

Devastating floods in Thailand: Saving Private Riches

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The most serious repercussion of the devastating floods has undoubtedly been on the economy. Damage caused by the flooding ran into the billions of baht, and while individual citizens have borne the brunt of this cost, the government has also been hit hard, if only for the huge amounts spent in flood prevention efforts, many of which of course proved futile.

Still smarting from accusations that losses caused by the flood were exacerbated by poor planning and hasty implementation of last-ditch efforts, the government is busy drafting a long-term plan to deal with the excessive sovereign debt caused by the floods. The fear is that unless the government demonstrates that it has a plan to solve this problem, Thailand will have great difficulty raising funds on the capital markets, similar to the problems today facing Greece, Ireland, Portugal, Italy and Spain.

‘Unless the markets feel confident that Thailand can institute the reforms made necessary by the flood crisis, then Thailand will run into economic difficulties in the near future,’ commented a consultant from a finance company hoping to invest in Thailand when interest rates turn favourable in the near future.

The government apparently believes that it must, as a matter of utmost urgency, present a balanced budget to parliament. This, it thinks, will show to international investors that Thailand is committed to a responsible fiscal policy and ensure that it will be able to continue borrowing from international capital markets.

However, the difficulties of balancing the budget in a post-flood scenario cannot be underestimated. With large parts of the economy either a waterlogged ruin or at best struggling to restore pre-flood levels of production, government revenues have taken a severe hit.

Business taxes are down as commercial activity emerges from the inundation. Customs revenues have nosedived as companies producing for export went under, sending export figures plummeting. Levies on imports are also down since very few enterprises have the cash to buy from abroad. And consumer taxes, formerly a mainstay of government income, have hit the floor as workers are laid off in droves and people are forced to limit their spending to the bare minimum. Even income tax receipts, although the contribution to the national budget is relatively small, are significantly down.

With income down, the government has been forced to retrench its expenses in a way that has become all too familiar to the working people of the Euro periphery. The government has had to make some difficult decisions about which parts of the economy to save and which parts to sacrifice for the greater good.

In order to keep financial markets going, it has been decided to shelve plans to tax income from profits made from dealing shares on the Stock Exchange of Thailand. ‘It would be difficult to ask investors to contribute more at this time, especially when so many of them have seen the parquet floor in their home float away’, said a Revenue Department spokesperson. ‘In their second homes as

well, in some cases.'

Taxes on land holdings, long a cherished dream of those advocating a more equitable taxation system, are also being put on the back burner. Landlords, it is felt, are already suffering decreased income from their properties, especially those renting out to tenant farmers whose crops have been wiped out. This is not the time, official thinking has it, to indulge in starry-eyed idealism about closing the wealth gap in the nation. Nor are inheritance taxes likely to make an appearance in the near future.

'We have to protect the job-creators, the people whose money will get the economy moving again,' explained a political advisor to the government under conditions of anonymity. 'We operate by a capitalist system, that's written into the constitution. So the first priority has to be protecting capital and capitalists. Without them, we would have no economic system at all.'

When asked where the government would make savings, he said that expenditures on public services like education and health would have to take the brunt. 'Infrastructure like roads and bridges of course needs a lot of work after the flood damage, but it will have to wait, except in those areas of the country where other factors come into play.' It is understood that this was reference to local political godfathers with connections to construction companies.

When asked if there would be any cuts to the military budget, the advisor noted the outstanding work done by all three services during the floods. 'We feel that this exemplary behaviour should be rewarded, not punished. The military will be getting its normal budget increase.'

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