with Western key concepts imported from the outside of Thailand. But these concepts were unfamiliar to lower ranked officers who work at public service points. Furthermore, his reforms were inclined to destroy the traditional rules and comfortable culture of Thai bureaucracy such as seniority system and quasi-familial relationship. Civil servants were tired of meeting the strict guidelines imposed by the OPSDC. For these reasons, both the masses and the civil servants temporarily welcomed or accepted the military coup to *end* the Thaksin regime despite its apparent annulment of the gains of the democratization movement during the 1990s.

My hypothesis can be confirmed by a series of movements of both the National Security Council (NSC) consisting of the promoters of military coup and the Surayud Julanonda temporary government. After the military coup, the new government replaced the 1997 Constitution with a new constitution in August 2007, which was drafted to intentionally exclude the possibility of creating a *strong* prime minister. When Surayud organized a new cabinet, he appointed most of its members from the ranks of bureaucrats and academic circle. In fact, by the end of May 2007, they include 18 active and retired government officials, 8 academics in the universities, 3 military officials, a politician, and a NGO activist. Unlike the Thaksin government (10 out of 36 persons), members appointed from business community accounted for a mere 2 out of 33 persons (Suehiro 2009, 190). Such distribution of occupational backgrounds suggests the return of Thai politics to the traditional management style of the "bureaucratic polity."

Likewise, the new government restored the authority of the NESDB. The NESDB now neglected Thaksin-initiated state strategies and revised the 10th Five-Year Plan in accordance with the king's philosophy of "sufficiency economy" (*setthakit phophiang*). Its action plan in July 2007 focused on social stability and public calm rather than economic development and modernization of a country. Along with the revival of bureaucracy, the government also restored traditional rule of budget allocation or function-based budget system in favor of line ministries, and quickly increased budge for defense matters (See Fig. 3).

Budget allocation for defense matters dramatically increased by 35% from 85 billion baht (6.3% of the total) in FY2006 to 115 billion baht (7.3%) in FY2007, while the central fund decreased by 20% from 243 billion baht (17.9%) to 194 billion baht (12.4%) in corresponding years (BOB, *Thailand's Budget in Brief FY2007*). In FY2008 and FY2009, the budget allocation for defense matters continued to increase to 143 billion baht

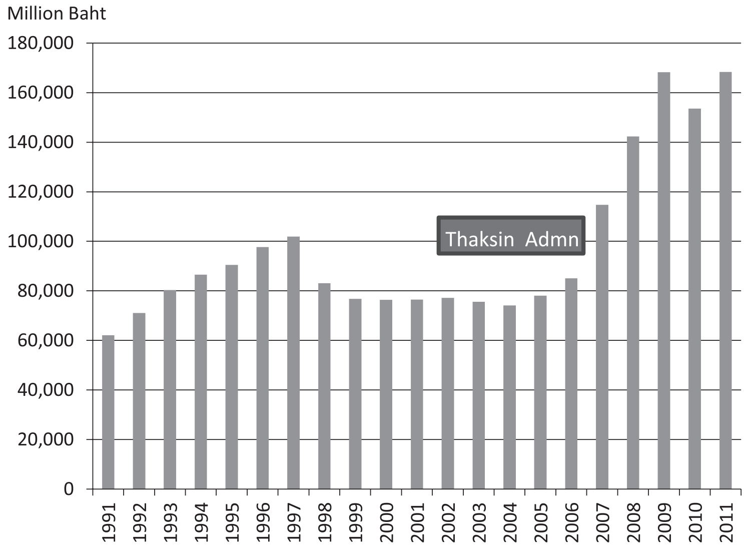

Fig. 3 Changes in Defense Matters in Budget Allocation, FY1991–2011
Source: Made by the author on the basis of *Thailand's Budget in Brief* (BOB, each edition).

(increase by 24% as compared to the previous fiscal year) and to 168 billion baht (increase by 18%), respectively (BOB, *Thailand's Budget in Brief FY2008 and FY2009*). These figures suggest the restoration of the military group's status to the level before the Thaksin government (See also Table 7).

All the moves above demonstrate the effort at *resetting* the situation of Thailand to the point just before the advent of the Thaksin regime or the effort to completely destroy Thaksinocracy. In the eyes of the new government, Thaksin is a *virus* that has invaded the computer of Thai society. Therefore, they had to quarantine the virus first and then reset both politics and society to "normal." The final step of this reset is a court decision to order the dissolution of TRT and the cease of eligibility of 111 TRT executive members for election in next five years. This court decision of May 2007 signals the end of Thaksinocracy and the foreclosure of the possibility of Thaksin's return to the political scene.

However, this resetting work could not eliminate the influence of Thaksin from Thai politics. This is because the new government after the general election under the 2007 Constitution was transformed from an anti-Thaksin group into a pro-Thaksin group, namely, People's Power Party (PPP). PPP was led by Samak Sundaravej who openly announced that he was willing to serve as the agent of Thaksin Shinawatra. But Samak was ousted from the premiership in September 2008, and Somchai Wongsawat, who succeeded Samak and Thaksin's younger brother-in-law, was also forced to resign in December according to the orders of the Constitution Court. Finally, Abhisit Vejjajiva of Democrat Party was appointed the 27th prime minister in December 2008 as a result of political bargaining among Democrat Party, military group, royalist members, and anti-Thaksin groups.

Such a political bargaining without democratic procedures created another political conflict between an anti-Thaksin group (a yellow shirts group or PAD and ruling parties) and a pro-Thaksin group (a red shirts group or the United Front of Democracy against Dictatorship [UDD] and opposition parties) at the end of 2008.[38] In 2010, anti-government movement led by UDD has quickly grown up into big rallies due in part to the financial support from Thaksin outside Thailand and in part to the economic recession originated in a global financial crisis in 2008. Finally political conflict between UDD and the government (the military) developed into a blood-shed incident in May 2010 (Montesano *et al.* 2012).

What should be noted here is the fact that the people who came to Bangkok to protest against the Abhisit government not only criticized the double standards of the government's legal treatment of the two groups (anti-Thaksin group and pro-Thaksin group), but also began to publicly air their doubts over the current regime of the Thai state based on the monarchy or *Ammathayathipatai*.[39] New developments in the political movement in recent years appear to be closely connected to increasing income disparity among the people between urban areas and rural areas rather than to poverty in the rural areas. Such increasing income disparity can be attributed not to the fact that Thailand is still a developing country but to the fact that Thailand has become a *middle-income* country (Suehiro 2009).[40]

Generally speaking, it is known that the income gap in terms of the gini index tends to expand when a certain country is moving from a lower-income country into a middle-

38) For accounts of the political turmoil in Thailand since 2006, see Funston (2009), Pasuk and Baker (2009), Suehiro (2009), and Montesano *et al.* (2012).

39) "*Ammathayathipatai*" usually means a bureaucracy. Since 2009, however, it seems to have implied a political regime under the feudal system (*Sakdina* system) of Thailand in which common people (*phrai*) were forced to be subordinate to the king and high-ranked bureaucrats (*ammat*). Red-shirts group used the term "*wirachon*" as their key identical concept (Hero of a country, the key concept for the first democratization movement during the 1970s) in 2008 and 2009, but changed it to a "*phrai*" from the year of 2010.

40) In 2010, the World Bank announced that Thailand became a member of middle-income country (a country of per capita GNP from USD3,706 to 11,456). This implies that Thailand successfully upgraded her economic status from a developing country to a semi-advanced country.

income country. This hypothesis, or a Kuznet's reverse U-shape curve, is precisely adaptable to the case of Thailand. Indeed, the gini index of Thailand increased from 0.43 in 1980 to 0.50 in 1987, and further to 0.54 in 1992 (UNDP 2007, 23).[41] It is apparent that income distribution has deteriorated during the economic boom.

Crucially, Thaksin is the first prime minister to actually tackle the problems of Thailand as a middle-income country. His state reforms primarily aimed to narrow the gap between economic status of Thailand as a middle-income country and old-fashioned government agencies to handle economic problems. He focused on inequality of *opportunity* (few business chances in rural areas) rather than inequality of *result* (poverty in rural areas). Contrary to previous governments, which put priority on poverty reduction, Thaksin emphasized the necessity of creating business chances and community businesses in rural area (village funds, people's bank, OTOP). Intentionally or unintentionally, his new approach seems to have politically awakened the rural people. They are now focusing their attention on their disadvantaged economic status and the inadequate policies adopted by the traditional ruling elites, and further afield on the state regime itself.

If this hypothesis is true, then any government will have to face the necessity and challenge of solving the various problems facing contemporary Thailand as a middle-income country, problems such as upgrading of industrial structure, resolving income and/or assets disparity in urban and rural areas through creation of jobs and businesses opportunities, fundamental reforms of tax system including individual income tax, property tax, and inheritance tax (*phasi moradok*), construction of social security system, especially a national pension scheme, and, finally, improvement of public services.

In August 2011, Yingluck Shinawatra, the youngest sister of Thaksin, became the 28th prime minister in Thailand after the victory of her political party (Pheu Thai Party) in the 2011 general election.[42] Does this political incident provide a new opportunity for Thaksin to return to political arena and create the incentive for a new government to revive uncompleted Thaksin's reforms in Thailand? My answer is a negative one. Thaksin himself is not a *creative* destroyer of Thai state anymore. Now he turns into a pure and simple destroyer for Thai society. New government led by Yingluck also has neither intention nor ability of promoting constructive state reforms because they must depend heavily on both populist policies and revived bureaucracy.

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41) Gini index of Thailand have slightly decreased from 0.43 in 2000 through 0.43 in 2006 to 0.39 in 2010. Economic inequality, therefore, has not been improved during the 2000s in comparison to rapid decline of poverty population in the same period (Suehiro 2014, Ch.8).

42) Prime Minister Yingluck lost her post by the order of the Constitutional Court on May 7, 2014, and the royalist-military group conducted the military coup d'etat again on May 22.

Nevertheless, state reforms attempted by Thaksin during his administration are still needed as long as Thailand wishes to maintain or improve its economic status and develop into a more advanced country in the future. On the other hand, Thai people rejected his reforms because these reforms were too speedy and too radical from the standpoint of Thai social value (preference of medium). At the same time, his reforms put priority on business interests rather than social justice. Accordingly, Thailand needs not Thaksin himself or another Thaksin, but a new political leader who will be able to harmonize modernization of Thai state with the happiness and well-being of the people on the basis of Thai social values (Thainess).

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Philippine Technocracy and the Politics of Economic Decision-Making: A Comparison of the Martial Law and Post-Martial Law Periods

Teresa S. Encarnacion Tadem*

This article looks into the factors which have strengthened as well as weakened Philippine technocracy during the martial law (1972–86) and post-martial law periods. During the former, technocracy drew its strength from the support it received from President Ferdinand E. Marcos and the country's major international lending creditors, i.e., the International Monetary Fund (IMF) and the World Bank. Both Marcos and the IMF/World Bank shared the technocrats' economic vision of liberalization and export-oriented industrialization. Among the factors which hindered the technocracy's bargaining leverage on the other hand were the inability of the leadership to address the economic crisis as brought about by the oil price hike in the early 1980s and the political crisis which was given impetus with the assassination of ex-Senator Benigno Aquino. As for the post-martial law period, the technocracy basically pursued the same economic policy liberalization as during the martial law period with an emphasis on privatization and deregulation. Technocratic policy-making was further facilitated in a period of globalization where the transnational character of economic policy-making further protected the technocracy from public criticism. Its economic policy-making, however, confronted stiff challenges from civil society as well as patronage politics.

Keywords: Philippine technocracy, Ferdinand E. Marcos, International Monetary Fund, World Bank, liberalization, Gloria Macapagal-Arroyo, civil society, patronage politics

Introduction

Despite their being banished to the "Hall of Shame" during the 1986 People Power Revolution in the Philippines, technocracy has continued to persist in the country's transition from authoritarian rule to democracy and up to the present. Instead, however, of being called "technocrats," they are now referred to as "economic managers." The

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change in "name" is quite understandable because during the martial law period (1972–86), technocracy became synonymous with the repression which occurred during that era foremost of which was economic development at all costs, e.g., dislocation, militarization, and elimination of communities which got in the way of development projects. This reputation, therefore, earned the technocrats the "(dis)honor" of being referred to as the third leg of the stool which propped up the authoritarian regime, the other two of which were the military and Marcos' relatives/cronies. Thus, the administrations which followed that of the Marcos government were conscious not to "hire" any of these technocrats, particularly, those who came from the World Bank (hereinafter referred to as WB) and the International Monetary Fund (hereinafter referred to as IMF). But the post-martial technocrats, however, continued their predecessors' policies of liberalization, free competition, and free trade but now under a neoliberal economic dispensation. The question which emerges is why this is the case when technocracy in the Philippines is not able to sustain the economic growth which was seen in the 1950s when the country was second to Japan as having the best economy in Asia and then left-behind in the 1970s by its East Asian counterparts as among the newly industrializing countries in the region. In the 1980s, on the other hand, Philippine economic policies failed to bring it at par with its Southeast Asian neighbors, i.e., Thailand, Malaysia, and Indonesia, which all became New Asian Tigers. The latest blow to the country is that socialist Vietnam, a late comer to the capitalist world, has economically overtaken the Philippines.

This article, therefore, explores the factors which have strengthened as well as weakened Philippine technocracy during the martial law and post-martial law periods. It shows that in general the political leverage of the technocrats came from the support they have received from the leadership who shares their economic vision and the country's major international lending creditors, the IMF and the WB. The weakening of their political clout, on the other hand, is brought about by the inability of the leadership to address the political and economic crisis. The first section of this article will discuss the rise of Philippine technocracy during the pre-martial law period (1960s–72) and the economic debates which ensued during that period concerning the trajectory of Philippine development. This establishes the very foundation of the strength of Philippine technocracy. The second section, on the other hand, examines the crucial role they played during the martial law period, particularly the economic perspectives they espoused and the challenges these confronted. And lastly, the third section will discuss where Philippine technocracy is headed in a period of "elite democracy" as it confronts challenges to its neoliberal development paradigm and massive corruption.

Defining the Technocracy and Their Development Vision[1)]

Technocracy is a rule by experts, a temporary form of rule that sometimes emerges after a period of poor governance. The term implies rule by specialists with expertise in non-political subjects, often economics and engineering.[2)] These "engineers" comprised a "critical new stratum in the industrial production process."[3)] They are also referred to as "the scientists, including physicists, mathematicians, chemists, engineers, computer program and others who work in varying degrees of applied or pure research" (Glassman *et al.* 1993, 84). "Historically, the theory and practice of technocracy have been political and ideological responses to industrialization and technological progress" (Glassman *et al.* 1993). The trend toward the appointment of technocrats into key government agencies in the Philippines began during the Macapagal Administration (1960–64) where Filipino graduates from the best foreign universities were recruited to government agencies. These included among others Sixto K. Roxas,[4)] and Armand Fabella[5)] who both served as Director-General of the Program Implementation Agency (hereinafter referred to as PIA)[6)] during the time of President Diosdado Macapagal. During this period, the technocracy, through their respective agencies, pressed for an open door policy to foreign investments and foreign loans, mainly from the IMF. Roxas was also known to be the architect of the Philippine financial system.

It was, however, under the first and second terms of the Marcos Administration (1965–71) when more technocrats were recruited into government and further importance was given to them. Among those Marcos recruited during this period were Cesar

1) For further details, please see Tadem (2005).
2) Hague and Harrop (2004, 99). The word was coined by William Smyth, "an engineer based in California who founded Technocracy, Inc., in 1919."
3) Veblen (1963) in Glassman *et al*. (1993).
4) Roxas graduated summa cum laude in economics from the elite all-male school of Ateneo de Manila. He went on to obtain an M.A. in Economics at Fordham University.
5) Fabella earned an economics degree from Harvard University and an M.A. in Economics from Jose Rizal College which is owned by his family. He also pursued post-graduate studies at the London School of Economics. His wife is a niece of Sixto Roxas III.
6) The PIA was organized to implement the government's socio-economic plan but it seemed to be more concerned in their implementation. It was created on August 24, 1962 to be President Diosdado Macapagal's technical staff. The agency conducted socio-economic planning, formulated policy recommendations, established priorities, and programmed the utilization of public funds, manpower resources, materials, and equipment (Official Directory of the Republic of the Philippines 1955, 153).

E.A. Virata[7] and Placido Mapa Jr.[8] Virata brought in Gerardo Sicat Jr.,[9] after reading an article on his views supporting trade and export liberalization which Virata supported.[10] Another technocrat closely associated with Virata is Manuel Alba Jr.,[11] who was his student and faculty at the University of the Philippines College of Business Administration (hereinafter referred to as UP CBA) when Virata served as Dean from 1960 to 1967. Also identified with Virata's economic orientation was Vicente Paterno[12] whom Virata together with Mapa brought in as Chairman of the Board of Investments in 1970. Armand

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7) Virata obtained a B.S. in Mechanical Engineering and B.S. in Business Administration in 1952, University of the Philippines (hereinafter referred to as UP) after which he went on to become an instructor at the UP College of Business Administration (UP CBA). A year later, he pursued an M.B.A. in Industrial Management from the Wharton Graduate School, University of Pennsylvania in 1953. He became UP CBA Dean before he joined the government in 1967. During the pre-martial law period, Virata served among others as Presidential Economic Staff Deputy Director-General for Investments from 1967 to 1968; Undersecretary of the Department of Commerce and Industry from 1967 to 1968; Director and Acting Chairman of the Board of Directors of the Philippine National Bank from 1967 to 1969; and Secretary of Finance from 1970 to 1986.

8) Mapa graduated from Ateneo de Manila in 1955, magna cum laude and pursued post graduate studies at St. Louis University from 1955 to 1957 and obtained an M.A. and Ph.D. in Economics from Harvard University. He served as Undersecretary of Finance in 1965, Deputy Director General, Program Implementation Agency, Office of the President in 1966, and Director General, Presidential Economic Staff, Office of the President in 1966.

9) Sicat earned three degrees from the UP: B.S. Foreign Service (cum laude), 1957; A.B. (cum laude), 1958; and M.A. in Economics, 1958. He earned his Ph.D. in Economics in 1963 at the Massachusetts Institute of Technology (MIT) in Cambridge, Massachusetts, the United States. Sicat was Chair of the National Economic Council during the pre-martial law period.

10) Virata, Cesar E.A. 2008. Interview by Cayetano Paderanga Jr. and Teresa S. Encarnacion Tadem. Tape recording. June 16. RCBC Plaza, Makati City, Philippines.

11) Alba graduated Bachelor of Science with a Business Administration degree from the UP (Accounting). In 1958, he obtained his Professional License as a Certified Public Accountant. In 1957, he was recruited by Virata when he was Dean of the UP CBA as assistant instructor (to full professor in 1962) of Business Policy, Business Administration and Marketing, College of Business Administration. From 1961–64, he served as Assistant Dean and Acting Dean, College of Business Administration and Director, Graduate Studies Program, UP CBA. Virata was responsible for obtaining a fellowship for him to obtain a Master of Business Administration (Marketing and Transportation) at the University of Minnesota in 1961. He later on graduated Ph.D. in Management Science and Business Administration (with Marketing, Economics, Transportation Management, Operations Research and Social Psychology as specialized areas) at Northwestern University (Chicago and Evanstan, Illinois, the United States) in 1967. He served in 1971 as Executive Director, Philippine Presidential Commission to Survey Philippine Education (with the Commission chaired by former Department of Education, Culture and Sports [DECS] Secretary, Onofre D. Corpuz).

12) Paterno graduated Bachelor of Science in Mechanical Engineering at the UP in 1948 where he and Virata were contemporaries at the UP College of Engineering. He obtained a Master of Business Administration at Harvard University in 1953.

Fabella continued on from the Macapagal Administration to join the Marcos Administration. The expertise, of these technocrats, continued to be drawn mainly by their access to education both locally and abroad, i.e., they were US graduates in economics, law, and business administration.[13)]

These technocrats exemplified the concept of "technocracy" which emerged in the 1950s as a spin-off of the Keynesian revolution which placed emphasis on the role of government intervention in the economy. Technocracy was looked upon as a select few who had the expertise in economics management and thus could take on the lead in this endeavor on behalf of the government. As developed further by the IMF and the WB in the 1960s, technocracy was made to look at itself as an elite corps of experts who have the last word in development planning (Bello *et al.* 1982, 28). This view allies itself closely to the emergence of what is referred to as the "new technocrat" which has been looked at as an "important element in administration not just in production" (Glassman 1997). Moreover, they are regarded as "knowledge experts" and are "employed and controlled by the middle and elite managers of the corporation, government bureaucracy and universities of which they are affiliated" (Glassman *et al.* 1993). An interesting phenomenon is that "technocrats do become members of the management hierarchy in some cases, but they accede to power *not as technocrats but as managers*.[14)] The technical expertise of the technocrats therefore establishes their source of political leverage which is not only needed by the leadership but by international lending institutions such as the IMF and the WB. Their economic expertise was also needed in a period whereby the Philippine economy was growing and expanding of which the state plays a primarily role.

Nationalists vs Free Market Technocrats

The technocrats whom Marcos would maintain when he declared martial law, however, also possessed another important political and economic pertinence to the leadership and this was the economic vision they carried. One of these was Sicat who led an attack on the country's import substitution policy and advocated for an export-oriented industrialization which they argued would benefit the country which has an abundant surplus of labor and natural resources.[15)] Moreover, these technocrats campaigned for the decontrol

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13) The others were Secretary of Trade and Industry Vicente Paterno and his successor Roberto Ongpin, Secretary of Agriculture Arturo Tanco, and Central Bank Governor Placido Mapa, all of whom got their degrees from Harvard University.

14) Kellner and Heuberger (1992) in Glassman *et al.* (1993).

15) Lichauco (1981).

program which they described as a return to free trade. These technocrats some of whom have undergone training with the IMF and the WB which advocated for these policies, assumed the role of the major implementers of "free enterprise" in the country. They lectured the Filipino business community to "rationalize their operations, stop asking for government protection and meet their multinational competitors on an equal basis in the free market."[16] This highlighted the growing rift between the two crucial economic planning agencies, i.e., the technocrat-dominated PIA and the traditionally-nationalistic National Economic Council (hereinafter referred to as NEC)[17] headed by Hilarion Henares.[18] The former won out as the leadership preferred their economic vision over the latter.

Despite the leadership's support, the technocrats during the pre-martial law period also had to contend with the powerfully entrenched politico-economic elites who were mainly represented by vast landowning families who were expanding to the manufacturing sector in the 1950s. Dealing with them highlighted the differences among the technocrats in the Philippine Economic Staff (hereinafter referred to as PES). For example, Sicat wanted a more rapid approach to liberalization but Virata was more cautious as not to antagonize the influential political families who were against this. Virata supported the concept of measured capacity which was advocated by David Sycip, President of the Philippine Chamber Industries whereby one has to determine the national market plus export to calculate measured capacity.[19] This was to prevent wasting capital by over-investment and was seen to address the issue of having to deal with different families in the country wanting to invest on the same thing. Sicat did not agree with this as it went against the principles of free market economy. But he ultimately followed Virata.[20]

The continued rift between the nationalist and the free market advocates was also highlighted in the Philippine Congress during the pre-martial law period when Virata, pushed for the passing of the 1967 Investments Incentives Act through the support of Marcos' key party mates in the Nacionalista Party namely, Congressman Lorenzo

16) Constantino and Constantino (1978).

17) The NEC which was reconstituted by Secretary of Finance Miguel Cuaderno during the time of President Manuel Roxas was tasked to prepare economic plans and to define the country's major economic policies and objectives. It, however, has no implementing powers, except on foreign economic assistance (*The Manila Times,* December 25, 1947; January 17, 1955; Philippine Government Directory [1980, 1]; Araneta [1965, 247]).

18) Henares is a graduate of Ateneo de Manila, UP, and obtained his Ph.D. in Economics from the MIT.

19) Virata, Cesar E.A. 2007. Interview by Yutaka Katayama, Cayetano Paderanga, and Teresa S. Encarnacion Tadem. Tape recording. December 19. RCBC Plaza, Makati City, Philippines.

20) Virata, Cesar E.A. 2007. Interview by Yutaka Katayama, Cayetano Paderanga, and Teresa S. Encarnacion Tadem. Tape recording. November 21. RCBC Plaza, Makati City, Philippines.

Sarmiento who was the chairman for economic affairs in the House of Representatives and Senator Jose Diokno who was the chairman of the Committee on Economic Affairs in the Senate.[21] They succeeded to have the investments act passed despite opposition from no less than Senate President Gil Puyat who was also the head of the National Economic Protection Association (NEPA). Puyat was backed by politico-economic families in Congress who feared that the investments act will undermine their local businesses, such as textile, cement, flour milling among others. They wanted more protection for their industries and further support for the import-substitution scheme rather than an export-oriented industrialization which was being pushed by the Virata technocrats.[22] Because of this, the Virata-led technocrats, could not pursue the country's entry in the General Agreement on Trade and Tariff (GATT) to further liberalize the economy. The Philippines, therefore, missed out on the Kennedy Round.[23] An important policy which was also pursued by the Virata-led technocrats with the backing of Marcos was the devaluation of the peso to give further impetus to an export-oriented industrialization policy. For the Virata free-market technocrats, they needed Marcos to convince the influential families engaged in import-substitution who would be adversely affected by this, to accept such a policy.[24]

During the pre-martial law period, therefore, the political leverage of the martial law technocrats would come from their technical expertise and the support they received from President Marcos as well as his political allies in Congress. Such a support was able to neutralize their two major nemesis which were the technocrats in the NEC and the politico-economic elites in Congress and the business community. For the latter, such a "neutralization" came also in the form of negotiations among politicians and members of the business community which also the martial law technocrats "compromising" their economic policies. But in general, they believed that they were able to get what they wanted.

21) Virata, Cesar E.A. 2007. November 21. RCBC Plaza, Makati City, Philippines.

22) Virata, Cesar E.A. 2007. November 21. RCBC Plaza, Makati City, Philippines.

23) Virata, Cesar E.A. 2007. November 21. RCBC Plaza, Makati City, Philippines; and Virata, Cesar E.A. 2008. Interview by Yutaka Katayama, Cayetano Paderanga, and Teresa S. Encarnacion Tadem. Tape recording. May 2. RCBC Plaza, Makati City, Philippines.

24) Virata, Cesar E.A. 2007. Interview by Yutaka Katayama and Teresa S. Encarnacion Tadem. Tape recording. November 23. RCBC Plaza, Makati City, Philippines.

The Philippine Technocracy and Economic Decision-Making during the Martial Law Period[25]

The prominence of the free-market technocracy clique in the Philippines further gained ground during the martial law period, i.e., 1972–86. Although Virata personally felt that there was no need for martial law as Marcos was able to have his economic policies passed, he also saw the advantage of not subjecting the technocrats' policies to time-consuming debates in the Philippine Congress. Martial law for him allowed their immediate implementation.[26] This was because executive, legislative, and judicial powers were all vested in the President who gave his technocrats the liberty to run the country's economy. The right to strike, picket, demonstrate, and other forms of protest were all taken away to give a facade of political stability in order to attract more multinational corporations. This enabled the efficient pursuit of technocracy's pet projects. Thus, when "supported by a strong political leader, these specialists were able to impose harsh monetary remedies on countries where financial discipline had often taken second place to political requirements" (Hague and Harrop 2004, 99). Such a phenomenon was also common in Third World societies whereby the

> bureaucracy has undoubtedly played a positive role in most authoritarian regimes that have experienced rapid economic growth. (. . .) O'Donnell (1973) coined the term "bureaucratic authoritarianism" to describe Latin American countries such as Brazil and Argentina in which bureaucratic technocrats, protected by a repressive military government, imposed a more modern economy against opposition from social groups. (*ibid.*, 306)

A capitalist authoritarian state-led development under an authoritarian regime also augured well for the technocrats as their

> emphasis on the rational coordination of institutional processes to the functioning requirements of the productive system gives rise to a uniquely administrative or managerial conception of the state. Historically technocrats have viewed the state as a positive instrument in the pursuit of economic and social progress. The reason for this stems from the state's central position in society. Essentially, the state is the only institution capable of engaging in a comprehensive system wide planning and management. (Fischer 1989, 25)

Technocracy's attitude towards martial rule in the country was expectedly shared by the United States and its financial institutions, i.e., the WB and the IMF. They saw

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25) For further details please see Tadem (2005).

26) Virata, Cesar E.A. 2007. Interview by Yutaka Katayama and Cayetano Paderanga. Tape recording. December 13. RCBC Plaza, Makati City, Philippines.

how local technocracy was having a difficult time implementing policies favoring foreign capital because of opposition from the nationalist economists among others. Under an authoritarian regime, any opposition to the government could easily be silenced (Tadem 1985). During the martial law period, therefore one witnessed the emergence of the rule by experts which "provided an instance where technical, depoliticized views of an educated elite came to dominate the political agenda" (Hague and Harrop 2004, 99). Technocracy inevitably became one of the major pillars of the martial law regime not only because of their internationally recognized economic expertise but more importantly, because they provided the leadership with a credible development program which was endorsed by the agents of foreign capital. Major aspects of this were the transformation of the Philippine economy into an export-oriented one and national progress through the massive entry of foreign capital, i.e., foreign investments and loans as well as the removal of all restrictions on trade (Tadem 1985).

The free-market technocracy clique greatly benefited from this led by Virata who retained his post as Secretary of Finance. He was supported by Gerardo Sicat Jr. who became the first Director-General of the National Economic and Development Authority (hereinafter referred to as NEDA) and concurrent Secretary of Economic Planning. He served in this capacity until July 1981. The NEDA was the result of the fusion of the PIA and the NEC, the two economic agencies of technocracy which Marcos abolished in 1972. Mapa served as Executive Director of the International Bank for Reconstruction and Development (WB in 1979) having previously worked in the IMF in 1972.[27] Paterno continued to serve the martial law regime as chairman of the Board of Investments until 1979 and concurrently Secretary of Industry from 1974 to 1979. Alba, on the other hand, went on to become Minister[28] of Budget from 1981 to 1986.[29] Virata also brought in another of his bright student and professor and former Dean of UP CBA, Jaime Laya[30] who served as the Secretary (and then Minister in 1981) of Budget from 1975 to 1981

27) Ibon Facts and Figures (1984).

28) In 1981, the Philippines shifted from a presidential to a presidential-parliamentary system, thus the change in reference to the titles and agencies from Secretaries of Departments to Ministers of Ministries.

29) Before that, Alba upon the declaration of martial law continued with his government position as Executive Director, Philippine Presidential Commission to Survey Philippine Education until 1973. From 1975 to 1981 he became NEDA Deputy Director-General (Undersecretary). He was appointed as Deputy Secretary of the Budget from 1979 to 1981 while concurrently Deputy Director-General of NEDA.

30) Laya graduated B.S. in Business Administration at the UP in 1957. He obtained his M.S. industrial management at Georgia Institute of Technology in 1961 and Ph.D. in financial management at Stanford University in 1966.

and Chairman of the Monetary Board and Governor of Central Bank of the Philippines from 1981 to 1984. He later on became Minister of Education, Culture and Sports from 1984 to 1986. Through these economic agencies, i.e., Department of Finance, Department of Budget, NEDA, the Central Bank, Department of Industry, and Board of Investments, the Virata-led clique continued its role as the point person in accessing and negotiating loans from international lending agencies, mainly the WB, the IMF, and the Asian Development Bank (hereinafter referred to as ADB). There were, however, also differences within this faction with Sicat wanting a more rapid approach to export-oriented industrialization and liberalization but with Paterno wanting a more cautious approach.[31)] Conflict within this faction was settled by Virata.[32)]

Challenges to the Free-market Technocrat Faction

During the martial law period, there was, however, a different set of challenges, which the Virata-led faction of the technocracy confronted. This was no longer coming from the Philippine Congress but from other key players in economic decision-making.

One technocrat which the Virata technocrat clique had differences with was Roberto "Bobby" Ongpin[33)] who became head of the Department of Trade and Industry (hereinafter referred to as DTI) from 1979 to 1986 when Marcos decided to fuse the Board of Investments and Department of Trade into one. In the process, the Virata faction lost one of its chief ally in this agency, Paterno as his position was abolished and he was made Secretary of Public Works and Highways. The Virata faction did not like Ongpin's push for the country to pursue one of ASEAN's 11 industrial projects in the 1970s which was to build an integrated steel mill. Virata felt that the country could not afford the cost of this.[34)] Ongpin, together with Marcos, however felt that this was necessary in order for the country to have a heavy industrial base. The IMF/WB, like Virata, did not also adhere to this scheme which led to the mothballing of the 11 major industrial projects because

31) Paterno, Vicente E. 2008. Interview by Yutaka Katayama, Temario Rivera, and Teresa S. Encarnacion Tadem. Tape recording. August 15. 11th Floor, Columbia Tower, Ortigas Ave., Mandaluyong, Philippines.

