

Extreme Inequality, Democratisation and Class Struggles in Thailand

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Overview

Thailand is finally set to have a general election on 24 March 2019 after five years of military government and a long period of political uncertainty. In this note, we argue that a main source of political instability is brought by Thailand's extreme levels of income, wealth and regional inequalities, as well as by the rising politicisation of class conflicts around redistributive issues which followed the Asian Financial Crisis.

New historical series on inequality in Thailand point to very high levels of income concentration. In 2016, top 10% earners received more than half of the national income, which is higher than what can be observed in most world regions. The social policies implemented by successive democratic governments since the 2000s have been successful at promoting a fairer distribution of labour earnings. Inequalities remain high, however, due to the strong concentration of wealth and capital incomes, which are not addressed by existing fiscal policies.

The post-1997 party politics successfully put an end to a long period of rising income disparities. Most importantly, they have been associated with the emergence of class cleavages visible in voting behaviours and party identification. These are conflicts opposing the established middle class and elites, who lost their relative economic and political power, to the poor and the emerging middle class who have benefited from a new and fairer economic era and put strong values on general elections.

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Introduction

After eight years since the last election, five years of military rule led by retired Army General *Prayuth Chan-Ocha*, and multiple postponements, Thailand is finally set to have a general election on March 24 that would decide who will perhaps sit in power for the next four years. To be sure, this general election is not entirely democratic: for instance, there is a potentiality of an ‘outsider’ prime minister. The 2017 constitution, Thailand’s 20th, was almost entirely written by the military, and will grant exclusive power to the junta to select 250 senators – each of whom will have a voice equal to that of an elected representative in deciding who is to be the next Premier.

What is clear is that the return of military governments in Thailand in 2006 and 2014, despite popular support for stronger democratic institutions in the 1990s, is the exact manifestation of the party politics that followed the 1997 constitution that were deemed most democratic.

Using surveys, tax returns, and national accounts, our recent working paper on income inequality in Thailand found that Thai inequalities, despite having moderately decreased since 2001, remain amongst the most pronounced in the world. Mass political mobilisations in the poorest regions of the country came by the introduction of systematic redistributive policies favouring low-income voters, at the expense of the middle and upper classes. This heavily contrasts the uneven development of the Thai economy of the earlier eras, which had primarily benefited the business elites and the Bangkok area.

Declining inequalities in post-crisis Thailand have occurred with the gradual emergence of strong political divides between rural and urban voters and, most importantly, between poorer and richer Thai citizens. These new tensions have paradoxically not consolidated the role of elected bodies in mediating social conflicts. They have, on the contrary, led to a backlash against democracy.

Thailand: one of the most unequal economies in the world?

How extreme is income inequality in Thailand? There is a consensus amongst researchers that Thai economic inequality had worsened rapidly since at least the 1960s and up until the 1990s. However, there is still academic controversy on how it has evolved since the mid-1990s and the Asian Financial Crisis. In a recent study, Jenmana (2018) has been able to track very precisely the evolution of personal income inequality in Thailand between 2001 and 2016 by combining surveys, data from administrative tax returns and data from national accounts.¹ His study reveals that income disparities in Thailand remain substantially higher than what household surveys alone suggest.

In 2016, the richest 10% citizens received 53% of Thailand’s national income, with monthly average incomes of about 100,000 THB (\$2,900), and the top 1% alone received 20%, earning over 380,000 THB (\$11,000). Meanwhile, the bottom half of the population received 13% of national income and earned only 5,000 THB (\$150) per month on average (see [table 1](#)).² This means that an average person in the bottom 50% would need to work almost 4 months in order to earn the income per day of the richest 1 percent, and one month to earn the income per day of the richest 10 percent.

