

Research Article

The Royal Treasury and Public Finance for Thai Society under the Democratic Regime: The case of the Economic Crisis and the Transfer of Private Debt to Public Debt

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Abstract

With regard to this research article, the author makes an attempt to study financial problems about “Klang luang”, fiscal budget and factors that have effect on budgeting and financial administration of the country, “the author emphasizes that ‘government officials who involved in monetary and fiscal management’ must dare to prevent any damage in the next future about the cause of ‘Thai economic crisis’ ”, especially three main points; first of all, officials who were experts holding specific positions did not play their role to pursue their knowledge and ability in preventing or relieving national economic crisis; the fund-raising scheme “Phapa Chuay Chart” to be used for other benefits; and do not do or use this fund-raising “scheme: Phapa Chuay Chart”. The author are try to answer the result of research finding in the painful era of “Tom Yum Kung Crisis, the transfer of private debt to public debt and suggestion about Public finance in society.

Based on from the Tom Yum Kung economic crisis in 1997 were found as well as a transfer of private debt to public debt that was approve to officials/politicians who had knowledge and expertise in economy and economics, but did not do their best in their positions as being experts; for example, in adopting the floatation of the baht policy on “2 July 1997”. Later, there was an attempt for money donation made in foreign currencies and gold to help the country, officials and those who gained power made their effort and intended to gather the account of the donated gold and money to be used in paying the country’s debt which was not in accordance with the purpose of donators. This loss of ‘economic independence (1997)’ came from, wrong policy decision making of Thai politician (1997), and “bureaucratic officials in the Public Finance”.

Keywords: Public Finance, Tom Yum Kung economic crisis, Royal Treasury

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Introduction

From foreigners' perspectives towards the Siamese period to the reign of King Rama V, the fiscal policy undertaken by the Thai government was inclined towards the conservative one. It is said that the fiscal measures mostly employed at that time were like "B.E. 2436 (R.E. 112 (Ratdta na gohsin sok 112) or 1997 fiscal policy" rather than "universal antibiotics 'for resulting any fiscal policy' or 'Nayabaai gaanklang gaanngern' baep krop jakgrawaan". In other words, the government and the Ministry of Finance gave priority to maintain a fiscal balance more than to pursue social welfare policies or to target full employment (Suwannamala, 2015, p. 62) When compared to a bureaucratic polity, Thailand, as a democratic country, was more prone to the fiscal deficits (Suwannamala, 2015, p. 63) Furthermore, the Budget Procedures Act, B.E. 2502 (1959) had the impacts on the Thai fiscal policy and balance in terms of the complexity, uncertainty and transparency, resulting in a rather difficulty for inspection (Suwannamala, 2015, p. 70) Moreover, due to the economic crisis, the "antibiotics" fiscal policy was strictly employed by the Thai government. The author agrees with the point of the "antibiotics" fiscal policy mentioned in Suwannamala (2015) in terms of its effective remedy for the cases of the reconstruction funds and Financial Sector Restructuring Authority as well as the misuse of medicines in the wrong place at the wrong time. However, the critical situations of Thai currency price and exchange rate, which occurred after the floating exchange rate policy had been proclaimed on "July 2, 1997", was likely to be relieved if the same medicines or the same fiscal measures undertaken by Malaysia had been employed in these situations instead. It is not easy to manage public finance or the government must concern to cooperate 'Public Finance and Public Policy, (to be governance to) responsibilities and (to be rule of law within) limitations of government' "...*When there is corruption in government and large sums of money pass hands in the form of bribes, the shadow economy is large-because the illegal incomes are not reported and are not taxed.* (Corruption and the shadow economy)..." (Hillman, 2009, p. 285) Because of the corruption is a serious danger that does not appear in any reports easily, and without being checked by any tax system review, not reveal on any tax report. In Tom Yum Kung crisis, we lose,

"Thai government officials who related to monetary and fiscal policy (they have knowledge of economics and finance), but they cannot protect and fight continually to 'Thai politicians', who involved in the management of 'the 1997' economic crisis".

Objective

The research objective makes an attempt to study financial problems, fiscal budget and factors that have effect on budgeting and financial administration of the country, especially two main points; (1) The officials, who were experts holding specific positions did not play their role to pursue their knowledge and ability in preventing or relieving national economic crisis; (2) The fund-raising scheme is "Phapa Chuay Chart (in Thai is "ผ้าป่าช่วยชาติ")" (Buddhist robes helping the nation) to be used for other benefits.

Method

The author used "the historical research to create the research about 'Thai reserves and the Royal Treasury' or Klang luang". Looking back at the crisis of B.E. 2436 (A.D. 1893), especially on July 2, 1893 until the economic crisis of the Thai baht floating policy on "July 2, 1997", it is found that the exchange rates of bank notes or the values of metal coins had the significant effects on the wealth and the poverty of the nation. The important questions for the students of political science who study a financial administration course are as follows: "What is the royal treasury (Klang luang)?", "How is it related to the Bank of Thailand and Ministry of Finance?" and "Is it related to the Tom Yum Kung economic crisis?" (Treesuwan, 2017) In addition, it is hoped that you, the readers, will remember the two "July" months precisely. As said by Prof. Rong Boonsuaykhwan, citizen should analyze the political power about the representative system. (Boonsuaykhwan & Petbprasert, 2009) For the author, only Thai people can check and balance "the political system of Thai Treasure and government property. Klangluang-Ministry of Finance and Thai Treasure Department-Legal Reserve Fund" are our Thai people responsibility too.

