

DISTRIBUTION IN A “JUST” ECONOMY AND THE CASE OF VIETNAM

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Abstract. In 1986, Vietnam introduced the market mechanism into its economy by making official the Doi Moi (Renovation) policy. Since then, the country, once poor and backward with command economy, has enjoyed continuous economic growth for the past 30 years, become one of the most attractive places for foreign investment in the world. However, coupling with the continuous growth, there have been signs of the country under-deliver on the promise of “a just, democratic, civilized society”. In this paper, we would like to look at the strength and weaknesses of Vietnam’s economy through a conceptual framework offered by Louis O.Kelso and Mortimer J.Adler with their “economic justice” concept, which is presented in *The Capitalist Manifesto* (1958). Economic justice, according to their views, consists of 3 principles: *Principle of Distribution, Principle of Participation and Principle of Limitation*. We will focus on the Principle of Distribution, and uses it to assess the worrisome income inequality situation in Vietnam, especially its negative consequences considering the distribution of healthcare.

Keywords: Doi Moi policy, economic justice, distribution justice, healthcare.

1. Introduction

We have many definitions of justice or “social justice”, domestically and internationally, ranging from philosophical, moral to political senses. “Social justice” have been concerned in the academic community in the world since the 1950s of the last century. John Rawls (1921-2002) presented his argument on “the veil of ignorance” and two principles of justice. Nancy Fraser (1947) expressed social justice in terms of redistribution, recognition and participation. However, the concept of “social justice” has only attracted much attention of Vietnamese academic community during nearly one decade. This circumstance happens for many reasons. Among them are the widening rich-poor gap in many cities and the upgraded infrastructure (electricity-transportation-schools-healthcare clinics) in rural–mountainous areas resulted from the rapid economic growth after 30 years of Doi Moi. Most discussions in public or in private circle around these questions: Should the country give priority to economic growth

Received July 4, 2019. Revised September 15, 2019. Accepted October 10, 2019.

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firstly, followed by social justice? Is the rich-poor gap an inevitable consequence of economic growth? Can Vietnam shape its economy into the one with less inequality? The Communist Party, step by step, has emphasized the role of balancing economic growth and social justice in its Party programs and in many ways, tried to limit the widening of the rich-poor gap. In this paper, we are not going to dive in the conceptual analysis of “social justice” or “justice” in general, because there are already more references and definitions on “justice” and “social justice” than we can cover. We would like to only focus our attention to justice in economic sense or “economic justice”.

2. Content

2.1. Conceptual framework and its application to analyze the case studies of Viet Nam

To begin with, we choose the concept “economic justice” in *The Capitalist Manifesto* (1958) presented by Louis O.Kelso and Mortimer J.Adler as the conceptual framework for our analysis later on. Their “economic justice” consists of three main principles that are Principle of Distribution, Principle of Participation and Principle of Limitation. *Firstly*, the ***Distribution principle*** states “those who participate in the production of wealth, each should receive a share that is proportionate to the value of the contribution each has made to the production of that wealth” [9, p.80]. It means the amount of distribution one receives after production and commodity exchange should correspond to the amount of labour/force and capital that one contributes to production of goods and service. This principle can work efficiently in market by free competition. The authors agreed with this hypothesis. *Secondly*, the ***Participation principle*** refers to “every man has a natural right to maintain and preserve his life by all rightful means, including the right to obtain his subsistence by producing wealth or by participating in the production of it” [9, p.80]. This principle not only mentions the right of freely conducting economic activities to ensure livelihoods usually declared by laws and constitution in every country, but it also requires the legitimate rights of individuals, households and enterprises to freely access and take advantage of the latest technology and innovation to production that should not be limited by any accidental or purposeful intervention. Moreover, it mentions the competence of individuals to get back to job or to start their production up after unemployment or break-down. *Finally*, the ***Limitation principle*** is about “no one has a right to so extensive an ownership of the means of production that is excludes others from the opportunity to participate in production” [9, p.81]. In simple words, this principle confers with the requirement of those who are in production have right to expand their capital to the extent that do not injure others by taking chances to earn money for a decent living themselves. These are three key principles suggested by the authors when presenting how a just economy should be.

