

Chapter 1:

Introduction

1.1 Background of the Study

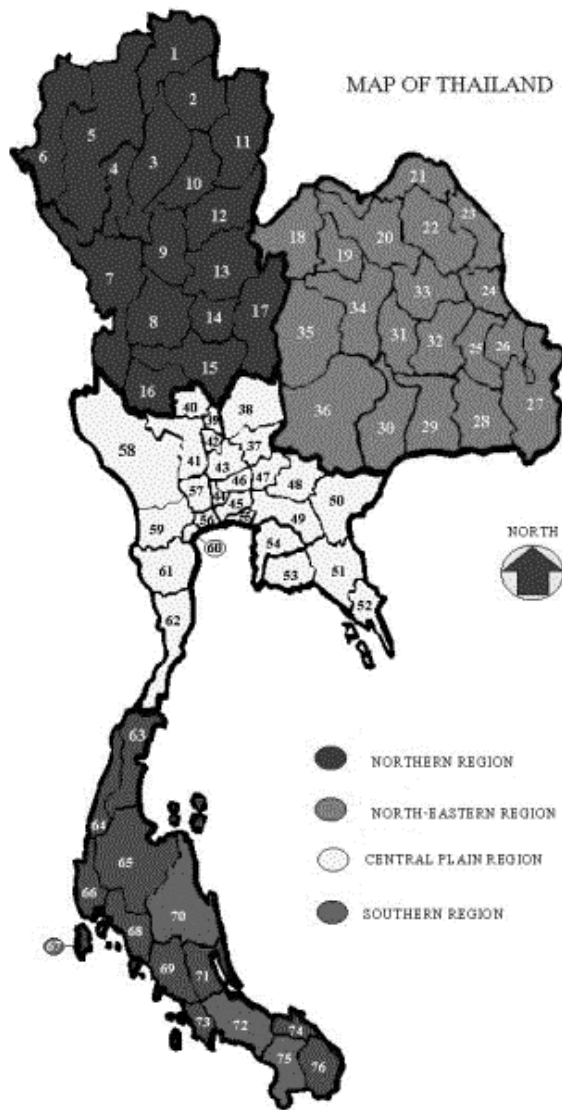
1.1.1 Geography of Thailand and Definition of Region

The Kingdom of Thailand is a country in the Southeast Asia, covering an area of around 513,115 square kilometers. It is bordered in west and northwest by Myanmar, in southwest by the Andaman Sea, in east and north east by Lao PDR, in southeast by Cambodia, in south by the Gulf of Thailand and by Malaysia. In south the country occupies a part of the Malay Peninsula.



Figure 1.1 Map of Thailand

Source: The United Nations



Northern Region

1. Chiang Rai
2. Phayao
3. Lampang
4. Lamphun
5. Chiang Mai
6. Mae Hong Son
7. Tak
8. Kamphaeng Phet
9. Sukhothai
10. Phrae
11. Nan
12. Uttaradit
13. Phitsanulok
14. Phichit
15. Nakhon Sawan
16. Uthai Thani
17. Phetchabun

Central Plain Region

37. Saraburi
38. Lop Buri
39. Sing Buri
40. Chai Nat
41. Suphan Buri
42. Ang Thong
43. Ayutthaya
44. Nonthaburi
45. Bangkok Metropolis
46. Pathum Thani
47. Nakhon Nayok
48. Prachin Buri
49. Chachoengsao
50. Sa Kaeo
51. Chanthaburi
52. Trat
53. Rayong
54. Chon Buri
55. Samut Prakan
56. Samut Sakhon
57. Nakhon Pathom
58. Kanchanaburi
59. Ratchaburi
60. Samut Songkhram
61. Phetchaburi
62. Prachuap Khiri Khan

Northeastern Region

18. Loei
19. Nong Bua Lam Phu
20. Udon Thani
21. Nong Khai
22. Sakon Nakhon
23. Nakhon Phanom
24. Mukdahan
25. Yasothorn
26. Amnat Charoen
27. Ubon Ratchathani
28. Si Sa Ket
29. Surin
30. Buri Ram
31. Maha Sarakham
32. Roi Et
33. Kalasin
34. Khon Kaen
35. Chaiyaphum
36. Nakhon Ratchasima
77. Bueng Kan¹

Southern Region

63. Chumphon
64. Ranong
65. Surat Thani
66. Phangnga
67. Phuket
68. Krabi
69. Trang
70. Nakhon Si Thammarat
71. Phatthalung
72. Songkhla
73. Satun
74. Pattani
75. Yala
76. Narathiwat

Figure 1.2 Boundary of Regions

Source: <http://faorap-apcas.org/thailand/thaimap.htm>

¹ New Province as of March 2011, separated from Nong Khai Province

Thailand consists of 77 provinces (as of 2013), and the capital city is Bangkok. Thailand is divided into 4 regions, namely, North, Central (including Bangkok), Northeast, and South. In the definition of region which is used for the analysis in this study, the regions are divided into 5 regions; the North, the Center, the Northeast, the South and Bangkok, according to the micro data of the Socio-Economic Survey (SES) used for statistical analysis (as compiled by the National Statistical office of Thailand, in which Bangkok is defined independently).

However, the regions are sometimes divided into 6 regions, namely North, Center, Northeast, West, East and South for some purposes such as geographical use. In some statistics, Bangkok and the neighbouring provinces are defined as “Bangkok and Vicinities” which includes Bangkok metropolis, Samut Prakan, Phatum Thani, Samut Sakhon, Nakhon Pathom and Nonthaburi Provinces because economic structure of the vicinities is similar to that of Bangkok, though the vicinities are sometimes included in the Central Region.

1.1.2 Macro-Economic Situation in Thailand and Its Comparison with Other ASEAN Countries

Thailand is a middle-income country which has continuously developed its economy over the past three decades. During this period, Thailand experienced both outstanding economic growth and severe recession. Thailand’s recent economic history can be classified into four sub-periods (Warr, 2011): 1) pre-boom (until 1986); 2) boom (1987 to 1996); 3) crisis (1997 to 1999); and 4) recovery (2000 to 2006). In the pre-boom period, Thailand’s growth rate of Gross Domestic Product (GDP) was 4.6 percent in 1980 and increased to 5.9 percent in 1981 while fluctuated within that range until 1986 (Figure 1.3). This sub-period is mentioned a period of macroeconomic adjustment, economic uncertainty, and hardship while the next sub-period is

defined as a period of extraordinarily high economic growth, economic boom, speculation, and “bubbles” (Pholphirul, 2005). In 1987, Thailand entered the substantial economic boom period in which the GDP growth rate dramatically increased to 9.5 percent. The growth rate of GDP increased continuously to reach the peak in 1988 with the rate of 13.3 percent. The booming period had continued for about a decade until 1996. In 1997, the economic crisis occurred in Thailand and other Asian countries which is well known for Thais as “Tom Yum Kung crisis” that made Thailand to experience negative GDP growth rate of -10.5 percent in 1998. Thai economy has been recovered since 1999 to become the positive GDP growth rate. However, it dropped to negative growth rate again in 2009 due to the global crisis. In 2012, the GDP growth rate increased to 6.5 percent due to the increase of domestic and international demand for household consumption, services and investment (NESDB, 2013). In the viewpoint of Thai politics, an important period is the period after the economic crisis in 1997.

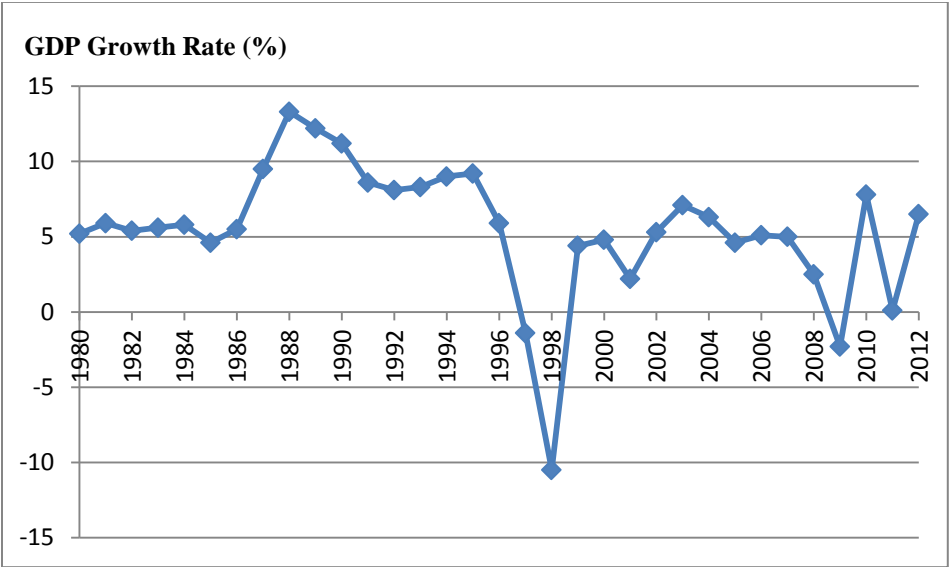


Figure 1.3 Gross Domestic Product Annual Growth Rate of Thailand

Source: The World Bank, 2013

Table 1.1 shows the GDP in the current US dollar of the Southeast Asian Countries and the agricultural, industrial, and services Sectors share in GDP. Due to industrialization of many countries in the Southeast Asia including Thailand, the industrial sector is more powerful in expanding its share in their GDP, except for Cambodia where the agricultural sector contributes to GDP more than industrial sector. Lao PDR is a country that has changed from dominant share of agricultural sector in GDP to industrial sector during the past decade. Nevertheless, the services sector seems to have the leading role abreast of the industrial sector among countries in the Southeast Asia.

Table 1.1 Cross Country GDP and Percentage of Share in GDP by Sector

Country	GDP \$ billions		Agriculture % of GDP		Industry % of GDP		Services % of GDP	
	2000	2011	2000	2011	2000	2011	2000	2011
Thailand	122.7	345.7	9	12	42	41	49	46
Vietnam	31.2	123.7	25	22	37	41	39	37
Cambodia	3.7	12.8	38	37	23	24	39	40
Lao PDR	1.7	8.2	45	31	17	35	38	35
Malaysia	93.8	287.9	9	12	48	40	43	48
Indonesia	165.0	846.3	16	15	46	47	38	38
Philippines	81.0	224.8	14	13	34	31	52	56
Myanmar	–	–	57	–	10	–	33	–

Source: Based on data from the World Bank, 2013

For the performance of agriculture, during the period of economic growth, the agricultural share in GDP decreased during the 1980s until early 2002, from 23 percent in 1980 to the share of 9 percent in 2002 in GDP. However, agriculture has had an important role on Thai economy and society. The share of agriculture has slightly increased after 2002 to be 12 percent in 2011 (Figure 1.4). The decrease in share of agriculture often happens in rapidly growing economy. However, it could be misinterpreted that agricultural sector is stagnant while industrial sector is dynamic, but the rate of growth of productivity in agriculture has actually been expanding though its share in total output is declining (Warr, 2011).

