Economic Populism vs Economic Sufficiency: A Crossroads Facing Thailand

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Abstract

Thailand has for many decades adopted economic policies that are overly dependent on international trade, foreign investment and oil and energy imports, thus diminishing the country's economic self-reliance and self-immunity and subsequently rendering it vulnerable to unexpected economic shocks. Therefore, this research examined two diverse economic policies and determined the possible economic impacts associated with the implementation of policies in the context of Thailand. To this end, the macroeconometric model was established and simulated in light of three external shocks, i.e. the changes in the global energy prices, the overseas interest rates and the incomes of the country's major trading partners. Specifically, two economic policies were of interest – the populist and sufficiency economic policies. Furthermore, the effectiveness of available economic tools under both economic policies was assessed and the caveats identified. The populist policy emphasizes rapid economic growth at the expense of the natural resources and environment, while the sufficiency policy stresses a healthy, inclusive and sustainable economic prosperity.

Keywords: Populism, Self-sufficiency Economy, Policy, Thai Economy

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ทางเลือกนโยบายประชานิยมกับเศรษฐกิจพอเพียง และผลกระทบที่แตกต่างของไทย

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บทคัดย่อ

การแก้ไขปัญหาเศรษฐกิจด้วยนโยบายประชานิยมมีเป้าหมายที่เศรษฐกิจเติบโตอย่างรวดเร็ว ตรงกันข้าม นโยบายเศรษฐกิจพอเพียงมีเป้าหมายที่เศรษฐกิจเติบโตอย่างค่อยเป็นค่อยไป กรณีประเทศไทยมีการพึ่งพาต่างประเทศสูงทั้งการค้า การลงทุน และการนำเข้าน้ำมันเชื้อเพลิงและพลังงาน ทั้งหมดสะท้อนถึงการไม่พึ่งพาตนเอง การอาศัยต่างประเทศช่วยขับเคลื่อนเศรษฐกิจ เมื่อเกิดความผันผวนภายนอกจึงเลี่ยงไม่ได้ที่ส่งผลกระทบต่อเศรษฐกิจไทย ดังนั้น ประเทศไทยควรเลือกดำเนินนโยบายใดเพื่อหาทางออกจากปัญหานี้

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Introduction

The rapid economic expansion, the dependency strategy renders Thailand economically vulnerable to a number of external shocks that could plunge the country into disarray in times of crisis.

This paper illustrates the contrasting economic objectives of economic populism and economic sufficiency. That is, populist policies are aimed at expanding an economy exponentially, whereas sufficiency economy policies are aimed at developing the economy in a stable way. The two types of policy differ in that populist policies can help address economic recession, whereas sufficiency economy policies include a predominant feature; that is, they can tackle economic crises, resulting in more self-reliance for Thai people. Conversely, in the case of economic expansion, sufficiency economy policies should be applied to build up immunity to the negative effects of external shocks.

This research thus explores two differing economic policies (i.e. populist and sufficiency economy) and, given the Thai context, their respective economic implications in light of specific external economic shocks. To this end, this study extensively reviewed existing relevant publications and identified a number of influencing factors upon Thailand's macroeconomic landscape, comprising 23 and 34 internal and external factors, respectively. A macroeconometric model, as well as 12 behavioral equations, was subsequently proposed for further analysis.

Specifically, the objectives of this current research, utilizing the proposed macroeconometric model, are to, first, investigate the economic impacts on Thailand in the event of either one of three external shocks occurring (i.e. a rise in global energy price, an increase in foreign interest rates and higher income levels of the country's major trading partners), given the two economic policies (i.e. the populist and sufficiency policies). The second objective is to examine the effectiveness and outcomes of various economic tools under both economic policies.

Related Literature

In this research, the related literature comprises three main groups. The first group concerns the macroeconomic models pertaining to Thailand. Examples of the

publications include Nidhiprabha (1984), Virunhaphol (1986), Otsubo (1988), Chantrasmi (1990), Limskul (1990), Saguansin (1991), Limskul and Koonmee (1994), and Bank of Thailand (2003). The review findings are synthesized and a macroeconometric model specific to this research subsequently proposed.