We found their Distribution principle the most interesting. According to this principle, distribution should be based on the share amount of contribution of stakeholders before and within production. They point out the fact that in capitalist-industrial countries, the high-income group tends to be richer and more money while the middle-income and low-income group tends to be poorer and with less money, though

the later works harder than the former. If the later contributes more their labour to production, they should get the same amount back, instead of a small piece of the entire pie. But money often flows into the former’s pocket easily and rapidly than into the latter’s one.

The reason why the fact is happening is that, the former with its “rent-seeking behavior”* [16] often makes use of good research and development results, technological innovation, good infrastructure supplied by the government and get more rewards than their actual contribution. This situation can distort economic incentives, and when the economy could become dominated by a small group of people, not only more wealth goes to them, but they could also change the rules of the game and influence badly on political and civil rights. With this principle of distribution as one of the most significant aspects of “economic justice”, we would analyze the case of Viet Nam. Our questions are *what distribution principle is now working in Viet Nam* and *whether there are any changes of distribution principle happening in the mindset of the Communist Party of Vietnam since Doi Moi reform 1986*. In order to answer these questions, tracing back to the history of the country’s economy is needed.

Before Doi Moi policy, Viet Nam’s economy was a command or planned economy that every economic command came from the Central Party with its five-year plans on collectivization of agricultural and industrial production. It did not follow any market rules. Consumer goods were subsidized by the government. However, the planned economy delivered results which were far behind the party’s expectation. This planned economy caused many bad consequences on subsistence of the people, such as shortage of consumer goods, impoverished living conditions, industrial stagnation, and high foreign debts. Later, it was pointed out that its economic guiding principles “violated the most important motivation for production development, that is worked against the working people’s vital vested interest” [13]. *The form of distribution in this time is “equal wage for equal work” in terms of average, even egalitarian amount*. That was every person got the quantitatively equal wage for work, no matter how much workload he hid and how efficient he did. This kind of distribution caused laziness and scarcity of incentives for working and producing. It was also the underlying cause for the severe economic crisis, especially in agriculture in 1985.

Facing the most severe wage-price-currency scheme in 1985 and before, in 1985, the Party made a turning-point decision to change the economic institution of the country. That was from the command, planned economy to a market economy and opening the door to the world. The change has happened step by step, marked by the change in the mindset of the Party through each of its national congress and program. The thinking on distribution principle and the economic institution has been gradually different from the last time.

In the Congress VI (15-18/12/1986), the Party decided to turn from the only state-owned enterprises-based economy to a multi-sector economy. “Implementing rightly *principle of labour based-on distribution* requires adjustment of wage system fundamentally in order to ensure re-produce labour force, to eliminate egalitarianism, to cross backward elements of wage system off, apply *wage payment associated closely with labour-performance/results and economic efficiency*” [7, p.406]. This

acknowledgement aimed to wipe out the rule of distribution according to administrative order from the top leaders in all levels existed before the Doi Moi policy.

In comparison to the Congress VI, the Congress VII (27/6/1991) contained a new point. It declared “implementation of *multi-form distribution* in which *distribution according to labour performance and economic efficiency* are the keys” [4, p.112]. However, at that time, the Congress did not figure out clearly what the multi-forms of distribution could be. The Party accepted “unbalance in salary due to labour performance and productivity. It is the right orientation creating driving force for development and improvement of general living standard of our society” [4, p.31] and asked for elimination of “distribution in kind” being common before the Doi Moi policy.

In the Congress VIII (28/6-1/7/1996), the Party emphasized: “implementing multi-form distribution, distributing *according to labour performance and economic efficiency* is the majority while carrying out distribution principle correspondingly according to *the share of stakeholders’ resources to production-commodity exchange via social welfare* [5, p.92]. This is *the first time* the Party conceived the importance of distribution via social welfare that was never thought of before. Yet at that time, what social welfare should be was still out of the discussions.

