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Resourcing Conservative Transition in Vietnam: Rent Switching and Resource Appropriation

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Abstract

This article applies a novel approach to analysis of the transition to the market economy in Vietnam, a country with a political economy that draws upon South-East Asian, Sinic and Leninist cultural elements. This was a 'conservative' transition, in the sense that no shift in political regime occurred. Understanding transition as a process where endogenous forces drive and resource institutional change, and far from dependent upon policy shifts, the article argues that it relied heavily upon two sets of phenomena. The first may be understood in terms of the creation and seeking out of economic rents, in the 'neoclassical' sense of resources available 'below economic costs'. When rents result from institutional obstacles to competition, institutional change can support relatively costless output gains. I argue for Vietnam that as the economic system switched from plan to market, so rent seeking shifted away from advantageous access to resources for plan implementation, to switching resources into forms that supported market-oriented activity. This 'rent switching' (RS) relied upon adaptive social relations, comparable to the 'competitive clientelism' of the SEA studies literature, that were preserved and augmented during transition. It also permitted mobilisation of resources derived from static efficiency gains. This framework contrasts with a second, more 'classical' in nature, that concentrates upon the creation of appropriable resources (ARs) and contestation over them. These help explain the medium and longer term, and how ways of appropriating resources supported the political economy of systemic change. At root, this is then to do with the emergence of factor markets (land, labour and capital), class formation and thus broader social and cultural change. The article thus argues

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that different economic theories provide useful insights into the social as well as the economic implications and nature of the transition to a market economy. Given that static efficiency gains, whilst significant in relative impact, tend to act over the short term, and, since growth processes take decades, the 'neoclassical' approach is ultimately less important than the 'classical' one.

Introduction

Overview: Analysis of Conservative Transition

This article presents a novel approach to the analysis of transition, applying the concepts of 'rent switching' and 'appropriable resources'. This not only permits a more persuasive interpretation of Vietnam's shift 'from plan to market' but also provides a link between economic arguments, such as those of static economic efficiency that underlie rent theory, and political and social issues, such as appropriation and class formation, and the use of state power by social networks to create rents in different ways as the economy evolves. This approach is used to discuss the example of Vietnam, a case of successful transition if criteria of economic growth, poverty reduction and political stability are to be used, yet with ongoing problems of corruption and weak democratisation.

The discussion situates rents within explanations of Vietnamese post-reunification history. The concept plays two roles. First, it permits us to apply rigorously the standard and traditional neoclassical analysis of situations where 'competition cannot compete away advantage' *due to institutional issues*. It reminds us that there can be significant static efficiency gains when institutions change. Second, and more profitably in looking at process, it provides us with the related notion of 'rent switching' (RS—see below), which focuses our attention upon sets of strategies, different for each stage in the process, undertaken to change institutions in order to create advantage, ie different forms of rent seeking.

Underpinning this is the robust notion that 'systems can and do change but human relationships change slowly', that is, that Vietnam's cultural and national histories inform the transition history, just as ideas of clientelism inform much of the region's history. And, intriguingly, just as the concept of 'competitive clientelism' when applied to Thailand confounds orthodox arguments about the growth-damaging effects of corruption, so we find Vietnamese economic growth usually far faster, despite the muddle and corruption, than is expected.[1] The details of state-business relations in Vietnam are murky and we are well behind others in research work. Yet the overall picture starts to become clearer.[2]

Whether classical, neoclassical or whatever, economics as a discipline focuses upon the analysis and evaluation of structured social configurations defined in various ways, which usually come down in the end to systems. Vietnam, apparently centrally planned for many years prior to 1989–90, offers in modern historical sequence four economic systems: I—'Centrally planned', II—'Pure Transitional' (within which plan and market legally coexist),[3] III—'Post-transitional' (a period of 'primary accumulation' within which 'normal' social institutions and classes appear to be forming), and IV—some 'Final' system that could bear the adjective 'modernising', if only to follow the practices of the Vietnamese Communist Party, which defines present national tasks as 'modernisation and industrialisation'.

A historical periodisation (discussed further below) is as follows. I—up to 1981 and the partial reforms (Decree 25-CP) that legalised SOE involvement in markets; II—up to 1989–90 and the extinction of the 'Three Plan–Two Price' system; III—up to around 1999–2000, when the private sector started to emerge with vigour and, in the aftermath of the 'hangover' from the mid-1990s boom, state-SOE relations started to become recognisably 'developmental' as Zysmanian process started to re-harden budget constraints;[4] IV—from around 2000.

These various systems can be defined in various ways to suit the audience and/or the prejudices of the analyst. That they occurred sequentially entices analysis of their internal dysfunctionality—why they did not persist. This returns us to the question of how local incentive structures both encouraged and resourced endogenous systemic change. On the one hand is the question of incentive structure ('relative returns'); on the other lies that of the *resources* associated with systemic change.

Conceptualising Incentive Structures—Rents and Appropriation

Comparison here is made between two alternatives,[5] first, the concept of 'rent switching' (RS). By this I mean the use of social networks to switch the form of intervention (i.e. rent creation) to maintain advantage as the economic system changes. Capacity to enhance static efficiency by accessing rents created for the plan may, later on, be used to create new forms of rent with negative static effects.

The concept of rent switching under transition may be illustrated by the following example, and made more vivid by reference to the London slang term 'a nice little earner'. A group of gentlemen, secure in their position within local power structures such as the party and planning bodies, switches resources from a state-owned enterprise (SOE). These were procured from farmers in collectives, thus creating a rent intended for the plan, and appearing as high profits at SOEs. However, these can be and are acquired by these gentlemen, thus, at a very low cost compared with their value. They are then used to produce goods in a local 'artisanal cooperative', partly for sale on the free market, partly to nourish valuable networks through gifts. Economic efficiency is improved, time goes on, and capital is accumulated under various forms and under the control of the group. Indeed, 'a nice little earner'. The economic effects of this rent switching are to enhance static efficiency.

A second example of rent switching would then be as follows. Some years have passed, and it is now possible to use capital to develop a retail distribution system for sale of imported high-value consumer goods. The gentlemen can agree to liquidate capital in the artisanal cooperative, which is in any case now less profitable as farmers cannot be induced to meet procurement targets, and put it into the new business. Certainly, they will have every incentive to use their political power to hinder entry into this sector of competitors, such as groups whose import business could threaten their profits. The same gentlemen now 'rent switch' by switching the creation and seeking of rents into new forms better suited to the transformed economic system. This tends to have negative effects upon static efficiency. Rent switching, therefore, means the use of social networks to exploit rents, adapting to changing opportunities.

Second, is the idea of 'appropriable resources' (ARs). Clearly, the emergence of private property will entail appropriation of assets, and the appearance of classes. The notion of ARs points to the two central aspects of this process—that valuable resources exist, and that they be appropriable in some form or other.

The important difference between ARs and rents lies in the economic impact, especially the presence or absence of static efficiency changes. As we will see, rents

Table 1. Switchable rents and appropriable resources

	Stage	Switchable rents	ARs
Up to 1980	I (Pre-transition)	Very high	Very low
1981–90	II (Pure transition)	High, falling	Medium, rising
1990–2000	III (Primary accumulation)	Low	Very high
Since 2000	IV (Normal accumulation)	Medium	Low

may imply the existence of ARs, but they may not. Rents have static efficiency implications, ARs may not. Rents may have implications for the resourcing of new institutions, through the utilisation of these efficiency gains. ARs have far greater importance for economic dynamics.

