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**Politics and the Price of Rice in Thailand:
Public Choice, Institutional Change, and Rural Subsidies**

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Abstract:

Despite the Thai state's long record of rice market interventions, historically Thai politicians failed to leverage rice subsidies in their pursuit of political support, notwithstanding the large number of farmers in the country. Since Thaksin Shinawatra's election in 2001, though, each government has subsidized rice producers, although at varying degrees. What explains this change? In this essay, I trace the four-decade history of rice price support programs. I propose that these policies be interpreted through the dual lens of institutionalism and public choice theory, demonstrating that electoral rules have shaped incentives of Thai politicians to cater to different political constituencies. During the pre-1980 period, under authoritarian institutions, Thai leaders applied rice price policies to benefit urban consumers and the government. From 1979 through 2000, following implementation of the block-vote system, rice interventions were used to appeal to voting intermediaries like rice millers, as bargaining chips among competing parties, and as stop-gap measures to diffuse farmer protests. Since 2001, responding to the electoral system created by the 1997 constitution, politicians have appealed directly to the voting public, seeking broad-based support via subsidies. The analysis highlights the impact that shifting electoral incentives have on politicians' actions and thus the emergent policies.

Key Words:

Rice Politics, Institutions, Paddy Pledging Scheme, Rural Development, Thailand

In 2001, the Thai Rak Thai (TRT) government under Thaksin Shinawatra (2001-2006) began offering substantial subsidies to rice farmers through a rice mortgage program known as paddy pledging. The policy, launched in 1981, provided farmers a government-sponsored loan valued at a predicted market price for their paddy, ostensibly for them to weather seasonal market downturns caused by harvest season supply gluts. In theory, once the market rebounded, farmers would sell their paddy and repay the loan. Otherwise, they could default on the loan, leaving the stocks to the government. Under Thaksin, the program offered farmers credit for their crops at close-to or higher-than market value, essentially purchasing the pledged paddy. This was hugely popular among rural voters, who became fierce supporters of TRT. The Pheu Thai party, TRT's successor headed by Thaksin's sister Yingluck Shinawatra (2011-2014), enhanced the program, paying farmers up to 150 percent of market value for their rice paddy. While this may have won votes, it was also very expensive (Nipon and Kamphol 2014, 25-26), and, after the 2014 coup, Yingluck was prosecuted for dereliction of duty due to the over 286 billion baht (8.2 billion USD) spent purchasing farmers' paddy (*Bangkok Post*, August 2, 2016).

Despite accusations of populism (Thanapan 2014; Warr 2014) and corruption (Nipon et al. 2014), opposing political forces have been loath to abolish rice price supports for farmers. Even after decrying the evils of paddy pledging under the Shinawatra clan, the military junta was quick to reinstate a similar policy shortly after deposing the Pheu Thai government (Edens 2015). The 2006 coup group also kept a reduced version of the program intact. Prior to the Yingluck government, the Abhisit Vejjajiva administration (2009-2011) initially shouldered the paddy pledging scheme before substituting a rice insurance subsidy. Over the past 15 years in Thailand, then, there has been little question as to whether or not the government should intervene to support rice farmers; the debate is instead about degree.

This recent increase in the scope of rice-based subsidies poses a puzzle. Rice price supports in Thailand have an almost four-decade history, yet prior to Thaksin's embrace of paddy pledging, there was "a curious failure" of politicians to seek votes by appealing to broad-based rural subsidies (Unger and Chandra 2016, 174-175). This despite the large proportion of Thais engaged in agriculture, especially rice. Why, then, did heavy intervention in rice prices occur when it did?

Adopting a political economy perspective based on the public choice theoretical approach, I argue that Thailand's rice subsidy policies have been shaped by the shifting importance of specific political constituencies. I do this by tracing and comparing the history of rice price interventions across four periods: the authoritarian extraction era (1950s-1970s); the block vote system (1979-2000); the rise of Thai Rak Thai (2001-2006); and the time between the coups (2007-2014). In each period, rice price policies changed in response to the way political institutions channeled the political rents that politicians could capture from policy. In short, as electoral rules shifted, so did the payoff for appealing to different political constituencies; ergo, politicians strategically shifted policy from an urban bias in the first period to targeted projects in the second to finally broad-based appeals. Rice price policies were driven by politicians' efforts to curry favor with specific groups.

This theoretical approach fills lacunae in recent works on Thailand's rice market interventions, which have a tendency to highlight the costs of the paddy pledging program rather than seeking to understand its political foundations (Nipon 2010; Nipon et al. 2014; Nipon and Kamphol 2014; Thanapan 2014). While valuable, these pieces target the "what?" and neglect the "why?" of the massive transformation that has taken place in the rice price policy environment. When the reasons for the policy shift are discussed, they are described as emerging from Thaksin's populist tendencies and the Shinawatra clan's penchant for corruption. Such explanations have three shortcomings.

First, Thaksin and his successors were unlikely populists (Pasuk and Baker 2008, 63-68). As a wealthy bureaucrat-turned-businessman-turned-politician, Thaksin exhibited little concern for the plight of Thailand's poor until his term as prime minister (Hewison 2010, 121-122). Nevertheless, the Shinawatra name has now become almost synonymous with rural subsidies and populism (Anek 2006). While there is much to fault about Thaksin, blaming him entirely for the rise of broad policy appeals and rural subsidies is perhaps giving him too much credit. If, instead, we consider the role of electoral incentives in shaping politician behavior, Thaksin is not entirely unique. Seen in this light, his use of redistribution policies to appeal to political supporters, while not economically efficient, was entirely logical in respect to the electoral context (Hicken 2009, 127-139; Selway 2011, 169-171).

Second, critics of the policy have focused on the role of corruption, arguing that the Shinawatra clan and others promoted paddy pledging primarily for rent-seeking, especially since 2011 (*Thai Rath*, October 18, 2012; Kamon and Winai 2015, 24). While corruption did exist throughout the program, gains were more widely distributed than would be expected if the policy were designed merely as a rent-seeking measure. Nipon and Kamphol (2014, 18-20) estimate that from 2011-2014 "almost all farm households ... benefited from the paddy pledging policy," receiving a total 296.5 billion-baht (9.6 billion USD) boost to their paddy prices. Even though there was a bias in providing subsidies toward wealthier growers in the central plains, farmers from poorer households and regions also profited from the policy. In the 2012-2013 main harvest season, 1.42 million farmers of Thailand's 3.73 million rice-planting households took part in the program, with 46.4 percent of participants coming from the relatively impoverished Northeast and another 12.3 percent residing in the North, both areas of major support for Thaksin and his family (OAE, 2013; Nipon et al. 2014, table 1.3). If the main objective of the Shinawatra clan was extracting rents from the state, other methods have a long history of more directly channeling money into politician hands (see

Pasuk and Sungsidh 1994, 33-38). Paddy pledging distributed resources too widely to make it a purely rent-seeking affair.

Finally, the work cited above focuses primarily on the heavy subsidization period under the TRT, People's Power Party, and Pheu Thai governments. As such, the current literature fails to analyze a much longer history of rice market interventions by the Thai state, which have been the subject of political wrangling for decades. Neglecting this history in favor of Shinawatra-centric explanations limits our ability to understand the forces that continue to shape Thailand's politics today, including both economic and political transitions.

On the economic side, the country is experiencing a delayed structural transformation, or the reallocation of labor and economic activity from the agricultural sector into industry and services. The World Bank reports that as much as 41.6 percent of labor was still engaged in agriculture as of 2013, leaving Thailand an outlier at its current level of development; comparable countries have far fewer farmers (Klyuev 2015, 9-11).¹ With the agricultural sector producing only 11.3 percent of GDP in 2013, agricultural incomes are far below their urban counterparts. As inequality is closely linked to the country's current plight (Pasuk and Baker 2016, 1-2), understanding the political foundations for policy-making and the potential for redistribution is of utmost importance (Walker 2012, 49-56; 2015, 55-58).

