

# **Public Entrepreneurship, Collective Wisdom and Doi Moi (Renovation) in Vietnam**

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## **Abstract**

Through lens of public choices and public entrepreneurship, this paper examines ingredients for Vietnam's Renovation in 1986 when the Socialist Bloc was falling apart, and Vietnam's communist regime was in a brink of collapse. The findings show that public entrepreneurship and collective wisdom have played prominent roles. The communist regime has been able to lead the Vietnamese people to gain the national independence and change the development model to achieve high economic growth and inclusive development. Individuals pursuing private purposes also take proper account of public value as Ostrom's argument, and rational collective actions are possible. There are three conditions for collective wisdoms including: public entrepreneurship, strong governing and supporting coalitions; and pressure to achieve group interests.

*Keywords: Public entrepreneurship, collective wisdom, public choice, Vietnam.*

## Introduction

Theories on collective actions or public choices have emerged from the mid of the 20<sup>th</sup> century (Altshuler and Luberoff, 2003). However, the 1960s can be considered as their marking decade with the appearance of a series of classic works including: *the Calculus of Consent* by James Buchanan and Gordon Tullock in 1962; *the Logic of Collective Action* by Mancur Olson in 1965; *Public Entrepreneurship: a Case Study in Ground Water Basin Management* by Elinor Ostrom in 1965; and *the Tragedy of Commons* by Garrett Hardin in 1968. There are two contrast schools of collective actions reflected clearly in Olson's argument that *rational, self-interested individuals will not act to achieve their common or group interests*; and Ostrom's that *individuals pursuing private purposes will also take proper account of public value*. The former argues that rational individuals in default generate irrational or inefficient collective actions, while the latter states that rational individuals can generate rational collective actions. These two schools can be labelled as 'hard' and 'soft' public choices (Altshuler & Luberoff 2003); zero-contribution and contribution theses (Shrestha, 2005); or irrational and rational theories (Forsyth and Johnson, 2014). Moreover, rational collective actions can be named as collective wisdoms.

In *the Prince*, Machiavelli (1513) was so frank to describe the nature of human being and games in politics, but he was so true as Francis Bacon commented "we are much beholden to Machiavelli and others, that write what men do, and not what they ought to do." It is easy to observe irrational collective actions from the best to the worst governments or organizations in the world. The pork barrel politics is popular in democratic societies and free riders caused the Socialist Bloc's collapse. Therefore, it is not surprise that the hard public choice has been considered as the orthodox theory in economics and political science (Altshuler and Luberoff, 2003; Pecorino, 2015). However, rational collective actions are not rare, although they are much less frequently observed than the others. It is hard to deny the role of rational collective actions. It has a concrete place in academia and policy arena.

Individuals in groups are not identical and collective actions are not from vacuum, moreover. There is always somebody taking the lead either formally or informally. Behind any initiative for groups, especially challenging ones, there is at least a champion. They are public or political entrepreneurs. Therefore, it is necessary to consider public entrepreneurship along with collective actions. This trend has recently increased such as Kuhnert (2001), Altshuler and Luberoff (2003), Ostrom (2005), Bernier and Hafsi (2007), Schnellenbach (2007), and Klein *et al.* (2010).

Looking back to the ancient time, the two contrasting types of collective actions above were described in the forms of governments by Aristotle. The true forms of governments, as Aristotle defined in *Politics*, govern with a view to the common interest, and the flawed forms of governments rule with a view to the private interest. Through the lens of public choices, perfect governments generate all rational collective actions, while purely flawed government only generate irrational collective actions. There have been neither purely true nor purely flawed forms of governments through human being's history, however. Commonly, there are both rational and irrational collective actions in any form of governments. The matter is the proportions of the two. The more rational collective actions, the better governments; while the more irrational collective actions, the worse governments. They can be named as the soft choice domination and the hard choice domination. It is worth to examine both theories in different settings to find good practices for rational collective actions and avoid the other ones.

The socialist system with its formation, falling apart and divergence in reforms, especially those (Eastern Europe and Soviet Union) applying the big bang reform and those (China and Vietnam) applying the gradual reform (Womack, 1992) is perhaps a good case to examine collective actions, and public entrepreneurship. The abundance of irrational collective actions caused the Socialist Block's collapse. Many classical socialist governments could be almost purely flawed. Kornai (1992) argued that no partial

modification could make a lasting breakthrough; thus it is time to eliminate it and direct the society to the capitalist market economy, and Fukuyama (1989&1995) stated ‘*the end of history and the last man.*’

However, even in almost purely flawed governments, seeds of collective wisdom still grew and prevented the collapse of the communist regimes in China and Vietnam. They have evolved to not only survive but also lead the two countries through long periods of high economic growth and inclusive development. In the end of the second decade of the 21<sup>st</sup> century, China has become a superpower and the top challenger to the US’s supremacy; and Vietnam has become the most open hinterland country in the World measured by foreign trade (export + import). The two countries have failed to fail (New York Times, 2018; Ljunggren, 2020); partial modification has been feasible and the history and the last man is still there, at least partly.

Nowadays, irrational collective actions are still rampant in China and Vietnam. Problems of single party systems are still there. It is hard to know where the current regimes will end up in the future. However, there have been collective wisdoms there. What mechanism for rational collective actions evolved and led to reforms in China and Vietnam and how public entrepreneurs have been able to maneuver resources to help the two regimes not only avoid their collapsing, but also getting significant achievements? It is worth to address these questions.

This paper analyzes the evolution of rational collective actions and public entrepreneurship that helped the Communist Party of Vietnam (CPV) or the communist regime escape a collapse in the 1980s and apply gradual reforms to get significant achievements. I argue that there are three conditions for generating rational collective actions: (i) public entrepreneurship, (ii) strong governing and supporting coalitions; and (iii) pressure to achieve group interests. Moreover, I also propose a new approach that the consideration of good governments versus bad ones should rely on the proportions of rational and irrational collective actions instead of considering democracy as the golden model for the world.

The rest of the paper is organized as following parts: a literature review of public choices and public entrepreneurship; forms of government and voting mechanism and public choices; the collapse of the socialist bloc and its divergence in reforms; public entrepreneurs and the rationality of the CPV; bottom-up reform in Vietnam; soft versus hard, and reflections and conclusions.

### **Literature review of public choices and public entrepreneurship**

Through market mechanism or the invisible hand directed by self-interest of individuals, the allocation of scarce resources is optimal in most markets (Smith, 1776). However, there are market failures caused by self-interest in which the allocation of resources is not optimal. Therefore, the government is needed to address market failures and improve equity (World Bank, 1997; Fukuyama, 2004). Therefore, collective actions are indispensable. There have been different theories on collective actions along with assumptions on human behavior. As reviewed by Tullock (2002), since the ancient time, the mainstream political science theory assumed that political science was viewed simply as a matter of producing morally correct policies. From the 19<sup>th</sup> to 20<sup>th</sup> centuries, the assumption that political actors are mainly concerned with the public interest took the main stage of the political science, while self-interest has been the central assumption in economics. However, self-interest has become the central assumption of the mainstream political science since the mid of the 20<sup>th</sup> century. James Buchanan’s argument summarized in the Announcement of the 1986 Nobel Prize in Economics “that individuals who behave selfishly on markets can hardly behave wholly altruistically in political life”. Since then, there have been two versions of public choice theories. However, there was also another assumption on the human behavior. It was the socialist view as individuals were not self-interest. They would sacrifice personal interests and act for the common interests. However, it is a flawed assumption as its counter is the collapse of the socialist system

due to the abundance of hard public choices. Thus, the rest of this section reviews two public choice versions.

**Hard public choice** theorists are pessimistic about the outcomes of collective actions and roles of governments (Tullock et al. 2002). Irrational collective actions are default outcomes when economic issues are at stake (Olson, 1965). They have been concerned for long time ago as Aristotle wrote in Politics “everyone thinks chiefly of his own, hardly at all of the common interest.” These issues were mentioned by Machiavelli (1513), Hobbes (1650), and Hume (1741). Among them, *the Prince* by Machiavelli can be considered as the first work of the modern political philosophy (Bireley, 1990). Olson’s argument above reflects the viewpoint of the hard public choice theorists.

Among leading scholars of this strand, James Buchanan, Marcus Olson, and Gordon Tullock have focused mainly on governments. There are important points to be summarized. First, voters usually do not bother to vote as each individual vote barely has any impacts on the results of elections. This is quite true in the real life. It is common in developed countries that around a quarter to a third of voters do not vote. In some countries, the voter turnouts are much lower such as 55.7 percent in the US’s 2016 presidential election, and 38.63 percent in Switzerland’s 2015 election. Second, political parties and authorities act out of self-interest, try to obtain as many votes as possible in order to reach positions of power or receive large budget allocations. Altshuler & Luberoff (2003) illustrated that while presenting politicians, ‘rent-seeking’ private interests, and apathetic citizens as all quite rational, it argues that their behavior, in combination, yields patterns of government action that are ‘inefficient’ when viewed from a societal perspective. Garrett Hardin analyzed the common-pool resources (CPR). His powerful metaphor is that the exhausted resources and degradation of environment will happen for the CPR. The tragedy of commons is indeed a major global issue now as environmental issues and climate changes have been very serious because of a lack of effective and efficient mechanism.

