

## Puey Ungpakorn, Founding Father of Modern Thailand

By Stefan Collignon<sup>1</sup>

As we approach Puey Ungpakorn's 100<sup>th</sup> birthday, it is fortunate to be reminded by Sulak Sivaraksa's book what an extraordinary person the former Governor of the Bank of Thailand and Rector of Thammasat University was. Sulak's book<sup>2</sup> tells us a very personal story of how he met and got to know Puey over the years. We discover in Puey a humble human being who has made an extraordinary contribution to the transformation of Thailand into a modern nation. The Magsaysay Award for honest public service in 1964 gave international recognition to this outstanding man.

### *Puey, the man*

Puey Ungpakorn was born in Raoping on March 9, 1916 and died in July 1999. The fourth child of an immigrant Chinese fishmonger, he was one of the first students who enrolled at the newly opened Thammasat University, then called the University of Moral and Political Sciences (มหาวิทยาลัยวิชาธรรมศาสตร์และการเมือง). The guideline for of the university was "to teach students to love and cherish democracy". After graduation, Puey earned a scholarship to study economics at the London School of Economics in 1938. The LSE was still under the influence of William Beveridge (1879 –1963), the father of the British Welfare State, who had preceded Lionel Robbins (1898 –1984) as Director of the School. Building a modern Welfare State and the great debates between Keynes and Hayek were inspiring students in those days, just as Karl Popper's recently completed *The Open Society and its Enemies*. Puey stayed in London until 1944, when he was parachuted back into Thailand as a Special Operations Executive for the Free Thai Movement to fight Japanese occupation. He resumed his studies after the War, and, in 1949, Puey was one of the first Thai students to receive a PhD from the LSE.

Puey Ungpakorn became governor of the Bank of Thailand in 1959 where he served for 12 years until 1971, far longer than any of his predecessors or successors (the average tenure of BoT governors was less than 2 years before, and less than 4 years after his reign). These were the crucial years which laid the basis for Thailand's economic development for decades to come. A solid financial infrastructure was built which later financed the dynamic middle class of the Asian Tiger economy. A nation of peasants started to accumulate the skills necessary to become a regional manufacturing hub. GDP per capita doubled during Puey's governorship and prices were stable with inflation well below 5%. Financial solidity attracted foreign investment and opened not only the economy but Thai society in general. In fact, given the fiscal conservatism of Thai governments, which kept public debt low and encouraged private investment, the job the Bank of Thailand's governor was more important than that of the finance minister.

Puey was repeatedly named by Bangkok gossip as a potential Prime Minister, or minister, but he always stayed away from these corrupting offices. However, he did give advice to authoritarian military

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<sup>2</sup> Sulak Sivaraksa (2014): Puey Ungpakorn : An Honest Siamese in a Class of His Own; (translated by Zia Collinsfree). Bangkok. ISBN: 9786163070364 - 6163070364

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dictators, Generals Sarit and Thanom, but he also served the democratic Prime Ministers Seni and Kukrit Pramoj, and repeatedly solved problems with the international financial community caused by corrupt leaders. Maybe Puey had understood that, at an early stage of development, economics must precede democracy. However, this realism did not stop him from giving wholehearted support to Thailand's emerging democracy movement. In fact, it strengthened his democratic commitments. In 1966, he became dean of the Faculty of Economics at Thammasat University and with the help of the Rockefeller Foundation he set up training schemes for future civil servants and also instituted long-term research projects for improving living standards in Thai villages.

After General Thanom's return to power in 1975-6 and the brutal massacre of democracy activists at Thammasat University, Puey went into exile to England. The extreme right accused him of being "a communist". This was the only charge they could fabricate against an honest democrat who sought to adopt the principles of the modern welfare state he had learned in England to the modern Thailand he dreamt of. In 1977 Puey suffered a stroke which left him handicapped until his death in 1999.

### *The legacy*

Puey's influence on a whole generation of young Thais was profound and Sulak's book bears witness to his magic. However, I would like to emphasize the role of Puey as a founding father of modern Thailand by laying the foundation for economic development. His role cannot be overestimated. It is of a similar nature as Alexander Hamilton's role as the first Treasury Secretary of the United States. If Thailand were a Republic like America, Puey's picture ought to be on a baht note like Hamilton's is on the ten-dollar note. Puey's greatness is not so much measured by his practical accomplishments, which were nevertheless remarkable; his greatness is more like the radiance of the magic cat that keeps the mice away.

I know that many activists in the Thai democracy and NGO movements believe that money corrupts and they may be shocked when I say that Puey's greatest accomplishment was the establishment of a stable and growing monetary economy. Let me explain.

When Siam abolished Absolutism in 1932, it was a traditional, closed and holistic society in the sense described by Popper. Village community gave protection and stability, but also demanded subordination to tradition and hierarchy. Individual liberty, human rights, democracy made little sense in this environment. The emerging cultural elite in Bangkok sought economic development and becoming part of the modern world. This meant improving economic prosperity, but also changing the consensus about what is right and wrong in society. Such a transition is always painful and rarely free of violence. Germany, on its way to modernity, has caused two world wars and 50 million deaths, and only became a civilized state when it installed a social market economy with stable money. Compared to that, Thailand's path to modernity was remarkably peaceful. As governor of the Bank of Thailand, Puey contributed to this transformation.

Nevertheless, the Thai experience with democracy has its black and grey spots. Its curse is "corruption". Corruption is the consequence of a confused amalgam of traditional holism and modern individualism. It is the attempt of the powerful to use status and positions to amass wealth and money. For example,

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after Prime Minister General Sarit Thanarat's death in 1963, it was discovered that he had owned a trust company, a brewery, 51 cars and some 30 plots of land, most of which he had given to his dozens of mistresses. This is a distortion of how a modern monetary economy works, and the greater the distortion, the slower is economic development and the worse are the social conditions.

Puey stood for a different Thailand, a modern Thailand, a humane Thailand. One of his most famous writings is the manifest for social welfare called "The Quality of Life from Womb to Tomb", where he described his vision of "what life is all about, and what development should seek to achieve for all". It is a document that contains the spirit of his early LSE years in the context of a modern Thailand. Unfortunately, this Thailand is still an unaccomplished promise.

What makes Puey so interesting is that this modern Thailand could only come about by setting up a modern, stable and well-functioning monetary economy. Economists are often too preoccupied with the short term to see the normative implications of money. Money is not just a piece of purchasing power, a claim on wealth. Money comes into being because individuals make promises and contracts; financial assets are commitments based on trust. They bind individuals together, while simultaneously they give each party the freedom to say yes or no. This very freedom makes them equal. Thus liberty and equality are norms that are indissolubly linked and the monetary economy is the framework within which they blossom. In a truly modern society, individuals are not isolated nor are they repressed by custom and convention and group pressure. They are united by choice and respect for the other with all her or his individual differences.

Of course, norms and facts often do not coincide. But the gap is incomprehensible unless one has a valid norm, and without this recognition one cannot fight for a better world. A stable monetary economy, with the development of financial and other contracts anchors the norms of liberty and equality in the daily practices of social life. This, Puey understood.

Thailand's young Turks – and Sulak was one of them - have campaigned all their life to close the gap between modern norms and ancient practices, but Puey laid the foundations that gave them a purpose. For this we ought to be grateful to the great and simple man Puey Ungpakorn.