

MARKET ECONOMY'S IMPACTS ON THE SOCIETAL FUNCTIONS OF THE STATE IN VIETNAM TODAY

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State is a historical category. Since its inception, state always remains a political instrument of the ruling class and executes its societal functions. In the context of developing a socialist-oriented market economy in Vietnam today, state has a radically important role to play in economy administration and regulation. On the other hand, market economy also causes robust impacts on the state as well as its societal functions in various fields. This article attempts to examine this substance.

After twenty years of having implemented the renewal policy, shifting from a centralized economy with a red-tape bureaucracy to a socialist-oriented market economy, it is necessary to define the functions of the state in general and its societal functions in particular. For a relatively long period, "the functions of the state in a socialist-oriented market economy have been slowly clarified. Administrative reforms have been executed slowly; operations of the state apparatus in general can not meet the demands related to economy management in the context of international economic integration" (1, p. 33). Our Party in its reports presented to the Tenth National Congress (2006) indicated that: "The

state apparatus has been slowly renewed against the request posed by the social and economic development process" (2, p. 174).

To overcome the aforementioned situation, one of the radically crucial tasks to be undertaken is to define rigorously state functions as well as influential factors affecting the execution of those functions. This exercise shall allow us to mitigate limitations faced by the State in social governance and economic management.

This article attempts to examine the impacts of market economy on the

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implementation of the state functions in Vietnam today.

1. Societal functions of State

We hold the view that to study the societal functions of state is to start from the inception and nature of state. This is because the societal functions, the origin and nature of state are of an interwoven relationship.

The human society historically once existed neither class nor state. State only was born when the following conditions were met: the production force advanced to a certain level; the productivity was high; society possessed surplus products; private ownership thinking appeared; and, clan and tribe organizational units gradually seceded from the community, becoming an opposite force against people, suppressing people. The resulting organ was state.

With respect to the nature, state is “not more than an apparatus of one class, which is used to suppress the other” (3, p. 22, p. 290-291); a special suppressing machine; the sharpest tool to retain the domination and to protect the interests of the class. On the other hand, in a multi-class society, state of the ruling class in social proxy attempts to ensure societal movement in “order”. Hence, it has to pay attention to the entire society. In another word, along with the class character, which fundamentally demonstrates the state’s nature, the

societal character is also a fundamental and indispensable element of state. Pertaining to this relationship, F. Engels said: “everywhere, the societal function formulates the basis of political domination; and, such domination persists as long as its societal function is executed” (4, Vol. 20, p. 253). Above all, state approach from the perspective of its nature and origin enables us to interpret scientifically functions of the state, including its societal function. It is the nature and origin of state that provide its functions; and in turn, the functions of the state demonstrate the state’s nature.

Varying approaches can be undertaken to the state’s functions. It can be approached from the perspective of the substance of political power, with which the state implements its political rule and societal function.

Societal functions of the state results from the fact that the state is required to deal with and satisfy the shared demands of the public, to govern the common work for the existence and development of society, not alone of the ruling class. With such understanding, we can approach the societal functions of the state from the two following fundamental dimensions:

The first dimension is social servitude: It includes basic activities

undertaken by the state, which affect social fields related to all communities, classes, strata, social groups, individuals and sectors (economic, employment, labor, income, public service, cultural, educational, health, ethical, social safety, etc.). The societal functions of the state are established and executed first and foremost to address master social issues for the common interest of the whole society. It is deemed as *social servitude*.

The second dimension is social protection: At this dimension, it includes activities taken on by the state, which relate to the socially disadvantaged population groups. These groups due to subjective or objective factors need assistance and protection given by the state in order for them to live in harmony with community. The societal function in this case is considered as *social protection*.

2. Socialist-oriented market economy – a factor affecting the execution of societal functions of the state

Market economy denotes the existing status, movement of an economy driven in line with market mechanism, which aims through market to define the utility and commodity value: what, how and for whom to produce; production and goods exchange must be done on the basis of necessary socially labor cost.

Market economy has undergone a development process and reached the

peak of a globalized market economy in the late 20th century.

In terms of perception, it should be acknowledged that market economy is an achievement of the mankind's civilization, rather than a privilege of capitalism. Within capitalism, there operates market economy; within socialism, there also exists market economy. Thus, market economy is nothing more than a "solution" or an economic "means". This fact was echoed in the literature of many classical Marxists. For instance, in his work "*Critique of the Gotha Programme*", in analyzing characteristics of "the first stages" of communist society, C. Marx wrote: "the society we are speaking of herewith must not be a communist society that develops on its foundations, but instead it is a communist society that grows out of capitalist society" (3, Vol. 19, p. 33). That is when "it just comes out of the capitalist society after prolonged pains of delivery" (3, Vol. 19, p. 36).

