Thailand's wealth inequality is the highest in the world: What will this mean for the upcoming elections?

TOPICS: 2019 Thailand General Election Credit Suisse Pheu Thai Thailand Thaksin Shinawatra Wealth Inequality Yingluck Shinawatra

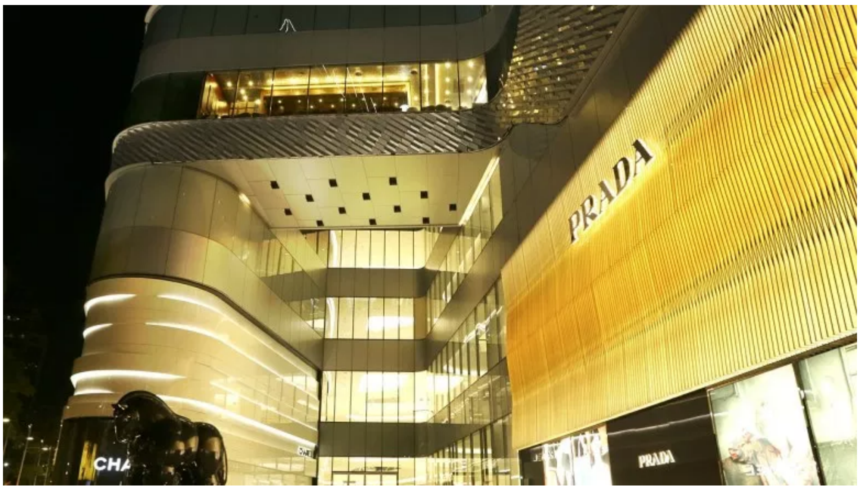


Photo Credit: Pixabay

JANUARY 16, 2019

New data indicates Thailand has the highest wealth inequality in the world. With elections expected in February, political parties are forced to address this threat to social stability.

By Skylar Lindsay

Thailand now has the largest wealth gap in the world, according to a recent report by Credit Suisse. The Global Wealth Report and Databook, published in December 2018, showed that the richest 1% in Thailand now controls almost 67% of the country's wealth.

Empowering or disempowering? What future fintech technologies mean for ASEAN nationals

NOVEMBER 10, 2019

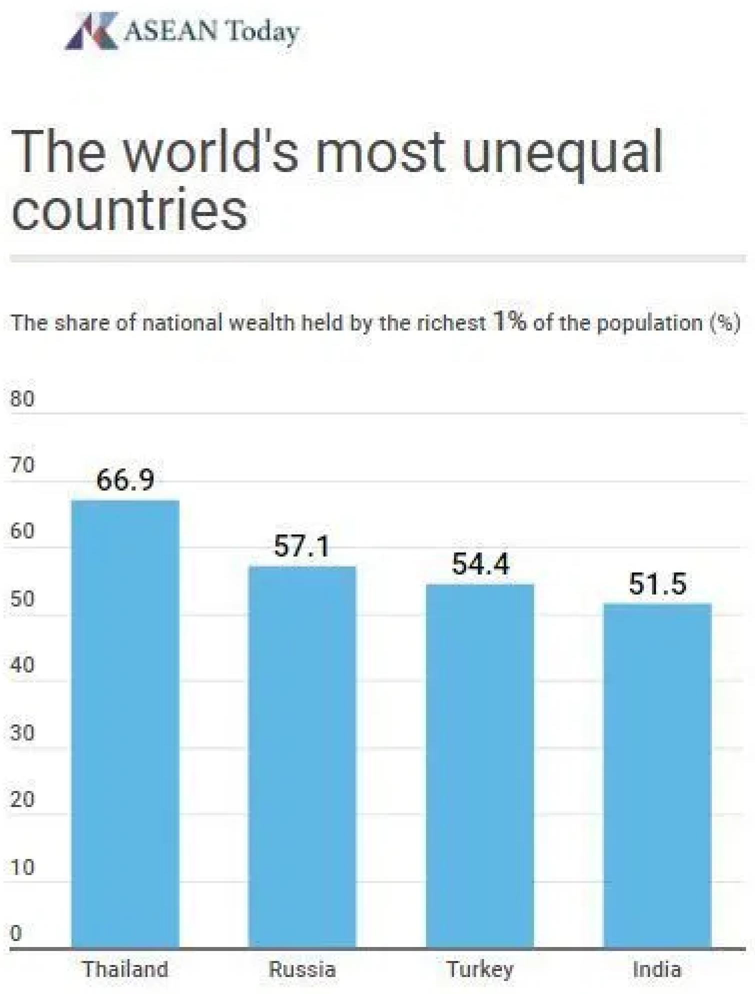
A few bad apples: How illegal lenders are abusing consumers in Indonesia's P2P lending sector

