

Chapter 1

INTRODUCTION

Mass poverty in LDCs, or low-income countries, have held the interest of world organisations, governments, and economists since the post-Second World War days when many LDCs were recovering from the direct and indirect effects of war. This interest has intensified as the gap between rich and poor nations continued to widen, and as more people in poor nations are dying from starvation and famines, which are acute cases of poverty. According to A. W. Clausen, president of the World Bank, in 1985, the World Bank was just completing a country-by-country review of poverty in the developing world. Many other studies on poverty and poverty-related problems have also been conducted by UN organisations and individuals in recent years. For instance, in 1983, a comprehensive study on poverty in Malaysia was published by the well-known development economist Anand.

The problem of poverty in LDCs has become a global concern. World organisations, governments, and economists have all been trying to understand better, the factors that determine poverty and economic malaise, and based on their findings, they have suggested measures that would eliminate poverty. In recent years, governments of LDCs have included in their development plans, strategies to eradicate poverty in their countries.

Poverty is a serious problem for LDCs. According to World Bank estimates, in 1975, 750 million or 40% of total population of LDCs were believed to be living in poverty. This was poverty in the absolute sense. That is, this was the proportion of population in LDCs that was existing at bare levels of subsistence. Among these 750 million poor people, about 600 million or more than 80% were living in the rural areas. This means that the majority of the poor were found in rural areas.

In Thailand, in 1975, an estimated 13 million or 31% of total population were believed to be poor. Yet, Thailand seemed to have made some progress in eliminating poverty. During 1962 and 1975, the proportion of the poor in total population was estimated to have been halved. Thailand was also known to be a success story in economic growth during that same period. It is therefore interesting to find out why, in 1975, poverty still existed and persisted in Thailand despite its achievement in economic

growth. For, if poverty persists in Thailand, what can be expected of other less-favoured nations?

This special interest in Thailand and in poverty put together, has resulted in this dissertation. The purpose of this dissertation is to find answers to the following questions: what was the extent of poverty in Thailand? how was poverty distributed among regions and areas in Thailand? or, in which parts of Thailand were the poor concentrated in? what were the characteristics of the poor in Thailand? And, most important of all, what were the determinants of poverty in Thailand? (All these questions relate to the period during the 1960s and 1970s.)

Since the determinants of poverty in Thailand can be many and varied (economic, social, cultural and political factors), it is necessary to have a framework for analysing the determinants. Jorgenson's theory of the low level equilibrium trap and Sen's entitlement approach are therefore chosen for this purpose. According to these theories, the determinants of poverty are the rate of population growth, the rate of technical progress, and entitlements of people. (In this dissertation, entitlements to land are considered.) These factors are not analysed by econometric analysis. The method of analysis is as follows: first, these factors are examined separately for the period 1960-80 to see whether in actual fact rapid rate of population growth, low rate of technical progress, loss of land ownership and tenancy problems, and increasing inequality in income distribution were factors that determined poverty in Thailand, and then, findings are integrated for the final analysis.

There are however, limitations that imposed constraints on this study. First of all, the author had limited knowledge of the Thai economy. Secondly, she had limited access to data and information on Thailand. The source of data and information (the University of New England libraries and some Thai friends) could not supply all the data and information required. Thirdly, available statistics were not quite reliable. Statistics are therefore examined and analysed on the assumption that they generally represent the true situation.

However, in spite of limitations, the best use of available data and information is made and this dissertation written. The structure of this dissertation is as follows: Chapter 2 is concerned firstly with the basic issues regarding the concepts and measurement of poverty. Secondly, two

theories on the causes of poverty, Jorgenson's theory of the low level equilibrium trap and Sen's entitlement approach are put forward. Lastly, evidence given by researchers on the issue of whether growth leads to poverty reduction is reviewed.

Chapter 3 is an overview of the economic, social and institutional situation in Thailand during the 1960s and the 1970s. First of all, attention is given to Thailand's economic and social position amongst neighbouring countries which were roughly at the same stage of development. Next, the socio-economic characteristics of the Thai economy are reviewed, and lastly, some background information on the institutional set-up and development strategies of the Thai government is given.

Chapter 4 is an examination of previous research work on poverty in Thailand. More attention is given to the distribution of poverty among regions and locations in Thailand, and to the characteristics of the Thai poor, than to the extent of poverty in Thailand as a whole.

Chapter 5 is the crucial chapter of this dissertation. First of all, the three determinants of poverty, the rate of population growth, the rate of technical progress, and the entitlements of people (land ownership), are examined separately. Then findings are brought together in an integrated analysis.

Chapter 6 is the concluding chapter of this study. Here, policy implications suggested by the earlier analysis are considered and concluding remarks made.

Chapter 2

POVERTY: CONCEPTS, MEASUREMENT AND CAUSES

2.1 Introduction

This chapter will be concerned with the basic issues involved in conceptualising and measuring poverty and in determining the causes of poverty. First, the issues concerning the choice of the indicator of well-being of the poor and of the unit of measure will be discussed. The question usually asked is whether the standard of measure of poverty should be income or expenditure or social indicators such as life expectancy, infant mortality, and literacy. But although each indicator is seen to have its advantages, income is the most commonly used indicator of welfare. The question usually asked with regard to the choice of the unit of measure is whether the recipient unit should be individuals or households. For LDCs, households are seen to be the more appropriate unit of measure.

Next, the two basic issues in the measurement of poverty are discussed, *viz.* the concept to be used, either absolute or relative, in defining a poverty line (in order to identify the poor among the total population), and the issue in measuring the intensity of poverty beneath that line. It can be seen that both concepts of defining the poverty line have merits of their own. However, the absolute poverty line is the one that is most commonly used. The absolute poverty line can also be defined using various approaches and methods. The second issue in the measurement of poverty is most commonly tackled by using the head-count measure. However, to take account of its weaknesses other measures such as the poverty gap, the Sen index, and variants of Sen index such as Anand index and Kakwani index have also been introduced. The advantages and disadvantages of each index of the intensity of poverty will be considered also.

Lastly, in considering the causes of poverty, two theories will be used: Jorgenson's model of the low-level equilibrium trap and Sen's entitlement approach. Since the causes of poverty are many and varied, these theories will be used as a framework within which the causes of poverty in Thailand will be analysed. Evidence from past studies on the issue of whether growth leads to poverty eradication will also be put forward.

2.2 Concepts and Measurement of Poverty

2.2.1 Indicators of well-being of the poor

There are various indicators on standards of measure that are usually used for the analysis of poverty. They are general indicators such as income, expenditure, consumption and specific social indicators or "quality-of-life" indicators such as employment, literacy, life expectancy, infant mortality, fertility rate, etc. Of these, income is the most commonly used indicator of well-being of the poor. Income is a good measure of general welfare since it can be used to satisfy many different wants of people.

However, there is no unique way of conceptualising income. Income can be defined in different ways: static or dynamic, individual or social, *ex ante* or *ex post*, and even if it is, for example, defined in the dynamic, individual, *ex ante* sense, income can still be defined in different ways. Hicks (1946) argued that at that stage income had never been defined consistently or satisfactorily. However, following Hicks, we can define income as "the maximum amount which can be spent during a period if there is to be an expectation of maintaining intact the capital value of prospective receipts (in money terms)" (Hicks, 1946, p. 173). This definition is one of three that Hicks gave as approximations to the central meaning of income which is that: income is the maximum value which a person can consume during a period and still expect to be as well off at the end of the period as he was at the beginning (Hicks, 1946, p. 172). This definition is also similar to Friedman's (1957) definition of "permanent income": income is the amount a consumer unit could consume (or believes that it could) while maintaining its wealth intact (Friedman, 1957, p. 10).

In general terms, income is the flow of money or goods accruing to an individual, group of individuals, a firm or the economy over some time period. It may originate from the sale of productive services (as wages, interest, profits, rent, national income), or it may simply represent a gift (e.g. a legacy from a will or income of a trust fund), or transfer payments (e.g. old age pension). Similarly, it may be in money or "in kind" (Bannock, Baxter, Rees, 1972, p. 203).

A comprehensive and "operational" concept of income would include money income, non-money income such as income in kind, capital gains and government transfers and expenditure.

Income in kind includes the value of home-produced consumption, fringe benefits received in kind as part payment, and the value of imputed services

from owned assets. The value of home-produced consumption is an important element in LDCs since economic activities are usually of a subsistence nature. It is therefore important to include the estimated value of home-produced consumption in household income since its exclusion will mean a substantial underestimation of household income. Fringe benefits received in kind as part payment are also important in developing countries since many farm labourers are paid in kind. It is therefore important to include the imputed value of these items in income. Ownership of physical assets (such as home ownership) does not provide cash income but it has a similar effect in that it saves the owner paying rental fees, thus making his real income higher. Imputed rents should also be included in income. Since income in kind affect the economic position of large numbers of income recipients in LDCs, its value should be estimated and added to cash incomes of different households.

Capital gains are a realised increase in the value of a capital asset. They can be gains arising from the sale of personal belongings, including cars or principal dwelling houses and gains from the sale of stock-exchange securities (Bannock, Baxter and Rees, 1972, p. 58). Capital gains clearly allow the household to spend more while maintaining the value of wealth intact and irrespective of whether the gains are realised or not. However, due to difficulty in measurement, capital gains are usually excluded in income statistics (Morgan, 1965).

Government transfers such as pension payments, unemployment benefits, etc. usually go to the lower income groups, thus increasing their income. Government expenditure on infrastructure in rural areas may also be directed towards low income earners, thereby increasing their welfare. It is therefore important to consider these in household income.

However, income statistics in LDCs take account of only some of these considerations and are typically money income received by individuals or households during a month or a year. Income statistics are not only thought to be underestimated and inaccurate, but are also thought of as unreliable and incomparable. Fields (1980b) remarks that reviews of data reliability for some LDCs have shown that income statistics are often seriously inaccurate. An examination of the GDP estimates published by five countries in Southern Africa suggested that, on average, an error range of ± 20 per cent is possible for those countries (Blades, 1980, p. 75). By any test, ± 20 per cent is a sizeable error. This means that a country's GDP estimated at say, \$100, could be anything from \$80 to \$120. This could play havoc with

poverty rankings in LDCs. However, income statistics, although less than ideal in many respects, can be an analytically valuable guide to the economic status of the poor when they are approximately defined, measured and adjusted.

Alternative indicators of welfare such as household expenditure or consumption have also been proposed. These have been claimed to be better indicators than income. Van Ginnekan (1980, p. 640) believes that data on household expenditures are more appropriate for the analysis of poverty than those on income. He gives two reasons for this. Firstly, expenditure data reflect more accurately people's actual level of living while income data are more concerned with people's potential level of living. Secondly, expenditure data are more reliable than income data. Income data often underestimate people's potential level of living because income is normally measured over a year's period which is a long period for correctly recalling one's income. However, the reference period for expenditure is generally no longer than one month (except for expenditures on consumer durables). Moreover, income in kind (consumption of own produce) is often valued at producer (farmgate) prices which results in people's actual level of living being underestimated.

According to Fields (1980a, p. 141), data on consumption is a better indicator than data on income for the following reasons. Consumption directly measures the flow of utility-producing inputs, while income measures the ability to purchase those inputs, and since we are concerned with what is in fact consumed, consumption is a better indicator than income. Income is also affected by stochastic events (such as illness, drought, temporary fall in world price for the crop grown) or life-cycle effects (such as very young or very old age) which may make incomes to be unusually low. As a result, the temporary poor and the permanently poor cannot be distinguished. Household expenditures which are less influenced by temporary changes are therefore considered to be a better indicator than income for the analysis of poverty. Household expenditures are also less subject to conceptual and measurement error than income. However, since income data is what is usually available and since reliable information on consumption is often hard to get, we find that poverty definitions are usually income rather than consumption-based.

Strong arguments in favour of making poverty indicators geared towards measuring "results" rather than "inputs" led to the proposal of social indicators. As an alternative to income or expenditure data, the advantages of social indicators such as infant mortality, life expectancy and literacy, have been considered and simple composite indexes such as "The Physical

Quality of Life Index" (PQLI) have been introduced (Morris, 1979, p. 32). The PQLI was introduced by the Overseas Development Council of the United States of America to supplement the GNP by providing a more specific measure of the welfare of people. It expresses, in summary form, the extent to which societies meet certain minimum human requirements and therefore consolidates three indicators: infant mortality, life expectancy and literacy, into a simple composite index. Life expectancy, infant mortality and literacy figures are each rated on a scale of 1 to 100, within which individual countries are ranked according to their performance, and then a composite index is calculated by averaging the three components of the index, giving equal weight to each of them. These three indicators were chosen since they "appeared to adequately represent the wider range of conditions that a 'minimum human needs' program seeks to improve" (Morris and Liser, undated).

One weakness of the quality-of-life indicators however, is that they apply to the population in general and there are no separate estimates for less-advantaged groups in the population. Changes in those groups' circumstances are therefore better reflected by trends in the incidence of poverty (Bussink, 1980, p. 10). However, the important issue is not the choice of a particular grand measure of poverty, but to take note of the various parameters that would enter an acceptably broad picture of poverty. Although the non-income factors captured by PQLI (particularly longevity and literacy) are important, so are income and consumption statistics which have relevance that go well beyond longevity or education (Sen, 1980a, p. 7).

An indicator used by the World Bank in the analysis of poverty is the joule¹ intake of people. This is a nutrition-specific measure of absolute needs and is considered to be a more practical indicator of the well-being of the poor. However, as Bussink (1980, p. 44) says, caloric standards are difficult to set, since malnutrition has been prevalent and a large part of the population in LDCs has not attained its "physical potential".² Since standards based on the attainment of that "potential" overstate the individual's daily food needs while criteria based on actual body weight understates them, Bussink believes the problem has not been solved as yet.

1 Until recently, the preferred unit of measurement was in calories. (1 calori = 4.186 joules).

2 This is an ambiguous phrase.

2.2.2 Unit of measure of poverty

In considering the unit of measure of poverty, the issue is usually the individual versus household/family as the unit of measure. However, the choice of the recipient unit usually falls on the household or the family rather than the individual.

The household is a more appropriate unit of measure, especially for developing countries, since in developing countries it is the household unit that often makes decisions concerning income earning and consumption expenditure. The most important justification for looking at families rather than individuals is the fact of widespread income sharing within the family. The family includes both economically active and dependent persons. The family is the unit that decides how to allocate the distribution of goods and services among its members. And, in family-run farms or businesses, or jointly-held property, it is difficult to attribute incomes to specific individuals. For these reasons, a family can be considered to be a more appropriate unit than the individual in measuring poverty.

There are, on the other hand, limitations in having the household as a unit of measure. In having a household as a unit of measure, the satisfaction of individual needs is neglected. The household size is also not properly accounted for and therefore income distribution statistics compiled on the basis of household incomes will be heavily biased. It is also believed that within households, there are significant disparities in welfare among its members, the usual case being that women and children are less well provided for. Households differ also in composition and size. Young children have smaller needs than adults, and the satisfaction of at least some needs (like housing) is subject to economies of scale. Since both the number of small children and the size of the household tend to be negatively correlated with per capita household income, the combined effect of these two factors can be significant (Bussink, 1980, p. 45).

These limitations make it seem that individuals should be preferred as the unit of measure of poverty. Arguments in favour of individuals as the recipient unit state that individuals in the labour market are rewarded individually according to their characteristics. Also, that some key indicators of economic development such as the composition of employment, rates of infant mortality, and school achievement ratios pertain to individuals (Fields, 1980a, p. 139). It was therefore suggested that to measure poverty, family income

data should be used, but to characterise the poor, individual characteristics should be used.

2.2.3 Poverty Line

Poverty can be viewed either as a relative concept or as an absolute concept.

Absolute Poverty

According to the absolute concept, a person is poor if the income or consumption of the household of which he/she is a member is below a normatively defined poverty line. In other words, the extent of poverty at a point in time in a society is the proportion of the relevant population whose level of living falls below some poverty line.

The most common route to identification of an absolute poverty line is through specifying a set of "basic" or "minimum" needs or "subsistence" requirements. These needs or requirements are then translated into income or consumption and all those with incomes or consumption below the amount so specified are considered poor. This definition provides scope for specifying the minimum needs on the subsistence level in any manner. It maybe confined only to the minimum expenditure needed to meet one's requirement of food, or maybe broadened to include other items like clothing, housing, education, health, etc. Some have questioned whether minimum or basic needs are better specified in terms of commodities or in terms of "characteristics" (Sen, 1981a, p. 24). The best way to specify basic needs is, in terms of a hybrid vector, the components being commodities and "characteristics". Although originally basic necessities included only food, clothing, fuel and household sundries, the list has lengthened depending on the judgement of the researchers. However, since in most LDCs, the poor do not even have enough food to eat, it is possible to consider only the most basic need, which is food, and ignore minimum requirements on clothing, fuel and sundries.

This method of identifying an absolute poverty line through subsistence requirements is known as "the subsistence approach" (Australia: Social Welfare Policy Secretariat, 1981). This approach was adopted by such pioneers as Charles Booth and Seebom Rowntree. They estimated the goods and services which were thought sufficient to maintain the minimum necessities for human subsistence and then translated them into money terms indicating the subsistence standard of living which is acceptable by a community. This method of

constructing a poverty line has been widely used. The Orshansky poverty line, which is widely used in the United States, is a particular application of the subsistence approach.

In practice, it has rarely been possible to specify minimum standards for necessities other than food. Allowances for the other items are usually based on observation of the spending pattern of low income households. And, even if non-food consumption such as clothing, shelter, education and health services are accounted for, we must be aware that some of this consumption is provided to households through the public budget. There is also a further problem that the prices for the same set of commodities vary depending on the location, time of year, and the economic status of the person. Also, since basic requirements differ from person to person, it is difficult to determine one single level of goods and services required for subsistence. One solution to this problem is to replace the poverty line by a poverty band which describes a range of values. In the United States, the staff of the New School Poverty Study, constructed a three-level poverty band for the years 1905 to 1960, showing levels of "minimum subsistence", "minimum adequacy" and "minimum comfort" to maintain a four-member family year by year. These three levels were constructed to establish eligibility for public assistance, to determine a "living wage", and to settling wage disputes mostly of skilled workers or civil service workers (Ornati, 1967, pp. 167-8).

