

ON INCOME DISTRIBUTION AND LOCAL ECONOMIC DEVELOPMENT CORE

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1. Introduction

The importance of the income distribution in economic development has not been fully clarified yet. Former works on the issue focused on the pattern of the distribution itself, e.g., the works keeping historically esteemed reputation of Prof. Simon Kuznets (1966) also focused on the pattern or structure of income. They have not paid much attention to the effect of the pattern on the dynamic factors of economic development like domestic investment¹. Kuznets himself studied the changes in the distribution pattern during the process of economic development which is considered as the consequence of the transition of people from traditional to modern sectors. We might study the effect of this migration on income distribution later.

The other side of the coin, i.e., the effect on distribution of income resulting from the economic development, policy has not received sufficient interest either. The issue of the income distribution in Thailand does not much differ². To mention only few, the work by Yukio Ikemoto and Kitti Limskul (1987), based on the household income not on the individual income, was analyzing the regional income disparity. However, they were also focussing on the changes in income distribution over time which might be caused by the development policies (1986). Dr. Medhi Krongkaew also has a number of publications on income distribution in Thailand. He showed that the income gap in the 1980s increased. According to him, the Gini coefficient for the whole Kingdom calculated from the Socio-Economic Survey in 1988 was 0.48, which is higher than that in 1981 (0.45).

The theories of income distribution have tried to explain the distribution over classes of people of the income ladder, from a pattern of income distribution according to the income gained from owning of factors of production, but in vain. So far, a theory of neoclassical economics has not succeeded in explaining how the factor-wise distribution of income decided in the market equilibrium affects the distribution of income in the next moment of market transactions, not to mention the class-wise distribution.³

¹ Of course, the rich people's propensity to save is higher than that of the poor. But unless you know the proportion of the rich to the total population, you may not know the total quantity of savings, or investment.

² For a summary of the former works on the distribution of income in Thailand before 1990, see Ikemoto (1991).

³ A neo-Ricardian or a neo-Keynesian theory has not succeeded either. We refer to Howard, M.C., *Modern Theories of Income Distribution*, MacMillan, 1979.

One of the main defects is that the theories lacks the forward market for some goods. When this is resolved, then how does the markets equilibrium theory explain the distribution of income amongst income classes? The answer may be found in the relationship between the income accrued from the factors of production and supply of such factors in the following period to the market. For example, if it can be clear that how income of the workers determines labor supply in the next period of the labor market, then we can calculate the income in the next period and know about their distribution.

The labor market in Thailand has various characteristics which are specific to Thailand. In the rural areas, there has been a custom of free exchanges of labor force for mutual benefit according to various household's needs. Sometimes, the peak for requirement in a given area coincides. Then the allocation of time for labor sharing needs to be agreed upon. In this context, the timing of labor supply can be said to bear no relationship to the income distribution of the former period but only reflects forms of adjustment of labor supply to reduce the peak load.

In the suburban area of large cities, there are some opportunities of employment, although, it may not be easy for a villages. dweller to find one. Employment are mostly seasonal, and most villagers have to return to their villages when on-farm labor is required⁴. The Thai labor market can thus be characterized as being highly seasonal.⁴

This characteristics is more related to the labor supply, and in turn, to income distribution. This means that the Thai labor market contains futures market of labor in the sense that the employers try to hedge the peak load by contracting for the peak season in other seasons. This frees the market from the constraints, and it also provides the labor to the market in the next period.

Next let us go on clarification of the concept of local economic development core (LEDC henceforth). The LEDC may be defined as one urban area which consists of a few number of small cities or townships each containing 20,000 to 50,000 of population. The total population of the whole LEDC may not exceed 100,000. The industry to be sited in the LEDC may change according to the conditions. The LEDC should have the potentiality to establish an industry of fundamental importance to the LEDC. The industry should also have a growth-expanding effect on the surrounding area. For formation of the LEDC, the industry to be established must be chosen from those which already produce some of the regional gross product, i.e., not less than 15% of the total RGDP of the townships and villages put together. The definitions given here are only provisional and by nomeans intended to be a complete or comprehensive one.

