**นิพนธ์ต้นฉบับ**

# ผลกระทบของนโยบายเศรษฐกิจและสังคมต่อความเหลื่อมล้ำด้านรายได้ในประเทศไทย

**Robert B. Albritton[1] and Chandranuj Mahakanjana[2]**

[1] Ph.D.(Political Science), ศาสตราจารย์,
Department of Political Science, University of Mississippi
E-mail : ralbritt@olemiss.edu
[2] M.A.(Political Science),
Department of Political Science, Northern Illinois University

## บทคัดย่อ

บทความนี้กล่าวถึงภาวะการเพิ่มขึ้นและลดลงของความเหลื่อมล้ำด้านรายได้ในประเทศไทยโดยอาศัยข้อมูลจากการศึกษาของ Nanak Kakwani และ Medhi Krongkaew ที่อธิบายถึงลักษณะของความเหลื่อมล้ำด้านรายได้ในช่วง 30 ปีที่ผ่านมา นอกจากนี้ยังได้วิเคราะห์ข้อกล่าวอ้างของ Yukio Ikemoto ที่ว่าลักษณะดังกล่าวส่วนใหญ่มีความสอดคล้องกับรูปแบบของ Kuznets ที่ระบุว่า ในขณะที่การพัฒนาด้านเศรษฐกิจเป็นปัจจัยก่อให้เกิดความเหลื่อมล้ำด้านรายได้ในตอนเริ่มต้น แต่ก็ไม่มีจุดใดที่บ่งบอกว่าการลดลงของความเหลื่อมล้ำสัมพันธ์กับการเจริญเติบโตทางเศรษฐกิจ กรณีของประเทศไทยได้รับการทดสอบโดยใช้รูปแบบของ Kuznets โดยได้นำเสนอในบทความนี้ และอาจกล่าวได้ว่าการเจริญเติบโตทางเศรษฐกิจก่อให้เกิดผลกระทบด้านลบต่อชนชั้นล่างของประเทศ และในขณะที่การขยายตัวของความเหลื่อมล้ำเป็นเพียงผลกระทบที่เกิดขึ้นในระยะสั้น แต่การเจริญเติบโตทางเศรษฐกิจจะทำให้ความเหลื่อมล้ำลดลงในระยะยาว ซึ่งผลของการวิเคราะห์นี้สอดคล้องกับสมมติฐานของ Kuznets

บทความนี้ยังได้กล่าวถึงสมมติฐานอีกประการ กล่าวคือ การจ่ายค่าสวัสดิการทางสังคมเป็นปัจจัยที่ช่วยลดความเหลื่อมล้ำ โดยได้ทดสอบสมมติฐานด้วยการวิเคราะห์ตามรูปแบบอนุกรมเวลา ARISMA ผลการวิเคราะห์แสดงให้เห็นว่า การลดลงของความเหลื่อมล้ำมีความสัมพันธ์กับการพัฒนาด้านระบบประกันสังคมในประเทศไทย โดยที่ไม่เกี่ยวพันกับการเจริญเติบโตทางเศรษฐกิจ บทสรุปของบทความประกอบด้วยการอภิปรายผลการศึกษา และแนวทางการนำไปประยุกต์ใช้

คำสำคัญ : นโยบายเศรษฐกิจและสังคม, ความเหลื่อมล้ำด้านรายได้

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ORIGINAL ARTICLE

# Impacts of Social and Economic Policy on Income Inequality in Thailand

**Robert B. Albritton[1] and Chandranuj Mahakanjana[2]**
[1] Ph.D.(Political Science), Professor,
Department of Political Science, University of Mississippi
E-mail : ralbritt@olemiss.edu
[2] M.A.(Political Science),
Department of Political Science, Northern Illinois University

*This paper addresses the rise and decline of income inequality in Thailand, based upon studies by Nanak Kakwani and Medhi Krongkaew describing the patterns of income inequality during the past three decades. In addition, it examines Yukio Ikemoto's claim that the pattern largely conforms to the Kuznets model claiming that, while economic development initially produces increasing income inequality, there is an asymtotic point, after which economic growth produces declines in income inequality. The paper tests this model in the Thai case and addresses the discourse holding that economic growth has negative impacts on lower status people within national populations. The analysis concludes that while growing inequalities may characterize short-term effects, declining income inequities are associated with economic growth in the longer term, a result consistent with the Kuznets hypothesis.*

