

特集 Political Economy of Growth and Equity

Income Inequality and Uncertain Democracy in Thailand

—The Thai Case¹⁾—

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The interconnections between inequality, economic growth, and political change have long formed one of the major threads of historical scholarship. Marxist analysis focuses upon growing inequality among classes to explain revolution and the demise of capitalism, while other analyses have seen, on the contrary, a positive association between liberal parliamentary democracy, economic growth, and equality. On the theoretical side, an impetus to research was provided by Kuznets' seminal article published in 1955 which suggested that advanced industrial countries would experience a period of growing income inequality in the initial stages of growth, followed by growing equality²⁾. Kuznets did not explicitly relate his findings to political systems, though he speculated on the instability that might be produced in a period of growing income inequality. Scholars looked at income disparities both within and between nations, and variations on the grand themes of inequality and authority can be found in the literature on centres and peripheries, on world systems, on "oriental despotism", and in the writings of Barrington Moore, Mancur Olsen, and many others.

The rapid industrialisation of new nations, especially in Asia, since the 1960's has given new force to studies of the connections between distribution and political structure. A group of Asian nations, most notably the NICs, has experienced sustained and remarkable levels of industrialisation and economic growth. As a World Bank study emphasises, these nations seem to have accomplished this feat with relatively favourable income distributions, high rates of domestic savings, and, generally, political stability³⁾. Yet they have developed forms of democracy and political

regimes fundamentally different from those in advanced western countries, more state centred and more authoritarian. This experience has produced a growing literature which asks such questions as whether there is an "Asian democracy", whether authoritarian regimes promote maximum economic growth, and whether the "semidemocracies" of Asia have stable regimes⁴⁾.

This paper focuses upon the possible relationship between income distribution and political change in Thailand in the last three decades or so (when we have reasonable data for income distribution). The argument is that there is indeed, a relationship between income distribution and political change, although the relationship is not a simple one.

At the most general level we may note two characteristics of the Thai scene. First, income distribution has worsened significantly since the 1960s, throughout the period of sustained economic growth and industrialization. Secondly, Thailand's political system has seen only a slow and hesitant move towards democracy, with the bureaucracy, especially the military, retaining a key role. Is there a connection?

The Thailand Development Research Institute (TDRI) conducted research during the 1980s to test the Kuznet's inverted-U shaped relationship between income distribution and economic development⁵⁾. The study drew attention to three factors, in addition to levels of per capita income, which were significant in influencing income distribution. These were the fertility rate (population growth rates), the share of employment in agriculture, and the transition rate from primary to secondary education. Generally speaking, the TDRI found the countries with

high rates of population growth, a high proportion of the population in agriculture, and a low secondary school enrolment, tended to have more unequal patterns of income distribution.

These factors may help us understand an important feature of Thailand's income distribution: the perceptible worsening over a long period of time which has persisted, notwithstanding considerable progress in average per capita income and in industrialization. The relationship between income distribution patterns and such socio-economic factors embedded in the development process lies at the heart of the argument of this paper.

The argument developed here is, briefly, as follows. Until the 1960s, when the Thai economy began its significant growth and diversification, military authoritarian regimes were sustained by the narrow social and economic base of the country and the logistics of power centralised in Bangkok. Also of significance was United States support, moral, financial, and military, for the anti-Communist regimes of the period.

From the Sarit period (post-1957) onwards the economy was transformed. The Bangkok region grew as a major manufacturing and financial centre while in the countryside the dominance of peasant rice production declined as new commercial crops and other products developed. During this period we might have expected the new business classes, especially in Bangkok, to challenge effectively the influence of the military. That they did not can be put down to a number of factors, among them being significant and growing regional income inequalities.

Two keys were the existence of vote-buying in elections, which became entrenched after the 1969 election, and the ability of the military to 'buy-in' to the system. The prevalence of vote-buying is accounted for partly by the poverty of rural areas, where vote-buying is most evident. It is also accounted for by the existence of traditional patron-client relationships in the countryside, related, of course, to social and economic inequality. Such relationships give great influence to village leaders and other local officials. And it is associated also with newer forms of inequality, especially the wealth of

influence of local powerful individuals, often linked with criminal or semi-criminal activity, who came to prominence with the opportunities presented by agricultural diversification from the 1960s. The so-called *hua kanaen* (vote bank) system provided to political parties by such patron-client relationships have given enormous opportunities for wealthy individuals to buy political representation. This, in turn, produced weak political parties.

The ability of the military to 'buy-in' to the system was also a product of several factors. Crucial among them was fortune-building by some leading military figures in the 1950s and 1960s as a result of business activities, the 'commercial soldiers' as Chai-Anan terms them⁶⁾. State enterprises supported by the military regime nearly always included high-ranking military figures on the boards, while in the Sarit period the military continued to be prominent in business often in alliance with Sino-Thai enterprises, as greater emphasis was placed on developing private enterprise and the free market. Military fortunes were also underwritten by opportunities presented by United States' money during the Vietnam conflict, and the budget of the Ministry of Defence, always under military control to the present day, was also a source of wealth and patronage.

The military continued to have considerable economic clout even after the United States withdrew from Indochina in 1976 and as representative government took firmer foothold in Thailand. One source of wealth came from the military's role in clearing Communist insurgency, which continued well into the 1980s. This gave great regional power and autonomy to certain army units, and money came from a number of sources, including logging, narcotics, and mineral wealth. Allied to such sources of regional wealth came regional influence as the army embarked on development projects, ostensibly related to the suppression of Communism. Thus after 1985 we have the army's 'green Isarn' projects in the poor northeast, which later gave a formidable regional base for General Chavalit's New Aspiration Party.

In this way inequality, vote-buying, weak political parties, and the continued influence of the military both inside and outside the

parliamentary system were interrelated. We will now look at the pattern in closer detail.