In the Congress IX (19–22/1/2001) as the guiding for the next 5 years following, the Party stuck the aim of a socialist-oriented market economy with distribution principle: “A socialist-oriented market economy implements its *distribution principle by labour performance and economic efficiency*, at the same time, *via the contribution of capital and resources to production, business and via social welfare*” [6, p.88]. In this period, the significance of distribution through a proportionate amount of capital was raised and affirmed.

The Congress X (18-25/4/2006) and XI (12-19/1/2011) still confirmed the role of distribution according to the amount of contribution to production. The declaration below from in the Documents of the Congress XI speaks for that fact: “Distribution relation must be ensured as the driving force of development, resources must be allocated according to socio-economic strategies and policies. Implementing *distribution principle is according to labour performance, economic efficiency, the amount of capital, resources contribution to production and social welfare, social security*”.

Since then, we have distribution principle with 4 requirements: labour performance, economic efficiency, the amount of capital contribution to producing and social welfare/security. But it seems the Party has been still confused with the two terms “social welfare” and “social security”. It took a few years for the Party to clarify their meaning. In the Congress XII (20-28/1/2016), the report on evaluation of the outcome of implementing the socio-economic development tasks of the period 2011-2015 and of the period 2016-2020 suggested, the Government had to use institutional mechanism, resources and distribution tools, distribution and redistribution policies for culture development, democratic promotion and social justice [7, p.269]. Later on, the 4 requirements of distribution principle have been blurred and given the path to the

concern about “just/equal income” as an important dimension of just redistribution of production.

According to World Bank data, GDP per capita (current US dollars) in Vietnam has increased steadily since 2006, around 200 USD average every year. While in 2006, the number was 779.975 USD, 2018 was seen the number of 2587.000 USD, more than 3 times [1]. In parallel with the growth of GDP per capita, monthly income per capita (of those who have jobs) in urban and rural areas also rises during 1999-2018. For instance, the monthly income in urban areas grew from 517.000 VND in 1999 to 7.700.000 VND in 2018, while rural areas also witnessed the rising level of monthly income, relevantly 225.000 VND in 1999 and 4.700.000 VND in 2018. The gap between monthly income in urban and rural areas was narrowed from 2.29 times in 1999 to 1.63 times in 2018. It has shown the positive consequences of economic growth after the country opened its door to the world and deeply integrated with a global economy and global economic organizations.

Table 1. Monthly income gap in urban and rural areas of the highest and lowest income quintiles

	The gap between highest and lowest income quintiles <i>Unit: times</i>			
	2012	2014	2016	2018
Urban areas	7,1	7,4	7,3	6,9
Rural areas	8,0	8,2	8,5	8,6

Source: The General Statistics Office of Viet Nam

Table 2. Monthly income gap in three regions of the highest and lowest income quintiles

	The gap between highest and lowest income quintiles <i>Unit: times</i>			
	2012	2014	2016	2018
Red river delta	7,7	7,8	7,8	8,1
Mekong river delta	7,7	7,4	7,8	8,2
North Central and Central coast	7,6	7,8	7,9	8,1

Source: The General Statistics Office of Viet Nam

Nevertheless, we should also pay our attention to whether the economic growth after 30 years of Doi Moi policy has distributed its fruits to all people. It is known from the data, while GDP per capita and monthly income in urban and rural areas have increased moderately, the gap between the highest-income and lowest-income groups in terms of monthly income in urban and rural areas has been changing very slightly. Following the database supplied by the General Statistics Office of Viet Nam, the gap in urban areas tends to be narrowed while it shows the expanding level in rural areas. However, in terms of regions, the gap has been upcoming these times.