The influence of the hard public choice theory along with classic works and leading scholars in academia and public policy is strong. James Buchanan were granted the Nobel Prize. In the 50th year anniversary of Olson’s book, Pecorino (2015) wrote "Olson’s Logic of Collective Action has had an enormous impact on the academic literature in both economics and political science," and Sandler's (2015) stated “because his propositions are true in many important real-world situations, the book remains highly relevant.” Although countering Hardin’s viewpoint in *Retrospectives Tragedy of the Commons after 50 Years*, Frischmann, Marciano and Battista Ramello (2019) acknowledged its incredibly influential in biology, ecology, and various social sciences, including economics. However, the hard public choice’s weakest point, Altshuler and Luberoff (2003) points out, is in explaining social movements organized around diffuse interests, and behavior that seems driven by public – regarding values rather than narrow self-interest. The soft public choice focuses on this.

**Soft public choice** theorists are more optimistic about the outcomes of collective actions and roles of governments and public agencies (Peterson, 1981, 1995; Ostrom, 1990, 2005; Altshuler and Luberoff, 2003). Elinor Ostrom - a pioneer of the soft public choice acknowledged the influence of the tragedy of commons, the prisoner’s dilemma, and the logic of collective action; and paid the tribute to Buchanan’s works (Ostrom, 1990, 2000, 2011). However, she disagreed with the theory as she countered:

The zero contribution thesis, however, contradicts observations of everyday. After all, many people vote, do not cheat on their taxes, and contribute effort to voluntary associations. Extensive fieldwork has by now established that individuals in all walks of life and all parts of the world voluntarily organize themselves so as to gain the benefits of trade, to provide mutual protection against risk, and to create and enforce rules that protect natural resources (Ostrom, 2000).

Ostrom did exactly what she wrote in her dissertation: “*the social scientist has the task of considering whether the institutional arrangements provide a structure of incentives and deterrents which enable individuals acting within this structure to realize individual objectives consistent with social values.*” She spent her whole academic life to demonstrate the existence of rational collective actions and find mechanism to form them. Started from her dissertation, she proposed three major techniques to generate rational collective actions including: economic measures, legal action, and mix political and economic actions. She classified the three worlds of action or three levels of analysis including: the constitutional choice, the collective choice, and the operational level that reflect rules for collective decisions, collective decisions and individual actions (Kiser and Ostrom, 1982). She developed her theories and solution further in *Governing the Commons*. She analyzed the problems of both centralized and market solutions and proposed institutional options along with participation of communities for solving commons dilemmas by encouraging cooperative strategies (Ostrom, 1990). She defined: “By “successful,” I mean institutions that enable individuals to achieve productive outcomes in situations where temptations to free-ride and shirk are ever present.” One of the key issue is the participation of those having long term interests and building trust in communities as she pointed out “resources in good condition have users with long term interests, who invest in monitoring and building trust” (Ostrom, 2010a). Forsyth and Johnson (2014) summarized Ostrom’s eight design principles for rational choices including: clear resource boundaries, clear rules of membership, congruence between rules of provision/appropriation and local conditions, arenas for ‘collective choice,’ mutual monitoring, ‘graduated’ sanctions, mechanisms for conflict resolution and, a state that is willing to recognize local rights of organization. She also found that polycentric approaches or many centers of decision making facilitate achieving benefits at multiple scales as well as experimentation and learning from experience with diverse policies (Ostrom, 2010b).

Elinor Ostrom was a true public entrepreneur as Forsyth and Johnson (2014) pointed out “she committed her professional life to expanding traditional economic thinking beyond questions of individualistic rational behavior towards a greater understanding of self-regulating cooperative action within public policy.” Ostrom’s effort and influence were reflected by the 2009 Nobel Prize in Economics as written in the announcement of the Committee:

Elinor Ostrom has challenged the conventional wisdom that common property is poorly managed and should be either regulated by central authorities or privatized. Based on numerous studies of user-managed fish stocks, pastures, woods, lakes, and groundwater basins, Ostrom concludes that the outcomes are, more often than not, better than predicted by standard theories. She observes that resource users frequently develop sophisticated mechanisms for decision-making and rule enforcement to handle conflicts of interest, and she characterizes the rules that promote successful outcomes.

While Elinor Ostrom focused on institutions and CPR (Forsyth and Johnson, 2014), Paul Peterson focused on governmental levels in the United States from the soft public choice perspective (Altshuler and Luberoff, 2003). In *City Limits* in 1981, he analyzed mechanism for local governments to generate rational collective actions and in *the Price of Federalism* in 1995, he analyzed mechanism to generate rational collective actions at the central government and the relationship with the lower levels.

The American economy based on local economies (states or localities) has done so well for a long time. The interests of local government, as Peterson pointed out, require that it emphasize the economic productivity of the community for which it is responsible. The prominent goals of local governments are to fulfill the job demand of the citizens and generate budget revenues for their public service provision. To achieve these goals, they need to attract businesses, wealthy households, and talents to be in their economies. What would they do in the situation in the US where a country is basically on a continent without any barriers among states or localities? The movements of labor and capital are free, and local governments have no macro tools such as issuing and devaluating their currencies to promote

competitiveness. No one would choose places with rampant hard public choices. Politicians belonging to major parties are aware that their voters have the right to unseat them or their colleagues in the coming term. Therefore, politicians and government officials, along with their counterparts, have incentives to keep their promises and focus on their agendas. They must efficiently use the collective resources to help businesses achieve higher rates of return and create more livable amenities.

Peterson defines three policy arenas. Developmental policies enhance the economic position of an economy; redistributive policies benefit low-income residents but at the same time negatively affect the local economy; and allocational policies are more or less neutral in their economic effects. For example, investment for economic development is developmental; welfare programs for the poor are redistributive; and police services are allocational. The national government should take the responsibility of redistributive policies while the main aim of local governments is for development policies as they need to enhance the competitiveness of their economies. Peterson found that the American government has done its function well. Altshuler & Luberoff (2003) highlighted Peterson's argument that there is a basic harmony between the interests of the collectivity and those of its individual members, from political leaders to ordinary citizens. Besides the case of the United States as Peterson analyzed, there have been many countries to become developed with the government-led approaches. South Korea, Singapore and Taiwan are example as they will be analyzed in following sections. Rational collective actions exist.

**Public entrepreneurship** plays an important role in collective actions. The concept of public entrepreneurs and public entrepreneurship was first used by Ostrom in 1965 (Klein et al., 2010; Kuhnert, 2001). She defined that those who undertake to provide public goods and services in the public sector, which might appropriately be characterized as public entrepreneurship. Ostrom, by and large, used the term as positive perspective that the role of public entrepreneurs is to generate rational collective action as 40 years later she urged that opening the public sphere to entrepreneurship and innovation at local, regional, and international levels is also a key to increasing the level and quality of public goods (Ostrom, 2005). This is also the reasoning of Frohlich and Oppenheimer (1978) as they defined that a political entrepreneur is an individual who invests his own time or other resources to coordinate and combine other factors of production to supply collective goods.

Altshuler and Luberoff's (2003) approach is broader and in more neutral perspective as public entrepreneurs are those are be able to manage to generate challenging public works or collective actions that can be either rational or irrational. They also used the political entrepreneur term, put the meaning is similar to their definition that public entrepreneurs are energetic and deft public sector leaders who are expand the scope of feasible action by mobilizing public support, mollifying critics, securing resources, and managing conflict, often through many years of planning, authorization, and implementation. Altshuler and Luberoff's (2003) typical public entrepreneur is Fred Salvucci, a civil engineering and the transport minister of Massachusetts who was able to orchestra and maneuver almost the governments of the United States and Massachusetts to build Boston's Central Artery/Tunnel (the Big Dig) – a seven miles of highway for over two decades and cost over 14.6 billion dollars as a feat of both engineering and politics. It is a hard public choice as the Federal Government approved a project with the benefit to cost ratio at 0.4 while the actual cost was much higher than estimated.

Regarding the functions of public entrepreneurs, Ostrom (1965) characterized three functions including: bearing risk as Knight's (1921) theory, innovation as Schumpeter's (1936) theory, and the organizer and manager of a going concern as the classical concept. Kuhnert (2001) elaborated on the five attributes of public entrepreneurship, including leadership and coordination activity, discovering and changing preferences, transforming visions into innovative institutional designs, intrinsic motivation, and decision-making under uncertainty. Ostrom stated that the conduct of public entrepreneurs, one might anticipate, is similar to but not identical to the conduct of private entrepreneurs. Klein *et al.* (2010) also pointed out that public entrepreneurs do, in many ways, act like private ones, although there are important differences related

to the difficulty in measuring performance, ill-defined objectives, collective action problems, softer budget constraints, and the legal monopoly of coercion. The tasks of the public entrepreneur are initiating collective actions under uncertainty, setting in motion innovative processes, and engaging in organizational and management activity. Public entrepreneurs must overcome obstacles and the social resistance accompanying fundamental structural changes since the “utility maximizer” is helpless in social dilemma situations.

***Governing and supporting coalitions and pressure.*** Strong supporting coalitions are another prominent condition to implement grand ideas or megaprojects. This is another significant contribution of Altshuler and Luberoff (2003) to this literature besides putting public entrepreneurs in a neutral position. The authors pointed out the importance of supporting coalitions in building megaprojects. However, there is at least another important implication that has not analyzed. It is pressure to achieve common interest.

There usually two sources: the people and external forces. The role of long-term interest constituencies, it is very clear in local economies as Peterson’s analysis. In local economies, the enterprises and citizens have long term interests of the success as companies have better returns and citizens have better jobs along with higher income. Their participation to govern their governments and economies is very important. Competition from other localities and pressure from the constituencies force local governments to make rational collective actions. External threats or competitions also push for efficiency. It is obvious in successful Asian economies like Japan, South Korea, Taiwan and Singapore. As analyzed in this paper, the CPV faced huge pressure all of the time and usually was in the to be or not to be situations.

