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JEL Classifications: G18 ; E22 ; L14 ; L26 ; P20 ; P31

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Vuong Quan Hoang*
Dam Van Nhue†
Daniel van Houtte‡
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* Corresponding author; Centre Emile Bernheim, Universite Libre de Bruxelles; ULB CP145/01 21 F.D. Roosevelt, Brussels B-1050; e-mail: qvuong@ulb.ac.be
† National Economics University (NEU), NEU Campus, Giai Phong Road, Hanoi, Vietnam.
‡ Solvay-NEU Masters’ in Management Collaborative Program, NEU Campus, Hanoi, Vietnam.
§ DHVP Research & The Vietnamese Initiative for Foods and Agricultural Policy (VIFAP), 49 Nguyen Hong Street, Hanoi, Vietnam.
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This paper examines the facets of entrepreneurial process in the socio-cultural and economic context of Vietnam before the kickoff of an extensive renovation of Vietnam’s economy – usually referred to as “Doi Moi” – in 1986. In this analysis, we focus on several important aspects of the process that leads to the starting point of the full-blown version of Doi Moi, that have been obscured due to the bias of the research community, which have mostly discussed the after-Doi Moi economic phenomena and normative predictive consequences. By taking several steps back into the past, the analysis would like to stitch together pieces of understandings from (i) socio-economic problems of Vietnam before 1986; (ii) views and arguments from international and national scholars on the issues; (iii) theoretical and practical understandings on entrepreneurial process with an emphasis on Vietnam’s situation; and, (iv) Post-Doi Moi economic realities that could help reinforce our argument on the role of entrepreneurship in Vietnam’s economic transition, not just for the past 25 years of reform in Vietnam, but also the renewal of such process in the near future, or as some put “Doi Moi II.”

The primary aims of this paper is to shed some light on how the transformation in the minds of people who made the history happen had really taken place at some point of history by itself. Our hypothesis is that although the contemporaneous economic reform of Vietnam was formally dated in the VIth Congress of the Communist Party of Vietnam in December 1986, the outcome of that hallmark socio-political event itself was an achievement of a long-standing theoretical and also ideological, struggle between economic thoughts existent inside the elite circle. This struggle was partially solved in this Congress due to the economic realities of the economy, while the economy itself continued to move due to the continuous works, spending, investing and hoping of millions of people in the country.

1. Vietnam’s Socio-Economic Problems before 1986

The reform process itself could be divided into three major periods: (i) realizing economic problems with the Soviet-styled centrally planned model, 1976-79; (ii) initial experiments of reality-based economic policy adjustment, with some institutional rigidity being relaxed, 1980-86; (iii) the institutionalizing of an extensive economic renovation package nationwide, Doi Moi, 1987 to date.

The main features of these stages have been documented in many scholarly works by economic historians, such as Vu (1994) or Dang (2005). We now take a brief look at them.

Before Doi Moi, the model of command economy had been gradually institutionalized in North Vietnam since mid-1950s, bearing a number of salient traits as described below.

All major economic activities were pre-determined in plans set out by the State. These could only take place in line with a system of production plans, financing plans, price plans and goods distribution plans. Plans were supposed to be prepared and coordinated in “socialist scientific” manner, thus absolute conformity to State’s predefined plans was a standard, and not matter of discussion or debate. Fulfilling plans ordered by the State was not only a major economic target for enterprises and cooperatives, but also a political mandate the bosses of these economic entities wished to accomplish for their promotion in the future.
The national economy was considered safe and sound if it consisted of mainly the State-run enterprises and collectivized economic entities, such as agricultural, credit and small-scaled manufacturing cooperatives. In this scheme and view, larger-scaled private enterprises were not welcomed, and should be “transformed” into integral part of the collective or State-own sectors.

The market mechanism did exist but its operation was limited to a fairly minor and uninvested economic sector of small-scaled private enterprises and households. The sector at most consisted small operations in agricultural production, handicraft and basic consumer goods manufacturing and retail business. The State enforced the limit to which the private economic sector could expand also by controlling the trade and distribution of capital goods, including materials for large-scaled manufacturing activities, machinery maintenance, fuels, construction materials, and spare parts, without which, private manufacturers were unable to plan longer-term business operations.

Foreign trade and foreign economic cooperations were solely determined and monopolized by State-owned enterprises, in many cases under austerity of the State. International economic relationships were a monopolistic function assumed by the State.

Financial subsidies, in various forms such as “soft” loans, low costs of production materials, the write-off of losses, expropriation of the State budget, foreign debt repayments, etc., were found common in almost all economic enterprises owned by the State.

Foreign aids also started to decline in the last two years of the 1970s; this trend adversely affected the State’s budget. Budget deficits, economic inefficiency and the hardship that Vietnamese people faced in this period all together unveiled serious economic problems that the modus operandi of a centrally planned model intrinsically contained. The situation demanded immediate solutions to (i) get the national economy out of the state of stagnation, and (ii) prepare the foundations for modernizing the economy toward the aim of industrialization and improved living standards.

Clearly the 1976-80 national economic development plans failed to deliver the outcome that the newly re-unified Vietnam had expected. By 1980 – the final year of this five-year plan – food production reached only less than 70 percent of the set target, while other major industrial output also failed to attain the medium-term goals, namely coal 52 percent, power 72 percent, textile 39 percent and paper 37 percent.

The big gap between ambitious targets set by the State in the IVth National Congress of the Communist Party and the poor performance implies that the five-year targets had been over-optimistic and so ambitious. The economy had not been sufficiently prepared in terms of both economic conditions and managerial capabilities to deliver the expected outcome and quality of economic performance. Secondly, failure to live up to the State’s expectation unveiled the truth that the adoption of Soviet-styled command economy model was unable to eliminate weaknesses of an undeveloped state of the Vietnamese economy, which had been seriously damaged during almost 30 years of warfares. In fact, the poor performance over this five-year plan suggested fundamentals problems with medium-ranged economic plans, namely, motivation of the workers, failure of the rigid price and subsidy system, and production plans from the central to the local levels, and inefficiency of the economic principles adopted by the centrally planned mode of management at national level.
These serious problems drew urgent attentions of the State and CPV leaders and led to some immediate addressing during the 6th Plenary Session of the IVth Tenure of CPVCC in September 1979. The most important changes adopted by this Plenary Session were: (a) Experimental adjustments such as granting some freedom in business management of State-run enterprises, and loosening the central management and interventions into the daily operations of enterprises; (b) Temporary halt on overemphasizing the superior role of large-scaled heavy industrial operations, which had consumed a large proportion of natural resources, finances and human capital; (c) Applying the quota-threshold contractual arrangement with farmers.

These new relaxations of previously adopted principles of the centrally planned economic management were later reaffirmed by the 1981-86 five-year plan, at the Vth CPVCC Tenure in 1981, under the leadership of CPVCC General Secretary Lê Duẩn. More freedom to the circulation and exchange of commodities was permitted, especially in terms of adjusting the price system, having two major changes of price levels in October 1981 and October 1985. Given the improved freedom in doing business, enterprises now could purchase and exchange production materials and productive capital goods, such as machinery and equipment.

Monopoly in the area of foreign trade was also relaxed with more import and export enterprises now functional, at both central and local levels.

These changes were indeed installing de facto market-oriented economic principles within the system of State-run enterprises, which Dam and Le (1982) identified as “fence-breaking phenomenon.” Market needs proved to be a sine qua non to any production plans, in both industrial and agricultural operations, which aimed at improving overall level of economic efficiency, with first and foremost objective of improving living quality of workers and farmers. A system of markets for consumer goods, capital goods and agricultural commodities gradually emerged from inside rigid planned system. The existence of markets was then reinforced with the re-activation and active participation of many households and small-scaled private enterprises, who not only increased the capacity of supplying consumer goods, basic services and agro-products to the economy in expansionary mode of demands, but also creating more pressure for the State-run system to directly compete in pecuniary terms, i.e. commercial viability and economic efficiency.

The chances served as means to reach the ends of reducing serious problem of State budget deficits, which accrued over many years, and overcoming the negative impacts of the period 1979-80, by securing higher productive capability and growth rate.

However, these changes were far from becoming a genuine scheme of extensive economic renovation package like what the Vietnamese economy has implemented since the VIth National Congress of the CPV in December, 1986. Many major weaknesses and rigidity continued to remain in this five-year plan, 1981-86, namely rigid price system, subsidizing scheme favoring the State-run enterprises, limited degree of market development, serious problems of recurring macro-economic imbalances (with presence of underemployment, high inflation, permanent inadequacy of long-term credit and foreign exchange, heavy reliance on foreign aids, etc.).

