

NATIONAL CONFERENCE: “MAIN ECONOMIC THEORY IN THE NEW DEVELOPMENT CIRCUMSTANCE AND LESSON DRAWN OUT FOR VIETNAM”

*Summarized by
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1. The world has already experienced the first global economic downturn since the World war II, and affected strongly to the development of all nations, required a review, recheck basically development theories, select, supplement the reasonable elements and then generalize to valuable theoretical point. For Vietnam, through 25 year of succeeded renovation, it is changing to a new development stage as a significant create turning-point and it requires breakthrough creates bursting force, capability and new development force. In that context, the National Conference “The main economic theories in the new development circumstance and lesson drawn out for Vietnam” chaired by Central Argument Council in Quảng Ninh was a chance for scientists to exchange their idea, and discuss to cite new idea, new keen discovery, practical questions and answers for theoretical and actual issues at the present. There were about 180 attendees with 116 articles.

The conference focuses on discussing three mains economic theories: Marxist

theory, Keynes argument, new liberalism and ability to apply those theories into the reality of development of Vietnam. These are the three main theories that affect deeply to the whole modern economic argument system, as well as the organization and operation of the entire economic system.

Main economic theories often appear at turning historical moment, satisfy urgent requirement of the reality, understand the new working principle of the economic system, create a breakthrough in idea, and change the appearance of a time or era. Marx doctrine revolutionized world outlook of human beings, open a new era- transitional period from capitalism to socialism and proletarianism. Keynes’s argument and the new liberalism leaded the big adjustment within capitalism, saved the socio-economic form from the most serious crisis.

Each theory had to develop from rise and fall: prevail stage when it verified

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by reality, confirmed and interposed into setback stage when the argument become sclerosis, dogma. The fact proved it. The failure of socialist economic modal toward subsidized, centralized planning model as in Soviet Union and many other Socialist Countries was due to the mechanical, voluntarism and lack of dialectical application of Marxist doctrine without counting to the changed circumstance. Performance of policies as Keynes in decades toward total use of labor and welfare state led to stagnation-inflation, not only budget deficit but annulling of competitiveness, and the capitalist economies develops sluggishly and fell into crisis during 1970s and early of 1980s. The spread, dogma application of new liberalism leading to too many free market but too little state control, allowed the appearance of international financial group, cornered the banking system, magnified the speculation bubble, resulted in the financial crisis and global economic 2008-2009.

However, the vitality of economic theories is their ability to renew, reject the inadequate theoretical point, and supplement new knowledge drawn out from reality, overcome setback stage. The essence of survival of great economic theories is important contribution for scientific methodology: for Marxist doctrine- that is the materialistic dialectics and historical dialectics; for Keynes argument- that is macroeconomic analysis based on great sum, especially aggregate demand; for New Liberalism - that is the market

thought, legitimate state and money analysis. Many theoretical points in the main economic theories can be contradictory, mutually exclusive, however their methodologies are not, but complement each other... Therefore, the key problems is not cleaned out negation or make one theory absolute, but the flexible, creative application the reasonable elements which selected from different theories into a specific circumstance, particularly methodologies.

2. Three cores in Marxist doctrine, Keynes's argument and new liberalism are: conception of value: define the main meter in economy; concept of crisis: explain why economies fall in disorder; argument about the relations between state and market: show the effective operation mechanism of the economy. These are also the main differences of three main economic theories. The solutions for those issues will decide the model of economic development, especially political orientation, possessive structure, distribution regime, infrastructure institution, etc.

For value, each theory emphasizes one aspect of concept of value. The basis of Marxist doctrine is theory of value of labor force, so labor is source of all wealth, value of labor force is inside content, is basis to form all the using value and market value which always mobilize, change around the value and impacted by demand and supply rule, competitive rule. Essence in Keynes' viewpoint is not the value of labor force but the stability of total productivity value and its consequence is

employment. While, the main attention of New liberalism schoolmen is not labor value, nor sum productivity value but matter of price, that means inflation, therefore, money is considered as central role, decides the operation of the economy. Matter of value becomes complex with the establishment of information - knowledge economy. Because value tends to connect with information, leave the manufacturing value and using value. Information explosion speeds up the explosion of services, particularly financial-banking aspect or "virtual economy" worldwide in the conditions of information-knowledge management system, in nationwide or worldwide, is still at a start. Principle of value has to be re-thought in the new circumstance.