32) Virata, Cesar E.A. 2007. December 19. RCBC Plaza, Makati City, Philippines.

33) Ongpin obtained his Bachelor's degree from Ateneo de Manila and MBA from Harvard University. Paterno replaced Baltazar Aquino as Secretary of Public Works and Highway, who did not have a good reputation. Paterno did not like his role as "sanitizer" and in 1981 left the Marcos government and became a member of the opposition (Virata, Cesar E.A. 2008. Interview by Cayetano Paderanga and Teresa S. Encarnacion Tadem. Tape recording. September 30, RCBC Plaza, Makati City, Philippines.)

34) Virata, Cesar E.A. 2008. Interview by Cayetano Paderanga, Temario Rivera, and Teresa S. Encarnacion. Tape recording. July 29. RCBC Plaza, Makati City, Philippines.

of the failure of the state to acquire foreign loans to finance this.[35]

The Virata technocracy faction did not also have the power over the Marcos cronies who were in control of certain key agencies, namely the sugar and coconut industries. These were mainly Marcos "chief cronies," Roberto "Bobby" Benedicto and Eduardo "Danding" Cojuangco in the latter. These two industries also happen to be the major export dollar earners for the country. Virata was against the coconut levy which was imposed by Cojuangco on the coconut farmers.[36] He argued that this levy should be abolished because it only further depresses the already low price paid to farmers for their copra and was not at all for the benefit of the coconut farmers (Bowring 1981, 50–52). Virata also wanted to put an end to the middle-man monopoly by crony-controlled and state-created bodies in both the coconut and sugar industries. This was in compliance with the wishes of the IMF/WB group (*ibid.*). President Marcos initially sided with Virata and agreed to have the levy abolished but later reversed his decision during a cabinet meeting when Virata was abroad. Virata was said to have offered his resignation which Marcos refused. The former just consoled himself by saying that he would not abandon the struggle for economic liberalization (*ibid.*). The Virata faction also could not totally restrain the lavish spending of the First Lady. Mrs. Marcos, for example got USD111,111 from the coffers of the Ministry of Human Settlements which she headed (Sacerdoti 1983). She also had her own technocrats led by Conrado "Jolly" Benitez.[37]

The technocrats, therefore, basically saw themselves as the bulwark against crony capitalism (Business International Research Division 1980). This move by the Virata faction was supported by the IMF/WB who also feared that crony monopoly of vital industries in the Philippines would ward off present as well as potential foreign investors in the country because of the absence of competition and free enterprise. The IMF/WB also saw that corruption coupled with growing mass unrest had to be addressed politically with the lifting of martial law and the declaration of a New Republic in 1981 with Virata as Prime Minister backed by a Cabinet composed of WB technocrats, i.e., Virata's faction.[38] What the Virata faction and the IMF/WB, however, underestimated was the disillusionment of the business community, an important ally of the Virata faction against crony capitalism, with regards to the economic policies particularly with the country's economic downturn in 1981 onwards which was triggered by the Mexican default of

35) Lichauco (1981, 60).
36) Virata, Cesar E.A. 2008. May 2. RCBC Plaza, Makati City, Philippines.
37) Benitez obtained his Bachelor's degree from Ateneo de Manila and M.A. and Ph.D. in Stanford University in development planning and development education, 1970.
38) Bello *et al.* (1982, 28).

1982 leading to the tightening of credit lines to the country.[39] The business community had a positive view of the technocrats. They "sought to encourage what they perceived as a measure of independence between the technocrats and the cronies" (de Dios 1988, 104). Furthermore, the big business community even perceived themselves as a hold out as a possible constituency for the technocrats against the cronies (*ibid.*, 105). But such a perspective was not sustained with the growing disillusionment of the business community with technocracy's economic policies. It, for example, articulated that the country's economic crisis was not only due to the inability of the regime to curb graft and corruption and the lack of accountability of public officers but also because of the failed major economic policies of the technocrats which were formulated without consulting them. Its members accused the technocrats of being "too bureaucratic, arrogant and lacking in practical experience."[40] Local businesses also voiced its resentment concerning the bailout of crony companies at the expense of others which did not have the proper connections to the regime and thus could not avail of the regime's rescue funds (Bello *et al.* 1982, 28). These businessmen showed their disapproval of the technocracy's blind loyalty to the policies of the IMF/WB group which led to the centralization and the streamlining of the local economy benefitting only the foreign investors and their local counterparts. All these have led to the gradual elimination of small- and medium-scale industries and commercial establishments in the country and foreign domination of the economy (*ibid.*).

Prominent members of the business community, therefore, joined the growing anti-dictatorship movement along with victims of human rights violations and dislocated communities to pave the way for development projects instigated by technocracy. The technocrats were also blamed for encouraging an apolitical and pro-business atmosphere which gave the leadership a "legitimate" excuse to depoliticize the Filipino people. This was implemented in various forms, e.g. the elimination of leaders of national movements and the denial of civilian rights (Stauffer 1979). Repressive labor policies included the prohibition of the right to strike by both the workers and the rural peasantry and the disbandment and constant harassment of labor unions by the state. These actions were implemented with the excuse that these labor activities were a threat to internal security (Lim 1983). The exacerbation of the economic crisis by the political instability caused by the assassination of ex-Senator Benigno "Ninoy" Aquino, a staunch Marcos oppositionist who was deemed to be the next Philippine President if Marcos did not declare

39) Virata, Cesar E.A. 2008. September 30, RCBC Plaza, Makati City, Philippines. Virata, Cesar E.A. 2007. November 21, RCBC Plaza, Makati City, Philippines.

40) Bowring (1981, 50).

martial law, further fueled the anti-dictatorship movement. With the ascendance of his widow, Corazon C. Aquino as the symbol of this movement, this gave the United States an pliable alternative to Marcos. These political events pressured Marcos to call for the February 1986 snap elections where the public believed that Mrs. Aquino was cheated by Marcos paving the way for the 1986 People Power Revolution and with the downfall of Marcos also went with him his technocrats.

The political leverage which the technocrats, therefore, had during the martial law period continued to be the support which they got from the leadership. Such a support, however, was severely compromised with President Marcos' privileging the other power blocs which included no less than the faction of the First Lady and his "chief cronies," Cojuangco and Benedicto. The reality was that "Marcos and his cronies used access to the political machinery to accumulate wealth, and—like the major families of the pre-martial law years—had little loyalty to any particular sector" (de Dios and Hutchcroft 2003, 49). The situation was also not helped much that there were other factions within the technocracy as exemplified by Ongpin and Velasco. One source of political leverage which the Virata-faction could pull from was IMF- and WB-support. This was heightened when these two international lending institutions saw the technocrats as a bulwark against corruption. What ultimately pulled down the technocrats, however, was the country's political and economic crisis leading to the pulling out of US support, and consequently, the IMF's and the WB's, for Marcos. This was further fueled by the anti-dictatorship movement against the authoritarian regime's corruption and human rights violations in general and the withdrawal of business community support for the technocrats in what its members perceived as the government's failed economic policies.

The Philippine Technocracy during the Post-Martial Law Period[41)]

Despite the downfall of the Marcos technocrats, the Aquino Administration (1986–92) and the succeeding administrations of Ramos (1992–98), Estrada (1998–2001), and Arroyo (2001–10) had no problem in recruiting technocrats who shared the same economic perspective, i.e., liberalization, free competition, and free market as their counterparts during the Marcos administration. This is understandable as they generally came

41) For further details please see Tadem (2005). Because Marcos "lifted" martial law in 1981, people would refer to that year as to the end of martial law. There are those, however, who believe that this was an "artificial" lifting of martial law as Marcos continued to maintain authoritarian powers like Amendment 6 as earlier on discussed in this article. The author is of this view that the article refers to the post-martial law period with the ascendance of Mrs. Corazon Aquino in power.

from the same background as the Marcos technocrats, namely, they were US-educated. Like their predecessors, a number of them also came from the UP, the alma mater of the majority of the technocrats particularly from the UP School of Economics (hereinafter referred to as UPSE).[42)]

The source of political power of technocracy during the post-martial law period would continue to be their economic expertise. But this time, there was a difference of where they were recruited from. During the post-martial law period a number of them came from the banking sector leading to the phenomenon of investment banking millionaires-turned-technocrats. Thus, if the martial law technocrats came from modest background, for example, Virata and Sicat were UP academics, a number of post-martial law technocrats, after making their millions as investment bankers, would take on government positions. This was the case, for example, of President Arroyo's former Finance Minister Isidro Camacho[43)] from 2001 to 2003, and formerly of Deutsche Bank AG and Vincent Perez,[44)] Secretary of Energy from 2001 to 2005 and formerly with Lazard Freres & Co. as bond trader and investment banker. An explanation for this is that in an era of globalization which characterizes the post-martial law years, one has witnessed the emergence of multinational banks playing a crucial role in the economic policies of countries. This was different during the martial law period of the 1970s, when this was largely limited to the IMF and the WB.

In terms of the economic vision, the post-martial law technocrats shared the same concern of their martial law predecessors for a development paradigm which was market-driven and was for an export-oriented industrialization and export-oriented agriculture (Bello 2010). This, however, would be pursued under the neoliberal vision as it translated to a more open economy under the auspices of globalization, privatization, and the free market. Another difference is the diminished role of the state as an authoritarian state-

42) The UPSE generally provided the technocrats for the position of Director General and Secretary of Planning of the NEDA, e.g., Cayetano Paderanga Jr. under the Aquino Administration. Paderanga obtained his Ph.D. in Economics from Stanford University; Cielito F. Habito under the Ramos Administration. He obtained his M.A. and Ph.D. in Economics from Harvard University; Felipe Medalla who served under the Estrada Administration. Medalla obtained his Ph.D. in Economic from Northwestern University; and Dante Canlas who served under the Arroyo Administration. Canlas obtained his Ph.D. in Economics from the UP. UP academics would also be tapped for the position of Budget Secretary, e.g., Benjamin Diokno of the UPSE and the late Emilia Boncodin of the UP College of Public Administration and Governance during the Estrada and Arroyo Administrations respectively.

43) Camacho obtained an MBA from Harvard University.

44) Vincent S. Perez for 17 years worked as credit analysis, investment banker, debt trader and private equity investor. He obtained his Bachelor's degree in business economics from the UP, Diliman and an MBA from the Wharton Business School of the University of Pennsylvania in 1983.

led development during the Marcos period which was associated with cronyism and patronage politics and inefficiency. Thus, the goal was to seek state transformation into a minimalist and a regulatory state. This is because the liberal doctrine, as embodied in the tenets of globalization, argues that there should be no government intervention with market forces for economic growth to occur. Furthermore, market imperfections are not justifications to intrusive regulations because the interplay of competitive forces will benefit the consumers in the long run. Moreover, for the neoliberal agenda, the state is "less concerned with issues of sovereignty and power than with creating efficient institutional structures to facilitate the operation of the market."[45]

Criticisms from Civil Society

Whereas during the martial law period such an economic ideology received criticisms from the left movement, during the post-martial law period, the neoliberal paradigm is heavily criticized by civil society. Its critics during these two periods gave similar reasons foremost of which that such a development paradigm is unable to create political opportunity for long term development. A reason for this is that foreign investors can easily leave the host country when the latter ceases to provide them the optimum environment for capital accumulation. "Moreover, emphasis on export would give less attention to the development of a domestic mass following for local products" (Lopez Wui 2006). Another argument is that although the emphasis on export could create more employment for the local workforce because of bigger markets abroad, problems nonetheless arise if importing countries begin to tap other sources offering better quality and priced goods (*ibid.*, 111). Critics of the neoliberal paradigm have pointed out that creating a favorable environment could also mean the repression of workers' wages. And lastly, the economic policies which the technocrats are propagating are viewed as not addressing the problem of economic redistribution. The argument is that such policies rely on the trickle-down effect which critics argue never seems to happen. Some view it as even compounding further inequalities with advantages being given the private over the public sphere.[46] Unlike the criticisms during the martial law period which could be parried by

45) Reid (2001, 788) in Ariate (2006).

46) The technocratic policies for economic development has until now failed to address the socio-economic inequalities which characterize Philippine society. Statistics reveal that "the richest five per cent of the households' account for nearly a third of the national income and the poorest 25 per cent of the households getting only six per cent of the income." This is according to the World Bank's *WB Development Report of 2005* (Dumlao 2005). Furthermore, 24.7% of the population are considered officially poor (government statistics) while 70% rate themselves poor based on a Pulse Asia Survey (*Newsbreak*, May 23, 2005, 14).

repressive policies, the same cannot be said for the economic managers in the post-martial law period. Their economic policies are not only questioned by civil society but also subjected to interrogation of Congress as part of the checks-and-balance which goes with a presidential system.

A. Factors Which Strengthen Economic Decision-Making of Technocrats in the Post-Martial Law Period[47]

Despite such a political milieu, however, there are factors in the current dispensation which shield the post-martial law technocracy from intervention in the decision-making process. These include the following:

The Ideological Hegemony of Neoliberalism

One is the very dominance of the neoliberal ideology among crucial policy-makers.[48] Unlike the martial law period whereby the liberal market ideology seemed to be the monopoly of the martial law technocrat, this is not the case during the post-martial law period. What has emerged is that the tenets of neoliberalism "is not only tenaciously adhered to but also nurtured by like-minded academic experts, think-tanks and consultancy firms working closely with government" (Quinsaat 2006, 33). The Philippine Congress is also composed of legislators who are advocates of the neoliberal doctrine. Former President Gloria Macapagal Arroyo, when she was Senator, was responsible for sponsoring bills paving the entry of the Philippines into the World Trade Organization (WTO). Her closest economic adviser Representative Joey S. Salcedo of Albay, a former Wall Street stock market investor, has single-handedly pushed for legislative measures with the participation of the UPSE in minimizing the role of the state in the economy. Thus, the reality is that "only a handful of actors has monopoly in decision-making and these are mostly technocrats appointed by a President. While some interest groups are able to permeate the arena, these are mostly the privileged and powerful, such as the landlord-controlled sugar industry lobbyists" (*ibid.*).

The Nature of the Policy Environment

A second factor which shields the post-martial law technocrats from interference in their decision-making process is the policy environment itself. As pointed out, "while the law may appear sufficient, even socially progressive, equally important are the openness and hospitality of the politico-administrative environment to civil society participation in

47) For further details, please see Lopez Wui *et al.* (2006).
48) For further details, please see Tadem (2005).

policymaking."[49] This is the case, for example, of civil society groups which are fighting against the privatization thrust of the technocracy. In the case of the privatization of the water sector, the reality for non-governmental organizations (NGOs) is that they have been generally locked out of crucial negotiations between the government and private concessionaires when they were trying to reach a compromise because of the failure of the latter to perform its tasks. As pointed out by Jude Esguerra of the Bantay Tubig (Guard the Water) Network,

> the entire regulatory and arbitration set-up was to blame for the absence of transparency and consumer representation in dispute-settlement processes related to water issues. Consumers and taxpayers have been deprived of our right to have our grievances heard, while water companies can have the arbitration panel convened whenever they are unhappy with the decisions of the Regulatory Office.[50]

Economic Policy-Making in a Period of Globalization

What has further protected technocracy from public criticism is the transnational character of economic policy-making, i.e.,

> the economic policymaking has created a state of affairs where the Philippine government is more accountable to the institutions of global governance, such as the World Bank (WB), International Monetary Fund (IMF), and WTO, alongside the states which exercise hegemony within and over these establishments, than to its citizens. Relationships with these players in the global trade regime are bestowed with so much importance, either by intention or by sheer mendicancy of the government, such that responsibility to its public is often compromised. (Quinsaat 2006, 33)

The motto of these international financial institutions (hereinafter referred to as IFIs) is to insulate the technocrats from the political pressure on economic decision-making. Thus, even if the country is in a political crisis, the measures are still there to keep the economy going. This is certainly a déjà vu of the martial law period whereby the technocrats found its strength from the support of the IMF and the WB when it was besieged by criticisms of its policies not only from the Marcos cronies but also from the business community and the social movements. The neoliberal ideology is also preserved by the bilateral agreements forged by the Philippines with countries particularly the United States which single-handedly has insulated any attempt to subvert the technocrat's liberalization policy. This was seen, for example, when upon pressure from civil society actors in the local hog industry, the government attempted to secure protection for the

49) Brillantes (1997) in Quinsaat (2006).
50) Bantay Tubig Network (August 9, 2003).

hog industry imports. This was effectively shot down by the United States, the country's most influential trading partner (Ariate 2006).

B. Civil Society Challenges to Technocratic Economic Decision-Making in a Period of Democratization[51]

Despite all these "safeguards" to technocratic policy-making, the reality is that in a period of democratization one still has to continue to deal with political interest groups which they view as "the *virtual enemy* of rational social organizations." The challenge for technocracy in the democratization process is to replace political and interest group leaders with technical trained experts who "stand above" the political process" (Fischer 1989, 24). Such is an arduous task for the technocracy because as the country democratizes, civil society members are able to explore ways and means by which they intervene in the nature of economic decision-making during the post-martial law period. The most lethal combination is when they are able to team up with national and local officials as well as legislators who do not agree or are adversely affected by the technocrat's economic policies.

Transparency and Accountability in a Period of Democratization

The 1986 People Power Revolution which toppled the dictator and the ouster of President Joseph Estrada in 2001 for corruption has given impetus to civil society to raise the issue of the need for transparency and accountability in government in general and on its economic policy-makers in particular. This was depicted in civil society's vigilance with regards to the transparency and accountability of technocracy in cash rich government-owned and controlled corporations (GOCCs). Technocrats occupying positions in GOCCs are now heavily scrutinized specially when their respective GOCCs are losing money[52] or even bankrupt like the Social Security System (SSS) and the Government Service Insurance System (GSIS). Every month, around 10% to 30% is withheld from government and private sector employees which go to the GSIS and the SSS respectively for their pension fund. The accusation is that these GOCCs employ technocrats who pay themselves high salaries, e.g., USD9,000/month, when these GOCCs are losing money.

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51) For further details, please see Lopez Wui and Tadem (2006).

52) The bulk of the country's deficit is accounted for by the national government at P67.5 billion and the 14 monitored GOCCs with a registered aggregate deficit of P9.6 billion. There are a total of 76 GOCCs. Among the 14-monitored GOCCs are the Philippine National Oil Co. (PNOC), the Philippine Economic Zone, the Manila Waterworks and Sewerage System, the National Power Corp., the National Housing Authority, the Light Rail Transit Authority, and the Philippine Ports Authority (Lema 2005, S1/1).

The perception is that it is alright to pay these technocrats this amount if the GOCC was earning money, recognizing the fact that "the best and the brightest" can only be enticed to work for government if the pay can be more or less equal than that of the private sector. The problem, however, was that this was not the case with the GOCCs. Thus, this was such an "immoral" thing to do particularly when the average Filipino employee earns less than USD200/month (Ibon Facts and Figures 1984, 7).

The Adverse Effects of Globalization

The adverse effects of the technocrat's push for the country's rapid globalization has also brought about the alliances of civil society with major political actors to counter act this among which are the following:

Alliance of civil society and local government officials. Civil society has allied with local government officials whose communities have been adversely affected by the country's liberalization policy. This was seen in the case of the Benguet vegetable industry in Northern Luzon.

> Seeing that the industry could no longer compete with the influx of the imports of cheaper vegetables, the local government officials linked up with the communities and civil society groups like the Fair Trade Alliance (FTA),[53)] through its convener, former Senator Wigberto Tañada and the *Kilusang Magbubukid ng Pilipinas* (Peasant Movement of the Philippines [KMP]), through its chairperson, Rafael Mariano.[54)]
>
> FTA was instrumental in the preparation of position papers, particularly on the trigger price[55)] for vegetables. The alliance also facilitated its participation in consultations in various agencies and institutions. (Quinsaat 2006, 40)

Alliance of civil society with legislators. Another way by which civil society exerted its pressure on technocratic policies on globalization was through its alliance with sympathetic legislators. Although in general, the legislators accept the technocrats' neoliberal vision, there are also those who do not agree with it and bring out their opposition in the

53) "FTA is a coalition of various industries, businessmen, labor unions, and NGOs working to review and reverse the country's trade policies and commitments in order to provide better protection for local industries" (Quinsaat 2006, 40).

54) Raul Molintas (Former Governor, Province of Benguet). 2004. Interview by the Sharon Quinsaat. September 28 (Quinsaat 2006); Johnny Uy (Board Member, Province of Benguet). 2004. Interview by Sharon Quinsaat. Tape recording. September 21 (*ibid.*).

55) Trigger prices are levels that determine supply situation in the market. Once a trigger price is breached, importation is allowed (Cabreza 2002).

legislature. This was seen in the case of the Benguet vegetable industry whereby

> the relentless lobbying of like-minded legislators, mainly from party-list groups such as Representatives Loretta Rosales of *Akbayan* and Satur Ocampo of *Bayan Muna*, in tandem with a privilege speech delivered by Benguet solon Samuel Dangwa underscored the impact of vegetable importation to the livelihood of the farmers. (*ibid.*, 45)

Rosales also criticized the secrecy of government in its WTO negotiating positions and gave the problems of the vegetable industry ample space in the legislative arena (*ibid.*).

Alliance of civil society with transnational activists. The era of globalization has also seen the alliance of civil society with transnational activists in questioning the technocrat's plan of action. An example of this is

> the Labor Forum Beyond MFA[56] which was formed in early 2003 through the efforts of the International Textile, Garment and Leather Workers' Federation (ITGLWF) Philippines in order to examine problems experienced by the garment industry in view of the expiration of the MFA and to prepare the workers for the quota phase out. . . . (Lopez Wui 2006, 133)

The important objectives of the dialogues are for the labor organizations to engage in collective action and assess the efforts of employers and government in connection with the quota phase-out. The outcome of all these dialogues was the revival and reestablishment of the Clothing and Textile Industry Tripartite Council (CTITC) (*ibid.*, 135).

Civil society alliances within the business community. Like the martial law period, there are members of the business community who are also critical of technocratic policies which impinge on their profits. In particular, a similar issue which has emerged in the post-martial law period is their objection towards the policy on trade liberalization, particularly, the entry of cheaper imported products. It is with this sector of the business community where alliances have been formed as can be seen for example in the hog industry with the emergence of the Agricultural Sector Alliance of the Philippines (ASAP) in 2001. ASAP consists mainly of feed miller's and hog raiser's associations and cooperatives, and other civil society actors in the industry. They launched a confrontational posture against the state with regards to the importation of cheaper meat products.

56) The Multi-Fiber Agreement (MFA) grants favorable quotas to Philippine garment exports. This, however, expired in January 2005 upon the country's ascension to the rules of the WTO (Lopez Wui 2006, 112).

Another alliance formed in 2004 was the Meat and Hog Dealers Association of the Philippines (MHDAP) which together with the Slaughterhouse Operators Association of the Philippines (SOAP) would figure prominently in a meat holiday in March 2004 (Ariate 2006, 94).

The 1997 Asian Financial Crisis

The 1997 Asian financial crisis also severely questioned the soundness of technocratic policies espousing rapid economic liberalization. In light of this, civil society have called for the need to institute safety nets to cushion the blow of liberalization. Moreover, the perception is that government should not lower the tariffs for imports without its regard for its effects on the local industry (Lopez Wui 2006, 111). These arguments have put pressure on the need for the state to take on its responsibility towards the underprivileged and to preserve public interest. Thus, unlike the neoliberal perspective, the state should not wither away but assert its role vis-à-vis the forces of globalization particularly in the aspect of imposing strong social regulation.

Civil society in alliance with sympathetic fellow technocrats. It is within this context that civil society is able to forge alliances with sympathetic technocrats who are not completely sold out to the neoliberal ideology and believe that safety nets and strong government social regulation is needed as opposed to the unbridled unleashing of the economic forces of globalization and the market economy. One of this is former NEDA Secretary General of the Ramos Administration Cielito Habito. Another is former DTI and Department of Agriculture (DA) Undersecretary Ernesto Ordonez. As noted in the experience of the Benguet vegetable farmers, Ordonez was deemed as the most sympathetic to their plight "because of his instantaneous response to the problem of importation.[57] He was active in bridging the gap between the agency and civil society and was key to the latter's influencing decisions in the DA."[58] This situation is quite different as compared to the martial law period whereby although there were factions within the Philippine technocracy in terms of economic perspectives, none of these factions allied with members of civil society or social movement players.

Civil society and electoral candidates. Unlike the martial law period, another factor which

57) Alangdeo, Alfredo (Chair, Benguet Vegetable Distributors' Cooperative). 2004. Interview by Sharon Quinsaat. Tape recording. September 21 (Quinsaat 2006); Kim, John (Board Member, Province of Benguet). 2004. Interview by Sharon Quinsaat. Tape recording. September 20 (*ibid.*).

58) Fongwan, Nestor (Mayor, Municipality of La Trinidad, Benguet). 2004. Interview by Sharon Quinsaat. Tape recording. September 22 (Quinsaat 2006).

impinges on the technocracy's economic decision-making is electoral politics. Economic policies, for example, tend to be sacrificed by technocrats who have political ambitions. This was in the case of "former Department of Trade and Industry (DTI) Secretary Manuel 'Mar' Roxas, who although is a supporter of consumer-oriented globalization was opposed to increase in tariff rates . . ." (Quinsaat 2006, 43). When civil society supporting the Benguet vegetable industry went against cheap vegetable importation found out that Roxas had political aspirations and with national elections fast approaching, civil society together with the local officials, "tried to win over Roxas by insinuating that the support of the Cordillera[59] voting public would be dependent on his stance on further trade liberalization in agriculture, especially vegetables. Thus in the end, he capitulated and supported the actions of civil society" (*ibid.*, 44).

The Failure of the WTO Uruguay Round

The failure of the Philippines to pursue economic gains during the WTO Uruguay Round whereby civil-society groups were locked out of the domestic negotiation process, resulted in a highly controversial and tumultuous battle on the ratification of the treaty in 1994 (Cajiuat and Regalado 1997). The trade representatives were castigated for keeping the public in the dark on the various concessions they had signed up the Philippines into. They earned the ire not just of social movements but industries as well. As a consequence, the implementation of the GATT-UR lacked the requisite support from its stakeholders. Thus, there are technocrats in government who believe that sound economic policy-making can only be with the support of its stakeholders. This was the case of DA Undersecretary Segfredo Serrano who formed the Task Force on the (Re)negotiations of the WTO Agreement on Agriculture or TFWAAR in 1998 (which later became TF-WAR in 2001) to include stakeholders who are directly affected by the WTO to be part of the shaping of the Philippine negotiating strategy in the WTO. The motto of the TF-WAR is not to "junk" the WTO but to assume a "protectionist" and "defensive" position in the negotiating process. Technocrats like Serrano exemplify as "reformist" technocrats who are not hardcore neoliberals and are open to other paradigms.[60]

C. Patronage Politics and Technocratic Decision-Making[61]

The bigger challenge, however, for technocracy during the post-martial law period is

59) Benguet province is part of the Cordillera region in Northern Luzon.
60) Please see Borras Jr. (1998). Please also see Tadem (2009; 2010b).
61) For further details, please see Tadem (2010a).

the prevalence of patronage politics which continues to impinge on technocratic decision-making which was exacerbated during the martial law period. The technocrats, in general, have to continue to contend with what is referred to as a "patrimonial state," i.e., "where practically everything depends explicitly upon personal considerations."[62) During the post-martial law period, it was hoped that crony capitalism will disappear with the advent of globalization. But this, however, is not the case as globalization has failed to address the problem of such a state which is lacking the "vision, autonomy and bureaucratic capacity necessary to implement a developmental program" (Budd 2005). The reality is that globalization has only promoted capitalism but not the institutions that are necessary for democratic consolidation (*ibid.*, 54). A result of this is the emergence of partisan politics which has taken its toll on the implementation of economic policies. This can be seen in the attempt of the technocrats to provide an efficient and regulatory state which "uses rules, standards and other public statements as major policy instruments, rather than relying on direct provision of goods and services" (Hague and Harrop 2004, 318). The challenge here is that the regulatory agency is able to insulate itself from external and social forces which may adversely affect the implementation of coherent and effective policies (Molmisa 2006, 167–168). This can be seen in the case of the National Telecommunications Commission (NTC), the regulatory body in-charge of the telecommunications industry. Although the NTC's strength can be seen in its effort to implement measures to combat mobile text frauds,[63)] which according to the Anti-Money Laundering, have ripped about P5 million from the victims in 2003,[64)] it also continues to be affected by partisan politics. "At present, the term of appointment of commissioners depends on the confidence of the President of the country. The Congress can also determine its annual budget appropriations."[65)] This opens the NTC to influence-peddling and rent-seeking activities particularly in securing a legislative franchise (*ibid.*, 169).

62) Weber (1968, 104) in Budd (2005).

63) "Under the text scam, hoax messages are being sent to the unsuspecting victims using the name of Bangko Sentral ng Pilipinas (Central Bank of the Philippines), the Philippine Charity Sweepstakes, the Philippine Amusement and Gaming Corporation (PAGCOR) and other institutions advising the victims about winning a huge amount of prize. The swindlers often instruct their prey that the latter should first deposit a considerable sum of money to the former's bank account, allegedly for tax payments and other fees as a requirement to getting the prize" (Molmisa 2006, 190).

64) *Today* (April 16, 2004).

65) Esfahani (1994) in Molmisa (2006).

The Political Crisis of Legitimacy

Such a situation is severely aggravated when there is a crisis of leadership. Generally,

> the state is seen as the institution that can stand above the destructive play of competitive interests and thus only the state is potentially capable of providing the coordinating leadership needed to oversee a complex technical societal process. (Fischer 1989, 12)

Such a role, however, cannot be performed by the state when there is a crisis of leadership which seems to have always sealed the fate of Philippine technocracy. This was seen during the martial law years when President Ferdinand Marcos was removed in office by the 1986 People Power Revolution. Together with him went the technocrats. The same could be said for President Joseph Estrada's technocrats in Cabinet who were replaced in the advent of the EDSA 2 Revolution in January 2001. Almost the same fate seems to lie with the technocrats of the Arroyo Administration. Because of the questions raised whether she is truly the President of the Philippines, having come to power because of a popular uprising, President Arroyo was very much determined to win a formidable mandate during the 2004 national elections. Because of this, the perception was that she wanted to win at all cost. One of the first casualty of this was Finance Secretary Isidro Camacho who resigned a couple of months before the 2004 national elections saying that economic policies could not be implemented until after the elections. This implied that economic policies should give way to political considerations.

After the elections, there was hope that the government's economic policies could now be implemented but her administration was plagued with a series of scandals which broke out beginning in April 2005. Foremost of this was the "*jueteng* gate" and "Hello Garci Tapes" scandals. *Jueteng*, which is an illegal numbers gambling game and is mainly condemned by the Church, is said to have benefited the President's relatives, that is her husband, First Gentleman Jose Miguel "Mike" Arroyo, her eldest son and Pampanga Vice-Governor Juan Miguel "Mikey" Arroyo, and her brother-in-law, Negros Representative Ignacio "Iggy" Arroyo. They were accused of receiving millions of pesos coming from *jueteng* proceeds. *Jueteng* was the same issue which brought down President Estrada. The *jueteng* scandal, however, was nothing compared to the "Hello Garci Tapes" scandal which followed it in May 2005. This was with regards to wire-tapped tapes which revealed President Arroyo talking on the cellphone to Commission on Elections (COMELEC) Commissioner Virgilio Garcillano during the counting of the ballots in the May 2004 national elections. Garcillano was based in Lanao del Norte, Mindanao. The public perception was that she was asking Garcillano to pad the votes so she could win by at least one million votes giving her a formidable mandate over her closest opponent, the actor Fernando Poe Jr.[66)]

Because the political scandal was getting in the way of implementing the government's economic policies, President Arroyo's economic and social technocrats[67)] pressured her to confess to the public that indeed it was her voice and to apologize for this in the hope that this will lessen the backlash. They believed that this was causing political instability which hindered the implementation of their economic policies. President Arroyo agreed and said she was "sorry" to the public for her "lapse of judgment." The technocrats went a step further by demanding the President to send her husband away because of the *jueteng* scandal among others, and to fire officials identified with him such as Edgar Manda of the Laguna Lake Development Authority (LLDA) and Efraim Genuino of the Philippine Amusement and Gaming Corp. (PAGCOR).[68)] Her husband agreed to going away but "vigorously opposed the sacking of officials identified with him." When it became clear to the technocrats that President Arroyo was not going to let go of her husband's cronies, particularly, Genuino, 10 of them, seven Cabinet Secretaries and three Bureau Directors, resigned on July 10, 2005 and held a conference at the Hyatt Hotel to announce their resignation. They became known as the "Hyatt 10" (Lirio 2005) and they were led by Cesar Purisima,[69)] President Arroyo's former Secretary of Trade and Industry who later on became the Secretary of Finance when Camacho resigned. Purisima said that he could no longer stomach the politics which was going on which sacrificed the economic policies which were already set in place and read the group's

66) There was an order from a very powerful figure in Malacanang to wiretap the cellphone of Garcillano who was given millions to run the special operations for the May 10, 2004 elections to ensure President Arroyo's victory (Zamora 2005, A6).

