
Paweł Gliniak

Wrocław University of Economics and Business

e-mail: pawel.gliniak@ue.wroc.pl

ORCID: 0000-0001-8463-4710

**THAI ELITE NETWORKS AS AN EXAMPLE
OF AN EXTRACTIVE INSTITUTION**

**RELACJE TAJLANDZKICH ELIT
JAKO PRZYKŁAD INSTYTUCJI OLIGARCHICZNEJ**

DOI: 10.15611/e21.2021.03

JEL Classification: B52, O1, B15

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Quote as: Gliniak, P. (2021). Thai elite networks as an example of an extractive institution. *Ekonomia XXI Wieku*, (24).

Abstract: The main research objective of this article is to analyse the influence of Thai elites on the socio-economic development of the country from the institutional economic and new institutional economics (NIE) perspective. The specific research goals included an introduction of the views of institutional economics and NIE on economic development and to present the country's modernization process since World War II. Other goals were to explain the relationship between the Thai elites, and study the quality of institutions using indicators such as the Democracy Index, the Rule of Law Index, and the World Governance Indicator. The article aims to fill the research gap related to analysing the impact of an institution on socio-economic development. In this case, this is an extractive institution: the network monarchy. The Thai elites' activities, which only serve their own interests, exacerbate the problems experienced by the country. The research carried out for this article shows the entire Thai institutional environment is in poor shape, and negatively affects all aspects of the daily lives of Thai citizens. Corruption in the government is widespread. The rule of law has seen no improvement, and the judiciary is ineffective. The democratic process has been slowed down if not practically halted. Freedom of speech is widely restricted, and the ruling military junta stifles opposition in a bid to maintain the *status quo*. This article is interdisciplinary. In addition to economics, it addresses political science, sociology and aspects of the law. The research results contained in this article allow for a deeper understanding of Thailand's economic changes and aim to encourage further economic analysis from an institutional economics angle.

Keywords: Thailand, institutions, oligarchy, institutional economics, economic development.

Streszczenie: Głównym celem badawczym artykułu jest analiza wpływu tajskich elit na rozwój społeczno-gospodarczy kraju z perspektywy ekonomii instytucjonalnej i nowej ekonomii instytucjonalnej (NEI). Celami szczegółowymi są przybliżenie poglądów ekonomii instytucjonalnej i NEI na rozwój gospodarczy oraz przedstawienie procesu modernizacyjnego kraju od II wojny światowej. Kolejne cele badawcze stanowią wytłumaczenie relacji między tajskimi elitami oraz analiza jakości instytucji z wykorzystaniem wskaźników, takich jak the Democracy Index, the Rule of Law Index i the World Governance Indicator. Artykuł wypełnia lukę badawczą związaną z analizą wpływu instytucji, w tym przypadku instytucji wykluczającej, jaką jest monarchia sieciowa, na rozwój społeczno-gospodarczy. Z uzyskanych wyników wynika, że środowisko instytucjonalne kraju jest w złej kondycji. Konsekwencje aktywności monarchii sieciowej i tajskich elit ugruntowują te problemy. Korupcja w kraju jest powszechna, a problem ten dotyka wszystkich obywateli w ich codziennym życiu. W kwestii praworządności nie zanotowano praktycznie żadnej poprawy, a sądownictwo jest nieefektywne. Proces demokratyczny nie został spowolniony, a praktycznie zahamowany. Z badań wynika, że wolność słowa jest szeroko ograniczana, a rządząca junta wojskowa tłamsi opozycję, chcąc utrzymać *status quo*. Artykuł ma interdyscyplinarny charakter. Obok aspektów ekonomicznych ujmuje również aspekty politologiczne, socjologiczne i prawne. Wyniki w nim prezentowane pozwalają na pełniejszą analizę przemian i problemów gospodarczych Tajlandii oraz mogą być inspiracją do kontynuowania analizy gospodarczej z perspektywy ekonomii instytucjonalnej.

Słowa kluczowe: Tajlandia, instytucje, oligarchia, ekonomia instytucjonalna, rozwój gospodarczy.

1. Introduction

The purpose of the article is to analyse the influence of the Thai elites on the country's socio-economic development. These elites form a network of relations that can be considered as an extractive institution. This term is taken from economists such as Acemoglu and Robinson (Acemoglu and Robinson, 2010). Economic extractive or otherwise oligarchic institutions can be understood as excluding a significant part of society from equitable income distribution. They prevent everyone 'outside' the inner circle from benefiting from economic relations (Diamond, 2012).