*The paper also examines an alternative hypothesis - that social welfare spending contributes to declining inequality. The analysis shows that development of a social security system in Thailand is associated with corresponding declines in measures of inequality independently of declines associated with economic growth. The analysis is based upon an ARIMA time series model to test these hypotheses. The paper concludes with a discussion of explanations and implications of these findings.*

**Keywords :** social and economic policy, income inequality

## Introduction

Thailand is still designated as a "developing nation", but there is considerable evidence that this status has changed. Dramatic shifts in structures of the Thai economy, documented by Likhit Dhiravegin and Pasuk Phongpaichit, suggest changes of a fundamental nature inconsistent with extrapolations from the past; rather, the data indicate social and economic changes discontinuous with previous states associated with globalization of the economy (Likhit Dhiravegin, 1978; Pasuk Phongpaichit & Baker, 1995). Table 1 illustrates some of the more important economic shifts that have occurred in the Thai economy by the 1990s.

Thailand has also come to play a new role on the international scene, perhaps most significantly in becoming a "donor" rather than a recipient of foreign aid. The significant growth of Thai investments in China dramatically reverses its role in the international global economy. In addition, a 1994 analysis of the state of the Thai economy has found the decline of external investment from previous periods. In developing nations, such declines would have had profound, negative consequences for the economy, but, in this case, there appeared to be little impact

**Table 1 Changes in indicators of export trade for Thailand**

| | 1980 | 1993 |
|---|---|---|
| Exports (U.S.$Billions) | 6.5 | 36.8 |
| Exports/GDP (%) | 19 | 29 |
| Manufactured exports/ Total exports (%) | 29 | 72 |
| **Percentage share of merchandise exports** | | |
| | 1993 | % Change 1970-93 |
| Primary commodities | 28 | -64 |
| Machinery and transport equipment | 28 | +28 |
| Textiles and clothing | 15 | + 7 |
| Other manufactures | 30 | +30 |

**Source:** World Bank, 1994, 190-191; 1995, 190-191

because Thai internal investment was increasing and the economy continued to grow at a healthy rate. The implication is that Thailand has amassed sufficient resources to be virtually independent of foreign investment for its economic strength. Even the "Asian shock" of 1997, appears to be a fiscal crisis that affects heavily capitalized economies (similar to the crisis in the savings and loan institutions in the United States during the 1980s) and one that is being weathered rather well by Thailand.

Public agendas have also shifted. For example, during the past decade, Thailand has experienced significant growth in concern for environmental issues. On another front, national agendas have come to include development of a system of social welfare and other distributional issues. These agendas imply that there has been sufficient accumulation of economic surplus that basic needs are largely satisfied so that distributional questions come to the forefront of concern

Macroeconomic advances, however, often mask significant underlying social disruptions associated with rapid economic changes. Export oriented policies of economic development mean that persons employed in industrial sectors received progressively larger shares of GDP, while the proportion of GDP received by the majority of people, employed in agricultural sectors, declines. Economic development, then, comes to be associated with increasing income disparity between these sectors; furthermore, because the industrial and other manufacturing sectors are concentrated in Bangkok and its suburban areas, income inequalities between agricultural and industrial sectors show up as disparities between Bangkok and the rural areas of Thailand (Ikemoto, 1991, 1). During the first half of the 1980s, income distribution worsened dramatically. Medhi Krongkaew (1985, 311) notes that "income distribution in Thailand had become more unequal as the country continued on its economic development path," implying a direct trade-off between economic growth and income inequality.

A conclusion that economic development policies lead to worsening economic condition for large segments of the population presents serious challenges to any society, because it suggests that advances by one sector come about as a result of a zero-sum game. A zero-sum outcome of this type threatens to produce economic and social cleavages that can have destabilizing effects on virtually all sectors of society. The social stresses from income inequalities are mitigated if growing inequalities are not zero-sum, that is, improvements in the economic status of all sectors of society occur, albeit at different rates. By 1996, Nanak Kakwani and Medhi Krongkaew were prepared to argue that income distributions had begun to improve and that these were accompanied by significant declines in levels of poverty and growth in levels of household income.