67) The economic and social technocrats included Secretaries Cesar Purisima (finance), Florencio Abad (education), Corazon "Dinky" Soliman (social welfare), and Emilia Boncodin (budget), and presidential adviser on the peace process Teresita "Ging" Delez. They urged Ms Arroyo to address the "Hello Garci" controversy (Lirio 2005, A4).

68) Genuino is reported to have delivered *jueteng* money to church leaders including Cardinal Ricardo Vidal of Cebu. Vidal justified this by saying that the money he received from PAGCOR went to development projects. He also said he stopped accepting money from PAGCOR when the Catholic Bishops Conference of the Philippines (CBCP) resolved that no one in the Church should receive donations which come from gambling money. Genuino was also reported to have made 15 calls to Garcillano from May 25 to June 14, 2004 in his effort to put "Bigkis Pinoy Movement," a party-list hopeful founded by him (Genuino) and Mike Arroyo's close allies, in the winning circle (The *Newsbreak* Team 2005, 25).

69) Purisima used to be the Chair of Sycip, Golez and Velayo (SGV), the country's top accounting firm. The "Hyatt 10" consisted of the economic and social technocrats who called for President Arroyo to confess to the "Hello Garci" tapes as well as Trade Secretary Juan Santos, Agrarian Reform Secretary Juan Villa, National Anti-Poverty Commission Chair Imelda Nicolas (sister of Carnation Inc. President Loida Nicolas Lewis), Internal Revenue Commissioner Guillermo Parayno Jr., and Customs Commissioner Alberto Lina.

statement entitled "Of Leadership and Credibility." The others who called for her resignation was former President Aquino and members of the Makati Business Club (MBC).[70]

The "Hello Garci Tapes" scandal, thus, brings forth the reincarnation of the martial law years squabble between the technocrats and the cronies. During the martial law years, close relatives and cronies of President Marcos benefited from government-awarded contracts and outright corruption to the chagrin of the technocrats and the IMF/WB. Such a practice seems to have continued during the post-martial law period. President Aquino, for example, has been accused of having her "Kamag-anak Inc" (Relatives Incorporated), while some have found President Ramos guilty of granting independent power producer (IPP) contracts to close friends. President Estrada was also known for his drinking sessions with friends who composed what was called his "midnight cabinet." It was during these "midnight cabinet" meetings whereby contracts would be signed according to his former Chief of Staff Aprodicio Laquian who was immediately fired after saying this publicly. As for President Arroyo, her "Achilles heel" is said to be her husband, Mike Arroyo, who had a "Wednesday group" which some Palace staff members have referred to as the "Shadow Cabinet" (to distinguish it from the official Cabinet which meets every Tuesday) (*ibid.*).

There were technocrats, however, who stood by Mrs. Arroyo foremost of whom was Romulo Neri, a professor of Business Administration of the UP, Diliman. Neri, when he was the Socio-Economic Planning Secretary and Director-General of the NEDA was implicated in a corruption scandal involving a Chinese corporation ZTE with regards to a bid to implement a national broadband network (NBN) in the Philippines. Upon his interrogation by the Senate Blue Ribbon Committee, Neri disclosed to the Committee members that he told President Arroyo that Commission on Election (Comelec) Chair Benjamin Abalos, offered him P200 million (USD45 million) to approve the deal. Referred to as the ZTE-NBN scandal, if approved, the Philippine government would have accepted to build the NBN at a cost of USD329 million, double the actual cost by some estimates, although the same project could have been built at no cost to the government. Neri, however, refused to give full disclosure of Arroyo's involvement in the ZTE-NBN deal.[71] Furthermore, he invoked Executive Order (E.O.) 464 "which bars officials from testify-

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70) Contreras *et al.* (2005, A1, A2). In a joint briefing on that day at the Peninsula Manila, the Makati Business Club (MBC) and the Financial Executives Institute of the Philippines (FINEX), the groups said that "the resignation of the Cabinet officials illustrates the loss of confidence in the President and her ability to advance economic and social development programs" (*ibid.*, A1). The others who called for her resignation was former President Aquino and then Senate President Franklin Drilon.

71) (Doronila 2009, A1).

ing in congressional inquiries without the President's permission."[72]

"National Security" as Priority over Economic Policies

These scandals further magnified the "crisis of legitimacy" bringing about the call for the President's impeachment. Although the opposition in Congress lacked the numbers to impeach her, current Senate investigations of questionable government economic transactions continue to bring forth the "vulnerability" of the present government. Such a "vulnerability" plunged the President's rating to as low as negative 74.7% with 65% of the public wanting her removed from office (Rivera 2005). Some have looked at this as ripe for a military take-over. Because of this, the Palace decided that economic reforms should now take second place to national security. That is, the technocrats will now play second fiddle to government officials, i.e., the Palace's political "spin doctors," tasked to defend the presidency.[73] The adverse impact of such a political rearrangement on the decision-making powers of the technocracy were seen in the following instances:

"Flip-flopping" on the E-VAT Law

One of the economic policy casualties of the political crisis was the delayed implementation of the expanded value-added tax law[74] or E-VAT law which is aimed to increase the revenues, particularly from taxes on fuel and power to solve the country's fiscal deficit.[75] It is also considered to be the Arroyo administration's key measure to resolve the fiscal problem. Although the imposition of the E-VAT law has been passed as a law by Congress, it was suspended because a case was filed against it in the Supreme Court.[76] Purisima and former Trade Secretary Juan Santos accused Malacanang of being behind such an action in the government's attempt to assuage the public who would suffer from

72) Doronila (2009, A1).

73) These include Executive Secretary Eduardo Ermita, Environment Secretary Mike Defensor, Chief of the Presidential Management Staff (PMS) Rigoberto Tiglao, and political adviser Gabriel Claudio. Transportation Secretary Leandro Mendoza and Public Works Secretary Hermogenes Ebdane, both of whom came from the military, were also recruited to the President's inner circle, presumable to handle Garcillano and the "Hello Garci" witnesses (Lirio 2005, A4).

74) The E-VAT law is estimated to generate as much as P31 billion in incremental revenue in the second half of the year, and P105 billion annually starting in 2006. The law will also give President Arroyo a standby authority to raise the VAT rate from 10% to 12% next year (Remo 2005b, A7).

75) Under the proposed 2006 budget, "expenditures are placed at P1.09 trillion, while the expected revenue collection is at P968.6 billion, thus resulting in a deficit of P124.9 billion" (Remo 2005b, A7).

76) The Supreme Court thus issued a restraining order (RTO) which the Department of Finance wanted to contest (Remo 2005d, A1).

the added tax on commodities. This was one of the major reasons why both chose to resign.[77] Administration legislators, including her close economic advisers and the main backer of the E-VAT law Albay Representative Joey Salceda and former government technocrat Senator Manuel A. Roxas, have also filed separate resolutions on September 16, 2005 to delay the implementation of the E-VAT law. For Roxas and Salceda[78] "including petroleum and power sales in the E-VAT law's coverage now would add misery to marginalized Filipinos already suffering from soaring transport expenses and electricity bills. Such a position could be expected from these technocrats-turned-politicians because of the fear of a political backlash from their respective constituencies. Malacanang was said to be open to such a proposal.[79] On October 18, 2005, however, the Supreme Court declared the E-VAT law as constitutional and the government has currently implemented it.

Re-thinking Debt Payments

Because the political crisis came at the heels of the worldwide oil price hikes, the Arroyo administration also began to re-think economic policies which will further plunge the popularity rating of the President. One of this re-thinking is in the area of debt payments. This is because the government has been allocating at least 30% of its annual budget to interest payments. According to the Department of Finance, interest and principal debt eat up nearly 90% of government revenues (Remo 2005c). In relation to this, Finance Secretary Margarito Teves[80] said he was open to the idea of seeking debt relief as a partial solution to the country's lingering fiscal problem. He, however, added that "the

77) Remo (2005d, A1). Purisima because of such a statement was charged with contempt by the Supreme Court. This was because the Supreme Court read his statement to mean that President Arroyo allegedly influenced the Supreme Court into suspending the implementation of the E-VAT law (Nocum 2005, A6). He was ordered to pay a fine of P30,000.

78) Both Roxas and Salceda are "former fund managers who remain in close contact with the financial community" (Cabacungan 2005a, A7). Salceda was a former student of President Arroyo in economics and is the principal conduit of policy advice of the UP School of Economics to President Arroyo in the formulation of the fiscal reform program (Salceda 2005).

79) Cabacungan (2005a, A1, A7). The call for the postponement of the E-VAT law also "comes at a time when a survey by the Social Weather Stations (SWS) from August 26 to September 5, 2005 showed that 15.5 per cent of the households nationwide consider themselves as having 'experienced hunger' or nothing to eat at least once in the past three months" (*Philippine Daily Inquirer* 2005a, A1).

80) Teves' appointment as Finance Secretary to succeed Purisima was hailed by the business community. For Albay Representative Joey Salceda, American-educated Teves as a banker is respected in the business community. "As a practicing economist, he has the confidence of financial markets and credit rating agencies. As a three-term congressman, he has the skills to navigate difficult fiscal reforms through the legislative mill" (Cabacungan and Remo 2005, A1).

task of communication with foreign creditors regarding the possibility of relieving some of the Philippines' external debts, however, should be left with people outside the government's economic team." Such a position was a turnaround from Teves' predecessor Purisima who said that seeking debt relief could adversely affect the country's capability to access future loans.[81] Then Speaker of the House of Representative Jose de Venecia, on the other hand, introduced a "debt-for-equity-swap" proposal which was announced in August 2005 in President Arroyo's five-minute speech at the United Nations (UN) General Assembly. Under such a proposal, ". . . the debt service, or principal amount, should be converted into equity in new projects of at least equal value and with their potential earnings." These are specifically intended to finance programs under the UN's Millennium Development Goals which aims to reduce the incidence of poverty in the world by half by 2015.[82]

D. The Failure of Technocratic Policies to Address Poverty and Socio-economic Inequalities

In the meantime though, for the post-martial law technocrats, the reality staring them in the face is that the billionaires during the time of Marcos are still the billionaires now.[83] These criticisms are vindicated with the failure of the economic policies of the post-martial law technocrats to address the country's worsening poverty where 27 million or nearly a third of the population of 92 million live in poverty (Esguerra 2010). As the Arroyo government departed, the government incurred a P162 billion deficit which is 55% or more than half of the targeted P293 billion in total (Bello 2010). On a comparative perspective, "the United Nations Development Program's Human Development Report revealed that the Philippines registered the lowest average yearly growth rate, 1.6 per cent in Southeast Asia in the period of 1990–2005. This was lower than Vietnam (5.9%), Cambodia (5.5%) and Burma (6.6%)" (*ibid.*). The technocratic policies for economic development has also failed to address the socio-economic inequalities which has perennially characterized Philippine society. Statistics reveal that "the richest five per cent of the households' account for nearly a third of the national income and the poorest 25 per cent of the households getting only six per cent of the income." This is according to the World Bank's *WB Development Report of 2006* (Dumlao 2005). These socio-economic inequalities have also been exacerbated by the end of the Arroyo Administration in June

81) Remo (2005c). The WB has earlier on "discouraged the Philippines from talking about debt relief, saying it was counter-productive. Unlike Africa, WB country director Joachim von Amsberg said that the Philippines has access to debt markets. The strategy now is how to get the best access" (*ibid.*, B5).

82) Remo (2005c).

83) Cabacungan (2006).

2010. Although the country's economic growth "hit an unexpected high of 7.3% during the first quarter of 2010, this was credited to her controlling the runaway budget deficit, largely through the passage of key fiscal reforms in 2005 despite widespread opposition" (Macaraig 2010). But as noted by UP economist, Cayetano Paderanga Jr. and now, the new Aquino government's Secretary of Economic Planning, much of the growth came from a few sectors, namely the remittances from millions of Filipino overseas workers[84) and a flow-on boom in consumer spending, plus earnings from call centers and other outsourced business. "These sectors, though, are all out of reach of the millions of poor, who have largely missed out on any benefits of economic growth" according to Paderanga and the Dean of UPSE Arsenio Balisacan (*ibid.*).

Conclusion

This article has, therefore, shown the factors which have strengthened as well as weakened the political clout of Philippine technocracy during the martial law and post-martial law periods. During the pre-martial law period, technocracy drew its strength from the support of the leadership which shared its vision for economic development. The contentions which ensued here were between two factions of technocracy, i.e., the technocrats in the NEC which were for an import-substitution and heavy industrialization policy as against the technocrats in the PIA and later on the PES, which favored an export-oriented industrialization, liberalization, and more incentives for foreign incentives. Under President Marcos, the latter faction of technocracy was favored. For this faction, the other political hurdle to technocratic economic policy-making during this period was Congress where one had politicians who had economic interests which went against their development policy as well as those who were nationalists and opposed to the incursion of multinational corporations in the country. But their opposition was readily overcome because of the political acumen of Marcos in dealing with them which was buttressed by the leadership's received his political allies in Congress.

With the declaration of martial law, the strength of technocracy continued to draw from the support it received from the leadership. It, however, would also encounter opposition to its policies but of a different kind as during the pre-martial law period. The

84) Because of the failure of technocracy to address poverty in the country, there continues to be the exodus of Overseas Filipino Workers (OFWs) "which began in the 1970s during the martial law period and which persists today." The estimated 8.2 to 11 million OFWs are considered to be the country's number one "export." As of 2009, their remittance amounted to USD1.5 billion per month or a total of P17,348,052 billion for 2009 (POEA 2010).

"martial law" technocrats, for example, as represented by the Virata faction no longer had to deal with technocrats espousing import-substitution as well as political opposition from Congress which was abolished but it had to deal with other technocrats who had other economic perspectives and had their own pipeline to the President. Thus, there was no solid technocratic bloc. Like during the pre-martial law period, technocratic policy also had to give way to patronage politics as in the favoring of crony interests particularly in the very vital sugar and coconut industries and to the interests of the leadership's relatives as epitomized by no less than the First Lady Mrs. Marcos. Like during the pre-martial law period, the martial law technocrats would pursue the IMF and WB line of development and because of this, they received the assistance needed by the country for their economic objectives. Their role as the facilitator of IMF and WB loans to the country was the major political leverage of the Virata faction of the technocracy. Such a political leverage would be translated into the perception of technocracy as the bulwark against corruption in government. Economic and political crisis would wreak havoc on the political clout of the technocrats. In the case of the former, the global economic crisis would severely impinge on the local economy and the capacity of the technocrats to access the needed loans for the country. The situation was further aggravated with the country's political crisis as triggered by the assassination of ex-Senator Benigno Aquino and Marcos' failing health. All these gave further fuel to the burgeoning anti-dictatorship movement as brought about by the regime's human right's violations, corruption, and failed economic policies leading to the downfall of the dictatorship and with him, his technocrats.

During the post-martial law period, the technocrats' political leverage would also continue to rely heavily on the support it gets from the leadership. But unlike the martial law period, their economic vision of neoliberalism would also be carried by not only the executive but also the majority in Philippine Congress and in other important sectors of society such as the business community and the academe. As during the martial law period, their economic ideology would be perpetuated externally by institutions of global governance such as the IMF, the WB, and the WTO as well as multinational banks. If the left movement during the martial law period spearheaded the opposition against technocratic policies under the umbrella of the anti-dictatorship movement, in a period of democratization, this was carried out by civil society. The failure of the technocrat's economic policies to address poverty and socio-economic inequalities as exacerbated by the adverse effects of globalization as epitomized by the 1997 Asian financial crisis brought about the emergence of civil society alliances with prominent allies sympathetic to their cause. These include local government officials, legislators, fellow technocrats, members of the business community, electoral candidates, and transnational activists among others.

The other formidable challenge to technocratic decision-making continues to be patronage politics and massive corruption which characterizes Philippine society. More often than not, this continues to sacrifice economic policies. Such a situation is further aggravated by the political crisis of legitimacy which has brought down another Philippine president and with him his technocrats. In the case of President Arroyo, the crisis of political legitimacy as brought about by political and economic scandals has witnessed priority being given to "national security" over economic policies. The mass resignation of key economic and social technocrats under the Arroyo Administration because of the issue of corruption was the first in Philippine history which highlights the political leeway which technocrats are able to pursue in a period of democratization. Furthermore, these technocrats actively campaigned for the ouster of President Arroyo and failing to do so, heavily campaigned for the election of President Benigno S. Aquino. With the latter's victory, these former Arroyo technocrats are now back in power. The challenge now is for the Aquino administration's technocrats to show that it is politics and not economics which is to blame why the Philippines continues to be the basket case of Asia.

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Technocracy in Economic Policy-Making in Malaysia

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This article looks at the role of the technocracy in economic policy-making in Malaysia. The analysis was conducted across two phases, namely the period before and after the 1997/98 economic and financial crises, and during the premiership of four prime ministers namely Tun Razak, Dr Mahathir, Abdullah Ahmad Badawi, and Najib Razak. It is claimed that the technocrats played an important role in helping the political leadership achieve their objectives.

The article traces the changing fortunes of the technocracy from the 1970s to the present. Under the premiership of Tun Razak, technocrats played an important role in ensuring the success of his programs. However, under Dr Mahathir, the technocrats sometimes took a back seat because their approach was not in line with some of his more visionary ventures and his unconventional approach particularly in managing the 1997/98 financial crisis. Under the leadership of both Abdullah Ahmad Badawi and Najib Razak, the technocrats regain their previous position of prominence in policy-making. In conclusion, the technocracy with their expert knowledge, have served as an important force in Malaysia. Although their approach is based on economic rationality, their skills have been effectively negotiated with the demands of the political leadership, because of which Malaysia is able to maintain both economic growth and political stability.

Keywords: technocracy, the New Economic Policy (NEP), Tun Abdul Razak, Dr Mahathir Mohamad, National Economic Action Council (NEAC), government-linked companies (GLCs), Abdullah Ahmad Badawi, Najib Tun Razak

Introduction

Malaysia is a resource rich economy that had achieved high economic growth since early 1970s until the outbreak of the Asian crisis in 1998. However, growth has been moderate in the post-Asian crisis period. Malaysia began, in early 1960s, as an agriculture-based

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economy but had embarked on an industrialization path when growth rates varied substantially due to fluctuating global primary commodity prices. From 1970, Foreign Direct Investment (FDI) inflow and operations by multinational companies in electrical and electronic and textile industries producing for exports were the catalyst for Malaysian industrialization. At the same time, Malaysia also experimented with import substitution industrialization by introducing heavy industries such as the national car, Proton. As the economy matured, Malaysia entered another phase beginning in the mid-1990s where growth was to be based on knowledge and the services sector would play a larger role.

Malaysia is a small but very open economy; trade is twice the size of its Gross Domestic Product (GDP). Its balance of payment has traditionally been characterized by surpluses in the merchandise account from a strong export performance but it has persistent deficits in the services account. In addition to hosting large FDI inflow, Malaysia also received short-term capital, which began arriving in large volumes in the early 1990s. This was a product of globalization and the policy of liberalizing the capital account, which later exposed the economy to new vulnerabilities. During the period 1990–96, total net flows to Malaysia amounted to over 12% of GDP or USD8.6 billion, compared to 4.2% (USD1.5 billion) in the 1980s.

A noteworthy feature of the Malaysian development is that growth was achieved with equity. The incidence of poverty was reduced drastically from 49.3% in 1970 to 3.8% in 2009. This performance was achieved based on stable and sound macro-economic fundamentals and policies. Yet, at the micro-economic level, some distortions took place to accommodate sectoral group or racial interests. Although, the policies were targeting high overall growth, selected sectors were promoted through, among others, direct public sector intervention and the introduction of specific programs, which sometime were not consistent with market-based economic principles.

The analysis of Malaysia's economic performance can be divided into three distinct phases:

(i) From Independence in 1957 to 1981

During the first part of this period (1957 to 1969), although laissez-faire economic policies were implemented, mild import substitution industrialization was also put in place in order to develop domestic industries. This import substitution effort was only partially successful. In the second part, from 1970, industrialization was promoted through the establishment of the export processing zone, which attracted many multinational companies that formed the base for manufacturing exports. Malaysia had taken full advantage of the relocation of FDI from the United States, Europe, and Japan seeking for investment location that offered lower labor costs.

Although industrialization became a major economic contributor, the focus of Malaysia's economic development during this period was developing the rural economy. A lot of effort was undertaken to diversify the agriculture sector and upgrade the rural economy because these constituencies were the base for the ruling coalition party. Malaysia was a major exporter of rubber and tin but subsequently, with the diversification of agriculture, palm oil overtook rubber as the main agricultural export. Large amount of funds were allocated for the rural sector for infrastructure development and activities to raise rural income.

Responding to the racial riot in 1969, the government launched the New Economic Policy (NEP) in 1970 with the twin objectives: poverty eradication irrespective of race and the restructuring of society to correct economic imbalances in order to reduce and eliminate the identification of race with economic functions. The NEP is a major policy that shapes Malaysia's socio-economic development because there were interventions made to ensure these objectives were met. This policy has a major impact on technocracy in the public sector through the building of human capital and the dominance of one ethnic group—the Bumiputeras (sons of the soil)—in the public sector.

(ii) From 1981 until the outbreak of the Asian crisis in 1998

Dr Mahathir Mohamed became Malaysia's fourth prime minister in 1981 and he embarked on a developmentalist state strategy that saw high state intervention and the expansion of the public sector's role in the economy. Many state-owned companies were established, especially those which are entrusted to carry out the heavy industrialization policy. The economic crisis in 1985 due to large fiscal deficits and the collapse of primary commodity prices had triggered a fundamental policy change. The size of the public sector was reduced and privatization was introduced to drive growth and efficiency. This period also saw many liberalization and deregulation measures and the beginning of a closer cooperation between the public and private sectors.

As a result, the 1986–97 period is eulogized as Malaysia's golden age; from 1990 to 1996 the economy grew at an average annual rate of 8.5%, the longest period of sustained high growth in Malaysian history. Exports grew by double digits annually. Malaysia reached full employment from 1993 to 1997, had low inflation and the public sector registered average fiscal surplus of about 2.4% of GDP annually (1993–97), which is a vast improvement from the 1985's deficit of 0.6% of GDP. Vision 2020 was launched in 1991 with the aim of turning Malaysia into a developed country by the year 2020. The attainment of this goal is predicated on the economy growing on average at an annual rate of 7% during the period 1990–2020 and therefore it is important for Malaysia to achieve long term macro-economic stability. The private sector was given the task to be the engine of growth while the public sector's role is to facilitate private sector activities.

(iii) 1998 onwards: the Post-Asian crisis period

The economic recession in 1998 was the worst in Malaysian history, with the GDP contracting by 7.4%. This crisis was triggered by regional contagion when the Thai baht depreciated massively. However, internal difficulties such as excessive bank lending, and property bubbles had worsened the impact of the regional contagion and loss of investors' confidence. Malaysia introduced measures that were contrary to the conventional wisdom; it introduced capital controls and pegged the exchange rate. Malaysia recovered sharply in 2000, as with the other crisis hit economy, South Korea. Dr Mahathir took credit for these unconventional and controversial measures that worked.

During this post-crisis period, Malaysia's growth has been moderated; GDP grew on average at about 5.0% during the 1999–2010 period as compared to 8.3% during the 1986–97 period. This performance is not unique to Malaysia because other regional countries also had the same sub-par growth. Private investment, which fell significantly during the crisis, has not recovered. To sustain growth, the public sector had to take a leading role by increasing its investment and expenditure, resulting in a persistent fiscal deficit. On the other hand, exports, both manufacturing and primary commodities continue their high performance. This performance has led to the rethinking of the Malaysian economic strategy to put the country back on a higher growth path and to improve its competitiveness and productivity. The New Economic Model (NEM) for Malaysia was launched in 2010 with the goals of achieving a high income economy and inclusive and sustainable growth.

Role of Technocracy in Development

The role of technocrats has become increasingly more prominent in Malaysian development since 1981. Technocrats are an elite group with expert knowledge and ability that has continually served the governing elite (Miyakawa 2000, 11). Technocrats are experts who formulate economic policy and implement it to achieve a set of targets, and are usually civil servants or professionals who receive special training in economics, business, or related field.

At the macro-level, Malaysia is an economic success story. It has enjoyed high, steady GDP and per capita income growth with macro-economic stability. It has become an important trading nation and a host to a large inflow of FDI. In addition, social development was not neglected—poverty had been significantly reduced and the wealth gained was relatively well distributed. Does technocracy have a role in these achievements?

Technocrats' role in Malaysia's economic policy-making and implementation has changed over these three periods. Without doubt, technocrats were given the tasks to manage the economy at the macro-level so that the country could have an impressive economic growth. But, at the same time, technocrats were side-stepped at the micro-economic level. Moreover, the changing role of technocrats depends largely on the balance of influence between technocracy and political leadership.

To understand the role of technocracy in economic development, it would be useful to examine the reasons why political leaders seek the assistance of technocrats, the background of the technocrats, and their relationship with politicians as well as their contributions. As an open economy, technocrats are not needed in order for Malaysia to get international acceptance or assistance. Instead their expertise and professionalism are likely to be used to ensure that development is properly done and the benefits of progress reach the people.

In the early stage of Malaysia's development, the technocrats came from the civil services but in the later stages, businessmen and professionals had a larger role. There were occasions when technocrats who were given key responsibilities turned to become politicians and be the leaders of other technocrats, many of whom were their former colleagues. What is clear is that the role and contribution of technocrats are very much dependent on the personality and vision of the prime ministers. This economic vision will also determine the type of technocracy needed.

In the Southeast Asian experience, macro-economic management was delegated to largely autonomous agencies and insulated technocrats, who pursued conservative policies. In Indonesia, the so-called "Berkeley Mafia" (a group of economists sponsored by the US Government to receive their tertiary training in US economic faculties) was credited for steering the New Order's economic policy and emphasizing macro-economic discipline (Neumann 2002). The influence of technocracy on the country's political leadership was such that interests of specific groups were not able to override national interests. Similarly, in Thailand the bureaucrats in the Ministry of Finance (MOF) and the Central Bank were allowed to pursue prudent policies.

Was the high economic growth in Malaysia as well as Thailand and Indonesia due to the economic technocrats being insulated from political pressures? Is it true that a strong developmental state should ensure a high degree of autonomy enjoyed by decision-makers, especially in the bureaucracy? According to Booth (1998) ". . . in Thailand, Indonesia and Malaysia, technocrats in the ministries of finance have been able to insulate key areas of macroeconomic policy-making from overt political interference." Neumann (2002) is of the view that a hands-off approach in macro-economic management as well as insulating technocrats from political and business pressures had led to stability.

However, inevitably, vertical patron-client network and political interests would lead to abuse of micro-economic policy for political advantage (*ibid.*, 9). Clearly, there is divergence in effectiveness between macro-economic and micro-economic policies.

This inference raises the question of the role of technocracy in economic policy-making when a country needs to achieve a relatively high rate of growth under increasing challenges of globalization, a public sector that is supposed to take a facilitative role, a dynamic private sector to drive growth, and a democratic system where the interest of the public must be given due consideration. These challenges faced by Malaysia in economic policy-making became more acute in the period after the 1998 Asian financial crisis. An important aspect to examine is whether the separation between economic imperatives and special interests can be done at both the macro- and micro-levels. Thus, the analysis of the role of technocracy in economic policy-making cannot avoid examining the relationship between state and markets and how these two sides interact and influence one another and their effects on institutions and growth performance. Emphasis will be given to the understanding of the dynamics of the relationship between technocrats and the political elite as well as the contribution of the former in the development of Malaysia after the Asian crisis.

The focus of this article is to study the role of technocracy in managing the Malaysian economy during and after the Asian crisis. Economic technocracy should put market and economic rationality at the forefront of economic policy to ensure that growth is well founded, resources are used efficiently, and the country is resilient and continues to be competitive. The analysis will focus on two interrelated components—issues and players. The issues are economic growth, sustainability, and competitiveness while the players are political leaders, institutions, and technocrats. The conventional wisdom is that the market knows best and by extension technocrats can manage economic matters efficiently to produce the desired outcomes. ". . . The market claims that standard economic solutions as set out by the western capitalism ideals, in particular the neo-classic economics should be the right solution and this claim is presented by technocracy" (Shiraishi 2001). By extension, institutional technocracy advocates "economic rationality."

This article will examine whether the "conventional wisdom" is applied or is applicable to Malaysia, especially in the period after the Asian crisis (the post-crisis period). The discussion begins with a review of the role of technocracy from Malaysia's independence in 1957 until the Asian crisis in 1998. This is followed by an analysis of the management of the crisis and the economy during the post-crisis period. The post-crisis period is divided into three phases marked by the changing of the guards in Malaysian leadership. Dr Mahathir Mohamed who steered Malaysia out of the Asian crisis stepped down in October 2003 after 22 years as prime minister and he was succeeded by Dato' Seri Abdullah Ahmad Badawi. Dato' Sri Najib Razak took over as prime minister in April 2009, where he had to steer the economy through the global financial crisis which broke out in late 2008. Undoubtedly, the analysis of economic policy-making and management in Malaysia in the post crisis period will no doubt be linked to the vision and style of the three leaders.

The Role of Technocracy in Malaysia's Economic Development before the Asian Crisis

Although technocrats have always served the governing elite, ". . . however, technocracy is not completely in consonance with the democratic governance of the general public, and as such there has always been tension between governing elite and the general public throughout history" (Miyakawa 2000). The tense relationship between rational governance and democracy is brought about by the fact that policy-making depends more and more on technocratic policy analysis and on bureaucratic organizations that have special expertise and relevant information. Consequently, the democratic deliberation by the general public (in Malaysia's case, the parliamentary deliberation) became less important. Often, policies formulated by the technocracy and approved by the executive branch are passed through the Malaysian Parliament without sufficient deliberation.

Notwithstanding the role of the Parliament, in Malaysia, the more interesting relationship is between the technocracy and the ruling elite as symbolized by the Cabinet. In some periods, the Cabinet is represented by the Prime Minster and thus, the control of economic policy-making is largely dependent on the style and approach taken by the Prime Minister.

Technocracy in Malaysia is inherited from the British colonial system where the bureaucracy is set to be independent from the political process. Besides the civil servants in the bureaucracy, from time to time, selected professionals from the business sector and academia are recruited to join the technocracy for specific tasks. During the early period of Malaysia's nationhood, the civil service attracted the best brains because it was considered an elite service and many were trained in Britain. They were placed at key ministries and central agencies such as the MOF, the Bank Negara of Malaysia (the central bank), and the Economic Planning Unit (EPU). In the later years, as the size of the civil service expanded, the recruitment was less stringent while most of them received their training in local higher educational institutions. Nevertheless, the upper echelon of the civil service continues to receive their post-graduate training overseas.

Technocrats' influence is best seen in central agencies such as the central bank, the Treasury, the EPU, and Implementation Coordination Unit (ICU). However, another important aspect of economic technocracy is the role played by government agencies in meeting specific development objectives. These agencies are bodies under ministries that were established with special mandate to upgrade the rural areas and the economic status of the Bumiputeras. Examples of such agencies are the Majlis Amanah Rakyat, Federal Land Development Authority (FELDA) and Federal Land Consolidation and Rehabilitation Authority (FELCRA).

Generally, technocrats are considered to have made positive and influential contribution to the socio-economic development of Malaysia. The imperative of delicate race relations has to a large extent protected macro-economic policy-makers from parochial interference and hence allowed them to pursue long-term strategies without needing to focus solely on short-term outcomes. The strategies and policies formed by these technocrats could have been influenced by their training in Western academic institutions as well as interaction with business leaders and world economic bodies such as the World Bank and the International Monetary Fund (IMF).

The discussion on the role of technocrats in Malaysian economic development during the period before the Asian Crisis can be divided into two phases:

(i) From Independence in 1957 to 1981

Under the leadership of Tunku Abdul Rahman (the first prime minister), Tun Abdul Razak (the second), and Tun Hussein Onn (the third), technocrats experienced a relatively harmonious relationship with the political elite. In fact, they were considered as valued partners and their views and advice were taken seriously. Their contributions to economic policy formulation and the implementation of these policies were enormous. The technocrats were instrumental in designing many of the key economic policies such as the green revolution, export-oriented industrialization, national petroleum policy, and the development strategies embedded in the five-year plans.

This close relationship was not surprising, considering that both Tunku Abdul Rahman and Tun Abdul Razak were members of the bureaucracy and many of the technocrats studied together with these leaders either at schools or universities. The EPU was perceived to be the most influential institution because it decided on the allocation of development budget. Senior EPU officers such as Thong Yaw Hong, G. K. Rama Iyer, and Radin Soenarno worked closely with the political leaders to implement the government vision and plans. The government agriculture policy, albeit conservative, has successfully diversified and modernized the sector with the creation of new land development schemes by the federal land authority. These new land schemes, which were planted with palm oil, were used to mitigate the adverse effect of low and fluctuating rubber prices as well as solving the problem of landless farmers.