In the study of Thai politics and economics, the concept of a network of relations of the military, political, economic, and religious elites gathering around the throne is called the network monarchy. Mérieau, Winichakul and McCargo specialize in this subject, whereas it is not easy to find related studies in Polish literature. However, research on the impact of extractive and inclusive institutions on socio-economic development from different institutional economics strands is becoming more popular. Several examples worth mentioning include "In the shadow of violence. Politics, Economics, and the Problems of Development" by D. North, J. Wallis, S. Webb and B. Weingast and "Europe's Growth Champion" by the Polish economist M. Piątkowski, who describes this issue from the Polish perspective. Many studies, drawing mainly on economic history and the current economic situation of many

countries around the world, point to examples of numerous oligarchic institutions significantly influencing development in countries such as South Korea, Chile, or even the USA. It is challenging to find works on this problem of the Thai elites and their influence on their country's economic development. Filling this research gap is important because of the current political situation in the country, which is extremely unstable. The impact of the elites on the current political situation is significant. The authoritarian military junta, in power since 2014, is struggling with many street protests and other forms of political opposition.

1.1. Methods and materials

In the first part of the article the author presents the perspective of institutional economics on this topic by using a descriptive method. The next part, describing Thai economic history and relations between the Thai elites, contains historical-comparative analysis. In the last part, where the results of the analysis of quality of institutions in Thailand are provided, a comparative analysis is used.

The paper is based on many key writings and studies in the field of institutional economics by both foreign and Polish researchers, e.g.: "Institutional Change and Economic Development" (ed. Ha-Joon Chang), "One Economics, Many Recipes" by D. Rodrik, and "Ekonomia Instytucjonalna" (ed. B. Borkowska). During the research on Thailand, the author has tried to use the literature of local authors, and classic international publications on these topics, by e.g. P. Phongpaichit, C. Baker and D. McCargo.

When analysing the quality of institutions, the author used indicators from reputable entities, such as the Democracy Index developed by the Economist Intelligence Unit, the Rule of Law Index developed by the World Justice Project, and the World Governance Indicator, developed by the World Bank. However, author of this paper also addressed earlier critiques of these sources and the process of institutional quality itself.

2. Institutional economics and economic development

Institutional economics and new institutional economics (NIE) emphasize that institutions play a crucial role in studying the functioning of the economy and the economic processes and their economic and social consequences. An appropriately formed, stable, effective and complementary system of formal and informal institutions has a positive impact on economic growth and development. Thus, it becomes necessary for policy makers to mitigate the effect of extractive (oligarchic) institutions that hamper the development process, and at the same time, promote inclusive institutions that contribute to socio-economic development.

The importance of creating inclusive institutions is demonstrated by Acemoglu and Robinson in "Why Nations Fail?". By examining areas with similar geographic

circumstances, the authors pointed out that development is constrained by inefficient institutions, which do not provide protection for private property nor enable checks and balances against the ruling government (Acemoglu and Robinson, 2010, p. 138). Researchers highlight the need for the state to create institutions of democratic participation and the rule of law, with particular emphasis on property rights and contract enforcement. This will contribute to development by creating opportunities, increasing investment, innovation and the level of education and infrastructure (Acemoglu and Robinson, 2014).

According to the leading representative of the NIE, D. North, the state's role in optimizing social and economic development is fundamental. He points out that the state is a provider of various types of public goods and, in a sense, it protects citizens, creating a basic public order. Public order protects individual property rights, ensures civil rights, and enforces fairly the law. North argues that by fulfilling various functions, the state reduces transaction costs in the market. Reducing transaction costs and defined property rights affect socio-economic development, shape economic order and ensure the efficient functioning of the economy (Wilkin, 2014, p. 85).

For those who support NIE, the greatest challenge of socio-economic development is to reform the institutional system in such a way that the entities operating in the system can make economic or political decisions with low and falling transaction costs. Formal institutions are easier to analyse but also to change. Thus, the greatest challenge is to adjust informal institutions. Although NIE has so far failed to develop a coherent theory of socioeconomic development, its contribution to research on this issue is significant. The critical element continues to be the study and measurement of institutions, both formal and informal, as they are often more important than technological progress, foreign direct investment (FDI), or even the geographical location of the country or the balance of trade (Legiędź, 2018, p. 82; Słomka-Gołębiowska, 2009, p. 118).

