Economic Crisis in Asia: The Case of Thailand*

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Abstract: The economic crisis in Asia has been analyzed by neoliberal and neo-Weberian scholars as a financial crisis, with the neoliberals asserting that its causes are internal to the countries in question, the neo-Weberians asserting the causes to be external. This paper offers an alternative, Marxian explanation of the crisis, focusing on the outbreak of the crisis in Thailand. Using Harvey’s ideas about capitalist crises and capital switching, along with conceptions of crisis dynamics in peripheral societies based in the works of economic geographers and dependent development theorists, I argue that the crisis in Thailand was a fully economic crisis involving all circuits of the economy, linking domestic and international accumulation processes, and stemming in part from struggles over appropriation of the surplus. In order to demonstrate this, I analyze the crisis in Thailand at both national and international scales and show that it was rooted in declining profitability of manufacturing in a context of increased global export competition and overcapacity. This context created the strong likelihood of economic downturn throughout the region, with Thailand falling first because of its specific liabilities, and other countries being pulled into the maelstrom of devaluation through financial contagion effects.

Key words: Marxian crisis theory, economic crisis, Asia, Thailand.

As befits an event of the information era, the Asian economic crisis has quickly generated a plethora of interpretations. The majority of these interpretations have conformed to one of two broadly “mainstream” approaches: a neoliberal approach, championed by the International Monetary Fund (IMF) and others, which sees the crisis as caused by factors “internal” to the countries in question; and a neo-Weberian approach that sees the crisis as driven largely by factors “external” to these countries. The neoliberal approach tends to focus on policy mistakes committed by states (e.g., Fisher 1998; Summers 1998); the neo-Weberian approach tends to focus on the volatility and unpredictability of international capital flows, as well as the role of the IMF itself (e.g., Jomo 1998; Wade and Veneroso 1998). Both approaches tend toward a sharp distinction between “internal” and “external” factors (i.e., national and international factors), and both identify the crisis primarily with problems in the financial sector, which they accord a high degree of autonomy from “the real economy.”

I present here an interpretation of the economic crisis that differs from these mainstream interpretations in both its analysis of events and its implications. In particular, I articulate a broadly Marxian

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1 Some Marxists have also identified the crisis as fundamentally financial. See, for example, Webber (2001).
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analysis of crisis tendencies and the ways they have been expressed in the context of capitalist development in Thailand, where the crisis first erupted in 1996–97. As such, I interpret the crisis in Thailand as rooted in—though not narrowly determined by—class and class-relevant struggles over appropriation of the surplus. Moreover, I argue that the processes regarded as "financial" and those regarded as part of "the real economy" are deeply and inextricably intertwined. Finally, I focus on relationships between processes that are typically regarded as taking place at different geographic scales—in particular, the national and international scales—and in this context I pay particular attention to the ways in which Thailand’s "peripheral" status within the global economy has affected the specific features of its domestic crisis.\(^2\)

The Dynamics of Economic Crises in Capitalist Space Economies

As a starting point for this discussion, I begin with a brief outline of Marxist, geographical-historical perspectives on uneven development and economic crisis tendencies in capitalist space economies. I rely heavily on the work of Peter Bell (Bell 1977; Bell and Cleaver 1982) as well as the work of David Harvey (1982, 1985) and Neil Smith (1984, 1986), and the first part of the discussion is primarily a concise summary of certain points in their arguments. Since the theoretical approach to crisis they develop is couched in general terms and is most readily applicable to a single—and fully capitalist—social formation, I move in the second part of the discussion to an analysis of specific features of capital accumulation on the periphery which modify the process of uneven development and the manifestation of crisis tendencies.

Capitalist Crisis Tendencies in the Core

The starting point for a Marxist theory of capitalist crises is recognition of the central role played by profits—and thus exploitation—in driving investment and economic growth (Bell 1977; Harvey 1985, 1; O’Connor 1987). On this account, it is changes in the profit rates of enterprises, industries, sectors, regions, and countries that signal the evolution of changes in accumulation patterns and the maturing or superseding of crisis tendencies. Marx argues that declining profitability is a general tendency of maturing capitalist industry, rooted in an increase in the organic composition of capital, though the tendency may be countered by a number of factors, including geographic expansion of accumulation and the incorporation of noncapitalist areas into the global capitalist space economy (Marx 1973, 1977, 1981a, 1981b; Harvey 1982; Sheppard and Barnes 1990). The task of geographical-historical analysis is thus not to simplistically identify empirically discernible falling profit rates with the general tendency but rather to explain how this tendency works itself out in a specific context against the various countervailing factors at work (cf. Fine and Harris 1979).

Bell (1977) outlines three distinct approaches to analysis of declining profitability and capitalist crises: (1) neo-Ricardian approaches which focus on the distribution of the surplus in the context of class struggle; (2) underconsumptionist approaches, which focus on realization crisis (the inability to find adequate markets for output); and (3) falling rate of profit/organic composition of capital approaches, which reject underconsumptionist approaches and focus on Marx’s analysis of the law of value. Bell argues per-
suasively that each of these approaches, when taken as monocausal explanations of independent factors leading to crisis, are partial and overly rigid. The important thing to grasp, for Bell, is how the factors identified in each of these approaches interact in the general class processes that are part of capitalist accumulation. Thus, there is an overarching but complex set of class-relevant factors creating general crisis tendencies within capitalist production, but many different specific forms in which crisis can develop (Bell 1977, 171). Similarly, there is an overarching unity of production and circulation within the economic process and a variety of ways in which the relationships between these can break down (Bell 1977, 175–76). Thus, the purpose of Marxian crisis analysis is to chart specific forms and patterns of crisis in relation to the broad crisis tendencies inherent in capitalism as a consequence of class (and class-relevant) struggles (cf. Cleaver 1979).

Harvey and Smith provide geographically oriented theoretical tools for such an examination by delineating various patterns of capitalist response to declining profit rates. As they note, the fact that uneven development and crises of disproportionality are inherent in capitalism does not mean that capitalist societies have no inherent ability to deal with disproportionals. Rather, there is a dialectic within capitalism between tendencies toward imbalance and tendencies toward equilibrium (Harvey 1982, 417–19; Smith 1984, 148–52). One of the major equilibrating mechanisms is what Harvey calls the shifting of capital between different “circuits.” The primary circuit is the circuit of immediate production of commodities, the circuit which Marx’s work analyzes in the most detail (Harvey 1985, 3–6). The secondary circuit is the circuit of fixed assets and consumption fund formation, the circuit identified with the development of a built environment which facilitates expanded production and collective consumption (Harvey 1982, 236; 1985, 6–7). Harvey also identifies a tertiary circuit, the circuit of social infrastructure, which is identified with investment in science and technology and with such requirements for the reproduction of labor as investment in health and education (Harvey 1982, 398–405; 1985, 7–8).

Capital may move back and forth between the different circuits as part of the capitalist response to declining profitability and maturation of crisis tendencies. A decline in the profitability of investments in the primary circuit, for example, may spur increased investment in physical infrastructure and/or technological change. This shifting of investment has various consequences. In the short term, it may alleviate the immediate problem of falling profit rates, and it also increases overall productive capacity. Moreover, it creates geographic complexes of productive power and consumption possibilities, with the expansion of urban centers and the concentration of labor (both technically skilled and unskilled) being one of the most obvious manifestations of this.