The interstate highway system in the United States is a typical case of a soft public choice thanks to the three conditions. The first condition is that President Dwight Eisenhower was the most important public entrepreneur. The second condition is that the governing and supporting coalition was very powerful. They included the army, steel producers, car producer, alliance of mayors and governors, and construction companies. Finally, the third condition is that most of the members of the supporting coalitions had long-term interest or benefits with the success of the project. Therefore, they pressed for the project to be successful. An efficient highway system helped the army to maneuver its forces; local economies grow; car producers and steel producers sell more products. It is hard to find constituencies without having long-term interest. Construction companies and its supply chain were perhaps the only ones as they usually wanted projects to build. In opposite, the third condition was lacked at the Big Dig; thus a “feat” of hard public choices was generated. We can observe that the third condition is very easy to disappear, and choices are easy to become hard ones.

### **Forms of governments, voting mechanism and public choices**

There are different ways to classify forms of governments. In this paper, I follow the classification by power sources: monarchy, oligarchy and democracy originated from Plato and Aristotle (Hansen, 2010). In *Politics*, Aristotle defined a government can be ruled by one ruler, a few rulers, and many rulers. Three true regimes governing for the common interest are monarchy, aristocracy, and polity; and three flawed regimes governing for private interest are tyranny, oligarchy, and democracy.

Aristotle focused substantially on oligarchy and democracy. In democratic regimes, it is one man one vote basis regardless the voters’ wealth, while in oligarchy ones the voting power depends on the voters’ wealth. The wealthier, the higher votes. Basically, oligarchic governments are in the hands of a small number of elites, while democratic governments are belonged to the people.

Aristotle’s definition of oligarchy is based on the wealth; but in our time it can be expanded to religion, political party, education, corporate, military. As we can see in this paper, China and Vietnam are the

oligarchic model. Moreover, it is difficult to distinguish between democracy and oligarchy as there are evidences that the US political system can be classified as an oligarchy (Winters and Page, 2009).

There are just a few autocracy governments such as Brunei, North Korea, Oman, Saudi Arabia, and United Arab Emirates. Most governments around the world are either oligarchy or democracy. Therefore, this paper only focuses on the two forms. Aristotle argued that in democratic regimes, a large population is the factor that helps the regime be preserved, while oligarchy regimes only preserved when the participation is based on talent or the best flutist should be given the best flute. As we can observe in the reality that the participation of the people is usually very low; while in many oligarchic regimes the best flutists are never given the best flutes, or the system is based on cronyism, or nepotism.

In politics, the central stage is the power struggle. The prominent care of politicians in all society is their positions, power and promotions in the next election or political term (Tullock, 2002). The nature of politics is reflected in the common saying that the necessary condition to become a great senator is to be a senator first. However, in the long term, the people's satisfaction is important because it decides the existence of any party and individuals' power. No regime or party has been able to keep its longevity without bringing prosperity to its people (Shambaugh, 2008; Hong Hiep, 2012).

In democratic or multi-party systems, the people directly decide who will be elected in ballots and parties take turns. Therefore, the ruling parties can blame problems and weaknesses for the previous regimes (the opposition parties). A major problem of this system is the term constraints. The ruling parties or politicians basically care about the performances of their terms to secure the next term instead of the long-term interests of the whole society. The most important issue for parties is the next election. This is the environment of irrational collective actions and we can observe the phenomenon in many countries around the worlds, especially the developing countries. Fundamental issues are never addressed until they become unbearable. As a results, populism periodically proliferated as it happened in the US in the early 20<sup>th</sup> century and recently (Rajan, 2019).

The situation is different in countries where one party dominates the politics for a long time (decades). In such circumstances, regimes have a combination of two sets of tools to keep their power. The first is hard power or power tools of the government including army, police, prison, budget and so on. The second is soft power or economic development, wealth for the people. Since it is usually difficult to generate good economic result as it requires a lot of effort of the whole system (collective wisdom) while the public patience is usually limited, hard power is usually the favorite tool of many governments as they cannot blame for the previous regimes. However, no government can rely on hard power for its longevity.

We can observe interesting cases in Asia such as Japan, South Korea, Taiwan, and Singapore that have relied on both sets of tools and achieved success. Their foundation periods for prosperity were under oligarchic (authoritarian more precisely) governments. The first three have become democratic or free societies ranked by the Freedom House and in the rankings of the EIU, they are flawed democracies in the group with the US (the rankings of South Korean, Japan, US and Taiwan are 23, 24, 25 and 31 respectively). Singapore is ranked 75 as a flawed democracy in EIU and partly free by Freedom House. It is a typical case of good oligarchic regimes as the government promotion and recruitment are based on talent (Lee, 2000; Allison, Blackwill and Wyne, 2013). In his memoirs, Lee Kwan Yew specifically described how his government used hard power to repress the opponents (Lee, 2000).

In single party systems or the communist party systems, as the undivided power of the ruling party, personnel are basically internal matters of the party. However, the longevity of the party depends on the nation's prosperity or economic outcomes that asserts the party's legitimacy. Therefore, there are two scenarios. On the one hand, when the ruling party just focuses on concentrating its power and exercises its discipline, there is only internal power fighting and space for collective wisdom is limited. Since the



party's ideology is untouchable, it is usually the most powerful weapon for the party's members to use (Kornai, 1992). Consequently, the system, as Shambaugh (2008) summarized, is an ossified party-state that has a dogmatic ideology, entrenched elites, dormant party organizations, and a stagnant economy and that is isolated from the international community was in many countries. This is a classic communist party dominated by hard public choices.

On the other hand, when the longevity or the legitimacy of the party is considered, the procedures to be promoted or elected are complicated as each candidate can be considered in two aspects: the loyalty to the party and the performance. There are concerns between short-term and longer-term objectives as the existence of the party or the regime; thus, there are efforts for collective wisdom. As keeping the ideology and the party's discipline takes the central role, the conservatives or the hardliners are usually very powerful. The final issue is that hostile external forces and objective reasons are usually blamed or excused for the domestic difficulties of the party's weaknesses as the current regime cannot blame their weaknesses or problems for the previous ones.

### **The collapse of the Socialist Bloc and its divergence in reforms**

The Socialist Bloc from the formation of the Soviet Union in 1917 to its collapse in the early 1990s can be considered as a nearly purely flawed form of governments. The collapse was just the matter of time as it was a typical or 'ideal' environment for hard public choices. Nobody had incentive to work truly and free riding was rampant (Kornai, 1992; Dang, 2008; Sachs, 2010). The problems of irrational collective actions were in every corner of the life. Since the products of cooperatives were equally distributed for everybody, nobody had incentives to work on collective land. Farmers mainly concentrated on cultivating the small pieces of land (five percent) assigned to them privately while the rest of the land in cooperatives (95 percent) was deserted. The 95 percent, it was said, wasn't worth the 5 percent (Werner and Hunt, 1993). For example, in Vinh Phuc Province northwest to Hanoi, Vietnam, the income from the five percent land accounted for 60 percent of household's income in the 1960s (Dang, 2009). Without effective mechanism or policy to enforce or encourage individuals to act on behalf of their group's interests, they just seek their interests and damage the common interest. *The road to serfdom*, as Hayek (1944) described, happened. The socialist system went to the dead end (Kornai, 1992).

There were efforts to generate more rational collective actions. Many people in socialist countries recognized problems of the collective model. Thus, there were early efforts to deal with the situation. However, all early efforts were failed because of the interventions by the outside forces such as the Prague Spring in 1968 by the Soviet Union's Red Army (Cashman, 2008) and the contract household initiatives in Vinh Phuc by Vietnam's central government (Dang, 2009; Huy-Duc, 2012).

The changes in European socialist countries were too little and too late to be amendable, while they were different in China and Vietnam. When most socialist countries turned back to the market economy mechanism since the early 1990s, there have been two directions: big bang versus gradual reforms (Wei, 1997). The governmental systems in Eastern European countries and the Soviet Union were completely pulled down to build new economic and political institutions.

In opposite, China and Vietnam have applied gradual reforms. They are perhaps different species. The focus has been mainly on economic issues, while their political systems have modestly changed. When the Berlin Wall collapsed, China was dealing with in the middle of the Tiananmen Square Tragedy (Vogel, 2011) and Vietnam was dealing the economic downturn as the hyperinflation reached nearly 700 percent (Dao and Vu, 2008). However, both communist regimes have still existed until the current day. When the Soviet Bloc was collapsing, the reforms had been started over a decade in China and over five years in Vietnam. Both countries were enjoying high economic growths and inclusive development. Most

of the population has benefited. As illustrated in Appendix 1, China and Vietnam are outperformed in comparison to other former socialist countries and much higher than the World's average.

China and Vietnam are indeed astonishing examples. Irrational collective actions have been rampant since the two countries ruled by the communist parties from the mid of the 20<sup>th</sup> century. Horrible tragedies happened, especially in China under Mao Zedong's ruling. However, rational collective actions had grown shortly after the central planning applied to avoid sudden collapses. The seeds of gradual reforms in both countries had started in the 1960s such as the contract household initiatives in Vinh Phuc, Vietnam (Dang, 2009; Huy-Duc, 2012), and Anhui, China (Vogel, 2011). Then the reforms were triggered in China in 1978 and Vietnam in 1986, both countries have achieved their success.

On pessimistic side, irrational collective actions can be observed in everywhere in the two countries (even nowadays). Waste, inefficiency, and corruption in the two countries have been rampant. The Corruption Perception Index rankings in 180 countries by the Transparency International of China and Vietnam in 2018 were 87 and 117, respectively. The anti-corruption campaigns show the rotten systems as many senior leaders have been prosecuted.

