

# Public Attitudes toward a Market Economy in Vietnam

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Democratization and economic development are two of the most important trends facing almost every nation in the developing world. Vietnam presents an economic and politically significant example of a nation that has consciously and systematically attempted to transform its economic system through a series of state-directed reforms over the past two decades. An essential point of the *doimoi* policy implemented in Vietnam since 1986 is to develop a market economy and democratize the society. These reforms have transformed the Vietnamese economy and affected the living standards and life conditions of the public in dramatic ways. Thus, Vietnam presents an example of the correlates of marketization in a developing nation. Even more so, Vietnam presents a unique opportunity to study a rapidly changing nation where marketization has stimulated dramatic economic growth, and this experience is potentially transforming the political culture inherited from the nation's socialist past. This is a case where congruence between institutions and public values is in question, in the midst of a major social transformation (see discussion in Chapter 1).

This chapter first describes Vietnam's experience with the *doimoi* reforms, and how these reforms have affected the economy. Over the past two decades, Vietnam has undergone a profound economic transformation, and this is a continuing process. Then, the chapter examines public orientations toward the market and the values underlying market competition, drawing upon the World Values Survey in Vietnam and additional survey evidence from the Institute of Human Studies. Are contemporary public values supportive of these reforms, and what are the social correlates of these attitudes? The results provide a picture of how economic change and public values are interrelated in the Vietnamese experience, and the implications of these relationships for the process of development.

## Vietnam's History of Economic Reform

The *doimoi* reforms were stimulated by the broad recognition of Vietnam's severe economic problems of the 1980s, and the need to restructure of the economic system to address these problems (Turley and Selden 1992; Ha Huy Thanh 2000; Mai Ngoc Cuong 2001). At the start of the 1980s, Vietnam had a command-control economy directed by the state. The *doimoi* policy can be briefly summarized by the following guidelines: (1) transformation of a central command, subsidized economy to a multi-sectoral economy with market mechanisms and state regulations; (2) economic development should be accompanied with social and cultural development and environmental protection; (3) democratization of social lives, building a legal state of people, for people and by people; and (4) accomplishing open policy in international cooperation with the

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\* Institute of Human Studies, Vietnamese Academy of Social Sciences. This chapter will appear in Dalton and Shin, eds. *Citizens, Democracy and Markets around the Pacific Rim* (Oxford: Oxford University Press, 2006).

spirit “Vietnam wants to be friend of all nations in the world for peace, independence and development” (CPV 1991).

For Vietnam, a country with backward economic and technological foundations and low social development, heavily damaged by long lasting wars and centrally controlled patterns of economy, development of market economy is a major national goal. The reforms also represented a dramatic new economic experiment for the nation, to change the structure of the economy in a relatively short period. Entering the 21<sup>st</sup> century, Vietnam officially declared the goal of building the “market economy with socialist orientation” and followed this course as a coherent strategic direction (Nguyen Phu Trong 2003). At present, components of a market economy, such as capital market, real estate market, labor market, and other structures have been established. For instance, two stock centers opened recently in Hanoi and Ho Chi Minh City, through which more capital is invested for economic development. The real state market is no longer dominated by the state, domestic and foreign investors have jumped in to do business; consumers have more choices for their future apartments. The labor force used to be forbidden in the market is now a subject of trading. All these reforms have shown their positive effects. The process of democratization in economic life has brought about dramatic change, both positive and negative.

After eighteen years (1986-2004) of the policy reforms, the country has changed and the lives of the people have been improved significantly. GDP per capita was \$206 US in 1990, increasing to \$423 US in 2004. In terms of purchasing price parity (PPP) measures, Vietnam’s GDP per capita was approximately \$2500 in 2003, which represents a major advance in living conditions. The Report on “Millennium Goals: Closing the Millennium Gap” published on February 8, 2004 by the UNDP Office in Vietnam states that Vietnam has achieved impressive results in the process of implementation of the millennium development goals. Remarkably, the proportion of the public below the poverty level decreased from 70 percent in the middle of the 1980s to 60 percent in 1990 and to 29 percent in 2002. From 1992 to 2003, 20 million of people escaped famine and poverty.

Other social conditions followed the upward trajectory of the economy. For instance, the Gender Development Index (GDI) for Vietnam reached 0.687, ranking 89 among 144 countries. Democratization in education has been implemented successfully in Vietnam since 1945. These multiple achievements have brought about an increase in Vietnam’s Human Development Index. In 1990, Vietnam's HDI was 0.608. By 2004 Vietnam's 0.691 HDI ranked it 112 among 177 countries (UNDP 2004).

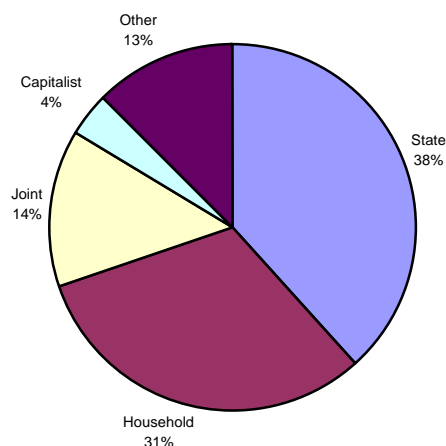
Paralleling these developments, the literacy rate has increased from 5 percent in 1945 to 94 percent in 2000; the literacy rate among young people (aged 6-25) has increased to 96.7 percent. The universalization of primary education was completed in 2000 and compulsory education has been extended to the secondary education level. The total number of high school students in age cohort (12 to 18 years old) is 55.1 percent (Pham Minh Hac 2001).

It can be said that the above mentioned figures were achieved thanks to the *doimoi* renovation, the open door policy, and integration policy, in which democratization and marketization play a significant role. Without market reforms, many of the economic gains of the past two decades would not have been possible, and without economic gains other government policies would not have been feasible. In the span of a single generation, the life conditions of the average Vietnamese have been transformed, and the nation has made dramatic progress forward in terms of its socioeconomic conditions.

