

ECONOMIC DEVELOPMENT AND URBAN DECENTRALIZATION

GILL-CHIN LIM*

MAN-HYUNG LEE**

I. INTRODUCTION

In the process of development almost all countries experience urbanization. People tend to cluster around specific geographical areas which we commonly call cities. Advanced industrial countries have experienced this phenomenon for over several decades and have already reached a high and stable level of urbanization. About 70% of their population now resides in urban areas. In developing countries, the level of urbanization is still low ranging between 10 to 60%. However, they are now undergoing and will continue to experience a rapid pace of urbanization.¹

The unprecedentedly rapid pace of urbanization in developing countries has brought about a flood of problems. Rural and urban areas stand in sharp contrasts posing problems of regional disparity. On the one hand, depopulation in rural areas leads to depressed rural economy. On the other, cities show visible symptoms of overcrowding, congestion, and a lack of housing and other essential services to maintain decent human life.

In the face of massive scale of urban problems arising from urbanization process, governments in developing countries have attempted to influence the urbanization or to ameliorate the conditions in cities. However, policy makers in developing nations have rarely spelled out a consistent set of policy goals in concrete terms. They often complain about problems such as unbalanced growth patterns among regions and inefficient land use in cities, and propose spatial strategies to deal with these problems. But, neither have overall policy actions been guided by clear goals based on welfare criteria such as efficiency and equity, nor have they been implemented with a reasonable understanding of their effec-

*Department of Urban and Regional Planning and Institute of Government and Public Affairs, University of Illinois at Urbana-Champaign.

**Department of Urban and Regional Planning, University of Illinois at Urbana-Champaign.

¹Useful sources of information about urbanization in global context include United Nations (1987) and Renaud (1981).

tiveness and impacts. At present, we know very little about how decentralization policies affect the social welfare. For these reasons, most “urbanization policies” in developing countries have been ineffective and are in the state of confusion and inconsistency.

The main purpose of this study is to examine the urban centralization–decentralization issue in Thailand. Furthermore, to gain some general understanding about the issue, we will refer to studies done in other countries including Korea and Brazil. Specifically, the study deals with the following subjects:

1. Effectiveness of past decentralization policies.
2. Factors which affected the performance outcome of the past decentralization efforts and the overall urbanization pattern.
3. Evaluation of the urban management proposal that has been recently adopted and put into effect.

An ideal study of decentralization policies should be able to examine impacts of spatial policy tools on locational behavior of business firms and to measure efficiency and equity aspects of policy tools. Such a study requires, as a minimum, a survey of businesses with detailed information on policy tools, locational choice, business environment, business operation, and employment effects. Currently, Thailand does not have such a source of data. Therefore, this study looks at the overall trends of population distribution and regional income over a period of time when various implicit and explicit spatial policies have been implemented.

The organization of this paper is as follows. Section II describes the implicit spatial policy in terms of economic development policy in Thailand. Section III explains the evolution of the explicit spatial policies in Thailand. In section IV, the impact of implicit and explicit policies on spatial development is evaluated and contrasted with Korean experience. It also examines the desirability of the current policy shift. The last section presents a summary of major findings.

II. ECONOMIC DEVELOPMENT POLICY AS IMPLICIT SPATIAL POLICY

1. Economic development policies

Thailand has experienced a sustained economic growth since the 1950s. (Table 1 and Table 2) During this period of growth Thailand has implemented a number of economic policies. In particular, Thailand embarked on deliberate attempts to facilitate economic growth since the 1960s by preparing a series of economic development plans.

The First National Economic Development Plan (1961–1966) set forth the basic idea about the role of the public sector in economic development. The First Plan stressed the importance of the free market mechanism in economic development and tried to limit the role of the public sector. It stated, “...in Thailand increased

Table 1. Trends in Economic Growth (in 1972 U.S. \$)

Year	Real GNP (million U.S. \$)	Real GNP ^a per capita (U.S. \$)	Share(%) in Current GNP ^b of			
			Investment	Saving	Import	Export
1960	3,100.64	121.03	15.69	15.56	18.90	17.52
1965	4,794.66	156.73	20.18	19.81	19.56	18.25
1970	7,219.26	198.49	26.10	22.28	21.49	16.65
1975	9,763.75	235.91	26.39	21.38	23.84	19.20
1980	13,664.97	294.15	27.70	21.07	30.43	24.94
1981	14,323.41	301.62	25.44	18.26	30.58	25.61
1982	14,843.79	306.12	21.69	19.01	25.83	25.72
1983	15,791.88	319.29	23.61	16.30	28.27	23.02
1984	16,654.69	330.48	23.82	18.95	27.47	25.18

Notes:^aPopulation used in the calculation of real GNP per capita are obtained from National Statistical Office, Office of the Prime Minister, Thailand (figures for 1960, 1965), and the Working Group on Population Projections of the Sub-Committee on Population Policy and Planning (figures for 1970–1984).