⁴. On the opportunity of employment and migration, please refer to A. Kitahara and O. Akagi (1989)

The purpose of this Chapter is to inquire into the possible causes of the regional income gap, and show how formulation of an LEDC may improve the situation. For that purpose, the following steps were taken. The first step is clarification of the effect of main factors which decide the pattern of the regional distribution of income. As the present study is still a preliminary attempt, no consideration is given to the factors which might be specific only to a certain region. For clarification of the effect, we will review the experiences of the Japanese industrial policy for decentralization of industry. The next step is a simulation study based on the Thai industrial policies and the lessons. The purpose is to identify ways of improving the regional distribution of income. Lastly, a conclusion and summary will be given.

2. The LEDC's Role in Introduction of Industry in the Area and Possible Changes in Distribution Pattern Generating Thereof

2.1. Regional Diversification of Industry : Japanese Experience

An LEDC is expected to attract people to inhabit in the area during its formation. In so doing, the LEDC is expected to grow into an urban center containing inhabitants, production and consumption activities, social functions like school education, and cultural or religious functions. It seems that, above all, production deserves the most careful treatment. Production within the area may become the main source of income of the people living there, and it will be most interesting to see which sectors of industry should be set up as the center of the LEDC. We are now facing a selection problem of industry. Before going on a successful selection of industry in Thailand, let us study an example of industrial policy once implemented in Japan, and draw some lessons from it.

One typical example of the development measures through relocation of industries to the local areas was the Japanese New Integrated Regional Development Outlook which was implemented in the early 1970s. Before that, the Newly Industrial Cities Plans were promulgated in the early 1960s. Later, the Japanese government set up the New National Integrated Development Plan in the late 1960s and then the basic idea of the Plan was carried on to the Third National Integrated Development Plan of 1977⁵. After scrutinizing the result of these programs, two salient features could be pointed out. The first point is coexistence of large cities and small-medium cities. The Japanese example showed that the process of industrialization was accompanied by the urbanization of small cities. It became apparent that two types of urban area exist in Japan. One is the larger urban city like Tokyo, Osaka or others. Various types of industries are located in these areas. Sometimes the economies of concentration

⁵. Ministry of International Trade and Industry, *Tsusho Seisaku Sanju Nenshi (Thirty Years of International Trade Policy and Industrial Policy)*, 1977.

attracts too large number of people which may cause a problems of congestion. Why are they coming to the large cities where the cost of living is higher and the quality of life there may not always be ensured? The concentration power of the large cities often originate from a non-economic factors which may differ country by country.

The other type of urban areas are the smaller cities, townships, or agricultural villages. Roughly speaking, the central town or village of the smaller urban area contains about 500,000 people, and the whole area contains less than one million. In Thailand, the population should be about 20,000 for the central town, and 100,000 for the whole urban area, or LEDC.

Characteristics of industries are also different here from that of large cities. The number of the workers divided by large and smaller urban areas is shown in Table 1. It must be reminded that even in the smaller urban areas, the number of people engaged in agriculture is so few. Among the non-agriculture type industries, the difference is made clearly⁶.

To be more concrete, in manufacturing, the smaller urban area specializes in labor-intensive industries producing mainly for the domestic market. In the service sectors, the smaller urban areas tend to specialize in personal services, while in large cities, services are more information related employing higher technology (Table 2).

These pattern of industries mean that the value added produced tends to be higher in large cities, and it may also have an effect to widen the income gap between larger and smaller urban areas. In Japan, the urban areas continued to expand, as is the demand for lands. A city or town cannot be considered as an independent unit which could be developed independently from their nearby villages. It is necessary to develop them as one unit, each partner representing complementary sub-units to each other.

⁶. At this point, it is particularly interesting to note that even in the Thai case, as is argued by Makishima (included somewhere in this volume), the industries located in Bangkok Metropolitan Region and those in the rural regions are different in the scale or investment ratio. As is stated below, in the Japanese case, the difference comes from the factor intensity or market of target. in the Japanese case, services industry is also picked up.