OCTOBER 15, 2019

Will Singapore's talent shortage derail its fintech ambitions?

AUGUST 16, 2019

Cross border payment systems in ASEAN gather steam



Source: **The Nation**

Actors across the political spectrum, from the liberal "red shirts" to the junta-backed Palang Pracharat Party and the private sector, agree that wealth inequality is a threat to Thailand's social stability.

Upcoming elections expected on February 24 present an opportunity for the Thai public to demand reform aimed at closing the gap. However, with opinions still divided on the causes of Thailand's rising inequality, solutions appear a long way off.

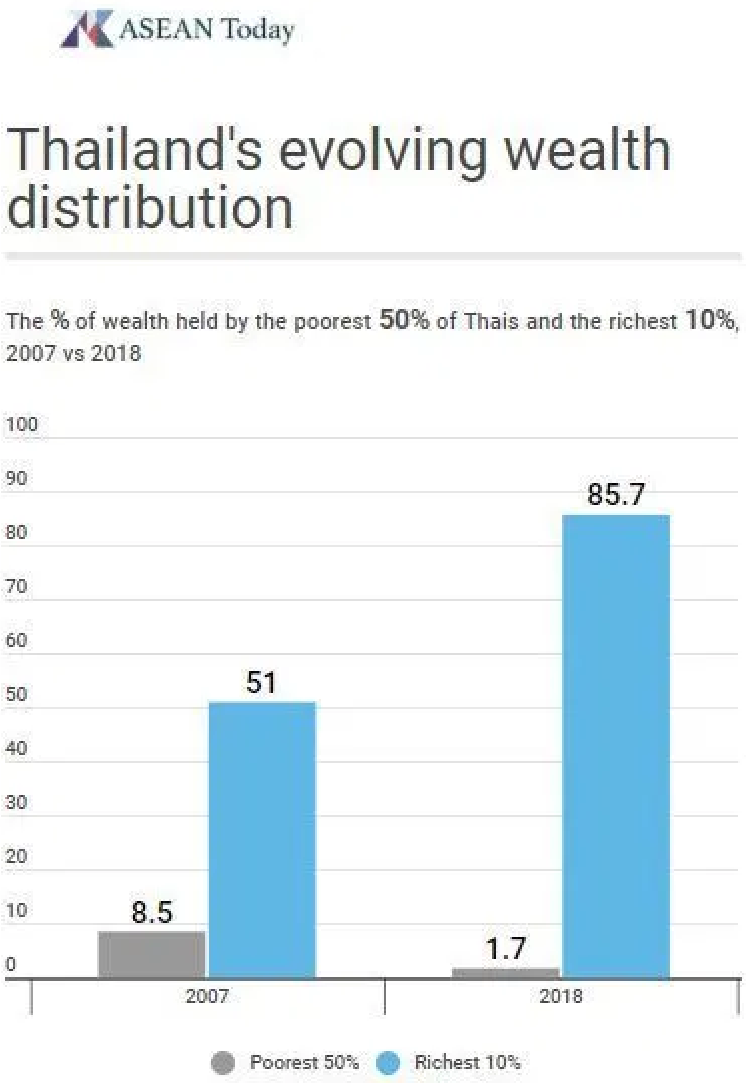
The red shirts assert that political inequality and the wealth gap feed off each other. They maintain that Thailand must reform its political power structure to address economic inequality.