I

Thailand may claim attention for a number of reasons. It is the one country of Southeast Asia free of a formal colonial heritage. Hence it has never had an alien system of government imposed from without, and the country has been able to develop indigenous institutions over a long period. We may add that the Second World War was not the social and political cataclysm for Thailand that it was in many part of Asia. Never formally under Japanese occupation, the trappings of legitimate government remained throughout the war years, and the transition to peacetime came within the framework of the prewar system of government. Thailand is also notable, of course, for its strong record of industrialisation and economic growth from around 1960. In the late 1980s Thailand grew as fast as any country in the world, and is now widely referred to as the "fifth tiger"⁷⁾. At the same time, political processes have been by no means smooth. The country has endured long periods of military dictatorship, frequent military coups, and a troubled parliamentary and electoral system. We may add that at any rate from the 1960s there were relatively satisfactory measures of income distribution, based on household income surveys, and we can use these, supplemented by other data, to give useable indicators of changing economic equality over the last three decades.

Reviewing recent Thai political change, we should note at the outset that commentators have viewed Thailand from opposing perspectives. On the one hand we can think of Thailand as a democratic country in only a limited sense. The strong role of the military, the frequent military coups (most recently in 1991), widespread corruption, numerous constitutions, powerful monarchy, the weakness of organised labour various and other features of Thai politics all suggest that Thailand is, at best, in Likhit's term, a "demi-democracy"⁸⁾. On the other hand we can see Thailand in more optimistic light. First, there has been some progress towards fuller democracy following the long military rules of Sarit and Thanom between 1957 and 1973.

Subsequent periods of military domination have seen at least the attempt to achieve legitimacy and quasi-civilian rule. The government elected in July 1995 was the first in Thai history where one elected Prime Minister was succeeded by another. Secondly, it has been noted that the narrowly based 'bureaucratic polity' was broadened with other interest groups, including those representing the new business classes⁹⁾. Thirdly, there are, in fact, many features of Thai society which we may consider truly progressive and democratic. There is considerable press freedom, for example, and freedom of occupations and movement. The Thai record on human rights is, in regional terms, good. The electoral system allows political parties, and all men and women over the age of 18 can vote. And so on.

That said, the standpoint of this essay is that, in fact, democratic processes are weak and uncertain, and the basic questions we should ask here concern the relationships between economic inequality and the weakness of Thai democracy.

In reviewing the process of political change in modern Thailand it is customary to begin with the year 1932, when the absolute monarchy was replaced by a constitution, and the country became, and has remained, a constitutional monarchy. Before 1932 a number of significant changes had taken place in the political structure. The development of Siamese nationhood in the late nineteenth century had been accompanied by the enhancement of the absolute monarchy under King Chulalongkorn (1868-1910), centralisation of political control in Bangkok (the seat of government), and major reductions in the autonomy of outer provincial areas. Despite some muted toying with democratic principles by King Chulalongkorn late in his reign, and by his two successors, and despite some spasmodic anti-monarchical unrest, it was not until 1932 that a coalition of progressive civilian forces and dissatisfied military imposed a constitution on King Prajadhipok.

Following 1932 Thailand has, for most of the time, been governed by authoritarian military regimes, interspersed until 1980 with only brief periods of limited parliamentary rule. Of particular significance were two coups which occurred in 1947 and 1957 and a

student uprising in 1973 which ended the long period of authoritarian rule. In 1947 the civilian government of Pridi was overthrown by a military group, and Field Marshal Phibul Songkhram (who had been an authoritarian ruler from the late 1930s and during most of the war period) returned to power until he, in turn, was overthrown by General Sarit in 1957. The military then dominated Thailand under the dictatorships of Sarit and (after 1963) Thanom until 1973. In that year Thanom was forced to step down and a brief and chaotic period of parliamentary democracy ensued, ending in a bloody military-inspired takeover once more in October 1976. Subsequently, throughout the 1980s, the Thai government was dominated by Prime Ministers who were either military men or had close associations with, and the approval of, the military. Yet it was also a time of semi-democracy, since elections were held (in 1979, 1983, 1986, and 1988), and the government ruled with the support of party coalitions. The 1980s saw various factions and splits occurring within the armed forces, and there were abortive coups against General Prem's governments in 1981 and 1985. Eventually, in February 1991, the military undertook their latest, and last successful, coup against the Chatichai government. The military rule of General Suchinda, who became unelected Prime Minister after elections in March 1992, was eventually overthrown after a popular uprising in Bangkok in May 1992, considerable bloodshed and dramatic intervention by the King, and the restoration of civilian rule. Further elections in September 1992, July 1995 and November 1996, appear to have consolidated parliamentary rule.

Surveying the complex mix of regimes, constitutions, and political practice, we may focus upon five particular aspects which appear to have inhibited the democratic process. First is the general subjection of the legislature to the executive, even in the interludes of parliamentary democracy. Power has been concentrated in the Prime Minister and cabinet but, until very recently (1992), the Prime Minister was not obliged to be an elected member of parliament, nor was it usual for him to be so. It has been common for many important cabinet positions to be given to non-elected individuals, sometimes

to specialist technocrats, sometimes to the military. After the violent end of the short democratic period in 1976 Thailand had no elected Prime Minister until Chatichai Choonavan, himself a former general from a military family, who succeeded General Prem in 1988. It can readily be understood that the practice of appointed Prime Minister and Cabinet members has made it extremely difficult for an effective opposition to crystallise around the various elected leaders of opposition parties in parliament.

A second area of weakness has been the operation of the bicameral legislature. Under most constitutions, including the present one, an elected House of Representatives exists side by side with a Senate. The Senate has retained considerable powers, and, on crucial issues (such as votes of no confidence) sits jointly with the House. The Senate's members are all appointed, in effect by the Prime Minister. The result has been overwhelming military domination of the Senate. Thus, for example, well over half of the Senate members appointed for a 5 year term in 1991 were active or former military officers.

Thirdly, characteristic of the Thai system is the considerable power and budget autonomy given to individual ministries and ministers. The military, through its secret fund, also has substantial independent power. This gives to the military and the various ministries, especially those controlling large numbers of employees, or in charge of granting licenses or major government contracts, a great source of economic strength and patronage.