^bInvestment is the gross domestic investment defined as the summation of gross fixed capital formation and change in stock. And saving refers to gross domestic saving.

Source: Siamwalla and Setboonsarng (1986)

Table 2. Growth Rates of GDP and Its Components

Period	GDP	Agriculture	Industry ^a	Service ^b
1951–58	3.9%	1.9%	5.4%	5.6%
1958–73	7.2%	5.4%	9.0%	7.8%
1973–84	6.4%	3.9%	8.2%	6.9%

Notes:^aIncludes mining, manufacturing, construction, electricity and water supply.

^bIncludes transportation and communication, wholesale and retail trade, banking insurance and real estate, ownership of dwellings, public administration, defence, and services.

Source: Siamwalla and Setboonsarng (1986)

output will be most readily secured through the spontaneous efforts of individual citizens, fostered and assisted by Government, rather than through Government itself entering directly into the field of production.” The single most important goal of the First Plan was to increase the total per capita output. In addition, it was intended to distribute the increased output equitably and to raise government spending on infrastructure.²

The Second Economic and Social Development Plan (1967–1971) emphasized the attainment of high standard of living, and promotion of employment and manpower development.

²Summary of objectives for Economic and Social Development Plans was provided by TDRI (Thailand Development Research Institute).

The main goals of the Third Economic and Social Development Plan (1972–1976) were to restructure the economic system, to promote economic growth, to maintain a reasonable level of foreign exchange reserve and price stability, to promote economic growth of rural areas and reduce income disparities, to promote social justice, to create employment, and to enhance the role of the private sector in economic development.

The Fourth Plan (1977–1981) was targeted to accelerate economic recovery, to reduce income disparities, to reduce population growth rate, to improve the quality of manpower, to improve the management of basic resources and environmental conditions, and to strengthen national security management.

The prime concern of the Fifth Plan (1982–1986) was again the performance of the macro economy. Its main goals were to adjust the economic structure in order to cope with future changes in the world economy, to promote income distribution and economic activities in provincial areas, to alleviate poverty in backward rural areas, to achieve national stability, and to encourage the private sector's role and reduce government intervention in the market.

The Sixth Plan for the years 1987–1991 strives to attain at least 5% of economic growth rate, so that the increased labor force of 3.9 million can be employed. It also attempts to improve the quality of human resources for social development.

2. Spatial Impacts of Economic Policies

The review of the major features of Thailand's economic development plans reveals that the essential goal of economic policies in Thailand has been maximum aggregate output. A key instrument to pursue this goal has been various incentives for private sector agents to pursue industrial developments. For example, the Board of Investment was established in 1959 to promote private investment in industries. Since then a variety policy tools were employed to encourage industrial development. These were incentives to stimulate business expansion. They included tariff policies, tax subsidies, and trade and price control measures.

As Table 3 shows, Thailand has urbanized rapidly since the period of economic development plans. During these years, various incentives to spur economic growth mentioned above behaved as *implicit spatial policies*.³ Few of them were *space-neutral*. The government provided the private sector with the incentives to establish new businesses and expand the existing operations, but did not regulate their location. Private firms in the market favored existing urban location—particularly Bangkok—almost certainly because of the natural advantages coming from the urbanization or localization economies.

Urbanization economies come from the scale of economic activities in urban markets. In cities, complementarity of the labor force increases efficiencies in labor markets. Communication among industries is also easier and cheaper. And

³For theoretical concepts used in this paper, see Lim (1987a) and Lim (1988).

