

*Paper 1*

**THE POLITICAL ECONOMY OF HEALTHCARE COMMERCIALIZATION  
IN VIETNAM\***

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**ABSTRACT**

*Vietnam is at a crossroads. The basic systems put in place now in terms of public services and development-financing solutions will fundamentally shape the development and economic structure for decades to come. Against this backdrop, the Vietnamese health sector is facing fundamental challenges in terms of access, quality, financing and effectiveness of healthcare services. This study aims at addressing the impacts and policy challenges to healthcare brought about by the rapid commercialization of healthcare services in Vietnam. The analysis suggests that there are adverse consequences of healthcare commercialization that has shifted a large part of fiscal burden of healthcare from the state onto individuals. While health indicators and increased public investment in healthcare services are improving, quality, effectiveness, equality and social equity of healthcare are seriously deteriorated. Drawing on existing analyses and outcomes of field studies in the health sector, the author suggests that changes in health financing and institutions governing access to healthcare services are needed, and they are associated with the Vietnamese political economy at large. The study questions the role of the state and its relations to social welfare services and market institutions. Structural changes may require a central political and economic reconsideration of the health sector in the development, in which healthcare can be considered a welfare investment in growth, rather than economic burdens.*

***\*Paper under peer-review. Please email author for further information.***

*Paper 2*

**GLOBAL HALAL BETWEEN ISLAM, STATES AND MARKETS  
IN MALAYSIA AND SINGAPORE**

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**Abstract**

*Halal (literally, 'permissible' or 'lawful') production, trade, and certification have become essential to state-regulated Islam and to companies in contemporary Malaysia and Singapore, but also globally. In the rapidly expanding global market for halal products these two countries hold a special position, that is, they are the only two countries in the world where state bodies certify halal products as well as spaces (shops, factories and restaurants) and work processes. In shops around the world, consumers can find state halal-certified products from Malaysia and Singapore. Building on ethnographic material from Malaysia and Singapore, this paper provides an exploration of the role of halal production, trade and regulation between Islam, states and markets in these two Southeast Asian countries. More specifically, I focus on how the state, Islamic bureaucrats and halal inspectors subject local and foreign companies to expanding 'Islamic' requirements and forms of regulation.*

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*Paper 3*

**Thailand's Provincial Poverty and its Determinants  
: before and after the 1997 Crisis**

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**Abstract**

*Thailand's rapid economic development brought about a remarkable decline in overall poverty over the past three decades. However, persistently high level of inequality continues to challenge Thailand's development process. While there are numerous studies on inequality and poverty in Thailand, those focusing on provincial level have been limited. This paper therefore fills the gap by examining poverty and its relationship with income and inequality across provinces of Thailand over the past two decades. Using the Williamson's population-weighted coefficients of variation, disparities in both per capita Gross Provincial Product (GPP) and poverty rates widened over the period 1988-2008. A simple regression suggests that per capita GPP growth did lead to poverty reduction at the provincial level. However, this relationship was not evident when considering only the post-crisis period of 2000-2008. The poverty-determinant analysis indicates that although per capita GPP growth continued to reduce poverty rates, income inequality adversely increase poverty. This clearly suggests that for Thailand to continue on reducing poverty, the policy should focus on improving income inequality along with stimulating growth*

**I. INTRODUCTION**

Over the past three decades, Thailand has gone through rapid economic development. Following industrialization and the policy shift toward export oriented, the Thai economy grew at the average annual rate of 9.5 percent between 1987 and 1996 (see Table 1). The prolonged economic boom, however, led to the bubble economy and Thailand fell into an economic crisis in July 1997. The GDP contracted by 1.4 percent in 1997 and even further by 10.5 percent in 1998. In response, several reforms were implemented in order to ensure the sustainability of future economic development. At the same time, crisis also brought about structural change to the Thai economy. Private investment fell sharply during the crisis and has remained stagnated since. On the contrary, the devaluation of the baht at the outbreak of the crisis gave rise to exports and tourism sectors. As a result, provinces with high concentration of industrial sector and those with major tourist attractions saw their economies

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grew considerably. On an average, the Thai economy grew at 4.7 percent per year between 1999 and 2008 (see Table 1).

With an exception of the crisis, the economic development consequently led to a remarkable decline in poverty. Under the US\$2 a day poverty line, 44.1 percent of Thai population lived in poverty in 1981. The ratio fell to 17.5 percent in 1996. As of 2008, 10.0 percent of the Thai population was considered poor (World Bank, n.d.). Despite such impressive records of poverty reduction, the level of inequality continues to challenge Thailand's development process. This is particularly true when looking at the geographical dimension of inequality. Bangkok has dominated the country's urban development since the 1960s. Although there were efforts to develop urban centres in outlying regions, industries only moved to provinces within proximity of Bangkok. Accordingly, the benefits of economic development seemed to be unevenly concentrated in and around the capital city. Now, the persistence of inequality seems to be one of the factors underlying Thailand's ongoing political divide. While there is a large pool of studies on inequality and poverty in Thailand, those focusing on provincial level have been rather limited. To my knowledge, no studies have been done after the crisis. This paper therefore aims at filling such empirical gap.

There are three specific goals for this paper. First, the paper will examine the patterns of provincial disparities in GPP per capita as well as poverty in Thailand during the years 1988-2008. Second, it will explore the relationship between provincial growth and poverty. Although there is no longer debatable that economic growth leads to overall poverty reduction at the national level. However, there was little evidence on this relationship at the provincial level. Using per capita income from household surveys, Deolailikar (2002) found a positive relationship between provincial average per capita income growth and poverty reduction in 1992-1999. Meanwhile, National Economic and Social Development Board (NESDB) and World Bank (2005) used GPP data as a measure of income growth. The study found similar relationship for period 1988-1996 but did not find the same evidence for period 1996-2002. Given that data in more recent years are now available, the growth-poverty relationship, particularly in the post-crisis period should become clearer. Finally, the paper will investigate determinants of provincial poverty.

