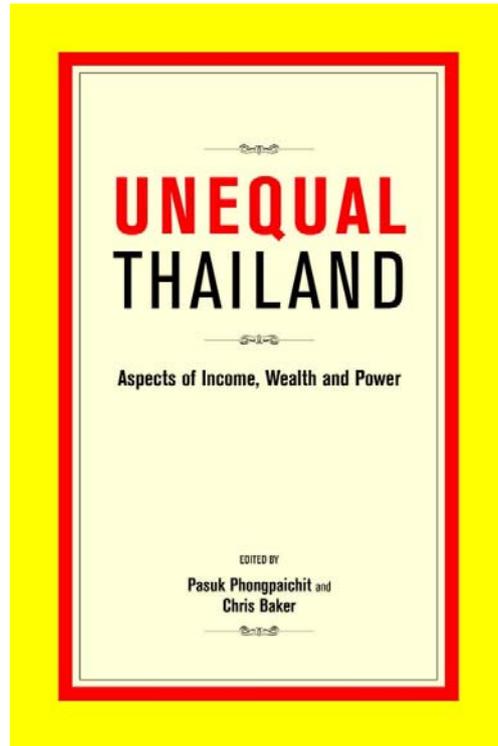


## **Review of Unequal Thailand: Aspects of Income, Wealth, and Power (2016)**

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Edited by Pasuk Phongpaichit and Chris Baker

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Unequal Thailand, edited by Pasuk Phongpaichit and Chris Baker and containing chapters authored by academics and technocrats, focuses mainly on the national picture of inequality and oligarchy, though there is a chapter on provincial power. Nonetheless, the issues covered by the various chapter authors should be of great concern to every local administrator: land and wealth inequality, inequality in education and wages, inequality in the capital market, inequality of opportunity in networking, the network bureaucracy and public-private energy firms, inequality in provincial power, networking under Thaksin, and tax reform.

The book itself derives from a unique process. The chapters were generated from a three-year Chulalongkorn University (CU) Distinguished Professor project ‘Towards a More Equitable Thailand: A Study of Wealth, Power, and Reform,’ funded by the Thailand Research Fund, the Bureau of Higher Education, and CU. All nine chapters were originally 100-150 Thai-language research reports, then chapters in a Thai book published by Matichon in 2014. This means that the book, though published in 2015, relies on, at the latest, data from 2013, though this does not detract from the value of the work. However, a 2015 article on ‘Oligarchy in Thailand’ by T. F. Rhoden, in the *Journal of Current Southeast Asian Affairs*, is notably lacking in terms of recent theory building.

In the book, Pasuk Phongpaichit and Chris Baker continue what appears to be a lifelong passion for diagnosing Thailand’s socio-economic problems and socio-political instability. In the introduction to this latest iteration, they conclude that Thailand is one of the most unequal countries in Asia because of oligarchy in power, social position, and access to resources. Their solution is social democracy. Their introduction sets the scene by looking at inequality from an international perspective, considering key contributions to the international debate, especially Piketty’s *Capital in the Twenty-First Century*, with its observation that “ $r > g$ ”, i.e., that the rate of return to capital is always higher than real growth, meaning the rich get richer and societies tend towards socio-economic inequality.

They then bring in an Asian perspective before turning to how worsening inequality of income and inequality of wealth, particularly between Bangkok and the Northeast, have caused social conflict and destabilized politics. They make the point that economic inequality causes inequalities in political power and in essence is self-perpetuating, i.e., oligarchical. They point out that Thai politics and key institutions are oligarchies. Their solution is more taxation, especially more progressive taxation, as well as public goods such as “good schools, roads, hospitals, railway trains that stay on the rails, police that do not ask for bribes, publicly minded public prosecutors, and judges that uphold justice.”

However, they conclude by pointing out that progressive taxation is not supported by either the Democrats or Pheu Thai, nor are Thailand’s present democratic conventions enough to bring about social democracy; nor are present political parties enough; nor is a cycle of parliament, crisis, and coup enough. The chapter, which serves as a broader literature review for the remaining chapters, does not end optimistically.