2.1. Measurement of institutions

Researchers indicate that measuring the quality of institutions is fraught with many imperfections. According to Piątkowski, “[measuring institutions] can be a useful tool for identifying growth factors. Institutions foster the promotion of appropriate economic reforms by indicating elements that need improvement”. Yet, “the reliability, credibility and importance of rankings, however, should not be overestimated. Rankings are much less based on scientific grounds than it seems, especially in the mass media” (Piątkowski, 2019, p. 335). Staniek draws attention to the growing importance of measuring institutions and highlights the essential role of the indicators themselves: “The problem of analysing the impact of the quality of institutions on the processes of economic growth and, more broadly, economic development in their interdependence is becoming increasingly important. The quality of institutions

can stimulate or inhibit the degree of utilization of production factors and technical progress. [...] Indices of the quality of institutions as a variable in growth equations turn out to explain better the differences in economic development than variables corresponding to historical-geographical conditions or trade conditions” (Staniek, 2014, p. 57).

Klimczak also emphasizes that institutions should not be evaluated in a vacuum, as they form complex, intertwined structures, citing the research by North and Rodrik, who postulate to include in the study not only the institutions themselves but also to take into account demographic data (life expectancy, population), social data (urbanization, ethnolinguistic structure, migration), and socio-economic data (the level of income inequality) (Klimczak, 2019, p. 248). The measure of the quality of institutions can also be based on the study of the stability and the level of liberalization of the political and social system, the quality of the legal system and social characteristics (Pęciak, 2010, p. 27).

Rodrik draws attention to an interesting aspect related to the attempt to measure institutions. He contests the situation in which foreign and domestic investors are asked to evaluate institutions in surveys. Such studies are based only on the observations of these practitioners and lead to a situation in which a better performance of companies at a given point translates into a higher assessment of institutions, which makes it impossible to determine how broadly the institutional system influences the economy relative to other economic features. The causal sequence of institutional quality and its interpretation is not easy to establish. It is also difficult to draw practical conclusions about which specific elements of the institutional environment influence the outcome of research (Rodrik, 2011, pp. 211-212).

The influence of formal and informal institutions on each other is crucial. Weak informal institutions can exacerbate the exploitative nature of formal institutions, manifested in increased corruption, stifling competitiveness, or defaulting on contracts. Informal institutions can inhibit the reform of formal institutions. Nepotism and corruption may block fundamental laws to transform the economy and disrupt the functioning of already existing formal institutions (Fiedor, 2015, p. 95). Godłów-Legiędź stated that formal and informal institutions of high quality, which interact, can reinforce each other. This contributes to the harmonization of economic rules, the reduction of institutional change costs, and consequently, to the achievement of stronger socio-economic development (Godłów-Legiędź, 2006).

It is worth mentioning that despite obtaining answers as to which institutions have contributed to economic development in a particular country, it may be challenging to transfer this knowledge to other countries. Chang points out that there is no simple formula or specific rules to ensure institutional development. It may not be possible to find a clear local solution which can be copied and applied to other environments. Institutions need to adapt to their specific local environment (Chang, 2007, pp. 13-14).

3. Thai economic modernization

Thailand is currently the second largest economy in the region after Indonesia and has the fourth highest GDP per capita among the ASEAN countries. It achieved the status of a middle-income country in 2011. Therefore, Thailand already has made significant progress in social and economic development over the past four decades, moving from a low-income country to a middle-income country in less than a generation. Analysing the Human Development Index (HDI), it can be seen that in thirty years, Thailand moved from a level of 0.0557 in 1990 to 0.777 in 2020. Thailand was ranked 79th out of 189 countries (*Human Development Index 2020*).

Thailand's economic and political transformation has been very dynamic. After World War II, the Thai elites sought US military assistance and strengthened the region's military security. From 1957 to 1973, the US influence on Thailand's economic policymaking was fundamental. Successive military governments also sought to keep the economy as open as possible and provided a legal and institutional framework for developing private enterprise and the inflow of FDI.

The political and economic importance of American patrons grew in this time. The democratic nature of the Thai governments was not relevant to their interests and goals. The US-backed rulers promoted a Thai style of democracy and patriarchal 'strong men' policies, which in practice only meant eliminating opposition under the guise of fighting communism. Corruption at the top of government was massive (Steinberg, 1971, p. 350). Parallel to the anti-democratic actions, the ruling generals pursued an economic vision that conformed to international neoliberal standards, including the World Bank and the IMF.

Over the decades, Thailand's economy has been in constant flux. From the 1960s to the 1980s, Thailand participated in rapid economic growth in the region. The commercial and industrial sectors were the main factors that contributed to the high economic expansion. From 1958 to 1973, it averaged 14% per year for the industry and 11% for services (Baker and Phongpaichit, 2016, p. 225).