Table 1. Large and Smaler Urban Area : Their Workers Classified by Industry in Japan 1981

(Person, %)

	National	Large	Smaller	(Tokyo)
Total No.	51545087	29662126	21922916	(13420602)
All Industry	100	100	100	(100)
Agro-Forestry	0.60	0.21	1.12	(0.18)
Non Agro.	99.40	99.79	98.88	99.82

source : 1981 Survey on Establishments, Bureau of Statistics, Japan. Cited from Junjiro Takahashi. 1982.

Table 2. Specializing Industries (Japan)

MANUFACTURING (a)

Large Urban Area : (12 Industries)

Publication and Printing, Chemical Products, Coal and Petroleum Products, Rubber Products, Leather Products, Iron and Steel, Non-ferrous Metals, Metal Products, Machinery and Equipment, Electrical Machinery, Transportation Equipment, Others.

Smaller Urban Area: (7 Industries)

Food Beverage Tobacco, Textile , Garment, Wood and Wood Products, Furniture and Fixture, Pulp and Paper Products, Ceramics and Stones.

SERVICE INDUSTRIES (b)

Large Urban Area : (12 Industries)

Leasing *, Movie Theaters, Entertainment *, Broadcasting, Other Repairs, information Service and Research *, Advertising, Other Business Services *, Speciall Services *, Health and Disposing, Learning and Research Institutions *, political-, Economic-, Cultural-Organizations *.

Smaller Uban Area : (9 Industries)

Japanese Inn and Other Lodgings, Other Personal Services *, Automobile Maintenane and parking, Cooperatives, Medical Services *, Religions, Education, Social Security and Social Welfare *, Other Services *.

(Note) (a) Precision Products is not specialized.

(b) * denotes that they grew faster than the national average rate of growth of all service industries (13.7%) per year from 1978 to 1981.

(Source) Takahashi, Junjiro, "Future of the Local Industriael Area (Tiho Kogyo Tiiki no Shorai Tenbo)", in S. Ide, A. Takeuchi and Y. Kitamura (eds), Tiho Kogyo Tiiki no Tenkai, Taimeido, Tokyo, 1986.

Another point is that the relocation of industries were mostly aiming at alleviation of possible hazards to environment, or from the concern over a regional harmony in uses of industrial resources, i.e., water, electricity, etc. In other words, they lack concerns over well-balanced distribution of income; nor were they based on the objective of improving the regional income distribution. We must admit however, that the social background in Japan differs so much from developing countries such as Thailand. Income distribution in Japan has for a long time, a reputation that it is equally distributed. On the other hand, the equitable distribution of income may also have the effect of making the society rather inactive. The Japanese case, fortunately, is not one of these cases. Since the area in Japan is rather limited, the Japanese have been more concerned about the environmental decay, degradation of the industrial resources, and land shortages for industrial expansion

From these two examples, the Japanese way of establishing the local industry may not be directly applied as a model for Thailand in relocation of industries to less polluted areas than Bangkok. In Japan, the managers have to pay more attention to the environmental issues, than to income distribution.

During the period of high economic growth since 1960, the early stage of an LEDC could be identified almost all over Japan. These may be in the form of small cities, industrial complexes, or small towns in front of a temple. There are yet some lessons to be gained from the Japanese experiences. It is apparent that the most important of all the conditions for a successful formulation of an LEDC is how to attract people to the LEDC. If a sufficient number of people can be attracted to the area all the other conditions seem to follow.

2.2. Provincial Development Planning: Thailand's Experience

Next let us examine the development effort for regional development in Thailand. At first, the relocation of industry toward the regions was not included among the measures.