To return to our example: the gentlemen will almost certainly find themselves in positions where they can simply 'appropriate' resources. This may involve a reduction in rents, but it may not. Discussion requires further clarification of just what we mean when we use the notion of rents under such conditions, but here consider for illustration idle land—for example, the spare warehouse of the original SOE, never used and basically forgotten. Until they realise that they can, through manipulation of the World Bank-funded land-titling project, acquire this, it creates no advantage to anybody, and so there is no rent to speak of. Yet, a decade later, it appears as the jewel in the crown, prime real estate owned by the gentlemen, who are now operating under various guises, including property development. The land was valuable, appropriable and a resource.

These concepts can be related to the changing characteristics of the Vietnamese economy, as summarised in Table 1, which presents a simple summary of the changing significance of switchable rents and ARs in recent Vietnamese history.[6]

'Pure Transition', its Origins and Resourcing: the Vietnamese Economy before Reunification and Continuities with the 1980s

Introduction: Analysis of the Vietnamese Transition

Vietnamese economic development since reunification in 1975 reveals clearly the value of analysing change in terms of rents, rent switching and the generation and appropriation of valuable appropriable resources (ARs). Furthermore, equally visible is the importance to commercial interests of relations with elements of the state apparatus, and vice versa, and so the motivation to switch, create (or curb) rents and ARs.[7] And one can also trace the effects upon this of the introduction of officials and senior party members, early in the 1990s, to the possibilities offered by modern 'developmentalist' techniques of rule, such as the use of a tax base and state treasury, and state banks, to channel resources to SOE-focused development at local and national levels (Fforde, 1997).

The sequencing of transition in Vietnam, and of the policy changes associated with it, is rather different from that of the most immediate point of comparison, China (Fforde, 1999). The relative failure of central planning in Vietnam compared with China meant that a far lower share of output was being invested prior to liberalisation. At the start of 'pure transition' the Vietnamese state therefore controlled a far lower proportion of economic activity, since these high savings were mainly controlled by the state. This is understandable in terms of Vietnam's history.

The Pre-1975 Situation

Prior to national unification in 1975–76 communist policies were implemented through state structures only in the north—the Democratic Republic of Vietnam (the DRV). Thus the party found itself attempting forced industrialisation in an area of over-population and minimal agrarian surplus. Basic ground rules, in terms of the political economy, were well established early on as the DRV attempted relatively normal neo-Stalinist transformations and development prior to the onset of the US air war in 1964–65.[8]

For various reasons, a widening gap between free market and state prices emerged around 1962–63, and the resulting diversion of effort to free market activities, although frowned upon, was not met with the standard Stalinist violence. By then, farming families had joined agricultural producer cooperatives, large-scale industry had been made subject to central planning, petty producers either closed down or brought into cooperatives and so forth. By around 1964 the share of consumer goods in the large programme of foreign aid was rising.[9] Debates over the general applicability of the neo-Stalinist programme in the area occurred around 1964, but resulted in defeat for reformers and support for the continuing attempt to make the system work. At that time there was already evidence of a certain recognisable degree of spontaneous marketisation.

At this time it was very costly to acquire economic resources that could be used in markets—ideological pressures were too high and it was therefore too risky. There were therefore few ARs, and little endogenous accumulation. Yet switchable rents were also very high, since the planning system was relatively strong, in the sense of being able to enforce ‘interventions that prevented competition removing advantage in the form of rents’. Those lucky enough to acquire them could enjoy significant output gains locally through the operation of ‘Kim Ngoc’s law’.[10]

A second attempt at liberalising reform occurred in 1967–68 at a time of severe food shortage, heavy bombing and prior to large-scale food aid. ‘Trials’ with household contracting within the agricultural producer cooperatives, although initially tolerated at peak leadership level, later met with criticism and were formally abandoned.[11] However, at no time during this period was there any policy of severe pressure against rural markets, and there is some evidence for a de facto ‘laissez-faire’ attitude within the overall parameters set by the norms of the modified neo-Stalinist system during wartime.[12]

Policy Problems in the North just Prior to Reunification

In the early 1970s, prior to reunification, policy reform clearly showed awareness of considerable de facto ‘laissez-faire’ that allowed widespread non-compliance with plan norms. Reforms in this conservative[13] sense can be seen in three areas. These all pointed to possible sites for rent acquisition, and also for accumulation-boosting ARs should conditions change.

First, in agriculture, there was an attempt to place farming families under stronger control, with stricter limits on family plot activities; cooperatives were increased in size and brought under the district planning level. Formalised as a ‘New Management System’ at the Thai Binh conference in 1974,[14] this defined rural policy goals on the eve of national reunification as actively anti-market and opposed to family farm autonomy, suggesting that the underlying aim was to reverse the consequences of wartime ‘laissez-faire’.

Second, in the area of SOEs and central planning reform was also conservative, and addressed criticisms of confusion and waste, proposing and adopting policies familiar from Eastern Europe involving better incentive structures (the 'three funds' system), closer and more effective planning procedures and enhanced discipline.[15]

Third, however, policy granted small-scale industry in cooperatives freedom to procure resources in a direct and quasi-market manner, subject to constraints regarding respect for obligations to supply goods at state prices to the state planning system.

This policy stance suggests that the development programme in the reunited country after 1975 had in fact two parts: a strengthening and enhanced implementation of established but frequently violated norms in the north, and application of the existing, and weak, northern system to the south. However, by 1975 both north and south Vietnam were heavily aid dependent. In terms of rent creation and ARs, this had important implications: major shocks to the political economy would occur if external assistance levels were to change abruptly.[16]

The Origins of Liberalisation and Reform

Economic liberalisation as policy change should in any significant sense be dated to the 6th plenum of the IV Party Central Committee, held in September 1979 in the aftermath of the loss of Western and Chinese aid, Vietnam's joining of COMECON and armed conflict between Vietnam and China.[17] This meant that the incentive structures facing SOEs and agricultural cooperatives changed fundamentally, and processes were set in train that drove the commercialisation of the economy 'from below'. Policy followed these underlying fault lines.[18]

What were these processes? At root, they were a mixture of static, efficiency-enhancing switching of rents, linked to increasing competition, with the gradual emergence of ways of accessing ARs that created a stable basis for market-oriented accumulation.

The Vietnamese Transition: Rent Switching, Appropriable Resources and the Continuities before and after Reunification

Central here is the shift from a neo-Stalinist pattern of economic growth and social differentiation (accumulation[19] and class formation) to one historically more appropriate to a society and economy where markets dominate economic transactions.