On the optimistic side, the achievements of China and Vietnam since their reform are astonishing and significant. According to the World Bank's data, China's GDP per capita at 2010 price increased 25.25 times or 8.4 percent annually from 1978-2018, the highest ever with recorded data in the human being's history. China's headcount poverty ratio at \$1.90 per day dropped from 66.2 percent in 1992 to 0.7 percent in 2015. Over a half of a billion people, equivalent to the size of Europe Union or North American has escaped poverty. Vietnam is less impressive than China, but over three decades since the Doi Moi in 1986, the GDP per capita at 2010 price increased 5.1 times or 5.2 percent annually. The poverty headcount ratio at \$1.90 a day dropped from 52.9 percent in 1992 to 1.9 percent in 2018.

### **Public entrepreneurs and the rationality of the Communist Party of Vietnam**

According to Darwin's evolution theory, adaptability is a prominent factor of any species for survival. The CPV has had such a factor. It is unexplainable through the lens of the hard public choice perspective for the formation, survival and development of the CPV. Patriotism is widely observed in the real life. The patriotism and nationalism movements in Vietnam are such a case. Everybody has private purposes. The Vietnamese revolutionaries were not exception. However, what they did was as Ostrom's argument that *individuals pursuing private purposes also take proper account of public value*. Many people risked their lives for Vietnam's liberation and independence. The Vietnamese revolutionaries are pragmatic nationalists inheriting strong patriotic traditions and heroism in their blood or admiration (Vu, 2017). There have been collective wisdoms as the CPV achieved unthinkable tasks in the circumstances of life or death and permanently lacking external support and resources.

The CPV's goals are clearly reflected in the motto "Socialist Republic of Vietnam: Independence - Freedom - Happiness". Communism came to Vietnam through patriotism (Buttinger, 1968; Karnow, 1983; Quinn-Judge, 2002; Dang, 2008; Vu, 2017; Neville, 2018). The first prominent goal of the Vietnamese revolutionaries was to gain and keep Vietnam's independence. Ho Chi Minh - the CPV's founder and principal leader acknowledged "I am a communist but what is important to me is the independence and freedom of my country" (Neville, 2018, p. 62). The Vietnamese communists are not very communist. The second goal of the CPV is to bring prosperity to the Vietnamese people. Unfortunately, there were a series of failures with serious mistakes. The land reform from 1953-1956 was tragic; building the socialism was failed. As a result, the second goal has only been achieved partly since the renovation in 1986.

The CPV's credentials have been the ability to bring the independence, keep the sovereignty and to generate reasonable economic development for Vietnam although somebody could argue that Vietnam could have been avoided bloodshed wars and much more developed if the Vietnamese communists had not been too eager in participating into the world geopolitical games; and applying the central planning model. There were public entrepreneurs, among whom, Ho Chi Minh, Le Duan, and Truong Chinh, the CPV's top leaders from its establishment to the renovation in 1986 were typical ones.

### *Ho Chi Minh – the soul of Vietnam's revolution*

Ho Chi Minh was a true public entrepreneur and leader. He could build a broad coalition including cadres in the party, forces willing to liberate the country, the Vietnamese people, and external forces. He along with his comrades took possible opportunities and feasible solutions, even ruthless approaches sometimes to achieve Vietnam's independence. He is unarguably the most important and respected figure in the modern Vietnam's history. UNESCO (1988) evaluated: "President Ho Chi Minh, an outstanding symbol of national affirmation, devoted his whole life to the national liberation of the Vietnamese people, contributing to the common struggle of peoples for peace, national independence, democracy and social progress." The CPV has chosen the Marxism - Leninism and Ho Chi Minh thought as the strategic guideline for Vietnam's development and sovereignty for a long time.

Ho Chi Minh was born as Nguyen Sinh Cung in 1890 in a feudal mandarin family of Vietnam's northern central. He got some formal education before leaving for abroad to find solutions for Vietnam's independence in 1911. Since the French colonized Vietnam in 1858, the insurgent movements never ended. When domestic uprisings failed, Vietnamese patriots went abroad to find solutions. Before Ho Chi Minh, Phan Chu Trinh's and Phan Boi Chau's were the most popular. Phan Chu Trinh had tried the French model, especially the French Revolution and Phan Boi Chau had tried the Japanese model and sought support from the Japanese government (Buttinger, 1968). Ho Chi Minh travelled to many countries including France, the United States and United Kingdom. He participated and learned from other movements. He stayed and shared views with Phan Chu Trinh for years before they split in the summer 1920 when Ho Chi Minh's attachment to Marxism (Quinn-Judge, 2002). It had taken about a decade for Ho Chi Minh to decide that socialism and communism was the best way to bring the independence and prosperity for Vietnam (Vu, 2017; Neville, 2018). The way led him to communism as he admitted "it was patriotism and not communism that originally inspired me" (Karnow, 1983, P.122). Ho Chi Minh's role in Vietnam's revolution can be divided into three periods: building the CPV (1923-1943); leading the revolution for Vietnam's independence (1940-1945); and navigating the country to Dien Bien Phu's victory (1945-1954).

*Building the CPV.* For two decades, from 1923 when arriving Russia for the first time to 1943 when the Comintern (the Communist International) abolished Indochina, Ho Chi Minh along with his comrades had sought support and recognition from the Comintern. He attended the Communist University of the Toilers of the East in Moscow to learn socialism and communism. He participated in the Fifth Comintern Congress in June 1924, then become an agent of Comintern in charge of building the communism in Vietnam and surrounding countries. He found the CPV on the early 1930 under Comintern guidance, but the aim was for Vietnam's independence.

Unfortunately, Comintern's emphasize decided at the sixth Congress in 1928 was on the class struggle and attacking on bourgeois social democratic and nationalist parties. The national revolution, thus, was unorthodox (Neville, 2018). In the 1930s, Comintern sent Tran Phu, Le Hong Phong and Ha Huy Tap (the first, the second, and the third general secretaries of the party) consecutively back to Vietnam to organize the communist party; and to criticize and correct Ho Chi Minh's violation to the Comintern's policy. However, all of them still assumed Ho Chi Minh as their supervisor and just criticized his outdate of the Comintern's policies because he did not have opportunities to update them (Vu, 2017). The reason that

these people did not denounce Ho Chi Minh was that their aim, the same as Ho's, was to seek Vietnam's independence. What Ho Chi Minh had done was also their desire.

However, Ho Chi Minh had been sidelined by the Comintern and the CPV until September 1938 when the Comintern granted him permission to return Southeast Asia. Unfortunately, the effort in seeking the Comintern's support and recognition was failed when it abolished Indochina in 1943 because the Soviet Union had to focus on the life-and-death struggle with the Nazism (Neville, 2018). It was a bumpy relationship between the CPV and the Comintern. Interestingly, Ho Chi Minh and his comrades in the party led the people to seize Vietnam's independence without the Comintern's support.

Ho Chi Minh in the eyes of the Communists in USSR later was a complicated figure because of his will to bring the independence for Vietnam (Neville, 2018). This made him get into trouble with the Soviet leadership for a long time. Stalin was very cold with him (Duiker, 2000). He only accepted Ho Chi Minh with Mao Zedong's endorsement and persuasion.

*Leading the revolution for Vietnam's independence.* When going back to Asia in the late 1930s, Ho Chi Minh knew that it was important to have support and participation from all forces who wanted or supported to bring the independence for Vietnam. Therefore, he actively participated into Phan Boi Chau's movement in the early 1940s (Neville, 2018). He maintained the relationship with both the Kuomintang and the Chinese Communist. For over a decade since its establishment, the Eighth Plenum in May 1941 when Ho Chi Minh went back to Vietnam after 30 years was the most important event of the CPV. An innovative formula was invented to combine the class struggle within the nationalist struggle (Vu, 2017). The CPV or the Indochina Communist Party (IPC) at the time decided to form the Việt Nam Độc Lập Đồng Minh Hội (League for the Independence of Vietnam) abbreviated as Việt Minh. The CPV was hidden in the league. Moreover, the Party chose Truong Chinh to be the general secretary.

Another strategic step was the Viet Minh allied with the Allies to against the Japanese. Viet Minh and Ho Chi Minh got support from the Chinese, the British or the American (Buttinger, 1968; Neville, 2018). Fischer (1954) described that Ho Chi Minh gained political prestige among his co-nationals becoming, in the way, the ally of the Allies. Officials from the U.S. Office of Strategic Services (OSS) helped train Viet Minh's army force (Buttinger, 1968; Neville, 2018). Viet Minh had achieved an advantage and concrete position as Buttinger (1968, p.202) described:

Who in Vietnam would dare to oppose a program of national independence, belittle and an organization enjoying international recognition, or refuse to support such dedicated men? Even if the anti-Communists had been able to spread their views in Vietnam, they would not have succeeded in destroying the reputation the Viet Minh enjoyed at the end of the war.

*Navigating the country to Dien Bien Phu's victory.* In 1945, Vietnam achieved the independence after over 8 decades under French's colony. On September 2, 1945, Ho Chi Minh gave the Independence Speech to announce the birth of the Democratic Republic of Vietnam (DRV) and he became the first president. Right after the Independence, the newly born DRV faced a challenging situation, however. The Allies forces including the French, British and the Kuomintang came to Vietnam. Obsessed by the Chinese tried to invade Vietnam for thousands of years, Ho Chi Minh decided a compromise to have the French return to Vietnam to push the Kuomintang force out. Because of his initiative to have an autonomy for Vietnam under French's protection, he faced harsh pressure, especially from his comrades in the CPV. Moreover, he did not expect that it took Vietnam to a nine year war with the French, and China and the Soviet Union decided Vietnam's destiny at the Geneve Conference because of the reliance on them (Neville, 2018).

