

# Red-Shirt Heartland: Village-Level Socioeconomic Change in Northeast Thailand Between 1999 and 2008

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In this article, we investigate the socioeconomic changes that took place on a village level in northeast Thailand during Thaksin Shinawatra's rule as prime minister of Thailand (2001–2006). By comparing data from 1999 and 2008, we show that most households in the research villages have become wealthier. The analysis reveals that household characteristics are not significant in explaining the increase in wealth but that the triggers for change have to be sought on a higher level. This does not necessarily mean that development was the result of measures taken by the Thai government during or before the Thaksin regime, the quick recovery of the Asian economy after 2001, or a combination of both. It, however, leads to an understanding of why so many people in northeast Thailand are still supporting Thaksin or a Thaksinite party up until today.

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**Key words:** Isan, livelihoods, northeast Thailand, socioeconomic change, Thaksin

## Introduction

On September 19, 2006, the international press presented the image of Thai people cheering and handing flowers to the military that had just toppled the democratically elected government of Prime Minister Thaksin Shinawatra. The military coup and takeover of government were depicted as peaceful, and legitimized by charges of large-scale corruption against Thaksin and his Thai Rak Thai party.

However, while people in Bangkok were praising the military coup, those in rural north and northeast Thailand reacted quite differently. Thaksin had become prime minister in 2001. In the years that followed, many people in the predominantly rural north and northeast of Thailand became supporters of Thaksin and his Thai Rak Thai party. Because of this support, he was reelected in

2005 with a landslide victory, the first time in Thai history that a party was able to acquire an absolute majority.

The 2006 military coup signified the end of Thaksin's direct political power, shortly after his reelection. This, however, did not mean the end of support for Thaksin. Thaksin himself has lived abroad since 2008, to escape imprisonment for charges of corruption, but his party has won every election since. On July 3, 2011, Thaksin's younger sister, an absolute newcomer in politics, became prime minister after becoming the official leader of the party.

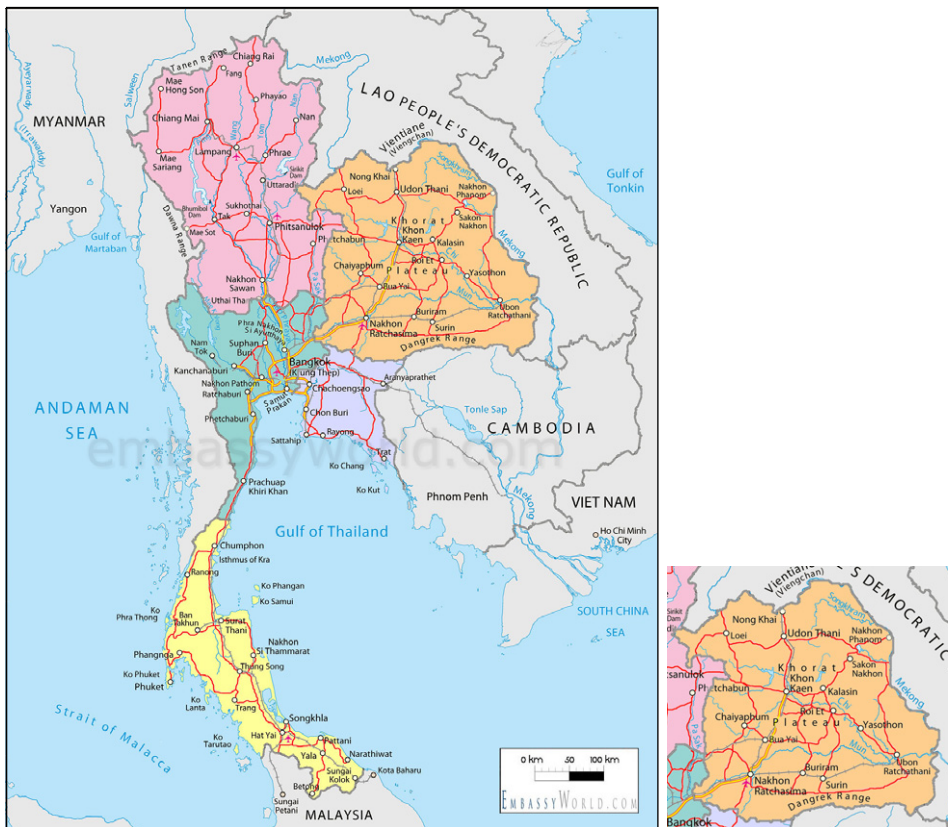
The fact that the bulk of the electorate continues to support Thaksin is often explained by his opponents as clear evidence of voter irrationality and of the ongoing failure of the electoral process (Walker, 2008, p. 85).<sup>1</sup> Voter irrationality refers to the "unsophisticated and easily manipulated rural population," the majority of whom are said to live in the north and northeast of Thailand, a region referred to as Isan. It pays to focus on this group, as McCargo and Hongladarom (2004) rightly state: "Around a third of parliamentary constituencies are in Isan, and any political party that can win the bulk of those seats should be on course to form a government" (p. 221).

Irrationality, vote buying, and many other factors, such as regionalism, certainly will play a role, as is also argued by the United Nations Development Program (UNDP) in the *Thailand Human Development Report* (2009, p. 78). However, in that same report it is stated that inequality between the poor and rich regions of Thailand lies at the root of political conflict. Correlating figures on average income and human development ranking of provinces to their support for political parties at the 2007 election, the first elections following the coup, the authors of the report concluded that the provinces that voted for a Thaksinite party had a lower human development ranking (UNDP, 2009). They state that "it is difficult to contend that inequality is not a contributing background factor. The richest and the poorest areas of the country are clearly on opposite sides of a deepening political divide" (UNDP, 2009, p. 78).