The reform era of Vietnam’s national economy formally started with the VIth Congress of the CPVCC in 1986, which endorsed an utter shift to a market-oriented modus operandi of socio-economic system and political leadership’s determination to abandon the centrally planned model. The key contents laid out by this new direction include:
i. Development of a multi-sectoral economy, which formalized the existence of the private-sector economy, private enterprises, and the markets.

ii. Determination of the nation’s economic structure by emphasizing the long-term goals to (a) further develop an agricultural economy; (b) generate sufficient supplies of consumer goods; (c) eliminate destabilizing factors to the overall economic balance at the national level, such as inflation, deficit, ineffective investment, manurtition.

iii. Open-door policy toward foreign investments, international economic cooperation and foreign trade liberalization.

Readers could consult with Vu (1994, pgs. 14-23) for more detailed account of information on early steps of Vietnam’s economic reform in 1986. In Vu (1994), economic and political isolation of Vietnam in the pre-Doi Moi period, especially 1981-85, was explained as a main factor that led the author to a conclusion that Vietnam’s Doi Moi had a different approach and determination than the Gorbachev’s perestroika (перестройка) and Deng Xiao Ping’s reform and opening (改革開放) – or formally, “Socialist market economy with Chinese characteristics” - this monograph, the author explained the isolation of Vietnam, economically and politically, led to the determination to implement the socialist-oriented market economy. However, we will later prove that the genuine factor behind Vietnam’s economic renovation was the gradually installed entrepreneurial foundations within the populace, which had never been suffocated and always remained in even the high years of centrally planned principles in Vietnam. Entrepreneurs and entrepreneurial spirits existed in the society and later appeared in the CPVCC reformists, and quickly emerged to become a real economic force of the economy. The dire strait of the Vietnamese economy before and after Doi Moi’s starting point was the context that helped ferment the reform concept and shape the CPV leadership’s determination of Vietnam’s extensive reform package, but was not the sole driver of it.

1.1. Food security problems

In recent history, North Vietnam (People’s Democratic Republic of Vietnam, the predecessor of today’s Socialist Republic of Vietnam) faced a serious shortage of staple goods, especially basic foods and foodstuff for the population both during the war period and after reunification in 1975.

In the second five-year economic plan 1976-80, agricultural production grew modestly at average 1.9 percent/year, with average annual yield being approximately 13.4 million metric tons for this period. The economy saw a jump in annual agricultural production at 4.9 percent annual increase in the third economic plan, 1981-85, when annual production stood at 17 million tons.

Industrial output was growing only 0.6 percent per year in the period 1976-80, and 9.5 percent in the next period, 1981-85, according the official document by the Communist Party of Vietnam, Central Committee (CPVCC), presented at the VIth National Party Congress in 1986 (CPVCC, 2010a:12).

Despite impressive improvement during the third five-year economic plan, the CPVCC document (2010a) continued to view the economic hardship Vietnam had faced as serious. Although national domestic product grew over time, but the growth rate was slow, and at a very modest scale compared to the country’s endowment of natural resources, human capital as well as the efforts made by the whole population. In the CPVCC’s assessment, economic progresses made by the two five-year economic plans were unsatisfactory since they had not been able to improve living standards of the people, let alone the target of accumulating physical and capital conditions for industrializing the economy and reinforcing military strengths.
Production efficiency was reported to stand at very low level, implying low investment return in the whole economy. On average, state-run enterprises operated at roughly only 50 percent of designed capacity. Work efficiency at state-run enterprises was low and on downward trend; quality of basic goods was of very low standard.

Economic inefficiency seen all over the economy induced a large-scale stagnation and financial hardship for all the Vietnamese people before Doi Moi.

Vietnam’s natural resources were not utilized effectively and had been destroyed and used in a wasteful manner for a long time, especially farming land and forests, leading to a vast destruction of the ecological environment. The impacts of the centrally planned economic principles could be understood by examining the land reform 1953-56 in North Vietnam, and then collectivization of agricultural households and farms, which was happening in many years before Doi Moi. While the land reform in Vietnam was strongly inspired by the Chinese land reform, the collectivization of agricultural farms in rural areas was viewed by Communist leader of both the USSR and China then as a critical phase of transition to socialism in the rural areas. “Land to the tiller” policy was the main direction for the land reform to go in the rural areas of both Vietnam and the neighboring China. The historical account of land reform statistics showed that the process was reportedly finished in a relatively short period of time in both countries.

According to Moise (1976), land reforms occurred in waves, starting with the experimental one from December 1953 to March 1954, before the defeat of French troops in Dien Bien Phu. The next five waves were: (1) May 1954 to September 1954; (2) October 1954 to January 1955; (3) February 1955 to June 1955; (4) July 1955 to December 1955, (5) December 1955 to July 1956. The speed of land reform increased toward the end of the land reform program. The 5th wave alone covered 1,720 villages in North Vietnam, counting a population of 6.142 million people, within only 7 months. Over the 2.5 years of land reform, 3,314 villages redistributed land, mostly by shifting farm lands from the landlords, rich farmers to very-poor and landless families. The land reform affected life of roughly 10.51 million people living in rural areas of North Vietnam.

With respect ot the collectivizing scheme, by 1960, official statistics showed that around 86 percent of North Vietnam’s rural households became agricultural cooperatives’ members, of them the majority belonged to type-1 cooperatives, whose members retained rights to their land. It took another nine years for North Vietnam to increase the membership of cooperatives among rural households to 92 percent.

Upon the completion of collectivization, the State held a tight grip over the agro-product market. The State required that collectives buy inputs and consumer goods from the State-authorized distribution channels, oftentimes located in rural communes, and sell crops at State-governed prices. However, the free, and even “black”, markets were not completely banned and did exist over phases of collectivization in Vietnam’s rural areas. At times, flexibility was adopted at provincial party leader, such as the case of Party Secretary of Vinh Phuc Province – Kim Ngoc – in the period 1966-68, when the concept of contractual quota system was introduced with success and improved efficiency, so that farmers responded in a positive way to these deviation from the institutional rigidity imposed by the rural cooperatives. This way of less strict and not extreme collectivization was significantly different from the Chinese ideology of transforming the rural area, where the Great Leap Forward of 1958-60 carried collectivization to extremes by expanding the size of rural cooperative to one hundred villages and mobilizing untapped labor (including female and child labor) to speed up the “transformation,” for universal prosperity. The flexibility and gradualism in collectivization of Vietnam somewhat helped avoid tragic shortage of staples,
which led to famine that costed China nearly 40 million lives by the end of the Great Leap Forward.

In North Vietnam, economic conditions for most rural people also improved by early 1960s. The production of staple foods per capita (oftentimes, as an equivalent measure of rice), stood at 318 kilograms in 1961 (compared to 223 kilograms in 1939); and this level was no less than per capita production of China’s agriculture.

Yields in the North continued to improve until 1974, reaching 2.4 metric tons per hectare, or a 41 percent increase compared to the start of land reform, 1955. The increase of yield level was due to more triple cropping, introduction of new varieties of rice, fertilizers and pesticides, together with improved irrigation networks.

However, the progress in rural yields could not stop deterioration of living standards from worsening since early 1960s. The collective management modality proved to barely cope with rising demand of food staples for population growth and military use. In 1955, the starting year of “land to the tiller” yield had already reached 243 kilograms per capita. However, production fell to 242 kilograms by 1974. Actual food consumption per capita also dropped significantly between 1965 and the late 1970s, and it started increasing again only during 1980s, as some new policies were introduced.

In rural areas, when yield and per capita consumption of foods decreased, farmers started shifting more collective production back to households, and looking at market as solutions for improving their living standards. In the Mekong delta, for instance, by 1976 around 13,000 cooperatives had been established. However, by 1980, only 3,700 remained, most of them performed poorly (Kerkvliet and Selden, 1998). Clearly, it was not because of the farmers’ low productivity or lack of experience that had led to the serious problem of food security in Vietnam for a long period of time. In fact, the failed economic policy that was (Timmer, 2011), and Vietnam was not the unique country that faced the tough situation of serious food shortage, nor was it the last country.

1.2. Vietnamese people’s living conditions before 1986

The economic problems touched on life of millions of farmers and rural households as sketched above. However, people living in urban areas also faced tragic hardship, especially after the war against the United States and the Saigon Regime (South Vietnam). The official document of the CPVCC VIIth National Congress reported that everyday life of the people, particularly State employees faced with paramount difficulty. Unemployment and underemployment were common. Many basic needs of the working people were not satisfied. Supplies of consumer goods, medicines, housing were not adequate. Vietnam continued to be a very poor country at low level of economic development in the world (CPVCC, 2010a).

