Proceedings of the 4th International Conference on Educational Innovation and Philosophical Inquiries
DOI: 10.54254/2753-7048/11/20230714

Exploring the Relationship Between Inequality and Economic Stagnation

Wei Chen Liu[1,a,*]

[1]*College of Liberal Arts and Sciences, University of Illinois Urbana-Champaign, Urbana, United States*
a. wl21@illinois.edu
**corresponding author*

Abstract: Many countries facing economic stagnation recently have achieved significant economic development for the past few decades. Those countries are mostly in Asia, and it is easy to make the connection to Thailand as its location and outperformance in economic development. As many countries are facing this issue, it is essential to find the reason for this to happen to help solve the dilemma and continue the economic growth in those countries. This paper looks into the specific causation of inequality to economic stagnation and establishes the causal relationship between them. This is important because establishing the relationship can help to suggest possible solutions for solving economic stagnation where no existing report has been done. Throughout the paper, it contains secondary data resources and used qualitative research resources as support to make the argument. Showing the data of GDP identifies the economic stagnation, and these data are already being collected and shown online. Many previous studies have pointed out the possible problem of economic stagnation in Thailand maybe inequality but without an actual in-depth study. Knowing that Thailand is focusing on its development in human capital, a focus on education was selected and centered on searching data and arguments that are supported. Finding existing papers with data elaborated on the problem of inequality and outcomes brought by inequality in the current Thai education system, it can be further analyzed to conclude that the outcomes are closely related and caused by inequality in the society. The poor outcomes can lead to not having enough high-educated talents in the labor market, then cause a slowdown in companies' and economic development, which falls to economic stagnation. Based on analyzing this evidence, a relationship can be established between the inequality in society and the education system and then caused an effect on economic development.

Keywords: public policy, inequality, economic stagnation, education

1. Introduction

The economy in Thailand nowadays falls into stagnation where it remains in the middle-income level for a while and never moves into the high-income level, and this is the main current challenge that Thailand is facing for its development [1]. By looking at the growth that has been achieved, it cannot be omitted that neoliberal policies definitely have helped the economy, yet there is definitely insufficiency in these policies because Thailand falls into the stagnation of development, and there

© 2026 The Authors. This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (https://creativecommons.org/licenses/by/4.0/).

DOI: 10.54254/2753-7048/11/20230714

are many possible explanation to this kind of slowdown of the economy, but by investigating the true reason for the problem can provide a clear direction to people who are trying to figure out and solve the problem. A clear explanation of the causation can help experts or rulers in Thailand to have a better understanding of the current problem and be able to find out a best solution to resolve the stagnation by eliminating the potential causes. There are many existing papers where pointing out the problem of inequality can be a factor to hamper economy growth; however, no researches has been looking deeper into the relationship between these two variables, also no specific case study is on the country of Thailand regarding the relationship between inequality and economic stagnation, so it will be important to have some article to study on current economic situation in Thailand and its relationship between inequality, which is this paper going to be about establishing the relationship between inequality in the society and economic stagnation and making inequality being a part to be considered when trying to solve the economic stagnation. This paper will use current existing data on the economy of Thailand and on the inequality about income and education performance to prove the analysis and to indicate the relationship between inequality and economic stagnation.

2. Theoretical Foundation

As reading an existing paper arguing the trade-off between economic performances and environmental quality in emerging Asian economies, it stands out with its point by linking the economic performance with environmental quality since it is higher correlated with the situation of the case-study of Thailand [2]. The research article focuses on studying emerging economies in Asia, which is also where Thailand belongs to, and those economies include countries like China, India, Japan, Indonesia, and Turkey. Data are collected in those countries during the time period of 1995 to 2019, which can be considered as a relatively long time. The data includes those already existed on the website of the World Bank such as GDP, those on bank branches, bank credit, and insurance premiums from IMF, and some collected data like carbon emissions by the researchers. From studying those data by using specific formulas included in the article, the researchers come to the conclusion of finding a relationship among three variables: if the bank branches increase, then the economic and environmental performance will increase simultaneously, which is related to the central idea of public policy where every sector is linked to each other, and if one sector changes may cause other variables to alter as well. Then from knowing the correlation between these variables, the researchers make further inferences and suggestions where the article mentions that financial inclusion can trigger economic growth, which demonstrates that inclusion is an essential element for economic growth [2]. Financial inclusion refers to the equal opportunity to access financial services like banks, loans, equity, and insurance products. Furthermore, the suggestion in the article to policymakers is about mitigating the inequality in the society in order to stimulate the economy. This statement leads to deeper thinking about broader discussion regarding this issue and correlation also to further think about applying to specific case-study like Thailand, which is a country that is famous for its economic achievements in such a short time period but also has a social problem of inequality in the society.

