

Economic Development Stages and Private Human Networks: From Aspects of Autonomous “Mutual Assistance Payments” in Thailand and South Korea

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* Due to space limitation, it is distributed additional and detailed material to participants at the time of our presentation.

Abstract

It is known that ASEAN countries will see rapidly aging societies in the future. However, these countries have not yet developed social welfare institutions comparable to those found in the European welfare states. According to the results of our original surveys in Thailand and Korea, social, and private, human relationships have another important function regarding income redistribution. Instead of “formal” welfare institutions, some types of cultural behaviors—such as Buddhism-based alms in Thailand or Confucianism-based human relationships in South Korea—have a “common” function, at least with respect to income redistribution. We suggest that it is possible for ASEAN countries to construct original yet similar types of social security systems in the future that will transcend the cultural differences among those countries. In To support this assertion, we introduce an effective concept: the “informal” institution as defined by North (1990), of the new institutional school. North’s analysis helps us to consider cultural aspects from an economic perspective. In what follows, we present some of the significant results of our self-executed questionnaire survey of approximately 1,776 participants from Bangkok and 443 participants from Seoul. Based on some of the results, including statistical analyses, we can confirm that private mutual aid among households compose about 20% of the average household income in Thailand. In the case of Korea, they are also based on the place of birth, in particular, as well as on other factors. Finally, we revise our thinking of the economic value of such social customs and cultural behaviors in society.

Keywords: “Informal institution”, Cultural behavior, Income redistribution, Asian welfare states

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I . The theoretical background of story cultural matter from the perspective of economics

I . 1 Institutional economics and cultural matters

Generally speaking, it is thought that an economist can take one of two main approaches to research: the so-called micro- and macro-level approaches. However, these approaches may be inadequate when addressing differences among various countries' socioeconomic systems, or when creating effective social policies for the general populace, especially in developing countries. All of the basic mainstream approaches assume that an efficient market system has already been developed, and that mature political decision-making systems, widely recognized social norms across a country, and the like already exist. In other words, most ordinal analyses that are based on general equilibrium theory—the theory that connects both micro- and macro-level foundations, which has been a challenge in the macro approach since the 1960s—emphasize that the formation of some kind of standardized socioeconomic system is the best route to take, both when forming a sound theoretical foundation and when realistically portraying the circumstances within a country. However, history has repeatedly shown us that this academic thinking is limited to explaining the real-world aspects of only a few countries. In addition, economists fundamentally cannot provide a complete story of what moves people to bring about economic changes, nor can they explain why systematic changes occur within a given state. In other words, although we may easily understand some kinds of results or the past states of various social resource distribution mechanisms from an economic perspective, we do not yet know how to easily resolve current conditions, or how to provide advice vis-à-vis improvements for certain people within a system.

In an effort to reconsider these problems—which have not, to date, been resolved by economic research—we would like to address some typical institutional approaches that have been developed since the 1970s. It is expected that in so doing, we might offer additional theoretical insights that will explain the entire socioeconomic system, thus allowing us to consider the differences among nations more comprehensively and permitting us to take a wider analytical view and more fulfilling framework than that which is seen in most ordinal economic approaches.

The current study explores the ways in which theoretical advantages of the institutional approach can be exploited, in order to further contribute to economic development theory. Ultimately, we would like to focus on the role or effectiveness of “informal” institutions; in other words, those that pertain to cultural matters, social customs, social norms, historical thinking, and the like. The term “informal institution,”

which was defined by North (1990, 2005), is useful in any consideration of the effectiveness of “formal” institutions (*i.e.*, those that pertain to laws and official economic policies). On the other hand, it is assumed that such cultural or historical elements merely play a subtle and underlying “foundational” role for formal institutions or for shared cognitions within a certain societal state. In other words, there is at work within the theoretical framework, a one-way mechanism that operates from informal institutions to formal ones. Therefore, it is not sufficient to only know of the economic effectiveness of such elements within the system, or to determine the detailed parameters of the micro-level foundation, when one addresses certain special issues—*e.g.*, income disparities or effectiveness of income redistribution as per official economic policies—in developing countries.

I . 2 Classifications of Asian welfare states

Since the famous book of classification of European welfare countries, published by G. Esping-Andersen (1990), some scholars have started trying to expand this analytical object from western countries to Asian ones in some academic fields, such as economic development and area studies. Of course, other realistic, future tendencies in Asian countries, such as the pressures of globalization or the transformation into rapid aging societies, are important factors as well. It is useful to understand the academic outcomes of these past attempts. For instance, Suehiro (2010, p. 11) presents an orthodox and brief summary of past research. In the research of the conventional Asian welfare state, countries are, in most cases, grouped by their economic-development state. In addition, it is questioned that there are several, official social-security institutions: the official medical insurance system, the national pension plan, and so on are already established or have not yet been until now. At the same time, the research has, in some cases, also focused on population trends in order to understand the relevant plans for making official social welfare systems persistent in each country.