Klang luang is government treasury, "...*The royal treasury...the king's treasury... There is evidence that the royal warehouse department was established in the reign of King*

Songtham (1611-1628). One of the warehouses was mainly used to store goods and trade with the foreigners while the other was for the royal treasury'..." (Thantamano & Ajann et al., 2008, p. 12) From the previous statement, the history and the purposes of the royal treasury have clearly been informed. Besides, in the reign of Prince Jessadabodindra, a magnate who sold sailing vessels with large amounts of profit put the 10-Chang money in each of the red bags and gave them to Phraya Rajamontri who was in charge of the Great Royal Treasury. In this case, the money in the red bags was one of the royal treasures aimed at saving, not for spending (Thantamano and Ajann et al., 2008, p. 17) When King Nung Klaow Chao Yu Hua, or King Rama III, was terminally ill, His Majesty remarked, "...*There seems to be no more battles with Vietnam and Burma. However, a battle with the Westerns should not be underestimated...*" (Thantamano and Ajann et al., 2008, p. 17) It can be said that this was the era in which Siam had a lot of money in the royal treasury. However, 1871 was marked as the year the Siamese finance was in deteriorating state. King Rama V wrote a letter dated on October 25, B.E. 2436 (1893), to Somdet Phramahasamanachao Krom Phraya Wachirayanwarorot, some details as follows, "...*Half a year later, the total tax revenue has been reduced. In the triple-era year of the Goat, the national finance, which have had around 50,000-60,000 Chang a year, are now 40,000 Chang left... The net revenue is only about 20,000 Chang... So I have to reorganize the royal treasury system.*" His Majesty King Chulalongkorn had remarked that the Siamese financial administration was facing the following problems: (1) No taxation system was provided accurately; (2) the tax collector system was not effectively organized; and (3) the accounting system operated by the royal treasury department was not well-managed. After consulting the Council of State and the Chancellor's committee, the Royal Treasury Act, B.E. 2418 (1875) ..." (Thantamano and Ajann et al., 2008, pp. 26-28)

The study of the role of the government in the economy, is 'how answer the questions of public finance' (Gruber, 2013, p. 3). Although there are four big questions based on the theory of interest in government about public finance on bureaucratic work process (public finance), which means, that is to say, the government's public financial management can inevitably affecting the

quality and quantity of finance and treasury reserves. Including the inevitable impact on the capital, if the financial management is ineffective and does not know the games, the connection to the economic crisis that has always been around economic crisis circle, such as government intervention in the floating of Thai baht policy on 2 July 1997 (this is an example of policies that affect both finance, fiscal and Royal Treasury since Jean Marie August Pavie (1892) to 1997), "in particular, the reserve fund of the capital has been lose enormous on 1997". Therefore, people must pay attention or question about public financial work process and policies of the government on 1997 (four questions of public finance), at least this issues: "... (a) *When should the government intervene in the economy?* (b) *How might the government intervene?* (c) *What is the effect of those interventions on economic outcomes?* (d) *Why do government choose to intervene in the way that they do? ...*" (Gruber, 2013, p. 3) The example were (1) "B.E. 2436 (R.E. 112 (Ratdta na gohsin sok (R.E.) 112 and Inconstant-Comete gunship) and (2) 1997 fiscal policy.

Government debt or ratio must cooperate with politics (indirect or direct politic). Public participate should to do the debt ratio, 'less than 60% of GDP'. "...*Politics, Representation, and Government Finance... (Downs) He hypothesizes that political parties in a democracy operate to obtain votes to retain the income, power, and prestige that come with being in office. Parities are not units of principle or of ideas but are primarily seekers of votes. A lack of perfect knowledge, however, permeates the system: Parties do not always know what citizens want; citizens do not always know what the government in power or its opposition has done, is doing, or should be doing to try to serve citizen interests. ... (Sometimes people who have voting rights do not know or do not realize the true political power of the government. It is unknown whether the government's fiscal and financial management positions (policy/process policy of fiscal administration) are directly or indirectly related to politics.)*" (Mikesell, 2007, p. 19)