The method used to define a poverty line according to the subsistence approach mentioned above is the "income method" where the first step is to calculate the minimum income at which all the specified minimum needs are satisfied, and then to identify those whose actual incomes fall below that poverty line. Often the minimum income is the per capita consumption expenditure (monthly or annual) of a household of which a person is a member, or the per capita income of a household.

Another method that can be used is the "direct method" which does not involve the use, in particular, of a poverty line income. This method simply checks the set of people whose actual consumption baskets happen to leave some basic need unsatisfied. In other words, the direct method identifies those persons whose actual consumption fails to meet the accepted conventions of minimum needs (Sen, 1981a, p. 28). Although there is also some merit in using this method, the income method is the most commonly used method in identifying the poor.

The absolute poverty line can also be defined by reference to some administrative criterion such as a minimum wage. This is known as the "conventional approach" to identifying poverty (Australia: Social Welfare Policy Secretariat, 1981).

An alternative approach to defining a poverty line in terms of income or expenditure on a basket of goods and services, is to define an absolute poverty line as a nutritional norm such as the "required" calorie intake.¹ Here, a certain calorie norm is defined and those persons who do not get that amount are classified as poor. This approach has been promulgated by World Bank researchers and is taken by them to be a practical approach to tackle poverty. The World Bank study of five East Asian countries, Indonesia, Korea, Malaysia, Philippines and Thailand, used the poverty line of a uniform calorie intake of 2,100 kilocalories per day (Bussink, 1980, p. 49).

Identifying the poor according to this approach is also not without problems. Minimum calorie intake varies with the amount of physical activity of the individual and also according to physiological factors, such as age, sex, body weight, size and metabolism rate. And, even for the same age and sex or for the same person at different times, caloric needs show wide variations. Individuals above their own minimum requirement may be below the norm and misclassified as poor, while individuals below their own minimum requirement may be above the norm and misclassified as non-poor. Therefore, when the poor are defined as persons whose calorie intake falls below a specified norm set for the population as a whole, the result can be erroneous estimates of the poor population. Caloric needs are ambiguous and therefore, no single figure of calorie intake can be adopted as the norm with certainty and precision.

Therefore, although both methods of defining an absolute poverty line involve some conceptual and measurement problems, the income/expenditure-based definition seems to be preferable.

Relative poverty

The relative concept interprets poverty in relation to the prevailing living standards of the society. The view that "poverty can be defined objectively and applied consistently only in terms of the concept of relative deprivation" was made strongly by Townsend (1979, p. 31). He believes that

1. The daily calorie requirement per capita refers to the calories needed to sustain a person at normal levels of activity and health, taking into account age and sex distributions, average body weights, and environmental temperatures (World Bank, 1984, p. 283).

individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged or approved, in the societies to which they belong. Townsend therefore suggests two steps to be taken to be able to measure relative poverty. One is to endeavour to measure all types of resources, public and private, which are distributed unequally in society and which contribute towards actual standards of living. The other is to endeavour to define the style of living which is generally shared or approved in each society, and find whether there is a point on the scale of the distribution of resources below which, as resources diminish, families find it particularly difficult to share in the customs, activities and diets comprising their society's style of living (*op. cit.*, p. 60). To draw a poverty line, Townsend hypothesised the existence of a threshold of income below which people are disproportionately deprived. However, there are practical difficulties in making this definition of poverty operational.

Very crudely, a relative poverty line can be defined as that income level which cuts off the lowest "p" per cent of the population in the national income distribution. One is "poor" if he/she is a member of a household that happens to fall in the bottom "p" per cent of the relevant income or expenditure distribution. This definition has been promulgated mainly by researchers at the World Bank. The choice of percentile "p" in the distribution is arbitrary and the World Bank has suggested the figure 40 per cent in the context of developing countries (Fields, 1980b, p. 55).

There are some objections to this method of defining the poor. Firstly, the method prejudges the extent of poverty which is "p" per cent by definition. Secondly, there is always a bottom "p" per cent in the income distribution which will be judged as poor and therefore poverty can never be eradicated. There is constancy of population share along with income variability among members of that group. The relative poverty measure fails to record an income-distribution change, and even if countries were alleviating poverty, the relative-poverty measure is insensitive to that change. It disguises changes in absolute poverty among the poor, in other words, it disregards the movement of specific individuals into and out of the bottom "p" per cent. This may lead to inaccurate assessments of commitment and progress in reducing poverty.

Another method of defining a relative poverty line is in terms of the average standard of living in the society. In this case, a relative poverty line is defined as a fraction of the average per capita income of the society, for example, at half the average per capita income level as was defined for Mexico or one-third of the average per capita income level, which is the level considered by the World Bank (Bergsman, 1980). With this definition, although the poverty line rises with the general level of incomes, it is no longer true that poverty cannot be eliminated.

Absolute poverty versus relative poverty

The concept of absolute poverty is considered to be more useful than the relative concept in understanding poverty. Fields (1980b, p. 57) believes that poverty is an absolute condition and therefore requires analysis in absolute terms. Emphasis must be given to data on changes in the number of poor people, the average extent of their poverty, and the degree of inequality among them. Absolute-poverty approach directly examines a country's progress in alleviating poverty among the very poorest. In other words, absolute-poverty measures provide direct measures of changes in the numbers of the poor and the extent of poverty among them. Therefore, since one of the main goals of economic development is to alleviate absolute poverty, we must use the absolute-poverty criteria to measure progress towards that goal directly instead of indirectly with relative-poverty measures. Relative-poverty measures disguise changes in absolute poverty among the poor and may lead to inaccurate assessment of progress in alleviating poverty.

Provided that the poverty line is appropriate to living standards in the country, one need not worry about what the exact income/expenditure figure should be. It is important, however, to hold the absolute poverty line constant in real terms in assessing the progress of poverty alleviation. Also, as a check on the arbitrariness of any poverty line, one might experiment with simple multiples of that line to test whether similar changes in the incidence and severity of poverty are found. It should be remembered that the magnitude of poverty and the characteristics of the poor depend to a large extent on the location of the poverty line.

The poverty line, although useful in indicating the general magnitude of the problem of poverty, cannot give much guidance in identifying the main contributory factors and devising appropriate solutions. It is therefore important to supplement the poverty line with other, more disaggregated indicators.

2.2.4 Head-count measure

The head-count measure is an aggregative poverty measure that is used to measure the extent of poverty after the poverty line has been defined. This measure simply adds up the number of people whose income fell short of the poverty line. The head-count ratio is therefore the ratio of the number of the poor to the total number of people in the community and shows the percentage of the population in poverty.

If Z is the poverty line income, the "head-count ratio" H is the ratio of the number of people with income $y_i \leq Z$ to the total population size n . If " q " is the number of people who are identified as being poor, then the head-count measure is simply $\frac{q}{n}$:

$$H = \frac{q}{n}$$

The head-count index is also referred to as the incidence of poverty. It has been widely used - explicitly or by implication - ever since quantitative study and measurement of poverty began.

However, this head-count measure has at least two serious drawbacks. Firstly, it is completely insensitive to the extent of the poverty short-fall per person. In other words, it does not take account of the extent of the short-fall of incomes of the poor from the poverty line. It means in one sense that a reduction in the incomes of all the poor without affecting the incomes of the rich will leave the headcount measure unchanged. Secondly, it is insensitive to the distribution of income among the poor. This means that a transfer of income from one poor person to another will not raise the head-count measure. Because of these defects, the head-count measure presents serious problems, in principle, as an indicator of poverty. However, this index allows poverty to be "decomposed" as a weighted average of poverty in each group in the total population. The overall incidence of poverty can be written as a weighted average of the poverty incidence in each group, where the weights are the population shares of the groups (Anand, 1983, p. 126).

2.2.5 The poverty gap

The poverty gap is another aggregative poverty measure that is commonly used. It is the aggregate short-fall of income of all the poor from the specified poverty line. In other words, it is the total income needed to bring all the poor up to the poverty line.

The poverty gap can be normalised by being expressed as the percentage short-fall of the average income of the poor from the poverty line. This measure, a per person percentage gap, we can call the "income-gap ratio" and denote it as I (Sen, 1981a, p. 33). If g_i is the income-gap of any individual i , that is, $(Z - y_i)$, Z is the poverty line income, and q the number of people who are identified as poor, then the income-gap ratio is:

$$I = \frac{q}{\sum_{i=1}^q} \frac{g_i}{qZ}$$

The income-gap ratio, like the head-count ratio, is limited in the fact that it is also insensitive to a transfer of income from the poor to the very poor. It also ignores the number of persons actually in poverty. It concentrates only on the aggregate short-fall no matter how it is distributed and among how many.

Bearing these limitations in mind a number of distribution-sensitive poverty measures have been proposed in recent years. Sen's index, proposed in 1976, takes account in a single index the three limitations of the head-count measure and the poverty-gap, *viz.* the insensitivity of both measures to a transfer of income from the poor to the non-poor, the failure of the head-count measure to take account of the amounts by which the incomes of the poor fell short of the poverty line, and the failure of the poverty-gap to pay attention to the number of persons actually in poverty.

2.2.6 Sen index and variants of Sen index

Sen (1976) proposed a poverty index which incorporates the head-count ratio H , the income-gap ratio I , and the Gini coefficient G into a single index. Sen's poverty measure is based on an axiomatic structure that derives numerical weights from ordinal information regarding relative incomes. With such an axiomatisation, and a chosen procedure of normalisation, Sen shows that a measure of poverty P depends on three parameters, *viz.* the head-count ratio H , the income-gap ratio I as a proportion of the poverty line, and the Gini coefficient G of the distribution of income among the poor:

$$P = H[I + (1 - I)G]$$

Sen's poverty measure is made up of the head-count ratio H multiplied by the income-gap ratio I augmented by the Gini coefficient G of the distrib-

ution of income among the poor weighted by $(1 - I)$, that is, weighted by the ratio of the mean income of the poor to the poverty-line income level. We can understand its rationale as follows: I represents poverty as measured by the proportionate gap between the mean income of the poor and the poverty line income. It ignores distribution among the poor, and G provides this information. In addition to the poverty gap of the mean income of the poor reflected in I , there is the "gap" arising from the unequal distribution of the mean income, which is reflected by the Gini coefficient G of that distribution multiplied by the mean income ratio. The income-gap measure thus augmented to take note of inequality among the poor, that is, $I + (1 - I)G$, is normalised per poor person, and does not take note of the number of people below the poverty line, which could be minute or large. Multiplying $[I + (1 - I)G]$ by the head-count ratio H produces the poverty measure P .

Using the following notation

- n = total population size
- Z = poverty line
- q = number of people in poverty (that is, with income less than or equal to Z)
- m = mean income of the poor
- G = Gini coefficient of the income distribution among the poor

Sen's index is:

$$P = \frac{q}{n} \cdot \frac{1}{Z} [Z - m(1 - G)] \quad \text{where } G = \frac{q + 1}{q} - \frac{2}{q^2} \sum_{i=1}^q (q + 1 - i)y_i$$

This index P lies between 0 and 1. It assumes the value 0 when everyone's income is above the poverty line Z (that is, when $q = 0$), and the value 1 when everyone has zero income (implying $m = 0$ and $q = n$).

Although Sen set up this complex poverty index P to take account of the weaknesses in the head-count ratio and the poverty gap, there is still one weak point. It is possible for P to register a decline in poverty when the poor have become poorer in absolute terms (that is, m has decreased) so long as equality in their income distribution $(1 - G)$ has increased more than proportionately. In other words, P will decrease implying a reduction in poverty even if there are transfers of income from the poor to the non-poor so long as the remaining incomes of the poor are sufficiently better distributed. This shows that P is insensitive to the alleviation of poverty.

However, the Sen poverty index has been considered as "a promising new direction in absolute poverty calculations" (Fields, 1980a, p. 178).

Anand's index

Anand (1983, p. 121-122) modified Sen's measure by making a slightly different normalisation to that used by Sen. He took account of the percentage of GNP needed to close the poverty gap. Sen's normalisation was modified so that when incomes below the poverty line are equal, the poverty measure reduces to the poverty gap expressed as a fraction of the total income of society; that is, $\frac{q}{n} \cdot \frac{Z - m}{\mu}$, where μ is the mean income of the population.

Now, the modified Sen index denoted by M is:

$$M = \frac{q}{n} \cdot \frac{1}{\mu} [Z - m(1 - G)]$$

The relation between P and M is $M = \frac{Z}{\mu} P$, and the index M lies between 0 and $\frac{Z}{\mu}$.

The index M also has a weak point. It may register a reduction in poverty when in fact the position of the poor remain unchanged. This is a situation when there is no change in the number of the poor or the incomes of the poor but there is an increase in the incomes of people above the poverty line. The fall in index M means here that a smaller fraction of society's income is now required to eliminate poverty. It is thus more an indicator of the economy's capacity for poverty alleviation than a measure of poverty.

Kakwani's index

Kakwani (1980b) provided a generalisation of Sen's poverty measure to cover weaknesses in it. According to Kakwani, these weaknesses include the failure of the measure to satisfy the following transfer axioms:

1. The poorer an individual, the larger should be the increase in poverty measure due to a reduction in his income.
2. The poorer the transferer, the greater should be the increase in the poverty measure.
3. More weight should be given to transfers of income at the lower end of the distribution than at the higher end.

Kakwani's measure is:

$$P(k) = \frac{\sum_{i=1}^q g_i (q+1-i)^k}{nz \sum_{i=1}^q i^k}$$

where k is a parameter. The value of k may be chosen according to society's preference for the sensitivity of the measure to an income transfer at different income positions.

Kakwani's index provides a class of poverty measures depending on the value of k .

If $k = 0$, $P(0) = \frac{q}{n} =$ Head-count ratio

If $k = 1$, $P(1) = P =$ Sen index

If k is different from 0 and 1, we get different poverty indices.

2.3 Causes of Poverty: Theory

The factors that cause poverty in nations have been the subject of much interest among development economists and governments of poor nations. These factors can be broadly classified as economic factors and social, cultural, political factors. Some are said to be not only causes but also consequences of poverty. The list of the factors that cause poverty could be long. Sundrum (1977, pp. 6-7) lists what he calls "the proximate causes of the poverty or wealth of nations" as the endowment of natural resources, man-made capital, technology, relations with other countries, the attitudes and aptitudes of people, the role of institutions and the roles of the government. Galbraith (1979) believes poverty persists in poor countries because the poor live in an equilibrium of poverty. He believes that this equilibrium of poverty is reinforced by accommodation of the poor to poverty.

In this section, however, the causes of poverty that will be considered are those according to Jorgenson's model of a low-level equilibrium trap and Sen's entitlement approach.

2.3.1 Jorgenson's model of a low-level equilibrium trap

Jorgenson's model of a low-level equilibrium trap was incorporated in his theory of development of a dual economy (Jorgenson, 1961, 1967). An economy

caught in a low-level equilibrium trap is believed to have a stable equilibrium level of per capita income at or close to subsistence requirements. Thailand cannot be considered as being caught in a low-level trap in the strict sense (from facts that will be seen in Chapter 3), but because Jorgenson's model deals with an agrarian economy and Thailand is basically an agrarian economy, Jorgenson's model of a low-level equilibrium trap can be used to analyse the determinants of poverty in Thailand. Jorgenson's model as presented by Hall (1983) and Dixit (1973) will be considered in this section.

Assumptions and definitions

Jorgenson considers an economic system in which all productive activity is concentrated in the traditional sector. In other words, he considers an agrarian economy. Output of the traditional/agricultural sector is a function of land and labour. He assumes that there is no capital accumulation except where investment takes the form of land reclamation. He assumes that land is fixed in supply in the sense that all potentially cultivable land is under cultivation. He also assumes that the entire population or a constant fraction of it is engaged in the agricultural sector. Agricultural activity is characterised by constant returns to scale, but since land is fixed in supply, diminishing returns arise at the intensive margin of the Ricardian scheme. The production function will shift over time, the autonomous shifts corresponding to technological changes. He assumes that changes take place at a more or less constant rate and all changes are neutral.¹ Population growth is assumed to depend on the supply of food per capita and the force of mortality (which is assumed to be given and maybe altered only by an alteration in medical technique). The economy is assumed to be a closed economy, in the sense that it is closed to external trade or that trade is in balance.

The production function

Jorgenson assumed a simple production function in which output (Y) derives from three factors: land (D), labour (L) and a trend factor reflecting the influence of productivity-raising, neutral technical advances (represented by M). The production function is assumed to take the form:

$$Y(t) = e^{Mt} D^{\alpha}(t) L^{\beta}(t) \quad \alpha + \beta = 1 \quad (2.1)$$

1. A technological change is "neutral" provided that for a given bundle of factors the marginal rate of substitution between factors with output held constant is the same before and after the change.

Here, e^{Mt} represents the impact of productivity-raising neutral technical advances. Changes in techniques are assumed to take place at a constant rate M . The constant α represents the elasticity of output with respect to an increase in the supply of land; it also corresponds to the share of the landlords in the product of the agricultural sector. β is the share of labour in the product or, the elasticity of output with respect to labour. β is a constant and therefore so is the elasticity of output with respect to labour, and also labour's share in income. Since land is assumed to be fixed in supply, it will not change over time and therefore D , which represents land, is not a function of time (t).

By taking the natural logarithm of the production function (2.1) and differentiating with respect to time, we get:

$$\frac{\dot{Y}(t)}{Y(t)} = M + \beta \frac{\dot{L}(t)}{L(t)} \quad (2.2)$$

This simply says that the proportional growth rate of agricultural output is derived from the contribution of M , the productivity-raising technical progress, and the product of labour force growth ($\frac{\dot{L}}{L}$) and the elasticity of output with respect to labour (β).