Besides these achievements, Vietnam is facing challenges. For instance, the gap between the rich and the poor groups increased from 8 to 20 times over this same time span, as well as increasing between different provinces and cities. The inequality in expenses indicated by Gini index gradually increased from 0.33 in 1993, to 0.35 in 1998, and 0.36 in 2002 (General Statistics Office 2002b: 25). The Gini index for income is 0.42, and for non-food expenses it is 0.49 (Gini 0 indicating absolute equality, 1 absolute inequality). Together with the transition to the market economy, industrialization and urbanization have increased the population in the cities; after 13 years (1989-2002) the metropolitan population increases 7.5 millions people and at the same time poverty has become a serious problem in cities; the human and social capital of the poor have a tendency of decrease (Nguyen Thu Sa and Nguyen Thi Mai Huong 2001; Nguyen Huu Minh and Nguyen Xuan Mai 2005)

Developing a market economy with a socialist orientation, the government has promulgated policies on diversification of ownership and tries to keep the market regulated. Beside the state and collective forms of ownership, the private ownership has been recognized and capitalist economic elements are allowed to function in Vietnam. From the beginning of the 21st century, six forms of production and business organizations were officially recognized by the state: 1) state-owned enterprises, 2) cooperatives, 3) household economy, 4) private capitalist enterprises, 5) state capitalist enterprises, and 5) foreign enterprises (CPV 2001). The state-owned enterprises play a leading role in producing goods and providing services, and contribute the largest part of gross domestic product (GDP). The state sector contribution to the economy increased from 35 percent of GDP in 1990-1995 to 40 percent in 1995-2000. The economic share of state-owned enterprises grew because of increased activities in areas such as electricity, telecommunication and finance. Since then, however, the contribution of the state sector has declined due to growth of the non-state sectors. The state sector contributed only 38.3 percent of GDP in 2003 (See Figure 1).

**Figure 1. Sources of the Vietnamese Gross Domestic Product in 2003**



Source: General Statistical Office (2002).

Household economic activity contributes the second largest part with 31.4 percent of the GDP. This typically includes family agriculture and small-scale manufacturing and marketing. Income from personal production is the most important source of household economy. In fact, much of the initial market economy has functioned at the household or family level, with farmers selling their products and entrepreneurs selling products in the cities.

Joint-ventures and foreign companies, new kind of enterprises operating in Vietnam since the country opened up to the outside world and growing with fastest rate compared to other sectors, contribute significant part to Vietnamese economic development with 13.9 percent of GDP. The private capitalist sector is growing and plays more important role in economic development, but it still produces only 3.9 percent of GDP (General Statistics Office 2003). The relatively poor growth performance of Vietnam's private firms in relation to private firms in other transition economies most likely reflects, in part, the constraints in entry and investment. The government required extensive paperwork and regulation of firms registering in the 1990s. Existing private firms had much less access to sources of formal credit than state-owned enterprises (Friedman 2004). State-owned enterprises are also allowed to control the most strategically important areas of economy such as electricity, telecommunication, mining etc. The state-owned enterprises, which produce common goods, are allowed to privatize--but this has occurred only to a limited degree. The Government continues to reform policies and reorganize state-owned enterprises to allow free competition and efficiency improvement.

Since 1986, the state has recognized different types of markets. Commodity markets have developed in metropolitan and populated areas. Market mechanisms have been applied in the sphere of prices, exchange rates, and interest rates, which eliminates the determination of prices by the state. At present, the market determines almost all prices of goods and services in Vietnam. Imports and exports are undertaken based on market mechanisms.

Since the early 1990s, financial markets including monetary and capital markets have started operation. The revenue regime before renovation was extremely intricate, with numerous kinds of fees and taxes and at different rates. In the later 1990s, this regime underwent much renovation, particularly the application of the value-added tax in 1998. The state issued treasury bills at first with one-year maturity and then with five-year maturity. Stock-markets were put into operation in August 2000, but the market volume has been small. A system of commercial banks has come into operation with 6 state-owned banks, 51 joint-stock banks, 23 affiliates of foreign banks, 4 joint-ventures and thousands of people's credits funds (Vo Dai Luoc 2004).

The real estate markets were not recognized until the early 1990s due to state ownership on land. Transferable land use rights promulgated in the 1993 Land Law, but as of 2001, the vast majority titles in urban areas had still not been distributed by the State (Kim 2004). Despite the incomplete institution of legal property rights, people are offering real estate with various forms of property rights and this has formed an illegal real estate market. In this situation, the claim to private property rights could be rejected due to incomplete legal papers. The formation of a legal real estate in Vietnam still faces difficulties even the amended Land Law was put into effect on the first of July 2004.

Labor markets have been established on the basis that labor is considered as goods for exchange. However, there are many obstacles preventing laborers from accessing the labor market and moving from sector to sector and within a sector. Information on the labor market is not collected regularly and not provided widely to facilitate labor mobility. The judicial environment is improving, but needs further development. Laws on competition and bankruptcy are expected to be passed by the Parliament in the near future.

Vietnam consistently implemented a policy on multi-lateralization, diversification of external economic relations and active integration into the world economy. The law on foreign investment has been promulgated and has undergone several amendments to make it more liberal and favorable for foreign investors. The relations with foreign countries and international organizations have been expanded. Vietnam joined Association of South East Asian Nations (ASEAN) in July 1995 and has participated in Asia-Pacific Economic Cooperation (APEC) since November 1998 and now it is actively negotiating its entry into the World Trade Organization (WTO). The relations between Vietnam and the United States were normalized in 1995 and the two countries signed Trade Agreement in July 2000. Three largest financial organizations (International Monetary Fund, World Bank and Asian Development Bank) have come back to assist Vietnam since October 1994. The international trade has grown up dramatically. The value of exports has increased nearly 7 times during in 12 years from \$US 2,404,000 in 1990 to \$US 15,029,000 in 2001. At the same period, the value of imports also increased almost 6 times, from \$US 2,752,000 to \$US 16,218,000 (General Statistics Office 2003).