The second chapter, on the concentration of land and other wealth in Thailand, by Duangmanee Laovakul, clearly lays out wealth inequality. The main data result from a request for completely new data from the Land Department to present the first national analysis of land distribution by land titles (*chanot*). The results reveal spectacular inequality: the top 10 percent of all individuals and juristic persons combined own over 60% of the land, while the bottom 10% own 0.07% of land. By comparing the Gini coefficient for nationwide land distribution (0.886) to household income (0.485), the author concludes wealth inequality is far more serious than income inequality in Thailand. The author also examined concentration of asset holdings by households, which provided a Gini coefficient of 0.656, again, very high and much worse than income inequality, with the Gini coefficient for financial assets being even worse, at 0.849. Concentration of financial wealth and shareholding was also examined, and was also extreme, with such wealth multiplying far higher than inflation or GDP. The author concludes by recommending a land tax, wealth tax, or tax on capital gains on the “very high ability to pay”, though no practical means for implementing this.

The third chapter, by Dilaka Lathapipat, examining inequality in education and wages, shows that while the average level of education in Thailand has risen, inequalities exist in terms of quality of basic education and the opportunity to enter tertiary education, both of which are related to socio-economic status. This chapter provides a brief overview of inequality in education before examining the factors determining access to education, pointing out low household income levels are crucial in excluding children completing secondary education from entering tertiary education. However, PISA scores are actually falling, and the author suggests many Thai tertiary education establishments are churning out low quality graduates, via new courses, who may not meet market demand. Still, the tertiary output in terms of workers does achieve higher wages than those who only complete secondary education. The author recommends increasing the quality of basic education for the poor and better aligning tertiary courses with market demand. Though references are few, one, to an article by the same author in the *Economics of Education Review*, provides a greater context and more in-depth analysis.

The fourth chapter on inequality in the capital market and political stocks, by a trio of authors, reviews the inequality in wealth and asset holding in Thailand; examines the linkages between the capital market and aspects of economic inequality; and studies abnormal returns to political stocks in 2005, 2007, and 2011. The authors point out that a lack of information and political influence

jeopardizes the whole economy, via the capital market. The capital market is not seen as a tool for reducing inequality and in fact increases inequality because of the widespread influence of ‘inside information,’ which is a form of ‘economic rent.’ The authors provide further details in sections analyzing inequality arising from illegal practices, from legal practices against SEC regulations, and from legal practices. They also examine the issue of ‘political stocks,’ i.e., those strongly influenced by election cycles, finding those with relatives who are politicians of potentially winning parties show extremely abnormal rates of return. The authors recommend political insiders from using inside information; increasing the civil power of the Securities and Exchange Commission via legislation, including allowing class action lawsuits; improving regulations to deter the use of nominees; increasing SEC penalties; and increasing enforcement of anti-churning fines. Overall, the chapter is well written, analytical, and practical in its suggestions.

Chapter five, by Nualnoi Treerat and Parkpume Vanichaka, exposes growing demand for oligarchical networking of politicians, businessmen, military officials, and bureaucrats, via ‘quasi-schools.’ The chapter examines the history of network schools, including universities and military academies, then more modern offerings by the Office of the Judiciary, the King Prajadhipok Institute, and the Stock Exchange of Thailand, *inter alia*. Though these courses, both from public and private bodies, are supposed to have academic content, this is typically light at best, with the main attraction being the networking opportunities. This fascinating chapter breaks down how these courses build and sustain relationships to create networks and also looks at how the institutions themselves benefit from extending their own networks. However, the authors point out these networking opportunities develop a form of opaque, concentrated, oligarchical political economy that subverts good governance, especially when senior executives neglect duties and reenroll in multiple, sequential, courses. The authors claim there is no prior literature on executive courses, which may be true in Thailand; however, the authors overlook the international literature on executive networking.