The outline of this paper is as follows: section II discusses the definition and measurement of poverty used in Thailand. Given that the definition and measurement of poverty have been subject to much debate worldwide, it is important that they are clearly described here. This will be followed by a discussion on methods and data. Section IV examines provincial disparities in GPP per capita and poverty in Thailand over the period 1988-2008. Section V and section VI explores the contribution of provincial growth to poverty reduction and poverty determinants, respectively. Finally, section VII concludes the findings in this paper.

## **II. POVERTY DEFINITION AND MEASUREMENT**

Like in the rest of the world, the definition of poverty in Thailand has been subject to intense debate (Jitsuchon, 2001, p.6). For Thailand, the term 'poverty' generally refers to the lack of sufficient income for an individual to enjoy the minimum standards of living in the society (NESDB, 2008). In recent decades, some Thai scholars, as with the wider academic world, have also included other dimensions into the poverty definition. These include, for example, social acceptance, basic public services, voices to be heard and opportunities in life (Jitsuchon 2001). Despite that, the monetary dimension continued to dominate among policy-makers. Since official poverty data are compiled by the policy-making agency—the NESDB, the official poverty definition in Thailand is limited to the monetary or income poverty<sup>1</sup>.

To measure income poverty, poverty lines are needed as a threshold. The measurement of poverty in Thailand can be compiled since 1962 when the National Statistical Office (NSO) first conducted the household surveys. (Warr, 2004, p.2). During the early years, the Thai poverty lines were estimated by several different researchers. Nonetheless, the poverty lines based on basic needs did not come along until the World Bank introduced it in the late 1970s (Krongkaew, Tinakorn & Supachalasai, 1992, p.202). For around two decades since then, the Thailand Development Research Institute (TDRI) was the source for the Thai poverty incidence data.

Over time, the TDRI approach received increasing criticism for not realistically reflecting the true poverty situation. In response, the NESDB issued new poverty lines under the recommendations proposed by Kakwani and Krongkaew (2000). Under this new method, the NESDB also revised the poverty lines back to the year 1988. Accordingly, the NESDB became an official source of poverty data since<sup>2</sup>. The official poverty lines for Thailand reflect the minimum standard of living, which is divided into food and non-food poverty lines. The food poverty line is calculated from the minimum nutritional requirements. Taking into account the differences in consumption patterns across regions, nine food baskets were estimated for Thailand. These nine baskets are for rural and urban areas of the four regions plus a separate one for Bangkok. As for non-food poverty lines, they are estimated from

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<sup>1</sup> It is important to stress here that income poverty means the monetary aspect of poverty, as opposed to other dimensions. This is a different issue from whether income or consumption approach is used to come up with the headcount ratio.

<sup>2</sup> In 2004, the NESDB made a revision on the poverty line methods. The preliminary research for this revision was conducted by the TDRI with technical assistance from the UNDP (see Jitsuchon, Plangraphan & Kakwani, 2004). The revised methods are still based on those proposed by Kakwani and Krongkaew (2000). The major change was the base year from 1992 to 2002. The NESDB also revised all the poverty lines back to year 1988, making the poverty data consistent throughout the time series. To prevent confusion, only the current methods are discussed here.

expenses on nine non-food categories occurred in households whose food expense was at food poverty lines. The nine categories are clothing, shelters, fuel and lights, home appliance, medicine, personal expense, transportation, telecommunication and education. Summation of food- and non-food poverty lines produces the total poverty lines.

Accordingly, there would be nine poverty lines representing nine areas—rural and urban of four regions plus Bangkok. The NESDB then uses consumer price indices (CPI) at provincial level to come up with provincial poverty lines. Similarly, having 2002 as the base year, the poverty lines for all other years are price-adjusted using the CPIs. The price adjustments are made at two steps of poverty-line construction—the calories cost calculation and each item of non-food basket. That is, non-base year calories cost is a product of the 2002 calories cost adjusted by food CPI of that year. Meanwhile, each of the nine non-food categories is adjusted using each corresponding non-food CPI. This way, the purchasing power is kept rather constant over time.

### III. METHODS AND DATA

The analyses in this paper consist of two parts. The first part investigates disparities in GPP per capita as well as poverty rates. The Williamson's population-weighted coefficient of variation ( $v_w$ ) will be used as a measure of disparities. It is the ratio of the standard deviation to the corresponding mean. The standard deviation is weighted by share of population in the spatial unit to the total population. For income per capita, it can be written as follows:

$$v_w = \frac{\sqrt{\sum (y_i - \bar{y})^2 (f_i/n)}}{\bar{y}} \quad (6.1)$$

where  $f_i$  denotes population of the  $i^{th}$  province,  $n$  national population,  $y_i$  income per capita of the  $i^{th}$  province and  $\bar{y}$  national income per capita. The larger value of  $v_w$  indicates that there is a larger dispersion.

The second part examines relationship between poverty and provincial income growth as well as the poverty determinants. Simple OLS estimation will be used to investigate the poverty-growth relationship. For poverty determinant, the analysis will follow Deolailikar (2002) which examined poverty determinants for period 1992-1999. The model specification is as follows:

$$Pov_i = \alpha + b \log y_i + \sum \delta_i X_i + v_i \quad (6.2)$$

where  $Pov_i$  is the poverty headcount ratio of province  $i$  and  $v_i$  error term. Also,  $X_i$  represents other selected variables that determines provincial poverty rate. The coefficient  $b$  represents the growth elasticity of poverty. Based on Deolailikar (2002), variables included as additional determinants are income inequality, average years of schooling, mean age of household head, percent of population residing in female-headed households, percent of urban population, mean household size, percent of population aged 0-15 years and those aged 60 years or over. All estimations will be done using STATA program version 11.