After nearly two decades of transformation from a central command, subsidized economy to a market economy, Vietnam has obtained impressive achievements. The average growth rate is around 7 percent during the period of 1991-2000. There are positive changes in economic structure. Agricultural production as a share of the GDP declined to 19 percent in 2003; industry and construction rose to 40.5 percent of the GDP; and service accounted for 40.5 percent. The World Bank, UNDP and other international organizations and foreign countries have broadly recognized these achievements.

However, the market economy in Vietnam is not developed as the real life requires. Vietnamese goods and services have low competitive capacity compared to those of several neighboring countries. The labor market and the market of sciences and technology are still primitive; privatization is lagging behind the required level. In these situations, major inputs of the production are more expensive than they should be. There are still heavily subsidized industries within the state-owned sector. In some areas, there is a shortage of regulations and judicial implementation. Corruption as a social evil is still rampant. Moreover, bureaucratic machinery and cumbersome administrative regulations create numerous obstacles for free competition and market development in Vietnam as written in official documents.

Our goal in this chapter is to describe how the Vietnamese public has responded to these changes. While life conditions have generally improved, this has occurred with some dislocation and new economic demands. Many citizens who were raised under a different economic system are being asked to work in a new economic order. How have the Vietnamese responded to these economic changes?

### **Survey Research in Vietnam**

Surveys of public values were undertaken for first time in Vietnam in 1992 (Pham Minh Hac, 2001). The State Research Program KX-07, entitled "Human development is the objective and driving force for social-economic development" (1991-1995) conducted surveys on value system, value scale, value measures and value orientations.

In 2000-2001, the Institute of Human Studies took part in the World Values Survey (WVS) that was carried out on a near global scale under unified forms and methodology (see Appendix to this volume). The initial outcomes of the survey conducted in Vietnam were announced by Vietnamese and American researchers at the International Meeting on World

Values Survey held in Stellenbosch, South Africa in October 2001 and subsequently published in Vietnamese and English (Pham Minh Hac and Pham Thanh Nghi 2002; 2003; Dalton et al. 2002).

Inheriting the success of the KX-07 and 2001 WVS, the State Research Program KX-05 (2001-2004) conducted a survey on value orientations in 2003 in six groups of respondents.<sup>1</sup> The Institute of Human Studies was also selected as an agency for undertaking a survey on openness and globalization in Vietnam for a study conducted at the Glasgow University, Scotland, a part of which was focused on integration into international markets.

The participation of Vietnamese scholars in World Values Surveys (WVS) in 2001 marked a turning point in the application of new ideas and methodology in values research and created a focus for Vietnamese social studies in recent years. This participation also opened a possibility for integration of Vietnamese social sciences into the international research community. Our concern here is to examine public attitudes toward a market economy that is considered to be one of the decisive bases for the country development under impacts of the *doimoi* (renovation) policy. The WVS in Vietnam provides us with more information for understanding ourselves and it also provides database for international researchers to have more understanding of Vietnamese situations (see other chapters in this book). This chapter provides information on market development and public attitudes toward an emerging market economy in Vietnam.

### **Public Attitudes toward a Market Economy in Vietnam**

Our aim is to analyze Vietnamese public attitudes towards the market. In several cases we compare Vietnam to two other nations from East Asia (China and Japan) and two from North America (the U.S and Canada). The evidence in this chapter is taken from the World Value Survey conducted in Vietnam and statistics collected from other countries in the 2000-2001 wave. In addition, we also analyze data collected by the State Research Program KX-05 in 2003 to support conclusions based on the WVS data.

The transition from agricultural society into industrial society has created profound changes in the people's material and spiritual life. A 1993-1994 survey showed that the people's economic life had registered considerable changes after a few years of renovation (Pham Minh Hac 2001). A full 39 percent of the interviewees said their material life had been remarkably improved, 24 percent said the material life had declined and 34 percent reported unsubstantial changes. The 2001 World Values Survey reinforced this same image. A majority of the population (53%) stated that they were satisfied with their financial situation. We expect that this reflects the relative progress of the preceding decade, rather than an absolute income levels in contemporary Vietnam. Similarly, 64 percent said they were satisfied with their life overall, which tends to reflect personal conditions and family life beyond economic conditions. Satisfaction levels in Vietnam are at or above the levels that one might predict based on its overall level of economic development.<sup>2</sup>

With regards to the spiritual life, the research conducted within the State Research Program KX-07 recorded positive changes in the individual and social life. Human potentials have been nurtured and materialized into human resources. People highly appreciate such fundamental human values as peace, stability, friendship, integration, national independence, freedom and other human related values like blood relationship, family, community, education, employment and traditional values. This study also shows examples of specific value change that

seem to reflect the consequence of the *doimoi* reforms: economic values are appreciated higher than other values; personal and family interests are valued more than collective interests; immediate benefits are more urgent than long-term ones; there is a movement from position of passive waiting to active confrontation with challenges, and from acceptance of egalitarian distribution of wealth to a preference of income difference according to individual contributions (Pham Minh Hac, 2001).

The economic reforms in Vietnam, on the one hand, have taken the country out of crisis and generated new impetus for development. On the other hand, they have widened the gap between the rich and the poor and posed increasingly severe social problems. There exist two trends of attitudes; that is, one advocates more thorough market development and the other favors maintaining the state control over the economy. The results of values surveys conducted in Vietnam since 1993 show that the majority of the respondents supported the first trend. Support for a market economy with socialist orientations has grown stronger not only among academics and administrators, but also among the general public.

These values surveys in Vietnam also show changes in value systems and value orientations of Vietnamese people. There are transitional values emerging in the period of transition from agricultural society to industrial society, from a command, subsidized economy to a market economy.

