

# THE ROLE OF THE STATE IN THE DEVELOPMENT OF A SOCIALIST-ORIENTED MARKET ECONOMY IN VIETNAM TODAY

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## **Abstract**

*The socialist-oriented market economy that we are building is an economy with specific characteristics, suitable to Vietnam's political, economic and cultural conditions and the values of society. for which we are striving. In the current doi moi process, besides the achievements, the socialist-oriented market economy in Vietnam also reveals its limitations. To address these limitations, state management plays a very important role. The article clarifies the concept of a socialist-oriented market economy, analyzes the status quo of the state's management role in the socialist-oriented market economy in Vietnam, and on that basis proposes some basic measures to promote the management role of the State in the socialist-oriented market economy in Vietnam today.*

**Keywords:** *Management, state, socialist-oriented market economy.*

## **1. Introduction**

The socialist-oriented market economy in Vietnam was formed and developed on the basis of promoting the people's role of social mastery, ensuring the State's role in economic management and regulation. socialist rule of law led by the Communist Party of Vietnam. The state is gradually increasing the role of the management subject and gradually narrowing the role of the economic actor. Accordingly, the State manages the economy, orients, regulates and promotes socio-economic development by means of laws, strategies, master plans, plans, policies and material forces ensure the development of the market, comply with the rules of the market economy, and be compatible with the practices of other countries; create the macro environment; building infrastructure and ensuring social security; promulgate mechanisms and policies on resource allocation, distribution and redistribution towards ensuring economic growth associated with social progress and justice; environmental Protection. At the same time, the State must ensure the leading role of the state economy, perfect the tools for macroeconomic management, strengthen discipline in the observance of policies and regimes, use the credit investment program to facilitate and guide the development of sectors, localities and economic sectors.

## **2. Method**

On the basis of using methods of analysis, synthesis, systematization and generalization of relevant documents on the socialist-oriented market economy in Vietnam,

the article clarifies the concept of economic socialist-oriented market, analyze the status of the state's management role in the socialist-oriented market economy in Vietnam, on that basis, propose a number of basic measures to promote management role of the State in the socialist-oriented market economy in Vietnam today.

### **3. Results**

#### *3.1. The socialist-oriented market economy*

The socialist-oriented market economy (Vietnamese: *Kinh tế thị trường theo định hướng xã hội chủ nghĩa*) is the official title given to the current economic system in the Socialist Republic of Vietnam. It is described as a multi-sectoral market economy where the state sector plays the decisive role in directing economic development, with the eventual long-term goal of developing socialism.

The socialist-oriented market economy is a product of the Đổi Mới economic reforms which led to the replacement of the centrally planned economy with a market-based mixed economy based on the predominance of state-owned industry. These reforms were undertaken to allow Vietnam to integrate with the global market economy. The term "socialist-oriented" is used to highlight the fact that Vietnam has not yet achieved socialism and is in the process of building the basis for a future socialist system.

The Đổi Mới economic reforms were initiated by the Communist Party of Vietnam in 1986 during the party's 6th National Congress. These reforms introduced a greater role for market forces for the coordination of economic activity between enterprises and government agencies, and allowed for private ownership of small enterprises and the creation of a stock exchange for both state and non-state enterprises.

The economic reforms aimed to restructure the Vietnamese economy away from Soviet-type central planning and towards a market-based mixed economy intended to be a transitional phase in the development of a socialist economy.<sup>[4]</sup> The goal of this economic system is to improve the productive forces of the economy, developing a firm technical-material base for the foundation of socialism, and to enable Vietnam to better integrate with the world economy.

In the early 1990s, Vietnam accepted some World Bank reform advice for market liberalization, but rejected structural adjustment programs and conditional aid funding requiring privatization of state-owned enterprises.

The socialist-oriented market economy is a multi-sectoral commodity economy regulated by the market, consisting of a mixture of private, collective and state ownership of the means of production. However, the state sector and collectively owned enterprises form the backbone of the economy. It is similar to the Chinese socialist market economy in that many forms of ownership, including cooperative/collective enterprises, communal, private and state ownership models co-exist in the economy, but the state sector plays a decisive role.