Tun Razak had paid a special focus on rural development and technocrats were critical in ensuring that his ideas were effectively implemented. For example, Taib Andak, a close friend of Tun Razak was tasked to implement land redistribution scheme for the landless through FELDA. When Taib retired, Raja Muhammad Alias Raja Muhammad Ali, another technocrat was given the responsibility on FELDA to ensure that this important project was successful. Likewise, technocrats in the Ministries of Finance and International Trade and Industries (MITI) as well as specialized agencies like the Malaysian Industrial Development Authority (MIDA) played a major role in designing incentives and industrial estates to attract FDI and to promote export-oriented industrialization.

Clearly, the technocrats had enjoyed a considerable leeway and influence in the formulation and implementation of macro-economic policies up to the early 1980s. Political leaders relied on technocrats not because the latter sought legitimacy or international acceptance but on the former's ability and professionalism so that development would take place. The technocrats were knowledgeable, professional, and skilful and were able to offer advice to politicians and were effective in implementation. Delegation of macro-economic policy formulation and implementation to insulated technocrats had enabled them to pursue conservative macro-economic policies. During this period, technocrats were in the driving seats and some of the leading technocrats became national figures and household names. For example, Ghazali Shafie, who was the Secretary General of the Ministry of Home Affairs and a very influential bureaucrat, joined the political elite by becoming the Minister of Home Affairs and thus brought the bureaucracy closer to the power apex.

Following the racial riot in 1969, the government declared a state of emergency, suspended the Parliament, and formed the National Operations Council (NOC). This council was chaired by Tun Razak and he was assisted by the bureaucracy, Army, and Police. During this time, the NEP was formulated by key technocrats, both Bumiputeras and non-Bumiputeras.

(ii) From 1981 until the outbreak of the Asian crisis in 1998

The changing balance of influence and role between technocrats and political leadership was evident when Dr Mahathir took office in 1981 as the nation's fourth prime minister. He introduced measures to inculcate higher discipline in the bureaucracy and demanded greater productivity. Dr Mahathir had strong visionary ideas on how to leap-frog the economy to a higher level of development. Some of Dr Mahathir's ideas were modeled after the developmental experience of Japan and South Korea, namely state intervention to spur industrialization, which in turn would be the mainstay of the nation's economic activities.

Heavy industrialization policy was introduced to drive the industrialization process. The public sector was used as a channel to realize these ideas and many government companies were established to implement the heavy industrialization policy such as the national car project. As a consequence, the size of the public sector ballooned. The technocrats' role was to implement the strategies through the establishment of public enterprises and many were appointed to head these entities and the state-owned companies. Clearly, Dr Mahathir asserted a stronger role of the political elite over the "traditional" economic actors, namely the technocrats.

The 1985 economic recession had changed Dr Mahathir's economic approach. Liberalization was seen as a way for Malaysia to attain higher growth. The "new Mahathir leadership" became critical of the large bureaucracy and perhaps regarded it even as a hindrance to development. Conversely, the private sector was given the responsibility to drive economic growth, resulting in the "rolling back" of the public sector by privatizing or closing inefficient public sector agencies and departments. To provide the right environment for the private sector to take the lead role, the Government had introduced a number of liberalization measures such as in the banking sector, capital market, and relaxation of equity rules for FDI.

Dr Mahathir brought in Daim Zainuddin, a businessman-lawyer-politician and a close ally, into the government as his Finance Minister in order to implement his new economic approach of liberalization and privatization. Daim supervised the creation of many private companies and nurtured a cadre of young Bumiputera entrepreneurs to ensure that the private sector become the main engine for growth.

The Malaysian Business Council was established in 1991 to bring the public sector and the business community closer. Although the Malaysian Business Council served an important informational function, it had no authority to make decisions or provide direct input for policy-making. During this period, a number of economic ideas, particularly concerning privatization, came from the private sector while the technocrats were given the task of implementing these ideas only. Dr Mahathir's grand vision of making Malaysia a developed country—Vision 2020—was developed together with Dr Noordin Sopiee from the Institute of Strategic and International Studies (ISIS), a think tank. Subsequently, the role played by technocrats took a back seat.

The increasing influence of the private sector and others from outside the bureaucracy did not mean that Dr Mahathir had totally sidelined the civil service. He trusted and relied heavily on a few key civil servants. Azizan Zainul Abidin, his chief of staff, was entrusted with many important responsibilities and upon retirement from the civil service he was appointed to head Petronas, the national oil company. Chief Secretaries to the government (head of the civil service) such as Sallehuddin Mohamed and Ahmad Sarji Abdul Hamid were close to and highly regarded by Dr Mahathir as they were tasked to ensure that the civil service implement policies efficiently. Similarly, Raja Tun Mohar Raja Badiozaman, a key economic technocrat, was associated with a number of key projects such as Proton, the national car and later became the economic adviser to Dr Mahathir when he retired from the civil service.

It is clear that Dr Mahathir stamped his own idea on economic growth and along the way reduced the role of technocrats. The fact that his tenure as prime minister covered 22 years meant that he had a longer institutional memory than the technocrats. As a result, he had a better understanding and grasp of the path of economic development that has been or should be taken. His prime ministership also dispelled the idea that technocrats were guiding or advising the government—rather it was the technocrats who were the instruments of political rulers. In effect, technocrats were an endogenous part of some deeper political processes.

Dr Mahathir's economic vision was largely influenced by his desire to uplift Malaysia's economic status, for it to be a modern economy, have an economic strength and competitive edge, enhance its role in the international trading system, have science and technological capability, and integrate well into a globalized economic system. He believes that input and support from the business sector in economic strategies and growth are critical.

Dr Mahathir's economic vision was premised on a strategy of high growth, which had also brought some macro-economic shortcomings, namely the formation of a savings-investment gap, persistent current account deficits, and high private sector domestic debt. Looking beyond the traditional indicators of economic fundamentals, there are also some signs of weaknesses such as the de facto peg exchange rate, asset price bubbles, and exposure to a large capital outflow. At the micro-level, deficiencies were even more glaring—the high level of debts accumulated by some major companies, over-reliance on the stock market for funding, asset price inflation, excess capacity in some sectors such as the construction industry, and the promotion of projects with questionable viability.

Macro-economic indicators prior to the Asian crisis showed that the Malaysian economy was well managed. It had a robust external sector, the public fiscal position was in surplus, the banking sector was well supervised and had sufficient capital, it was a receiver of foreign capital inflow (both short- and long-term ones), and its equity market was the third largest in Asia. In addition, it had full employment and inflation was low. These developments were achieved by market-based and private sector driven economic policies. But when the crisis hit, the micro-level deficiencies outweigh the macro-economic fundamentals and pushed the economy downward, resulting in the strategies and policies being questioned and policy-makers scrutinized.

Management of the Asian Crisis

The impact of the 1997/98 economic and financial crisis was severe and it could destroy all the economic achievements that Malaysia had made over the past 40 years since its independence. The most severe effect was on the financial sector—the ringgit exchange rate depreciated by 45% from its July 1997 level of RM2.50 to USD1; the equity market lost 80% of its market valuation; the short-term capital account showed a substantial net outflow of RM21.7 billion; and the interest rate level had jumped while the level of non-performing loans (NPLs) of financial institutions had increased significantly. The other severe impact was the massive contraction in the construction sector, sharp decline of domestic consumption and domestic private investment. But the crisis also brought some positive effects, namely on exports where the initial exports reduction was reversed when the ringgit was pegged (at RM3.80 for one US dollar). By virtue of depreciation, in nominal ringgit value of the total export, revenue had increased by 29.8%. Fortunately, the price impact was limited with inflation capped at 5.3% and unemployment rate at 3.2% (the unemployment effect was absorbed by foreign labor who returned to their home countries when the economy slowed down).

The impact and the causes of the crisis were the key factors in shaping Malaysia's response to the crisis. The crisis was triggered by external factors and worsened by internal weaknesses. The contagion effects were set off by the baht devaluation in July 1997, which caused the market and foreign investors to lose confidence in the health of the Malaysian and other regional economies. The "voting by the feet" saw a massive outflow of short-term foreign capital, with the devastating effects of pushing down the value of the exchange rate. The Malaysian domestic private sector which depended heavily on loans from the banking sector and the stock market had to brutally reduce their activities. When interest rates increased and domestic consumption slowed down, the excess capacity especially in the construction industries had forced companies into heavy losses. In sum, these weaknesses were mostly the product of liberalization efforts introduced earlier without the accompanying safeguard measures.

As with the other affected countries, Malaysia's early response was to adopt the standard IMF-style measures,[1] namely tightened fiscal and monetary policies, introduce measures to redress balance of payment deficits and float the exchange rate. The government had also deferred mega projects and initiated cutbacks on government purchase of foreign goods. In the financial sector, a comprehensive set of measures was implemented such as reclassifying the NPLs in arrears from six to three months and greater financial disclosure by financial institutions. A credit plan was also introduced to limit overall credit growth to 25% by end-1997 and 15% by end-1998, where priority was given to productive and export-oriented activities. The central bank had also raised the three-month intervention rate from 10% to 11%, increased the minimum risk-weighted capital adequacy ratio from 8% to 10%, and reduced the single customer limit from 30% to 25%. The level of provisions against uncollateralized loans was also increased to 20%.

However, these initial policies as advocated by the "Washington Consensus"[2] did not produce the expected results. The fiscal reduction of 20% and infrastructure projects deferment had severely contracted domestic demand. In addition, higher interest rate and credit tightening had starved domestic firms of funds at a reasonable cost. As a result, the domestic economy continued to deteriorate and the exchange rate remained volatile. The private sector was in serious trouble and it could not lead the recovery as it did in the 1985 crisis. Moreover, the private sector's rising debts could threaten the stability of banking institutions due to the inadequacy of capital to meet the rising NPLs. The external environment was very volatile and uncertain and recovery from the crisis would need much more than an export-driven recovery strategy. In other words, the standard solution as suggested by the IMF was not working.

The ferocity and speed of the unfolding events of the crisis required a different and radical approach. If the situation continued to worsen, the crisis could have destroyed Malaysia's economic achievements. Therefore, a co-ordinated, comprehensive, and centralized approach was adopted. This was a departure from the 1985 crisis management, which was primarily the responsibility of the MOF. In 1985, the globalization was not as extensive and the domestic economy was less integrated with the regional and global economies as in the 1990s. As such, the government had the time to prepare for any transmission of shocks as capital flows was also less volatile then. Unlike in 1998 when

1) IMF argues that the crises in Southeast Asian countries were not the result of macro-economic mismanagement but their weak institutions e.g. cronyism in government-business relationship, overly geared and overly concentrated corporations, and weak financial systems. The solutions demanded measures that went beyond the usual demand for liberalization and privatization but required programs to transform institutions to unprecedented extent.

2) The "Washington Consensus" list of desirable policies included stable fiscal and monetary policies; low inflation; exploitation of comparative advantage through trade, exchange rate, and foreign investment policies; flexible labor market; and market-friendly—if not exactly laissez-faire—governments.

the public sector position was a surplus, Malaysia experienced twin deficits in the fiscal and external payment positions in 1985. Hence, the fiscal policy stance adopted by the MOF then was different with the focus mainly on fiscal restraint through a privatization exercise as government downsized its role in the economy.

In 1998 it was the private sector that was the weak link in the economic chain and this posed a greater problem—if the private sector were to succumb to the crisis, and then it would bring down the banking sector in its wake. Fortunately, the public sector was in a stronger position (having a smaller share of outstanding external debt at 11.4% in 1998 as compared to 53.6% in 1985) and so was able to effectively lead in the recovery process. Indeed it was very clear that a hands-on crisis management style of keeping a constant watch on the economy, sometimes down to the micro-level, was needed because of the potentially dire consequences brought upon by the unprecedented speed of crisis.

When the crisis first broke in July 1997, Dr Mahathir was preparing for his retirement and the management of the economy was left largely to Anwar Ibrahim, the Deputy Prime Minister and the Minister of Finance. Dr Mahathir was alarmed and unhappy when the early crisis response measures, which followed the standard prescription of cutback in public sector expenditure and higher interest rate, did not produce the desired outcome but instead made the economy worse. Dr Mahathir decided that the response to the crisis must be comprehensive and quick, address the critical issues, and serve the needs and interest of the nation. More importantly, since the standard economic remedies were not working, new measures must be introduced. For quick and effective implementation, a new body must be created that can overcome the issues of overlapping ministerial jurisdiction. The National Economic Action Council (NEAC) was established in early 1998 for this purpose.

The priorities set by the NEAC were:

- The domestic economy to lead the recovery process
  In view of the external volatility and uncertainty, expansion of the domestic economy was essential to compensate for the adverse impact of contracting externally linked economic activities.
- Stabilization of the ringgit
  With a stable ringgit, domestic production could resume because exchange rate uncertainty would have been removed. Most businesses could operate at any exchange rate level, after making adjustments, as long as there was some degree of stability.
- Regaining monetary policy independence
  Malaysia must regain the control of its monetary policy and this could be done

only if the link between interest and exchange rates was severed. Monetary independence would allow a substantial reduction of the interest rate without putting pressure on the currency.

- Restoring market confidence
  Malaysia had a reputation as a good investment location and the crisis was, in part, attributed to the loss of confidence among international investors. The loss of domestic confidence followed when the economy deteriorated and the exchange rate plunged. The restoration of market confidence, particularly domestic, was crucial to bringing back a favorable environment for investment.
- Maintaining financial market stability
  Financial institutions without adequate capital to meet this contingency would not be able to perform their intermediary functions of funding business activities and this could throttle the economy.
- Ensuring adequate liquidity to finance economic activities
  For the economy to stabilize and grow, there must be sufficient liquidity and a reasonable level of interest rate, which will allow companies to borrow again and resume their activities.
- Preserving socio-economic stability
  In an ethnically diverse society, socio-economic considerations are vital for continued stability and harmony. Experience has shown that economic hardship could feed racial tension, if one ethnic group perceived that it was suffering more than other groups or if one group was less distressed. The recovery measures must ensure that policies were not only economically efficient and market consistent but also supported socio-economic and strategic objectives.
- Assisting affected sectors
  Some sectors were more affected than others during the crisis, and since some of them are critical to the economy, steps must be taken to maintain their viability.

Before the formation of the NEAC, management of the economy was primarily in the hands of the Treasury which is, part of the MOF. But the Treasury did not have jurisdiction over other parts of the government structure that are also essential in dealing with the crisis. The government needed a national committee (NEAC) that brought together all the relevant ministries and interest groups to overcome the problem of inter-agency areas of responsibility. This would eventually allow a more focused and integrated strategy, applied consistently to all ministries. NEAC would also consolidate the national institutional capacity in implementing measures and to ensure a quick response to any new challenges triggered by the crisis.

The need for impartiality of the crisis management team decisions was paramount. It must look beyond a particular inclination or stance of any ministry or central public agency. In the early stage of the crisis, the MOF, including Bank Negara Malaysia, favored the adoption of IMF-style solutions. But others, particularly Dr Mahathir, had argued for possible counter measures, namely an easier interest rate and expansionary fiscal policies. This policy dichotomy was not a good platform from which to develop a crisis response. The often cited example of the policy differences between Dr Mahathir and the MOF was the forced resignations of the Governor and Deputy Governor of Bank Negara Malaysia when these officials disagreed with Dr Mahathir's suggestion that interest rate should not be increased but instead should be lowered.[3] Some commentators interpreted these resignations as part of the political feud between Dr Mahathir and Anwar Ibrahim, leading up to the sacking of the latter on September 2, 1998 (Khoo 2003).

Ideally of course, Malaysia would be best served by policies flowing from all ministries and public agencies, which also reflected the general sentiment. Such neutrality would ensure that whatever policies adopted were not perceived by the public and media, as coming solely from one influential group. Also conflicting and over-lapping jurisdiction of ministries and public agencies could vitiate the full implementation of crisis. Unfortunately with the division in views becoming more and more evident, the opportunity to develop consensus was diminishing. Another policy vehicle was needed, one that had credibility and broad bipartisan support. To overcome this, the NEAC therefore had to be a high-level council with a strong executive implementation mandate.

By virtue of its diverse membership and powerful leadership, the NEAC was well positioned to integrate the diverse functions and jurisdiction of the many ministries and government agencies. This later proved to be a key factor in solving the many and complex problems that were to come the NEAC's way. These two strengths—an integrated policy response and overcoming institutional rigidity—came from having the Prime Minister as the chairman of the NEAC. The NEAC members included the private sectors and professionals from outside the bureaucracy. In fact, the Executive Director of NEAC at that time was Daim Zainuddin, a former Finance Minister, businessman, and confidante of Dr Mahathir and some view this as a move to marginalize Anwar Ibrahim. The other members of the NEAC were Anwar Ibrahim (Deputy Chairman), Daim Zainuddin, Dr Noordin Sopiee (Chairman of ISIS), and Oh Siew Nam (businessman). The work of the NEAC was supported by the EPU as the Secretariat and the NEAC Working Group. The NEAC Working Group worked directly for the Executive Director to produce the National

3) It is unclear whether the Deputy Governor, Fong Weng Pak, was forced to resign or his contract had ended.

Economic Recovery Plan which proposed the response measures to be taken. Members of the Working Group came from the private sector, a think tank, and academia.[4)]

NEAC was established as a consultative body to the Cabinet, and many parties questioned its effectiveness without an implementation mandate. Moreover, at that time the Treasury was in charge of most economic and financial decisions and so few could imagine that the NEAC was going to lead the crisis management process. However, the NEAC needed a mandate and clout to implement its decisions, something that it would not be able to do should it be just another consultative body. It was decided while the executive powers would remain with the Cabinet and the NEAC be its consultative body on economic matters, the latter should be conferred some executive powers. The control structure of NEAC requires that every important decision made by the Council has to be approved or endorsed by the Cabinet, although sometimes there was a time lag when some of the measures had to be implemented immediately. In addition, the Parliament must also approve any major policies or institutional changes. During the course of NEAC's operations, however, it became very influential, primarily because the mandate was derived from its chairman, the Prime Minister.

The Malaysian response was certainly unconventional and not based on the standard economic reasoning as advocated by the technocrats. Capital controls were clearly against the economic conventional wisdom and normally introduced by countries to solve non-economic problems. The solutions, which could be interpreted as isolating or insulating the country against external vagaries, were also not usually taken by a small open economy which is dependent on the world for its well-being. Although Dr Mahathir was an early supporter of globalization, his criticism on the harmful side of globalization as exhibited by the Asian crisis is consistent with the Malaysian response to the crisis and could be linked with Malaysia's stance on a more cautious path to liberalization. For example, Malaysia refused to allow foreign investors to buy distressed domestic assets even though this approach was adopted by the other crisis hit countries in the region.

The measures taken which were considered, at that time, to go against the conventional wisdom are:

- Reversing budget surplus into deficit through fiscal stimulus programs
  The budget stance was reversed from a surplus of 3.2% of the GNP in 1998 to a deficit of 6% in 1999.

4) Members of the NEAC Working Group were Wan Azmi Wan Hamzah (businessman), Thong Yaw Hong (former senior bureaucrat/banker), Dr Zainal Aznam Yusof (researcher), and Dr Mahani Zainal Abidin (academician).

- Easing the monetary stance
  The statutory reserve requirement for banks was gradually reduced from 13.5% in February 1998 to 4% in September 1998. The base lending rate (BLR) was reduced from a high of 12.3% in June 1998 to 6.79% in October 1999.
- Stabilization of the ringgit
  Introduced capital controls measures on September 1, 1998. The selective capital controls have two inter-related parts: first, the pegging of the ringgit to the US dollar at a rate of RM3.80 to USD1 and second, the restriction on the outflow of short-term capital.

But at the same time, the political leadership also paid heed to the economic technocracy and introduced market-based measures to address some of the causes of the crisis. These measures, which were based on industry best practice, were targeted to ensure that the banking sector remained sound. For this purpose an asset management company (Danaharta) was set up to manage NPLs of financial institutions. Then, a Special Purpose Vehicle (Danamodal) was set up to capitalize the banking sector and the Corporate Debt Restructuring Committee (CDRC) was set up to facilitate debt restructuring of viable companies.

An array of measures was also introduced to further strengthen the governance environment including improving transparency and disclosure standards; establishing a committee on corporate governance; enhancing monitoring and surveillance; enhancing accountability of company's directors; protecting the rights of minority shareholders; and reviewing codes and acts to minimize weaknesses.

The economic governance process during the crisis, particularly in the key years of 1997 and 1998, was the product of an extremely dynamic situation. The Malaysian economy was, in the 1990s, already very much integrated with the global one, and many of its crisis parameters were external. Thus, any policy decisions must bear in mind the openness of the economy. The question of whether the policies were reactive or pro-active was also critical—in crisis times, while the reactive process dominated policy decisions, the government must also be pro-active for policies to be effective and efficient.

Dr Mahathir was frustrated with the approach proposed by the bureaucracy, which had followed the standard crisis solutions. He wanted a new approach, a "thinking outside the box," particularly in dealing with the sharply depreciating currency. Nor Mohamed Yakcop, a former senior official of the Bank Negara Malaysia explained to him the workings of speculation on currency and this confirmed to Dr Mahathir that the ringgit had to be pegged if the economy was to be saved. Other ideas on the formation of special vehicles to deal with NPLs and to recapitalize the financial institutions came from models that have been successfully implemented in other countries.

In managing this crisis, Dr Mahathir employed a new set of technocrats from amongst the retired civil servants, businessmen, professionals, researchers, and academicians. The civil service was used primarily for implementing the measures suggested by this new set of technocrats. Dr Mahathir took this route because he disagreed with the earlier crisis response measures implemented by the bureaucracy and wanted new solutions, even though they were deemed controversial. However, another explanation is that Dr Mahathir wanted to wrest control of the economy from Anwar Ibrahim and thus, he had to establish a new economic team. Notwithstanding the political struggle between the two leaders, the civil service implemented the measures proposed by the NEAC effectively, particularly the capital controls and the pegging of the ringgit, which were crucial for Malaysia in overcoming the crisis.

The Role of Technocracy during the Post-Crisis Period

Dr Mahathir felt vindicated because although initially the world had denounced Malaysia's response to the crisis, the measures had worked. Malaysia recovered relatively well with less economic and social costs as compared with some other crisis-hit countries. Even the IMF, in time, acknowledged that capital controls could be alternative solutions to a crisis. After recovery from the crisis, Malaysia as many other countries in the region and world faced a number of economic shocks namely the September 11 incidence, SARS epidemic, and the Middle East conflicts. Dr Mahathir, through NEAC, continued the Asian crisis policy response by keeping an accommodative monetary policy and expanding the fiscal stimulus programs. By then, the world had taken note of the earlier Asian crisis experience and response and most countries followed that approach in dealing with these shocks.

It is worthwhile to note that even though Dr Mahathir had introduced response measures that were contrary to the conventional wisdom, Malaysia had followed the standard solutions in other areas particularly in terms of enhancing corporate governance and in dealing with the financial sector's problems. Dr Mahathir continued the mechanism of economic management even when the economy had recovered from the crisis. Yet, there were also criticisms that Malaysia had refused to "bite the bullet" namely to allow problem companies to fail and for deep restructuring to take place. One thing is clear—the public sector is back in the driving seat for driving economic recovery and growth when the private is unable to do so.

The Asian crisis has redefined the new economic priorities for Malaysia, as follows:

- To achieve a sustained high growth path
  The 1997–98 turmoil highlighted the pitfall of a growth strategy based on accumulation of inputs, in this case high capital investment. Therefore, Malaysia's economic goals—to be an industrialized nation and to restructure its society—must now be based on productivity, technology, and knowledge. The government had announced new policy initiatives to produce high growth, namely:
  i. Knowledge-based economy: This strategy is to respond to the changing nature of the global economic activity driven by rapid advancements in information and communication technologies. A key ingredient for a successful knowledge-based economy is the availability of the right human capital, which requires a sufficient pool of educated, flexible, well-trained, and highly skilled manpower.
  ii. Human capital: This vision of the future economic and competitive landscape naturally requires a high quality human capital. Malaysia's education sector has to make a quantum leap to build a labor force that is not only proficient in employing today's technology but also able to contribute to and shape the technology and ideas of tomorrow.
- New sources of growth: The next growth cycle would have to come from the services sector. To achieve this target, service sector's productivity must be improved.
- Revisiting the privatization policy: A review is useful to ensure that balance between efficiency and benefit of privatization is maximized.
- Deepening the capital market: One of the main reasons for the 1997–98 crisis was the over-dependence of companies on the banking sector and the equity market in raising funds to finance their activities. The third source of capital, that is the bond market, should be developed further to reduce the reliance on the two other sources and to better match funding risks and returns.
- Increasing economic competitiveness:
  i. Malaysia can no longer compete on cost alone: The sales pitch must point to world class quality and service. A key consideration is for Malaysia to reposition itself in the global supply chain by becoming a base for R&D, production of critical components and design and procurement centers.
  ii. Continue with plans to liberalize selected sectors: The financial sector consolidation plan has merged 58 financial institutions into 10 banking groups. This exercise is part preparation for liberalization where ultimately domestic financial institutions will have to compete freely with larger and more efficient foreign financial institutions.
- Restructuring of the corporate sector: More professional managers are needed.

The question that was put forward in the aftermath of the crisis was whether there is a need to remake Malaysia Inc. because of over-reliance on a number of owner-entrepreneurs has not produced a robust corporate Malaysia. While this model benefits from their risk-taking dynamism, there is concern that this trait would lead to insufficient emphasis on controls, good governance, and risk management and asset-liability management.

- Continuing with the objectives of restructuring the society to achieve a more balanced socio-economic composition: Although the NEP has reduced poverty, it has not been very successful in its task of raising the Bumiputeras corporate equity to the targeted 30% share. The issue of the restructuring of society has now an added dimension: while the numerical targets are still important and are being pursued, of equal importance is the question of quality of these achievements.

When Abdullah Ahmad Badawi took over as Prime Minister in November 2003, naturally there were questions about the new prime minister's approach towards economic strategy and policy formulation. Highest in the mind of the public and the investing community is whether Abdullah Badawi would maintain the existing economic strategies and economic policy-making structure.

Although Dr Mahathir had set out many policies for Malaysia, it is not unexpected that Abdullah Badawi would introduce his own strategy for Malaysia's economic growth as well as the players who would influence economic policy. It is worthwhile to note that Abdullah Badawi came from the civil service—he held a high ranking position in the bureaucracy before joining politics.[5] Therefore, his preference towards restoring the role of technocrats was understandable. Even though there were calls for the private sector to resume their role as the driver for economic growth, there were little concrete measures to back this call. The government continued to stimulate growth through its investment and thus unable to reduce the fiscal deficits.

Abdullah Badawi's economic strategy was to focus on soft infrastructure (enhancing human capital and knowledge). Among his major policies were:

- Setting targets forwards achieving a balanced budget
- Continuing the liberalization efforts in order to attract foreign investment inflows, particularly portfolio investment

5) Abdullah Ahmad Badawi was the Principal Assistant Secretary of the National Operations Council (NOC)/MAGERAN (Majlis Gerakan Negara), the Director of Youth at the Ministry of Culture, Youth and Sports after that, and later on the Deputy Director-General of the same ministry.

- Allowing more competition in the automotive industry, which may ultimately reduced the dominance of the national cars
- Deferment of mega projects
- Removal of oil subsidy
- Making the agriculture industry as another engine for growth
- Focus on biotechnology

This focus on soft infrastructure was in contrast to Dr Mahathir's preference for hard infrastructure (highways, airports, hospitals, and schools) and some groups had interpreted this as reversing earlier policies.

The conservative and cautious approach of technocrats in the MOF and Bank Negara Malaysia was obvious in the Government's response to key contemporary economic issues. For example, the Government was largely silent on the calls to review the ringgit peg including from Dr Mahathir, the architect of the scheme, and the ringgit peg was only removed when China did so in July 2005. Similarly, there is no immediate and comprehensive response to the steeper than usual increases in the Consumer Price Index in 2005, as a result of higher oil price.

Abdullah Badawi's new style of governance is characterized by inclusiveness, which was supposed to be different from Dr Mahathir's. He urged the people to "work with me, and not for me" and presented a style of leadership that invited greater participation, offered accommodation, and built consensus.[6] His people-friendly measures were comprehensive and systematic and extended beyond the public service delivery system to the general public and the private sector. A high-powered taskforce called PEMUDAH was established to reduce bureaucratic red-tape and facilitate the public-private sector partnership and to support the transformation of the public service from a regulator to an enabler. As part of his program to increase professionalism in the government, Abdullah Badawi appointed non-politicians—Nor Mohamed Yakcop, who was Dr Mahathir's economic adviser and Amirsham Aziz, a former banker—in his Cabinet.

The expectation that the bureaucracy's role, which was marginalized and side-lined in key decision-making process in the previous administration would be restored did not fully materialize. It is true that technocracy played a more important role in formulating and steering the economic direction in Abdullah Badawi's Administration, however, the players were not from the public service but from different groups. Unlike Dr Mahathir, who sourced economic and business ideas directly from top business leaders, Abdullah Badawi sought counsel from professionals in the private sector.

6) (Sivamurugan *et al*. 2010).

This inability of the civil service to resume a lead role in public administration and in giving advice to the political leaders to meet the more sophisticated and complex demands of the nation's socio-economic development could be partly due to the structure of the public sector that is heavily dominated by the Malays. In 2010, 77% of the 900,000 civil service was made up of Malays, 9.4% Chinese, 5.1% Indians, and the balance by other Bumiputeras.[7] This structure does not reflect the country's demographic composition of 67.4% Bumiputeras (including Malays), 24.6% Chinese, 7.3% Indians, and 0.7% others. The NEP had favored a higher employment of Malays in the public sector to compensate for the lower ratio of Malays employed in the private sector. In the 1970s and 1980s, there was a higher proportion of non-Malays in the important ministries and in critical posts as compared to now. Some observers concluded that this preference for employing Malays has undermined the practice of meritocracy in the recruitment and promotion in the civil service. Low salary is also a factor that discourages the Chinese from joining the civil service.

Another important departure from the Mahathir era was the appointment of young business professionals in key public sector agencies such as Khazanah Nasional (the investment arm of the government), Tenaga Nasional (the privatized national energy company), and Telekom Malaysia (the privatized national telecommunication company). These technocrats were tasked to transform Khazanah Nasional and government-linked companies (GLCs) to be the new national economic pace setter and create dynamic and efficient companies that would drive the national economic growth. The Government-Linked Company Transformation Program was launched in 2004 and these GLCs were given performance targets. They had performed well and were a dominant force in the economy: during the 2004–12 period, the GLCs gave a 14.5% per annum total shareholder return, increased their market capitalization by USD65.3 billion, and delivered 18.2% per annum earnings growth. As well as having a dominant presence in some domestic industries, some of these GLCs have successfully ventured abroad, particularly in financial and telecommunication sectors in ASEAN.

Khazanah Nasional and GLCs were the *new technocracy*, where professionals with private sector experience brought new approaches to public sector governance and policy formulation. Many of these technocrats were trained in business schools or served in management consultancy. This elite group included Azman Mokhtar (head of Khazanah Nasional), Wahid Omar (Telekom Malaysia and later Maybank),[8] and Che

7) *Public Service Commission Annual Report 2010* (Government of Malaysia 2010).

8) Wahid Omar is now Minister at the Prime Minister's Department. He was appointed Senator, and later Minister, after the 13th General Election in May 2013.

Khalib Mohamed Nor (Tenaga Nasional). The injection of these new technocrats, who are qualified Bumiputeras (many were graduates from top tier world universities and have worked internationally) is also to overcome the lack of technical competency in the civil service. Thus, although the NEP remains the underlying policy, the new Bumiputera technocrats are highly skilled, competitive and have international experience. They also work together and are supported by non-Bumiputera technocrats in Khazanah Nasional and many of the GLCs. For example, there are four non-Bumiputera Executive Directors working with four other Bumiputera Executive Directors in the key investments portfolio. Likewise, CIMB Bank, a GLC that was formed through the amalgamation of various banks including the Bank Bumiputera,[9] and now one of the top two banks in Malaysia and has a significant ASEAN footprint, has non-Bumiputeras in its top management team such as Deputy Chief Executive Officer (CEO) in charge of corporate banking, Deputy CEO in charge of consumer banking and chief financial officer.