According to this report, Thailand has a relatively high and stubborn inequality pattern compared to its Southeast Asian neighbors, and in the light of the growing political conflict of the past years, the authors urge more attention to inequality (UNDP, 2009, pp. 78–80). When we take into account the 2008 figures of the Office of the National Economic and Social Development Board, the lowest gross domestic product (GDP) with 43,000 Thai baht per capita is in the northeastern region, compared to a GDP of 327,000 baht for Bangkok and its vicinity. This is nearly eight times as much and accords with the conclusions of the UNDP report (2009) that economic inequality in Thailand is unusually high.

However, the cited data on Thailand are mainly on a macro and provincial level. Not much is said about the village level, such as whether the situation within villages is in line with the macro trends or whether wealth and inequality have increased or decreased during the Thaksin years, and if so, in what way and to whose benefit. Surprisingly, given the intensity of the political tensions in Thailand, there are hardly any longitudinal micro-studies on the extent to which the lives of village people in northeast Thailand have changed for the better or worse under Thaksin's regime.

In this article, we try to shed some light on the socioeconomic changes that took place in some villages during the period that Thaksin was prime minister.



Map 1. Thailand, the northeast, and Khon Kaen province

These villages are located in the province of Khon Kaen (see Map 1) in Isan, the northeast of Thailand, one of the main bastions of the Thaksin supporters, the so-called red-shirts.

The two village studies are drawn from a larger collaborative project involving the study of tens of villages in the northeast between 1996 and 2010. Khon Kaen province was chosen because it is one of the major towns in the Isan, located in the center, and a major agricultural hub. The selected villages are a representative sample of the socioeconomic variations in rural northeast Thailand in general and Khon Kaen province in particular.

The remainder of this article is divided into five parts. The first part presents the methodology used to collect the empirical data that underpin this study and the statistical tests constructed to analyze the data. The second part provides a short overview of the northeastern region of Thailand, which is generally perceived as the country’s least developed region. Following this, in the third part, we describe the case study villages in the pre-Thaksin period. Subsequently, the fourth part presents the changes that took place between 1999 and 2008, a period that coincides with the regime of Thaksin. The final part explicitly deals with the perceived effects of some of Thaksin’s so-called poverty reduction schemes.

### **Methodology and Data Analysis**

The two villages selected are typical of those in the northeast of Thailand. While the villages were initially selected for comparative purposes, they appeared to be so interrelated in a sociocultural, political, and economic sense that separate analysis and comparisons might color or distort the overall findings. For this reason, the further description of the villages and subsequent data analysis treat the two villages as one unit of analysis.

To obtain a thorough understanding of the changes in the villages during the years preceding the 2009 UNDP report and the years of the Thaksin regime, we used a longitudinal approach and compared results from 2008 with data previously obtained in 1999.<sup>2</sup> A range of research methods was also used to gather data on the various dimensions of society of research interest and to strengthen the validity and reliability of the study. This included quantitative data collection techniques such as the use of surveys, as well as qualitative techniques such as participatory appraisal and key informant interviews.

Since the selection of the two villages was already part of the sampling used, it was decided to integrate all the households in both villages in the survey. The survey was designed in such a way that at least half of the households were asked to participate, with an even distribution across the various neighborhoods. This gave a grand total of 197 targeted households in 1999 and 211 in 2008. From this initially determined research population, 147 households in 1999 and 132 in 2008 actually responded to the questions and provided valuable information for analysis. In total, 99 households were included in both the 1999 and 2008 questionnaires, and their data were used for the panel data analysis.

For the quantitative analyses of changes in the villages, we used a variety of techniques. Tables 1 and 2 includes some descriptive statistics of the most important variables used in our analyses and the results of t-tests that indicate the extent of the changes in these variables between 1999 and 2008. To construct a statistical test for shifts in landownership among the small and large landowners, we used regression analysis. In the analysis, the variable of increased land holdings was introduced that examined the households who scored positively when landownership in 2008 was deducted from landownership in 1999. This new variable has been used in the regression analysis as the independent variable and is related to land possession in 2008. To get more informative results, land possession has been included in the analysis as the percentage of the total land owned by households rather than as absolute values.

After analyzing the changes of the separate variables that represent the most important livelihood activities and access to household resources in general, it is desirable to obtain an impression of the shift in wealth from 1999 to 2008 on a household level. In other words, which households benefited more during this period, the poor or the rich? In order to test for this, we constructed a welfare index by applying a factor analysis. The welfare ranking does not provide a list of households that are in absolute poverty but rather records the relative poverty of households. In constructing the welfare index, four variables were included in the factor analysis. The variables were included on the basis of contextual knowledge and by triangulating different local information sources. The first indicator for welfare in the Thai context is related to the already described variable of

**Table 1. Changes Between 1999 and 2008 in Household Involvement in Crop Cultivation and Possession of Luxury Goods and Livestock, Debts, Remittances, and Housing**