Is it a coincident or not? It is difficult to imagine the suffering happened in the very same month but at different times (the cases of the 1997 economic crisis/ the Tom Yum Kung economic

crisis). In the case of the Tom Yum Kung economic crisis, the sudden allowance of the Thai baht currency to float on “July 2, 1997” is the incident deeply affected the author felling, when looked back to 1997 crisis or R.E. 112 crisis. Looking back at the reign of His Majesty King Chulalongkorn, at the time when the country was facing the crisis of B.E. 2436 (1893), Bangkok was partly occupied by French naval forces. Then on July 20, the same year, M. Pavie, the French ambassador, delivered Siam the 6 demands whose fulfillment was requested within 48 hours. The last 2 demands concerned the compensation for damages, detailed as follows: (5) Siam had to pay 2,000,000 francs for damages to the French people; and (6) Siam had to pay 3,000,000 francs as a pledge for the compensation for damages (Tantamano & Ajann et al., 2008, p. 32). His Majesty King Chulalongkorn and His Royal Highness Prince Chaofa Phanurungsri Sawangwong hoped for financial aid from the Great Britain but what they received was negligence instead. Finally, 801,282 Mexican Golden Eagle Coins in the red bags which had been reserved for emergency in the reign of King Nung Klae Chao Yu Hua, or King Rama III, were brought to pay for the damages and were loaded on Lutin Ship to France (tantamano & Ajann et al., 2008, p. 42). The author would strongly like to see Mexican Golden Eagle Coins once in a lifetime if they have still existed in any place under the French Republic nowadays.

Result/Finding

(1) The Beginnings of the 12 Million Baht Reserves and the Royal Treasury (Klang luang)

The Gold Measures Act, B.E. 2451 (1908) was officially endorsed by His Majesty King Chulalongkorn with significant details as follows: (1) The baht price was specified to be equal to 54.8 centigram pure gold; (2) the Ministry of the Great Royal Treasury was assigned to establish the reserve funds initially amounted to 12 million baht to maintain the stability of the exchange rates between Siamese and foreign currencies, while the exchange rate was specified as, “13 Thai baht = 1 British pound,” at that time (Tantamano & Ajann et al., 2008, pp. 67-68). In B.E. 2436 (1893), for any reason, France did not accept Siamese banknotes printed under the supervision of the British officials. Later, the officials sent by the Ministry of Finance in India recommended Siam

to print banknotes with the British banknote manufacturer, Thomas De La Rue. After that, the banknotes printed in Siam were backed by gold reserves. For example, on August 1, 2018, the exchange rate was specified as, “1 British pound = 43.48 Thai baht.”

When the war in Europe began in September, 1936, it was expected by Luang Praditmanutham, Minister of Finance at that time, that a British pound would decrease in value, even though Thailand was not directly involved in World War II. To put on guard, the British pounds initially reserved as the country’s funds were brought to buy one million ounces (35 million grams) of pure gold, \$ 35 an ounce, and was kept in the vault at the Ministry of Finance in the Royal grand Palace.

For example, suppressing “Thai government to walk into the status of “a structural fiscal deficit” will be carefully” (Suwannamala, 2015, p. 82), reducing problems and points about “quasi fiscal policy from invisible fiscal deficit and without checks and balances” (Suwannamala, 2015, p. 84), problems of debt from “risk of fiscal deficit based on public debt policy” (Suwannamala, 2015, p. 89), to name a few).

-Thai Democracy and finance

Democracy is expected to be a frame in checks and balances of the system of government budget and financial activities by using parliamentary procedure or knowledge and ability of government officials who specialize and hold positions in economics and have knowledge and ability in finance and fiscal aspects in the agencies that they are directly take responsibility for (such as The Bank of Thailand, Ministry of Finance, The Public Debt Management Office, Office of the Off-Budgetary, etc.) and/or indirectly take charge of (such as government agencies or organizations that are allocated budget or have impact on the rise and fall of economic crisis circle, etc.) Thus, based on the recruitment theory relating to seeking human resources to work in government job positions stating that specialists and professionals are required to take responsibility of a certain position, in particularly this article, it should mean officials who have knowledge and skills in economy, monetary and finance because the qualification of officials comprises “those who hold qualification or competence, differentiation of specialization, rationality, achievement orientation

with a level of hierarchy " (Thanapongsathorn, 1979, pp. 163-168)

Suwannamala (2015, pp. 22-33) factors challenging finance in the age of democratic administration in the new age (The executive supremacy) which connects from promises during election campaigns with populism (most democratic governments mobilize populism by spending money extravagantly (such as fiscal deficit, etc.), including results from making an attempt to do fraudulent financial reporting or fiscal illusion (such as Thai government is at risk of fiscal deficit from public debt policy which is not straightforward to describe or show the amount of budget that actually should reflect a real economic situation and budget system). Besides, factors relating to morality of those who formulate fiscal policy and problems in operation can give rise to myths about corruption resulted from moral hazard and the most important point is democracy and financial audits, "checks and balances in fiscal administration under democratic system" (Rangsan Thanapornpan, 1998, Buchanan, 1967, and Sundaresan, 2002 as cited in Suwannamala, 2015, pp. 8-15)