3. Case Study

3.1. Case Description

Thailand is well-down for its achievement in social and economic growth, and many people are surprised with how much time it took to make itself a middle-income level country from a low-income level country. It is an interesting and special case-study not only because of its particularity on its regime based on its location where it was never a colony but also because of how and when it

DOI: 10.54254/2753-7048/11/20230714

started to focus on economic development. Its economic development did not start with full statism like some other countries did where it started with a mixed economy because of the involvement of the United States. In the late 1950s, during the Cold War period, the US provided economic and technical assistance to Thailand to help its development, preventing this country from being "invaded" by communism. At the time when the country just started to develop, the country focused on the export of agricultural goods like rice, which is a major crop for domestic consumption and exporting for Thailand, continuing the trend when they did not start to focus on economic development. During this time period, the Thai government started to collaborate with the private sector, and both took a lead in the economy where some strategies were being used to stimulate the economy. For example, the private sector initiatives for investment and production, and the government provides infrastructure, rules a regulation, and intervenes in the market through investment promotions and industrial protection [3]. Since the start of implementation of neoliberal policies, the problem of inequality started to appear in Thai society, shown by Figure 1, which is on studying household income per capita per month among different regions in the country. From the graph, it shows that the lines are gathered together before 1968, and since time moves on, the difference between the topper line and the bottom lines starts to appear. As the neoliberal policies continue to be implemented in Thailand, the gap between the line of Bangkok and other regions' lines continues to grow, which means that the distribution of wealth in the country was very uneven among the regions of the country. Also, according to the figure, it can be seen that Bangkok is the region that has the highest household income where the average income of a Bangkok household was more than twice of the national average and more than three times the average of the North-East region in 2000. The result indicates the greatest increase happened in Bangkok and resulted in the continued growing gap between the unequal distribution of among regions. This shows that the inequality problem started to appear in the society of Thailand and continues to grow.