Low economic efficiency, misallocation of resources and inappropriate policies implemented at various administrative agencies and levels of government (central and local) also contributed to amplify the economic hardship faced by the people, of which the choking of the national distribution and trade system proved to be the one that was persistent and hard to solve.

The cumbersome circulation of goods, convoluted distribution system, high inflation adversely affected the life of the whole society as well as hindering the economic development of the country. Before 1986, foods and consumer goods stamps had been very common. The idea of food stamps was to keep a fixed per capita consumption at subsidized level of price, so that basic
needs could be satisfied. Nonetheless, this system created further problems especially when the economy continued to lack large amount of consumer goods and food staples.

Party Gen. Secretary Lê Duân in a meeting of the Party Secretariat on May 29, 1967 insisted that “[We] have to eliminate free market on foods, and the State will take charge of supplying more foods to people who previously had to purchase foods on free markets… The State will have to use their labor, organize [them] to produce more products for the society… We should decisively eliminate the free market of foods… For the life of people that we eliminate the free market of foods….” (Dang, 2005: 127-134.) In fact, the introduction of more administrative measures to stop the functioning of foods market caused local shortage of foods, price differences inducing smuggling and loss of State’s revenues, and a chaotic situation where economic disorders were omnipresent.

The Late General Sectary Truong Chinh reported that most people in the cities had to find ways out of the poverty and chronical scarcity of consumer goods, foods, housing means, and medicines for everyday life of the people by selling all types of stamps to private traders. In his description, the State failed to control the economy, failed to stop embezzlement and corruption from happening, and failed funnel the production materials to where they were needed the most.

The shortage of basic consumer goods had its root in early economic policies that favored heavy industrial and fast-paced industrialization, starting in 1958. According to Duiker (1977) the government was caught in a vicious circle: “Agricultural productivity would not significantly increase until industrialization permitted a significant degree of mechanization and other technological improvements in the countryside. But industrialization itself could not take place so long as the agricultural sector was too backward to release labor, capital, and resources to the urban sector of the economy.”

However, in terms of economic development policies, Vietnam was regarded as both communist and nationalist by many Western scholars (Benjamin and Kautsky, 1968). The improvement of living conditions had been one of the most important but most elusive goals for Vietnam’s government before Doi Moi, especially from the late 1970s through mid-1980s. Clearly, the central government had constantly been under tremendous pressure to address social problems such as rural and urban unemployment, vocational education, shortage of housing means, public healthcare and the control of epidemics, social policies for disabled, etc.

A year before the kickoff of Doi Moi, Vo Van Kiet, then Chairman of the State Planning Committee (the predecessor of today’s Ministry of Planning and Investment), reported that the due to acute socio-economic problems that had been arising from 1981 to 1985, the living standards in Vietnam remained low. And the problem was further exacerbated with added pressure of unemployment. Only in the 1981-85 period, about 7 million people reached work age, but only 15 percent of them found jobs. The majority of jobless young people were unskilled, varying from one locality to another, but ranging from 80 to 95 percent.

When inflation was soaring, making the local currency lose its purchasing power, the majority of Vietnamese people exercised austerity, with a clear indication of highly deficient diet in protein. An average male worker received foods providing only 1,940 kcal per day, only ¾ of the minimum required. It was estimated that 80 percent of monthly wage was spent on foods in mid-1980s.

After the “Gia-Luong-Tien” reform (the “Price-Wage-Money” adjustment program) had been initiated in Vietnam in September 1985, Vo Van Kiet accepted the fact that this new wage and
allowance system devised to improve the living conditions of state employees and the armed forces failed to live up to both State leaders and employees’ expectations. A widespread discontent among the population toward the efficiency of economic policies employed by the government rang the alarm bell of social instability and challenging the continued adoption of those incomplete changes that did more harm than good to living standards of the majority of people. Also, pressures caused by worsening key economic performance and high inflation as discussed below amounted to the level that would require a thorough and well thought out solution for the Vietnamese economy on the brink of collapse.

1.3. The pressures of macroeconomic imbalances and inflation

Economic pressures caused by macro-economic imbalances became increasingly apparent in the period 1976-1985, most of them were unprecedented. In Tran (2005), the CPVCC admitted the facts that big economic imbalances existed in the economy, between supply and demand of foods, foodstuffs, consumer goods, fuel, transportation, large budget deficits, trade deficits… and most of the problems were not addressed adequately. Many problems even worsened over time.

In a draft of the Political Report for the VIth Congress, dated July 10, 1986 (about five months before the Congress), Gen. Secretary Truong Chinh identified a serious problem that: “We missed the precious opportunity… when the Soviet Union granted us generous aids of tens of billions of rubles, but given our bureaucratic, centrally planned mechanism… we had gradually used up this money by withdrawing hundreds of rubles each year for society’s spending, subsidies and scattered construction sites…”

An inevitable consequence is productive forces were not developed and inequality in terms of income distribution appeared in the economy. Money printing was common, especially when the two-tiered banking system was not established, and the central bank also acted as a commercial bank to a certain extent. Money in circulation by the end of 1984 was 830 percent that of the beginning of 1983, (Tran, 2005: 628).

High inflation put more pressure on macroeconomic performance. In September 1985, the government had to issue new money, replacing the old paper notes, and devalued the currency by 10 times. Inflation was however keep flying higher, especially from December 1985, so is budget deficit. On the other hand, living quality of State employees, members of the armed forces… declined in a fast pace. In 1986, inflation accelerated with the highest annualized monthly inflation peaking at 775 percent, and an annual average reaching over 440 percent. In fact, IMF studies showed that per-capita income of Vietnamese people averaged 4.2 percent of an American in 1980, but quickly dropped to 1.4 percent in 1985, while the current-price GDP increased from 5.7 billion of (“new”) VND to approximately 100.5 billion, showing how serious the inflation phenomenon really was for this particular five-year period.\(^5\)

Given problematic economic structure and intrinsic imbalances (especially in resource allocations and prioritized economic policies favoring the State-own economic sector – the so-called the national economic pillars), high inflation has proved to be a recurring problem, not only before \textit{Doi Moi}, but also many decades after this economic renovation (Vuong, 2010b).

1.4. Precursor to a thorough economic crisis

\(^5\) See \url{http://www.imf.org/external/country/VNM/index.htm} for a detailed account of historical data
For a long period of time, the economy of Vietnam grew at a speed much lower than its potential and consumed too much resource. High measures of ICOR were not uncommon in Vietnam’s recent economic course, with ICOR being computed at 9.0 in 1976, 7.7 in 1978, but 11.1 in 1982, showing that the economy used too much resource for a unit of growth generated (Pham and Vuong, 2009: pg. 93).

The first sign as a precursor to economic crisis was that the society’s trust on the leadership of the Communist Party declined significantly. The efficiency of the State apparatus on economic management also vanished. Normal people could not build basic safety net when Party Gen. Secretary Truong Chinh gave an indicative statistic that month salary of workers was only enough for 1/3 of a month. This gives us an implication that average working person relied on extra jobs for financing her/his basic need, and these extra jobs provided her/him with over 66 percent of income. This economic independence was the first signal that the current economic model could not generate sufficient output to satisfy the hard working people.

The Late Prime Minister Vo Van Kiet in his letter to Pham Van Dong and Truong Chinh, dated September 4, 1985 said: “Money in the hand of working people was relatively small, the majority of households had little money. This fact gave us a thought-provoking conclusion on quality of life of the laborers… Another discovery was that most of money was in the hand of (State) enterprises, corporations and local governments. This showed both distrust toward banking operations, and lack of disciplines in management within the State sector, which should be alarming, and “secretive” economic operations of State economic units were quite sizable…”

In fact, in scholarly work such as Cima (1989), it was well documented that shrinking income and living standards had been well perceived by not only Vietnamese people but also international community. Annual per-capita income of Vietnamese peole ranged from US$180 to 300, while unemployment rate stood at high level, 20 to 30 percent, let alone the very popular phenomenon of underemployment within State-run enterprises and the rural economy. As a “least developed country” lable, Vietnam was among very few economies that experienced a substantial period of economic recession although moving on to a postwar reconstruction. The period contained all symbols and causes of a thorough economic crisis: low productivity, stagnant distribution system, misallocation and underutilization of resources, macro imbalances, and ill-informed economic decisions at the top level of decision-makers.

Cima (1989) also documented another signal of crisis, not limited to economic problem, which was the social unrest within the rural areas especially regarding land redistribution policy when many state cooperative was cut back in size and disputes over original ownership of lands became increasingly popular in mid-1980s.