This study examines these changes in the light of two hypotheses. The first is that far from worsening the situations of the poor in Thailand, economic development has been a significant engine for improvement in the lives of Thai citizens across most sectors of society. Secondly, we examine a competing hypothesis: that these later shifts toward improvements in income inequalities were a result, not essentially of economic development, but the establishment of new systems of social welfare support, specifically, a national system of social security in 1990.

**Measuring Income Inequality in Thailand**

There are several popular measures of income inequality-Gini coefficients, the Theil index, variance of income logarithms, Atkinson's measure, and income shares. Not only are Gini coefficients most popular, but, in the case of Thailand, they are more available and comparable than other indicators. For these reasons, this study relies on Gini coefficient estimates as measures of income inequality in Thailand.

Usually based upon income quintiles, Gini coefficients indicate how income distributions deviate from hypothetical means of equality of income shares. In standard representations, it is defined as the ratio of the area between a Lorenz curve and a line indicating equality, that is, a line in which each household received the same level of income. (See Figure 1 ) The general interpretation is that the smaller the Gini coefficient, the more equitable the income distribution. It ranges from zero to one, with zero being total equality and one representing a condition in which one household receives all income. For example, the Gini coefficient is defined as the ratio of the area between the Lorenz curve and the egalitarian line in Figure 1 (area G) to the triangle OAB.

Prior to 1990, the pattern of income distribution in Thailand generally indicated rising inequality (Table 2). With the exception of a brief period from 1973 to 1976, when a welfare oriented government emphasized social policies such as rural development and minimum wage rates in industry, income distributions worsened in Thailand, leading to Medhi Krongkaew's evaluation, noted above. Rapid economic growth became associated with greater income inequalities that seemed particularly oppressive when prices of

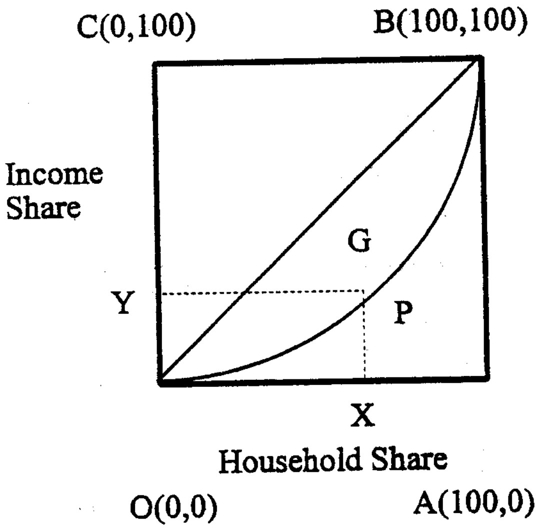


**Figure 1 Graphic representation of the Gini coefficient as the area under a Lorenz curve**

rice for home consumption and other food products rose. However, as Table 2 shows, after 1990, these general income inequalities began to decline. Furthermore, during this period, the proportions of the population classified as poor declined dramatically in rural areas and across all regions (Table 3). In addition, the income share of the wealthiest quintile declined in 1994 from the 1992 levels, while relative income shares of all other quintiles increased (Nanak Kakwani & Medhi Krongkaew, 1996).

Furthermore, Nanak Kakwani and Medhi Krongkaew (1996) noted that from 1988 to 1994, average household monthly incomes increased. But, what is more significant, while households in urban or municipal areas outpaced the rest of the

**Table 2 Gini Index for Thailand, 1962-96 (selected years)**

| **Year** | 1962 | 1969 | 1975 | 1981 | 1986 | 1988 | 1990 | 1992 | 1994 | 1996 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gini Index** | 0.413 | 0.426 | 0.417 | 0.441 | 0.471 | 0.485 | 0.522 | 0.536 | 0.525 | 0.497 |