The World Values Survey (WVS) provides another opportunity to examine Vietnamese attitudes toward a market economy. The WVS questionnaire includes several items that characterize respondents' attitudes toward a market economy that we examine in this section (also see Shin and Dalton, Chapter 8 in this volume).<sup>3</sup>

### **Attitudes toward the Market Economy**

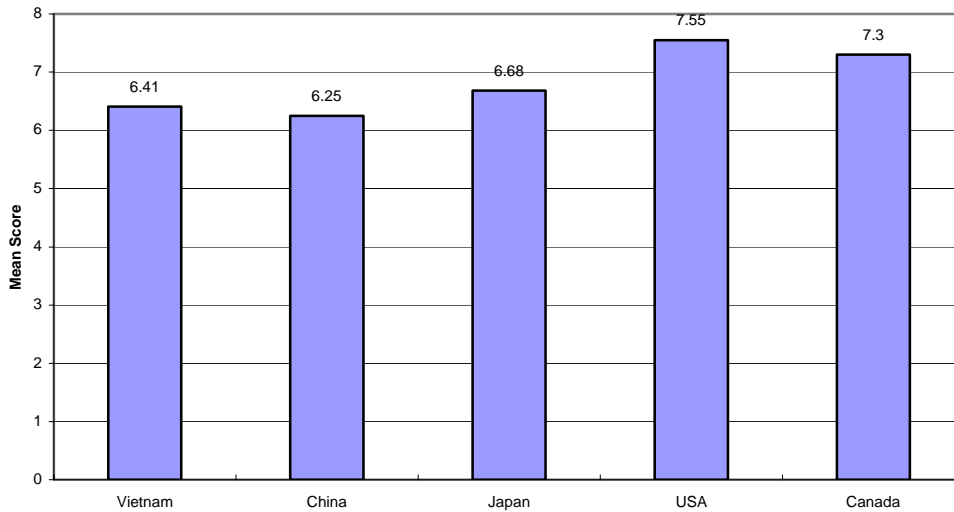
A first question used a ten-point scale to ask about private ownership of business and industry (point 10 on the scale) versus government ownership (point 1). Although market mechanisms have affected Vietnamese society only since 1986, we found that the Vietnamese are more positive toward the market (mean=5.6) than are the Chinese public (mean=4.2). A majority of the Vietnamese lean toward private ownership (57 percent of respondents support private ownership). People in both these socialist states are more skeptical about the market than citizens in established market economies. However, the magnitude of these differences is surprisingly small. The attitudes of the Japanese public, for instance, are closer to attitudes among the Vietnamese and Chinese, than to the American and Canadians. Attitudes toward free competition are another characteristic of a market orientation.

A second item measured attitudes toward competition. These attitudes may be different when people's economic interests are vested in different economic sectors. Again, however, Vietnamese support for competition (mean = 7.2) is roughly comparable to the Japanese, Americans and Canadians, while the level of Chinese support is much higher (See Figure \_\_\_ in Chapter 8).

These two items were combined to produce an index of support for a market economy (Figure 2). As Doh Shin and Russell Dalton noted in Chapter 8, these data suggest that support for the principles of private ownership is surprisingly common around the Pacific Rim. Moreover, despite Vietnam's mixed progress in developing a market system based on two decades of *doimoi* reforms, the Vietnamese public appears quite positive toward market principles. These findings are also consistent with earlier research that found support for various

market principles in Vietnam throughout the 1990s (Pham Minh Hac 2001). Even more striking are the data from the 2003 Pew Global Attitudes Survey (2003). When asked if people are better off in a free market economy, 95 percent of the Vietnamese agreed—the highest in any of the forty-four nations included in this project.<sup>4</sup> Clearly, the progress of the past decade under the *doimoi* reforms has generated tremendous good will for a market economy in Vietnam.

**Figure 2. Cross-national Differences in Support for Market Economy Index**



Source: 1999-2002 World Values Survey

Note: Table entries are mean scores on the 10-point market economy index; the index combines the items on support for a private economy and acceptance of competition. A score of 10 indicates strong support for a private economy.

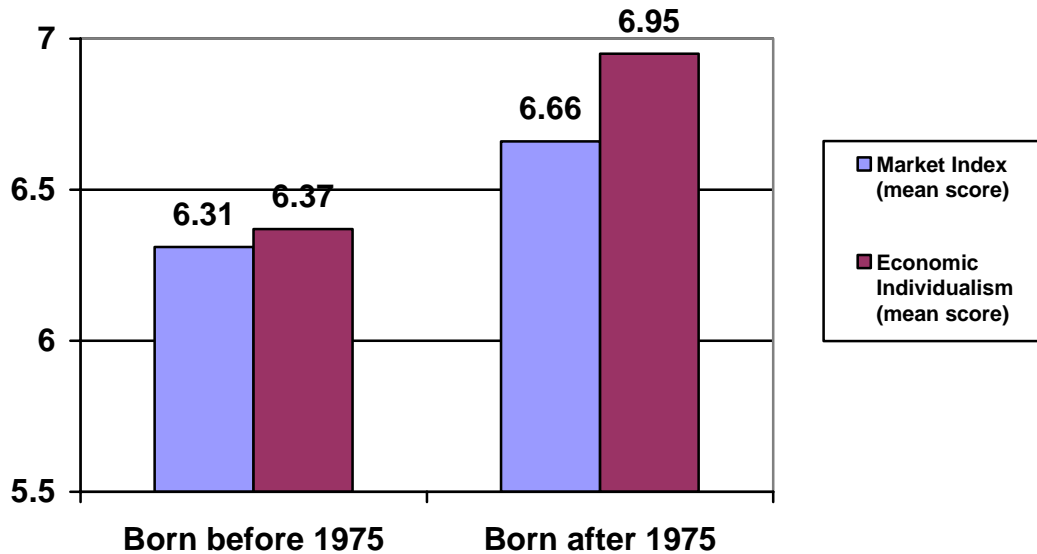
To describe these opinions in more depth, and to understand their implications for Vietnamese politics, we want to probe below the surface to look at the social correlates of these options. For instance, given the tremendous social changes that Vietnam has experienced in the last several decades, there are strong reasons to expect large age differences in support for a market economy (also see Ong’ analyses of generational patterns in this volume). Younger Vietnamese have grown up with the *doimoi* reforms and have seen their consequences; they are also more likely to have benefited directly from the new economic opportunities. In contrast, older citizens might be less willing to embrace the new system, and might have suffered disproportionately from some of the economic dislocations that accompanied the economic transition. Prior research has found such generational patterns in acceptance of a market economy in the post-socialist nations of Eastern Europe after the transition (Rose, Haerpfer, and William Mishler 1998).