A fourth major problem in the Thai democratic system has been the weakness and transience of political parties. Parties are often formed by rich individuals, often with a regional base, and represent individual interest rather than ideology. Few Thai political parties have a lengthy history or have a national organisation. Some parties are formed to fight single elections and are then disbanded, while some prominent politicians switch their allegiance on several occasions. All Thai governments except dictatorships with appointed Assemblies have been coalitions of several parties. Without ideological commitment and strong party discipline the resulting coalitions have often been

ineffective and at the mercy of party splits and factional disputes. This has tended to result in low levels of legislative activity, since such bills as can be passed have to be acceptable to so many varied interest groups. Much of Thailand's current legislation, in fact, still derives from enactments passed during the years of authoritarian rule. The Thai system gives cabinet posts in many instances not directly to individuals but to political parties in the coalition on the basis of their voting power. This, given the opportunities for patronage, has had the result of fragmenting executive power, encouraging corruption, and perpetuating patron-client relationships within the party political system.

A fifth major weakness of the Thai democratic system is, indeed, institutionalised corruption. This has manifested itself in vote-buying at elections, in the strong regional influence of local mafia-like individuals, in the misuse of ministerial budgets and corrupt operation of state enterprises, in interference with the judicial system, and in many other ways which have oiled and maintained the links between patrons and clients¹⁰.

Intertwined with all these elements has been the continued and pervasive influence of the military. This stems from the military domination of the Senate, from military control of the Defence portfolio, from the military's ability to undertake coups against the government, and for various other reasons. We should note here that the military enters politics in diverse ways. Many of the political parties are strongly connected with military leaders, depending for financial support on the military and including military figures among party officials. Several former military leaders have formed their own political parties, and gained support from military-run newspapers and radio and television stations. The largest political party elected in July 1995, Chart Thai, was long been associated with the military, while the second largest member of the 1995 ruling coalition, the New Aspiration Party, was founded in 1990 by General Chavalit, former army supreme commander.

An upshot of the weak legislature, the allocation of key cabinet positions to non-elected individuals, and the general irrele-

vance of elections in effecting real political change, has been a very low turnout of voters in elections. Thus in the elections of 1969, 1979, and 1983, voter turnout was only 50%, 44%, and 39% respectively.

We have then, a number of critical weaknesses in the Thai system. Why have these weaknesses remained, despite the growing sophistication of the electorate and the economic growth of the country? Let us pose three specific questions which we will return to at the end of this paper. First, why has a politically articulate middle class in Bangkok not become more apparent as growth has taken place, and which might have acted as an effective counterforce to the military? Second, how do we account for the continued central role of the military? Third, why have political parties remained weak, and no parties representative of broad economic classes arisen? As we will see, the characteristics of income distribution and inequality in Thailand are significant elements in answering these questions, and it is to economic matters and income distribution that we will now turn.

II

Changes in Thai income distribution since the 1950s have taken place against a remarkable economic transformation. In the 1950s the economy was dominated to an overwhelming extent by village-based rice production. The villages, especially in the more remote northern and northeastern regions, were to a greater or lesser extent self-sufficient. Internal communications were hampered by inadequate roads. Only one city of significant size, Bangkok, existed, and Bangkok had only limited industrial development beyond rice mills and saw mills. Most of Thailand's industry, commerce and finance was in the hands of ethnic Chinese immigrants (or their descendants), and Sino-Thais were, and have remained, the main business classes in the country.

There were, by the 1950s, several signs of impending change. One change was rapid population growth, taking Thailand from a sparsely populated country with an extensive land frontier to a heavily settled country. In 1938 the Thai population was just 15 million; by 1947 it was around 18 million, in 1980, 46

million, and today some 60 million. Another harbinger of change was international interest in Thailand's development and stability, taking the form of World Bank support, American military and aid expenditures, and closer political ties between Thailand and 'the west'. A landmark was the adherence of Thailand to SEATO in 1954, with headquarters in Bangkok. On other fronts in this period came growing state and military involvement in local business ventures, usually in co-operation with Sino-Thai elites, while there were considerable improvements in internal communications (some funded by international aid) which widened markets and brought more and more regions into the commercial nexus.

From the 1960s, spurred by enormous American expenditures during the Vietnam War and by a growing inflow of foreign capital the Thai economy began the upward path which has taken it today within striking distance of NIC status. The extent of American involvement is worth stressing. At the peak, in 1968-9, nearly 50,000 American troops were stationed in Thailand and over 40,000 Thai nationals employed. The Americans built roads, air bases, and other infrastructure projects, and military expenditure reached around 40% of total Thai exports. In all it is estimated that over US\$ 3 billion reached Thailand from the United States between 1951-75 in the form of military and non-military expenditures and aid¹¹. The former narrow economic base has been widened in all directions. Agriculture has diversified and large agro-industrial sectors have been built up, while especially in Bangkok and surrounding areas a huge manufacturing and commercial sector has developed. Bangkok itself has grown in size from around 1 million in 1950 to more than 8 million today, home to more than one thousand slums and more Mercedes cars than in any city outside Germany. Large indigenous business groups have emerged, such as Bangkok Bank and Charoen Pokphand, which have taken their place alongside multinational enterprises and foreign owned companies as major elements of the Thai economy. The social structure has developed and diversified along with these economic changes. Education has spread, and an educated middle-class has emerged, espe-

cially in Bangkok. The end of US military assistance to Thailand in 1976 was counterbalanced by increased foreign capital, especially after 1985. Despite the changes, three features of considerable political significance remained. One is that despite industrialisation Thailand remains a predominantly agricultural country, with most of the population continuing to live and work in rural areas. In 1995 still some two-thirds of the population were rural dwellers, mostly in scattered and relatively small villages. Secondly, Bangkok retained its enormous economic primacy as the centre of industry and finance. Third, there has been the maintenance, and in some ways strengthening, of regional socio-economic differences. A key region in political terms has been the Northeast, with some one-third of the country's population and hence with the largest regional parliamentary representation. The Northeast has long been, and remains, the poorest of the major regions and this has had significant political repercussions.

By the 1960s, when household income surveys enable us to have a reasonably accurate picture of income distribution in Thailand, two characteristics were apparent. First, income was relatively unevenly distributed; that is, there was quite a high Gini coefficient (though not high by the standards of the worst countries in Latin America, for example) and considerable levels of poverty and other indicators of the unequal distribution of income. Secondly, inequality was markedly regional, with striking contrasts between the wealthiest region, Bangkok metropolis, and the poorest provinces of the Northeast.