- Fiscal accountability

The example of fiscal accountability of the implementation of government fiscal policy can be seen in New Zealand. Namely, fiscal accountability in accordance with Public Finance Act 1989 of New Zealand Section 26G that determines the government to implement fiscal policy based on "The Principles of Responsible Fiscal Management" (Suwannamala, 2015, p. 19); the first thing is reducing total public debt to prudent levels so as to provide a buffer against factors that may impact adversely on the level of total debt in the future by ensuring that, until those levels have been achieved, total operating expenses in each financial year are less than operating revenues in the same financial year, and once prudent levels of total debt have been achieved, maintaining those levels by ensuring that, on average, over a reasonable period of time, total operating expense do not exceed total operating revenues; the second point is achieving and maintaining levels of total net worth that provide a buffer against factors that may impact adversely on total net worth in the future; the third point is managing prudently the fiscal risks facing

the government; and the last one is when formulating fiscal strategy, having regard to efficiency and fairness, including the predictability and stability of tax rates, the interaction between fiscal policy and monetary policy on present and future operations. In terms of regulations to a democratic state, fiscal management must be based on transparency and people participation. Namely, the government shall not conceal information by claiming that they are confidential or there must not be delay in providing information or incomplete information, especially (the third point from now on) the point related to information about economic crisis should be done carefully and openly. Therefore principles for public disclosure on fiscal information (Suwannamala, 2015, p. 16-17) are as follow: first of all, financial institutions must disclose operational plans showing mission frameworks, objectives or operational goals and related operational measures and disclose fiscal risk assessment reports (IMF code of fiscal transparency; Brixi and Schick, 2002 as cited in Suwannamala, 2015, p. 17); the second point, the government must disclose policies and revenue generation plan and annual budget spending to public obviously and straightforwardly without hiding any information; the third one is in case economic or politic crises happen and the government necessarily to use fiscal deficit policy intensely and widely which exceeding a legal framework or the level that loan monitoring agencies accept or has to use fiscal deficit policy through monetary system that the national bank can accept, the government must handle monetary and fiscal policy operational plans in details specifying scopes of monetary and fiscal measures to be operated including period (number of years) that the economic crisis and monetary and fiscal situations of the government shall be recovered and propose to the Parliament to seek approval. The Parliament should consider, discuss and seek advice with the national bank and loan monitoring agencies or conduct a public hearing so as to make decision. Once the Parliament approves, the government should carry out the plans; the fourth point is the government and administrative agencies have a good account system and monetary and fiscal reports that meet standard and a system of financial status and operational efficiency audit reports publicized to external agencies and people that are comprehensive and meet standards so that people can recognize and

understand fiscal situations and fiscal risks on current and future trends in accurate, timely, and true to fact manner; the last point is major financial institutions must perform their own duties by means of rules of independence, discussion, and checks and balances in a complete manner. They shall not collaborate on seeking illegal benefits or do not provide collaboration or discussion as they have personal conflicts and do not use power to control over each other which resulting in losing independence in operation.

(2) Tom Yum Kung Economic Crisis

Unfortunately, the check and balance system in monetary and fiscal policies before and after the Tom Yum King economic crisis by the parliament process was so weak to handle with financial wizards and funds that took advantage from the weakness of monetary and fiscal stability in Thailand and the weakness of Thai Parliament that led to rapid decline of economic graph. The Parliament should play an important role in auditing the problem solving after the Tom Yum Kung economic crisis and the use of amount of money by rehabilitation funds, the operation of Financial Sector Restructuring Authority, and other agencies. Therefore, (Suwannamala, 2015, p. 61) the Parliament should have a status to direct and monitor finance in general through the following check and balance mechanism: first of all, the Parliament directs and monitors finance in terms of a budget system by considering the approval of the draft of the annual Budget Act; the second point is the Parliament directs and monitors finance in terms of monetary policies through making approval of monetary policy administration plan of the Bank of Thailand, follow-up to outcomes in maintaining economic stability of the Bank of Thailand, and the appointment and withdrawal of chief/senior executives of the Bank of Thailand; the third point is the Parliament directs and monitors finance in terms of debt-making policy and guarantee through the appointment and withdrawal of the committee on public debt policy, making approval of public debt policy and administration, and follow-up to outcomes of public debt administration of the government and Ministry of Finance; the last point is the Parliament directs and monitors fiscal balance in quasi fiscal policy through making approval of quasi fiscal activities, and follow-up to “hidden costs” from implementation of quasi fiscal activities.

The investigation about Tom Yum Kung economic crisis by Committee responsible for studying and recommending measures to increase efficiency in national monetary system administration) revealed that the cause of Tom Yum Kung economic crisis was an attempt to change Thailand based on “Financial liberalization Policy, B.E. 2533 (1990)” to foster Thailand to become the financial hub of the region. By that time the exchange rate of Thai Baht to US Dollar was at 25 Baht to 1 US Dollar (at present, as of 1 August 2018: 33.3091 Baht = 1 US Dollar). Since the Tom Yum Kung economic crisis happened until 25 December 1997, the exchange rate was at 47.6800 Baht to 1 US Dollar (The Bank of Thailand (statistical data), latest update as of 29 July 2016 at 17.59 hours). Based on the mentioned above information, it can probably be described that *“...monetary economics used to be specified with British pound has been changed to be determined by US dollar for such a long time. Later the value of Thai baht was stuck with a basket of currency which was a proportion of US dollar. In the year 1992, financial liberalization was introduced and applying for foreign loans was permitted through BIBF's lending. All factors happened during the year 1992 to 2 July 1997 led to financial crisis. Thailand had to lose a large sum of reserve funds and could not maintain fixed exchange rate level any longer...”* (Bangkok International Banking Facility or BIBF means an offshore banking entity that became a major conduit for international capital) (Tantamano & Ajann et al, 2008, p. 122)