Also, if we denote y for output per head, we know that:

$$\frac{\dot{y}(t)}{y(t)} = \frac{\dot{Y}(t)}{Y(t)} - \frac{\dot{L}(t)}{L(t)} \quad (2.3)$$

In other words, the proportional growth rate of agricultural output per head is the difference between the growth rate of output and the growth rate of labour. This means that the faster the labour force grows relative to any given growth rate of output, the more slowly must agricultural output per head grow.

Combining (2.2) and (2.3) we derive the crucial relationship:

$$\frac{\dot{y}(t)}{y(t)} = M + \beta \frac{\dot{L}(t)}{L(t)} - \frac{\dot{L}(t)}{L(t)} \quad (2.4)$$

The first two terms on the right hand side of the equation show how labour force growth and technical advance contribute to output and its growth. The final term captures the fact that the growing labour force must also be fed. Thus, this crucial relationship shows that the growth rate of output (and

income) per head is the result of subtracting from the growth of output the growth in consumption arising from labour force growth.

(2.4) can be re-written, after dropping the t notation, as:

$$\frac{\dot{y}}{y} = M - (1 - \beta) \frac{\dot{L}}{L} \quad (2.4a)$$

This equation characterises the agricultural production function completely for the analysis to follow.

Population function

The assumptions here are that the growth rate of labour force, $\frac{\dot{L}}{L}$, rises as income per head rises, but that once income per head reaches some critical value \bar{y} , the growth rate of the labour force ceases to rise further, and that at \bar{y} and all values of $y > \bar{y}$, the labour force grows at a constant rate v .

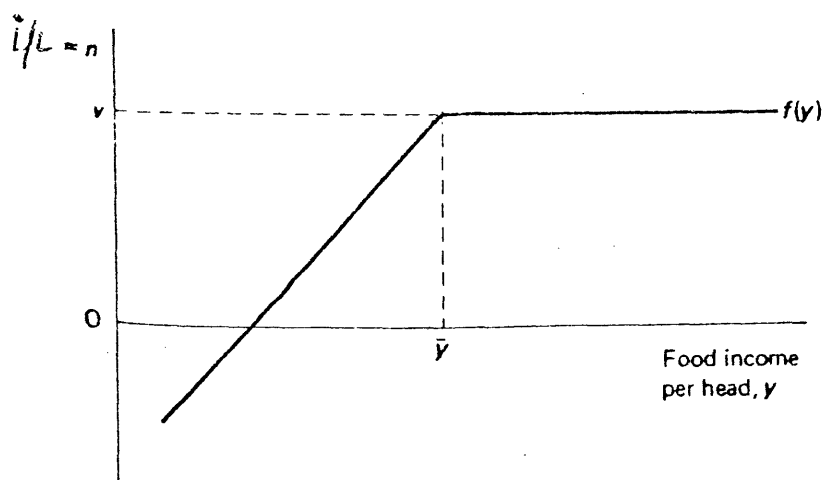
If we let $\frac{\dot{L}}{L} = n$, the assumptions can be expressed as:

$$n = f(y) \quad (2.5)$$

where $f'(y) > 0$ for values of $y < \bar{y}$
and $f'(y) = 0$ for values of $y \geq \bar{y}$

When $y \geq \bar{y}$, then $n = v$. The following figure shows the relationship between labour force or population growth and income per head.

Fig. 2.1 The relationship between population growth and per capita food income in Jorgensen's model of the agricultural sector



Since $n = f(y)$, equation (2.4a) can be re-written as:

$$\frac{\dot{y}}{y} = M - (1 - \beta)n$$

$$\text{or } \frac{\dot{y}}{y} = M - (1 - \beta)f(y) \quad (2.4b)$$

It is assumed that at \bar{y} , the population in the agricultural sector is regarded as having sufficient food. The assumption is that there is zero income elasticity of demand for food beyond the income level \bar{y} . The income elasticity of demand for food falls from unity to zero at income level \bar{y} . Therefore, at values of $y < \bar{y}$, all extra food produced is consumed, and at values of $y > \bar{y}$, any extra food produced is not consumed. It is, therefore, only beyond \bar{y} that production exceeds consumption and an agricultural surplus becomes available.

The low-level equilibrium trap

To see what conditions bring about a low-level equilibrium trap in the economy, we need to examine the condition $M - (1 - \beta)f(y)$ and find when it is positive and when it is negative.

If $y \geq \bar{y}$, y takes values for which $f(y)$, the labour force growth rate, is at its maximum v . Then, $M - (1 - \beta)f(y)$ will be $M - (1 - \beta)v$.

If, in such a case, $[M - (1 - \beta)v] > 0$, the productivity-raising technical advance and the productive efforts of labour together combine to produce food output that is growing at a faster rate than the rate at which the growing labour force consumes it, even though the labour force is growing at its maximum v . This condition implies that food output per capita y , must be rising.

But if $[M - (1 - \beta)v] < 0$, this means that even though y is high enough initially to support a labour force growth rate v , the consumption growth rate outstrips the production growth achieved by technical advance and labour effort, and so output on income per head y , must fall.

If $y < \bar{y}$, where $f(y)$, the labour force growth rate, is below its maximum, y will rise if $[M - (1 - \beta)f(y)] > 0$.

We can, therefore, find two possible types of outcomes: the situation of a sustained growth of the agricultural economy, and the situation of a low-level equilibrium trap in the economy.

The situation of sustained growth

The path to sustained growth at the potential level of development lies in ensuring that $[M - (1 - \beta)v] > 0$. In this situation, y will rise uninterruptedly from any initial value that it might take, below or above \bar{y} , and will continue to rise indefinitely. The smaller is $f(y)$, that is, the lower is y , the higher will be the growth rate of income per head. As $f(y)$ rises in response to the increase in y , the growth rate of income per head will slow down as increasingly large values of $(1 - \beta)f(y)$ are subtracted from M . In the end, $f(y) = v$ and the growth proceeds at a constant positive rate, generating a surplus once \bar{y} is passed.

In this situation, labour inputs and productivity-raising technical advances can together produce output fast enough to offset the rate at which agricultural sector consumption is growing even when labour force growth is at its maximum. Only then can a surplus of resources be made available for use in non-agricultural sectors.

The situation of a low-level equilibrium trap

If $[M - (1 - \beta)v] < 0$, then y must fall from any point above \bar{y} . Once y has fallen below \bar{y} , $f(y)$ can also fall to below v . Since y is falling, and $f(y)$ with it, $[M - (1 - \beta)f(y)]$ can now start to rise from whatever negative value it originally took because excessively smaller values of $(1 - \beta)f(y)$ are being subtracted from M . Eventually, y will take a value low enough to bring M and $(1 - \beta)f(y)$ into equality, so that the expression in the square brackets will become zero. At this point, y will be stationary with Y and L both growing at the same rate (and y not growing at all). This is the point where the economy is in a low-level equilibrium trap. If we call the income per head at this trap situation y_T , then y_T will be below \bar{y} . Since $y_T < \bar{y}$, there is no surplus. We have a trap situation because if y is below y_T , that is, at a very low level, and $f(y)$ also small, $[M - (1 - \beta)f(y)]$ could rise as far as y_T but no further, for at values of $y > y_T$, y must fall when $[M - (1 - \beta)v] < 0$.

Thus, according to Jorgenson's model, the determinants of poverty would be the rate of growth of population and the rate of technical progress.

Ways to escape from the low-level equilibrium trap

According to Jorgenson's model, if $[M - (1 - \beta)v] < 0$, three forms of policy intervention suggest themselves: either raise M relative to $(1 - \beta)v$,

reduce v so that $(1 - \beta)v$ falls relative to M , or do both. The first strategy is to seek ways to raise productivity. If the rate of technical progress can be increased, then there is a possibility for a steady increase in the output or income per head. Since capital input is absent in the production function, it is not clear how technical advances can be envisaged since most technical progress is embodied in equipment. However, productivity can be raised through human investment: through education and improving the health of labourers in the agricultural sector. Provision of infrastructural capital can also raise productivity. The second strategy is for population control programmes. It would be necessary here to consider the factors influencing the motivation of families to increase or decrease their average size. The third strategy is to have population control programmes and to seek ways to raise productivity at the same time.

2.3.2 Sen's entitlement approach

Sen's entitlement approach (Sen, 1980, 1981a, b) provides us also with a general framework for analysing the determinants of poverty. This approach was used by Sen, particularly as a framework for analysing starvation and famines which are acute cases of poverty.

Sen believes that a country's poverty should not be considered primarily in Malthusian terms which focuses on relative changes in food output and population size. He believes that poverty is a question of entitlements of particular groups in a country, entitlements to commodity bundles which includes food.

A person's ability to command any commodity he wishes to acquire or retain depends on the entitlement relations that govern possession and use in that society. Entitlement relations are primarily legal relations - who is given the right to have what according to (i) the prevailing legal system, and (ii) the economic, political, social and cultural characteristics affecting the position of different people within that system.

For a market economy, the determining variables of entitlements are broadly split into (i) an ownership or endowment vector (i.e. the land, capital or labour power which a person owns), and (ii) an exchange entitlement mapping (e.g. for each ownership bundle, the set of alternative bundles of commodities, any one of which the person can acquire through production or trade).

Entitlement relations accepted in a private ownership market economy include the following, among others: (i) trade-based entitlement - one is

entitled to own what one obtains by trading something one owns with a willing party; (2) production-based entitlement - one is entitled to own what one gets by arranging production using one's owned resources, or resources hired from willing parties meeting the agreed conditions of trade; (3) own-labour entitlement - one is entitled to one's own labour power, and thus to the trade-based and production-based entitlements related to one's labour power; (4) inheritance and transfer entitlement - one is entitled to own what is willingly given to one by another who legitimately owns it, possibly to take affect after the latter's death (Sen, 1981a, p. 2).

The exchange entitlement mapping defines the possibilities that would be open to a person corresponding to each ownership situation. The entitlement mapping will depend on production possibilities as well as trade possibilities of resources and products. It may also involve legal rights to apportioning the produce and the social conventions that govern these rights. Social security provisions and employment guarantees are also reflected in the entitlement mapping.

The entitlement approach requires the use of categories based on certain types of discrimination. The poor can be identified on the basis of the severity of their deprivation. To be able to characterise entitlements of different groups, each group must comprise of people who have similar endowments and entitlements. Even among the poor, a small peasant and a landless agricultural labourer need to be viewed as members of different categories, belonging to different occupational groups, having different ownership endowments, and being governed by different entitlement relations. A small peasant who owns land and other resources will have a better chance of survival than an landless agricultural labourer who has nothing but labour services to sell. The landless agricultural labourer does not have "trade-independent security"¹ while the small peasant has. And, even among the landless rural population, a share-cropper who has security of tenure and gets paid partly in the form of output, is in a much less vulnerable position than an agricultural labourer who can be fired easily and who is employed at a monetary wage (see, for example, Stiglitz, 1974; Newbury and Stiglitz, 1981).

1. "Trade-independent security" means that a person can, if necessary, survive on the basis of the resources he holds and the direct use of his labour power, without engaging in exchange.

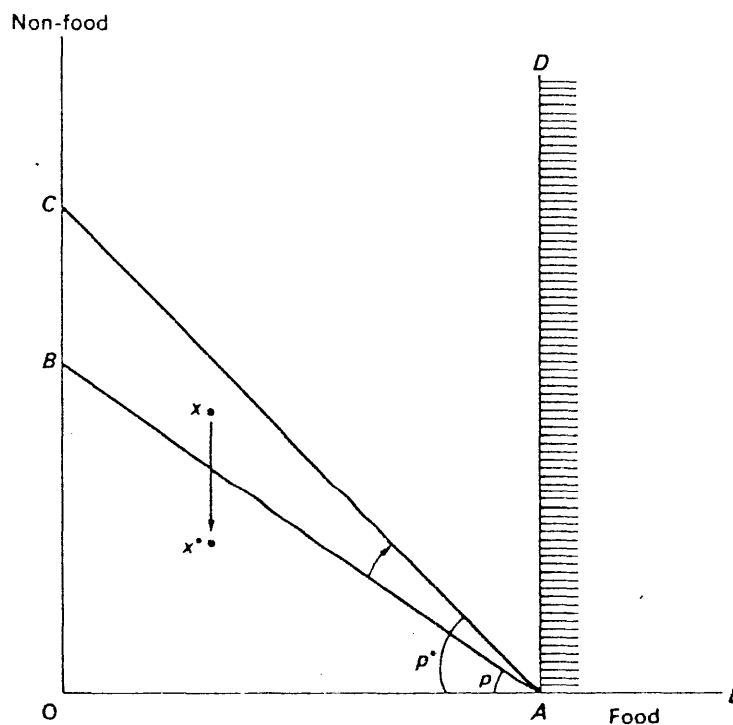
Entitlement failures

Poverty of certain groups in the population can be explained by entitlement failures. Sen believes that the worst cases of poverty may go not merely with low average prosperity, but also with vulnerable entitlement systems. He believes that the famines which took place in Ethiopia (in 1973 and 1974) and Bangladesh (in 1943 and 1974) have been connected with sudden failures of entitlement systems and were not due to food shortages. In fact, in both countries, the famines took place without any substantial decline in overall food availability, but the market mechanism played havoc with the entitlements of particular economic groups.

Entitlement failures can be related to ownership declines and/or to a worsening of exchange entitlement.

Sen illustrates entitlement failure as follows. Suppose E_i is the entitlement set of a person i in a given society, in a given situation, and it consists of a set of alternative commodity bundles, any one of which the person can decide to have. In an economy with private ownership and exchange in the form of trade (exchange with others) and production (exchange with nature), E_i can be characterised as depending on two parameters, the endowment of the person (the ownership bundle) and the exchange entitlement mapping (the function that specifies the set of alternative commodity bundles that the person can command respectively for each endowment bundle). If F_i is the set of commodity bundles, each of which satisfies person i 's minimum food requirement, person i will be forced to starve because of unfavourable entitlement relations if and only if he is not entitled to any member of F_i given his endowment and his exchange entitlement mapping. If S_i is the "starvation set" which consists of those endowment bundles such that the exchange entitlement set corresponding to them contain no bundles satisfying his minimum food requirements, person i can be plunged into starvation if his endowment collapses into S_i either through a fall in the endowment bundle, or through an unfavourable shift in the exchange entitlement mapping. In Figure 2.2 (see Sen, 1981a, p. 48) the exchange entitlement mapping is taken to assume the simple form of constant price exchange. With a price ratio p and a minimum food requirement OA , the starvation set S_i is given by the region OAB . If the endowment vector is x , the person is in a position to avoid starvation. However, this ability can fail either (i) through a lower endowment vector, e.g. x^* or (ii) through a less favourable exchange entitlement mapping, e.g. that given by p^* , which would make the starvation set OAC . The line DA represents the set of commodity bundles, each one of which contains person i 's minimum food requirements, and the region DAE represents F_i , the set of commodity bundles

Fig. 2.2: Illustration of Endowment and Entitlement



Source: Sen, A.K., *Poverty and Famines*, Clarendon Press, Oxford, 1981.

each one of which satisfies person i 's minimum food requirements. It would, therefore, be impossible for person i to starve if the endowment vector contained enough food, i.e. if it were on DA or to the right of DA in the region DAE .

It is clear from this approach that poverty and starvation can come about for certain groups in the population as their endowment vector declines. Such endowment declines, especially in sections of the rural poor in many developing countries, can come about through alienation of land, sale of livestock, etc. and of consequent hardship (see Griffin and Kahn, 1977). Poverty and starvation can also develop with unchanged asset ownership through movements of exchange entitlement mapping. However, shifts in exchange entitlement mapping are not quite obvious and more difficult to trace.

Entitlement raising

Since failure of entitlements can bring about poverty and starvation to particular groups of people, poverty can be removed by raising the entitlements of those population groups. Entitlements can be raised by providing entitlement guarantees for the groups who are in poverty. Sen considers the issue of entitlement guarantee as the central question in poverty policy. He believes that it is on the existence of guarantees that the success of poverty removal has ultim-

ately rested. This means that provision should be made for guaranteeing the means of subsistence to the population.

Poverty removal is therefore dependent on a wide distribution of effective entitlements, and this would tend to be reflected in the low level of inequality in the distribution of income.

There are various methods of providing entitlement guarantees on different ways of achieving widespread entitlements. The ownership vector for a particular group may be enhanced either through an overall increase (e.g. capital accumulation), or through asset redistribution (e.g. land reform). Entitlement raising through improving the exchange entitlement mapping includes diverse factors such as guaranteeing better terms of trade for poor peasants, or ensuring employment at a living wage, or providing social security protections.

Sen argues that S. Korea, Taiwan and Sri Lanka have been successful in removing poverty through policies which gave widespread guarantees of economic entitlements.¹ The method used for removing poverty in S. Korea and Taiwan was one of guaranteeing employment at a tolerable wage and this was made possible by a very fast expansion of these economies using labour-absorbing production processes. In contrast, in Sri Lanka, the guarantee of basic entitlements did not come through the market, but outside it, in the form of a direct right against the state. The government had a more direct role as a provider of provisions. Entitlement delivery was made through social welfare programs (food subsidy and other social services), health programmes where the government tried to reach the poorer sections of the community, and educational facilities which were widely distributed.

Although these strategies work towards the same goal of poverty removal through widespread distribution of entitlements, there are differences in the way the entitlement delivery was made. In S. Korea and Taiwan, entitlement enhancement was through employment-oriented rapid growth reaching the bulk of the population, while in Sri Lanka, the strategy has been to rely on social services providing a similarly widespread coverage.