Although Vietnam was a small economy in 1980s, with GDP in 1984 standing at an equivalent of US$18 billion (official exchange rate of VND 12 to US$1.0) – before Doi Moi taking place – it was the world’s third largest communist country, only below the USSR and China, and the most populated country. Vietnam’s population in 1985 was more than 60 million, and the average density of nearly 180 persons per square kilometers, substantially the second densely populated East Germany (the Democratic Republic of Germany) with 154 per sq.km. However, the growth rate of population in Vietnam was much higher that that time, 2.5 percent per year, causing a lot of problems on food security and social stability when the agricultural policies and economic mechanism could not function well to generate sufficient supplies of food staples for the population.
We will continue to examine the Vietnamese agricultural economy to see that agriculture is the single most important economic pillar of the nation, and how entrepreneur-typed economic initiative had emerged from within the agricultural sector regardless of investment and State policies provided by the political circle. In short, the agricultural people had to implement their own plan in finding ways out of poverty and declining living standards, right before Doi Moi. These constituted an important part of the Doi Moi itself, the part that was not adequately stressed when viewing the process of changes that would later on lead to an extensive package of renovation throughout the economy.

We noted that in 1985, major agricultural produces of Vietnam were at the time only grains, with total product of 18.2 million metric tons of rice, sugar 434 thousand tons, coffee 6,000 tons and rubber 52,000 tons. With such low yield and total product, compared to today’s statistic, still agriculture represented approximately 51 percent of national income for the year.

While agricultural production could be just sufficient for domestic use, the economy risked falling into a total crisis due to increasing trade deficits. In the year of Doi Moi, 1986, total export receipt was roughly US$740 million, most of them agricultural products (rubber, rice, tea, coffee, word and aqua-products) while imports totaled US$2.5 billion. Total external debt was estimated at US$7.7 billion, most of which came from the other communist countries. The crisis period right before Doi Moi saw an increase in foreign debt level from US$3 billion to 6 billion, with a major part of indebtedness was used to finance the trade deficit, with the trade deficit with the USSR alone growing quickly from US$224 million in 1976 to US$1.5 billion in 1986 (Mortimer, 1976).

2. The Entrepreneurial Foundations

In the previous section, we describe the economic context of Vietnam on the verse of a total economic collapse. Serious economic problems, which had arisen even before this 1976-86 period, could not be addressed by various adjustments in economic policies implemented by the State and the Communist Party. The fact that Doi Moi only followed a bunch of inefficient introductions of new policy adjustments while harsh realities of economic life remained in Vietnam, led many researchers to an almost agreed-on belief that chaotic economic settings, shrinking living conditions and the political effort to get the country out of the worsening crisis were to be the shadowing reasons for Doi Moi policy to be devised and implemented since 1987. Another point of view, which has been from more politically inclined scholars, is that Doi Moi just repeated the Soviet Union’s perestroika and the Chinese reform and open-door policy. This section of the paper will discuss how these views could plunge into a “post hoc ergo propter hoc” fallacy.

We are also using the entrepreneurial framework of analysis to prove that entrepreneurial foundations – which that been gradually established over the course of economic development in the contemporary Vietnam – have played a pivotal role in shaping the path to Doi Moi in Vietnam, out of the economic settings, goals, failures and hardships.

2.1. On the post hoc ergo propter hoc fallacy

Chronologically speaking, many important changes of the economic structure in both Chinese and Vietnamese economies happened almost the same time. In fact, many top-ranked communist leaders in Vietnam, such as President Ho Chi Minh and the second-high figure in the land reform time, Party Gen. Secretary Truong Chinh had been inspired by the actual implementation of socialist ideology in China. Oftentimes, following the socialist concepts of building the national
China and Vietnam had different motivations in making major social and economic changes throughout the contemporary history. Both starting with the “Land to the Tiller” land reform in the 1955-57 period, one could consider the land reform in China a prelude to the much more heaven-storming Great Leap Forward (1958-61). The land reform in Vietnam was already a major hallmark of fulfilling the mission that the Vietnamese Communist Party claimed to undertake for the Vietnamese people, with majority of them being farmers. It is noteworthy that during the period of land reforms, collectivization and socialist industrialization, China was in peace and Vietnam still faced the wars against French colonialists (until 1954) and Saigon Regime and the US armed force (escalating since 1965). The reform in rural areas of Vietnam did bring about yield increase, as we have discussed, but that was not the case for China, where the death toll of the Great Leap Forward was estimated at over 37.5 million due to declining yield and cultivating areas. While the need for land reform in Vietnam was to satisfy the majority of farmers and fulfill the promise of giving a more equal social status for farmers, it was the fast-track implementation of socialism, without going through the capitalistic development stage that had been the underpinning idea in China. Also the competition between China and the Soviet Union was behind the hasty implementation of higher-cooperatives movement in China, in North Vietnam the looming war with Saigon regime (Republic of Vietnam) and the US armed forces was part of the major concern of developing the rural economy with higher economic efficiency. In brief, even without the similar policies and implementation in the neighboring China, one could predict that the land reform and collectivization would still happen in North Vietnam, given own socio-political context and economic pursuits.

In fact, the common perception with full account of historical evidences now show that China under Mao Zedong’s leadership had for long pursued the political ambition of becoming the leader of the communist world. China was even providing military, food and financial aids to Vietnam in the early days of the independent Vietnam, especially after 1954. As a donor, China may have also wished to see its own version of socialism being implemented in Vietnam. However, the Vietnamese version of Great Leap Forward never really happened. We could also see that given the colossal difference in advancedness of the economic development between the Soviet Union and Vietnam, there was groundless to conclude that the policy implementation in Vietnam followed the track of the USSR.

An innovation during the transition of the agricultural policy in both China and Vietnam was the introduction of the quota-threshold contractual system of purchasing agricultural produces from farmers, usually known as “khoản”. This system represented a significant departure from the ideology on State’s tight grip on the food security in Vietnam since it recognized the right of farming households to retain their agricultural products after fulfilling the responsibility of contribution part of their production to the State budget, either in forms of taxes or other obligation, mostly in kind. It had been a long-standing fight to separate between the pecuniary
right of North Vietnam’s farmers and the powerful control of the State over the supply of foods (most staple foods) to different sectors of the economy, with priorities stipulated by the State, before this mechanism was gradually institutionalized by the CPVCC Secretariat’s Directive 100, dated January 13, 1981, known as “Khōăn 100” and again by the CPV Politiburo’s Resolution 10, in April 1988, or “Khōăn 10.” This more market-oriented contractual system in Vietnam had been initiated by a relatively low-ranked official, Kim Ngoc (Nguōc), a Party Secretary of Vinh Phuc Province, since the 1966-67 period with early success in attaining both higher yields and total production in different localities of the Vinh Phuc Province. The original idea of this innovation was to improve living conditions of farmers in his province without failing to deliver the required contribution to State budget. Kim Ngoc’s concept of “khoán” indeed restored the right to decide agricultural activities to households, giving them more freedom and economic independence. Farmers then would have to constantly search for new methods, new organization of their farming activities and new decisions on how to make the best use of the land and/or water for their own pecuniary rights.

In contrast, the system of quota contract in agricultural production in China was first initiated by all the highest political figures in China, including Liu Shaoqi, Deng Xiaoping and Zhou Enlai. The early implementation of this system in China was set to bring up the food production in China, which had been devastated by the Great Leap Forward and the great famine following that. The system ended immediately when the disruptive split between Liu-Deng and Mao led to an internal political fight within the Chinese Communist Party and the purge of many high-ranked officials.

Looking at this particular change in the agricultural sector, we could see that, although Kim Ngoc’s early fruits could not spread nationwide and were stopped after 1968, the system continued to spread to many other provinces in Vietnam, under different forms and names, bring markets closer to an increasingly larger portion of farmers in Vietnam. That was not the case in China until Deng Xiaoping took power in 1978. The approach of reforming agricultural management mechanism in Vietnam could be considered bottom-up while it was top-down in China. In fact, the idea of implementing Kim Ngoc’s innovation of the khoán system came from a challenge of a farmer-friend to him, and Kim Ngoc’s taking-on of that was very much entrepreneurial, since he risked losing his lifetime political career.

Lastly, during the course of economic changes, Vietnamese leaders and people seek to identify an appropriate model to depart from the “least developed nation” label and overcome many socio-economic difficulties. In its constant search of modus operandi aiming at improving the national economy’s situation, Vietnam at time came across Chinese and Soviet concepts, while already shared the socialist economic doctrine. However, the approach taken by Vietnamese people and the government has been seen much more entrepreneurial than China and the USSR, due largely to less emphasis on heavy industries and to the primary concern of developing the agricultural sector that was critical to maintain social stability under the leadership of the CPV.