The second group relates to the internal and external economic factors that exert influence on Thailand's macroeconomics, i.e. trade, fiscal and monetary policy, price and output levels and exchange rates. The related studies include, e.g., Chaiyindeepum (1992), Sawamiphakdi et al. (1993), Schmidt-Hebbel and Serven (1994), Westaway (1995), Bodart and Dem (1996), Levin et al. (1997), Chen (1999), Fair (1999), Leeper and Zha (2001), Olsen and Wulfsberg (2001), Sinnathambu (2001) and Weyerstrass et al. (2001).

The last group concerns the application of the populist and sufficiency economic policies to mitigate the economic impacts caused by the external factors. The populist economic policy, which emphasizes rapid economic growth at the expense of long-term sustainability and the environment, is typically implemented through either expansionary monetary policy or fiscal tools, or both. Existing research on populist economic policy includes, e.g. Nidhiprabha (1984), Bayoumi and Eichengreen (1995), Westaway (1995), Kerr and King (1996), Weise (1996), Mauskopf and Reifschneider (1997), Reifschneider, Tetlow and Williams (1999), Clarida, Gali and Gertier (2000), Olsen and Wulfsberg (2001), Cohen and Follette (2000) and Phongpaichit and Baker (2000). Meanwhile, the sufficiency economic policy stresses inclusive, sustainable economic growth while minimizing natural resources exploitation and environmental harm. Originally, the Sufficiency Economy Philosophy (SEP) was conceived and developed by Thailand's King Bhumibol Adulyadej. His definition of sufficiency entails having enough to live on, or leading a reasonably comfortable life without excess or overindulgence in luxury. Moreover, certain things that may seem extravagant but which bring happiness are permissible as long as they are within the individual's means.

Contrary to the initially widespread misinterpretation, SEP advises no isolation or strict limitations upon investment. In fact, it is an approach of avoiding actions that are beyond capacity, such as overspending, over-investing or over-borrowing; focusing on prudence and depending on existing resources before relying on others together with a development toward sustainability. Sufficiency economy practices are, in some

instances, incompatible with certain industry types. For example, Panthasen et al. (2003) documented that the concept may be less effective for an export-intensive industry. Sussangkarn et al. (2009) further reported that export-intensive industries emphasize economic expansion while attaching little attention to the environmental and social factors. Table 1 tabulates the research studies pertaining to the sufficiency economic policy in the context of Thailand.

Table 1: Existing Literature on Sufficiency Economic Policy in the Thai Setting

Scope & Author	Area of Focus	
	Microeconomics	*Macroeconomics*
Application of the sufficiency economy		
1. The NESDB (2003)	✓	✓
2. Sussangkarn *et al.* (2009)		✓
3. Thongpakdee (1999)		✓
4. Vasi (1999)	✓	
5. Setthabunsang (2007, 2008)	✓	
6. The Rural and Social Development Institute, the Foundation for Thailand Rural Reconstruction Movement under Royal Patronage (2009)		✓
7. The Office of the National Economic and Social Advisory Council (2007)		✓
8. Panthasen *et al.* (2003)	✓	
9. Panthasen *et al.* (2006)	✓	✓
Causes of economic insufficiency	*Internal factors*	*External factors*
1. Sussangkarn (2006)	✓	✓
2. Sussangkarn *et al.* (2009)	✓	✓
3. Poapongsakorn (1999)	✓	
4. Vichyanond and Vajragupta (1999)	✓	✓
5. The Rural and Social Development Institute, the Foundation for Thailand Rural Reconstruction Movement under Royal Patronage (2009)	✓	✓

Table 1: Existing Literature on Sufficiency Economic Policy in the Thai Setting (cont.)

Scope & Author	Area of Focus	
6. The NESDB (2009)	✓	✓
7. Jamarik (2001)	✓	✓
8. Jitsuchon (1999)	✓	
9. Mesinsi (2006)	✓	✓
10.Panthasen *et al.* (2003)	✓	✓
To address the ignorance of	*Basic sufficiency*	*Progressive sufficiency*
sufficiency economic practices		
1. Sussangkarn (2006)		✓
2. Sussangkarn *et al.* (2009)		✓
3. Panthasen *et al.* (2003)	✓	

Research Procedure

This research proceeds in three stages: first, the development of a macroeconometric model, second, the validation of the proposed macroeconometric model, and, third, the prediction of the impacts of external factors (i.e. global oil and energy prices, foreign interest rates, and foreign income levels) on the Thai economy, given the proposed model, as well as the provision of policy-level recommendations under the populist and sufficiency economic policies.