Thus, for analysing the determinants of poverty of various groups in a country, the entitlement approach provides a general framework within which the analysis could be made. According to this approach, entitlements such as land, labour, capital of different population groups can be examined to see whether there has been entitlement declines for these groups and if so, what

1. Sen might have thought differently if the recent revolt of the Tamils in Sri Lanka had happened before he wrote his paper (i.e. before 1980).

were the characteristics of these entitlement failures - was it due to endowment loss and/or unfavourable shifts in exchange entitlement mappings? Also, to see if there has been poverty removal through widespread distribution of effective entitlements, the level of inequality in the distribution of income can be examined since the low level of inequality in income distribution reflects the existence of widespread guarantee of entitlements.

2.4 Poverty and Growth: Evidence

There has been much discussion on the issue of growth versus equity with special reference to developing countries since the early 1950s. Growth and equity in income distribution were thought to be two conflicting objectives of economic development. Kuznets (1955) provided the most explicit-thinking on the relationship between economic growth and income distribution during the economic development process. Kuznets' study of past patterns of growth and income shares of some of the presently developed countries led him to hypothesise that income inequality first increases and then decreases as development proceeds. Kuznets' idea implies a relationship between economic growth and income inequality in the shape of an inverted U-curve.

Since then, much research effort has gone into attempts to confirm or refute Kuznets' inverted U-curve hypothesis.

Among those who confirmed Kuznets' hypothesis are Adelman and Morris (1973), Stewart and Steeten (1976), the ILO (1977) and Ahluwalia (1976).

In a cross-sectional study of 44 developing countries, Adelman and Morris (1973) found a statistically significant negative relationship between income inequality and per capita income, although the degree of explanation is very low. They indicated that, for the very poor, development had brought not only a relative but also an absolute decline in the average income. Stewart and Steeten (1976) had the same view. They believed that although many LDCs have experienced rapid rate of growth of GNP, this has often been accompanied by a more unequal income distribution and increasing relative, and in some cases, absolute impoverishment of sections of the community. The ILO (1977) also argued in its study "Poverty and Landlessness in Rural Asia" that, in the rural sector in particular, growth has been accompanied not only by a widening of relative inequality but also by a worsening of absolute poverty, in the sense that both a larger number and a larger proportion of people are below a poverty line, and that the absolute income of a significant number of the poor has fallen.

Ahluwalia (1976), using cross-country data for 60 countries, related the share in income of various income classes to the logarithm of per capita GNP in constant 1970 US dollars in the form of a quadratic regression. The relationship was estimated separately for the 60 countries and the sub-sample of 40 developing countries. His results showed that income shares of all percentile groups, except the top 20, first declined and then rose as per capita GNP increased. Ahluwalia's cross-section result thus appears to confirm Kuznets' hypothesis.

At this point, it should be noted that Ahluwalia first researched in this area in 1974 where he used time series income distribution data of 13 developing countries (Ahluwalia, 1974). At that time, his results were contrary to Kuznets' hypothesis since he found that countries which experienced increased income inequality had higher average per capita incomes than those having reduced income inequality. We therefore find that the two studies by Ahluwalia seem both to confirm and refute Kuznets' hypothesis.

Among researchers who have questioned Kuznets' hypothesis are Cline (1975) and Fields (1980a), Cline (1975), in his survey of studies concerning distribution and development, listed more than ten simulation studies which purported to show that redistribution of income had a largely neutral effect on economic growth. This was one way of refuting Kuznet's thesis. Fields (1980a), using time-series analysis, examines the experience of thirteen developing countries for which reliable poverty measures could be calculated and found evidence that countries with moderate to rapid rates of economic growth would succeed in improving the economic condition of significant numbers of their people. Fields believed this was in line with the traditional "trickle-down theory" where development will trickle-down. In other words, Fields believed that growth reduced poverty. This view is also shared by the World Bank (World Bank, 1980b).

Srinivasan (1977a) reviewed studies of time trends in poverty of some major developing countries and found mixed evidence since, in both groups of "fast growing" and "slow growing" countries, poverty has been significantly reduced in some but not in others. Srinivasan concluded that there is no strong evidence to suggest that the problem of absolute poverty in developing countries has worsened, despite growth in GNP in the last three decades.

From the above review of the results of studies on the growth and equity/poverty issue, it is clear that, from a long-term point of view, although growth in itself is not a sufficient condition for reducing poverty, it is a necessary condition. For "only self-cultivated, self-sustaining growth has the capacity

to alleviate the widespread and desperate poverty that characterises so many LDCs" (Hall, 1983, p. 19).

Chapter 3

AN OVERVIEW OF THAILAND'S ECONOMY

3.1 Introduction

This chapter is an overview of the economic, social and political situation of Thailand during the 1960s and 1970s. Thailand's relative position amongst "middle lower-income countries" and in particular, amongst neighbouring countries, Malaysia, Indonesia, and the Philippines, is examined first of all. Next is an overview of the physical structure of the geographical regions of Thailand. The growth and structural change in output, the growth and structure of the population, labour force, and employment, and the state of health and education during the 1960s and 1970s are then reviewed. Finally, with the belief that government is important in Thailand, the administrative structure of the Thai government, the institutional machinery for development, and past development strategies and development objectives of the Thai government are briefly looked into.

3.2 Thailand's Relative Position

During the 1960s and the 1970s, Thailand's achievements in economic growth and development were impressive. Compared with other nations in the world at similar stages of development, Thailand's economic performances were above average. Table 3.1 outlines some selected development indicators in Thailand and compares those with the average of 30 nations classified by the World Bank as low middle-income countries and also with three of its neighbouring countries: Indonesia, Malaysia, and the Philippines, which were at a roughly similar stage of development.

Thailand's average annual growth of GNP per capita during 1960-81 was 4.6%. This was above the average for the low middle-income countries and was also higher than that of the three neighbouring countries. Its GDP expanded at the rate of 8.4% in the 1960s and 7.2% in the 1970s, higher than the average rate for the low middle-income countries. This was a considerable achievement in economic growth compared with other nations at similar stages of development.

The average annual rates of inflation for Thailand during 1960-70 and 1970-81 were 1.8% and 10% respectively, lower than the average rates

Table 3.1
Selected Development Indicators

Indicator	Period	Low middle-income countries ^a				
		Thailand	Indonesia	Malaysia	Philippines	
Population (millions)	mid-1981	48.0	149.5	14.2	49.6	
Average annual growth of population (%)	1960-70	3.0	2.1	2.9	3.0	
	1970-81	2.5	2.3	2.5	2.7	
GNP per capita (US dollars)	1981	770	530	1840	790	
Average annual growth of GNP per capita (%)	1960-81	4.6	4.1	4.3	2.8	
Average annual growth rate of GDP (%)	1960-70	8.4	3.9	6.5	5.1	
	1970-81	7.2	7.8	7.8	6.2	
Average annual rate of inflation (%)	1960-70	1.8		-0.3	5.8	
	1970-81	10.0	20.5	7.4	13.1	
Life expectancy at birth (years)	1960	52	41	53	53	
	1981	63	54	65	63	
Infant mortality rate (per 1000)	1960	103	150	72	106	
	1981	53	105	30	53	
Population per physician	1960	27807	46780	7020	6940	
	1980	7751	11530	7910	7970	
Daily per capita calorie supply as percentage of requirement	1980	106	110	121	116	
Percentage of population with access to safe water	1975	60	12	62	39	
Adult literacy rate (%)	1960	39	39	53	72	
	1980	59	62	60	75	

Number enrolled in primary school as percentage of age group	1960	66	83	71	96	95
	1980	98	96	98	92	110
Number enrolled in secondary school as percentage of age group	1960	10	13	6	19	26
	1980	33	29	28	53	63

^a Includes 39 countries, classified by the World Bank as low middle-income countries.

Source: World Bank, World Development Reports 1980 and 1983.

of the low middle-income countries, 2.8% and 11.1%, during the same periods. Thailand also fared better than Indonesia and the Philippines in this respect.

Thus, Thailand's economic performance, especially during the 1960s, was one of high growth with stability.

The indicators that generally reflect the country's health status: life expectancy at birth and the infant mortality rate show that Thailand was above average in health status. Life expectancy at birth improved by 11 years during 1960-81 and the infant mortality rate nearly halved.

Other health-related indicators such as the number of persons per physician and the daily per capita calorie supply as percentage of requirement also show Thailand's health status has improved. The population per physician had lessened and Thailand was in a more favourable position than its three neighbours whose population per physician had increased. The general measure of nutrition, the daily per capita calorie supply as percentage of requirement, indicated surpluses for all four countries. However, Thailand's intake was less than the average of low middle-income countries and that of the three neighbouring countries.

On the other hand, another health-related indicator, the percentage of population with access to safe water, shows that in 1975, conditions in Thailand for satisfying the population's potable water needs were relatively poor. In 1975, only 22% of total population had access to safe water compared with the average of 60% of the low middle-income countries.

The level of education in a country is generally measured by adult literacy rates, primary school enrolment ratios and secondary school enrolment ratios. Adult literacy in Thailand made great strides between 1960 and 1980. The adult literacy rates of Thailand for 1960 and 1980 were not only above the average rates of low middle-income countries but also compared favourably with those of the three neighbouring countries. On the other hand, the primary school enrolment ratios and the secondary school enrolment ratios, although they increased between 1960 and 1980, were lower than the average for low middle-income countries in 1980.

Thailand's personal income distribution (Table 3.2) was similar to those of Indonesia, Malaysia and the Philippines. The share of the lowest 20% of total population in Thailand was 5.6% of the total household income

Table 3.2
Income Distribution
 (Percentage share of household income, by percentile groups of households)

Country	Year	Lowest 20 percent	Second quintile	Third quintile	Fourth quintile	Highest 20 percent	Highest 10 percent
Thailand	1975-76	5.6	9.6	13.9	21.1	49.8	34.1
Indonesia	1976	6.6	7.8	12.6	23.6	49.4	34.0
Malaysia	1973	3.5	7.7	12.4	20.3	56.1	39.8
Philippines	1970-71	5.2	9.0	12.8	19.0	54.0	38.5

Source: World Bank, World Development Report 1983.

and fell between the range of 3.5% in Malaysia and 6.6% in Indonesia. On the other hand, the share of the highest 10% of total population in Thailand was 34.1% of the total household income and fell between the range of 34.0% in Indonesia and 39.8% in Malaysia.

Compared to Malaysia, Indonesia and the Philippines, in 1977, the incidence of poverty in Thailand was the lowest (Table 3.3). Thailand was also the only country that seemed to have made progress in alleviating poverty during the 1960s. In the 1970s, however, all but the Philippines made progress in alleviating poverty.¹

Thus, Thailand's achievements in terms of economic growth and development and poverty eradication during the 1960s and 1970s, compared favourably with its three neighbouring countries. However, the fact that in 1975, there was still a very unequal distribution of personal income and that 78% of the population did not have access to safe water indicated that all was not well in Thailand.

3.3 The Geographical Regions of Thailand

The Kingdom of Thailand covers about 514,000 square kilometres and is bordered by Malaysia, and the Gulf of Thailand in the South, the Lao People's Democratic Republic and Democratic Kampuchea to the north and east, and by the Union of Socialist Republic of Burma on the west.

Thailand is unique among the countries of South-east Asia in that it was never subject to direct colonial rule. While Thailand is a fairly homogeneous country from the point of view of race, religion and language, the kingdom can be divided into four distinct geographical regions: the North, the Northeast, the Central, and the South (see the Map of Thailand). However, since there is concentration of modern development in the Greater Bangkok metropolitan area which is geographically in the Central region, it is necessary to differentiate Bangkok as a region by itself so that there are altogether five different regions in Thailand.

Among the four geographical regions, the North and Northeast are the largest, 170,000 square kilometres and 170,226 square kilometres in area respectively, and together account for 66.2% of the total area of Thailand.

1 The poverty trends are summarized from broad assessments made by the World Bank in various reports (Bussink, 1980, p. 13).

Table 3.3
Comparable Poverty Lines, Incidence and Trends

	Indonesia		Malaysia		Philippines		Thailand			
	Java		Other Islands		Rural		Urban			
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban		
<u>Poverty lines, 1977 (US dollars a year)</u>										
Comparable formal poverty lines ^a	142	214	127	209	198	221	175	229	123	154
Informal poverty line ^b	95	143	85	139	132	147	117	153	82	103
<u>Poverty incidence</u>										
Formal poverty incidence (%)	80	66	49	61	55	25	59	60	43	17
Informal poverty incidence (%)	55	42	24	32	33	10	42	35	20	6
Reduction in poverty incidence in the 1960s		No				No		No		Yes
Reduction in poverty incidence in the 1970s		Yes				Yes		No		Yes

a "Formal" poverty lines are poverty lines based on the World Bank's formal methodology. They have been converted into 1977 prices and assume a uniform calorie intake of 2100 kilocalories per day.

b "Informal" poverty lines are set at two-thirds the formal ones, based only on judgement. By considering available information on mortality and nutrition, it was judged that these poverty lines would give reasonable indication of the incomes needed to avoid significant malnutrition. These poverty lines are therefore interpreted as defining "definite" poverty.

Source: Bussink (1980), p. 43, Table 5.

The Central region where Bangkok is located occupies 20.2% of total land area and is approximately 103,579 square kilometres in area. The South is the smallest region with an area of 70,189 square kilometres, and occupies only 13.6% of total area.

The North is a mountainous region with a series of parallel north-south ridges of about 1,000 to 2,000 metres of altitude. In the isolated hill lands there are non-Thai hill-tribe people who still practise shifting subsistence cultivation. In the valleys there are dense populations of Thai people cultivating rice.

The Northeast is the poorest region (see Chapter 4). There are low rugged hill barriers to the west and south which have played an important part in isolating the region from central Thailand. The Northeast also has a difficult physical environment. The soils are thin and the rainfall is unreliable, although when the rain does come it is usually torrential and the run-off is rapid and flooding is a problem in the valley bottoms.

The South is physically the most isolated of the regions from Bangkok. It is distinct from the other regions in that it is the region where the only substantial non-Buddhist population (Moslems) is to be found. The rugged limestone topography covered with tropical forest effectively fragments the region and communications both within and to and from the south are difficult. In this region, rice cultivation is secondary when compared with rubber plantations, cultivation of coconuts and the mining of tin.

The Central region is a rich well-watered alluvial plain where rice is the staple crop. Communications are good and this region was effectively controlled throughout the centuries. It can be considered as the heart of Thailand especially since Bangkok, the only modern city of any size in the country, is located in this region.

3.4 Socio-economic Characteristics of the Thai Economy

3.4.1. Growth and structural change in output

Thailand has been noted as a success story in the developing world due to its economic performance during the 1960s and the 1970s. During those two decades the Thai economy grew at a rate of about 7-8% annually. Economic growth was not only rapid but was also broadly based with all sectors participating in the growth process.

The 1960s was a period of fast growth with stability. The economy expanded at a rate of 8.4% annually. Fast growth was accompanied by very low inflation rates of 1.9% per year. The 1970s, however, marked the end of an era of fast growth with stability for Thailand. Although the economy continued to expand at a fast rate, 7.2% annually, the average inflation rate for that period was 10% per year (Table 3.1). The high inflation rate was due mainly to the oil crisis of 1973-74, when domestic prices jumped sharply and the CPI showed an increase of 15.6% and 24.3% in 1973 and 1974 respectively. Although the inflation rate was brought down to 5.4% in 1975, it has been on the upward trend since then (Table 3.4).

During the 1960s and 1970s, fast growth was accompanied by major structural changes in the economy. Manufacturing production had been gaining in relative importance, while agriculture, which was still the most important economic sector, had been declining in relative terms. Agricultural output which accounted for 40% of GDP in 1960 decreased to 24% by 1981, while manufacturing output rose from 13% of GDP in 1960 to 20% of GDP in 1981. Output from industry and services also rose from 19% and 41% respectively in 1960 to 28% and 48% respectively in 1981 (Table 3.5).

Agriculture, however, was still important in 1980. It still provided employment for more than two-thirds of the labour force (Table 3.21) and still constituted a large portion of exports (Table 3.6). Moreover, a large part of manufacturing production depends on processing agricultural products and on meeting consumption demand derived from rising agricultural incomes. The service sector also depends on the agricultural sector for much of its income, both for collecting commodities and for distributing consumption goods and farm inputs. Agricultural output increased at an average annual rate of 5.6% during 1960-70 and 4.5% during 1970-81 (Table 3.7).

The share of industry in GDP rose steadily primarily due to the rise in manufacturing production. Industrial production grew at the average rate of 11.9% annually during 1960-70 and 9.9% annually during 1970-81, while manufacturing production grew at the average rate of 11.4% annually during 1960-70 and 10.3% annually during 1970-81 (Table 3.7).

The increasing significance of the manufacturing sector was revealed in the rapid expansion of exports of manufactured goods and machinery during the 1960s and 1970s. Table 3.8 shows the shares of manufacturing exports: textiles and clothing, machinery and transport equipment, and other manufactures, had increased considerably between 1960 and 1980. On the

Table 3.4
GDP Growth Rates and Inflation Growth Rates
 (constant 1972 prices, annual percentage changes)

	1970	1971	1972	1973	1974	1975	1976	1977	1978
CPI index	-	0.4	4.8	15.6	24.3	5.4	4.2	7.2	8.4
GDP	6.5	4.7	4.8	9.4	5.4	7.4	8.4	6.9	8.5

Source: Yongkittikul (1981), p. 49, Table 1.

Table 3.5
Structure of Production
 (% of GDP)

	1960	1981
Agriculture	40	24
Industry	19	28
Manufacturing	13	20
Services	41	48

Source: World Bank, World Development Report 1983

Table 3.6
Major Exports
 (million baht)

	1976	1980
Rice	8,603	19,508
Rubber	5,297	12,351
Tin	2,972	11,347
Maize	5,676	7,299
Tapioca Products	7,527	14,887
Jute and Kenaf	579	154
Prawns	1,347	1,961
Tobacco leaves	699	1,371
Sugar	6,843	2,975
Mung beans	945	1,448
Fluorite	267	314
Sorghum	374	660
Cement	378	52
Teak	749	-
Textile Products	3,999	9,643

Source: Board of Investment, Thailand Statistical Handbook (undated).

