

The 9th VCP National Congress in April 2001 introduced the Strategy for Socioeconomic Development for 2001-2010 that stressed, "the socialism-oriented industrialization and modernization must be beefed up in order to turn Vietnam into an industrial country by 2010. The stable economic growth must be coupled with social progress and equality and protection of the environment. The economic reform must be accelerated and based on all

cies aiming at social equality could annihilate the dynamic of economic growth. On the other hand, policies encouraging the economic growth could make inequality more serious. The problem here is how to work out a reasonable relation between the two. To answer this question, we must look over both theories and practices.

1. Concepts

The economic growth according to economics and development economics is the increase in the

views taken. Different views lead to different understanding of the relation between the two. However, the social equality could be perceived horizontally and vertically.

Horizontal equality means the same treatment to persons with the same contribution. Vertical equality means different treatment for unprivileged persons. The market economy can ensure the horizontal equality while the vertical one requires intervention of the government. Identifying and combining both

economic growth generate the social equality if they are not in conflict? Is the social equality an effect of, or a precondition for the economic growth?

In fact, these questions have faced many economies in certain period. And changes in these economies show that results of the imbalance between the economic growth and social equality are models that couldn't go in parallel with the economic development. Social equality is a great desire and many theories have

On the Relation Between Economic Growth and Social Equality

by MEcon. PHAM THI TUY



existing resources with a view to building an independent economy that could integrate into the world market and ensure the national defense."

However, to achieve both economic growth and social equality is no easy task, because the former could be achieved but the latter couldn't be ensured; or the social equality is only on paper for the lack of economic growth. Realities show that there is a lot of evidence about the conflict between the two. Poli-

real output of an economic in a specific period, or in relation with a base year. In other words, the economic growth is the increase in the quantity of goods and services supplied in a specific period. In this meaning, the economic growth could be measured by increases in GDP or personal income. The economic growth reflects the quantitative aspect of the economy over time.

Unlike the economic growth, the social progress and equality depend on

vertical and horizontal equality could lead to real social equality.

2. Relation between economic growth and social equality

The act of identifying concepts and criteria of the economic growth and social equality hasn't solved the question of what is the best relation between the two. Are they conflicting processes? If it is the case, the economic growth can't help us achieve the social progress. Will the eco-

insisted on it rather than the economic growth.

a. Equality-oriented model: This was the model found in many socialist countries after the World War II. In these economies, the concentration of wealth, or capital goods to be precise, was considered as an obstacle to the development of productive forces. And as a result, everything of the rich was divided among the poor, land and factories were nationalized and the rich were oppressed. The basis for the distribution system

was the egalitarianism. The State provided everybody with social benefit regardless of the level of economic growth. This model was supported by the poor in the post-war period but could last long. The egalitarian principles became obstacles to the economic growth and led to inequality between the ruling class and the grass-roots. Efforts to adjust this model ended in failure and these countries had to adopt the market economy where the problems of equality and economic growth are dealt with by different approaches.

b. Human-centered model: This model is not much different from the equality-oriented one. It supports sustainable existence of human beings and the environment rather than the economic growth, and considers the equality as a basis for the economic growth. We may say, this model is attractive but not practical.

c. Model of economic growth with a certain extent of inequality: This model maintains that the economic growth certainly leads to inequality, that is, the economic growth is ensured by inequality in distribution and increases the inequality. This model is based on lessons of the development of capitalist economy. Its proponents argued that industrial and technological revolutions were due to the capital accumulation and along with it, impoverishment of the masses. The result of this model is the inequality that is so great that it hinders the next stage of development. In such economies, the richest, equaling to some 20% of the population, control some 83% of the social wealth while the poorest (some 40% of the population) hold only 3.3%. Generally, it is the counterbalance to the above-mentioned models and isn't the solution adopted by most countries today.



3. Vietnam's approach to the problem

At present, there are two approaches to the relation between the economic growth and social equality: satisfying basic needs and redistributing wealth based on the economic growth.

The first approach, satisfying basic needs, is a viewpoint that made its appearance in the 1970s and was supported by many international organizations. This strategy aims at supplying services as a way to redistribute the wealth generated by the economic growth and help the masses to take equal parts in economic activities. It maintains that the market mechanism couldn't redistribute the wealth by its own, so governments have to intervene in order to overcome defects in this mechanism by using part of income of persons who benefit the economic growth to supply basic services to the poor. This strategy requires many supporting policies (taxation, interest rate, subsidies, etc.) along with other resources for the government to realize it. At the first stage of development, however, the wealth generated by the economic growth is usually small, therefore the strategy

looks more like a social program than a strategy that keeps the economic growth and social equality in harmony. In other words, the strategy isn't much feasible in developing and under-developed countries.

The second approach was introduced and supported by the World Bank. Redistribution by economic growth means that the wealth generated by the economic growth should be distributed in a manner in which the personal income is improved over time while the economy keeps growing. This strategy aims at increasing the production and spending power. In this model, the government's policies should ensure opportunities from the masses to earn more income and receive necessary resources needed for development of their business.

These analyses show that the possibility of the economic growth linking with social equality is based on an assumption that the equality is not contrary to the economic growth. To Vietnam, a developing country, the WB suggestion could be seen as a possible solution to the relation between the economic growth and social equality.

Vietnamese government understands that the economic growth must be coupled with social progress and equality at every stage of development.

The social equality reflects itself in the distribution of wealth and availability of conditions for the development of abilities of all members of the community. Fuller attention must be paid to the social progress and equality, especially in the transition to the market economy.

It isn't wise to wait for the economy to develop to a certain degree to start solving the social problems, or sacrifice the social progress and equality for the economic growth. Each economic policy must aim at the social progress, and each social program must serve the economic development. This means that at each stage of development, the social targets must be adjusted accordingly.

The social progress in a socialism-oriented economy not only includes the redistribution of wealth but also aims at providing the masses with necessary services and social benefits with a view to helping everybody to improve abilities and living standard. ■