These private sector but government-linked technocrats had the stamp of prime ministerial authority to promote efficiency, effectiveness, and professionalism in the government machinery. This increasing "privatization" of the technocracy (as distinguished from the bureaucracy as a whole) has blurred the lines between a true technocrat and a "corporate-technocrat." They also increasingly functioned as "mediators" between the Cabinet and the ministries. This is discerned most clearly in the measuring of the performance of ministries under the Ministry Key Result Areas (MKRAs) which was later introduced by the Najib Razak's administration. It is interesting to note that although Dr Mahathir himself never went that far in the "privatization" of the bureaucracy with the appointment of "outsiders" into technocratic roles and positions, it conformed to his agenda of continuously modernizing the public service. The increasing role and influence of the GLCs strengthens the conceptual framework that the public and private sectors are partners and must develop synergistic relationship.

Clearly in the Abdullah Badawi Administration, technocrats were given a more prominent role but unlike the 1970s and early 1980s, and the control of economic policy-making was with the new technocrats—young professionals with corporate experience—from the GLCs. Another important development was that Abdullah Badawi allowed the Parliament a closer scrutiny of the government economic policies and measures.

9) Bank Bumiputera Malaysia Berhad (BBMB) was established in 1965 in line with government initiatives to increase *Bumiputera* participation in the national economy. By 1980 it had become the largest bank in the country in terms of assets with overseas operations. In 1999, BBMB and Bank of Commerce merged to form Bumiputera-Commerce Bank. In 2006 CIMB completed its restructuring exercise under Bumiputera-Commerce Holdings Berhad with mergers and acquisitions of a number of banks and financial institutions to become a universal bank, known as the CIMB Group.

The euphoria and "feel-good" sentiments which initially accompanied the results of the 2004 general election, where Abdullah Badawi and Barisan Nasional (the ruling coalition) won the largest mandate, later gave way to cynicism, sense of betrayal, and growing disenchantment. Rising costs of living, rising crime, and the continuance of a corrupt culture were some of the main factors contributing to an increasingly negative perception of Abdullah Badawi—broken promises, unfulfilled pledges, and shattered expectations.

The 2008 general election gave the Barisan Nasional its worst election result, where it lost for the first time its two-thirds parliamentary majority and five states plus the Federal Territory to the opposition coalition.[10] Besides the perception of unfulfilled expectations and promises, it was argued that the massive election loss was attributed to the role played by and influence of the "Fourth Floor Boys," Abdullah Badawi's young advisers led by his son-in-law, which was touted as the "real power behind the throne."

With such election results, it was untenable for Abdullah Badawi to continue as Prime Minister. However, Najib Razak only assumed the premiership in April 2009, 12 months after the 2008 general election. The global economy, which had just entered its worst crisis since the Great Depression in late 2008 was not a welcoming curtain raiser for the new prime minister. Although the Malaysian financial sector was not affected, the impact of the global crisis came through the real sector, where the sizeable drop in exports had threatened to push the economy into a recession.

Najib Razak had once described himself as a "technocratic politician" in an interview with the *Malaysian Business Magazine* (1993). This was based on his early experience as an executive with Petronas from 1974–76. He also served briefly with Bank Negara. Trained as an economist and with Malaysia's experience in dealing with the 1998 Asian Crisis, Najib Razak firmly responded by launching a large fiscal stimulus package, with a size of about 10% of the gross domestic product and lowering of interest rates. Part of the stimulus package was spent on skills training and infrastructure development. These measures were the new standard prescription for responding to a crisis where the market demand collapsed. In such cases, the public sector had to stimulate the economy through fiscal surplus and accommodative monetary policy. These new standard prescription was implemented well by the bureaucracy and the Malaysian economy recovered well in 2010 after declining by 1.7% in 2009.

Since the Asian crisis, the Malaysian economy was only growing at a moderate rate and it was stuck in the "middle income trap." After attaining a middle income country

10) The five states which were lost to the Opposition coalition were Selangor, Penang, Perak, Kedah, and Kelantan. However, 10 months later, Perak was brought back to the Barisan Nasional (BN) fold when three members of the Parti Keadilan Rakyat (PKR) Opposition coalition declared themselves as BN-friendly independents.

status in the early 1990s, Malaysia was unable to progress well to join the group of high income countries. Najib Razak saw it as his mission to uplift the status of the Malaysian economy through a new economic model. For this purpose, he established the NEAC in June 2009. The Chairman of the Council was Amirsham Aziz, the former minister in charge of the EPU in the Abdullah Badawi Administration. Two members of the NEAC Working Group under Dr Mahathir (the body that was charged with the formulation *and* implementing the recovery measures during the Asian crisis, and hence warranting the word "Action" in its name), Dr Zainal Aznam Yusof and Dr Mahani Zainal Abidin were brought back into service. Other members of the Council are Andrew Sheng (former Chairman of the Hong Kong Securities and Futures Commission), Dzulkifli Abdul Razak (Vice-Chancellor, Universiti Sains Malaysia), Dr Hamzah Kassim (technology and public policy consultant), Dr Yukon Huang (World Bank), Dr Homi Kharas (Brookings Institution), Prof. Danny Quah (London School of Economics), and Nicholas S. Zefferys (businessman).

Najib Razak also launched the NKEA to complete his economic transformation program. This work has been tasked to Idris Jala, the former Chief Executive Officer of Malaysian Airlines and now appointed a Minister in the Prime Minister's Department and the head of PEMANDU (Performance Management and Delivery Unit). PEMANDU, formed in September 2009 is also responsible for monitoring the key performance index of ministers and ministries and its staff are recruited from outside of the public service.

Hence, under Najib Razak the trend started by his predecessor, Abdullah Badawi in increasing reliance on the new technocrats is reinforced. It is still too early to determine the impact of these new actors in economic policies on the relationship between the public and private sectors. It is important to analyze if the new technocrats have improved the economic policies and have positively contributed to the modernization and improvement of the bureaucracy. An example is the Iskandar Regional Development Authority (IRDA) staffed mainly by people from outside the public service, which manages the Iskandar Malaysia economic region. IRDA functions as a one-stop center including processing investor applications, which tries to reduce the problems of multiple or overlapping jurisdictions, thus saving business time and costs. In other words, IRDA combines the administrative capacity of the bureaucracy with the corporate efficiency of the private sector.

Analysis and Concluding Remarks

Technocrats are a crucial part of Malaysian economic growth and development. In the earlier periods, they were valued because of their ability, skills, and professionalism to advise on policy formulation and to implement measures and programs. Subsequently, the role of technocrats took a lower profile when political leaders had their own visions and strategies on how to develop the country. However, there were still a small number of technocrats who had key roles and were highly trusted by the political leaders. During these periods, technocrats pushed for economic efficiency, liberalization, and rural development as well as the building of national capacities and industries.

Since the 1997–98 Asian crisis, the role and composition of technocrats have changed. Although there was the pronouncement that the role of technocracy as represented by the public service/bureaucracy would be restored after being marginalized or sidelined during the Mahathir years, this did not actually occur. It is obvious that technocracy is playing a more prominent role in the Abdullah Badawi and Najib Razak's Administration but the technocrats are not from the public service. These *new technocrats* are professionals with corporate or consulting experience, many with Masters in Business Administration degrees but not from businesses. This group has the qualification, experience, and skills required to lead the government economic growth initiatives that are mostly carried out through the GLCs. Naturally, public servants do not have such skills because their work and experience are mainly in implementing public policies.

The use of GLCs as the vehicles to generate private sector-led growth is understandable after the failures of government-promoted Bumiputera entrepreneurs during the Asian crisis. Dr Mahathir and Daim Zainuddin nurtured and promoted a number of Bumiputera and non-Bumiputera entrepreneurs through the privatization of government companies, infrastructure projects, and the commissioning of services required by the government. This preferential treatment was resented and when many failed, this was a good reason to seek a new approach to promote the private sector role in the economy.

If the public sector technocrats wish to re-establish their former influence, they must possess the highest level of competency in economic policy-making and implementation as well as corporate governance. Moreover, they have to benchmark their ability with the best in the business world. For this, the bureaucracy must be able to attract the best graduates. Recognizing this, Najib Razak has opened the public service to direct entry at any level for candidates with talent and exceptional qualifications. More importantly, besides having technical competency, the technocrats must uphold the highest code of conduct and yet have to be flexible to accommodate political interests.

The issue faced by the political leadership will continue to be on how to balance the conservative and sound economic policies recommended by the technocrats with the practical demand of the business world, the public and political constituency. For example, although technocrats have advised on reducing the budget deficits by cutting down drastically subsidies, political leaders have to weigh this advice carefully. The losses incurred during the 2008 general election were partly attributed to the decision made by Abdullah Badawi to reduce petrol subsidies, which caused the price of petrol to increase substantially. In working with the new technocrats, political leaders will also have to be mindful of the resentment that may arise from the public service because this may jeopardize the effective implementation of policies. There may also be criticism from other quarters if the new technocrats do not put national and public interests above corporate considerations.

Striking this balance and the efforts to distance technocracy from politics, have their roots in the NEP, the role of United Malays National Organization (UMNO) in Malaysian politics and national development as well as the legacy of Dr Mahathir. Until the introduction of the NEP in 1971, UMNO—as the strongest component of the ruling coalition party—had not encroached into the technocratic domain so that the boundaries between politics and government were observed (and respected). In other words, technocratic integrity was upheld on the basis that political interference and intervention was a breach of—at least—the implicit *trust* between the political and policy-making elites (as two *distinct* groups in the system of government). That is to say, the technocrats could be relied on to formulate and execute policies in consonance with the political agenda of national development. Any purported attempt to directly manipulate and direct the technocracy as "a government arm of the ruling party" can only disrupt the policy-making processes and concomitantly result in demoralization. This situation, however, was to change in the aftermath of the racial riots of 1969.

UMNO, as much as the country, was to be profoundly affected by the socio-economic changes brought about by the NEP. In fact, one could even contend that the transformation of UMNO went in tandem with the national transformation during the era of the NEP (which actually went beyond the stipulated time-frame of 20 years—1971–90). The ranks of UMNO became swelled with members from "non-traditional" backgrounds and profiles. From humble beginnings with the original membership consisting of teachers and lower level bureaucrats, the image of UMNO had changed "overnight" by the advent of the NEP. This sociological transformation would in turn impact on the party's relationship and attitude towards the technocracy.

Dr Mahathir's intrusive role in relation to the management of the technocracy was but a natural reflection of the state-interventionist character of the NEP itself. The "politicized" nature of the NEP—i.e. as a policy tool to consolidate UMNO's political dominance "required" that the party should be more "audacious" in politicizing the technocracy. In short, the UMNO-ization of policy-making could only be a prelude to the UMNO-ization of the policy-makers themselves. Hence, technocrats who were hitherto politically insulated, became more politically conscious.

The sociological transformation of UMNO, with its growing factionalism (linked to either Razaleigh/Musa or Mahathir/Daim) led to the split of the party in late 1980s. This had an impact on Malaysian domestic politics and economy in the 1980s and beyond. The involvement of UMNO in business and the corporate world reflected the government's interventionist approach in the economy (i.e. the Malaysian version of state capitalism to promote rapid growth and development). UMNO's flagship company, Renong, was particularly active in representing UMNO's presence in the capital market—acquisitions and investments. Thus, Renong acted as a proxy or front company for UMNO as a political party. The nexus between politics and business tended to crowd out domestic direct investment (DDI) either by encouraging capital flight by local businesses (mainly from the Chinese community) or concentrating government procurement in crony companies (as well as "reducing" it to a form of rent-seeking).

Interested parties within UMNO and the ruling government had made it difficult for technocrats and senior bureaucrats to work independently. Daim Zainuddin was appointed by Dr Mahathir as Finance Minister twice (1985–91, 1999–2001) and later served as a powerful UMNO Treasurer for 17 years. Subsequently, the involvement of UMNO in business definitely had serious repercussions not only on Malaysian development in the 1980s and beyond but also on the role and contribution of the economic technocrats. These technocrats and the public bureaucracy were also expected to fulfil the interests of certain UMNO personalities who were either linked or even became part of the ruling government.

Dr Mahathir's own survival in a faction-riven UMNO meant that developmental policies of the country must also protect his interests and those of his allies or supporters including those outside the party and selective non-Malay businessmen (groups) such as Vincent Tan (Berjaya Group), Ting Pek Khiing (Ekran Group), Yeoh Tiong Lay and Francis Yeoh Sock Ping (YTL Group), Eric Chia (Perwaja Steel), and Ananda Krishnan (Usaha Tegas Group).

The involvement of UMNO in business, which in turn, led to the growing problem of money politics in the party—eventually led to the executive overriding the technocracy (primarily via the EPU) for partisan political purposes, which sometimes diverged from policy considerations. In addition, the "traditional" role of technocrats as "advisers" was also eclipsed by the emergence of "new" set of actors such as prominent businessmen or groups. However, one could also argue that Dr Mahathir's big vision or "mega project" such as the privatization of public services, the Multimedia Super Corridor, the development of Kuala Lumpur City Centre (the "Twin Towers") and Kuala Lumpur International Airport was inspired by his desire to propel Malaysia to a higher level of development.

Certainly this vision is beyond the advice or imagination of “traditional” technocrats.

Similarly, the emergence of MITI and the appointment of one of Dr Mahathir’s most trusted and capable Cabinet minister, Rafidah Aziz, as the Minister increased the government’s expectations of the technocrats. The changing perception of the technocracy and by extension, the bureaucracy was also integral to their modernization and transformation—from a regulator and administrator to an enabler and pace-setter. This required the technocrats to support the government in forging and fostering a strategic partnership to drive growth and promote development in the country. The 1990s also saw the growing importance of MATRADE (MITI’s export promotion arm) and MIDA. Hence, under the Mahathir Administration profound changes in policy also saw a shift in the direction and outlook of the technocracy and a re-definition of their role in economic decision-making.

Dr Mahathir “bequeathed” an inimitable legacy upon leaving office in late 2003. One aspect of his legacy has been the impact of the politics-business nexus on the role of the technocracy in economic decision-making. Technocratic role became more reflective of Dr Mahathir’s agenda for making Malaysia a developed country, in which the private sector will assume a key role. That in effect reduced and constrained the role of the technocracy from being objective and professional policy-makers and administrators to agents of a bigger agenda which include political expediency.

This is not to argue that the situation was part of Dr Mahathir’s political strategy of consolidating both his personal and UMNO’s dominance or hegemony in the government. But rather it was an unintended consequence of Dr Mahathir’s increasing reliance on figures outside the government to be his advisers—reflecting the uncanny resemblance to his broader reputation as a “maverick” politician and Prime Minister (Wain 2009). Furthermore, by having an inner circle of non-technocratic advisers, the technocrats were often by-passed or sidelined. This meant that Dr Mahathir was willing to go beyond the conventions or culture of political and administrative conduct if he felt that the technocracy did not meet with his expectations or were to prove intransigent to his economic plans.

Technocracy under all Malaysian political leaders is intimately and indispensably linked with their respective reform agendas, which promote political legitimacy and regime stability. The background and agenda of the prime ministers, it would seem, are important factors in shaping the attitude and relationship between these leaders and the technocrats. However, the profile and composition of technocrats chosen by the political leaders will depend on the economic environment and imperatives as well as the skills of these technocrats.

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Technocracy and Politics in a Trajectory of Conflict*

Khoo Boo Teik**

Technocracy often holds out the promise of rational, professional, and politically disinterested decision-making particularly in economic planning and management. Yet states and regimes frequently turn to technocracy not just to obtain expert inputs and calculated outcomes but to embed the exercise of power in many agendas, policies, and programs. Thus, technocracy operates as an appendage of politically constructed structures and configurations of power, and highly placed technocrats cannot be mere backroom experts who supply disinterested rational-technical solutions in economic planning, resource allocation, and social distribution since they are engaged in inherently political exercises. Using examples of technocratic interventions in a variety of developing countries, this article traces the trajectories of technocracy that were marked by conflict, especially in conditions of rapid social transformation, severe economic restructuring, or political crises when the technocratic was unavoidably political.

Keywords: technocracy, economic crises, structural adjustment, politics in Chile, Indonesia, the Philippines, neoliberalism, populism

> I am not a politician. . . . I am a technocrat and believe in technocracy,
> and technicians are politically neutral.
> (Raúl Prebisch cited in Dosman 2008)

> With social thought turning so rapidly into attempted social engineering,
> a high incidence of failed experiments is the price that is often paid for
> the influence intellectuals wield.
> (Hirschman 1979, 86–87)

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Technocracy, signifying the use of technocrats in economic decision-making (rather than the more precise but rarely encountered *rule by* technocrats), has had a curiously troubled relationship with politics. At first glance that seems unlikely. On the one hand, politics, in the shape of states and regimes, needs technocracy for complex policy formulation that is fortified and legitimized by expert knowledge, methodical applications, and reasoned expectations. Technocracy, on the other hand, needs politics, that is, the sanction of power, to insulate it from pressure and interference that would prevent technocrats from being deployed or heeded "without fear or favor" as the old cliché goes.

In reality their apparently symbiotic relationship contains a latent conflict. The conflict is readily seen in certain forms. Sometimes seemingly technical recommendations may be rejected and the technocrats associated with them ejected from their positions for running afoul of the powers that in principle insulate them from interference. At other times, technocrats find themselves arraigned against vested interests that circumvent or sabotage technocratic forms of governance. Or else, popular resentment against apparently rational policies may erupt into anti-regime protests that are put down by repressive measures. Yet, the conflict lies deeper. Politics depends on technocracy for expert inputs and calculated outcomes in order to embed the exercise of state power in many kinds of agendas, policies, decisions, and programs. Thus, any functioning technocracy operates as an appendage of politically constructed structures, institutions, and configurations of power. At certain levels of work and in circumscribed situations, socio-economic problems may require no more than technical solutions. Beyond that, it is illusory to conceive of highly placed policy-making technocrats as backroom boys (and girls) whose task is to prepare disinterested rational-technical solutions to problems of economic planning, resource allocation, and social distribution, each of which is inherently a political matter.[1] The potential for conflict is especially high when technocracy is inserted into policy-making and technocrats emerge as an identifiable force under critical circumstances—during periods of rapid social transformation, in conditions of severe economic restructuring, or at moments of political crises—when the technocratic is unavoidably political.

This article traces a post-World War II trajectory of tension and conflict between technocracy and politics, mostly in what used to be called the "underdeveloped" world. Within that trajectory the relationship between technocracy and politics had several

1) "Clearly, some expertise is necessary to operate a statistical office or build a bridge. It is not so obvious, however, that one need be familiar with econometrics to be able to discuss economic policy or be an engineer in order to judge the merits of a new airport site" (Centeno 1993, 318). One need not agree wholly with the examples to see the point of the argument.

dimensions. These included changes in the projects of economic transformation—from modernization and development to debt and crisis management to economic stabilization and structural adjustment, and the neoliberal reconfiguration of the global economy—for which technocracy was co-opted. As such, technocrats themselves assumed different roles, being planners, implementers, managers, brokers, and intermediaries. The conditions of technocratic deployment and the hopes of their outcomes changed, too: visions of postcolonial development collapsed under structural adjustment while state intervention was reduced to neoliberal good governance. At the beginning of the trajectory was an issue that preoccupied regimes and technocrats: how should technocratic decision- and policy-making be insulated from vested interests or popular pressure? At its end has arisen "technocratization" or fusion of technocracy and politics as a way to overcome the conflicts that made each of them the bane of the other. The article contends that the narrowing potential for relatively autonomous development and a resurgence of populist forms of dissent in the former Third World suggest that just as politics can no longer depend on technocratic solutions, technocracy is far from resolving its political problems.

Crises of Modernization and Development

Under the influence of "applied modernization theory," technocracy held considerable appeal for most postcolonial governments that (even or especially when they were moved by nationalist impulses) were searching for ways to leave behind their "techno-economic backwardness" that produced an "unholy trinity of ignorance, poverty and disease" (Mkandawire 2005, 13). While theoretical debates raged among the political and intellectual circles over which developmental paths were economically ideal, politically feasible, or socially desirable, postcolonial regimes often reserved, or were advised to reserve, a special role in socio-economic planning for technocrats. These were "one sub-group of bureaucrats that possesses specialized knowledge" (Centeno 1993, 310) whose training, expertise, and professionalism were thought to have equipped them with the modern values, rational attitudes, and technical methods needed to modernize their traditional societies. For example, an international consultancy report on improving "development administration,"[2] a forerunner of technocracy, reasoned that:

2) The functions of "modern development administration" included "innovation, experimentation, active intervention in the economy, major involvement with clients, building new capacities, and conflict-management activities" but these functions "cannot be accommodated within the norms of classical Western models of administration" (Esman 1974, 16).

> Modern government depends increasingly upon modern technology for national security, for the conduct of its own developmental and recurrent operations, and for the performance of its regulatory and control functions. The proficiency and knowledge of its professional and sub-professional classes therefore define the ultimate limits of its technical capabilities. . . . Because of the rapid obsolescence of professional and technical knowledge in certain fields, in fact, it may be necessary to devote disproportionate emphasis to those services where the rate of change is greatest. (Montgomery and Esman 1966, 14)

Indeed, even after modernization theory *qua* theory had been discarded, a development paradigm it spawned continued to pose issues of development as technical matters to be planned and managed in top-down fashion by professional personnel. To that extent, even when an "unsuccessful top-down approach, which had dominated the development industry until about 1990" was modified with ideas of decentralization and good governance, its technocratic discourse, focused on technical and instrumental solutions, only "directed the technocratic IDAs [International Development Agencies] back to where they started—in the structural crisis of development" (Bryld 2000, 700, 704).[3]

It was not just hopes of development that made technocracy appealing. In some situations, the failure of development brought an urgent and purposeful deployment of technocrats when "the permanence, the technical skills, and the anonymity of [technocrats] ma[d]e them appear the possible receivers for otherwise bankrupt regimes."[4] The insertion of technocracy into economic policy-making and management in this manner occurred most dramatically in "post-crisis economies."[5] Some of those were underdeveloped economies, others post-Soviet Union nations undertaking a transition to capitalism. Those countries greatly differed socially, economically, and politically. In common, however, their regimes acquired a partially technocratic character by deploying technocrats in high-level economic policy-making as a response to crisis. At moments of systemic crisis, rule by experts equipped with "technocracy's apparent emphasis on order, rationality and apolitical criteria" could be alluring (Centeno 1993, 324). During the Cold War period, and following the collapse of the Soviet Union, the turn to technocracy joined social experiments in modernization or transformation to political attempts at crisis management. Thereby, rulers and technocrats hoped that capitalist rationaliza-

3) Bryld (2000, 702–703) made an important distinction between political and technical interpretations of concepts such as decentralization and governance when he argued that the IDAs "engage in a technical decentralization process . . . to achieve good governance and thus promote development," using a "technical instrument . . . to reach what is necessarily a political goal."
4) Peters (1979, 342); here, "technocrats" has been substituted for "bureaucrats" in the original text.
5) Technocrats, of course, had a different, extremely successful record elsewhere, in Japan and the newly-industrializing economies of East Asia a discussion of which is given in a later section of this article.

tion undertaken by mostly authoritarian regimes would be the answer to the failures of development that spawned radical popular mobilization.

The two reasons for the emergence of technocracy, discussed above, converged in a lasting politics of technocratic policy-making although the fads and phraseology of dominant economic doctrine changed with time and situation. Certainly technocracy and the rise of technocrats as an identifiable force in the respective economies and political systems of those countries could not have been apolitical. They were seen in such extraordinarily politicized situations as Thailand after Sarit's imposition of martial law in 1958, Indonesia in the wake of Soeharto's 1965 *gestapu*, Chile following Pinochet's overthrow of Allende in 1973,[6] Ghana subsequent to military takeover in 1981, and any of a number of Eastern European or Baltic states that broke from Soviet domination after 1989. It seemed that a technical development model could be applied to less-than-modern societies and a "coherent, practical and authoritarian ideology or model of modernization" could be recommended to societies and political systems in crisis:

> The technocratic model of modernization, as a highly functional strategy of government, borne into an appropriate crisis by a mission-minded team of technocrats and imposed by the military and supported by its beneficiaries, may recommend itself to like-minded and organized elites confronting similar crises. (MacDougall 1976, 1168)[7]

Under Soeharto's New Order which inspired this "technocratic model,"

> economists-technocrats, as non-party, professionally-trained experts, have replaced politicians in policy making posts, most visibly as a team of academics that moved into government posts laterally, from the University of Indonesia. . . . In a bureaucratic state, these technocrats have functioned as policy innovators, as courtiers of foreign investment, and as relatively systematic administrators. They have provided a repressive military regime with a progressive civilian image and initiated their military patrons into the mysteries of their science. (*ibid.*, 1166)[8]

6) For Chile which has had a longer technocratic tradition than the other countries listed here, Silva (1994, 282) has suggested that technocracy emerged in a post-World War I crisis of oligarchic order which "created a very propitious climate for the adoption of so-called 'technical and apolitical' policies" and allowed a public technocracy to act as a "moderating mediator" between competing sociopolitical forces.

7) MacDougall's is the most insistently approving of three articles in the same issue of *Asian Survey* (Vol. 16, No. 12, 1976) to assess, essentially to praise, "the contributions of technocrats to development" in Southeast Asia.

8) So arcane were the "mysteries of their science" that MacDougall was lost for a proper name for the "scientists" on whom he conferred a litany of titles; to wit, "economists-technocrats," "professionally trained experts," "professor-economists," "practical modernizers," "economic modernizers," "economists," "production-minded bureaucra[ts]," "New Order modernizers," and "primarily Western-educated economists" (MacDougall 1976, 1166, 1172, 1176, 1181).

The model presupposed the benign intent of any "like-minded elite" and the progressive stances of its "mission-minded team of technocrats." Even so, those who opted for technocracy had to insulate the technocrats drafted for high-level policy-making. Well might the leading technocrats—the "Berkeley Mafia," the "Chicago Boys," and Marcos's "pillar,"[9] to take three notable examples—have been cast as "providing a repressive military regime with a progressive civilian image." But they could hardly live down their collective reputations as the expert collaborators of military dictatorships, the designers and implementers of harshly imposed programs of economic restructuring, reductions in social spending, and deflationary policies.[10] In Chile, some programs to combat extreme poverty were undertaken to give a populist tint to neoliberal economic restructuring (Huneeus 2000, 498). Of Marcos's technocratic pillar, the World Bank's *Ascher Memorandum* candidly observed in 1980 that:

> There is no evidence that the economic expansion of the first five years of martial law has created a favorable image of the technocrats that could offset the blame they have incurred for the sluggish growth, higher inflation, and unemployment of the last few years.[11]

Again a frank précis of a similar situation of technocrats operating in an environment of "low politics" created by an authoritarian regime was made by another World Bank report, this time on Ghana after more than one military coup:

> The military character of the Government made it possible to implement unpopular measures while depressing [*sic*] dissent. Policy issues have not been openly debated, and freedom of information and publishing rights are restricted. However, Ghana's military leaders have given considerable decision making latitude on economic matters to the highly qualified technical team which was charged with managing the economic reform. (Nooter and Stacy 1990, cited in Moore 1995, 21)[12]

Likewise, Thailand's administration of a World Bank structural adjustment loan following an economic crisis in the early 1980s was successful, it has been argued, because Prime Minister Prem Tinsulanonda placed "specialist economic technocrats" in

9) Bello, O'Connor and Broad (1982, 185) characterized Filipino technocrats as forming one of the "three pillars" of the Marcos dictatorship, the other two being the army and the "cronies."
10) As MacIntyre and Jayasuriya (1992, 3–4) put it succinctly, "Economic adjustment (particularly in inclement global conditions) is a politically painful process, for in addition to creating glittering new benefits for some it also creates heavy costs for others. As much as an economic process, structural reform is a political process creating new winners and losers. The distribution of the costs and benefits of adjustment measures is central to an understanding of economic reform."
11) Cited in Bello, O'Connor, and Broad (1982, 193).
12) Moore (1995) added (in his endnote, p.114), "One assumes that the 'highly qualified team' was a World Bank team, of course."

key positions and gave them "protection from the pressures and protests of those groups opposed to the changes" the technocrats introduced (Anek 1992, 47).[13] Thus, the apolitical efficacy for which the technocrats were supposedly valued and lauded could only be attained by firm demonstrations of "political will" that insulated their technocratic deliberations, directions, and decisions from public debate, "immunized" political opposition to their programs, and repressed popular resentments (Bello, O'Connor, and Broad 1982; Silva 1991).

Moreover, the top technocrats, not having their own political base, owed their privileged positions to the patronage of regime leaders[14] who typically drafted them from other than the normal ranks of the state's administrative machinery to serve in select agencies. Parachuted from relative obscurity into policy-making prominence, those technocrats could only operate against certain powerful vested interests, where necessary, if they were insulated from the obstructive actions of the latter. In the Philippines, the technocrats responsible for economic reform were often in conflict with the Marcos cronies, with the former enjoying the additional approval of the World Bank, but with the latter being regarded by the dictatorship as its more reliable "pillar" (Bello, O'Connor, and Broad 1982, 190–193). Technocracy in Latin America, too, was dependent on, rather than antithetical to, patrimonial and *caudillo* authority although "the latter rests on presumed personal qualities rather than the possession of specialized knowledge" (Teichman 2004, 25).

The converse was true, too: those who failed to persuade the patron or fall in with his intentions, or opposed his plans would not last in their positions. If one were to be cynical, the relatively cheap dispensability of technocrats was one of technocracy's attractions to regimes and leaders from whom, alas, there could be no insulation. As Shiraishi in this volume shows, the Indonesian technocrats, "cohesive in their adherence to the three principles of balanced budget, open capital account, and pegged exchange rate system," were effective for three decades when they functioned as Soeharto's "right arm in formulating and executing national development policies." However, when in response to the financial crisis of 1997–98 the technocrats urged Soeharto to call in the International Monetary Fund (IMF) and introduce reform measures, their move backfired because they had lost Soeharto's confidence and was denied access to him. In Thailand,

13) Anek (1992, 32) stressed "Prem's ability to insulate economic officials from the pressures of various opposing groups by building coalitional links to countervailing groups and institutions."

14) Prominent regime leaders, each the leader of a coup d'etat, were Sarit (in Thailand), Soeharto, Pinochet, and Marcos. MacDougall (1976, 1167) called Soeharto the "prize student" who profited from the "tutelage" of his "presidential counselors"; thus was Soeharto elevated beyond the "politicians" who were dismissed by the "counselors" as more or less "grossly incompetent," "economically irrational," unproductively-inclined, indecisive, and impractical (*ibid.*, 1179).

Thaksin Shinawatra dismissed the "inflexible" head of the Bank of Thailand and filled key planning and financial posts with Thaksin's own "outsider" advisers, as Pasuk and Baker recount in this volume. Mahathir Mohamad, who sharply disapproved of their monetary and fiscal responses to the 1997 financial crisis, forced the resignations of the Governor and Deputy Governor of Bank Negara Malaysia just days before he sacked Anwar Ibrahim, Deputy Prime Minister and concurrently the Minister of Finance, on September 2, 1998 (Khoo 2003).[15)]

The need for insulation could arise from a different source. A technocratic view of governance assumed that "all social actors can be modeled in certain predictable ways" and since "specialization [confers] on experts wisdom, self restraint, and a sense of social justice," technocrats "should be provided with sufficient political insulation to be able to plan, implement and monitor state programmes" (Bangura 1994, 56).[16)] Or, if one preferred, there was link between a "technocratic mentality" and "authoritarian, exclusionary politics, resistant to both compromise and the incorporation of contrary viewpoints" (Teichman 2004, 25).[17)] In any case, just how technically superior their ideas and policies were compared to contrary viewpoints could not be determined, simply because of "the disappearance from the political scene of forces whose ideological predispositions favored the radical redistribution of wealth and resources" (Hadiz 1997, 63).

Alternatively, it was unnecessary to presuppose that technocrats had to accept an "inherent desirability of authoritarian political structures" to see that their "technically rational" pursuit of economic stabilization and growth at "virtually any social or political cost" led to legitimating authoritarian rule (Kaufman 1979, 190). The technocrats were not necessarily reluctant practitioners of received economic doctrines that set or limited the directions of their policies and strategies. There was a self-deluding aspect to the basic technocratic conviction that being pragmatic was being non-ideological. On the contrary,

15) And this, in Malaysia where technocracy was part of an established and loyal civil service! Bank Negara enjoys "a reasonable degree of operational autonomy" but is not independent; it accepts that its functions are tied to "broader goals"—economic growth, high level of employment, price stability, reasonable balance in the country's international payments position, eradication of poverty, and restructuring society (Hamilton-Hart 2008, 53). By law, the King appoints the Governor while the Minister of Finance appoints the Deputy Governor. In practice, the Prime Minister decides.

16) One could add a "technocratic view of the state . . . as a rational actor with a narrow focus on how to improve effectiveness and efficiency. Little attention is paid to non-economic factors, and the political aspects are overlooked. Thus, the complex political, social and cultural landscape in which the state operates is grossly oversimplified" (Bryld 2000, 703).