In the mid-1980s, Thailand's economy reached a turning point. Due to the economic downturn associated with the lack of further agricultural expansion opportunities and low productivity, the government shifted its economic strategy (Rock, 2015, p. 35). As a result, the government elites decided on an export-led industrial development strategy. The aim was to achieve high volumes of industrial production for export while competing with other Asian countries on production prices and to encourage foreign investors to invest in the country.

Thus, the main engine of economic growth since the mid-1980s has been exports of industrial products, which have grown at an average rate of 30% per year. Between 1980 and 1994, the share of manufactured goods in total exports rose from 36% to 81%. At the same time, the share of industry in GDP rose from 24% to 32% in 1994, and the share of agriculture fell from 23% to 11%¹. As early as the mid-1990s,

¹ GDP and GDP per capita at constant 2010 prices in USD, source: World Bank database.

Thailand's economy faced many stresses due to its rapid and unaccommodating economic growth that exacerbated inequality. Despite creating the right business and legal environment for FDI, oligarchic institutions such as clientelism and growing corruption caused inefficiencies in the economic system (Phongpaichit, 1996, pp. 380-381).

In 1997, the Asian financial crisis erupted in Thailand and spread throughout the region. The crisis caused massive socio-economic collapse. The blame was directed at 'speculators', but there were deeper reasons for the financial panic. One was that the economic boom between 1988 and 1995 contributed to extraordinary business optimism and as a consequence a surge in exports and high levels of capital inflows. These consisted of long-term FDI and short-term capital inflows, including foreign bank loans and speculative portfolio investments. Other important reasons included capital market liberalization, policy decisions made by the Thai Central Bank, and a slowdown in exports in the years leading up to the crisis (Warr, 2002, pp. 114-116).

The roots of the crisis can also be found in the shortcomings of informal institutions. Widespread clientelism was present in virtually every government institution and organization. Commercial banks financed loans allocated for consumption and real estate development, often serving the financial needs of the ruling elite. In a crisis, the government financially supported its affiliated banks. This situation led to the financing of risky and unjustified market investments (Sowa, 2008, pp. 7-8). According to MacGregor Marshall, rapid economic growth created a "bubble mentality", further entrenched by crony capitalism. Banks made loans with virtually no control over the borrowers. Much of the foreign investment was a typical speculative investment in short-term assets. After the crisis began, foreign capital began to flow out very rapidly. International investors lost faith in the country's supposedly miraculous economic prospects. They started to recognize the weakness of formal institutions, high levels of corruption, and the toxicity of crony capitalism (MacGregor Marshall, 2014, pp. 100-101).

Thailand's post-crisis economic growth has resumed, but in the aftermath of the 2008-2009 global financial crisis, concerns remain about the prospects for long-term growth.

4. Relations between the Thai elites

In 1946, King Bhumibol came to the throne and ruled Thailand for the subsequent 70 years (1946-2016). He was the founder of a specific extractive institution, the network monarchy. This network strengthened the relationship between the business elite, the political elite, the military and the monarchy. These institutions were then further reinforced by his son, the crown prince Vajiralongkorn, who took the throne following his father's death in 2016. The decisions of this privileged group have always represented the interests of the 'circle'.

Modern Thai society is highly polarized, which has led to numerous protests. Examples include the pro-democracy and anti-government demonstrations starting

in 2020 that began at universities, and the 2005 “yellow shirt protests” against the then Prime Minister, Thaksin Shinawatra. Many scholars cite the fact that the protests and the ongoing conflict are not solely based on political issues and the struggle of the opposing elites to take back power, but are mostly rooted in economic inequality, unequal benefits of economic growth, and a more general public dissatisfaction with corruption (Kongkirati, 2019, p. 25).

The roots of these oligarchic relationships can be traced back to the founding of the modern state. In Thailand, and earlier in Siam, there was no strong anti-colonial movement that represented the masses like in Malaysia or India. An additional contributing factor was the extremely high position of the monarch, his court and the influence of the army evident since the beginning of the 20th century. It is pointed out that royal power was usually consolidated through military force. In parallel the monarchy became increasingly religious in character. The relationship between the king, Buddhism and the people persists to this day. The concept of continuity of power was based on the idea of reincarnation. The king was regarded as a being who was reborn through merit in previous incarnations and whose purpose is to rule justly along with altruistically benefiting others. The supernatural essence of power, along with the specific spiritual nature of Buddhism, gives it strength and recognition among the king’s subjects (Baker and Phongpaichit, 2016, p. 49).

Additionally, the country’s political culture supports oligarchic institutions, client-patron relations, and inequality on many levels. Due to traditional norms in Thai society, politicians are seen as members of a separate elite striving for status or power rather than as representatives of the people.