The Communist Party of Vietnam maintains that the socialist-oriented market economy is consistent with the classical Marxist view of economic development and

historical materialism, where socialism can only emerge once material conditions have been sufficiently developed to enable socialist relations. The socialist-oriented market model is seen as a key step for achieving the necessary economic growth and modernization while being able to co-exist in the contemporary global market economy and benefit from global trade. The Communist Party of Vietnam has re-affirmed its commitment to the development of a socialist economy with its *Đổi Mới* reforms.

This economic model is defended from a Marxist-Leninist perspective, which states that a planned socialist economy can only emerge after first developing the basis for socialism through the establishment of a market economy and commodity-exchange economy and that socialism will only emerge after this stage has exhausted its historical necessity and gradually transforms itself into socialism.

### ***3.2. The current status of the state's management role in the socialist-oriented market economy in Vietnam today***

The basic feature of Vietnam's socialist-oriented market economy is that the economy operates fully and synchronously according to the laws of the market economy, while ensuring a suitable socialist orientation. suitable for each stage of development of the country. It is a modern market economy and international integration; under the management of the socialist rule of law state, led by the Communist Party of Vietnam, with the aim of "rich people, strong country, democracy, justice and civilization".

Vietnam's socialist-oriented market economy has advanced production relations in line with the development level of the productive forces; there are many forms of ownership, many economic sectors, in which the state economy plays the leading role, the private economy is an important driving force of the economy; subjects of all economic sectors are equal, cooperate and compete according to the law; the market plays a key role in effectively mobilizing and allocating development resources, which is the main driving force to release productive power; State resources are allocated according to strategies, master plans and plans in line with the market mechanism. The State plays the role of orienting, building and perfecting economic institutions, creating an equal, transparent and healthy competitive environment; use State resources and tools and policies to orient and regulate the economy, promote production and business and protect the environment; implement social progress and justice in each step and each development policy. To promote the people's mastery role in socio-economic development.

After nearly 30 years of renovation, our country has gradually shifted from a centrally planned, bureaucratic economy to a socialist-oriented market economy. The management role of the state has made great changes in the conditions of the market economy, reflected in the following points:

*First, the socialist rule of law governs the market economy.*

The socialist rule of law state in Vietnam as an important strategic task in the period of comprehensive renovation of the country. The construction of the Vietnamese rule of law

state comes from the socialist orientation with the goal of national independence associated with socialism, in order to build a society of rich people, a strong country, a public society equality, democracy, civilization. In order to build such a targeted social regime, the basic tools and means can only be a socialist-oriented market economy and a socialist rule of law state under the rule of law. leadership of the Communist Party of Vietnam on the basis of Marxist-Leninist theory and Ho Chi Minh's thought.

Besides, the need for international economic integration after our country becomes a member of the World Trade Organization (WTO) requires us to continue to promote State administrative reform, legal reform, ensure that the State is constantly strong and effective to effectively deal with the tasks of socio-economic development, practice democracy, maintain independence, self-reliance and firmly integrated into international life.

*Second, resources managed by the State are allocated according to strategies, master plans and plans in line with the market mechanism.*

The government can, through the legal system and through its own choice, influence production. At the same time, through taxes and transfers to influence the distribution, thereby affecting the allocation of resources of the economy. The experience of Vietnam in recent years shows that in order to allocate capital effectively, a breakthrough is to solve the relationship between the State and the market. Even though the allocation of resources belongs to the State, the principles of the market must be respected.

With the policy of synchronous and steady development of the financial market, the State has used many measures to strengthen the management of the capital market, ensuring that this market operates smoothly, openly and efficiently; improve liquidity and make fundamental changes in market structure and institutions to create a strong financial foundation, assume the role of effectively allocating social resources, while ensuring financial stability for sustainable development.

*Third, the State plays the role of orienting, building and perfecting economic institutions, creating an equal and transparent competitive environment.*

The economic role of the state is towards the common goal of making the people rich, the country strong, stable growth and social justice. The orientation of the state's economy is carried out through the State's formulation of socio-economic development plans, strategies and plans in the short, medium and long term. On the other hand, the state creates a favorable legal environment such as: a synchronous legal system, in line with international laws and practices; a system of guiding documents, institutions, economic development policies, etc., so that economic entities can reduce risks and disputes. The state has developed a legal system to combat fraud including: the system related to property rights, bankruptcy and solvency laws, the financial system with the central bank and commercial banks to keep the cash supply strictly enforced.