Interestingly, after its formation in 1945, the DRV got the recognition of the French immediately (Fischer, 1954), but it could not get the recognition from the Soviet Union, the United States and China. Ho Chi Minh and his colleagues sought the recognition from these countries, but both kept silent. China and Soviet Union only recognized and supported the DRV till 1950 (Vu, 2017). Since then, the Soviet Union (Stalin more precisely) assigned China to support Vietnam (Soon, 1980; Mehta, 2012; Vu, 2017). However, Vietnam realized the danger of making the United States upset, then it would intervene into Indochina. Thus, it signaled that the diplomatic recognition of China and Soviet Union was to seek the national independence only and Vietnam had no intention to join the socialist bloc. Vietnam indeed had a desire to become an outpost of the socialist camp in the Orient (Vu, 2017). Since getting the recognitions, the trust on the big ‘brothers’ had been high.

China’s influence was high, and Vietnam paid costly prices. First, Vietnam was forced to sign the Geneva Accord arranged by Zhou Enlai - China’s foreign minister with the Soviet Union’s agreement. Although Vietnam was getting huge advantage in the battlefield, the deal was to divide Vietnam into two parts from the 17<sup>th</sup> parallel. The division took Vietnam to a brutal war with the America till 1975. It was highly disappointing for Vietnam (Soon, 1980). Ho Chi Minh and his comrades felt betrayal (Burns and Novick, 2017). Southern revolutionaries and other nationalists considered the acceptance of partition as an act of betrayal (Asselin, 2001). Second, the naïve letter to endorse China’s sovereignty in the South China Sea (Vietnam calls East Sea) by Primer Pham Van Dong has put Vietnam into trouble nowadays (H. T. Nguyen, 2012). Third, the land reform has made a never healed scar for Vietnam (Nguyen, 2007). Rigidly applying the formula from China, especially the quotas for landlord (Vu, 2010).<sup>1</sup> Many innocents and party members were executed, and the legitimacy of the party was highly damaged. The Party confessed the mistake and Vietnam learned a costly price by relying on the big brothers (Buttinger, 1968; Vu, 2017; Neville, 2018).

The power of Ho Chi Minh and his core allies, especially General Vo Nguyen Giap was descended after the Dien Bien Phu’s victory, especially since the tragic land reform and Le Duan took charge. From the late 1950s onward, Ho Chi Minh’s role became limited to that of senior adviser to the leadership and respected elder statesman (Asselin, 2001). Since then the ascendant of Le Duan and his allies started and lasted until the Doi Moi in 1986. However, Ho Chi Minh played the most important role of the CPV and Vietnam’s revolutions as Duiker (2000) wrote:

The Communist triumph in Saigon was a tribute to the determination and genius of VWP [Vietnam Worker Party] leader Le Duan and his veteran colleagues in Hanoi. Equally crucial to success were the North Vietnamese troops and Viet Cong guerrillas – the simple *bo doi* (the Vietnamese equivalent of the GI), who for a generation had fought and died for the revolutionary cause in the jungles and swamps of South Vietnam. But above all it was a legacy of the vision, the will and the leadership of one man: Ho Chi Minh, founder of the Vietnamese Communist Party, leader of the revolutionary movement, and president of the Democratic Republic of Vietnam (DRV) until his death in 1969, six years before the end of the war.

### ***Le Duan - the man behind Vietnam’s victory of the Vietnam war***

Le Duan was the man behind Vietnam’s victory to the war against the American (Duiker, 2000), the principal architect of Vietnam's revolution after 1954 and the individual most instrumental in the creation of a reunified and independent Vietnamese state (Asselin, 2001), the most powerful man in Vietnam until his death in 1986 (L. Nguyen, 2012). The man was born as Le Van Nhuan in 1907 in central Vietnam into the family of a carpenter. He had modest education at elementary level, became a clerk of the Indochinese

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<sup>1</sup> The numbers of landlords in administrative units (districts, communes) were based on China’s as the administrative units in China were much larger than Vietnam’s.

Railroad Agency, then reach to the top post of the CPV. He was a controversial figure. Some might name him as Machiavellian (Asselin, 2001). However, reunification was the will and desire of the Vietnamese people. Moreover, the Vietnamese communist struggle, as L Nguyen (2012) point out, was anything but a harmonious, unified effort; rather, it was the product of Le Duan's national security state. Therefore, he was a public entrepreneur leading the Vietnamese people to liberate and reunify the country.

Le Duan joined the CPV in the late 1920s and was in Poulo Condor prison for 9 years. He became the head of the CPV in the Central and then in the South of Vietnam till 1957 when he was convened to Hanoi to take the top post of the CPV (Communist Party of Vietnam, 2007). He was among those who felt the bitterest of the Geneva Accords. Observing Ngo Dinh Diem's regime with the American's support was breaking the Geneva Accords and repressing revolutionaries, Le Duan and his allies – the South-first faction wanted an arm struggle. He proposed the strategy of political and armed struggle in the Path to the Revolution to the South (Duong loi Cach mang Miem nam) - his famous and important writing (L. Nguyen, 2012).

There was a huge challenge in a complicated situation at the time, however. The top leaders, especially Ho Chi Minh and Vo Nguyen Giap – the North-first faction was reluctant with the arm struggle due two three reason: tired of wars after a long fight with the French and preferred to build the socialism in the North; and afraid of making the Soviet Union upset and embraced Khrushchev's peaceful coexistence; and avoided to provoke the American (Buttinger, 1968; Asselin, 2001; Vu, 2017). China supported the arm struggle, but wanted Vietnam to apply Mao Zedong's military strategy and distanced from Soviet Union (L. Nguyen, 2012). Moreover, Le Duan doubted about Mao's Great Han's chauvinism and there was a fierce confrontation between the Soviet Union and China (Vu, 2017). Southern revolutionaries challenged northern authority over their liberation struggle (L. Nguyen, 2012). The Americans and the South's government unconsciously helped Le Duan and his allies to achieve the goal. In such a situation, Le Duan and his allies dealt with three fronts at the same time: internal issues, relation with the two "brothers", and the enemy.

*Convincing and forcing comrades.* In 1956, Le Duan called for policies to liberalize the south and reunify Vietnam (Communist Party of Vietnam, 1956). Since He understood that the view of non-armed solution was being dominated the political course in Hanoi, he worded everything carefully. However, his voice was hardly heard. As pressure from Soviet Union and China to implement the Geneva Accord, Hanoi's leadership hesitated to support a military policy below the 17<sup>th</sup> parallel in 1956 (Asselin, 2001). However, things started to change since the mistake of the land reform in the north. At the time, the northerner leaders considered Le Duan as a compromise to take the top post. There were two rationales: to balance the power in the north as he had no base there (L. Nguyen, 2012); and to refrain the intensity in the South (Asselin, 2001). However, it was opposite to the calculation. Le Duan took the opportunity to concentrate power and promote the war.

However, the effort to promote the arm struggle in the south was still a long way. Although, Le Duc Tho, the head of the personnel organization committee and Le Duan's right arm also gained much power, it was not enough for Le Duan's faction to get the support for the arm struggle strategy to the South (L. Nguyen, 2012). In 1959, he made a secret trip to the South to assess the situation. Then he took several comrades and evidences that the south revolutionaries were being brutally treated to Hanoi to convince the national leadership to endorse the arm struggle in the South. Finally, the initiative was achieved the endorsement in the CPV's 15<sup>th</sup> Plenum in 1959 (Thayer, 1989). Moreover, the Third Congress of the CPV in 1960 decided two strategic tasks: to build the socialism in the North; and liberate the South to unite the country, complete independence and democracy in the country (Communist Party of Vietnam, 1960). More importantly, since the Third Congress, Le Duan was officially at the top post of the CPV and his faction gained power to dominate Vietnam's political theatre until 1986.

After the 3<sup>rd</sup> Congress, the North-first faction was still strong. Reservations against a military option in the South was still a huge obstacle for Le Duan's faction (Grossheim, 2013). Therefore, Le Duan and his associates had to deal with it by launching campaigns to counter revisionists until the Tet Offense in 1968. Party members, government officials and intellectuals including those close to Ho Chi Minh and Vo Nguyen Giap were arrested or sidelined. The power of the North-first faction, especially Ho Chi Minh and Vo Nguyen Giap was almost stripped. The two chose self-exiled in 1967 after an intense debate of the Politburo in which Ho Chi Minh and Vo Nguyen Giap questioned about the plan for the Tet Offensive and before Le Duan and his allies launched the costly Tet Offense (L. Nguyen, 2012). Vo Nguyen Giap agreed large scale battles, but he raised the need of careful preparation.

The main objective of the purge was to get rid of the opposition of the arm struggle in the South, while Le Duan and his allies clearly knew that the prominent goal was to liberate the South and reunify the country. Therefore, the party's asset should be treasured. The purge was just at small scale. The highest ranked officials who were dismissed or arrested were central committee members. None of the politburo members was arrested or dismissed. All of them still played different roles during the war. General Vo Nguyen Giap's strategy was adopted since the late 1960s after the failure of the Tet Offense. He became the commander-in-chief of the General Offense in 1975 Spring (Burns and Novick, 2017). One of the reasons for this as L. Nguyen (2012) pointed out, it was to keep the unification of the party and promote the patriotism – a necessary condition for Vietnam at the time.