On the political side, Thailand's military junta is in the process of adopting a new set of political institutions, which they hope will further diminish the influence of the Shinawatra family. Attempts to institutionally "force the genie back in the bottle" met with societal resistance after 2007 but some preliminary evidence of success (Hicken and Selway 2012, 77-81). While it is difficult to entirely separate out the effect of institutions from that of societal change, the impact of electoral rules on a singular policy arena across four eras allows us to take a historical look at the way in which institutions shaped policy outcomes.

This essay thus contributes by pushing the analysis beyond a focus on recent events to recognize that Thailand's rice policies are part of a broader transformation of Thai politics embedded in both institutional and societal changes throughout the past four decades. I now continue with a brief discussion of the theoretical foundations of the essay. Afterwards I recount the policy history of rice market interventions across each of the four periods outlined above, highlighting the impact of political institutions. I then conclude the essay by considering the implications of this argument.

Public Choice, Political Institutions, and Paddy Prices

The literature on the political economy of agricultural policy has a long history contrasting demands of rural and urban sectors (Ammar 1975; Bates 1981; Hayami 1972; Lipton 1977). These approaches see policy as the outcome of competition over access to state resources by societal groups, mediated by politicians (Dunleavy 1991, 2-4). In brief, society is composed of multiple interest groups that can serve as potential political constituencies. Self-interested politicians seek to extend their power by using the arms of the government and access to goods to appeal to these constituencies (Grindle and Thomas 1991, 24-27). In this perspective, public policy emerges as a calculated response by political officials to the demands of the most relevant interest groups in society; strong political rationales overpower concerns of economic efficiency. Such logic is the basis for important work on urban bias (Bates 1981) as well as explanations for rural subsidies (Bates and Block 2013; Pierskalla 2015; Varshney 1995).

This public choice approach is a fruitful lens for considering the evolution of Thailand's policies for rice price interventions. At the same time, though, public choice theory is potentially weak in that it fails to explain how interest groups and their power

dynamics change over time (Pepinsky 2014, 79-81). Here we can draw assistance from the literature on political institutions, especially in reference to how institutions shape which interest groups or constituencies provide benefits to politicians. In other words, institutional rules determine the relevance of specific political constituencies (Ammar 2001, 268-270).

Consequently, certain institutions favor specific policy outcomes. Urban biases often exist under authoritarian institutions wherein rural constituencies have little value, as the ruling coalition is more sensitive to lobbying from industry as well as the threat of protests in the capital (Bates 1981, 30-35). In contrast, in democracies a large rural constituency can emerge as a critical source of political support (Bates and Block 2013; Hayami 1972, 2007; Varshney 1995). Democratic regimes vary, though, in their provision of policy goods dependent on the way their institutions channel citizen demand; in systems with single-member districts abiding plurality electoral rules, goods tend to be targeted to specific constituencies, while proportional representation systems gravitate toward public goods provision or broader policy appeals (Rausser and Roland 2016, 114-118; Selway 2015, 55-58).

Combining a public choice approach with institutional considerations, I contend that rice price policies in Thailand have been driven by political efforts to appeal to relevant constituencies. These groups, though, have varying levels of import to the political sphere based on the electoral rules that existed throughout Thailand's history. To summarize briefly, from the post-war era until the late 1970s, Thailand's authoritarian nature did not allow rural interests to influence policy; urban concerns, therefore, dominated rice price policies. From the implementation of the block voting system in 1979 through 1997, rural populations were able to gain greater representation, but their access was constrained by the fragmented nature of the political system. Politicians seeking cabinet portfolios strategically exploited farmer protests to achieve targeted spending. In addition, rice millers and collectors became a vital

link between politicians and their rural constituents, thus rice price subsidies were nominally developed to promote farmer welfare, but primarily through the medium of rice mills. Politicians, therefore, pursued rice policies which achieved three goals: (1) access state resources via cabinet portfolios; (2) benefit rice millers and traders who were central to electoral contests; and (3) diffuse sporadic farmer protests. After the 1997 constitution was implemented, though, the importance of small parties and voting intermediaries like rice millers diminished. Instead direct links between voters and a national party system reshaped rice policies, prompting politicians to consolidate political support by creating broad-based policy appeals. Finally, following the coup of 2006, military and unelected elites attempted to reinstate the 1979-1997 system of political rule; society and politicians, though, had changed (Hewison 2010; Hicken and Selway 2012, 58). In an effort to overcome the institutional constraints and maintain political dominance in spite of the changes, politicians embellished their broad appeals.

I develop this argument by using a variant of process tracing, whereby I seek an explanation for a singular outcome rather than develop and test a broadly generalizable theory (Beach and Pedersen 2013, 18-21). As such, my research was conducted in an iterative and inductive manner. Beginning with theoretical expectations embedded in the intersection of historical and rational choice institutionalism that politician behavior and thus policy outputs are shaped by political institutions (Thelen, 1999, 374-377), I developed a timeline of rice price interventions based on newspaper archives, cabinet resolutions, and secondary English-language sources. These were organized into the four periods identified above according to broad institutional shifts in Thai politics. Additional work was then completed in Thailand to access Thai-language library materials and data sources unavailable overseas. I also conducted several semi-structured interviews with individuals and researchers involved with rice policy. Data collection took place from mid-2015 through mid-2016.

Throughout the research process, I fine-tuned my expectations regarding the politics of rice policy interventions. As the process was not one of pure theory-testing, I instead relied on tying together threads of evidence into an empirical narrative detailing the causes behind rice price policy interventions. By comparing government actions across different time periods, I illustrate how institutional changes have affected the Thai government's attempts to shape the rice market, evolving from a system of extraction to one of extensive subsidization. Because of the approach, the narrative is somewhat unique to Thailand. In the conclusion, though, I will briefly discuss the paper's implications for institutionalist theory.

Thai Rice Price Interventions

Figure 1 provides an overview of the effect of the Thai state's interventions in rice markets. From this data we can draw a few important insights regarding rice price policies.

First, it is clear that prior to 1981, domestic rice prices were significantly lower than world market prices. Also, with the exception of 1972, farm gate prices hovered far below wholesale domestic prices. In other words, this was an era of clear extraction. Second, between 1981 and 1982, the disparity between export and domestic prices shrank dramatically, in part due to a global drop in rice prices. Prior global price declines had been matched by domestic price devaluation. In this year, though, the nominal rate of protection experienced by the Thai market changed from negative 35 percent to approximately negative 13 percent. In the 35 years since, export and domestic values have not diverged by more than 14 percent, meaning that domestic prices were finally allowed to approach export prices, although domestic wholesale prices remain somewhat lower than the international market. Third, the remuneration farmers extract from the market has also grown closer to wholesale and export values, although for the most part this is due to decreases in market values rather

than higher prices for farmers' harvests. Fourth, in terms of real prices, rice today is sold at about the same value as in the early 1980s, reflecting the long-term trend that, with the exception of the 2008 world food crisis, the price of grains continues to decrease. The corollary is that in order to increase income by producing rice, Thai farmers must produce more grain than in the past or move from low-value grains toward higher-value.

With this in mind, I turn to each of the policy periods discussed above.

