

## I. POLICIES AND POLICY MAKING

1. Policy making, especially socio-economic policies, is an operation of powers of reasoning that can direct practical operations. The reasonableness of policies, thinking through, depends on understanding of and attachment to realities, because reality is the only criterion for deciding on the truth.

That is why the reasonableness of policies has a great meaning: it can lead millions of

people working together to accelerate the development on the one hand, or hinder the development when common effort of millions of people is directed by voluntarist reasoning.

2. Let's study an example. Analyzing mistakes caused by the voluntarism and impatience, the VCP VI Congress has remarked that: "... desire has replaced practical reasoning", and Phạm Văn Đồng wrote: "With this wrong way of thinking and practicing, the most dangerous deed we had committed is to pay no attention to objective laws and only want to take the shortest cut to development without taking into account current conditions and our starting point. In retrospect, I myself really wondered why I could close my eyes to what was happening day after day and plunge into mistakes for which we had to pay the high price later. Obviously, this is the lack of intelligence in both thinking and acting, both theory and practice." (1)

Being a brave man, he came to the conclusion that: "to renew means to get rid of obsolete, old, and backward things, to renew what could be renewed and create new things. This is the intelligence that isn't easy and quick to obtain." (2) Therefore, "by getting rid of what we consider as obsolete and harmful, we can gradually, and bravely, come to an acknow-

ledgement of this fact. However, this acknowledgement can't help us realize the new immediately, especially ones that are appropriate to objective laws, workable, able to save the day, acceptable to society and people." (3)

3. Making policies reflecting the new "that are appropriate to objective laws, workable, able to save the day, acceptable to society and people" isn't something "easy and quick

to obtain". So, in my opinion, policy making is a scientific study, and moreover, a science. It is the management science, the sum of experience and the discovery of laws in practical operations. From experiment, we gain new knowledge that could be generalized and developed into logic or theory which, in its turn, can direct practice.

Directing practice, or

can study, discover and learn about laws in laboratories through experiments. In social sciences, ironically, the laboratory is the society itself. A socio-economic policy, as an experiment on society, will affect the life of each individual, each social class and the nation as a whole. Sometimes, such experiment results in great, and unbelievable, losses.

An adjustment to agricultural policy caused by Resolution 10, by which farmers were free to do their business, eventually led to a marvelous and unpredictable change: Vietnam, from an importer of rice became one of the world leading exporters of rice. Naturally, to achieve this change, a series of adjustments to other policies had to be made, but there is no doubt about great effects of Resolution 10 on the agricultural production policy. It's really something "appropriate to objective laws, workable, able to save the day, acceptable to society and people."

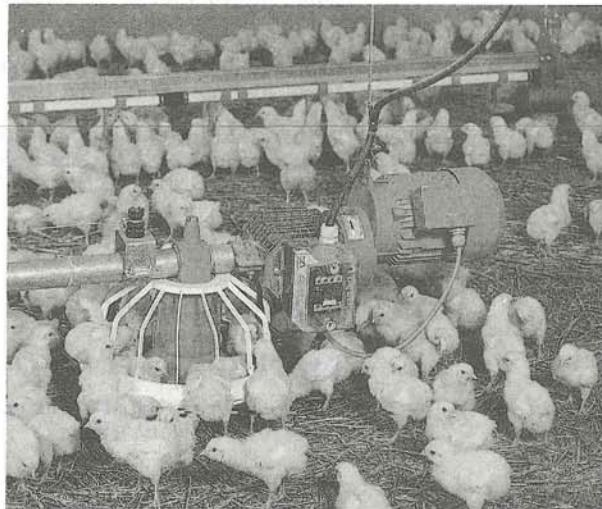
Thus, to make a right policy, there must be a close examination of new developments, the understanding of changes in realities and the courage to admit mistakes and support reforms. From understanding and new knowledge, we can develop them into the logic, or a theory, and apply it to the policy making process.