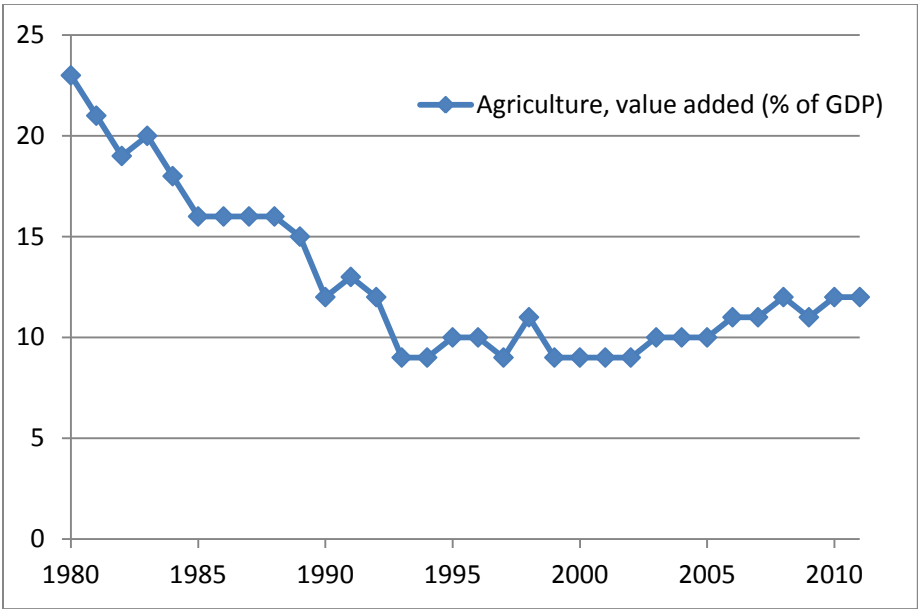


Figure 1.4 Long-Term Trend of Agricultural Share in GDP

Source: Based on data from the World Bank, Various Year

1.1.3 Development Plans Related to the Issues of Inequality and Poverty

Thailand has achieved a great record of economic development in the past three decades. One of the important accelerators of Thai economic development is the National Economic and Social Development Plan. In 1961, the National Economic and Social Development Board (NESDB) launched the inception of the First National Economic Development Plan as a concrete development policy in Thailand. Since then various development policies of the Thai government have been launched within the framework of the National Economic and Social Development Plans covering five years period except the 6-year period of the first plan. Apart from the first National Economic Development Plan, which emphasized economic growth rather than income distribution, income distribution and poverty alleviation has been embodied in the National Economic and Social Development Plans. The main objectives and situation of each plan can be summarized as follows (National Economic and Social Development Plans, various years):

The First Plan (1961–1966)

This Plan emphasized on economic growth of the country. Increases in agricultural and manufacturing productivities were focused. As for the agricultural sector, the increasing productivity is more important than on expanding the area under cultivation. Moreover, government stimulated investment as well as developed the infrastructure such as electricity power and transportation to support the increase of investment. It could be said that this period was fundamental for economic development.

The overall progress during the first plan period was mentioned in the Second Plan that Thai economy had impressive growth rate of economy. The Gross Domestic Product rose at an annual average rate of 7.2 percent. The two-thirds of the growth were generated by the

non-agricultural sectors. However, some economic problem existed; the income distribution was quite uneven and geographical imbalance existed. The average income in the urban area was twice higher than that in the rural area, and the income in the metropolitan area of Bangkok was more than triple of that in villages in the Northeast. Furthermore, other problems were the high rate of population growth, low agricultural and industrial productivity and high cost of capital.

The Second Plan (1967–1971)

While the First Plan emphasized on economic growth, the Second Plan paid more attention on rural development with the aim of reducing income inequality and regional imbalance. The government attempted to develop and bring prosperity to rural area in which majority of people live depending their livelihood upon agriculture. Thus, agriculture was considered as key sector together with other sectors in country's development policy for a balanced growth.

The Third Plan (1972–1976)

The main target of the Plan was to increase the Gross Domestic Product and to maintain economic stability. Moreover, it is realized that human resource play an important role to increase the national productive capacity as well as natural resource, education, health and welfare focus the improvement and expansion of the primary and secondary education in rural areas. However, the instability of the world economy as the world oil shock occurred in 1973 caused the Plan could not achieve the target.

The Forth Plan (1977–1981)

This Plan was aimed to solve the economic instability and the basic problems of development such as income inequality, and to improve the natural resource management.

The Fifth Plan (1982–1986)

The main emphasizes in this plan were to resolve the problems of unbalanced economic growth and reduce the poverty in the rural areas.

The Sixth Plan (1987–1991)

The policies in this plan were aimed to ensure the equality of income distribution and achievement in developing the regional and rural areas.

The Seventh Plan (1992–1996)

The main development objectives of this plan were to set the appropriate direction for development to build a firm foundation of well-balance and sustainable growth by maintaining economic growth rates at appreciate level, and redistributing income and decentralizing development to the regions and rural areas more widely, together with acceleration of human development.

The Eighth Plan (1997–2001)

The Eighth Plan was an important turning point in the country's development planning. The plan aimed for 'people-centered development' as a new thinking in Thai society that gave importance to participation by all people of society. The plan is set in order to create a balance in the development of the economy, society, and environment to help people achieve greater happiness and a better quality of life. However, Thailand experienced a severe economic crisis with great impact on individuals and society in the first year of the plan, including problems of unemployment and poverty. Therefore, economic recovery and reducing the impact of the crisis became a priority.

The Ninth Plan (2002–2006)

The Ninth Plan adopted the Sufficiency Economy that is a philosophy of the King Rama 9 of Thailand to guide the development and administration of the country as a solution and philosophy to avoid the economic crisis, at the same time as continuing the people-centered development from the Eighth Plan. The performance under the Ninth Plan can be summarized as successful because the stability of the economy improved, poverty fell, while the quality of life of people improved greatly as a result of expansion of health services and better health insurance covering a majority of the population. The national economy grew steadily at an average of 5.7 per cent a year. However, the Thai economy remains vulnerable to external instabilities and the transparency of the central government in 2006.

The Tenth Plan (2007–2011)

The development policies in this plan were under the direction of the Sufficiency Economy philosophy. The missions of this plan were to develop people to have quality, knowledge of world standard, good health, strong communities, capable of self-reliance, pursuing their lives with security and dignity, and to increase the potential of communities by linking them in networks to serve as the foundation for developing the economy and quality of life to achieve sufficiency and reduce poverty. Regarding the economy, this Plan was aimed to enhance the economy to be efficient, stable, and equitable by reforming the structure of the economy to be competitive and self-immunized in the face of risks and fluctuations in the globalization.

The Eleventh Plan (2012–2016)

The main concept of the Eleventh Plan is derived from the guiding principles of the Eighth through the Tenth Plans. This plan also focuses on the Philosophy of Sufficiency

Economy and recommend that it should be applied to all parties at all levels. This Plan paid attention to utilize the current resilience of Thai society and economy, and develop the individual people and society from the level of the family and the community up through the nation. Economy, environment and politics are integrated to enhance the country's self-resilience, to cope with the effects of instabilities and to prepare for the way toward well-balanced development and a "Happiness Society".

The regional inequality and poverty have been the main issue for Thai development plans since the Second Plan (1967–1971). Since then, it was aimed to reduce the level of income inequality and regional imbalance which was caused by economic growth. The Plan emphasized the social aspect such as human development since the seventh Plan (1992–1996) especially in the Eighth Plan. The Sufficiency Economy became the central philosophy in the Ninth Plan (2002–2006) as a solution to avoid the economic crisis. This philosophy has been the framework of the subsequent plans up until now. Moreover, the Sufficiency Economy has had an important role for many Thai people's way of thinking and way of life.

1.1.4 Statistics: by Region and Sector

1.1.4.1 Comparative Feature

Figure 1.5 shows the Gross Regional Product per capita of Thailand and by regions at current market prices from 1995 to 2011. In this data, the East and the West is divided from the Center. The per capita GRP of Bangkok and Vicinities was the highest over the period of 1995 to 2006, but has been lower than that of the East after 2006. The GRP per capita of the East is high which is catching up Bangkok because the expansion of industrialization to be the major factor in the economy of the East. Apart from Bangkok and Vicinities and the East, GRP per capita of

the Center was relatively higher than that of other regions. Up until 2011, the North had been ranked the second lowest after the Northeast. The gap between Bangkok and the Northeast is wide, nearly 10 times. However, if the GRP of Bangkok is considered as 100, the regional gap between Bangkok and the Northeast decreased from 100:8.3 in 1995 to 100:11.5 in 2011 (Table 1.2).