What works in the short term to alleviate crisis tendencies, however, does not eliminate those underlying tendencies. By enhancing productive capacity, the shifting of capital to the secondary and tertiary sectors merely exacerbates the general problem of capitalism’s tendency toward crises of overproduction. When such crises eventually mature, then, the development of greater productive capacity may make the ensuing devaluation of assets even more severe. Moreover, the intensive development of the built environment makes capital more “sticky,” hindering the equilibrating movement of investment to otherwise more profitable areas by creating agglomeration economies that are not easily broken down. Thus, there is a contradiction embedded in the nature of the built environment: on the one hand, the rising wages and production costs, associated with core regions, encourage capital to seek out lower-wage locations within core countries, or outside of the country entirely (Harvey 1982, 417–19, 431–38); on the other hand, the sinking of large amounts of investment
into specific locations which create advantages such as secure access to labor and urban services discourages such relocation. As Harvey puts it, the “dead weight of past investments” impedes the geographic dispersal which could temporarily alleviate falling profit rates and creates a “switching crisis” (Harvey 1982, 428; 1985, 13). Indeed, as Smith notes, the power of the accumulated advantages of global core regions as a whole is such that there is no evidence of equilibrating tendencies working at the international scale (Smith 1984, 151–52). This leads directly to the issue of crisis tendencies within a global capitalist system marked by long-term maintenance of areas where accumulation is relatively more robust and “auto-centric” (cores) and areas where it is relatively less robust and characterized by greater dependence on external factors (peripheries).

Capitalist Crisis Tendencies in the Periphery

The general crisis tendencies which Harvey theorizes are fundamentally those of a single country or a single global economy with a unitary monetary system, though he does go on to briefly suggest some of their implications for a global economy of competing capitalist states (Harvey 1982, 325, 329). What is needed for current purposes is to extend this theorization by discussing how crisis tendencies unfold in the context of the global periphery, given its geographically and historically unique position. By this I do not mean an analysis of how the crises of the capitalist core play themselves out through imperialism and other forms of geographic expansion but rather how the general crisis tendencies of capitalism are reproduced and modified as they take hold on the periphery.

The central feature of core-periphery accounts that is critical here is the recognition that what marks a country or social formation as peripheral or dependent (rather than central or auto-centric) is the greater extent to which its rhythms of accumulation are structured by forces that do not emanate from within the social formation itself (Palma 1978, 909). Whether these dynamics are seen as generating underdevelopment (Frank 1966, 1967), disarticulation (Amin 1974, 1976), dependent development (Cardoso and Faletto 1979; Evans 1979), or “bloody Taylorization” and “peripheral Fordism” (Lipietz 1986, 1987), the understanding shared by core-periphery theorists is that accumulation on the periphery will be affected much more fully by developments in the global core than accumulation in the core will be affected by developments in the periphery. Yet it would be misleading to construe all capitalist peripheries as simply passively reflecting rhythms of the global economy, since the development of capitalism in the periphery provides ample basis for the relatively autonomous generation of capitalist crisis tendencies (Brenner 1977; Palma 1978; Cypher 1979). The challenge, then, is to identify specific features of the peripheral social formation which affect the working out of crises and which mediate national and international processes of uneven development.

In response to this challenge, I identify several basic features of peripheral accumulation or dependent development that are needed for elaborating a theory of crisis on the periphery. First, international capital flows are likely to play a very significant role in the manufacturing sectors of peripheral countries, whether in the form of foreign direct investment (FDI) and foreign loans to manufacturers or in the form of the need to find large export markets for manufactured goods (Porter and Sheppard 1998, 412). Second, the need for large export markets is in fact virtually guaranteed by the character of peripheral accumulation, which is relatively disarticulated in social and sectoral terms and thus does not stimulate either local industry or development of the local market to the same degree as similar industries in the core (Amin 1974; De Janvry 1981). Third, FDI is generally crucial to more technologically advanced and globally competitive produc-
tion of higher value-added products in the periphery, yet the more capital-intensive the production process the less labor it is likely to absorb and the less it is likely to have backward linkages with the local economy. Consequently, the more advanced and globally competitive the industrialization process taking place on the periphery, the more likely it is to be dependent on inputs from and markets in the core (Jenkins 1987).

Thus, within Harvey's first circuit of capital, what distinguishes the periphery from the core is the way the connections with the international economy enable rates of manufacturing growth which would not be attainable on the basis of auto-centric or domestically based accumulation. Under patterns of dependent development, peripheral economies can potentially accumulate capital much more quickly than they would be able to by relying simply on domestic sources of investment; and access to international markets also allows temporary suspension of realization crisis tendencies through the creation of an external market which can absorb goods for which there is inadequate domestic demand. For mainstream economists (e.g., Balassa 1981), this presents itself as a benefit and a vindication of liberal policies toward international capital. However, the rapid growth that can be attained under these conditions is not cost-free. When capitalist crisis tendencies begin to manifest themselves, the greater dependence on international capital flows can exacerbate the crisis—in particular, by making growth rates and recovery reliant on internationally mobile capital, which can respond to crisis by relocating production outside of this location entirely. In addition, if the crisis has regional or global dimensions, responses to the crisis by other states may make access to global markets more difficult—as when competitors devalue their currencies or when core countries establish new protective barriers or trade blocs.

Within peripheral countries, capital may be able to respond to declining rates of profit in the primary circuit by shifting capital to the secondary circuit. However, without an activist state that disciplines capital (unusual within developing countries), the second circuit is likely to draw in capital in a relatively haphazard way which can pose as many problems for capital accumulation in the future as it poses possibilities. The ubiquity of Third World urban environmental problems, traffic congestion, and skylines pockmarked by uncompleted high-rises and status projects attests to this problem, which is in part a reflection of the comparatively limited power (or will) of most peripheral states. In addition, the same volatility that can be generated by international capital flows in the primary sector can be generated by flows in the secondary sector. Thus, real estate and stock market booms have accompanied liberalization in some Third World countries, and while this increases cash flows and supports higher growth rates, it also helps create bigger speculative bubbles—and more severe crashes.

The shifting of capital into the tertiary circuit in response to declining profitability is even more problematic than the shift to the secondary circuit. The extremely long gestation period of investment in items like education, primary health care, infant nutrition, or technology development is at odds with the shorter-term profit rationale of most capitalist investment. For international capital which is relatively mobile and which can afford to relocate elsewhere, the desire to stay in place long enough to reap the benefits of such long-term investment is unlikely to be strong. In any event such investment must be organized by the state, but raising taxes on internationalized forms of capital in order to have the necessary revenues for this poses problems even greater than those which already attend taxation in core countries. Thus, a common feature of many (though not necessarily all) peripheral countries is weakly developed educational systems, with huge disparities between the education afforded the majority of the population and that which is available to a small number of privileged students (often trained abroad). In addition,
technology development is generally limited, and even transnational corporations with the money to spend on research and development are less likely to do so in their peripheral operations than in their core country sites (Jenkins 1987, 87). Consequently, even rapidly developing peripheral countries frequently lack not only control over leading technologies but adequate numbers of engineers and technicians to sustain on their own a longer-term process of growth in high value-added industries.

