Driven From Above: The Role of the Elites in the Economic Development of Burma and Thailand

At the end of the 1950's, the potential for economic growth of Thailand and Burma was quite similar. They had a similar labor force, natural resources, and productivity rate. Still, more than fifty years latter, their level of economic growth is quite different. While Thailand has averaged a GDP of $545.8 billion dollars and a 6.9% annual growth for the past five years, Burma's economy has been growing less than two percent and its GDP has been about $76.2 billion. Moreover, Thailand has an export−oriented open economy and a well−developed infrastructure. In 2004, Thailand and the United States started to contemplate the possibility of signing a free trade agreement. Conversely, despite of having vast natural resources, Burma has not been able to achieve half of what its neighbor has done. Burma's state controlled economy suffers from serious macroeconomic problems, a black market almost as big as the official economy, and economic sanctions from the United States. Clearly, their paths to development have taken them to very different places.

This being so, this paper will try to answer why the economies of these two otherwise very similar countries are so different nowadays. Some of the questions that will be addressed throughout this paper will be: Why has Thailand's economy been more successful than Burma's? What are the main sociopolitical and economic differences between the two? What strategies have the two governments adopted in order to achieve economic growth? The main argument of this paper is that Thailand has been more successful than Burma in great part because of the ability of its elites to adopt a economic strategy that combines their personal goals and the ones of the population with the historical, cultural, and social reality of Thailand. The Thai elites played a major role in the transformation of Thailand into a modern state. Conversely, the influence of the Burmese leadership on the development of Burma has been insufficient if not negative due to its ineptitude, corruption, and the adverse social and economic context in which it operates.

This analysis will cover the period between 1956 to 2000. The reason why this specific time period was chosen is because in 1956, Burma and Thailand's level of development were very similar compared to where they stood in 2000. Also, it was at the end of the 1950's when their paths started to diverge. The year 2000 was chosen in order to make sure that all tsunami− related factors are left out of the equation. In order to explore forty four years of economic development in these two countries, this work will be divided in three main areas of analysis: the political system, economic system, and institutional framework. Certainly, these areas are outlined by the historical events that helped to shape them. Also, they all at some point overlap one another. Still, they all have something unique and relevant to contribute to the purpose of this work.

In regard to the political system, two issues will be taken into consideration: regime type and level of bureucratization. As Weber pointed out, there is an important correlation between level of economic development and the existence of a effective bureaucracy. This being so, comparing the level of bureaucratization and its quality vis−à−vis western standards of Thailand and Burma will helps us to better understand the impact that the leadership of these countries has had on their ability to develop an effective state apparatus. Similarly, in order to compare the characteristics and evolution of the economic system of these two countries, this paper will take a look at the economic reforms and strategies undertaken by the governments, the degree of economic liberalization, the availability of capital, and the role of the state in the economy. Finally, the institutional framework of Burma and Thailand will be compared and contrast with an especial emphasis on informal institutions, society−government relations, level of civicness, and social capital. Certainly, Burma and Thailand −two very similar countries in many aspects but so different in the level of economic development− provide the perfect setting for applying the many theories and ideas about economic development and democratization to explore the influence that elites have on the economic development of a country.

1. Political System

Burma

In 1962, the Revolutionary Council led by General Ne Win ascended to power in Burma replacing the British colonial regime. The new Socialist regime, in an attempt to foster a Burmese national identity, immediately undertook the task of erasing any trace of western ideology in Burma. This being so, the new regime replaced the British−style parliament government and the market economic model with a Soviet−style single party system along with a series of anti−capitalist policies. Also, the Ne Win regime abolished all civilian political organizations, freedom of expression and peaceful assembly, freedom of the press, freedom of enterprise, and individual liberty. Moreover, the only legal party allowed to exist was the Burma Socialist Programme Party (BSPP).

The intentions of Ne Win were to achieve order and development by combining the communist models of China and Russia with the totalitarian practices and policies of Nazi Germany. This being so, the legitimacy of this government was heavily based on feelings of xenophobia and ethnophobia. This resulted in the assault of ethnic minorities especially Chinese and Indian living in Burma at that time. These groups were forced to accept second−class citizenship so they suffered from discrimination in schools and jobs. Add to this, their businesses were nationalized without giving them a fair compensation.