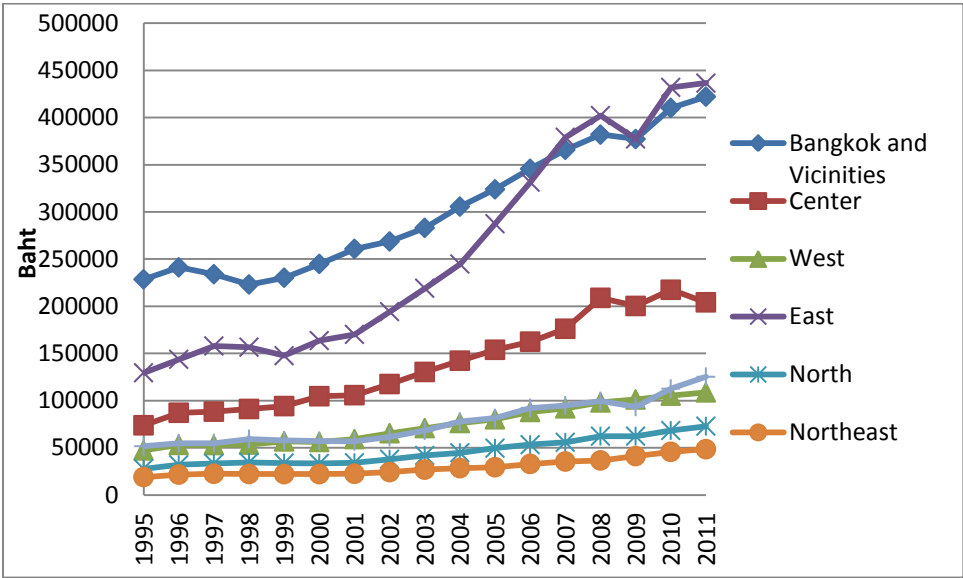


Figure 1.5 Gross Regional Product Per Capita by Region

Source: Office of the National Economic and Social Development Board, Thailand

Table 1.2 Gross Regional Product Per Capita by Region

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Bangkok and Vicinities	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Center	32.3	36.1	37.8	40.9	40.9	42.7	40.6	43.8	46.0	46.6	47.5	47.0	48.2	54.7	53.1	53.0	48.4
West	20.7	22.0	22.6	23.9	24.7	22.9	22.7	24.4	25.0	25.0	24.8	25.5	25.1	25.7	26.8	25.7	25.8
East	56.7	59.6	67.5	70.2	64.1	66.8	65.3	72.3	77.4	80.1	88.8	95.9	103.6	105.3	100.0	105.3	103.4
North	12.1	13.3	14.3	15.5	14.7	13.7	13.1	14.1	14.8	14.7	15.3	15.4	15.3	16.3	16.5	16.7	17.3
Northeast	8.3	9.0	9.6	10.0	9.6	9.0	8.6	9.0	9.5	9.3	9.1	9.5	9.7	9.6	10.9	11.2	11.5
South	22.6	22.7	23.5	26.6	25.1	23.4	21.8	22.9	24.1	25.4	25.2	26.7	25.9	26.1	24.8	27.5	29.7

Source: Calculated from the data on GRP of the Office of the National Economic and Social Development Board.

The Gross Regional Product (GRP) at current market prices by sector in each region of 2011 is shown in Figure 1.6. All regions were predominant by non-agricultural sector, in which non-agricultural GRP was highest in Bangkok and Vicinities. However, the GRPs of the North, the Northeast and the South are contributed by agriculture more than those of other regions.

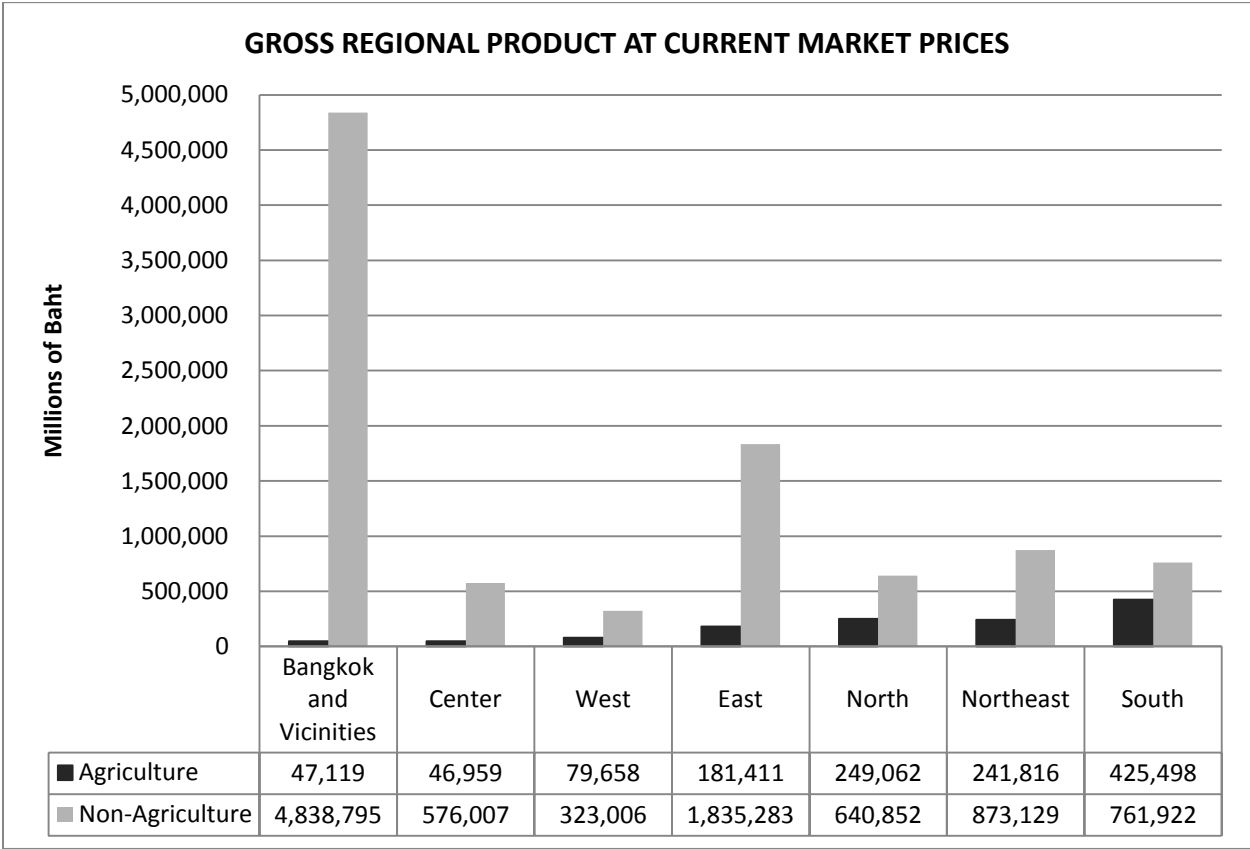


Figure 1.6 Gross Regional Product by Sector in Each Region, 2011

Source: Office of the National Economic and Social Development Board, Thailand

1.1.4.2 Poverty Incidence

Poverty incidence estimated by NESDB is shown in Figure 1.7. In this estimate, poor is defined as person having consumption expenditure lower than poverty line. The Proportion of the poor declined in every regions as well as the whole country during 1988–2007. The Absolute poverty was very low in 1996. In the period after 1996 until 2000, the poverty incidence showed the increase in proportion of the poor due to the effect of the economic crisis in 1997. After 2000, the proportion of the poor decreased again. As shown in the Figure 1.7, the problem in Thailand is not absolute poverty which refers to lack of money to meet basic needs, such as food, but relative poverty which refers to the inadequate distribution of income in the 2000s. Therefore, the relative poverty in term of income inequality should be examined.

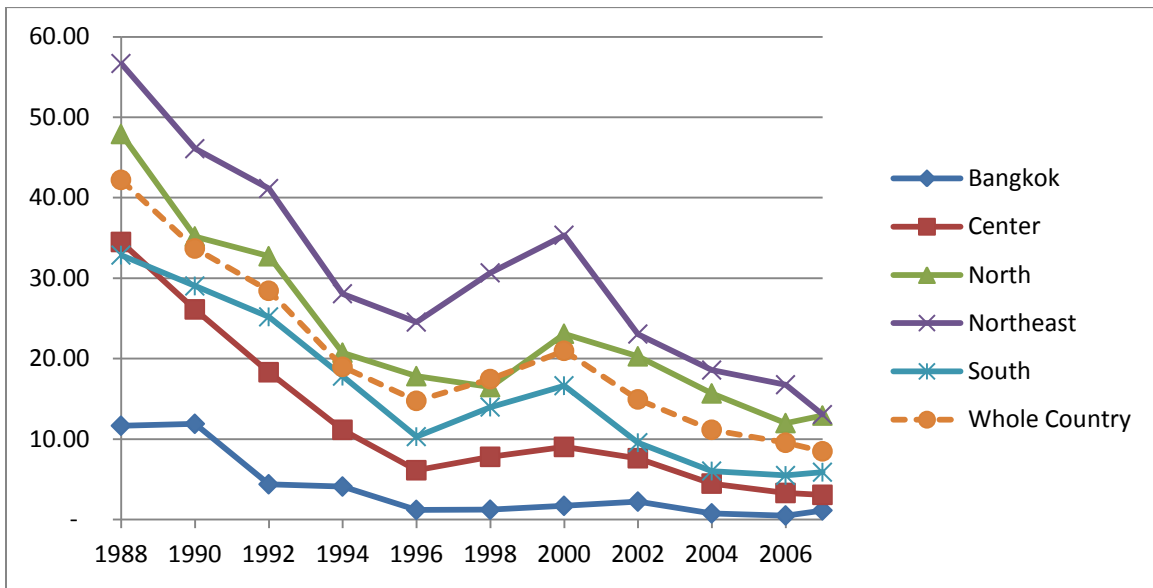


Figure 1.7 Proportions of the Poor by Region (Percent), 1998–2007

Source: Office of the National Economic and Social Development Board, Thailand.

1.2 Research Issues

Thailand has started modern economic development since 1960s. Thailand experienced high economic growth in term of GDP growth rate, and has developed to industrialization. However, the equal distribution of income cannot be indicated by the GDP growth rate. The industrialization diminished the share in the GDP of agricultural sector at the same time. Therefore, the disparity between agricultural and non-agricultural sectors and rural and urban areas has been more concerned since the late 1960s. Nevertheless, the agricultural share in GDP continuously decreased especially during 1980s until the mid-1990s.

Over the period of economic development up until now, Bangkok has been the center of economy and considered as “the richest region” while the Northeast has been considered as “the poorest region” in the country. In this sense, it is definitely worthy to conduct a research to show how the income gap between Bangkok and the Northeast has been changing. It is well known that the income gap between Bangkok and the Northeast is widening.

However, we should be careful in interpreting this result because it is based on average income. The average is neglecting the diversity in the region. Even in the Northeast, rich is rich. In Bangkok, poor is poor. Many scholars and people in the society have always mentioned the problem of poverty in the Northeast and regional income disparity. The issue is other people evaluated people in the Northeast as less satisfactory due to the income level. Therefore we need more detailed analysis taking the diversity into consideration.

A problem of this kind of analysis is that it discriminates the Northeast people because actually people are diversified and there are different kinds of people live in their own way of life which could not be categorized into the single group such as the rich group or the poor group.

It is beneficial to the people when the issue on inequality and poverty are taken into account appropriately which lead to the solution to elevate people in the society.

Another problem is that it is easily politicized since the politicians have tried to persuade people to support and vote for them or their political party by raising the issue of regional inequality in term of income level. The politicians campaigned by emphasizing the income gap between regions and people's low income level and then proposing the policies to reduce the poverty and income inequality. It can be considered as a political strategy to separate people to be another group as a disadvantaged group which will be supported by the campaigned policies. This point is sensitive and easy to make discord among people.

