Abstract

Why does Thailand fail to replicate the catching-up story like South Korea, although these two countries were at a similar pace during the 1960s and 1970s? Applying a nine-sector structural transformation model, we find that the tendencies of the relative labor productivity slow down in various sectors of Thailand matter for such a phenomenon. In particular, our quantitative analysis using the data between 1963 and 2010 reveals that, except transport and finance, all the sectors have been experiencing sectoral productivity slow down relative to the corresponding sectors of South Korea. To highlight which sector is problematic, we illustrate various counterfactual experiments, replacing the sectoral productivity growth rates of these sectors of Thailand with South Korea. The results show that the agricultural sector is the most important one. Counterfactual analysis for other sectors plays minor roles or even worsens the aggregate labor productivity.

Keywords: Comparative Economic Development, Structural Transformation, Thai Economy, Korean Economy