As previously stated, the macroeconometric model in this research (Figure 1) is the product of an extensive review of existing relevant publications, whereby the internal (23) and external (34) factors influencing Thailand's macroeconomics were identified. Prior to the analysis, the proposed model was validated with regard to identification, cointegration and forecasting simulation. In addition, quantitative analysis was carried out based on the relevant secondary economic datasets using the three-stage least squares (3SLS) method under the simultaneous system-equation scheme.

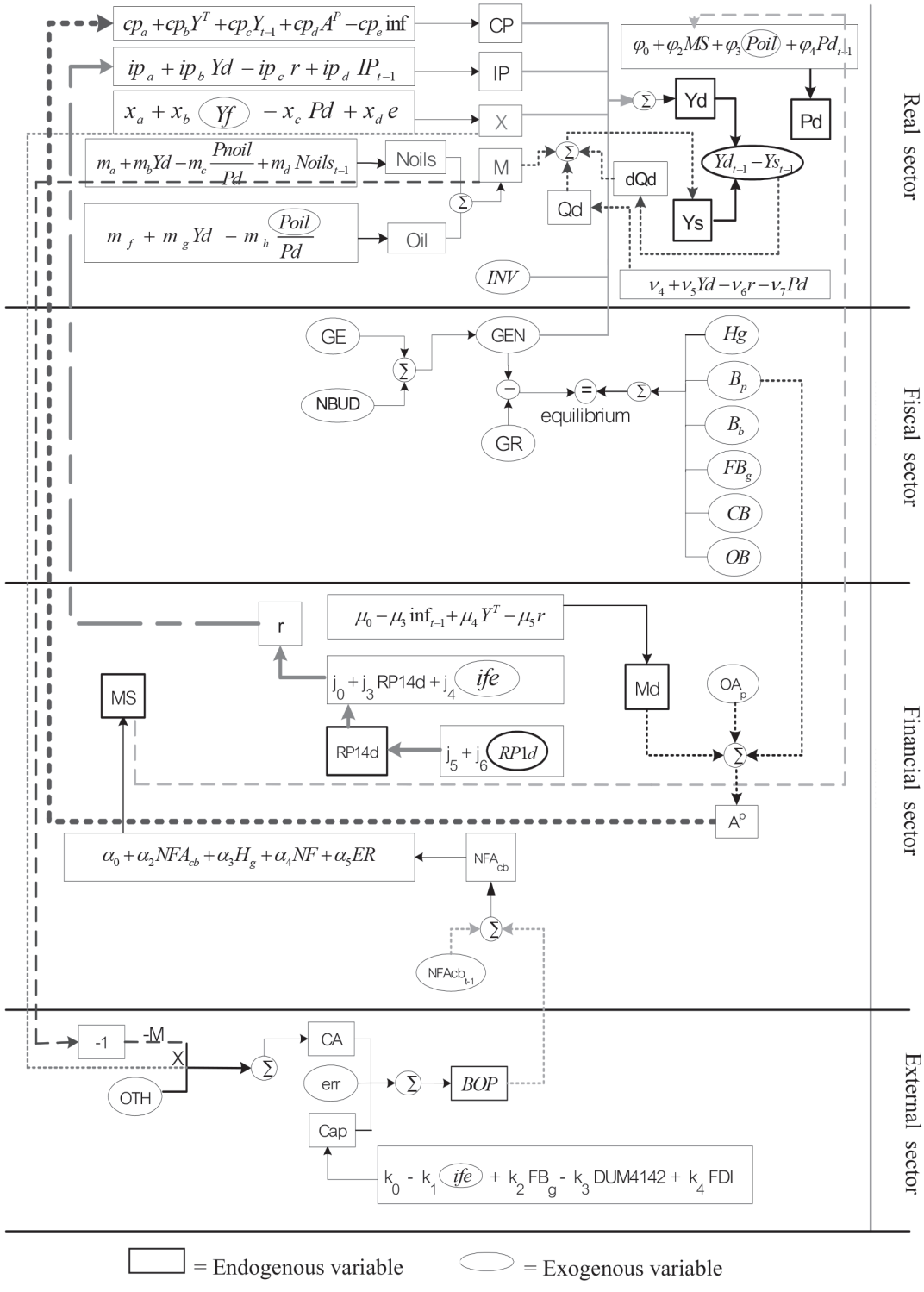

Figure 1: The Proposed Thailand-specific Macroeconometric Model

Table 2: Internal and External Economic Factors Specific to Thailand

Type	Notation	Description	Type	Notation	Description
Internal Economic Factors	*Qd*	Domestic output	External Economic Factors	*e*	Exchange rate
	Noils	Non-oil and non-energy imports		*FDI*	Foreign direct investment
	Oil	Oil and energy imports		Y^{T}_{t-1}	After-tax income in the previous period
	CP	Private sector consumption		IP_{t-1}	Private sector investment in the previous period
	IP	Private sector investment		*Yf*	Income levels of important trade partners
	X	Exports of products and services		*ER*	Excess reserves of commercial banks
	Pd	Domestic price level		*NF*	Net claims from financial institutions of the central bank
	MS	Money supply		H_g	Government bonds sold to the central bank
	Md	Money demand		*RP1d*	Interest rate in the one-day bond repurchase market
	r	Domestic interest rate		*ife*	Foreign interest rate
	Cap	Net inflow capital accounts		FB_g	Government bonds sold to foreign countries
	$\triangle Qd$	Changes in domestic output		*INV*	Changes in merchandise inventory
	RP14d	Interest rate in the 14-day bond repurchase market		*Bp*	Government bonds sold to the private sector
	Ys	Aggregate supply		*OAp*	Other assets of the private sector
	M	Imports of products and services		*Bb*	Government bonds sold to commercial banks
	Yd	Aggregate demand		*CB*	Utilization of treasury reserves
	Y^{T}	After-tax income		*OB*	Government bonds issued for other reasons
	inf	Inflation rate		*NBUD*	Government's utilization of non-budgets
	A^{P}	Financial assets of the private sector		*GE*	Budget expenditures of the public sector