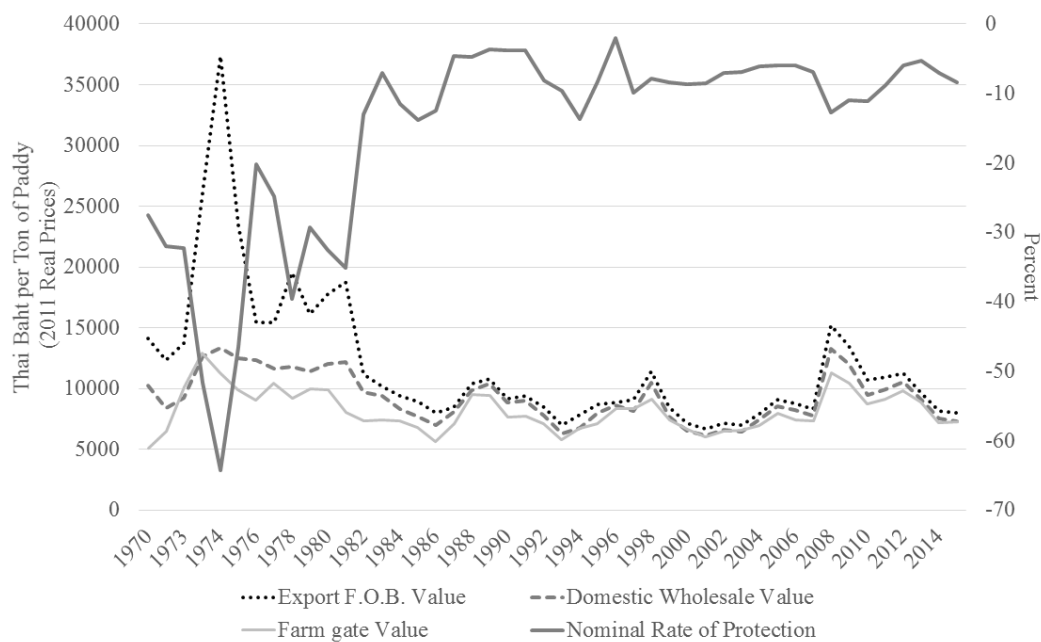


Figure 1. Thai Rice Prices and Nominal Rates of Protection, 1970-2015

Source: Data from Office of Agricultural Economics, Department of Internal Trade, World Bank Pinksheet, FAO, and USDA. Farm gate prices until 2005 exclude rice that entered the Paddy Mortgage Program. Numbers are based on the value of one ton of paddy used to produce 5% White Rice, calculated with a conversion rate of 0.66 as reported in Boonjit (2012, 14). Nominal Rate of Protection is calculated as $[(\text{Domestic Wholesale} - \text{Export Value})/\text{Export Value}]$ following Warr and Archanun (2007, Figure 1).

Authoritarian Extraction (1950s-1970s)

Beginning in the post-war era through the 1970s, the Thai government was not kind to farmers. Thailand's political institutions during this time, with the brief exception of 1973-1976, were authoritarian, under the direct control of military leaders. Policy-making was generally the purview of bureaucrats, who were largely insulated from societal forces thanks to the role of the military in governance (Riggs 1966). The governing elite focused on perpetuating military rule, achieving economic development in line with state goals, as well as appeasing their coalition supporters, including urban bureaucrats and the rice exporting industry (Christensen 1993, 192-197). Key to achieving these objectives was financing the government, obtaining foreign capital, and maintaining a cheap labor force (Pasuk and Baker 2002, 132-133). Government targets in rice policy privileged revenue and foreign exchange generation as well as providing modest prices for consumers (Ammar 1975, 236-241); policy decisions were made accordingly.

Export taxes were the primary policy tool for accumulating government revenue. Extractive policies via export controls emerged following the government's discovery that rice exports were a ready source of revenue in the aftermath of World War Two. The main tax, referred to as the rice premium, required that exporters obtain licenses from the government in order to ship their goods; additionally, they were obliged to pay a hefty export duty on each ton of rice shipped. The combined cost of government levies on rice exports amounted to one-third of export prices in the 1950s (Ammar and Suthad 1989, 29-31). During that decade rice export taxes contributed as much as 32 percent of government revenue, and, although this proportion decreased over time, the rice premium remained an important source of funding until the 1970s (Ammar 1975, 242). Partly as a consequence of the taxes, exporters developed strong links with the Commerce Ministry, allowing them to

transmit the cost of the taxes to millers and farmers, thus draining money away from the countryside to support urban development (Christensen 1993, 197-198).

Military rulers were also concerned about the availability of cheap rice for urban consumers, especially government bureaucrats who were sensitive to commodity price fluctuations. Export taxes assisted in this effort by reducing the proportion of the cereal that left the country, depressing local prices. In addition, in the 1960s, the government adopted a rice reserve requirement as a consumption subsidy for urbanites (Ammar and Suthad 1989, 31-37). This program combined with the work of the Public Warehouse Organization (PWO) to supply cheap rice for cities (FAO 1985, 77). Although the amount of rice involved as well as its effect was rather limited, it did impact the availability of goods for Bangkok consumers. It also signaled the importance authoritarian governments attached to subsidizing the city.

The pursuit of government revenue and cheap rice for Bangkok had multiple negative consequences for the rural sector. High taxes on agricultural products discouraged investment in large-scale rice production, hindering efforts that might have emerged for rural productivity increases (Christensen 1993, 213-215). This, in turn, delayed agricultural transformation, leaving a large proportion of the population impoverished in rural areas (Ingram 1971, 279). Initial shifts in agricultural policy during the late 1960s and early 1970s to provide limited price supports for rice farmers were aimed at addressing this disparity, but the subsidy level was below market price and the rice premium persisted, extracting money from the countryside. In sum, prior to the 1970s, rice price policies were primarily aimed to produce government revenue, obtain foreign exchange, and benefit urban rice consumers (Ammar 1975, 246-247).

These concerns began to shift dramatically after the democratic transition in 1973. Farmers rose to a position of political influence, and politicians wasted little time in turning their attention to rural needs. When inflation took its toll on consumers in 1974, the

government chose to break with the past and not curtail exports, allowing rising prices to trickle down to farmers (Ammar 1975, 242). In the same year, the Farmer's Aid Fund was established, and the Marketing Organization for Farmers (MOF) of the Ministry of Agriculture used the money to intervene in domestic rice policy for the first time (Choeun, Godo, and Hayami 2006, 107). 80 percent of the revenues from the rice premium were to be directed into price support programs for poor farmers (Morell and Chai-Anan 1981, 220).

These policies were a response to the eruption of mass protests throughout 1974 by farmer groups demanding greater government attention. Demonstrations at Sanam Luang at the heart of Bangkok occurred in March, June, August, and November, eventually contributing to the founding of the Farmer's Federation of Thailand (FFT), which rapidly grew (Haberkorn 2011, Ch. 2; Morell and Chai-Anan 1981, Ch. 8). Politicians saw farmer dissatisfaction and mobilization as a potential crisis, especially as they linked the farmer movement with the threat of Communist insurgencies, and the government responded with forays into rural subsidies.

The focus on farmers did not last. When Thailand reverted to military dictatorship in 1976, farmer organizations, especially the FFT, were targeted as potential threats to the country. Even before the coup, professional assassins had killed many farmer leaders. The murders continued as the military reestablished its hold on Thai politics (Haberkorn 2011, 106; Morell and Chai-Anan 1981, 228). Despite this, the ruling junta did recognize the role that farm subsidies could play in diffusing rural unrest and placating potential threats to their power. The Farmer's Aid Fund persisted, providing rice price supports from 1975 through 1982 via the MOF. This form of price support, though, allowed for a great deal of corruption and graft, with only a fraction of funds reaching farmer hands (Ammar and Suthad 1989, 37-42).