Another important aim of the anti-revisionism campaign was to signal to the Soviet Union and China that Vietnam did not fall into the arms of one or the other. The victims of the purge were sacrificed in order to maintain North Vietnam's policy of neutrality and equilibrium in the Sino-Soviet split (L. Nguyen, 2012). The purge was much different from those in China or the Soviet Union as those just behind Stalin and Mao Zedong was brutally purged.

*Dealing with two brothers.* Soviet Union and China played an important role in the war as they provided weapon, material, and capital for Vietnam. They also influenced policies and strategies (Mehta, 2012). However, Vietnam was more cautious after costly lessons by naïve beliefs as mentioned above. The two brothers were never trusted as they were before (Duiker, 2000; L. Nguyen, 2012; Vu, 2017). Under Le Duan's leadership, the DRV was able to take the advantage of the confrontation between the two to materialize opportunity to support the war. The Vietnamese policy of walking a thin line between Moscow and Beijing (Soon, 1980, p.56). Being consistent with the Marxist-Leninist ideologies, Vietnam skillfully avoided making the two upset (Vu, 2017). To satisfy the Soviet Union, Vietnam embraced the Stalin's industrialization model to build the socialism in the North and launched conventional fights in urban areas; and to satisfy China, Vietnam rejected Khrushchev's peaceful coexistence and revisionism and partly applied Mao Zedong's guerrilla war doctrine. Vietnam was able to balance the relation with the two during the war but paid costly prices after the reunification.

*From 1956-1960, building the warmness with the Soviet Union and a partly bland period with China.* The year of 1956 was a headache time for the CPV. Domestically, Hanoi admitted the error of the land reform and the general secretary had to resign while the Nhan Van – Giai Pham – the intellectual movement criticized the dogmatism and government's weaknesses. Internationally, Nikita Khrushchev launched the revisionism to attach the personality cult; and Mao launched the One Hundred Flower Campaign to "allow" different voices. The viewpoint to the revisionism among the CPV's top leadership was unanimous as they saw its threats. After Khrushchev's denunciation of Stalin, Vietnam chose a more neutral approach by not making Khrushchev upset, but keep the Marxism-Leninism ideology and defended Stalin. Le Duan declared at the 13<sup>th</sup> Plenum in 1957: "to us comrade Stalin is always a great Marxist-Leninist... his accomplishments dwarfed his mistake" (Communist Party of Vietnam, 1957). Vietnam launched the anti-revisionist campaign in the late 1950s to oppress the Nhan Van – Giai Pham movement (Grossheim, 2013). Then, it was escalated to the most brutal purge in the CPV's history.

In the late 1950s, the Soviet Union started to give Vietnam direct aid and support with hundreds of Russian engineers coming to Vietnam and many Vietnamese were awarded scholarships to study in the Soviet Union (Soon, 1980). In opposite, the relationship between Vietnam and China was quiet as the healing process of the land reform and China launched the Great Leap Forward that Vietnam had no intention to apply it (Marr, 1981). The pressure on Vietnam was just moderate as both wanted Vietnam to follow the Geneva Accords and the contradiction between the two countries had not been tense yet. However, thing had changed since 1957, when the Sino-Soviet split started (Mehta, 2012).

*From 1960-1964, warm period with China and chilly period with the Soviet Union.* Khrushchev's doctrine of the peaceful coexistence was an obstacle for Le Duan's arm struggle strategy in the South. Therefore, Le Duan's faction was against it. In 1957, he warned that nonviolent path to socialism was only one option among others (Vu, 2017). The doctrine was officially discussed and defined in the conference of the Communist parties in Moscow in October 1960. Le Duan, Truong Chinh and Nguyen Chi Thanh attended it. Le Duan and Nguyen Chi Thanh disagreed with the draft while Truong Chinh agreed. Therefore, the two had to convince Truong Chinh to be on their side. The relationship between Vietnam and the Soviet Union in the first three years of the 1960s was only cordial (Vu, 2017). The CPV launched campaigns against Khrushchev's revisionism in until his fall in 1964.

The relationship with China was enhanced as Mao's war doctrine was aligned with Le Duan's arm struggle plan. However, Vietnam had refused China's offer to join the Asian Communist Bloc led by China to get an lucrative aid package. The excuse was that it would violate the Marxism – Leninism principles (Nguyen, 2007; Vu, 2017). As Vu (2017) summarized, when Le Duan Truong Chinh and Nguyen Chi Thanh were invited to China in 1963 to discuss about the proposal to form a new Communist International with the China's leadership, Vietnam's delegation contributed several ideas, but disagreed two main points: (i) the center of the revolution shifted to China; (ii) the formation of the new Communist International.

*From 1964-1968, balancing between the two.* When the war was escalating, Vietnam faced two rivalry strategies from China and the Soviet Union as the conflict between the two was highly tensed. L Nguyen (2012) pointed out: "While Beijing pushed Hanoi to wage a Maoist-style conflict with emphasis on protracted, guerrilla war in the countryside and to resist talks with Washington, Moscow urged Hanoi to negotiate and equipped communist forces to fight a conventional war in order to test Soviet military hardware against the Americans." Vietnam needed support from both countries, but the need of advanced weapon from the Soviet Union was more important (Grossheim, 2013; Vu, 2017). Moreover, the Soviet's war strategy was aligned with Le Duan's General Offensive and Uprising strategy which was applied repeatedly in 1964, 1968 and 1972 with costly prices (L. Nguyen, 2012). It was a bumpy process in the relationship with the Soviet Union.

The relationship with China got complicated in this period. On one hand, China forced Vietnam to follow Mao's war strategy and granted Vietnam huge flows of aid. In 1965, when Ho Chi Minh visited China, Mao Zedong agreed to provide everything the DRV's need to support for the war (Mehta, 2012). However, at the same time, Mao signaled to the United States that China's arm force would not involve into the war if the American troops did not come to China's land (Nguyen, 2007). The anti-revisionist campaign with the aim to the pro-Soviet peaked in 1968 was to signal China that Vietnam was not bend to the Soviet Union. Vietnam applied the Soviet's conventional war doctrine to attack urban centers that caused China's upset as they considered Hanoi was pro-Moscow (Chanda, 1986; L. Nguyen, 2012). China were relieved that Vietnam still rejected Soviet advice to enter negotiations (L. Nguyen, 2012).

*From 1968- 1973, witting with the two brothers.* When Vietnam agreed to talk with the United States, both China and the Soviet Union were pursuing their strategies to normalize the relationship with the United States. Vietnam was able to act independently from both countries. The Soviet Union wanted



Vietnam to negotiate with the American and launch conventional war to test its weapon. Soviet leadership participated in different stages and settings. During his trip to Vietnam in 1970, Kosygin offered his advice. When attending the 24th Congress of the CPSU in 1971, Le Duan informed to the Soviet leadership that Vietnam was planning to launch a military attack in 1972 that would be similar to the Tet Offensive. The Soviet leadership was very pleased although they did not want Vietnam to escalate the war (L. Nguyen, 2012). Vietnam did it in the Tet Offensive and talked with the American.

China considered the Tet Offensive in 1968 was the DRV's signal to move from the People's war doctrine by Mao to Soviet's conventional war doctrine by the Soviet (Nguyen, 2006). Since Vietnam decided to participate in the talk with the American after the Tet Offensive, China became very upset and opposed it (Marr, 1981). As seeing Vietnam as a threat to China's domination in the Indochina, China supported Sihanouk as a potential counterbalance to the North Vietnamese in Indochina (Nguyen, 2006). This was a major cause of the brother enemies of Vietnam, China, and Cambodia after 1975. In 1970, China changed its policy to support the DRV's negotiation strategy as Mao Zedong said to Vietnam's Premier Pham Van Dong when he visit Beijing in September 23, 1970 "I see that you can conduct the diplomatic struggle and you do it well" (Westad *et al.*, 1998).

In 1972, when Nixon decided to launch the Christmas bombing in December 2012, Soviet and China issued their condemnations. However, the DRV knew that the two countries were acting for their own interests (L. Nguyen, 2012). In the early 1970s, Hanoi believed that Beijing could feasibly betray the Vietnamese cause as China did at Geneva (Nguyen, 2006). The seeds of conflict between were growing.

*From 1973-1979, divorcing China.* After the Paris Accords was signed and Vietnam on the bench of the victory, China was feared of Vietnam's controlling the Indochina under the Soviet's influence. Therefore, China launched its strategy by partnership with Pol Pot's Khmer Rouge in 1974 (Nguyen, 2006). In the same year, Chinese troops attacked Saigon troops to take over islands in the Paracels. After the reunification China and Vietnam acted as enemies. The final nail in the coffin for the Sino-Vietnam relationship was set in February 1979, when Deng Xiaoping's sent Chinese troops to teach Vietnam a lesson. Although Chinese troops withdraw shortly after the attack, it took a decade till the final gunfire in Ha Giang – Vietnam's foremost northwest province. It was indeed costly price as the war expense was very high and the economy was dragged into a severe crisis.

*From 1978-1986, dancing with the Soviet Union.* After 1975, Vietnam had to decide to bend to the Soviet's side as the relationship with China was broken and the effort to reestablish the relationship with the United States was failed (Soon, 1980; Chanda, 1986). The two countries signed the strategic treaty and Vietnam joined the Council for Mutual Economic Assistance in 1978 (Soon, 1980). Since then, Vietnam basically copied the Soviet's model until Doi Moi in 1986 (Dang, 2008). Vietnam paid costly price for this decision.

