

# RECAPTURING SPECTRUM VALUE IN THAILAND AS A COMMON BIRTHRIGHT RESOURCE

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We Georgists typically talk about the electromagnetic spectrum as an element of "land" only in passing when alluding to the potential rent from natural resources. But with the growth of mobile telephony in the past fifteen years, the value of the spectrum band, at least that part that is used for cell phone communication, has skyrocketed! One online article puts its value, just this segment, at about \$7 Billion for the United States alone! And given our investment in landlines and other communications, other nations arguably have even greater reliance upon what economists call "natural monopolies."

In 1962 when I was in Northern Thailand in my remote Peace Corps post by the Burmese-Laotian border, the only way I could have asked for help (had I needed it) was to rely on the police radio service to contact Bangkok. Today cell phones are as ubiquitous in Thailand as they are in some advanced industrial nations. As the country developed economically, it didn't retrace the technology stems that unfolded in earlier nations' development histories. When my old village instituted a phone system, it simply put a tower in a central area and everyone bought mobile phones! Given also that even today time schedules aren't as predictable as in the US, a mobile phone is absolutely essential, and urban people all have one, even young children! With traffic jams making appointments somewhat problematic, and the crowded streets limiting easy connections, the phones are even more important for that country's functioning than they are here.

At last count, Thailand ranks 81<sup>st</sup> in per capita cell phones among 212 nations, but that is above France, and only barely below the US, Japan, and South Korea. (Arab countries rank highest, followed by Hong Kong, Israel, Singapore and Northern European nations.) But one should keep in mind that Thailand, a nation of 66 million, is only about 12 percent urban. In any of the cities over a million people, and especially in Bangkok with about 6 million, cell phones allow people to connect easily when otherwise it would be insurmountable given the traffic problems, weather, and Thai casual lifestyles.

So when the cell phone revolution hit Thailand fifteen years ago, it hit with intensity. It came so fast that those positioned to take advantage of this burgeoning financial opportunity were assured of becoming enormously wealthy. Thaksin Shinawatra was so positioned, having had a short career as a police official (an easy guarantee to advancement), exposure to the wider world through graduate study in America, and the right family connections to give him investment resources. He started several businesses in the late 80s, entered politics in the early 90s, and secured the office of Prime Minister in 2001. Having secured a franchise in the mobile phone industry just as it was exploding, he would soon become fabulously wealthy. His empire grew to include other communications enterprises like radio, television, satellite, newspapers, and of course real estate, and was able on that basis to essentially buy his way to political power. In the typical Thai way of doing things, he formed his own political party, started his own newspaper, his own media network, and his own coterie of attendants. Thaksin's wealth came almost totally from his capture of the frequency rents that escalated as the de-

mand and use of mobile phone communication expanded throughout the country. His wealth was essentially a windfall gain; just as the rise in land values are to titleholders. In 2006 he sold his holdings to a Singapore conglomerate, Temasek Holdings, shortly before opposition forces were able to force him from political power and indict him for corrupt practices.

Loose laws allowed the sale to be accomplished without any capital gains tax payments to the Thai government. But equally troublesome was the fact that it gave control of one of Thailand's key industries to an organization beyond its own borders. With control of the now privatized telecommunication monopoly in foreign hands, the nation relinquished a core element of its capital investment. It also lost what is arguably a birthright of the Thai people, the common ownership of its electromagnetic spectrum. Since the spectrum is as much a part of what is classically called "land" as are surfaces of the earth, there is sound reason to maintain that it should be regarded similarly. In tracing the history of Thai ownership, all land was the property of the king, and held by the people in usufruct. Rents took the form of *corvée* labor, a part of crop yield, or tribute. The arrival of western advisors then convinced rulers that fee-simple titles were basic to modernization. Still, Thai law has stipulated for over a century that foreigners are not permitted to own titles to Thai land, but yet natural resources analogous to land have until now escaped the same applied logic. As other natural resources draw greater attention of international business ventures, it is not too soon for the government to turn its attention to the looming danger of losing other resources.

Yet a simple solution rests in the practice of collecting rent from the spectrum yields that have already been relinquished. Were the nation to collect this rent and from other natural resources owned by internationally owned businesses, there would be less incentive for them to be captured by outside interests, giving them less leverage over Thai government and economy, with less tax revenue needing to be taken from Thai people themselves from other sources, and assuring greater recovery of the "commons" the country is now at the risk of losing. Collection of economic rent is the natural defense of nations against the seizure of resources by international businesses on a worldwide basis, a logical protection against the pressures of globalization, and the best protection against corporate power overwhelming political sovereignty. The value of many industries lies in the fact that they yield significant amounts of economic rent. Thai teak forests are largely gone, but tin mines and rubber plantations in the nation's south offer ample opportunities for rent taxation. If the rent is taxed the ownership has value for other purposes only. The resources would cease to be so lucrative a prize for foreign businesses. In appreciation of the merit of collecting rents from natural resources regardless of their ownership, Henry George wrote, (continued on page 15)

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*I do not propose either to purchase or to confiscate private property in land. The first would be unjust, the second needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call their land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the kernel. It is not necessary to confiscate land; it is only necessary to confiscate rent.*

As much as George was an advocate of collecting the socially created economic rent that flowed through natural resources, he also defended free trade among nations. The latter is as controversial today as it was in his time over a century ago. What should also be understood, however, is that George advocated free trade only after economic rent was publicly captured, this to assure that no nation's industries and peoples would stand at the mercy of any other, and that comparative advantages and economies of scale would obtain without beggar-thy-neighbor policies.

I have just returned from a visit to Thailand for the sixth time, and I've watched while the government contemplates other revenue sources. It could do far worse than tax the rents from its natural resources.

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