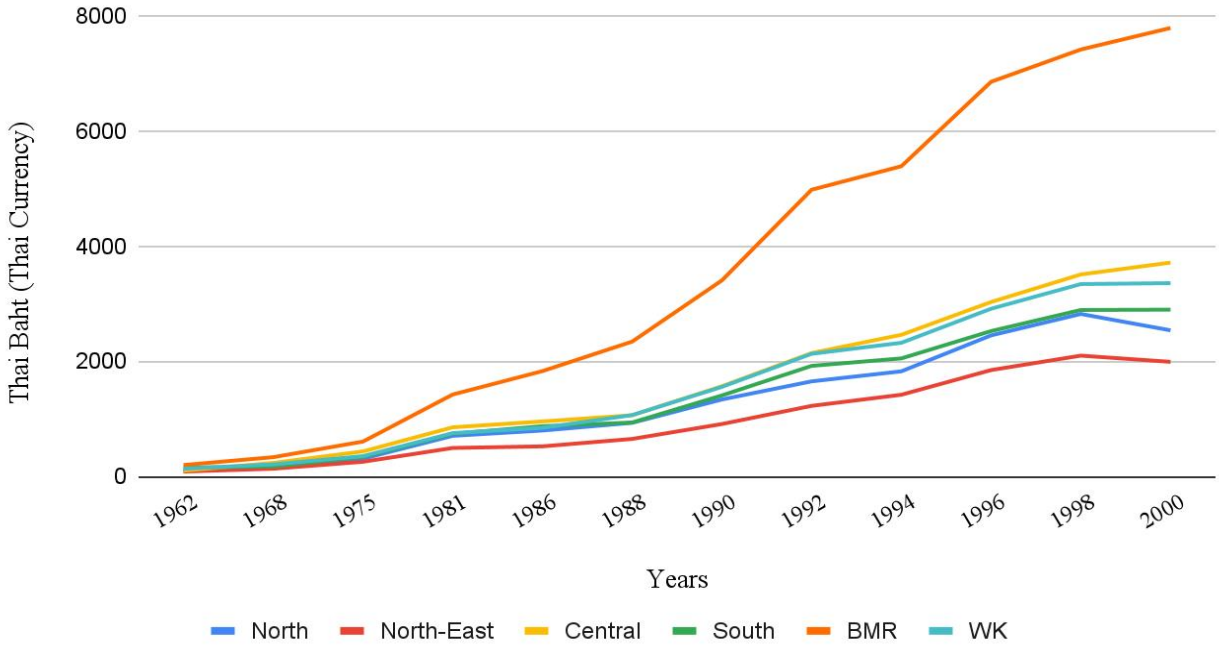


Figure 1: Household income per month per region [3].

By 1987, the Thai government still continued the form of economic system that was built at the beginning of development; however, the Thai tourist industry started and expanded, which pushed

DOI: 10.54254/2753-7048/11/20230714

the economic growth further [3]. However, this sector does not push the economy too forward, and another big contribution sector to Thai economic growth is its cheap labor in manufacturing, and the government provided protections for producers of domestic market, but the end of the era of cheap labor was the mid 1990s due to labor intensity and higher requirement for quality of the products, which leads to the emergence of improving technological competences by those factories. And then, the sector of cheap labor reduces the contribution to the economy in Thailand as well additionally with the effects that were brought by the Asian Economic and Global Economic Crisis in 2008 and 2009 caused by less demand for exports and fall of tourism [4]. As time arrived in the early 2010s, there was a recovery in exports led by strong demand for Thai-made cars, which can make up for the decline in the tourism sector, but it did not help much to recover the economy from the crisis, which can be shown by Figure 2. It shows a decline in GDP at the start of the crisis, even though there is a sudden recovery, but it quickly turns into a decline again.