Table 3. Regional and Urban Population of Thailand (1960–1985)

	Regional Population (1,000)		Urban Population (1,000)		Average Growth Rate (%)		Rate of Urban Region (%)	
	1960	1985	1960	1985	Reg	Urb	1960	1985
BMR	3,345	8,018	2,353	6,838	3.6	4.4	70	85
Bangkok	2,169	5,677	2,169	5,677	3.9	3.9	100	100
Vicinity	1,176	2,341	184	1,161	2.8	7.6	16	50
Central	4,792	8,815	578	1,769	2.5	4.6	12	20
Northern	5,555	10,177	510	1,740	2.5	5.0	9	17
Northeastern	8,686	18,024	480	2,065	3.0	6.0	6	12
Southern	3,143	6,644	353	1,013	3.0	4.3	11	15
Total	25,521	51,683	4,281	13,425	2.9	4.7	17	26

Source: Pakkasem (1986)

industries can benefit from special urban services and infrastructure such as a large airport and highway system. Localization economy is another reason for industries to prefer urban areas. It arises from the scale within an industry. A firm within an industry can benefit from a higher level of interfirm specialization, more efficient labor market, and specialized support services to the industry.

Empirical validation to find out whether urbanization or localization economies were instrumental factors for heavy concentration in Bangkok would need a separate research on business location behavior using micro survey data. Currently, such data do not exist in Thailand. A study on urbanization and localization economies was conducted for Brazil. The results of the study suggest that while urbanization economies do not appear to exist, localization economies are strong: firms take advantage of “efficiencies in labor markets and in services specific to an industry and greater interfirm specialization within an industry.” (Henderson 1987, p. 93)

Overall, the existing theoretical and comparative evidence seems to support the thesis that Thailand’s urbanization was facilitated by market forces and incentives provided by implicit spatial policies.

III. EXPLICIT SPATIAL POLICIES

1. Evolution of Explicit Policies

The 1960–1990 Greater Bangkok Plan was perhaps the first *explicit spatial policy* to cope with urban problems in Bangkok.⁴ The plan was made with the basic

⁴There are three institutional units which cover Bangkok. The first is BMR which consists of the Bangkok Metropolitan Administration (BMA) and five contiguous provinces. The second is BMA which is composed of the City of Bangkok and Thonburi. BMA is often called Bangkok Metropolis (Krung Thep Maha Nakhorn). The third is the City of Bangkok.

assumption of 4.5 million people in BMA by 1990. It was reviewed twice: first in 1969 by the City Planning Division of the Bangkok Municipality, and second in 1971 by the Department of Town and Country Planning, the Ministry of Interior. There was no coordination between the two review agencies.

Another explicit spatial policy measure was the Town Planning Act enacted in 1976. The law empowered BMA with the authority to exercise land use control after local and special plans have been approved.

The 1960–1990 Greater Bangkok Plan and the Town Planning Act represent a mixture of *restrictive* and *absorptive policies*. There was no assessment of the impacts of these policy measures on decentralization. More importantly, neither the Greater Bangkok Plan nor the Town Planning Act have been effectively implemented. (Sivaramakrishnan and Green 1986)

Major explicit spatial policies at the national level emerged in the 1970s. One of the earliest efforts to decentralize economic activities was the 1972 Investment Promotion Act. For the purpose of promoting industries in rural areas, a set of economic incentives were provided to businesses. These incentives included (i) full exemption for the first eight years and 50% reduction for the next five years of corporate income tax to all firms promoted, (ii) up to 90% exemption for five years from business taxes, and (iii) a tax reduction of twice the actual cost of transport, water, and electricity. (World Bank 1980)

The first three economic development plans adopted during the 1960s and the early 1970s did not include policies addressing urbanization or spatial allocation problems. The Fourth Plan (1977–1981), for the first time in the history of economic development plans in Thailand, dealt with urban policy issues. In addition to the overall macro economic objectives of economic recovery and income distribution, the plan advocated more balanced urban systems. It proposed to decentralize economic growth away from BMR in order to achieve a more balanced urban growth in Thailand. The means by which to reach this goal was the “Secondary City Projects” at Khon Kaen, Nakorn Rachasima, Ubon and Ubon, Chiangmai, and Songkhla–Haadyai. The projects were sponsored by the World Bank and were under implementation through the Fifth Plan period.

The Fifth Plan (1982–1986) continued to pay attention to balanced urban development. Eastern Seaboard Project was added to the Secondary City Project to stimulate decentralization. This new project was to create new economic zone at the Eastern seaboard to attract industrial activities. The Plan also initiated major improvement programs for BMR in transportation, flood control, and water supply.