I . 3 Research problems and our theoretical position: towards analyzing the role of an ‘informal’ institution as social capital

These concepts of social welfare systems in Asian countries do not answer the following two questions. First, do the differences in social welfare institutions simply depend on economic development? Second, can we achieve a better welfare society only by way of transplanting the same institutions that exist in European countries? In short, most research dismisses several background factors, such as the role of existing social customs in the context of income redistribution, or the cultural effects on the original aspects of institutions, when thinking about the classification types of Asian welfare states.

As already discussed, the present institutional approach is a useful perspective for explaining cultural matters, but it cannot clearly answer the above two questions, because of its explanatory-logic problem. In other words, an informal institution is either merely the background on which to base a formal institution, or it is merely one variable in an actor's behavior model, as seen in North's comprehension. For that reason, we can neither directly analyze nor discuss informal institutions. Therefore, it is also necessary for us to construct another analytical framework to independently explain the role of social customs, or other mechanisms of cultural effects, in a society. This idea will also open the way to fulfilling dialogues between institutional economics and the social capital theory in sociology. To understand these problems and our ideas, specifically, we will focus on an empirical case study of private and autonomous mutual aid in Thailand and South Korea, and compare the results, including statistical analyses, in the followings.

I .4 Statistical Tendencies in Korea and South Korea

To understand backgrounds of aspects of 'mutual assistance payments', we would like to confirm several statistical indicators to understand from the view of social welfare mechanism or income inequality both countries.

II . Aspects of mutual assistance payments among households in Thailand

II . 1 Several significant features of our survey results

To capture the characteristics of mutual assistance payments among households, we tried to gather data thrice via the questionnaire in our original survey, which was carried out within the Bangkok metropolitan area from 2011 to 2013. The results of our analysis—in which 1,776 participants completed questionnaire sheets consisting of 14 questions—touched upon several characteristics: age, gender, the number of children, birthplace, and profession, among others. We were able to determine the following three significant features of mutual assistance payments among households in Thailand (see details in **Table II-1**)

II . 2 Results of statistical analyses using our data

To clearly identify the background and driving forces of money-gifting behaviors, we implemented several kinds of statistical analyses: quantitative analyses such as regression analysis and multiple regression analysis. In these analyses, the value of coefficient of association for each property cannot show the answers clearly enough. This means that we cannot prove that the act of giving money as aid is based on certain properties. In other words, it is possible to think that helping others is a behavior that is not only specific to

certain people, but to the whole of society. In sum, these results are interpreted as showing the possibility of a common feature that can aid others throughout Thai society.

III. Aspects of mutual assistance payments among households in Korea

III. 1 Several significant features of our survey results

We also conducted an original survey in the Seoul metropolitan city in Korea. In 2013, we gathered 443 questionnaire sheets that were of a format almost similar to those used in Thailand. **Table III. 1** presents the following three significant features of mutual assistance payments among households in Korea.

III. 2 Several results of statistical Analyses by using our data

We performed the same statistical procedures using our data gathered in Korea in the previous chapter of a case of Thailand. But, our analytical results do not show enough to permit us to point out certain tendencies or characters in Korea.

IV. Comparing Thailand and Korea

IV. 1 Private-human networks for monetary aid in both countries

It there is quite a difference in the scale of the populations among which data was gathered in Thailand and Korea. However, it is useful for us to compare the details of the surveys in order to find similarities and differences in the private human networks, as well as to understand their economic role and meaning, in both countries. We would therefore like to pay attention to the percentage of similarities in the answers to questions mainly presented in this section.

At first, we would like to look at several of the more-detailed relationships among people in Thailand and Korea. According to several data tables, the following two common points are confirmed for both Thailand and Korea: (1) Private mutual-aid networks are mainly constituted by parent-child relationships in both countries. This relationship comprises over 50% of answers in both countries, for both giving and receiving monetary aid. (2) This kind of network has not expanded to include other blood relatives. This is different from the results of past research, which has suggested that there are extensive blood relationships in Asian societies. As an additional point, it was found that human networks in both countries are related to the individual's birthplace, or they are significantly based on it, without taking account of the results of the statistical analyses in previous sections. In the case of Thailand, over 50% of people answered that they send money to their birth areas. In Korea, over 40% of the valid answers show the same result.

However, the following three different points were made for both countries: (1) In Thailand, boy- or girl-friends play important roles in the context of receiving monetary support. (2) In Korea, elder brothers or sisters play the alternative role in the same situation. (3) It is possible that the human network in Thailand is wider than in Korea. And we can identify several additional detailed relationships among people in Thailand.

IV. 2 What is the basis of private human-networks and the driving force behind the behavior of giving aid to others? Rethinking cultural matters and their role in society

As we already discussed, it has been said that we cannot clearly determine behaviors that help others by using certain properties of, or the financial conditions in, both countries based on the results of the statistical analyses presented here. In other words, this means that some other elements within the larger society affect the behavior of helping others. At the very least, we cannot deny that some kinds of cultural elements and social customs play an important role as the common basis for people helping others in both countries. Therefore, we suggest focusing on several traditional social customs that involve different kinds of religious actions. In addition, some researchers have tried to explain the originality or uniqueness of whole societies by referring to their cultural or religious differences (*e.g.*, Hara, 1999; Yoshikawa, 2000). For instance, there is Buddhism in Thailand, and Confucianism in Korea. However, no scholar can present concrete and clear evidence that explains the role of such elements and their effect on the originality of the whole of system, until now.

