

INSTITUTE OF CURRENT WORLD AFFAIRS

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The Problem of Equality - Continued

47/1 Ngamwongwan Road
Bangkok 9, Thailand
April 22, 1974Mr. Richard H. Nolte
Institute of Current World Affairs
535 Fifth Avenue
New York, New York

Dear Mr. Nolte:

In my last letter I discussed how some groups in traditional Thai society tried (successfully) to immunize themselves against levelling pressures of the type that brought about equality in simple human communities, largely in the distant past. I thought I would pursue this issue of autonomy a bit again this month, and then go on to evaluate the effectiveness of the Thai system as best I can before moving next month to a different subject. I also want to discuss briefly the forces moving Thai society into the modern form we see today.

One of our conclusions has been that concerning the relative lack of autonomy of the Buddhist Church in Thailand. At the top, it has been under the king's domination; at the bottom, the circulation in and out of the common villager has similarly limited the ability of the church to accumulate surplus.

Not so, however, with the king and the nobility. As for the king, I mentioned last time a considerable number of control mechanisms employed by the latter to ensure that the nobility could not easily combine to bring pressure on him and hence to increase their share of the take. Curiously, though, the nobility also had a large share of autonomy, both from the king and from the common people. It was this freedom from "accountability" (I hesitate to use the word, for the process was one of force, not law) which allowed them to appropriate a share of the take at all. Autonomy from the commoners is not hard for us to understand in view of what I have elaborated in previous letters: the nobility shared with the king in enforcing the control measures on the people -- both nobility and king had a common interest here in ensuring that the surplus was extracted, though they had differences over who would get how much once it left the hands of the farmer. Vis-a-vis the king, the nobility also, during much of recorded Thai history, had no worry about complaints of oppression reaching the royal ears -- communication between phrai and the king could take place only through a nai. During the early years of the Sukhothai era, and in very recent times (since the time of Rama IV, as I recall - about 1850), the commoners had a direct channel to the king, a kind of right of petition. At other times, no.

Aiding the nobility's quest for autonomy were certain special characteristics of their "job" as laid down by the king. One was that they had no definite "salary" in compensation for their extractive role: they were reimbursed by some undefined share of the surplus on its way to the king. A second characteristic was that there was broad latitude for the nobility in their "job": they could engage freely in business, agriculture, money-lending, trade, anything at all, all the while commingling what would now be called "private" funds and resources (especially labor) with "public." The only specific injunction, and it was not very specific, was that they could not "oppress" the people, as this would be a danger to the king. As Akin puts it:

Jeffrey Race is an Institute Fellow investigating how the institutions of the past influence people's behavior toward one another today. His current area of study is Southeast Asia.

The meaning of the term "oppress" was left quite vague. From laws, decrees and cases that occurred, it seems that a town governor or his officials would be considered to have committed this crime when the oppression became unbearable to the people and they moved out of the area of that town or began to request their nai or patron to inform the king or central government of it. It seems that the people would not move away or make such protests as long as the governor and his officials only demanded from the people what was customary in that area. The reason for assuming that punishment would fall on the governor when people could bear the oppression no more and began to move out of the area of the town is that movement of people was always the concern of the government. A Royal Decree of 1717 (still in force during the Early Bangkok period) laid down that when a governor of any town found phrai hiding in the forest, he should ask them whether anyone had oppressed them. When such was the case, the governor was required to send the name of the oppressor to the capital.

We can thus plainly see that in the absence of specific rules for remuneration, or specific guidelines for separation of "personal" from "public" spheres, or specific injunctions about criminal behavior, the nobility had enormous latitude, to the point where they could legitimately squeeze the population until it was "unbearable," or at least just short of that point. Short of this point, no one could say a thing, legally or otherwise.

This kind of extractive system had two results, good for the nobility in both events but bad for the king and bad for the cultivators. First, from the viewpoint of the latter, it permitted the direct appropriation of enough of the surplus to prevent the cultivators from accumulating any. Second, from the king's viewpoint, it was inefficient and unreliable: inefficient because the nobility could keep such a large share of what passed into their hands, and unreliable because the nobility retained too much freedom of action, even to the point of being disobedient to the king. Akin writes, for example, that "proclamations of King Mongkut in 1858 tell us that phrai, slaves and debtors ran away from their nai masters and creditors to hide in the houses of the powerful princes and nobles, and could not be got hold of." Both the king and the cultivators thus had an interest in changing the system, but, as we shall see in a bit, it was the king who was able to bend the system to his will, at least initially.