Even today, the king’s milieu shows an excessive bias towards the military rather than promoting national reconciliation as intended by the constitution. The growing importance of the military in Thailand’s elite was primarily due to the unique advantages of the military organization, which helped maintain solid hierarchical and patronage relationships while promoting patriotism and national reconciliation under the auspices of the monarch. Despite the increasingly authoritarian nature of the state, as indicated by the World Values Survey, Thais are optimistic about the country’s military rule. As many as 60.1% of the population declare that military rule can be good or very good. Surprisingly, at the same time, 85.7% of Thais claim positive attitudes towards the democratic rule of law. These results may indicate that Thais are used to the army’s presence in politics, which may hinder the country’s democratic transition in the future (World Values Survey, 2021).

The institution of clientelism hinders socio-economic development despite the progressive modernization of the economy. The mechanism of this institution is simple. The patrons possess the resources that the clients essentially need. In modern Thailand, this is evident, for example, by granting access to information, opportunities to build new relations, and permission to spend public funds. Thus, resources that formally belong to citizens are transferred within a narrow group. This leads to the further entrenchment of oligarchic institutions and thus to capital

accumulation, the growth of inequality, and the inhibition of social development and any political change (Parnwell and Arghiros, 1996, p. 12).

Despite the transformation in society, the monarch still embodies the institutions of power, nation, and religion for many Thais. With King Bhumibol, the relations between extractive formal and informal institutions was strengthened. The network monarchy reinforced the monarch's position as the representative of religion and the nation and represented the oligarchic interests of the representatives of the army and the royal court (Hoare, 2004, p. 115).

McCargo defines network monarchy as inherently illiberal because it cares almost exclusively for network participants, marginalizing other formal institutions. It pays little attention to democratization. The monarch actively intervened in political events, mainly through proxies. The members of the king's circle were associated with the army, political and business elites. A key element in maintaining the network was clientelism, by filling positions with specific people. The monarch's role, thus created among the public, helps all the actors entangled in the network. McCargo indicated that the network monarchy is not a fixed but a fluid system of individual actors, which adapts to the current social and political situation. However, the most important fact is that all economic and social successes are attributed to the monarchy, whereas the failures of society are blamed on the "decadent system" and its corrupt actors (McCargo, 2005, pp. 501-503).

Network monarchy relies on various sources of legitimacy, including the fact that the overwhelming popularity of the monarchy gives the palace license to intervene extra-constitutionally in the political process. Moreover, as Hewison argues, the king consistently and securely espoused the idea of national unity, which involved compromise rather than the unequivocal resolution of disputed issues (Hewison, 1997, p. 65).

The monarch's position is reinforced by the phenomenon defined by T. Winichakul as hyper-royalism, a political-cultural situation in which monarchism is exaggeratedly present in public and daily life. It is forbidden by law to criticize the monarchy in the public sphere.

Hyper-royalism is based on many myths perpetuated over the years in Thai society. It is not true that the position of the king has always been strong in Thai society. One can think back to the 1920s and 1930s, when the king's power underwent a massive crisis. This creates the illusion that the monarchy is divine and has protected the Thai people from communist influence. The tools used to perpetuate this image were royal visits, public events and the media. These activities gained King Bhumibol extraordinary popularity. He was seen as the father of the nation and its spiritual leader (Chachavalpongpun, 2015, p. 1201).

Due to laws such as *lèse-majesté*, self-censorship has become ubiquitous in academia, media, arts, and other intellectual activities. It also exists in public culture (Winichakul, 2016, p. 11). An oligarchic and undemocratic system has been preserved with the royal court in charge through this phenomenon.

The network monarchy, by its nature, does not insist on democratic solutions. This contrasts with the role of the king in other constitutional monarchies. The Thai monarchy has long opposed democratic transition in practice, addressing political reform reluctantly and often too late. McCargo points out that by “saving the country” in times of political crisis, the monarch becomes a guarantor of incompetent governance and hampers socio-political development (McCargo, 2005, p. 505). It can be said that due to the lack of commitment, Vajiralongkorn continues this policy.

The main features of the network monarchy can be defined as follows:

- the monarch is the final arbiter of policy decisions in times of crisis,
- the monarchy is the primary source of national legitimacy,
- the monarch is the arbiter of national affairs, helping to set the national agenda, especially through his annual birthday speeches.