V. Conclusion and suggestions: thinking of Economic Development Stages and Private Human Networks.

The following three points, which have been expressed above, are essential to our argument: (1) As we have discussed before, the private human network plays an important role in redistributing money among people both countries. In particular, we found that its economic function comprised 20% of the average household income in Thailand. In addition, similar human connections among people also exist in Korea, one of the developed countries. Therefore, it is reasonable to think that there is another redistribution mechanism, based on an “informal” institution, which is itself in the developing stage of the social welfare system. (2) According to the results of our statistical analyses, we suggest an informal institutional basis and cultural elements, including several religious actions, that encourage people throughout society to behave in a way that aids others. (3) At the same time, it is possible to believe that such private human networks also have

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some detailed differences, such as their scale or constitute members, which reflect originalities in the cultural or religious elements of the society. However, we also remain to think the relationship 'informal' institution and economic development stage. In other words, if it is developed economically in the whole of society, is it dismissed private human networks based on 'informal institution'? Or if 'formal institution' is developed, does 'informal institution' become useless in the society?

Table II. 1: Several significant features of our survey results in Thailand

(a)-1	Average total monthly income	15667.84	ratio of all 1716 sheets
(a)-2	(THB)	21035.55	ratio of the 913 valid answers
(b)-1	Average money received monthly from other people (THB)	2582.17	ratio of all 1716 sheets
	Percentage	16.48%	percentage of (a)-1
(b)-2	Average money received monthly from other people (THB)	7951.11	ratio of the 497 valid answers
	Percentage	37.80%	percentage of (a)-2
(c)-1	Average money given monthly to help other people (THB)	3336.04	ratio of all 1716 sheets
	Percentage	21.29%	percentage of (a)-1
(c)-2	Average money given monthly to help other people (THB)	5061.58	ratio of the 1131 valid answers
	Percentage	24.06%	percentage of (a)-2
(d)-1	Monthly tax payments (THB)	293.19	ratio of all 1716 sheets
	Percentage	1.87%	percentage of (a)-1
(d)-2	Monthly tax payments (THB)	687.48	Average of 278 workers in the manufacturing industry
	Percentage	4.79%	percentage of Average income of 278 workers in the manufacturing industry
(e)	Monthly support from NGO, government, and other organizations (THB)	293.14	ratio of all 1716 sheets
	Percentage	1.87%	percentage of (a)-1

(f)-1	How many people receive support and give support to other people each month	487	people
	Percentage	28.38%	percentage of all 1716 sheets
(f)-2	How many people receive support and give support to other people each month	72	people
	Percentage	25.90%	individuals among the 278 workers in the manufacturing industry
(g)-1	How many people are supported by people outside of their household each month	837	people
	Percentage	49.09%	percentage of the 1705 valid answers
(g)-2	How many people are supported by people outside of their household each month	93	individuals among the 278 workers in the manufacturing industry
	Percentage	34.70%	percentage of the 268 valid workers
(h)-1	How many people support others outside of their household	1131	people
	Percentage	66.33%	percentage of the 1700 valid answers
(h)-2	How many people support others outside of their household		individuals among the 278 workers in the manufacturing industry
	Percentage	82.51%	percentage of the 263 valid workers

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Table III. 1: Several significant features of our survey results in Korea

(a)	Average total monthly income (1M KRW)	236.80	ratio of all 443 sheets
(b)-1	Average money received monthly from other people (1M KRW)	3.84	ratio of all 443 sheets
	Percentage of item (a)	1.62%	
(b)-2	Average money received monthly from other people (1M KRW)	44.81	ratio of the 37 valid persons
	Percentage of item (a)	18.92%	
(c)-1	Average money given monthly to other people (1M KRW)	7.60	ratio of all 443 sheets
	Percentage of item (a)	3.21%	
(c)-2	Average money given monthly to help other people (1M KRW)	46.44	ratio of the 72 valid persons
	Percentage of item (a)	19.61%	
(d)	Monthly tax payments (1M KRW)	10.03	ratio of all 443 sheets
	Percentage of item (a)	4.24%	
(e)	Monthly support from NGO, government, and other organizations (1M KRW)	1.869	ratio of all 443 sheets
	Percentage of item (a)	0.79%	
(f)	How many people receive support and give support to other people	0	persons
	Percentage	0.00%	
(g)	How many people are supported by others outside of their household	39	persons
	Percentage	8.97%	percentage of valid 435 persons
(h)	How many people support others outside of their household	86	persons
	Percentage	19.91%	percentage of valid 432 answers

* This research is sponsored by several Japanese external, competitive research grants: “Grant-in-Aid for Young Scientists (B),” *KAKENHI*, no. 24730180, 2012–2015 from the Ministry of Education, Culture, Sports, Science and Technology; “Research promotion for Humanities and Social Sciences” in 2014, through *The Research Grant Program* of the ASAHI glass foundation, and “General Research” in 2014, through *The Research Promotion Program* of RITSUMEIKAN University.