Add to this, like most totalitarian dictatorships, government positions were given to loyal rather than effective individuals. In Burma, the good man first and smart man second policy was the preferred method for selecting government officials. Very few members of the bureaucratic apparatus had college degrees or any other proper training. The practice of rewarding people based on loyalty rather than ability created an extremely inefficient and corrupt government. Most of the government was composed of uneducated but loyal soldiers. On the other hand, promising college students were clearly marginalized from government positions. In fact, the national education system was designed in away that party members have the best employment opportunities after graduation. In general, the only way to ascend in the socio−economic pyramid was to surrender one's will to the regime. The discrimination against educate and competent people who were not loyal to the regime, combined with the repression and marginalization of foreigners, led to massive unemployment, brain−drain, and a decline in the quality of education. This had a long lasting negative impact in the ability of Burma for innovation and technological progress, and the development of an entrepreneur class.

Despite of some brief experiences with democracy, Burma has been control by one authoritarian regime after another. The current features of the political system in Burma started to develop during the Ne Win regime. Needless to say, the inability of this regime to make of Burma a prosperous state was almost instantaneous. In 1988, after twenty six years of the so−called Burmese Way of Socialism, Burma was included on the UN's list of Least Developed Countries. The legacy of the Ne Win's socialist regime continues to linger today. The only noticeable difference between that period and contemporary Burma, is the name of the country. In fact, Burma's political regime consciously and unconsciously adapted many of the practices of the Ne Win regime. The military junta that currently rules over Burma continues to recruit government officials in the same way. Also, it prohibits freedom of assembly and exercises a strict control over information and dissent.

Nevertheless, the main problem in Burma is not the totalitarian nature of its government per se. After all, states, both democratic and totalitarian, are instrument of domination that serves the interests of the more powerful social groups. The main problem of Burma is the lack of an effective administration and power and independent private sector. Officials from all the three post−colonial regimes in Burma had to relied upon the financial assistance of a weak business community for survival. In a similar vein, the business community had to foster and maintain good connections with the government elites in order to successfully run their business.

Thus, the problem in Burma seems to be a combination of the inefficiency of its bureaucratic administrative apparatus and the inability of the business class to capture the state apparatus in order to make it serve its interests. According to Weber, an effective bureaucracy is essential for the development of a more sophisticated economy. A capitalist market economy needs of an administrative apparatus that follows calculable and objective rules and contains expert knowledge in order to work properly. In the case of Burma, the bureaucratization of its political and social system based on loyalty rather than capacity and knowledge has completely undermined its ability to develop a market economy.

Thailand

The Thai elites were the main force behind the transformation of the Kingdom of Siam into the modern state of Thailand. Thailand's major reform programs started in 1982. The two main features of the reform were the introduction of a centralization program and the development of a western bureaucracy. The reforms started when Prince Damrong introduced the *thesaphiban* system as part of his efforts to develop an alternative method of administrating the provinces of the Kingdom. This system grouped a number of provinces into a single administrative unit under the control of a resident commissioner. The job of the commissioner was to oversee local revenues and expenditures, overhaul the courts, introduce new political units, and reduce corruption and crime. This dramatic and rapid centralization was translated into an increase in state revenues, the introduction of modern law, the extension of social services, and a more security for people and property previously unavailable in the countryside.

The new institutions that were emerging from the new administration system were designed to meet western standards. This created a need for a new kind of public servant capable of not only understanding those standards, but also having a western mentality. The Thai elites saw no incompatibility between the acquisition of western knowledge and the maintenance of the independence and individuality of the Thai nation. Thus, the ministries and departments in Bangkok started to recruit individuals to be sent abroad to study in Europe and India. Add to this, the education system was reformed and expanded to rural areas. The new system replaced the rudimentary and unsystematic education provided by the village temples with new schools equipped with standardized syllabi and textbooks provided by the Ministry of Public Instruction. The new syllabus was a combination of traditional Thai script and language and modern Western−style mathematics and science.

The success of any reform rests on its ability the create institutions that are attractive to the traditional elites. During the reform, the Thai King was concerned about the future of his family and the monarchy. Yet, he was even more committed to transform Siam into a modern state. Thus, though he gave preference to the members of his family, he made very clear that bureaucratic positions were going to be given to the individuals best qualify regardless of social group. That is why the bureaucratic transition in Thailand was so effective. On one hand, this kind of criterion of the king to appoint bureaucratic positions led to the creation of a meritocratic bureaucracy. The fact that the standards for recruitment for bureaucratic positions were based on educational qualifications not only led to the creation of an effective administrative apparatus, but also defined the characteristics of the new generation of elites.