The neo-Stalinist system created strong 'distortions' to the macroeconomy, intending that the state would use these resources to focus upon investment in priority areas. This process relied heavily upon the use of state influence over SOEs and agricultural cooperatives used as mechanisms for appropriating resources and then delivering them to the plan at 'low' fixed state prices. It is important to note that the plan had two aspects to it: a plan of production and a plan of distribution. SOEs and agricultural cooperatives were under pressure to supply to the state, and to produce the planned output level with inputs delivered by the state. The state's ability to control distribution of products was therefore crucial, since this permitted it to influence the terms of trade facing various producers. A typical example of this would be the delivery of agricultural products at low prices that could then be used to supply rations to state industrial workers, thus keeping down industrial costs.

Yet within SOEs and agricultural cooperatives the plan had far less impact than outside them—the output plan was far less implementable than the distribution plan;

planners, for all the sound and fury, had to admit to the negotiated nature of outcomes within SOEs and cooperatives. Outside them, however, things were rather different, and the state spent much time and effort maintaining the distributional relations within the economy, and thereby the particular pattern of 'terms of trade' that ensured that SOEs made large profits to create investable surpluses. Applications of violence, it can be observed, were typically against free marketeers and those who wished to avoid joining such socialist institutions. Rents arose, thus, in part from the limits placed upon competition.

From this perspective there is, in the question of rents, rent switching and ARs, a clear commonality between the economic systems before, during and after the transition to a market economy.

It is probable that switchable rents would have been very high in Stage I prior to the introduction of partial reforms (in 1980–81), due to the distortions created by the as yet largely unliberalised central planning system. On the other hand, ARs would have been very low, mainly because of the authorities' willingness and capacity to use standard neo-Stalinist anti-free market measures. This situation—high switchable rents, low ARs—fits with the basic reality of a neo-Stalinist system—limited but very profitable black and parallel markets.[20] These markets arose from the successful capture of rents within the central planning system.

The old system had at its core the creation of economic rents through central planning. A combination of the institutions of the neo-Stalinist programme and the way in which the administrative prices of the plan were set enabled the system to create economic rents (or surpluses) that were used to support a pattern of accumulation based upon the state sector. SOEs were the sites of large-scale profit generation, and of the massive flows of investment resources for socialist industrialisation. Socially, both their cadres and their workers were at the 'top of the food chain', receiving considerable social prestige and material privileges.

Yet some of these rents were contestable and could be captured by local interests, and then switched to resource other activities. ARs could resource accumulation of productive assets that were more locally controlled, and relatively autonomous. If still within SOEs, these were typically referred to by such terms as 'own plan' activities; if outside them, they would take the form of businesses subject to groups that controlled the relatively autonomous capital within SOEs.[21] But until extra-plan activities were legalised by the partial reforms, ARs were simply very risky to appropriate.

It is the reality of negotiation within the basic units of the neo-Stalinist system that offered scope for relatively autonomous accumulation based upon ARs, often themselves created by successful contestation over rents that led to static efficiency gains from endogenous pro-market and competition-based institutional change. Once SOEs and/or cooperatives engaged in relatively free exchange of outputs and obtained inputs relatively freely, they were able to accumulate capital under their own control.[22] And 'Kim Ngoc's law' was a vital push to this process in its early stages.

Thus the argument is that once neo-Stalinist systems start to liberalise, producers (often within the planned system) accumulate capital outside the planning system.[23] They operate in an environment full of opportunities for making high profits created by the planning system itself. 'Successful' neo-Stalinist economies usually created very high levels of savings, which supported periods of very rapid growth despite high economic inefficiency. These savings come from the imposition through the plan of terms of trade that channelled resources through the state to finance industrial investment. It is precisely because these rents are so high (the ARs are so valuable) that there is so much 'pork' available for SOEs and others when and if they can access it for local 'relatively autonomous' accumulation and moneymaking. And it was this that Vietnam's partial reforms of 1981 permitted.

If we turn the picture around, therefore, such an economy can thus be seen as being full of switchable rents and appropriable resources. These are not just, as in many historical contexts, the property of groups from whom it can be taken, but are bound up with rents in the neoclassical sense. This means that their appropriation can also involve very sharp increases in output from static efficiency gains. Because of the specific nature of a centrally planned economy, ARs and rents can thus act together to resource and incentivise endogenous liberalisation. From this perspective, the extent of levels of violence and repression required to defend socialist property is not surprising. In Stage II, 'Pure Transition', these resources are the basis for accumulation of capital outside the plan.

During Stage II of the Vietnamese transition, therefore, as presented in Table 1, rents remained high, although falling sharply as economic organisation became less inefficient in a static sense. ARs, on the other hand, became larger. Two reasons for this were, first, the rising tendency for resources to become capitalised as incomes rose (especially in SOEs) and workers subsistence needs became less critical, and second, as the transition became entrenched, the rapid decline in the risks associated with what could easily be said to be the theft of state property.[24] Bribery became more institutionalised and effective, and as officials saw a changing future for them and their families, 'primary accumulation' saw a far less vigorous use of the security forces. Thus, by the end of the 1980s the approaching end of 'pure transition' meant that few opportunities remained to enjoy static efficiency gains. Thus the transition process had already largely consumed one source of resources for growth—the static inefficiencies of the planned economy itself.

After the decade of 'pure transition' in the 1980s the Vietnamese economy was thus very different from others as they also shifted to generalised production for markets rather than planners. It was more market-oriented, flexible and far less subject to the distortions that made it so hard for other more developed socialist economies to shift across to generalised market-oriented economic activity if they were unlucky enough to attempt 'Big Bang' policies.[25] Also, the increasing importance of ARs pointed to the future emergence of factor markets.

It is the profound extent of commercialisation of the Vietnamese state sector that explains the surprising resilience of output during the period 1989–90, when Soviet aid was lost and the state sector cut off from access to economic support.

'Primary Accumulation': the Vietnamese Market Economy of the 1990s

Basic Characteristics

The economy that emerged in Vietnam during 1989–90 was certainly an economy dominated by production for the market. It was a 'commodity economy', in any normal sense of the phrase, and should thus be defined as a market economy. However, it was not an economy where factors of production were yet acquired on easily identifiable markets.

For some, the absence of obvious factor markets—so that land, capital and labour are all acquired as commodities, with clear prices and supply and demand in operation—would suggest that the Vietnamese economy in the period immediately after 1989 was not a market economy. They would argue that across a wide range of producers, who were selling commodities of various sorts onto markets of various types, neither labour nor capital nor land were acquired as commodities. Crucially, those economic organisations that had been the core institutions of the traditional socialist model, and which had become increasingly involved in market activities through the 'pure transition' 1980s, were not acquiring factors of production through markets.

For SOEs, land used by them had been allocated through the central planning system; they paid no rents, and could not simply buy or sell it; labour was, predominantly, still based upon the allocation of workers by the traditional labour control system—but extensive bonus and quasi-bonus methods had arisen; and capital had predominantly either been acquired through retention of business earnings or allocations from the planning system under various guises—various forms of joint venture had occurred but these were still limited.