The new thinking of regional development planning started in Thailand in the late 1960s. It is evaluated as is still in a developing stage now in a study made open by NIDA.⁷ The Thai government officially started promotion of PDP in 1969, when NESDB established the Regional Development Center. The purpose of PDP is to help Provinces formulate Provincial plans. The Changwat Office (Provincial Office) started in 1974, when it has founded the base for planning and for evaluation of the plans. The base was made with announcing the Provincial Economic and Social Development Plan Act of 1977, and Ministerial Regulation of the Office of the Prime Minister of 1979 on the Expenditure According to the Provincial Development Plan. With these efforts, the provinces could planned

⁷. NIDA, Revised and Comprehensive version of The Report of the Study on the Provincial Development Planning, August 1982.

five-year provincial development plans of 1977 to 1981, and annual development plan for each year. Especially for 1979 and 1980, we could implement two plans (annual, five-year) simultaneously.

These plans received help from the regional development centers, as well as from the organizations in Center, such as NESDB and the Ministry of Interior. This is because these organizations have important roles in the decision of the projects, the scope and the length of the period of the plans which provided provinces guidelines for the follow. In this way, it is expected that each Province may adopt approaches that are similar and not much different to each other.

The Government's interest in PDP, and the experience by the Provinces themselves in execution or implementation of the plans are so far so good. Yet, there are much to be improved, as follows:

(1) "The objectives of the Provincial Development Planning"

The objectives of PDP is well defined. There are still cases, however, where the strategy of plan is not well defined fulfill the need by the local people.

(2) "The scope of PDP" The scope of PDP defined as above are rather broad. Sometimes they do not sometimes fit very much to reality. They must stem from the local people's need, and yet be consistent with the policy and strategy of the plans of the national and regional levels. The PDP must meet the need from the various agencies of the central government located at the provincial level.

(3) Establishment of the organizations and management, and establishment of the implementing agency of PDP has its own objective. But when it is examined as a whole, there appears the five salient features as follows: a) PDP means establishment of management agencies of various types. Classified by the level of management, they include the central government level, the Ministry level, Province level, Amphoe level, Tambol level and Village level. b) These agencies even have such characteristics that they support the policies and issues related with PDP. Budget also is yet to have a common way to share. Regulations and method of implementation either differ as well. They are defined in each issue and each time of planning, sometimes making the officers and those engaged to be confused. c) Agencies at each level lack a definite and clear management. They must have clear and uniform guidelines and framework. If it is not clear enough, there may arise serious problems. For example, the committees established at the Provinces might not know or clearly understand its own roles or duties.

2.3. Changing Distribution Pattern of Population

In Thailand, before the government's policy providing incentives to industries to be located in up-country areas, the number of manufacturing factories distributed in the regions did not change much over time. As is shown in Table 3, the proportion of the number of the factories among the Changwats did not change much. Perhaps only after policy measures are taken to give some emphasis to a certain sector, the distribution begins to change. Of course, it will not be fair if you choose the LEDC candidate based only on the number of the factories. Moreover, some cities develop at their own momentum to the extent that policies sometimes do not have much effect. The attention given to Nakorn Ratchasima in the Northeast in the recent years, for example, cannot be attributed only to the fact that this Changwat is the seat of Mr.Chatchai Choonhavan, the former prime minister. Nevertheless, in most cases, we still have to rely on the development policies to initiate changes.

Economic development in Japan, in Thailand or elsewhere, which may be caused by many factors, has one aspect in common. It includes the migration of people from the declining sector to the growing sector.

**Table 3. Number of Factory in the Northeast Region
1973-1981**

	1973	1975	1978	1979	1980	1981
Kalasind	11	22	168	188	950	861
Khonkaen	124	170	441	561	1321	1896
Ch. Ph.	31	40	80	108	511	2208
N. Phanom	34	44	78	134	1189	1655
N. Raj	189	468	1031	1249	2281	2194
Buriram	39	64	123	189	1880	1993
Ma. Sa.	4	7	73	116	688	808
Yasoton	13	14	23	25	939	353
Roiet	10	25	101	141	1588	1389
Loei	30	36	44	48	481	594
Sri. Sa.	22	29	45	61	1358	2258
Salkol. N.	9	28	119	167	1535	1610
Surin	13	34	85	121	1657	952
Nongkhai	14	30	67	113	741	164
Udorn	55	95	344	429	1369	1702
Ubol	157	182	274	317	1553	1494
Region	755	1288	3096	3967	4346	22131

Note :

Source : Northeast Region Industrial Economics: Some Basic Data, Center for Northeast Industrial Economics Development, Ministry of Industry, Thailand, September 1982.