Thus the authoritarian political institutions during this first period, despite farmer gains from 1973-1976, targeted policy toward Bangkok. Urban residents as well as export firms desired cheap domestic rice, which aligned with military interests. The state also relied on revenue from the rural sector, and the government, as public choice theory would predict, extracted from farmers to benefit these interests.

Block Votes and Targeted Policies (1979-2000)

At the end of the 1970s, Thailand underwent a transformation. The military, although not completely ceding authority, began a power-sharing relationship with an elected parliament under the premiership of General Prem Tinsulanonda (1980-1988). The 1978 constitution and the ensuing transition to semi-democracy changed the impact of societal demands on the Thai state, especially through the medium of a block vote system of electoral rules dividing provinces into multi-member electoral districts, which was in place from 1979 through 1996. The effects of this block vote system have been detailed by Hicken (2009, chapters 4-5) and Selway (2015, 95-99), but suffice it to say that the rules encouraged Thai politicians to create individual constituencies rather than coherent parties. In doing so politicians were forced to construct independent power bases among voters, requiring that they rely on local networks and factions rather than mass-based parties (Kuhonta 2011, 167-171; McCargo 1997, 118-121; Ockey 2004, Ch. 2). Among the most important individuals for developing local political networks were the owners and operators of rice mills. Due to their prominence and close contact with farmers, rice millers and collectors frequently acted as vote canvassers in their communities, allowing them special access to members of parliament (Ammar 2001, 253).

In addition to the rise of local interests, Thailand's ephemeral political parties, based on personalities and factions, became engaged in sharp competition over cabinet portfolios. A cabinet seat granted access to goods, services, contracts, and rents that became the mainstay of Thai politics during this period. Politicians focused on being assigned to important ministries, and coalitions frequently fell to pieces owing to dissatisfaction over cabinet assignments. Among the most important of these were the Commerce and Agriculture portfolios, which commanded government rice purchases via the PWO and MOF, respectively (Christensen 1993, 236-241). Control of these ministries ensured access to government resources and the ability to channel funds toward important rice millers as well as ensure spending was targeted toward ones' constituency.

Elected parliamentarians, taking part in fluid coalitions, also began to take notice of farmer demands, especially when rural groups mobilized to protest. Frequently, disgruntled members of parliament who had been overlooked in the assignment of cabinet seats benefited from mobilizing farmers in order to destabilize coalitions, as discussed below.

Thus rice price policies from the early 1980s through 2000 evidenced repeated attempts by the government to win over each of these support groups: rice millers, party factions, and protesting farmers. The change was evident as early as 1981, when the government shrank the rice reserve program, completely dismissing it in 1982. It also sharply reduced the rice premium to only \$17.47 per ton of 100 percent white rice by October 1981, approximately half the previous year's rate and only a fraction of the 1974 high of \$250/ton (FAO 1985, 81-82). In the same year, both the Democrat and Chart Thai parties embraced the price support scheme begun in 1975, and their respective cabinet portfolios, Commerce and Agriculture, took advantage of government resources through expanded rice purchases (Christensen 1993, 236-241). At the same time, during the 1981-1982 rice harvest season, the government introduced the paddy pledging policy, allowing farmers to mortgage their newly

harvested rice at the Bank for Agriculture and Agricultural Cooperatives (BAAC) for 80 percent of its value. The policy was far from popular. Initial loan terms were steep with an interest rate of 13 percent, and in the first year only 69 farmers joined the program (Nipon and Jitrakan 2010, 9); less than 1 percent of total rice produced entered the scheme between 1981 and 1985 (see Table 1).

These early changes greatly reduced the Thai state's extraction of rents from rice, and the nominal rate of protection increased from -35 percent in 1981 to -13 percent in 1982 (see Figure 1). Most of the benefits of these interventions, though, did not accrue to farmers. Government agencies tasked with administering the programs were relatively understaffed, and they relied heavily on rice millers and traders for implementation, who exploited the policies (Ammar and Suthad 1989, 40-41). Jermak (1984, 178) found that in the MOF paddy purchasing program, millers absorbed 25.31 percent of the program's benefits, exporters took in another 28.44 percent, and political parties and bureaucrats received 26.75 percent, leaving less than 20 percent of the money for farmers and farmer leaders.

Over the next decade, policies continued along similar lines, although farmer voices became more prominent thanks to repeated protests, often organized or at least partially directed by members of parliament (CIA 1985). For instance, in the 1985/1986 main harvest season, farmer protests led by members of parliament from a faction of the Social Action Party and the Chart Thai Party resulted in the resignation of Kosol Krairiksh, the Minister of Commerce from the Social Action Party, triggering a cabinet reshuffle (Aphichai and Montri 1988, 50-55; Paisal 1986).

Table 1: Paddy Production and Amount of Paddy Pledged, 1981-2014

Harvest Year	<i>Main Season Crop</i>			<i>Second Season Crop</i>		
	Paddy Produced (million tons)	Paddy Pledged (million tons)	Proportion of Paddy Pledged (per cent)	Paddy Produced (million tons)	Paddy Pledged (million tons)	Proportion of Paddy Pledged (per cent)
1981-82	15.76	0.00041	0.003	2.02		
1982-83	14.77	0.0015	0.01	2.1		
1983-84	16.94	0.00024	0.001	2.61		
1984-85	17.27	0.090	0.52	2.63		
1985-86	17.93			2.33		
1986-87	16.83	2.28	13.52	2.04		
1987-88	15.27	0.35	2.29	2.77		
1988-89	17.88	0.52	2.89	3.38		
1989-90	18.48	1.08	5.85	2.12		
1990-91	14.9	0.80	5.36	2.29		
1991-92	17.52	1.06	6.05	2.88		
1992-93	17.3	3.38	19.56	2.62		
1993-94	16.48	1.20	7.30	1.96		
1994-95	18.16	1.40	7.73	2.95		
1995-96	17.73	1.18	6.67	4.29		
1996-97	17.78	0.87	4.87	4.55		
1997-98	18.79	0.79	4.19	4.79		
1998-99	18.66	0.68	3.63	4.34		
1999-00	19.02	0.70	3.67	5.16		
2000-01	19.79	1.62	8.18	6.06	0.5	8.26
2001-02	22.41	4.30	19.18	5.62	1.84	32.72
2002-03	21.57	3.59	16.63	6.43	2.04	31.75
2003-04	23.42	2.54	10.84	6.41	0.86	13.42
2004-05	22.92	8.65	37.75	5.95	0.8	13.43
2005-06	23.82	5.25	22.03	6.83	2.17	31.76
2006-07	23.11	1.29	5.56	6.88	1.64	23.83
2007-08	23.58	0.24	1.02	8.89	3.93	44.19
2008-09	23.51	5.35	22.76	8.51	5.32	62.45
2009-10	23.43			8.97		
2010-11	25.74			10.26		
2011-12	25.87	4.11	15.90	12.24	14.53 ²	118.71
2012-13	27.23	14.50	53.24	10.77	7.98	74.09
2013-14	27.09	11.67	43.08	9.67		

Source: Nipon and Jitrakan 2010, Table 2.2; Office of Agricultural Economics; Department of Internal Trade

This political pressure spurred the Prem administration to establish the Rice Policy Committee, provide paddy price guarantees, reduce the interest rates of the paddy mortgage

scheme to between 3 and 6 percent, and completely abolish the rice premium. The government also set aside 5 billion baht for the 1986/1987 paddy mortgage program (Narong 2005, Ch. 1). Farmers quickly took advantage of the new paddy pledging rates, and 2.28 million tons of rice, or 13.5 percent of the year's harvest, entered into the program (Table 1). By the end of 1986, with these policies in place, as well as the Rural Development Fund (established in 1984) providing targeted projects to rural areas, the Thai government had largely eliminated its urban bias. It was now committed to providing targeted subsidies for rural areas, at least on the surface.