The first set of bars in Figure 3 demonstrates a clear relation between the market economy index and age ( $r=.10$ ). Younger Vietnamese are more positive toward private ownership and competition than their elders, even using a simple dichotomy of pre/post-1975 birthdate.<sup>5</sup> This is understandable because the young grew up during the time of renovation. As a reference point



for these data, support for a market economy among younger Vietnamese is approximately the same as for the Japanese public in Figure 2. These opinions among the young also implies that support for economic reforms will increase in the future, as more young citizens come of age.

**Figure 3 Age Differences in Support for a Market Economy and Economic Individualism**



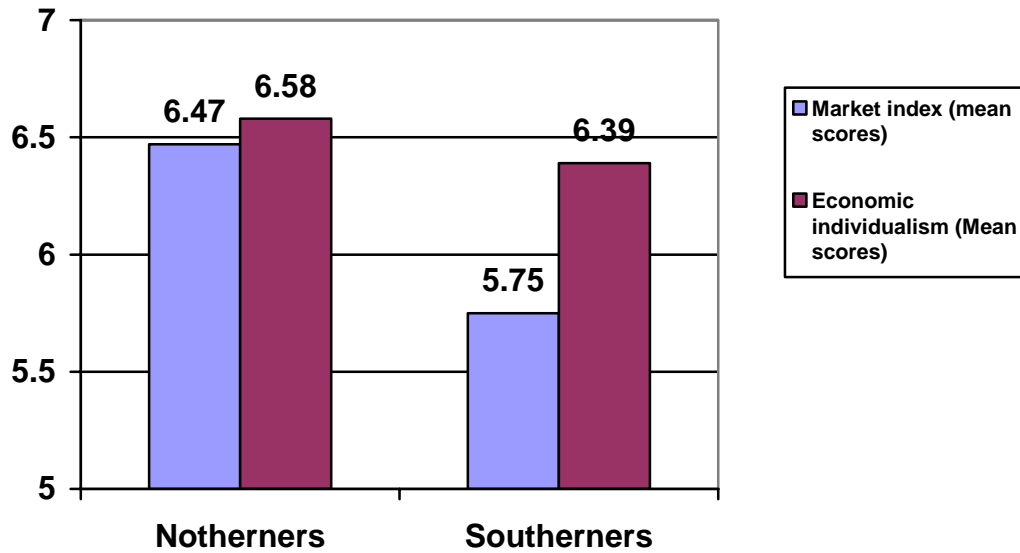
Source: 2001 World Values Survey, Vietnam

These patterns can also be seen in everyday Vietnamese life. Young people are more interested in the international economy, and more in tune with the style and norms of this international system. When one enters the office of an international firm in Vietnam, much of the staff is young. The internet cafes in Hanoi or Ho Chi Minh City are filled with young people. The young are attuned to international fashion. Some older Vietnamese decry these trends, but the orientations of young Vietnamese are clearly changing. And with more than 60 percent of the Vietnamese population under the age of 30, they are the nation's future.

Region is another factor that may influence attitudes toward the market. The North and the South are culturally different. Southerners originally came from the North but when conquering the new land the Southerner had changed their character and become more open-minded. Southerners also used to live in the market conditions before the reunification of the country in 1975. In addition, much of the foreign investment and activities of international firms have focused in the South. According to the UN Development Program, Ho Chi Minh City alone accounts for 17 percent of national output, 30 percent of foreign investment and 40 percent of Vietnam's exports. Foreign direct investment and exports per capita are several times higher in the four southern provinces than in the northern provinces around Hanoi. Yet even in Hanoi one sees bustling economic activity from merchants and new private enterprises.

Figure 4 shows that respondents from the North are actually more positive toward a private market than people from the South. This may be due to the success of economic reforms introduced throughout the country which have affected people from the North more than people from the South. Southerners also may see less change as the result of the *doimoi* reforms, or be less willing to express support for what might be seen as the old ways.