2.2. A Conceptual Framework

In our analysis two most important properties that constitute the conceptual framework for assessing the entrepreneurial dimensions of the undertaking of Doi Moi in Vietnam are innovativeness and individualism in decision making. The three major factors that the assessment will focus on are: (i) The entrepreneur; (ii) The undertaking process; and, (iii) The strategization.

The Entrepreneur(s): With regard to innovativeness, it is well expressed by management scholars that entrepreneurs particularly focus on using innovation as their tool to take on opportunities.
More oftentimes, opportunities appear in the form of specific changes of economic setting, demographics, application of new models or technology, and the like (Drucker, 1985: pg. 19).

In early days of economics, Jean-Baptiste Say pointed out that his observation that the entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield. The vacuum in the meaning of “the entrepreneur” in Say’s comment – which Drucker viewed as “a total confusion over the definitions of entrepreneur and entrepreneurship” (Drucker, 1965: pg. 22) – gives us some freedom in defining the type of entrepreneur we wish to consider, in our case, working people and policy-makers of Vietnam before Doi Moi.

As to individualist decision making, Kirzner (1973) emphasizes “the entrepreneurial element in individual decision-making” by quoting Ludwig von Mises as saying that “In any real and living economy every actor is always an entrepreneur.” Specifically, the typical entrepreneur is characterized as “a decision-maker whose entire role arises out of his alertness to hitherto unnoticed opportunities” (Kirzner, 1973: pg. 40). So what our entrepreneur needs to do is know where the unexploited opportunities exist, and to discover those unexploited opportunities, she/he needs appropriate alertness.

Since calculation, optimizing and economizing will not help in identifying opportunities for innovation and entrepreneurial undertaking, the underpinning factors that could enable us to assess the alertness and readiness of the Drucker and Kirzner’s entrepreneur are the thinking process, possession of useful ideas, and right attitude / determination / motivation in searching for changes and building systematic innovation. We will later discuss how these are relevant in analyzing the process leading to Vietnam’s economic renovation in the late 1980s.

**Entrepreneurial Undertaking Process**: The idea of using an entrepreneurial framework for our analysis is to take advantage of not only characteristics that the typical entrepreneur possesses but also what action he/she needs to take. The most typical acts performed by the entrepreneur are: (i) the act of creating something new; (ii) the changing and transmutation of values. In light of our study of the Vietnamese entrepreneurial traits prior to Doi Moi, entrepreneurship is particularly useful since both theoretical implications and empirical evidences suggest that the entrepreneur always searches for change as source of new opportunity.

The entrepreneur then must act upon the arrival of an opportunity to generate values, very often economic values, out of the opportunity as a return for his alertness. In Kirzner’s explanation (1973, pg. 17), a producer “may simply be an entrepreneur who perceives the opportunity to buy resources at a total cost lower than the revenue he can obtain from the sale of output.” This simplicity of the major function of the typical Kirznerian entrepreneur make it possible for us to adopt the entrepreneurial view in assessing the changing and innovation process similar to Doi Moi in Vietnam, or perestroika in the former Soviet Union under Gorbachev. Interestingly, according to Drucker (1985: pg. 28), entrepreneurial act may be not the risky course of undertaking economic activities, or even in many cases be regarded as “the least risky” one.

Since innovation can be learned and practices by entrepreneurs to generate economic values, they constantly and purposefully search for sources of changes and associated symptoms so that principles of innovation could be applied successfully. Some particularly useful suggestion by Drucker is that the entrepreneur could organize systematic innovation by “monitoring” different sources for innovative opportunity both from within (the unexpected, incongruity, process need and structural changes) and outside (demographic, changes in perception, mood and meaning, and new knowledge) the organization.
In our particular analysis, the undertaking process may consist of several keystone actions, namely: a) Monitoring different sources of innovation; b) Identifying opportunities; c) Solving appropriate answers to various issues regarding implementation process, ex ante; d) Pooling and utilizing resources; and e) Translating the implementation plan into realities.

The Measuring, Improvement and Strategization: In this framework we would also stress that policies adopted by the leaders, practices undertaken by the households, workers and managers and measurements performed by many people involved in the process of creating innovations and exploiting opportunities make entrepreneurship possible. Although we always wish that pieces of a whole reform are stitched seamlessly together, so that the economy and the people could avoid unnecessary costs during the course of changes. However, given the nature of uncertainty and newness, the economic realities usually turn out so different from our wish; and this is why we need to measure the gap between the predefined goals and actual performance, to identify areas of improvement and to turn early concepts of making substantial changes into strategic calculation and planning, taking into account insights, lessons and implications of intermediate implementing steps.

The course of entrepreneurial undertaking requires the kind of systematic innovation. Such an economic renovation in a large scale (the whole economy) and prepared for a long period of time, at least two decades, needs not only isolated and sporadic locality-specific innovation. It clearly needs to successfully install in place policies that enable the people and societal apparatuses to organize a purposeful and consistent search for changes. The arduous effort made by the society, especially entrepreneurial leaders, managers and workers in performing the systematic analysis of the opportunities induced by structural changes may then offer for genuine economic or social innovations, which could be exploited for shifting resources from the lower area of value creation to the higher one.

Thus, the process of making appropriate assessments of policies, practices through useful measurements is required. It helps identify problems, glitches and also failures, which could occur anytime during the tedious undertaking of so many activities in the society, and in many cases without prior anticipation, beyond even most thoughtful calculation, due to the inherent uncertainty of market processes.

The problems would then be analyzed so that entrepreneurs could either eliminate or fix them at the economically feasible cost to satisfy the market principle of economic viability. Naturally, in such transition as what the Vietnamese economy was undergoing in the 1976-86 period, people, managers and leaders arrived at numerous solutions; many of the solutions have proved to be so useful in solving real-world and serious problems such as the “khoan” system successfully addressing the severe shortage of food staples and making Vietnam the second-biggest exporter of rice and coffee. But there were also solutions that were both counterproductive and short-lived, such as the “Gia-Luong-Tien” program implemented in a hasty and incompleman manner leading to situational chaos and declining living conditions of many people in the final year before the inauguration of the Doi Moi chapter.

Only after these solutions, together with their strengths, weaknesses, insights and implications, were learned, analyzed and put into a conceptual framework, the society could reach a consensus to build a strategy framework for their future joint project of reform, having appreciated both benefits and costs such a course of economic undertaking may possibly bring about.

3. The Entrepreneurial Facets of Vietnam’s Economic Renovation
We now move on to discuss the “entrepreneurial facets” which had driven the course of economic changes from era of isolated and local initiatives or locality-specific experiments to the times of more systematic and nationwide packages, which later constituted the key contents of the Vietnamese economic renovation since 1986. Our analysis in this section is going to use the aforementioned conceptual framework and to follow the structure presented above, with specific subsections of (i) The “Entrepreneurs” before Đổi Mới; (ii) The actual undertaking; and (iii) The institutionalizing of reform concept.

There were a great many important figures who had been involved in the process of building the economy of Vietnam since the country’s manifesto of independence in 1946. By depicting here some particular people, we do not mean to say that these are the “only” ones, but we pick up persons whose course of activities and thinking represented the concept of “The Entrepreneurs” and whose impacts proved to have stayed long with the course of economic changes in Vietnam.

President Hồ Chí Minh (1890-1969): Ho Chi Minh took power after the event of Vietnam’s independence declaration in September 2, 1945, and had been retaining his highest leadership status of the President of the Democratic Republic of Vietnam until his death on September 2, 1969.

Only some 15 months after the manifesto of independence, a major war with French troops, who had planned their return to the Indochinese peninsula when Japanese armed forces surrendered to the World War II Allies, was threatening the newborn government of the new Vietnam led by President Hồ Chí Minh. In mid-December 1946, his appeal to a nationwide resistance war to protect the country from the French re-invasion was broadcast with promptitude. It took this Hồ Chí Minh-led newborn government almost 9 years to win over the French troops after the world-shaking victory of Dien Bien Phu military campaign and to regain the status of independence, at least in North Vietnam.

Under President Hồ’s leadership, the economic undertaking and productive force rehabilitation became a major focus of the interim government. Since the resistance war was undertaken from the Northern stronghold, covering several mountainous provinces in North Vietnam – usually referred to as Viêt Bác, where the economic development had been in very primitive stage, the rehabilitation plan was at the time indeed to start building a new economy with the contributions from people of various classes. He had perfect knowledge of the challenges and complications that the process of preparing economic foundations for a new government would likely bring about. His economic policies were reflecting our notion of entrepreneurial spirits.