Variables	1999			2008			Comp.	
	N	% yes	SD	N	% yes	SD	t-stat.	Sign. (two-tailed)
Cultivating crops								
Rice	114	90.4	0.30	101	73.30	0.45	3.27	0.001**
Cabbage	114	2.6	0.16	101	2.00	0.14	0.32	0.753
Sugarcane	114	18.4	0.39	101	34.70	0.48	0	0.007**
Cassava	114	0.9	0.09	101	7.90	0.27	-2.48	0.014*
Corn	114	2.6	0.16	101	4.00	0.19	-0.55	0.586
Mushroom	114	1.8	0.13	101	2.00	0.14	-0.12	0.903
Tomato	114	1.8	0.13	101	2.00	0.14	-0.12	0.903
Luxury goods								
Color TV	146	81.5	0.39	132	93.20	0.25	-2.99	0.003**
Video or DVD player	146	11.6	0.32	132	47.00	0.50	-6.91	0***
Motorcycle	146	51.4	0.50	132	75.00	0.44	-4.21	0***
Car/truck	146	10.3	0.30	132	23.50	0.43	-2.95	0.004**
Tractor	146	24.7	0.43	132	20.50	0.41	0.83	0.405
Refrigerator	146	39.0	0.49	132	72.00	0.45	-5.84	0***
Air conditioner	146	0.0	0.00	132	0.00	0.00	n.a.	
Telephone	146	0.0	0.00	132	87.00	0.17	-2.02	0.045*
Pesticide machine	146	4.1	0.20	132	21.20	0.41	-4.35	0***
Livestock								
Cows (raising)	146	6.2	0.24	131	32.10	0.47	-5.87	0***
Buffalo (raising)	146	13	0.34	131	7.60	0.27	1.48	0.14
Chickens (raising)	146	58.2	0.49	131	64.90	0.48	-1.148	0.256
Ducks (raising)	146	4.8	0.21	131	9.20	0.29	-1.41	0.159
Debts								
Having debts	139	65.5	0.48	126	78.60	0.41	-2.39	0.017**
Debts at BAAC	95	22.1	0.42	100	45.00	0.50	-3.48	0.001**
Debts at another bank	95	6.3	0.24	100	16.00	0.37	-2.17	0.031*
Debts at moneylenders	95	43.2	0.50	100	2.00	0.14	7.77	0***
Debts at relatives	95	18.9	0.39	100	3.00	0.17	3.63	0***
Debts at saving group/ cooperation	95	16.8	0.38	100	27.00	0.45	-1.72	0.087*
Debts somewhere else	95	16.8	0.38	100	7.00	0.26	2.12	0.035*
Remittances								
Receiving remittances	146	36.0	0.48	132	61.40	0.49	-4.29	0
Housing								
Shack	145	6.9		132	0.76			
Wooden house	145	35.9		132	18.94			
Brick/concrete house, one floor	145	23.5		132	31.06			
Brick/concrete house, two floors	145	4.8		132	2.27			
Brick/wooden house	145	24.8		132	46.97			
Other	145	4.1						

Notes: \*\*\*significant at 1%; \*\*significant at 5%; \*significant at 10%.  
BAAC, Bank of Agriculture and Agricultural Cooperatives.

**Table 2. Differences Between 1999 and 2008 in Average Land, Livestock, and Debts That Households in the Case Study Villages Possess**

Variables	1999					2008					t-test
	N	Range	Mean	SD	N	Range	Mean	SD	t-value	Sign (two-tailed)	
Agricultural land											
Land owned (in rai)	76	2-70	15.59	13.35	76	1-80	14.74	15.50	0.36	0.72	
Livestock											
Cows owned	9	1-20	8.44	7.86	42	1-20	5.40	4.68	1.12	0.29	
Buffalo owned	19	1-16	4.42	4.17	10	2-5	3.30	1.25	1.08	0.29	
Chickens owned	85	1-100	10.98	12.91	85	1-100	14.99	16.49	-1.77	0.08*	
Ducks owned	7	2-12	4.29	3.49	12	1-25	7.50	7.98	-1.21	0.24	
Debts											
Mean debts	91	450,000-900,000	66,851	99,558	101	198,000-620,000	75,488	107,714	-0.58	0.57	

Note: \*\*\*significant at 1%; \*\*significant at 5%; \*significant at 10%.

**Table 3. Descriptive Statistics on Shift in Welfare of Individual Households**

	1999					2008				
	N	Min.	Max.	Mean	SD	N	Min.	Max.	Mean	SD
Possession of farmland (rai)	96	0	70	9.18	13.55	97	0	80	9.01	13.974
Number of cattle per household	97	0	30	1.27	4.47	96	0	20	2.15	3.82
Total ranking of luxury goods	97	0	41	12.51	9.66	97	0	41	18.43	9.62
Type of house	91	1	5	2.88	1.02	97	1	5	3.14	0.76

landownership. The amount of land owned, measured in *rai*, is incorporated on the assumption that the larger the amount of land households have access to, the higher their welfare level will be. The second indicator covers housing. Households with higher welfare levels are expected to live in more sustainable and larger houses. Therefore, the variable type of house is included in the welfare index. The third group consists of possession of six luxury items:<sup>3</sup> television, refrigerator, rice cooker, car/truck, pesticide machine, and gas oven. The possession of such items indicates that the households have cash to invest in goods like these and therefore have a higher welfare level. While a television is owned by more than 90% of the households, it is a good indicator because the poorest households do not own one. The fourth and final variable is the number of cattle (cows and buffalo) owned. As dry rice fields are very appropriate for pasturing buffalo and cows, these animals were already a popular Isan landmark a century ago. These were the “par excellence” animals for the Thai countryside, both for practical and cultural reasons (see Table 3 for the descriptive statistics of the variables included in the welfare index).

To test whether the increase in wealth of the households over 1999–2008 was due to endogenous factors (i.e., household characteristics) or exogenous factors (e.g., Thaksin’s policies or the fast global economic recovery from 2001 onward), we used linear regression. In doing this, we related the change in welfare of the households over 1999–2008 to the change of various household characteristics: men-women ratio, labor ratio, mean age of the household members, mean educational level, and number of migrants (see Tables 4 and 5 for the descriptive statistics and results of the regression analysis). If the endogenous trends are similar for all households, it can be concluded that the increasing welfare has been caused by factors outside the village.

### Uneven Development in Thailand: The Northeast

Thailand as a whole experienced rapid economic growth from the end of the 1980s until it was hit hard by the Asian economic crisis in 1997. This economic boom has brought many benefits to the population of Thailand, but this progress has not benefited everyone equally. “Poverty is still widespread in the rural Northeast, North and far South of the country” (UNDP, 2007, p. 2). Historically, Isan<sup>4</sup> is the least developed and poorest region of the country and failed to fully benefit from the “miraculous” economic development of the 1980s and 1990s.