On the other hand, the centralization of power gave to the Thai King Chulalongkorn − a symbol of the traditional order− the ability to restructure the new administration apparatus within social traditional patterns and under the control of the crown. The active participation and willingness to speak in public and in the media about the benefits of the reform of the King and his family, facilitated the assimilation of the new western order in the minds of the Thai population. Moreover, the identification of the King as part of the reform gave a sense of continuity to the reform process. This convinced the Thai people and the other elites that the reform was not a separation from the past, but rather a way to improve the old order to assure the survival of the Thai nation.

Comparison

As Weber pointed up, the consequences of the bureaucratization of a system depend on the direction which the power in control of the apparatus give to it. By 1910, the Kingdom of Siam was not yet a modern state, but unlike Burma, al least was moving towards that objective. Moreover, if we take into consideration that in

1850 a large percentage of the Thai population were slaves of one sort of another, we can say that the Thai political system was as repressive as Burma's. Yet, the evolution that the two regimes have experienced is remarkably different. The reform from above that transformed Thailand contrasts with the flawed and misguided leadership of the Burmese elites. The mentality and decisions of the elites in both countries played a major role in their development. The progressive thinking of the Thai elites paved the way for the transformation of the Kingdom of Siam into the modern state of Thailand. To the contrary, the unfortunate decisions that the Burmese elite took after the independence of Burma left a heavy burden on the consequent regimes. Burma's political system is trapped in a vicious circle of ineptitude and corruption in which neither economic nor political reform is possible to undertake.

2. Economic System

Burma

Since 1962, Burma's economy, as its political system, has been under the strict control of the government. The military governments that followed Ne Win's socialist regime have been equally repressive, reclusive, and retrogressive. Yet, a powerful centralized regime does not necessarily translate into economy stagnation. In fact, some of the most successful economies in Asia such as Singapore and China are characterized by been controlled by strong states that negate many political and individual rights to their citizens. Moreover, the state plays a crucial role in the East Asian Model for economic development. This being so, Burma's lack of economic growth cannot be simply blamed on the control of the state of its economy. Burma's inability to sustain economic growth is due to the lack of economic security and freedom of enterprise, and the considerable size of its informal economy. Add to this, any substantial economic reform is very likely to fail because of the inefficiency and rampant corruption of the government. These problems, along with hyperinflation and the careless depletion of natural resources, are also a product of the legacy of the Ne Win regime. The discriminate nationalization of the economy during the Ne Win regime led to rampant corruption, black marketing, and impoverishment of the masses.

One of the main reasons why Burma is one of the least developed and more politically instable countries in the world is because of its giant black market economy. The absolute yet ineffective centralized control over the economy by the military commanders in power, combined with the coexistence of a traditional sector of primitive production with a small modern sector of modern technology, led to development of a large and dense informal economy. It is estimated that the illegal trade turnover ratio is either equal or greater than the official one. The government is very aware of the existence of this parallel economy and the problem it represents. Yet, it is in the best interest of the military leaders not just to not intervene, but to promote it. In fact, government and party officials have been the main beneficiaries of the informal economy and its dynamics. Furthermore, the political and economic survival of the military elite in power depends heavily on the informal economy. Institutions tend to be created and maintain by the elites. This being so, it is very unlikely that they would want to change a an institution that favors them. Thus, ineffective institutional frameworks tend to survive and even flourish despite of their negative impact on economic growth. For example, military and ex−military chiefs and party leaders, who have special access to governmentally distributed goods, collect large sums of money by either participating themselves in the organization of the black market or receiving bribes from black market kingpins. Thus, the government has no incentives to find a way to legalize the black market economy.

In the same vein, since the State Law and Order Restoration Council took power in 1988, Burma has become one of the world's leading producers of illegal drugs. The magnitude of Burma's drug production and the expansion of Burmese heroin and methamphetamines in the expanding Asian markets placed drugs as one of the most important exports of Burma. The prosperity of illegal drug trafficking in Burma has had a tremendous impact on a number of related problems such as AIDS, and organized crime. To make things worse, reports have identified former Burmese Communist Party leaders and prominent business man among the major traffickers. Ironically, these traffickers have invested heavily in Burma's infrastructure.