The Sixth Plan (1987–1991) reaffirmed the shift in urban policies that began with the Fifth Plan. A study conducted in connection with the Sixth Plan recommended a new urban management policy for BMR. (NESDB 1986) The study—*Bangkok Metropolitan Regional Development Proposals*—recommended integration of physical planning and infrastructure investment and proposed a wide

range of urban management programs in Bangkok. The Proposal's general objectives are (i) improving the financial mechanism of urban infrastructure services, (ii) alleviating poverty, (iii) efficient spatial development, and (iv) improving metropolitan management.

In order to improve the financial mechanism of urban infrastructure services in BMR, the proposal provided the following four means: cost-sharing, revenue enhancement, reduction of economic distortions, and use of investment programming criteria. To alleviate poverty, it was suggested that a progressive pricing system be adopted and that special programs for the poor receive higher priority. For efficient spatial development, financial management strategies and investment programs are developed under the overall direction of the physical development strategy prepared by the Department of Town and Country Planning. To improve metropolitan management the proposal seeks to realign planning processes within various agencies and integrate these processes into the national urban development policies.

In terms of sectoral activities, the proposal focuses on three key objectives: reducing transportation congestion, controlling flood, and upgrading housing quality. The BMR management plan was put into effect in 1987 under the authority of Bangkok Metropolitan Development Commission (BMDC).

On balance, the Bangkok Metropolitan Regional Development Proposal is a major shift in Thailand's urban policy. It signifies an adoption of a large number of *absorptive* policy tools in BMR. It also attempts to deal with the problem of *inconsistencies* by improving metropolitan management processes.

2. Dominance and Inconsistency

Shown in Table 3, the process of urbanization has continued throughout the last three decades. As noted earlier in section II, during these decades the government has implemented various implicit spatial policies to spur economic growth. Explicit policies such as the Secondary City Project, and Eastern Seaboard Project have emerged only recently and have had lower priority in the hierarchy of national goal setting. The review of the evolution of implicit and explicit spatial policies clearly suggests the *dominance* of implicit policies.

Although the government of Thailand began to implement "decentralization" measures beginning in the 1970s, it has never assessed the spatial impacts of major economic policies aimed at maximum output or economic stability. The government ignored or was unaware of *space non-neutrality* of various fiscal and monetary policies—*implicit spatial policies*. There has been *inconsistencies* between implicit and explicit spatial policies.

IV. QUANTITATIVE EVALUATION AND COMPARISON WITH KOREA

1. Quantitative Evaluation of Thailand's Experience

One way of evaluating the effectiveness of explicit spatial policies is to observe the pattern of regional distribution of population over time in relation to implementation of "decentralization" policies. Table 4 presents Hoover Index for the nation and the Bangkok area between 1970 and 1985 at five-year interval. The index is used to gauge the level of population concentration. It shows whether a

Table 4. Hoover Index^a for Thailand

Year	Nation ^b	Central ^c	BMR ^d	BMA ^e
1960	12.58	33.89	44.31	
1970	12.85	36.85	47.38	45.27
1975	13.20			
1980	13.70	40.31	50.13	44.77
1985	14.45	38.28	49.02	44.34

Notes:^aIt is defined as

$$H = \frac{1}{2} \sum_{i=1}^n |P_i - L_i| 100$$

where,

P_i = the fraction of population in a sub-area

L_i = the fraction of land in a sub-area

n = the number of sub-areas in the nation or region

^bNation is divided into five regions; Bangkok, Central, Northern, Northeastern, and Southern.

^cCentral is divided into seven regions; Bangkok, Nakhon Pathom, Nonthaburi, Pathum Thani, Samut Prakan, Samut Sakon and the rest of Central region.

^dBMR is divided into six regions; Bangkok, Nakhon Pathom, Nonthaburi, Pathum Thani, Samut Prakan, and Samut Sakon.

^eBMA is divided into three regions; city core, suburban, and city fringe.

Sources; 1) Ashakul (1986a)

2) World Bank (1986)

3) National Statistical Office (1987)

subarea or subareas have more than a fair share of total population. If population is evenly distributed among all subareas, the value of the Hoover index is zero. The value increases as population concentrates in specific areas. The maximum value is determined by the number of subareas. The value of Hoover Index for Thailand as a whole has risen steadily over time: 12.85 in 1970, 13.20 in 1975, 13.70 in 1980, and 14.45 in 1985. The result implies an increasing level of concentration of population.