**Figure 4 Regional Differences in Support for a Market Economy and Economic Individualism**



Source: 2001 World Values Survey, Vietnam

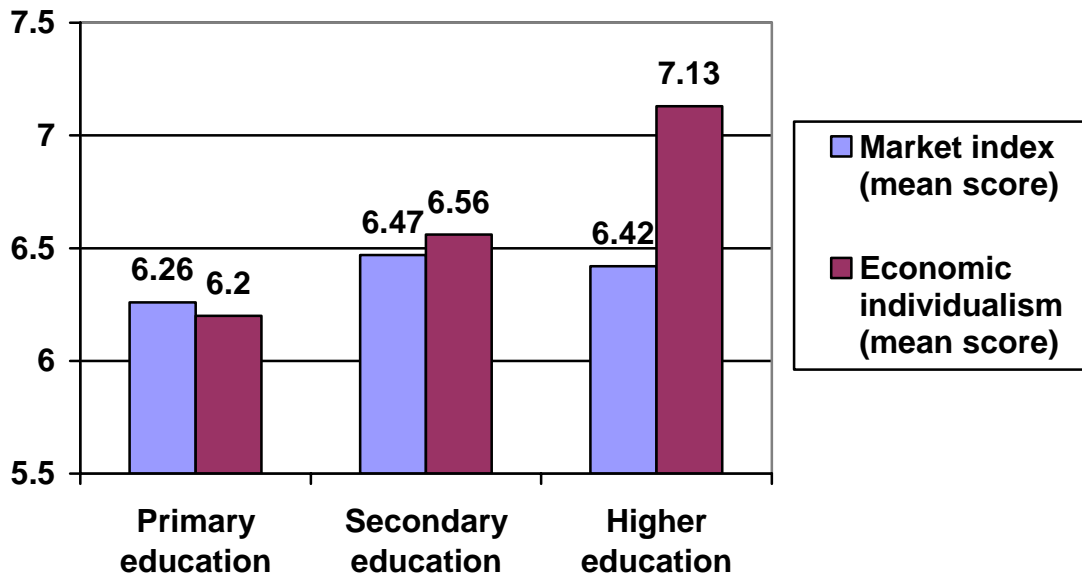
Another potential predictor of support for a market economy is social status. The more affluent may disproportionately benefit from the *doimoi* reforms and rising living standards. They should have been more likely to be engaged in international or trade-related activities and thus exposed to other market systems. Surprisingly, we have not found any significant relation between economic status and attitudes toward market principles. The higher income group supports for market (mean score = 6.35) is about the same as the lower income group does (mean score = 6.39). It seems that most affluent people have not directly benefited from market principles or do not link their status to support for the market. They may take advantage of the transition to be rich when perfect market principles have not had place yet in Vietnam.

At the same time, education level provides another aspect of social status that might be related to support for markets and the *doimoi* reforms. On the one hand, the better educated are more aware of the potential of market reforms, and more exposed to political debates on the reforms and discussions of the impact of marketization. Better educated Vietnamese are also more likely to hold occupations that involve them in international exchange, and possess the skills to function better in a competitive market economy. The better-educated are also more likely to live in a more cosmopolitan environment, where there is more information about the processes of globalization and the activities of international agencies such as UNDP, ASEAN, and WTO. On the other hand, the better-educated have typically benefitted from the previous system that enabled them to receive additional education and often-times might be employed by the state or state-enterprises. Thus we explored whether educational groups differ in their support for a market economy.

Education is related to support for a private market (Figure 5). Respondents with higher and secondary education support the market more strongly than respondents with primary

education. These differences are modest ( $r = .17$ ), but they suggest that Vietnam’s expanding educational levels will reinforce the trend toward economic renovation and marketization.

**Figure 5 Education Differences in Support for a Market Economy and Economic Individualism**



Source: 1999-2002 World Values Survey

Note: Table entries are mean scores on the 10-point market economy index; the index combines the items on support for a private economy and acceptance of competition. A score of 10 indicates strong support for a private economy.

Finally, we examined the relationship between gender and attitudes toward the market—since men and women typically have different positions in terms of employment and relationship to a market economy. Gender has little effect on support for a market economy ( $r = .07$ ). Vietnamese women are more skeptical about the market than men, though the gap is quite small. Vietnamese women are less active in business lives, especially in the countryside where more than 70 percent of population live. This may explain their hesitancy toward economic change.

Together, these findings suggest that the *doimoi* reconstruction in Vietnam has gone hand in hand with changes in citizen orientations toward a market economy. Older generations and those at the periphery of the economy are less supportive of markets, and more favorable toward the state-directed system of the past. However, as these reforms have improved economic conditions in Vietnam, they are endorsed by the young, the better educated, and those who are more politically engaged. This is consistent with the broader processes of social modernization that Inglehart and Welzel described in their chapter in this volume. In addition, this suggests that as continued economic improvements are likely to yield continuing popular support for these reforms.

## Attitudes toward Economic Individualism

Another dimension of values underlying a market economy is orientations toward income inequality and earning. In a market economy, income differences stimulate people to work hard and create new ideas. Similarly, the idea of competition is central to market principles. But such values were antithetical to the socialist principles upon which the prior Vietnamese command economy was constructed. Earlier Vietnamese governments stressed the need to provide basic social needs and the role of the state in providing these goods. Thus, we wanted to see how the contemporary Vietnamese public views these value choices in the context of two decades of *doimoi* reconstruction.

One question in the World Values Survey asked if there should be more income differences to provide incentives for workers, or there should be greater income inequality.<sup>6</sup> Remember that we previously described high levels of income inequality in Vietnam, which is a dramatic change from the prior system. Still, most Vietnamese believe that there should be more income difference to create incentives (mean = 6.3). Moreover, as Doh Shin demonstrated in chapter 8, Vietnamese acceptance of inequality is greater than in China, Japan or the United States. This may be due to the long-standing system equal income distribution in Vietnam, which leads people to favor more differences, or to the accomplishments of the reforms.

Another aspect of economic individualism involves the choice between a society with extensive social welfare benefits and high taxes versus a society where taxes are low and individuals take responsibility for themselves. This distinguishes between a welfare society vs. competitive society. Vietnamese respondents again are very positive toward individual responsibility (mean=6.52), while Chinese, Japanese and Canadians are less positive (mean=5.51, 4.33 and 6.10 respectively). Only the Americans score above Vietnam (mean=6.71), depicting the strong individualistic tradition of American political culture (Lipset 19xx).