For agricultural cooperatives and farmers the situation was still very much in a state of flux. Decree No. 10 in 1988 had greatly reduced the power of cooperatives over farming families, and a process of decollectivisation set in train. Yet agrarian incomes growth had not started to accelerate. If we look at factor markets, land was still formally owned by the state and use-rights held by cooperatives;[26] labour could be acquired in various ways, but largely remained family labour; capital was either based upon various family level activities carried out through the 1980s or earlier, or upon the increasing access to cooperative resources as they were sold off or hired out, or upon the beginnings of inter-family lending—formal bank credit was insignificant.[27]

For the remaining key element of the traditional and 'pure' transitional economies—the state trading network—retained earnings were far more important. In addition, it should be mentioned that the emergent nominally private sector outside agriculture remained small, and was still largely focused upon trade. The opening of the country's borders to relatively free trade in 1989 had had a heavy impact upon this sector.

A Market Economy without Factor Markets and Class Formation

For what was to follow, I think that the key aspect of the Vietnamese economy in 1989–90 was the combination of generalised—if not universal—use of markets to acquire and dispose of inputs and outputs with 'weakly developed' factor markets. Vietnam's annual economic growth rate in the 1990s prior to the 1997 Asian Crisis, which averaged well over 6% per capita, was closely bound up with the interaction between the commercial purchase of inputs and sales of output, to make profits, and the development of ways of acquiring the factors of production needed to do so. Thus, if a slogan is sought, if the 1980s were 'From Plan to Market', the 1990s were 'From Market to Class'. And in this the emergence of a recognisable and stable property rights regime suited to a market economy (in ways that were not present in 1989–90) would require not only the emergence of clear classes but also some system of state and societal governance.[28] And, in turn, this pointed to central political and social issues of the decade after 2000.

Crucially, factors of production would no longer be acquired through the various non-market methods of the traditional economic system, or the quasi-market methods of the 'pure transition' with its focus upon accumulation within SOEs. Rather, they would occur through new methods within which they were increasingly themselves commodities with the normal characteristics of commodities. That is, that they had a price, owners and the ability to be bought and sold on markets. Factors of production would thus need to be appropriated (to have owners), to be priced, to be sold and to be purchased. Strange as it may seem, but in fact of crucial importance to any understanding of these processes, prior to that process factors of production were not commodities, they were therefore not owned in the same sense as commodities are, nor were they priced and those prices related to supply and demand through being bought and sold.

Switchable Rents, ARs, the Emergence of Factor Markets and State Practice in the 1990s

Unlike China, there was a marked lack of new entrants to Vietnamese commercial activities in the market economy of the early and mid-1990s.[29] The most important were foreign companies, initially in joint ventures with SOEs, and increasingly, after the 1997 Asian Crisis, as 100% foreign-owned investments. Vietnamese 'outsiders', however, whilst coming onto the scene, were not great in number.[30]

Vietnamese business, as it emerged in the early 1990s, was mainly made up of SOEs and had evolved in an environment pervaded by large and state-created rents *of particular types*. Commerce and trade were predominantly carried out by a commercialised state sector, used to negotiating resource access through relations between officials in SOEs and officials elsewhere. As I have discussed, rents had originally been created by the neo-Stalinist system, but had then become a central element of processes of relatively autonomous accumulation within the basic institutions of the socialist economy—SOEs and agricultural cooperatives. However, it was in the former that profits and growth were significant, and this was mainly for historical reasons. Two factors in particular had played an important role.

First, under central planning the Vietnamese economy was not, during the late 1970s, generating sufficient levels of savings to allow the state to shift resources towards a significant improvement in the terms of trade facing farming families, so that substantial increases in rural incomes did not occur until the early 1990s. Rural incomes in Vietnam did not start to grow significantly until late in the process—around 1988–89, after Decree No. 10 of the Politburo (1988)—and accompanied a liberalisation of exports and robust growth in domestic markets. Early agrarian reform (Decree CT-100 in January 1981) was not followed by any sustained improvement in rural incomes although output jumped in the two years after the reform was promulgated. Between 1978 and 1984 agricultural output rose 48%; crucially, staples output per capita stagnated from around 1982. In China, however, agricultural growth accelerated in 1979, growing some 55% between 1978 and 1984.[31] Staples output per capita rose by nearly one quarter. The origins of the Chinese rural growth spurt were at least in part due to state price changes; the Vietnamese counterpart had far less impact.[32] It cannot be overemphasised that the lack of a buoyant rural economy in Vietnam until the mid-1990s has had profound impact—the absence of the Chinese TVE phenomenon, and a Vietnamese SOE sector that has a far more intimate relationship with local officials, and is far more dependent upon bank credits and far less successful at financing growth from retained profits.

Second, SOE commercialisation started at the beginning of the 1980s and took place under conditions where ARs were significant but not substantial, so that they were rapidly eroded by the process of commercialisation itself. This meant that the

SOE sector as a whole was capable of enduring a relatively hard budget constraint when the market economy emerged in 1989–90. SOEs therefore lacked a major 'cushion' at a crucial time in their commercial history.

The overall nature of state-business relations in the very early 1990s therefore stood at a crossroads. The state sector was the dominant commercial form outside agriculture, with close political links. Accustomed as it was to rent switching and a rent-creating economy, it had nevertheless shown that it could survive (if it had to) without access to significant ARs or rents, and when subject to intense competition after Vietnam's borders were opened in 1989. It is natural to argue that for such a society, with a political culture used to hierarchies and communities within which 'feeding' played important roles, other forms of rent creation—suggesting likely creation of ARs—would arise.[33] And, as state resources recovered in the early 1990s, this was precisely what happened.[34]

The nature of the Vietnamese economy in 1989–90, and especially the lack of factor markets, was to have a major impact upon the creation and use of rents after 1989–90. The lack of a capital market had important implications for the treatment of external funding of SOEs. Meanwhile, however, emergence of a land market would create important opportunities for profit.

The 1990s and 'Primary Accumulation'

If the notion of rent switching reflects reality, then the key role played by SOEs in the growth of the Vietnamese economy since 1989–90 makes it very pertinent to ask what happened to rent switching and ARs through the 1990s. How was this translated into policies designed to favour particular areas through the encouragement of AR and rent-seeking behaviour?

The next sections examine important aspects of this issue. First, granted the historical fact that central planning largely failed in Vietnam, in large part due to successful switching of rents, what happened to state resources through the 1990s? Second, what did macroeconomic conditions imply for the availability of ARs and rents? Third, what were the implications of the emergence of factor markets—markets for land and labour in particular?