The recent political event has been remarkable in Thai history. Politicians campaigned and launched policies with aim to support people. The Former Prime Minister Thaksin Shinawatra also implemented policies to support people particularly the poor and people in the Northeast. His policies have been criticized as the populist policies; at the same time, some people appraised his policy. It could be said that the government under his lead got the Northeast and grassroots people as his political stronghold. After his government was deposed in military coup in 2006, people's political thought has been extremely separated into 2 groups. One is his supporter because they think that his government significantly supported them by various policies. This group is generally called the "Red Shirt". Another group—known as the "Yellow Shirt"—has disfavored his policies, opposed and demonstrated against him as well as his political side. The political conflicts between these two groups have been prolonged and retarded country development.

Due to the political conflict that related to the issue on poverty and income inequality, this issue should be more concerned carefully. According to the statistics on poverty incidence

estimated by the Office of the National Economic and Social Development Board of Thailand (NESDB), it is shown that the proportion of the poor (person having consumption expenditure lower than poverty line) has declined in trend both in the country level and regional level since 1988. Therefore, the problem is not absolute poverty, but the important issue is relative poverty that refers people who are worse off comparing to average standard. For this reason, it is necessary to investigate and prove whether the income distribution and the regional income inequality are the focal problem of Thailand as have been accused of in the politics.

Past studies showed the increase in income inequality since 1960s. However, the occurrence of higher income inequality is usually happen when the country is in the stage of economic development as the Kuznets' hypothesis that income inequality increase in the initial stage of economic development, and then decrease in the later stage when economy is attained as can be illustrated as inverted u-shaped curve. The Kuznets' curve can appear several times when new high-productivity industries appear, does not necessarily appear only once (Ikemoto and Uehara, 2000). However, the question whether Thailand has passed the turning point of the Kuznets u-shaped curve is still unclear. Few consistent analyses on income inequality have been carried out since the mid-1990s. This means we don't have studies on regional income disparity which covers the period of recent political conflict in Thailand though it is critical issue that widely affect to economy, politics, society and people's life.

However, income analysis is not enough as Amartya Sen argued that people's life and well-being cannot be assessed by only income. Another important issue in the inequality assessment is which approach is used to evaluate people's well being. Not only is the statistical analysis on income inequality important to be revealed but also people's quality of life and people's perception. People's quality of life can be indicated by the data such as Human

Development Index. Furthermore, field interview is necessary to examine people's life because their life is complex. It is not enough to capture people's life by statistical analysis on income and the data on quality of life.

In the past, income approach is relied too much for inequality assessment. People in the Northeast are evaluated as less satisfactory due to the aspect of their income level, but it still lack of understanding in their real perception and their way of life which may not depend on only income. Furthermore, human capability is neglected when people's life is evaluated. As this context, it is important how to evaluate and improve people's life without degrading them and intensify the conflict. Therefore, the voice of people is a key to assess their life and understand what they really think. This data can be used to analyze their life satisfaction. It is necessary to use the appropriate approach for each purpose of inequality assessment.

1.3 Objectives of the Study

The Objectives of the study are as follows:

- 1.) To analyze the issue on income inequality which related to the situation of political conflict.
- 2.) To analyze the situation of income distribution in Thailand over the past two decades.
- 3.) To analyze regional income inequality focusing on the period that important from the viewpoint of Thai politics.
- 4.) To assess people's quality of life by using the data on Human Development Index (HDI).
- 5.) To survey the "voice" of people in the Northeast and reveal their perception.

1.4 Methodology and Data

In order to analyze the issue on income inequality which related to the situation of political conflict, this study applied the idea of Amartya Sen expressed in his book, *Identity and Violence: The Illusion of Destiny*. Sen mentioned that the sense of identity, a sense of belonging of one group, can make an important contribution to the strength of relationship with others in the same group such as member of the same community or fellow citizens, and can make people do many things for each others. On the other hand, the sense of identity can firmly exclude other people whom do not belong to the same group and make conflicts between groups (Sen, 2007). This idea was used to analyze and describe the cause of political conflict which related to the inequality in Thailand in terms of economic and social conditions and find the effective way to reduce inequality in Thailand without leading to the conflict. This analysis was connected to the estimate of income distribution in Thailand since 1980s to investigate the medium-term trend of income inequality and examine the regional income inequality focusing on the period of 1996–2009 because it is the most important from the viewpoint of Thai politics to find the real problem and reveal whether regional income inequality is the focal problem as alleged in the politics or not, using Gini coefficient, an inequality index and the decomposition analysis of Theil index based on the micro data of Socio-Economic Survey of Thailand.

After analyzing the income inequality by statistical analysis which is income approach, the idea of Capability Approach of Amartya Sen was adopted to assess the inequality. Sen emphasized to focus on “human capability”, what people are able to do and able to be, instead of income. The basic functionings of the Capability Approach were analyzed base on the data on health and education. The complex functionings of the Capability Approach were also analyzed through the “voice” of people which is a good indicator to reflect their perception in order to

understand what cannot be captured by only the statistical analysis and data on the quality of life. Therefore, the “voice” of people in the Northeast was surveyed to reveal their life and their opinion both income and non-income aspects as well as to know how they evaluate themselves. Finally, all results were combined to find the effective way to reduce inequality problem in Thailand.

1.5 Structure of Dissertation

This dissertation consists of six chapters. Chapter 1 is the introductory section. Chapter 2 describes about the identity and violence that the political accusation of large disparity related to the conflict in Thailand. The income distribution and income inequality in Thailand are analyzed in chapter 3 to reveal the situation and trend of income distribution and the regional inequality. Chapter 4 presents the idea of Capability Approach by Amartya Sen to assess the well-being and life of people. To understand the real situation, the perception of people on their life satisfaction is surveyed and shown in chapter 5. Chapter 6 concludes the overall findings and proposes the policy implications.

Chapter 2:

Identity and Political Conflicts in Thailand

2.1 Political Situation in Thailand: Conflict

The current political conflicts in Thailand started in 2005, and wildly spread in Thai society. It occurred as a result of discordance with former Prime Minister Thaksin Shinawatra's radical policies. His government, mainly from Thai Rak Thai Party, was finally overthrown by a military coup in September 2006. Since then, the conflicts and demonstrations have continuously happened many times.

This conflict divided the Thai community at various levels. Even people in the same class, or family also disagreed with each other on this issue. This shows the conflict is not so simple as can be identified by region as often reported in mass media and we need more analysis in detail. People are usually separated into two groups, namely "Yellow Shirt" and "Red Shirt" by the color of shirt that each group wore as a symbol which side they were strongly supporting. The Red shirt is the group that supported Thaksin Shinawatra and his political group while the Yellow shirt is the group that demonstrated against him. It is always mentioned that most of the Yellow Shirts are middle class or people who come from urban area including majority of people in Bangkok, while most of the Red Shirts are the poor farmers and live in the rural areas, especially in the Northeast. However, as mentioned above, characterizing in this way is to divide people only two groups, neglecting the diversity in each region, which led to identity politics. It stressed the gap between them unnecessarily.

As described by Amartya Sen (Sen 2009, Page 2), the sense of identity, a sense of belonging to one group, can make contribution to strength of the relation with members of the same community or same group, but the strong sense of belonging to one group can make discord between groups due to the divergence of perception from other groups. Sen emphasizes the diversity of identity for each person to escape conflict and to solve the inequality problems.

After Thai Rak Thai Party which was founded by Thaksin Shinawatra was dissolved by the Constitutional Tribunal for violation of electoral laws in 2007, the members of Thai Rak Thai Party transferred to People's Power Party (official national election in 2007) and then Pheu Thai Party (official national election in 2011) which gained overwhelming vote in the Northern and Northeastern regions (represented by the red dot in Figure 2.1).

One reason why the government under the lead of former Prime Minister Thaksin Shinawatra could get the Northeast and grassroots people as his political stronghold is his policies which were implemented after he won in the election. The widely mentioned policies are the Universal Coverage Scheme or generally called 30 Baht (~1 US dollar, as December 2013) for all health care, the Village Fund and the Debt Moratorium for Farmer. Those policies were aimed to support particularly the poor and people in the Northeast. His policies were appraised but at the same time they have been criticized as the populist policies. After the period of Thaksin Shinawatra's premiership (2001–2005 and 2005–2006), there are 5 Prime Ministers since 2006, that is, Samak Sundaravej from People's Power Party and Yingluck Shinawatra from Pheu Thai Party who were elected by people's vote in the general election in 2007 and 2011 respectively while the others were appointed for the position (Table 2.1). This indicates that identity politics was deep-rooted for long time although 5 years had passed.

In order to understand what kind of people supported which political party, an opinion survey for political support was conducted by ABAC Poll Research Center, Assumption University of Thailand. It surveyed people who follow up political news everyday or almost everyday and collected 3,667 samples in 18 provinces of Thailand in October 2008 just after a political clash in October 7, 2008. There is 43.8 percent of the sample supported Democrat Party, 39.5 percent supported People Power Party and 16.7 percent supported other parties. The sample was classified by characteristics such as gender, age, education, occupation and region as follows:

Gender

Female supported Democrat Party more than male while male supported People's Power Party more than female. There is 47.6 percent of female and 39.8 percent of male supported Democrat Party. There is 42.8 percent of male and 36.4 of female supported People's Power Party. The percentage of both male and female who supported other parties is not much different, 17.4 and 16 percent respectively.

Age

When the sample is classified by age, the age group that supported Democrat Party is in the working age, 20–29 years at 45.2 percent and 30–39 years at 47.4 percent. The People's Power Party was much supported by the group of 50 years and above 44.9 percent and the group of 40–49 years 41 percent.

Education

When the sample is classified by education, there are 52.5 percent of people who have bachelor's degree, 42.5 percent of people in education higher than bachelor and 40.1 percent of people who have education lower than university level supported Democrat Party. The People's

Power Party was much supported from people in lower than university level, 44 percent while 30.1 of people in bachelor and 31 percent of people who have education higher than bachelor. The remaining percentage is people who supported other political parties.