The Effectiveness of the Extractive System

How good was this system in taking the surplus from the producer? At the level of broad generalization, we know that it was pretty good, from the conjunction of two facts: first, the technical process of the cultivators could produce a lot of surplus (how much we will see in a moment), and second, the cultivators ended up with little or no surplus even after generations of producing it. So it had to have been removed. We can also tell in a general kind of way where it was removed to, by observing the behavior of two groups of actors: the Chinese, who as new entrants gravitated to the nai positions, rather than to those of rice farmers (even though they were raised as rice farmers in China); and the princes, who fought vigorously among themselves to get the top spot of king. These facts suggest that the higher positions were much more attractive, not that (as some might assert) the higher rate of compensation was a return for greater effort. If that were so, if it were just proportional, then there would be complete indifference among participants as to which

position they occupied.

But just how much better were the top positions? To quantify this from the standpoints of status or power is difficult (though I think it can be done), so I will leave these criteria aside and concentrate on the economic dimension. We can get some general idea from a very convenient numerical system the Thai kings established to assign a rank to every member of the kingdom -- the so-called sakdina system. Each individual was assigned a number corresponding to the area of ricefields (na) he was authorized to operate himself or to (in principle) have operated on his behalf, thus gathering the surplus. Hence the sakdina system is a general index of the surplus one person was entitled to enjoy.

For example, a phrai and his family, say five people, were entitled to cultivate 25 rai (one rai= $2/5$ acre); thus the rank of a phrai was 25, or say 5 per person. This is roughly right, I think, since the rank assigned to a beggar or that was also 5. Hence we may divide the sakdina rank of any person by five to get an idea of how many persons' surplus he was theoretically entitled to receive.

With this in mind, we can look at the assigned scale of ranks. Near the bottom of the hierarchy were district officials, whose rank was around 400; in a general kind of way, then, we may infer that the king thought they were entitled to the surplus of eighty people. Alternatively, assuming that the surplus produced was equal to the gross income of the producer (i.e. one family could produce enough food to feed two families), then a district officer was entitled to an income equivalent to 80 times the average income. Moving up to the rank of phra, roughly that of a province or town governor, the rank was about 4,000, implying an income 800 times that of a rice farmer. Those of princely rank within two generations of the king had ranks from 15,000 up to 100,000, or perhaps 3,000 to 20,000 times the income of a rice farmer.

We should keep in mind two reservations about this scale. First, it would be improper to make a direct translation of rank into income: the ranks were permissive, but the actual income of a person depended much on his own ability in making deals and taking advantage of the system at his disposal. Second, the differences in income may have been much more exaggerated than the linear progression of ranks would lead one to think; this at least is the view of a colleague here, Dr. Ammar Siamwalla, an economist at Thammasat University. Ammar believes that someone with a rank of 15,000 was far more than 1,000 times richer than someone with a rank of 15. So we can take the scale as suggestive only, giving us a hint (possibly a conservative one) of the degree of inequality which the designers of the system thought right.

I might note that if we had data on the numbers of people with various ranks, and the income of each rank, it would be possible to reconstruct a Gini index comparable to ones developed to indicate the degree of economic inequality in present-day economies. This in fact has been done for the English economy of the 14th and 15th centuries. I don't have the data now, and I am not even sure it exists, but I shall keep looking for it.

Another useful way of evaluating the traditional Thai system's ability to transfer the surplus is to compute rates of taxation and then express as a proportion of the surplus, realizing of course that taxation was just one way of transferring the surplus (there were several others, which will be discussed further on).

When I first attempted to do these calculations I used as a basis some estimates developed by James C. Ingram in his book *Economic Change in Thailand 1850 - 1970*. On page 65 Ingram calculates rates of return for opening up new riceland and concludes

that the return in the first year equalled the capital investment required, or in other words a 100% rate of return on cash expended (his calculations do not include cost of home-made implements or family labor). Thus Ingram infers that opening new riceland was a profitable venture and that farmers could comfortably pay the interest rates of 30% - 50% then (and now) current.

Unfortunately it is impossible to use Ingram's data because they lead to excessively large quantities of rice produced, at a time when Thailand was exporting no or little rice. Briefly, Ingram estimates that a family of five could cultivate 20 rai of land (one rai equals 1,600 square meters or 2/5 acre), producing enough to feed themselves plus three other families. But if we assume that 75% of the population was actually engaged in rice agriculture, where did the rice go if it were not exported? Hence I am forced to conclude that each family farmed far less, perhaps only 10 rai; this is consistent with the fact that even today a family with water-buffalo power can farm only about 10-12 rai. Consequently the figures I use below differ from some widely quoted in the literature.