Table 3.7
Growth of Production
 (average annual growth rate %)

	1960-70	1970-81
GDP	8.4	7.2
Agriculture	5.6	4.5
Industry	11.9	9.9
Manufacturing	11.4	10.3
Services	9.1	7.5

Source: World Bank, World Development Report 1983.

other hand, the export share of primary commodities had fallen. Manufacturing employment had also grown slowly, and in 1980 accounted for 7% of total employment (Table 3.21). The increasing significance of the industrial sector showed that the Thai economy was no longer only an agricultural economy: there had been the processing of agricultural produce, adding value to the products; and there had been the production of other manufactured goods at a growing rate. In fact, the Thai Government hoped that the economy will be a "semi-industrialised economy" by 1986, the end of the Fifth Development Plan period.

The process of industrial development in Thailand since 1960 can be roughly divided into two phases. In the 1960s, government measures led indirectly to an import substitution policy. In the 1970s, however, some manufactured goods succeeded in breaking into foreign markets, and industrial development began to adopt an export promotion policy. Yongkittikul (1981) believes that the government's industrial trade policies permitted the industrial sector to develop generally according to its comparative advantage, and that the pattern of industrial production and trade was consistent with the country's resource endowment.

Apart from the gradual shift from agriculture to industry, the production structure had expanded and diversified in both the agricultural and industrial sectors. Within the agricultural sector, the most significant development was the decline in the importance of rice relative to upland crops. The cultivation of cash crops such as maize, cassava, and sugar-cane expanded rapidly and reduced Thailand's dependence on rice as the principal crop for sale and export. Crop diversification, however, was not at the expense of rice, since area under cultivation of paddy continued to increase. In fact, all the output gains resulted from expansion of cultivated area, often into crops yielding higher values than rice, rather than from any increase in yields or cropping intensities.

In the industrial sector, the shift was from the production for import substitution to the production for export. Within the manufacturing sector, the change was from traditional processing activities to modern activities. The textile industry, for example, grew rapidly from household activities to import substitution industry, and finally to an export-oriented sector.

Structural changes in manufacturing production led to structural changes in imports and exports of manufactured goods. During the early 1960s,

the most important imports were intermediate products, non-durable consumer goods, machinery and transport equipment. More recently, imports of non-durable consumer goods and intermediate products have declined in relative importance, while imports of machinery and transport equipment have become even more important. Domestic production has almost fully substituted imports of consumer goods and intermediate products. Table 3.9 shows the percentage share of merchandise imports in 1960 and 1980. The share of fuels in total imports in 1980 was almost three times that in 1960. Imports of machinery and transport equipment were still important: the share in total imports was still the same. But the share in total imports of food, other primary commodities, and other manufactures declined during the two decades.

The export structure also became more diversified. While manufactured exports in the 1960s were dominated by processed agricultural products, textiles and clothing had, in the 1970s, become a major export item and further diversification into other non-traditional products was under way. Table 3.8 shows the changes in the share of merchandise exports during 1960 and 1980. The growing importance of manufactured exports is evident in the table.

It is important at this point to see what factors led to the success of the Thai economy in achieving high growth rates and maintaining price stability during the 1960s and early 1970s. Significant factors in the rapid expansion of output were said to be the availability of vacant cultivable land, a substantial increase in investment effort, and the adoption of an open door policy. The expansion of areas under cultivation of both traditional and new crops led to output gain in the agricultural sector. Investment in infrastructure such as expansion of road networks and irrigation systems also had a considerable impact on the agricultural development in the country. However, the impact of public investment in irrigation was considerably less widespread than the road programme and was concentrated in the Central, and to a lesser extent in the Northern Region. Modern economic infrastructures also tended to be concentrated in Bangkok and its surrounding areas. At the same time, the Government's open door policy encouraged foreign investment in manufacturing activities. As a result, the industrial sector grew rapidly especially since the mid-1960s. The commercial banks also expanded rapidly during the 1960s due to the government's promotional incentives. The rapid growth of the banking system

Table 3.8
Structure of Merchandise Exports
 (percentage share)

	1960	1980
Fuels, minerals and metals	7	14
Other primary commodities	91	57
Textiles and clothing	0	9
Machinery and transport equipment	0	6
Other manufactures	2	14

Source: World Bank, World Development Report 1983.

Table 3.9
Structure of Merchandise Imports
 (percentage share)

	1960	1980
Food	10	5
Fuels	11	30
Other primary commodities	11	7
Machinery and transport equipment	25	25
Other manufactures	43	33

Source: World Bank, World Development Report 1983

facilitated the financing of trade and production, particularly agricultural exports and manufacturing activities (Yongkittikul, 1981, p. 33).

Towards the end of the 1970s, the Thai economy began to face problems. The vacant cultivable land began to disappear as the population pressure made its mark in the rural areas. The process of expansion in areas under cultivation virtually came to an end. The agricultural sector was further affected by the deteriorating terms of trade caused by the relatively low prices of agricultural products when compared to those of oil and manufactured goods. The oil crisis of 1973-74 and continued oil price increases aggravated the balance of payments position (National Identity Board, 1981, p. 15). Throughout the 1960s and early 1970s, there were annual deficits in the balance of trade but there were no serious balance of payments difficulties since the gap in foreign exchange requirements was covered by foreign grants and loans, private foreign investments, and existing foreign exchange reserves. It was only in the latter half of the 1970s that the trade gap widened so much that the balance of payments deficit became one of the most serious problems facing the Thai economy (Yongkittikul, 1981, p. 40). World economic recession decreased domestic investment which accentuated the unemployment problem particularly in the industrial and service sectors. On top of all these problems, the problem of widening disparity of welfares among population groups and among the different regions of the country became a matter of increasing concern.

Among the four regions in Thailand, the Central region where Bangkok is situated, has historically, and up to the present, dominated the other regions economically. Economic activities in Thailand were generally concentrated in the Central region and its economic dominance increased considerably in the 1970s. Table 3.10 shows that the percentage share of the Central region to the country's GDP, grew from 57.2% in 1971 to 59.8% in 1976, at the same time showing the highest regional GDP growth rate of 7.1% per annum. Other regions, on the other hand, showed a downward trend in their share of the national GDP and their regional GDP growth rates range between 4.5% to 5.4% during 1971-76.

Table 3.11 shows the sectoral breakdown of the regional GDP in 1976. This table further amplifies the extent of the Central region's economic dominance. Adequate infrastructures and social overhead in Bangkok and in the Central region may have contributed greatly to investment in the area. With 68% of the total irrigated area in the Central region and a large

Table 3.10
Gross Domestic Regional Product, 1971 and 1976
 (at 1962 constant prices)

	GDP in million baht		GDP percent share		Growth rate
	1971	1976	1971	1976	%
Whole Kingdom	129,617	174,866	100	100	6.2
North	18,653	23,097	14.4	13.2	4.5
Northeast	19,935	25,851	15.4	14.8	5.4
Central	74,117	104,523	57.2	59.8	7.1
South	16,912	21,395	13.0	12.2	4.8

Source: Government of Thailand, The Fourth Five-Year Plan, 1977-1981, Bangkok, 1976.

Table 3.11
Sectoral Breakdown of Gross Domestic Regional Product, 1976
 (percent share)

Sectors	Northeast	North	South	Central
Agriculture	22	27	16	34
Mining and Quarrying	6	19	42	34
Manufacturing	7	6	5	49
Construction	16	17	11	24
Electricity and Water Supply	7	18	5	5
Transport and Communication	11	12	11	17
Wholesale and Retail Trade	12	13	15	27
Banking, Insurance, Real Estate and Ownership of Dwelling	8	6	6	6
Public Administration and Defence	19	14	10	25
Services	17	9	10	24
Gross Domestic Product	15	15	12	31

Source: Prantilla (1981), p. 114, Table 6-7.

industrial base in Bangkok, the sectoral contribution of the Central region to the national agricultural and manufacturing outputs in 1976 were 34% and 49% respectively.

Due to the production capability differentials among regions, regional per capita income also showed wide disparities. In Table 3.12, it can be seen that the Northeast region had the lowest regional income per capita and the North the second-lowest regional per capita income. Both these regions had per capita income lower than the average for the whole country. The South region's per capita income although higher than the Central's in 1960, became lower in 1970 and 1979 and was just a little above the average of the whole country. The Central region in the 1970s topped the list among the regions and its per capita income has throughout the two decades, been higher than the national average. The income per capita of Bangkok had been increasing tremendously and was almost three times that of the national average.

Table 3.13 shows the per capita income in principal occupational sectors in 1976. The agricultural sector had the lowest per capita income, while industry's per capita income was six times higher, commerce sector's almost ten times higher, and the services sector's four-and-one-half times higher. We can therefore see that in Thailand, those who were in the Northeast and North regions, and those who had agriculture as their livelihood were relatively disadvantaged as compared with those of the other regions and other occupations.

3.4.2 Growth and structure of the population, labour force and employment

Thailand is one of the twenty most populous nations in the world. In 1981, Thailand's population was an estimated 48 million. By the end of the Fifth Development Plan period, in 1986, it was estimated that Thailand's population will be 52 million (Table 3.14).

Thailand's population grew at an average annual rate of 3.3% during the 1960s and 2.6% during the 1970s (Table 3.14). The high rate of growth of population during those years was primarily due to natural increase since the death rate fell faster than the birth rate (Table 3.15). During the 1960s, although there was concern for the high rate of population growth, the Thai Government did not adopt positive measures to reduce the growth rate and therefore, the first and second development plans did not stipulate

Table 3.12
Distribution of Income Among Regions, 1960-1979

	North	Northeast	South	Centre	Bangkok	Whole Country
GDP at constant prices (%)						
1960	15.8	17.0	14.1	29.3	23.8	100.0
1970	15.2	16.0	12.8	27.5	28.5	100.0
1979	14.9	14.7	11.8	31.2	27.4	100.0
Real Income per capita at current prices (baht)						
1960	1,496	1,082	2,700	2,564	5,630	2,106
1970	2,699	1,822	3,858	4,662	11,234	3,849
1979	8,781	4,991	12,683	17,655	30,161	12,067

Source: NESDB, Poverty Eradication Programme (undated).

Table 3.13
Per Capita Income in Principal Occupational Sectors, 1976
 (current prices)

Occupation	Annual per capita income (baht)	Index
Agriculture	7,113	100.00
Industry	45,215	635.67
Commerce	70,339	988.88
Services	32,665	459.23
Average of all occupations	7,732	

Source: Government of Thailand, The Fourth Development Plan, 1977-1981.

Table 3.14
Population Size and Growth Rate
 (Whole Kingdom)

Year	Mid-year population (millions)	Growth rate (%)
1960	26.3	
1970	36.4	3.3
<u>Estimates</u>		
1971	37.5	3.0
1972	38.6	3.0
1973	39.7	2.9
1974	40.8	2.7
1975	41.9	2.7
1976	43.0	2.5
1977	44.0	2.5
1978	45.2	2.2
1979	46.1	2.1
1980	47.0	2.1
1981	47.5	2.0
1982	48.5	2.0
1983	49.5	1.8
1984	50.4	1.7
1985	51.3	1.6
1986	52.1	1.5

Source: World Bank (1980a) for the years 1960-77,
 NSO, Statistical Summary of Thailand 1983, for the
 years 1978-80,
 NESDB, Population Plan 1982-86, for the years 1981-86.

Table 3.15
Crude Birth Rate and Crude Death Rate
of the Whole Kingdom, 1960 and 1982
(per 1000 population)

Year	Crude BR	Crude DR	% change in CBR 1960-82	% change in CDR 1960-82
1960	44	15	-36.2	-48.1
1982	28	8		

Source: World Bank, World Development Report 1984.

any target concerning population growth rate. It was only in the 1970s that positive action was taken by the government to reduce population growth rate. The goal of the government now is to reduce population growth rate to 1.5% by 1986, the last year of the Fifth Development Plan period.

The age structure of the Thai population for the years 1960, 1970 and 1981 is shown in Table 3.16. The effect of the fertility decline can be seen from the detailed breakdown of the age structure. The proportion of children in the youngest age group fell from 18.6% in 1960 to 17.5% in 1970 and then to 13.5% in 1981. Between 1960 and 1970, approximately 45% of the population was under age 15. However, by 1981, the population under age 15 had declined to approximately 39% of the population. On the other hand, the working-age population, those between age 15 and 59, increased from 51.2% of the population in 1960 to 55.5% of the population in 1981.

The structure of the population by region and urban-rural classification can be seen in Table 3.17. The Northeast region is seen to have the largest population, followed by the Central region and the Northern region. The Southern region had the smallest population. It can also be seen that the population of Thailand was predominantly rural. The Northeast had the highest percentage (91.4%) of rural population in 1977. The North and South regions also had high percentages (87.4%) of rural population. The Central region had the highest percentage (42.6%) of urban population in 1977. Although the percentage of urban population had been small in the Northeast, North, and South regions, the percentage has increased slightly during 1972 and 1977. However, since the size of urban population was still small, the growth of urban population had little impact on the size of the rural population. The vast majority of Thailand's population continued to live and work in rural areas even though the rural population growth had fallen slightly.

The regional growth rates of population show that growth of population differed between the regions. During 1972 and 1977, the Central region was the fastest grower, followed by the Northeast, the South, and the North.

The high growth of population during the 1950s and the 1960s resulted in a rapid increase in the labour force. The annual growth rate of the labour force during 1970-77 was 2.9% (Table 3.18) and it was expected to continue increasing at this rate during 1980-85 (Table 3.19). Therefore, unless there were sufficient employment opportunities, new entrants into

Table 3.16

Summary Distribution of the Population, by Age and Sex, 1960, 1970 and 1981 (%)

Age	1960		1970		1981	
	Male	Female	Male	Female	Male	Female
0-4	9.4	9.2	8.9	8.6	13.7	13.3
5-14	13.4	13.1	13.9	13.4	26.3	25.5
15-29	13.1	13.0	13.7	13.2	29.9	29.4
30-44	8.0	7.9	7.3	7.6	16.6	16.6
45-59	4.6	4.5	4.3	4.5	8.9	9.7
60+	1.7	2.0	2.1	2.6	4.6	5.5
Total						
		100.0		100.0		100.0
		18.6		17.5		13.5
		45.1		44.8		39.4
		26.5		27.3		25.9
		26.2		26.9		29.6
		51.2		50.6		55.5
		15.9		14.9		16.6
		9.1		8.8		9.3
		3.7		4.7		5.1
		100.0		100.0		100.0

Source: Cochrane, S. H. (1979), p. 3, Table 2, for 1960 and 1970 and NESDB, Population Plan 1982-1986, Bangkok, 1981, for 1981.

Table 3.17
Population Distribution by Region and Urban-Rural Classification,
1972 and 1977

Region/Sector	1972	1977 ^a	% of total population		Growth rate (%)
			1972	1977	
Central	11,886	13,667	30.8	31.0	2.7
Percent Urban	40.2	42.6			
Percent Rural	59.8	57.4			
Northeast	13,588	15,574	35.2	35.4	2.5
Percent Urban	7.9	8.6			
Percent Rural	92.1	91.4			
North	8,323	9,354	21.6	21.2	2.1
Percent Urban	12.3	12.6			
Percent Rural	87.7	87.4			
South	4,795	5,444	12.4	12.4	2.3
Percent Urban	12.3	12.6			
Percent Rural	87.7	87.4			

^a Estimated figures.

Note: Urban area is defined as having a population density of at least 1,000 per square kilometre and having a population of 5,000 or more. Population figures are in thousands.

Source: Government of Thailand, The Fourth Five-Year Plan, 1976-1981, Bangkok.

Table 3.18
Population, Labour Force and Participation Rates,
1970 and 1977

	1970	1977	Growth rate %
Total population ('000)	36,370	44,039	3.1
Male	18,251	22,125	
Female	18,119	21,914	
Population (age 15 and above) ('000)	20,216	25,402	
Labour Force ('000)	16,502	19,670	2.9
Labour Participation Rate	81.63	77.43	
Unemployment Rate (%)	5.0	5.8	
Urban Population ('000)	7,467	9,039	3.5
Rural Population ('000)	31,125	35,000	2.2
Man/Land Ratio (per sq. km.)	70.7	85.7	3.1

Source: Prantilla (1981), p. 112, Table 6-3.

Table 3.19
Project of Labour Force, 1970-1990

	Size (millions)					Annual growth rate%		
	1970	1975	1980	1985	1990	1975-80	1980-85	1985-90
Labour force	16.2	18.6	21.5	24.8	28.2	2.9	2.9	2.6

Source: World Bank (1980a).

the labour market could post problems of unemployment for Thailand. Although the industrial sector had been an important source of employment opportunity, labour absorption by the non-agricultural sectors was still small relative to the number of entrants to the labour force (World Bank, 1980a). Thus the majority of new entrants to the labour force would have to be absorbed in agriculture. It is, however, encouraging to see that the percentage of workers in non-agricultural sectors have been increasing during 1972-81 (Table 3.20).

Employment figures (Table 3.21) also confirm that the Thai economy was agriculturally-based. The agricultural sector commanded a sizeable portion of the labour force in Thailand even though the percentage of labour force employed in the agricultural sector had been declining over the years. On the other hand, the percentage of labour force employed in manufacturing and mining was small but rising slowly.

3.4.3 State of health and education

In terms of education and health, Thailand was generally well-off for its level of income. Thailand's health status was above average among countries at a similar stage of development and has improved during the 1960s and 1970s (seen in Section 3.2). However, despite its relatively favourable record at the national level, health conditions differed substantially between regions and localities.

Table 3.22 shows the health status indicators by region and it is clear from it that the Northeast region fared worst while Bangkok and the Central region fared best in the provision of health facilities. As for the North and South regions, the North fared better than the South in some facilities and vice versa.