Caution is needed here in generalizing about the fluidity of international capital invested in peripheral locations. Like capital invested in the core, capital in the periphery can acquire certain forms of "stickiness"—for example, larger projects may have significant sunk costs that need substantial time to be recouped. Moreover, there may be important differences between different industries in this regard, with small-scale or less capital-intensive industries being more likely to relocate than larger and more capital-intensive firms. Claims about the mobility of international capital on the periphery, therefore, need to be placed in a longer-term and comparative perspective. The claim made here is not that capital on the periphery is absolutely mobile but that it is less likely over the longer term to have the level of commitment to peripheral economies which it is likely to have to core economies. Insofar as this is the case, moreover, it has important consequences for the development of peripheral technological and productive capacity in response to declining profits—and thus for the longer-term prospects of growth and development on the periphery.

To summarize my argument, then, the condition of being peripheral is likely to make the process of tapping into international capital flows both a more volatile and a more limiting affair. Peripheral states can often facilitate FDI and export-led growth and can also facilitate the shifting of capital into the secondary circuit through liberalization measures, but they cannot readily control the behavior of capital and can only with difficulty exercise the discipline necessary to move capital more fully into the tertiary circuit—a task in which few besides a handful of East Asian newly industrialized countries (NICs) have proven successful in recent decades. Moreover, as the state itself becomes "internationalized" and oriented toward facilitating accumulation for the most powerful investors (regardless of their nationality), it is less likely to even attempt to play this disciplinary role, its emphasis being on facilitating rapid accumulation and enhancing shorter-term competitiveness (Cox 1987; Panitch 1994; Glassman 1999a).

Class Struggle and Economic Crisis Tendencies on the Periphery

None of the foregoing discussion has adequately spelled out the class dimensions of capitalist crisis tendencies, yet a crucial factor determining expression or nonexpression of such tendencies—and indeed one that underpins them—is the intensity and specific contours of struggle over appropriation of surplus (Bell 1977; Cleaver 1979; Bell and Cleaver 1982). It is the fact that various options for distributing this surplus result in specific kinds of disproportionality that relates various possibilities of class struggle to different patterns of crisis. For example, within a single, unified capitalist economy, if capitalists successfully defeat or subdue labor struggles and keep wage increases well below increases in productivity—thus ensuring satisfactory profits in the short term—they may face the longer-term problem of realization crisis. At the same time, if they have subdued labor largely through mechanization (the replacement of living with dead labor), the crisis may be recognizable as a fall in profitability related to an increase in the organic composition of capital. On the other hand, if labor successfully struggles to increase wages at a rate that outstrips productivity, this may directly reduce profit rates in the short term, dampen
The virtuous circle of Fordism reflects an attempt to balance productivity and wage growth so as to avoid these possibilities of disproportionality, yet maintenance of a Fordist mode of regulation has proven a (perhaps intractably) difficult task—in no small part because both capitalists and workers continue struggling to tip the balance in their favor, even within Fordist societies of the global core. In cases of export-led growth on the periphery, by contrast, the problem of social disarticulation—and thus of inadequate growth in wages and effective demand relative to the value produced—is resolved through reliance on foreign markets. This enables capitalists investing on the periphery to potentially realize particularly high profits, while also subjecting workers to fairly sharp limits in the prospects for wage growth—except under conditions where exports are expanding dramatically (as was the case for the Asian NICs until 1996). Yet this specific form of dependency also means that realization crises lie just below the surface of the accumulation process and can strike whenever global demand becomes inadequate to absorb the exportable surplus product at a price consistent with profit expectations. It also means that wages are generally regarded as a cost more than as a source of demand, and capitalists will consequently tend to strongly oppose wage increases.

It should be emphasized that in a global political economy, and especially in a peripheral context, the class struggles crucial to accumulation dynamics are not always narrowly (or even primarily) those which can be conceptualized at the national scale. Class struggles in core economies and class struggles that transcend national boundaries may affect the behavior of internationalized capital in ways relevant to the crisis dynamics of peripheral economies. Thus, for example, the movement of record amounts of Northeast Asian capital into the Southeast Asian manufacturing sector during the late 1980s—in part a response to domestic class struggle and rising wages in Northeast Asia—transformed the terrain of both capital accumulation and class struggle within Southeast Asia. Similarly, the success of U.S. capitalists in restoring profit rates by undermining the Fordist labor accord has given them access to an enormous reinvestable surplus in the context of slow U.S. economic growth. Under the new forms of imperialism emerging in the post–cold war world of “globalization,” this surplus has become part of the enormous mass of money capital which circles the globe looking for “emerging markets.” In short, class struggle itself is a process that can be conceived on multiple scales, and this means that introducing international dimensions into the analysis of peripheral economic crises by no means implies moving totally beyond the realm of class relations for explanation of crisis tendencies.

Economic Meltdown in Thailand

In illustrating the relevance of these theoretical considerations, I analyze the economic crisis in Thailand as a simultaneously national and international phenomenon. In doing this, I show how the national and international dimensions of the crisis were both integrally interre-
lated and in fact mutually constitutive of one another. I thus highlight the futility of narrowly ascribing responsibility for the crisis to either "internal" or "external" causes. Throughout the discussion, I pay much attention to the role of the state in the Thai crisis, while highlighting the importance of class and class-relevant struggles over the distribution of surplus.

**Declining Profit Rates and Crisis Tendencies in Thailand**

As indicated above, a central theme in Marxian theories of economic crisis is the movement of the profit rate, analysis of which involves a variety of complications, both theoretical and practical. In the former category is the issue of whether or not to measure the profit rate in price terms (Devine 1994) or in value terms (Shaikh and Tonak 1994). While the theoretical issues underlying this debate are significant, it turns out that empirical estimates of prices and labor values generally find that they are highly correlated (Sheppard and Barnes 1990, 50), so for analysis of the trend in the profit rate (as opposed to the absolute value), the choice of measures may not be significant. It is only the profit rate trend which is analyzed here, since the measurement of fixed capital stock—on which the Thai government publishes no estimates—poses practical difficulties, and this makes estimates of the absolute level of profitability of somewhat limited value. Profit rates are reported here in price terms, though the value rate of profit shows the same trend.

Conceptually, there are different ways of discussing profitability. Gerard Duménil and Dominique Lévy (1993) distinguish between the profit margin, the profit share, and the profit rate. The profit margin is the ratio of profits to production costs. As Duménil and Lévy note, this measure is useful in that it relates profits to the price of inputs, such as raw materials, energy, and labor, but it does not measure the ability of a stock of capital to yield profit (Duménil and Lévy 1993, 21). Profit share refers to the percentage of the total value-added in production that goes to capital (the remainder being the share paid out to labor in wages). This is a straightforward measure of distribution of the surplus, but it does not reflect the ability of capital to make a profit (Duménil and Lévy 1993, 20–21).