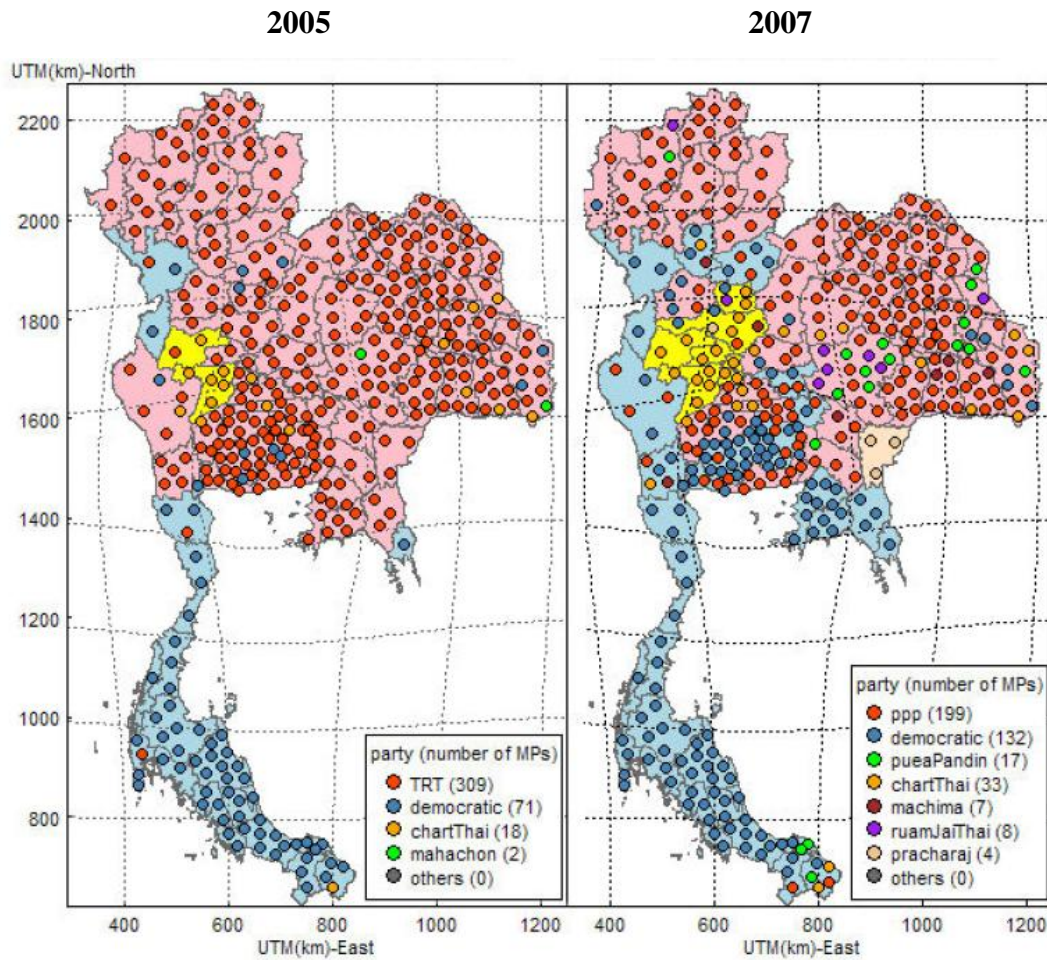
Occupation

Democrat Party was supported from the student group 51 percent, business owner or merchant 50.7 percent, private officer 46.2 percent, housewife who have retired from their work 45.7 percent. There is only 26.9 percent of worker and agriculturist supported Democrat Party while 55.8 percent supported People's Power Party. There is 40.7 percent of unemployment group, 40.2 percent of housewife who have retired from their work and 40.1 percent of government officer and public enterprise group supported People's Power Party.

Region

The majority support for Democrat Party was the South at 83.1 percent, people in Central region 47.6 percent and Bangkok 44.9 percent. People's Power Party was supported by the North 58.2 percent, the Northeast 48.3 percent and Bangkok 40 percent. The remaining percentage is people who supported other political parties

Furthermore, after the clash, as reported by the ABAC poll, Democrat and People's Power Parties were still supported by the same political supporters, that is, 86.8 percent of people who used to vote for Democrat Party still supported Democrat Party and 84.3 percent of people who used to vote for People's Power Party still supported People's Power Party.



Note: “The numbers of Member of Parliament were different for these three elections. In the 2005 election, the total number of MPs was 500, divided into 400 for constituency seats and 100 for party list seats. The overall number was reduced to 480 in 2007, (400 constituency seats and 80 party list seats). The number of MPs changed again in 2011, to 500 (375 constituency seats and 125 party list seats). For both the 2005 and 2011 elections, there was one seat per constituency, while the seats in one electoral district, in 2007, ranged from one to three, depending on the population in the area. In 2005 and 2007, there were 76 provinces in Thailand. Bueng Kan, the most northern province of the North-East region, was established in early 2011 by dividing Nong Khai into two provinces. During the period, the coup d’état, the rallies, and the dissolution of political parties by the Constitutional Tribunal resulted in a change of political stability including parties involving in elections” (Ueranantasun, 2012).

Figure 2.1 Representation of the numbers of Member of Parliaments in a form of colored dots, comparing majority votes using background colors for each province in 2005, 2007, and 2011 elections

Source: Ueranantasun (2012)

2011

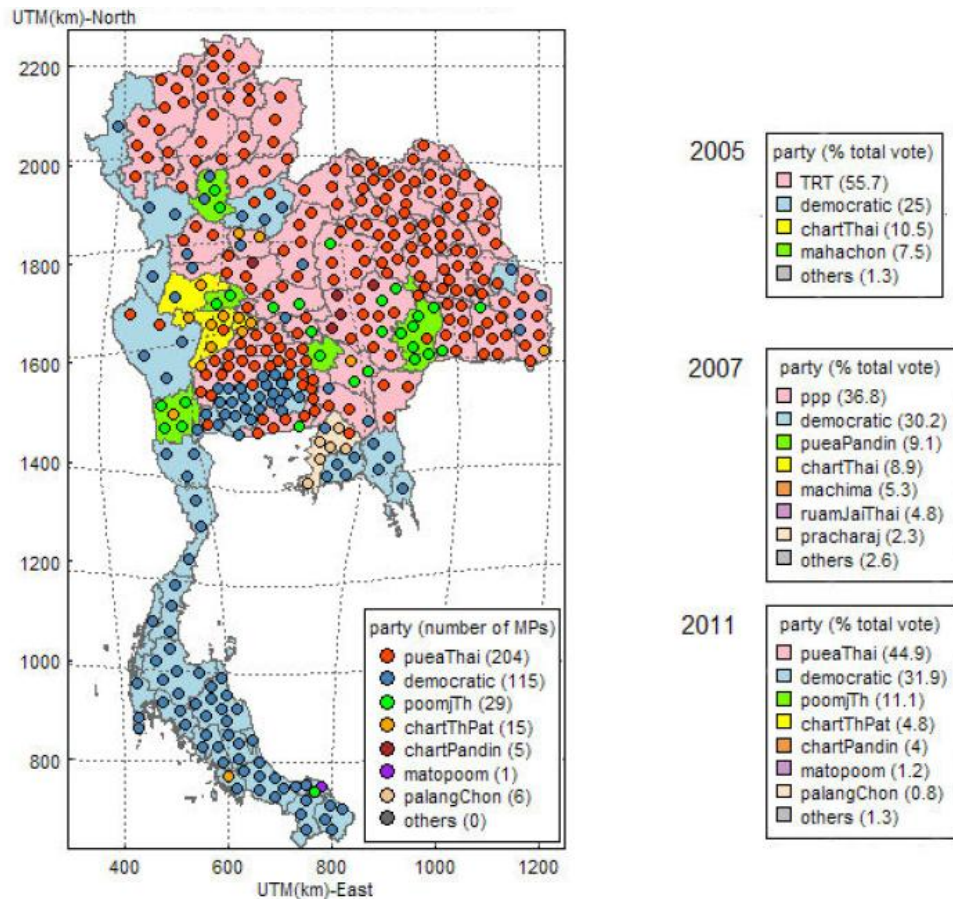


Figure 2.1(continued) Representation of the numbers of Member of Parliaments in a form of colored dots, comparing majority votes using background colors for each province in 2005, 2007, and 2011 elections

Source: Ueranantasun (2012)

Table 2.1 List of Prime Ministers of Thailand, 2001- Present

No.	Name	Term	Political Party
23	Police Lt. Colonel Thaksin Shinawatra	17 February 2001– 8 March 2005 and 9 March 2005 – 19 September 2006	Thai Rak Thai
24	General Surayud Chulanont	1 October 2006 – 29 January 2008	(Independent)
25	Samak Sundaravej	29 January 2008 – 9 September 2008	People’s Power
26	Somchai Wongsawat	18 September 2008 – 2 December 2008	People’s Power
27	Abhisit Vejjajiva	17 December 2008 – 5 August 2011	Democrat
28	Yingluck Shinawatra	5 August 2011 – incumbent	Pheu Thai

Source: Office of the Prime Minister, Thailand

Table 2.2 Timeline of Important Political Events

Year	Important Political Events
1997	- Chavalit’s Government - Economic Crisis occurred - Chuan’s Government (from November)
2001	Thaksin’s Government
2005	Thaksin’s Government (second term)
2006	Military coup
2007	Election → People’s Power Party (reportedly supported by the Red Shirt)
2008	Aphisit’s Government from Democrat Party (reportedly supported by the Yellow Shirt)
2011	Election → Pheu Thai Party (reportedly supported by the Red Shirt), Yingluck Shinawatra’s Government

2.2 Income Inequality and Political Issue in Thailand

When this kind of analysis is used for political purposes, it often results in intensifying the conflicts in a country rather than solving the problems. Amartya Sen, the 1998 Nobel Prize laureate, analyzed this kind of conflicts in his book titled *Identity and Violence: the Illusion of Destiny*. He insists that it is an illusion to believe that each person has only one identity and we should be careful to avoid such illusion because it can lead to violence (Sen, 2007).

A serious problem of the dispute of income distribution in Thailand is that it neglects the fact that the inequality between regions can explain only a small percentage of the total inequality in the country. By definition, the total inequality of the country can be divided into two parts, namely within-region and between-region inequality. According to this analysis, the income inequality in each region is a more important factor than the inequality between regions, which means too much emphasis on the regional inequality may make us to turn our face away from the real problem in Thailand.

In order to know our real problems, Amartya Sen insists, we should focus on “human capability”, which is a concept to capture human well-being. Instead of focusing on income, he said we should focus on what people can do and can be, which reflect the freedom of a person to choose a life that he/she has reason to value. The inequality is too complicated phenomena to be captured by a single indicator such as income (Amartya Sen 2009, *The Idea of Justice*, Page 233). Sen proposed that human voice that reflects people instinct on justice is a very good indicator of justice though we cannot depend on instinct only and we need reasoning to prove it. Therefore, we start this thesis by analyzing the issue on income inequality in Thailand statistically as our first step.