The emergency Decree on transferring some assets in Special Reserve Account in accordance with the Currency Act, B.E. 2545 (2002), Emergency Decree amending the Currency Act B.E.2501 (No.2), B.E.2545 (2002)). The author would like readers to think about a proverb comparing the assisting failed banks and financial institutions (the Tom Yum Kung crisis in 1997) and financial crisis in the U.S. (Hamburger crisis) is look like taking money from citizens to assist the rich people. (By the way, the concern about money and gold from the fund-raising scheme that might not be taken into the Royal treasury was from the examination of three bank accounts at the Bank of Thailand. The transaction was made on 4 May 1999 (ATE 06/05/1999 TIME 10:33:46; account number 1-03-01-01-1, account number 1-06-01-01-7, and account number 2-58-07-01-8). It was found that the money and gold were shown in the account GEN

A/C “....based on the record of the Bank of Thailand as of 4 May 1999, GEN A/C was the transfer of donated gold from Luangta Maha Bua Yannasampanno with the weight of 1,037, 785.5 kilograms and 3 million US dollars to the account of creditors-official reserve funds. It was clearly identified that the donation was not taken to the Royal treasury but in the GEN A/C instead. (The intention of the donators was the money must be transferred to “the reserve fund account”)....” (Thantamano and Ajann et al., 2008, p. 244) With regard to the earlier mentioned event, based on political science, it is regarded that leaders , elites, or rulers, policy directors, and policy operators should use their knowledge and skills in legal state and rule of law and expertise in economics regarding monetary and finance to protect national benefits, not to make an attempt to do opposite things. The author cannot imagine what should happen in the future if Thailand has to face an economic crisis again. If it will happen, will there be any citizens or experts to prevent or prohibit such incorrectness as occurred on 4 May 1999 that the attempt in doing something with the valuable donated money and gold to assist those people who were bankrupt but still rich was examined?

- Corruption and a free rider-ignorance

Ignoring of corruption, cannot have good governance, and some people (as ‘a free rider’) or political (ignorance-man) try to be ignored public debt or the Thai Treasury (gold/bond/foreign currency/international reserves or any government treasure. “...A free rider is a person who seeks to enjoy the benefits of a public good without contributing anything to the cost of financing the amount made available. The free-rider problem stems from the incentive people have to enjoy the external benefits financed by others, with no cost to themselves. ... As well as “turn a blind eye/to fiddle while Rome burns/devil may care/made to be amusing/the problem of making a hot gold counting” as “a threat to the audit” according to “good governance”, leads to “a free rider problem”, even more irrelevant, far from being financially audited our government by the voter/grass root people.)....” (Hyman, 2005, p. 163). How will we do if IMF tell us about 1997 crisis, but Thai-politician ignore, in finance and monetary after the Tom Yum Kung crisis (and current financial status), “...Government service are classified in four groups: (a) community services;

(b) social or welfare services; (c) economic service, and (d) protection services. ...” (Visser and Erasmus, 2002, p. 28) but Thai-politician cannot do.

-Public finance and Thai community

Siam was the agrarian community. Low bureaucratic officer and the lack of efficiency in finance management, Thai modern-state is the third word and reach to be the developing country, but the economic crisis (1997) made Thai (royal) treasury empty, such as

Finance administration should be implemented for benefits and happiness of the country to serve people’s well-being. However, from the history when the country fell under an economic crisis trap, it seemed that the administration of fiscal and monetary policies did not absorb the impact of falling but neglected to assist unemployed people influenced by the close-down of companies or the layoff or did not take care of people at grass-roots level who suffered from economic crisis that led to the floatation of Thai baht on “2 July 1997”. The assistance for that crisis was not for general people but rich investors and millionaires who were great depositors. Why the leader of the state and officials related to economy left Thailand to be like that during “Tom Yum Kung crisis” and preferred to take care of rich people to survive from the problems by taking taxes to fulfill their need especially the period before and after the crisis in 1997. The example of problems seen in the report of BBC Thailand reporter named Hathaikarn Treesuwan (Treesuwan, 2017, p. 1) The growth of GDP in 1997 was – 2.2%.

“...the situation of devaluated baht resulted vastly in foreign debt burden as there was huge amount of interest waiting for repayment (before the crisis the loan was specified as 1 dollar equal to 25 baht). In 1990 Thailand owed foreign debt by 29,300 million US dollars and increased by 82,600 million US dollars in 1996. When the crisis happened, Thailand’s foreign debt reached 109,300 million US dollars which separated to be private debt or government debt at 24,700 million US dollars and private debt at 85,200 million US dollars or accounted for 22.5 percent for the government debt and 77.5 percent for the private debt of all foreign debt.... The effect on economy in general gave rise immensely to economic slowdown. The first 3 years of the Eighth National Economic and Social Development Plan (1990-1992), the economic growth rate was negative (-

2.6) while the expansion in agricultural sector was 0.8 percent and industrial sector was 0.4 percent. At the same time, Thai people income decreased in 1997 and Thailand Gross National Income per capita was 75,991 baht and decreased by 73,771 baths in 1999...." (Thammathirat, 1998, p. 1). The above mentioned information showed that Thailand financial stability and status was very low similar to loss of economic independence. That event could be compared as Monument of 1997 economic crisis by Sathorn Unique Tower or Ghost Tower by the Chaophraya River near BTS Taksin Bridge station.