17) Still, technocrats may not always have their way. Shiraishi (in this volume) shows how the technocrat-economists favored by Soeharto had to contend with the "engineers" whose rival vision of development was infused with economic nationalism.

> In imposing the domination by an instrumental rationale and scientific method, technocracies are similar to theocratic regimes or states that have explicit, dominant political ideologies. In all these cases, legitimacy comes . . . from adherence to the dictates of a "book." Whether that document contains the word of god, a theory of history, or the econometric functions that describe equilibria, those best able to interpret its message and implement its laws cannot take opposition or popular participation into account. (Centeno 1993, 313)

Where monetarism ruled alongside the military in "a climate of total triumphalism" to "establish the rules of neoliberalism in all spheres of society" (Silva 1991, 395):

> [t]he Chicago boys presented themselves as the bearers of an absolute knowledge of modern economic science, thereby dismissing the existence of economic alternatives. All possible criticism of the economic model was rejected by portraying it as the product either of ignorance or the covert promotion of particular interests. (*ibid.*, 394)

Despite the insulation, patronage, and absence of rival paradigms, the technocratic model did not establish an unambiguously salutary record of economic development in the two situations where the model was most hailed. New Order Indonesia hardly vindicated "technocratic optimism," as was discovered by a group of young intellectuals collected around the Bandung-based weekly, *Mahasiswa Indonesia*. They scorned Sukarno and the existing political parties. Having no mass base, they looked to the military for modernizing reforms and to the Western capitalist countries for political and financial support. Later, these

> outspoken champions of a technocratic style of "development" [were] distressed to discover that "development" exacerbated rather than reduced corruption, widened the gap between rich and poor, and greatly increased Indonesia's external dependency . . . [while] opening the country's doors to Western culture turned out to have more disintegrative than modernizing effects on Indonesian society.[18)]

Nor was the lesson from Pinochet's Chile—the need "to create highly cohesive technocratic policymaking teams with relatively high degrees of insulation from social forces" (Silva 1996, 2)—so readily worthy of replication:

> Under military rule, boom and bust cycles and mounting social costs characterized Chile's lurching efforts to reorganize the economy radically. A short, gradual programme of economic stabilization

18) This summary of the change in sentiment among the *Mahasiswa Indonesia* intellectuals comes from a review of Francois Raillon's book on this group which the initially "still insecure Suharto clique found [to be] useful allies, since they provided an attractive ideological rationale for a regime that had none of its own and was desperately concerned to win respectability in Western eyes" (Anderson 1986, 541).

> and restructuring after the overthrow of Salvador Allende was followed by draconian, ideologically rigid neoliberal policies, uneven economic recovery, and a brief spurt of rapid economic growth fueled by financial speculation that ended in Chile's worst economic decline since the Great Depression. (*ibid.*, 1)

Intermediation and Domination

The mode and circumstance of crisis management frequently left the technocrats castigated as agents of foreign domination and penetration. It was not so much that many influential technocrats had been trained abroad, in the University of California, Berkeley, and University of Chicago, most famously or notoriously.[19] Shiraishi in this volume suggests that the "Berkeley Mafia" could just as well have been called the "UI-UGM Mafia," given their initial training and later appointments, as students and then lecturers, with Universitas Indonesia and Universitas Gadjah Mada, the two leading universities of Indonesia. For Pinochet's leading technocrats, besides, Santiago came before Chicago (Silva 1991, 390–391), and the Universidad Católica de Chile before Milton Friedman's Department of Economics (Huneeus 2000, 473–477). More to the point, those technocrats were the practitioners of crash programs of economic restructuring and stabilization, pro-market reform, structural adjustment, and integration or re-integration with the global capitalist system.

Such programs, seemingly the more legitimate the more they claimed to replace failed domestic initiatives, were typically implemented with the backing, under the oversight, and at the demand of foreign creditors, the IMF, and the World Bank. In general, the regimes' hopes of capital inflows, promises of foreign aid, and expectations of economic improvement had to be weighed against external pressures to dismantle the previously nationalist, socialist, or populist policy molds of crisis economies, and to remake them in the image of western market-based systems. To restructure debt-ridden economies according to structural adjustment conditionalities, for instance, technocrats with the concurrence of their rulers had to impose deflationary policies. But, over and over again, the consequence was typical: internal sacrifices were imposed on vulnerable sections of society, but the "lender of last resort" never demanded "haircuts" of foreign creditors who had made reckless loans.

Obviously no lovers of their displaced regimes, the leading technocrats "were more than simply the principal architects of economic policy: they were the intellectual brokers

19) For an impressive list of the foreign university affiliation of the economic team of Patricio Aylwin in Chile, see Silva (1991, 407, Table 2).

between their governments and international capital, and symbols of the government's determination to rationalize its rule in terms of economic objectives" (Kaufman 1979, 189). For example, an observer, who conferred an ancient pedigree on Thai technocracy by characterizing Siam's absolute monarchs as technocrats for having introduced modernizing reforms, wrote of the World Bank and Thai technocrats as kindred spirits in restructuring administrative, financial, and planning systems:

> The World Bank's implicit development ideology coincided with the classical conservatism of the technocrats and the two groups tended to bring to bear similar viewpoints when considering monetary or fiscal policy issues. Thailand joined the World Bank and International Monetary Fund in 1949, and each major loan negotiation or mission from the Bank and the Annual Consultation with the Fund tended to strengthen the technocrats' influence in the government. (Stifel 1976, 1193)

A different view which suggested that Thai technocracy emerged after the World Bank's economic survey of Thailand 1957–58 more critically held technocracy to be an accessory to the far from technical act of mapping and launching Thailand's development paths in the aftermath of Sarit's imposition of martial law in October 1958:

> [t]he resultant World Bank programme . . . acted as a catalyst that conjoined the new political regime and a new development direction for Thailand, activating a combined force of Sarit's absolutist power, American imperialist wherewithal, and the technocratic strategic planning and technical know-how in the momentous transformation of Thai economy and society. (Kasian 2004, 30)

Perhaps there was little alternative. Like the rest of Southeast Asia, Thailand was in such dire need of technocratic skills given "the post-war economic disorder, decolonization, and a new responsibility for development" that a pioneering "small group of technocrats, usually trained in Europe . . . quickly gained considerable power because of the rarity of their skills" (Pasuk and Baker in this volume). And although the "close cooperation among a small group . . . [was] later mythologized" (*ibid.*), the Thai technocratic cadre that was created from the 1960s was

> engaged mostly in the technical management of the economy—infrastructure planning, and tight macro management under a fixed exchange rate regime. The main direction of policy was laid down by the military rulers under the influence of the World Bank, and adjusted in practice by business lobbies. Technocrats *administered* policy, but in this era had only a limited role in *making* policy. (Pasuk and Baker 2000, 20)[20)]

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20) Pasuk (1992, 26) concluded that over several post-war decades, Thai technocrats (and foreign advisers) helped "forge the tools [of policy reform] and . . . wield them" but "they did not decide when, where, and how they should be brought into action."

Being the intermediaries between the national and the global, so to speak, technocrats were most valuable in symbolic, ideological, and practical terms. Through them "cooperation with international business [and] a fuller integration into the world economy" was attained (Kaufman 1979, 190). The technocrats displayed "a strictly secular willingness to adopt the prevailing tenets of international economic orthodoxy . . . a different, but no less ideologically bounded, set of intellectual parameters within which the technocrats could then 'pragmatically' pursue the requirements of stabilization and expansion" (*ibid.*). Thus, in the "still weak and chaotic" Indonesia after Soeharto's seizure of power, the Widjojo Nitisastro-led team of technocrats showed that the way to obtain necessary external resources was to design policies that found favor with global capitalism: the termination of "confrontation" with Malaysia, abolition of price controls, return of nationalized enterprises to former owners, passage of a liberal foreign investment law, rationalization of banking and interest rates, and end of multiple exchange rates (Anderson 1983, 488–489). Up to the mid-1970s, the Indonesian technocrats "adhered to the type of free-market, open-door economics advocated by Western liberal economic orthodoxy in general and the IMF, the World Bank . . . and the Inter-Governmental Group on Indonesia in particular" (Robison 1986, 110). But the technocrats really derived their power from their role as "managers of the process of debt renegotiation, and as authors of policies designed to allow international capital access to Indonesia" (*ibid.*).

It was power that rose and fell with the need for international capital investment, loans, and aid (*ibid.*, 111). Often the technocrats' policies and programs did not fail, at least not initially, and not least because "rewards" of aid and capital flows to the regime they served replaced the external investor-creditor-state hostility to the supplanted regime and even sabotage of its economy (as had happened to "anti-imperialist" Indonesia and "socialist" Chile before their respective military coups). With relative success, the technocrats gained more than ideological benediction from their close associations with international educational and financial institutions. Thus, by the early 1990s, when Latin American technocrats defined "the new [that is, neoliberal] policy paradigms," they could count on the support and approval of a "continental network of Harvard, Chicago, and Stanford grads . . . atop businesses and ministries spreading the new market mindset" (*Business Week*, June 15, 1992, 51, cited in Centeno 1994, 24). The existence of an "international network linking IMF analysts, private investors, bank officials, and government technocrats was not the figment of the conspiratorial imagination of those who sought to understand the new wave"; "[n]ot only creditors and multilateral agencies, lecturers and seminar presenters, media pundits and intellectual authorities, but even the ex-roommates of the new elites approved the new policies" (Centeno 1994, 24).

At different points in the post-World War II development of the global economy, therefore, technocrats found themselves managing a range of economic, fiscal, debt, and monetary crises in various countries and regions. Whatever they did, and whatever the purposes they thought they were serving, they came to be the standard bearers of the World Bank's development orthodoxy, Milton Friedman's monetarism, Jeffrey Sachs's "shock therapy," the IMF's "good governance" strictures for structural adjustment,[21] and the Washington Consensus of liberalization, deregulation, and privatization.

Rare Reproduction

Purveyors of instrumental approaches, technocrats would seem to be little more than the instruments of others. Such was not always the case. Technocracy was not necessarily pre-empted from coming into its own, minimally to display more assertive forms of conduct than those discussed above. During the early and hopeful days of decolonization, "moral incentives" moved many would-be bureaucrats and technocrats: "the self-confidence, enthusiasm, and commitment that were so evident in African bureaucracies . . . were contagious, as reflected in many African students who anxiously rushed home after graduation to participate in the exhilarating projects of nation-building" (Mkandawire 2005, 16). Offering a less skeptical view of the predispositions of technocrats, relevant to the point being made here, Turner noted that in early 1970s' Nigeria:

> Individual technocrats, by virtue of their technical training, and in some cases, experience in industry, are accustomed to rational, impersonal and universal criteria for making decisions and for assessing their own accomplishments. Professional standing, and therefore job mobility, depends on getting results which in turn depends on co-operation with other technocrats. Technocrats are relatively uncorrupt, not because they possess special moral qualities, but because their function is to develop and provide local technical and executive capabilities and reduce dependence on foreign resources. (Turner 1976, 69)[22]

Turner's was a balanced depiction of Nigerian technocrats: they "stood" (in relation to compradors and middlemen within the civil service, and the foreign oil interests they serviced) according to where they "sat" (within structures of state power in the early 1970s). More generally, Turner's portrayal insightfully hinted how differently placed

21) Dijkstra (1996), evaluating "foreign influence on economic policies" under the Chamorro regime in Nicaragua, stressed that the implementation of structural adjustment measures could just as much be a "consequence of ideology rather than impartial technical advice," and hence not technocratic as such.

22) For what it is worth today, it might be noted that Turner's depiction was badly misrepresented in Droucopoulos and Henley (1977).

technocrats might orient their policy-making vis-à-vis foreign interests if or when they were imbued with impulses of economic nationalism. Roughly akin to the Nigerian situation, Indonesian technocrats in the mid-1970s were engaged in a protracted conflict with "various appanage holders" (Robison 1990, 110) who controlled Pertamina, the state oil company. The technocrats were especially opposed to the "financially unsound schemes . . . regardless of established priorities and acceptable costs" launched by Ibnu Sutowo, one time head of Pertamina (Milne 1982, 407). In Malaysia, Tengku Razaleigh Hamzah, the Chairman of Petronas, the national oil company, brought negotiations with foreign oil companies to an impasse as he fought for much better profit-sharing and operational terms.[23] Interestingly, the Indonesian technocrats' externally lauded platform of "strong state and free market," comparative advantage and free trade was internally challenged by a group of "engineers"—a sort of "Bandung Institute of Technology Mafia"—who advocated the economic-nationalist use of industrial policy, and state nurture and protection from external competition to develop domestic industries. The rivalry between technocrats and engineers—the latter being oddly disqualified from being titled technocrats[24]—for the support of their common patron, Soeharto, rendered Indonesia's development somewhat schizoid, "oscillat[ing] between the two strategies": in good times, economic nationalism led to large-scale, capital-intensive but often wasteful and debt-laden state projects; in a bust, the regime shelved those projects, devalued the rupiah, and resorted to deregulation to integrate the economy more deeply with the global market (Shiraishi in this volume).

In post-authoritarian but pre-1997 crisis South Korea, the technocracy of the finance and economic ministries clashed with "liberal economists who dominate[d] the research institutes" over the pace of financial liberalization.[25] The liberal economists, intellectually leading an emergent ruling coalition, pressed for "a sudden acceleration of liberalization." The technocrats, "the voice of prudent caution, resisting pressure for too rapid

23) A glowing but incomplete account of Razaleigh's eventual success in obtaining better terms than those initially offered by the foreign oil companies is given in Gill (1987, 132–143). In the event, Razaleigh lost his position (Jesudason 1989).

24) Unless it was because "with their economic bias, the engineers tend to exude the type of entrepreneurial government reminiscent of Sutowo" (*Far Eastern Economic Review*, May 16, 1980, 44, cited in Milne [1982, 407]), that is, an advocate (whatever his failings) of an interventionist state that would compete with or control private enterprise. Compare this with the note that in Chile the "neo-liberal model of development . . . meant the end of the entrepreneur state and the establishment of the market as the principal mechanism for the allocation of resources" (Huneeus 2000, 471).

25) Referring to this policy conflict, Gills (1996, 680) presciently observed, on the basis of "salutary lessons of some Latin American cases in the 1970s and 1980s, and of Russia," that, "Financial liberalization is clearly the most potentially dangerous or economically disruptive process of accelerated opening."

opening of the financial sector," was "more skeptical, partly out of principle and partly out of a perceived challenge to technocratic management powers" (Gills 1996, 672, 681, 683). Ironically, when rapid financial liberalization, among other things, led to the collapse of the South Korean won in late 1997, the IMF, a leading opponent of East Asian "financial repression," would project itself as an enlightened technocracy that would set an errant South Korean state right (Hall 2003). However, in Singapore, which had weathered the 1997 crisis rather well, technocrats who manage the state's massive financial assets have had to fend off criticisms by domestic and global market competitors and investors who urged higher degrees of transparency and disclosure from the technocrat-managed government-linked corporations (Rodan 2004, 483).

In retrospect, it mattered significantly when or how technocrats emerged, during rapid growth and major social transformation, or at moments of severe crisis and externally imposed adjustment. Comparing the quality of technocracy in four African nations, Bangura (1994, 52) broadly suggests that "sustained growth enables the state to nurture a technocratic class" having "solid bonds . . . to the state apparatus and the principal institutions from which technocrats are recruited." "Profound crisis and tough programmes of economic reform," however, can lead to "de-professionalization" so that while "multilateral funding agencies . . . export their expertise and shape the agenda of change," working with what local experts can be recruited, the resultant technocracy is "fraught with problems since the institutional settings from which it springs are in crisis" and its reproduction "at the same level of quality . . . becomes a difficult problem in the long-run" (*ibid.*, 52–53).

One can appreciate Bangura's insight against the high-quality East Asian technocracies' record of directing relatively autonomous and highly rewarding paths of development via state-led late industrialization. In Japan and the East Asian newly-industrializing economies, technocrats wielded a firm hand in transforming their economies. They used industrial policy in its many manifestations: promoting strategic industries, nurturing select corporations, allocating resources preferentially, maintaining different methods of protectionism, and periodically rationalizing the structures of important sectors. The East Asian technocracies by no means made their economic history free from crisis. Japan's unconditional surrender and military occupation, South Korea's wartime destruction, the Taiwanese regime's retreat from a lost civil war, and Singapore's risky secession from Malaysia were not circumstances the respective technocrats could have chosen. Nor were their regimes exemplars of liberal democracy: three out of four of them were authoritarian and two of those were military dictatorships for long periods. Yet, driven by economic nationalism, diligently "governing the market," and operating with high state capacities, the technocracies pushed their programs of industrialization and structural transformation to competitive global-scale progress in a range of import-substituting and export-oriented industries.

The "East Asian experience" showed that technocracy's efficacy or achievement could not be a matter of using, patronizing, or even insulating technocrats alone. The policy-making role and contributions of technocracy were bound to the ways states organized and managed their structures of political economy, including institutions, centers of power, markets, and relations with the global economy. The authoritarian Northeast Asian states that pursued late industrialization within a short period, for instance, would pick and subsidize their favored "winners" but would require of the latter outstanding performance, both the support and the discipline being elements of a coherent strategy of economic development targeting rapid growth, industrial advance, and market competitiveness. Designing and implementing such agendas, technocracy could make its efficacy, even its self-interest, an integral part of a project of economic nationalism vis-à-vis an ever-possible foreign domination.

Such a narrative of East Asian industrial success is too well rehearsed to bear further recounting here.[26] Suffice it to add that if the East Asian technocrats began in crisis, they progressed to growth, reproducing themselves into the bargain. They were nurtured in select educational institutions, recruited via elitist methods, cohesively organized in strong agencies and ministries, bonded to well-defined policy agendas, insulated from popular pressures by strong regimes for long periods, and empowered by diverse forms of legal, bureaucratic, and political support.[27] The process of technocratic reproduction

26) For a few authoritative accounts, see Johnson (1982), Amsden (1989), Rodan (1989), and Wade (1990).

27) In instructive contrast, from Bangura (1994, 46): "The Nigerian technocracy arose out of a deep socio-economic crisis and a far reaching process of economic and political restructuring. It is recruited informally through a variety of ways, the principal ones being contacts with military officers, business elites, politicians, top bureaucrats, and ethnic pressure groups, and visibility in professional organizations and public debates. It is a fairly large group, with considerable input from academics. Except for the early formulation of the economic reform program, which required some level of foreign input, the group has a solid indigenous base, oil revenues having played a role in creating a large pool of trained academics, bureaucrats, and professionals. Given the nature of its recruitment and its contradictory interests and orientations, it has not developed any consistently clear set of ideas that have remained dominant for any considerable period, except in certain areas of economic reform where neoliberalism has been forced upon the policy makers by the multilateral funding agencies and creditors. It has not been a very stable force, given the constant changes in policy, rules and personnel by the political leadership. This instability derives partly from the pressures exerted by a very open civil society, which provides a fertile environment for the regime's manipulation of the political process, exacerbating the problem of creating a closed and predictable administrative system for the technocrats. Despite the inputs made into many aspects of public policy, the Nigerian technocrat remains largely ineffective in terms of influencing key outcomes and the general direction of change."

possibly went furthest where it could be most fully controlled, namely, in the small state of Singapore where the boundaries between ruling-party politicians and senior state technocrats were blurred in the making of "a self-conscious, self-righteous class of talented and brilliant people with strong character, who are imbued with a collective sense of purpose and a consciously collective understanding of the thinking of the group" (Barr 2006, 6). Advancing their way to a "miracle," against the grain of international economic orthodoxy, these technocrats reached what was probably technocracy's pinnacle, at any rate outside the western developed states.

Without idealizing Northeast Asia (and allowing for Singapore to be part of it in all but geography), it is instructive to contrast it with Southeast Asia to see how the character of actually functioning technocracy, in relation to its ideal, can be malformed or deformed within the framework of political economy. The position and potential of the technocracies of pre-1997 crisis Southeast Asia were curtailed by regimes that mimicked the "Japanese model," the "South Korean model," or the "Taiwanese model." The Southeast Asian regimes, insulated from popular pressure, from foreign direct investment, and, it might be said, from technocracy itself, turned large sectors of the economy into oligarchic preserves. What could technocracy, implying rational policy- and decision-making based on the rule of law and "good governance," achieve against the organized, state-managed, predatory, or rent-seeking conduct of Marcos's family and the Filipino tycoons, Soeharto's children and the Indonesian *cukong*, Mahathir's coalitions of "Umnoputras" and cronies, and the "Bangkok big business" of Thailand?

Senior technocrats were responsible for maintaining macro-economic stability. Perhaps they baulked at the misdeeds of the powerful. Perhaps they urged "good economics" against "bad politics." By the overall record, however, technocracy often labored as the instrument of nothing nobler than a "contractocracy."[28] For example, privatization was where technocrats might have excelled as makers of policy, setters of governance standards, and enforcers of rule compliance. Yet, as privatization accelerated, technocrats were shunted aside by political considerations. Leigh (1992, 120–121) noted that linkages between key individuals in the business and political elites "placed state regulators on the defensive . . . simply and effectively bypassed," while institutionalized checks on regulatory power "suited the 'oligarchs' in the Philippines and the 'timber tycoons' of Malaysia." By the late 1990s, Malaysia's privatization had much in common with Indonesia's where a "huge range of former public monopolies in oil distribution and contract-

28) ". . . the oligarchy collaborated with southern business elites, bureaucrats and transnationals though the corrupt National Party of Nigeria, to turn the country into a 'Contractocracy'" (Bangura 1994, 27).

ing, power generation, telecommunications, toll road and port construction and operation were now passed, usually without tender, into the hands of the major oligarchs" (Robison 2004, 409).[29] And when the Thai political system was transformed, businesses "could no longer deal primarily with bureaucrats and technocrats, but had to negotiate deals with frequently-changing ministers in a series of governments" (McCargo and Ukrist 2005, 25).

Techno-Political Fusion

The politics of technocracy's relationship to development goes deeper. Referring to the South Korean technocracy's caution in opening and liberalizing their financial sector, Gills (1996, 683) contended that

> Beyond the self-interest of the technocrats . . . there is the issue of the "right to development," even if via some of the old methods of protection and state guidance. What was precisely so remarkable about the "strong state" NICs was they succeeded in industrializing and creating national capital and wealth in the Third World.

Beyond the "right to development," however, the accumulating evidence—from Japan and the newly industrialized countries (NICs) of East Asia, to China and "Rhineland capitalism"—is clear:

> for most countries, and certainly most "latecomers" to industrialization, national success in the global marketplace depends on coherent long-term strategic action by state, and the construction and maintenance of a dense web of "intermediate" institutions (banks, financial and technical services, training, and infrastructure of all kinds) that the market needs but does not provide. (Leys 1996, 195)

In the post-war, Keynesian, pro-development milieu that supported "long-term strategic action by the state," the "web of intermediate institutions" would be the realm of technocrats of many kinds. Then and there, technocracy would not just pick up the pieces of shattered government but deploy its "human resources" as a critical element of competitive advantage. Since the 1970s, however, neoliberal globalization had steadily whittled the path of relatively autonomous state-led, technocracy-implemented development so that:

29) For an excellent study of the political and economic sources of the failure of four major privatization projects in Malaysia, which symbolized the failure of Mahathir's privatization as a whole, see Tan (2008).

> The era of national economies and national economic strategies is past—for the time being, at least. With capital free to move where it wishes, no state (and least of all a small poor one) can pursue any economic policy that the owners of capital seriously dislike. . . . It is hardly too much to say that by the end of the 1980s the only development policy that was officially approved was not to have one—to leave it to the market to allocate resources, not the state. (*ibid.*, 23–24)

"In the World Bank's own ingenuous language," adds Leys (*ibid.*, 24), "new ideas stress prices as signals; trade and competition as links to technical progress; and effective government as a scarce resource, to be employed sparingly and only where most needed." And for most nations, to use Andre Gunder Frank's language, "Now neo-liberalism, post-Keynesianism and neo-structuralism have . . . become totally irrelevant and bankrupt for development policy. In the real world, the order of the day has become only economic or debt crisis management" (cited in *ibid.*).

After the 1997 financial crisis, the neoliberal agendas that IMF's intervention imposed via the extant regimes met with oligarchic resistance coupled with popular opposition. As it happened, debt management, structural adjustment, and deeper integration with the global system did not replace "crony capitalism" with the orderly self-regulating markets envisioned by neoliberalism. Almost exactly the feared opposites happened. Thaksin Shinawatra and his Thai Rak Thai's part-nationalist, part-oligarchic, and part-populist movement remade Thai politics only to create untidy scenes of half-hearted policy reforms, incomplete agendas, and recurring political turmoil (Kasian 2006; Glassman 2004; Pasuk and Baker 2004). Of the institutionalization of a "vast system of benefices and rents" in post-Soeharto Indonesia that defined the state's relationships with capitalists, cronies, and "fixers," it has been said that

> [t]his was not a world where "rational" technocrats simply negotiated their way through the constraints of powerful interests, both within and outside the state. This was a vast and crudely instrumental system of state power where public authority and private interest were fused and where state capitalism gave way to the rise of politico-business oligarchies emerging from within the state itself. (Robison and Hadiz 2004, 30)

These developments showed how ineffectual was the beneficent impact of technocracy on political economy in times of crises, precisely when, it was always thought, technocracy would best fulfill its role. Still, such developments are far from being the precursors of any "end of technocracy." If anything, they seem uncannily to bring matters back to the politics of the "technocratic model of modernization," albeit in different guises. For China, it has been hoped that "reformists" and "leftists" who had fought each other would be swept aside by "a third force of market-friendly authoritarian technocrats" whose "post-totalitarian technocratic authoritarianism," "pragmatic authoritarianism," "political authoritarianism," or "limited authoritarianism," however one wants to call it, evidently represents a gradual movement towards a "democratic idea [that] has just appeared on the horizon" (Xiao 2003, 61–65). For other important reasons, too, technocrats may ironically be more needed than ever before:

> in a world where the liberal notion of a progressive and autonomous civil society becomes a threat to markets, neoliberals were drawn to the idea of "change teams" or "technopols" able to stand above the clash of vested interests and rent-seekers and to impose collective welfare benefits of markets on society. Neoliberal agendas clearly required a political formulation in which these technocratic policy-makers might be insulated from the raids of predatory interests. (Robison 2004, 415)

Perhaps closest to this scenario of a neoliberal, market-fundamentalist world where technocrats stood above venal interests was a political trend that washed over Latin America during the 1990s. Here and now, technocracy and politics met, or were encouraged to meet, so that not old and insulated technocrats but new and politically blooded "technopols" would arise to bear the task of "freeing markets and politics" (Domínguez 1997). As Centeno showed of the Mexican *tecnócratas* led by Carlos Salinas, a "hybrid" elite had triumphed who seemed ideally to combine the educational credentials of the *técnicos* with the political access and acumen of the *politicos* (Centeno 1994, 106). Their program of *salinastroika* meant joining the "global revolution of the market" within which the states of the developing world "reduced public subsidies, competed for links with the developed economies and investment capital from multinationals, and sought to prove their 'fiscal responsibility'" (*ibid.*, 21). In plain and hard-nosed terms,

> [c]ountries that play the game dictated by either creditors or other potential sources of capital are rewarded with investments or new loans. Exporters of primary materials may find that the international markets are only open to those producers that respect a certain set of rules. In the most extreme interpretations of this situation, reforming governments have lost their autonomy over economic policy and must follow the dictates of external powers. But even in less dramatic cases the promise of extra capital or the threat of curtailment has an obvious effect on government decisions. (*ibid.*, 22)

There appears to be nothing new under the technocratic sun after all. It has been technocracy's game to manage that envisioned national-global interface over and over again in a relatively long trajectory that took technocracy into orthodox development, crisis intermediation, debt management, structural adjustment, and neoliberal marketization. If such is the situation in which the technocratic ideal finds its culmination, it must do so in a severely truncated form.

There is no doubt that technocracy exerts a persistent appeal: when all is said and done, who would not want to replace a "strong and demagogic discourse used in the past" with a "technocratic approach" that promised "rational solutions" to social and economic problems (Silva 1991, 410)? Yet any technocratic separation of the economic from the political was likely to be false. Even the "Chicago Boys" were only a subset of the "ODEPLAN Boys" who formed the economic twin to the "Gremialists" whose political project to entrench authoritarian rule was no less important to Pinochet's regime than neoliberal economic restructuring (Huneeus 2000). There was never an intention to separate economics from politics for all the talk of insulating "good economics" from "bad politics." Thus, in mid-1980s' Chile, "paradoxically, the opposition to authoritarian rule also adopted an increasingly technocratic character" whereby the "CIEPLAN Monks" (an influential group of technocrats in the democratic government) vouchsafed their professional credentials in reply to the presumed technical superiority of the Chicago Boys (Silva 1991, 386, and fn. 3). And to a smaller degree, such a form of the technocratization of politics can be present, too, in Malaysia where Anwar Ibrahim leads a nascent opposition coalition that proffers a new economic agenda, one that is not sullied by cronyism, but supposedly strengthened with technocratic competence and professionalism.[30]

Beyond that, it seems premature to think that the technocrats, technopols and *tecnócratas* have triumphed. For several years now in Latin America, political movements that bring together assertive indigenism, radical populism, and resurgent regionalism have haunted neoliberalism. In one country after the next, "the strong populist and demagogic discourse used in the past" has reasserted itself in renewed demands for social equity and justice, indigenous rights and re-nationalization, and the construction of regionalism and regional solidarity:

> A string of New Left governments has emerged beginning with Hugo Chavez in Venezuela in 1999 followed by Luis Inacio "Lula" da Silva in Brazil in 2003. They have been joined by the election of left of center presidents in Bolivia, Ecuador, Argentina, Chile, Uruguay, Nicaragua, Paraguay and El Salvador. (Burbach 2009)

From that view, a "Bolivarian tide" threatens to topple technocratization from its imagined height. Whether or not it succeeds, its points are clear: politics and technocracy

30) Among the features of the technocratization of Chilean politics, according to Silva (1991), was the growth of private research institutes which supplied a counter-technocratic response to the regimes. Recently, in Malaysia, research institutes not linked to state-sponsored think tanks have begun to offer professional and technocratic critiques and counter-proposals to state policies.

remain each other's bane since the one cannot insulate the other, not for long, not ultimately. There may just have to be another game in town!

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Popular Culture Co-productions and Collaborations in East and Southeast Asia

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The recent growth of Asian media markets coincides with the emergence of an academic area which can be labelled as (inter-)Asian media and cultural studies. English-language academic publications such as *Trajectories: Inter-Asian Cultural Studies* (Chen 1998) and *Recentering Globalization: Popular Culture and Japanese Transnationalism* (Iwabuchi 2002) may be given credit for launching this new academic field. Its further development was subsequently enabled by the publication of a string of academic volumes, including *Rogue Flows: Trans-Asian Cultural Traffic* (Iwabuchi *et al.* 2004), *Asian Media Studies* (Erni and Chua 2005), and *East Asian Pop Culture: Analyzing the Korean Wave* (Chua and Iwabuchi 2008), among many others.

The publication of *Popular Culture Co-productions and Collaborations in East and Southeast Asia* constitutes an interesting contribution to this rapidly emerging field. In particular, this new edited volume distinguishes itself from previous titles in its focus on cultural production. While other volumes predominantly focus on the international consumption and reception of media and cultural texts across Asian countries, this volume casts light on international dimensions of production. In this way, it extends the primary thesis of the field—namely, the interconnectedness of media and cultural experiences in Asian societies—to the realm of production, which is entwined with processes of transnational creation and construction, not only of cultural products but also of social values.

Yoshiko Nakano's chapter in this volume is emblematic of such a perspective. It draws upon historical examples which reveal the contributions made by other Asian personnel (Hong Kong and Thai) to the localization (further development) of Japanese rice cookers—often recognized as a quintessential made-in-Japan electric product in Asia. Shin Hyunjoon's chapter elaborates how K-pop has been developed in line with different agents' contingent strategies designed to infiltrate into different Asian markets. As a result, according to Shin, the "K-" in K-pop "has become more than the abbreviation of 'Korean'" (p. 146) and the phenomenon indicates a "trans-Asian version of pop cosmopolitanism" (p. 147). Doobo Shim's chapter similarly associates the recent development of the Korean film industry with the changing environment of Asian media industries and international cultural flows in the region.

The extension in scope of the regional approach is also one of the book's strengths. In common with other volumes, it includes chapters which highlight the roles of Japan, South Korea, and Hong Kong as main cultural producers in the Asian region. However, such an emphasis is complemented by chapters covering cultural production (in connection with the outer world) in the Philippines, Indonesia, and China. Rolando B. Tolentino's chapter presents a historical overview of the international export and the co-production of Philippine media texts. Abidin Kusno's chapter highlights the appropriation of cultural forms and genres—Hong Kong comics and kung fu novels—in the articulation and assertion of Chinese ethnicity in Indonesia under the repressive Suharto regime.