This estimate of tax rates is based on price data I have been able to locate for between 1800 and 1850, before there was much of an export market. I guess that the effective taxation rates were not much different in the year 1600. My assumption is that a family of five cultivated 10 rai, reasonable I think also from a figure I have of 1.6 rai per capita in 1925, apparently including all the people not engaged in rice agriculture. Thus this figure compensates for those engaged in service, trade, mining, etc. With the yield figures we have, these 10 rai would have produced 2.4 tons of paddy, but of this the family itself needed 1.2 tons for its own consumption (@ 168 kg per person per year of milled rice) and for seed. Hence the gross surplus was 1.2 tons of paddy, or roughly enough to feed one more family, or slightly less if we allow for losses in storage and shipping. The question is, who determined the disposition of that 1.2 tons, and got the return for it?

Part of the answer is that the farmers were liable for a tax in kind of two buckets (=15 kg) per rai, which is 300 kg of paddy, or one-quarter of the surplus out of their hands the instant it was off the field. What happened to the other 900 kg we will discuss shortly.

We can monetize these in-kind units with the rice prices prevailing then, which were about .7 baht per bucket, or 47 baht per ton of paddy (I have another source which suggests an equivalent price of about .4 baht per bucket, which would increase effective taxation rates, but I will first use this .7 baht figure). The gross income from 2.4 tons of paddy would then be 112 baht. To this I will add 56 baht equivalent for income in kind (calculated assuming that rice consumed was 50% of income, a reasonable figure for a subsistence economy), and also 18 baht commutation fee to avoid having to perform four months of corvee. (That is, I am imputing this income since the farmer could have done something else to earn the income at home, such as a cottage craft, and then paid to avoid service.) This leads to a gross hypothetical income -- reconstructed according to modern concepts -- of 186 baht. Taxes on this amounted to 14 baht for the land tax (two buckets per rai) plus 18 baht commutation fee, or 32 baht, which figures out to about 16% of gross income to direct taxation. If we monetize the in-kind amounts at .4 baht/bucket, the rate becomes 22.5%.

As I type this a figure comes to mind from the modern period which is remarkably close to these: Dan Usher, an economist who has studied the incidence of the contemporary rice export tax, has concluded that it amounted during the period under study

(the early 1960's, as I recall) to the equivalent of a 22% income tax on the rice farmers of the kingdom.

In any event, if calculated in modern terms the effective direct taxation rate during the pre-monetized period in Thailand was somewhere around 16%-22% of gross income. In physical terms, of course, it was one-third of a year's labor for males and one-quarter of each year's rice surplus. To put this in perspective, we must bear in mind that the rulers paid no taxes at all. From this viewpoint, the traditional system was exceedingly effective at transferring labor power and rice surplus so that the poor could support the rich: we can now see in both physical and monetary terms the results of the transfer system described in earlier letters.

So far, however, we have discussed only what might be called "statutory" transfers, i.e. taxes in kind and corvee requirements. There is still almost a ton of paddy from each farm family to be accounted for! The cultivators couldn't eat it themselves without a severe case of indigestion, and so they had to transfer it to someone else. The question is, what did they get in return? I have been able to think of four ways this paddy left their hands.

First, and perhaps most prominent in the minds of the cultivators, was the support of the local village temple. To get an idea of the quantity of resources required for this we would have to have accurate figures on temple populations. Bill Klausner, who has spent many years studying Thai Buddhism, has suggested to me that a century or two ago a typical village of 130 families (comprising about 1,000 people -- different from my estimate, and Ingram's, of family size) would have had a temple with 20 or 30 people permanently resident -- higher than the comparable figure for today since there was a tendency then for a male youth to spend more than the now customary three months as a monk. If we take an average of 25 monks, and a consumption figure of 168 kg per person of milled rice, then the temple would require six tons of rice per year. The 900 kg of paddy remaining per family after taxes adds up to 117 tons for the village, of which six tons is about 5%, or 45 kg per family. Thus the total rice commitment so far accounted for is 25% to land taxes and 5% to support the local religious establishment, or 30% altogether. However, the villagers devoted a great deal of time to laboring on the temple and temple compound, and I think we would be justified in believing that the value of the labor was roughly equal to the value of the rice donated. On a comparable basis to modern accounts, then, some 10% of income (our reconstructed "modern" estimate) went to support of religion -- 5% of the rice and 5% equivalent labor time. (I would feel better if I had some hard data on labor time spent on religion, and I shall keep hunting for it.)