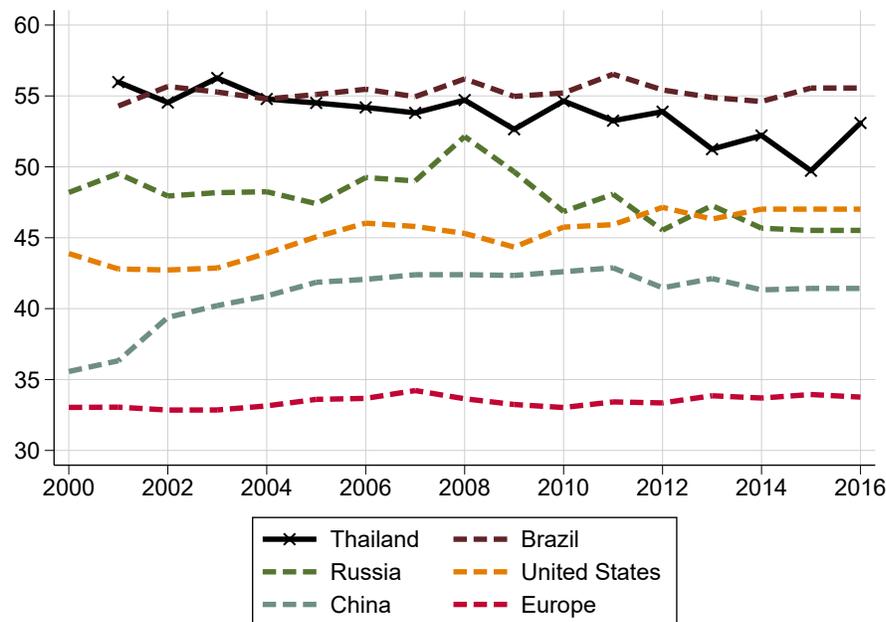
Income inequality in Thailand is amongst the highest in the world. In 2016, top 10% earners received 53% of national income.

Figure 1 shows the evolution of the top 10 percent’s national income share over 2001-2016 in comparison to other major economies. Although there is slight reduction of inequality over the period, Thailand remains one of the most unequal societies in the world. Between 2001 and 2016, the Thai richest 10 percent residents

¹Jenmana, Thanasak (2018), “Democratisation and the Emergence of Class Conflicts: Income Inequality in Thailand, 2001-2016”, WID.world Working Paper n. 2018/15, Version: November 2018.

²These numbers are represented in 2017 dollars, in market exchange rate.

Figure 1. Income inequality in Thailand in comparative perspective: Top 10% share, 2000-2016



Source: Jenmana, T. (2018), 'Democratisation and the Emergence of Class Conflict: Income Inequality in Thailand, 2001-2016' and World Inequality Database. All series can be downloaded from <http://wid.world>.

earned more than half of the national income every year. This is significantly higher than what can be observed in major world regions, including Europe, China, the United States or Russia. Levels of income inequality in Thailand today are in fact closer to those observed in Brazil, a country which is well-known for its extreme inequality legacy. It is all the more striking that income disparities can remain so high in a country with such a small population (less than 70 million in Thailand versus more than 200 million in Brazil).

Thailand is also, according to the Cr dit Suisse, one of the countries where the concentration of wealth is the highest in the world.³ While such figures should be interpreted with caution, given the low quality of data sources available to measure wealth, they are suggestive of the extreme levels of social and economic inequalities that Thailand is facing today.

³The country where wealth inequality is the highest, according to the recently published 2018 Global Wealth Report of the Cr dit Suisse.

The politics of Thailand's uneven development since the 1960s

The levels of income inequality visible today in Thailand are the result of a long-run political and economic process which has, until recently, primarily benefited to top incomes living in urban areas and in particular in Bangkok. The military governments of the post-war era, especially between the 1960s up until the 1980s, were highly successful in implementing macroeconomic policies to continuously fuel the economic growth. With the help of globalisation, US financial aid, growing manufacturing and banking industries, and foreign direct investment, economic growth between the sixties up to the nineties was remarkable. However, much of the prosperity was shared by a small share of the population. In this period, the majority of the Thai working population remained employed in agriculture, while much of the fruits of economic development were concentrated to

Table 1. Thresholds, averages, and national income shares in Thailand, 2016

Income groups	Number of adults	Threshold (monthly)		Average income (monthly)		Income share
		2017 Thai Baht	2017 Dollar	2017 Thai Baht	2017 Dollar	
Full population	51,954,056	0.00	0.00	18,661	550	100%
Bottom 50%	25,977,028	0.00	0.00	4,941	146	13%
Middle 40%	20,781,622	8,613	254	15,707	463	34%
Top 10%	5,195,406	37,783	1,114	99,072	2,920	53%
incl. Top 1%	519,541	161,489	4,760	377,426	11,124	20%
Top 0.1%	51,954	609,716	17,970	1,426,474	42,042	8%
Top 0.01%	5,195	2,150,996	63,395	5,668,244	167,057	3%
Top 0.001%	520	8,679,363	255,802	24,329,051	717,037	1%

Source: Jenmana, T. (2018), 'Democratisation and the Emergence of Class Conflict: Income Inequality in Thailand, 2001-2016'. All data series can be downloaded from <http://wid.world>.

those involved in large enterprises, export industries, and banking sectors. Accordingly, there is a general consensus that personal income inequality rose dramatically between the 1960s and the early 1990s.