**Table 4. Descriptive Statistics of the Variables Used in Linear Regression With Welfare Index**

	N	Minimum	Maximum	Mean	SD
Mean age per household, 2008	97	13.5	86	37.09	12.77
Mean age per household, 1999	97	14.75	63	30.31	8.83
Ratio of the number of men per household, 2008	96	0	1	0.47	0.23
Ratio of the number of men per household, 1999	96	0	1	0.52	0.17
Change in mean age of the household	97	-39.5	43.83	6.78	13.84
Change in sex ratio	95	-0.75	0.55	-0.05	0.25
Valid N (listwise)	95				

**Table 5. Effects of Household Characteristics on Increase of Wealth**

Dependent variable	Change in welfare index		
	B	Std. E.	Sig.
(Constant)	0.42	0.18	0.01**
Change in sex ratio	-0.03	0.54	0.48
Change in mean age of the household	0	0.01	0.47
Change in work ratio	-0.27	0.24	0.13
Change in education level	-0.12	0.42	0.39
Change in number of migrants	-0.03	0.06	0.32
Adj. R-square = 0.031			

Note: \*\*\*significant at 1%; \*\*significant at 5%; \*significant at 10%.

According to Parnwell and Arghiros (1996, p. 5), there are several explanations for the fact that the development of Isan lagged behind. The first refers to the geography and environment of the region. The sandy and infertile soils, combined with severe droughts and floods, limit agricultural productivity in the region. According to the UNDP (2009, p. 25), around one-sixth of the agricultural area in Thailand is classified as highly drought prone, of which over half is in the northeast. While Isan covers approximately one-third of Thailand's land area and holds about one-third of the country's population (22 million people), Isan contributes only 15% of Thailand's GDP (National Statistical Office Thailand, 2008). The Isan region has the lowest per capita income of the country, only about 40% of the national average.

The second explanation is related to the way the country is governed. "In Thailand, all crucial decisions regarding development have been taken by the privileged few" (Parnwell & Arghiros, 1996, p. 11). This means that, in practice, the Bangkok elites—with or without the cooperation of local rural elites—make decisions that benefit themselves and their own people the most. As a consequence, already marginalized people remain excluded and come out worst. Related to this is the centralist approach to governing that prevails in Thailand:



decisions are mostly taken in Bangkok, in a top-down manner, resulting in policy makers being insufficiently sensitive to local circumstances.

The third and final explanation refers to the growth-oriented development strategy of Thailand in recent decades. During this period, infrastructure and other basic facilities have been constructed in those areas that have the highest growth potential, which excluded Isan. The outcomes of an unfettered neoliberal growth paradigm were a skewed and unevenly distributed export-based industrialization process, which resulted in a reduction of productive and reasonably remunerated job opportunities in rural as opposed to urban areas (Malhotra, 1998, pp. 4–7).

By the late 1990s, the majority (70%) of those living in the northeast were still engaged in farming with little agricultural mechanization (Grunbuhel, Haberl, Schandel, & Winiwarter, 2003; Research and Development Institute, 1997, pp. 18–20). Seventy percent of arable land was dedicated to rice cultivation. In most cases, rice was produced as a staple food for household consumption, whereas kenaf, cassava, sugarcane, and groundnut were produced as cash crops. The harsh climatic conditions, infertile farmland, and few job opportunities outside agriculture forced many people to migrate from the region to wealthier areas in Thailand or abroad, both seasonally during the dry season and on a more permanent basis. According to the National Migration Survey of 1997 (Richter, Guest, Boonchalaksi, Piriathamwong, & Ogena, 1997), more than a million Isan people followed this strategy in that period.

From the early 1970s to the mid-1990s (3rd to 7th National Development Plans), the government set specific objectives to eradicate rural poverty and reduce income inequality. However, few concrete measures were taken. As Dixon (1996) noted, the mechanisms for achieving rural development remained weak and unclear. In fact, there was no real change in the approach—based on the neoliberal, industrial, export-based growth paradigm—to help solve the problems of the rural poor in the northeast.

In this respect, 1997 seemed to mark a turn for the better for the people in Isan with the introduction of the 8th National Development Plan. In contrast to the seven previous plans, pursued from 1961 onward, the eighth focused on people participation, social security, and community organization (National Economic and Social Development Board, 2008). Another breakthrough was that this plan was drafted with the assistance of nongovernmental organization (NGO) representatives and community leaders.

However, the launching of the eighth plan coincided with the outbreak of the Asian financial and economic crisis, a crisis that started in Thailand. The implementation of the plan was heavily hampered due to expenditure cuts, and measures imposed on Thailand by the International Monetary Fund, World Bank, Asian Development Bank, and other bilateral partners. They demanded further liberalization, deregulation, and privatization. The crisis, and the applied “remedy,” generated a deep economic recession, the bankruptcy of many enterprises, and huge unemployment. Hewison (2004, p. 505) found that the impact was most noticeable in the already disadvantaged regions and among those with a low level of education. The number of people below the poverty line increased from one to seven million between 1997 and 2000, while the richest 20% of the population still saw an increase in wealth. As a result of decreasing salaries,

increasing unemployment rates—especially among unskilled wage laborers who now had to rely on their family’s savings—and the drying up of remittances, the crisis led to greater inequality, especially between the urban people of Bangkok and the rural people in Isan.

Here, the political sphere comes into play. The disadvantaged poor and middle classes were asking for more social security and government support to domestic (small and medium) enterprises. The national business elites supported these views; they wanted a prime minister who understood business and economics and protected national business. As one important business leader put it: “We do not want to be globalised into bankruptcy” (Phongpaichit & Baker, 2009, pp. 69–70).

As a consequence of these sentiments, the newly founded Thai Rak Thai (translation: Thai love Thai) party, headed by business tycoon Thaksin Shinawatra, won the 2001 elections. The new prime minister of Thailand promised a new style of development-oriented economic management and a new social contract, aimed at greater social welfare and protection of the domestic economy (Hewison, 2004).