Table 1 shows that in the early 1960s the average household income in the Northeast was only half the national average, and one-fifth that of the metropolis.

Table 1 Mean Household Income by Region, 1962

	Baht	Kingdom (average=100)
Bangkok	1509.0	253.7
Central Region	780.1	131.1
South	718.2	120.7
North	438.7	73.7
Northeast	318.1	53.5
Kingdom	594.9	100.0

Source: Yukio Ikemoto, *Income Distribution in Thailand* (Tokyo, Institute of Developing Economies, 1991) p. 60.

Before discussing the extent and development of income inequality since the 1960s we should put Thai inequality in a longer perspective. For there are reasons to suppose that high levels of inequality were not characteristic of Thailand in former periods, and that substantial differentials appeared quite suddenly after the Second World War.

Both scattered data and reflection suggest that before the Second World War levels of inequality in Thailand for the mass of the population were not substantial. Nor was the country characterised by dire poverty. Of course, there were great extremes of wealth, but those with wealth were few in numbers. King Vajiravudh's oft-quoted remark that Thailand, around the time of the First World War, was a true democracy since, apart from him, all were equal, has a ring of economic truth. As far as income distribution is concerned, we may recall that before 1940 at least 85% of Thailand's population was engaged in agriculture, consisting mostly of owner-cultivators producing rice in scattered villages. It is probable that under these circumstances the main causes of income variations would come from harvest fluctuations. Rural surveys undertaken in the 1930s show relative uniformity in landholdings and rice yields over large areas of the country. Zimmerman, in 1930-1, found neither the levels of tenancy nor rural indebtedness which might suggest wide income disparities. Moreover average real incomes were comparatively high. Zimmerman noted on many occasions the relative ease of Thai peasant life, and estimated that the real income of the Thai peasant was around twice as high as that of his Chinese counterpart¹²). There were, of course, regional variations, and variations within provinces, but the general picture is not one of extremes of income or wealth for much of the population. The causes of relatively high living standards in rural Thailand lay not in impressive rice yields or superior methods of production but in the combination of abundant land and a sparse population.

Another factor equalising rural (and urban) incomes was the widespread custom of merit-making. According to one writer in the 1950s:

"The social goal of the rural population, and also to a large extent of the

urban population, remains the acquisition of merit and preparation for one's future existence. The financial investment is enormous; one source, for example, states that cash outlays for merit-making range from 7 per cent to 84 per cent of the total cash expenditures of a single family, with the average around 25 per cent. The expenditure results in a general economic levelling of the Thai rural population; more than anything else it helps to maintain the classlessness characteristic of the rural society.¹³)"

Beyond agriculture, Thailand's economic development before 1940 was limited indeed. Bangkok, a city of some half million at the time of the 1932 Revolution, had only a handful of manufacturing enterprises while urban centres elsewhere were mostly small and of little more than local significance. In the north, for example, Thailand's second largest city, Chiang Mai, had a population of around 30,000 which was not linked by road to Bangkok until 1941.

As far as we know, there were no marked changes in long-term levels of per capita national income for many decades prior to the Second World War. Recent estimates by Maddison and Sompop suggest that real per capita income in 1938 may have been a little lower than in 1913, and only marginally higher than in 1900. And in 1950 the level was almost identical with that reached in 1913¹⁴). It is apparent, then, that neither the record of economic growth rates nor the structure of the agricultural and non-agricultural sectors was such as to indicate the appearance of wide income disparities. In rural Thailand land remained abundant and, except in the rice-exporting central regions, of little commercial value. Until recently land titles have remained vague and the market for land undeveloped in much of rural Thailand. Thus one avenue of accumulation, through landed property, which has characterised some unequal societies both in east and west, was lacking in Thailand. It is, indeed, of political significance that no sizeable landowning class ever appeared in preindustrial Thailand. In urban areas too there was limited opportunity for large industrial fortunes to appear.

Certainly, as Suehiro has shown, some major fortunes were made by Sino-Thai enterprises before 1940, especially in rice-milling, while the teak industry in the north and tin industry in the south were also sources of wealth and accumulation¹⁵. There were opportunities, too, in trade and banking. Yet not only were the sources of wealth limited, but the main beneficiaries were often non-Thais, Chinese and British and other western-owned enterprises.

A feature of recent decades has been the appearance of substantial income differentials between Bangkok and the provinces, and this is reflected in a real wage gap which has motivated many rural people to migrate to the metropolis. There is evidence that such a gap appeared only after the Second World War. It appears that prior to the Second World War wages for unskilled labour were often higher in rural regions than in Bangkok, although the differences were not large¹⁶. However, by the early 1950s, when trustworthy figures are available, there was a clear and substantial gap favouring the Bangkok worker, usually by a factor of two or more.

Table 2 shows that by 1954 significant differences were apparent between regions, although it is interesting that substantial variations were not noticeable between the north and northeast, nor between the central and southern regions.

The question is, when did a substantial difference in regional incomes occur, especially between Bangkok and the more remote rural regions, and why? The subject has been little studied, but we can certainly say that a significant differential had occurred by the late 1950s and grew thereafter, and also that differentials were probably not substantial before 1940. It is tempting to attribute the

change to the war period itself, which saw considerable disruption, rampant inflation, and the collapse of the rice trade (rice deliveries were made to Japan at extremely low prices). But it is not clear that income disparities were significantly widened. Wartime shortages gave opportunities for substantial fortunes, and inflation meant the transfer of wealth from creditors to debtors, but a substantial Bangkok-rural imbalance can hardly have arisen. More important in accounting for regional inequality were probably changes in rice marketing and Bangkok-centred development which took place immediately following the war and into the 1950s, in which Thai business classes took a major part and the military emerged as a commercial force.

The changes in rice marketing occurred when Thailand was obliged by the British to deliver free rice as war reparations from 1945. Accordingly, the Rice Bureau within the Ministry of Commerce contracted with private traders to supply rice at prices well below world prices, in this way putting the burden of supplying the rice deliveries on the farmers. In 1947 the deliveries were dropped, but the Rice Bureau continued to contract with private traders at low prices and in 1955 imposed a formal rice 'premium', or tax on rice exports, which continued at significant levels until the 1980s and was not abolished until 1986. The effect of the rice premium was to transfer income from farmers to urban consumers and, indirectly, to industrialists who were able to keep wages low.