The Changing Level of Resources Available to the State

It is certain, first, that by the mid-1990s the resources available to the state had increased out of all proportion compared with the early 1990s (see Table 2), and that state policy increasingly tended to operate through direct targeted support in the context of an import substitution process that was highly export oriented. This appears consistent with the integration of Vietnam's economy into globalisation processes within the region and is far from usual.[35]

Macroeconomic Stability, the State-Business Relationship and Factor Markets

Rapid Growth and the Rising Reported State Share of GDP. A key but perhaps chimerical paradox of the growth process in Vietnam in the 1990s was the combination of an increasing share of total output produced by the state sector with general macroeconomic stability. The macroeconomy evolved in a way that provoked the approval of Bretton Woods institutions, and was characterised by a lack of the major 'distortions' that are the subject of frequent criticism.[36] The list is striking. The

Table 2. Resources subject to state influence (US$ billion)

	1990	1994
Tax revenues	1.1	3.8
Foreign trade taxes	0.1	0.9
Bank credit outstanding	1.0	2.6
FDI disbursements	0.1	0.6
ODA	0.1[a]	0.4
Real state investment	0.4	1.0

Note: [a] 1991.
Source: *Vietnam: Economic Commentary and Analysis 7*, ADUKI Pty Ltd Canberra, 1995, p. 341.

exchange rate had been unified, with no real gap between official and free market rates. Interest rates were positive in real terms to borrowers and lenders, and from 1992 SOEs received no direct subsidy from the state in terms of an inverted interest rate structure. Prices were generally stable. Direct subsidies from the budget to the state sector were cut back to very low levels (net transfers to the budget from SOEs were around 12% of GDP in 1994).[37] There were no significant subsidies to wage goods. The banking system offered depositors relatively liquid dollar deposits at rates close to LIBOR, and rather lower than those offered on Vietnamese dong. Between one third and a half of total banking sector liabilities were in foreign currency. This suggests that the general population retained confidence in the banking system, at rather low cost in terms of payment of risk premia by the authorities.[38]

The Nature of SOEs and the Process of Change: Factor Markets and ARs. A common argument used to explain the relative success of SOEs under such conditions has been to point to the effects upon their ownership structures of the history of the 1980s, and to argue that their 'private' character was high. Incentive structures facing managers, the substantial labour sharing since the late 1980s and the high levels of competition in product markets support the argument that the typical Vietnamese SOE of the early 1990s, if it survived and was generating positive cash flow (as the sector did in fact do), was treated by the forces that in reality owned it as something close to a capitalist business. Thus, ARs had been effectively capitalised, and appropriated as such. How true, though, is this picture? Certainly, it was not supported by most Vietnamese and foreign economists for whom the picture of state ownership *sensu stricto* remained. More research is badly needed here.

Here also the consequences of the emergence of factor markets need spelling out.[39] These arguably added to a picture within which SOEs need to be seen as far more commercial than state in character.

Land and Land Markets. In Vietnam land, according to the Constitution, continued to belong to the 'whole people'. However, there was considerable success in developing effective transferable land use rights, so that land access could in effect be bought and sold.[40] However, and this was especially true for urban land, the commoditisation of land use rights created enormous transitionary economic rents (ARs), which were manifest in two main ways:

First, in the allocation of land to individuals, usually through their state organisations, which could then either be used for construction of a dwelling for their own use or sold on. Land prices in Hanoi and Ho Chi Minh had risen by the late 1990s to levels comparable to those in countries with far higher per capita GDPs.

Second, in use by SOEs as their share of capital needed to found joint ventures with foreign businesses.

If it is appreciated that until the late 1980s almost no land in the main urban areas possessed monetised exchange value, and that half a decade later the process of commoditisation in these two large cities was almost over, then the size of the ARs generated was clearly vast.[41] The importance of commoditisation is most easily seen in the case of land. For capital and labour, the picture is not so clear.

Capital Markets. There are two key questions when discussing the emergence of capital markets in Vietnam during the 1990s. These relate to their origins, and the depth and extent of informal capital markets centred upon SOEs by the end of the 1980s. The first question concerns the extent to which SOEs had benefited during the 1980s from reinvestment within their safe shells of funds accumulated elsewhere, for example through black market deals or work in Eastern Europe. Here one should recall that the private sector was only ideologically accepted in 1987–88, and after experiences of policy reversals in the early 1980s the public exercised great caution in its investment decisions until the early 1990s. As a consequence, interests controlling SOEs benefited not only from ARs but also from inward investments.

The second question is to what extent SOE capital structures were commercialised and diverse by 1989. There is certain anecdotal evidence to suggest that, partly because of the length of time that had passed since the commercialisation process had been accepted by policy in 1981, SOEs were often well familiar with markets, deals and joint ventures by the end of decade.

Associated with this picture is the notion that the private nature of SOEs increased, with their effective appropriation by various forces and groups; these included managers as well as individuals within their superior agencies. It is certainly striking how the trend in the mid-1990s toward the establishment of state 'groups' and 'corporations' permitted interests above SOEs to continue to act as their part-owners (see Appendix 1).

The state corporations that emerged in the mid-1990s appear designed, among other things, to preserve agglomerations of state capital previously organised under different forms. By 1995–96 they were less formally dependent upon line ministries than before. However, the key individuals and relationships (for example, with local authorities) were given an opportunity to survive through their representation on the management board. The right to move capital around between the SOEs that make up a General Company is a pertinent comment upon how their ownership is viewed (see Appendix 1).[42]

Thus there remains a key research question, which is at root to do with the nature of the Vietnamese capital market. What does seem true, though, is that the rapid rates of growth were occurring *without* much in the way of formal and recorded intermediation, pointing to a deep informal capital market. What is not known is the extent to which the increased investment rates were funded from retained earnings.

Two elements of the capital market remained subject to state influence: bank credit and access to FDI, which by the mid-1990s, just before the Asian Crisis, was amounting to perhaps one-third of total investment. Although hard evidence is difficult to find, most bank credit came through state commercial banks in accordance with credit allocation priorities that were the counterpart of the way in which lending rates were set well below those that would clear supply and demand for credit. Deposit rates had to be kept high, as confidence in the value of Vietnamese dong deposits recovered from the experience of past hyperinflation and 'socialist transformation'. This meant that lending rates also had to be high, although the net effect was to increase transaction costs and keep lending rates down, since it took a while for non-state banks to grow, and so the state banking system was able to exploit its position to take a high share of deposits. Interest rates remained fixed by the State Bank. However, there was a clear trend to a reduction in the extent to which credit was channelled to SOEs.

Labour Markets. By comparison with the land and capital markets, the labour market was relatively straightforward. An early acceptance on ideological grounds that labour was a commodity to be bought and sold reflected the rapid growth of employment in the first half of the 1990s, which more than offset job losses in the state sector (Tran The Duong, 1994).

Direct state subsidies were rapidly reduced, helped by the way in which wages paid had, by the end of the 1980s, already divided into a certain minimum based upon state norms and 'bonuses' dependent upon profitability. The element of these bonuses that was due to profit sharing appears to have declined quickly, so that wages by the mid-1990s largely reflected supply and demand. Arguably, rent switching saw workers' profit shares moved into the profits of those who controlled SOEs.

'Primary Accumulation', Factor Markets and Class Formation: Conclusions

During the 1990s factor markets and classes clearly start to come into view. Rent switching, in the neoclassical sense, no longer contributes much to short-run output gains. Rather, the growth pattern is one of consolidation, with important appropriation practices bolstering the emergence of a more normal market-oriented political economy.

The most striking area where ARs supported accumulation in the 1990s was the land market. The second was the important changes in the property rights regime linking SOEs, managers, officials and formal state regulation; more concretely, who controlled them, and who benefited from their profits. This was deeply bound up with the social relationships that had underpinned rent switching.[43]

Analytical Implications—Rent Switching or ARs?