Thaksin approached the government of the country as he had promised, as if it were a company to be managed or an army to lead in war:

The proper role of an MP is to manage the nation’s biggest company, Thailand Company. Politics are just the outer surface. Management is the substance. . . . We are in a state of economic war. The poor are like wounded soldiers. If we don’t cure their injuries, where shall we find the soldiers to fight the war? (Thaksin, in Phongpaichit & Baker, 2009, pp. 102–103)

In line with this, the Thaksin government launched the ninth plan (2002–2006) with the objective of providing equitable access to education and social services for the poor and disadvantaged. Moreover, the Thaksin government implemented urgent policies to assist the poor from 2001 onward. The major programs consisted of (1) a Village and Urban Community Fund; (2) Debt Suspension for Farmers; (3) a People’s Bank; (4) a Universal Health Scheme, or 30 Baht Treat All; and (5) One Tambon—One Product (OTOP).

The first scheme was set up in cooperation with grassroots NGOs and aimed for community-based development by providing a revolving fund of one million baht to each of the nation’s 71,507 villages and 4,040 urban communities (National Economic and Social Development Board, 2003).

The Debt Suspension Scheme was born out of the objective of giving farmers the opportunity to improve their productivity and income by increasing their ability to pay back existing loans; the People’s Bank was launched to provide a source for new (small) loans for farmers. The Universal Health Scheme targeted about 46.6 million people by enabling them to access the nearest hospital or medical center for just 30 baht per visit. The OTOP scheme was based on the Oita prefecture model used in Japan and designed to create jobs in the community so as to strengthen the community’s self-reliance. These were concrete and far-reaching programs specifically designed to elevate the poor, a novelty in Thailand. However, before we discuss these programs and their effects, we turn to the case study villages on which this article is based.

### **The Case Study Villages in the Aftermath of the Economic Crisis**

The case study villages of Nong Lum Phook and Non Sawang are located approximately 68 kilometers to the west of the provincial capital, Khon Kaen. The characteristic conditions of Isan (i.e., a weak infrastructure, economic backwardness, poor soil, frequent droughts, and hardly any irrigation) are to be found in these villages. The history of the villages goes back to 1932 when the first inhabitants cleared and settled the forested area and founded the settlement of Nong Lum Phook.

In 1999, the total population of the two villages amounted to 870 people, divided among 197 households. Most of the population over age 12 had received a primary level of schooling (71.6%), whereas only 8.5% had received a secondary education and only very few had been to a junior high school (2.6%) or higher-level institutions (2.1%). Overall, 14.3% of the villagers, and especially the older generation, had not received any formal education.

Upon entering the research locale in 1999, we were impressed by the seemingly neat and well-structured shape of the villages. Tracks and paths were straight and surrounded the villages in a more or less rectangular shape. The socioeconomic status of the villagers was generally reflected in their housing conditions. A range of housing types was to be found, from wooden huts and Thai-style houses to very fancy two-story brick houses with shiny tiles.

Agriculture was by far the most important source of income in the villages and, not surprisingly, land was considered to be the most valuable material resource in these communities. The village survey identified that almost half of the households possessed a clear land title. A further quarter of the households had direct access to agricultural land through inheritance rights, sharecropping arrangements, or leasing, whereas the remaining quarter appeared to be landless and lacking in direct access to agricultural land. The mean area of land owned was 15.6 rai.<sup>5</sup> Rice was grown as the staple food crop on rain-fed fields, covering about 60% of the total cultivated land. Due to the poor, shallow soils and dry climate, it was only possible to grow one rice crop per year during the wet season. In addition to rice, a few households grew other subsistence crops such as cassava, corn, and vegetables. Some households supplemented their income through cultivating crops for the market, including watermelon (22% of households) and sugarcane (18.4%).

Alongside agricultural activities, livestock breeding added significantly to the income of some households and provided a resource in times of stress. However, cattle rearing requires considerable labor input, particularly in the dry season when fodder<sup>6</sup> is scarce, and the animals require a large area. At the time of the first survey, only 6.2% of the households were raising cows and 13% had buffalo. As many farmers lacked the resources required to cover the large initial investments in cattle, the strategy generally adopted was a sharing arrangement with a cattle owner or trader, whereas some of the poorer households had received their first calf from an international NGO. In contrast to cattle, chickens and ducks do not demand a lot of labor, while still providing some food and income security. Over half (58.2%) of the households kept chickens, and some (4.8%) kept ducks.

Some people managed to earn some additional income by collecting bamboo from a nearby forest for mat and basket weaving; by the collection and sale of

kapok; through gem cutting, silk weaving, carpentry, transporting fellow villagers to the provincial highway on their motorcycles and tricycles; or by running a small shop.

However, as the local possibilities for employment outside agriculture and nonfarm activities were fairly limited, those in need of supplementary income had little choice other than to leave the village. Just over a quarter (27%) of the households contained people that generally moved to other regions in Thailand for a continuous period of several months to work on cash crop plantations or at construction sites. Further, 21.5% of the working residents (coming from 40% of the households) had migrated on a more permanent basis to the regional capital Khon Kaen (10%), to Bangkok (43%), elsewhere in Thailand (41%), or even abroad (6%). Consequently, remittances constituted a major part of the income of many households in the research villages. Of the households surveyed, 36.3% claimed to receive remittances (in the form of goods, cash, or both) at least once a year.

### **Profiting or Losing Out?**

Upon reentering the villages in 2008, we were immediately struck by the apparent changes that had been taking place. The access road to the village and the streets surrounding it had been tarmacked, and many shacks and wooden houses had been replaced by brick houses, some even looking quite fancy.

However, the question remained as to what extent this promising picture was reflected in other aspects of village life: whether the livelihood conditions of the majority of the village population indeed had improved, something that required further data. We did this, as explained above, by combining qualitative and quantitative methods. The heart of our approach was a survey, one that repeated and extended the survey of 1999.