"...it is generally accepted that globalization of the economy and technology advancement play an important part in supporting manufacturing, financial, and communication technology sectors to grow rapidly. The area of "market" expands its realms manfully..." (Pattamasiriwat, 2010, p. 23) Investor groups or multinational corporations were both internal and external factors gave rise to economic crisis directly and indirectly (Tom Yum Kung crisis and other economic crisis). The gap between rich people who fell down to their luxurious mattresses and poor people from grass root level is largely different like sky and earth. Pattamasiriwat (2010, p. 32-36) mentioned about income inequality and wealth as seen in the following examples: prejudice for technology advancement, migrant workers (globalization was one of causes related to reduction of minimum wage), invasion of big capital, success and failure of agriculture and primary manufacturing, failure of public sector policies (incapability of improving progressive taxation policy), etc. Based on the earlier mentioned causes, are there any methods or offers from organizations to enable "public finance" to be for people's benefits. Such examples are seen in proposal of masterminds from United Nations as "New financing for development" shown in many points for improvement such as environment tax, capital mobility tax (Tobin tax), special drawing rights, new financial instrument, private donation for development, global lottery by national governments and world organizations and revenues are shared for developing and assisting the poor, money sent home by migrant workers (Pattamasiriwat, 2010, p. 25).

Discussion

Why and what are the transfer of private debt to public debt in Siam or Thailand?

Economic crisis or Western colonial-empire power crisis; such as, "The 1997 economic crisis" was a lesson that again gave a signal of weakness and inefficiency of government system in directing and monitoring the operational performance of monetary and fiscal policies after the opening of financial liberalization. In Philippines and Malaysia, the government and Ministry of Finance determine measures to control the level of borrowing of private sector. By doing this, both of the countries do not have so much impact as Thailand and Indonesia that no implementation was provided. Such mistake was one of economic crisis causes (Sopchokchai, 2016, p. 157)

The Tom Yum Kung crisis received signals from various troublesome factors since 1996 to 1998 (Siamwalla & Wichitaksorn, 2003) The factors ranged differently as (a) 1996 to 1998 crisis such as damages in real estate and Stock markets, damage recognition in financial institutions in 1996 to 1997, deposit insurance and loans of financial institutions, international monetary problems- impact of loan recall from international financial institutions, international monetary fund, the U.S. government, Japanese government and Thai government, political situation, expansion of debt in financial institution system; (b) incorrect measures "after the analysis of choices that Thailand or International monetary fund made decision to solve the problem (it was considered incorrect analysis of choices to solve Tom Yum Kung crisis) such as the hidden news of damages in real estate sector at early stage, the closure of 58 finance companies was a too severe measure with limited preparation and caused chaos as a whole, guarantee given to creditors was free of change; getting nothing in return, Financial Institution Development Fund abandoned securities used for guarantee, protected Thai baht value until there were not enough foreign exchange reserves, the amount of loans from international monetary fund to solve the liquidity in the country was not enough to support the insufficient reserve fund, mistake found in the implementation of the fiscal policy in the second half of the year 1997, international monetary fund expanded its role to interfere in economy inappropriately, timing and regulations in asset auction by Financial Sector Restructuring Authority caused higher damage

than usual, etc.; (c) problems and lessons needed to be considered such as there were too many investments from 1990 until 1996. Thai business depended on loans that much for investment and rising debts were from financial institutions that relied majorly on people's savings, Thai economic used wrong kind of foreign money for investment with too large amount, entrepreneurs (both bankers and business operators) had or desired fixed exchange rate system, once damages occurred in the economic system, assistance from foreign countries was rare and sometime Thailand received negligence from some countries, recognition of damages was too late or sometimes it was not acceptable, once damages occurred in the economic system, practices in business or Thai laws did not provide damage sharing system between involving people obviously and quickly, fraud in private sector gave rise to big burden for Thai society not less than corruption. The author would like those who have power to legislate a law and process of judgment that can punish government officials who fail to perform their duties which leads to occurrence of economic crisis in the future as people cannot let government officials who are specialists in economic aspect neglect warnings and problem solution to economic crisis in the future with legal state and rule of law measures.

Based on the two tables mentioned above, is it rational to take taxes paid by normal people to assist the Tom Yum Kung crisis while all bankers and financial institutions said above made loans and did transaction cruelly but legally in accordance with loans making and interest practice?. People who were loans had to be patient and surrendered to "slave owners" who were rich people and elites that exploited other people who kept staying in the status of debtors at a time in the process of the country administration and development. Debtors and general people received inappropriate treat as they were poor or debtors of slave owners in different forms. Once the elites or groups of banker and owners of financial institutions fell down to their luxurious mattresses, the government and the leader of Thailand took massive amount of taxes to hold and assist those financial institutions though in the past elites, religious leaders and kings used donated money or money in the red bags to unlock the country. All people worked in harmony to recover the crisis to achieve benefits and stability in the country. However, when capitalism in the democratic world has an influence on leaders'

opinion by the time of Tom Yum Kung crisis that Thailand lost its economic independence and the era of insufficiency, taxes paid by general people were used to assist specific groups of rich investors. The author does not agree with this kind of action called "falling down to rich mattresses"; for example, the case of Rakesh Saxena, the cause of the collapse of Bangkok Bank of Commerce, or even at present it is still found that "the government keeps making informal debts".