Politically, the worrying voices of the poor were silenced during this period, and forms of political participation and demonstration were prevented by the government.

Until the 1990s, economic growth mainly benefited to a small, urban economic elite.

With the US's cold-war stance to 'fight against communism', a large amount of economic aid were provided, which helped military governments to stay in power and to further

suppress dissenting voices. The issue space of the Thai political economy was, until the beginning of the 1990s, entirely dominated by commercial bankers, the military, and the technocrats.⁴

The 1997 Asian Financial Crisis marked a new era for Thailand. The public discontent that arose from uneven economic shocks, such as a 10% rise in poverty rate and negative growth, along with the general dissatisfaction towards military rule which had grown since the beginning of the 1990s fuelled the demand for political and economic reforms. The 1997 Constitution intro-

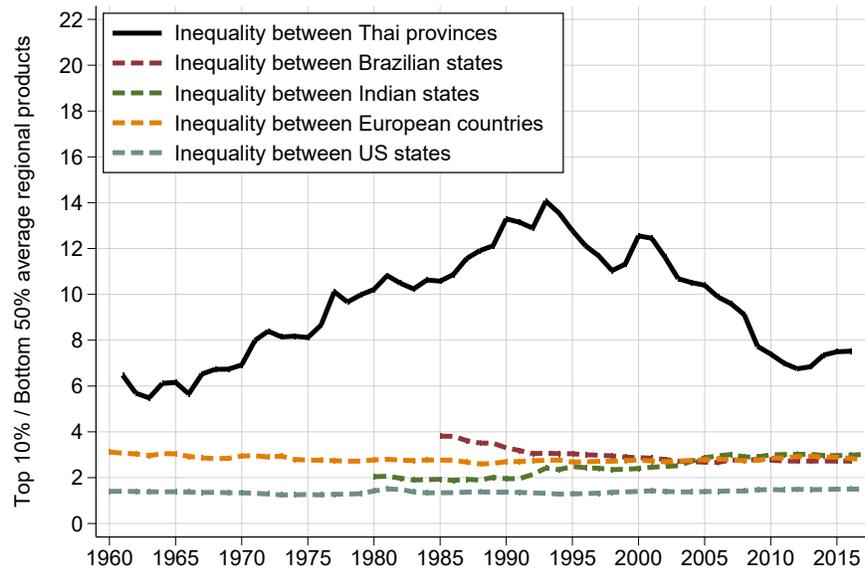
duced a number of innovations in the democratic process, strengthening the executive, allowing the upper house to be fully elected for the first time in Thai history and improving the separation between the executive and the legislative bodies.

What followed was the era of Thaksin Shinawatra, the leader of the then Thai-Rak-Thai (TRT) party, who was elected for office in 2001 with more than 40% of popular votes. At first, he presented himself and the party as the ones that would restore economic growth and the strength of Thai industries and businesses, but the accumulation of political scandals led him to adopt more 'populist' stances. Amongst many of the policies implemented in the years that followed were the universal healthcare plan, farmers' debt rescheduling, affordable social housings, and massive village microcredit schemes. The years that followed were associated with relative political instability: a 2006 *coup d'état* sent Thaksin into exile, but his sister Yingluck Shinawatra won the 2011 elections with a programme promising to pursue his policies (such as increasing substantially the minimum wage). On 22 May 2014, finally, the Royal Army General *Prayuth Chan-Ocha* launched another *coup d'état*.

Changes in economic inequalities in Thailand since the 1960s are fully consistent with these different historical phases of the Thai political economy.

⁴For a detailed account of the Thai state and economic reforms, see Satitniramai, A. (2013). *The Rise and Fall of the Bankers' Capitalism: 60 Years of the Thai Political Economy*, Bangkok. SameSkybooks (in Thai).