The profit rate refers to the relationship between profits and the capital stock—that is, the amount of money invested in a particular line (Duménil and Lévy 1993, 20–22). Mathematically, it can be rendered by the formula

\[ r = \frac{P}{K} = \frac{Y - W}{K}, \]

where \( r \) stands for the profit rate, \( P \) stands for profits, \( K \) stands for capital stock, \( Y \) stands for output (or value-added), and \( W \) stands for total compensation (wages). The profit rate can thus be decomposed into two parts, the profit share and the output-capital ratio,

\[ r = \left( \frac{P}{Y} \right) \times \left( \frac{Y}{K} \right), \]

where \( P/Y \) is the profit share and \( Y/K \) is the output-capital ratio. Profit rates will tend to decline if there is either a decline in the profit share (i.e., labor claims a larger share of the surplus) or a decline in the output-capital ratio (i.e., the output per amount of fixed capital stock decreases).

Figures 1 and 2 show the movement of the profit rate in Thailand, along with the profit share and the output-capital ratio, over the period from 1970 to 1997. The profit rate in manufacturing shows an uneven longer-term trend, but rises markedly at the end of the 1980s and declines in equally marked fashion in the 1990s. A World Bank study of return on assets for all businesses in Thailand finds a similar pattern for 1988–96 (Claessens, Djankov, and Lang 1998).
posed into declines in both the profit share and the output-capital ratio, indicating both an increasing claim on the surplus by labor (albeit after starting at relatively low levels) and an apparent decline in the aggregate productivity of capital. During the late 1980s, by comparison, profits grew because of both an apparent increase in the productivity of capital and stable profit share.

For a cross-country comparison of profit shares, showing that Thailand’s rates historically have been very high, see UNIDO (1992, 45). By the early 1990s, if the U.N. National Accounts Statistics (U.N. 1980–96) are accurate, Thailand’s profit share had declined to approximately the average for developing countries.

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**Figure 1.** Profit rates, Thailand, 1970–1997. Sources: Gould (1952, 1953); NESDB (1960–2000); U.N. National Accounts Statistics (1970–80). For an explanation of the method of calculation used for this figure, see Appendix.

The numbers here suggest the possibility of a relatively long-term trend of declining profitability, but the data series is shorter than would be required to establish this. Thus, I do not infer a long-term crisis of declining profitability rooted in increasing organic composition of capital—indeed, there is no evidence for such a classically Marxist decline in profit rates. Short-term changes in the manufacturing profit rate between the mid-1980s and mid-1990s, on the other hand, might be seen as corresponding to a business cycle, a view that is supported by the figures on capacity utilization in manufacturing, trade, and construction, which are available from 1977. Figure 3 illustrates these changes in rates of capacity utilization, which by the mid-1990s had returned to approximately their 1985 (pre-boom) levels.

Thomas Weisskopf (1979, 342) provides another method of decomposing the profit rate which adjusts for changes in capacity utilization, an approach that can be used with the profit series from 1977 to 1997. Weisskopf defines the profit rate as

\[ r = \frac{P}{K} = \frac{P}{Y} \times \frac{Y}{Z} \times \frac{Z}{K}, \]

where \( Z \), potential output (or capacity), is equivalent to output divided by capacity utilization. Thus, the profit rate is a function of the profit share \( \frac{P}{Y} \), the rate of capacity utilization \( \frac{Y}{Z} \), and the capacity-capital ratio \( \frac{Z}{K} \). These three components of the profit rate are basically equivalent to the factors emphasized by

There is typically a strong statistical relationship between the profit rate and capacity utilization (Glyn 1997, 597), and the latter changes more in response to the business cycle than in response to longer-term trends.
(respectively) the neo-Ricardian, the underconsumptionist, and the falling rate of profit/organic composition of capital approaches outlined by Bell. Thus, the profit share is taken by Weisskopf to indicate the immediate significance of exploitation and class struggle, the rate of capacity utilization to indicate the immediate significance of realization problems, and the capacity-capital ratio to indicate the immediate significance of changes in productivity growth and increasing investment in labor-saving technology.9

The effects on manufacturing profit rates of changes in these three determinants are illustrated in Figure 4. As can be seen, virtually all of the net increase in profitability between 1985 and 1990 is due to increased capacity utilization. Between 1990 and 1997, both capacity utilization and profit share fall, contributing to the decline in profit rates, while the capacity-capital ratio, though varying from year to year, remains virtually the same by the end of the period as at the beginning. In short, profit rates only improved in the late 1980s because of increased capacity utilization and declined after that because of both declining capacity utilization and declining profit share.

The Crisis as a Realization Crisis

The changes in capacity utilization shown here and their relationship to declining profitability indicate downward pressure on profit rates because of realization failure—the inability to find adequate markets in which produced commodities can be sold at prices that cover production costs and expected profit margins (Weisskopf 1979, 346). This interpretation is supported by evidence regarding developments impinging on the Thai economy from the late 1980s onward—particularly increased international export competition, which has made it more difficult for Thai and other Southeast Asian exporters to expand their share of foreign markets, even as their output (and that of competitors) increased dramatically. Thailand and its East Asian export competitors have collectively participated in creating this increased export competition, with each of them engaged in relatively disarticulated and foreign market–dependent growth. This growth, moreover, has involved relatively limited complementarity between the Asian exporters, thus intensifying the competition for markets outside of the region. As a consequence, there has been a burgeoning contradiction between regional overcapacity and tightening global markets that places increasing pressure on all of the Asian export economies and manifests itself in declining prices for key exports (Brenner 1998; World Bank 1998; Bernard 1999; Glassman and Carmody 2001).

The lower-end Asian exporters have been particularly profoundly affected by one of the major economic events of the late twentieth century, the rise of China as an export manufacturing power. The importance of the Chinese network of capital has been discussed in much recent work on Asian economic growth (e.g., McGee 1984; Hsing 1998; Dicken and Yeung 1999). While in the past this network has been seen as facilitating economic growth in Thailand (Pasuk and Baker 1998), the opening of China to capitalism and the movement of large amounts of investment by Hong Kongese and Taiwanese capitalists into southern China now poses a threat to the continued development of Thai manufacturing, particularly in low-wage, labor-intensive industries such as textiles and garments (Doner and Ramsay 1994). Moreover, it is not only the Chinese network of capital that has increasingly centered its activities on southern China: Japanese investors have also turned to China as a base for offshore production (Steven 1996), leading to the

9 Like Bell, Weisskopf acknowledges that all of these factors are interrelated and not strictly separable as causes of declining profitability. The point of disaggregation is thus only to sharpen discussion of the relationship between each of the various factors.
enormous rise in inward FDI in China shown in Table 1.