Unfortunately for farmers, most of the benefits of government policies continued to find their way into the hands of politicians, rice millers and collectors, exporters, and bureaucrats. When Prem left office and was replaced by the elected Chatichai Choonhavan (1988-1991), the government meddled in rice markets "to maintain paddy prices at last year's levels to avoid them becoming a political issue" despite falling international prices (*Bangkok Post*, October 30, 1989). Interventions included 11.83 billion baht spread across twelve rice price support programs, with 5 billion baht to support rice millers and traders as well as 1 billion for direct purchases from exporters that the Commerce Ministry would then export (*Bangkok Post*, November 4, 1989). As the government purchased more rice, it needed more storage, which it rented from millers, providing them additional income. In other words, the Chatichai "buffet cabinet" was disseminating resources, allowing politicians to target millers and, to a lesser extent, exporters.

These policies, though, failed to arrest the downward trend of rice prices in the early 1990s. Millers' rice barns were full, limiting their ability to purchase new rice. The government was forced to sell its stocks at a loss. Approximately 15 percent of paddy mortgage loans also fell into default in 1990, leaving the government with even higher stocks of rice and rising costs (*Bangkok Post*, October 1, 1990; *Bangkok Post*, October 24, 1990).

Despite the expense, in 1991 the government expanded the paddy mortgage program to 90 percent of the crop's value and offered zero percent interest rates (Christensen 1993, 247). Additional interventions, such as rice purchases and cheap credit, were processed via rice millers, leading prominent agricultural economist Jermsak Pinthong to declare that government rice price supports were "designed for political gain only" (*Bangkok Post*, October 1, 1990).

Following the 1991 coup and its aftermath, rice price policies continued along similar lines: The state provided cheap credit for rice millers; the BAAC mortgaged paddy for farmers at 90 percent of the government-set target price; the Ministry of Commerce via the PWO, Ministry of Agriculture and Cooperatives via the MOF, and Ministry of Interior all bought rice directly from farmers; and the Ministry of Commerce bought rice from exporters. By the premiership of Banharn Silpa-archa in 1995, the budget for rice market interventions reached almost 40 billion baht (1.61 billion USD), with most of the money (35 billion baht) directed to low-interest loans for millers and exporters (*Bangkok Post*, November 2, 1995). The paddy pledging program had also been expanded to cover 2.5 million tons of rice. Technocrats challenged these policies; one BAAC official complained in reference to the paddy mortgage scheme, "This isn't the public welfare department" (*Bangkok Post*, January 8, 1993). Politics, though, trumped economic concerns.

Spending on rice price interventions had become a political pie shared among the various cabinet portfolios; with multiple parties in each cabinet, the disbursement of cash was necessary to appease members of fragile coalitions. Primarily the measures were conducted through rice millers rather than in direct contact between the state and farmers. Indeed, in 1993 Nippon Wontra-ngarn, the president of the Rice Millers' Association was appointed to head the MOF, indicating the degree of influence millers had during this period.³ Rice millers clearly benefited from rice price interventions, and the number of rice milling firms registered

with the Ministry of Industry increased from 34,414 to 43,305 between 1987 and 1996 (Boonjit 2008, 251-252). Exporters, in contrast, recognized the danger of relying solely on government supports and chose to diversify into other industries to reduce their risk portfolio (interview, Thai Rice Exporters Association President, October 7, 2015).

When the financial crisis hit in July 1997, government interventions in rice markets continued, despite a temporary increase in the international competitiveness of Thai rice due to the currency devaluation. Only 786,000 tons of paddy entered the mortgage scheme in 1997/1998 season, a far cry from the government's plan to support 2.5 million tons. A new issue was emerging, though, which spelled trouble for Thailand's rice market. Millers had become dependent on cheap loans and government subsidies, but the financial crisis had severely limited their access to credit. Almost 40 percent of millers went into liquidation from 1997 through 1999 (*Bangkok Post*, November 8, 1999), and 4,352 milling firms disappeared from Ministry of Industry records between 1996 and 2001, a decrease of approximately 10 percent (Boonjit 2008, 251-252). Without government support, rice mills would not be able to purchase new paddy. In late 1998, the Chuan Leekpai government instructed the Bank of Thailand to provide soft loans to millers to the tune of 20 billion baht in an effort to stave off falling rice prices (*Bangkok Post*, November 27, 1998).

This challenge combined with a new glut of rice production, driven by farmers' response to the high prices of the 1997/1998 harvest year. In 1999, Chuan faced farmer protests over falling rice prices. The government responded with a slew of support measures, including two 3.5-billion-baht budgets for PWO and MOF to purchase rice from millers, who, in turn, were to purchase more rice from farmers (Secretariat of the Cabinet, February 2, 1999; November 16, 1999). The paddy mortgage program rate was raised from 90 to 95 percent of the target value, placing the guaranteed price farmers would receive for white rice

paddy at 5,280 baht/ton (*Bangkok Post*, November 8, 1999). Most farmers, though, did not receive the government target price, as millers discounted their paddy.

Reflecting a long-held pattern, disgruntled politicians led farmer protests against the government, including a protest in April, 2000 wherein farmers led by MP Chalong Riewraeng blocked a major road in Pathum Thani (*Bangkok Post*, April 6, 2000). Chalong had been one of the 12 “Cobra faction” MPs whose support allowed Chuan to take the premiership.

Chuan struggled to manage coalitional pressures, demands of rice millers, and farmer discontent. The PWO and MOF were ordered to purchase more rice from millers to spur price increases and “defuse protests by farmers in many provinces” (*Bangkok Post*, March 29, 2000). These programs, though, were under heavy criticism, as corruption was endemic. Millers were paying farmers 20 percent below than the government guaranteed price, and during one investigation, an MP from the opposition New Aspiration Party claimed, “the 7 billion baht scheme was tainted with irregularities and might not have benefited farmers at all... corruption could have cost the state as much as 5 billion baht” (*Bangkok Post*, June 18, 1999).

With the 2001 election approaching, the Democrat-led government announced a new plan to spend 64 billion baht to support rice prices, with 40 billion going to millers and exporters and another 19.5 billion earmarked for rice purchases to boost prices (*Bangkok Post*, November 21, 2000). Much of the remaining budget was for the BAAC’s paddy pledging program.

In sum, rice market interventions during this second period included paddy purchasing schemes via government agencies, the paddy pledging program, cheap credit for millers and exporters, and government-driven efforts to purchase and export rice. The stated goal of these policies was to promote farmer welfare, but the real beneficiaries were the

parties controlling the Commerce and Agriculture portfolios who determined rice purchases, millers who gained access to cheap credit along with money derived from storing and milling the government-purchased rice, and, to a lesser extent, rice exporters who enjoyed subsidies and supports until the mid-1990s. Incentives created by the block vote system and resulting weak party system, then, drove politicians to craft policies which (1) distributed rents to coalition members; (2) favored rice millers; and (3) diffused sporadic farmer protests. In other words, targeted spending rather than broad policy platforms.