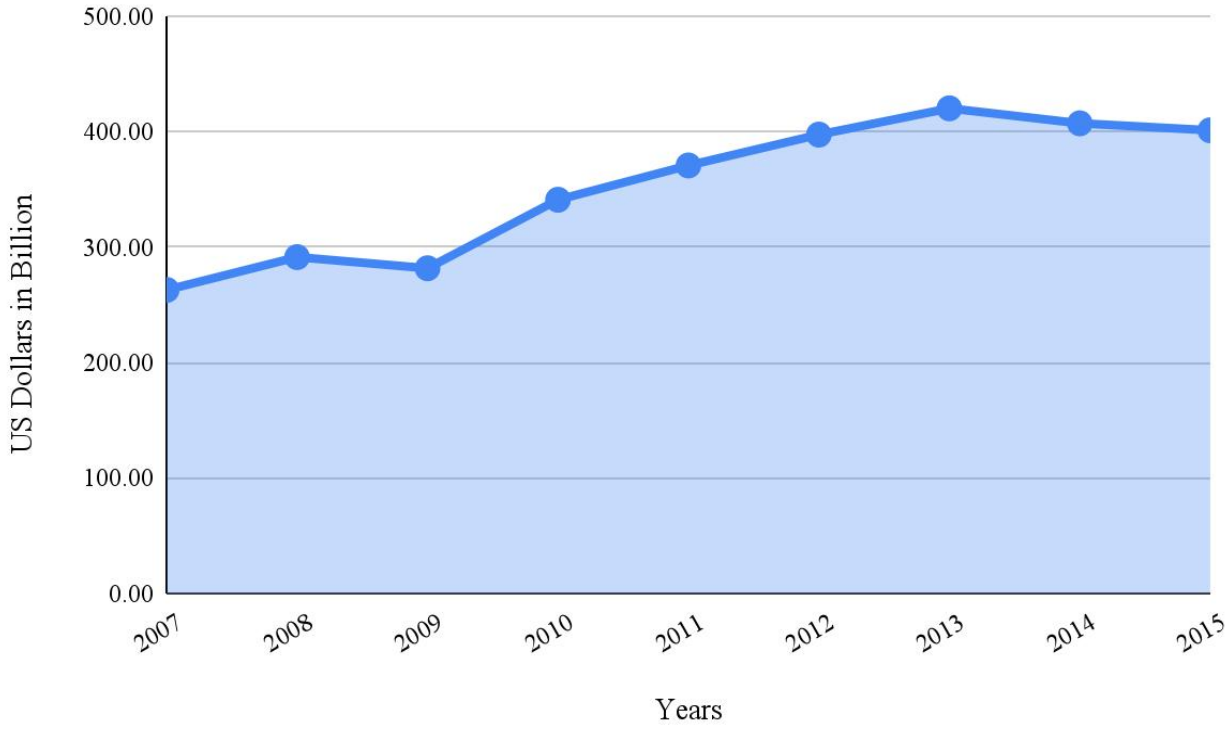


Figure 2: GDP trend for Thailand [5].

Then the government, led by the Prime Minister, Yingluck Shinawatra, tried to overcome the crisis by turning its economy system more towards a free economy where the government was only involved in supporting the local economy by reducing taxes to promote exports and foreign investments. The purpose of this form of government is to lift Thai living standards where it provided an allowance on rice prices, funded on transportation, energy, and telecommunications projects [4]. Also, under the same government, Thailand started to pay attention to the development of human capital and to fund the education system. However, under this form of government, the problem of inequality comes into play again in the education system where it leads to severe dropouts and poor outcome or performance of students and eventually affects the economic development of the country where there are no high talents that can be used in the labor market to improve or enhance the economy.

DOI: 10.54254/2753-7048/11/20230714

Throughout the history of development of Thailand, the problem of inequality has always existed in the society accompanied by the economic development from the start. As the form of the economic system changed in the 2010s, the problem of inequality was magnified and led to a serious negative impact on the economic growth where a stagnation in economic development happened shown by the decline in GDP. The correlation between these two variables is necessary to be established in order to resolve the biggest challenge that is facing Thailand's economy, which is the stagnation [6].

3.2. Case Analysis

As mentioned above, Thailand started to pay attention to the development of human capital and to fund the education system. Proven by the GDP after the implementation of the free economy was focusing on the development of human capital raised since the crisis started; however, the growth trend stopped in the mid 2010s, and it did not decrease but stayed around the same level for a few years [5]. The lack of improvement of GDP can show that the idea of funding the education system did not bring out the ideal results of this policy. According to a study, it shows the reason for the development of the education system not carrying out positive and ideal results, which is because of the problem of inequality [6]. There is data collected during the study to show that the number of dropouts is still high even after implementing free education for those students, and one possible explanation for that is because of the uneven distribution of wealth in the society [6]. Since the income of family varies across the regions in the country due to inequality, some students still need to worry about money even though getting education is free, but the family does not earn enough money to survive so that the student needs to work in order to support the family's living, which leads to the decision of dropping out of school and have more time to work to provide their family more financial support. Even with providing free education by the government still cannot solve students' problem of not being able to receive education, this is because of the inequality in the society where if every family can get some sort of equal chance to access to the wealth, then these students do not need to drop out school for just supporting the financial situation of their own family. By the analysis, it can show that the inequality problem in the society affects the students and leads to the unequal chances for students to access or be able to receive education.

Then, this argument is supported by another article as well where a study included in the article indicates that the inequality in the country of Thailand [7]. Based on many cases or situations in current countries, it can be shown that the development in the economy used to focus on places like capitals or areas near water where this is the case in Thailand as well. In Thailand, most of the development focused on places like the capital where people who are benefited from the economic growth, and people who are from rural areas do not get as much benefit. From the cluster analysis in the article, it shows the different poverty levels among different regions in the country where those cluster graphs show that the urban areas and central regions of the capitals have low poverty levels, and other than those areas, they have high poverty levels [7]. This trend of development is because of the more opportunities offered in those urban areas where urban areas often attract more business activity around the world; for example, many people will select to visit these urban centers first when they do not learn much about a completely new country, which results in the more opportunities of tourism and service businesses. Also, businessmen can be a large portion among those visitors as they see opportunities in the local Thai market, so the arrival of these businessmen can cause more trade activities in those areas as well. From those potential events that can happen in those urban areas, it can be reasonable that those areas are in low poverty levels. However, these opportunities will not occur in those rural areas where they do not have those passenger flows, so they do not even have opportunity to develop their economy, which leads to the difference in poverty level among regions, and this can be proved by the different color coding in the cluster

DOI: 10.54254/2753-7048/11/20230714

analysis graphs [7]. From this evidence, it can be concluded that the financial condition varies across different regions of the country.