The rise of the military as an important business class in the period spanning the late 1930s to the 1950s was of considerable political consequence. Two key forces were at work. First, growing Thai nationalism, associated with Phibul Songkhram and the influential propagandist Luang Wichit Wathakan, led to anti-Chinese sentiment. Before and during the War a largely pro-Japanese military confronted a pro-Chinese business sector (dominated, of course, by Sino-Thais) and "nationalists" spoke openly of taking over alien wealth and assets. Numerous state-run enterprises were founded and during the 1940s several commercial banks were started which had close relations with particular state-run enterprises and bureaucratic

Table 2 Average Weekly Wages of Employees, 1954 (baht)

	Central (inc Bangkok)	Northeast	South	North	Kingdom
Labourers and Craftsmen	137	109	135	101	135
Service and related workers	97	78	105	75	92
All employees	148	112	141	105	144

Source: Lumduan Maprasert, *The Domestic Product of Thailand and its Regional Distribution* (NIDA, Bangkok, 1967), p. 19.

groups. A second force came from postwar politics, with the United States providing strong support, military and financial, for Thailand's anti-Communist military regimes after 1947. American expenditure in Thailand, which was high throughout the 1950s, 1960s, and 1970s, provided considerable opportunities for members of the military to promote business interests. Silcock put it bluntly but accurately in 1968 when he said "American generosity to Thailand has paid good dividends, but not in terms of democracy¹⁷⁾." Related to this was the problem of Communist insurgency in Thailand. As part of the anti-Communist drive, the army played a key role in clearing huge forest areas and resettling villagers in border areas. As a direct consequence, certain army factions came to control huge wealth from logging and other activities, while a new stratum of poor peasants, settled in areas of "doubtful ecology", as Pasuk and Baker put it, was created¹⁸⁾.

It would take us far beyond the confines of this paper to detail the growing business interests of the Thai military, though details are readily available¹⁹⁾. From the standpoint of this paper the point is that the military were a business force and, in consequence, there was no essential clash between policies appropriate to the military and policies appropriate to the capitalist business class. And while various factions and splits developed within the military, resulting sometimes in coups and attempted coups, there was no fundamental opposition to prevailing pro-business policies of successive Thai governments.

The argument here is that Thai politics shaped inequality rather than the other way round. The rice premium was one element, while circumstances produced a dominant military and bureaucratic class which turned to business activity. This business activity, concentrated largely in Bangkok, and favouring Bangkok over rural areas, helped to widen income disparities.

There were, it should be added, other factors pushing in the same direction. Important was rapid population growth, which had the effect of reducing landholdings and taking Thailand from a sparsely-populated country to one where rural land-hunger, fragmenta-

tion of holdings, and rural poverty were becoming more evident. In the Northeast especially settlement in upland areas, accompanied by forest clearance, was often on inferior lands with low yields and frequent droughts. A manifestation of the changes was a sizeable flow of rural migrants to Bangkok. Another important change between pre-war and post-war years was the effective ending of large-scale Chinese immigration in 1949. This provided greater opportunities for the Thai worker in Bangkok and tended to push up real wages in the city.

For various reasons, therefore, regional income inequalities, notably between Bangkok and the provinces, became a feature of the Thai economy from the 1950s. We may now fill in the statistical picture for subsequent periods in a little more detail.

III

Only in 1962-3 did the Thai National Statistical Office begin periodic surveys of household income and expenditure which allow us to trace changing income distribution with some confidence. There are problems. The data are usually for households, not individuals, while changing definitions used in the surveys means that estimates in different periods are sometimes not strictly comparable. But work has been done by a number of scholars to develop and analyse estimates of Thai income distribution, notably by Yukio Ikemoto, Mehdi Krongkaew, Pranee Tinakorn and Oey Meesook, and their work has done much to illuminate the course of change in Thailand during the period of modernisation²⁰⁾.

Let us first consider Thailand in international perspective. In 1970 Dr Harry Oshima presented data for a number of Asian countries which showed Thailand in 1962 having a distribution of income which was relatively unequal by East Asian standards (Japan, Taiwan) but rather equal by the standards of other Southeast Asian countries²¹⁾. Oshima calculated a Gini coefficient for Thailand of 0.5 which may be too high, but the relative ranking of Thailand among other Asian countries shown by Oshima is probably accurate. By the 1980s, according to World Bank data, Thailand's income distribution was still unequal compared with East Asian countries,

but was now more unequal than most South-east Asian countries (and considerably more unequal than India and Pakistan). The rankings are shown in Table 3 below :

The inequality ratios, which measure the ratio of the top 20% of household earnings to the bottom 20%, are even more unfavourable to Thailand than the picture above suggests. For most countries the World Bank's 1993 study used data for the 1980s, but for Thailand it used 1975-6 data. In 1975 income in Thailand was unusually, and for a short period only, relatively favourably distributed. Moreover the two countries "worse" than Thailand were both improving their distribution at a much faster rate than Thailand. Malaysia, for example, saw an improvement in the inequality ratio from 16.0 to 11.1 between 1973 and 1987. Thailand's ratio, 8.9 in 1975-6, was 12.20 in 1988 making it at that time probably the country with the most unequal income distribution among all the countries shown in Table 3.

The relatively unfavourable trends in Thailand's income distribution are confirmed when we look more closely at national data. Table 4 shows income by quintile group in the period 1975-1988 :

However we read Table 4 it shows a depressing picture of income distribution which continued into the high growth period of the 1980s.

Earlier figures from the 1960s are not strictly comparable with later years, but Ikemoto's careful study (which sometimes uses slightly different estimates to those used in Table 4 and elsewhere in this paper) shows that in 1962 the top 10% of households earned

Table 3 Inequality Ratios, Selected Countries, c. 1980s

Country	Inequality Ratios
Japan	4.3
Hong Kong	8.7
South Korea	7.9
Indonesia	7.4
Malaysia	11.1
Singapore	9.6
Taiwan	3.7
Philippines	8.7
India	5.1
Pakistan	5.9
Thailand	8.9

Source : World Bank, *The East Asian Miracle* (New York, 1993), p. 248.

