

## **Editorial Introduction**

In this issue, Consilz Tan (KDU University College, Selangor Malaysia), Leland Entrekin and David Budler (Murdoch University, Perth, Australia) produced a very insightful article on the behavioural implications of Malaysian housing policy. Their article, “Bounded Rationality and Malaysian Housing Policy,” sketches that households encounter a plethora of choices and it is challenging for cognitively constrained human agents to make unbiased decisions. This study uses the framework of boundedly rational behaviour to attempt to understand investment decisions in the real estate market in Malaysia.

This study examines two areas of literature to inform the methodology and findings of the study: the investment decision, and bounded rational behaviours. The authors comprehensively examine the literature in both areas, and to combine them to contribute to the existing body of work.

The data for this paper is based on a self-administered questionnaire distributed by the authors to real estate investors in Malaysia who had sold at least one property in their lifetime. Respondents were required to evaluate statements according to a seven-point Likert Scale (from Strongly Disagree to Strongly Agree). Based on data collected, the authors used an independent samples *t*-test to assess the statistical significance of each motivator.

The results showed that individual investors in the Malaysian real estate market displayed cognitive biases of anchoring, endowment effect and loss aversion, and herding. These results should help inform policymakers in crafting policies to achieve greater sustainability in the Malaysian housing market.

The second article, “Changing Thailand’s Future with Tax Reform” by Thorn Pitidol (Thammasat University), is one of the outcomes of the "Policy Community on Taxation", a collaboration between Friedrich-Ebert-Stiftung (FES) Thailand, Thailand Development Research Institute (TDRI), and the Faculty of Economics, Thammasat University. It provides a glimpse into issues related to taxation in Thailand and offers various perspectives to solve the problems.

In summary, the recommendations for Thailand’s tax reform are as follows:

1. *Generating tax revenue while reducing inequality:* This principle aims at redistributing income from the rich to the poor.
2. *Expanding tax base while reducing unnecessary tax privileges:* To further reinforce the above principle and boost fiscal sustainability, reforms must ensure that more people are included into the tax base for personal income and corporate income tax. Rebates favouring the rich like LTF and RMF should be lifted.
3. *Expanding tax revenue from wealth-based taxes:* Other forms of taxes on wealth should be considered. Some examples are inheritance and land taxes. This principle would help in reducing inequality and wealth accumulation, though should be executed with care.
4. *Reviewing current tax benefits:* This principle concerns reconsideration of certain policies that use tax rebate to promote investment. Such tax policy should be regularly assessed to ensure that it fulfils the objective set. Other investment promotion policies that ease cost of doing business should be considered.
5. *Restructuring government expenditure:* Revenue generation and expenditure structure must be planned out in such a way that would promote welfare of the poor and

- the disadvantaged so not to exacerbate the inequality problem.
6. *Developing new forms of taxes:* Earmarked tax is one option for revenue generation, which is reserved for a specific purpose. This would create transparency of how such tax is being utilized. Another option is tax on capital gain (i.e. stock market) to promote equality in Thailand.
  7. *Promoting fiscal decentralization:* Local authorities should be allowed to collect their own taxes. This would allow them to have more revenue, and also reduces financial burden for the central government. This would increase the degree of local autonomy and administration power.
  8. *Adopting tax measures to solve environmental problems:* Environmental tax is another area that can be introduced into Thailand's tax reform. Apart from generating more tax revenue, this would enhance Thailand's competitiveness in terms of external trades with countries with strict environmental standards. Also, the government can choose to raise the cost of some products (i.e. plastic bags) or subsidize environmental friendly ones.
  9. *Promoting fiscal transparency:* This principle concerns the openness of information related to tax revenue and expenditure, which would impart the sense of trust among the public (i.e. so the public know they indeed benefit from tax payment in some ways).
  10. *Restructuring political structure:* A tax reform would be incomplete if a political dimension is not considered. As tax reforms would concern some stakeholders politically and economically, actions should be taken to promote people's participation in the reform process.

The third paper from a practitioner’s research paper, “Role of Education Policies in Bhutan and its Impact on the Economy” by Deki Wangmo of the Department of School Education, Ministry of Education of Bhutan analyses and reviews the link between education and economic growth, particularly in the context of Bhutan, and provides policy recommendations for fostering greater economic growth through education policy reform.

Bhutan began its system of formal education in the 1960s, and today provides 11 years of free basic primary education up to the age of 16. After the age of 16, students, depending on academic ability, are either diverted into further education or technical colleges. Bhutan spends roughly 18% of its national budget on education, approximately 7.3% of GDP.

The paper discusses the positive impact of education on the economy. The economy of Bhutan has been growing by 8%, on average, since 2000, and GDP per capita has tripled from US\$780 to US\$2,460. Bhutan’s increasing enrolment and education numbers are also reflective in the shift from a reliance on the primary sector, to greater shares of manufacturing and services in the economy.

Nevertheless, there are some drawbacks. Bhutan’s economy has not developed fast enough to absorb new graduates, resulting in 42% of unemployed in the 15-24 demographic being holders of bachelor degrees and above. This also has other social implications: the location of higher education institutions has encouraged rural-urban migration, and the lack of relevant jobs for fresh graduates are both inefficient uses of their training and education, and has costs in terms of wages foregone while studying.

While education policies have helped transform Bhutan’s economy and the lives of its citizens, issues such as high unemployment among graduates and the burden of increased rural-urban migration need to be addressed. Bhutan needs to

better complement its education policies with the needs of its economy through greater cooperation between the private sector and policymakers.

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