Moreover, according to *Oxfam brief paper 2017*, the distribution of the benefits of growth has become more unequal in recent years. While there are small income differences between the first four quintiles of the distribution (the bottom 80 percent), there is a large gap between these and the richest quintile (the top 20 percent). This gap has been widening since 2004 [12, p.16]. Hence, it is possible to conclude that the steady economic growth of the country has not offered equally positive effects for all people.

Those who might justify the distribution principle through capital sharing by mentioning personal income tax so that the government can redistribute benefits from the highest-income group back to the lowest-income group. But the percentage of state budget revenue from personal income tax hasn't been a big piece of the pie that was approximately 97 million VND last year. The biggest proportion of the domestic state budget comes from corporate income tax, which had been calculated by nearly 608 million VND in 2018. Although the personal income tax rate of Vietnam is the 2nd highest position compared to other ASEAN countries, it still can't offset the income gap between the richest and lowest groups.



Chart 1. The tax rates in ASEAN (data in 2016)

2.2. Distribution principle of justice in the situation of healthcare provision in Vietnam

In order to cope with the hard times in the 1990s, the government introduced the “equitization” policy of healthcare, education and cultural activities in 1997 (sometimes called “socialization”). The term “equitization” was defined in the Decree 90/CP as “mobilizing and organizing the widespread participation of the people and the whole society in the provision of healthcare, education and cultural activities in order to gradually raise the level of enjoyment in education, health, culture” [20].

At that time, the equitization in healthcare concluded those contents: a) Diversifying types of health care: allowing the establishment of semi-public hospitals, private hospitals, joint-venture hospitals or foreign-invested hospitals, private pharmaceutical enterprises or joint stock companies. (...) b) Amending hospital charges at public medical facilities to meet the demand of socio-economic situation, based on the principle that hospital charges are calculated to be close enough to direct costs to patients, but are taken steps by steps. Revising the health insurance system to match hospital charges, eliminating the difference in treatment between hospital payers and health insurance payers. c) Well organizing medical examination and treatment for the poor. Partly funded by the Government, at the same time encouraging the Red Cross, charitable organizations, mass organizations, state and private economic organizations to contribute to the construction of self-help funds for the poor. d) Implementing the campaign “Improving the quality of family sanitation works, proactively preventing and controlling epidemics”. Building a home-based herbal medicine garden into a widespread movement at the grassroots level by the administrations at all levels. e) Improving the quality of the grassroots health network, firstly providing enough nurses, midwives and pharmacists for the villages; adopting policies to encourage doctors, nurses and pharmacists to work at local health facilities.

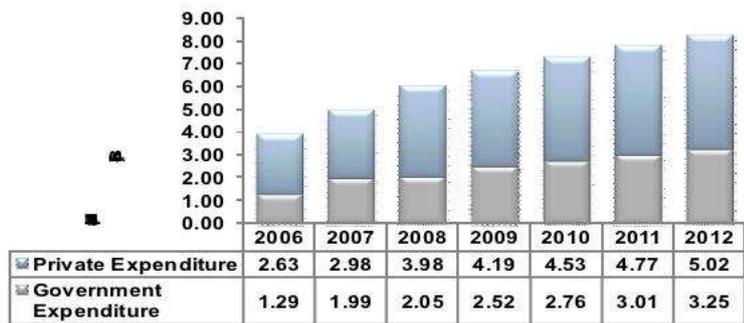
In this paper we just focus on analyzing the instances of the first two contents above. As it can be seen, after more than 20 years implementing equitization in healthcare system, the total system has performed remarkable changes. According to Vietnam Briefing, in 2016, there were 1,346 hospitals in Vietnam, which included 1,161 public hospitals and 185 private hospitals. The government health departments in the provinces and cities manage close to 80 percent of the public hospitals, while the Ministry of Health and Other ministries/State-owned firms manage the rest. The total number of hospital beds increased from 209,485 in 2011 to 254,885 in 2016. The public sector accounted for 240,700 beds, while the private sector accounted for the remaining 14,185 beds. The government aims to increase the share of private hospital beds to 20 percent of the total beds by 2020, through public-private partnerships [19]. Physicians (per 1,000 people) was reported at 0.821 in 2016 as the World Bank collection of development indicators, compiled from officially recognized sources [21].