Returning to the problem of reforming the policy on economic sectors, I want to mention two aspects that are interrelated and interact each other: reforming policies on economic sectors and

## SOME OPINIONS

## ABOUT THE POLICY ON ECONOMIC SECTORS

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ledge of this fact. However, this acknowledgement can't help us realize the new immediately, especially ones that are appropriate to objective laws, workable, able to save the day, acceptable to society and people." (3)

more exactly, directing the human operation -the operation of millions of individuals with a view to making it suitable to socio-economic laws- can help the human being operate according to objective laws, but it can't direct the laws. The human being can learn objective laws in order to make their actions appropriate to them, thereby accelerating the development.

In natural sciences, one

relations of production under the socialist orientation.

The first aspect determines the second and the latter clarifies the former, however, to understand the first we must study the second.

But this problem or aspect hasn't been clarified and perhaps, the VCP Cen-

"progressive relations of production appropriate to development level of productive forces" aiming at "making people rich; country strong; society equal and civilized". Arguments I present here about "reforming the policy on economic sectors" will be based on this assumption in order to ensure the

is, first of all, the change in our economic thinking: we accept a mixed economy which operates according to the market mechanism.

This is the core content of the reform. I say so because this is the radical change in the material foundation of social life which could lead to other changes in our behavior

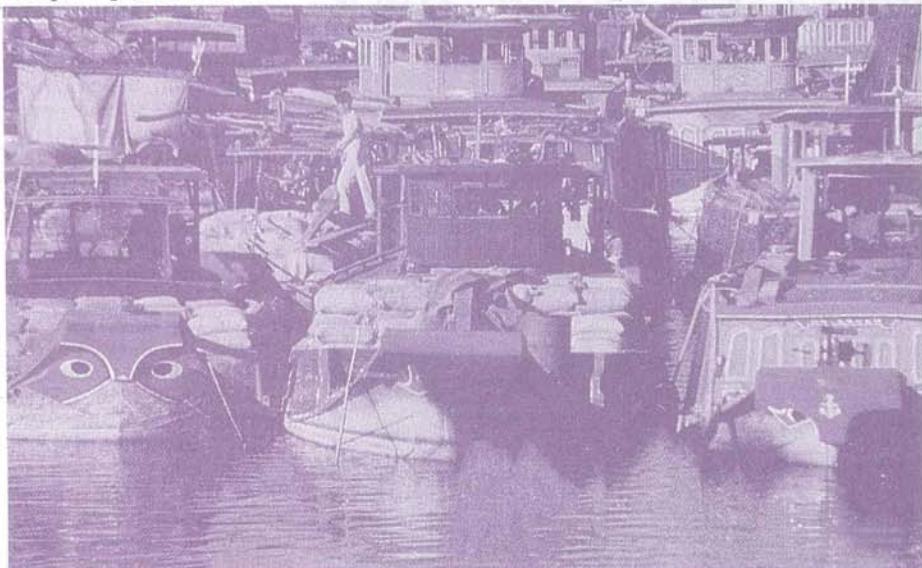
taxpayers. As a buyer, we have right to demand what we buy is worth every penny and as a taxpayer, we want better public services from the government. Thus, the people have changed from the habit of showing gratitude to the Party and the Government to the demand for the Government and the Party to say thank you to taxpayers. In other words, there is more democracy in relations not only between citizen and citizen but also among all legal entities.

Thus, all habits of asking for and giving favor generated by the subsidization mechanism have no reason to exist if the market mechanism is developed on a legal infrastructure built by a constitutional government. Naturally, the market we discuss here is a civilized and lawful one, not a wild or captured free market nurtured by the bureaucracy, corruption and bad management, or more seriously, by businesspersons conniving with people of position.

In the market mechanism of a mixed economy, the basis for the behavior is strength, or real ability. In the healthy competition, it's the real ability that will have the last laugh and there is no room for poor-quality goods and services, especially when regarding labor as a special commodity. Of this kind of commodity, the grey matter is of the highest value and price.

At this point, Marx's prophecy "Science will become a direct productive force" should be applied intelligently with a view to helping this force develop its potentials and accelerating the socio-economic development. Unfortunately, his prophecy hasn't been understood and appreciated for a long time.

It's worth repeating that what I present above is based on the assumption that Vietnam really adopts



tral Logic Commission is still concentrating its efforts to clarify it, so we had better wait for the result. For the time being, we can start our study from an declared aim: "to make people rich, country strong and society equal and civilized."