In the resistance war time, from 1946 to 1954, President Hồ did not differentiate the productive forces of the region based on ownerships. In fact, the policy of economic freedom was retained, and this had helped mobilize resources from not only within the resource-limited area of Viêt Bác but also from various provinces under the controle of French combat troops. Indeed, private merchants, farmers, small industrialists and bourgeoisie all together existed and operated with increasing efficiency. They contributed significantly in building a new economy from scratch and in critical hardship, capable of producing an important supply for basic consumer goods (clothes, mosquito nets, soaps, medicines, papers) and food staples (rice, corn, vegetable), capable of preparing a distribution channel that helped facilitate circulation of goods, etc.

His style of leadership was famous of being simple, easy-to-follow and President Hồ relied much on creativity as well as encouraged innovations during the course of building economic development. His vision of the future and power of the Vietnamese agricultural economy was
later turned into concrete policies, which typically addressed acute problems of food supplies, and to which – the history showed that – economic policies implemented decades after his times still had to revert back. In March 1953 (before the end of the resistance war against the French), his instructed the government to pass “Policies for Encouraging Agricultural Production,” which summarized his own thinking on economic development at the time, and reflected what we expect from an entrepreneurial spirit (Dang, 2005, pg. 251):

i. Guarantee that the tiller is entitled to his/her products and associated benefits;
ii. Encourage the reclaiming of waste soils;
iii. For those who take good care of own lands and make the lands fertile, reduce their tax obligations;
iv. Protect the right of farmers to hire labor for their farming jobs;
v. Farmers have freedom of borrowing and lending money;
vi. Farmers have freedom of renting out buffalows, horse and cows (for agricultural productions);
 vii. Encourage handicraft production, and other type of semi-industrial works;
viii. Protect prosperous businesspeople, rich farmers, and award high-efficiency workers;
ix. Prohibit any acts that may harm production, and protect the rightful benefits farmers gain through their course of production...

His methods of building the economic foundations for the future of Vietnam at the time reflected almost all contents that we today consider typical elements for an entrepreneurial spirit, from understanding the structural changes in society to employing opportunities that had existed or was about to arrive, to deploying limited resources and overcoming the shortage of tools and methodology to solve current and future problems. It is not surprising that the economy of the young Vietnam was emerging gradually and then overcoming those most critical periods, under a great deal of pressures, including the tough 9-year war against the French colonialists.

A striking point in Hồ Chí Minh’s economic policies for rehabilitating the war-devastated economy is to maintain a multi-sectoral economic structure, which we already saw coming back at the VIth National Congress of the CPVCC in 1986, marking the Đoi Mới’s transition period. His policies after Diên Biên Phu’s victory and the Geneva Peace Accord was considered open-minded and relatively “radical” compared to those of his political successors, with major facets as follows:

i. Multi-sectoral economy (based on types of ownership), including bourgeois, private merchants, private industrialists and farms, etc. was recognized;
ii. Foreign capitalists’ investments in North Vietnam was fully respected and encouraged;
iii. Foreign trades could be conducted by various people from different economic sector;
iv. Vietnam’s economy should not “mechanically” apply economic models of other countries, and should consider the economic realities and conditions of its own to decide which way to organize its economy.

His government stressed the need of restoring the production level of the economy back to that of pre-war period, then improving it step by step. He did not advocate the more radical approach for building modern and large-scaled industries in North Vietnam after the 1946-54 war, and did not stress the underpinning roles of State-owned industries at the time. Another important aspect of that was his full respect and recognition of private ownerships of productive assets for not only Vietnamese private owners but also French capitalists and industrialists (Dang, 2005: pp. 29-30).
His entrepreneurial approach did help restore not only the productivity of the economy, but also the confidence of the majority of people in the new economy, as well as install basic building blocks for a future full-fledged economic structure that Vietnam had not ever possessed.

Lê Duân (1907-1986): Lê Duân became the second most important leader of Vietnam in 1958, after the land reform and the land reform correction scheme. Lê Duân took power as the CPVCC General Secretary in the IIIth National Congress held in 1960, and remained in this position until his death in 1986. His thinking of building the Vietnamese economy proved that beyond the main role as the architect and highest commander of the war against the American armed forces and the Saigon regime, he had been one of a few theorist that developed own philosophy and strategy for economic development. Of course, not many of his beliefs and plans had been implemented successfully, and not every of his policies was proved by the history to be efficient or effective, but his contributions to the economic thought of the contemporary Vietnam, most of them prepared during the American war period, were in fact significant. We found that Lê Duân and Truong Chinh were two most active Party ideologists, who were genuinely developing own ideas and concepts of economic developments, which were most influential in different periods in the country’s recent history.

According to Hoàng Tùng, a late member of the CPVCC Secretariat – who used to assume the highest position in the CPVCC Department of Ideology and Propaganda - Lê Duân, although being close to the Soviet Union’s stance of building the socialist economic system, had a critical view on the philosophies for economic developments in both the Soviet Union and China, the two most important communist countries in the world at his time. He emphasized that both ways (the ways pursued by the USSR and China) were not quite right. The one adopted by the Soviet Union was leading to persistent economic stagnation or slackness, while the philosophy by Mao Zedong proved to be fictitious, leading to the people’s spurious enthusiasm in making contributions (Lê, 2007: pg. 239).

He kicked the economic apparatuses into the higher gears even during the war time, when many other military objectives were thought of as having higher priority. In fact, he put forward his strategies and later successfully gained an almost unanimous agreement of the CPV Politburo to adopt his approach of building the North economy, then the re-unified Vietnam, from 1976 until his death in 1986. According to Hà Đặng – a high-ranked CPV cadre – Lê Duân’s “doctrine” contains 10 most important lessons (Lê, 2007: p. 517; Đặng, 2005: pp. 127-134), of which some most relevant to our study are summarized below:

i. The economy will have maintain a balance between industrial and agricultural goals of development;

ii. A central and long-term objectives of Vietnam’s socialist revolutions will be to develop its science and technology, then successfully industrialize the economy;

iii. The State will take control of the distribution system and trade activities;

iv. The economy will expand and reinforce international economic relationships, especially imports and exports;

v. Living conditions for the people need to be improved, and the economy should produce sufficiently not only for consumption, but also for savings, so that the needs of national defense and security will also be satisfied.

Lê Duân himself did not stress the famous class struggle – a central point in most doctrines of the communist revolution theory – but emphasized the low level of economic development of Vietnam, the backwardness of the economy, the possibility of attaining higher productivity in Vietnam by reorganizing and redirecting resources to where they could be used most efficiently.
In his perception “what matters in the solution is not that this class of the society will eliminate others, but that a large-scaled production modus operandi, with higher efficiency and productivity, will replace small-scaled, scattered and backward organization.”

He also realized the need of urgently restructuring the national economy, which led to his plan of restructuring the economic regions and merging many provinces during the 1960s and 1970s.

He was outspoken of his hate for the market economy, and strongly advocated the policy that stopped the free market from operating. In his speech during a CPV Secretariat’s meeting on April 3, 1967, Lê Duẩn said: “[We] should take full control of the resources, erase the free market of rice, because we will anyway satisfy the need of food for people without discrimination. [We] Must make sure that no one is hungry, and hold a tight grip of the food matter…”

Over the 1955-75 period and 10 years after Vietnam’s reunification, Lê Duẩn could not successfully implement his ideas and philosophy for many reasons. However, he really was the one that posed serious and earnest economic questions to the CPV and State policy-makers, economist and the elite intellectual circle. Some of his failure and counter-productive measures while implementing some plans in industrializing and “rehabilitating” the private sector in South Vietnam, really exposed specific problems that the government had not had experience and knowledge to deal with, such as budget constraint, determination of relevant scale of production, macroeconomic imbalances, the elusive nature of the market-price and supply-demand relationships, etc. And they continue to be real problems that the Vietnamese economy still has to deal with constantly to day; the history taught us that, Lê Duẩn had been a visionary, who appreciated many economic problems before anyone in his times.

Kim Ngoc (Người) (1917-1979): We should perhaps reaffirm the undeniable role of Kim Ngoc as one of the fathers of the Vietnamese economic renovation in 1986, although he had died long before Doi Moi started. The following sentences from one of the world’s most important living legends and one of the founders of Vietnam – General Vo Nguyên Giáp (Nguyen, 2007). 