**Source:** Ikemoto, 1991; National Statistical Office of Thailand, 1996; Nanak Kakwani and Medhi Krongkaew, 1996

**Table 3 Distributions of poverty in the population of Thailand by region and area type**

| Year | 1988 | 1990 | 1992 | 1994 |
|---|---|---|---|---|
| North | 20.7 | 16.6 | 13.6 | 8.5 |
| Municipal Area | 11.0 | 10.3 | 3.4 | 3.6 |
| Sanitary District | 36.7 | 24.0 | 17.3 | 13.3 |
| Villages | 19.5 | 16.3 | 14.2 | 8.2 |
| Northeast | 34.5 | 28.3 | 22.3 | 15.7 |
| Municipal Area | 16.9 | 17.2 | 9.6 | 5.5 |
| Sanitary District | 38.4 | 35.3 | 31.5 | 24.3 |
| Villages | 35.1 | 28.3 | 22.2 | 15.4 |
| Central | 16.0 | 12.9 | 6.0 | 5.2 |
| Municipal Area | 7.3 | 6.5 | 1.0 | 3.8 |
| Sanitary District | 21.3 | 22.1 | 8.8 | 8.3 |
| Villages | 16.2 | 12.1 | 6.2 | 4.7 |
| South | 21.5 | 17.6 | 11.8 | 11.7 |
| Municipal Area | 10.6 | 9.6 | 5.5 | 3.6 |
| Sanitary District | 23.5 | 28.5 | 14.7 | 13.2 |
| Villages | 23.1 | 18.0 | 12.6 | 12.9 |
| Bangkok | 2.9 | 2.0 | 1.1 | 0.5 |
| Bangkok Area | 6.5 | 2.8 | 1.3 | 0.8 |
| Municipal Area | 8.4 | 3.0 | 0.1 | 0.0 |
| Sanitary District | 9.6 | 4.4 | 1.8 | 1.5 |
| Villages | 3.4 | 1.7 | 1.7 | 0.5 |
| Whole Kingdom | 22.2 | 18.0 | 13.1 | 9.6 |
| Municipal Area | 6.4 | 5.3 | 2.4 | 1.9 |
| Sanitary District | 28.6 | 25.2 | 16.8 | 14.0 |
| Villages | 25.5 | 20.5 | 15.5 | 11.0 |

**Source:** National Statistical Office of Thailand, 1996; Nanak Kakwani and Madhi Krongkaew, 1996

nation in income growth, after 1992, the income growth rate of rural households increased by 10.2 percent. The prosperity of rural people increased to such a degree that there were significant declines in the percentages of populations classified as poor. Table 3 shows that not only were declines in the percent of populations classified as poor larger in rural areas, but some of the largest declines in poverty took place in the most impoverished regions, specifically the northeast. Thus, the picture is of increasing monthly household incomes, declining poverty, and more equitable income distribution through 1996.

## The Simon Kuznets Hypothesis

What factors explain the growth and decline of income inequalities within nations? While there are competing explanations, earlier scholarship held that the major source of inequalities is the overall level of economic development (Lipset, 1959; Kerr, Dunlop, Harbison, & Myers, 1964; Kuznets, 1955, 1976; Paukert, 1973; Ahluwalia, 1974, 1976). Simon Kuznets developed the hypothesis that rising income inequalities are, in fact, a natural outcome of economic development. However, he argued that the increase in indicators of income disparity did not necessarily imply impoverishment of lower-income groups by economic elites (1955). Essentially, the Kuznets thesis observes that rapid economic development, of necessity, benefits an economic vanguard, but that, over time, lower income groups will increase their shares of national income. Further, he observed that urban sectors will benefit, initially, at greater rates than rural sectors. The important point is that rising income inequality does not necessarily imply that conditions of the lower-income groups are worsening, only that they are simply not keeping pace with those groups that benefit more as the vanguard of economic development, specifically the urban and industrial sectors.

The Kuznets hypothesis posits that income inequality during rapid economic development will follow an inverted U-shaped curve. This means that, during the early or take-off stages of economic growth, measures of income inequality will increase, but will reach a limit, as economic growth begins to penetrate other sectors of the economy, and, at that point, inequalities will decline.

Ikemoto (1991) argues that the Kuznets hypothesis fits the data in the case of Thailand only in a limited sense. First, he demonstrates that the Kuznets model is consistent with the experiences of Japan, Korea, Taiwan, Malaysia, Philippines, Singapore, and Indonesia (21-29). At the time of Ikemoto's study, Thailand had not yet reached the apex of its projected curve, but Ikemoto argues that the Thai case is consistent with the experience of other Asian nations and his expectation is that income inequality measures will follow the same pattern. In addition, Ikemoto performs analyses of income inequalities within sectors of the Thai economy. In contrast with Kuznets, he finds that the rise in income inequality during the 1970s and early 1980s is not a function of inter-sectoral differences (urban-rural), but rather inter-regional ones. The implication is that differential impacts of development by region are responsible for overall rises in measures of income inequality (43-52). In the final analysis, however, Ikemoto has difficulty deriving evidence of the Kuznets hypothesis because the trend on inequality has not yet reached its asymtote. Thus, this study updates Ikemoto study and offers a test of the impact of economic growth on the trend of income inequality.