The 1990s were clearly a period of class formation and asset appropriation. Thus in Table 1 ARs contrast with the trajectory of rent switching, for through the 1980s most obvious rents associated with the neo-Stalinist system had been competed away. Note that the general macroeconomic stability of the period reduced rent creation. The most important source of temporary ARs was to do with the emergence of a land market, and this did not have much major effect upon static economic efficiency. The effect upon class formation, however, was far more dramatic. It tended to create a situation where, on the one hand, SOEs were increasingly 'owned', with good earnings only available to established members of the groups that controlled them, whilst, on the other hand, middle-class families were increasingly aware of the value of their assets and the need, if they were not part of the SOE-owning group, to find ways of generating revenues from them.

Thus, as earnings from SOEs sought more private outlets, outsiders also drove the emergence of the private sector. Both, of course, faced barriers from the interventions put in place by successful rent switching behaviour. Yet in many market economies such issues are quite normal. Just as 'competitive clientelism' suggested, for Thailand, that corruption could co-exist with rapid growth (so long as the state organs responsible for macroeconomic stability remained inviolate) (Doner & Ramsay, 1997), so Vietnam's historical experience suggests that it will be hard to maintain 'artificial' barriers to entrepreneurship for too long.

Conclusions

Rents, rent switching and ARs offer insights into the emergence and development of the Vietnamese market economy. The former present a shortcoming in their lack of measurability—they point to significant effects, but it is hard to see how significant. My opinion would be that they are significant at crucial stages in the process, but then far less important than ARs, where powerful evidence from macroeconomic statistics can be simply related to the discussion, thus increasing the persuasive power of the argument. This relates also to the essentially comparative static basis of rent theory, where even estimates of the calculated value of efficiency gains based upon computer modelling are placed out of Pareto context, and so in abstraction from the brutal political economy of systemic change—'*kto kogo*?', who wins?—in the Leninist formulation.[44]

Since 1989–90, however, as well as before, it is important to distinguish between transitionary and other types of ARs. It is also useful to look at processes of rent creation and the role played by rent switching. There is some evidence for the re-emergence during the 1990s of systemic rent creation in what has in modern times been a highly rent-sensitive society. It is not yet clear just what effect this will have upon accumulation. It is useful to recall here that the emergence of the market-oriented state businesses that survived the holocaust of the early 1990s took place in an environment saturated with rents. This suggests that in Vietnam, as perhaps elsewhere, there is an important difference at the micro level between seeking rents and using them. The openness of the Vietnamese economy, its general weakness and the apparent cultural and social tendency towards use of rents for commercial purposes rather than conspicuous consumption argue that caution should be maintained in going from the conclusion that processes of rent creation have been returning to one that would assert that growth rates would slow as a result. Much will depend, of course, on the ability to keep up domestic saving rates and also to avoid macroeconomic and institutional 'distortions' that inhibit growth. This is to avoid addressing the vital set of issues to do with the effects upon the quality of growth and development of such economic trends, and specifically extensive rent seeking and rent creation

Finally, with class formation increasingly well established, the period after 2000 looks likely to be one where state intervention once again seeks to impose inefficiencies upon markets, in the name of development. This will increase rents.

However, ARs remain low. Much will therefore depend upon the extent to which business and state intervention combine to create a competitive basis for Vietnam's further globalisation. The extent to which the gains from this are shared equitably or not will depend upon a wide range of factors.

At a different level, it would seem clear that Vietnam's prospects depend greatly upon her political economy, and within that upon the relationship between business and government. Here the experience of other South-East Asian countries has much to offer, not much of it good. For Vietnam, as a latecomer, lacking the vast past investments in export-oriented growth of her competitors, generating adequate production of those public goods and other elements of successful exporting will require great efficiency. Whether 'hands-on' or 'hands-off', government will be important, and in this a realistic assessment of where the economy is coming from requires attention to core issues addressed in this article. These include the real ownership of SOEs, for they clearly are not really state-owned, and also the great uncertainties presented by any attempt to direct the economy through intervention, since history shows that Vietnamese economic behaviour will seek out and acquire for local benefit anything that is valuable and appropriable. This can be good, it can be bad, but it is a characteristic.

The research implications of this are clear. There is a need to examine the real relationships that exist between state and business; how SOEs are owned and controlled, and how rent switching is seen and carried out. Central to this is the nature of the social networks and cultural logics that underpin interventions.

The policy implications are relatively straightforward. Without a clear understanding of politics and economics, and their cultural and historical underpinnings, the real impact of the sorts of developmental measures outlined in the Appendices will be impossible to assess.

Appendix 1

State Property and the Ownership of SOEs: Creation of Aspects of Rent Switching and ARs

The 1995 Draft Statute on State Corporations[45] (Dieu le mau) contains the following intriguing points, which suggest that the degree of de facto privatisation of SOEs was high, helping to explain in part their commercial power and success:

- Clause 2 refers to the issue of voluntary participation by SOEs in such corporations. Under 'normal' circumstances, for example in Western Europe, it is unlikely that state corporations would be granted any true autonomy in such decisions. With formal control in the hands of the state as owner, the state would decide.
- Clause 6.4 states that the corporation has the right to 'transfer and cede, replace, rent out, use as collateral or lodge assets subject to its management'.
- Clause 7.6 refers to the rights of the corporation to 'decide upon markets and establish an allocation of markets between its members'; and Clause 7.6, its rights to 'decide upon the price frame or the purchase and selling prices of materials, raw materials, products, main services, minimum export prices and maximum import prices, apart from those products and services for which the state fixes prices'.

- Clause 9 states that the corporation has the right 'to refuse and denounce any request for supply of resources not stipulated in law'.
- Clause 11.4 states that the corporation must 'implement price stabilisation for prices of essential goods and services'.
- Chapter III refers to the management board—this contains no statement whatsoever about ownership. Clause 8.d does state, however, that 'when discussing issues of importance to the local authority, the board must invite a representative of the People's Committee at province level to the meeting'.
- Clause 23.2.e is the most interesting. It states that the management board and the general manager of the corporation have the right 'to "shift" (*dieu hoa*)[46] financial resources, including foreign exchange, between members of the corporation in order to use capital most effectively in the corporation'. The term 'shift' here is very particular, and refers to the presence of a business entity above the SOE with rights to remove capital from it—in other words, some sort of holding company, but with no clearly defined ownership relationship with its members.

Appendix 2

State Rent Creation, Rent Switching or Creation of ARs? An Example from the mid-1990s

Resolution of the Council of Ministers No. 20 CP fixing details in the implementation of the Law to Stimulate Domestic Investment, 12 May 1995.
'Sectors eligible for investment support:

1. Forestation and planting of long-term crops on unused land, bare land and bare hills and mountains.
2. Investment in the technical infrastructure; development of urban public transport; development of education, training, health, ethnic minority culture, scientific and technical research.
3. Processing of agricultural, forestry and marine products, and of services directly serving agriculture, forestry and fisheries.
4. Production of exports.
5. Other industrial sectors targeted for priority development in the period 1995–2000:
   (a) Consumer goods production—textiles, leather goods, garments, household goods, paper, study means.
   (b) Metallurgy, electronics and information technology—production of equipment and machines to produce and process agricultural, forestry and marine products, and consumer goods; production of construction and mineral extraction equipment; boat building, for both sea and river transport; production of railway engines and carriages, and the assembly and production of motor vehicles; equipment for power lines and power transformers.
   (c) Production of materials—extraction of oil and gas; use of natural gas; extraction and processing of coal; iron smelting and steel production; non-ferrous metals; fertiliser; basic chemicals.
   (d) Traditional branches needing support—carvings; inlay work; lacquer ware; rattan and bamboo work; carpets; ceramics; earthenware and silks'.