	G	Sources for compensating government budget deficit		$NFA_{cb,\ t-1}$	Net foreign assets of the central bank in the previous period
	GEN	Total government expenditure		*OTH*	Other types of surplus
	NFA_{cb}	Net foreign assets of the central bank		*err*	Errors in the data collection of the foreign sector
	BOP	Surplus of balance of payment		inf_{t-1}	Inflation rate in the previous period
				DUM4142	Dummy variables representing the negative impact on the net inflow capital after the economic crisis in 1997; the years 1998-1999 are represented by 1 and the other years are represented by 0
				Poil	Oil and energy prices
				Pd_{t-1}	Domestic price level in the previous period
				Tax	Personal income tax
				std	Actual deviation in the data collection of the business sector
				Pnoil/Pd	Ratio of non-oil and non-energy prices and domestic price level
				Poil/Pd	Ratio of oil and energy prices and domestic price level
				$Noils_{t-1}$	Non-oil and non-energy imports in the previous period

Table 2: Internal and External Economic Factors Specific to Thailand (cont.)

Type	Notation	Description	Type	Notation	Description
				p	Prices of oil and energy imports
				Yd_{t-1}	Aggregate demand in the previous period
				Ys_{t-1}	Aggregate supply in the previous period

The literature review revealed that the composition of Thailand's macroeconomics comprised 23 and 34 internal and external economic factors, respectively. Table 2 tabulates the internal and external factors influencing the macroeconomics of the country, while Figure 1 illustrates the proposed macroeconometric model in light of the relevant internal and external factors.

Given the Thailand-specific internal and external factors, a total of 12 behavioral equations can be hypothesized as follows:

* The domestic output equation: It follows that the quantity of domestic output (Qd) has a direct correlation with the level of income (*Yd*) but an inverse correlation with the domestic interest rate (r) and domestic price (*Pd*).

* The non-oil and non-energy imports behavioral equation: It follows that the non-oil and non-energy imports (Noils) have a direct correlation with the level of income (Yd) and the non-oil and non-energy imports in the previous period ($Noils_{t-1}$) but an inverse correlation with the ratio of the price of non-oil and non-energy imports and domestic price (*Pnoil*/Pd).

