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Human-Scale Economics: Economic Growth and Poverty Reduction in Northeastern Thailand

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Summary. — Under what conditions does economic growth benefit the poor? One way to answer this question is to identify and compare positive and negative outlier areas, those that experience greater and lesser poverty reduction, respectively, compared to what was anticipated given their levels of economic growth. The more similar these areas, the more leverage there is to unearth the factors that allow the poor to benefit from growth. In this paper, we employ an inductive approach to glean possible pathways out of poverty from two highly similar underdeveloped neighboring provinces in northeastern Thailand. Using extensive fieldwork and interviews, we explore factors that can account for one province reducing poverty at a quicker pace than expected, even as the other failed to channel its faster growth into significant poverty reduction. Our study finds that in Surin province, because a strong network of local NGOs was working closely with provincial leadership, national policies that targeted the poor found fertile ground and thrived. Small-scale, low-tech, rural-based initiatives including organic rice, handicraft production, and rural tourism helped drive initially high levels of poverty down. Though many in Si-Saket also pursued many of these initiatives, they were structured in ways that promoted economic growth but largely prevented poor farmers from benefitting. Further research can examine whether this kind of "micro-oriented" path to rapid rural poverty reduction is useful in other contexts.

Key words — development, rural poverty, Asia, Thailand

Under what conditions does economic growth benefit the poor? Most development experts, economists, and policy makers agree that expanding the value of goods and services in any economy—that is, economic growth—has the potential to reduce poverty (Kanbur, 2001). This consensus breaks down, however, at the question of how consistent the connection between economic growth and poverty reduction actually is, and which kinds of economic activities reduce poverty most effectively. A number of economists (e.g., Bhagwati, 1985; Dollar & Kraay, 2002; Lal & Myint, 1996; Spence, 2008) have argued that economic growth measured through GDP can be generally assumed to benefit the poor through mechanisms such as trickling down from rich to poor or radiating out spatially from growth poles. As long as economic output expands, they say, members of all income bands will generally benefit. This argument has received substantial criticism on both methodological and theoretical grounds (e.g., Eastwood & Lipton, 2000; Rodrik, 2000; Weisbrot, Baker, Naiman, & Neta, 2000).

In addition to directly criticizing the purported relationship between economic growth and poverty reduction, examining exceptions to this relationship can also be fruitful. Examining economies that yield dramatically more poverty reduction than others despite their similar economic growth rates can unearth new ideas—policies, economic activities or other types of interventions—regarding how to make economic activity better serve the poor. Still, the causes of poverty are legion and interconnected—in addition to social forces, geography, and demography, even the weather and natural climate can play important roles.

How then do we sort out which variables lead to exceptional poverty reduction? By comparing anomalous cases with otherwise similar cases that experienced significantly less poverty reduction, we can inductively infer which factors caused the divergence in outcomes. We adopt this approach in this paper. Here, we employ a "most similar systems" research design (Bennett & George, 2004; Lijphart, 1971) by comparing the experiences of two neighboring provinces in northeastern Thailand: Surin and Si-Saket. Studying them can inductively produce testable expectations about which pathways can create poverty reduction outside of economic growth. These two provinces are similar across a number of factors, yet have had sharply contrasting and unexpected records in reducing poverty despite similar growth trajectories.

First, both of the selected provinces share the same overall national policy framework. Thailand has a unitary government, with policy directed by the center and administered through a national bureaucracy (Mutebi, 2004). Despite decentralization starting in the 1990s, provincial administration remains highly constrained; provincial officials are considered agents of the central government and are expected to implement national policy faithfully. Such leaders enjoy a very low degree of autonomy. Second, the two provinces neighbor one another and share demographic, [1] geographic, [2] and environmental features. Third, both started the period under investigation with similar proportions of the population living in poverty. Yet, in spite of these similarities, Surin saw rapid poverty reduction despite a brisk but somewhat slower rate

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of growth, while Si-Saket experienced one of the lowest rates of poverty reduction in the region, despite its somewhat more rapid pace of economic development.

In order to understand this puzzling pattern, we adopted a three-pronged research strategy. First, we reviewed relevant statistics and the modest amount of research published so far on these two provinces. Second, in Bangkok, we met with academics and government officials to understand further central policies, gather additional quantitative data not found through electronic sources, and learn more about the central approach to development in the Isan region. Finally, we spent several months during two stints of research fieldwork in Isan in 2013 and 2015, interviewing academics, local government officials, and NGO leaders and activists, as well as local farmers and other rural residents. While the results are not definitive and await further testing, this process unearthed new insights—hypotheses about ways to reduce rural poverty.