Extra legality in the economy creates more problems than just corruption According to De Soto, the resources that are managed in the informal sector of the economy cannot be used to produce additional wealth. In more technical economic terms, assets that are managed in the black market cannot be transformed into capital. Capital is a crucial element for developing a capitalist economy. Thus, without the necessary institutional framework for transforming resources and labor into capital, Burma is not able to take advantage its economic potential. For example, trade has been considered one of the main reasons behind the economic development of many Asian countries. Burma's strategic location, close to main Indian Ocean shipping lanes and neighboring with booming economies such as China, Bangladesh and India, could be reason enough to count Burma among those successful export−oriented Asian countries. Yet, Burma is far from being included in such list. Burma's exports have been calculated to be around $2.514 billion dollars. Yet, Burma's trade figures are extremely underestimated due to the amount of illegal trade. It is been estimated that fifty percent of the goods that enter and leave Burma are smuggled and distributed in the black market. This being so, roughly one billion dollars in assets are channeled to the informal economy where they cannot to be regulated nor used to stimulate new ways of production.

Another problem associated with the inability of Burma to distribute and produce capital is the exclusion of sectors of the population from the formal economy. For example, just like government jobs, business and personal loans are distributed by the Myanmar Economic Bank based on political support and loyalty to the regime. Thus, only very few sectors of the population have access to capital. For instance, if a Burmese wishes to obtain a loan to improve his or her house, the value of the loan will be determined by the number of years of service to the state. For instance, he or she will receive K90, 000 for fifteen years of services. The problem with these loans is that sometimes they are not enough to cover all the necessary expenses due to the escalating cost of construction materials, which, of course, are set by the government. Thus, facing a lack of funds and alternatives to obtain them, he or she will be forced to turn to the black market to obtain the materials necessary to complete the project. The inaccessibility of the economic systems forces individuals to rely on extra legal means to fulfill their needs.

Similar plans have been envisioned by government officials for setting up state land−mortgage banks and small credit unions for the provision of short and intermediate term loans. However, the Burmese government would have to provide unheard−of sums if even a tolerable solution to the lack of capital of the rural sector is to be accomplished. Yet, without new sources of public revenue, this is very unlikely to occur. This situation results in a vicious circle in which neither the government not the constituency has incentives to break it by legalizing the informal economy.

Burma is another example of a country rich in resources with a tremendous potential for economic growth, but that lacks the institutions necessary to produce and distribute capital. Burma's limited economic growth is taking place outside the realms of the market and even the law. The socialist past of Burma with its strong anti−capitalist policies has made extremely difficult the development of a strong and dynamic private sector. Add to this, the failure of the state to meet the needs of its constituency and to produce revenue for itself has open the door for extralegality and clientelistic patronage networks between business man and government officials.

The formal economy and government of Burma survive thanks to the two hundred foreign private firms and UN agencies that finance its projects. Attempts to legalize the informal trade and to open the economy were contemplated in 1988 by the military regime that replaced Ne Win. Still, the ideology of the post−Socialist regimes has been that the economy should be in the hands of the state. This being so, except for some isolated practices such as allowing foreign investors to form join ventures with state enterprises, the Burmese economy has not evolved significantly towards a market economy. As of 1997, State enterprises continued to play a major role on the macroeconomic activity by having monopolistic control of the key sectors of the economy.

Add to this, these economic reforms have only enhanced the control of the military regime over the economy. For example, state enterprises were supposedly to be privatized as part of the reforms. Yet, most of them were only renamed and still remain under the control of military officers. In that manner, trade reforms aimed to remove foreign trade restrictions, in reality only imposed more restrictions and rules on trade. The banking system, likewise, remains strongly centralized. The inability of the reforms to bring any considerable change to the status quo of the economic system suggests that real goal of the reforms was to capture foreign exchange, resource rent, a cheap supply of inputs for the state−owned enterprises. Finally, all major foreign investments and joint ventures are directly formed and controlled by the Ministry of Trade and the Foreign Investment Commission. In fact, the largest and richest enterprise in Burma, known as the *Union of Myanmar Economic Holdings Limited*, is entirely controlled and operated by military commanders. An economic reform with such contradictions cannot be taken as a true effort on the part of the government to move towards economic liberalization. Burma has experienced no change over the last five decades due to the weakness of both government and private sector to promote and sustain fundamental economic reforms.