The VCP 8<sup>th</sup> Resolution affirmed that "the industrialization and modernization program aims at (1) making our country an industrialized economy with modern infrastructure; reasonable structure of industry; progressive relations of production appropriate to development level of productive forces; spiritual and material lives of high quality; and firm national defense, (2) making people rich; country strong; society equal and civilized, and (3) building successfully the socialism."

From this affirmation, I assume that the relation of production under the socialist orientation is the

logical feature of the concept of "rich people, strong country, equal and civilized society as the real content of the socialist orientation". And our arguments will be meaningless if they are based on other assumption.

## II. THE CORE OF THE REFORM OF POLICY ON ECONOMIC SECTORS

1. When we say (we should) "keep on reforming", we mean that the reform has started before now, it has its own process and it now comes to a new stage.

Then, what is the core of the reform which has started after the VCP 6<sup>th</sup> Congress? "The tendency towards the reform has led to great changes, and first of all is the change in our way of thinking, and this change is very difficult, not to say more difficult than any others." (4) Fortunately, the change in our way of thinking

and thinking way.

Accepting the mixed economy means recognizing the existence of other sectors besides the public one. This also means that we recognize private ownership (even in a certain period only, although this isn't written down in VCP documents). Going from the principle of removing the private ownership declared by Marx and Engels in their *Communist Manifesto* to the recognition of the private ownership (even temporarily) is a basic change that could transmute all logic arguments we have learnt by heart.

Along with the private ownership, we also accept the market mechanism. This is an inevitable outcome and a radical change in our behavior towards all relations (between man and man, man and nature, citizens and the state, etc.) From now on, we can think of ourselves as buyers and

the market mechanism of a mixed economy.

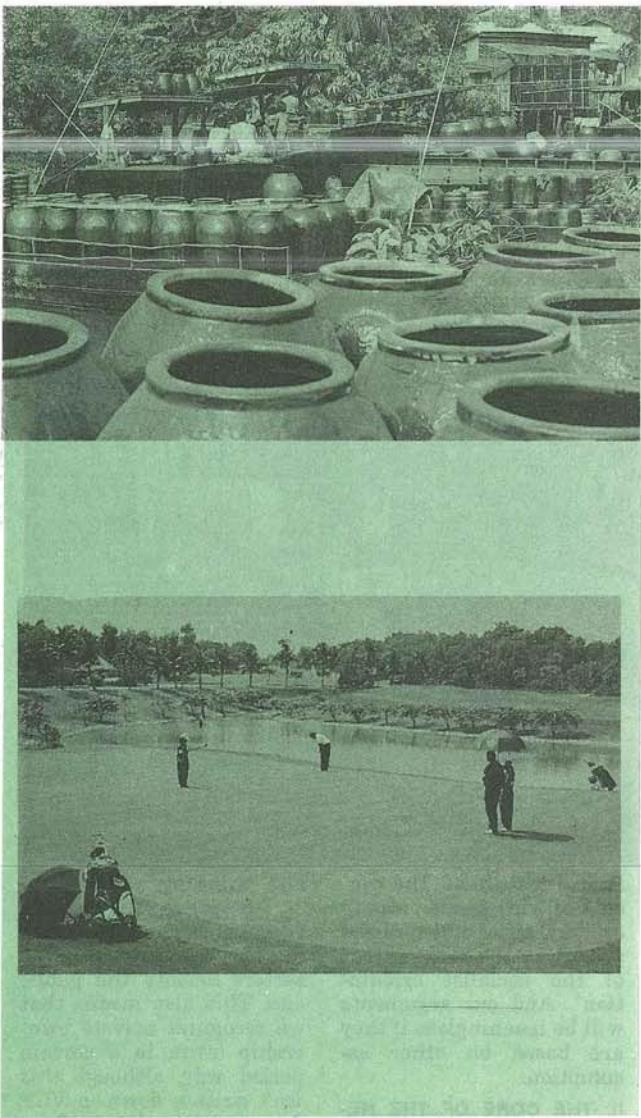
We have to change, definitely, to the market economy in a determination to "get rid of what we consider as obsolete and harmful", give up "models that are alien to socialism", and build a new economy with "rich people, strong country, equal and civilized society" as its real aim. This is also the real content of the socialist orientation.