The domestic migration in Thailand occurred in the past 35 to 40 years period. More and more people migrated in recent years. One of the characteristics of the migration in Thailand in the early days is that they have been mainly inter-regional migration and that the migrant population has not been so large. On the other hand, one significant change which characterized migrations from the late 1970s onwards which deserves more attention is the increasing incidences of rural to Bangkok flow of migrants. There is an opinion that this migration towards Bangkok was among the factors to alleviate the income disparity between the regions and the Bangkok Metropolitan Region (Ikemoto (1987)). The argument is based mostly on migration data in the 1970s. Although we do not have evidence on migration in the 1980s, the recent provincial reports on migration from the National Statistical Office does confirm the direction of migration towards Bangkok, a trend which may widen the income disparity rather than vice versa.

In Thailand, the consequences of this migration on the pattern of the regional distribution of income can be as follows. It can be easily seen Although in-migrants to the Bangkok appears to raise the income level in Bangkok, there is no clear causal relationship to substantiate this. We cannot be certain which is the cause, and which is the result. Let us go into this aspect more in detail.

On the domestic migration, there have been grounds to believe that the rapid growth of industry in the Bangkok region has increased demand for labor which in turn, has resulted in higher wage rates. Thus it can be said that the attraction of higher wages, underlie the Bangkok-ward migration. Similarly in surrounding areas in the Central Region of Thailand where agricultural production has become more commercialized, the intensified field activity increased the need for labor in the agriculture sector in this Region. The extent to which this has led to increase in wages or income levels will be explored in the subsequent paragraphs.

2.4. Foreign Investors Responses

What will be the implications on the Thai's way of inducing the people to the LEDC of the above examples ? Are there any remarkable characteristics to be generated from the industrial policy ? Let us check these points as follows.

In the past, the Thai industrial policies implemented were almost through control over the activities of foreign capital. The foreign investments, either wholly owned or joint ventures were in the manufacturing industry for both domestic and international markets, or in other economic activities. The Ministry of Industry implemented their policies through the Committees under the Ministry. But most of them are of administrative nature and were not involved in policy making. If we inquire into the meaning of industrial policy in Thailand

(They are industrial development policy in nature), it may be necessary to go back to the former half of the 20th century, when the government started industrial development through establishment of the organizations related to the industry. Still there may not have been a clear understanding of the meaning of the organizations established for fostering industrial development. Some of these organizations include the Textile Institute, the Sugar Institute, or the one related with the ceramics industry. Within the other government organizations, there were also departments or divisions engaged in production activity directly, or public enterprises or corporations, such as the Tobacco Monopoly, the Department of Forestry Industry, or some of the factories producing materials for the Defense Ministry. The assessment of the meaning of these organizations are not our purpose. The point we should make clear is how and why the establishment of these corporations affected the income distribution in a certain region. But it may not be of much relevance, however, as the establishment of these organizations were motivated by the macroeconomics considerations for the whole Thai economy, not by the need to induce people to come to a certain region to make it the center for industrial development.

In this respect, the recent trends in foreign investments in Thailand is of considerable interest. One observation is that the recently established firms appear to be indecisive over locations.

There is still a preference for locating in the Bangkok region, choices being mainly influenced by perception over easier and more convenient access to decision makers in the government. The government has no intention to promote industry in the Bangkok region, and there will be no more privilege of tax exemption or other measures. This will create disincentive for the private capital. The only motive for the foreign investment to set up their factory is that there are sufficient number of people already living there, keeping the labor cost low enough. In contrast, the Board of Investment (BOI) will provide incentives to potential investors who will establish their factory outside of Bangkok, Ayudhaya and Angtong. There are the trade offs, nevertheless, that infrastructures in those areas may be poor, and provisions of which may have to be covered by the firms own expenses. For example, the surface water should be controlled under the firm's own responsibility. If the area is in lowlands, it is necessary to fence the water out of the area, causing the firm a large amount of cost. Choices of location is therefore not an easy one. Moreover, firms will be more concerned about whether the labor had been supplied as a favorable condition for their location.