At the same time, the State uses strategic tools, plans, laws and policies as the basis for activities of inspection, control and assessment of the economy to regulate the behavior

of owners in a socialist-oriented market economy.

*Fourthly, the State uses the resources of the State and tools, mechanisms and policies to orient and regulate the economy, realize progress and social justice in each step and each development policy. .*

In the socialist-oriented market economy in our country, besides the inevitable development of society, an increasing gap between rich and poor appears. Therefore, the state needs to take measures to redistribute social wealth in order to limit this division and make society healthy. The State distributes the national income fairly, realizes economic growth in association with the improvement of people's living standards, with social progress and justice. This most clearly shows the social orientation of the market economy in our country.

Regarding income, the State uses two measures: Regulating income increase through subsidies and incentives for people with meritorious services to the revolution; policies towards the elderly, helpless orphans and disabled people; income reduction regulation is done through tax instruments: such as personal income tax; Corporate income tax; The tax increase will contribute to the redistribution of a part of income in the society.

Regarding social security, the State has a decisive role in improving public welfare, eradicating hunger and reducing poverty. Issues such as employment, health, health insurance, pensions, hardship allowances, etc. are always issues that need the attention of the State.

Through research and research shows; In order to achieve the above achievements, there are still limitations in dealing with the relationship between the management role of the State and the market economy in our country in the past time in some of the following points:

Firstly, there is still an incorrect perception of the relationship between the State and the market economy, especially in the organization of mobilizing and allocating resources. From the reality of mobilizing and allocating resources of competent state agencies in our country today, it shows that, in terms of thinking and organizing the implementation of the economic management function of the State from the central to local levels, methods are slow to innovate according to the requirements of the market economy, heavy on local and sectoral interests, lack of unity and interconnection.

Second, there is the phenomenon of the State interfering too deeply in the market. Ministries, branches, and local governments have directly intervened in the operation of the market. The business environment and the right to self-determination of enterprises are still constrained by many administrative factors. When entering the market, businesses still face many barriers, even higher barriers than the world average, and there is still a big gap compared to reality.

To ensure the leading role of the State (Government) as the representative of the entire people's ownership of some important assets, it is necessary to clearly distinguish the domination and use of financial resources, land. This bottleneck is very evident in the field of solving the State - market relationship in the field of using the budget and land. The fact that the economy's unhealthy problems have arisen in our country over the past time has

shown that the role of the Government and the State as representatives of total ownership has not been defined more clearly and focused. people for some important assets such as finance, land, public resources, state capital in enterprises.

Third, limitations on the management of state-owned enterprises as a tool to regulate the market, social labor productivity, and low growth quality compared to other countries in Southeast Asia. The State expects through state-owned enterprises to solve market problems in order to increase the efficiency of market operations.

### ***3.3. Some basic measures to promote the management role of the State in the socialist-oriented market economy in Vietnam today***

After more than 30 years of renovation, especially in the last 5 years, the socialist-oriented market economy in Vietnam has been gradually formed. Thereby, the state's management of the economy achieved many important achievements. However, this is all just the beginning, the state's management of the economy still has certain limitations. The legal system and policies are not synchronized and inconsistent. Finance, banking, pricing, planning, construction planning, land management... there are still many weaknesses and loopholes, administrative procedures are still cumbersome, administrative reform is still slow and undecided. Therefore, improving the effectiveness and efficiency of state management over the market economy in Vietnam is still an objective and urgent requirement. To fulfill this requirement, the following measures need to be taken:

#### *Firstly, continue to improve the economic legal system*

Building and perfecting the legal system on the economy to create a unified and synchronous legal framework for production and business activities in order to maximize the positive aspects and minimize the disadvantages of the market economy. This legal system is the main tool for the state to manage the economy.