For Vietnam, the creation of a socialist-oriented market economy is closely associated with the renewal drive initiated and led by the Communist Party of Vietnam (CPV). This is a newly-shaped and complicated theoretical and practical issue, which relates to a deep understanding of the rule of objectivity and the role as well as creativeness to be brought into play by the actors (CPV, the socialist state and

working people). The shaped perception of our Party on the socialist-oriented market economy results from a process of searching and experimentation, an arduously ideological struggle over the past years.

To commence with the concept of developing a planned commodity economy with the operation of multi-sectors advancing to socialism" (5. p.17) and then "creating a multi-sectoral commodity economy oriented by the socialist line... shaping a market mechanism subjected to state management by law, plan, policy and other tools (7. p. 11-12) is a step forward in our Party's thinking of economy.

For the first time, the concept *socialist-oriented market economy* was officially adopted at the Ninth Congress of CPV. It was defined by the Congress that the economic model in the transition to socialism in our country is "a multi-sectoral commodity economy operating in line with market mechanism, subjected to state management according to the socialist orientation; that is the socialist-oriented market economy" (8, p. 86).

The socialist-oriented market economy being developed by us reflects both the universalism of a market economy and particularism on its own. *First of all*, a strategic goal is to expand the labor force, raise productivity and labor performance, build the material-technical

infrastructure for socialism, realize the objective of building a strong country with prosperous people and a just, democratic and civilized society. This goal derives from the fact that our labor force is low-skilled and unequitable; the material-technical infrastructure remains poor; the people's living standard is low. Currently, the hi-tech proportion in Vietnamese enterprises is 2-3 per cent, while it is 30% in Thailand, 51% in Malaysia and 73% in Singapore (6, p. 30).

Secondly, it is intended to develop a multi-sectoral economy with a variety of ownership forms, "in which, the state-run economy plays a key role; the state-run economy in theatre with the collective economy is becoming a firm foundation of the national economy" (2, p.77). Hence, though a market economy is being developed, the role played by the state-run economy and the collective economy is pivotal. This is an economic ground for us to guarantee our political lines.

Thirdly, pertaining to distribution form, a combination of distribution by labor, contribution of production elements is adopted with other distribution forms, particularly in the area of social welfare. Our consistent policy of our Party is "to link economic growth with cultural development, full development of human beings, implementation of

democracy, social progress and justice...” (2, p.178).

Fourthly, the management of socialist-oriented market economy in Vietnam accords with the motto ‘a state of the people, by the people and for the people’, which is led by the Communist Party of Vietnam. It was clearly indicated in the *Platform for national construction in the transition to socialism* that: “Being an organization representing and implementing the will and power of the people, our *State* must be powerful and capable to work out laws, to organize and govern all aspects of the social life by the law” (7, p.19).

Thus, in our socialist-oriented market economy, the outstanding role of the state is that it regulates the market economy; organizes and drives the operation of the economy; at the same time, conducts inspection and supervision by a legal system with a view to establishing the order, discipline in production and business activities. In this regard, as Lenin said, politics involves in economic activities, even “politics can not help without taking the leading post against economics” (9, p.349).

However, economics and politics are of a dialectical relationship. It is not only politics having impacts on economics, but economics also causes impacts on politics, on functions of the state, including *inter alia* the societal

function of the state. Those impacts are visible in the following aspects.

First, market economy affects the execution of the state’s societal function via economic rules.

1. The supply-demand rule. In the centrally planned economic regime, the questions of what and for whom to produce were virtually taken by the state. The state via its administrative apparatus drove the social machine along the line of planned programmes and goals, thus the state’s social role and function covered the whole society. During this period, the state acted as the key player controlling the society and individuals. As a result, the society and individuals were “obedient” to materialize the goals set forth the the state. It was “that regime produced a bureaucratic management apparatus, in which management personnel were indynamic, unskilled in doing business, redtape-ladden and authoritative” (10, p.63).

Diverting to the market mechanism, it is required to comply with the supply-demand rule. Thus, the questions of what, how much and for whom to produce are driven by the market. However, the supply-demand relationship in the move of market economy is bound to the relationship of interests. This connotes that in production and business activities, actors always want to gain profits. Should any commodity item fails to bring in profits, it will be removed

from the market though there appears a demand for it in society. In such a situation, the state has a crucial role to play in regulating societal production, driving the economy in the direction of serving the society, rather than letting the wildcat character of market economy affecting and defecting the societal function of the state.