Appendix 3

An Example of State Interventionary Philosophy in the mid-1990s—the Law to Stimulate Investment[47]

The 1995 Law to Stimulate Domestic Investment sought to supply subsidised resources to priority areas.[48] Decision No. 29 (12 May 1995) reveals the direction of policy. It therefore provides a clear example where government policy sought to create opportunities for rent switching or ARs.

First, the list of businesses eligible for support includes those owned by 'social and political organisations' (Clause 1). By this is included those shadowy and ill-regulated operations set up by scientific organisations, mass organisations, the party and so on. It also includes business organisations set up according to Decree No. 66 (2 March 1992) with so little capital that they were operating outside the usual legal framework.

Second, overseas Vietnamese, whether of Vietnamese nationality or not, could choose whether to operate under this Law or the Foreign Investment Law—'but may not operate under both' (Clause 2).

Third, assistance came from the state budget in the form of subsidised medium and long-term credits through state programmes or projects. These projects obtained funds from the National Investment Support Fund, which could in turn seek funds from almost any source, foreign or domestic. The fund would operate as a legal entity that did not make profits but had to preserve its capital and cover management costs.

In addition, certain additional forms of support were presented. Exporters in priority areas with signed contracts were to receive priority loans from the state commercial banks. If they lacked capital, then it was 'the responsibility of the State Bank to supply them with it' (Clause 11). When price fluctuations exceeded certain levels, then cheap credits would be supplied through the Price Stabilisation Fund.

Apart from access to subsidised credits, a second proposed source of support was through tax breaks. These were available for the list of activities reproduced in Appendix 2. They focused upon investment in plants using modern technologies that would improve technological diffusion; use domestic raw materials; produce goods of export quality; raise the quality of traditional products; reduce environmental pollution; produce new materials; and use high levels of technology. The target sectors were clearly medium-sized businesses. The minimum scale was set in terms of workforce numbers: 300 in urban areas; 50 in mountain regions; 200 elsewhere. There were additional possibilities for businesses in remote and minority areas, and for those in 'difficult' zones. The details of tax breaks stated that businesses must have been newly set up with resources from investment projects. For example, for businesses in normal zones, typical concessions were a 50% reduction in turnover tax; 2 years freedom from profits tax and a 50% reduction for three years thereafter.

Implementation of this important source of resources was to be concentrated at the State Planning Commission (in 1996 merged with the State Commission for Cooperation and Investment to become the Ministry of Planning and Investment), which was responsible for 'deciding to supply or refusing to supply a Document Accepting Investment Priority for businesses for which the Head of Government has granted establishment permits'. For other businesses, the People's Committee was to issue the establishment permit that dealt with the Accepting Document, helped by the provincial State Planning Committee (Clause 25). Furthermore, establishment of private business and companies would go through the local MPI, and would, after obtaining the opinion of the provincial Economic Management Department and the Finance Department, report to the People's Committee on whether to grant priority status or not. The chairman would then decide whether to permit establishment or not 'in accordance with the proposal of the local SPC' (Clause 27.3). The enormous range of sectors eligible for support (see Appendix 2) suggests strongly that other criteria—not laid down in Decision No. 29—would have to be applied in selecting candidates.

Notes

1. GDP growth rates for the 1990s were: 1990–5.1%; 1991–6.0%; 1992–8.6%; 1993–8.1%; 1994–8.8%; 1995–9.5%; 1996–9.3%; 1997–8.1%; 1998–5.8%; 1999–4.7% (UNDP, 2000, p. 1).
2. Application of quantitative techniques based upon survey data (e.g. Ronnas, 1998; McMillan & Woodruff, 1999) points in one direction for useful further research.
3. It is useful explicitly to distinguish 'pure transition', where central planning coexists with market relations in the state sector. One reason is that the presence or absence of central planning and its administrative resource allocation methods has a strong effect upon business strategies.
4. Zysman (1983) presents a clear analysis of the learning processes created by the effects of bank credit-based financing of business activities upon a now risk-bearing state. This is discussed further below, but one effect of the balance of payments crisis that coincided with the end of the mid-1990s boom and the 1997 Asian Crisis appears to have been to force the planning and state banking apparat to seek measures to extract better returns from the state sector.
5. I discuss theoretical aspects of these concepts at greater length in Fforde (2001).
6. Note that by 'pre-transition' I mean a society with formal central planning and without significant legal participation by SOEs in markets; when such participation is formally accepted, I refer to 'pure transition'. When remnants of central planning are extinguished, rent switching must now be used to create new rents (but state power is confused), and ARs become central. I call this 'primary accumulation'. Finally, once appropriation processes have worked themselves out, ARs are negligible and switchable rents rely upon a reformation of state power, which is, naturally, supported by emergent developmentalism and its corollaries: tax policy, industrial policy and so on. This is 'normal accumulation'.
7. For an early analysis of the role of what was then called the 'state business interest' see Fforde (1993). The following draws heavily upon de Vylder & Fforde (1996).
8. This draws upon Fforde & Paine (1987) and studies such as Vickermann (1986).
9. Evidence suggests that this was not a result of the coming war but of the failure of the north Vietnamese economy to create adequate surpluses to supply consumption goods to the rapidly growing non-agricultural labour force, mainly in the state sector; see Fforde & Paine (1987).
10. The rather large effect upon output of the static efficiency gains that arise needs a name, and I will call it here 'Kim Ngoc's law', after a famous fallen reformist in Vietnam. Reportedly a somewhat hot-spirited ex-army political commissar, as provincial party chief Kim Ngoc supported 'experiments' in a district of Vinh Phu province during the late 1960s that permitted household-based contracting within agricultural cooperatives. He fell when the balance of peak politics moved against him, but is remembered by the people. All this took place at the height of US bombing. It is not clear to what extent reality then showed a rent 're-switching' back to orthodoxy, although published reports certainly said that it did (see Chuong trinh KX-08–01–03 (1992) for reports of attitudes of the province to high level visits in the very early 1980s, revealing that many of the bad things condemned earlier still continued to go on, under the surface of mendacious reports to Hanoi).