Urban-rural differentials in health status can be seen in Table 3.23. It can be seen that the rural areas were consistently worse off than urban areas even though the differential was small. The differential of almost 11 years in life expectancy between urban and rural areas is of importance despite the fact that the ratio was only 1.18. Likewise, infant mortality in rural areas was 2.4 times that in urban areas. Differences in sanitation were also contributing factors to health differentials. Sanitation differentials, measured by the proportion of households with flush toilets and with piped water, were high with ratios 7.7 and 21.8 respectively. Thus, a major objective of the Fourth Development Plan was to reduce

Table 3.20
Percentage of Economically Active Population,
15-64 Years of Age, in Agriculture and
Non-Agriculture Sectors, 1972-1981

Year	Workers in agriculture sector	Workers in non-agriculture sector
1972	67.59	32.41
1973	65.75	34.25
1974	63.97	36.03
1975	62.24	37.76
1976	60.56	39.44
1977	58.91	41.09
1978	57.29	42.71
1979	55.70	44.30
1980	54.13	45.87
1981	52.58	47.42

Source: Office of Agricultural Economics, Ministry of
 Agriculture and Co-operatives, Thailand (undated).

Table 3.21
Employment by Sector, 1960, 1970, 1976 and 1980
 (Percentage of total employment)

Sector	1960	1970	1976	1980
Agriculture	82	79	77	74
Manufacturing and mining	4	5	6	7
Construction, Utilities, Transportation	2	3	3	4
Other Services	12	13	14	15

Source: World Bank (1980a), for 1960 and 1970,
 NESDB, Population Plan 1982-86, Bangkok, 1981 for 1976 and 1980.

Table 3.22
Health and Health-related Indicators by Region

	Northeast	North	South	Central	Bangkok
Population/hospital, 1973	33,340	20,819	34,546	11,418	7,653
Population/hospital bed, 1973	2,188	1,711	946	747	358
Population/doctor, 1973	41,805	18,234	20,131	14,481	1,883
Population/nurse, 1973	14,720	7,628	6,456	5,031	892
Percentage of houses with piped water, 1970	5.0	5.5	5.3	10.5	78.5
Percent households using well water, 1970	79.5	72.9	83.2	49.2	6.4

Source: Prasith-rathsint (1981), p. 21, Table 1.

Table 3.23
Urban/Rural Differentials in Welfare

	Urban (1)	Rural (2)	Ratio of: (1)÷(2)
Income per capita, 1968	4,819	1,811	2.56
Life expectancy, 1969-70	71	60	1.18
Infant survival per thousand, 1974-75	973	935	1.04
Severity of illness (% ill, but able to work), 1970	56	48	1.17
School attendance	85	70	1.21
Literacy, 1970			
Male	95	88	1.07
Female	84	73	1.15
Proportion of houses of wood or concrete, 1970	92	66	1.39
Proportion with flush toilets, 1970	77	10	7.70
Proportion with piped water, 1970	74	3	21.8

Source: Cochrane, S. H. (1979), p. 55, Table 38.

urban-rural differentials in physicians per capita and hospital beds per capita. However, regional differentials in health care was not explicitly discussed.

The level of education in Thailand can be seen through its adult literacy rates and primary and secondary school enrolment ratios. Thailand made great strides in adult literacy in the 1960s and 1970s. But, although its enrolment ratio in primary school was high, its enrolment ratio in secondary school was very low (Table 3.1). There has been persistent maldistribution of educational opportunities in Thailand. While the great majority of children enter primary school, the proportion varies among and within provinces: in 10 out of 71 provinces, less than 80% enter school. Once in primary schools, moreover, students in different areas drop out at different rates. The largest number of students drop out after the fourth grade; the most important reason being the unavailability of upper primary grades (fifth to seventh) in the area (World Bank, 1980a, p. 27).

Disparities among regions on enrolment rates become more stark if we use data on Bangkok metropolitan area as the reference point. Table 3.24 shows that in 1975, 42% of 14-16 year olds in Bangkok were attending lower secondary schools, whereas in the provinces the proportion was only 21%. The corresponding rates for the upper secondary school were 23% and 4% for Bangkok and the provinces respectively. Among the regions, the Northeast had the lowest rates followed by the North and South, whereas the rates for the Central region around Bangkok were generally high.

Regional disparities also existed at higher levels of education. In 1973, for example, students in Bangkok accounted for 77% of university entrants, although Bangkok had only 10% of the nation's population. On the other hand, although farm households accounted for nearly 60% of total households, only 6% of students in higher education came from farm families (World Bank, 1980a, p. 27).

Regional disparities in educational opportunities are also evident in Table 3.25 which show capital expenditure per pupil in the lower primary schools in 1970 and 1972. It can be seen that, in 1970, students in lower primary schools in Bangkok received much more educational resources than those in the Northeast or the North. However, in 1972, although this widely disparate distribution changed somewhat, the students in Bangkok still received more than twice as much as those in the Northeast.

Table 3.24
Enrolment Ratios in Thailand Secondary Schools, 1975 (%)

	Lower	Upper
Grand Total	23.0	6.0
Bangkok metropolitan area	42.0	23.0
Provincial total	21.0	4.0
Regions: Central	27.7	4.7
South	24.0	6.3
North	18.0	3.5
Northeast	17.7	2.7

Source: Richards, P. and Leonor, M. (1981).

Table 3.25
Educational Disparity in Thailand

	Bangkok	Central (including Bangkok)	South	North	Northeast
Capital expenditure per pupil (baht) in lower primary schools					
1970	160	107	107	69	47
1972	119	119	104	79	51

Source: Richards, P. and Leonor, M. (1981).

3.5 Political and Institutional Background

3.5.1. Administrative structure of the Thai government

It is believed that the structure of political institutions is one of the causes of persistent poverty and socio-economic inequality in Thailand (Prasithrathsint, 1981, p. 5).

The Thai administrative system comprises three administrative hierarchies: the central, the provincial and the local (see Figure 3.1). The administrative structure portrays a rather strong executive system, in which the Prime Minister keeps at least three resource allocation staff agencies on hand - the NESDB, the Bureau of Budget, and the Civil Service Commission - and also about fifteen agencies linked with his office. Thirteen ministries compose the central administration, each ministry composed of departments which are divided into divisions and sections. The central administration is the headquarters for the various line agencies which direct all field operations either directly or through provincial administrations.

There are seventy-one provinces or "changwats" plus metropolitan Bangkok in Thailand. Provinces consist of districts and each district consists of several communes or "tambon" which are further subdivided into villages. Provincial administration is subdivided into districts which are the lowest level of government. Provinces and districts, being administrative units, also have a number of field officers found together under the direction of governors and chief district officers.

Local administration is in the form of various autonomous self-governing agencies - the Changwat Administrative Organisation (CAO); the municipality; the sanitary district; the special authorities of the Bangkok Metropolitan Administration, and the City of Pattaya Administration; and the Tambon Council.

The CAO performs some functions in the provincial rural areas, while the municipality is responsible for such functions in urban areas. The sanitary district takes charge of semi-urban areas, while the Tambon Council is delegated some limited functions within its own commune. The Bangkok Metropolitan Administration differs slightly from the rest of the municipalities. It performs more functions, maintains some kind of relationship with the ministries and is subject to close surveillance by the central government. The City of Pattaya Administration is a special

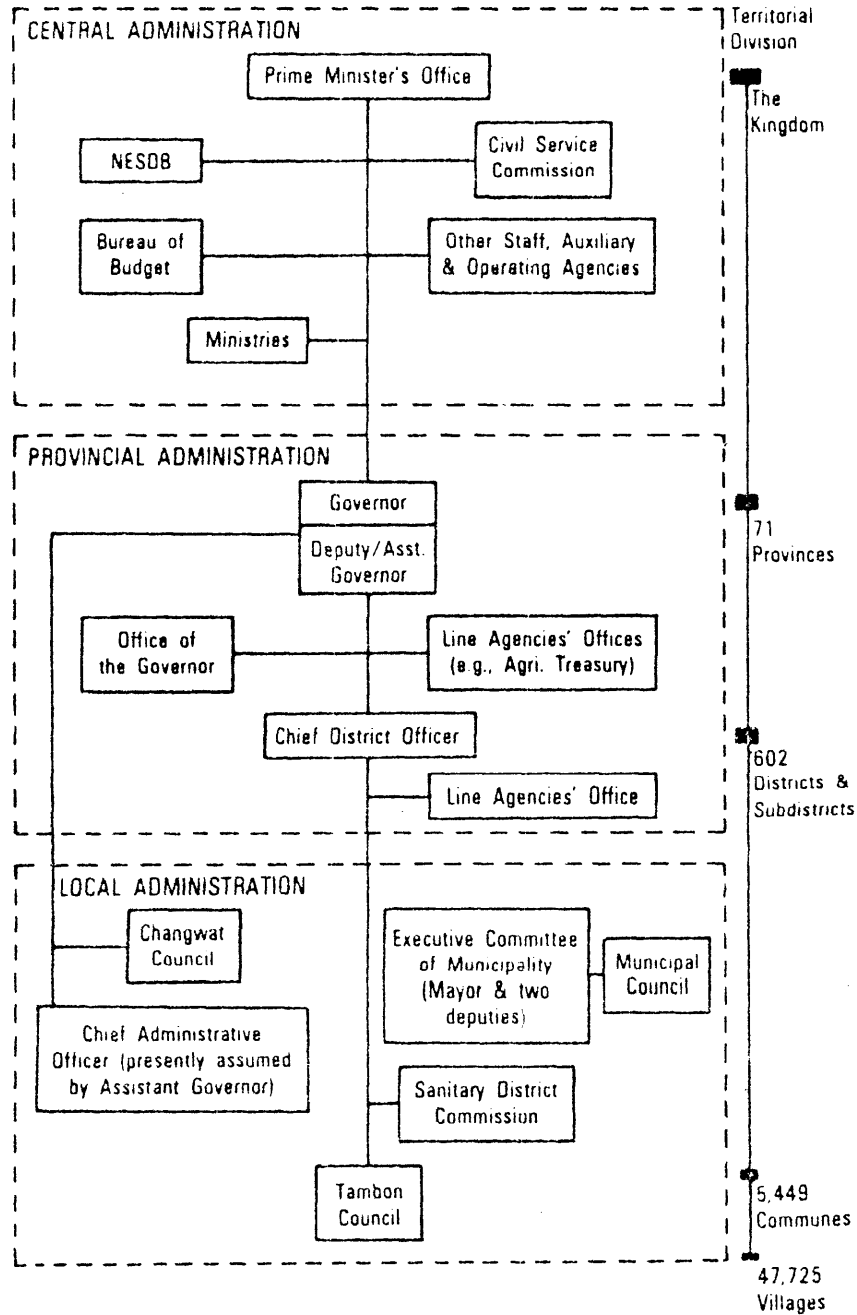


Figure 3.1. Administrative Structure of the Thai Government

case in that it is experimenting with the city-manager type of municipality.

3.5.2 Institutional machinery for development

Although all three forms of government (the central, the provincial and the local) are responsible for the various aspects of development functions, the central administration has more role and privileges. The provincial administration has no decision-making power on development, except for some minor matters, while local administration only has small amounts of funds for development purposes (Noranitipadungkarn, 1981, p. 129).

Development is generally thought to be hindered by the highly centralised nature of the Thai Government and the phenomenon of excessive functional duplication and overlap of responsibilities between government departments, poor co-ordination among government agencies and rigid administrative controls.

Apart from these institutional disadvantages, Thailand's political institutions have also been unstable. There have been frequent changes in political leadership. Thailand also lacks a system of government committed to protecting societal interests, its government has been dominated by the bureaucracy, and it lacks political parties that can act as mechanisms of control over the bureaucracy to ensure that it works to achieve the ends of government policies (Nakata, 1981).

However, despite these shortcomings in the Thai political system, Thailand has had rapid economic growth due mainly to the dynamism of its private sector and a broad consensus on the main goals of development. According to the World Bank (1983, p. 119), Thailand also had the capacity to institute administrative changes, which have recognized and corrected institutional deficiencies at crucial times. The need for administrative and institutional reforms have been recognized and advocated by academicians and practitioners, this need being exacerbated by Thailand's difficulties in dealing with an expanding fiscal deficit and deteriorating balance of payments while trying to maintain its development momentum.

3.5.3 Development strategies and objectives of the Thai government

The Thai government's development objectives and the change in emphasis of the objectives is revealed in the Thai government's development plans: The National Economic Development Plan (1961-66), The Second National Economic and Social Development Plan (1967-1971), The Third National Economic and Social Development Plan (1972-1976), The Fourth

National Economic and Social Development Plan (1977-81) and The Fifth National Economic and Social Development Plan (1982-1986).

The first two development plans emphasized the objective of achieving aggregate economic growth and although the Third Plan mentioned reduction of income inequality as one of its objectives, it was not until the Fourth Plan that equity was given explicit attention. However, it was only in the Fifth Plan that a specific poverty alleviation programme was put forward.

The development strategy in the 1960s for achieving aggregate economic growth was mainly through provision of infrastructure. The First Plan, initiated in 1961, focused on construction and rehabilitation of major infrastructures in the country, that is, large-scale multipurpose dams, main interregional and interprovincial highways and other communication networks. The development of electricity and other principal sources of energy, as well as the expansion of education and public health facilities were directed towards large communities. These were expected to provide a rapid increase in private investment and national economic output.

Emphasis on the expansion of infrastructural facilities such as roads, electricity, irrigation systems, etc. was made up to the Fourth Plan period since the government believed that benefits from the provision of infrastructure would spread throughout the economy. In fact, provision of infrastructure most notably in the areas of highways and irrigation, was believed to be the Thai government's major contribution to economic growth during the 1960s and the 1970s. However, top priority was given to the construction of major infrastructure only in the most productive regions. Therefore, most of the expansion in production, diversification and productivity increases took place in the Central region. The situation was that those who had access to infrastructural facilities provided by the government benefited most, while those in remote areas which had received little government attention benefited less. This probably brought about regional production capability differentials and regional income disparities. The government recognized this and thus in the Third Plan and the Fourth Plan, laid down policies directed towards the solution of these problems. The general objectives of these regional development policies were to lay down the basic regional production structures, promote a favourable pattern of access to the factors of production and attain a favourable trade-off between growth and equity.

Since the early 1970s the government has begun stressing the need to achieve balanced economic growth between regions and areas, and to ensure that all segments of the population participate in and benefit from the growth process. Increasingly strong emphasis has been given to equity and income distribution in its development plans.

In the Third Development Plan, reduction of income inequality was included as one of its objectives. However, it was in the Fourth Development Plan that more explicit attention was given to social welfare and equity. The Fourth National Economic and Social Development Plan (p. 3) clearly stated that - "several basic policy reforms are considered necessary for promoting greater economic security for the nation and creating a more equitable economic and social order which would mean an eventual eradication of poverty among a large segment of the population. In order to achieve this new socioeconomic objective, the Government must intensify its own efforts, accept more responsibility and give full commitment to the basic policy recommendation outlined in the Fourth Plan. Secondly, the Government must act in several key sectors to promote more social justice and ensure that the benefits of development are shared out more equitably."

The Thai government's current plan, the Fifth Development Plan, is different from the previous plans in terms of objectives and policies. More priority is accorded to the maintenance of national economic stability along with the improvement of the quality of life of the rural population, aiming at eradicating absolute poverty instead of concentrating only on the promotion of economic growth. One of the major objectives of the Fifth Plan is therefore, to reduce absolute poverty and to accelerate rural development in backward areas. The most significant aspect of this plan is its poverty eradication programme where emphasis is placed on "depressed rural areas" and self reliance. To achieve the above objective, special development strategies for areas with high concentration of poverty were to be launched. The poverty eradication plan specified "target areas" covering 216 districts and 30 sub-districts in the Northeast, North and South regions; economic and social targets and financial targets. Also specified in this plan are four key programmes: programme for the creation of employment opportunities in rural areas, programme for the implementation of village activities, programme for the provision of basic services, and production programme, to be implemented for helping the poor who are in the Northeast, North and South regions. Whether the Fifth Plan will succeed in what it sets out to do remains to be seen.

Chapter 4

DEGREE, DISTRIBUTION AND NATURE OF POVERTY IN THAILAND

4.1 Introduction

It was seen in Chapter 3 that Thailand compared to some of its neighbours was a fast growth country in the 1960s and 1970s, yet poverty also existed. It is therefore important to find out and define the degree, the distribution and the nature of poverty in Thailand during that period of time. It is also equally important to find out if poverty was alleviated, and if so, to what extent, and if the distribution of poverty had changed.

The first concern in this chapter is thus to define the degree or the extent and the distribution of poverty in Thailand for the years 1962/63, 1968/69 and 1975/76 on a national, regional and sub-regional (rural and urban areas) basis and to see if poverty had been alleviated and if the distribution of the poor had changed during that time. For this purpose, findings of previous research: the World Bank (1980a), Meesook (1979) and Chotikapanich (1981) has been reviewed. These studies employed the most commonly used poverty measure, the headcount ratio, or, in other words, the proportion of the poor in the total population. Chotikapanich, however, supplemented this measure with the Sen and Kakwani poverty indexes.

The next concern in this chapter is to define the nature of poverty in Thailand. In other words, who the poor are and what their socioeconomic characteristics are. This is important for the understanding of factors that cause poverty and for designing antipoverty policies. This section also draws together some available information: Meesook (1979), Fields (1980s), and the World Bank (1980a).

Whether the statistics used and poverty lines established in these studies are questionable is not considered. It is believed that statistics on the number and proportion of people in poverty can only be approximate. It is therefore assumed that statistics on poverty reviewed in this chapter are the best available and generally represent the true situation. It is with this belief that findings of previous studies have been put together and studied, to define the degree, distribution and nature of poverty in Thailand, especially during 1968/69 and 1975/76.

4.2 Degree and Distribution of Poverty in Thailand

4.2.1 Review of the study by the World Bank

Using data from the Household Income and Expenditure Survey 1962/63, the Socioeconomic Survey 1968/69 and the Socioeconomic Survey 1975/76, the World Bank estimated the extent and distribution of poverty on a national, regional and subregional basis for the years 1962/63, 1968/69 and 1975/76. The main purpose of the study was to see whether economic change since 1960 had lifted a large or small number of people out of absolute poverty.