2.3 Conclusions and Discussion

Policies to reduce inequality and counter the poverty problem are always raised in political campaign to get the votes in election. Many politicians campaign for the election by emphasizing the income gap between regions and poverty among people and proposing the policies to solve the problems, which they promise to implement if they are elected. The income inequality between regions has been emphasized, especially between Bangkok and the Northeast. It would be beneficial to the people and to the country if the issue on inequality and poverty are taken into account seriously and appropriately to lead to the solution. However, unfortunately this issue is often politicized and many politicians emphasized too much on this issue to get people's support. It is a strategy of identity politics to separate people from another group and identify themselves with a disadvantaged group. This strategy aims to cultivate and then harness discord among people.

The recent political conflict has been the critical event in Thailand. Politicians campaigned and launched policies with aim to help people, especially their political target group. In the period of Thaksin's Government, a number of policies were implemented. Many people appraised his policies but at the same time those policies have been criticized as the populist policies. It could be said that the government under his lead got the Northeast and grassroots people as his political stronghold. By applying Sen's idea to analyze the political conflict in Thailand, the conflict between the "Red Shirt" and the "Yellow Shirt" was caused by the identity politics. The issue of income inequality and discrimination could be gradually deep-seated in people's feeling. As a result, people in a society are divided into two groups. When people have disunity of thought, start to discriminate other people and feel to be discriminated by the others,

it will worsen the social conflict as was the case in the past series of political situation since 2006. In this sense, the identity politics is dangerous for the society.

Economy and politics are of fundamental importance to Thai society, and can impact each other. Political instability always undermines the economic development. Income inequality issue can lead to the political conflict in the case of Thailand.

Chapter 3:

Income Distribution and Regional Income Inequality in Thailand

3.1 Introduction

Income inequality has been one of the most serious problems politically and economically in Thailand since the early 1970s. Several research and investigations have been conducted on this topic since the 1980s using the Socio-Economic Survey (SES) compiled by the NSO (National Statistical Office). However, unfortunately very few consistent analyses have been carried out since the mid-1990s, even though it became the central issue of Thai politics. Just until recently, it has widely believed that income inequality in Thailand has been worsening and did not show any sign of improvement for the past several decades. All studies unanimously show income inequality has been worsening since the 1960s rapidly. Generally speaking, worsening income distribution occurred in many countries when the countries were at the early stage of economic development and changing to more industrialized economy as is the case of Thailand, and income inequality will be decreasing at the later stage of economic development, which is known as the Kuznets' inverted-shape hypothesis. In the case of Thailand, the trend is not clear after the 1990s because inequality index shows fluctuation. Many people suspected it was still worsening. In the political disputes, it was assumed that the income gap between Bangkok and Northeast has been increasing for several decades because the latter had been paid

less attention until the Northeast became the main political target recently. However, as mentioned above, these disputes lack statistical evidence. Therefore, this study tries to show how income inequality has been changing in Thailand and how the regional gap between Bangkok and the Northeast has been changing.

3.2 Kuznets' Hypothesis

The hypothesis on inequality trend which has been referred and discussed widely is the so-called Kuznets' inverted-U shape hypothesis which Simon Kuznets showed in his paper of 1955. The hypothesis insists that income inequality increases at the early stage of economic development and decreases at the later stage. The Kuznets hypothesis has been cited and discussed in many researches on income inequality and development (for examples, see Ikemoto and Uehara 2000, Barro 2000 and Egawa 2013).

Kuznets showed many causes of the change. One of them is the migration from rural to urban areas. It is not difficult to show theoretically that it occurs when people in the agricultural sector which relatively low per capita of income move to industrial sector which has higher per capita of income. The income gap between two sectors and the higher income is necessary as an incentive for labor to move to the industrial one. Now we assume that there are only two sectors, that is, agricultural and industrial sectors and that the average income of the former is lower than the latter, and that we neglect the income inequality within each sector. At the beginning when the industrial sector is very small, the income inequality between the two sectors is also very small when the income inequality is measured by some inequality index such as the Gini coefficient. But as the industrialization proceeds, the income gap between the two sectors will increase. However, at the later stage when the agricultural sector is decreasing, income inequality

also decreases². This idea can be illustrated in a graph in which the inequality index, such as Gini coefficient, is shown on the y-axis and the level of economic development or per capita income is shown on the x-axis (Figure 3.1).

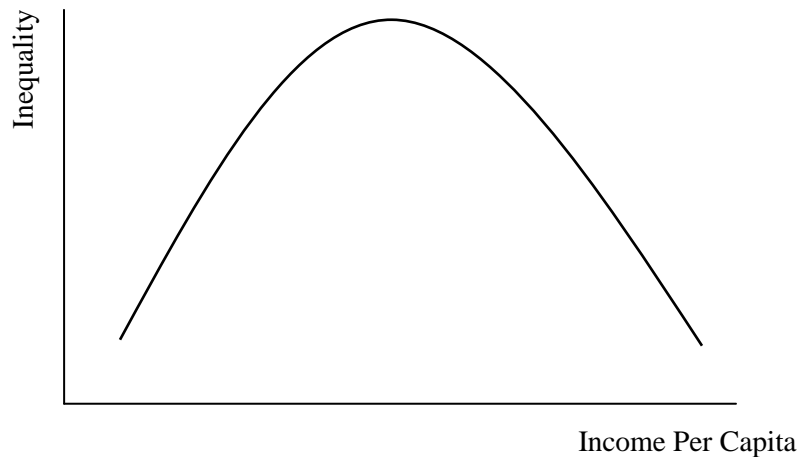


Figure 3.1 Kuznets inverted U-Shaped curve

The explanation of Kuznets hypothesis can be applied not only for the case of industrialization but also for other cases when the new industry emerges. Therefore, the Kuznets' curve can appear several times when new high-productivity industries appear, does not necessarily appear only once. And this is an explanation of the fluctuation of inequality index in Thailand (Ikemoto and Uehara, 2000).

² It is more easily understood if you think three situations such as agricultural economy with no industrial sector, industrial economy with no agricultural sector, and an economy which has both agriculture and industry. Since we assume that there is no inequality, there is no inequality in the mono-sector case and there exists inequality in the two-sector economy where the two sectors have different average income.

3.3 Methodology and Data

This research mainly uses Socio-Economic Survey (SES), which has been compiled by the National Statistical Office of Thailand (NSO) since 1968/69. This is the most reliable data on household income in Thailand. Moreover, the results of this study will be comparable with the past studies on income distribution analysis which also used the SES data.

The medium-term trend of income distribution in Thailand is estimated during the period of 1988-2009 to investigate whether Thailand has already passed the turning point of the Kuznets Curve or not. After whole country estimation, regional income inequality is estimated.

For the regional inequality, this study focuses on the period 1996-2009 for statistical analysis because it is the most important from the viewpoint of Thai politics.

In the data, the whole kingdom is divided into five regions, namely, Bangkok, Central Region, Northern Region, Northeastern Region and Southern Region. The merit of using this data is that it can be compared with the previous studies on income distribution because they were also based on SES. Inequality indices such as the Gini Coefficient will be employed to measure the inequality and to analyze its changes over the period 1988-2009. In order to show the causes of disparity, the decomposition analysis of Theil index will be employed focusing on the regional inequality. The income concept used in these analyzes is per capita household income.

Furthermore, the analysis to find whether agricultural people in the Northeast could change their income position is examined by dividing each category of household from the SES Survey into 10 equal income groups (or deciles group) and comparing the results of 1996, 2000, 2006 and 2009.

3.4 Results and Discussion

3.4.1 Income Distribution in Thailand

This section examines the changes in income inequality in the whole kingdom. Figure 3.2 and Table 3.1 show the finding of this study as well as those of previous studies. Although there are some differences between the estimates in each study, which may be due to the application of different methods of estimation, the directions of changes in the estimates are quite consistent.

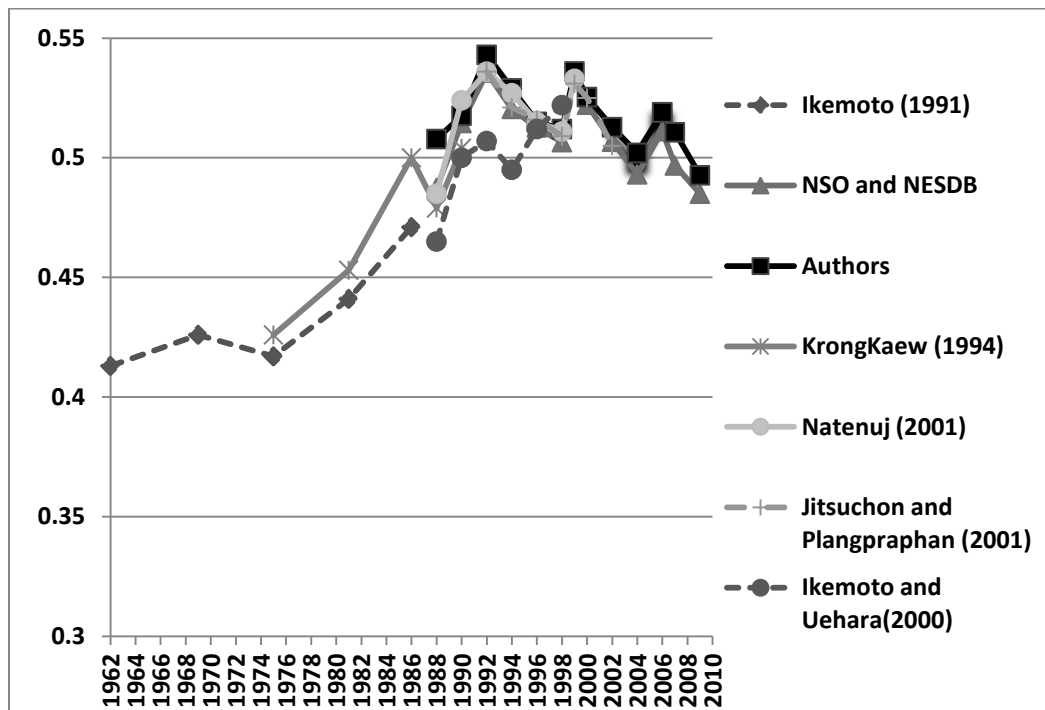


Figure 3.2 Changes of Gini Coefficient: Whole Kingdom

Table 3.1 Gini Coefficient of the Whole Kingdom, 1962-2009

	Ikemoto (1991)	Ikemoto and Uehara (2000)	NSO and NESDB	Authors' estimate	KrongKaew (1994)	Natenuj (2001)	Jitsuchon and Plangpraphan (2001)
1962	0.413						
1969	0.426						
1975	0.417				0.426		
1981	0.441				0.453		
1986	0.471				0.500		
1988		0.465	0.487	0.508	0.479	0.485	
1990		0.500	0.515	0.518	0.504	0.524	
1992		0.507	0.536	0.543		0.536	0.536
1994		0.495	0.520	0.529		0.527	0.521
1996		0.512	0.513	0.515		0.515	0.516
1998		0.522	0.507	0.512		0.511	0.509
1999				0.536		0.533	0.531
2000			0.522	0.525			0.525
2002			0.507	0.513			
2004			0.493	0.502			
2006			0.511	0.519			
2007			0.497	0.511			
2009			0.485	0.493			

Note: Jitsuchon and Plangpraphan (2001) cited in Krongkaew (2007).