* The oil and energy imports behavioral equation: It is hypothesized that the oil and energy imports (Oil) have a direct correlation with the level of income (Yd) but an inverse correlation with the ratio of the price of oil and energy imports and domestic price (*Poil*/Pd).

* The private sector consumption behavioral equation: It is hypothesized that the private sector consumption (CP) has a direct correlation with after-tax income in this period (Y^T), after-tax income in the previous period (Y^T_{t-1}), and the financial assets of the private sector (A^P), but an inverse correlation with the inflation rate (*inf*).

* The private sector investment behavioral equation: It follows that the private sector investment (IP) has a direct correlation with the level of income (Yd) and private sector investment in the previous period (IP_{t-1}) but an inverse correlation with the domestic interest rate (r).

* The product and service exports equation: It follows that product and service exports (X) have a direct correlation with the income levels of Thailand's trade partners (*Yf*) and the exchange rate but an inverse correlation with domestic price (Pd).

* The domestic price behavioral equation: It is speculated that domestic price (Pd) has a direct correlation with money supply (MS), the price of oil and energy (*Poil*), and domestic price in the previous period (Pd_{t-1}).

* The money demand behavioral equation: It is anticipated that money demand (M^d) has a direct correlation with after-tax income (Y^T) but an inverse correlation with the inflation rate in the previous period (inf_{t-1}) and the domestic interest rate (r).

* The money supply behavioral equation: It is hypothesized that the money supply (MS) has a direct correlation with the net foreign assets of the central bank (NFA_{cb}), the net claims of the Central Bank from the government (H_g), the net claims of the central bank from financial institutions (NF), and the excess reserves of commercial banks (ER).

* The domestic interest rate behavioral equation: It follows that the domestic interest rate (r) has a direct correlation with the interest rate in the 14-day bond repurchase market (RP14d) and the foreign interest rate (*ife*)

* The 14-day bond repurchase market interest rate behavioral equation. It is anticipated that the interest rate in the 14-day bond repurchase market (RP14d) has a direct correlation with the interest rate in the one-day bond repurchase market (*RP1d*).

* The net inflow capital account behavioral equation: It is hypothesized that the net inflow capital account (Cap) has a direct correlation with the government's foreign debts (F*Bg*) and foreign direct investment (FDI), but an inverse correlation with the foreign interest rate and the dummy variables representing negative consequences on the net inflow capital account after the financial crisis in 1997 (DUM4142).

Prior to the analysis, the *real term* behavioral equations, given the identity equations (i.e. items 1.4, 1.5, 1.6, 1.10, 1.12, 1.13, 1.14, 2.1, 2.2, 3.5, 4.2 in Table 3), were validated and the results confirm the hypotheses' operation signs. Table 3 presents the *real term* behavioral (12) and identity (11) equations associated with the proposed macroeconometric model and the corresponding statistical results by sector (i.e. the real, fiscal, financial and external sectors), with the prefix "R" representing the *real term* variables and *, ** and *** the significance levels at 90, 95 and 99%, respectively.

Table 3: The Real-term Behavioral and Identity Equations and the Statistical Results