Furthermore, as reported by Vietnam Social Insurance, by the end of May 2019, there were 84 million people participating in health insurance, reaching the coverage rate of 89% of the population, nearly reaching the goal set by the Government that is the health insurance coverage will reach over 90% of the population by 2020. The total spending of the whole society on health care has been increasing, the proportion of

public finance including state budget and health insurance has increased. Total social expenditure on health care (state budget, health insurance, people) compared to GDP has been increasing, from 5.1% in 1993 to about 6.6% in 2016. From 2008 to now, the growth rate of state budget spending on healthcare system has been higher than the average rate of state budget spending and reaches 7-8% of total budget spending.

Vietnam—Healthcare Expenditure

Government and Private Expenditure on Health: Vietnam, 2006–2012



Source: WHO, Frost & Sullivan analysis



Chart 2. Government expenditure on public healthcare as % of GDP

(Source: <http://www.slideshare.net/FrostandSullivan/indonesia-and-vietnam-healthcare-outlook-20122015>)

However, the proportion of household spending on healthcare remains high, easily leading to poverty in middle-income households when someone is sick. The rate of becoming poverty due to medical fees and hospital charges is 1.7% as reported by the Minister of Ministry of Health at the conference to summarize 9 years of implementing the Law on Examination and Treatment, organized by the Ministry of Health, on 12/7/2019 in Hanoi. It is estimated that healthcare spending per capita in Vietnam was calculated approximately 170 USD in 2017. The number is predicted to reach 400 USD in 2027. Surely, this fact have put many unlucky persons, those with lower income and unlucky enough to fall ill, in jeopardy. If the government does nothing to correct these market failures, we can only expect it to get worse.

Besides, we might say the equitization of healthcare system has put the lower income group to bear greater risks than the higher counterparts not only in terms of private spending but also in terms of information imbalance. Since there is always an inherent information asymmetry in the healthcare situation when the patient simply do not have as much information as his doctors about his condition or the kind of treatment that is necessary for his illness. Thus, the patients bear a risk of being taken advantage of by the doctors. In practice, the examples of this kind of exploitative and predatory

behaviors are plenty: hospitalizing patients unnecessarily, prescribing too many drugs, extra diagnostic tests [2]. According to the UNDP Report for Inclusive Growth 2015 [2], the shift from state-funded to state and private-funded healthcare have worsened inequality and inefficiency. It has never been truer that ability to have good health for the elder depends so tightly to the ability to pay of the individual households while healthcare system are supposed to be the essential means for remedies of market failures [18]. Here, in terms of healthcare as one of the most significant means to create highly productive and healthy workforce for economic growth, the Vietnamese government’s action has shown its insufficiencies to correct for market failures [18].

3. Conclusions

As a small attempt to tackle those big questions of justice, in the paper, we have examined the “economic justice” concept offered by Louis O. Kelso and Mortimer J. Adler in *The Capitalist Manifesto* (1958) to assess the situation in Vietnam. It is clear from our analysis and evidence that the introduction of market mechanism in the provision of healthcare has not help Vietnam to achieve “economic justice”. The reality is a worsening gap between the rich and the poor. To fix this problem, we believe that acknowledging them will be the first step to solve.

Notes:

(*) “Rent-seeking behaviour” is the name the economist gives for the activities that bring about income not as a reward to creating wealth but by grabbing a larger share of the wealth that would otherwise have been produced without their efforts. For instance, laws that make market less competitive and more monopolistic, under-enforcement of competition laws, subsidies from government, etc [14].

(**) Social welfare accounts of retirement insurance, subsidy for social insurance, scholarship, expense for free education, healthcare system, leisure, kindergarten and other stuff.

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