Thailand

Thailand's inflation rate in 1996 of 5.6 percent dramatically contrasts with Burma's 21.8 percent that same year. In order to find an explanation for such difference we have to go back to the beginning of the 1960'. Thailand, until the early years of the 1960's, was an independent and self−sufficient kingdom that had very little interaction with the West. In 1955, Thailand's leaders decided that it would be beneficial to establish commercial and cultural exchanges with the West. They could not have been more right about that. Thus, Thailand's isolation came to an end by establishing relations with Britain through the signing of a treaty know as the Bowring Treaty. The provisions of the treaty gave British merchants the right to trade freely and to reside in Bangkok. Also, import and export duties were set at a fixed rate in order to facilitate trade. The terms of that treaty remained unchanged for the following seventy years.Moreover, this treaty was followed by similar treaties with other trading western nations. These agreements had a profound impact on the economic development of Thailand. These treaties facilitate were Thailand's first steps towards integrating with the global economy.

The main engine behind Thailand's early economic expansion was the growth of rice production and export. In that period, rice exports represented sixty to seventy percent of the total exports. Moreover, eighty percent of the population was involved in the production and distribution of rice. Still, Thai rice exports were quite erratic because depended on the ability of its neighbors to produce their own rice. Thailand's rice exports were only significant when they were combined with shortage in other areas. Still, the increase of rice production brought about a very important adaptive change to the Thai economy. Rice production was assisted and supported by the Thai government. Yet, unlike the other major goods produced in Thailand such as tin and teak, most of the initiative and responsibility was left to the population. Thus, the increase of rice production accidentally put the economic system on the hands of the population rather than the state.

Still, the role of the state in the expansion of rice production was extremely significant. State intervention on rice production was manifested in legislation and capital expenditures. Regarding the former, the taxation of rice land, in the form of tax exemptions for newly cultivated land, was designed by the government to encourage people to cultivate new land. For example, taxation was lower in the less fertile and undeveloped regions of the country. Add to this, in the poorest regions, no tax was collected. Tax relief was complemented with public infrastructure such as irrigation projects and railroads.

Similarly, the government was actively involved in the development of the rice trade. Yet, the results of this intervention are quite controversial. Government control over the rice trade started to become more evident after World War II. The Thai government took advantage of the shortage of rice in Asia after the war to establish a monopoly on rice trade. The government stared to buy the rice from the producers and then distribute it among the shipping agencies. The shipper was responsible for the expense of the transaction so the government incurred in little expense and large profits. 89ingram This situation eventually led to abuses and corruption on the part of government officials. Also, in the long run, rice producers started to lose money due to the increases of the production of rice against the fixed price of rice sustained by the government. Thus, both producers and shippers started to produce less and reduce the quality of the product in order to cover their losses. Economic reform is a game of trade−offs. In this case, this system, by keeping the domestic price of rice considerably below market price, contributed to reduce the inflation problems that Burma experienced and a fixed price of rice allowed Thai exporters to compete with the Chinese despite of their disadvantage on capital and trading experience. Yet, the overall impact of this system has been negative because it reduced the prewar policy of giving tax relief to new farmers.

Nevertheless, what separates the state−orchestrated expansion of rice cultivation in Thai from the type of state intervention in Burma is the role that the population plays in the economic process through the production of rice. Rice cultivation, aside from a small fee to cover the necessary registration of the land, required of little capital and land was available to anyone who was wiling to cultivate it. The government, as mentioned earlier, also encouraged the cultivation of rice by giving tax incentives to new farmers. All these favorable conditions made possible the inclusion of the Thai population into the economy. Add to this, the cultivation of rice in Thailand enjoys a special status over other occupations. The cultural and historical reasons why rice cultivation is of great importance in Thailand go beyond the scope of this work. Yet, the ties, customs, and institutions that have emerged from the communal life of rice cultivators have been very important determinants in the way the economic system of Thailand has evolved. For example, for generations, the Thai have been willing to accept the risks, cost, and hard work required to cultivate rice in a territory that is mostly covered with jungle.