Sector	Item	Description	Type	Equation	t-statistic	R^2	Adj. R_2	SE of regression
Real Sector	1.1	Domestic output	Behavioral	RQD = 1,202,047 + 0.45 RYd*** – 18,212 RR*** – 7,408 Pd*	21.72 for RYd -3.72 for RR -1.98 for Pd	0.95	0.95	33,039
	1.2	Non-oil & non-energy imports	Behavioral	RNoils = – 33,700 + 0.2339 RYd*** – 1,412 (P*noil*/Pd)*** + 0.5868 R$Noils_{t-1}$***	6.24 for RYd -4.19 for *Pnoil*/Pd 6.68 for $RNoils_{t-1}$	0.97	0.96	28,677
	1.3	Oil & energy imports	Behavioral	Oil = 6,027 + 0.0028 RYd*** – 3.1550 (*Poil*/Pd)	6.39 for RYd -1.17 for *Poil*/Pd	0.59	0.56	827
	1.4	Imports of products & services	Identity	RM = RNoils + ROil				
	1.5	Aggregate supply	Identity	RYs = RQd + RM + ΔRQD				
	1.6	Changes in domestic output	Identity	ΔRQd = RYd1 – RYs1				
	1.7	Private sector consumption	Behavioral	RCP = – 342,472 + 0.165 RY^T*** + 0.501 RY^T_{t-1}*** + 0.104 RA^P***– 5,949 inf***	2.98 for RY^T 8.83 for RY^T_{t-1} 7.95 for RAP -6.13 for inf	0.97	0.97	15,675
	1.8	Private sector investment	Behavioral	RIP = – 42,013 + 0.1381 RYd*** + 0.1696 RIP_{t-1}	7.47 for RYd 1.58 for RIP_{t-1}	0.88	0.87	20,626
	1.9	Product & service exports	Behavioral	RX = – 2,546,654 + 28,571 *Yf*** + 13,451 E***	17.72 for *Yf* 6.75 for E	0.90	0.89	49,660
	1.10	Aggregate demand	Identity	RYd = RCP + RIP + RINV + RGEN + RX				
	1.11	Domestic price	Behavioral	Pd = 27.1670 + 6.25E-07 RMS*** + 0.0008 *Poil* + 0.6928 Pd_{t-1}***	3.25 for RMS 1.33 for *Poil* 20.51 for Pd_{t-1}	0.98	0.97	0.24
	1.12	Inflation rate	Identity	inf = Pd – PD_{t-1}				
	1.13	After-tax income	Identity	RY^T = RYd – RTAX				
	1.14	Financial assets of the private sector	Identity	RA^P = RMd + RBP + ROAP				
Fiscal Sector	2.1	Sources for compensating government budget deficit	Identity	RG = R*Hg* + RB_p + RB_b + R*FBg* + R*CB* + ROB^b				
	2.2	Total government expenditure	Identity	RGEN = RGE + R*NBUD*				

Table 3: The Real-term Behavioral and Identity Equations and the Statistical Results (cont.)

Sector	Item	Description	Type	Equation	t-statistic	R^2	Adj. R_2	SE of regression
External Sector	3.1	Money demand	Behavioral	RMd = 4,724,691 – 31,570 inf_{t-1}*** + 1.9614 RY^T*** – 173,588 RR***	-6.66 for inf_{t-1} 10.15 for RY^T -10.38 for RR	0.93	0.92	93,190
	3.2	Money supply	Behavioral	RMS = 1,075,457 + 0.133 RNFAcb*** + 0.866 R*Hg** + 0.050 RNF+ 0.616 R*ER****	2.60 for $RNFA_{cb}$ 1.88 for R*Hg* 0.83 for RNF 12.92 for RER	0.98	0.98	44,448
	3.3	Domestic interest rate	Behavioral	RR = 5.2485 + 0.0690 RRP14d*** + 0.3086 *ife****	2.80 for RRP14d 9.11 for *ife*	0.59	0.56	0.57
	3.4	Interest rate in the 14-day bond repurchase market	Behavioral	RRP14d = 0.3738 + 0.9904 R*RP*1*d****	62.47 for R*RP*1*d*	0.99	0.98	0.30
	3.5	Net foreign assets of the central bank	Identity	$RNFA_{cb}$ = R*NFAcb*$_{t-1}$ + R*BOP*				
	4.1	Net inflow capital accounts	Behavioral	RCap = – 30,003 – 16,576 *ife**** + 0.4795 RFBG + 0.8998 RFDI*** – 32,256 DUM4142	-3.73 for *ife* 0.73 for RFBG 2.36 for RFDI -1.56 for DUM4142	0.45	0.36	51,042
	4.2	Surplus of balance of payment	Identity	RBOP = RX – RM + ROTH + Rcap + RERR				

Research Findings and Discussion

Simulations were carried out, given the proposed macroeconometric model, to investigate the economic impacts on Thailand in the event of any one of the three external shocks occurring (rise in global oil and energy prices, increase in foreign interest rates, and higher income levels of the country's major trading partners), under the populist and sufficiency economic policies (Table 4). In addition, the outcomes of available economic tools under both economic policies were evaluated (Table 5).