Data used in this paper came from two major sources, the NESDB and the NSO. The GPP growth and the poverty measures are from the NESDB. GPP data are available on an annual basis from 1981 onward. As for the poverty ratios, the NESDB compiled them based on primary data from the Socio-economic Surveys (SES). These surveys are conducted by the NSO. All other factors to be used in the regression are also from the SES. The NSO conducted these surveys every two years between 1988 and 2006. Then, from 2007 onward, the surveys are conducted on an annual basis. Hence, all variables drawn from the SES are available accordingly. It should be noted here, however, that the official data at provincial level are only available from 1994 onward. This is because the sample size may not be sufficient to truly represent the situation at such a disaggregated level. Nonetheless, data for 1988-1992 are included as they allow the analyses to cover a longer time period. The descriptive statistics for regression variables are displayed in Table 2.

#### IV. PROVINCIAL DISPARITIES: INCOME PER CAPITA AND POVERTY

Using the Williamson's population-weighted coefficient of variation, the provincial disparities in income per capita and poverty are shown in Figure 1 and 3. For GPP per capita, the disparities show long-term upward trends, especially when Bangkok and the Bangkok Metropolitan Region<sup>3</sup> (BMR) are excluded (see Figure 1). The overall disparities narrowed down during the period 1993-1998, while disparities excluding Bangkok and the BMR widened. This reflects the catching up of GPP per capita of the Eastern and Central provinces with that of Bangkok, which is supported by Figure 2. Due to the Eastern Seaboard (ESB) development, the Eastern provinces saw their industrial sector and, hence, the GPP per capita grew rapidly. At the same time, given its proximity from Bangkok, Central provinces also experienced rapid industrial growth. These industrial sectors in the East and Central regions grew even faster after the crisis, owing to the devaluation of the Baht. As the currency devalued in 1997, exports sector, which is highly concentrated in these two regions, grew

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<sup>3</sup> The BMR comprises of Bangkok and its five bordering provinces. These are Nonthaburi, Phatum Thani, Samut Prakan, Samut Sakhon and Nakhon Pathom.

considerably. Meanwhile, the other four regions grew very slowly in the post-crisis period. Even the BMR provinces grew at a rather moderate rate. As a result, all three series of provincial disparities showed upward trends from 1999 onward.

For poverty, the results show similar trends compared with disparities in GPP per capita. The dispersion in provincial poverty rates trended upward during the boom period 1988-1996. The disparities slightly narrowed between 1998 and 2000 due to the effect of the crisis. As the richer provinces were harder hit by the crisis, they experienced larger increases in headcount poverty ratios. Hence, the disparities across provinces declined. From 2000 onward, the disparities continuously widened. When Bangkok and the BMR are excluded, the magnitudes of the disparities only lower slightly. It suggests that, unlike the income disparities, Bangkok and the BMR did not play significant role as a source of poverty disparities. Given the similar trends in per capita GPP- and poverty disparities, we examine the relationship between them in the next section.

## **V. THE POVERTY-GROWTH RELATIONSHIP**

At the national level, it has become widely accepted that economic growth is crucial for poverty reduction (Warr, 2004, p.10; Deolailikar, 2002, p.8). However, the number of studies at the provincial level has been exceptionally small. The provincial growth-poverty relationship can be examined using scatter plots. Figure 4 illustrates the scatter plots between average annual real GPP per capita growth rate and the average annual rate of change in headcount poverty ratios. Figure 4a suggest that sustained growth over a twenty-year period was highly associated with the provincial poverty reduction. The fitted line is significant at the one-percent level. Figure 4 also shows scatter plots for three sub-periods: pre-crisis (1988-1996), the crisis (1996-2000) and the post-crisis (2000-2008). It is apparent that provincial growth had a positive relationship with poverty reduction during the pre-crisis sub-period (see Figure 4b). Nonetheless, such relationship was not evident during the crisis years (1996-2000). The fitted trend line was not significantly different from zero at the ten-percent level (see Figure 4c).

As for the post-crisis period, Figure 4d implies that provincial growth was not related to poverty reduction. In fact, it weakly suggests that provinces with higher growth rates experienced slower rate of poverty reduction. The fitted line is statistically significant at the ten-percent level. This seems to suggest that there are other factors contributing to poverty reduction at provincial level. Following Deolailikar (2002), next section investigates determinants of provincial poverty.



## VI. POVERTY DETERMINANTS

The variables to be considered as determinants include income per capita, level of provincial inequality mean household size, mean age of household head, share of population residing in female-headed households, share of urban population, share of young population (aged 0-15 years old) and share of population aged 60 years or over. These variables are normally considered as poverty determinants at the national level. Municipal areas, household size, dependencies in the households and educational attainment were often seen as factors distinguishing the poor and the non-poor. In Thailand, relations of these factors to poverty at the national level have been clear and consistent over time. The relations of gender and age of household heads to poverty, on the other hand, have been ambiguous. The young and the male-headed household were more likely to be poor in 1981 but did not seem to be significantly affecting poverty in 1996 (Krongkaew, 1993; Shetty, Subbarao, Tzannatos, Rudra & Poshyananda, 1996). These are, again, from analysis at the national level. Therefore, by including all these variables in the analysis here, results will show whether these factors affect provincial poverty and, if so, in which directions.

The results for pooled data 'level' regressions for period<sup>4</sup> 1994-2007 are shown in Table 2. The results suggest that the growth-elasticity of poverty for period 1994-2007 is -1.0. This means that a one percent increase in provincial per capita real income was associated with a one percent decrease in headcount poverty rate. Meanwhile, the inequality-elasticity of 2.3 suggests that a one percent rise in the provincial Gini index would lead to 2.3 percent rise in poverty ratio. Apparently, the two variables—per capita income and inequality—affect poverty in opposing directions. This implies that an increase in income can reduce poverty only if the inequality remains constant. If inequality also increases during the same period, poverty may decline only by a little; remain the same or even increase. This depends on which of the two elasticities of poverty dominates. The GPP per capita and Gini can explain as much as 64 percent of the poverty movements during 1994-2007.