Two poverty lines were defined: baht 150/month/person for rural areas, and baht 200/month/person for urban areas in 1976 prices. It was stated in the report that these are arbitrary levels but "consistent with the findings of most studies attempting to define an absolute poverty line in Thailand" (p. 41). The report also mentioned that sensitivity analysis showed that altering the absolute poverty line changed the number in the poverty group, but that the rural/urban and regional distribution of poverty changed very little.

The results of the World Bank study are shown in Tables 4.1 and 4.2. Overall, the proportion of the country's population living in absolute poverty declined from about half in the early 1960s to a quarter in 1975/76. However, although the incidence of poverty was halved during that time, in 1975/76, more than 11 million people in Thailand still remained in absolute poverty. Of these, a large majority, over 90%, lived in the rural areas. In fact, nearly three-quarters of the poor, about 8 million, were in the rural Northeast and North. In 1975/76, among the rural areas, the rural areas of the Northeast were still the poorest even though the percentage of the rural population in absolute poverty declined from 75% in 1962/63 to 60% in 1968/69 and to 38% in 1975/76. The second highest incidence of rural poverty was in the rural areas of the North although the incidence fell from 60% in 1962/63 to 31% in 1968/69 and to 28% in 1975/76. The incidence of poverty in the rural areas of the South also declined from 41% in 1962/63 to 31% in 1968/69 and to 26% in 1975/76. The lowest incidence of poverty in any rural area was in the Central region, 12% of the population in 1975/76. This was significantly less than the 35% recorded in 1962/63.

On the other hand, the incidence of poverty in urban areas was only 11% in 1975/76. In fact, the urban incidence of poverty appeared to have

Table 4.1
Incidence of Poverty by Region and Location, 1962-76

	% of population		
	1962/63	1968/69	1975/76
<u>Northeast</u>			
Urban	36	13	13
Rural	75	60	38
<u>Total</u>	<u>72</u>	<u>58</u>	<u>36</u>
<u>North</u>			
Urban	45	14	13
Rural	60	31	28
<u>Total</u>	<u>58</u>	<u>30</u>	<u>27</u>
<u>Centre</u>			
Urban	28	11	10
Rural	35	13	12
<u>Total</u>	<u>34</u>	<u>13</u>	<u>12</u>
<u>South</u>			
Urban	23	12	13
Rural	41	31	26
<u>Total</u>	<u>38</u>	<u>29</u>	<u>25</u>
<u>Bangkok</u>	<u>20</u>	<u>9</u>	<u>9</u>
<u>Kingdom</u>			
Urban	28	11	11
Rural	57	37	28
<u>Total</u>	<u>52</u>	<u>34</u>	<u>25</u>

Source: World Bank (1980a), p. 62, Table 3.16.

Table 4.2
Distribution of the Poor by Region and Location

	<u>As % of total poverty group</u>			<u>% of total population</u>
	<u>1962/63</u>	<u>1968/69</u>	<u>1975/6</u>	
<u>Northeast</u>				
Urban	2	1	1	1
Rural	46	58	50	33
<u>Total</u>	<u>48</u>	<u>59</u>	<u>51</u>	<u>34</u>
<u>North</u>				
Urban	3	-	1	2
Rural	22	20	22	19
<u>Total</u>	<u>25</u>	<u>20</u>	<u>23</u>	<u>21</u>
<u>Centre</u>				
Urban	2	1	1	2
Rural	14	7	8	20
<u>Total</u>	<u>16</u>	<u>8</u>	<u>9</u>	<u>22</u>
<u>South</u>				
Urban	1	-	1	1
Rural	8	11	11	11
<u>Total</u>	<u>9</u>	<u>11</u>	<u>12</u>	<u>12</u>
<u>Bangkok</u>	<u>2</u>	<u>2</u>	<u>5</u>	<u>11</u>
<u>Kingdom</u>				
Urban	10	4	9	17
Rural	90	96	91	83
<u>Total</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Source: World Bank (1980a), p. 63, Table 3.17.

remained roughly constant for all regions after falling sharply in the early 1960s.

Since the incidence of poverty has remained roughly constant in urban areas while falling significantly in rural areas, the proportion of the urban poor in the total poor population rose from 4% in 1968/69 to 9% in 1975/76. This was mainly due to the rise in the absolute number of poor people in Bangkok.

4.2.2 Review of Meesook's study

Meesook, using the same data source also estimated the extent and distribution of poverty on a national, regional and sub-regional basis for the years 1962/63, 1968/69 and 1975/76. Her study was different from the World Bank study since she compared the incidence and distribution of poverty in 1975/76, first with that in 1962/63 and then with that in 1968/69. She did not compare the three years as was done by the World Bank. The reason she gave was that the World Bank study did not take account of the inconsistency in the definitions of the urban and rural areas between the 1962/63 and 1968/69 Surveys. Urban areas in the 1962/63 Survey included sanitary districts and municipal areas, while urban areas in the 1968/69 Survey included only municipal areas. On the other hand, rural areas in the 1962/63 Survey included village areas only, while that in the 1968/69 Survey included village and sanitary areas. It is therefore invalid to compare the incidence and distribution of poverty in 1968/69 with that in 1962/63.

The main purpose of her study was to determine what had happened to the incidence and distribution of the poor population over the period 1962/63 and 1975/76, given that Thailand had experienced a very rapid rate of growth in aggregate income.

For poverty lines, Meesook chose baht 1981/year/person for rural areas, and baht 2961/year/person for urban areas for 1975/76. Consumer price indexes for urban areas by regions were then used to calculate the corresponding poverty lines in 1962/63 and 1968/69 prices.

Meesook's estimates are shown in Tables 4.3 and 4.4. Two sets of estimates are given for 1975/76, one for comparison with 1962/63 and the other for comparison with 1968/69, each set being comparable since each is based on identical definitions of urban and rural areas and identical poverty lines.

Table 4.3
Incidences of Poverty, by Region and Area, Thailand,
1962/63, 1968/69 and 1975/76
 (% of population group)

Region and area	1962/63	1975/76	1968/69	1975/76
<u>Northeast</u>				
Urban	44	38	24	20
Rural	77	48	67	45
<u>Total</u>	<u>74</u>	<u>46</u>	<u>65</u>	<u>44</u>
<u>North</u>				
Urban	56	31	19	18
Rural	66	36	37	34
<u>Total</u>	<u>65</u>	<u>35</u>	<u>36</u>	<u>33</u>
<u>South</u>				
Urban	35	29	24	22
Rural	46	35	40	33
<u>Total</u>	<u>44</u>	<u>33</u>	<u>38</u>	<u>31</u>
<u>Centre</u>				
Urban	40	20	14	12
Rural	40	15	16	15
<u>Total</u>	<u>40</u>	<u>16</u>	<u>16</u>	<u>14</u>
<u>Bangkok</u>	<u>28</u>	<u>12</u>	<u>11</u>	<u>12</u>
<u>Whole Kingdom</u>				
Urban	38	22	16	14
Rural	61	37	43	35
<u>Total</u>	<u>57</u>	<u>33</u>	<u>39</u>	<u>31</u>

Source: Meesook (1979), p. 52, Table 3.1.

Table 4.4
Distribution of the Poor Population by Region and Area,
Thailand, 1962/63, 1968/69 and 1975/76
 (% of total poor population)

Region and area	1962/63	1975/76	1968/69	1975/76
<u>Northeast</u>				
Urban	2	6	1	1
Rural	43	44	54	49
<u>Total</u>	<u>45</u>	<u>50</u>	<u>55</u>	<u>50</u>
<u>North</u>				
Urban	3	4	1	1
Rural	22	19	20	22
<u>Total</u>	<u>25</u>	<u>23</u>	<u>21</u>	<u>23</u>
<u>South</u>				
Urban	1	3	1	1
Rural	8	10	12	11
<u>Total</u>	<u>9</u>	<u>13</u>	<u>13</u>	<u>12</u>
<u>Centre</u>				
Urban	3	2	1	1
Rural	15	7	8	8
<u>Total</u>	<u>18</u>	<u>9</u>	<u>9</u>	<u>9</u>
<u>Bangkok</u>	<u>3</u>	<u>5</u>	<u>2</u>	<u>6</u>
<u>Whole Kingdom</u>				
Urban	12	20	6	10
Rural	88	80	94	90
<u>Total</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Source: Meesook (1979), p. 54, Table 3.2.

The first set of estimates show that over the 1962/63-1975/76 period, the incidence of poverty in Thailand declined from 57% to 33%. The incidence of poverty in urban areas and rural areas also declined, from 38% to 22% in urban areas and from 61% to 37% in rural areas.

The second set of estimates also show the same declining trend in the poverty incidence for the country as a whole and for both urban and rural areas. However, the magnitude of the change is different. The overall incidence over the period 1968/69-1975/76 fell from 39% to 31%, while for urban areas the incidence fell from 16% to 14% and for rural areas the incidence fell from 43% to 35%. This suggests that although the poverty incidence had been declining from both urban and rural areas, the improvement had been slow for urban areas. For Bangkok, the incidence of poverty in 1975/76 was higher than in 1968/69 mainly due to the inclusion in 1975/76 of changwats Samut Prakan, Nonthaburi and Pathum Thani in the Bangkok metropolitan area.

Looking at the distribution of the poor, in both sets of estimates the majority of the poor were in the rural areas. However, the proportion of rural poor in the total poor population has declined. On the other hand, the proportion of urban poor in the total poor population rose from 12% in 1962/63 to 20% in 1975/76 in the first set of estimates, and from 6% in 1968/69 to 10% in 1975/76 in the second set of estimates.

Among the regions, the majority (roughly half) of the poor were in the Northeast. However, the proportion of poor in the Northeast. However, the proportion of poor in the Northeast had declined during 1968/69 and 1975/76, mainly because the proportion of the rural poor had fallen. On the other hand, the proportion of the poor in the North and in Bangkok had risen, due to an increase in the proportion of rural poor in the North and the urban poor in Bangkok.

Looking at the absolute number of the poor, Meesook found that the size of the poor population in the Northeast remained more or less constant at 7 million even though the incidence and the distribution of poverty fell during 1968/69 and 1975/76. For the whole country, the total number of poor decreased from 15.8 million in 1962/63 to 13.6 million in 1975/76 according to the first set of estimates and from 13.4 million to 12.9 million according to the second set of estimates. This suggests that although the incidence of poverty had declined, the country still had close to the same number of poor people it had before.

4.2.3 Review of Chotikapanich's study

Chotikapanich also used data from the Socioeconomic Surveys of 1968/69 and 1975/76 to estimate the degree and distribution of poverty in Thailand. The purpose of her research was to see whether rapid economic growth had been accompanied by an improvement in the standard of living of at least some of the poor.

To do this, she considered both the absolute poverty approach and the "relative poverty approach"¹. She estimated both headcount ratios and poverty indexes (Sen and Kakwani indexes) for 1968/69 and 1975/76, for the whole country, regions and sub-regions.

In considering the incidence of absolute poverty, Chotikapanich used Meesook's (1979) second set of estimates (Table 4.3). Her main interest was, however, to estimate headcount ratios and poverty indexes using "relative poverty lines". She based her "relative poverty lines" on expenditure data, the reason being that expenditure describes welfare as well as income does and that income data from the two surveys were not comparable since the 1975/76 data on income included income-in-kind while the 1968/69 data did not. To get "relative" poverty lines, she first calculated the minimum necessary expenditure on food and non-food for 1975 and then deflated the 1975 minimum necessary expenditure by the price index to get the expenditure for 1968. Her estimates of the minimum necessary expenditure are shown in Table 4.5.

Tables 4.6 and 4.7 show Chotikapanich's estimates on the extent and distribution of poverty using the "relative approach". It can be seen that between 1968/69 and 1975/76, the overall incidence of poverty declined from 57% to 28%. Poverty incidence also fell in all regions, most notably in the Northeast. In non-municipal areas (rural areas), there was a large reduction, but in municipal areas (urban areas) the reduction was small. Reduction was small also in Bangkok.

Among rural areas, in 1968/69 and 1975/76, the Northeast rural areas had the highest incidence of poverty as well as the largest number of poor people. Among urban areas, however, in 1975/76, the South had the highest incidence of poverty. Between 1968/69 and 1975/76, the

1 Chotikapanich's "relative poverty" concept is not consistent with that discussed in Chapter 2. The term "relative" was used since relative economic positions of the regions were taken into account and poverty lines defined separately for different regions.

Table 4.5
Minimum Necessary Expenditure
 (baht/person/month = 30 days)

		1968	1975
Bangkok		158.47	248.1
Northeast	M	149.05	228.6
	S		202.8
	V	127.14	195
North	M	133.87	238.2
	S		216
	V	115.15	204.9
South	M	145.07	244.5
	S		218.1
	V	131.10	222.3
Central	M	133.34	222.6
	S		223.5
	V	124.36	207.6

Source: Chotikapanich (1981), p. 86, Table 5.14.

Table 4.6

Incidence and Distribution of Poverty by Region, 1968/69 and 1975/76

Area	1968/69			1975/76		
	Incidence	Distribution	Number of poor	Incidence	Distribution	Number of poor
Northeast	0.2789	0.4917	9,409,629	0.1545	0.5467	6,674,571
North	0.1276	0.255	4,305,495	0.0462	0.1635	1,996,342
South	0.0762	0.1343	2,569,953	0.0416	0.1473	1,798,823
Central	0.0664	0.117	2,239,437	0.0241	0.0851	1,038,853
Bangkok	0.0181	0.032	610,980	0.0162	0.0574	700,150
Whole Kingdom	0.5671	1	19,135,494	0.2826	1	12,208,739
Municipal*	0.1324	0.0132	253,168	0.1224	0.0271	331,415
Non-municipal*	0.6523	0.9548	18,271,346	0.3194	0.9155	11,177,174

* Excluding Bangkok metropolitan area.

Source: Chotikapanich (1981), pp. 90 and 91, Tables 5.16 and 5.17.

Table 4.7
Incidence of Poverty by Region and Area, 1968-69 and 1975/76

Region and area	1968/69		1975/76	
	Proportion of poor	Number of poor	Proportion of poor	Number of poor
<u>Northeast</u>	0.8001	9,409,629	0.4391	6,674,571
Municipal	0.1634	70,611	0.1226	90,601
Sanitary	0.8244	9,399,018	0.2698	390,131
Village			0.4759	
<u>North</u>	0.5909	4,305,495	0.217	1,996,342
Municipal	0.158	67,621	0.126	80,262
Sanitary	0.6179	4,237,874	0.2615	274,052
Village			0.2185	
<u>South</u>	0.6183	2,569,953	0.3394	1,798,823
Municipal	0.1521	67,336	0.146	101,032
Sanitary	0.6739	2,502,617	0.129	67,467
Village			0.3991	
<u>Central</u>	0.3333	2,239,437	0.1299	1,038,853
Municipal	0.0781	47,600	0.093	59,520
Sanitary	0.3588	2,191,837	0.1279	170,107
Village			0.1342	
<u>Bangkok</u>	0.1599	610,980	0.1273	700,150
Municipal	0.0965	244,076		
Village	0.2844	366,904		

Note: Municipal areas - Urban areas
 Sanitary + Village = Rural areas

Source: Chotikapanich (1981), p. 89, Table 5.15.

incidence of poverty fell in all areas (rural and urban) except in urban areas of the Central region.

During this period, the number of poor people in all urban areas rose while those in all rural areas fell. However, since the total number of poor in rural areas decreased more than the rise in the total number of poor in urban areas, the number of poor in the whole country declined from approximately 19 million to approximately 12 million.

The distribution of poverty among regions in 1968/69 and 1975/76 also show that the rural areas constitute a distinctly large proportion (92%-95%) of the total poor population even though the proportion had declined. Among the regions, the Northeast had the highest proportion of the poor, and although the number of poor in the Northeast had declined, the proportion of poor in the total poor population had risen. In the South also, the proportion of poor in the total poor population had risen, although slightly. In Bangkok however, not only had the proportion of poor risen but also the number of poor.

Chotikapanich's estimates of poverty indexes (Sen and Kakwani indexes) are shown in Tables 4.8 and 4.9. Table 4.8 shows poverty indexes estimated by using the absolute poverty lines. When $k=1$, the indexes represent the Sen indexes. It can be seen that in 1968/69, the urban and rural areas of the Central region were the least poor. Table 4.9 shows poverty indexes using "relative poverty lines". It can be seen that in 1968/69, the Northeast region had the highest poverty indexes while the Central region had the lowest poverty indexes. In 1975/76 however, the Northeast region's rural areas and the North's urban areas had the highest poverty index. For Bangkok, in 1968/69 and 1975/76, poverty indexes were relatively low. Between 1968/69 and 1975/76, poverty indexes for all urban (municipal) areas and rural (non-municipal) areas declined, the largest reduction being in the Northeast.

4.3 Nature of Poverty in Thailand

The preceding section has suggested that the poor in Thailand were concentrated in the rural areas of the Northeast and Northern regions. While this suggests something important about the geographical location of poverty, Tables 4.10, 4.11, 4.12 and 4.13 give insights into some further dimensions.

Table 4.8
Poverty Indices
 (Using Absolute Poverty Line)

Area	1968/69			1975/76		
	k=1	k=2	k=3	k=1	k=2	k=3
<u>Northeast</u>						
Urban	0.0816	0.0856	0.0885	0.043	0.0464	0.049
Rural	0.4984	0.5189	0.5332			
<u>North</u>						
Urban	0.0669	0.0695	0.0714	0.0356	0.0389	0.0414
Rural	0.1997	0.2064	0.2113			
<u>South</u>						
Urban	0.0780	0.0822	0.0852	0.0604	0.0645	0.0675
Rural	0.214	0.2239	0.2293			
<u>Central</u>						
Urban	0.0255	0.0269	0.0280	0.0226	0.024	0.0251
Rural	0.0702	0.0718	0.0730			

Note: When k=0, the poverty index coincides with the headcount ratio and k=1 represents the Sen index.