What issues for the Thai economy and society are raised by the Kuznets hypothesis? Inequality in income is often emphasized in order to focus on problems of the poor. While income disparities across regional or ethnic lines may pose problems for the society, indicators of income disparities at national aggregations may reflect a process that will result in reductions in these gaps as income shares of the lowest deciles or quintiles rise. The issue, during periods of rising income inequality, is not the growth of income inequality, *per se*, but whether "a rising tide lifts all boats." The declines in poverty, shown in Table 3, indicate that growing increases in income disparity reflect the Kuznets model, rather than any specific exploitation of the poor. In addition, the data indicate that there has been significant convergence toward equality by region associated with overall economic development.

Thus, a cursory inspection of the data indicates support for the Kuznets hypothesis in the Thai case. The data suggest an inference that economic development has only seemed to create unjust income inequalities, when, in fact, it has led to general improvement in income distributions within the Thai economy.

**Policy Determinants of Income Equalization**

Other scholars point to political and policy determinants of income inequality, especially actions undertaken by state authorities (Weede, 1989; Chenery, 1974; Nordlinger, 1981). Efforts to link policy outcomes to regime types have been less successful (Kohli, Altfeld, Lotfian, & Mardon, 1983), partly because Asian nations have not fit the typical typologies that help to explain the Latin American and African experiences. Taiwan, for example, showed significant declines associated with development attributed to specific policies emphasizing rural development and, later, manufactured exports (Chen, 1979).

Another source of policy importance comes from the development of social security and welfare systems in developing nations. While some scholars argue that development of social welfare systems is not a significant factor in developing economies (Midgley, 1984; Atkinson & Hills, 1991; Mesa-Lago, 1983), Dreze and Sen (1991) show that social security support can be implemented effectively as in anti-poverty policy and Schubert and Balzer (1990) concur in this view that social welfare policy can substantially improve the quality of life for a nation's people (Dreze & Sen, 1991, 22).

Thailand has a considerable history of efforts to establish a system of social security. As early as 1932, Dr. Pridi Phanomyong proposed a generous social welfare scheme and even the autocratic ruler, Field Marshall Phibunsongkram, established a social welfare board in 1952. However, none of the legislative acts became effective and a law to establish an employees' compensation fund in 1972 was short-lived (Srisompob Jitpiromsri, 1997). In 1990, however, a democratic government passed the Social Security Act of 1990, which covers sickness, maternity, invalidity, and death benefits, also incorporating a pension program for government workers and an employer-supported provident fund. The timing of these initiatives shortly before the decline in indicators of income inequality makes social welfare policy at least an alternative explanation of this observed mitigation of income inequality. The purpose of this paper is to test the hypothesis that public policy determines economic well-being as an alternative to a strictly economic development argument.

## Testing the Kuznets and Social Welfare Hypotheses

According to the Kuznets' inverted U-shaped curve, the early period of economic development will show increasing income inequality associated with the trend of economic growth, but, at some asymtotic limit, continued economic growth will be associated with income inequality declines. If the dependent variable is a time-series of Gini coefficients, the independent variable should be a curvilinear function of economic growth, in this case, $GDP = GDP+GDP^2$.

A test of the impact of the Social Security Act of 1990 follows a classic model of an interrupted time series design. In this design, the independent variable is coded as zero (0) for those years in which there is no effective social security law and one (1) for years following implementation of the legislation. Because the law was enacted in the later part of 1990, its effectiveness could not be expected to apply before 1991, and, possibly, 1992. For this reason, a curve-fitting process will be followed that estimates impacts at lags of one, two, and three years.

The data on GDP per capita are taken from the Statistical Yearbooks of the Department of Economic and Social Information and Policy Analysis, Statistics Division of the United Nations, and from the Thailand Statistical Yearbook, for the years 1962-96. The data in Table 4, indicate the series, although the GDP figure for 1996 represents an extrapolation from the previous series.