The Rise of Thai Rak Thai and Paddy Pledging (2001-2006)

On 6 January, 2001, Thai politics changed again. The new electoral rules based on the 1997 constitution bore fruit, narrowing the political field and boosting the power of large parties. Of the 500 parliamentary seats, 400 were now assigned to single-member constituencies abiding plurality rules. The remaining 100 seats were divided proportionally according to each party's vote share in the national pool. This arrangement encouraged the concentration of political parties (Hicken 2009, 127-129). What emerged was a much more stable party system, wherein broad coalition governments would no longer be necessary. One other side-effect of these electoral rules was a new set of incentives for politicians, pushing them from local, personalistic, clientele-based campaigns toward more programmatic policy prescriptions (Selway 2011, 174-180; 2015, 100-102). While there were still vestiges of the old system, such as the Chidchob clan in Buriram and Banharn's Suphanburi (Prajak 2016; Nishizaki 2014), the transition spelled major changes for the coming years. Policy platforms and broad-based party concerns now overshadowed narrow, constituency-based interests.

By far, the beneficiary of these changes was Thaksin Shinawatra and his TRT party. Winning 248 seats in the parliament, the party was easily able to form a ruling coalition, and

when it collected 36 more seats by absorbing the New Aspiration Party, that dominance only increased. The concentration of political power rankled the government's sole coalition partner, Chart Thai, the party of former PM Banharn Silpa-archa, which had a long history of dominating certain government portfolios, especially the Ministry of Agriculture and Cooperatives. Now, though, Chart Thai was relegated to the less-desirable ministries of Science and Labor. As members of Chart Thai turned to the old strategy of threatening to mobilize farmer protests, their actions were countered by a firm rebuke from Adisorn Piangkiet, a TRT leader, "I would like to ask [Chart Thai] whether they want to withdraw from government" (*Bangkok Post*, April 23, 2001). The power of small parties to extract government concessions was no more.

Rice pricing policies became an opportunity to directly link the TRT party with its rural constituency. In January 2001, TRT quickly turned on the previous government's rice purchasing policies in an effort to assure its rural base that the government was now ready to help them. Thaksin publicly announced, "We want farmers to benefit from our farm produce price intervention program. Working systems must be checked. I know farmers have seldom benefited in the past" (*Bangkok Post*, April 1, 2001). Corruption investigations were initiated on the government purchasing schemes with police raids on rice mills to check stocks and their books. Millers complained about their treatment, threatening to quit cooperating with the government (*Bangkok Post*, April 3, 2001); the threats were hollow, as mills had become dependent on cheap credit and income from renting storage space. Government subsidies were as necessary for millers as farmers, perhaps even more so, and many found themselves at the mercy of the government.

TRT quickly embraced its largely agricultural base (Pasuk and Baker 2008, 70-73). Here the paddy mortgage program became useful, both for its familiarity and visibility. For the first time, paddy pledging was expanded to cover the second-season rice crop harvested

from April through June. This provided direct benefits to farmers in irrigated areas, especially in the lower north (Nipon and Kamphol 2014, 17-22). Beyond this expansion, TRT raised the loan rate to a full 100 percent of the value of the paddy; an increase from the 95 percent offered by the previous Democrat government. The main difference, though, came in the calculation of the target value of the paddy. Rather than be based on a projection of market value, the government determined the value of paddy mortgages based on investment costs as well as a 30 percent mark-up based on capital costs (Nipon 2010, 194; *Bangkok Post*, April 23, 2001). In other words, the paddy pledging scheme had now included a guaranteed profit for farmers (BAAC 2011, 12-13). During the initial implementation of the program for the off-season paddy in May 2001, the government offered 4,300 baht/ton for low-grade, 25-percent moisture paddy while the market price ranged between 3,600-3,800 baht/ton.

The paddy pledging program became well-entrenched in the TRT policy platform, and its political benefits accrued directly to the party rather than individual politicians or minority parties. For the 2001/2002 main season, the government raised the amount of paddy eligible for mortgaging from 2.5 million tons to 8.7 million tons, or approximately one-third of that year's production and one-half of paddy on the market (Secretariat of the Cabinet, February 18, 2002). 2003 would see that number reach 9 million tons, a figure that would remain constant until 2006 (Secretariat of the Cabinet, June 24, 2003). The paddy pledging target price remained at a calculation of inputs plus capital costs until the 2004/2005 harvest season (Nipon 2010, 192-194). With an election looming, Thaksin aimed to cement his dominance at the polls, and he raised the target price even higher, now promising prices of at least 20 to 30 percent above market value, giving farmers strong incentives to pledge their rice and abandon it in government hands. These actions made the Thai state the largest purchaser of rice in the country, with 37.75 percent of the 2004/2005 main season crop entering the program (Table 1).

The scope of rice price supports expanded into other areas as well. The government announced a five-year national strategic rice plan (2002-2006), which budgeted 90 billion baht to promote higher rice prices, including over 42 billion dedicated to price stabilization, 35 billion for infrastructure development, and 12 billion for research and development (Nalinrat 2002). This was later met with a Ministry of Agriculture and Cooperatives five-year plan for improvements in the production of rice. By 2005, the government claimed that the paddy pledging program was a “great success (*prasob pholsamret yang di ying*)” (Secretariat of the Cabinet, February 15, 2005). Promises were issued that farmer livelihoods would continue to improve.

Exporters complained that domestic prices were too high; with Vietnamese rice becoming increasingly competitive, Thai rice was losing ground. Their complaints fell on deaf ears. Millers, on the other hand, were now largely dependent on government subsidies. The build-up of the milling industry had left Thailand with overcapacity, and competition between millers for access to paddy and loans was fierce (Boonjit 2012, 11-12); without the paddy pledging policy and the additional rents they received from storing and milling paddy many of them could not survive on the market (interview, Rice Miller, Khon Kaen, Oct 21, 2015). While involved with the paddy pledging scheme, though, millers were frequently involved in corrupt practices, such as taking advantage of farmers, reselling mortgaged rice to the government, and selling high quality rice while retaining low quality paddy to fill government commitments (Nipon and Jitarakan 2010, 60-62).

Despite the complaints of exporters and the corruption of millers, the rural countryside perceived that the TRT policies had added to their prosperity. While urban protests challenged Thaksin in the cities, his rural supporters and their relatives gave him an overwhelming electoral mandate in the 2005 and 2006 elections.

When the Thai military staged its first coup in 15 years in September, 2006, it also brought an end to the inflated paddy pledging prices. The government soon cut the BAAC budget in half to only 20 billion baht for the 2006/2007 season. Target prices were also cut, as the government sought to clear its accumulated 4 million-ton rice stockpile. The army launched an investigation into the program, claiming that the TRT government's actions had cost Thailand over 18 billion baht in losses (*Bangkok Post*, October 27, 2006).

Thus the policy structure under Thaksin evidenced a major shift from the previous two periods. While government resources were still divided among cabinet portfolios, atomized control over rice purchases by small parties was at an end. Instead, the paddy pledging program took center stage, and with higher guaranteed prices for rice, the scheme became the single most important policy tool for the Thaksin government to influence the rice market. More importantly, it directly linked the TRT party to higher paddy prices in the minds of voters. While policies still operated through millers, mills became subject to greater political oversight and investigation. At the same time, politically connected mills enjoyed special access to government money (interview, Nipon Poapongsakorn, October 5, 2015). Exporters, on the other hand, had lost much of their former influence. The president of the Thai Rice Exporters Association explained (interview, October 7, 2015):

Politicians are looking for votes. Farmers represent the majority of the votes. No matter how much [politicians] love us. We are good friends with all the politicians... before elections they visit us and talk to us about what they should do. But 12 million votes are from farmers. We only have what, 200 votes!

Rice farming households, composing a large portion of Thai society, became the largest and most important political constituency. Thaksin, recognizing the shift in politics that had been created by reforming the electoral system, appealed directly to farmers to consolidate his political dominance.