In addition to the network monarchy, one important informal institution of an oligarchic nature is the so-called “deep state”. In the case of Thailand, according to Mériéau, the deep state is composed of agents (economic, military and political actors) with formal and informal power who oppose democratization because it could negatively affect their political and financial situation. These agents include officials regardless of rank. They often refuse to take orders from elected, usually democratic governments, because they consider them incapable of administering the country, as was widely revealed in the case of the last democratic governments that ended in 2014. As Mériéau argues, the deep state and its agents exploit royal legitimacy to consolidate their power and bypass regular state procedures through a process called *ang barami* (claiming royal legitimacy) or *peung barami* (depending on royal legitimacy) (Mériéau, 2016, pp. 446-447).

The formal institution that creates the relationship between the monarchy and the military junta is the Privy Council of Thailand (in Thai *khana ongkhamontri thai*). Like the Crown Property Bureau (*samnak ngan sap sin phra maha kasat*), in recent years it has been under army influence (Figure 1). The king’s decisions will likely contribute to the further militarization of the state, as seen in the election of General Prayuth Chanocha as prime minister. Mériéau notes that recent years have seen a strengthening and deepening of the institutionalization of the alliance between the military and the monarchy (Mériéau, 2019, p. 338).

The Crown Property Bureau through its assets estimated at \$30bn (BBC, 2018) also solidifies the monarchy-military alliance, not only politically but also in business. MacGregor Marshall points out that this leads to the consolidation of the oligarchic system in the country and the intensification of relations between the royal family, royalists, capitalists, often of Chinese origin, and the military junta. Business relationships replaced ancestry. The empowerment of the elites, once through common marriages and now through common business goals, has led to the consolidation of the oligarchic system (MacGregor Marshall, 2014, p. 135).

The Thai bureaucracy also perpetuates the deep state. Unencumbered by colonialism, the deep state did not undergo a period of rapid, revolutionary change

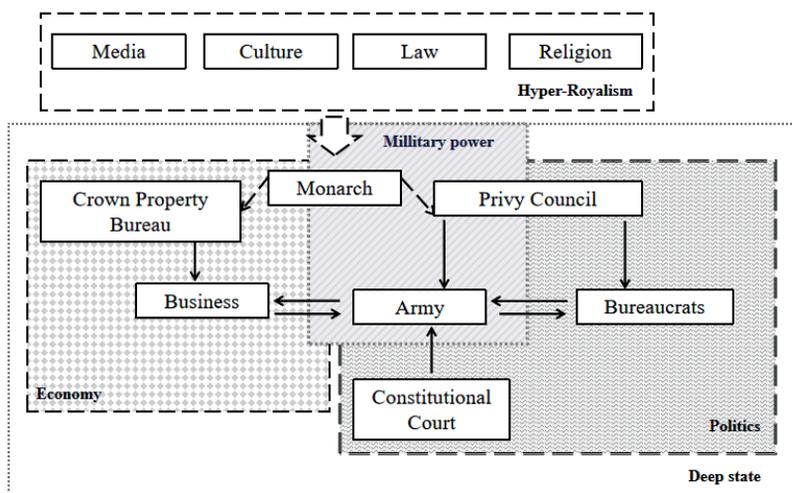


Fig. 1. The network of relations of formal and informal institutions creating the system of oligarchic institutions in Thailand

Source: own elaboration based on (McCargo, 2005; Méricau, 2016; Winichakul, 2016).

as did other countries in the region and enjoyed the luxury of leading change in society. An official’s social status is tied to their position in an elaborate system of grades and salaries. Most political activity takes place within ministerial and departmental branches and military units. Those in power pursue conservative fiscal and economic policies to preserve the status quo. Such policies target wealthy business people and bureaucrats and ensure their tacit approval of others, such as anti-democratic actions by the authorities (Steinberg, 1971, pp. 389-390).

5. Results. Analysis of quality of institutions

Thailand is rated as a semi-authoritarian state. However, in 2019, according to the Democracy Index, the country recorded its greatest improvement in ranking since the 2014 coup. (Figure 2), but fell by five positions to 73rd place out of the 167 countries analysed in 2020 (Table 1). Thailand qualifies as a flawed democracy (formerly a hybrid regime) (Economist Intelligence..., 2021, p. 9).

Table 1 shows that electoral process and pluralism (7.00/10) and political participation (6.67/10) are the highest rated. However, due to the banning of opposition parties and organizations, this indicator should decrease in the near future. Figure 2 shows the change in the index over the period 2006-2020. The short period of democratic rule from 2008-2013 until the military coup in 2014 is visible. Since then, Thailand has not improved its position in the ranking. A popular view among scholars is that Thailand has entered an era of anti-democratic transition, where

fundamental rights and freedoms are being curtailed, which has been unprecedented since the Cold War era (Anonymous, 2018, p. 1).