The limitation of Hoover Index is that it does not tell where concentration or deconcentration is taking place. In order to identify the areas of concentration, it is necessary to look at growth rates of subareas. Table 5 shows the growth rates

Table 5. Population Growth Rate

Region	Annual Growth Rate (%)			
	1960-70	1970-75	1975-80	1980-86
Bangkok	4.9	4.3	4.0	1.0
Central	2.4	2.1	1.9	2.8
Northern	3.3	2.2	1.9	2.2
Northeastern	3.6	2.7	2.4	2.6
Southern	3.3	2.6	2.3	2.5
Whole Kingdom	3.3	2.6	2.3	2.6

Sources: 1) National Statistical Office (1987)

2) World Bank (1986)

of population in the four regions and Bangkok Metropolis. It is evident that the Central Region and Bangkok have grown faster than other areas. This may indicate the physical expansion of the Bangkok's economic activities over its contiguous areas.

To determine whether the Bangkok area has been physically expanding, we need to examine Hoover Index for BMA and BMR and growth rates of its subareas. Hoover indexes for BMA and BMR are presented in the third and fourth columns of Table 4 and growth rates of 24 amphoes (districts) in BMA are given in Table 6. The value of Hoover index decreased for BMA and increased for BMR. The decrease in the index value for BMA means that within BMA there was population decentralization. The increase in the index value for BMR implies that population has been concentrating in certain areas in BMR. From Table 6, it is apparent that the outlying areas of the Bangkok area—suburban and fringe—grew faster than city core. It should also be noted that some areas of Bangkok began to lose their population since 1975. For example, Phra Nakhon amphoe (district) has recorded loss of its population since 1970, and Samphanthawong amphoe since 1980.

What is happening in BMR can be summarized as follows. BMR as a whole has been growing bigger, and within BMR there has been a process of suburban-

Table 6. Population Growth Rate of BMA

Region	1970-80 (%)	1980-85 (%)
BMA	4.30	3.00
City Core	3.65	1.26
Suburban	4.93	4.58
City Fringe	4.90	3.96

Source: Ashakul (1986a)

ization. The trend poses a new challenge to policy makers. They need to be prepared for the decline in central cities and plan for urban renewal strategies. They also have to think about new investment strategies in newly growing areas in outskirts.

2. Comparison with Korea

For the purpose of policy making, it would be useful to compare Thailand's situation to Korea's which has also experienced rapid pace of urbanization and has a history of strong policy implementation to decentralize its population. Since the late 1960s, Korean government has resorted to various restrictive and absorptive policy tools to influence its urbanization pattern. Restrictive policy tools included greenbelt, slum clearance, building permit regulation, moratorium on school enrollment, resident tax, and relocation order for business firms from Seoul. As an incentive for decentralization, the Korean government invested in industrial estates outside Seoul, and provided various tax benefits to industries to locate outside Seoul.

The Hoover Index for Korea and its capital region between 1955 and 1982 is tabulated in Table 7. In Korea the Hoover Index marked 31.73 in 1980. The value of the Index also increased for the Capital Region. But it decreased in Seoul City. Despite a number of strong measures to reverse concentration of population in the Capital Region, Korea was not successful in limiting its size. The central part of Seoul City experienced decline, but the outlying areas expanded and grew rapidly. It should be noted that the decline in central Seoul began before deliberate spatial policies of decentralization were put into effect. (Lim 1987b)

Table 7. Hoover Index for Korea

Year	Nation ^a	Seoul ^b	Gyunggi-Do ^c	Capital Region ^d
1955	17.03			
1960	17.94	25.53	25.84	53.11
1965	19.49	32.78	27.46	57.21
1970	22.66	22.76	33.77	65.19
1975	26.33	17.46	38.60	65.09
1980	31.73	11.21	45.31	68.09
1982		10.25	46.79	68.48

Notes:^aThe nation is divided into eleven regions; the Capital Region, Pusan, and nine Do's (provinces).

^bSeoul is divided into nine Ku's (districts).

^cGyunggi-Do is divided into twenty-two Shi's (cities) and Koon's (counties).

^dThe Capital Region is divided into nine Ku's and twenty-two Shi's and Koon's.

