

## SOCIAL EQUALITY IN A SOCIALIST ORIENTED MARKET ECONOMY

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Social equality has always been a dream of radical human beings. Social equality is the objective of healthy and sustainable development that every country in the world is longing to achieve however, it is an issue that not every country is able to solve. There are many conditions and relationships, especially the relationship between growth and social equality, that need to be dealt with.

This writing will analyse the following contents:

### **I. An overview of typical economic models with regards to the relationship between economic growth and social equality**

Since World War II there have been three main kinds of economies. Each model is based on a particular philosophy of development, which reflects the nature of the socio-political ideals and culture of different societies.

#### ***The Free market economy***

Following the theory of ‘an invisible hand’ in a free market economy that Adam Smith, the father of the Classic Liberalism, suggested in the late 19<sup>th</sup> century, many Western economists like Von Hayek and Milton Friedman have

encouraged Western countries to adapt their existing economies into a free market model. In this model, the role of the government is reduced while the private sector is highly appreciated. Government spending on public services is cut back and income redistribution is changed in favor of capitalists to encourage them to ‘save and invest’ to promote economic growth. A new branch of liberalism called the new conservatives produced a slogan, ‘*Growth and trickle down*,’ meaning that economic growth should take place prior to social equality and that the poor should be patient (1, p.18).

#### ***The social free market***

This model is based on John Maynard Keynes’s theory in which the capitalist market economy is combined with a system of social welfare to create social harmony for the sake of development. At one time, the Swedish government was a good example of this model. The welfare system in Sweden, which included subsidies for education, healthcare, children, the elderly, the disabled, and the unemployed, was of

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the highest level in the world. Most citizens were likely to make full use of such an extensive welfare system, while capitalists usually try to send capital abroad in order to avoid high income taxes. As a result, the market economy fell into a recession and the welfare system 'seemed to be exhausted' (1, p.21). Some years later the Swedish government had to cut back on social spending, arguing that 'part of the welfare system should be given up to save the core of this regime' (2, p.177).

*The non-market central planning economy*

In the former Soviet Union and other socialist countries this model showed its advantages in promoting economic growth extensively based on classic technology, creating social stability with appropriate policies toward all aspects of life. This model also gradually exposed its shortcomings, mainly the excess of social demand over the ability of a passive economy which failed to apply advanced technology because of bureaucratic centralizing and excess egalitarianism. This held back, and even eradicated, national development. Countries employing this model gradually fell into stagnancy and then serious socio-economic recessions.

Experiences with those three models of economic development has made many scientists and politicians believe that the theories and models of development should be rebuilt to ensure that economic growth goes hand in hand with social equality.

Even in the United States, contrary to the mainstream thought, scientists

recommended economic growth based on equality. For instance, the sociologist Frank Scarpati believed that social equality could be achieved by introducing a policy to reduce the concentration of economic resources with a small number of influential people in the society. Unfortunately, he did not clarify how to implement that policy in U.S. society.

Despite having a free market economy, in the current socio-economic development plan Indonesia has confirmed a motto of development in equality and solidarity. Malaysia's 2020 Vision, drafted in 1990, set the target of increasing its gross national product eightfold in thirty years and to achieve social equality, political stability, and preservation of spiritual values.

Following substantial achievements over nearly thirty years of the open-door policy, the 17<sup>th</sup> Congress of the Chinese Communist Party (2007) stressed the importance of promoting scientific development, perfecting the socialist free market economy, maintaining a high growth rate and sustainable growth for the sake of a prosperous and equal society in which economic outcomes are distributed to every member of the society.

**II. Economic growth and social equality in the socialist oriented market economy in Vietnam over the last twenty years of renovation--achievements and problems**

From the late 1970s to the middle of the 80s, the Party and Government's policies and guidelines on socialist construction and bureaucratic central planning contributed to a serious

economic recession in Vietnam. In such conditions, social equality was in fact poverty<sup>(\*)</sup>. Social evils became more prevalent, and society became unstable.

To help Vietnam recover from the recession, the 6<sup>th</sup> Congress of the Vietnamese Communist Party (12-1986) set a policy of renovation in which the key guideline was to change the bureaucratic central planning economy into a multi-sectored market economy under the control of the socialist government. This is called the *market economy with socialist orientation*.

According to these guidelines, the market economy can be employed as a means to encourage and speed up economic growth, and enhance people's living standards. This is not the typical free market economy based on either classic liberalism or new liberalism, as experience has clearly shown that the free market economy itself does not bring social equality. It can actually enlarge the gap between the rich and the poor, which leads to serious social conflicts. In order to counteract this, Vietnam upholds the theory of an 'invisible hand' in the market economy as well as the 'visible hand' of the government in order to prevent and overcome the shortcomings of the market economy. There are many beneficial lessons of the market economy to selectively learn and follow

in implementing welfare policies. Any exact models from other countries will never work when transferred to Vietnam because socio-economic situations and culture vary in different countries.