If regional and global markets were expanding at an adequate rate, the development of manufactured exports from China would pose less of a threat to the manufacturing sector in countries like Thailand. However, the limited development of consumption in Japan (Steven 1996; Bevacqua 1998), exacerbated by the stagnation of the Japanese economy in the 1990s (Bernard 1999, 192), has meant that Thailand remains highly dependent on export markets in the United States and Europe, relative to its imports from Japan. For example, from 1990 to 1997, Japan accounted for some 30 percent of Thai imports but received only 17 percent of Thai exports, whereas the United States accounted for only 12 percent of Thai imports but received 21 percent of its exports (U.N. International Trade Statistics Yearbook 1991–99).

As such, increased competition from China in the U.S. market is a moment of great consequence. It is crucially important that China has taken a larger share of the U.S. import market over the 1990s, increasing from just 3.1 percent of the total market in 1990 to 7.8 percent in 1998, while over the same period, by contrast, Thailand’s share of the total U.S. market stagnated at 1.4 percent (U.N. International Trade Statistics Yearbook 1991–99; U.S. Bureau of the Census 1991–99). Moreover, the Chinese state exacerbated the competitive pressures in 1994 when it devalued its currency—a move that occurred in the same year as the North American Free Trade Agreement (NAFTA) went into effect, solidifying Mexico’s position as a production base for
low-wage exports to the United States. In sum, increased global competition, particularly from China, and the difficulties which this created for expansion of exports in an export-dependent economy helps explain the overcapacity evident in the Thai manufacturing sector by the mid-1990s. But overcapacity only explains part of the decline in profitability of Thai manufacturing.

The Crisis as a Profit-Squeeze Crisis

As shown in Figures 2 and 4, declining profit share after 1990 also placed downward pressure on wages. What explains this declining profit share? First of all, from at least the early 1990s, business leaders expressed concerns about a tight labor market, especially for skilled labor, which was driving up labor costs (Economist Intelligence Unit 1992, 14). Analysts have even proposed that there is somewhat of a shortage of unskilled labor for many manufacturing industries, though this is a phenomenon in need of careful analysis, given the abundance of labor remaining in relatively low-wage agricultural occupations. Another important theme in the 1990s has been a resurgence of labor militance, registered in increasing numbers of strikes and workdays lost from 1990 to 1997 (Pasuk and Baker 1998; Glassman 1999b, 310–11). Labor militance might be seen as reflecting the increased bargaining power of labor under conditions of relative labor shortage, or as an overdue response to years of wage repression (Thai manufacturing wages increased very little between 1945 and 1990), or as a combination of these factors. It can also be seen as part of the emergence of more democratic forces in Thai society that have pushed for political liberalization and demilitarization (Ji 1997). However interpreted, it is clear that the increase in militance placed upward pressure on wages in the leading industrial sectors with the largest unions.

Again, however, rising wages do not necessarily imply the unfolding of an economic crisis—indeed, for Keynesian theory, rising wages might well help stimulate domestic consumption and thus set in motion the virtuous circle of demand-led investment and economic growth. Rising wages only represent a problem in the context of socially disarticulated and export-led accumulation—particularly if wage increases are not outstripped by productivity growth, in which case rising wages will contribute to immediate declines in the profit rate. Yet capital accumulation in Thailand, as in many other peripheral countries, has not been marked by the kinds of consistent productivity increases which can lead to a virtuous circle of demand-stimulated economic growth—a matter discussed in the next section.

Here it is also important to reemphasize that the Asian NICs compete with one another in the same major export markets and have limited complimentarity, each being dependent upon exporting a large surplus that cannot be consumed in the domestic market. Though Thailand has not been successful in improving its regional competitiveness through productivity gains, it was more successful than most of its competitors at keeping wage growth well below growth in labor productivity throughout the 1980s (Fig. 5). In the 1990s, however, rapid wage increases outstripped increases in labor productivity, a phenomenon also seen in the other rapidly growing Southeast Asian NICs (Fig. 6). While such wage rises could be beneficial if sustained over time (through their effects on the domestic market), in the short term they have not been sufficient to allow Asian exporters to consume all that they produce, and have instead simply undermined the price competitiveness of many exports.

10 It is not unusual, in recent years, to hear business leaders lamenting the limited domestic market and the need to build it in the face of increasing global competition in export markets (e.g., The Nation (Bangkok), 5 September 1997; Bangkok Post, 18 June 1998).
The Crisis as a Crisis of Productivity

It remains to be asked why, in this context of increased wage pressure, there was not a comparable, countervailing increase in the productivity of capital. To answer this question, it is important to highlight historical features of Thailand’s dependent development. Industrialization in Thailand has for many years been built heavily around low-wage labor. Real wage growth was extremely limited between the end of the Second World War and 1975, and was far slower than labor productivity growth from 1975 until 1990 (Sungsidh 1989, 67; Sungsidh and Kanchada 1996, 238; Nikom 1995, 9–10). Thus, firms investing in Thailand could enjoy extremely high profit rates with relatively limited investment in productivity enhancement (Morell and
This is not to say that technological change and upgrading have not occurred throughout the postwar period. Certainly, more labor in Thailand has been harnessed to new production technologies, and this is reflected in labor productivity increases that, while not on a par with those of the other Asian NICs, are nonetheless significant (Figs. 5 and 6). Moreover, even total factor productivity—which mainstream economists take to indicate technological upgrading through innovation or imitation—has improved in Thailand over its recent decades of rapid growth (World Bank 1993; Crafts 1999). Nonetheless, as is to be expected for a country engaged in “catching-up” growth, the major source of productivity change is not innovation but rather simply increased utilization (largely through foreign direct investment) of more advanced machinery, along with the transfer of labor out of agriculture into manufacturing (Krugman 1994; Crafts 1999; Warr 1999).

In this context, a large number of firms in Thailand have remained focused on the advantages to be gained from relatively competitive wages, rather than on investment in increased productivity of capital. Indeed, as several studies have illustrated, even larger foreign firms in Thailand have made only limited efforts to train personnel and upgrade technology used in their Thai manufacturing operations (Limqueco, MacFarlane, and Odhnoff 1989; Deyo 1995), a problem exacerbated in the post–World War II period by the policies of the Thai state (cf. Hewison 1989; Doner and Ramsay 1994; Pasuk and Baker 1995; Unger 1998). The Thai state’s relatively poor performance in spurring scientific and technological research and development (R&D) is reflected in the fact that as of the mid-1990s Thailand had only 0.2 R&D scientists and technicians per 1,000 members of the general population—a level not only much lower than that of competitor states such as South Korea (2.9) and Singapore (2.6), or even China (0.6) and Vietnam (0.3), but also lower than the average for all countries categorized by the United Nations Development Program as exhibiting medium human development (0.7) (UNDP 1999, 176–77). To be sure, there have been modest increases recently in the proportion of government spending on education and science and technology development. But in spite of this, productivity of capital remained stagnant between 1985 and 1997 (Figs. 2 and 4)—a continuation of the relatively low productivity pattern that has marked Thai accumulation throughout most of its recent history.