If we fail to change definitely to the market economy, thereby forcing behavior of the public to change accordingly; and let the bureaucracy hinder social progress, paradoxes we are facing now will keep on developing. The corruption, for example, seems incurable because it has originated from businesspersons' alliance with people of position. This is a product of the centrally planned and monopolized machinery and a captured free market. The prolonged existence of this alliance causes the corruption to become widespread and undefeatable.

2. From this viewpoint, we see that the policy on economic sectors is a basic one that affects all economic activities. At present, we are talking a lot of internal strength and how to tap it, especially during the Asian financial crisis. This strength is determined by many factors, especially human resources, capital and management.

#### a. Human resources

After efforts to rearrange the public sector in 1990-92, the work force employed by this sector reduced to 1.78 million, and then, to 1.72 million in 1995. During these five years, foreign-invested projects have created 90,000 new jobs. Thus, two sectors enjoying preferential treatment in terms of tax, land use right and credit supply created no new jobs in the years 1991-1995.



This scarcity of employment opportunities means that there are shortcomings in the system of encouragements offered to investors when the only, and most important, advantage of Vietnam, as most analysts pointed out, is its cheap, disciplined and educated labor force.

However, five years have passed with US\$6 billion invested in Vietnam, the foreign sector created only 90,000 new jobs in all industries with an expense of US\$60,700 for a job created. According to a rough estimate, the foreign sector, in this five-year period from 1996 to

2000, can only create around 60,000 new jobs a year. In other words, this preferred sector, in this period, can only offer jobs to 5% of young people coming to working age every year. Who will take care of 95% of the working force badly in need of employment?

In the past five years when the number of redundancies from the public sector increased and the foreign sector could supply a small amount of jobs, most employment opportunities have been offered by the private sector. (5)

According to a survey of HCMC economy in re-

cent years conducted by Prof. Dr. Nguyễn Thị Cảnh, the public sector held 70% of capital and assets of the HCMC economy, but it's the non-public sectors that have contributed to the social progress by employing some 77% of the local working population. (6)

I has referred here to human resources in general, especially the employment, I restrained myself from referring to the quality of the work force, especially the grey matter as a commodity.

#### b. Sources of capital

Up to now, there has been no reliable estimate of the value of dead capital held by the public except a guess that it is really a very big sum. But the problem is how to tap this abundant source.

According to Prof. Nguyễn Thị Cảnh, the HCMC economy made a growth rate of 14.6% in 1994 (the public sector accounted for 6.94% while non-public sectors 5.5%) and of 15.3% in 1995 (the public sector: 5.48%, non-public sectors: 5.24%). In 1997 when the development of the private and foreign sectors slowed down, the growth rate of HCMC economy fell. (6)

These are results of private investment. As for the dead capital held by the public, there must be suitable measures to encourage them to turn their savings to investments. There are many things that make them reluctant to do it but the main reason is their doubt about the monetary policy and investment environment.

In addition, privately-owned small and medium-size businesses which proved to be more flexible, active and effective than the state-run big companies haven't received necessary encouragements from the government. The investment environment, especially the legal infrastructure, isn't favorable for their development. This

is also an important reason for the big sum of dead money lying uninvested.

#### c. Entrepreneurship

Another assets that aren't fully used are grey matter, information and managerial skills. These assets, in fact, belong to individuals but in the market economy they become valuable commodities. However, common attitude towards them is still affected by the old way of thinking that used to appreciate only material production and commodities. That is why these assets are wasted, and as a result, the internal strength of the economy is weakened. This situation is not only an economic matter, but also related to logical arguments about social classes.

Up to now, in our political view, the businessperson, as a social class, has never been put in right position. At the beginning of this year, the PM had meetings and talks with businesspersons from north to south. It's a good start, but these meetings were limited to business and economic problems. It's important to discuss these problems but discussion only is not enough. The obsession with "human exploitation" deduced from the instruction to prevent VCP members from doing private business has made many people raise doubts about the continuation of policies to develop a mixed economy. Discrimination against "new capitalists" existing somewhere in what so-called orthodoxies has made these doubts more persistent.