As a country with over seventy years of independence and socialist revolution, the Vietnamese Communist Party uses the tools of government administration and regulation of the market economy in order to harmonize economic growth, social advance and equality, and the physical and spiritual life of the people.

Along with the economic renovations, these guidelines were gradually institutionalized into a system of policies related to the following aspects:

- Recognizing the legal rights of the people and laborers in all economic sectors; getting rid of egalitarianism, distributing income based on products and efficiency, on the proportion of investment capital and other resources, as well as through social welfare.
- Providing guidelines and support for people to create jobs. Encouraging everyone to make money and eradicate hunger and poverty.
- Regarding education, training, science and technology as the foremost national policy in order to make full use of human resources, which is the key determinant in social development and rapid, sustainable growth. Ensuring equality in education and access to schooling.
- Implementing social equality in healthcare services, providing subsidies and healthcare insurance to the poor.

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(\*) According to statistics in 1980, average spending per capita of workers and civil servants at the time was 40.42 dong/month, of which 48.2% for food, including 11.52 kg of rice, 0.56 kg of meat, 0.40 kg of fish, 0.76 egg, 4.52 kg of vegetables, 0.15 kg of sugar, etc. Farmers' spending was even lower.

- Considering human beings, each person and the whole community, to be at the center of all socio-economic strategies, policies, and development plans to ensure that everyone has the chance to develop and make full use of their abilities.

The reality of the economic renovations since 1986 has proved that the implementation of the above policies and guidelines has inspired widespread social activeness to create socio-economic development.

In general, the economic growth rate has grown to considerable height in many successive years. Living standards are also higher. From 1991 to 2005, GDP increased 2.5 times, and the proportion of poor households, according to international standards, fell from 58% to 22%. Vietnam has achieved the 'Millennium target of halving the proportion of poor households by 2015' suggested by the UN's widely supported Millennium Development Goals (3, p.1). During that period, the national standards for literacy and the promotion of primary schools were promulgated throughout the country. Over thirty provinces completed the popularization of secondary schooling with adult literacy rates of 90.3%. There were improvements in healthcare services, and the average life span increased from 63 to 73.7 years. The human development index (HDI) rose from 0.498 in 1991 to 0.733 in 2005, ranking Vietnam 105 of 177 countries (4, p.236).

However, Vietnam is still a developing country with a low income of 835 USD/person/year. About 60% of the

laborforce works in agriculture, forestry and fishery, industries are still small scale operations, and the service sector is undeveloped. The market economy with a socialist orientation suffers from slow and unsynchronized institutionalization, and the quality, efficiency, and competitiveness of growth in the economy is still low. As for social development, introduced policies have not been implemented properly, and there are shortcomings in some policies. Living standards in certain parts of the community is very low, especially in remote and mountainous areas inhabited by ethnic minorities. The gaps between the rich and poor, urban and rural areas, and flat farmland and mountainous areas are likely to expand. The income gap between 20% of the richest people and 20% of the poorest people increased from 4.2 times in 1991 to 8.1 times in 2002. Over the last few years, poverty reduction seems to be slowing down. The proportion of households returning to poverty due to natural disasters and disease is rising. Unemployment rates in both urban and rural areas is high, about 5.5% and 24-25% respectively. Social issues like corruption, smuggling, fraud, and speculation have not been effectively prevented.

In such conditions, one key problem for theorists and activists in Vietnam is the question of which problems to address and how to achieve further growth. The answer to these questions will be the key to overcoming the shortcomings of socio-economic development, speeding up economic growth, and practicing

social equality in the market economy with socialist orientation for the sake of *prosperous people, a powerful and equal country, and a democratic and civilized society.*

In fact, there is no simple answers to these questions, however the realities of the successes and failures of the economic renovation in Vietnam over the past twenty years as well as international experiences, have given some recommendations for the question raised.

### **III. Concretize the system of ideas and suggest some solutions to achieving social equality in the market economy with socialist orientation in the coming time.**

#### **3.1. System of ideas**

The general guidelines of the Vietnamese Communist Party on '*practicing social advancement and equality in each development stage and policy*' (5, p.77), can be concretized into the following contents:

*First, in the market economy with socialist orientation, social equality and economic growth can and must facilitate each other.* Economic growth is a physical condition for social equality while social equality is a spiritual motive for economic growth. Social equality cannot be achieved with a stagnant and inefficient economy, nor can the economy grow sustainably in a society when a considerable part of the workforce suffers from unemployment, hunger, and poverty, and is spiritually weak.