11. See above. Kim Ngoc then lost his position as provincial secretary of Vinh Phu and 'output contracting' was deemed not to be socialist (at least until 1980–81).
12. This characterisation is contentious. Compare, for example, Kolko (1995) and others, believing stories of wartime hyper-nationalism and close compliance with socialist norms. The late Huynh Kim Khanh, a good historian of Vietnamese communism, argued that nationalism and socialism were far from merged in the movement (Huynh Kim Khanh, 1982). Compare also *de visu* reporting from within north Vietnam by authors such as Chaliand (1969) that farmers were happily involved in selling surpluses to the free market.
13. That is, 'conservative' in its view of the basic correctness of the neo-Stalinist programme, so that the origins of failure had therefore to be found *outside* that system. Compare e.g. Nguyen Tri (ed.) (1992) and Beresford & Fforde (1997).
14. See Fforde (1989) for an analysis of the consequences of this system.
15. There is very little research on this period either inside or outside Vietnam. A contemporary collection of studies (Nguyen Tri, 1972) shows clearly the confusion of planning; see in particular Nguyen Lang's contributions, from a conservative viewpoint, on the situation in Hanoi. These sources are rigorous, within the constraints of the time, and blame little upon the war. See also Spoor (1985).
16. See Dacy (1986) for a discussion of the south Vietnamese economy prior to 1975.
17. For a detailed analysis of the economic history of the period see de Vylder & Fforde (1996).
18. The classic Vietnamese analysis of the 'spontaneous emergence of horizontal relations', better called, in Vietnamese, 'fence breaking' (*pha rao*), is Dam Van Nhue & Le Si Thiep (1982). This happened *before* policy changed.
19. Again, the term 'accumulation' is used here to refer to a wide concept of various changes—including technological, organisational and cognitive – associated with economic growth.
20. Ericson (1984) is a valuable survey from before the collapse of the Soviet Union. See also Wädekin (1982).
21. Thus the institutional reality of what happens to ARs later on is, for example, that capital comes out of its lairs in bodies such as party finance committees, into properly registered share companies that provide statistical recognition of the growth of a private sector, as was the case in Vietnam during the late 1990s.
22. The use of the term 'relatively autonomous accumulation' aims to take account of the fact that the precise extent of control over such units is usually unclear, at least to outsiders, as payments must be made to stakeholders and others in the state and party apparatus (see e.g. McMillan, 1994).
23. It is this dynamic adaptation that was so rare in Central Europe, and so ignored in Kornai (1980). It is striking indeed to read of the direction sought by Soviet officials, given the possibilities offered by Soviet politics in the early mid-1980s—to support marketisation at enterprise and locality through liberalising measures. Clearly, the supply response, amongst other things, was very different (Prostiakov, 1998).
24. By far the best analysis of this process is that by Greenfield (1993).
25. See de Vylder & Fforde (1996) for an application of this idea, of 'plan distortion', using it as a measure of the distance between existing resource allocation patterns and viable market-oriented activity (pp. 34–35).
26. The reality of land access and rights over it is complicated and I do not wish to assert here that it was not. It is fair, though, to say that even by the end of the 1990s there was no generalised property market in non-urban land throughout the country, although in many regions (such as the Central Highlands or the Mekong) it was getting close.
27. This general picture needs to be modified if one includes the Mekong delta, where collectivisation had been largely unsuccessful and family-based production dominant through the 1980s, but where supra-farm trade and linked credit activities had long been important.

28. To place this within a wider intellectual picture: Polanyi argued that the emergence of self-regulating markets—both commodity markets and the 'fictitious commodities' (land, labour and capital)—required '… nothing less than the institutional separation of society into an economic and political sphere' (1975, p. 71). During the 1980s economic policy discussions in Vietnam increasingly referred to such categories as 'law' (*quy luat*), 'business' (*kinh doanh*) and contract (*hop dong*). This heightened the sense of temporal acceleration—that categories created through centuries of European historical development were emerging through decades of Vietnamese transition. That this appealed to, or reflected, logics that we can also see in Zysman (1983) or North (1989, 1990, 1995) is most definitely food for thought. One implication is that the constitutional and political implications of the 1990s and the current decade, relating to the governance by state and society of economic matters, must be central, if as yet very badly understood.
29. See the Appendices for pointers to processes of rent creation as part of contemporary development policy.
30. Ronnas (1998) presents data from a re-survey originally carried out in the early 1990s. See also Webster (1999), again based upon survey work.
31. World Bank (1990, p. 108) quoting *China Statistical Yearbook 1988* and *Statistical Abstract 1989*.
32. This historical comparison deserves deeper analysis, which requires a far better understanding than we currently possess of agrarian economic change in the early 1980s. It appears that a main element behind the relative failure of Vietnam's early 1980s partial reforms in agriculture was macroeconomic, and to do with the relative lack of economic resources available to the state to support better rural terms of trade when the state was not yet willing to move out of agricultural product procurement. This was to have a major impact upon the way in which the Vietnamese market economy was to emerge.
33. I would like to thank Melanie Beresford and David Marr, and Vietnamese colleagues, for their remarks relating to this topic within the ARC-funded Australian-Vietnam Research Project (1994–96).
34. Vietnam, like most other countries moving away from central planning, experienced a severe fiscal crisis as the state's main financial base—SOE profits—collapsed in the mid and late 1980s. The recovery in the early 1990s was in part the result of a rather rapid establishment of normal revenue sources, including substantial tariffs. In the period 1990–92 the economy was largely free of import tariffs.
35. For a discussion of the emergence of import substitution see Kokko (1998) and Kokko & Sjoholm (2000). For a discussion of Vietnam's emerging industrial policy see World Bank (1995). Both take orthodox anti-interventionary positions.
36. Williamson (1990). For modern examples applied to Vietnam see Kokko & Sjoholm (2000), World Bank (1999). By contrast, focussing upon positive as well as negative effects of rent creation, see the discussion in Khan & Jomo (2000, chapters 1 and 2).
37. Reported in Dodsworth *et al* (1996, p. 13).
38. It is not really known what proportion of these deposits was held by SOEs. However, through the 1990s, when the dong was rather stable, the implicit forward discount on the dong implied by the higher deposit rates for dong compared with dollars was not realised—it was ex post profitable to remain long in dong, ie to take short positions against dollars. This was not expected at the start of the decade by many observers.
39. Greenfield (1993) offers a clear picture of 'primary accumulation' in Vietnam to match the more elegant ways of describing similar processes in class formation in Khan & Jomo (2000).
40. This is a complicated subject and cannot be treated in depth here.
41. Middle-class Vietnamese families, whose personal assets in the late 1980s still amounted to collections of assets such as bicycles, by the late 1990s easily owned hundreds of thousands of dollars worth of real estate.
42. See Greenfield (1993) for a radical and very well-informed analysis in terms of the out-and-out theft of state property by a rising 'red bourgeoisie'.

43. Here it is relevant to consider the problem of inheritance. By the end of the decade many SOE managers and other officials were getting close to retirement age and, if they had not been able to move their interests into forms that could survive their departure from their desks, were sensing difficulties.
44. In Vietnamese '*Ai thang ai*?'
45. Promulgated as Decree No. 39/CP 27 June 1995. It is perhaps worth stressing that these units are essentially superior levels to SOEs.
46. This term has connotations of 'regulate' and 'harmonise', and is almost impossible to translate; it is located within a discourse in which the superior level is acting to secure some harmony or order within a totality—thus the notion of autonomous and independent members of a corporation is relative, not absolute. Whilst not 'owning' its members, the corporation nevertheless has rights that would be seen in the West as implying ownership.
47. The following is taken from the same source as Table 1.
48. See Order of the Head of State No. 35 promulgating the Law to Stimulate Domestic Investment, 5 July 1994; and the subsequent Resolution of the Council of Ministers No. 20 CP fixing details in the implementation of the Law to Stimulate Domestic Investment, 12 May 1995.

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