The ability of the Thai state to pursue this comparatively low social capital development path has deep roots in the country’s abundant land and natural resource base, which has allowed several decades of robust export growth on the basis of primary commodities—particularly rice (Pasuk and Baker 1995; Jomo 1997). Thailand’s development path also has deep roots in the effects of the cold war on the evolution of the Thai state and its forms and functions. Thailand’s development under U.S. umbrage gave it various forms of wherewithal to discipline labor while promoting rapid growth that was underpinned originally by substantial aid flows and later by FDI and favorable terms of access to the U.S. market. This meant that high profit rates and opportunities for economic growth could be maintained for many years without disciplining capital or developing the capacity to force capital into

11 A World Bank survey of firms in nine East and Southeast Asian countries, along with the United States and Germany, found Thailand to have the highest rate of return on assets in the period 1988–96—and also to have the most rapidly declining rates of return in the 1990s (Claessens, Djankov, and Lang 1998).

12 A 1998 study found that Thai firms are less productive than regional competitors in places such as Malaysia (Bangkok Post, 18 June 1998).
the tertiary circuit—for example, through higher effective rates of corporate taxation to support greater expenditure on education, training, and technology development (Glassman 1999b). Thailand in fact has one of the lowest rates of effective corporate taxation in the world (Warr and Bhanupong 1996, 75–76), but until the 1990s it countered the problems this poses for the state’s capacity to invest in skills upgrading and technology development by maintaining a labor force so disciplined that it had one of the lowest wage shares of any labor force in the developing world (UNIDO 1992, 45; Jansen 1997, 34–35). When this changed in the 1990s, under the impact of tighter labor markets and more militant labor struggle, neither the Thai state nor most of the private sector had developed substantial capacity to respond to rising wages with labor-displacing technological innovation. Instead, even though some larger firms invested in “catching-up” technological change, a great number of firms simply ratcheted up investment and production on the basis of existing, labor-intensive technology, attempting to out-compete one another through “perspiration rather than inspiration” (Crafts 1999; Warr 1999).13

It is also important to emphasize the pace at which the realization and overcapacity crisis has evolved—unfolding largely since the early 1990s—which has meant that countries attempting to maintain themselves as export bases have to respond quickly and harshly to rising production costs and rapidly deteriorating terms of trade (World Bank 1998). The simple means of doing this is to constantly devalue the currency; the more difficult means is to move rapidly from lower value-added products suffering from increased competition into higher value-added lines that are (somewhat) less competitive. The speed required of the transformation process in the era of “globalization”—a reflection of what Harvey calls “space-time compression” (Harvey 1989)—is important to emphasize because, again, it is not the case that firms in Thailand have totally neglected efforts to increase productivity or move into higher value-added lines, nor is it the case that the Thai state has totally neglected efforts to spur industrial deepening (Deyo 1995; Pasuk and Baker 1998, 43–45; Warr 1999). However, in a context of historically satisfactory profits ensured by repression of labor and minimal disciplining of capital, investors and state planners have simply been unable to respond with the timeliness or seriousness required by contemporary global capital flows (Doner and Ramsay 1994, 189–94; Bello, Cunningham, and Poh 1998, 55–70).

The Crisis as a Financial Crisis

Realization failure, rising wages, and stagnant productivity in the early 1990s provide a crucial context for understanding the Thai economic meltdown of 1996–97, but they do not by themselves explain the crisis or its onset. Indeed, the very fact that pre-boom profit rates may have been similar to post-boom rates without the economy going into the sort of decline seen in 1996–97 suggests that something additional must have occurred in the 1990s to trigger collapse. Here the issue of capital switching is important. As Figure 7 shows, one of the most noteworthy features of FDI inflows during the early 1990s is the decline of new investment in manufacturing industries and the explosion of investment in real estate, which began in 1994 and continued through 1996. It is also worth noting that this investment in real estate—which quickly led to a glutted market—is not matched by comparable investment in construction, indicating that much

13 It is worth cautioning here that productivity increases in core countries—to which countries like Thailand have been unfavorably compared—may be overstated in some of the literature, since total factor productivity does not separate out the effects of innovation and imitation from the effects of less-efficient firms exiting or more technologically efficient firms gaining market share (Webber and Rigby 1996, 394, 401–2).
of the real estate investment may have involved speculative land deals (cf. Bello, Cunningham, and Poh 1998, 161). Indeed, the national accounts indicate that, compared to the period 1987–91, growth rates of value-added in the manufacturing and construction sectors declined much more during 1991–95 than did rates in banking, insurance, and real estate (Fig. 8). Moreover, during the early 1990s portfolio investment overtook FDI, reaching a level equal to the total Gross Domestic Product (GDP) by 1993 (Fig. 9). All of these indicators point to the development of a much higher level of speculative, nonproductive investment by 1993–94. This movement of capital into speculative activities is not entirely surprising, given the lower rates of profit in productive sectors outside of manufacturing.14

14 Bangkok was already arguably overbuilt by the mid-1990s, so that shifting money into more

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**Figure 8.** Increase in value-added, by industry, 1987–1995. Source: NESDB (1987–95).
The phenomenon of increasing speculative investment is described in mainstream analyses of the economic crisis as the development of the “bubble economy.” Analysts acknowledge that the shift of capital into more speculative ventures not only set up the subsequent crash in real estate values—particularly since such investment was swelling at a rate much faster than the growth of the overall economy, which was slowing during the early 1990s—but also represented a diversion of capital from employment in productive sectors like manufacturing (Pasuk and Baker 1998, 316–17). What needs to be further emphasized, however, is that the timing and weight of the movement of capital into more speculative investments seems quite plausibly to imply a response by investors to declining profit rates in manufacturing by the early 1990s. Firms in the manufacturing sector were finding the prospects less attractive than in the late 1980s, precipitating slower growth in investment, while extraordinary rates of overall economic growth up until 1990—and respectable rates after that—had attracted the attention of institutional investors looking for emerging markets within which to park new short-term investments (Bernard 1999, 191). Had manufacturing profitability not been declining by the early 1990s, it is conceivable that various investors (including institutional investors such as banks and finance companies) would have put more money directly into manufacturing activities and that rates of manufacturing growth would have continued at levels that could more effectively sustain the boom in the stock market and the property sector.15 Thus, the crisis which broke out in the financial sector during 1996–97 when real estate values collapsed was not a nar-

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15 Pasuk Phongpaichit and Chris Baker (1998, 101) note that between 1992 and 1993 the average price-earnings ratio of companies listed on the Stock Exchange of Thailand (SET) rose from 16 to 26, while that of blue chip companies rose to over 30. This exuberance proved unsustainable with slowing manufacturing and construction growth, and SET prices fell consistently from 1994 on (Hewison 1999, 29–30).
rowly financial phenomenon but rather was directly linked to the behavior of capitalists in response to declining profitability of manufacturing investment.

The capital switching described here indicates the international dimensions of the issue. It was the switching of East Asian capital from manufacturing FDI into real estate and stock markets—along with the inflow of financial capital from Western banks and emerging market funds (itself a form of switching from reinvestment in slower-growing Western countries)—which triggered the development of Thailand's bubble. To point out these international dimensions of the bubble economy, however, is not to say that international capital simply ran roughshod over the Thai state. Rather, the Thai state was very much an actor in the process, and in order to encourage rapid inflows of foreign capital and bridge a projected savings-investment gap, it had undertaken a number of financial liberalization measures during the early 1990s (Bello 1998; Bello, Cunningham, and Poh 1998, 18–20; Pasuk and Baker 1998, 98, 116–17, 318–19; Unger 1998, 95–97; Bernard 1999, 191).