*Second, a market economy with socialist orientation requires social equality in*

*each stage and throughout the process of economic development.* Social equality cannot wait for the economy to be highly developed nor can it be sacrificed in order to achieve rapid economic growth for the sake of a minority of people. Each economic policy should be directed to ensure social equality and promote economic growth.

*Third, in a multi-sectored socialist oriented market economy, social equality cannot depend on regulations and income redistribution policies.* With the achievements over the past twenty years, Vietnam has all the necessary conditions to ensure that everyone has equal access education, training, healthcare, credit, and information so that they are selfsufficient and can contribute to the country.

*Fourth, in order to achieve social equality in a multi-sectored market economy, it is necessary to get rid of all the remnants of the previous egalitarianism in which resources and products are divided regardless of individual efficiency and contributions before the economic renovation took place.* Resources spent on implementing social equality policies should not exceed the ability of the economy. This will reduce conditions necessary to promote economic growth and results in economic stagnancy and recession. Thus equality cannot be practiced. Therefore, in each stage of the development an appropriate 'proportion' of economic growth to social equality must be found to ensure that they do not hinder each other. They should instead facilitate each other throughout the process.

*Fifth, to achieve social equality in the market economy with socialist orientation, the government's regulation is extremely important.* Due to the influence of the laws of value, competition, and supply and demand one advantage of the market economy is that it encourages technological improvements and rationalizes manufacturing and trade. When regulated by profits, the market economy cannot avoid spontaneous factors leading to periodical recessions and social inequality. Therefore, the socialist government has to make full use of the strengths of the market economy in order to promote economic growth by using laws, policies, planning, and the power of the state sector to overcome the shortcomings of the market to practice social equality and ensure legal benefits of the people.

### **3.2. Recommended solutions**

The socialist oriented market economy needs to be used comprehensively in order to find solutions to social equality while enhancing the quality of economy.

- *First*, the system of distribution based on products and economic efficiency as well as on the proportion of investment of capital and resources.

Distribution based on products and economic efficiency is considered most important in achieving social equality and high quality work, which are the real source of all wealth. However, with a multi-sectored market economy distribution according to the proportion of capital investment and other resources must be considered fair.

Recognizing this distribution means accepting the existence of surplus exploitation to some extent however, it is unavoidable as our production force is still at a low level. We need to attract the capital, technology, and administrative experience of domestic and foreign capitalists to help promote economic growth and enhance people's living standards.

- *Second*, there must be specific plans to balance investment rates in different areas. It is necessary to spend money encouraging investing in economic zones so as to create a motivating force for the rest of the Vietnamese economy. It is important to acknowledge that appropriate investment, especially in remote, mountainous, and the old revolutionary bases cannot be ignored as it will narrow the gap between development levels in different areas and gradually restore stability to areas of 'natural inequality.'

There might also be policies on contributions from favored socio-economic zones in support of less developed ones.

- *Third* when considering policies related to national income redistribution, redistribution through social welfare should not be the only measure, as social welfare is limited to general benefits that everyone can enjoy. Currently, the objects of social welfare are various, therefore social welfare should be expanded into a *multi-level system of national security*.

The system should include: i) *Social incentives* to ensure above average

living standards for people who have participated in the revolutionary cause; ii) *Social insurance* to encourage the laborforce to save for difficult times such as unemployment, illnesses, old age, etc.; iii) *Social subsidies* to support weak and vulnerable people like the disabled, the elderly, and the homeless, etc.; iv) *Social charity* to save people badly attacked by enemies, natural disasters, or accidents; v) *Mutual aid* to continue the spirit of assistance in the community to overcome hardships, reduce poverty, and enhance living standards.

- *Fourth*, all levels and all measures should be involved in the struggle against illegal activities that deteriorate economic growth and causing social inequality.

People involved in illegal activities fall into two groups. The first are smugglers, frauds, and speculators in the market, and the second are corrupt officers of the government and party who use their positions and power to steal the properties of the government and the people. Prominent economic cases have shown that there is intricate cooperation between these two groups.

These two groups deeply affect the society as a whole. They should be punished and eradicated because if they

continue to cooperate with each other, they will soon destroy the economy from the inside and make the socialist oriented market economy a 'wild' market economy, provoking anger in the people and threatening the existence of a powerful, egalitarian country and equal, democratic, civilized society that Vietnam is heading for.

#### NOTES

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