Source: Chotikapanich (1981), p. 100, Table 5.21.

Table 4.9
Poverty Indices
 (Using "Relative" Poverty Line)

Area	1968/69			1975/76		
	k=1	k=1.5	k=2	k=1	k=1.5	k=2
<u>Northeast</u>						
Municipal	0.0481	0.0501	0.0515	0.0181	0.0195	0.0206
Sanitary	0.5965	0.6293	0.6517	0.0866	0.0928	0.0973
Village				0.1727	0.1855	0.1948
<u>North</u>						
Municipal	0.0387	0.0408	0.0424	0.0250	0.0267	0.0279
Sanitary	0.2997	0.3202	0.3350	0.0771	0.0819	0.0854
Village				0.1359	0.1451	0.1518
<u>South</u>						
Municipal	0.0370	0.0389	0.0403	0.0232	0.0248	0.0261
Sanitary	0.3212	0.3450	0.3620	0.0257	0.0270	0.0280
Village				0.1304	0.1388	0.1450
<u>Central</u>						
Municipal	0.0081	0.0086	0.0090	0.0056	0.0067	0.0075
Sanitary	0.1613	0.1691	0.1748	0.0226	0.0240	0.0251
Village				0.0401	0.0425	0.0442
<u>Bangkok</u>						
Municipal	0.0117	0.0125	0.0132	0.0203	0.0218	0.0228
Village	0.1348	0.1399	0.1438			

Note: When $k=0$, the poverty index coincides with the headcount ratio, and when $k=1$ it is the Sen index.

Source: Chotikapanich (1981), p. 94, Table 5.18.

Table 4.10 reaffirms that poverty in Thailand was predominantly a rural problem: in 1975/76, 83% of the poor lived in the villages, and 6% more in sanitary districts. Among the poor 46% were in the Northeastern villages and 20% in Northern villages. Moreover, the majority of the poor, 75%, were farm operators, 41% of whom were farm operators in the Northeastern villages and 15% of whom were in villages of the North. Of the remaining, 9% were farm and general workers. These facts are supported by Fields' (1980a) general observations on the characteristics of the Thai poor, spelled out in terms of location, region, sector and occupation. According to Fields, the majority of the poor in Thailand were in the rural areas and especially in small villages, there was regional disparity in poverty, the least poor region being Bangkok and the poor were mostly found in the agricultural sector among farmers and/or farm workers. The World Bank (1980a) also made the observation that most of the poor in Thailand were farmers growing rice under rainfed conditions in the rural areas of the Northeast and North, and rubber/rice farmers in the South. On the other hand, the poor households in rural non-agriculture were mostly headed by general workers, and the urban poor households were mostly unskilled worker families.

Table 4.11 shows estimates of the incidence of poverty by socio-economic class, region and area in 1975/76. In municipal areas (urban areas), the highest incidences of poverty were among farm operators and farm and general workers, the incidence of poverty in these groups being well above the average for the municipal areas as a whole. In villages, farm operators in the Northeast, South, and North and farm and general workers in the Northeast and North had the highest incidences of poverty. In sanitary districts, farm operators in the Northeast and South and farm and general workers in the Northeast had the highest incidences of poverty.

Table 4.12 presents estimates of average household income per capita by socioeconomic class, region and area for 1975/76. It can be seen that the average income levels of farm operators and farm and general workers were much lower than for the other groups. The average income of village households was also much less than that of households in municipal areas and sanitary districts.

Table 4.13 gives values of selected socioeconomic characteristics for quintiles of households ordered by per capita consumption in the villages of the Northeast (which represented the poorest) and the Central

Distribution of the Poor^a by Socioeconomic Class, Region and Area, Thailand, 1975/76
(% of poverty population)

	Socioeconomic class							All households
	Farm operators	Nonfarm own-account workers	Professional, technical & administrative workers	Farm & general workers	Clerical, sales & services & production workers	Economically inactive households		
Municipal areas:	0.57	1.50	0.21	0.46	1.10	0.20	4.04	
Northeast	0.06	0.61	0.06	0.06	0.34	0.04	1.18	
North	0.19	0.30	0.06	0.13	0.17	0.08	0.93	
South ^b	0.23	0.31	0.05	0.13	0.44	0.04	1.19	
Centre ^b	0.09	0.21	0.04	0.14	0.15	0.04	0.74	
Sanitary districts:	3.68	0.78	0.13	1.03	0.51	0.21	6.34	
Northeast	1.68	0.34	0.04	0.47	0.21	0.07	2.80	
North	0.99	0.21	0.02	0.14	0.10	0.11	1.58	
South ^b	0.48	0.11	0.02	0.14	0.06	-	0.81	
Centre ^b	0.52	0.12	0.05	0.28	0.14	0.04	1.15	
Villages:	68.74	3.25	0.30	7.04	2.34	1.59	83.26	
Northeast	41.15	1.16	0.15	2.27	0.71	0.70	46.15	
North	15.47	0.97	0.30	2.44	0.66	0.17	19.74	
South ^b	7.34	0.84	0.06	0.82	0.77	0.57	10.41	
Centre ^b	4.79	0.27	0.06	1.50	0.19	0.15	6.96	
Greater Bangkok ^c	1.82	1.36	0.24	0.83	1.98	0.13	6.36	
Whole Kingdom	74.81	6.88	0.88	9.36	5.92	2.13	100.0	

^a The poor are defined to be those who belong to households which have household total incomes under B 1,981/person/year in sanitary districts and villages and B 2,961/person/year in municipal areas, in 1975/76 prices.

^b Excluding changwats Samut Prakan, Nonthaburi and Pathum Thani.

^c Including changwats Samut Prakan, Nonthaburi and Pathum Thani.

- Sample too small.

Source: Meesook (1979), p. 57, Table 4.1.

Incidence of Poverty^a by Socioeconomic Class, Region and Area, Thailand, 1975/76
(% of population group)

	Socioeconomic class							All households
	Farm operators	Nonfarm own-account workers	Professional, technical & administrative workers	Farm & general workers	Clerical, sales, services & production workers	Economically inactive households		
Municipal areas:	45.8	16.1	9.3	52.3	21.6	19.7	18.3	
Northeast	45.8	21.4	9.7	44.0	26.4	12.7	20.4	
North	63.5	16.2	8.9	53.5	12.5	29.1	18.0	
South	41.3	15.3	9.8	48.1	29.2	17.6	22.2	
Centre ^b	34.2	10.5	8.5	60.5	16.2	22.0	11.9	
Sanitary districts:	28.9	11.3	6.7	23.6	10.5	20.5	18.4	
Northeast	47.5	10.6	5.4	37.3	12.7	29.3	24.4	
North	28.7	13.3	6.4	14.5	9.0	51.5	19.8	
South ^b	33.5	12.9	8.1	22.2	10.9	-	17.5	
Centre	12.2	9.7	7.7	18.6	9.2	7.5	11.3	
Villages:	43.3	18.2	6.3	30.0	16.2	30.1	36.8	
Northeast	55.2	17.7	7.9	41.7	15.3	31.1	47.8	
North	39.7	23.9	5.0	38.4	16.1	19.6	36.0	
South ^b	44.0	20.0	7.2	24.5	21.4	25.9	34.7	
Centre	16.8	9.1	4.2	18.1	9.3	16.0	15.3	
Greater Bangkok ^c	39.3	11.6	7.3	31.8	11.9	9.0	12.5	
Whole Kingdom	42.2	15.0	6.9	29.9	14.5	24.3	30.7	

^a The poverty line is defined in terms of household total income to be B 1,981/per/year in sanitary districts and villages and B 2,961/person/year in municipal areas, in 1975/76 prices.

^b Excluding changwats Samut Prakan, Nonthaburi and Pathum Thani.

^c Including changwats Samut Prakan, Nonthaburi and Pathum Thani.

- Sample too small.

Source: Meesook (1979), p. 57, Table 4.2.

Average Household Income Per Capita by Socioeconomic Class, Region and Area, Thailand, 1975/76
(baht/month)

	Socioeconomic class							All households
	Farm operators	Nonfarm own-account workers	Professional, technical & administrative workers	Farm & general workers	Clerical, sales, services & production workers	Economically inactive households		
Municipal areas:								
Northeast	301	577	769	294	427	640	555	
North	680	943	862	305	593	799	774	
South	416	741	850	273	476	653	612	
Centre ^a	555	753	949	269	526	524	682	
Sanitary districts:								
Northeast	226	644	672	210	338	405	401	
North	285	472	784	280	462	241	369	
South	300	503	734	262	422	-	392	
Centre ^a	459	730	774	296	546	495	505	
Villages:								
Northeast	188	334	502	208	321	320	215	
North	240	330	716	206	312	428	256	
South	204	421	700	261	375	260	279	
Centre ^a	367	514	748	287	440	529	381	
Greater Bangkok ^b	388	679	1,028	340	560	707	605	

^a Excluding changwats Samut Prakan, Nonthaburi and Pathum Thani.

^b Excluding changwats Samut Prakan, Nonthaburi and Pathum Thani.

- Sample too small.

Source: Meesook (1979), p. 62, Table 4.3.

Table 4.13

Some Socioeconomic Characteristics of Households, by Quintiles of Households Ordered by Monthly Per Capita Consumption Expenditures, Villages in Northeast and Central Thailand, 1975/76

	Northeast villages					Central villages				
	Quintile					Quintile				
	I	II	III	IV	V	I	II	III	IV	V
Per capita consumption/month (baht)	120.0	168.0	214.0	277.0	487.0	193.0	286.0	363.0	378.0	809.0
Average age of head	43.6	44.2	45.4	45.6	46.8	44.2	46.5	48.7	49.1	49.7
Average household size	7.2	6.4	6.1	5.6	4.6	6.6	5.8	5.5	4.8	3.8
% with eight or more members	42.2	28.1	25.0	17.6	12.2	30.7	23.8	17.6	9.3	5.6
Number of earners	3.6	3.4	3.3	3.1	2.7	3.1	3.1	3.1	2.8	2.4
Number of members per earner	2.0	1.9	1.8	1.8	1.7	2.1	1.9	1.8	1.7	1.6
Persons per sleeping room	4.5	3.9	3.5	3.1	2.5	4.8	4.1	3.8	3.4	2.6
% having electricity	0.5	1.2	5.8	4.8	16.7	3.7	4.7	6.9	16.7	24.5
% lived in amphoe less than 10 years	9.1	10.2	10.6	11.4	11.6	12.4	13.0	11.1	16.0	18.1
% farm operators	87.0	83.1	82.3	74.7	57.4	58.2	64.5	62.5	60.9	55.1
% farm workers	5.2	3.0	4.3	1.7	2.2	13.8	13.6	11.6	8.4	1.4
% nonfarm entrepreneurs	2.1	5.3	3.9	9.8	14.2	4.0	4.6	5.6	11.2	10.2
% members 15-24 attending school										
male	1.2	2.5	2.5	8.1	12.8	3.6	7.6	8.2	17.1	21.4
female	1.5	2.0	2.6	6.4	10.2	3.6	6.0	7.6	5.6	7.8
% members 15-24 with higher than elementary grade education - male	1.2	3.0	4.6	10.5	16.6	3.6	8.5	8.2	23.4	36.9
- female	1.2	2.0	3.0	6.8	12.3	2.9	6.0	6.9	5.5	13.8

Source: Meesook (1979), p. 65, Table 4.4.

(which represented the least poor) regions in Thailand. The poorest households were represented by the bottom quintile and the least poor households by the top quintile. The differences among the households can be traced progressively across successive quintiles within each region. It can also be seen that the middle-income Central region village households exhibited the characteristics of better-off village households in the Northeast. With respect to some demographic characteristics, it can be seen that village households with lower levels of per capita consumption had younger heads and large household size with a chance of having eight or more members in each household. The number of earners in poorer households was larger, and the number of household members that each earner had to take care of was more too. Poorer households were also more likely to have to share each of their sleeping rooms between more people and were less likely to have the use of electricity. They also tended to be less mobile. It can also be seen that poorer households had a larger proportion of farm operators and farm workers and a smaller proportion of non-farm entrepreneurs. In terms of education, children (age 15-24) of poorer households were less likely to attend school than children from richer households, and female children less likely to attend school than male children. It is apparent from this table, that the poor in villages of the Northeast had less access to public services such as electricity and schools than those in villages of the Central region, and even in the Northeast, the poorer had less access to these than the less poor.

Fields (1980a) also concluded similarly in terms of the characteristics of age, family size and education for the poor in Thailand. He observed that of poor families, 63% were headed by prime-age workers (age 30-49), that poor families tended to be large and 50% had four or more children under age 15, and that the majority of the poor had no education or less than middle secondary education.

4.4 Summary and Conclusion

4.4.1 Degree and distribution of poverty

The three studies on the extent and distribution of poverty in Thailand between 1962/63 and 1975/76 used different poverty lines. This, the different approaches used, and the different standard of measure used may have accounted for the differences in magnitude of poverty seen in the results. However, it is interesting to find that, in general, in terms of ranking different regions and areas according to the extent of

poverty, and in terms of the trend of the poverty incidence, the nature of the results are essentially similar. Therefore, given that facts presented in section 4.2 closely represent the true situation, the following conclusions can be drawn.¹

Overall:

During the 1960s and 1970s, Thailand made some progress in alleviating poverty. The degree of poverty, measured by the headcount ratio, declined from 39% in 1968/69 to 31% in 1975/76. However, the absolute number of poor remained roughly the same. It was estimated to be 12.9 million in 1975/76 as compared to an estimated 13.4 million in 1968/69.

It is also clear that, in 1975/76, the bulk (90%) of the poor in Thailand were in rural areas even though the degree of rural poverty declined significantly from 43% in 1968/69 to 35% in 1975/76 and the proportion of poor in rural areas decreased.

On the other hand, in urban areas, although the incidence of poverty declined from 16% in 1968/69 to 14% in 1975/76, the distribution of the poor in urban areas increased from 6% in 1968/69 to 10% in 1975/76.

Regional:

During the period 1968/69 to 1975/76, the Northeast was the poorest region. In 1975/76, it had the highest incidence of poverty (44%), the largest proportion of the poor population (50%) and the largest number of people in absolute poverty (approximately 7 million). The North was the second poorest region in terms of poverty incidence (33%), proportion of the poor population (23%) and the number of poor people. Third poorest was the South where 12% of the poor population lived and the incidence of poverty was 31%. This was followed by the Central region where the incidence of poverty was 14% and 9% of the poor lived. The least poor region was the Bangkok metropolitan area: the incidence of poverty was 12% and 6% of the poor lived in it.

During 1968/69 and 1975/76, poverty incidence declined in all regions except Bangkok. However, the reduction was substantial only in the Northeast. Yet, the number of poor people in the Northeast remained almost constant at around 7 million.

1 Figures are taken from Meesook's study.

Rural areas (villages and sanitary districts):

Among the rural areas, in 1975/76, the rural areas of the Northeast had the highest incidence of poverty (45%) even though there had been a substantial reduction in the incidence since 1968/69. Also, the number of poor people had not much been reduced. Ranking rural areas from poorest to least poor was also the same as for regions as a whole: Northeast, North, South, Central. However, the rural areas of the North and South regions have almost the same poverty incidence (34% and 33% respectively). The rural areas in the Central region had the lowest incidence of rural poverty (15%). All incidences of rural poverty declined during 1968/69 and 1975/76.

Urban areas (municipal areas):

Among urban areas, the urban areas in the Central region and Bangkok were the least poor. The poverty incidence was 14% and 12% respectively. All three studies were in complete agreement of this fact. However, there was some difference in ranking urban areas region-wise, from the poorest to the least poor. The South seemed to have the highest urban incidence of poverty (22%). On the other hand, the differences in the urban incidence of poverty in the South, Northeast and North were not substantially different: they were between 18-22%. The urban incidence of poverty in all areas was also small when compared to that of rural areas. There was also a decline in the incidence for all regions even though the decline was small. The percentage of urban poor population was also very small (1%) and remained fairly constant over the 1968/69-1975/76 period except for Bangkok where the increase was three times, from 2% to 6%. (This may, in part, be due to the expansion of the Bangkok metropolitan area in 1975/76.)

Thus, it can be concluded that, while on the whole poverty was alleviated to some extent while the country experienced rapid economic growth during the 1960s and the 1970s, the fact remained that rural areas especially in the Northeast and North, still had high incidences of poverty and a large percentage and number of the poor, and that the Central region (including Bangkok) was the least poor and most advantaged of all the regions. This fact has been supported by other non-income poverty indicators such as quality of life indicators: life expectancy, literacy, health status (see Section 3.3.3).

4.4.2 Nature of poverty

The poor in Thailand were concentrated in the rural areas especially of the Northeast and North regions. In other words, poverty in Thailand was regional in character and was predominantly a rural problem. The majority of the poor lived in villages and were apt to be employed in agricultural occupations. They were mostly farmers (rice and rubber farmers), farm workers, general workers and unskilled workers, also found in urban areas.

Poverty being regional in character also meant that there was regional disparity in poverty. The poorest region was the Northeast while the least poor region was the Central region which includes Bangkok.

With respect to demographic characteristics, the majority of the poor households had younger heads or prime-age workers (age 30-49) and large household size (8+ members) with more children. A poor household also had a larger number of earners.

The majority of the poor had little or no education, and the children of the poor households, especially female children, were less likely to attend school. Living conditions were poor for the majority of the poor. They lived in crowded rooms with more people sharing the same sleeping room. They were also less likely to have the use of electricity. In other words, poor people had less access to public services such as electricity and schools.

The above findings confirm casual impressions of the characteristics of the poor.

It is thus with such vital information on the poor in Thailand, that in the next chapter, some causes of poverty and factors responsible for the alleviation of it during 1968/69 and 1975/76, will be considered.