The volume does not avoid confronting colonial histories and the Cold War era which shaped the process of regional formation of Asia. In his chapter, Nissim Otmazgin underlines the middle class-centered "economic and consumerist" characteristic of regionalization in Asia, in contrast with "the slow progress in the formation of regional political institutions" (pp. 33–34). This insight helps explain why much Asian media and cultural studies research focuses in a limited fashion on the growing volume of contemporary transnational consumption, often bracketing, or otherwise downplaying, historical and political issues in the process. Caroline S. Hau and Takashi Shiraishi's chapter on Hong Kong cinema's international collaborations clearly maps out the political configuration of the region, which was set out during the Cold War period, while elaborating on Hong Kong cinema's various Asian ventures at different times. Leung Yuk Ming (Lisa)'s chapter can be aligned with this work in that it also delves into the critical (and political) issues and practical strategies of the "global" Hong Kong film industry, this time vis-à-vis its lucrative but also precarious China venture: in other words, Hong Kong-China film co-production. Rob Efird's chapter on a documentary, Li Ying's *Yasukuni* (2007), registers not only the ongoing legacies of imperial and colonial history in Asian societies, but also the changes that were brought into those societies—in particular, Japan—by the presence of other Asians. The chapter casts light on some of the positive changes, which may occur within Asian societies with the growing volume of human and cultural traffic in the region.

Last but not least, another virtue of the volume lies in the way in which it deploys the frameworks of co-production and collaboration. Although these frameworks may require further refinement (i.e. how to define collaboration and how to delineate popular culture co-production), this approach encompasses a variety of productive conceptualizations which induce creative and critical thinking. For example, the notion of "niche globality," advanced by Tolentino, recognizes subtle differences among the particularities of transnational engagements of Philippine media texts:

"Other than the enclaves of the nation's 10 million migrant workers all over the world, the export of Philippine media texts has produced transnational pocket markets—a niche globality in which specific media texts engage with unintended audiences" (p. 152). Kelly Hu's chapter on Chinese fan subtitling of Japanese and American TV drama series explicates how those fan-subtitlers function as cultural intermediaries linking China with other (Asian) countries and analyzes their affective labor in terms of neoliberal capitalistic work ethics. Hu highlights that, by collaborating with one another to produce subtitles for other Chinese consumers, these fans also "co-produce" global media culture.

In sum, *Popular Culture Co-productions and Collaborations in East and Southeast Asia* is another valuable entry to the currently burgeoning academic field of Asian media and cultural studies. It engages with a number of important historical and cultural subjects by presenting new conceptual methods for understanding processes of international cultural production in the region.

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Organising under the Revolution: Unions and the State in Java, 1945–48

Jafar Suryomenggolo
Singapore and Kyoto: NUS Press in association with Kyoto University Press, 2013, xiii+215p.

Visitors to Lawang Sewu might be confused as to the building's significance. Situated in the heart of Semarang on the north coast of Central Java, the building is Indonesia's most famous haunted house; hence the crowds of domestic tourists. In addition to ghosts, the massive colonial era building is also home to conflicting and competing historical narratives. Once the center of the Dutch East Indies Railway Company, Lawang Sewu was an important site in the history of imperialism and the struggle for independence. Today, as in most of post-colonial Indonesia, the public history monuments in Semarang speak to the role of the military and other state institutions in the revolution. For over three decades, Suharto's New Order promoted this army-centric narrative as the only acceptable story of the revolution. The Suharto regime explicitly rejected the contribution of the Indonesian Communist Party (PKI), unions, and other workers' organization to the fight for "*merdeka*," freedom and independence. In Semarang, the Diponegoro Division army museum and a generic phallic nationalist obelisk dwarf Lawang Sewu's small brick memorial to the railway workers who died fighting in 1945. Nowhere is there a mention of history of Semarang as center for union and PKI organization. Indeed, one has to be extremely attentive to find mention of Indonesian workers in the national revolution. Jafar Suryomenggolo's *Organising under the Revolution: Unions and the State in Java, 1945–48* is an important effort to reframe the narrative and write the worker in the revolution.

Organising under the Revolution is ostensibly a work of labor history. However, the implication of Suryomenggolo's well-researched and carefully argued book go far beyond the specifics of these four years of union activism. This work calls for a reconsideration of the Suharto era paradigm of the army and the state being the primary actors in the Indonesian revolution. He persuasively demonstrates that workers, organized more often as local syndicalist groups rather than in a nationally controlled movement, made independent and significant contributions to both the struggle for *merdeka* and to the creation of a new socio-economic order. Reminiscent of E. P. Thompson's argument that the English working class was at its own making and actually played a role in creating its own identity, Suryomenggolo offers a strategic intervention that situates the Indonesian workers as active players in their own history.

While based upon primary research into the details of labor activism in Central and East Java, *Organising under the Revolution* is also theoretically sophisticated. From the opening sentence the author acknowledges his inspiration came from a reading of Benedict Anderson's *Java in a Time of Revolution* (1972). The influence of Anderson's critical, politically engaged, and intellectually rigorous approach to Indonesian history can be seen throughout Suryomenggolo's work. Both authors recognize the crucial impact of the revolutionary events on the construction of post-colonial Indonesia. Their concern with the details of the revolution is to reinsert the Indonesian workers into a narrative dominated by the state-centric approach. As both the introduction and chapter one, "Organised Labour and the Postcolonial State," make clear, what is at stake is not simply getting the details of history right but rather putting the people's agency back into history. Doing so would return labor's political credibility, something Suharto successfully destroyed. The implications of the book's opening argument are that rescuing the lost history of Indonesian labor would help to revitalize contemporary Indonesian labor activism and organizations. Suryomenggolo's de-centering of the state and de-militarizing of the historical narrative, thus has direct implications for issues of social justice in Indonesia's post-colonial socio-economic order.

The book's next four chapters present Suryomenggolo's research. "Workers' Control and

'Political' Activism" details how spontaneous and autonomous actions by rail, plantation, and oil refinery workers caught the new revolutionary state off-guard. Unable to reign in the movement, elite nationalists had to accept such actions as a fait accompli—at least for the time being. This research carefully details the contributions of labor to achieving independence in moves free of state control that the governing elites decried as "anarcho-syndicalism." The situation set up an eventual state-labor conflict. "The Politics of Labor Union Formation" covers the efforts of the workers to keep control localized in the face of young state system bent on centralization. Perhaps the strongest chapter is "Building up Organisational Strength: The SBKA in Action." Here we see how the Serikat Boeroeh Kereta Api (Railway Workers Union) defended the interests of its members against an increasingly aggressive state, often manifest in the army. The discussion of army on railway worker violence is one section of the book which is meticulously researched. Suryomenggolo details the use of strikes to resist arbitrary violence and authoritarian bullying by local officers. Faced with an internecine crisis, the fragile state was evidently unable to reign in the army but did increase its surveillance of the unions. Intelligence gathering indicated a less than favorable view of autonomous labor. The SBKA also sought to assist the material conditions and economic interests of its members by pushing for a stronger "Rice for Workers" program. The final full chapter "Labour and the Law: *Undang Undang Kerdja* 1948," demonstrates that while unions influenced the first national labor legislation, the state used said legislation to reinforce its dominance over autonomous labor organizations. The paternalist state system defined rights on an individual basis, weakening collective legal identities and limiting collective action. The book ends with an epilogue, conclusion, and appendices on Chinese labor organizations and May Day celebrations. In these final pages we learn that while the state banned strikes in essential industries and government institutions, local army commanders in Java frequently banned all strikes.

This admirable book is difficult to criticize. Theoretically informed, it offers a clear explanation of the significance of this specific historical case study. The supporting research is firmly grounded in archival research in Bahasa Indonesia and Dutch. Perhaps the discussion of the conflict between labor and the army could have been elaborated in more detail. Considering the all-out war on unions and the left that would come under Suharto's New Order, this is an area of great significance. The book is weak on gender history and analysis. Union and state policies towards women are only discussed on two pages in the middle of the book and not in a sustained manner. There are occasional typos and an inconsistency in spelling (for example, "Suharto" on page 50 but "Soeharto" on page 51).

Organising under the Revolution contributes to a variety of subjects and fields. More than just a history of labor, it offers a revisionist narrative to the state centered story of Indonesia's revolution. The book offers important theoretical insights into labor historiography and the nature of post-colonial state systems. With its theory firmly grounded in historically specific examples, the book should be of interest to not just scholars of Indonesia and Southeast Asia, but to those who seek to frame labor history in a global comparative perspective. That said, Suryomenggolo's greatest achievement is to put labor back into Indonesia's history, thus explaining what is missing from Lawang Sewu. As seen on the various popular television shows where adventurers look for ghosts in Semarang's famous haunted house, Suryomenggolo indicates that Indonesian historiography is due for an exorcism.

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An Atlas of Trafficking in Southeast Asia: The Illegal Trade in Arms, Drugs, People, Counterfeit Goods and Natural Resources in Mainland Southeast Asia

Pierre-Arnaud Chouvy, ed.
London: I. B. Tauris & Co Ltd, 2013, x+214p.

In the context of regional integration, Mainland Southeast Asia is subject to considerable economic activity and cross border trade. An intimately related question concerns extra-legal cross-border activities, such as the trade in drugs, wildlife, contraband, and people. The scholarly attention to these topics is rather large both within Southeast Asia and beyond. However, few attempts have been made in bringing together these different forms of "trafficking," both conceptually and empirically. This is what *An Atlas of Trafficking in Southeast Asia* attempts to do. As editor Pierre-Arnaud Chouvy makes clear in the introduction, the aim is not merely to juxtapose these different forms of trade, but to "provide a regional and systemic understanding of the variety of smuggling and trafficking activities" (p. 3) as well as illuminating synergies between them.

The book brings together several authors with considerable expertise within the region. The various chapters cover diverse topics such as the trafficking in drugs, arms, logging, wildlife, counterfeit goods, and humans. These different forms of trade are supplemented by several colorful maps which visualize trafficking routes and patterns in Mainland Southeast Asia. One of the key claims the book is making is that there is considerable overlap between these trade routes and that they have significant historical trajectories. For example, as argued by David Capie, one cannot appreciate the arms trade in Mainland Southeast Asia without considering the post-conflict situation in several of the countries. Similarly, the contemporaneous drugs trade can only be understood in light of previous drug economies which were often blessed and even actively encouraged by Western powers.

The book is rich in detail and one of its main strengths is its illumination of the various connections between these different economies. In Burma, a country which is subject to considerable inter-ethnic tension, semiautonomous armed groups depend on drug production; similarly drug reduction policies in Thailand are directly related to out-migration, prostitution, and human trafficking in Northern Thailand.

All the chapters consider policy implications. It would have been interesting if the policy implications of regulation and prohibition had been analyzed more explicitly in a comparative framework. For example, Vanda Felbab-Brown's discussion of the certification of logging (p. 134) raises extremely interesting questions in terms of how this relates to its labor-equivalent (i.e. current certification of labor recruitment firms in the context of legalizing labor migration between Thailand and several of its neighbors).

The conceptual framework, which is outlined in the introduction, relies on Willem van Schendel and Itty Abraham's influential book *Illicit Flows and Criminal Things* (2005), where a key conceptual heuristic is the interrelation between the (il)legal and (il)licit. A key concern of Schendel and Abraham's work is to critically interrogate the inherent state-ism which is commonplace in much analysis of trafficking and smuggling. For this reason one must avoid treating concepts, such as "illegality," as self-evident. Although *An Atlas of Trafficking* is often similarly critical of such concepts, it commonly slips precisely into "seeing like a state" (Scott 1998) in the way it maps trafficking practices in Mainland Southeast Asia. For example in the context of human trafficking, it argues that it is necessary to examine trafficking routes and key border sites. But this is to echo the state's vision of trafficking which privileges state-borders over the work conditions of migrant laborers. The danger here is ironically (yet fortunately) illuminated by David Feingold in his chapter on human trafficking. It is the fixation with border control in the combat against trafficking, Feingold argues, that is precisely one of the reasons why mobility which is often licit, yet technically illegal, has become more dangerous for young migrants in the region. The state-bias resurfaces throughout the book (many of the chapters consider policy interventions that are largely discussed along these lines), and concepts, such as "illegality" and "the state" are often presented as self-evident.

This conceptual problem is not helped by a rather unclear exposition of "trafficking" and "smuggling." Smuggling is simply defined as "the importation and/or exportation of legal goods contrary to the law . . ." (p. 5); conversely, trafficking constitutes "trade in goods that are illegal per se—that is, a trade therefore illegal by definition" (p. 5). Again, human trafficking exemplifies how this is highly problematic. It is now well-established that human trafficking often starts off as voluntary, but it is later on in the recruitment process (often at the workplace) where questions of non-consensual labor emerge. At what point, then, does human trafficking become "illegal?"

Conversely, does that mean that smuggled people can—in a rather oxymoronic fashion—be thought of as "legal goods"? And what about the large body of research that shows how exploitative labor and trafficking may involve perfectly legal recruitment chains that involve the use of passports and working permits? Part of the problem here is that human trafficking discourse blurs the distinction between person and things (Kopytoff 1986). In other words, trafficking in persons intertwines notions of commodification with questions of *labor*. This in turn raises complex questions regarding markets and the role of the state that could have been more clearly elaborated in the book. The result is that the task of mapping trafficking carries a somewhat equivocal tone throughout many of the chapters.

The book is rather uneven in terms of methodological considerations. There is a puzzling double argument unfolding. Throughout, criticism of the dubious reliability of data reported on by government, aid organizations, and media is provided. Yet, several of the authors tend to rely precisely on this body of source material to advance their points. The methodological problems with such as "dustbag" approach (Anderson 2008) are fairly well known. The accompanying maps are given no methodological explanation, making it impossible for readers to assess their validity. Indeed, I was somewhat struck by the numerous unsubstantiated claims made in many of the chapters. For example, in the chapter on arms trafficking we are told:

> There are also sophisticated local and transnational criminal networks that are involved in a range of illicit activities, including drug trafficking, the illegal movement of people, money laundering, counterfeiting and extortion. (p. 92)

The claim may be plausible. But given that the book examines a topic that is widely understood to be clandestine and highly politicized, it is surprising that the volume, which aims to provide a systematic overview of routes, trends, and synergies, does not substantiate these sorts of claims more strongly. No doubt, studying extra-legal trade is very difficult, but evidently there are several academics who have gone well beyond newspapers and secondary literature on this topic (Nordstrom 2007; Zhang and Chin 2002; Scheper-Hughes 2000).

Many of the chapters are on their own terms useful and insightful, such as Bertil Lintner's discussion of local practices of corruption in Thailand in the context of counterfeit goods and contraband. However, the tremendously fascinating and important comparative study which this book has initiated ought to be elaborated further with a clearer conceptual and methodical consideration, so a more lucid explanatory accounts can come to light.

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Consoling Ghosts: Stories of Medicine and Mourning from Southeast Asians in Exile

Jean M. Langford

Minneapolis: University of Minnesota Press, 2013, vii+263p.

Consoling Ghosts focuses on how Southeast Asians in the United States—Khmer from Cambodia, and Hmong, Kmhmu, and Lao from Laos; all refugee emigrants from US wars in the region—engage with death, ghosts, spirits, and souls. Jean Langford's study was initiated when the research unit of a hospital in the United States hired her to interview Southeast Asian emigrants about their ideas concerning death. The idea was that each ethnic group had its unique ideas about death, spirits, and such and that the hospital stood to benefit from knowing the key to each culture. The reader does not learn the details of that initial research (location, duration, or results). Instead, the book is a rich exploration that draws on Langford's change in focus. She found no particular value in the quest for ethnically specific cultures, and shifted to her own study of how people manage the ethics of life and death.

The Southeast Asian materials come from interviews—aided by translators fluent in the four Southeast Asian languages—and the ethnographic literature on the region. These are framed by people's engagement with hospital and hospice care, particularly the repeated frustrations generated by the expert management of death that precludes Southeast Asian engagements with the dying person, the dead body, and the soul of the dead. The material is interspersed with western theory (Sigmund Freud on the uncanny, Michel Foucault on biopolitics, Giorgio Agamben on thanatopolitics, and so on) and Jean Langford's own experiences of death and loss. The book's sometimes-heavy academic tone is balanced, between chapters, by poetry; Kmhmu ritual chants, more self-conscious Southeast Asian émigré reflections on war and exile, and a western doctor's reflections involving some Southeast Asian patients. "By evoking the possibility of haunting, emigrants call spirits as witnesses to violations of the dead in wartime Asia that resonate with similar violations within U.S. institutions. Rather than read the violations of the dead as metaphorical of violence against the living, I understand them as metonymic of a pervasive tendency within thanatopolitical regimes (in which I include war and state terror alongside medicine and mortuary science) to foreclose social interchange between living and dead" (p. 4).

Chapter 1 brings up the importance of dealing with ghosts of war, through interaction, ritual, and exchange. This is in sharp contrast to the prevailing focus on truth-telling and reconciliation as the adequate closure to wartime. In the stories that Langford heard from Laos and Cambodia there was an excess of suffering and death. No one appears consoled by telling the stories. Instead, the suffering that the Southeast Asian wars triggered appears accentuated "by the everyday violence of minoritization, poverty, and social fragmentation in the present" (p. 47). Chapter 2 introduces ideas of place spirits (*neak ta, phi ban*) and various creatures on the borders of animality. Such discussions never stray too far into ethnographic detail and instead trigger strings of theoretical associations: were-tigers and water serpents evoke Agamben on "bare life," Derrida on stealthy wolves, and Deleuze and Guattari on "becoming-animal" (pp. 65–70). In one recollection, a log hit a boat carrying people across the Mekong River as they fled Laos at the end of war. The teller of the event was eerily aware of the power of *phi-ban* place spirits, but for Langford it occasions recall of what Sigmund Freud said of the uncanny and what Dipesh Chakrabarty observed regarding the chance of encountering spirits in modern life (p. 71). But in the context of state violence even spirits suffered; interviewees from both Cambodia and Laos mentioned that the spirits communicated their inability to protect their constituents when Buddhist monks and various spirit mediums were being harassed and persecuted by the authorities (p. 73).

Chapters 3 and 4 bring out various dimensions of how hospitals in the United States control death and constrain how people can engage with it, such as by separating family members from the dying person and insisting on full disclosure of terminal diagnosis to the patient in ways that are disagreeable within Southeast Asian communities. These dynamics have created mistrust among many emigrant communities, and the study brings out some fundamental tensions between the negotiation of soul-stuff and the emphasis on individual autonomy and rational decision making. The "cultural" framework of much hospital work does not get characterized as just another perspective; biomedical control takes its own rationality for granted. Langford's study shows some of the cultural presuppositions of Euroamerican engagements with death and mourning, including an expectation of a soul that is in the body during life and leaves at death. Southeast Asian notions of souls and the need to tend to them, sometimes to call them back, and then to send them on at death rest on different premises. Death in one scheme leads to loss and bereavement and in the other, to a funeral ceremony that may go on for days and is in part intended to reorient a soul now that it is no longer among the living.

Souls, ghosts, and exchanges are prominent in chapters 5, 6, and 7. What emerges in these chapters is a set of related ideas that crosscut any difference in ethnic culture. There are various Southeast Asian commonalities that the anthropological focus on ethnic specificities has often ignored. Langford's point is not to reassert areal anthropology but rather to juxtapose Southeast Asian materials with Euroamerican ones to examine bioethics and alternative engagements with life and death. In the aftermath of Asian wars and in the contemporary US context, the Southeast Asian dead appear cut off "from a reassuring participation in daily life, too often inconsolable and therefore without the power to console" (p. 207). The study strikes various balances among Southeast Asian worlds, contemporary western lives, medical practice, and academic orientations, including a welcome move to use Southeast Asian ideas about souls, spirits, and were-animals to put western theory in its place, regarding the recognition of "concrete socialities of living and dead [and the occasional] violation of those socialities" (p. 165).

In the afterword, on the status of ghosts, Langford offers creative play on the binaries of ghosts and guests, and ghosts and ancestors; "the literality of the ghost pulls at certain central thread of biopolitical theory, tending to unravel it" (p. 215). She is clear and sympathetic to the need to engage with the dead on terms other than the predominant Euroamerican one. While she tends to highlight how hospitals assert particular measures of control over life and death, some of the characters in her study suggest alternatives. One is a certain Dr. Stoltz who has long worked with Southeast Asian patients. With his Southeast Asian-language interpreters he has arrived at various creative ways to sidestep the confines of biomedical culture and its discursive regimes of control, in ways that have often surprised him. New options emerge when doctor and patient exchange messages that cannot be translated directly and people instead have to negotiate their differences toward an outcome that somehow facilitates each side toward a positive and agreeable goal (pp. 40–51, 204, 214–215). To me, these improvised balancing acts offered an unexpected parallel to the Southeast Asian engagements with souls and ghosts that Langford describes and analyzes.

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Thailand's Political Peasants: Power in the Modern Rural Economy

Andrew Walker
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This is a very important book for understanding political conflict in contemporary Thailand. The stated aim of this book is to investigate "the underlying economic, political, and cultural processes that contributed to Thailand's contemporary contests over power" (p. 5). To achieve this aim Walker examines "rural transformations that have produced a major new player in the Thai political landscape: the middle-income peasant" via ethnographic engagement in Ban Tiam, a village of 130 households in Chiang Mai province, a major town of Northern Thailand (p. 5). Walker argues that "in order to understand the politics of Thailand's middle-income peasantry—including its strong electoral support for Thaksin's populist policies, the political passions that brought the red shirts to Bangkok, and the electoral triumph of Yingluck Shinawatra—it is necessary to address how power is perceived in a context of rising living standards and a transformed relationship with the state" (pp. 5–6).

According to Walker, most Thai peasants are no longer poor. In the 1960s some 96 percent of rural households were living below the poverty line. However, sustained economic growth since then helped to reduce the number of poor rural households to 10 percent in 2007 (p. 39). Thailand's poverty line in that year was 57,000 baht per household per year (p. 41). Annual income of rural households was 187,000 baht in the Central Plains, 175,000 baht in the South, 166,000 baht in the Northeast, and 160,000 baht in the North (p. 39). As a result, "In most areas of rural Thailand, the primary livelihood challenges have moved away from the classic low-income challenges of food security and subsistence survival to the middle-income challenges of diversification and productivity improvement" (p. 8). Most Thai middle-income peasants engage in farming and non-farming economic activities. Only some 20 percent of rural households rely solely on agricultural income. More importantly, "nonagricultural sources of income have proliferated and they are now more significant than farming for a great many rural households" (p. 8).

The emergence of middle-income peasants mentioned above is a result of state support for rural development. Worried about the spread of communist influence in the countryside, in the 1950s and the 1960s Thai governments started to invest in rural areas aimed at improving the living standards of peasants. A program of investment in rural development was laid out in the first National Social and Economic Development Plan (p. 49). In the 1970s pressure from politically assertive peasant movements and the victory of communist revolutions in Indochina saw the Thai state increase its efforts to win over rural populations. Since then, argues Walker, "there have been important long-term shifts in the fiscal treatment of the countryside, laying the foundation for the emergence of a middle-income peasantry" (p. 50).

Such policy alters state-peasants relationships in areas ranging from taxation to subsidies (pp. 8–9). Agricultural tax, such as the rice premium, which taxed rice exports to generate state revenue and reduce domestic rice prices, was abolished in 1986 (pp. 49–50), while the government invested heavily in rural development. Apart from infrastructure, government supported farmers on price, credit, land tenure, health, education, and welfare among others (p. 56).

Despite the significant improvement of living standards in rural areas Walker argues that disparities in income and living standards between rural and urban populations are widening. The income gap between the richest 20 percent of the population and the poorest 20 percent rose from 8 times in the 1970s to between 12 and 14 in the 2000s. The average household in Bangkok is about three times higher than in the rural northeast and the north. "Although the national (and rural) poverty rate has declined dramatically, poverty is still about ten times more prevalent in the north and northeast than it is in Bangkok" (p. 45). Walker has pointed out that inequality in Thailand is not the product of surplus extraction by dominating elites. The cause of this disparity lies in uneven economic development. While labor productivity in agriculture is quite low, labor productivity in industry increased rapidly during the economic boom from the mid-1980s to the mid-1990s. Labor productivity in industry was about 8 times higher than that of agriculture in 1980 and the number increased to 16 times in 1990. This difference in productivity led to a difference in wages paid in the agricultural and industrial sector. For example, in 2006 wages in agricultural sector were only 44 percent of those in manufacturer sector (p. 48).

Income disparity has caused discontent among peasants, who have pushed for a fair share of the benefits of economic development. Peasants' bargaining power is enhanced by socio-economic transformations in recent decades. As Walker puts it, "the forces of socioeconomic modernization that increase disparity also increase the power and eloquence of rural political opinion" (p. 48). Such transformations have helped to improve rural education, communication, and mobility. Urban-rural linkages not only supported the likelihood of diversification, promoted new forms of consumption, and blurred spatial distinctions, but also enabled rural dwellers to compare their disadvantages with affluent urban populations. "This heightened awareness of inequality can easily undermine some of the satisfaction gained from improved quality of life" (p. 48).

As we have seen, on the one hand, economic development in Thailand helps to reduce rural poverty and turns a majority of the rural population into middle-income peasants, yet on the other hand, it creates and fosters income disparities between urban and rural populations. For Walker, such a dilemma of uneven development is the root cause of the current political tension in Thailand (p. 220).

To improve their situation, peasants are seeking support from the state. They expect that "the state will improve its efforts to enhance rural livelihoods, reduce inequality, and provide a secure backup when experimental engagements with private capital fail" (p. 221). According to Walker, weaving the power and resources of the state into the economic and social fabric of village life is central to peasants' political strategies (p. 221).

Thaksin Shinawatra recognized the needs of peasants and shaped his policies around their aspirations. As a result, he received strong support from peasants in the 2001, 2005, 2006 general elections (p. 221). However, Bangkok elites and intellectuals condemned the immorality of Thaksin and the electorate that had voted him into power (pp. 23–24). Bangkok elites prefer a "civil society" that emphasized law and institutions over rural "political society" characterized by "special interests, personal ties, a plethora of programs serving specific population groups, charismatic and controversial personalities, and recipients who are skilled in negotiating access to the state's resources" (p. 22).

The 2006 elite-backed coup ended the relationship between Thaksin and rural political society. In the post-coup period we have seen political conflict in Thailand centered around the contest of power between elites and peasants who mobilize under the banner of the Red Shirts. Contemporary peasant mobilizations, argues Walker, are the actions of rural political society to defend its relationship with the state. As he makes clear, "The red-shirt protesters have been defending political society's direct transactions with power in all its regular and irregular forms and rejecting the view that economic development and other matters of state should be guided by the elite embodiments of virtuous power located in the nation's capital" (p. 223).

The above account is the main argument of *Thailand's Political Peasants*. The book contains interesting evidence, analysis and insights on rural transformations and political contestation in contemporary Thailand that will be of benefit to students and scholars of Thai and Southeast Asian studies.

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Global Movements, Local Concerns: Medicine and Health in Southeast Asia
Laurence Monnais and Harold J. Cook, eds.
Singapore: NUS Press, 2012, xxxi+290p.

This edited volume contributes to the growing scholarly literature dealing with the history of medicine. The editors collaborated with 12 scholars of Southeast Asia to come up with an 11-chapter compilation dealing with six countries, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. This is a difficult task to perform, as most scholarship tends to focus on one Southeast Asian country or a comparison between countries with similar histories, given that a characteristic of Southeast Asian countries is their diversity.

The volume begins by deconstructing the prevalent notion that the term "Southeast Asia" was constructed by North American scholars and its allies during the Second World War as a way to group the countries into "a community of nation-states." Southeast Asia, to quote Benedict Anderson, is an artificial construct and the region is "remote, heterogeneous, and . . . imperially segmented" (Anderson 1998, 5). Another strategy has been to group these countries according to the influences of the region's powerful neighbors, China and India. However, this proved to be insufficient with the migration of Arab, Chinese, and Indians to various countries fostering an image of "plural societies." It was only with the introduction of the Braudelian view of long durée—researching one topic over an extended period of time and analyzing material culture in the context of global history—that a framework for studying Southeast Asia as a whole became possible.[1)]

The editors of the volume make clear that the chapters deal with issues of health rather than disease in the countries involved. The chapters avoid dealing with "colonial medicine," and focus on the development of "modern medicine." Hence, instead of colonial masters imposing their policies upon the locals, the chapters examine the negotiations between colonial masters and locals and the appropriation of medical practices and policies within a local context.

This is a welcome compilation for Southeast Asian scholars and those who study the history of medicine due to its ambition in attempting to tell the history of Southeast Asia using micro-level narratives and social histories. However, one of the main issues that arise out of any compilation on the history of Southeast Asia is the difficulty in grappling with the diversity that exists in region. This difficulty makes itself felt in the compilation and can be seen in the confusing order of the chapters from what initially seems to be chronological (chapters 1 to 8) to an abrupt transition to the modern period with chapter 9, and then back to a chronological order with chapters 10 and 11.

Thomas B. Colvin's study deals with the expedition of Francisco Xavier Balmis, a doctor to the Spanish court who proposed to bring the smallpox vaccine to all of Spain's colonies. The Balmis expedition brought the vaccine using the "human chain" method, which meant transporting a number of healthy young boys who had not been exposed to smallpox and transferring the vaccine from one boy to another until they arrived at the final destination. The Spanish monarchy approved the expedition in order to increase the population of the colonies that had been afflicted by smallpox and stimulate economic activity in the colonies. Despite encountering problems not only with the locals, but with the Spanish as well, the expedition was successful and would have further influence within the surrounding countries.

C. Michele Thompson narrates how the Nguyen Dynasty addressed the problem of smallpox and how officials transported the vaccine to Vietnam from France. The smallpox vaccination project was a long-term policy; however, the methods in transporting the vaccine introduced by the French proved to be unsuccessful, since it was brought via glass vials, which failed to preserve the live virus on its journey through the summer heat of the South China Sea. With the success of the Balmis expedition, the Nguyen court negotiated with the Spanish to obtain samples from Macao. The negotiations were successful, and the vaccine was transported safely to Vietnam.

Liew Kai Khiun's study examines the Rockefeller Foundation's (RF) International Health Board and assesses the influence of America in Southeast Asia. It tries to deconstruct the idea of the Americanism of the foundation as a form of imperialism, such as its anti-hookworm proposal

1) Taken from the citation of the compilation. For instance: Crosby (1986), Grove (1997), Zuckerman (2000), Elvin (2004), Cook (2007).

to the colonial officials of the Malay states. The study tries to differentiate the RF project from that of "colonial medicine," given that RF relied heavily on consultations with local players and their monetary contributions as well as community mobilization. For example, the hookworm campaign implemented in Singapore and Thailand promoted medical research and education, and thus helped finance medical colleges. This project was able to popularize the ethos of western public health in Southeast Asia.

Annick Guenel studies the 1937 Bandung Conference on Rural Hygiene held by the League of Nations Health Organization. The conference gathered together various Asian countries to discuss and deal with issues on rural hygiene and asked each country to survey and provide a country report on health and medical services, rural reconstruction and collaboration of the populations, sanitation and sanitary engineering, nutrition, and measures for combating diseases. The reports presented by the countries carried varied information, given the reluctance of local authorities in their countries to disclose the information requested of them. Another issue was that of cooperation involving regional public health officials and local communities. The body identified the following as primary problems in the implementation of programs in the countries: peasant apathy, customary habits, and local superstitions and religious beliefs.

Raquel A. G. Reyes provides a smooth transition in the book with her study on midwifery in nineteenth century Philippines. Her chapter addresses issues regarding the mistrust harbored by Western medicine towards the practices of local midwives, who were also attacked by western-trained Filipino doctors. While the chapter deals with the concept of science versus superstitions, which is not unique to the Philippines, Reyes further develops her argument from a gendered perspective: most midwives were women and criticism of these women could be seen as a form of colonization of their bodies (both the midwives and pregnant women). Despite the concern with safety exhibited by Western medicine with regards to childbirth, the severe lack of trained professionals allowed for the continued existence of these midwives.

Liesbeth Hesselink continues on the same thread as Reyes in the context of the *Dokter Djawa* and the *Dukun*. The *Dokter Djawa* or locally born, Western-trained physician, was a creation of Dutch colonial rule. The Dutch sought to increase the numbers of trained professionals to service the populace of Indonesia. The *Dokter Djawa* occasionally used treatments prescribed by the *Dukun*. Furthermore, due to issues of trust, locals preferred to deal with the *Dukun*, who was a local medical provider capable of restoring spiritual potency that they believed to be the root cause of illnesses. However, the *Dukun* also realized the limitations of their abilities, and would occasionally ask for help from *Dokter Djawa*. Thus, we see in the Indonesian context an interesting coexistence between the *Dokter Djawa* and the *Dukun*.