The private sector and government actors, however, have pointed to structural flaws in the economy that have prevented the lower economic classes from seeing the benefits of growth. They're pushing for economic rather than political reform.

Regardless, the Thai junta has laid out strict, legally binding plans to direct the next government. If the red shirts gain power, the lingering influence of the military after the election will prove an obstacle to progressive reforms, assuming they happen at all.

Wealth inequality in Thailand is growing more dramatic

According to the Credit Suisse report, the bottom 10% of Thais hold 0% of the wealth, being either in debt or having no documented household income. The poorest 50% of Thais now hold only 1.7% of the country's wealth, while the richest 10% now hold a massive 85.7%.



Source: **Credit Suisse**

Since the 1950s, Thailand has seen rapid economic growth that has lifted segments of the population out of poverty but provided disproportionate benefits to a wealthy few.

Part of this is because while Thailand's gross domestic product (GDP) per capita tripled between 1980 and 1995, spending on social services remained stagnant, limiting social mobility and preventing lower classes from taking advantage of the growth.

Public spending on education remained at 2-3% of the GDP during this growth period. The growing costs of higher education made it inaccessible to the lower classes, denying them a route to higher-paying jobs. In the 1960s, 85% of Thais were farmers (a lower-income occupation for most) but 15.5% of these families were sending their children on to university. By comparison, in the mid-1980s, the percentage of farmers sending their children to university had dropped to 8.8%.

Today, Thailand only spends 7.8% of its GDP on social services, according to the Thailand Development Research Institute (TDRI), while most developed nations spend an average of 20%.

Thailand's red shirt progressives may get another chance to push reforms, but they have to do better than their past

This is the economic landscape from which the middle class and student movements that became known as the red shirts emerged. The red shirts now back the Pheu Thai Party, the largest progressive party in Thailand today. According to a source close to Thailand's Internal Security Operation Command, recent polling shows that Pheu Thai will soundly win any free and fair elections – and they've also won every national election since 2001.

With the elections looming, the red shirts now have another chance to implement their visions for a more equitable Thailand, and to test whether they can truly act as a conduit for change from below.

While wealth inequality is a widely-acknowledged issue in Thailand, it's progressives and the left who've championed the cause. Thailand's left – the red shirt supporters of the Shinawatra family and the Thai Rak Thai Party (TRT) – have long called for measures to address both the causes and impacts of this inequality.

The red shirts rallied behind former Prime Minister Thaksin Shinawatra – when Thaksin and the TRT won the election in 2001, it was by the largest margin ever seen in a Thai election. Thaksin built economic development projects that benefited the rural poor, including the locally-managed Village Fund microcredit and One Tambon (village) One Product programs.

Massive funding for health care increased the percentage of the population with access to health care from 76% to 96%, but Thaksin was still unable to reduce wealth inequality.

Thaksin was ousted in a coup in 2006 and went into exile. In the next elections, in 2007, the poor still supported redshirt candidates. Thaksin's sister, Yingluck Shinawatra, continued to cultivate their base of support across northern and northeastern Thailand or Isaan, and Yingluck was elected as Prime Minister in 2011.

But Thailand's wealth inequality was not addressed under Yingluck either. She backed corporate tax cuts and failed to restructure the tax system to benefit the poor. T

Thailand's tax policies have long tended towards a structure that effectively transfers wealth away from the poor, by building an economy that facilitates growth for the top income bracket. Since the second half of the 20th century, income and property taxes have been low and tax structures have offered breaks to manufacturing and industrial businesses. At present, the property tax still only applies to houses worth more than 50 million baht (approximately US$1.56 million).

Even Yingluck's trademark rice scheme, which saw the government buy rice from local farmers at prices 50% higher than the market value, did nothing to combat inequality and even exacerbated the problem. Research from the TDRI suggests that the scheme disproportionately benefited merchants and businesses further along the supply chain, rather than rice farmers themselves. Only a small portion of the program's budget went to poor farmers, and the fact that the government offered farmers higher prices raised costs across the market.