Because of the various financial conditions in the whole country, there obviously is a lack of rich people in the rural areas, since the economy in these regions are not developed yet. Also, businessmen who want to expand or start business will definitely move to urban areas since there will be more opportunities, as people started to move around the country, no one will be willing to go to rural areas while they do not see a better fortune in these regions. However, there will be people who cannot or do not have the ability to afford the move will stay in those rural areas. Then, there will be a cycle for those younger people who will remain in those rural areas. Due to the lack of opportunities, people in rural areas will have low income compared to those who are in urban areas, which can lead to a lack of money for local government to develop their regions since the major income of government is taxing, so the places will have less resources and money to fund their infrastructures, which include community structures and even education structures. The less resources and money in the government will lead to lack of high-quality teachers and well-structured facilities for local students and affect local students who do not have a chance or ability to move to a more developed area where they do not have a good foundation of knowledge that can prepare them for the future [8]. This can cause those teenagers in rural areas to lose in the competition with those in urban areas as they do not have a chance to accept advanced education and do not have the knowledge that they need for entering into the society, so they will have less opportunities in the society comparing to the teenagers who are in more developed regions and receive education.

Additionally, this idea is supported by the study mentioned before as well where students get a variance outcome or performance from receiving the education, proven by where the average scores that students get in various subjects are around 50 out of the 100 [6]. These scores are relatively low since most people would consider 60% as a score that is not failing. This result shows that even with the students who were not affected by the inequality in the society and being able to continue receiving education, they still did not get ideal results from the policy of developing human capital. The reason for this outcome is still because of inequality [6]. Where the unequal distribution of wealth in the society can lead to different amount of money can be used by the local government to invest in the education system since the income of government is mainly come from collecting tax on residents, this can cause the inequality of education resources between rural and urban areas; for example, poor areas can have small schools with poor infrastructure and teacher shortage with not being able to attract high-quality teachers. Especially with the lack of ability to attract high-quality teachers and the teacher shortage, they definitely can affect the outcome or performance of the students and contribute to the lack of quality of education. From this evidence, it again shows that the inequality in the society contributes to the inequality in the education system, and the consequences by those inequality problems can result in the deviation of the future development of both the country's teenagers and the country since teenagers are the future of a country. The lack of performance of those teenagers leads to a lack of future talented candidates to participate in the labor market and contribute to the economy of the country.

Furthermore, the study supports making a statement in the conclusion of the article where it indicates that in order to overcome the stagnation of development is to eliminate the inequality among different regions of the country [6]. Since the author states this conclusion by the end of the research report, the relationship between stagnation and inequality in the society and education system is formed and established, which directly supports the argument. While the mitigation of inequality in both the education system and the society can help to hamper the stagnation of economic development, it proves that the inequality problem definitely contributes to the happening

DOI: 10.54254/2753-7048/11/20230714

of stagnation of development, so that is the reason for decreasing inequality helping to stop the stagnation.