Figure 2. Regional inequality in Thailand in comparative perspective, 1960-2016



Source: authors' computations combining national and regional accounts statistics from the National Economic and Social Development Board (Thailand), the Brazilian Institute for Geography and Statistics (Brazil), the Bureau of Economic Analysis (United States), the Central Statistics Office (India) and the World Inequality Database (Europe). Interpretation: in 2016, the richest 10% Thai provinces' average domestic products per capita were about 8 times higher than that of the poorest 50%. Meanwhile, the richest 10% US states' average domestic products per capita were less than 2 times higher than that of the poorest 50%

Bangkok accounts for less than 15% of Thailand's population but more than 30% of its GDP.

Figure 2 plots the evolution of regional inequality in Thailand between 1961 and 2016, focusing on the gap in production per capita between the top 10% provinces (essentially Bangkok and other small

industrial provinces) and the poorest 50% provinces of the country, and comparing these figures with those visible in other world regions.

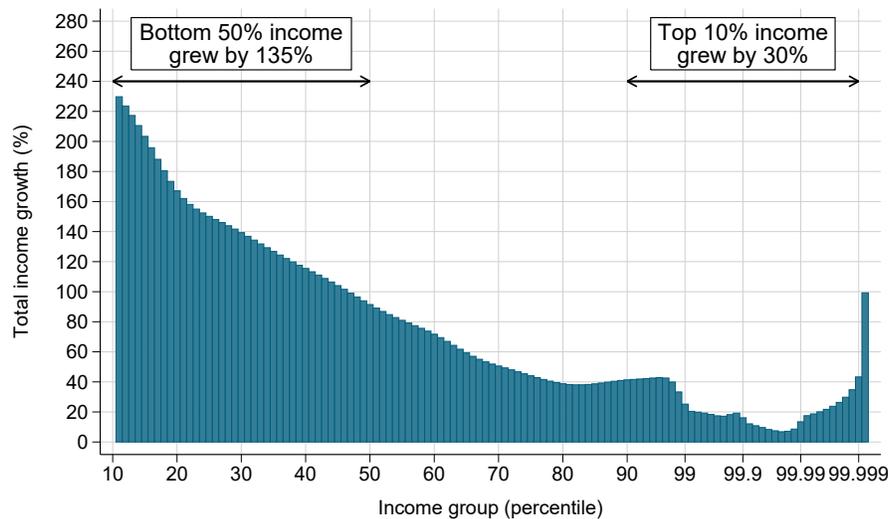
Two main results appear clearly. First, spatial inequalities in Thailand have always been exceptionally high. Thailand's richest provinces have always earned over 6 times the average income of the poorest 50% provinces, while corresponding figures do not exceed 4 in Brazil, India and Europe, and have always been below 2 in the United States since the end of World War II. This has to do with the massive division between the 'centre' and

the 'periphery' which has been at the heart of the Thai late developmental state since the end of World War II.

In 2016, the gross provincial product of Bangkok alone accounted for less than 15% of the Thai population but for more than 30% of the national GDP. By contrast, the Northeastern region concentrated more than a quarter of the population but only 10% of GDP.

Secondly, spatial inequality in Thailand has followed an inverted U-shaped curve, rising until the mid-1990s and decreasing since then. This corresponds exactly to the two main phases of Thailand's political and economic post-war developments. Between 1961 and 1995, the gap in production per capita between the centre and the periphery more than doubled from 6 to 13, following the concentration of foreign direct investments and export-led growth policies towards Bangkok and other industrial areas. After the financial crisis of 1997 and the election of Thaksin in 2001, on

Figure 3. Income inequality in Thailand, 2001-2015: total income growth by income group



Source: Jenmana, T. (2018), 'Democratisation and the Emergence of Class Conflict: Income Inequality in Thailand, 2001-2016'. All data series can be downloaded from <http://wid.world>.

the contrary, economic growth was stronger in poorer, agricultural provinces of the North and the North-east, which massively benefited from interventions on agricultural prices and improved financial conditions.