As long as these doubts persist, there will no businesspersons who have enough skill, knowledge and experience to bring economic activities to the integration and development process. It's a sad fact that up to now there is no Vietnamese businessperson who can act as an equal partner in joint venture with foreign

party.

As long as experienced and skilled businesspersons aren't held in high regard and allowed to develop, there is no developed market economy, not to mention a wealthy country and a civilized and equal society.

#### III. CONCLUSION

Realities from the economic reform in recent years allow us to realize that social targets for a policy can't be separated from economic ones. People are increasingly realizing that social targets must be considered as a dynamic of economic development and social factors as internal strength, so it's unreasonable to have social targets determined by economic achievements. In other words, we had better not set forth economic targets first, and then, suit social targets to them. On the contrary, we must see that there is interaction between social and economic targets.

To speak of social targets means referring to human beings and their interests. The human being is not only the most important resource but also the object towards which all economic activities are directed. That is why modern economic theories have introduced a concept that the core of an economic policy is the way by which resources are allocated, and allocation of resources means allocation of wealth. Therefore, a society could be estimated by considering nature and features of its way of allocating resources.

People are increasingly realizing that economics is closely related to sociology. That is why many people tend to consider economic policies as social policies in economic field.

Naturally, it isn't easy to do it, because, of the rights all people have to have, economic rights are the most basic, political rights are the most im-

portant while social rights are the highest and the most difficult to obtain, even if they are recognized by the rulers.

What I present above aims at an idea that becomes main content of my suggestions about reform of policies on economic sectors. This idea is: all policies on economic sectors, thinking through, originate from realities that operate according to their laws, and as Marx put it: "Even as a society discovers laws of its operation, it can't leap-frog over necessary stages of development, or use decrees to remove these stages. But it can shorten them and relieve suffering." (7)

We have learned our lesson of the voluntarism that "wants to take the shortest cut to development without taking into account current conditions and our starting point", and thereby prolonging and worsening the socio-economic crisis. The economic reform has helped the country out of danger. The core of this reform shows itself well in the policy on the mixed economy under the market mechanism. It's a fundamental policy that affects deeply the socio-economic life in the past ten years. Realities show that when a policy is appropriate to objective laws, it will be approved by people and accelerates the economic development. Reluctance and fluctuations that can help prolong the existing subsidization and centrally-planned mechanism will cause great and unpredictable damage.

To continue the reform of the policy on economic sectors is a way to keep on realizing resolution set forth by the VCP 6<sup>th</sup> Congress, encouraging new achievements and a new dynamic for all sectors to develop.

Facing the Asian financial crisis, we have no alternative but to keep on changing our way of

thinking and reforming our strategies to liberate productive forces, thereby developing the internal strength.

Interaction between things leads to interaction between thoughts, and not vice versa. We have to develop our internal strength. Without it, we can't have ability to receive foreign investment. That is why I consider the reform of the policy on economic sectors as the best way to overcome difficulties and mobilize all possible contribution from people to enter a new stage of development. The dynamic must take shape within the country although external help is of great importance. In short, to integrate into the world economy, we must have the internal strength which originates from changes in our way of thinking.

(1) Phạm Văn Đồng, *Văn hóa và đổi mới* (Culture and Reform), Chính trị quốc gia, Hà Nội, 1994, pp 35 - 36.

(2)& (3) Phạm Văn Đồng, ibid, pp 48-49.

(4) Phạm Văn Đồng, *Hồ Chí Minh và con người Việt Nam trên con đường dân giàu nước mạnh* (Ho Chi Minh and Vietnamese People on the Way to a Wealthy Country), Chính trị quốc gia, Hà Nội, 1993.

(5) UNDP & UNICEF Reports, 1996, p.29.

(6) Nguyễn Thị Cảnh, *Thực trạng phát triển kinh tế trên địa bàn TP HCM trong thời gian qua* (Economic development in HCMC in recent years - a report)

(7) K. Marx-F. Engels, *Toàn Tập* (Complete Works), tập 23, Chính trị Quốc gia, Hà Nội, 1993.

Speech at the seminar: "Continuing Policy Reform for Economic Sectors With a View to Building and Perfecting Productive Relations under Socialist Orientation in Vietnam" held by the HCMC University of Economics from Sep. 21 to 22, 1998