When other variables are added, the explanatory power increases slightly to 74 percent. All variables, except household size and share of population aged 0-15 years, are found to be significant, though at different significance levels. Results in column (2) suggest that the poverty ratio had significant positive relationships with age of household head and the share of urban population. Meanwhile, it was negatively associated with educational attainment, share of population in female-headed households and share of population aged 60 years or over. The last two relationships are

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<sup>4</sup> Albeit the availability of raw data from 1988, the analysis will start from 1994. This is because the number of provinces was not stable prior to 1993. There were four additional provinces created between 1982 and 1993. Although possible to consolidate these four new provinces back into their original provinces, using 76 provinces should better reflect the true situation in Thailand. Moreover, the time period of study, 1994-2007 is sufficient for the analysis.

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somewhat counter-intuitive. However, they are possible for the case of Thailand. The relationship between poverty and share of elderly population is in fact supported by Knodel and Chayovan (2008). They found income from work to be the second most common source of income for elder persons in Thailand, after income from children. They also found that 48.2 percent of elder men and 25.7 percent of elder women were still economically active in 2007 (Knodel & Chayovan 2008, Table 14). This suggests that, instead of being dependents, elder persons in Thailand are likely to help generating income to households.

For relationship between poverty and population in female-headed households, it is also possible as the gender gap in Thailand is small compared to other countries (Klasen, Lechtenfeld & Povel, 2011). In fact, this positive relationship is consistent with Krongkaew (1993). He found female-headed households to be associated with lower poverty for the year 1981. ADB (1998) also found higher share of poor households among male-headed households than the female-headed households in 1992. The negative relationship is partly due to female-headed households being concentrated in Bangkok and its vicinity, where per capita incomes are higher and poverty rates are lower than other provinces (ADB, 1998, p.35). It could also be related to the household income and size. At the household-level, the incomes of female-headed households were still less than that of male-headed households. However, the size of households headed by female was, on average, smaller than households headed by men. As a result, the per-capita income of female-headed households were higher than that of male-headed households. It is also possible that households headed by female might receive more financial assistance than households headed by men (NSO, 2011).

As other variables are included in the regression, the estimates of growth- elasticity of poverty changed markedly while inequality elasticity of poverty lowered slightly. This may be due to the endogeneity of GPP per capita and inequality with poverty. High level of poverty may cause average provincial income to be low. It may also affect inequality level. For this reason, the 2SLS is employed with the above other variables as instruments. Results are displayed in the last two columns of Table 3. Note that the 2SLS results show only income as an endogenous variable. This is because the first-stage regression on Gini suggests that these other variables are weak instruments for Gini. The R-squared for the first-stage regression on Gini was only 0.18 and the F-test critical value was only 15.50. Therefore, Gini is treated as exogenous variable. The 2SLS estimate for Gini is slightly lower than that in column (1). As for per capita GPP, the estimate is slightly higher than that in the column (1). The values of R-squared in the last column support the assumption that GPP per capita was simultaneously determined by provincial poverty.

In order to see whether the poverty determinants have changed after the crisis, the regressions covering period 2000-2007 are considered. Results for this post-crisis period are shown in Table 4. Similar to the results for the entire period (1994-2007), per capita income and Gini continued to show

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strong relationships with poverty. The growth elasticity of poverty is slightly smaller than the results for 1994-2007 while the inequality elasticity of poverty becomes larger. This means that a percentage point increase in inequality was associated with a higher rise in the provincial poverty ratio after the crisis. Meanwhile, a percentage increase in income translates into poverty reduction by smaller amount. It implies that, even if the inequality level remains constant, a higher income increase was required in order to achieve the same rate of poverty reduction. This possibly explains the ambiguous growth-poverty relationship in the post-crisis period (Figure 4d).

When all other variables are added to the regression, as shown in column (2), the results remained consistent with those in Table 3. The relationship of each variable to poverty showed the same sign for both periods. However, the share of population aged 60 years or over became insignificant. This is possibly due to the change in demographic structure in Thailand. The number of elder population increased markedly from 5.1 million to 7.1 million persons between 1995 and 2005 (Knodel & Chayovan 2008, p.6). Not only that, the share of oldest age group (80 years or over) also increasing rapidly. As the older age groups are less likely to work than elder population in their sixties, there were increasing share of elderly dependents in families in Thailand. Accordingly, the relationship between share of elder population and provincial poverty became significant in the post-crisis period.

## **VII. CONCLUSION**

This paper looked at provincial GPP per capita and poverty in Thailand. While overall GDP growth reduces poverty in Thailand over time, the provincial disparities in both GPP per capita and poverty constantly increased. It clearly suggests that the benefits of economic growth have not been evenly distributed across geographical areas in Thailand. In fact, the distribution has become more uneven over time. The growth-relationship analysis showed a strong positive relationship between provincial growth and poverty reduction during the boom period (1988-1996). Nonetheless, there was no significant relationship between the two after the crisis (2000-2008). This implies that, not only is national economic growth less evenly distributed, it also less likely to translate into poverty reduction over time.