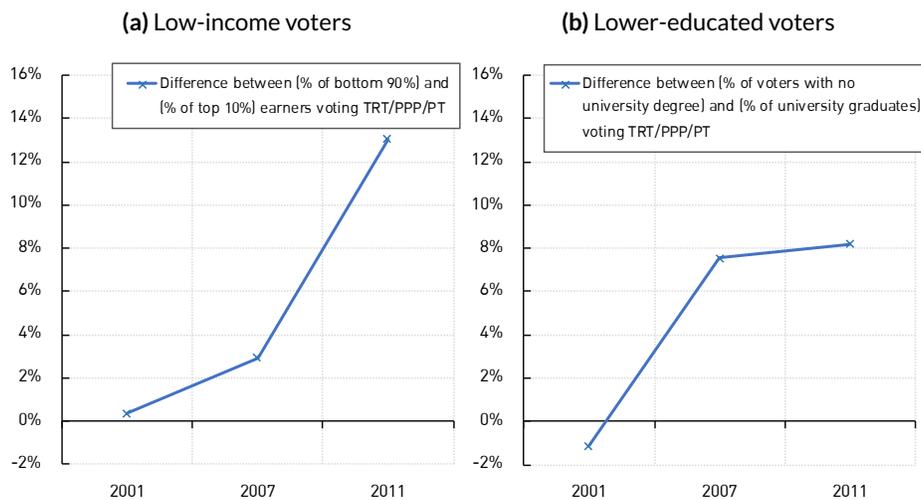
Since 2001, minimum wage, education and healthcare policies have been successful at improving the living conditions of the poor.

Since the beginning of the 2000s, inequalities have not only decreased between regions; they have also declined slightly between Thai citizens. Figure 3 plots the growth in average income by income group between 2001 and 2015. Poorer income earners have benefited more from growth than the middle and upper classes in recent years. During the 2001-2015 period, the bottom 50% earners saw their average incomes more than double – increasing by up to 220% – while that of the top 10% increased by 30%. These rises in incomes at the bottom of the distribution are the direct consequence of the social policies implemented by the Thaksin and Yingluck governments between 2001 and 2014.

Income inequality in Thailand has therefore decreased in the past decade, but this claim should not be over-emphasised. This decrease has been almost entirely driven by improvements in the labour incomes of the poor, while capital income inequality – which is much more pronounced and accounts for a significant share of overall income inequalities – has remained much more stable. Furthermore, while inequality has decreased in relative terms, the absolute distribution of gains was much more skewed: the top 10% captured more than one third of growth, and the top 1% more than one tenth of growth over the 2001-2015 period.

This is directly due to the fact that inequalities in Thailand are particularly high, so that even major improvements in the earnings of low-income citizens can do little to reduce overall income gaps in the short run. Poorer households did benefit more from economic development than they used to in previous decades, but the share of national income accruing to top 10% earners has only decreased from 56% to 53% between 2001 and 2016.

Figure 4. Support for Thaksin-linked parties by income and education, 2001-2011



Source: authors' computations based on data from the Comparative Study of Electoral Systems (CSES). For (a), education, age, gender, and occupation are controlled for. For (b), income, age, gender, and occupation are controlled for.

Social policies remain insufficient to address the main causes of inequality in Thailand, namely the extreme concentrations of capital incomes and wealth

If governments do aim at truly curbing inequalities in the future, they will therefore have to combine existing social programs with significant improvements in tax progressivity. Minimum wage, healthcare and education policies are key to improve the living conditions

of the poor, but they remain insufficient to address the main causes of inequality in Thailand, namely the extreme concentrations of capital incomes and wealth. Implementing a progressive wealth tax, or increasing top marginal income tax rates, are solutions which could be effective at both collecting additional government revenue and enhancing social equity in Thailand.

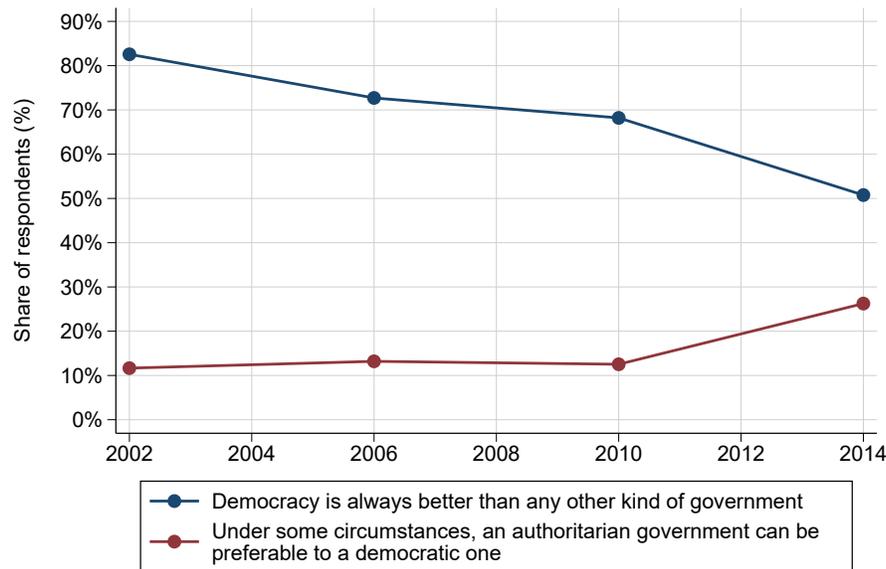
Democratisation and the construction of class cleavages