Part of the problem is that Liberal Thai leaders who have gained power in recent years still work within the firmly entrenched status quo – Thailand's government has never been moulded by a bottom-up political movement. Also, the Shinawatras, as telecom billionaires, may not be the best embodiment of the red shirts ideals.

The poor and disenfranchised in Thailand have looked to the red shirt movement for hope not because it offers a coherent set of policies but because it stands for a revision of political and economic inequality and the possibility of progressive reform, even if that reform has done little to address wealth inequality.

In the upcoming elections, the red shirts are backing multiple smaller parties – proxies for Pheu Thai – that will work together to form a government. The Pheu Tham, Pheu Chart and Thai Raksa Chart parties, as well as southern-based ally Prachachart, are all being led by pro-Thaksin leaders and ex-politicians. However, even if they do succeed in taking 300 seats in the House of Representatives – the amount needed to control the new government – the military-appointed Senate will still have the power to choose the next Prime Minister.

The Thai business sector acknowledges the need for reform but focuses on existing structures

The private sector has also highlighted the need to address Thailand's wealth gap, but it insists that focusing on economic reforms, rather than social equality and political reform, will close the widening chasm between Thailand's rich and poor.

Banyong Pongpanich, chairman of Phatra Securities PCL, was one of the first to call attention to Credit Suisse's findings on Thailand. In a post on Facebook that was shared over 1,500 times, he pointed out that this data reveals impending social instability. The solution, he says, is a combination of free-market capitalism, neoliberalism and welfare.

He agrees with redshirt politicians on the subject of welfare but asserts that their success hinges on the implementation of large-scale progressive tax reforms – to correct historical inequalities and boost social mobility by reducing the percentage of people who need to rely heavily on government support.

Thailand's current government remains inflexible despite the upcoming elections

The junta has made it very difficult for any future government to implement dynamic and effective reforms to address inequality. In July 2018, the Thai junta passed the National Strategy Act, a legally-binding 20-year development plan that outlines Thailand's priorities and strategies for 2018-2038. It is an all-encompassing document centred around political stability, national security and long-term development.

Future governments will be required to stick to the plan or face jail time and reprisal from the junta's anti-corruption commission. The plan specifies the need to improve social equality but only through what it calls "people's assemblies" designed to build locally-tailored programs that improve equality.

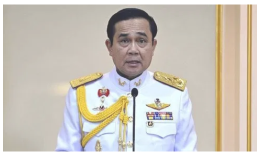
The government has tried to discredit the Credit Suisse report findings. The National Economic and Social Development Board (NESDB), a government think tank, has disputed them and pointed out that the Credit Suisse data doesn't align with that of the World Bank.

The Credit Suisse report may have been skewed by the fact that many countries couldn't provide complete data on inequality, but the findings still illustrate that wealth inequality is an ever-growing problem in Thailand that hasn't been adequately addressed.

The current government has made it difficult to reform the country's economic and development plans, but there are still examples of compromise and cooperation. Some redshirt policies have had a lasting impact and gained broader cross-spectrum political support. Thaksin's popular 30 baht health care plan has survived, still giving over 48 million citizens access to any health service for a flat fee of 30 baht. Despite open criticism from Prayut, the program continues today.

The Credit Suisse report highlights the already pressing problem of Thailand's wealth gap, but the upcoming elections offer a chance to try new tactics to address it. Should Pheu Thai emerge victorious at the ballot box, the next government will have to prove that it can enact policies that strengthen Thailand's electoral democracy and restructure the political inequality that fuels the wealth gap.

Related



Thailand's left may still win at the polls despite court ban on opposition party

What Princess Ubolratana's failed candidacy means for Thailand's elections

There's a boot on the neck of Thailand's democracy undermining its legitimacy

SHARE TWEET PIN SHARE

Previous post Next post

RELATED ARTICLES

The Thai and Cambodian elections will be electoral authoritarianism in action

Will Prayut last through 2023?

Yingluck Shinawatra rice trial: Thailand awaits the verdict

TPP: It’s make or break for Thailand

ABOUT US | TEAM | PRIVACY POLICY | TERMS | JOIN US