Moreover, the economic consequences under the populist and sufficiency economic policies in light of the synchronous upward adjustments of the three external shocks were simulated using the proposed model (Table 6). For comparison, the economic impacts under both economic policies, given the rise in energy prices and foreign interest rates but a fall in the income levels of the trading partners, were determined (Table 7).

Table 4: The Impacts of External Shocks under the Two Economic Policies Given the Proposed Model

External shock	Populist economic policy	Sufficiency economy policy
Increase in oil and energy prices	Heightened price levels; declining aggregate demand and supply	Decreased importation and consumption
Increase in foreign interest rates	Balance of payments deficit; declining aggregate demand and supply	Decreased importation and consumption
Increase in foreign incomes	Increased price levels	Increased importation, exportation, and consumption

Table 4 presents the simulated macroeconomic impacts under the two economic policies, given the proposed model and three external shocks. The rise in the global oil and energy prices, under the populist economic policy, leads to overall price increases and a subsequent decline in aggregate demand and supply, whereas under the sufficiency economy policy, a surge in oil prices results in a decline in imports (less reliance on other countries) and a reduction in consumption (less natural resources exploitation and environmental degradation). Meanwhile, an increase in foreign interest rates leads to a balance of payments deficit and subsequent drops in the aggregate demand and supply under the populist policy, while the rise in overseas interest rates is a boon to the country under the sufficiency economy policy, as "excessive" imports and consumption are trimmed. With an increase in the income levels of Thailand's major trading partners, higher inflation is inevitable under the populist economic policy and, interestingly, under the sufficiency economy policy the rise of incomes of our trade partners gives rise to "undesirable" increases in imports, exports and consumption.

Table 5 tabulates the plausible outcomes and ramifications following the implementation of various economic tools, given the proposed macroeconometric model, under the populist and sufficiency economic policies. The simulations were carried out with five and three economic tools, respectively, under the populist and sufficiency economic policies. Interestingly, the results reveal the absence of an "ideal" economic tool, of which its deployment would produce only beneficial outcomes. Rather, the analysis presents policy-makers with trade-off situations when it comes to decisions regarding the country's macroeconomic management.

Table 5: The Simulated Outcomes of Available Economic Tools under Both Economic Policies

Policy Type	Economic Tools	Economic Outcomes	Caveats/Ramifications
Populist Economic Policy	Managed appreciation of the local currency	Increased aggregate demand and supply; balance of payments surpluses	Heightened price levels (high inflation)
	Promotion of foreign direct investment (FDI)	Balance of payments surpluses	Heightened price levels; declining aggregate demand and supply. A rise in FDI results in the balance of payments (BP) surplus, which in turn leads to the increased money supply and the subsequent inflation. The higher price levels suppress aggregate demand and supply.
	Raising the interest rates of repurchasing government bonds	Balance of payments surpluses	Declining aggregate demand and supply The interest rate imbalance leads to a higher capital inflow and subsequently BP surplus. Besides, the money supply and the price levels (inflation) increase. The higher price levels suppress aggregate demand and supply.

Table 5: The Simulated Outcomes of Available Economic Tools under Both Economic Policies (cont.)

Policy Type	Economic Tools	Economic Outcomes	Caveats/Ramifications
	Lowering the interest rates of repurchasing government bonds	Increased aggregate demand and supply	Balance of payments deficit A rise in the aggregate demand leads to higher imports and subsequent balance of payments deficit.
	Increase in government spending	Increased aggregate demand and supply	Balance of payments deficit An increase in the state expenditures raises aggregate demand and imports, contributing to a balance of payments deficit.
Sufficiency Economic Policy	Managed appreciation of the local currency	Decreased imports, exports and consumption A decline in exports leads to decreased aggregate demand, which in turn results in decreased exports and domestic consumption	Decreased private investment The deployment of the managed exchange rate appreciation could contribute to a decline in investment due to lowered aggregate demand and consumption. *Nevertheless, reliance on other countries and natural resources exploitation as well as environmental degradation would be reduced.*

Table 5: The Simulated Outcomes of Available Economic Tools under Both Economic Policies (cont.)