Based upon the analysis of the comparable survey data collected both in 1999 and in 2008 (see Tables 1 and 2), we might cautiously deduce that most households had become wealthier in the intervening period. Many households had improved their homes. The percentage of the villagers living in a shack or wooden house had fallen from 43% to 20%; houses constructed of bricks or concrete, or a combination of brick and wood, now constituted 80% of the housing stock (up from 53%). The changing material wealth was also reflected by the number of "luxury items" now owned by households. Most striking was the increase in households with a video or DVD player, rising from 11.6% to 47%, and those with a refrigerator (up from 39% to 72%). The percentages of households with cars, motorcycles, and pesticide machines also rose considerably. Television ownership had increased from 81.5% to 93.2%.

Thaksin was the owner of Shin Corporation, Thailand's leading telecommunications giant, and one of his government's policies had been to boost the number of households with a telephone, especially mobile phones. In 2008, we found that 87% of village households possessed at least one phone. This is a remarkable figure considering that the whole community was depending on three rather unreliable public phones in 1999.

At first sight, these demonstrations of wealth seemed to be related to the large number (78.6%) of households with debts, the amounts ranging from 2,000 to

600,000 baht.<sup>7</sup> The Thaksin government had encouraged people to consume rather than save their money, and, according to Phongpaichit and Baker (2004), this had resulted in a quadrupling of Thai household debts. However, a closer look showed that 93.1% of the loans taken out in these two villages had been spent on agricultural investments and most of the remainder on food, education, and medical costs. Only 3% of the households had gone into debt to improve their houses. In comparison, 65.5% of the households already had an outstanding debt in 1999. Interestingly, the percentage of households in the research villages that are indebted is nearly the same as the UNDP figures on indebted households in the northeast of 2004: "The highest proportion of [indebted households] was found in the Northeast where 78.7 percent of households were indebted" (2007, p. 9).

While the proportion of indebted households went up slightly between 2008 and 2009, the type of lender changed remarkably. In 1999, nearly all households with a loan were indebted to moneylenders (43.2%), relatives (18.9%), or other acquaintances (16.8%). Only 22.1% and 16.8%, respectively, had debts at the Bank of Agriculture and Agricultural Cooperatives (BAAC) or with village saving groups. By 2008, and perhaps to the credit of Thaksin's government, debts to moneylenders (2%) and relatives (3%) had decreased dramatically. The bulk of the households now had outstanding debts with the government-supported BAAC (45%) or with village saving groups (27%), which are seen as much more reliable institutions, demanding lower interest rates than informal channels such as moneylenders and relatives.

Thaksin's government also undertook efforts to achieve a more equal distribution of farmland to benefit the rural poor. The outcomes of these policies are mixed in our research villages. The number of landowners increased from 47.6% in 1999 to 57.6% in 2008, and the average amount of agricultural land owned per household was 14.7 rai compared to 15.6 rai in 1999. While this suggests a more equal distribution of land at first sight, a closer look reveals a trend toward a widening gap between small and large landowners. Whereas half of the landowning households own only 9.5 rai of land on average, the upper 10% of households each own between 33 and 125 rai.

A regression analysis returned a significant  $\beta$  of 0.574, indicating that the people who were already large landowners in 1999 had gained more in the intervening years than those with smaller plots. While the average size of landholdings in the villages had been decreasing, this had not benefited the already poor. While the largest land holding was 70 rai in 1999, nine years later this had increased to 125 rai.

The trend toward a more unequal distribution of land is most likely related to the growth in monocropping, also a development strongly promoted by the Thaksin regime, and the development of an agro-industry. As the UNDP (2009) noted, based on a large-scale study of the Office of Natural Resources and Environmental Policy and Planning, "Strategy for Land Management: Planning of Land Holding, Land Development and Conservation, and Reservation of Public Land, conducted in 2003: "there are signs that such holdings [large landholdings] are on the increase as a result of the growing demand for fuel crops such as sugarcane and oil palm which lend themselves to plantation-style production" (p. 70).

In his study on agricultural change in northeast Thailand, Jaturong (2006, p. 160) found that

those who are able to keep up with the new technology normally do well and are able to increase their farm holdings; those who are not successful must sell their land, hence becoming part of the rural proletariat, or must move to the cities to seek employment.

High-technology monoculture is far from risk free. In adopting a monoculture approach, farmers face far more risks than before because of their lack of knowledge on specific strains or on appropriate types and quantities of fertilizer and water requirements, which can quickly lead to crop failure or soil depletion,<sup>8</sup> but more importantly, they become highly exposed to market fluctuations. As a result, most farmers end up in debt. Then, because these households are forced to take out loans, their labor and farm become controlled by their creditor, who reaps the benefits of the surpluses made.

The trend toward monocropping was in full swing in the research villages. The number of households cultivating sugarcane had nearly doubled, from 18.4% in 1999 to 34.7% in 2008. Some villagers explained that they had switched to sugarcane because of the lack of irrigation water needed to grow rice, while others attributed the increase in sugarcane growing to the government's policies that had promoted this crop in recent years, a policy stimulated by Thaksin. Whatever the reason, the shift toward sugarcane is clearly at the expense of rice cropping. The percentage of households cultivating rice on their lands had dropped from 90.4% in 1999 to 73.3% in 2008. A regression analysis indicated that it was especially the households with larger farm plots who were cultivating cash crops.

Another remarkable trend in rural northeast Thailand, which can again be linked to Thaksin's government, is the growing tendency to raise cows. For a long period, buffalo were seen as the animal "par excellence" for the Thai countryside, both for practical and cultural reasons. However, because of the industrialization of agriculture and the introduction of the tractor, they gradually disappeared, also in the Isan. Under Thaksin, the government started to encourage cow raising by establishing village cattle groups with their own fund for the necessary investments, and by pushing up market prices for fully grown animals.