To what extent can the recent decline in income inequality in Thailand be linked to the politicisation of new social divides and to the process of democratisation en-

gaged since the end of the 1990s? What is interesting about the ongoing Thai political conflicts is that despite some distinctions between voting behaviours and attitudes towards democracy, current cleavages in Thailand are largely class-based. Income and education cleavages are stronger in voting behaviours. Meanwhile, the more visible forms of political participation, such as demonstrations for or against democratic processes, are more representative of conflicts concentrated between the emerging middle class and the established middle class.

The 2001 election – the first to follow the 1997 constitution – resulted in a decisive victory for Thaksin Shinawatra and his Thai Rak Thai (TRT) party. The party won 248 seats out of 500, while the Democrat party won almost half of that amount. Most likely due to the effects of the Asian Financial Crisis and the unpopular IMF deal in which the Democrats were involved, there were no clear divisions between voters in terms of income or education at the time. The victory was also possible, despite TRT being a relatively new party, due to a new electoral rule that encouraged a two-party system in place of the more fragmented one seen in the pre-1997 elections. With the help of local civil societies and activists, the TRT gained massive support within the North and Northeast-

Figure 5. Support for democracy in Thailand, 2002-2014



Source: authors' computations using the Asian Barometer surveys.

ern Provinces, the poorest regions in the country.

Despite its original position that mostly concerned restoring high economic growth and reviving business conditions, the TRT took a turn towards pro-poor policies. The old middle class and the elites were largely against this, and the term 'populism' emerged for the first time in Thai politics. Nonetheless, these policies proved critically popular, and TRT was the first democratically-elected party to stay a full term and to be reelected in 2005 with 67% of seats. The support for 'TRT' arguably perpetuates until the present day, despite the party being dissolved after the 2006 coup. As reformations of TRT, the People's Power Party (PPP) and the Pheu Thai (PT) Party won the following two elections in 2007 and 2011, respectively.

If it was not clear yet in 2001, it was self-evident that there was a rising class-based cleavage *in voting behaviours* by 2007 and 2011. Figure 4 explicitly shows that the richest 10 percent were less and less likely to vote for the TRT/PPP/PT party relative to the rest of the voting population, and the same can be observed for individuals with tertiary education. This increasing sup-

port for the TRT among poorer, lower-educated Thai citizens is directly linked to the social policies implemented by the Thaksin government. It is reflected in the reduction of regional inequalities, which has concurred with rising support for the TRT in the North and Northeast. These political changes are, in this respect, noticeably similar to those observable in Brazil at the exact same period, when Lula da Silva's success in fighting poverty consolidated the Workers' Party's electoral base among the working class.⁵

Democratisation has been associated with growing cleavages opposing poorer Thai citizens to the middle and upper classes.

As such, the established middle class and the elites that benefited most from the pre-1997 economic boom inherently became politically 'marginalised'. The terms 'populism' and 'populist policies' were used to attack the party's focus on pro-poor policies. To them, these moves used to 'buy votes' were taken as threats against economic efficiency – an ideology held dear by the cham-

⁵Gethin, A. and Morgan, M. (2018), 'Brazil Divided: Hintsights on the Growing Politicisation of Inequality', *WID.world Issue Brief 2018/3*.

pions of neoliberalism which were not only the middle and upper class, but also the technocrats. It was only natural that the elites would escape the loss of economic and political influence through the 2006 and 2014 coups, which were both unmistakably brought fruitful by the mobilisation of the established middle class.

Support for democracy declined from around 80% in 2002 to just 50% in 2014, and there was almost an equal rise in support for an authoritarian government, which peaked at almost 30% in 2014 (figure 5).

The foundations of democracy in Thailand remain weak in the foreseeable future.

This brings us to the second point: there are surprisingly no income or educational cleavages in preferences for democracy. Asian Barometer surveys indeed show that there are no significant differences between income groups, wealth groups or educational groups in support for democracy or authoritarianism.