In recent years, the Vietnamese state has issued many laws and ordinances to meet the requirements of economic renewal. However, up to now, Vietnam's economic legal system is still lacking and inconsistent, often having to be amended, supplemented and adjusted. Therefore, in the immediate future, we must continue to urgently improve the economic legal system according to the program, guidelines and policies of the Party. At the same time, amend and supplement existing laws and ordinances and implement new laws. consistent with the fast-moving practice of the national economy (such as competition law, antitrust law, securities and securities market law, natural property rights protection law...). It is necessary to improve law-making, strengthen the role of the National Assembly, its committees and full-time National Assembly deputies in the process of formulating, promulgating and approving bills.

#### *Second, to form a synchronous mechanism to manage the socialist-oriented market economy*

Continue to synchronously create elements constituting the common market including the market for goods and services, the labor market, the science and technology

market, the capital market, the stock market, and the money market, real estate market..v...

The State creates an equal favorable management environment for enterprises to compete and cooperate for development. Through appropriate strategies, planning, plans and policies to effectively use the state's material force to orient socio-economic development, ensure proactive macro-economic balance, regulate distribution and income.

Strengthen the state's inspection and supervision in accordance with the law, resolutely fight against the evils of smuggling, counterfeiting, commercial fraud, corruption..., creating a healthy competitive environment strong, open, transparent, limited and controlled monopolies. Clearly define the state administrative management function With the function of production and business management; thereby, properly performing the function of state management of the economy and the function of ownership of public property of the state.

*Third, continue to innovate the state's macroeconomic management tools for the economy*

Innovating planning activities in the direction of starting and closely linking with the market. Improving the quality of the formulation of socio-economic development strategies, master plans and plans: Strengthening the work of economic information, accounting and statistics. Solve well the relationship between budget revenue and expenditure. Ensuring transparency and fairness in state budget spending. Continue to improve the tax system in line with the national situation and international commitments. Improve the efficiency of capital use and investment, and prevent waste and loss of capital. Connecting banking reform with SOE reform.

*Fourth, promote administrative reform*

Over the years, Vietnam has taken a step in administrative reform, but it must be admitted that, administrative reform is slow, indecisive, and has low efficiency. The organization of the state apparatus is cumbersome, with functions with many intermediate duplication layers and administrative procedures. In many cases above, it is difficult for the central and local governments to act in unison, causing difficulties. for socio-economic development and reduce the driving force for development.

Therefore, in the coming years, more efforts must be made according to the master program of state administrative reform for the period 2001-2010 approved by the government in order to improve the state's management capacity in the context of market economy development. socialist oriented school.

Reform the organizational apparatus at all levels from the central to local levels in the direction of streamlining, effectiveness and efficiency, clearly delineating functions, tasks, powers and responsibilities.

Reform tools and civil servant regimes, build a clean and elite contingent of cadres and civil servants.

Reform administrative procedures in the direction of unity, publicity, transparency,

simplicity, and resolutely eliminate administrative procedures that cause troubles and problems for people and businesses.

All these efforts are aimed at building a clean, strong, effective and efficient state administration in the direction of building a socialist rule of law state of the people, by the people, for the people under the leadership of the Communist Party of Vietnam.

Developing a socialist-oriented market economy in Vietnam is a new, difficult and complicated job, because there is no precedent in history. Therefore, in this process, the Communist Party of Vietnam both works and learns, summarizes reality and consults the experiences of countries around the world, constantly renewing its thinking, improving its practical organization, determined to bring the cause of building socialism in Vietnam to success

#### **4. Conclusion**

The socialist-oriented market economy in Vietnam is currently operating, which is an inevitable trend in the development of the country, ensuring the objectivity of the laws of the market economy. The market economy in our country has its own characteristics suitable to the current production method, therefore, the State's management method in many respects also has its own characteristics, consistent with the current state of production. practical conditions, such as recognition of the independence of economic actors; building a market system with fair competition, prices are mainly determined by the market... The state plays a great role in ensuring macro stability for economic development and growth, shows the balance and harmonization of the relations of needs and interests, creating consensus in the society for the development goal of the country. The correctness, rationality and timeliness of the State's role in planning and organizing the implementation of macro-development policies is a prerequisite for forming that consensus. The strengthening of the state's macro-management role will improve the effectiveness of the State's impact on the development of a socialist-oriented market economy in our country in the period of accelerating industrialization. national modernization and international integration.

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