

Thailand's flood crisis: neoliberalism is not the answer

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The serious flooding in Thailand has affected millions of people. Houses, property and infrastructure have been seriously damaged. Factories and workplaces have been closed and hundreds of thousands of people have become temporarily unemployed. Agricultural land has been flooded, leading to further loss of incomes. Millions of people who are living modest lives will see their incomes and savings drastically lowered and the economy can only be dragged down. The waters are now predicted to remain high for at least a month.

The longer-term effects of the flood damage will become a real test for the Peua Thai government of Yingluck Shinawatra. If this crisis is not solved to the satisfaction of most citizens, the government risks losing long-term public support.

If the government listens to the neoliberal economists at institutes like the TDRI, or listens to the Democrat Party and the ruling elites, it will cut government spending in all areas. Already a 10% across the board cut has been announced. It will raise indirect taxes like VAT, which will most affect the poor. It will delay the much-needed increase in the minimum wage to 300 baht per day. It will raise funds to help businesses, but it will leave the ordinary citizens to fend for themselves.

That was the kind of response we experienced from the free-market Democrat Party under Prime Minister Chuan, just after the 1996 economic crisis. It used public money to prop-up the banks and guarantee middle-class savings and then told the poor to fend for themselves. Employment quality and incomes fell. Then after Thaksin Shinawatra's TRT party won the following election, the Democrats shouted that pro-poor spending on health, education and jobs was "against fiscal discipline". What "fiscal discipline" meant in practice was shown by the massive increase in military spending under the military-appointed Abhisit government a few years later.

What is really needed in the face of this huge crisis is a massive program of government spending in order to repair houses and infrastructure, to compensate the poor for their losses and to create thousands of jobs. In addition to this there needs to be a serious project to build flood canals to prevent the floods happening in the future. Former Prime Minister Thaksin has suggested such a project and estimated the cost to be around 400 billion baht. All this would create jobs and stimulate economic recovery, especially if the minimum wage were to be raised in all provinces, as initially promised in the government's manifesto.

But the government cannot hope to raise the money by not increasing taxes, borrowing money and making budget cuts. It is the way in which the government does this that will be a crucial test. Direct and progressive taxes should be raised on Thailand's millionaires. That includes taxing the royals. Severe government spending cuts should be imposed on the military. There should be a total freeze on military spending, especially on weapons and hardware. Military salaries at the top should be frozen or cut, while maintaining the salaries of ordinary soldiers. A total freeze of spending should be imposed for all palace ceremonies. Not a single baht should be spent on the king's birthday and other wasteful activities. But to do this would mean the government breaking with the royalist elites, especially the military. Thai society will never be fully democratic and equal without

engaging in this necessary and highly moral task.

On its own the Yingluck government is unlikely to implement the necessary program to solve the flood crisis. The Red Shirts face an important test today. Will the movement rise to the occasion, start debates and discussions around the issue and then move to pressure the government. Or will it sink into inactivity and eventual despair?

P.S.

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