A second important drain on the surplus was interest payments. My data on indebtedness for the period around 1800 are very weak, so pending more investigation I will project backward from some more recent data. Let me use Ingram's estimates for capital required for one family to cultivate riceland, adjusted to an area of 10 instead of 20 rai as I have noted above is necessary to do. The things required were seed, a plow tip, and a water buffalo, and I estimate these might have totalled 40 baht in cost. I will assume that rice for a new couple was provided by parents, but they had to hire laborers to clear land. The interest for such a hypothetical "new couple" on 40 baht, assuming a rate of 40% for one year, would have been 16 baht or 320 kg of rice. Such a couple, of course, could not produce as much as a family of five or more people. I think it is probably more instructive, to learn what happened to the large family's rice, simply to assume that one-half the families were permanently indebted (I assume to the nobility) for the original capital invest-

ment of 40 baht. In terms of modern levels of indebtedness, this is quite a reasonable estimate. We can then average this and say that each family was indebted to a noble for 20 baht, involving an additional transfer of 8 baht per year, or 160 kg of rice, leaving 695 kg to be accounted for.

A third means for draining off the surplus was the royal monopolies which controlled the trade in certain essential items, as well as in others of strategic importance to the king such as arms, elephants, tin and gunpowder. The most important of these essential items was cloth, but the list varied from reign to reign. I have no way of estimating the total involved, though this could presumably be done if we knew the volume sold per year, and how much the selling price was inflated due to the monopoly character of the trade. I should note here that the use of monopolies appears to me to be the precursor of modern methods of determining the surplus distribution: rather than using force or its more camouflaged manifestations, elites use the pricing mechanism.

The final means that occurs to me was the practice of gift-giving, which I had mentioned earlier in the quotation from Bishop Pallegoix cited by Akin: "Normally, [phrai] constituted an important source of income for their nai. If the nai did not oppress them, but let them earn their living in peace, they would give large amounts of gifts such as rice, fruits, vegetables and fish." The idea here is that each phrai wanted to maintain himself in the good graces of his master, and he could do this by excelling at gift-giving. Thus there was competitive pressure to transfer more of the surplus, and my belief is that this converged at the point where most or all of the surplus left the hands of the cultivators. The incentive to gift-giving of course arose from the institutional structure which gave the nai such a potent position. The nai no doubt were well content with a system which transferred the surplus to them as gifts rather than as taxes, a portion of which they were (in principle) obliged to share with the king.

We see that the first two transfer mechanisms leave 695 kg of paddy to be accounted for by the third and fourth mechanisms, and my guess is that such large amounts actually were not transferred by the latter two. Further, in the days before external trade in rice, I doubt that such large surpluses existed. Hence I am inclined to accept Klausner's estimate of family size (7-1/2 persons) and adjust the surplus downward by subtracting the consumption of 2-1/2 more persons, or 600 kg. This would leave an average of 95 kg per family to be transferred by gifts and monopolies, which seems about right. That is, knowing what we do about yields, areas cultivated, and tax rates, we can see how the cultivators had little left at the end of the year -- how the surplus they had in hand went to build temples and palaces, rather than to adorn their own rough huts.

Despite the apparent virtues of this system -- it succeeded in transferring the surplus while keeping the cultivators quite content -- there were a number of difficulties which limited its usefulness. Among them were: difficulty in innovation; unwillingness to take responsibility; poor flows of information; low skill levels; and poor motivation to improve production methods, since the cultivator kept little of the product. It is these difficulties which new systems had to overcome.

Why the System Persisted

In previous letters I have tried to spell out why, contrary to our initial impression, such a system of wealth transfers from poor to rich appeared reasonable

and just to those at the bottom. Now I would like to add a few quick thoughts to this aspect of the problem.

First, I think we can see in retrospect the importance and role of the king's investment in socializing his people into certain beliefs, which he did through his very generous support of the Buddhist faith. (One source mentions that at one time there were 8,000 monks being supported by the royal family.) Some of the rules of conduct prescribed by the faith, for example not to kill, steal or lie, have direct relevance to redistribution; there are other more indirect benefits to be discussed below. One point I think would be of interest here is to ask whether Buddhism is the dominant faith in any hunting and gathering societies, or whether it is only in complex agricultural societies, where investment in propagating Buddhism becomes a paying proposition for the elites. I have no data on this but would like to hear from anyone who does.

