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The causes of income inequality in Thailand in the view of political economy of development

What clearly is seen in Bangkok is that at the center of the city are Siam Paragon, Central and many shopping malls that serve a luxury lifestyle, however, on the other sides of the city, there are slums and huge amounts of homeless people that live in poverty. According to Gini ratio, a statistical measure of distribution intended to represent the income or wealth distribution of a nation and it is the most commonly used measurement of wealth or income inequality, Thailand scored 90.2 (Credit Suisse Research Institute, 2020) which reflects that Thailand has a high income inequality.The richest group has higher income than the poorest group by 10.3 times and these who belong to the richest group have an income more than 50% of the Thai citizen's income. It shows the different between the two different life, and it should be concerned as only minority of population enjoyed the growing of GDP of the country each year, but the rest are still suffering. An increasingly wealth inequality society could lead to higher levels of other social problems within a country such as obesity, teenage births, homicides, and imprisonment rates. These problems are also more experienced by the low income people in an unequal society and are independent of poverty. Therefore, reducing inequality in societies is thus the best way to improve the quality of the social environment, the welfare for everyone, and national standards of performance as inequality is the underlying problem in societies that affect the development of the country as a whole. This essay will elaborate about the factors that are causes of economics inequality in political economy of development point of view.

In Thailand, there is a research showing high concentration of business power, only small numbers of large firms have a power to control over the market. This could be the result of the rise of capitalisms in Thailand, which has occurred due to the fact that Thailand gives a high level of economic freedom. The idea that supports high economics freedom is classical liberalism by Adam Smith and David Ricardo. These two economists highlight the importance of 'freedom' follows the previous thinker, John Locke, that said "all men were free and equal" as in the past people were treated without knowing the world individual freedom because we rely on power of the king or the empire. Adam Smith and David Ricardo thought that self regulating the market is the main engine to drive the country's economy as they believed in price mechanism and the market failure is the result of government's mistake, as a result, these two thinkers believed in the society without a government intervention. David Ricardo proposed the idea of comparative advantage, the deeper idea of absolute advantage by Adam Smith, that shows how the whole economy would be better off when people do what they specialize as we would get more output with less amount of time. However, this could be one of the causes of inequality in Thailand because in reality, the market would view the skills unequally. Jobs that are on demand for the economy will get a higher wage compared to jobs that the market do not want, for example physicians and engineers get higher paid than these who are working in agricultural factors and artists as a result most Thai students fight for attending medical school or the school of engineering although it is not their preference. This is Marx called "alienation" as Thai people choose the path of life according to money whether we like the job or not, so in this case money is what alienates Thai people from their true self. According to Karl Marx, what created the alienation is the rise of capitalism which can refer to Thailand in the present day. Mostly, the skills that would increase the productivity of the country will be the jobs that get high paid. As we can see today that inequality has happened since the beginning, as each skill of specialization will be viewed by the economy unequally, that will lead to inequality in income in the country.

Another liberal economist that supports classical liberalism is Friedrich Hayek, he criticizes the role of government negatively because they usually disrupt the market mechanism and that will reduce market competition. He thought that if give too much power to the state, they would eventually control all people's freedom so that he did not believe in social planner at all. Friedrich Hayek pointed out the interesting point that a highly competitive market will lead the firm to complete each other with higher quality products so it will help the development of the country as a whole. However, this is a drawback in Thai society, that we have so little planning on how the economy will be. Thailand let the competition go freely as some industries would obviously grow faster than some of others so the sectors that are slower or less valued will get less benefit. This creates the winner and loser of the economy, some industries will die and some will stay. For example, agriculture sectors were the leading economy in the past, however, in the present day the most valued industries are technologies and energy. From the research, about 50% of the low income people are in the agriculture factor and the government does not really pay attention to these groups of people. The result of too little government intervention does not only affect industry level but at a smaller level as well. For example, there are less and less local stores nowadays because they were replaced by convenience stores like seven-eleven and family mart. These big companies that are the winners will keep winning as they have a high amount of fund, connection and importantly, the benefit of economy of scale that their cost will be reduced as they keep producing, as a result, it is hard for small businesses to survive in a competitive market in Thailand.

