

**S**peaking of the multi-sector economy, two questions are usually raised:

- What sector will play the leading role?
- How can we ensure all sectors the equality of opportunity?

These questions are controversial problems. The following are some personal opinions of these issues.

#### I. THE LEADING ROLE OF THE PUBLIC SECTOR

At one time, everybody was happy when one more state-run business came into being. But the time passed and everybody has second thoughts about it.

The number of state businesses having high efficiency, big contribution to the treasury and being famed for managerial skill is small. This number made up around 30% of state businesses, of the rest, 40% could break even and 30% are making losses. Generally speaking of the public sector, its return on capital was only 5% (lower than the inflation rate). No public treasury could afford such a big subsidy.

Some people argued that state businesses made up a large percentage in the public treasury. It's right. But, sad to say, state businesses are holding 75% of national resources and

contributing only 30% of the public treasury. Their economic efficiency is too low to play the leading role in the economy.

Playing the leading role means performing the following functions:

- Being the decisive factor in making the country strong and the people rich.

- Having a high growth rate and stimulating other sectors to develop.

- Being a good example of how to apply new technologies and management methods to business.

- Having the ability to accumulate capital in order to expand production.

In the strict sense of the expression, no state business can play the leading role unless it takes advantage of economic strengths of the government (natural resource, funds, national reserves, well-trained workforce, etc.) which could be used to help businesses realize the socio-economic plans made by the Government.

The economic strength of the government is the base of the public sector, and every state business comprised a part of this sector.

Only the public sector, with the economic strength held by the Government plus a mechanism for economic management appropriate to

the market economy, can play the leading role, in its strict sense, in the multi-sector economy.

Thus, the public sector is constituted of two factors: (1) the economic strength held by the Government and (2) an appropriate mechanism for economic management that can make the best use of the economic strength to make the country strong and the people rich.

Successful state businesses are those which can exploit these factors wisely and creatively to develop their businesses.

So why are there a lot of loss-making state businesses? Some people said that their directors should bear full responsibility for this. It's only a bit right, and in some cases, it's wrong. Doing business in the market economy for a time, many lay directors became mature. They have learned a lot from experience and had ability to make decision and take responsibility. But it's difficult for them to do anything with an obsolescent mechanism for management, in other words, their hands are tied by administrative regulations. Many rights of the state business recognized by law were so violated frequently that the Chairman of the Vietnam Industrial and Commercial

# THE LEADING ROLE AND EQUALITY OF OPPORTUNITY IN THE MULTI-SECTOR ECONOMY

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chamber had to say: "In many fields of activity, there is a tendency to restore old regulations and ways of performing one's functions" (heard at the conference of businesspersons on Feb 8, 1995).

Therefore, keeping on renovating the mechanism for economic management is a matter of great urgency in developing the public sector so that it can play the leading role in the multi-sector economy.

It's necessary to affirm that the public sector will only be healthy if each state-owned business is healthy. So reorganizing state businesses is also a must.

Recently, two ways of reorganizing state businesses are adopted by the Government. They are the equitization of state businesses and formation of group of companies. But in realities, the realization of these processes met with a lot of difficulties and aroused a lot of controversy.

As regards the equitization, needless to say, it's a common trend in developed countries, many private businesses have changed into joint-stock companies with a view to reducing risk, improving the management, increasing working capital, socializing the production, etc.

The Government and the Party have given many detailed instructions to carry out the equitization of state businesses, but sad to say, in the past three years, this process has been only a pilot scheme. Many state businesses wanted to be equitized and submitted plans to their superiors for approval, and all they receive is a flat refusal, while the equitization is a request of businesses and a wish of the people.

As for the formation of groups of companies, it's a right policy, because in an open economy, a single company can't compete effectively with powerful foreign companies, but what should be considered carefully is the method of realizing it.

- We had better combine state businesses only to form groups, or combine state businesses with private ones with a view to form more active groups, which way is better?

- Can the Government form groups of companies (including state businesses only) by a mere administrative order? Doing so means the Government belittles the autonomy of the state business. So why hasn't the principle of voluntariness been respected?

- When companies within the same industry are combined, will the fair competition, one of dynamics of the market economy, be eliminated?



## II. EQUALITY OF OPPORTUNITY

One of many strengths of the market mechanism is the ability to stimulate all economic sectors to increase output, reduce cost, improve design and package, or supply the best services. In the other words, there must be a common playground for all players and common rules of the game applying equally to all economic sectors or businesses, regardless of the public or non-public ones. This requirement has been affirmed in many law documents.

But recently, complaints about the lack of equality of opportunity have heard from both the public sector and non-public sectors. Directors of state businesses have set forth the following examples:

- State businesses should keep business accounts minutely as required by government regulations. They can't avoid or evade taxes. Moreover, there is no entry in any account for amounts of money paid under the table when directors wanted to oil the wheels, whereas the director of private business is free to do it.

- In making a decision, the director of state business has to submit plans to various governing bodies and superiors for approval, so a lot of time and opportunities are lost, whereas the director of private business can make decision before you could say Jack Robinson.

- Directors of state businesses don't have the right to pay high salaries to much-needed experts, so they can't compete with private directors to attract skilled laborers. Moreover, many technicians and skilled workers have said goodbye to state businesses and departed for private or foreign ones because of high salaries.

- Directors of state businesses themselves have got low salaries, even skilled workers can get higher ones, whereas the working day of directors doesn't limit to eight hours a day, their workload is very heavy and they have to do mental works

which are more difficult than physical works.

- Directors of state businesses have no right to realize the accelerated depreciation with a view to getting enough money for replacement of old equipment, even they don't ask for depreciation allowance.

There's no end of complaints about these things and so forth.

As regards private directors, they weren't any less dissatisfied. Although they enjoy complete freedom to make decisions, but they have to pay a lot of money under the table. And the greatest sorrow to them is that they aren't judged by their own merits although they do business lawfully and honestly. They are usually accused of making state businesses shelters from taxes.

All the complaints have their own reasons and they reflected one wish: having a healthy and equal environment to do business and compete with each other. How can this problem be solved?

Many directors of state businesses said that: "Give me an appropriate mechanism and full autonomy, I will bear full responsibility for the business performance. The administrative management and business management should be discerned".

Private directors wanted to be treated as equally and respectfully as other directors were treated. And as we know, these directors have ability to mobilize great potentials held by the grass roots.

When many economic sectors co-operate and compete with each other, the unfair and imperfect competition is inevitable. The Government, acting as a referee in a match, is responsible for restoring laws and order, punishing those who break the law.

Experience of developed countries shows that a perfect mechanism in which all economic sectors are treated equally, and a clean and effective administrative machinery are two basic preconditions for success.