Source: Lim (1987b)

Lee's study (Lee 1985b) which analyzes a survey data of manufacturing firms in the Seoul region concludes that explicit policies to affect location decisions of firms resulted in negligible impact. Experiences in two other countries also support the Lee's observation. Thoumi (1983) studied spatial distribution of economic activities in Colombia and reaches a conclusion that the decentralization measures are mostly ineffective. Hamer's study for Sao Paulo region in Brazil (Hamer 1983) draws the same conclusion.

3. Effects on Regional Income Distribution

The series of development plans in Thailand always listed equitable income distribution as their major policy goal. As already described in Section II, one of the key objectives of the First Plan was to distribute the increased output equitably. The ensuing plans almost always listed reduction of income disparities as a major objective. One of the reasons why the government of Thailand wanted to decentralize population was to reduce the great income gap between urban and rural areas.

To make inferences about the possible effect of decentralization policies on regional income disparities, it is necessary to examine the changes in regional income distribution over time. Three measures of Williamson coefficient are calculated and presented in Table 8. Williamson coefficients are indicators of regional income inequality. The higher the value is, the more unequal the regional income distribution is. During the period between 1970 and 1985 the Williamson coefficients increased substantially: V_w (weighted coefficient of variation) increased from 0.744 in 1970 to 1.171 in 1985; V_{uw} (unweighted coefficient of variation) from 0.993 in 1970 to 1.567 in 1985; and M_w (modified coefficient of variation) from 50.82 in 1970 to 70.78 in 1985. Because of the lack of information on income distribution policies in Thailand, observations about what policies have led to increasing gap in income among regions can not be made.⁵ Nonetheless, it is clear that decentralization policies did not reverse the overall trend of growing regional income disparities.⁶

V. SUMMARY

1. Effectiveness of Decentralization Policies

Overall, decentralization efforts in Thailand which began since the Fourth Development Plan period (1977–1981) have not led to significant reversal in the

⁵Lee (1985a) observes that we know very little about the welfare implications of decentralization policies and that excessive decentralization policies might result in serious welfare losses.

⁶A possible reason may be the absence of income distribution measures. The World Bank (1980) reports that Thailand has not formulated policies to reduce the gap between the rich and poor.

Table 8. Williamson Index for Thailand

Year	Index	Vw ^a	Vuw ^b	Mw ^c
1970		0.744	0.993	50.820
1975		0.752	0.946	56.973
1980		0.778	0.948	59.339
1985		1.171	1.567	70.780

Notes:^aVw (Weighted Coefficient of Variation) is calculated as follows:

$$Vw = \frac{\sqrt{\sum_i (y_i - y_n) f_i / n}}{y_n}$$

where,

f_i = population of the i^{th} region

n = national population

y_i = income per capita of the i^{th} region

y_n = national income per capita

^bVuw (Unweighted Coefficient of Variation) is calculated as follows:

$$Vuw = \frac{\sqrt{\sum (y_i - y_n)^2 / N}}{y_n}$$

where, N = number of region

^cMw (Modified Coefficient of Variation) is calculated as follows:

$$Mw = \frac{\sum_i |y_i - y_n| f_i / n}{y_n} \cdot 100$$

Source: World Bank (1986)

urbanization trend: the decentralization policies did not achieve the stated objective of balanced urban growth. This study did not investigate the locational impact of decentralization policies on business firms at micro level. Therefore, it is not warranted to say that such attempts as the Secondary City Projects and the Eastern Seaboard Project did not attract significant number of businesses and people. It requires a separate micro level survey of business location to assess the magnitude of decentralization stimulated by such projects. For Thailand such a survey has not been conducted yet.

Research for Korea (Lee 1985b) which uses micro survey data concludes that explicit policies to affect location decisions of firms resulted in negligible impact. Thoumi (1983) makes a similar observation for Columbia, and Hamer (1983) reaches the same conclusion for Sao Paulo region in Brazil. Even with these findings from other developing nations, let's assume that the projects aimed at

decentralization in Thailand have been a powerful mechanism to divert the flow of economic activities from Bangkok to rural areas. Since the evidence presented in section IV shows a continuing trend of centralization and expansion of the Bangkok area, it can be concluded that the overall impacts of decentralization measures so far have been negligible and that the decentralization policies have not been successful.

2. Factors Affecting the Performance Outcome of Decentralization Policies

Urban areas in Thailand—the Bangkok Metropolitan Region in particular—have grown fast mainly due to implicit spatial policies. Sectoral policy measures which are instruments of macro economic policies to spur economic growth at aggregate level have been decisive forces accelerating urban concentration.⁷ A variety of incentives have been given to businesses, the location of which were not regulated, to stimulate growth.