3. Potential Improvement Effect of Formulation of LEDC on the Regional Income Distribution Pattern : Scenarios

In the past 30 years, Thailand has experienced a comparatively high rate of economic growth throughout the period. During the period, the income distribution pattern has changed significantly.

Almost everyone who is concerned about Thailand's issue of income distribution unanimously agrees that, the pattern showed a worseing trend during the period. Before going into scenarios of the future, let us turn back to the past development and to some background information for establishing the scenarios. We should bear in mind that the trend could not be turned into the opposite way (to become better) in spite of the government's effort. The government of Thailand was more concerned about economic growth and development, paying rather less attention to the distribution of benefits among the people.

One of the recent changes in policy for the regional economic development is the issue of the local autonomy. The local autonomy was not given enough power to resolve the poverty. Before the Tambol Project started in the middle of the 1970s, there was little effort by the central government to utilize the capacity of the local authority. As is well known, the local administration system in Thailand is strongly center-oriented. For example, there are the officers who are dispatched from the Ministries of the central government to assume administrative responsibilities in the provinces. They are roughly one from each ministry, and although all the other officers working in these ministerial offices located in the provinces are recruited locally, they are staff of the Ministry of Interior. Needless to say, the provincial governors and the Chiefs of Amphoe are mostly nominated and dispatched from the Ministry of Interior. The power in the local area recide with these people who are either known by their fortunes or wealth and benevolence distributing them. Some are known by their virtues of the important roles in education like school teachers in the village, or their high standard of education. The others are known by their good deeds of being the monks staying in the temple for a long time, etc. Are they also center-oriented? Yes, they used to be so in a sense.

One of the drastic changes in the policy stance of the Thai government related to the regional economic development which is observed recently is that the local autonomy represented by Changwat governors had become the focus of dispute. Since their role in regional development has been increasing, we also should be careful about the governor's role in formulating the LEDC. If we plan to put more emphasis on the governors of the Changwats, then the following points should be kept in mind.

The cooperation between the private sector and the public sectors should be fostered in a context where there are better budget allocation to the local authorities. For some of the local municipalities in the Northeast Region, the revenue and expenditure are shown in Table 4. It seems that there are surpluses, keeping some fund for investment. The problem is whether this amount is sufficient for the municipality to implement their development projects or not. The financial basis of the local government is weak in general. Efforts on the part of the central governments is really needed in this respect. When we checked the financial state of some local governments, the sources and uses of financial resources, or deposit and credit of the local government are shown in Table 5. From this Table, we can see only Buriram utilizes more than available resources with the ratio slightly under unity (1). Judging from this, most of the local governments have stable financial conditions at present. We cannot extend the performances of the local governments from these few examples to the financial conditions of Thai local government in general. However, the present situation indicate bright prospects for other local governments not indicated in table 5.

Regarding the decision making process, the important position of the governors of the Changwats has been made clear⁸. During *The Seventh National Economic and Social Development Plan 1991 – 1996*, the government tries to exercise a basic principle of greater empowerment of the governor. If the governor's a position to summarize the public expenditures related to the development projects in the province is granted, the Budget Bureau's role would henceforth is only be to support the approved activities.

⁸. It seems that the tendency of changing the policy to give more importance to the regional governing body appears in the recent provocations expressed in the newspapers. The disputes over the autonomy of the local government added tension more and more after Mr. Chuan's cabinet started in September 1992.

Table 4. Revenues and Expenditures of Municipalities (1990)

(Thousand Baht)

	Revenue	Expenditure	Balance	Investable Source
N.Raj				
Buriram	150226	116482	33744	87935
Surin	57806	55338	2468	38138
Ubol	56284	48992	7292	40154
Yasoton	72507	58213	14294	36952
	36881	34347	2534	25108
Total	704578	594388	110190	420625

Note : Investable means the sum of difference from regular revenue and expenditure, and other revenue.

