Abstract

A crucial aspect to understand the causes of the 1997 economic crisis in Thailand can be delineated in terms of the degradation of one of the strongest elements of the Thai state; namely, the macroeconomic technocratic institutions. The paper asks important questions of how the technocrats, especially those in the Bank of Thailand, who had been renowned for their integrity and expertise in macroeconomic policy making, could lead the Thai economy to such a catastrophic state. What went wrong? What was the genesis of their misguided policy decisions? This study argues that the root cause of the series of poor decisions made by these technocrats, which ultimately led to the crisis, can be best understood in terms of a weakening of the technocracy as an institution. In particular, it shows that the decline in the degree of the technocrats' autonomy in decision making from the ruling elites, was caused by the deterioration of technocratic institutions--their incentive structure; their ethos and their cohesiveness--upon which their influence rested. This weakening opened up the door for intervention by the ruling elites, hence giving rise to the inconsistent decisions of the technocrats.

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