Table 4 Income Shares by Quintile Group, 1975-1988

Group	1975-6	1981	1986	1988
Bottom 20%	6.05	5.41	4.55	4.50
Second 20%	9.73	9.10	7.87	8.09
Third 20%	14.00	13.38	12.09	12.27
Fourth 20%	20.96	20.64	19.86	20.26
Top 20%	49.26	51.47	55.63	54.88

Source : Pranee Tinakorn, 'Industrialization Welfare: How Poverty and Income Distribution are Affected, in Mehdi Krongkaew (ed.), *Thailand's Industrialization and its Consequences* (London, Macmillan, 1995), p. 222.

around twice as much as the lowest 40%, while by 1986 the figure had widened to nearly 3 times²²).

A significant widening took place after 1975, and the trends appear to have continued into the 1990s. The latest household survey, for 1990, shows the income share of the top 20 per cent to be 57.3%, while that for the top 10 % was 40.4%. By contrast the lowest 20 per cent now received only around 4% of total income²³).

The broad picture of Thailand's worsening income distribution is confirmed by estimates of Gini coefficients. Although differing estimates of these coefficients exist, all show that Thailand's income was more unequally distributed in the 1980s than in the 1960s, and the distribution grew significantly more unequal from around the mid-1970s.

In explaining the increase and persistence of income inequality in Thailand, fundamental has been the low productivity of agriculture relative to the other sectors. Thus, as growth has taken place, the non-agricultural sector has grown faster than the agricultural, and agriculture has declined strikingly both in terms of its share of total employment and in its contribution to national income. Over the period 1960-90 agricultural production grew at about 3% per year (though with large yearly fluctuations) while industry grew at around 9% per year. Within the industrial sector, manufacturing industry grew at 12.5% annually²⁴). Agriculture, which had contributed 39.8 per cent of GDP in 1960, contributed only 12.4 per cent in 1990, while industry had grown over these years from 18.2 per cent to 39.2 per cent. Yet rural employment has remained high. In 1994 59.5 per cent of total employment was still to be found in the agricultural sector, compared with 87.4 per cent in 1960.

As we have seen, industrial growth was heavily concentrated in Bangkok and the surrounding provinces, and Bangkok accounted for a large share of Thailand's urban population. In 1985 around 80 per cent of total industrial output was concentrated in the Bangkok region²⁵). As a result, the lag in agricultural productivity behind productivity in others sectors lay at the root of the major economic inequalities which have occurred during Thailand's modernisation: the inequality between industry and agriculture, the inequality between rural areas and urban areas, and the inequality between Bangkok and the provinces.

To an extent, of course, such inequalities result from the process of growth itself. When Kuznets put forward his famous hypothesis in 1955, he thought a fundamental part of the explanation was the relationship between the (initially large) agricultural sector at the beginning of modernisation and the (small) urban-industrial sector. As economic growth takes place, industrial productivity increases faster than agricultural, while within the urban sector there is also growing inequality as some sectors expand more quickly than others. Wages of skilled workers rise relative to the wages of the unskilled, and profits rise faster than wages. Another factor making for growing inequality was rapid population growth; population growth rates in Thailand peaked during the 1960s and 1970s²⁶).

A basic feature of income distribution in Thailand has been a worsening spread between regions. For statistical purposes, Thailand is usually divided into five major socio-economic regions: Bangkok and its vicinity; the Central Region; the North; the Northeast; and the South. Of these regions the Northeast has remained the most heavily populated and the poorest, and the extremes of regional inequality can therefore be seen most clearly between Bangkok and the Northeastern provinces.

Particularly striking has been the widening gap in per capita incomes between the regions (Gross Regional Product). In 1960 the Bangkok region accounted for 22.6 per cent of GDP, whereas by 1989 the figure had risen to 48.1 per cent. The Northeast's share in these years fell from 17.4 per cent to 12.9 per

cent. By 1991 the Northeast, with 34.6 per cent of the Thai population, had only 11.6 per cent of the national income.

The changing structure of regional GDP is shown in Table 5 below (expressed in current baht per head of population):

Thus in 1960, at the onset of industrialisation, per capita incomes in the Northeastern regions were about half the average of the whole kingdom; by 1989 there was a three-fold gap. There was also a widening spread between regions, and the gap between the Northeast and Bangkok had risen from a ratio of 5.5 to 8.1.

Inequality has always been greater between regions than within regions. Table 6 shows income shares by households for 1988. Distribution was most unequal in the Northern regions and least unequal in Bangkok, but for every Region the Gini coefficients were lower than for the Kingdom as a whole.

We find a not dissimilar picture if we look at the Gini coefficients for urban and rural districts. In 1988 the coefficient for urban areas was 0.443 and for rural areas 0.401²⁷). This suggests, of course, that inequalities between urban and rural areas are more serious than within urban and rural households. This may seem surprising, especially when we consider the social structure of the principal city, Bangkok, with its concentra-

Table 5 Regional GDP per Head, 1960-1989 (baht)

	1960	1970	1980	1989
Bangkok Region	5,715	12,838	45,300	96,239
Central	2,537	5,005	20,647	30,587
North	1,454	2,739	10,511	18,833
Northeast	1,046	1,782	6,294	11,981
South	2,594	3,958	14,052	21,955
Whole Kingdom	2,056	3,956	15,280	32,028

Source: National Statistical Office, Bangkok. *Statistical Yearbooks*.

Table 6 Income Share and Gini Coefficients by Region, 1988

Region	Population	Income	Gini Coefficient
Bangkok	14.58	31.99	0.385
North	19.73	17.79	0.453
Northeast	34.27	20.43	0.410
Central	18.53	18.36	0.408
South	12.89	11.43	0.439
Whole Kingdom	100.00	100.00	0.479

Source: Pranee Tinakorn, *op. cit.*, p. 223.

tions of wealth contrasting with large pockets of slum dwellers and other low income groups.