Each Changwat name refers to the Amphoe Muang.

Total means total sum for the study area.

Source : A Study on the Comprehensive Development of Some Changwats in the Northeast.

Table 5. Deposit and Credit (1990)

(Million Baht)

	Deposit	Credit	D/C Ratio
N.Raj	18370	15411	1.19
Buriram	3533	3591	0.98
Surin	3109	3059	1.02
Ubol	7924	6752	1.17
Yasoton	1595	1383	1.15
Total	46829	39232	1.19

Source : Money and Finance Section, Bank of Thailand, cited from : A study on the Comprehensive Development of Some Changwats in Northeast.

One of the policy measures which attracted our attention is the establishment of the Committee for Rural Development and Decentralization (CRDD), whose chairman is the Prime Minister himself. Recently, it is reported that the Ministry of Industry plans to establish a fund for diversification of industries towards regions, and, for that purpose they have prepared 200 million baht for the study of the possibility, of borrowing money from the Japan–ASEAN Development Fund for that fund. This plan must be admitted by the Committee. When this fund is realized, the managers of the factories who are planning to expand their activities might make use of this fund. Then the newly established Committee will play a rather important role in stepping forward to formation of the LEDC.

One way of tackling the distribution problem may be through making simulations. Here we hypothesize three possible outcomes of the formation of LEDC, depending on the impact of the past government activities related to the regional development.

The first case is the case of no change. However hard the government efforts to improve the income distribution among the region, the pattern will not change as is desired.

Unfortunately, this unchanged case will be deemed not the most likely case. The measures taken by the government in the past for improving the living standard of the people in the region suggests that the improvement is not an easy task.

The pattern of regional income distribution in the past three or four decades showed deterioration even after launching policies for improvement in 1971 (the Third Plan). The disparity between the outer Regions and the Central Region widened. The disparity between any one of the regions and Bangkok was even larger, and the gap continues to widen as is stated by Dr.Kitti (1992).

“Income inequality between rural and urban area became worse when Bangkok Metropolis was taken for comparison. Bangkok shares 42 percent of total GDP in 1981 and 48 percent in 1989. On the contrary, the share of Northeast Region decreased from 14.7 percent to 11.4 percent, with the Southern Region’s share decreased from 10 percent to only 9 percent during the same period. The Thai government takes policies aimed at decreasing the proportion of population under the poverty line from 23.7 percent in 1988 to 20 percent in 1996.” (Umskul : 1992)

In the second scenario, the income distribution will become worse gradually. Unfortunately, this scenario is much likely to be realized. Improvement in the distribution pattern of income over classes of people may be insignificant. And the regional distribution has, as is cited, no prospective signs for improvement.

The last scenario hypothesizes an improvement of the pattern of distribution of income. But how much better the pattern will be, and what will be the cost to be born by the society? On these important points, we are not confident yet. Of course, these points are deeply related with which policy will be taken and on how long is the time span under which we think of the problem.

4. Conclusion

The social impact of the income disparity in Thailand has yet not been comprehensively studied. Even the examples of the studies related to the causes of the disparity are few. Thailand has shown a steady rate of growth for many years, and the sound basis of the growth needs parallel improvement and development of the infrastructures. In this respect, the situation of the income distribution is deemed as one of the most important factors.

Domestic migration in Thailand began sometime in the 1950s. Before that, however, the people shifted their cultivating land, or families moved because of the problems of food or income. These movement should be discerned from the migration because of the wage or income gap. It seems that income gap widened and not in the other way round. The necessary step to be taken next for quantification of the effect will be a firm idea on the relationship between reasons for migrating and the width of the gap.

The most likely result occurring in the simulation study will be the mild deterioration of the income distribution. For amelioration, the inducement of the people might work. But at the same time, it also acts in the opposite direction. Therefore, a careful implementation of the development policies is most recommendable, and, in that situation, perhaps the formulation of LEDC will be, for the first time, possible.

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