The concept what value will take the basis role will decide the political priority of each economic theory. The concept of labor value is the foundation to give prominence to material manufacture, distribution as labor, pioneer of working class. The concept that emphasizes value of total production leads to give prominence to the role of total demand, especially the role of state in re-dividing social capital through stat budge. It is the concept in which market price has a decisive role to heighten the governing role of market.

In the economic crisis aspect, as Marx, the basic contradiction Capitalism-between increasing society in manufacture and Capitalist private possession on productive material- is the deep reason of frequency economic crisis which becomes stronger and

stronger. Due to rule of competition, accumulation of capital increases, concentration of economic increase while rate of average profits decreases, unemployment, labor impoverish and reduce of demand will result in redundant crisis. In short-term and medium-term, this crisis can be eased by financial/monetary solution, but in long-term, it is indispensable that it causes total crisis and collapse of capitalism. As Keynes, the matter of "amount of demand is put aside" because the consumers tend to spend less of their added income so that total demand goes down in comparison to total supply, and the consequence is: redundant in supply, reduce investment, unemployment and crisis. The policy to stimulate the economy as Keynes theory directs to prevent and shorten the period of growth reducing, stabilize economic activities and restore growing, thriving period. Hence, differs from revolutionist of Marx doctrine, Keynes theory does not call for a change in private possession foundation, but just finds the way to repair some defect of the market, particularly unemployment new liberalism connects economic crisis with abnormal decrease of money supply that the central bank can not compensate in time. Effort to repress inflation by extensive interfere of state, strengthen price and salary control actually paralyses the market mechanism, put the economy to deeper crisis. The state needs to the price, remain unchanged supply of money nearly to potential growth, and perform policy toward supply by reduce tax.

Therefore, methodology of Marxist doctrine allows explaining basis and forecasting great crisis of capitalism, but it does not contain direct method to “rescue” the crisis for capitalism. While, in Keynes argument and New liberalism they provide specific solutions of finance, money to handle the economic crisis but not the basic contradiction of capitalism. We need to clearly understand those differences between economic theories to apply and cope with crisis during the building of socialist-oriented market economy in Vietnam.

For relationship between State and market, as Marxist doctrine, proletarian class organizes to state”, collects all productive material and control entire economy by plan that is the main motive force for the development of productive forces. Since there, some people believe that, Marxist doctrine completely denies market economy and proposes a centralized planning economy which only suitable in specific historical circumstance such a war, natural calamity, social disorder... In the fact, with new economic policy (NEP), Lenin added Marxism, open an ability to apply (in limited level) market mechanism in building Socialism. Keynes argument rejects ability to self-adjust, self-balance of market mechanism, and affirm the role of state in the economy to overcome instability from market activities. In disordered market mechanism, even cestasy, state is the only force with capacity to influence total demand through extended financial policy and loosen monetary to provide enough payable demand. Actually, effort to

change capitalist manufacturing relations is facing many difficulties due to the expansion of state’s interference, limit private exclusive right, and increase social welfare. On the one hand, new liberalism dignifies stability of market mechanism, on the other hand it believes that economic activities of state is not ineffective distribution of resources but deforms economic structure, annuls business motive force, brings up bureaucracy, corruption. As a result, the market needs to be allowed to operate freely, while state’s role is limited in ensuring a stable legal framework for market activities. Tax, interest rate, public spending, even money supply is not effective means to interfere, regulate the economy. It is necessary to maintain a stable supply of money nearly long term growth rate of economy and perform policy toward supply by reduce tax (leading to reduce role of state).

3. The concept that, socialism has just public property and centralized planning, while capitalism has just private property and free market is unilateral understanding, lack of dialectic manner. In the fact, more or less, economies are combined of state’s regulation and market regulation which are coordinating and competing of economic resources distribution.