*Playing the war game.* After 1954, Le Duan chose to stay in the South instead of moving to the North as tens of thousands of his comrades. His intention was to speed up the struggle in the South with the aim to arm struggle. However, he was recalled to Hanoi to take the top post. Harsh repression by Ngo Dinh Diem's regime, especially the 10/59 law in May 1959 made the CPV's decision for arm struggle in the South. The Ap Bac battle in 1963 was the first large scale battle between the two sides. The South Vietnamese troops with American advisors were defeated by much smaller unit of Viet Cong fighters. It enhanced the morale of the North Vietnam and the belief that it was possible to against the American troops (Burns and Novick, 2017). The Gulf of Tonkin Incident in 1964 and the Resolution made by the US's congress marked the escalation of the war. When the first American troops landed on Vietnam in March 1965, the war became more intense. The Tet Offensive in 1968 marked the turning point of the war (L. Nguyen, 2012).

The negotiation from 1968 to the Paris Accords signed on January 27, 1973 reflected the nature of the game. The negotiation was mainly between Le Duc Tho and Kissinger (Nixon's security adviser). During the negotiation process, Hanoi launched the Spring-Summer Offensive in 1972 with a hope to win the war through military solution. In response, Washington resumed the fierce bombing to the North. As the offensive did not generate favorite condition, Hanoi decided to return to the negotiation table in June 1972. Tentative agreements were reached in October. However, Nguyen Van Thieu – the president of the Republic of Vietnam or the South government did not accept them, especially the term to allow the North Vietnam' army to be in the South. It was a suicidal condition for his government. After the final round of negotiation in January 1973, the Paris Accords were officially signed on January 27, 1973. Most American troops left Vietnam after several months the Agreement was signed. Since then, the North Vietnam continued launching military programs in the South until the end of April 1975, the Saigon Government was officially collapsed, and the country was reunified.

### ***Truong Chinh – The General Secretary of Doi Moi (Renovation)***

Late Prime Minister Võ Văn Kiệt (2007) named Truong Chinh - the General Secretary of Renovation (Tong bi thu cua Doi moi). He was the person both launching the first steps to build socialism and abolishing it in Vietnam. He was a person of historic moments in the modern Vietnam (Huy-Duc, 2012). First, he led the movement to seize the independence for Vietnam in 1945. Second, he took the responsibility of the land reform failure and resigned the top post of the party although it was the collective decision by the Party under Ho Chi Minh's leadership with pressure from the Soviet Union and China. Third, he had changed his mind on the economic development strategy to decide Doi Moi in 1986 that abolished the central planning model to apply market mechanism.

The person born as Dang Xuan Khu on February 9, 1907 in Nam Dinh – a northern Province in Vietnam, a founding member of the CPV played an important role for the liberation and development of Vietnam. He joined the revolutionary movement since 1925 and became a founding member of the CPV. In 1940, he became the CPV's general secretary and played an important role for the August Revolution. He was assigned as the head of the land reform campaign from 1953-1956. After being dismissed the general secretary post, he was still a politburo member. He was the chair of the National Assembly from 1960-1981, the Chair of the Council of State from 1981-1987; then he again became the general secretary from July-December 1986 when Le Duan died.

Truong Chinh was the leading theoretician of the CPV and played the prominent role in designing the party's policies (Chen, 1969; Dang, 2008; L. Nguyen, 2012). During the war against the French, he was either the author or behind key strategic policies such as *the Peasant Question* with Vo Nguyen Giap in 1938, *the Party's New Policy* after the establishment of Viet Minh in 1941, *the Pacific War and Our Party's Stand* in the early 1942, *the Outline of Vietnamese Culture* in 1943, *Prepare for a General Uprising* in August 1945, and *the Resistance Will Win* in 1947 (Chen, 1969). The CPV in 1951 officially recognized: "While President Ho Chi Minh is the soul of the Vietnam revolution and Vietnam's resistance, Comrade Truong Chinh is their builder and commander." General Vo Nguyen Giap wrote: "Uncle Ho was the soul of the resistance war against the French, but Mr. Truong Chinh has given specific guidelines and specific instructions on the theory of the resistance war to certain victories." Truong Chinh was remembered as a conservative theoretician, then changed his mind to lead the country to Doi Moi. (Dang, 2009; Huy-Duc, 2012).

At the beginning Vietnamese revolutionaries defined the national independence aligned with socialism. Ho Chi Minh brought the socialism to Vietnam and the belief on it was true as Dang Phong (2008) wrote:

If we mention the foundation and core of those convictions, we must mention the historical circumstances, even the historical indispensable ... at least from the beginning of the 20<sup>th</sup> century.

At that time, Vietnam was still under the harsh oppression of French colonialism ... Many different movements tried to overthrow it ... but all failed ... In the end, there was only door opening a frame. It was completely convincing as many revolutionaries named the spring of mankind - socialism. For the first generation of the youth in the 1920s and 1930s, socialism was the right path both rationally and emotionally, not only liberating the nation, but also bringing the nation to happiness and prosperity.

Since recognizing Vietnam in 1950, China and the Soviet Union wanted and pushed Vietnam to follow socialism (Tran, 2008; Vu, 2016). Vietnam's path to the socialism was started with the land reform in 1953 and Truong Chinh took charge of it. The long-term goal was to build a socialist economy based on public ownership, and the exclusive role of the state and collective sectors and private ownership would have been eliminated. However, during the land reform, the economy in the North experienced the multisector model. The private business had become very vibrant there as in 1956, the private economic sector contributed a share of 55% to the total industrial output, and 58 percent of the whole national retail value (Pham, 2012). Nonetheless, it was ended at the 11<sup>th</sup> Plenum in December 1956 when the CPV reaffirmed the role of the state and collective sectors and nationalized the private sector. The collectivization program was completed in the early 1960s. The Soviet model with period plans was applied. The first plan was the three-year plan (1958-1960) then the first five-year plan was for 1961-1965. However, due to the escalation of the war, the five-year plan approach was postponed; and the approach during this time was annually basic until 1975 (Buttinger, 1968; Duiker, 1995).

The socialist model failed right after it was applied in Vietnam. The agriculture cooperatives never worked. Therefore, there were efforts to revive the agriculture sector in the mid-1960s in Vinh Phuc. Le Duan informally supported the initiative, but Truong Chinh was against it as it violated the socialism principles. As the result, the initiative was suspended (Dang, 2009).

Under the halo of the spring 1975 victory with the support of socialist countries, especially the Soviet Union, Vietnam's path to socialism was indispensable. Newly-reunified Vietnam started to build socialism - the first phase of communism - in a small and underdeveloped economy, bypassing the capitalist stage (Communist Party of Vietnam, 1980). However, no one knew how to achieve it. Neither Marx nor Lenin provided useful guidance nor did Vietnam have any theorists examining this issue (Tong, 2010). Moreover, the reality in the north was not as the theory. Therefore, there was no unanimity at the beginning, especially the transformation of the South Economy.

Revolutionaries in the South wanted to keep the existing model for a while, but they still believed the socialist model and trusted the national leadership (Huy-Duc, 2012). Le Duan was skeptical. In the theoretical vacuum, he said in a meeting in August 1975:

In fact, we are not very unanimous... we have had some mistakes in the north due to our wrongly following the principles. If we continued to wrongly apply the principles to the south, there would be more mistakes (Dang, 2008).

The aim of building socialism was consensual among the leadership, but there the consensus ended. To quote Mai Chi Tho: *"Some argued that the South had specific characteristics and it was necessary to maintain a multi-sector economy for a while; others argued that capitalism in the south be a threat to the centrally planned economy that had to be eliminated."* (Nguyen, 2005). At the 24<sup>th</sup> Plenum of the Central Committee III of the CPV in September 1975, a compromise was reached. On the one hand, the CPV pledged "to complete the reunification of the country and take it rapidly, vigorously and steadily to socialism"; on the other hand, it authorized the continuation of a multi-sector economy in the south for some time to come (Communist Party of Vietnam, 1980). The first transformation campaign was conducted in late 1975, but the focus was only on a small number of companies with strong foreign ties.

Hundreds of thousands of other private businesses, most of which were small businesses, were left alone (Nguyen, 1985; Thrift and Forbes, 1986; Dang, 2008).

To most central government leaders, fearful of losing control in the south (Vo, 1988), a slow transformation was unacceptable, however. Therefore, the policy did not last long. It was a taboo to analyze or discuss the impracticality of applying socialism quickly to the south (Dang, 2008) and Le Duan changed his mind quickly. According Tran Viet Phuong, a senior northern intellectual and a secretary of Prime Minister Pham Van Dong at the time:

Le Duan had hesitated for a week. However, he could not convince himself, so when the conservative forces pushed him, he gave the concessions. His yield was not because the conservatives were right. It was because his theory was not complete and convincing to replace what was being applied in the North.” (Huy-Duc, 2012).

In opposite to Le Duan, Truong Chinh was firm and consistent on rapid socialist transformation of the South Economy. Truong Chinh criticized Nguyen Van Linh’s proposal to allow ingredients of the market economy in the South to be existed (Huy-Duc, 2012). In the consultation conference for the country’s reunification in November 1975, Truong Chinh was the head of the North Delegation and Pham Hung was the head of the South delegation. Truong Chinh use Marxism to convince that the socialist transformation should be applied in the South immediately. In addition, one important source of impetus for the socialist transformation campaign in the late 1970’s seems to have been that Vietnam was preparing to sign a comprehensive relationship treaty with the Soviet Union, which was hoping for a bulwark against threats from China and the capitalist world (Nguyen, 2007).