4. Discussion

From the evidence, it can show the linkage between the inequality and the slowdown of economic growth in Thailand whereas the inequality in one area like the unequal distribution of wealth in the society can lead to other inequality in another area like education system since poorer area or poorer people do not have enough wealth or money to support themselves in order to gain equal access to those social infrastructures. This can result in a circuit where poorer people cannot improve their status by their effort throughout their lifetime, and this will eventually affect their future generations and their opportunities to access those social infrastructures and get prepared for their future [9]. Then, the problem of inequality will never be eliminated by the society, and there is always a proportion of citizens who do not have a chance to contribute to the country's economy even if they many have the potential to hold novel ideas that may change the world, but they do not have the opportunity to carry on or improve their ideas due to the lack of opportunities in the market that is built for them. If there is a change for this social norm where everyone can have equal access to every infrastructure, then many potential talents can be involved in the economy and stimulate the economy growth by having innovative ideas that are not included in the current market yet. In the analysis of this paper, it focuses on the inequality in the society causing the inequality in the education system, and then proposing the potential effect to the economy may contribute to the economic stagnation. There may be other contributors to the stagnation and many other areas that may have inequality problems not only in the education system where many factors can relate to each other and combine together to produce a single outcome, which is not included in the analysis, and this is a shortcoming of this paper. For example, many analyses focus on the results of environmental problems or even of the pandemic problems that can impact the economy and cause it to slow down [10]. Based on the resources and analysis, it is hard to roll out other potential factors that can cause the stagnation, but it definitely can prove that inequality is one of them that contributes to the stagnation of economic development in Thailand.

5. Conclusion

As the analysis can show, the inequality problem in the society in Thailand is mainly the unequal distribution in wealth, which eventually leads to many aftereffects and expands the inequality into the education system. Due to the inequality, many teenagers in the country are not able to receive education and cannot get out ideal outcome even being able to receive education, which makes the education system being pointless, and the ineffective of the education can affect its goal of helping to train talents that can be useful for the country in the future. As the failure of education, it can cause the country to fall into a deficit on the talents where the marketplace does not have people who can hire, which definitely will affect the business development, market development, and finally the country's economic development. In conclusion, there is undoubtedly a relationship between the inequality no matter in the society or in the education system and the economic stagnation. From this conclusion, the economic exporters or governors who try to solve the problem of economic stagnation in the country can start to look for the problem of inequality first in the country and then try to solve the inequality in the society before taking another step forward by solving the economic stagnation directly whereas the elimination of inequality in the country may lead to the stop of economic stagnation. This is the suggestion for those who want to solve the current problem in the economy in the countries that are facing economic stagnation, and this is the

DOI: 10.54254/2753-7048/11/20230714

whole goal or purpose of this paper to build the causal relationship between inequality and economic stagnation and try to give an idea of the first step to the solution.

References

[1] *Srisamoot, A. (2022). China, Thailand and Globalization. In: Wang, H., Miao, L. (eds) China and the World in a Changing Context. China and Globalization. Springer, Singapore.*

[2] *Liu, D., Xie, Y., Hafeez, M., and Usman, A. (2022). The trade-off between economic performance and environmental quality: does financial inclusion matter for emerging Asian economies?. Environ Sci Pollut Res 29, 29746–29755.*

[3] *Krongkaew, M., and Kakwani, N. (2003). The growth–equity trade-off in modern economic development: The case of Thailand. Journal of Asian Economics 14(5), 735-757.*

[4] *Hays, J. (2014). Economic history of Thailand: Post-war boom and the Thaksin and POST-THAKSIN years. Retrieved from https://factsanddetails.com/southeast-asia/Thailand/sub5_8g/entry-3310.html*

[5] *The World Bank in Thailand. (2022). Retrieved from https://www.worldbank.org/en/country/thailand*

[6] *Durongkaveroj, W. (2022). Recent Developments in Basic Education in Thailand: Issues and Challenges. ADBI Working Papers.*

[7] *Puttanapong, N., Luenam, A., and Jongwattanakul, P. (2022). Spatial Analysis of Inequality in Thailand: Applications of Satellite Data and Spatial Statistics/Econometrics. Sustainability, 14, 3946.*

[8] *Koompai, S., and Rakangthong, N. K. (2022). A Comparison of Educational Inequality between the Urban High School and Rural High School in Nakhon Si Thammarat, Thailand. Journal of Management Information & Decision Sciences, 25, 1–16.*

[9] *Meemon, N., Zhang, N. J., Wan, T. T., and Paek, S. C. (2022). Intergenerational Mobility of Education in Thailand: Effects of Parents' Socioeconomic Status on Children's Opportunity in Higher Education. Asia-Pacific Social Science Review, 22(1).*

[10] *Arai Y, Sanlee M, Uehara M, and Iwasaki S. (2022). Perceived Impact of COVID-19 on Small-Scale Fishers of Trang Province, Thailand and Their Coping Strategies. Sustainability, 14, 2865.*