2. *Competition rule.* Competition drives economic development. In a market economy there are visibly two momentums. *First*, it is the direct economic benefit of all stakeholders in the market economy. This is the principal momentum that makes stakeholders most active. It is irreplaceable, because should it be replaced, it will be annuled and can not be a stimulus or a force driving the move of market economy. *Second*, competition is for economic actors to take advantages for their own. It is commonly acknowledged by any market player that competition in the market stage is an objective practice.

Market competition requires producers to renew their technology, lower prices, improve products quality and adapt service modes to public demand. As a result, society benefits from competition. It is a matter of course that partial loss is unavoidable owing to competition for the economy, particularly when competition is unhealthy. So as to prevent the competition rule from directly and negatively affecting *social service* and *social protection* – as components of the societal function

of the state, it is required to have the state's intervention.

3. *Value rule.* The rule requires necessary social labor cost for production and goods exchange. It is important that when the availability and operation of the value rule is accepted, whatever the direct intervention made by the state or other business actors in market prices, it will cause price turbulence. In substance, it is the trend denying the value rule, thus it rejects market economy. The value rule is the generalized rule of market economy. The rule itself does not embrace social characteristics and nature.

For Vietnam, it is necessary in building a socialist-oriented market economy to entail the state's regulation to control prices of goods and services, stabilizing the social life as well as overcoming the inadequacies of the value rule in market economy.

Second, implications of the market economy on the execution of societal functions of the state through the diversification of ownership forms

We are fully aware that we have to accept varied forms of ownership in a market economy. In the past, the state was the sole holder of the ownership, but it is now playing a key role in a multi-ownership system. "On the ground of three ownerships (entire people, collective, private), create varied forms of ownership and economic sectors... in which the state

economic sector retains the key part” (2, p. 83). The state directly involved in production and business activities, but now it is a designer of the ”rules of the game”, facilitating the creation of an enabling environment for production. Planning was directly made by the state, which now implements the regulating function through macro-management tools. The operation of the economy in such context certainly affects the economy governing function by the state. This requires the state to vary its scope and extent of its intervention in the economy, with ownership holders ... with a view to driving the economy’s operation in line with the political direction of the state.

Third, impacts of the market economy on the execution of societal functions of the state by addressing the relationship between economic growth and social progress and justice

Economic growth is a pressing demand for Vietnam in the renewal period. We are likely to be marginalized from the international economic life without high economic growth. Consequently, we can not survive, not alone speaking of social development and progress. However, economic growth that causes a growing poor-rich gap is unacceptable. If such polarization is excessive from the permitted level, it unavoidably leads to the rise of social contradictions and conflicts, obscuring economic development, causing

political instability. As such, socialist-oriented development can not be entertained. Against this backdrop, our Party and State are committed to properly address social issues in parallel with increased economic development, considering it a strategic move that demonstrates the superiority of our regime. Development-oriented social policies are put in place, aiming at making the society become healthier, ensuring justice in distribution, producing a vigorous momentum for production growth, incentivizing the people to make rich legally. In this context, the Party and State have a special role to play in ”linking”, ensuring the consistency of economic growth and social progress and justice.

We can say that a close and binding relationship between the ”economic character” and ”social character” is an objective and dialectical illustration of the evolution of history, especially in the modern world. There is no ”economic character” existing simply and separately from the ”social character”. More particularly, in socialism, there is no ”self-regulating” economy, ”economics for economics”. Overall, such development is for the sake of social development, human development. Still, economy can not grow and develop sustainably if social issues and aspects are undermined and ignored. Nevertheless, settling social issues must bear on economic growth, using economic development as a lifting bar. Those solutions to social issues that originate from subjective

wishes and aspirations are only fine intentions, not practicable or nullifying the development momentum, hampering economic growth. Thus, pursuance to dialectical historical development, the "economic character" is an economic-social entity and the "social character" is also an economic-social entity. Contemporary development history proves the Marxist ideas as correct and scientific. This relationship can be solely addressed by the state through its functions.

In sum, the role and functions of the state are constantly affirmed in the evolution and development of market economy. For Vietnam, in carrying on the socialist-oriented market economy model the role and functions of the state are ever more crucial. However, what essential contents of functions, particularly the societal functions of the state should be is dependent on core elements of the socialist-oriented market economy. This tailors that further research on impacts of the market economy on the execution of the state's societal functions should be made, laying the theoretical foundation for conducting administrative reforms, improving the efficiency and effectiveness of state management in the current period.

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