The weak relationship between GPP per capita and poverty in the post-crisis period was probably due to the effect of inequality on poverty. The poverty-determinants analysis suggested that GPP per capita as well as inequality were crucial determinants of poverty. Per capita incomes helped reduce provincial poverty rates while inequality adversely increased the rates. In other words, an increase in GPP per capita may not reduce poverty if inequality levels also increase. Accordingly, it is important that the issues of poverty as well as inequality are seriously tackled, both within and across

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provinces. This can be done by imposing anti-poverty policies that target the poor. Perhaps the allocation of the anti-poverty budget can be proportional to the density of the poor in the area rather than an equal proportion to all areas. Also, adjustment to tax structure may also help improve the inequality as the current tax system is biased in favor of the better-off (NESDB, 2011, p.68). Finally, further research at regional- and provincial levels such as regional job creation is needed in order to formulate more effective regional development policies. This is to ensure that the provincial disparities will be reduced, which will ultimately lead the Thai economy toward more stable growth in the future.

**PANEL III: POLITICAL ECONOMY****TABLES AND FIGURES***Table 1 Real GDP Growth Rates of Thailand 1958-2008*

	Period			
	1958-1986	1987-1996	1997-1998	1999-2008
Agriculture	4.9	2.6	-1.1	3.1
Industry	9.0	12.8	-7.4	6.4
<i>Manufacturing</i>	8.9	13.3	-4.7	7.0
<i>Construction</i>	7.9	12.8	-31.9	1.2
Services	7.4	9.0	-5.6	4.0
<b>GDP</b>	<b>7.1</b>	<b>9.5</b>	<b>-5.9</b>	<b>5.0</b>

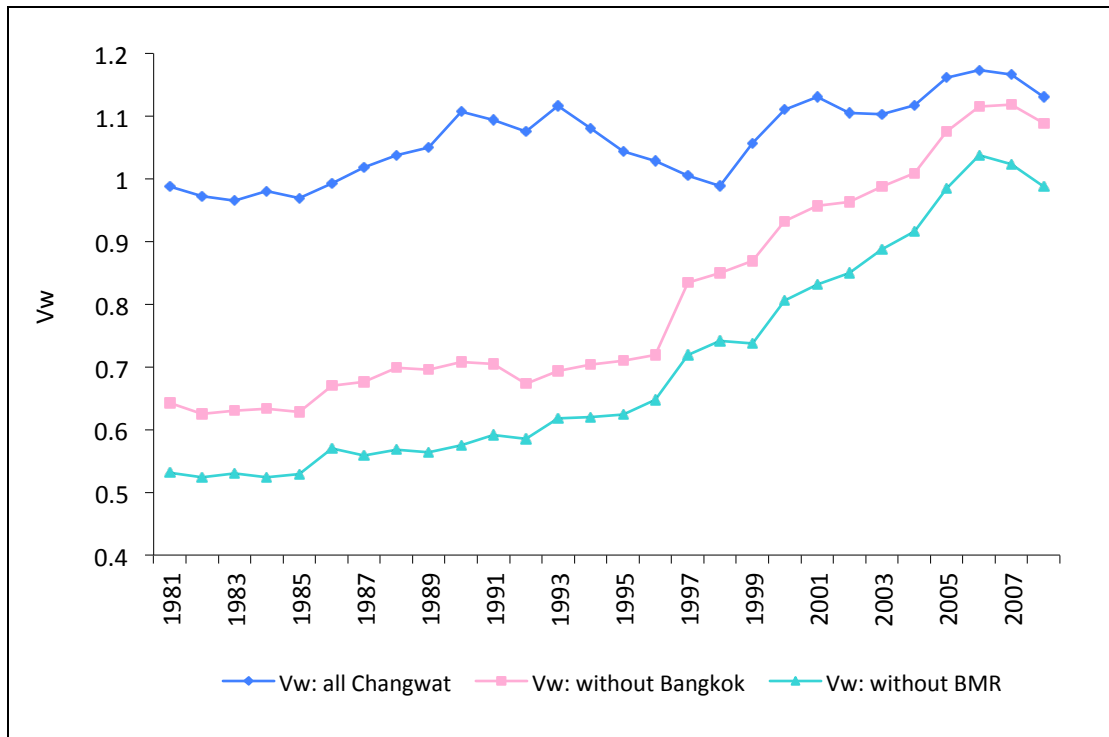
*Source:* 1958-1979 from NESDB (1999: Table 2); 1980-1992 from NESDB (2002: Table 2) and 1993-2007 from NESDB (2008: 8, Table 4)

*Table 2 Descriptive Statistics for Provincial Poverty Determinants 1994-2007*

Variable	Description	Mean	Standard Deviation	Min	Max
Log of Poverty	Log of headcount poverty	2.173	1.251	-2.813	4.177
GPP per capita	Log of real per capita GPP	10.357	0.779	9.134	12.928
Gini	Income Gini ratio	0.443	0.054	0.281	0.625
HeadAge	Age of household head	49.420	3.280	37.560	57.640
HHsize	Mean household size	3.586	0.357	2.560	4.650
FHead	Share of population in female-headed households	0.239	0.075	0.081	0.483
EduAttain	Average years of education in population aged 25 year or over	6.296	1.075	3.321	10.382
Urban	Share of population in urban areas	0.225	0.146	0.059	1.000
PopUnder15	Share of population aged 0- 15 years	0.278	0.046	0.151	0.399
PopOver60	Share of population aged 60 years or over	0.124	0.033	0.040	0.241

*Source:* Author's own calculation.