The sixth chapter, on the network bureaucracy and public-private firms in Thailand’s energy sector, by Nopanun Wannathepsakul, examines the relationship between network bureaucracies and giant energy companies, especially their less well-regulated subsidiaries and affiliates. The chapter charts the emergence of Thailand’s state-owned enterprise energy giants, namely the Electricity Generating Authority of Thailand (EGAT) and the Petroleum Authority of Thailand (PTT); the growth of hybrid public-private corporations; and the nature of the network

bureaucracy, with its rewards and conflicts of interest, centering on the Ministry of Energy. The chapter then goes into some depth on the post-2006-coup energy industry, taking apart the 2007 amendment to the Petroleum Act, the growth of cronyism at the level of board directors in the energy sector via an exception to the Counter-Corruption Act 1999, the Energy Act 2007, and the Natural Gas Pipelines Masterplan, 2001-2011. It also examines the network bureaucracy in the case of uncontrolled hazardous pollution at the Maptaphut industrial zone, a case in which the network bureaucracy dominated the Committee set up to examine health and environmental safety and then went on to limit the impact of the Energy Regulatory Committee. The author concludes that the network bureaucracy supporting the EGAT and PTT monopolies reduces good governance, creates artificially high prices in the energy sector, benefits a small number of investors, reduces people's faith in the state, undermines environmental legislation, and harms business investment.

Chapter seven, on inequalities in local power, by Chaiyon Praditsil and Chainarong Khruenuan examines the rise to power of one provincial godfather, carrying on a tradition in Thailand of examining the power of local tycoons or mafia overlords (*chaopoh*) who seem quite happy to have their origins and rise to power detailed beneath a flimsy level of anonymity. The chapter clearly concerns Somchai Khunpluem, also known as Kamnan Poh, the godfather of Chonburi and feudal overlord of the Phalang Chon Party. As such, the chapter is a kind of informal biography, first looking at the situation in which Kamnan Poh emerged, then examining how he monopolized power in the area to create a single faction dominating public life and bureaucratic processes, which then sought legitimacy via 'grey' businesses and politics. The chapter also examines the fall of Kamnan Poh via the rise of Thaksin and a court case for murder, and the attempts by his children to re-establish the dominance of their family. The author notes that weak rule of law, centralization of power, and monopoly businesses all helped godfathers to emerge as machine politicians. The chapter makes valuable recommendations, including further democratic decentralization, growing civil society organizations, and greater scrutiny of the construction sector; however, it could be better situated in the literature, for example with references to James Ockey and Danny Unger's work.

The eighth chapter, on the structure of 'Network Thaksin' by Ukrist Pathmanand, contrasts the Thaksin network before and after the 2006 coup. It largely goes over what is, by 2016, old ground, with omissions such as Charles Keyes' *Finding their Voice* glaringly obvious. However, it does

make the valuable point that Thaksin essentially took the concept of Thailand as a ‘flexible oligarchy’ of power networks involving business, the army, police, and provincial politicians to the limits and then beyond. The result was a rise to power within the oligarchy, and then a fall from grace within the same oligarchy. Network Thaksin and the flexibility of the oligarchy which governs Thailand and was host to Network Thaksin were both tested, found wanting, and then, via various forms, destroyed in the first case and neutered in the second, in the face of determined military action. The author’s pointing out that the only comparable network since 1980 to Network Thaksin is that of General Prem Tinsulanond is appropriate, given that Network Thaksin in the end encountered and attempted to take on ‘Network Prem’ and lost. The author helpfully concludes by stating that because Network Thaksin possessed democratic legitimation, Network Prem in the end weakened democratic institutions and regressed Thailand to a more formal, hierarchical pyramid of power, with military power and bureaucratic rule inevitably widening inequality.

The final chapter, on tax reform, by Pan Ananapibut, returns us to the issue of tax reform, begun in the introduction and mentioned especially in the second chapter. The author provides sufficient references and lays out four routes towards tax reform, namely reform of investment promotion, reform of personal income tax exemption, negative income tax, and wealth taxes. The author notes the political problems with reforming investment promotion, which presently benefits only a few companies, as well as the inequity in claiming allowances, especially the 500,000 baht for investing in Long-Term Equity Funds. The chapter also makes a good case for a negative income tax. The bulk of the chapter is dedicated to greater wealth taxes, using a comparative approach, coming down in favour of a property tax on high-end land and buildings.

Overall, the book makes a valuable addition to the literature, with the Thai-language reports as further references. Though by now slightly dated and lacking somewhat in the theory, it clearly enables local administrators to understand the national picture and shows that Chulalongkorn University can and must be part of the solution, not part of the problem. The real task lies in turning policy recommendations into practice, and here the book falls short. A conclusion on how to get the recommendations in the book implemented – perhaps looking at how a third force in Thai politics could leverage policy solutions from one of the major parties – would have been a useful addition.