This is extremely striking, but overall not surprising. These findings go in line with Satitniramai (2010) and Manachotphong (2014) who looked at street demonstrations for or against democratic processes.⁶ Manachotphong (2014) surveyed the red (pro-Thaksin) and yellow (anti-Thaksin) shirts, and found that within each group there are indeed some variations in terms of political ideologies. Those that came out against Thaksin and the party are generally more well-off economically and more educated. However, income did not play any significant role once education, occupation and urban-rural locations were controlled for. At the end, the street demonstrations by the red and the yellow shirts represent the clash between the emerging middle class, whose economic conditions are much more insecure, and the established middle class.

It is rather clear, then, that the class conflicts, between rural and urban, rich and poor, 'well-educated' and not,

were largely driven by economic reasons. The platform of the Thai Rak Thai party since 2001 was a successful formalisation of these social dissonances. The political mobilisation of the poor in elections that followed ensured the poor that their voices were heard, and guaranteed the party its victories.

This form of party politics and the subsequent end of rising income disparities could happen largely because of pushes for democratisation and the 1997 constitution. For the middle class and elites, it was democracy on its back.

Making sense of the 2019 Thai election

Is the victory of the established middle class and elites coming to an end? The military is trying very hard to not make that happen. It is therefore understandable that the Thai Raksa Chart Party, a split-off of the Pheu Thai party, would in a historic political move nominate Princess Ubolratana Mahidol, who is a close friend of the Shinawatra and the sister of King Vajiralongkorn, for the Prime Minister position. This would have been a move trumping any attempt by the military to retain its post-election power if it was not implicitly and publicly annulled by the King. It also represents how disconnected the concerns of those that support the nomination are to democratic values. Then, the foundations of democracy in Thailand remain weak in the foreseeable future.

It is also clear that political parties have realised that they must introduce redistributive policies in order to win a non-negligible share of seats. In this election, even the military party has done so. Then, the primary concerns of the voters should not only be economic, but should also focus on party platforms regarding democratic institutions, constitutional reforms, and limits to military power.

⁶See Satitniramai, A. (2010). Who are the red shirts? In Pinyo Traisuriyathamma (eds.) *Why red: The Thai society, problems, and the birth of the red shirts.*, Bangkok, OpenBooks, 312p. and Manachotphong, W. (2014), 'The shades of Red and Yellow: evidence from survey data', *Thailand and The World Economy*, 32(3), 31-68.

About the authors

Thanasak Jenmana is a research fellow at the World Inequality Lab. In a recent study, he re-examines the evolution of income inequality in Thailand between 2001-2016 using a novel combination of data sources. The main motivation lies in the lack of information on the richest citizens in household surveys, which can lead to a significant underestimation of the inequality level and to an inaccurate representation of historical trends. The study systematically combines household surveys, fiscal data, and national accounts to create a more consistent inequality series.

The results indicate that income inequality is much higher than what past surveys have suggested, specifically when looking at the reduction in inequality, which turns to be much more conservative. The top 10% income share went from 56% of national income in 2001 to 53% in 2016, and the bottom 50% share increased from 9% to 13%. The Gini coefficient decreased by 0.06, reaching 0.62 in 2016.

Amory Gethin is also a research fellow at the World Inequality Lab. His research focuses on the links between economic inequality and political cleavages in developed and developing democracies. He has in particular worked on the long-run evolution of electoral behaviours in Brazil and India, documenting the historical processes underlying the relative political salience of economic redistribution relative to other ideological identifications.

✉ Jenmana, Thanasak (2018), "Democratisation and the Emergence of Class Conflicts: Income Inequality in Thailand, 2001-2016", WID.world Working Paper n. 2018/15, Version: November 2018.

✉ Gethin, Amory and Morgan, Marc (2018), 'Brazil Divided: Hindsight on the Growing Politicisation of Inequality', WID.world Issue Brief 2018/3.

The World Inequality Lab

The World Inequality Lab aims to promote research on global inequality dynamics. Its core mission is to maintain and expand the World Inequality Database. It also produces inequality reports and working papers addressing substantive and methodological issues. The Lab regroups about twenty research fellows, research assistants and project officers based at the Paris School of Economics. It is supervised by an executive committee composed of 5 co-directors. The World Inequality Lab works in close coordination with the large international network (over one hundred researchers covering nearly seventy countries) contributing to the database.

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