Currently, we do not have information based upon which we can identify the exact reasons for businesses to choose large cities in Thailand. However, theoretical literature on urban agglomeration suggests that private businesses try to benefit from localization or urbanization economy. In the case of Brazil there is a strong evidence that businesses take advantage of localization economy leading to urban agglomeration. (Henderson 1987) These observations lead to a conclusion that the goals of explicit spatial policies in Thailand—decentralization of population and reduction of regional income disparities—were not attained, because the effect of implicit spatial policies overwhelmed that of explicit spatial policies. It appears that market forces for urban agglomeration have been rather reinforced by implicit policy measures.

3. Evaluation of the Urban Management Proposal

The reorientation of urban policies initiated by the Sixth Plan (1987–1991) added a new policy of “urban management” to “decentralization.” The rationale for “urban management” is that BMR should be operated efficiently as the core of national economic growth. The central elements of the *Bangkok Metropolitan Regional Development Proposals* (NESDB 1986) such as cost-sharing, revenue enhancement, reduction in economic distortions, and use of investment programming criteria are all guided by the idea of “efficiency” in markets and public sector. Use of the efficiency criterion is a major improvement in policy making. Typically, most urban policies in developing countries have been formulated without concrete welfare criteria. For example, “balanced urban system” which has been advocated since the Fourth Plan is a vague concept: it usually refers to

⁷In case of Sri Lanka, however, sectoral policies led to balanced spatial development, because programs to implement sectoral policies were deliberately located in rural areas. See Corey (1984) and Lim (1988).

even distribution of population among regions and does not relate directly to efficiency or equity criterion.

While the new urban management plan is strong in its emphasis on efficiency, it is relatively weak on equity issue. The plan does not contain an assessment of distributional impact of the programs and projects to be carried out. It does not propose strategies specifically aimed at redistribution of income. It simply states that projects designed for the poor will receive high priorities.

It also neglects an important area of urban policy making which affects the low income population—informal sector. Using the 1984 Labor Force Survey conducted by the National Statistical Office, Ashakul (1986b) reported that 45% of employment in BMA and 49% of other five changwats in BMR belonged to informal sector. The proposal discusses neither the role of Bangkok's informal sector in economic growth and distribution nor appropriate policies for low income groups employed in informal sector.

Another weakness of the urban management proposal is that it does not evaluate its spatial consequences at the national level. The proposal mentions that the Secondary City Projects and the Eastern Seaboard Project will begin to have any significant effect in reducing migrants to Bangkok in the middle of the 1990s. But, it does not deal with how the improvement to be brought about by urban management in Bangkok will counter the effect of existing decentralization programs. Without understanding about the spatial impact of urban management programs, the government is spawning additional inconsistencies.

4. Concluding Observations

Whether Thailand should pursue centralization or decentralization is a matter of national policy goal and empirical investigation. First, it is a matter of national policy goal, because policy goals determine policy measures and its implementation which results in specific spatial outcome. If Thailand decides to focus on the key macro economic problems at the expense of considering other policy goals—for example, fairer income distribution among regions, it should allow business firms to go anywhere to grow fast and to compete effectively in the international market. On the other hand, if Thailand wants to reduce regional disparities, it should regulate business location or offer locational incentives.

The issue of deciding between centralization and decentralization is also an empirical matter, because locational behavior of a firm in one industry is different from that in another industry. Some firms may indeed need to start in a large city as the incubator hypothesis⁸ suggests, while high tech industries may prefer to locate away from urban centers as witnessed in the United States. In this regard, Watanabe's finding (1987) deserves policy makers' attention. The study noted

⁸According to the incubator hypothesis, small firms begin their operation most efficiently in central cities and move out to outlying areas or outside the city after they grow big and secure.

that destination changwats for migrants in Thailand included newly developed upland farming areas.

If Thailand is truly concerned with spatial development issues, it needs to establish procedures to assess three categories of impacts caused by major implicit and explicit spatial policies: impacts on growth, income distribution, and spatial location. Many developing countries have adopted environmental impact assessments (EIA) to evaluate economic, social and ecological effects of major public and private projects. (Lim 1985) Furthermore, Korea has recently established a mandate for population impact assessments to gauge spatial effects of major development policies. Thailand may consider an integrated impact assessment procedure to assess the three items of impacts.