Without having an economy planned, the development in Thailand is separated unequally. Bangkok is far more developed compared to the other areas, so there are more business opportunities and working opportunities. In addition, Bangkok's GPP or gross provincial products is far higher than the GPP of the province that is located in the northeast region of the country. From the research, as of 2017 Bangkok has a GPP of 5 millions baht while Nongbua Lamphu has only 25,187 baht (sources: nesdb.go.th).Therefore many people immigrated from the country sides to the city for finding a jobs even it is a job with low paid. According to Ha Joon-Chang, we were told to think that all the developed countries have become rich throughout free market policies. But In fact, many developed countries today used to be involved with state intervention and protection in the time that they were just developing countries during the 1960s and 1970s. Therefore, Friedrich Hayek and Neoliberalism idea might not be suitable for Thailand as a developing country. Because Thailand has so much market freedom, it leads to a capitalist capitalist economy that Marx criticized in the past. He pointed out the flaws of Adam Smith's idea that although the firm is expanding with high profit over time, the benefit that keeps increasing would belong to capitalism while the laborers get only fixed wage. The free markets allow the circulation of capital into new investment, as invested capital is mixed with labour power to produce goods and services that are sold to generate a profit which provides more capital for further investment. Firms can continue to do this and create a cycle of increasing amounts of profit. This shows how the ownership of capital in a capitalist society like Thailand will produce inequality to an extent as it creates further accumulation through investment (Piketty, 2014). In the end, the free market allows us to have equal opportunity but not equal outcomes like just putting a handicap man and a healthy man on the race track and telling them to run, the winner is easily guessed.

For Institutional frameworks, Thai cultures and norms are one of causes that create wealth inequality in the country. One of the obvious Thai cultures that are so different from the western world is "Face", as it applies to Thailand is to value reputation, prestige, honor and social standing. Which clearly shows that Thai society highly values class and status. People who have high social status often come with power, and their power gains even more as Thai people are always praising these with high social standing or "Face" in the society. This means highly concentrated power will belong to a specific group of people and they have a power to promote or demote anyone according to their own desires. As a result, when people compare the cost and benefit using price mechanisms in their mind and come to a conclusion that they will choose to praise these high class in the society. For example rich people often receive a gift or money, as others want to please them in order to gain benefit in the future. The fact that Thai people often treat the rich and the poor in completely different ways, even shows inequity in Thailand. Another Thai culture that is considered as an obstacle in developing countries is the power of connection. No one can deny that connection plays an important role in Thai society as a person's life could be better off or worse off by the connection that he or she has. For example, many firms offer high-paid jobs to people who relate or have a close connection with the owner or the chairman only, while skill and education that a person has take only a small effect of the consideration. Additionally, it is hard for the poor to have a connection with the rich as they live a completely different life, the rich will go to the best international school in Bangkok, while the poor would go to public school. This illustrates that, In Thailand the wealth is only separate within the group of high income people as they will support each other out and there is only a small chance that the poor would have a share of these benefits. As a result, Thailand is the country where a person who has a lot of connections is more successful than a person with talents and skills. In my point of view, this culture not only creates wealth inequality but also slows down the development of Thailand.

Wealth inequality also occurred by the act of government as well. Democracy is the political system that should benefit the majority of the citizens most but the government is still neglectful with the fact that there are an increasing number of poor people in Thailand each year. As there are many actors in the country and there is only one government that could propose laws and policies for the country so the government would act like a monopoly, and what monopoly has is the power to maximize their own benefit. As a result, the citizens might not be the one that gives benefit to the government most but the rich and powerful people do. These people, such as business men and rubbing groups, have the power to negotiate with the government and they will offer the benefit to them as an exchange, so this is the reason why policies that we see today are not benefit the poor but benefit these powerful people. In addition, Thai government budgets are still concentrated in the Bangkok area. In 2016, the per capita expenditure of Bangkok residents accounted for 54% of the entire country, while the local governments have limited budgets.

In conclusion, one of the methods to reduce the gap between the rich and the poor is to adopt the idea of John Maynard Keynes by promoting welfare in the country. In my point of view, the government budget should be spent to provide better standard living for the whole country such as free health care, free education and the subsidy for small businesses in order to let these firms grow and be able with the big firms. Many countries that are known for having very little income inequality problem, especially in Europe, have their government provide the welfare for their citizens equally in a universal manner, which is considered a privilege, not aid. For example, free education for everyone to the advanced level, where public schools have similar quality across the country so there is no inequality in education. In my judgment, education is the path that allows people with low economic class to be able to push themselves to be in higher class in society, however, the government should be the one who gives this opportunity. The solution involves many roles of government as whenever we leave the society with freedom, everyone will try to maximize their individual benefit, a winner is always a winner and a loser always be a loser in this game so we need the third person to make this game fair. Lastly, wealth inequality is the problem that Thailand should concern, because development is about improving the country and these benefits from the better performance should be shared to everyone in the society equally.