Institutional Engineering and Expanding Subsidies (2007-2014)

The years following the fall of Thaksin saw wide fluctuations in rice price policies. The 2007 constitution reinstated block vote electoral rules, only to revert to similar rules to the 1997 constitution for the 2011 election (Hicken 2013, 206-209). The brief attempt to turn back the clock did return some vestiges of the past. For instance, Abhisit Vejjajiva (2009-2011) headed a weak coalition, which allowed the relatively small Bhumjai Thai party to extract important cabinet portfolios from the ruling Democrats. These were used to target goods toward Bhumjai Thai's home constituencies, similar to the coalitions prior to 1997 (Prajak 2016, 13-15). At the same time, Thai society had changed, limiting the effect of the institutional shift (Hewison 2010). This was clear in the 2007 and 2011 elections wherein Thais exhibited partisan identities, and many voters in rural areas associated goods provision directly with the Pheu Thai party (Hicken 2013, 209-211; Hicken and Selway 2012, 73-75). Thus there was a tension between institutions and societal pressures, which was in evidence in vacillating rice policies.

Throughout 2007, re-empowered bureaucrats in the appointed Surayud Chulanont government reformed the government's rice policies, including a moratorium on buying rice, a ten-year plan to manage production, and a reduction in the role of millers in rice price support policies. As Thailand transitioned back to democracy in early 2008, government interventions in the rice market had been greatly reduced; this was short-lived.

While 2008 should have been a bumper year for Thai rice due to skyrocketing global prices, Thai farmers did not benefit as much as expected. In May and June, a new rice price crisis began to unfold, as millers failed to buy farmers' second-season paddy. Banks refused to extend credit to millers based on the financial risk involved, leaving farmers with little

option but to sell their rice at below market value (*Bangkok Post*, May 6, 2008). Farmers protested and threatened to blockade major highways, calling on the government to reinstate the paddy pledging program for the off-season crop (*Bangkok Post*, June 4, 2008; *Bangkok Post*, June 5, 2008). Prime Minister Samak Sundaravej, Thaksin's chosen successor, responded by again embracing paddy pledging with target prices set above market value (Nipon 2010, 207-208). Even after Samak's dismissal by the constitutional court for receiving a token reimbursement for appearing on a morning television cooking program, the mortgage scheme persisted. By October, the guaranteed price was at least 2,000 baht/ton over market prices, and the government planned to dedicate 97 billion baht to mortgage approximately 8 million tons of paddy in the coming season (Secretariat of the Cabinet, October 28, 2008).

In December 2009, the elected pro-Thaksin government was overturned a second time through a judicial coup, and the ironically-named Democrat Party took power with military support. Abhisit Vejjajiva, presiding over a weak coalition, found that his desires to reduce paddy prices were constrained. Farmers demanded 13,000 baht/ton of paddy, and the subsidy was becoming more expensive for the state (*Bangkok Post*, March 7, 2009). Abhisit was thus faced with a choice of either absorbing the cost or facing farmer protests. In response, he kept the paddy mortgage scheme through the 2009 second season crop.

As the 2009/2010 harvest approached, though, Abhisit's government replaced paddy pledging with a new insurance program, developed in part with assistance from agricultural economists at the Thailand Development Research Institute (interview, former National Rice Policy Committee member, October 7, 2015). The new insurance scheme found support from both technocrats as well as exporters, as it was designed to subsidize farmers directly rather than influence prices (interview, Thai Rice Exporters Association President, October 7, 2015). In the new program, with a budget of 43 billion baht, farmers would sell their paddy at

market value, but the government would guarantee a price for up to 20 tons of rice per family. Thus, if the market value of paddy fell below the set price, the government would pay the difference to the family for up to 20 tons of paddy. In addition, the government expanded direct rice purchases again via the PWO, under the control of Newin Chidchob's Bhumjai Thai party, a vital coalition partner for Abhisit. The PWO was authorized to buy 2 million tons of paddy; the government also offered loans to rice millers and farmers to the tune of 60 billion baht.

Farmers were unhappy, though, as rice values dropped dramatically in 2010. Prices, which had been well over 10,000 baht/ton threatened to hit 6,000 baht/ton in March. A farmer representative threatened, "Farmers from the ten central provinces as well as farmers from the North and Northeast and members of the Thai Farmers' Association will gather at the government house in Bangkok together with their farm trucks, tractors, and personal vehicles to ask for help from the government" (*Bangkok Post*, March 7, 2010). Thaksin, now overseas avoiding a prison sentence, quickly appealed to farmers. He promised, "If Puea Thai [successor to TRT] returns to power, I will support the use of the rice pledging system like before" (*Bangkok Post*, March 10, 2010).

The dissatisfaction with Abhisit's rice policies contributed to the growing red shirt protests against the government. One farmer explained (*Bangkok Post*, March 13, 2010):

I joined the red shirt rally because I want the government to take responsibility for the falling price of rice which badly affects rice growers like me. I don't have any political agenda. I'm not loyal to Thaksin or any of his men. All I know is that when Thaksin was prime minister, many farmers had better livelihoods and more money to spend... I'm sick of this government. They have never paid attention to the plight of the farmers and the poor... if the Democrat-led government steps down, the farmers' problems will be solved and our livelihoods will gradually improve.

The Democrat Party was unable to convince farmers that the paddy insurance scheme provided similar benefits to the paddy pledging scheme. Perhaps even more problematic was the loss of support from rice millers and traders. Millers and traders garnered extra money from the pledging scheme, as they were paid by the government for both storing and processing the rice. The insurance scheme offered no such benefits, and the Commerce Ministry was able to convince only 12 out of 1,700 mills to participate in the new program (*Bangkok Post*, April 7, 2010).

Plagued by red shirt demonstrations, Abhisit's government encountered separate farmer protests outside the 11th infantry base where he had moved his government due to unrest. Demands for greater support of rice prices, though, were met with little response as Abhisit ordered a violent crackdown on the red shirt protestors. In the end, 91 people died with thousands injured. The brutality of the government response dissuaded farmers from protesting through much of the coming year.

By early 2011, though, farmers were again protesting low prices. The Thai Farmers Association threatened to hold a mass rally in Bangkok if the government did not respond to farmer demands for higher rice prices. In March, farmers blocked major highways, calling for the government to increase its rice guarantee to 14,000 baht/ton as well as expand the insurance program to 40 tons/family (*Bangkok Post*, March 4, 2011). The government responded by raising the price slightly as well as expanding the guarantee to 30 tons/family; later the government also agreed to directly buy paddy in provinces where prices were particularly low. The Democrat Party's efforts, though, failed to appease farmers. The opposition Pheu Thai party needled the Prime Minister on the issue. Abhisit, overestimating his popularity, responded by daring Pheu Thai to run their election on a pledge to revoke the rice insurance policy and reinstate the paddy pledging scheme (*Bangkok Post*, March 16, 2011).

Pheu Thai, now headed by Thaksin's younger sister Yingluck, did just as Abhisit had challenged. The party campaigned on the promise to return to the paddy pledging scheme and offer even higher prices, which contributed to the electoral victory wherein Pheu Thai captured 265 of the 500 parliamentary seats. Paddy pledging returned, although due to flooding and previous rice hoarding, its effect was not felt by farmers until the end of the main season. During the 2011/2012 harvest year farmers pledged 18.61 million tons of rice at prices up to 50 percent higher than market value (Table 1). Experts severely criticized the scheme, as it reached beyond prior paddy-pledging programs (interview, Nipon Poapongsakorn, October 5, 2015). Thaksin, speaking of government policy behind the scenes, though, refused to budge, "This policy cannot end. We want farmers who grow the rice we eat to survive. They should have their minimum income guaranteed so that they will continue to grow rice for us" (*Bangkok Post*, April 23, 2012). The policy continued to be popular among farmers, earning them an estimated 296.5 billion baht of extra profit across five cropping seasons (Nipon and Kamphol 2014, 21) before the Pheu Thai government was deposed on May 22, 2014.