The data for the Gini coefficients are more problematic. Over time and a variety of studies, the data used often represent a variety of methods for estimating income inequality. Some estimates of income inequality, for example, rely on wage data from the labor market. Thailand's National Statistical Office, however, develops estimates on the basis of socioeconomic surveys of income and expenditures for Thai households. Nanak Kakwani and Medhi Krongkaew (1996) argue that this source is the only one that measures changes in citizen incomes and well-being, and different from National Income Accounts that look at national aggregates.

**Table 4 Gross domestic product (in Baht) and Gini indexes, 1962-96**

| Year | GDP (Millions) | Gini Index |
|---|---|---|
| 1962 | 63.4 | 0.413 |
| 1963 | 69.0 | 0.415 |
| 1964 | 74.9 | 0.417 |
| 1965 | 82.8 | 0.419 |
| 1966 | 99.5 | 0.420 |
| 1967 | 108.3 | 0.422 |
| 1968 | 116.8 | 0.424 |
| 1969 | 128.6 | 0.426 |
| 1970 | 136.1 | 0.425 |
| 1971 | 144.6 | 0.423 |
| 1972 | 164.6 | 0.422 |
| 1973 | 216.5 | 0.420 |
| 1974 | 271.4 | 0.419 |
| 1975 | 297.2 | 0.417 |
| 1976 | 337.6 | 0.421 |
| 1977 | 393.0 | 0.425 |
| 1978 | 470.0 | 0.429 |
| 1979 | 556.2 | 0.433 |
| 1980 | 658.5 | 0.437 |
| 1981 | 760.2 | 0.441 |
| 1982 | 820.0 | 0.447 |
| 1983 | 921.0 | 0.453 |
| 1984 | 988.1 | 0.459 |
| 1985 | 1056.5 | 0.465 |
| 1986 | 1095.4 | 0.471 |
| 1987 | 1253.1 | 0.478 |
| 1988 | 1507.0 | 0.485 |
| 1989 | 1857.0 | 0.504 |
| 1990 | 2191.1 | 0.522 |
| 1991 | 2507.0 | 0.529 |
| 1992 | 2834.7 | 0.536 |
| 1993 | 3179.5 | 0.531 |
| 1994 | 3634.8 | 0.525 |
| 1995 | 4202.8 | 0.511 |
| 1996 | 6504.2 | 0.497 |

**Source:** United Nations, 1970-94; National Statistical Office of Thailand, 1996

A second factor in developing the data is that not all years are available for a 1962-96 series. Some data are derived from Ikemoto' study and other years are derived from Nanak Kakwani and Medhi Krongkaew estimates. Several years are interpolated from the series. Because the estimation process is, essentially, a process of curve-fitting, these interpolations should not affect, in significant ways the overall trajectory estimates. Table 4 also indicates the values of the Gini coefficient estimated for 1962-96.

The data are examined in an ARIMA (Auto-Regressive Integrated Moving Averages) model suggested by Box and Jenkins (1976). The advantage of this model over OLS or most GLS models is that the impacts of the independent variables are weighted so that observations that occur later in the series will be accorded higher influence than those at the beginning of the series. This method seems most appropriate for the data specificate here, because the decline in the measure of inequality occurs late in the series. Using this specification of the time series model, the hypotheses to be tested are:

**Hypothesis 1:** *The decline in income inequality observed by Nanak Kakwani and Medhi Krongkaew is a function of later stages of economic development represented by the Kuznets inverted U-shaped curve.*

**Hypothesis 2:** *The observed decline in income inequality is associated with enactment of the Social Security Act of 1990.*

## Analysis of the Data

Table 5 provides tests of these hypotheses. Diagnostics of the time series indicate a series that is stationary at first differences with a first order autoregressive component (ARIMA 1,1,0). GDP per capita is expressed as a quadratic function, consistent with the Kuznets curve. In addition, the relationship between per capita GDP and the Gini Index is specified as a one-year lag; estimation of the impact of the Social Security Law indicates a best fit at lag 3.