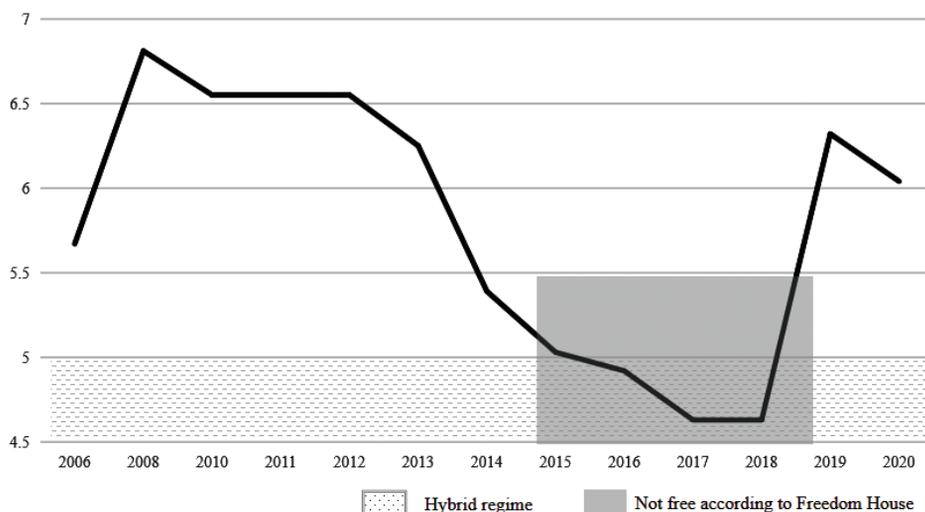


Fig. 2. Thailand Democracy Index, 2006-2020

Source: (Economist Intelligence..., 2021).

Table 1. Democracy Index 2020 in detail, Thailand

| Rank | Overall score | Electoral process and pluralism | Functioning of government | Political participation | Political culture | Civil liberties |
|------|---------------|---------------------------------|---------------------------|-------------------------|-------------------|-----------------|
| 73 | 6.04 | 7.00 | 5.00 | 6.67 | 6.25 | 5.29 |

Source: (Economist Intelligence..., 2021).

The democratization process in Thailand has been widely criticized. MacGregor Marshall points out that regardless of the electoral process and parliament, power is held by a royalist oligarchy. This shows the weakness of formal institutions. Kobkua Suwannathat-Pian argues that there has never really been an attempt to introduce democracy in Thailand and the current system is fundamentally oligarchic, providing absolute power to a handful of ‘friends’. He concludes that this system has been a complete failure for Thailand aspiring to be a modern country (MacGregor Marshall, 2014, pp. 101-102).

The rule of law is one of the essential elements in the evaluation of formal institutions. Godłów-Legiędź points out that “(...) the foundation of the new formal institutional substrate is the rule of law [...] Rule of Law expresses the liberal ideal of society”. It is the action of legally elected authorities and public bodies solely on

the basis and within the framework of established law. The law should determine the essential elements for socio-economic development, such as the conditions for doing business, defined property rights, and public authorities’ competencies (Staniek, 2014, p. 60). The efficiency of the legal system is thus an essential feature of the rule of law, which in turn contributes to economic growth and the emergence of a mature democracy. The rule of law in parallel with civil and economic liberties, is a determinant of socio-economic development.

An important indicator to measure this issue is the Rule of Law Index, created by the World Justice Project, which rates the various components on a scale of 0 to 1. In 2020, Thailand was rated 0.51. Figure 3 shows that the country has made virtually no progress over the past five years. Thailand only boasts high scores in the order and security category (0.69), but this may be related to the authoritarian nature of the government (Table 2).

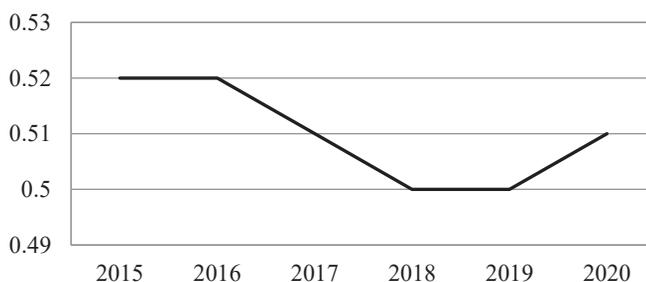


Fig. 3. Rule of Law Index, 2015-2020

Source: own elaboration based on (World Justice Project, 2020a).