“Our farmers are now having better life due to, first and foremost, the effort of the [Vietnam’s Communist] Party and Uncle Hồ. But during the course of building the country, we have to thank Kim Ngoc, a creative Party member – who was willing to take personal responsibility to the ultimate level in front of the people... The country must memorize Kim Ngoc’s efforts. [He was] An enthusiastic person, who accepted risk and brought “the new” policy. Now that the country sees the development impact that is due to rice, and Kim Ngoc had been a pioneer…”

Kim Ngoc identified problems with the movement of collectivization in North Vietnam right from its first stage, 1958-60 (Thao, 2009a). He perceived correctly that the property right would play a critical role in the success of the movement, and said: “Members of the cooperative do not regarded the lands theirs so they are not enthusiastic with the rice field. [We] Must let them own their lands.” This idea was, at his time, seen as a serious offense to the CPVCC’s ideology, when the collectivization movement was not only the major task of the nation, but also a signal of patriotism.

Kim Ngoc soon realized a series of problems with the mushrooming of collectives in his province, especially the waste of resources, reactionary style of work, declining yield, etc. Kim

Ngoc studied the problems of agricultural production, especially the fact that income of cooperative member was not enough to provide him/her with weak congee. He identified the roots of the problem of productivity in agricultural operation as bureaucratic structure, inappropriate organization of the workteams, lack of self-motivation and disregard of necessary production standards. All these problems stemmed from the sole issue of ownership.

In 1966, Kim Ngoc started his pilot scheme under the name of “khoán” as what we discuss in the second section. In order for him to implement the change, Kim Ngoc had issued Decision 68 for the Vinh Phuc Province. This decision changed the whole work modality for agricultural production, it served like a bunker-buster that smashed up the ideology of the conservative dogma on socialist collectivism (Thao, 2009b). This heroic act could be done only by Kim Ngoc, who was willing to risk his career path to perform changes badly needed to improve agro-production.

The implementing of “khoan” policy took place during the period of escalated bombing by the US Air Force and severe drought in North Vietnam. However, the right policy generated promising outcome with rice yield for 1967 ranging from 5 to 7 metric tons per hectare. Improved supply of rice also led to a substantial improvement in raising pigs (as popular food for Vietnamese). Collectively, the herd of pigs in Vinh Phuc in 1967 totaled 307,000, a 20 percent increase compared to that of 1966, and 38 percent higher than 1965. It cost almost nothing.

The idea of Kim Ngoc stemmed from his careful observation that: (i) the cooperatives wasted a large portion of the labor force due to inappropriate mechanism of economic management; (ii) the separation between the agricultural laborers and ownership of productive means induce sluggishness in conducting agricultural activities by farmers. By emphasizing the role of farmers and associated households, Kim Ngoc in fact advocated our concept of private entrepreneurship in the course of economic conduct of the collectives and communes within his province.

Kim Ngoc’s implementation was also organized in a very thoughtful and well structured manner. His experiments were designed to be implemented in small production scales, and their results were used for careful analysis to reach useful insights and implications for later applications in larger-scaled operations.

The fact that his Decision 68 allowed several methods of granting freedom to members of cooperatives was an evidence of Kim Ngoc’s well thought out policy about “khoan.” However, the type of “khoan” which granted the highest degree of freedom to farmers was highly praised.
by farmers, thus gaining consensus between political leaders and farmers/households. His
discovery was surprisingly simple: the highest motivation for the worker is his right to get
pecuniary compensation for his effort. However, his invention of “khoán” was criticized by
many communist comrades since they regarded the changes Kim Ngoc brought to the agro-
production system as “an attack to the castle of the socialism.” (Thao 2009c)

When the pressures of criticism increased, Kim Ngoc realized that there would be a quite high
possibility that his “khoan” policy be prohibited, and food shortage may come back. And he was
determined to find ways to keep “khoan” alive at any price and by any method. He did that by
helping people from other provinces learn the concept of reorganizing agricultural activities and
understand the results Vinh Phuc gained during his pilot khoán schemes of 1966-67.

Given his effort to rekindle the interest in his innovation of khoán policy, this market-oriented
system never stopped operating inside the centrally planned economy of Vietnam, after Kim
Ngoc’s experiments in the 1966-67 period. Although Kim Ngoc’s policy was stopped by the
CPVCC and he was instructed in 1968 to write a self-criticism due to his innovation, other
provinces continued to apply the concept in various forms and in different points in time, until
Doi Moi formally recognized the value of this policy and turned it into the official policy for
Vietnam’s method of managing the agricultural economy. The concept of khoán was later also
extended to other sectors of the economy, such as industrial production.

Trương Chinh (1907-1988): Trương Chinh was born as Đặng Xuân Khu in Nam Định
Province, Vietnam. He was one the most prominent communist political leaders during both
resistance wars against the French (1941-1954) and the American (1964-1975), and known as one
of few very influential Marxist-Leninist theoreticians within the CPVCC. From 1941 to 1957, he
was the CPV’s second-ranked communist leader — after President Hồ Chí Minh — holding the
position of First Secretary. In the late 1950s, First Secretary Trương Chinh undertook the
aforementioned waves of land reforms in North Vietnam, very much reflecting the Chinese
reforms under Mao’s leadership. He was later heavily criticized for the errors that had turned
the land reforms into a campaign that purged many people including loyal Party cadres and had
unreasonably intensified the “class struggle” when the solidarity and mobilization of resources for
building the economy should have been the top priority. However, after Gen. Secretary Lê Duẩn
had taken the second rank in Vietnam in 1958, Trương Chinh remained a powerful leader on
Vietnam’s Politburo. He also held other top position of Vietnam, such as Chairman of the
National Assembly’s Standing Committee (1960-81), and Chairman of the Council of State
(1981-87). Again, after death of Lê Duẩn, he became the top leader of the CPV, hence Vietnam,
for a brief period from July 1986 to the closing of the VIth National Congress of the CPVCC in
December 1986, when he resigned from the top leadership and handed over the power to the
successive CPV reformist leader, Gen. Secretary Nguyễn Văn Linh.

Trương Chinh was one of the first people that endorsed the institutionalization of Vietnam’s
extensive economic reform package in 1986, which also led to a sweeping change of the CPV
leadership, paving the path a full-blown version of Doi Moi. He was praised by other CPV
theoreticians as “the one who laid down the first brick for the House of Reform of Vietnam.”
Known as the most influential theoretician of the contemporary Vietnam, he himself put forward
the concept of “thinking renovation” with a crystal clear emphasis on a renation of economic
thinking for the new age (Trân, 2005).

7 The Chinese-Vietnamese meaning of “the Long March.”
In his perception in early days, he identified the real energy of such reform came from the unleashed power of the people with sole purpose of any act being for the benefits of the people. Such a reform, in his theory, would have to motivate the people spiritually, to let them think freely, and to equip them with realistic democracy. He anticipated that “new values” would likely come up in such course of changes, together with a diversity of viewpoints; many of them may clash with old values and old viewpoints, and would replace those even deeply rooted in the society.

He said: “Only by reforming the way of thinking – especially the economic thinking, of doing, of work modality, reforming the Party personnel organization, could we escape from the current acute economic problems.” Gen. Secretary Trương Chinh saw the changes happening in the world’s geopolitics and the trend of economic activities, and realized that the adjustment and changes of the old dogma in the name the Marxist-Leninist theory would bring about positive outcome, if they were designed in conformity to the actual level of economic development of Vietnam and for the Vietnamese. He soon identified two major areas that required immediate changes, in a big way: (i) the model for economic development; and, (ii) the economic management mechanism (Trân, 2005: p.559) and before his full-fledged implementation of Doi Mới, Trương Chinh had already proposed a scheme to replace the “old economic management mechanism” in meetings of the 6th and 8th Plenary Sessions of the Vth CPVCC Tenure in 1984.

The two major problems Trương Chinh was particularly interested in were: (a) granting more freedom and exercising more job delegation to economic units of State ownership, or in short, decentralization; and (b) paying adequate attention to and making sufficient effort in solving problems of prices, wages, and money and finance in the economy. To him, these issues had not been dealt with successfully in the past, so the economy now paid the price for ignoring serious problems.

Trương Chinh’s theoretical arguments for the change to a multi-sectoral and commodity exchange economy were persuasive and also logically led to the recognition and application of modern business concepts in managing old-fashioned and long-standing state-run enterprises, which later shaked up the system nationwide (Trân, 2005: pp. 632-633).

Nguyễn Văn Linh (1915-1998): The CPVCC General Secretary Vth Tenure, 1986-91. The Late Gen. Secretary of the CPVCC Nguyễn Văn Linh was a Vietnamese revolutionary and politician, who succeeded Trương Chinh as top leader at the Vth National Congress in December 1986, was the most influential political figure of Vietnam implementing the sweeping reform package, marking the era of Doi Mới. He officially laid the cornerstone for turning the Vietnamese economy to a market economy.