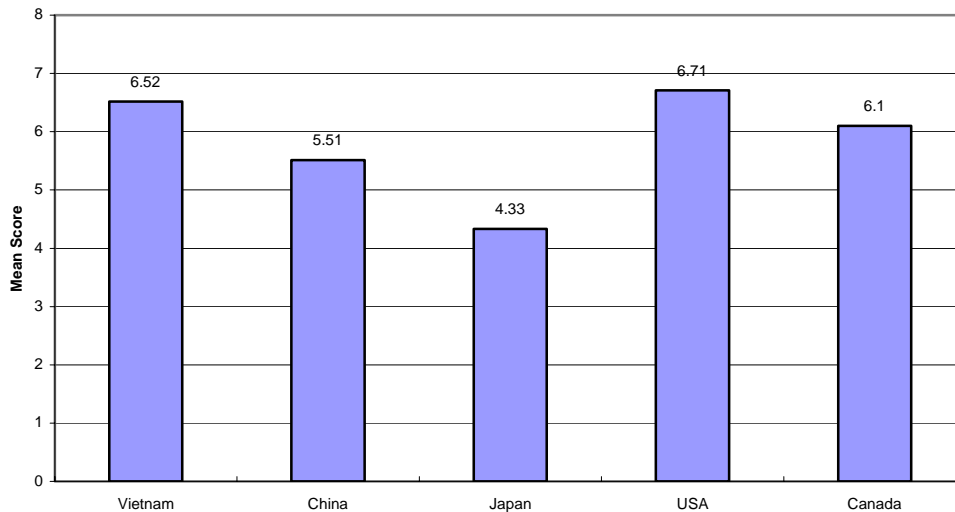
As in the previous section, we combined these two questions into a single index measuring support for economic individualism (see Appendix B of this volume). This collective/individualism index does not display large differences across the five nations in our comparisons (Figure 6). Vietnam actually has a highest index value (6.42), indicating strong support for a more competitive society. Japan has relatively low score (5.02), which fits Ikeda's emphasis on Japan as a risk adverse society (see Chapter \_ in this volume). The three other nations--China, the United States and Canada--lie in between.

Similar findings are reported by the State Research Program KX-05 survey conducted in 2003. This survey found that 65.5 percent of 339 workers interviewed by the project supported greater income difference, the rest were for more equal income distribution. However, a full 70.5 percent considered that state ownership was the most important, 11 percent of them valued collective ownership and only 18.5 percent of workers interviewed supported the private ownership. Compared with respondents in the WVS, workers respondents are more supportive for government ownership even they are positive toward different income distribution.

Given the socialist traditions of Vietnamese society, the acceptance of economic individualism is a striking finding. In part, we believe this reflects the endorsement of the principles underlying the government's *doimoi* reforms, that make individuals responsible for the conditions for the conditions of their lives. This is part of the movement toward choice that is also reflected in Inglehart and Welzel's human development model. In addition, despite the social disruption and economic difficulties that have resulted from the *doimoi* reforms, this marketization process has benefitted many Vietnamese. For instance, the Pew study (2003)

found that the Vietnamese are more likely than any other nation to say the availability of good-paying jobs has increased in the past five years (92%) and that working conditions have gotten better (85%). When marketization seems to be working, it is not surprising that public values endorse this system.

**Figure 6: Cross-national Differences on Economic Individualism Index**



Source: 1999-2002 World Values Survey

Note: Table entries are mean scores on the 10-point welfare question and acceptance of income inequality; 10 indicates strong support for a more individualist economy.

Again, we sought to go beyond the overall percentages to examine the social distribution of opinions toward economic individualism. The first factor we consider is age, which we expect to follow the same pattern as for the market index (the second set of bars in Figure 3). Indeed, there is a significant difference ( $r=.13$ ) in the attitudes towards inequality; people born before 1975 are less supportive for inequality (mean=6.37) than are those born after 1975 (mean=6.95). Because the young grew up in the environment of market economy, they have been treated differently according to their merit and contribution. Young people more easily accept working in a private company where their salary depends on their contribution to the firm. It is more common to see that young, better-educated Vietnamese more readily leave a bureaucratic governmental agency to work for a foreign company where income is significantly higher but without a guarantee of lifetime work. These generational differences are even greater than for attitudes toward the market economy overall. The *doimoi* reforms are creating a generation of young entrepreneurs and individualists, scoring higher on economic individualism than any of the other nations in Figure 6, even the individualist market economies of Canada and the United States. Many older Vietnamese are concerned about these trends, and the turn toward consumerism among the young, but this reflects the sharp generational differences in economic values apparent in the figure.

We also considered whether region is correlated with these opinions. People from the North prefer income differences and individual responsibility more than people from the South (Figure 4). One can say that people from the South are used to live in the market economy; they

may prefer individual responsibility and income differences than people from the North. But in fact, *doimoi* policy is changing the lives of people in the North more than in the South. Consequently, it apparently changes the minds of Northerners much more than among Southerners.

Social status is another factor that should shape these economic values. For instance, one might plausibly assume that higher income groups and the better educated are those who have competed, and benefited most from their past accomplishments. Thus these groups should be more likely to endorse economic individualism. For example, prior research from the post-socialist societies of Eastern Europe found that upper status groups were more likely to embrace the new market system (Rose, Haerpfer and Mishler 1998). At the same time, there is a potential tension between these present norms, and the policies of the socialist past. Thus, social status—like generation—is a valuable marker of where the nation is headed.

We found a strong relationship between income and support for economic individualism ( $r = .19$ ). Affluent people are more supportive for inequality with (mean = 6.86) compared with relatively poorer people (mean = 6.50). The Vietnamese have learned a lot from the past when all were treated equally without taking effort into consideration. Collective forms of economy showed their inefficiency during 10 years after the war. The practice of renovation in Vietnam has shown that affluent people experienced much more than the others positive effects of slogan “working according to ability, gaining according to contribution”.

Similarly, education levels have a significant effect on attitudes of people toward inequality (Figure 5). People with higher and secondary education more strongly support inequality, while respondents with primary education is less supportive for inequality ( $r = .17$ ). We believe that educated respondents have benefited more from the economic growth and unequal distribution of the past decade, and they are more likely to understand incentive meanings of an unequal distribution system.