Table 2. Rule of Law Index, Thailand, 2020

| | | | |
|----------------------------------|------|------------------------|------|
| Constraints on government powers | 0.51 | Order and security | 0.69 |
| Absence of Corruption | 0.42 | regulatory enforcement | 0.44 |
| Open government | 0.38 | civil justice | 0.50 |
| Fundamental rights | 0.43 | criminal justice | 0.38 |

Source: (World Justice Project, 2020b).

Rule of law is also measured as a component of the Worldwide Governance Indicators. As shown in Table 3, Thailand scored 57.7 out of 100. No significant improvement has been made in any category in recent years. The trend shows that Thailand, probably due to the instability of political power and the suppression of the opposition in recent years has denigrated the institutions of the rule of law.

Table 3. Worldwide Governance Indicators in 2019, Thailand

| | | | |
|---|------|--------------------------|------|
| Control of corruption | 39.4 | Regulatory quality | 60.6 |
| Government effectiveness | 65.9 | rule of law | 57.7 |
| Political stability and absence of violence/terrorism | 26.7 | voice and accountability | 24.1 |

Source: (World Bank, 2019).

The rule of law is also a one component of the Index of Economic Freedom, prepared by the Heritage Foundation. Rule of law indicators include categories such as integrity of government, property rights, and the efficiency of the judiciary understood as the independence of the judiciary, the quality of the judicial process and favourability in obtaining court decisions, rated at only 48/100 for Thailand. In contrast, government integrity understood as the level of absence of corruption, bribery, transparency of government and civil service policies is rated at 43.4 out of 100 (Miller et al., 2020, pp. 490-491).

Analysing the Corruption Perception Index, one can see that between 2012 and 2019, it oscillated between 35 and 38 points out of 100, which placed Thailand at the bottom of the world's first hundred countries (out of 180) (Transparency International, 2020). For the corruption control factor in the 2018 Worldwide Governance Indicators, Thailand scored 40.87 out of 100. This was one of the lowest scores since 1996 and a decrease compared to 2016 (World Bank, 2019). This means that the problem of corruption in Thailand is significant. Fighting it will be a challenge for a government because at the same time it has to combat numerous pro-democratic protests.

6. Discussion and conclusions

Due to its institutions' inefficiency and oligarchic nature, Thailand is in a challenging socio-economic situation. To conclude, it is worth emphasizing the relation between economic development and the institutions of the state and its democratization (see: Ghardallou and Sridi, 2019). The paper achieved the main research goal of determining the impact of the Thai elites, and the exclusionary institutions they have created, on the country's socio-economic development and specific research goals. Filling the research gap, the study indicates that the network monarchy limits the country's development. The impact of this institution on the economy can be direct through the accumulation of capital and wealth within this group, and limiting opportunities for those outside the elite. It also has an indirect effect through its influence on the decline in the quality of the judiciary, growth of corruption, and inhibiting of democratization. Thailand is close to being recognized as a hybrid regime. The rule of law, assessed in several rankings, is low, just like in Ukraine and Columbia. The current political situation, including numerous street protests,

indicates that it is difficult to improve. The democratization process has been halted, and the authorities are limiting political pluralism and the participation of society in politics.

Other researches confirm these findings. The democratic system and the state characteristics that go with it, such as transparency of policy and lawmaking, social control and trust, are conducive to economic growth (Godłów-Legiędź, 2006, p. 212). Studies of many economies indicate a negative correlation between the authoritarian system and economic growth. Non-democratic states have significantly lower growth performance. Institutional transformation is more efficient in both the long and short run. Performance is better in countries with greater public participation in the political and social system. Systems with high public involvement in politics provide better quality growth, which is associated with creating quality institutions adapted locally (Rodrik, 2011, pp. 226-227). The negative impact of institutions is also confirmed by studies concerning Thailand's economy itself – I mainly contributing to increased inequality in many areas (see: Baker and Phongpaichit, 2016) or hampering the democratization process (see: Hewinson, 1997; Kongkirat, 2019).

Thailand's great challenge will be to repair the system, which should begin by reducing the influence of institutional conditions on the economy and society. This requires changing the political system and significantly reducing the importance of the country's ruling elites. A change would require the holding of fully democratic elections. Meanwhile, Thai society is tied with powerful institutions such as the network monarch and others that further reinforce its negative impact. Reducing their burden will be incredibly difficult. The character of some of the institutions is informal, such as religion, and its appear to be fused with the state and its people. Unfortunately, the protests that have been ongoing since 2019, in which pro-democracy dissidents oppose the military junta's rules, show that this will not be easy. Protests are being bloodily suppressed, with opposition groups such as political parties banned and protesters prosecuted under *lèse-majesté*.

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