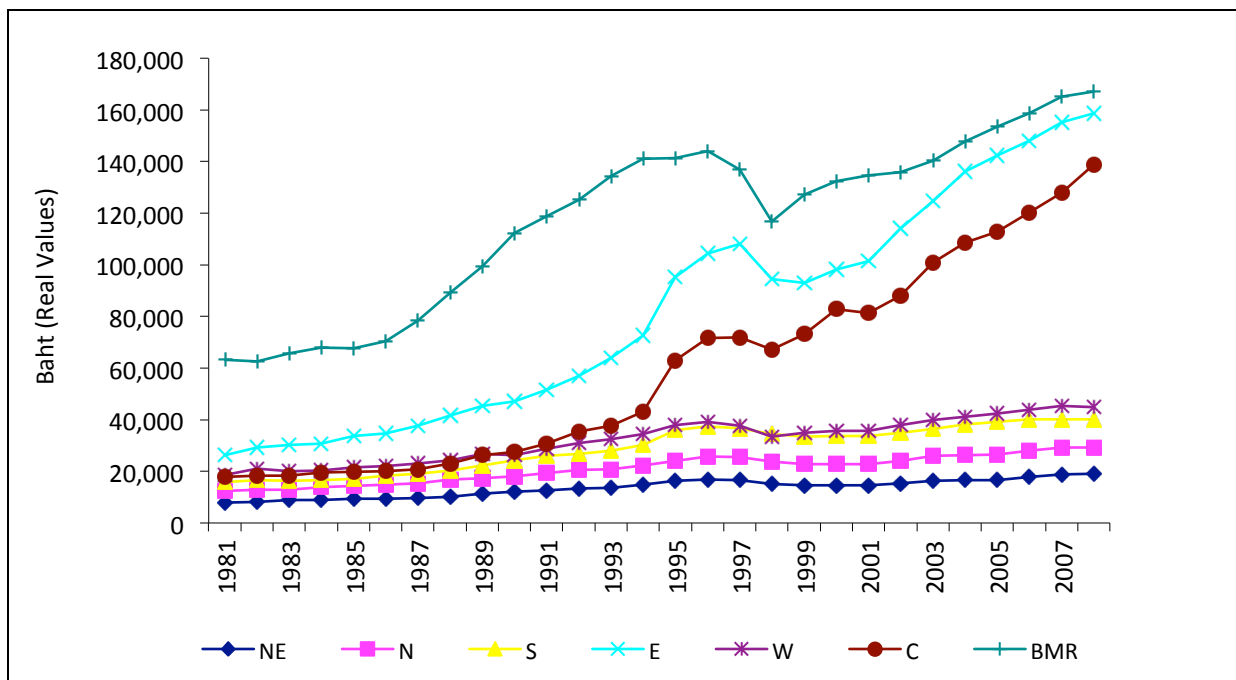
Figure 1 Provincial and Regional Income Disparities in Thailand 1981-2006



Note: All data are in nominal values

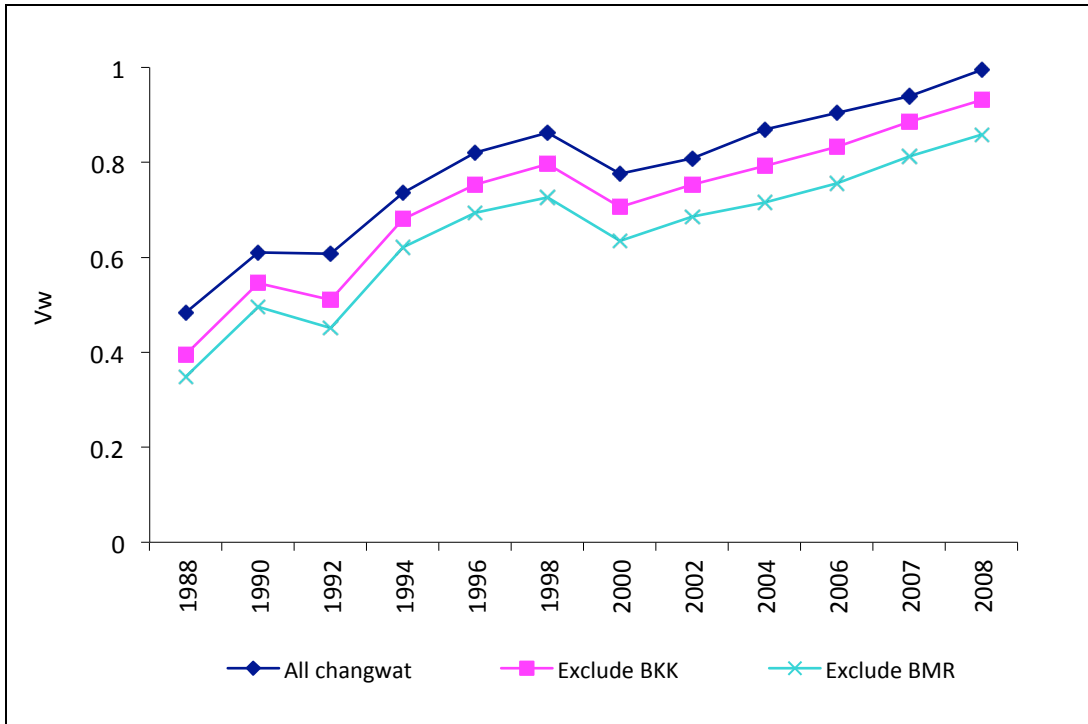
Source: Data are from several editions of *Gross Regional and Provincial Products* as follows: For 1981-1993: NESDB (1994), 1995-1999: NESDB (2007) and 2000-2008: NESDB (2009)

Figure 2 Per Capita Gross Regional Products 1981-2006 (Real Values)