We can see from them that income inequality for the whole kingdom increased rapidly in the 1970s and 1980s, reaching its first peak at 0.536 in 1992, except for a slight decrease in 1975 (Ikemoto, 1991) and then fluctuated until 2009.

As the macroeconomic situation was briefly explained in chapter 1, the Thai economy entered a period of rapid economic growth in the latter half of the 1980s and experienced a serious crisis in the late 1990s. When the economic crisis occurred in 1997 the GDP growth rate dropped to -10.5 percent in 1998. The unemployment rate increased due to the layoff of workers in the private sector, and the real earnings of employees declined. Many short-term measures were implemented to support the poor. Due to those policies the GDP growth rate recovered to 4.5 percent in 1999. In spite of the seriousness of the crisis, income inequality remained stable around 0.51 in 1996 and 1998. However, it increased to 0.53 in 1999 according to the estimate of the special SES conducted for smaller sample size in order to evaluate the impact of the crisis.

In 2001, the Thaksin Government created projects to support low-income people. It established the People's Bank to enhance the ability of the poor to increase their income from self-employment, founding the Village and Urban Revolving Fund and the One Million Baht Fund (33,000 US dollars) for each village and community as a loan program for members in the community to borrow for local investment and supplementary vocations. In 2002 the government granted to farmers a three-year period of grace from debt repayment. Partly due to these policies and partly due to the recovering economic situation in this period overall income distribution was gradually improved in 2002 and 2004. However, total inequality increased again in 2006 at the end of the Thaksin government. In 2007, one year later, inequality decreased to 0.511, and continued decreasing in 2009 to 0.493.

3.4.3 Income Distribution by Region

This section examines income inequality within each region. Figure 3.4 and Table 3.2 show the Gini Coefficient by region. Income inequality in Bangkok is less than other regions but it gradually increased to 0.459 in 2009. By contrast, income inequality decreased in the Central region while it fluctuated in other regions.

An increase in income inequality of the whole kingdom seems to be affected by the rising inequality of the Northeast. Although inequality in the Northeast had decreased from 1999 to 2004, it increased rapidly in 2006 to become the most unequal region in Thailand. However, after 2006, income inequality of each region showed a downward trend similar to that of the whole country apart from Bangkok in which inequality increased in 2007 before decreasing in 2009.

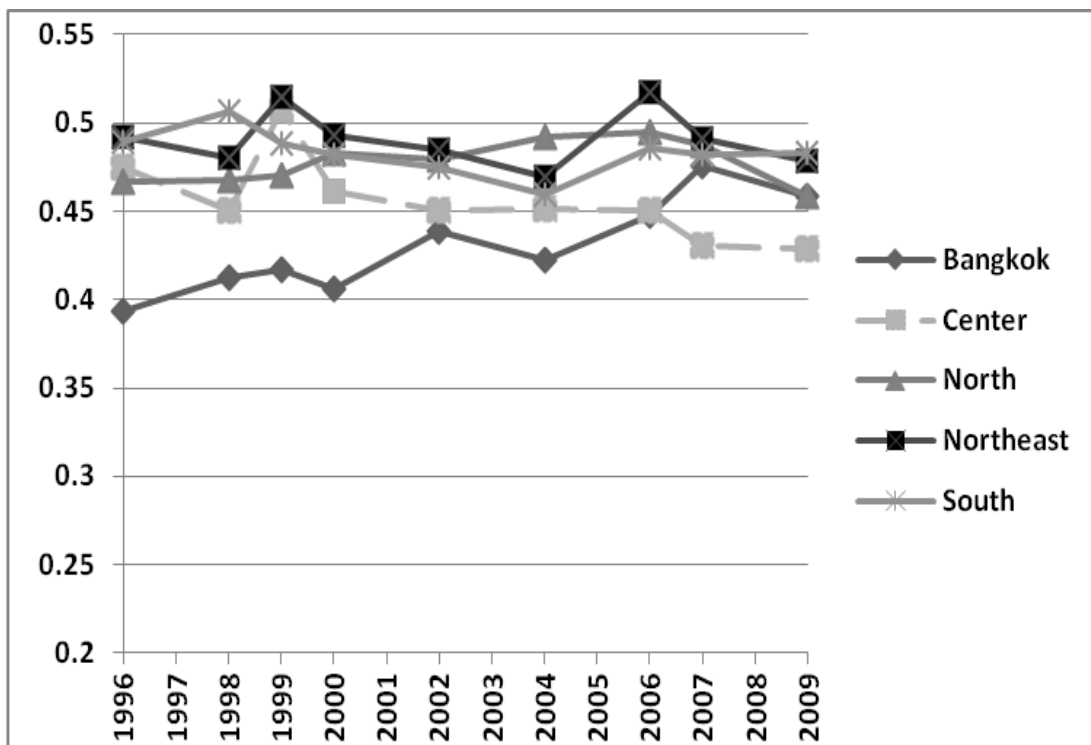


Figure 3.4 Changes of Gini Coefficient by Region (1996 – 2009)

Table 3.2 Gini Coefficient by Region, 1962-2009

Year	Bangkok			Center			North			Northeast			South		
	Ikemoto	NSO and NESDB	Authors' estimate	Ikemoto	NSO and NESDB	Authors' estimate	Ikemoto	NSO and NESDB	Authors' estimate	Ikemoto	NSO and NESDB	Authors' estimate	Ikemoto	NSO and NESDB	Authors' estimate
1962							0.359			0.341			0.403		
1969	0.426			0.414			0.384			0.373			0.395		
1975	0.384			0.386			0.401			0.382			0.422		
1981	0.422			0.410			0.430			0.411			0.423		
1986	0.454			0.433			0.438			0.422			0.466		
1988		0.388			0.435			0.439			0.454			0.463	
1990		0.420			0.480			0.468			0.434			0.469	
1992		0.457			0.462			0.476			0.471			0.481	
1994		0.405			0.461			0.468			0.472			0.498	
1996		0.401	0.393		0.468	0.475		0.458	0.467		0.470	0.492		0.470	0.489
1998		0.415	0.412		0.443	0.450		0.462	0.468		0.460	0.480		0.491	0.506
1999			0.417			0.507			0.470			0.515			0.489
2000		0.417	0.406		0.448	0.461		0.469	0.483		0.483	0.493		0.476	0.482
2002		0.438	0.439		0.437	0.450		0.467	0.480		0.469	0.485		0.464	0.475
2004		0.422	0.422		0.433	0.451		0.478	0.492		0.448	0.469		0.445	0.459
2006		0.452	0.448		0.443	0.450		0.483	0.495		0.494	0.517		0.473	0.486
2007		0.468	0.476		0.422	0.431		0.469	0.487		0.468	0.491		0.460	0.482
2009		0.468	0.459		0.414	0.428		0.446	0.459		0.463	0.479		0.477	0.483

Source: Ikemoto (1991), NSO and NESDB (1988 – 2009) and authors' estimate

3.4.4 Decomposition Analysis by Region

This section shows the results of the decomposition analysis by region based on the Theil index, which can be decomposed of within-region inequality and between-regions inequality.

A result of the decomposition analysis of the Theil index shows the inequality between regions of only 0.06, while the inequality within each region is about 0.4 in 2009 (Table 3.3 and Figure 3.5). Though many people often emphasize income inequality between regions, it accounts for only a very small percentage, about 12.87 percent, of the income inequality of Thailand in 2009. The issue of regional income inequality has been alleged in the politics; however, this result reveals that the regional income inequality is not the important focal of the problem in Thailand. And we neglected inequality within the region.

Table 3.3 Decomposition of Inequality Between Regions

Household	1969	1975	1981	1986	1996	1998	1999	2000	2002	2004	2006	2007	2009
Theil index													
Total	0.37	0.32	0.35	0.41	0.53	0.51	0.62	0.52	0.52	0.49	0.55	0.54	0.48
Within-region	0.30	0.27	0.30	0.34	0.44	0.41	0.51	0.41	0.43	0.41	0.47	0.46	0.42
Between-regions	0.07	0.05	0.05	0.07	0.09	0.10	0.11	0.12	0.09	0.08	0.08	0.08	0.06
Within (%)	80.38	83.37	87.01	82.90	82.55	81.31	82.89	77.92	82.10	83.48	85.88	85.21	87.13
Between (%)	19.62	16.66	12.99	17.10	17.45	18.69	17.11	22.08	17.90	16.52	14.12	14.79	12.87

Note: Figures of 1969-1986 are from Ikemoto (1991)

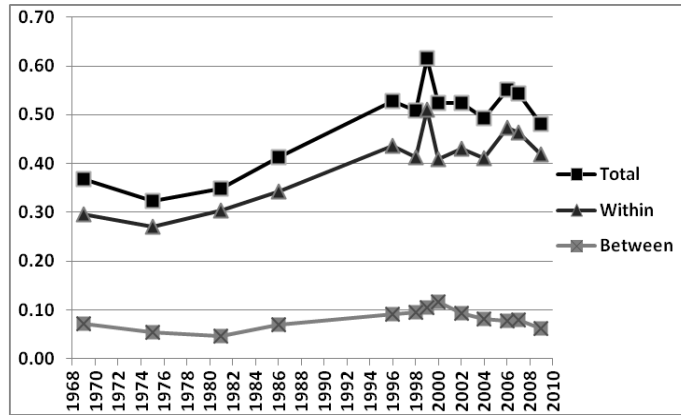


Figure 3.5 Decomposition of Inequality Between Regions

The question then to be asked is which regions accounted for the increase in the within-region component. Table 3.4 shows that the regions whose inequality increased in 2006 were the Northeast and the South. The figure for the Central Region in 1999 seems to be extremely high. Besides, Table 3.4 shows that in 1999, two years after the crisis, inequality of the Central Region was much higher than in 1998, which might be due to the differing impact on industrial sectors based on domestic and export markets.