First, the state deregulated domestic finance and removed constraints on portfolio management, including loosening rules on capital adequacy requirements and allowing commercial banks and financial institutions to expand their fields of operation. Second, the state dismantled most foreign exchange controls and opened the Bangkok International Banking Facility, which allowed offshore borrowing in foreign currencies and reconversion into Thai baht, thus increasing the flow of capital into Thailand from countries with lower interest rates. This was further facilitated by the third policy, that of keeping the baht pegged to a weighted basket of currencies which favored the dollar, thus making dollar-denominated loans artificially cheap as the dollar rose against the yen. Fourth, the state kept interest rates high to attract foreign capital.

In sum, while the financial dimensions of the crisis clearly implicate volatile international capital flows, the development of crisis tendencies in the Thai economy indicates a more complex process than signaled by the conventional story of international capital run amok. Aside from the important immediate roles of Thai capital and Thai labor in the development of crisis tendencies, international forces were themselves constituted in part by the actions of Thai capitalists and the Thai state—including their export performance and their financial maneuvering in the post–cold war process of liberalization. The financial crisis was integrally connected to crisis tendencies within "the real sector" and was simultaneously produced by "internal" and "external" forces.

The Crisis as a Unity-in-Diversity

The different aspects of the economic crisis discussed above are not separable and independent causal forces, but, rather, dialectically interconnected phenomena that give the crisis in Thailand its specific form. Moreover, the crisis is simultaneously a national and international phenomenon; indeed, the Thai economy as a national entity contributed to the creation of many of the regional and international dynamics that have acted back on the accumulation process in Thailand.

To summarize and synthesize, then, the picture of the economic crisis as a unity-in-diversity looks something like this: The crisis in Thailand had roots in a decline in manufacturing profitability. This decline in profitability resulted from the interaction of realization failure (the consequence of overcapacity in a context of increasing export competition), profit squeeze from rising wages (the result of tighter labor markets and increased worker militance), and relatively stagnant productivity of capital (the result of limited capacity for technological upgrading, which is the legacy of dependency and specific historical factors). The growth boom that started in 1987 had in effect quickly led to overinvestment and inadequate productivity growth. In this context, rising wages ensured declining
profit rates while further exacerbating the problem of competition from lower-wage competitors.

These manifestations of underlying crisis tendencies enabled a full-blown meltdown in the financial sector, triggered by the collapse of a speculative economic bubble built up through large flows of both foreign and domestic capital into the real estate sector and the stock market. The state facilitated both the original boom in manufacturing FDI, which led to record growth rates during 1988–90, and the dramatic inflow of hot money during 1993–94 as the manufacturing sector cooled somewhat and investors began to look elsewhere. The phase of open crisis began with the collapse of real estate values and manufacturing export growth during 1996, which led to disinvestment from the stock market and speculative pressure on the baht—many investors having decided that the currency was in need of devaluation in order for exports to regain competitiveness.

From this point, the crisis began to take on a regional life of its own, which I do not have space to analyze here. One concluding point about the regional dimensions of the Asian crisis is in order, however. None of the countries affected by the regional crisis had Thailand's precise mix of liabilities, and this, coupled with the fact that crisis in other countries was clearly triggered—though not necessarily caused, in any narrow sense—by the herd behavior of panicked investors, has meant that financial contagion effects emerged as the predominant focus of attention (e.g., Jomo 1998). While there can be little doubt that financial contagion did in fact ignite the meltdown of currencies and stock markets throughout Asia, the analysis here suggests the need to examine the bases of the regional crisis in problems of overcapacity and declining profitability. Given this context, it is entirely possible that a regional crisis could have been triggered by downturn elsewhere in the region, though perhaps not on the same timetable or in precisely the same fashion.

**Possible Futures for Thailand**

The analysis of crisis tendencies outlined here helps to make sense of the course of the crisis in Thailand since 1997. Hewing to mainstream analyses and prescriptions, the Thai state focussed heavily on financial and monetary issues, closing two-thirds of all finance companies, attempting to clean up and liberalize the banks, and allowing continued devaluation of the baht, which temporarily boosted the static competitiveness of certain export industries. The Thai state also used funds from the Bank of Thailand and the IMF to underwrite private debt and bail out leading investors, while carrying out a structural adjustment program designed to reduce wages and public expenditures and open the economy to foreign investment (Glassman 2000; Glassman and Carmody 2001). As these measures were implemented, the economy contracted by more than 8 percent in 1998 and posted zero growth in 1999, only beginning to recover by 2000. Official unemployment more than doubled—primarily because of massive layoffs in the construction sector and reduced employment in manufacturing—and as of the end of 2000 it remained more than twice the 1996 level, while real wages were 10 percent below 1997 levels (Bank of Thailand, *Monthly Bulletin of Statistics*, 2001; *Bangkok Post*, 19 September 2000).

These measures were carried out with particular zeal by the neoliberal regime of Chuan Leekpai, which regained power in late 1997 and became more-or-less openly the local agent of the structural adjustment agenda (Pasuk and Baker 2000). As the “real economy” contracted, however, popular discontent with this agenda grew. The decline of many domestically oriented Thai firms, and the increasing power of transnational investors within the Thai economy (Hewison 2000), ensured that the discontent was felt not only among the poorest segments of the Thai population but among relatively powerful elements of the Thai professional and business communities. One consequence of this has been a
populist backlash against neoliberalism. Elections at the beginning of 2001 brought down the Chuan regime, replacing it with a regime headed by multimillionaire Thaksin Shinawatra, who has promised state largesse for ailing sectors of the economy and various disadvantaged groups throughout Thai society. The efficacy and cohesiveness of this populist project are doubtful, particularly given the extreme opposition of transnational capital and its representatives within Thailand, but the very fact of broad-based popular discontent with the Chuan administration suggests that the crisis has been experienced as far more than a narrow financial crisis. The depth and breadth of the opposition to neoliberalism also suggests that the crisis has been experienced as a class-relevant phenomenon with an important core-periphery dimension.

None of this clarifies, however, the possible course of development in the future. What has happened so far is not an across-the-board collapse of industry but a selective decline or stagnation of certain industries and sectors. “Sunrise” industries, such as automobile parts and electronics, seem positioned to survive this ongoing process of restructuring. For example, Japanese automotive firms maintain substantial commitment to Thailand as an automobile production hub (Edgington and Hayter 2001). Thus, despite a collapse of automobile production in 1997-98, there has also been a new burst of FDI in industries such as machinery (which includes automobiles) and electrical components, and this may shore up the position of these industries in the future (Fig. 7; Bangkok Post, 6 November 1997, 8 January 1998; Bangkok Post 1998 Mid-Year Economic Review; Bangkok Post Yearend Economic Review 1998). In the case of automobile production, however, the longer-term prospects also need to be weighed against the fact that just as the crisis was developing the Thai state was forced by General Motors (as a condition for building a new plant) and by the World Trade Organization to scrap its requirement for cars built in Thailand to have 54 percent local content (Bangkok Post, 23 February 1998). The president of the Thai Autoparts Manufacturing Association estimates that as a result some 80 percent of the country’s parts producers will lose business and lay off staff (Bangkok Post, 15 October 1999). Thus, should automobile production resume strong growth in the future it is likely to do so with fewer backward linkages and thus with less benefit to the Thai economy as a whole. This sort of problem is probably even more daunting in electronics, where there has been even less development of strong supplier industries than in automobiles (author interviews, managers of electronics firms in the Northern Region Industrial Estate, February and March 2000).

