

Section 1. Introduction

Income inequality has been a serious problem in a large number of developing countries including Asean members except Singapore. A high degree of inequality of between .45 and .50 Gini has persisted in the Philippines, Thailand and Malaysia during fairly high growth period of the past three decades. Recent attempts to solve the problem mainly through Malaysia's Bumiputra policy and the Philippine's and reform program have not made a perceptible impact so far. It might be argued that without applying drastic and consistent measures the inequality could be expected to remain serious. There are structural givens in underdeveloped economies which tend to perpetuate inequality and the poverty of those in the lower income brackets. The higher the degree of inequality in a low-income country, meaning the poorer are its poor, the more difficult it is to break the problem. The relative and absolute poverty of the lower income groups separates and locks them within their environment. Such environment tends to be socially (and economically) restrictive on individual choices so that opportunities for upward mobility are limited.

This is now a well-known phenomenon and it has attracted much interest in national and international bodies. This interest has been translated mostly in strong statements of concern and aims. Few LDCs have achieved success in poverty and inequality alleviation. There has been much research effort invested in this decade in producing and measuring inequality and to some extent, of poverty incidence. Fewer works have been done on social mobility or inter-generational transfer of physical

and human capital. This paper is an attempt to describe the process of inter-generational transfer of education capital under specified market conditions affecting choice in Thailand. A constrained optimization model in education choice is used as the framework of analysis. The model explains how inequality in income and in education interacts inter-generationally and traces the change (or lack of it) in inequality and poverty over time. The model is presented in Section 3 after a discussion of the state of inequality and poverty and their trend in Section 2.

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