Gender might also influence these orientations, since we expect men to be more supportive of a competitive society. Indeed, Vietnamese men were likely to endorse a competitive society preferring much more than women income differences and individual responsibility. The difference in the mean scores was over a full point on the summary index (mean=6.71 and 6.20 with  $r = .14$ ). There is a tendency still existing in Vietnam that the man should be a major earner in the family and should take care the whole family. Therefore, men prefer to deal with challenges and to be responsible individually.

We have described popular attitudes toward market and inequality of distribution and responsibility among the contemporary Vietnamese public. Two these indices display the same general patterns across different age, region, education levels and gender groups. While young and more educated people strongly support for a market orientation and economic individualism, we can say that the market economy and a system of distribution according to contribution are seen as inevitable in Vietnam’s future economic development. Gender and region differences show cultural influence on people attitudes. Women, for instance, were previously considered as only housewives, who practically cared for the family. This tradition held that she was not comfortable with inequality, but at the same time, she was not capable to compete with the man. This situation still effects today’s generation, albeit with probably weaker differences. Region is also a factor influencing public attitudes. In general, however, the Vietnamese people today are more aware of importance of competition and private ownership as well as individual responsibility and income differences. The change in these attitudes might be derived from the

change of the government policy that promotes marketization and democratization during two decades of renovation.

## Conclusion

A key point of the *domoi* policy implemented since 1986 in Vietnam was to develop a market economy and democratize the society. During the *doimoi* process, there were different positions within the government and society on the degree to which the market should be transformed. The majority of people believed that it is necessary to abolish state protection for state-run enterprises and further reduce intervention by the government into business. These changes have produced positive economic results. In the past generation, Vietnam has been transformed and the social and economic conditions of the citizenry have broadly improved. But these gains have also come at the cost of social change, dislocation, and uncertainty as the public responds to a changing economic system. Thus, our research has focused on the question of how the Vietnamese public has responded to these reforms, and whether current economic values are congruent with the economic forces changing Vietnam today.

Our findings indicate that the contemporary Vietnamese public strongly supports the principles underlying a market economy and they highly value the role of economic individualism and competition. The distribution of the fruits of labor, according to the average citizen, will be more encouraging if more difference in income is created to stimulate individual efforts. The World Values Survey describes a strong tendency among Vietnamese toward increasing individual responsibility and reducing government role in providing assistance. The market economy is a real way for releasing potentiality and promoting people capacity for socio-economic development and through this process human capacity can be improved sustainably. As we showed above, the Vietnamese public is overwhelmingly positive about the economic accomplishments of the past five years, and how this has improved their living conditions and job conditions (Pew 2002; 2003). And, undoubtedly, the values of the contemporary Vietnamese public represents a dramatic change from what would have been found before the *doimoi* reconstruction and the events of the subsequent two decades. The strong generational pattern in support for a market economy highlights this temporal change, and suggests that further change lies ahead as younger citizens reflect the new realities.

At the same time, the strong apparent link to past economic performance and support for market reforms suggests that current values may be susceptible to future economic trends. Just as past economic gains have apparently generated support for marketization, economic downturns may erode this support. But to the extent that these new economic values are internalized, and encouraged by general processes of social modernization and globalization, these values may become more deeply embedded in the Vietnamese political culture.

Vietnam is being transformed to a market economy with socialist orientation; the leftovers of the centrally controlled economy appear to be strong in the current structure of the economy. Achievements of economic development and growth of people's awareness of democratization create more space for political renovation. In a slogan stated in 2001 "prosperous people, strong nation, equal, democratic and civilized society", Vietnam included democratization of the society into the goal of the country development. Marketization and democratization need to go hand in hand and data collected in the surveys mentioned above, especially in WVS, confirmed that the public strongly supported marketization and democratization in Vietnam.

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## Endnotes

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<sup>1</sup> KX-05 State Research Program Survey: The survey was undertaken by the KX-5 State Research Program in August 2003. 2320 respondents including 360 workers, 360 farmers, 150 business people, 400 school students 700 university students and 350 academic people were selected for interviewing using a quota method. The respondents were distributed proportionally to population in three regions of the country (North, Central and South). In each region, there were two provinces selected for interviewing.

<sup>2</sup> Additional evidence comes from the Pew Global Values Survey (2002). The 2002 survey found that 53% believed their lives had improved over the previous five years, compared to only 17% who said they had lost ground. In addition, a full 69 percent of Vietnamese are optimistic about their prospects for the future over the next five years. The positive responses about present life conditions are more common than in the China (42%), Japan (21%), South Korea (38%) or the other Asian nations in the Pew survey, or even American (51%) and Canadian (48%) responses.

<sup>3</sup> Also see Appendix B for the construction of the Market Economy Index. The two questions are as follows: “Now I'd like you to tell me your views on various issues. How would you place your views on this scale? 1 means you agree completely with the statement on the left; 10 means you agree completely with the statement on the right; and if your views fall somewhere in between, you can choose any number in between:

1) Private ownership of business and industry should be increased

10) Government ownership of business and industry should be increased

1) Competition is good. It stimulates people to work hard and develop new ideas

10) Competition is harmful. It brings out the worst in people

<sup>4</sup> By comparison, 70 percent of the Chinese agreed, but only 53 percent of the Japanese. In addition, 72 percent of Americans and 61 percent of Canadians were positive toward a free market economy.

<sup>5</sup> We used 1975 as the dividing point because this would allow us to distinguish between those who grew up under the *doimoi* reforms versus earlier generations.

<sup>6</sup> Also see Appendix B for the construction of the Economic Individualism Index. The two questions are as follows: Now I'd like you to tell me your views on various issues. How would you place your views on this scale? 1 means you agree completely with the statement on the left; 10 means you agree completely with the statement on the right; and if your views fall somewhere in between, you can choose any number in between:

1) Incomes should be made more equal

10) We need larger income differences as incentives for individual effort.

1) The government should take more responsibility to ensure that everyone is provided for

10) People should take more responsibility to provide for themselves.