Thus the policy environment of the fourth period was much more unsettled than in previous eras due to efforts to "force the genie back in the bottle" (Hicken and Selway 2012). Initially, the appointed, bureaucrat-led government attempted to return to rice pricing policies which had existed prior to 2000. Once Thaksin's successors came to power, though, they reinstated the popular paddy pledging program. After a pair of judicial coups, the Abhisit government introduced a new insurance scheme, which compromised between the demands of farmers and economic efficiency. Electorally, though, the Shinawatras offered a rejoinder, promising even higher prices via their popular paddy support policy. This platform conquered the electoral field and was implemented from 2011-2014 with 52.8 million tons of paddy being pledged during the five seasons the program was in effect, approximately 51 percent of

the paddy grown during that time (Table 1). The policy, combined with the societal changes of the previous years, overcame the institutional rules meant to turn back the clock.

Conclusion

The account presented above gives us greater insight into the way in which political institutions shape Thai politics. In light of electoral rules, we can better understand why politicians prior to Thaksin failed to pursue broad-based rural subsidy programs despite the existence of rice price interventions. In essence, politicians targeted politically important constituencies. Prior to the 1980s, authoritarian leaders focused on providing cheap domestic rice to urban bureaucrats and rice exporters at the same time as garnering government revenue. In the 1980s and 1990s, policies were directed toward winning over rice millers, stabilizing weak coalitions, and minimizing disruptions from farmer protests. Wide-spread rural subsidies were unnecessary to accomplish these goals. The 1997 constitution, though, created a different set of incentives for politicians, and they pursued broad constituencies with rice price subsidies, mobilizing farmers on a large-scale to vote for their party. The 2007 attempt to turn back the clock stumbled due to societal changes, and the Pheu Thai party, in order to consolidate its influence and overcome the new institutional obstacles, offered even more extensive subsidies to win over voters. Political leaders across all four periods used their access to state resources to build support from relevant constituencies. As these constituencies changed due to shifting electoral institutions, so too did the policy appeals embraced by politicians. Thus pairing institutional analysis with a public choice approach contributes to our understanding of Thai rice price policies.

At the same time, this essay suggests that the power of institutions in shaping political behavior has perhaps waned. While the adoption of the block vote system (1979-2000) and

the mixed electoral system (2001-2006) both heralded significant changes in the policy behavior of politicians, the most recent changes in 2007 had a more constrained effect (Hicken and Selway 2012, 77-81). Partisan identities, which had been previously nascent, have emerged, and the Thai elite's attempt to turn back time created a fundamental mismatch between Thai society and the newly resurrected old institutions. As Veerayooth and Hewison (2016, 381) argue, "all institutions are subject to the dynamics of the deeper power structure and struggle that underpins them." Thus, further attempts to engineer a new Thai political society through imposing institutions incompatible with a politicized countryside will likely have disastrous consequences.⁴

Theoretically, then, the implication is that the effectiveness of institutional engineering is conditioned on the environment in which they are implemented. Public choice theory argues that politicians use policy to seek the support of interest groups necessary for their political coalition to survive (Grindle and Thomas 1991, 25). If those factions are sufficiently coherent and large, then no amount of institutional artistry can dissuade politicians from pursuing them; indeed, as Yingluck's paddy pledging scheme indicates, leaders may actually amplify their appeals to overcome institutional impediments. Our theoretical claims about the effect of institutions should thus be tempered by a deep understanding of societal context. In societies with coherent interest groups, the effect of institutions will be bounded.

Recognizing such constraints on institutional power, then, we also must acknowledge that Thai rural society has changed and is continuing to change in unanticipated ways in response to government policy (Somchai 2016; Titipol 2015). Where in the past farmers served as a political mass that could be mobilized by policy promises, now they are engaged in their own efforts to request resources from the state (Walker 2012; 2015). Politicians may have lost their capacity to completely direct farmer demands. This signals that the future of

Thai politics may not resemble the past, especially since Thailand remains an outlier in structural transformation (Klyuev 2015; see also “Thailand’s Delayed Structural Transformation,” February 8, 2017, <http://www.thaidatapoints.com/project-updates/thailandsdelayedstructuraltransformation>). The country has many more farmers than it should at its current level of development, and they are now a politically active force. The forces of economic development, though, will continue to press for the painful process of agricultural transformation (Timmer 2015, 75-79). Individuals and families must leave lands, homes, and ways of life which have endured for generations to confront an uncertain existence completely dependent upon income through urban labor. As Thailand’s large farming population faces this daunting prospect, we need to better understand how the structural transformation will shape politics and how politics will shape the structural transformation. The analysis above gives us some hints, but more work remains to be done as the future of Thailand rests on the state’s capacity or unwillingness to guide Thai society through this process.

Finally, the current military junta’s efforts to re-write electoral rules in an attempt to return to an era of weak coalitions cobbled together under military leadership is unlikely to see long-term success. Rising incomes in the cities continue to challenge the capacity of the Thai state to address rural-urban inequality, and the politicized countryside will likely make even more demands of politicians. It may become increasingly tempting to offer broad-based policies to win over rural Thais. Once subsidies are begun they become politically addictive; after years of rice price subsidy abuse, it will be a difficult habit to kick.

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¹ Nipon Poapongsakorn (interview, October 5, 2015) claims that World Bank data exaggerate the number of Thai farmers. Klyuev (2015, 23) argues, though, that even using Nipon's reduced estimates, Thailand still has too many farmers for its level of development. Counting Thai farmers, though, is complicated as only a relatively small percentage of farmers rely primarily on agriculture for their livelihood (Somchai 2016, 508). To better understand what constitutes a Thai farmer today, we can draw on data from the quarterly Labor Force Survey showing seasonal fluctuation in agricultural labor. For instance, during the 2014 harvest season, over 13 million Thais (or 34.1% of the labor force) were involved in agriculture while in the following off-season (Quarter 1, 2015), this number dropped to 11.4 million (30.5%) only to jump again to over 13 million (33.9%) in the following harvest (Quarter 3, 2015). This seasonal fluctuation, which is especially pronounced for the Northeast and Northern regions, indicates that Thai households increasingly rely on off-farm income while still maintaining ties to agriculture (see "Thailand's Delayed Structural Transformation," February 8, 2017, <http://www.thaidatapoints.com/project-updates/thailandsdelayedstructuraltransformation>). As such, family members who work in the informal sector still have strong interests in the agricultural sector, buoying its political importance despite decreasing numbers of full-time farmers (Pasuk and Baker 2008, 70-73). It may thus be more appropriate to think about Thai farming in terms of households or families rather than individuals.

² I found no clear explanation as to why the pledged amount during the second season crop reported by the Department of Internal Trade was higher than the amount produced reported by the Office of Agricultural Economics, but I suspect this may have been due to heavy flooding in 2011 which delayed harvests in many areas resulting in main season crops either missing the deadline or quality requirements to qualify for the main season pledging program.

³ During an interview on the day of his appointment to head the MOF, Nipon Wongtra-ngan claimed that there was no conflict of interest in holding both positions as President of the Rice Millers Association and head of the MOF, despite millers owing 150 million baht to the MOF (*Bangkok Post*, February 2, 1993). Nipon would later also serve as President of the PWO.

⁴ I am indebted to Veerayooth Kanchoochat for raising this point during a discussion at the 2016 Thai Studies Symposium at the University of Sydney.

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