REFERENCES

- ASHAKUL, TEERA and CHARUMA ASHAKUL (1986a), "BMR Study: Population Working Paper."
- _____ and _____ (1986b), "BMR Study: Urban Poor Working Paper."
- COREY, K. E. (1984), "Deconcentrated Urbanization in Sri Lanka: A Case Study of Policy Serendipity," Urban Working Paper 2, Institute for Urban Studies, University of Maryland.
- FOLLAIN, J., RENAUD, B. and G. C. LIM (1979), "Economic Forces Underlying Urban Decentralization Trends: A Structural Model for Density Gradients Applied to Korea," *Environment and Planning*, 11: pp. 541-51.
- HAMER, A. (1983), (Revised 1984), "Decentralized Urban Development and Industrial Location Behavior in Sao Paulo, Brazil: A Synthesis of Research Issues and Conclusions," Discussion Paper, Report No.: UDD-29, The World Bank, Washinton D. C..
- HENDERSON, J. VERNON (1987), "Concentration or Deconcentration: Evaluation of Policies," in George Tolley, and Vinod Thomas(eds.), *The Economics of Urbanization and Urban Policies in Developing Countries*, The World Bank, Washington D. C.
- LEE, KYU SIK (1985a) "Decentralization Trends of Employment Location and Spatial Policies in LDC Cities," *Urban Studies*, 22, pp. 151-62.
- _____ (1985b), "An Evaluation of Decentralization Policies in Light of Changing Location Patterns of Employment in the Seoul Region," Discussion Paper, Report No.:UDD-60, The World Bank.
- LIM, GILL-CHIN (1985), "Theory and Practice of EIA Implementation: A Comparative Study of Three Developing Countries," *Environmental Impact Assessment Review*, 5, pp. 133-53.
- _____ (1987a), "Land Markets and Public Policy: A Conceptual Framework," *Habitat International*, 11, pp. 23-27.
- _____ (1987b), "Land Markets and Public Policy: A Korean Case Study," *Habitat International*, 11, pp. 73-81.
- _____ (1988), "Theory and Taxonomy of Sectoral, Distributional, and Spatial Policies," *Environment and Planning*, 6.

- NATIONAL STATISTICAL OFFICE (1985), *Statistical Summary of Thailand*, Bangkok: Office of the Prime Minister.
- _____ (1987), *Key Statistics of Thailand*, Bangkok: Office of the Prime Minister.
- NESDB (National Economic and Social Development Board, 1986), *Bangkok Metropolitan Regional Development Proposals: Recommended Development Strategies and Investment Programmes for the Sixth Plan (1987-1991)*, Joint NESDB/IBRD/USAID/ADAB Metropolitan Planning Project.
- PAKKASEM, PHISIT (1986), "Thailand Country Paper: Regional Seminar on Major National Urban Policy Issues."
- RENAUD, BERTRAND (1981), *National Urbanization Policy in Developing Countries*, New York: Oxford University Press.
- SIAMWALLA, AMMAR and SETBOONSARNG, SUTHAD (1986), "The Political Economy of Agricultural Pricing Policies in Thailand."
- SIVARAMAKRISHNAN, K. C. and LESLIE GREEN (1986), *Metropolitan Management: The Asian Experience*, EDI Series in Economic Development, New York: Oxford University Press.
- THOUMI, F. (1983), "The Changing Pattern of Economic and Demographic Growth and Concentration in Columbian Cities and Regions (1960-1975)," in Gill-Chin Lim(ed.), *Urban Planning and Spatial Strategies in Rapidly Changing Societies*, Consortium on Urban and Regional Policies in Developing Countries, Princeton and Seoul.
- UNITED NATIONS (1987), *The Prospects of World Urbanization*, Population Studies No. 101, New York: United Nations Publication.
- WATANABE, MACHIKO (1987), "Economic Development and Internal Migration in Thailand," IDCJ Working Paper Series No. 36, International Development Center of Japan.
- WORLD BANK (1980), *Thailand: Toward a Development Strategy of Full Participation*, Washington D. C.
- _____ (1986), *Thailand: Growth with Stability (A Challenge for the sixth Plan Period: A Country Economic Report)*, Washington D. C.
- _____ (1987), *World Development Report 1987*, New York: Oxford University Press.