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Industrialization has been an important mechanism in Thailand's economics growth. At the same time, it has also exacerbated the income gap between the rich and the poor. During the period 1990-1992, some researches reveal that this problem impacted Thailand the most compared to the other East Asian countries. Income inequality is cause for concern because it creates both economics and social problems. It threatens the economy by compromising skilled labor and competitiveness and causes social problem through the associated risks of rural to urban migration.

This research explores the impact of industrialization on Thailand's income inequality for the years 1988, 1992, 1996. The analysis employs the Shorrocks Order Two indices, which can be decomposed for analyses source of income inequality. This study is divided into the following three parts: 1) analysis of aggregate income inequality 2) analysis according to source of income and various other population characteristics 3) analysis through intertemporal decomposition.

The results of this study reveal that income inequality has increased in severity in Thailand, reaching its height in 1992. While industrialization has increased capital formation, it has also changed the income structure and impacted the overall distribution of income. Income inequality derived from non-farm profit account for most of Thailand aggregate income inequality. In particular, non-farm profit for 1992 and wages and salaries for 1996 cause the income gap to widen. When considering the structure of income inequality of each sector of production, the service sector most explains for 1988 and 1992 while the industrial sector most explains for 1996. Overall, industrialization has increased income inequality, but on the regional level, the increase also depends on the nature of industrialization. An important feature is whether growth was concentrated in some areas or dispersed allover the region.

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