A second point is that it was not enough for the king alone to invest in maintaining the system: everyone had to take part. We can plainly see how the nobles had a "vested interest" in maintaining the distributive arrangements, their motivation to resist changes, arising from their expectation of future rewards, was one of the homeostatic systems important in persistence. (For example, the nobility resisted changes in the taxation system following on the Bowring Treaty, but the king, for his own reasons, was able to force the issue.) The crucial point, however, is what induces various participants to be content with radically different levels of rewards. Here we have to come back to the religious faith for part of the answer: the lowest participants invested effort because they too would get future rewards, some few in this life, and more in the next. Another part of the answer, though, has to be that they had no alternatives; that is to say, for the reasons we have discussed earlier, the institutional arrangements did not permit the kind of cooperation which would have enabled those at the bottom to enhance their positions.

Why The System Changed

My hunch is that efforts by participants to increase their share of the take were responsible for important structural changes in the Thai society and economy. Let me try to illustrate briefly how this approach helps to understand what happened in Thailand in the last few centuries, and we can later pursue the subject in more detail. I will use the king's viewpoint, since it was the king who prevailed during this period.

The king's goal was to gather as much of the surplus in his hands as possible, over the long run. Four elements were thus of interest to him: 1. the rate of production of surplus (for an agricultural economy we can say this is the percentage of the population that can be supported in non-agricultural pursuits by the remaining part of the population which farms); 2. the rate of collection of surplus from the cultivators; 3. the rate at which the surplus is passed on to the king by the collectors; 4. the reliability rate.

Let us compute some fairly hypothetical rates for these factors, for the Sukhothai period, a feudal system. Say that with the existing technology, one farm family could support itself and one other: a rate of 50% (we assume that technology was constant for the last six centuries). Let us further be generous to the farmer and assume that only 80% of the surplus was collected by the nobility. I think it is reasonable to assume that one-half of this was passed on to the king. Further, without doing any research, let us suppose that the king was deposed once every ten years, a reliability rate of 90%. Multiplying these percentages out, we get a score of 18%. This

was apparently unsatisfactory for the king, for we know that in the 15th Century the system was changed to a modified feudal structure whereby the princes who had ruled the towns were brought to the capital, their place being taken by appointed governors, who however were still on a share basis. This made it more difficult for the princes to conspire with the Burmese and other invaders, and increased the reliability rate, say for the sake of argument to 92%, thus increasing the score to 18.4.

This however was also unsatisfactory, and in the 18th Century the king shifted partly to a system of tax-farming, using Chinese who bid on the amount to be turned over to the king. That is, the Chinese tax farmers were also on a share basis, but the element of competition reduced the going share as compared to that demanded by the nobility in the old non-competitive days. If we assume the pass-through rate jumped to 60%, the score for the new system jumped to 22. If we further assume that the reliability rate improved, for reasons to be discussed shortly, to about 98%, then the score increased to 23.5. Reliability did improve, as there were no upheavals through the first seven reigns of the Chakkri Dynasty.

The next major improvement came with the elimination (in principle) of the share collection system, in the major reforms of the last decade of the 19th Century. These saw the enforcement/collection system turned over to a cadre of salaried bureaucrats. For the sake of argument we may assume that the pass-through rate improved to about 75%, which hiked the score to 29.5. Ingram notes, in confirmation of this hypothesis, that from 1892 to 1902 (the shift to bureaucratic administration) the king's revenues jumped from 15 million to 40 million baht annually, with no new taxes or changes in tax rates.

We might note here that the factor which permitted the reliability to increase was the divorce of control over men and troops from control over collection of the surplus; this in turn became feasible only with the advent of a money economy. (To collect rice required the man with the gun.)

If we were to pursue this trend further (as we will in later letters) we would see the growth of a monetized economy, an increase in pass-through rates, and an increase in rates of surplus production as well (though not yet, as far as agriculture in Thailand, at least in any remarkable kind of way). My guess is that in modern industrial economies, the rate of surplus production goes up at the same time the collection rate goes down, so that on the whole, the elites remain quite well off, while the system becomes more rewarding for larger numbers of people around the middle and bottom. We also see the reaction of the collectors against the king, as happened here in 1932 with the coup against the absolute monarchy: the collectors finally insisted that their share had gotten too low. However the structure gets so complicated at this point that I don't understand it well at all. I will have to think about it a bit more before I can write further.

Sincerely,



Jeffrey Race

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