Policy Type	Economic Tools	Economic Outcomes	Caveats/Ramifications
	Upward adjustment of the inflation target	Decreased imports and consumption Higher inflation rates dampen aggregate demand, which would in turn lower imports and consumption	Decreased private investment *However, reliance on other countries and natural resources exploitation as well as environmental degradation would be reduced.*
	Upward adjustment of the *core* inflation target	Decreased importation and consumption	Decreased private investment *Likewise, reliance on other countries and natural resources exploitation as well as environmental degradation would be reduced.*

Table 6 presents the simulated economic impacts under the populist and sufficiency economic policies in light of the probable synchronous upward movements of the three external factors; and a mix of the possible economic tools to mitigate such economic impacts. Under the populist economic policy, the simultaneous upward movement in energy prices, the overseas interest rates and the foreign incomes leads to a balance of payments deficit, and the remedy is through the concurrent implementation of the managed currency appreciation, the promotion of foreign direct investment and the increase in the repurchase interest rates. Meanwhile, under the sufficiency economic policy, the coincidental emergence of the three external shocks results in increases in imports, exports and consumption, contributing to greater foreign reliance and more natural resources exploitation. This situation necessitates the concurrent implementation

of managed currency appreciation and upward adjustments of the inflation and core inflation targets.

Table 7 tabulates the simulated economic impacts under both economic policies, given the rise in energy prices and foreign interest rates but a fall in the income levels of the country's major trading partners; as well as a mix of economic tools to mitigate the impacts. Under the populist economic policy, the given macroeconomic conditions (i.e. the rises in energy prices and overseas interest rates and a drop in foreign incomes) lead to a balance of payments deficit and subsequent declines in aggregate demand and supply, with the remedial measure being the managed appreciation of the local currency. Meanwhile, under the sufficiency economic policy, the conditions result in increases in imports, exports and consumption (but less severe than in Table 6). The increased demand in goods and services contributes to greater foreign reliance and natural resources exploitation as well as environmental degradation. To be effectively addressed, this situation requires the concurrent implementation of managed currency appreciation and upward adjustments of inflation and core inflation targets.

Table 6: The Economic Consequences and a Mix of Economic Tools, Given the Synchronous upward Adjustments of the Three External Shocks

Policy Type	Economic Consequences	Mix of Economic Tools
Populist Economic Policy	Balance of payments deficit	* Managed appreciation of the local currency * Promotion of foreign direct investment * Raising the interest rates of repurchasing government bonds
Sufficiency Economic Policy	Increased importation, exportation and consumption	* Managed appreciation of the local currency * Upward adjustment of the inflation target * Upward adjustment of the core inflation target

Table 7: The Economic Consequences and a Mix of Economic Tools, Given the Upward Adjustments of the Energy Prices and Overseas Interest Rates but a Fall in the Incomes of Thailand's Major Trading Partners

Policy Type	Economic Consequences	Mix of Economic Tools
Populist Economic Policy	Balance of payments deficit; declining aggregate demand and supply	* Managed appreciation of the local currency
Sufficiency Economic Policy	Increased importation, exportation and consumption (but less severe compared with the previous scenario)	* Managed appreciation of the local currency * Upward adjustment of inflation target * Upward adjustment of core inflation target

Conclusions

This research has investigated the possible economic impacts and consequences associated with the implementation of two diverse economic policies – the populist and sufficiency economic policies – in the context of Thailand. To this end, the macroeconometric model was proposed and simulations carried out in light of three external shocks, i.e. changes in the global energy prices, overseas interest rates and the incomes of the country's major trading partners. In addition, the effectiveness of the economic tools under both economic polices was assessed and the caveats identified. All in all, the deployment of the populist economic policy is to rapidly grow the economy by promoting the excessive production of goods and services for consumption and exportation, which in turn necessitates the country's demand for imports. Excessive production and consumption (i.e. economic extravagance) is nonetheless economically and environmentally unsustainable, and presages a future economic crisis. On the contrary, the sufficiency economic policy is aimed at long term sustainable growth through moderation, reasonableness and self-immunity. Thus, the adoption of such a policy is highly advisable for Thailand, given the country's goal of healthy, inclusive and sustainable economic prosperity. Interestingly, the sufficiency economic policy could be utilized during periods of economic boom and bust. During the boom period, the sufficiency policy

would "immunize" the citizens against economic extravagance, while the same policy would foster more economic self-reliance in the country in times of economic crisis.

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