In the case study villages, the percentage of households breeding cows rose enormously, from 6.2% in 1999 to 32.1% in 2008. At the same time, the average number of cows raised per household had fallen from 8.4 to 5.4 over the investigated period. Interestingly, raising cattle is also very much related to landownership. The outcome of a regression analysis, in which livestock was the dependent variable and acreage of land the independent one, was significant (0.041): the more land that households own, the more likely they are to be involved in cattle raising.

While life for the majority of the villagers seems to have improved when one considers the above analysis, it has not stopped outmigration. In particular, the percentage of households with permanent migrants<sup>9</sup> had increased dramatically, from 21.5% in 1999 to 55% in 2008. In contrast, seasonal migration had become less popular and the percentage of households with one or more seasonal migrants fell from 27% in 1999 to 15.8% in 2008. Not surprisingly, the percentage of households claiming to receive remittances at least once a year rose from 36.3%

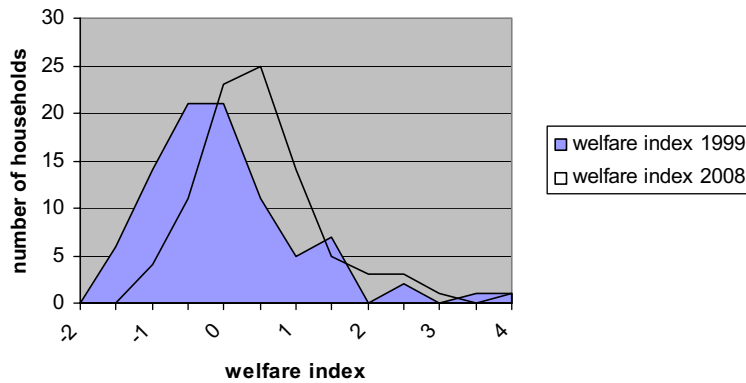


Figure 1. Welfare index for 1999 and 2008 compared

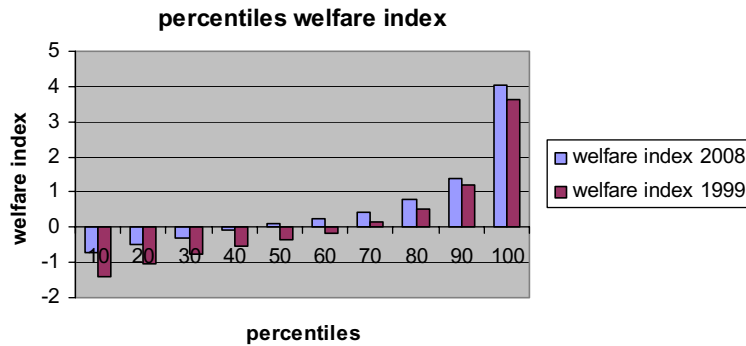


Figure 2. Welfare index by percentiles in 1999 and 2008

(ranging from 450,000 to 900,000 baht) to 61.4% (198,000–620,000 baht). The cash remittances are primarily used for basic necessities, such as food, electricity, and water. Over the two villages, 13.6% of households take care of a migrant’s child (mostly their own grandchildren), and in this situation money is given explicitly for educational purposes. In addition to necessities, households use the remittances to pay off debts or interest, for house building and improvements, for medical care, for agricultural investments, for funeral costs, or for buying a cow or luxury items.

While one might conclude from the above that most households in the research villages have become wealthier over the research period, the question remains as to which households have benefited most during this period: the poor or the rich, or did all households benefit equally? Figure 1 underpins the conclusion that almost all households benefited, with the welfare index curve moving to the right. However, when we look at the percentiles presented in Figure 2, it becomes clear that the total wealth in 2008 is still unequally distributed (10% of the households still possess over 50% of the total wealth, while the poorest 60% of households possess only 20% of the total wealth).

To test the effects of endogenous factors on the increase of wealth, we used linear regression analysis. The critical Constant resulting from the analysis was both positive and highly significant (0.010; see Table 5), which points to the fact that there has been an overall growth in wealth. However, the household characteristics tested do not appear to be significant in terms of influencing the rate of individual household growth. The conclusion that can be drawn from these figures is that the growth in household wealth cannot be explained by endogenous factors; therefore, the growth must be due to exogenous influences such as government policies, the global boom, or a combination thereof.

To summarize, it can be concluded that households with larger plots of land have fared better over the 1999–2008 period than those with smaller plots and the landless. Nevertheless, the majority of the villagers have seen their material wealth increasing.

### From Policy to Practice

At the lowest administrative level found in rural Thailand, only two of the five poverty reduction schemes launched by the Thaksin government were widely implemented: the Village Community Fund and the Universal Health Scheme. The Debt Suspension Scheme was a short-term program that had been sporadically implemented between 2002 and 2004. Based on our interviews with both farmers and government officials, it appeared that the scheme had been too brief to actually help the farmers in our research villages recover lost production, and the regulations were too complicated to implement the scheme on a wide scale. The People's Bank program proved impossible to implement. According to the government officials from the Community Development Department we interviewed, none of the villages had the capacity to meet the high standards required to manage it. The low capacity in terms of group management and group performance also prevented a wide introduction of the OTOP program in the research villages and, according to the officials we interviewed, many other Isan villages.

In contrast to these failing schemes, the one Village Community Fund, or One Million Baht Program, appeared to be very popular with most villagers. The precondition for setting up such a fund was that villagers organize an election for a committee to be responsible for the management of the fund and that at least 70% of the villagers participate in the election. In establishing the fund, the government developed an administrative standard that laid down limiting conditions. The most important stipulations were that interest rates should not be higher than 6% a year, the payback term for a loan should be one year, and the ceiling on loans was 30,000 baht per household. However, within this framework, there appeared to be space for local variations.