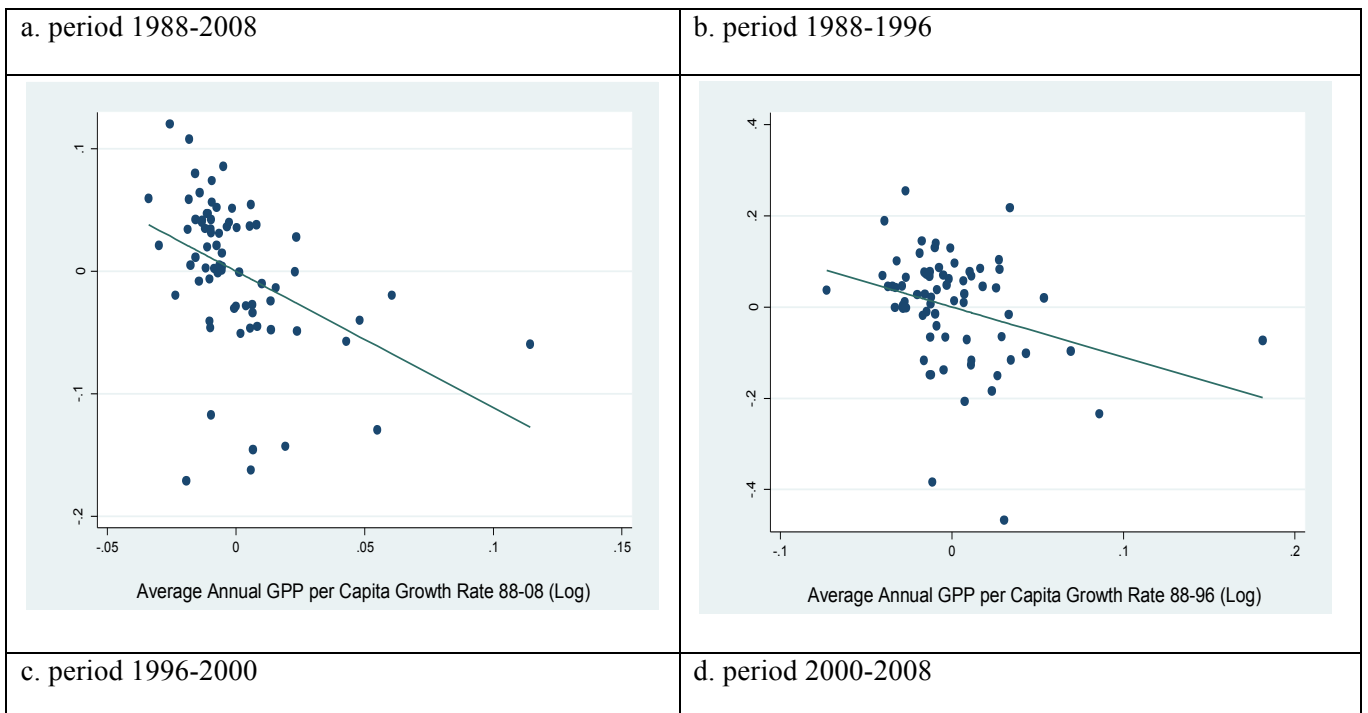
Source: see Figure 1

Figure 3 Disparities in Provincial Poverty Rates in Thailand 1988-2008

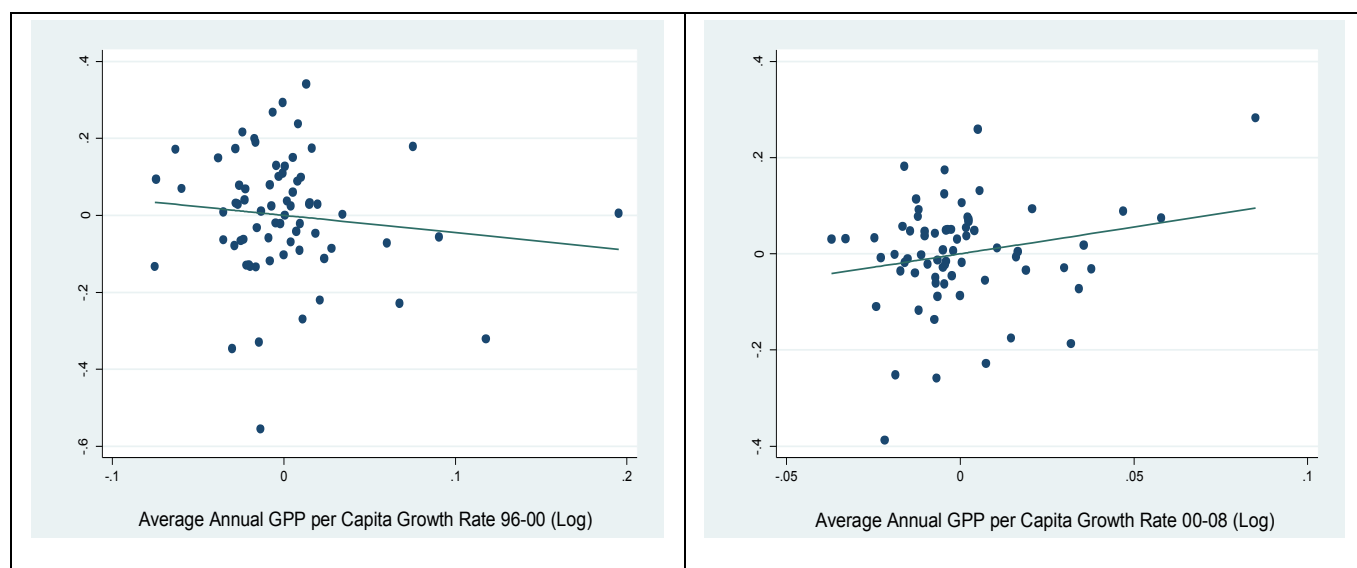


Source: Author's own calculation. Provincial poverty headcount ratios used to compile Williamson's population weighted coefficients here are from NESDB (2008: Table 4).

Figure 4 Provincial Poverty-GPP Growth Relationship in Thailand 1988-2008



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Source: Author's own calculation. Data on poverty and GPP per capita from NESDB.