Moreover, over the next decade or so, the greatest threat of industrial decline is likely to be in more labor-intensive fields such as textiles and garments—a matter of great significance since these industries employ half of the manufacturing labor force and two-thirds of all women in manufacturing. Labor costs in these more labor-intensive industries range between 15 and 20 percent of all production costs, compared to percentages for more capital-intensive industries ranging from 1.5 for steel to 5.8 for industrial chemicals and 13.9 for non-ferrous metal industries (Thailand Department of Labor Protection and Welfare 1996). In the context of upward pressure on wages in Thailand and the rise of highly competitive labor-intensive industries in China, these wage-sensitive industries are likely to face serious pressures to restructure and downsize.

This problem was further underscored by Volkswagen’s decision to source parts for its recently opened Thai production facility entirely from outside the country (see Bangkok Post, 3 March 2000).

By comparison, automobile assembly, which primarily employs men, accounts for only a little over 1 percent of the manufacturing labor force (NSO 1994).
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The Thai economy's relatively peripheral status and export dependency affects not only its longer-term prospects but now its prospects for full recovery from the crisis that began in 1997 as well. While GDP had approximately regained its 1997 levels as of the beginning of 2001, the recent downturn of the U.S. economy has raised new concerns about growth prospects and led to a downgrading of estimates for economic performance in Thailand during 2001. Thus, while it is still too early (as of March 2001) to say what the Thai manufacturing sector will look like once the restructuring process begun in 1996-97 is complete, the extreme volatility and vulnerability of manufacturing industries is apparent. Low-end and labor-intensive industries are highly susceptible to low-wage export competition in a context of inadequate domestic demand, while high-end and capital-intensive industries are highly susceptible to changing behavior and demands on the part of foreign investors and buyers. It is this sort of dependence, rather than merely the short-term results of crisis and restructuring, which helps define the meaning of crisis in the periphery and which will crucially shape future patterns of industrial development.

Conclusion

I have outlined a view of the Thai economic crisis that shows the continued relevance of a geographical-historical and Marxian perspective to the understanding of events in the contemporary global economy. I have argued that sensitivity to the interpenetration of national and international processes and a focus on struggles over appropriation of surplus both help make sense of the specificities of the crisis, particularly if we move beyond a classical Marxist approach to take account of how uneven development at a global scale generates differences between the features of crisis in economic cores and economic peripheries. Notably, from this dialectical perspective, the issue of "internal" versus "external" and "financial sector" versus "real sector" origins of the crisis does not arise. Capitalism is inherently geographically expansive and always has interrelated developments in the spheres of production, circulation, and consumption; thus it is the state-mediated accumulation processes fought out by capital and labor within and across international boundaries which generate crises, not simply national versus international or financial versus "real" activities.

Aside from its theoretical-interpretive differences from mainstream accounts, the implications of the account developed here are also substantially different from those articulated by either neoliberals or neo-Weberians. Neoliberals see the broader crisis in Asia as calling for a reduced and/or more efficient performance by the state so that the Asian NICs can regain their competitiveness and resume growth along more or less the same path they pursued during the boom years. Neo-Weberians also hope for a return to this trajectory, but through a more modest reconfiguration of the state and more substantial constraints on international capital.

The implications of the account I have outlined are somewhat different. While they do not sanction pessimism about the prospects of some form of economic recovery and renewed industrial growth, they suggest that recovery—like growth itself—is likely to be uneven and to have social costs. The fact that the first substantial wage increases for Thai workers in the entire post-World War II period led quickly to economic downturn suggests the problems of an anti-Fordist accumulation process that has been predicated heavily on the repression of labor. As workers throughout Asia have struggled to claim more of the surplus they have produced, Asian regimes are under great pressure to quickly upgrade productivity and figure out ways to maintain global competitiveness. In the context of dependency, this is an even more daunting task than it would be otherwise. Thus, the Asian NICs find themselves on a treadmill that moves faster and faster.
as global capitalism grows. Success in restructuring under these conditions is by no means assured, and even as the Asia Pacific region has begun to recover, many people within it have experienced the negative effects of restructuring, as belts are tightened and new sources of competitiveness sought (Glassman and Carmody 2001). In short, the account presented here emphasizes that capitalist crises never fully resolve themselves but simply create the foundations for new (and perhaps intensified) social struggles in the future.

Appendix

The estimation of profits in Thai manufacturing and nonmanufacturing industries is straightforward: compensation of manufacturing and nonmanufacturing employees, as reported in the NESDB’s National Accounts, are subtracted from the National Accounts’ estimate of manufacturing value-added, or MVA, (for manufacturing) and of GDP minus MVA (for nonmanufacturing) for each year in question. The difference is profit. (The profit series was rendered in constant 1988 prices.) While some authors argue that profit rates should be calculated net of taxes, I had inadequate data to do this and thus calculated the pre-tax profit rate. Because of the very low rate of effective corporate taxation in Thailand over all the years in question, this makes no difference to the analysis.

The more difficult aspect of the profit rate calculation is the estimate of net fixed capital stock (K), the denominator in the profit rate ratio. To develop an estimate of this, I used the following procedure. The National Accounts’ estimates of Gross Fixed Capital Formation (GFCF) were recorded for every year between 1946 and 1996, in constant 1988 prices. (Pre-1951 estimates were taken from Gould (1952, 1953).) To determine how much of this capital was still in use in any given year, I employed a procedure from Webber and Rigby (1996, 420). The life of fixed capital was determined by comparing different estimates of the level of depreciation (as \(1/n\) of the sum of the last \(n\) years GFCF) with the allowances for consumption of fixed capital recorded in the National Accounts. Using the consumption allowances recorded for 1980–96, I found that a depreciation schedule of \(n = 25\) years approximated the consumption allowances within 1.0 percent. Thus, I estimated that the average life of fixed capital stock is 25 years, and the total net stock of fixed capital was then calculated using a straight-line depreciation method, where the value of the capital which was formed in a given year declines by \(n/25\) years after it was formed. The net stock of fixed capital could thus be determined for every year from 1970.

The NESDB’s National Accounts do not record the percentage of GFCF attributable to manufacturing. However, the U.N.’s National Accounts Statistics estimated this percentage for the years 1970–78. I used the average for these years—18.2 percent of GFCF—as the estimated amount of GFCF attributable to manufacturing for other years. If the percentage actually increased after the 1970s, this would mean that in reality the profit rate in manufacturing increased less in the late 1980s and fell more in the 1990s than reported here.

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