Ooi Keat Gin's chapter deals with the anti-opium movement and its effect on the diasporic Chinese communities in Malaya. Western-trained Chinese physicians attempted to combat the practice of opium smoking by promoting the idea that it was bad for Chinese nationalism because it promoted weakness and was a source of criminality. However, these anti-opium advocates went against a complex structure that included fellow countrymen and British colonials who were involved in the production and trade of opium. Nevertheless, the campaign played its part in eradicating the practice from British Malaya.

Michael G. Vann's chapter looks at the policies by which the French organized the city of Hanoi. The French embarked on developments and infrastructure within their settlements while leaving the fringes—where the Vietnamese were residing—to their own devices. Hence, during an epidemic, one would find discrepancies in the implementation of policies based on their location. The source of the epidemics originated from locals living in the peripheries, since infrastructure which promoted health and hygiene was grossly lacking within these areas. The failures of the colonial government were aggravated by policies such as forced inoculations, the examination of the dead and the criminalization of the sick among the Vietnamese, all of which provoked resentment and non-compliance.

An advantage of two interrelated chapters would be the ability to cover points that each individual chapter failed to discuss, although there is also the risk of needless repetition of the points discussed in a chapter, as with the chapters by Colvin and Thompson. Furthermore, one of the aims of the compilation is to move Southeast Asian studies beyond colonial history. Despite the efforts of authors to deconstruct the activities of the colonizers or international organizations such as the RF, traces of imperialism or neo-imperialism remain, since the solutions themselves come from the colonizers and organizations who did not "impose" their ideas, but rather "negotiated" with the local populace.

Yu-Ling Huang's chapter abruptly jumps to the contemporary period, thereby breaking away from the flow of the previous chapters. Huang provides a history of the HIV/AIDS issue and how it was addressed by various agencies and NGOs in Thailand from the 1980s to 2000s. The issue was compounded by the sex tourism industry, and transmissions were largely due to unprotected heterosexual sex. Although campaigns for the use of condoms were launched and generally successful, new cases still emerged and led to the development and importation of medicines to treat HIV. Since Thailand could not manufacture or import cheaper medication, there were still a significant number of deaths. Trade pressures by America via the US Trade Representative and the formation of a global patent regime prevented the Thai government from obtaining better access to HIV/AIDS medications.

Ayo Wahlberg also focuses on the modern period with his chapter on the developments of "Western" and "Eastern" medicine in medical practice in Vietnam. In 1955, through the efforts of President Ho Chi Minh, the use of traditional medicine was promulgated with the establishment of institutions for research, development, and use of traditional medicine. One reason for such a movement was to promote national identity by "de-colonizing" all aspects of Vietnamese society including medicine. The chapter explains the battle of the Vietnamese government against "backwardness," including health practices that complemented the move towards research on medicine with which people are familiar. The program is not a movement to criticize old practices and medicines, but rather to re-educate Vietnamese people towards better health practices and rediscover effective traditional medicines.

The final chapter is on Thai medical historiography. Chatichai Muksong and Komatra Chuengsatiansup look into the histories of Thailand to uncover narratives relating to medicine and public health. Prior to the colonial period, most texts relating to medical knowledge were derived from Buddhism. With the advent of the West colonizing Southeast Asia, there was a surge in the number of Western medical practitioners in Thailand. Rather than being overwhelmed by this new knowledge, the elite attempted to utilize it to further legitimize themselves. This relates to the previous chapter where localization of imported knowledge and practices occurred. The changing political environment of Thailand was accompanied by a subsequent shift from elite medical narratives to their democratization, not only due to the Westernization of Thai medical practices, but also owing to increased access by the general public to medical knowledge through medical schools.

The shortcomings of the book do not detract from the fact that each chapter presents a new perspective in Southeast Asian historiography that goes beyond the colonial framework. However, this does not mean that a Southeast Asian compilation by multiple authors is not with difficulties. A successful example would be Norman Owen's edited volume entitled *The Emergence of Southeast Asia: A New History* (2004). As such, owing to the variety and discontinuity of some chapters, one might better appreciate reading the pieces in this volume individually.

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Contestations of Memory in Southeast Asia
Roxana Waterson and Kwok Kian-Woon, eds.
Singapore: NUS Press, 2012, vi+300p.

Is memory a cul-de-sac?

At long last, an anthology of case studies on social memory used the frame that defined memory studies in the 80s and 90s. At that time, when memory studies became popular, the literature were mainly concerned with invented traditions and the problem of nation-building (Hobsbawm and Ranger 1992; Hutton 1991), memories of the Second World War in Europe, etc. (Adorno 1989; Bourget *et al.* 1990; Olick and Robbins 1998; Climo and Cattell 2002). In this book, we can see the lineage of that earlier scholarship and how it is applied to the Southeast Asian region. Overall, the book is notable for its rich mix of talents and topics relating to the vicissitudes of how crucial historical events in the region are remembered by, inter alia, individuals, social groups, communities, and nations. Likewise, the book offers a wide diversity of empirical studies in an effort to elaborate the fusion between historically and geographically specific case studies with memory studies. The book is thus a significant contribution to the vast scholarship on memory.

In approaching the study of memory in Southeast Asia, the book highlights tumultuous events of the last century, thereby anchoring the book to the larger themes that have characterized memory studies: trauma and identity. Specifically, the book highlights the tensions inherent in memory studies between psychological or individual and collective approaches, between the popular and the official, between forgetting and remembering, and between dominant or suppressed narratives. The book is divided into three parts: the first offers a theoretical formulation of memory studies and tries to link this with other disciplinary approaches to the study of memory such as history, sociology, anthropology, and politics. The next two parts are empirical studies dealing with the stories of nations, destinies, and identities (Part II) and those concerned with traumatic memories of select groups and specific historical events (Part III).

Articles in Part I focus on memories of individuals and how they impact on national history and historiography. In Chapter 2 ("Remembering Kings: Archives, Resistance and Memory in Colonial and Post-colonial Burma") British colonial administrators in Burma, in dealing with the Saya San Rebellion of 1931–32, framed the event as a revolt whereby Saya San (Teacher San), a monk who claimed supernatural powers and monarchical ambitions, incited naïve (read "pre-rational") peasants to revolt as a means to justify the state's suppression of dissenters. Instead, as author Maitrii Aung-Thwin shows, the rebellion was not about rallying peasants incapable of modern political discourse and restoring an abolished monarchy to prevent Burmese unity, but rather a result of the peasants' increasing economic marginalization brought about by onerous tax policies.

Ong Keo, a member of the Nge ethnic minority and regarded as a national hero in the aftermath of the victory of the Lao revolutionary forces in 1975, is the central figure in Chapter 3 ("Shifting Visions of the Past: Ethnic Minorities and the 'Struggle for National Independence' in Laos"). Fighting the aggressors (French), imperialists (American), and their local lackeys (a right-wing monarchy), Ong Keo became a source of identification for the Nge community as they formed part of the Pathet Lao's narrative whereby "heroic provinces" became an essential element in the struggle for national liberation. With the passing of time, however, orthodox communist renditions of history have taken a back seat to "more purely nationalist sources of legitimization" (p. 84). As author Vatthana Pholsena observes, Buddhism, previously identified with the rival Royal Lao Government, has been relegated to the so-called dustbin of history in the decades following the Pathet Lao victory in 1975. However, the changing political and economic environment has altered the party-state's historical narrative. The revival of Buddhism as a potent symbol of national identity at both the popular and state levels had brought to the fore the link between Buddhism and socialism. Furthermore, Laos' economic liberalization has opened the country to the benefits of external trade as well as opportunities for its citizens beyond the avenue provided by the single party-state. As a result, the article concludes that "history as written by authoritarian states constitutes the most extreme example of a highly selective, if not distorted, representation of the past. History must be 'correct', that is, it must legitimize the leadership's rule" (p. 83).

Corollary to the preceding article, Vietnam's attempts to reconstruct an official and patriotic memory of the "American War" has not brought about the patching up of the country's ideological and geographical divide after reunification in 1975, but instead has created more ruptures. Monuments and historical narratives that extol the North Vietnamese army and the southern National Liberation Front only betray the difficulty of remembering the opposite side: the soldiers and supporters of the former South Vietnamese regime. Sharon Seah Li Lian's "Truth and Memory: Narrating Viet Nam" (Chapter 4) highlights the complex relationship between truth, memory, and history, i.e. the telling of one story occludes another, that the "already said" conceals the "never said" (p. 5). As the author concedes, the search for truth would not yield a single historical narrative. History should then be a knowledge-producing process or uncover other narratives to make possible the inclusion of other representations, even if they contradict the dominant narrative.

The theme of how memory is shaped by a changed political and economic setting is repeated in Ricardo Jose's rendition of memorial and commemorative events relating to the Second World War in the Philippines in Chapter 7, "War and Violence, History and Memory: The Philippine Experience of the Second World War." If US intentions to liberate the Philippines from Japanese occupation were seen as altruistic and necessary, by the 1970s these motives were now reinterpreted under the rubric of imperialism. The streak of nationalism and radicalism that swept the Philippines at this time, coupled with the disillusionment of Filipino veterans with getting back pay (financial remuneration for serving under the American flag) plus the payment of reparations by Japan and the latter's increasing role in the economic recovery of the country further complicated the memories of the war. Moreover, the tensions between official and popular memories of the war were managed by the state in official commemorations of the event in order to dovetail them it with its interests in foreign relations.

However, the succeeding articles that were framed by psychological approaches are not that convincing as far as utilizing the explanatory power of memory studies in understanding these watershed events are concerned. There is a tendency to overstate the topics or to infer a general narrative from very little historical information, a drawback to specialists on the topic. For example, the reader may wonder how representative are the experiences of three wives compared to the thousands of wives whose husbands suffered persecution in the aftermath of the "1965 Event" in Indonesia (Chapter 10).

Ironically, the book exhibits an inherent aversion to history. While the anthology is filled with historically momentous events, the editors juxtaposed memory studies with what may now be regarded as "traditional" history. For example, "although historians have often claimed for their craft a greater objectivity and accuracy, in contrast to memory, which is seen as unreliable and partial, it is clear that much historical writing has itself been driven by mythical meta-narratives concerning issues such as national 'destiny'" (p. 25). This makes the reader wonder whether the book may have overlooked the many developments in the field of history since the 70s and 80s which profoundly altered the way history is conceived and written. Since then, much of the younger generation of historians has discarded this positivist type of historicizing. And if the book and some scholars of memory studies took a labyrinthine and verbose path of making this point, by elaborating arduously how memories become malleable, contested, and negotiated, historians would simply retort with their dictum "there is only one past but there are many histories!" Indeed, much has changed between the time the book was published and the time when the works cited in the theoretical part and in some of the chapters were being debated.

After reading the anthology, a reader is likely to ask: is memory studies a cul-de-sac, a trap with no exit? Is scholarship on memory studies characterized only by relentless and seemingly never ending contestation? Although the book has amply demonstrated and accomplished what it has set out to do, the question of what happens now to these contested memories is left hanging. It may be said that contested memories can be a good starting point in bringing them to public attention. However, the reader may find it difficult if in the end, memories are simply posed as a problematic. For several years now, other scholars of memory studies, sometimes in collaboration with legal experts and human rights advocates, have grappled with how to address the issue of repairing historical injustices and making memory a tool for redress and reconciliation (Torpey 2003; Hayner 2001; Minow 1998). The main drawback of the book is that it comes too late, and is published at a time when the study of memory has shifted beyond questions of meaning and identity to exploring various modes of redressing injustice. It must be stressed, however, that the book is commendable for putting together a highly interesting anthology that navigates the terrain of Southeast Asia's contentious past. The book includes many chapters that are of interest to both specialists and non-specialists alike and provides important reading material for the study of the history of modern and contemporary Southeast Asia.

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Space and the Production of Cultural Difference among the Akha Prior to Globalization: Channeling the Flow of Life

Deborah E. Tooker

Amsterdam: Amsterdam University Press, 2012, 344p.

The Akha were the last highland group to move to Thailand in substantial numbers. On reaching Chiang Rai, where almost all their villages are now located, they were obliged to settle in areas passed over by the groups that had preceded them. When I participated in an evaluation of an indigenous Akha NGO, the Development and Agricultural Project for Akha, in the early-1990s, their relatively late arrival and the generally remote location of their villages seemed to significantly contribute to the difficulties they were facing. Following visits to most of the Akha settlements in the province, the evaluation team could not identify even one thriving village self-sufficient in rice that was not beset with such challenges as the lack of citizenship for its members, victimization of its women such as through commercial sex, and high rates of HIV.

There are indeed thriving villages in neighboring countries at the present time, such as in Mong Long District of Luang Namtha in Laos and in the Mong Pawk area of the Wa Region in Myanmar where the villagers enjoy rice surpluses, sell handicrafts and forest items, and remain relatively free of such problems as sexually transmitted diseases (STDs) and social challenges. However, in Thailand since the 1990s, this has no longer been the case, with most villages suffering food shortages, the threat (sometimes the reality) of being expelled from the country, and obstacles in accessing the public education and health care to which citizens are entitled.

In *Space and the Production of Cultural Difference among the Akha Prior to Globalization*, Deborah Tooker reviews Akha spatial practices from 1982 to 1985. At this time, there were sustainable and thriving Akha villages in Thailand. Focusing on the use of space and how this delineated differences between the Akha and neighboring groups, she has written a focused ethnography on the Akha of the sort that is going out of fashion in anthropology that is increasingly dominated by postmodernist approaches.

This time frame, 1982–85, coincides with the start of her "participant-observational fieldwork" (p. 13) among the Akha, particularly the Loimi sub-group near Mae Sai. In 1985, not only did her initial fieldwork come to an end but she also observed "serious structural discontinuities" (p. 13) that the reader is obliged to conclude were to unsettle the practices she observed during her fieldwork. This year is also when "globalization" began to impact upon the Akha. Although she never defines globalization (despite its use in the book's subtitle and its absence from the index), it indeed refers here to increased lowland and official Thai government mandates in the Akha hills. More specifically, globalization here refers to "the expansion of capitalism and the nation-state into the Northern Thai uplands" (p. 214).

As explained in Chapter 1, the author studies the use of space among the Akha using three interpretive frameworks. These are "the cultural meaning of space," "the relationship of that meaning to regional meaning systems," and "larger comparative and theoretical discussions about the meaning of space in relation to economic and political contexts . . . and identity construction" (p. 21). She explains that her focus is on space because it is "actively produced by social agents" (p. 24) and contributes to cultural differences between the Akha and others. Tooker contends that space is used by the Akha to access the "life force" that she calls "potency" (translated from the Akha term, *gýlà*). She explains that potency is the force that "maintains, and indeed, serves to construct 'Akha' as an autonomous identity" (p. 42). She explains that potency provides access to a "cosmic energy" that maintains and creates social hierarchies both within Akha society and between the Akha and other ethnic groups (p. 24). Spatial practices (or tactics) include the relationship established between the center and the periphery and the direction in which certain features, such as houses and gates, are placed.

She explains further that some may disagree with her viewing the Akha as a bounded culture; yet she takes this view because the Akha see themselves in this way. Similarly, while she recognizes the changing nature of village society, she explains that the main aspects of her study village did not change significantly during her three-year study period (but have since then).

Tooker describes in Chapter 2 how the Akha she studied, although living on the periphery of states run by powerful groups, viewed themselves as autonomous and having their own identity. Special reference is made to the community in which she conducted her research. In Chapter 3, she describes how the Akha's spatial dynamics, such as orienting the village in a particular direction consistent with cosmic forces, enabled them to access potency without having to depend on the larger states. When the Akha establish villages, they see it as reenacting the creation of the world and in so doing, reestablish critical spatial configurations. Chapter 4 covers how the Akha village is constructed. The Akha see the village as an entity extracted from the wilderness to form a settlement established apart from lowland states. It is through a dialectical relationship between Akha and lowland states, Tooker argues, that defines the Akha polity and identity. This chapter also reviews the "spatial tactics" within the village that are relevant to village-lowland state relationships. In Chapter 5, Tooker provides a detailed description of spatial practices relative to the household and the agricultural fields. She shows how the households have their own independent access to potency as a characteristic of an egalitarian society and that the household's spatial practices sometimes differ from those of the village as a whole. At the same time, the household and the village exist in a dynamic hierarchical relationship so that the household is never fully autonomous. Chapter 6 reviews the rituals that are related to the Akha's construction of inside and outside aspects of village life. While inside rituals comprise the Akha world, outside rituals defend the village against external forces that could threaten the community. In Chapter 7, Tooker discusses the relationships between the Akha world and the outside states as well as describing how the Akha view of spatial relationships compares with those of other groups in Southeast Asia.

Tooker argues that previous models of premodern "cosmic polities" in Southeast Asia, such as *mandala*, galactic polity, and emboxment, have been defined from the perspective of dominant lowland groups (p. 215). This has resulted, she argues, in the scholarship on the subject being skewed to represent a top-down view of premodern states that ignores other models such as that of the Akha described in this book.

It should be noted, though, that the authors of these models referred to by her (such as Heine-Geldern and Condominas, to cite two of them) did not claim to be describing all the models of Southeast Asia. They were depicting the lowland states and other lowland groups such as the Tai whose communities are in valleys.

Heine-Geldern, for example, wrote "I shall confine myself to a discussion of some fundamental conceptions of state and kingship in those parts of Southeast Asia where Hindu-Buddhist civilization prevailed" (1942, 15). Although knowledgeable of upland societies, having written a thesis at the University of Vienna on highland groups near the border of India with Burma, he wanted here to describe lowland states.

Georges Condominas' discussions of social space and emboxment referred to the socio-political organization of Tai groups. In his book on social space, in which the concept (if not the actual term) of emboxment was introduced, he discusses Tai polities in one chapter (1980a, 259–316). In the same book, he describes how the Mnong Gar establish a new longhouse, thus covering some of the same ground examined in Tooker's book (1980b, 411–430). His review of the spatial and political organization of the people makes no reference to anything that can be compared to emboxment and does not attempt to place how the Mnong Gar organize the longhouse spatially into the system of emboxment.

More important, however, than whether Heine-Geldern and Condominas intended to produce a comprehensive model for all the societies of Southeast Asia is Tooker's point that there are diverse ways of spatial organization in the region. In making the case for diversity, especially among upland groups in Southeast Asia, Tooker diverges from the approach of James Scott who puts all the uplanders (and some valley dwellers) into the macro-grouping of Zomia (Scott 2009). Although his book appeared too close to the release of Tooker's work for her to thoroughly integrate an analysis of it into her text, Tooker clearly envisions a diversity of cultures and methods of spatial organization in Southeast Asia.

As an indication of the diversity in Southeast Asia, she challenges the idea that hill people necessarily organize their societies in less hierarchical ways than lowlanders. She points out (p. 233) that "hierarchy is embedded just as much in [Akha] ritual space as it is in that of the lowland polities." Other examples of hierarchical upland societies were in Karenni and in the Palaung center of Nam San, all of which had leaders who styled themselves as Saohpa (Shan rulers) with palaces and other accouterments of royalty (in what conventionally has been associated with lowland states).

All of this represents the continuing maturation of the study of highland cultures and peoples in Mainland Southeast Asia. As the understanding of highland groups grows more nuanced, the diversity of these peoples is being increasingly recognized as well as the ways that they have changed over time.

The fact that she has studied this village for so long has enabled her to attain a comprehensive understanding of the people and the place. This has precluded the need for her to write (as sometimes happens) a revision of her dissertation to accommodate some important new information she missed while doing her initial field research.

It is hoped that Tooker will continue with her analysis of Akha society into the more troubling times these people have been encountering since 1985 in what she calls the modern age. How the

Akha system of spatial organization coped (and/or failed to cope) with the monumental changes of increased access to the lowlands, the expansion of lowland political control over their villages, the spread of new diseases as well as various social problems is of considerable interest. Given her deep understanding of Akha society in the 1980s, any analytical study she might choose to undertake on Akha life since then should be enlightening to students of many disciplines. Such a study would also give clues on how to study Akha society prior to the 1980s as well.

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The Longest Journey: Southeast Asians and the Pilgrimage to Mecca

Eric Tagliacozzo

New York: Oxford University Press, 2013, ix+356p.

In *The Longest Journey: Southeast Asians and Pilgrimage to Mecca*, Eric Tagliacozzo presents a magisterial historical survey of the "undertaking of the Hajj from Southeast Asia to Arabia from earliest times to the present" (p. 3). The journey to Mecca required of all Muslims not only surpasses most other religious pilgrimages in size, number, and geographic extent, but also comprises one of the largest annual human migrations on earth—religious or otherwise. In turn, it should be no surprise that one of the biggest sources of Hajjis is Southeast Asia. Tagliacozzo weaves fragmentary extant scholarship and original new research into a compelling narrative of this "enormous phenomenon that draws in literally millions of people and spans the width and breadth of the Indian Ocean" (p. 7).

The Longest Journey is notable for its ambitious chronological sweep, the eclecticism of its methodology, and the range of its subject matter. Tagliacozzo organizes his book into three overarching parts that correspond with the precolonial, colonial, and postcolonial periods, gliding from Marco Polo's thirteenth century accounts of Hajjis to the machinations of early twentieth century colonial officials like Snouck Hurgronje all the way to the oral testimonies of present-day pilgrims in the twenty-first century. *The Longest Journey* embraces this *longue durée* approach without sacrificing the granular richness of Hajji histories or succumbing to an overly deterministic analytic framework. By making use of "archeology, archival history, literary criticism, sociology, epidemiology, political science, and ethnography" (p. 7), Tagliacozzo illuminates the myriad and often idiosyncratic aspects of this enormous movement of people, including some that might surprise readers. Individual chapters cover topics ranging from ancient pilgrims to the management of the Hajj by postcolonial states, from the involvement of sultanates in Hajji routes to surveillance and cholera outbreaks among pilgrims, from literary representations of Hajjis in Joseph Conrad's work to the experiences of people who made the journey from minority Muslim nations like Thailand and the Philippines. Through this diversity of approaches and topics, Tagliacozzo mirrors the multifaceted nature of this religious procession.

A significant contribution of *The Longest Journey* lies in its collection, compilation, and collation of a staggering array of historical documentation pertaining to the Hajj. Tagliacozzo not only incorporates classical Malay texts, European literary works, colonial records, statistics, Hajji memoirs, and oral accounts into his work, but also makes these diverse sources accessible to the reader. For instance, the book highlights many firsthand historical accounts as self-contained insets, among them a journal entry from a Javanese Regent about his time in quarantine en route to Mecca and a narrative of sickness among Hajjis by an English traveler (pp. 142–143, 148). Beyond reproducing individual sources, Tagliacozzo deftly encapsulates entire document collections through tables and lists. At one point, he spares the reader the laborious undertaking of poring through the two volumes, thousand-plus page compendia of official advice from Snouck Hurgronje by distilling it into a digestible list of 24 thematic "rubrics," such as "costs of the Indies Hajj," "caravan safety," and "economic effect of the Hajj" (p. 163). Likewise, *The Longest Journey* provides a comprehensive list of all known classical Malay texts to mention the Hajj between the fourteenth and nineteenth centuries—thus furnishing a sense of the scope of extant indigenous documentation (p. 89). These thoughtful presentations of sources enrich the reading experience for students and scholars alike.

Tagliacozzo also brings analytic sharpness to this treasure trove of documentation by locating the Hajj amidst its political and economic contexts. Although the "Hajj is first and foremost a religious ritual," Tagliacozzo observes that "devotion cannot be divorced from the ways and means of performing it, namely, the financial wherewithal of undertaking a pilgrimage that may be thousands of miles from one's home" (p. 63). *The Longest Journey* illustrates the interweaving of Indian Ocean trading networks with the Hajj while also highlighting surprising historical facts, such as the great profitability of the pilgrimage for European steamship companies. Similarly, Tagliacozzo illustrates how inter-imperial competition and cooperation in the Indian Ocean and Red Sea arenas shaped the contours of the Hajj. Indeed, European projects for controlling their Muslim subjects streaming into Arabia included an interlocking system of consulates in the coastal city of Jeddah and an international sanitary station at the Red Sea island of Kamarin intended to monitor pilgrims as vectors of disease. Much of this analysis also helps to draw out the fundamental paradox that the Hajj burgeoned as an institution at the precise moment that it fell under the control of non-Muslim Europeans. Stimulated by the colonial expansion of commerce and shipping while simultaneously posing a subversive threat to the new imperial order, it was this paradox that drove the projects of surveillance and control described in Tagliacozzo's book.

Yet, even as *The Longest Journey* meticulously documents the material underpinnings and paradoxical operations of the Southeast Asian Hajj, it is also careful not to ignore the profound spiritual meaning it holds for believers. Leaving behind the colonial archives, Tagliacozzo devotes his last three chapters to Hajji memoirs and over 100 oral interviews, which he sees as an invaluable resource for retrieving the history of pilgrimage "from the inside" (p. 271). Indeed, this research yields a textured portrait of sojourns to Arabia that would otherwise be inaccessible to many, as "the holy cities of Mecca and Medina are forbidden to non-Muslims" (p. 272). Among other things, Tagliacozzo's Southeast Asian interlocutors discuss their experience of "holiness and contemplation" at sites like the Plain of Arafat, the feeling some had of being "clean" for the first time in their lives after circumambulating the Ka'ba, as well as recollections of interactions with diverse co-religionists from places as far away as Afghanistan and Africa. Through these stories, the reader can glean an understanding of "what it means to fully give one's self over to devotion on a journey that lasts a few weeks or even several months but that resonates for a lifetime" (p. 288).

It is perhaps inevitable that a book of such ambitious breadth includes some minor shortcomings. Tagliacozzo's thesis that the pilgrimage evolved from an individual experience in precolonial times to a "state-sponsored" enterprise in the colonial era does not fully wrestle with the question of how the colonial archives might have concealed journeys that did not conform to Dutch or British expectations. Likewise, Tagliacozzo could better explore the implications of what it meant for the Hajj to go from the jurisdiction of non-Muslim colonial states to majority Muslim post-colonial states—a signal transition that Tagliacozzo only touches upon in Chapter Nine. However, *The Longest Journey* cannot chronicle every aspect of Hajji history, and the small gaps that do exist serve mainly to underscore promising avenues for future research. Tantalizing glimpses into the Arab reception of Southeast Asian Hajjis, for example, such as when Holy City shopkeepers learned basic Indonesian, is suggestive of possible work on local Meccan engagements vis-à-vis Southeast Asian Hajjis, Arab media representations, and Saudi state machinations. In this way, *The Longest Journey* not only embodies the promise of an interactive, trans-regional history of the pilgrimage, but also charts the path for deepening and extending this research agenda in the years ahead.

Indeed, small quibbles in no way detract from Tagliacozzo's formidable achievement. Juxtaposing archival and ethnographic research with a strong commitment to accessibility and jargon free prose, *The Longest Journey* will serve both as an important resource for scholars of Islam in Southeast Asia as well as an indispensable primer for anyone who wants to learn more about the global history of the Hajj.

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Achieving the ASEAN Economic Community 2015: Challenges for Member Countries and Businesses

Sanchita Basu Das, ed.
Singapore: Institute of Southeast Asian Studies, 2012, xxvi+347p.

The ASEAN Economic Community (AEC) 2015 is the most anticipated economic integration project for the people in ASEAN countries. Despite being a form of state-level cooperation, the inclusion of the private sector in integration is undoubtedly a crucial factor in the implementation of AEC. This book's aim is to examine the progress of the states as they implement soft and hard infrastructures to milestones that were attained over the years and how the private sector responded to these achievements.

In the first part of the book the first chapter by Sanchita Basu Das specifically explores ASEAN member countries' challenges including their infrastructure effectiveness to ensure regional integration and the importance of their business sector's involvements in realizing an effective AEC by 2015. The second chapter by Pushpanathan Sundram highlights the future challenges that include integration process management and focuses on the non-implementation of regional commitments, and the importance of private sector engagements as drivers of economic integration.

The second part of the book examines the readiness and challenges of individual ASEAN member states with regard to the AEC. The chapters show that as the ASEAN economies widely diversify the variation in progress and challenges also become apparent. For example, chapter 4 by Chan Sophal and Larry Strange, chapter 5 by Pradeep Srivastava, and chapter 11 by Vo Tri Thanh highlight the fact that the main problems for the new member countries of Cambodia, Myanmar, Laos, and Vietnam (CMLV) are domestic ones such as poor capacity for resources mobilization, a lack of private sector coordination and networks, and institution-building. In particular, the importance of the Cross-Border Transport Agreement (CBTA) in Cambodia and Laos on cross border transportation for trade facilitation highlights sub-regional integration issues. On the other hand, the original member countries—with the exception of the smaller ones such as

Singapore and Brunei Darussalam—face political and resources mobilization problems. Furthermore, both the Philippine and Indonesian governments are under pressure to address governance issues that may hinder gaining advantages from regional integration and additionally we also see that in Malaysia, ethnic policies have hindered state institutional capacities to support economic growth (p. 96).

The third part of the book discusses the private sector's readiness for the AEC. This part includes studies drawn from interviews and data analysis of the private sector's perception and demands on AEC implementation. However, this part is insufficient as it only has one chapter on Vietnam, and lacks concrete studies that deal with CMLV countries case studies. Chapter 18 by Vo Tri Thanh and Nguyen Anh Duong shows how the private sector's main problem with AEC is poor information dissemination and knowledge. Interestingly, this problem is also the main issue for original member countries: that ASEAN and member countries' attempts have been insufficient in promoting and accelerating AEC implementation beyond government and academic research. This limited attempt at information dissemination and poor governance of ASEAN as a supranational institution has been recognized since the implementation of ASEAN Free Trade Agreement (AFTA) with the poor performance of Form D. This form is for applications for a lower tariff under the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for AFTA (Nesadurai 2003; Chandra 2008). The cases in Indonesia and Thailand show that limited dissemination of information on integration processes, tariffs, regulations, and Rules of Origins (ROOs) has undermined the private sector's enthusiasm for AEC. Furthermore, the chapters on the Philippines and Malaysia show how cultural-related business activities have hindered the rate of AEC acceptance and implementation in these respective countries. Race policy in Malaysia restricts business ownership and poor governance has had a negative effect on the investment climate and private sector innovation, as seen in the continuity of the "Ali Baba" business scheme where the "Ali" or the Malay as the sleeping partner and "Baba" is the Chinese as the active half of the alliance (Whah 2007). In the case of the Philippines, the term *ningas cogon* (p. 270), is employed to refer to people who are enthusiastic about something but then lose interest quickly. As a consequence, the Philippines faces regulation inconsistencies and constraints with long-term commitments on law enactment, corruption eradication, and rent seeking abolishment (Lim 2013). This hinders the country's development in the realms of business innovation and trade. Finally, the Singapore case provides an exception whereby the private sectors that felt themselves to be marginalized from the AEC have demanded that the Singapore Business Federation (SBF) accelerate consultation, coordination, and transparency on AEC milestones programs.

The book provides a general discussion and analysis of the readiness by ASEAN governments and respective private sectors to implement the AEC. The chapters offer discussion, based on secondary data and formal documents, of the achievements of the governments, while questionnaires and fieldworks were used to assess the readiness of the private sector. Based on these studies, the book highlights the importance of private sector involvement in the implementation of AEC and argues that it should go beyond information dissemination and become involved in domestic regulations and administrative reforms.

However, the book suffers from a few structural and analytical problems such as repetitive discussion on individual country's readiness on AEC in parts two and three on the comparisons of states and business achievements in Brunei Darussalam (chapters 3 and 12), Indonesia (6 and 13), Malaysia (7 and 14), the Philippines (8 and 15), Singapore (9 and 16), Thailand (10 and 17), and Vietnam (11 and 18). Similar discussions, structures and themes among countries lead to a rather monotonous presentation of information and facts. For instance, the lack of information dissemination and poor government capacities are referred to as common challenges faced by the region as it prepares for economic integration. Furthermore, the variation of data availability and questionnaire sizes creates an unbalanced discussion on the analysis of private sector readiness for AEC. These issues should have been addressed by the editor, who should have made sure that qualified researchers and the papers compiled would ensure a better balance and more in-depth discussion on state and private sector readiness on AEC.

Recent developments point to an interesting direction for AEC. For instance, Indonesia has established the AEC preparatory committee to analyze, evaluate, and advise the government on AEC issues. The reason for the establishment of this committee is that Indonesia is not ready and has merely been forced to welcome AEC in 2015. Furthermore, recent riots in Singapore involving immigrant workers have led to further questioning of the national security of member countries following free labor movement under the AEC.

Overall, this book provides a wide-ranging semi-academic analysis on state readiness and achievements, and the current level of private involvement towards AEC. This is an important book, as there are few that detail the current progress of both sectors and how they communicate with each other. In this sense, the book achieves its main aim. However, differences in the depth of analysis and the quality of discussion of specific countries and specific state-private sectors potentially lead to a skewered perception of each country's progress in the build-up to 2015. Nevertheless, the book provides a comprehensive analysis on AEC challenges for member countries and business up to 2010.

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