1. GROWTH & POVERTY IN SURIN AND SI-SAKET

Surin and Si-Saket are located in Isan, the northeast region of Thailand that borders Cambodia. During 2000–10, Si-Saket province experienced an average GPP per capita growth rate of 13.4% per year (NESDB., n.d.-a) while its poverty rate dropped only a modest amount, from 62.2% to 55.9% (NESDB., n.d.-b). Meanwhile, the poverty rate in Surin province fell a startling 56.3 percentage points, declining from 73.8% to 17.5% in the same period. (NESDB, n.d.-b) despite Surin's having a lower (though still heady) average annual growth rate of 10.7% (NESDB, n.d.-a). This was despite Surin's higher initial poverty gap. [3] Figure 1 displays the divergent poverty patterns experienced by the two provinces, despite parallel growth trajectories. Here, we focus on Surin's case because of its astonishing success. Si-Saket, being the province that experienced the greater disconnect between its rapid rate of GDP growth and its modest degree of poverty reduction, provides a comparison case.

In this paper, we argue that three factors were fundamental to understanding Surin's surprising pace of poverty reduction. First, a strong network of activists in Surin helped to ensure that national policies designed to help poor farmers and other rural residents were implemented locally in such a way as to achieve poverty reduction, rather than political patronage, goals. Second, Surin's proactive governor was especially supportive of these policies. Third, at the national level the government both prioritized the rural poor for political reasons and allowed for decentralized authority at the provincial governor and *tambon* (sub-district) levels. Together, these allowed local officials in some provinces to implement central-level policies especially vigorously. The combined efforts of policy makers and civil society leaders led to poverty reduction by ensuring that poor farmers and others could take advantage of the growth generated by a number of small-scale productive activities, including organic rice production, handicrafts through the One Tambon One Product (OTOP) program, and local rural-based tourism. These were structured in such a way as to allow the participation of often poorly educated low-income rural residents. Though these kinds of activities tend to generate less economic output as measured by GDP, our research suggests that a higher proportion of the income derived from these initiatives wound up in the pocket of the poor in ways that are described below. To be sure, initiatives such as OTOP and organic rice were implemented in many provinces. Why were they especially effective in reducing poverty in Surin but not elsewhere? As mentioned, it was the province's strong network of civil society and committed local political leaders that ensured that these programs were structured in ways that reduced poverty. In Si-Saket, leaders also pursued these same economic activities—but as we will show below, their efforts not only enjoyed less success but were structured to concentrate the benefits of growth in fewer and wealthier hands. Without the support of Surin's network of embedded civil society, there were fewer mechanisms to spread the benefits of Si-Saket's impressive growth rates to more of the province's poor, and hence Si-Saket's record on poverty was meager, especially when compared to Surin's. See Figure 2 for a graphical statement of this argument.

In this paper, we detail this argument by first reviewing the potential pathways to poverty reduction that emerge from research in a number of disciplines. Second, we set the context for examining the two provinces by detailing Thailand's struggle with rural poverty over the past few decades. Third, we analyze the proximate explanations and causal factors that

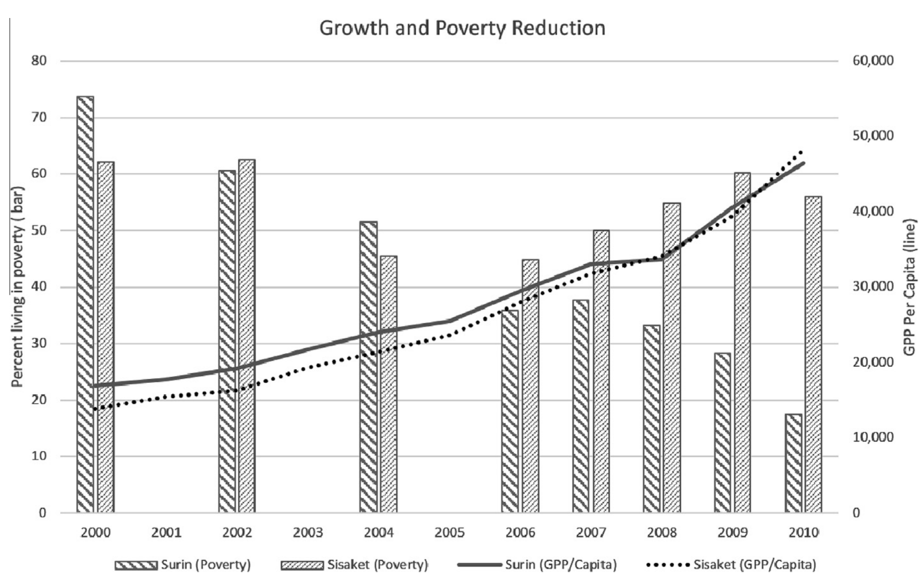

Figure 1. *Growth and poverty reduction in Surin and Si-Saket. Source: NESDB, n.d.-b; National Statistics Office, n.d.-e.*