This preference for rice cultivation and rural life of the Thai led to a very particular and interesting development in the economic system of Thailand and its elites. The scarcity of non−agricultural labor force led to an increase of non−agricultural wages and the need to bring labor from other countries. In fact, since the 1960's, most nonagricultural labor in Thailand has been performed by immigrants especially from China. Chinese and other foreigners have provided most the capital and labor to develop others industries. The participation of the Thai population on the production of the other major Thai exports such as tin, teak, and rubber has been minimal. Like wise, the involvement of the Thai government on the use and distribution of these resources has been very limited as well.

Historically, the economic system of Thailand works in the following way: the Thai population provides the labor and capital for the development of the rice industry while Chinese immigrants dominate Thai internal trade and provide the capital and labor for the development of the other industries. This being so, two types of entrepreneurs have emerged in Thailand: the Chinese and the Thai. On one hand, the Chinese entrepreneur has gained control of the major industries in Thailand including trade. On the other hand, the Thai entrepreneur has a more narrow scope of action mostly in the agricultural sector. This division had a major impact in the economic policies of the Thai regime. Since 1948, the Thai government has been trying to restrict the intervention of foreigners in the economy by giving special privileges to Thai businessman. For example, the supply of capital is available to each group on different terms. Yet, neither the uncertainty of fixed capital nor the discriminatory policies of the Thai government, have discouraged the foreign entrepreneurs from operating in Thailand. In addition, Thailand's native economic elites have shown a persistent inability to take control of Thailand's economy. Their investment in the industrialization and modernization of Thailand's economic sectors have been limited to the agricultural sector. Yet, that is one of the reasons why the Thai agricultural sector has generated surplus that has helped the development of other sectors..

The opening of an economy system to the market requires in part of the availability and accumulation of capital. The Thai economy was able to generate an investment surplus in its agricultural sector. Still, the Thai leadership, until recent years, was not been able to use this surplus to develop the manufacture sector. This factor delayed the industrialization and modernization of Thailand. Add to this, regardless of nationality, an entrepreneur without capital is like a musician without his instrument. To satisfy the influx of capital, the Thai government has experimented with the creation of different lending financial institutions. Yet, the excessively cautious loan policies and the lack of adequate technical assistance of these institutions did not allow them to have a strong impact on economic development. Still, some other institutional arrangements, which will be addressed in the following section of this work, have compensated the inefficiency of these institutions.

Comparison

As we have seen, at the beginning of 1960 Thailand and Burma took very different economic paths. On one hand, Burma adopted a socialist and authoritarian model. On the other hand, Thailand opted to rely in the forces of the market. Yet, one has to be cautions before saying that a market economy is better for the economic development of a country. The role of the ruling elites is to seize the opportunity and in consequence determine the potential that each model has for fostering economic development according to the situation of the country. This being the case, the incompetence of a regime to choose the most appropriate economic model placed severe restrictions to the development of a country. In the case of Thailand, the development of a market economy was a natural and gradual process supported by the elites. To the contrary, the constant changes of regime and corruption of important sectors of the elite in Burma have incapacitated the Burmese leadership to adopt an effective development plan.

Institutional Framework

A discussion of institutions is an essential part of any analysis of economic and political development. According to Douglas North, all economic and social activities are outlined by an institutional framework that has a direct effect in their outcome. We operate in a social and economic structure made of rules, traditions, customs, and written laws that regulate our behavior. Thus, every country has developed its own unique institutional framework. This explains why the same techniques, models, or strategies for economic growth generate different outcomes when they are applied in different countries. Moreover, North argues that some countries have developed, either by design, accident, or both, an institutional framework that is more conducive to economic development. That is why it is so important to compare and contrast Burma's institutional framework with Thailand's in order to understand why their economic development has been so different despite their many similarities. Neo−liberal ideas about trade liberalization and privatization have worked in Thailand. In Burma, to the contrary, the adoption of capitalism has been nothing but a sterile, bizarre, and fruitless experiment

Burma

Economic development, in the end, is about human development. After all, the most important resource of a country is its people. Burma's leadership has been trying to increase the social capital of its population as part of the economic reforms mentioned in the previous section. For the past twenty years, the Burmese government has been trying to raise the education standards in the country and uplift the national spirit. Still, human development under a military regime can be quite complicated. Under military rule, Burma's social capital stock has not increased significantly due to the physical and ideological isolation of Burma from the rest of the world. This is yet another practice inherited from the socialist regime of Ne Win during which the inflow of ideas, news, knowledge, and information was severely restricted in order to prevent the contamination of the Burmese culture. Despite of this, by 1992, the literacy rate among adults in Burma was 82 percent. This percentage, however, has to be analyzed more carefully before saying that Burma's education system has attained a developed world status. These percentage does not tell us much about the quality of that education or the number of Burmese who are getting education beyond primary schools. Moreover, Burma is not the only poor country with high levels of literacy. For example, Cuba, North Korea and Vietnam have literacy rates of 94 percent. Thus, as important as education is in developing social capital, we can conclude that the relation between high literacy rates and human development under repressive regimes is inconsistent.

