

### Impact: Thailand under Japanese rule

**Costs of the occupation**

- Thailand was forced to pay for the Japanese occupation by money creation. The Bank of Thailand was created in 1942 to print notes for the Japanese army and manage monetary relations with Japan.
- Through bilateral agreements, physical appropriation of capital, forced labour, and printing money, Japan extracted on average 6% of Thailand's GDP in 1942-1945.

![Graph showing Thailand's base money supply and costs of living index, 1941-1950](image)

**Wartime shortages**

- Thailand was cut off from the global economy and its usual trading partners. The kingdom suffered from an increasing shortage of consumer goods as the war progressed.
- When attempts to industrialise were unsuccessful, rationing schemes and price controls were established.

![Graph showing volume of major imports, 1938-1945](image)

**Examples of rationing coupons and rationing certificates**

### Aftermath: effects of wartime shocks

**Explaining long-term consequences of the war**

- The Japanese occupation necessitated the establishment of institutions and systems that paved the way for subsequent diversification of economy and industrialisation.
- Field Marshall Plaek Phibunsongkram, who was the premier for most of the war, returned to power in 1947 and remained until 1957. This continuity allowed the government to execute wartime industrialisation policies, such as sustained investment in manufacturing and import protection.

**From crisis to opportunities: growth of financial services**

- Though the Bank of Thailand was first created to print notes for the Japanese, it evolved into a modern central bank.
- The Japanese shut down western and Chinese banks operating in Thailand in the 1930s, giving way to new indigenous financial institutions that flourished after the occupation. Between 1951 and 1967, banking grew forty-fold in real terms.

**Lessons of scarcity: manufacturing development**

- ‘The bitter lesson learnt from the wartime shortage of goods and services was that Thailand must be industrialized, at least to the point of self-sufficiency in a number of essential items in order to avoid a repetition of such economic hardships.’ – Board of Investment Thailand, [n.d.]
- Thanks to the framework built during the war and post-1945 FDI, the Thai government invested heavily in industries and contributed to their growth in 1950s.

![Graph showing composition of Thailand's GDP by sector, 1850-1965](image)

### References:

Primary sources: documents from the National Archives of Thailand, the Bank of Thailand Library, and the Bank of England Archives; various volumes of the Statistical Yearbooks from National Statistical Bureau of Thailand; and the National Economic and Social Development Board. Secondary sources: Banon (1980); Buakdik (1997); Hewison (1989); Huff (2015); Huff and Mejia (2013); Ingram (1973); Jaruzema (1978); Kanowski (1998); Manarungsan (1980); Moutrey (1984); Ouyyoyon (1998); Swan (1989); Suehiro (1989); Tessen (1971); Van der Eng [ed.]. Images: Phibunsongkram; accessible at http://photobucket.com/gallery/user/Dracorexus/media/cGF0aDovUGhpbGJ1blNvbmdraHJhbS5qcGc=/?ref=; Rationing coupons and rationing certificates from the National Archives of Thailand; Siam Commercial Bank, accessible at https://www.kasikornbank.com/StcCollectionDocuments/about/img/company-background/cv1.png