Table 3.4 Theil Index by Region

	1996	1998	1999	2000	2002	2004	2006	2007	2009
Bangkok	0.08	0.08	0.08	0.09	0.11	0.09	0.10	0.12	0.09
Center	0.12	0.10	0.21	0.11	0.11	0.11	0.12	0.10	0.09
North	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.08	0.06
Northeast	0.11	0.10	0.10	0.10	0.10	0.09	0.11	0.10	0.11
South	0.06	0.06	0.05	0.05	0.05	0.05	0.07	0.06	0.07

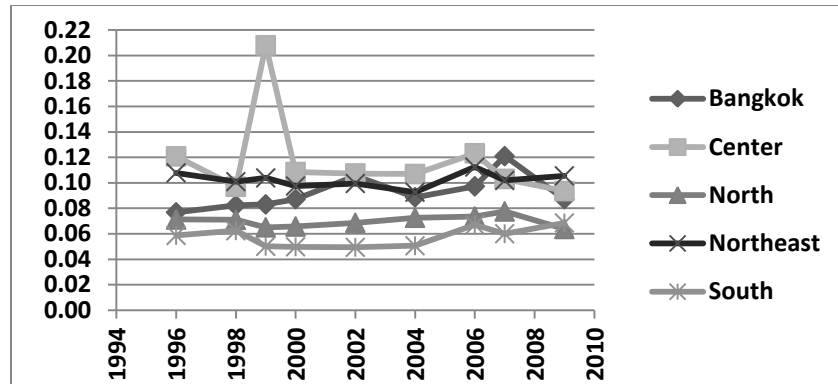


Figure 3.6 Theil Index by Region

3.4.5. Agricultural Sector in the Northeast

Thai Governments, especially the Thaksin Government (2001-2006), concentrated policy on the Northeast and agricultural sector, which was their political base. The Northeast has the greatest number of agricultural households among regions in Thailand. In the cultivation year 2007/08, there were about 2.69 million agricultural households in the Northeast, while there are about 1.34, 0.89 and 0.86 million in the North, South and Central regions respectively (Report of the Office of Agricultural Economics, Thailand). Many policies which were supposed to support low-income people and the agricultural sector, such as Village Fund, Debt moratorium to farmers for 3 years, and Asset Capitalization. These policies might have affected people differently so that the income gap between them might have increased.

To prove this, this section will analyze how agricultural people in the Northeast changed their income position. Each category of household is divided into 10 equal income groups (or deciles group). The group 1 means the bottom decile or the 10 percent lowest income group while the group 10 refers to the top decile or the 10 percent highest income group. In the Socio-Economic Survey, households are divided into 7 categories based on main economic activity and occupation; “Farm Operator, mainly owning land”, “Farm Operator, mainly renting land”, “Entrepreneurs, Trade and Industry”, “Professional, Technical and Managerial”,

“Labourers” (including farm workers), “Other Employees” and “Economically Inactive Households”.

We can see from Figure 3.7 that a large percentage of agricultural households, both “farm operator, mainly owning land” and “farm operator, mainly renting land” are concentrated in the three bottom deciles group (group1, 2 and 3). Similarly, “Labourers” which includes farm workers are also concentrated in the low-income groups. However, agricultural households of “farm operator, mainly owning land” could improve their income level. This can be seen from the decreasing percentage of households in the low-income groups and increasing percentage in the high-income groups in the period 2000-2006 during the Thaksin Government (2001-2006). By contrast, percentage of the “farm operator, mainly renting land” in the bottom decile increased in this period, from 26.79 percent in 2000 to 36.79 percent in 2006. This means that not all farmers could improve their income level during the Thaksin period. And as a result income inequality within the region increased. However, the percentage of farm operators who mainly rented land in the lowest decile group (group1) fell in 2009.

The policies of the Thaksin government were designed to provide high tangible benefit to low income people. But the benefit could not reach all of the poor farmers. This might in part be because inadequate knowledge of poor people and inappropriate guidance resulted in misapplication of policies of the government. For example, misappropriation of funds of the One Million Baht Village Fund could easily have occurred if it was used to buy superfluous goods which would not have provided any long-term profit to them. Another case was that the village fund committee was not willing to lend money to poor people because they were afraid that the poor people might not repay the money. Some people who were not so poor and did not have reason to borrow money took the loan without necessary purpose, which put them in debt.

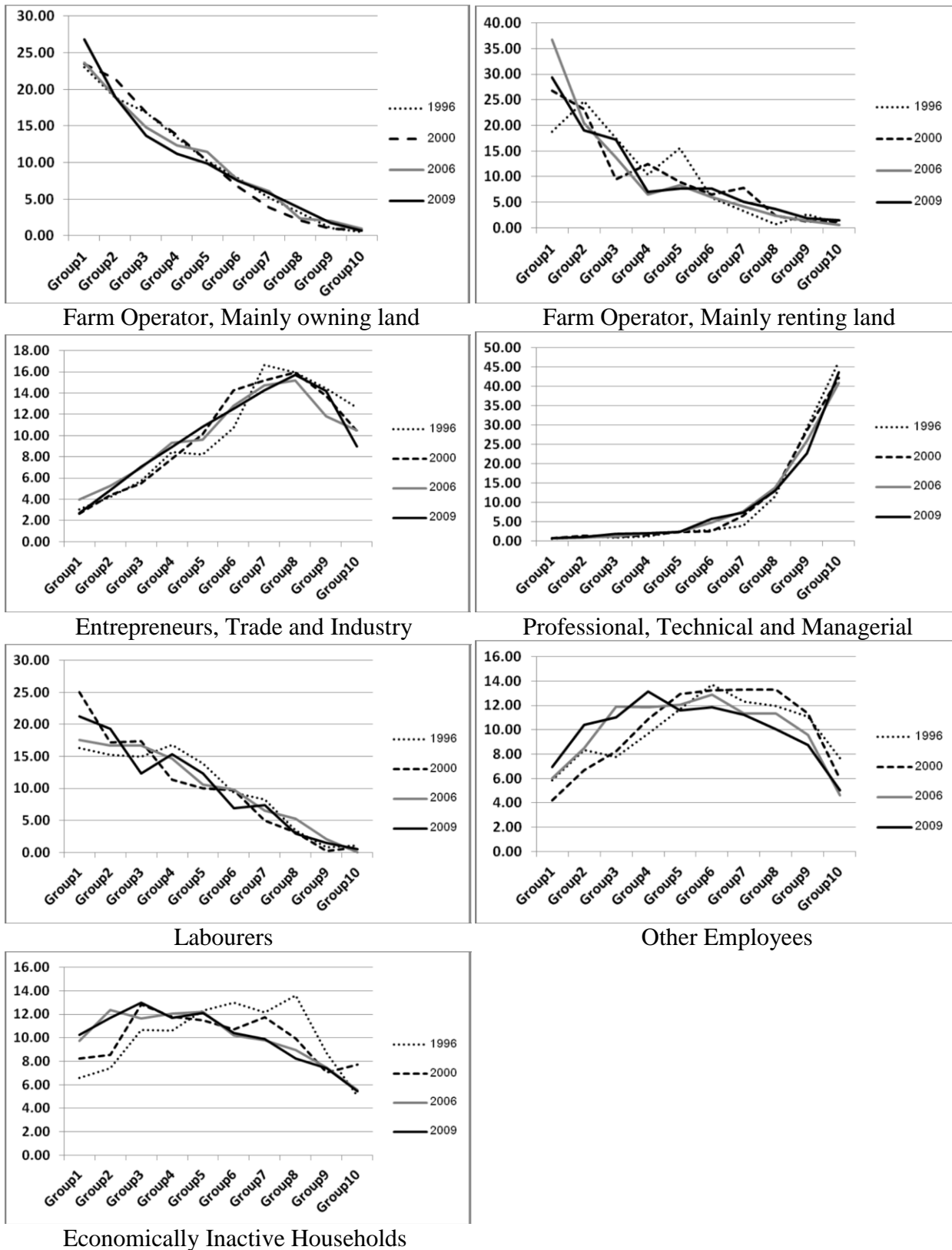


Figure 3.7 Percentage of Household by Occupation and Decile group in the Northeast

3.5 Conclusions and Discussion

It was argued in the 1970s that income inequality might increase at the early stage of economic development but later it decreases, which is known as the Kuznets' inverted U-shape hypothesis. The occurrence of worse income distribution is usual when the countries were at the early stage of economic development and changing to more industrial economy as was the case of Thailand. But after the 1990s, the trend is not clear because of the fluctuation of the inequality index. Many people suspected inequality was still worsening. However, this study shows that it is now almost clear that the income inequality has been decreasing since the 1990s if we focus on the trend. In terms of Gini coefficient, an inequality index, income distribution in Thailand decreased from 0.508 in 1988 to 0.493 in 2009.

This result showed that Thailand has already passed the turning point of the Kuznets curve in the 1990s and the medium term trend of inequality showed some downward trend thereafter.

In the political disputes it was assumed that the regional income inequality has been increasing for several decades. However, inequality between regions accounts for only a very small percentage (about 12.87 percent) of the total income inequality of Thailand in 2009. My result of the decomposition analysis of the Theil index shows the inequality between regions is only 0.06, while the inequality within each region is about 0.4 in 2009. This means that the income inequality between regions may not be such an important focal problem of income inequality as is always assumed in Thailand. A problem of this argument is that it tends to conceal or make less readily discernable inequality within the region when we mention the "poorest" region.

It is not easy to attribute this improvement to a few factors such as some specific government policies because income distribution is determined by many factors.

The income gap between Bangkok and other regions, especially the Northeast is often mentioned. It is one of the most serious political problems in Thailand. And the Thai government tried to solve this problem through various policy approaches. It gave the highest priority to this issue and implemented policies to support the agricultural households and the low-income people. However, the results in this paper show that they have increased income inequality within the Northeast and that some groups of agricultural households did not benefit from those policies as intended. They are still in the low-income group, especially farmers who mainly rent the lands they cultivate.

The situation of income distribution and regional income inequality were revealed in this chapter. However, statistical analysis is insufficient to fully understand the inequality problem to the point of being able to ascertain likely solutions. Therefore, human well-being and people's quality of life will be analyzed in chapter 4. Furthermore, we should focus directly on the people's life because statistical results may not reflect people's perception, and overlook some aspects. It is necessary to know the "voice" of the people, which will be shown in chapter 5 to be analyzed together with the statistical results to eliminate the inequality problem effectively.