Human development requires of a social and political environment that fosters, or at least permits, freedom of expression and information. The ability of a population to generate economic growth rests not only in education but also in their capacity for creativity and innovation. If something we have learned from the Asian Tigers is that economic growth is not a matter of quantity but of quality. Efficiency is the key to development.

Thus, Burma's failure to become a modern state is caused in part by its inability to foster the creativity and innovation of its population and, thus, improve its labor force .

The creation of an institutional framework that fosters economic development under a military regime is complicated due to lack of individual freedom of its constituency. The development of social capital requires of certain prerequisites that are simply not present in the institutional make−up of Burma. In other words, Burma's institutional framework has been hindering its ability to maximize its economic potential.

Thailand

The educational and religious reforms undertook by King Chulalongkorn at the start of the 1900's sprang the unification of the Thai society and developed a new sense of civic sense. The standardization of the religious practices and education created new modes of social communication. The schools, the temples, and the interaction with government officials reinforced the idea that all Thai people have a single identity and were members of the same social and political unit under the rule of the King. In addition, the close interaction and cooperation characteristic of the Thai rice cultivation communities provided a favorable social context in which the new institutions could be nested. The two elements complemented each other to gradually transform the concept of a subject with the concept of the citizen. Thus, obligations once owed to a local patron such as loyalty, obedience, taxes, military services and moral example were now owed to the state.

Civicness, in a broad sense, refers to the degree in which an individual identifies his or her personal interests with those of his or her community. A high degree of civicness translates into a social context of horizontal relations, solidarity, and trust. This being so, the importance of the development of a civic community is essential for the development of a nation. The Thai experience is a perfect example of how institutional reform can induce change in a society.

Comparison

A dense civic community leads to the development of effective institutions which in turn are the basis for the proper functioning of the state and the economy. Also, networks of civic engagement, according to Putman, help to solve problems of collective action by disseminating trust among their members. The concepts of civicness and social capital are important to understand the difference between the Thai and the Burmese institutional framework. Indeed, the social context and history of Burma and Thailand have had a profound impact on the overall ability of their institutions to improve the effectiveness of their government and economy. Yet, as have seen in the previous sections of this work, the reforms undertaken by the Thai elite were the catalyst for promoting change in the Thai society. Lets remember that institutions tend to be created and maintained by the elites. This being so, it is very unlikely that they would not want to change the status quo unless the new conditions are favorable for them. Thus, an ineffective institutional framework is as likely to survive and even flourish despite of their negative impact on economic growth as an effective one. In the case of Burma, the harsh economic conditions and the adverse social context have, in part, hindered the emergence of a civic community. Yet, the Burmese elites are also responsible for this situation.

Conclusion

Thailand has become a more productive and efficient country in the last fifty years due mainly to the capacity of the Thai elites to impose an economic plan that went along with the history, social and cultural context, and situation of Thailand. The institutions that emerged throughout this period of time have facilitated the transition of Thailand to a modern state. Yet, they also have hindered Thailand's ability to develop a powerful native entrepreneur class. As Thailand continues its economic development, the lack of native entrepreneurial spirit could have a negative effect on its development.

Conversely, the Burmese elites do not seem to have any desire to change the status quo in Burma. To the contrary, they are the main proprietors of the problems− such as the black market− that have kept Burma in the U.N.'s list of less developed countries. The establishment of a democratic regime Burma would definitely help to foster growth. Yet, the chief problem of Burma is to find a way to restructure its decadent and inefficient institutional framework. Unfortunately, this task will require of the active participation of the Burmese elite. Thus, the prospects for Burma to correct its path are not very optimistic.

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Nevertheless, it is important to mention that slavery in Thai was seen as a voluntary act that allowed a free individual to sell himself to another individual in exchange of economic security and protection. Thus, slaves enjoyed some rights and were protected by the law.

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