**Table 5 Impacts of GDP per capita and social security enactment on income inequality (Gini coefficients), 1962-96**

**ARIMA = (1,1,0)**

| Variables | Estimates | T-test | Significance of t |
|---|---|---|---|
| AR1 | 0.862 | 9.283 | .000* |
| GDP | -2.800(-06) | -1.954 | .030* |
| Social security | -0.006 | -2.240 | .016* |

*p < .05

**Sources:** Ikemoto, 1991; United Nations, 1970-94; National Statistical Office of Thailand, 1996

The small size of the coefficients is a function of the metrics. Gini coefficients range from zero to one, while per capita GDP has metrics in the thousands and is exponentiated as a logarithmic function. Nevertheless, Table 5 provides tests of the hypotheses that declines in the Gini Indexes are related to either economic growth (Kuznets), social welfare policy action by the Thai government, or both.

The results indicate that both economic growth and advent of the social security legislation have significant impacts on the decline of income inequality (Gini Index) during the period under consideration. Fitting the data to an ARIMA (1,1,0) model implies a white noise process at first differences and an autoregressive process (Rho= .862) that has been controlled in the series. The assumption is that other variables that are correlated with the same time-series process are not a threat to the analysis, so that problems of bias from omitted variables are, in principle, eliminated.

Both economic growth and social security contribute significantly to the decline in income inequality observed after 1992. Because the implementation of a social security program is fit to the dependent variable, the reader might suspect this conclusion. In fact, the whole point of the analysis is to test each explanation in the presence of the other. Social security is included in the analysis as an alternative rival hypothesis to the Kuznets model. If the hypothesis of economic growth turns out to be supported by the analysis, how do we know that the effects are not simply a spurious correlation with the development of social security? Conversely, how do we know that the association of social security with the decline of income inequality is not, in fact, a result of long-term economic growth? The fact that both hypotheses are supported in the analysis implies that each variable affects income inequality independently of the other.

**Implications of the Findings**

Results of the analysis have important implications for the political economy of Thailand. At one level they cast doubt upon discourses suggesting that economic development-especially export-led economic development-exacerbates economic inequalities within Thai society. This research suggests otherwise-that while inequalities may exist in the short term, in the long term, economic development mitigates income inequality and, even in the short term, it is accompanied by a rising tide that lifts all boats.

Economic development also creates economic surpluses that make possible expansions of social welfare (Srisompob Jitpiromsri, 1997). Social welfare measures also become an effective instrument not only for alleviating poverty, but also for narrowing inequalities of income. In fact, both economic development and social welfare development contribute jointly and independently to a more egalitarian society; both are tools in the arsenals of economic democracy.

At a disciplinary level, this research suggests the utility of applying sophisticated models of analysis to social problems. Much of the discourse over income inequality in Thailand has to do with perceptions, in the short term, that some members of society are benefitting substantially more than others. The model suggested here enables examination of effects over the longer term. It is precisely in this longer term that effects of economic development become evident. The perspective adopted here encourages alternative views to those based upon the intuitive correlations that seem to drive much of the discussions of social policy in Thailand and presents a much more positive perspective than do traditional critiques of social policy development.

In addition, the research illuminates the debate over the impacts of social welfare policy development. Instead of a finding that policies of social security hinder economic growth, the research indicates that judiciously developed social welfare programs are effective in alleviating income disparities, even in the short term. Clearly, the evidence warrants considerable attention to continuing of social 'safety nets' for those in the population who are victimized by social forces that these welfare programs are designed to mitigate.

All economic and social analysis of Thailand these days must entertain a caveat that pays deference to the economic crisis. This crisis is not really a result either of export-oriented economic development or of the revenue burden of social welfare policies. As far as these matters are concerned, factors associated with the economic "bust" are largely extraneous. They are, of course, primarily a function of the policies of financial institutions, similar to those experienced by the United States in the collapse of the savings and loan institutions, as well as some substantial institutions of the banking industry. While these factors place considerable stress on the course of economic development and on the development of social welfare systems, they are neither a cause nor an effect; the reliability of analyses such as this is not called into question by contemporary events that have little to do with the fundamental relationships demonstrated here.

As Thailand weathers the current crisis (and all indications are that the financial stresses are abating) the nation will return to a consideration of its economic and social fundamentals. The research in this paper suggests that the nation should stay the course in its pursuit of economic development and social welfare in order to achieve a more substantively democratic society. In this regard, Thailand has achieved a synthesis that should be the envy not only of developing democracies, but also of many developed democracies, as well.

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