Possession connects closely to opinion of value. This is an instrumental category; it is not target or direction of development. The conference gains a high consensus about the multi-possessive of Vietnam’s economy. Many scientists agree with the opinion

to define two mechanism of possession: public and private and correlatively, there are two sections in economy: state and private sections.

Effectiveness of state area, especially the state-owned enterprises, mentioned by many authors. In general, they believe that it is necessary to set up a controlling mechanism for the operation of state business, ensure sustainable economic mechanism, high effect to operation of state-owned enterprises, equal to private enterprises.

The economic restructure needs to direct to sustainable development model, solid macro-balance, emphasize on effectiveness and quality of development, based on scientific-technical breakthroughs and improve labor productivity. In the short term, focusing on settle the three growing "knots" basically, they are weak infrastructure, low quality human resources and incomprehensive economic institutions to improve international competitiveness, quickly transfer to a higher level in regional and global value chain.

Their discussion focus on analyzing some socialist-oriented market economies such as Japanese, Germany, Chinese and Singapore. In general, these models are unified in the following points. *First*, social orientation is an important side of development. Social-oriented market economy models are perfect whole of unified economic-politic-social, but not mechanical combination of social requirements to economic development. *Secondly*, social-oriented economy solves contradictory issues of

manufacturing relations better, particularly contradiction of employer-employee; ensure a better development quality, especially environmental problem, goods quality, high stability and a better deal with economic crisis. Finally, to ensure the social orientation, state must take an important role, not only at the intervening level but re-distributing remarkable GDP through state budget to ensure the performance of social targets. Market also has to share the social obligation by taking part in the construction of insurance system and social welfare system.

4. The recently global financial-economic crisis disordered the position of great economic theories. This event also confirmed the sound of Marxist doctrine, especially basic value of argument and methodology. In new context, Marxist doctrine continues its fundamental role, leading the main stream of economic thought.

Transitional period from capitalism to socialism and communism that Marxist doctrine shown is a long historical process. The fact proved that, during the first period of that process, to improve the manufacturing force, it must absolute exploit strong points of market mechanism; especially continuously improve socialist-oriented market economy model. Therefore, based on the Marxist doctrine, we need to acquire creatively the reasonable elements from classical economic theory, Keynes, New liberalism to build up a development model for Vietnam, on the one hand, it needs to critically inherit the cream, intelligence of human, creatively apply

but not mechanically impose the cream of the world arguments; as well as, follow the reality, supplement, renew arguments by new understanding from the fact. It is necessary to make clear the original value theoretical points of Marxist doctrine, renew the appropriate point toward the fact, and effectively deal the relations between state and market, between economic and social problems, between globalization and international integration. Open up ability to settle financial crisis, energy, foods and environmental risks, set a foundation for the establishment of a new more sustainable economic development model.

Experience in 25 year of successful renewal of Vietnam shows that, in the beginning stage of the transitional period to socialism, to improve the development of productive forces, one side we must absolutely take advantage of strong points of market mechanism, comprehensively create markets, perfect socialist-oriented market economy institutions. On the other side, unperfected market mechanism with much latent instability, especially real-estate market, financial market. Must be supplemented by state regulation, to

quickly and effectively distribute economic resources, overcome defect of the market, perform social equality, and ensure the fast and sustainable development.

Economic cycle is inborn attribute of market economy. Socialist-oriented market economy of Vietnam is not out of that rule. Accordingly, in the circumstance of globalization and deeper international integration, it is necessary to improve capability provided against crisis, starting from both inside and outside, especially national reserve and forecasting capability, optimally limit negative impact on society of economic downturn cycle through decisive role of state, social welfare and political system in ensuring social and great national unity.

Vietnam's experience of successfully coping with global financial crisis shows that, advantage of Socialism needs to be uphold, particularly leading role of Vietnam Communist Party to define sound policy, management role of the Government in directing the policy drastically, supporting role of state-owned economic area in maintaining macro sustainability and restoring economic growth.