The high levels of regional inequality shown in particular by per capita provincial product are confirmed by a host of qualitative indicators. Generally speaking the poorest regions have the most poverty, the lowest levels of educational attainment, the poorest provision of health facilities, and so on. Within provincial areas, rural areas are at a disadvantage compared to urban, while among regions the Northeastern provinces fare worst on most counts.

IV

In the light of the earlier discussion we are now in a position to reflect on the possible interconnections between income inequality and political structure in Thailand. Of course, there can be no question of any simple monocausal explanation for anything so complex as political behaviour, which is affected by so many deep cultural, historical and social factors. External factors, for example, have been of significance. In the 1930s we can see the influence of both socialist and fascist ideas on the Thai political scene, while following the Second World War United States' attitudes and policies were influential in at first supporting the Thai military rulers and later, in line with international sentiment, in exerting pressure for representative government and legitimacy. Internally, Thailand has inherited a long tradition of vertical social relationships embedded in Buddhist conceptions of kingship and authority. The role of the military, of the monarchy, of political parties, and other manifestations of uncertain democracy in Thailand should not be viewed solely through an economic lens.

What we may usefully focus on is regional inequality on the one hand and some of the principal characteristics of Thai representative government on the other, in particular, the influential role of the military and weak political parties.

It would appear there have been two key elements connecting income distribution with politics. These are vote-buying and the existence of the largest pockets of poverty in the most populous districts. The latter is significant since the Thai electoral system

lays down that the numbers of parliamentary seats are in proportion to the populations, so that the greatest representation comes from the poorest and most rural parts of the country. In the September 1992 election the North and Northeastern regions combined had 199 seats in the House of Representatives out of 360, while Bangkok had only 35.

Vote-buying takes various forms, including simple payments in cash to voters, bribing of local people of influence, funding of local projects in return for votes, and so on. Despite the secrecy of the ballot box and the illegality of the practice, vote buying is known to be extensive, especially since the 1969 election. And the practice of vote-buying has favoured rich individuals and groups, including military and pro-military factions, who have been able to gain parliamentary seats in this way. Interestingly, Somporn Sangchai notes the swing of Northeastern voters away from their traditional 'left' orientation towards right-wing military parties, associated with the rise of vote-buying in the 1970s²⁸. While the true extent of vote-buying can only be guessed at, there is much evidence that it is critical in deciding the election results in many constituencies in rural areas. It was estimated that between 70% and 80% of successful candidates in the 1983 election bought votes, while in 1986, prior to the election, it was noted that in the Northeast demand for 20 baht banknotes was 110% higher than the average and that for 100 baht bills was up by 50%²⁹. And in the March 1992 election the independent Poll Watch estimated that in the Northeast perhaps 90% of all votes cast in the Northeast involved an exchange of money, and the nationwide average was 50%³⁰. In that particular election it appears that two Parties closely associated with the military, the New Aspiration Party and Samakkhi Tham, spent the most, and they were most successful in the poorest constituencies of the Northeast and North where their efforts were directed³¹.

The mechanism of vote-buying involves many channels, including the powerful role of local leaders known as *jao pho*, a term which has overtones of criminal, mafia-like activity. Also important are the local village leaders and others who are able to direct villagers to vote in a particular way. Ultimately, the

system of vote-buying, known as *rabob hua khanaen* (vote-bank system) depends on the existence of strong rural patron-client relationships and the willingness of voters to vote as directed in return for favours³². The system is clearly rooted in the regional income and social inequalities we have outlined.

Vote-buying has a number of results relevant to our theme. First, it has often meant weak and ephemeral political parties, since individual influence tends to be more important than party ideology. As Neher puts it, 'Thai political parties have had the most rudimentary organisation, with almost no regard for program or issues. Party lines are not based on ideologies but rather on the personalities and aspirations of political leaders³³.' Second, because of the connection between political power and expenditure, it becomes important for those dispensing patronage to be part of government coalitions and to control Ministries which can be sources of recouping some of the expenditure. Third, it means that quite small political parties can become powerful in government, due to the necessity for coalitions. Fourthly, the system lends itself to factions within political parties, causing weakness and frequent splits. And all these factors combine to produce generally weak government coalitions and large and divided cabinets.

V

We are now in a position to return to the questions posed at the beginning of this paper. We have explained weak and transient political parties in terms of vertical patron-client relationships, often accompanied by vote-buying. Horizontal class groupings have been noticeably weak. And we have explained the continued role of the military in part by the military's economic strength, which has allowed them to buy into the representative system by sponsoring political parties and sympathetic groups and individuals. We asked, too, why the economic growth of Bangkok has not been accompanied by a stronger middle-class and pro-democratic sentiment. In part the answer appears to be that the middle-classes have been the ones to benefit from the market-oriented private enterprise policies of successive authoritarian governments. This has two

components. There has been no fundamental clash of economic interests between the military and business, since powerful groups within the military were interlocked with private business interests. We may add that one important group of the Bangkok business elite, the Sino-Thai business families, have traditionally played only a limited political role, and have sought to preserve their interests through strategic alliances with the Thai bureaucracy. Also, despite frequent coups and changes of regime, the long-term pursuit of orthodox economic policies and the entrustment of key economic Ministries to technocrats rather than to politicians has reduced the incentive for middle-class business interests to seek political changes. Bangkok's voting patterns suggest that what the electorate fears above all is instability, and is quite willing to support that group, be it pro-military or anti-military, which seems to promise such stability.

Is it surprising that income inequalities should become greater as Thailand has moved from the 1960s away from authoritarian regimes towards less authoritarian and more representative government? Since the period has been one of rapid economic growth and industrialisation from an agricultural base we can see, no doubt, confirmation of the Kuznets hypothesis. We may also add that, as Mancur Olsen has recently demonstrated, optimising economic policies by authoritarian regimes do not necessarily result in worse distributional policies than do weak representative coalitions³⁴. It is doubtful whether the more equitable distribution we have noticed in the democracy period of 1973-6 was due to the policies of government in that period, as has been suggested by Ikemoto³⁵. While there were some successes for labour, and improvements in minimum money wages, it would seem that for much of the urban working population living standards actually fell as prices rose sharply. More important in the movement of income distribution was probably the improvement in agricultural prices in the 1970s, a movement which was reversed sharply in the 1980s. Another factor may well have been the distributional impact of vote-buying in the three elections held between 1973-1979.