Table 3 Regression Results for Provincial Poverty Determinants in Thailand 1994-2007

Independent Variables (Pooled 94-07)	Log of Poverty Headcount Ratio (Pooled 94-07)			First-stage OLS on Income
	OLS Estimates			
	(1)	(2)	(3)	
Real GPP per capita	-1.0205 (0.0425)***	-0.4835 (0.0587)***		-1.3730 (0.0587)***
Gini	2.3255 (0.2724)***	1.9673 (0.2418)***		1.4679 (0.2997)***
HeadAge		0.0759 (0.0206)***	0.1579 (0.0212)***	-0.1441 (0.0132)***
HHsize		0.0431 (0.1471)	-0.1922 (0.1651)	0.1852 (0.1030)*
Fhead		-1.2684 (0.4855)***	-3.1964 (0.5213)***	2.0531 (0.3304)***
EduAttain		-0.5557 (0.0463)***	-0.6704 (0.0513)***	0.1390 (0.0320)***
Urban		1.1873 (0.3287)***	1.4590 (0.3658)***	0.4976 (0.2300)**
PopUnder15		1.9483 (1.1936)	7.0861 (1.2729)***	-4.5844 (0.8169)***
PopOver60		-4.3932	-5.9805	5.6827



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		(1.8419)**	(2.0452)***		(1.2727)***
Time	0.0473 (0.0302)	0.1585 (0.0271)***	0.1896 (0.0305)***	0.0396 (0.0317)	-0.0510 (0.0189)***
Time <sup>2</sup>	-0.0070 (0.0019)***	-0.0117 (0.0017)***	-0.0135 (0.0019)***	-0.0062 (0.0020)***	0.0034 (0.0012)***
Constant	14.8229	8.0900	-1.9442	17.7616	15.3674
Adjusted R <sup>2</sup>	0.64	0.74	0.67	0.60	0.66

Note: Standard error terms are in parentheses.

\*\*\* denotes statistical significance at the 1 percent level, \*\* 5 percent level and \* 10 percent level.

Number of observations for all regressions is 608 for the 76 provinces of Thailand each year for 8 years

Source: Author's own calculation

Table 4 Regression Results for Provincial Poverty Determinants in Thailand 2000-2007

Independent Variables (Pooled 00-07)	Log of Poverty Headcount Ratio (Pooled 00-07)			First-stage OLS on Income	
	OLS Estimates				2SLS Estimates
	(1)	(2)	(3)		
Real GPP per capita	-0.9827 (0.0553)***	-0.4583 (0.0768)***		-1.2877 (0.0718)***	
Gini	2.7669 (0.3619)***	2.1464 (0.3199)***		1.8491 (0.3964)***	
HeadAge		0.0549 (0.0259)**	0.1285 (0.0270)***	-0.1260 (0.0165)***	
HHsize		-0.1435 (0.2145)	-0.5369 (0.2372)**	0.2826 (0.1464)*	
Fhead		-1.1637 (0.5998)*	-3.2483 (0.6214)***	2.7303 (0.3856)***	
EduAttain		-0.6196 (0.0597)***	-0.7457 (0.0655)***	0.1387 (0.0403)***	
Urban		1.6602 (0.4249)***	2.3090 (0.4682)***	0.0820 (0.2915)	
PopUnder15		3.2708 (1.7285)*	10.2380 (1.7742)***	-6.5071 (1.1353)***	
PopOver60		-2.3991 (2.3617)	-1.9507 (2.6517)	1.2975 (1.6189)	
Time	-0.1228	-0.1969	-0.1989	-0.1433	

**PANEL III: POLITICAL ECONOMY**

	(0.1669)	(0.1431)	(0.1606)	(0.1726)	(0.0980)
Time <sup>2</sup>	0.0001 (0.0079)	0.0038 (0.0068)	0.0032 (0.0076)	0.0015 (0.0082)	0.0064 (0.0046)
Constant	15.7778	11.3011	1.8384	18.2381	15.4062
Adjusted R <sup>2</sup>	0.67	0.76	0.70	0.64	0.71

*Note:* Standard error terms are in parentheses.

\*\*\* denotes statistical significance at the 1 percent level, \*\* 5 percent level and \* 10 percent level.

Number of observations for all regressions is 380 for the 76 provinces of Thailand each year for 5 years.

*Source:* Author's own calculation

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*Paper 4*

**The Political Economy of Islamic Finance in Malaysia\***

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*Abstract*

The last two decades have seen the rapid expansion of Islamic finance in Malaysia. With a majority Muslim population, a dual financial system has evolved where Islamic banks operate alongside conventional financial intermediaries. At first glance, Islamic finance could thus be taken as the fulcrum of the cultural (and social) situatedness of economic activity, a core focus of the emerging field of cultural economy. At the same time, however, the emergence of Islamic capital markets has been discursively enmeshed with the country's endeavours to position itself as an international financial centre. Malaysia has launched the 'Malaysia International Islamic Financial Centre Initiative' in 2006 and identifies Islamic finance as a strategic economic growth sector. How can these two narratives be reconciled? Is Islamic finance truly a reflection of the possibility of taking an alternative path in an age of increased financial globalisation or is it just another instance of business as usual while paying lip-service to the needs of a culturally diverse political economy?

In this paper, I argue that the recent history of Islamic finance in Malaysia contains elements of both. It highlights the scope a small relatively open economy like Malaysia has to pursue distinct, culture-specific economic development paths but also points to the constraints imposed by a more general, largely ideational shift towards more neoliberal forms of economic policy-making. This can also offer important lessons for a newly emerging strand within IPE theorising, cultural political economy (CPE). For cultural political economy to develop into a serious analytical approach, it needs to balance its sensitivity to cultural practices, and the attention it gives to the constitutive and legitimising role of culture, with a thorough grasp of the political. To illustrate this argument, I will look at the development of Islamic finance in Malaysia in more detail. Particular attention will be given to the role of the state in the construction of Islamic finance as a *natural* and *legitimate*, if not imperative, field of economic activity.

*\*Please contact author for more information*