Nguyen Van Linh was detained by the French from 1941 to 1945 for his participation in the communist campaign against the French rule in Vietnam. He was then rising in the CPV hierarchy and becoming a member of the CPVCC in 1960.

After the re-unification of Vietnam in 1975, Linh rose again becoming to one of the most powerful politicians of the CPVCC as a member of the Politburo, and at the same time the CPV Secretary of Ho Chi Minh City (formerly known as Saigon). During the campaign of rehabilitating the private-sector industrialists and merchants operating in Ho Chi Minh City initiated by the then top leader Lê Duẩn, Nguyên Văn Linh preferred a slow transformation of the formerly capitalist South Vietnam over a rush to eliminate the national capitalists and private merchants – a radical socialist policy advocated by many Northern comrades. His approach of gradualism in changing the Southern economic structure caused him into a ideological conflict.
with some important colleagues in the CPVCC and the Politburo. When the conflicts intensified in the late 1970s, Nguyên Văn Linh could not be rising higher in the hierarchy of the CPVCC and was even removed from the Politburo in 1982 due mainly to his reservation of the argument that the Vietnam’s future course of economic transition would not have to completely eliminate economic freedom, including that for the private capitalist.

Again, when the Vietnamese economy faced a tough crisis period in the 1981-85 period, the CPVCC had to seek for options to get the economy out of harsh economic realities; his more liberal, market-based option was paid increasing attention. Then, Nguyên Văn Linh was reinstated in the Politburo in 1985, and this fact was a precursor to an important socio-economic and political change that would later help the Vietnamese economy kicked in a higher gear when ĐoI Môi policy arrived. We must also notice that Gen. Secretary Nguyên Văn Linh’s great contribution to Vietnam’s reform was not confined to his innovations in economic policies that have for almost three decades now recognized the private ownership of productive assets, legalized property rights, advocated the multi-sectoral market economy, and stopped inefficient agricultural productional mode from absorbing much of national resources. His activeness in various diplomatic and military activities also proved to be efficient in both improving the standing of Vietnam in the international community and channeling the scarce resources, physical and financial, to most productive sectors. He proactively improved relation with the United States and sought to normalize relation with China, after the brief but brutal Sino-Vietnamese War in 1979. He also ordered the withdrawal of Vietnamese combat troops from Cambodia in 1989, after they had finished the assignment of removing the Pol Pot’s Khmer Rouge, paving the way to improve diplomatic ties with many countries in the world.

Our previous analysis confirms that the recognition of the need to adopt some kind of economic reform had already began before the Late Gen. Secretary Nguyên Văn Linh’s office taking, in the late 1970s, with the outcome of the September 1979 6th Plenary Session of the IVth CPVCC Tenure introducing several hallmarks of socio-economic innovations, such as the agricultural quota and contract system, periodical re-adjustments of purchasing prices for agricultural products, an increase of industrial operations’ autonomy within the State-owned industries, and relaxation of rules for import and export activities as well as allowing State-owned banks to extend credits to local entrepreneurs. However, only until Nguyên Văn Linh’s the VIth National Congress in December 1986 these productive steps of reform were politically reaffirmed, manifested a new level of commitment, and institutionalized in the form of an extensive economic reform (Cima, 1989).

The Late Gen. Secretary Nguyên Văn Linh was also famous of his outspoken style in solving serious problems, including using his writing skills to attack what he considered the disease – which had undermined the strength of his political party, the CPV – namely, telling lies, talk without action, bureaucracy, corruption, etc. He was the author of a series of articles on the Nhân Dân Daily,8 mouthpiece of the CPV, named after “Những Việc Cần Làm Ngay” (“Things That Must Be Done Immediately”), signed as “NVL,” in which the problems of corruption and incompetence within the political elite circle were all attacked and criticized publicly. When the first article appeared, the acronym NVL led the society to believe that Nguyên Văn Linh publicly showed his attitude and stance over internal matters of the CPV, but he later denied that saying “that” author’s name was “Nói Và Làm,” meaning “Talk And Action.”

8 The CPV-controlled Nhân Dân daily newspaper was regarded as equivalent to Chinese People’s Daily and the Soviet Union’s Pravda.
Late General Secretary of the CPVCC Nguyễn Văn Linh visiting an industrial manufacturing operation.

His earnest fights against diseases, long existing within the political cadres, made him even internally criticized by a number of high-ranked colleagues since his writings touched on sensitive matters. Some even labeled his act as an equivalent to the Mao Zedong’s Cultural Revolution, but the reality proved that his sole purpose of fighting against these diseases had been to improve the image of the CPV as the leading political party and to reinforce the country’s efforts to make necessary changes in its course of economic development.

We could summarize some key concepts that Gen. Secretary Nguyễn Văn Linh has installed along his implementation of the reform program as:

1. Restructuring of the economic structure nationwide. Restructuring the investment and allocation of financial resources to increase efficiency and effectiveness. Reallocating physical and financial resources for three major economic programs of agricultural production, consumer goods production and emphasis on export products.

2. Reforming the national economic management mechanism to unleash the productive forces inside the people. Replacing the centrally planned and bureaucratic methods of mechanism with socialist business accounting methods. Gradually removing the subsidy system for State-run enterprises.

3. Removing obstacles that hinder people’s economic conduct. Encouraging the multi-sectoral economy to development, including the private-sector and household economy.

4. Final Remarks

Since the policies of Nguyễn Văn Linh were adopted at the VIth Congress, the national economy of Vietnam has gradually transformed into the market economy, with many more building blocks being installed and making great changes in a positive way for economic life of people and economic standing of the national economy within the global economy. Vietnam successfully escaped from the status of a poor-performing and cost-center to its donors as Sherman (1987) put: “Vietnam costs the Soviet exchequer a daily figure estimated variously at between US$1 and US$3 million. … Cuba and Vietnam are large economic burdens to the Soviet Union, and in the specialist literature and in statements of public officials criticism of this burden is often implicit. It is also acknowledged by many in Moscow that Cuba and Vietnam do not provide an attractive
model of economic development for other Third World states to emulate—particularly as such a model entails huge amounts of Soviet aid.”

Following the starting year of Doi Moi, inflation dropped quickly from 775 percent in 1986 to over 65 percent in 1990, while rice production went significantly to 19.5 million metric tons in 1988 then 20.5 million tons in 1989, compared to 17.5 millions in 1987. Vietnam has even grown up to be the second largest rice export only after Thailand since 1995, with rice export reaching over 6.75 million tons in 2010, acquiring foreign exchange worth over US$3.2 billion. Total export receipt of Vietnam’s economy reached US$ 70 billion compared to roughly US$ 700 million in 1986, US$2.3 billion in 1990. Average annual GDP growth of Vietnam attained the high level of 7.5 percent compared to 3.9 percent of the 1986-90 period.

What the influential figures had done before Doi Moi was by nature adopting the entrepreneur-like conceptual framework for making economic development happen, in which private benefits, property rights, self-determined course of economic acts with freedom and independence would decide the degree of success or failure of economic agents, in line with Schumpeter’s argument (1942[2008]: p. 73) that “… The commercial and industrial bourgeoisie rose by business success. Bourgeois society has been cast in pure economic mold: its foundations, beams and beacons are all made of economic material. The building faces toward the economic side of life. Prizes and penalties are measured in pecuniary terms. Going up and down means making and losing money…”

We have successfully been using the above sketched entrepreneurial framework of analysis to identify “entrepreneurial facets” of the process to Vietnam’s Doi Moi. By using this framework, we reach some important, and also novel, conclusions as follows:

First, economic crisis and harsh realities were neither necessary nor sufficient conditions for the reform to take place. We note that the dire strait in current North Korea was neither necessary nor sufficient for a reform to occur, no matter how long and how serious the hardship has been.

Second, only entrepreneurial elements in the society, combined with economic hardship, induced the process of looking for structural changes, emerging opportunities, then laid down cornerstones of policies and innovations. These have, as shown above, been typical elements and tools of entrepreneurship. In light of this, entrepreneurship has never waited for a crisis to appear or economic emergency, but established its functions, role and existence through practical situations and disequilibrium conditions, employing its natural tools, undertaking its inherent course of functioning.

Transition and reform are two sides of a coin. The reform is in fact an institutionalizing of various innovations, mostly in the form of “experiments” or “pilot plans”, which lead to positive changes, which would subsequently invite further innovations, until Schumpeter’s “perennial gale of creative destruction” becomes established.

We also reach a finding that any assessment of the next stage of Doi Moi in Vietnam, referred to several scholars as Doi Moi II, should take into account the entrepreneurial factors of the economy, and by predicting the emergence of new entrepreneurial facets in the next phase of economic development.

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