VI

Finally, we may consider briefly the more general question of economic fluctuations in political instability in Thailand. We have noted already that immediate economic pressures are normally given very little place in analyses of the many coups and forced changes of government in Thailand. A close look at economic history, though, suggests there has, perhaps, been a greater role of economic change than might be thought. If, for example, we take the major coups and upheavals of June 1932, November 1947 (Phibul), September 1957 and October 1958 (Sarit), and October 1973 (student uprising) we find that in each case political change came in the midst of great economic uncertainty. The 1932 revolution came, of course, at the height of the world depression, while perhaps more to the point was the refusal of the King at the end of 1931 to grant pay increases to the military, instead cutting the military budget. The year 1947 was a time of rapid inflation and postwar shortages, with a number of serious strikes and also a severe drought in the north and northeastern regions. The period 1957-8 was depressed, with large declines in crop production due to drought, and declines in exports and imports, as well as an increase in labour disputes. The student uprising in 1973 took place at the time of the oil crisis and rapid inflation, while poor harvests in 1972 had led to general depression.

In fact, in almost each case, the 18 successful and unsuccessful coups between 1932 and 1991 took place at a time of economic depression or significant economic discontent. Even in 1991-2, when the economy as a whole was growing rapidly, the period saw significant falls from the high rates of the late 1980s, while the effects of the Kuwait crisis hit particular sectors, such as tourism and construction. Again the two abortive coups of 1981 and 1985 took place at times of economic depression and the rhetoric of the coup plotters certainly referred to rural distress and income inequalities.

Perhaps more to the point, no coup seems to have been undertaken during times of general prosperity and economic boom. This suggests that although those accounts of

Thai political history which see coups as sometimes little more than factionalism and personal manoeuvrings within the bureaucracy may be correct, at the very least economic circumstances have provided sufficient general dissatisfaction for coups to be mounted. And since growing income disparities, and especially regional disparities, have provided a constant source of dissatisfaction which becomes the more apparent in times of economic hardship, income inequality may well be a root cause of the political instability which has made Thailand's progress towards representative democracy so uncertain.

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Notes

1) Earlier versions of this paper were given at the International Workshop on Income Distribution and Social-Political Stability, Hitotsubashi University, January 1996, and at the University of New England Economic History Seminar Series, September 1996. I am most grateful for the helpful comments received.

2) S. Kuznets, 'Economic Growth and Income Inequality,' *American Economic Review*, 45, 1, March, 1995, pp. 1-28.

3) World Bank, *The East Asian Miracle* (New York, 1993).

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5) Chalongphob Sussangkarn, "Income Distribution and Long-Term Development," *TDR Quarterly Review*, Bangkok, Dec. 1994, pp. 6-10.

6) Chai-Anan Samudavanija, *The Thai Young Turks* (Singapore, ISEAS, 1982), p. 14.

7) For example, R. J. Muscat, *The Fifth Tiger: A Study of Thai Development Policy* (New York, UN University Press, 1994).

8) Likhit Dhiravegin, *Demi-Democracy: The Evolution of the Thai Political System* (Singapore, Times Academic Press, 1992).

9) Anek Laothamatas, *op. cit.*, and *Business*

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10) For example, Pasuk Pongpaichit and Sungsidh Piriyanarangsarn, *Corruption and Democracy in Thailand* (Bangkok, Chulalongkorn University, 1994), pp. 10-41.

11) M. Caldwell, 'Thailand and the Imperialist Strategy in the 1980s,' *Journal of Contemporary Asia*, 8, 1, 1978, p. 42; Pasuk Pongpaichit and C. Baker, *Thailand: Economy and Politics* (Kuala Lumpur, OUP, 1995), p. 126.

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17) T. H. Silcock, *The Economic Development of Thai Agriculture* (ANU Press, 1970), p. 210; also Pasuk and Baker, *Thailand, op. cit.*, pp. 275-281; R. Muscat, *The Fifth Tiger, op. cit.*, pp. 90-112.

18) Pasuk and Baker, *Thailand, op. cit.*, pp. 83-4.

19) See, for example, Chai-Anan Samudavaniji, *The Thai Young Turks op. cit.*; Pasuk and Baker, *Thailand, op. cit.*, Ch. 8.

20) Yukio Ikemoto, *Income Distribution in Thailand: its Changes, Causes and Structure* (Tokyo Institute of Developing Economies, 1991); Mehdi Krongkaew and Pranee Tinakorn, in Mehdi Krongkaew (ed.), *Thailand's Industrialization and its Consequences*, and literature therein cited (Lon-

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25) M. Falkus, 'Thai Industrialisation: An Overview,' in Mehdi Krongkaew (ed.), *Thailand's Industrialization, op. cit.*, p. 16.

26) W. Loehr and J. P. Powelson, *The Economics of Development and Distribution* (New York, Harcourt Brace Jovanovich, 1981), p. 141. This is a useful summary of the advantages and disadvantages of different measures of income distribution.

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29) J. W. Ockey, *Business Leaders, Gangsters, and the Middle Class: Societal Groups and Civilian Rule in Thailand* (PhD Thesis, Cornell University, 1992), p. 179.

30) *Far Eastern Economic Review*, April 2, 1992, p. 12; Also Surin Maisirikrod, *Thailand's Two General Elections in 1992: Democracy Sustained* (Singapore, ISEAS, 1992), pp. 52-3.

31) *Far Eastern Economic Review, op. cit.*, p. 12.

32) There is an excellent discussion in J. S. Ockey, *Business Leaders, op. cit.*, pp. 150-190.

33) C. Neher, in *Modern Thai Politics, op. cit.*, p. 294.

34) M. C. McGuire and Mancur Olson jr., 'The Economics of Autocracy and Majority Rule,' *Journal of Economic Literature*, March, 1996, pp. 89-90.

35) Yukio Ikemoto, *Income Distribution in Thailand: its Changes, Causes and Structure* (Tokyo Institute of Developing Economies, 1991), p. 7.