Suggestion

Thai politicians must listen to Thai bureaucratic expert, Finance or Economy specialist in 1997 crisis. What are merit wants and merit Goods? (Forte, 2010, pp. 175-179) "...(a) exchange of favors between politicians and bureaucrats; (b) exchange of favors between bureaucrats and suppliers of the public economy; (c) exchange of favors between politicians and suppliers of the public bureaucracy..." (Forte, 2010, p. 229) "On 2 July 1997!" Thai bureaucratic officer and politician must manage economic crisis by the law or IMF protocol or Thai Financial Law.

I wish, this historical article about the Royal Treasury and Public Finance for Thai Society under the Democratic Regime, is realized that the important problems of fiscal and monetary system or the important problems of Royal treasury administration or the important problems of fiscal and monetary policies are shown in 3 major points as the first one; officials who are experts and have specific positions (in economy or finance) did not play their roles and pursue their knowledge and ability to prevent or relieve the country's economic crisis especially the floatation of Thai baht on "2 July 1997", "Tom Yum Kung crisis ! (Ministry of Finance, 2018)", and other damages to economic system from other cases; the second one is about ethics problem seen in the administration of government and private sectors, in particular ethics or morality in administration/implementation of fiscal and monetary policies to practice; the third point is the attempt to take donated money and gold (from the fund-raising scheme called Phapa Chuay Chart) to use for the benefits of certain organizations which was against the intention of those who love the country and helped each other to donate money and gold to be kept in Royal treasury that can be turned to the reserve fund accordingly.

Policy Changes every time by Thai politics. Is there Thai govern with efficiency in Government? (Hyman, 2005, pp. 312-344) "...*The resulting increase is thus attributable to both social and political change on one side and the availability of excess revenue at prevailing rates of tax in the other. ...*" (Musgrave, 1980, pp. 158-159) Thai bureaucratic (Finance) officer must control and manage the Royal Treasury and Public Finance by good governance, and protect our country from any corruption, politician and policy maker, etc.

Conclusion

Bureaucracy and interest groups are to be concern about finance (Forte, 2010, p. 218-222), I am confident, that (bad) political leader are "exchangers of favors between politicians and suppliers". Thai governments cannot lead to an inefficient allocation of resources. "...*governments might lead to an inefficient allocation of resources...*" (Rosen, 1992, pp. 534-536) We must/need to responsibility all of government "equity issues", government treasure and "July 1997 issue of currency". "...*governments might lead to an inefficient allocation of resources...*" (Rosen, 1992, pp. 534-536) Can we trust Thai government on 1997 era, no and we cannot.

Therefore, the conclusion on "The Royal Treasury and Public Finance for Thai Society under the Democratic Regime: The case of the Economic Crisis and the Transfer of Private Debt to Public Debt" especially internal and external factors and problems leading to the economic crisis and transfer of private debt to public debt can be described as follow:

1. Thai politician ethics had many problem in the administration or lack of moral hazard, PM and the parliament "cannot deal" 1997 crisis, because of they were corrupt in monetary policy and un-sincere exchange rate policy on 2 July 1997.

2. Problems from morality of politicians and financial problems, namely "...*finance and economic analysis are not independent from political and social systems. We need to take Thai economic and social situation for consideration. Thai democratic politics faces new pattern problems and tries to solve problems of inequality in different dimension such as dimension of the rich and the poor, difference between urban and rural areas, regions, etc. How new finance can respond to changes in Thai politics and society? It is interesting and has greatly impact on new*

finance stage that shall open for everybody's opinion. If academic principles, supplementary evidence and information are supplied, it would be great, obvious and creative..." (Pattamasiriwat, 2010, p. 29). The author found that policies for fiscal and monetary administration should be integrated before 1997 and probably including at present. It can be said that economic news from mass media and analysis of economic news urged Thai people to realize that all officials who were in the positions responsible for pursuing their economic knowledge did not use their expertise to make any difference (Differentiation of specialization). Meanwhile, officials in economy and economics were not personnel working in government sectors that had to perform their duties and responsibility that they were qualified to their positions (Qualification or competence). They neglected and did not prevent damages when economic crisis happened. Namely, they did not perform their best to protect finance in their competence.