In our research villages, the elected committees consisted of the village headman, subdistrict (*tambon*) officer, and other village members, both men and women. The committee organized the selection of members, fulfilled the administration duties surrounding the loans, set the standards for interest rates and limits on loans, and collected the interest and repayments. They were also required to report developments linked to the fund to the provincial office. In setting criteria, they decided not to provide more than one loan per household and only to those households they believed had the potential to pay back the



debt within time. This meant that households without regular employment, or who lacked well-to-do relatives, and disabled people could not apply for a loan. According to the committee members, these requirements were necessary to minimize risks. The maximum loan was initially set at 20,000 baht per household. However, during the introduction of the program, it soon became clear that the budget was insufficient to satisfy all applicants, and the loans were then limited to 10,000 baht. Later, the committee determined the size of loans and the interest rate on a case-by-case basis, depending on a household's annual income. The fixed period for loan repayment also varied and was determined by the purpose of the loan. The repayment period for loans for agricultural investments was still set at one year, but for other purposes, such as education or purchasing material goods, it was brought back to three months. The argument behind this last measure was simple: nonagricultural investments do not produce a short-term return and are therefore not seen as wise investments. Consequently, during our research, most of the loans were used for agricultural purposes. Notably, the money collected from the interest payments was divided at the end of each year among all members in order to stimulate the flow of money in the villages.

By increasing the capacity of households to invest in their agricultural business through a low-interest loan, the scheme seemed promising and able to stimulate the village economy. Nevertheless, it did not create a real and long-term solution to the enormous shortage of money in the two case study villages. In his study on the effects of the poverty reduction schemes, Jaturong (2006, p. 182) obtained similar comments from his respondents:

The Village Fund did not contribute to the higher capabilities of the poor to solve the debt problem. The amount of money that people are allowed to borrow is too low. The time to pay back is too short. It is impossible to invest only 20,000 baht into farming and expect enough profit to return the loan. So, what I do is borrowing money from local money lenders to pay back the Village Fund Committee.

The other program that was successfully launched during Thaksin's government was the universal coverage scheme, which had the aim of equitable health care access for all Thai citizens, even the poorest. For a user fee of 30 baht per consultancy, every registered Thai citizen would have access to public health services. In the research villages, the 30 Baht Treat All health program was one of the best known and most popular initiatives. All registered villagers who were not yet enrolled in any health scheme had the right to obtain a so-called "Gold Card" that provided access to health services for only 30 baht (Coroni-Cronberg, Laohasiriwong, & Gericke, 2007). In the case study villages, this appeared to be the majority of the population, as most of the people did not officially work for the government or an employer that provided social welfare. Although most villagers are now assured of cheap health care, the services are restricted to the nearest hospital or medical establishment, which might create problems for villagers seasonally working elsewhere in Thailand. Moreover, the program does not cover accident-related treatment or HIV/AIDS care. Nevertheless, despite the shortcomings of the program, even the poor now have access to decent health care, leading to an overall improvement in the villagers' health

and reducing pressure on the household budget, leaving more space for expenditures on food and education.

### Conclusion

The majority of the people in the villages of Nong Lum Phook and Non Sawang in northeast Thailand, even those with only small land plots and the landless, saw their material wealth increase during the period that Thaksin ruled the country. It is not possible to proclaim, on the basis of our research, that these improvements were a result of the plans and measures taken by Thaksin and his government. Drawing that conclusion would be a step too far. There are far too many intervening variables outside our case study, such as the rising demand for cash crops and biofuels due to the sharp economic rise of China from 1997 onward, to claim direct links with Thaksin and his policy.

However, it is also not possible to proclaim that the plans and measures of Thaksin's government had no impact. This makes it understandable, together with the rather large increase in welfare and the introduction of social security measures on the village level during the Thaksin period, that many of the interviewed villagers were inclined to ascribe the improvement of their livelihoods to plans and measures taken by the Thaksin government. To use the words in *The Economist* (2010): "Thaksin won their hearts by swelling their wallets. A global boom helped polish his pitch."

Thaksin was still very popular in Nong Lum Phook and Non Sawang in 2008 and 2009, years after his regime was toppled—an attitude we also came across in various other rural and urban areas of the Isan during our wider regional research in the period 2005–2010. Many of the people we spoke with still think, and often even sincerely believe, that their livelihood circumstances improved thanks to Thaksin, and that things went downhill after he was removed from power. They claim to have really noticed the positive effects of the policies launched by Thaksin's government. In the words of one of our interviewees: "He promised high prices for agricultural outputs and low prices for agricultural inputs, such as fertilizer, and he actually realised these promises."

The strength and wide diffusion of this belief among people born or living in the Isan certainly are part of the reason why Thaksinite parties have tended to win the Thai elections since 2001, often with stunning majorities as in 2011.

### Notes

<sup>1</sup>For more information on this discussion, see, for example, Callahan (2005), McCargo and Pathmanad (2005), Phatharathananunth (2008), McCargo (2009), Phongpaichit and Baker (2009), and Hewison (2010).

<sup>2</sup>For more details on the research villages, see de Jong (2000).

<sup>3</sup>Although it can be discussed whether most luxury items might have become more or less essential items for most villagers nowadays, we still use the term to differentiate the items from items that are possessed by nearly every household and that are much cheaper, such as kitchen utilities and agricultural tools.

<sup>4</sup>The northeast is referred to as *Isan*, which is a Pali word meaning "northeast" (Fukui, 1993).

<sup>5</sup>Rai is the typical measurement for land in Thailand. One rai is 0.16 hectare.

<sup>6</sup>Cows and buffalo are fed with grass and weeds on the fields of cattle owners and also on other land.

<sup>7</sup>One Thai baht was equal to 0.022 euro in March 2008.

<sup>8</sup>The UNDP (2009, p. 69) came up with similar conclusions and mentioned that soil quality has already declined in many areas of Thailand through intensive monocropping and the use of chemicals.

<sup>9</sup>Permanent migration is defined here as an intentional shift of residence across the village boundary without the intention to return to live in the community of origin.

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