3. Problems about level/state of democracy in Thailand and concealment of information or ability to disclose information of government sector. Namely, more than a half-century that Thailand has implemented financial policy by changing direction opposite to fiscal democracy. Problems can be concluded in three points (Suwannamala, 2015, p. 94-95) as follow: the first, the government did not occupy the principle of fiscal balance under a normal situation but fiscal deficit policy was employed regularly even under a normal situation, especially elected governments that had potential to use fiscal deficit policy to satisfy people; the second point is Thai government used fiscal deficit to solve economic crisis many times without offering plans to implement fiscal policy to the Parliament for making consideration and approval before starting to use the fiscal policy, even once. It was not consistent with fiscal democracy concerning the implementation of fiscal deficit under a crisis situation; the last point is Thai government used quasi-fiscal measure to implement economic policies widely especially during economic crisis. In the meantime there was potential to select quasi-fiscal measure intensely and widely though it was opposite to fiscal democracy in terms of transparency and checks and balances from external financial institutions, the administration built contingent liability to future governments while people did not know or made any approval (from

the above statement, the author faced difficulty in searching information about finance and monetary from government agencies and had many questions about fiscal and monetary administration; for example, why the Parliament played a minor role and did not provide proactive checks and balances in responding to legislation of law about finance and monetary by the time of fiscal deficit and attack on economy and monetary from domestic and international factors, during a normal economic situation, why democratic government and those who formulated fiscal policies chose to use fiscal deficit, etc.).

4. Problems of insufficient knowledge of accounting and failure to keeping up-to-date accounting records and checking to meet the truth as much as possible or doing accounting to meet the cycle of fiscal year. Namely, collaterals were not requested from the troubled financial institutions “creditors’ guarantee is free of charge, nothing is requested as return.” (Siamwala & Wichitaksorn, 2003, (p. executive summary).

5. Officials did not pay attention to pursue their work with knowledge and capability and did not focus on their specific contribution: protect the baht until foreign exchange reserves almost depleted. This are the trouble of “free rider problem” (Harvey, 1999, p. 68) and “principal-agent prom”. (Harvey, 1999, p. 75)

6. Non-budget cash VS problems about taxation and administration including public sector resource management and accounting for bidding/procurement, and efficiency/effectiveness of tax spending. It can be said that Thai taxation does not support social welfare (Suwannamala, 2015, p. 141) and “revenues from taxes are not enough to mobilize social welfare policy. The distribution of tax burden in Thai society is obviously unequal. Corruption can be highly seen in tax systems. The tax administration by government agencies is inefficient.” (Suwannamala, 2015, pp. 145-146). Namely, the systems of tax collection and tax spending do not really provide benefits to people. Taxes are collected with questions asking for suitability. In the meantime, questions were raised in case that taxes paid by people were used to assist rich people in many different points such as groups of investors who fell down to their luxurious mattresses (purchasing-selling-concession in government sector are done without good governance (Suwannamala, 2015, p. 181), The handling of Thai government annual expenditure budget has

“hidden characteristics” (Suwannamala, 2015, p. 174), budgetary documents do not completely show fiscal obligations (Suwannamala, 2015, p. 251), government monetary reports do not disclose “obligations” comprehensively (Suwannamala, 2015, p. 257), moral hazard behavior is found in finance auditing (Suwannamala, 2015, p. 190), mechanism in auditing public spending of Thai government is not sufficient and is in need of reliability (Suwannamala, 2015, p. 187), central budget has “hidden characteristics” and allows an opportunity for the administration to allocate the budget without an approval from the Parliament (Suwannamala, 2015, p. 175), Thai government does not handle expenditure budget comprehensively and there is spending of Non-budget cash at high proportion (Suwannamala, 2015, p. 164), the administration of public debt of Thai government is not in a transparent manner (Suwannamala, 2015, p. 250) It can be noticeable that what the Non-budget cash is and what its objectives are, who is going to use it, who/which is going to pay, and the way to audit is good enough or not, and how much people can trust on tax and budget spending).

7. The point about officials do not have skills or specialize in a certain aspect or do not focus on their specific contribution though they hold specific positions. Namely, expert officials held extensive knowledge about economics but implemented the wrong fiscal policy during the half year of 1997. There were a small number of corresponding documents between government agencies in order to handle with some signals before the economic crisis happened though people and business operators knew since 1992 to 1996 as there were too many investments/ loans from financial institutions for run business (real estate) than they should be. Political officials and expert officials in economy/economics issued a small number of warning letters in between their government agencies to raise awareness of damages. It is curious whey there were none of such memorandums or official letters.

8. The problems with Financial Sector Restructuring Authority and selling assets that did not meet the real value. The auctions of assets held by Financial Sector Restructuring Authority caused damages than it should be (Siamwala & Wichitaksorn, 2003) which resulted in some assets were priced differently and did not reflect their real value. It was shown that “after the close-down of 58 finance companies and Financial Sector Restructuring

Authority ran the auctions of assets, the Rehabilitation Fund received damage at the amount of 520,000 million baht. This is such a huge amount (Siamwalla & Wichitaksorn, 2003) There should be another choices and methods to convert the assets through Financial Sector Restructuring Authority; it was not to be hurry on purchasing and selling.

9. The point about trust and friendship between countries did not really happen. Namely, how many countries did provide assistance to Thailand once the economic crisis happened or how many countries did unintentionally provide assistance to Thailand? Why did those countries neglect to provide assistance when the economic crisis (Tom Yum Kung Crisis) happened to Thailand?

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