Vietnam began to develop a socialist system along the lines of that adopted by the Soviet Union. On the occasion of Lunar New Year (Tet) celebration in the early 1976, Le Duan promised the working people of Vietnam “*a better life in five or ten years, ... a radio set, a refrigerator, and a TV set for each family in ten years*”.<sup>2</sup> At its 4<sup>th</sup> Congress in December 1976, the CPV resolved to eliminate capitalism by 1980, leaving only state-owned enterprises and collectives. Three months later, it brought forward the target date to 1978. Then in March 1978, all private trade was forbidden. All private businesses were required to become partnerships with state-owned enterprises, collectives or to close (Dang, 2008; Le, 2008).

The peak of the socialist transformation was in the early 1980s marked by two events: the 8<sup>th</sup> plenum of the fourth congress of the CVP in September; and the approval of the 1980 Constitution in December. As major policies were usually released through remarks by the party leaders, Le Duan laid out two grand points in the 8<sup>th</sup> plenum: the collective ownership ideology and the aim to build districts to become fortresses. He asserted: “[We] must build every district to become a unit of agriculture and industrial business, a core of a mass socialist production and a fortress of defense.” This was based on Le Duan’s theory of collective mastery (*lam chu tap the*). The 1980 Constitution, which was basically copied from the Soviet Union Constitution at the time, accepted only two economic sectors: the state and collective were accepted while all non-socialist economic sectors were forbidden.

The socialist transformation campaign failed. It damaged all three main production factors of the economy: land, labor, and capital. Most of the land in cooperatives and collectives was abandoned. No private real estate market legally existed. There was almost no new investment in enterprises. By 1980, only fifty percent of the south's production capacity was being utilized (Nguyen, 1985). A series of policies, most notably the central planning system that was applied and that was guided by five-year plans along with de-urbanization and a focus on agriculture and rural development, led to a stagnation of Vietnam's economy and high inflation.

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<sup>2</sup> Nhan Dan, February 2, 1976, op.cit.

There was a zigzag transformation process instead of a decisive one, however. Since the central planning mechanism did not work and troubles arose, local government officials gradually broke “the fences” (violated the central regulations and instructions) to revive production such as agriculture in Hai Phong, Long An and An Giang; and trade and industry in Ho Chi Minh City and other provinces. The CPV faced a dilemma. On the one hand, it wanted to promote the central planning model and harshly discipline those violating its regulations and instructions; but on the other hand, it had to face and deal with difficulties. Therefore, there were standoffs in its policies and actions. For example, the initial plan in the sixth plenum of the fourth congress in 1979 was to discuss solutions to speed up the socialist transformation. Since the bad news of stagnation in production came, the central leadership, however, had to change the agenda to focus on solutions to promote production in which some kinds of market mechanism or incentives were given “yellow lights.”

Furthermore, the Party’s Secretary Board issued Directive 100-CT/TW in 1981 to allow contractual mechanism in agriculture production to grant autonomy for households on small portions of land in exchange for a portion of products; and the Government also issued Decision 25-CP in 1981 to allow enterprises to apply the contractual mechanism in industrial production. This mechanism was a form of the market mechanism. Furthermore, during this period, most private enterprises found ways to survive, albeit with narrower portfolios, and black (free) market activities surged, especially in the importation of goods sent by Vietnamese based overseas to their relatives (Dang 2008 & 2009).

Even considered as the top theoretician, there was a doubt about Truong Chinh’s understanding of Marxism in general and the Capital (Dang, 2008; Huy-Duc, 2012). Dau Ngoc Xuan, Le Duan’s secretary told a story that Truong Chinh was afraid of his assistant’s quotation that small production creates capitalism. Truong Chinh was at the center of the changing process during this period. From the socialism kicked off in Vietnam to the early 1980s, he was firm on Vietnam’s path to socialism. He was surrounded by conservative and dogmatic supporting staff. He was very conservative, prudent and followed the party discipline and regulations. He criticized Kim Ngoc’s violation of socialism principles in Vinh Phuc. He forced to have a decisive transformation of the South. He was reluctant to support the directive 100 in 1981 as he was worried about losing socialism in rural areas (Huy-Duc, 2012).

Truong Chinh had a series of fieldtrips in the early 1980s in which the Da Lat event along with fieldtrips to productions bases in 1983 organized by Ho Chi Minh City’s leadership was among the most important. After fieldtrips in May 1983, Truong Chinh said that lies were rampant. Then he replaced his assistants. This was another game changing decision. In the sixth plenum of the 5<sup>th</sup> congress in 1984, Truong Chinh gave fresh viewpoints strongly applause by the delegates (Tran, 2007).

The price-wage-money policy was proposed. The design was not as Truong Chinh expected. He protested it. However, he still signed the decision as the process had already been prepared and non-stoppable. The reform launched in 1985 caused serious trouble for Vietnam. Hyperinflation happened in following years.

Those related to the price-wage-money reform were dismissed. Truong Chinh’s gear of reform was speeded up in the 10<sup>th</sup> Plenum in 1986 (Huy-Duc, 2012). The term “organized market” was introduced in 1986. Somebody implied it as the rocket to the headquarter. There was a series of criticism from the opposition in the party (Tran, 2007). Truong Chinh went to Moscow to seek Gorbachev’s approval for the reform. Gorbachev was excited about the reform in Vietnam and signed a document with Truong Chinh to agree about the reform. Going back from the meeting of the Council for Mutual Economic Assistance, Tran Quynh, a deputy prime minister released the news that the Prime Minister of the Soviet Union did not agree with the policy of the market socialist. The reformists were on the defensive position. However, Truong Chinh asked whether there was any document of it. Tran Quynh said: “No” and Truong Chinh said that I had the agreement with Gorbachev. The opposition disappeared and the reform went ahead.

Truong Chinh chose the Congress of Hanoi's party to announce the renovation policy and it was highly welcomed. The renovation was officially kicked off in the 6<sup>th</sup> Congress (Huy-Duc, 2012).

### **Bottom-up reform**

The bottom-up reforms played an important role for the national leadership to decide the renovation. This section analyzes the agriculture reform and fence breaking in Ho Chi Minh City as typical cases.

#### *The agriculture reforms*

There was a significant attempt to improve the situation in Vinh Phuc Province, an agriculture base of the North in the mid-1960s. At the time, under the leadership of Kim Ngoc (Phan Van Nguoc) – the provincial party secretary, the provincial government decided to assign a portion of land to households to plant independently in 1966. It was the household contract. Land was given to households for planting and contributing a portion of the yield to the government. After some experiments had become successful, on 09/10/1966, the provincial party issued the resolution 68-TU for massive application. After a year, there were positive results. The yields increased significantly. In 1968, the land production areas were recovered to the level of 1960. It was like private ownership with taxes paid to the government. The farmers had much stronger incentives to increase the productivity. However, this initiative seriously violated the Party's ideology (collective ownership).

The news reached to the central in the mid of 1968. The criticism was brutal. Some declared that Vinh Phuc was against the collectivization policy of the central and Kim Ngoc followed the capitalism. Biased reports with the lenses of conservatives were sent to the top leadership. Truong Chinh convened a meeting of all key party leaders in Vinh Phuc on 11/06/1968. He read a long statement denouncing the experiment. Kim Ngoc himself had to write a discipline report to confess his mistake. On 12/12/1968, the CPV's secretariat issued the Directive 224 to suspend the experiment.

At the provincial level, there was largely anonymous consensus to pursue the initiative (there were also opinions against it). At the central government, there was a division, however. The central leadership was unanimous in principle of collectivization and building the socialist economy. However, many people had also thought of what they were seeing in the reality. The chief of ideology was strongly against it. In opposite, Ho Chi Minh and Le Duan disagreed harsh criticism. Le Duan did not give his official view on the issue. He came to visit Kim Ngoc in Vinh Phuc and had a lunch with him to implicit his support.

There are two interesting issues. First, the ideology was untouchable. It was the supreme as even the supreme leaders did not dare to violate or raise their voice to support initiatives violating the ideology. Even Le Duan and Ho Chi Minh didn't dare to support Kim Ngoc officially. Kornai (1992) pointed out that a party matter is normally opened for debate until it has been decided, after which it must be implemented without argument or protest. This is very true in the case of Vinh Phuc. Second, the rationality of the CPV. As Dang (2008) pointed out that one of interesting issues of the politics in Vietnam was that the leaders did care about the party's solidarity and unification; thus gradual persuasion was a favorite approach on issues facing different opinions instead of open fighting to cause separations and divisions.

In the case of Vinh Phuc, there was a public entrepreneur and the participation of the people. However, it lacked support of the Central. Fortunately, the initiative had been continued and achieved success in Hai Phong to the East of Hanoi in 13 years later.

The initiative to contract land to households in fact appeared in Hai Phong in 1962. It was even earlier than Vinh Phuc. However, due to the opposition from the Central, especially the head of Agriculture

Enhancement Board and politburo member Nguyen Chi Thanh, it was abandoned. After the Vinh Phuc case, household contract had become a taboo. Leadership in different governmental levels (provincial, district, commune, and cooperative) in Hai Phong knew the problem that the land was abandoned while many families were on the danger of famine. In 1974, some production units of Tien Lap Commune experimented the household contract and got positive results. However, in 1976, the district discovered the violation and sent inspectors to suspend the initiative. Several officials were disciplined.

The situation in Doan Xa became worse due to the bad weather in 1976. Many people became beggars. Farmers had no incentive for plantation. The government officials at Doan Xa cooperative faced a dilemma that if applying household contract, they would have been disciplined due to violation of the party's policy; otherwise, there would have been no food to submit to the district, they would have been disciplined and the officials would have been blamed for going beggar of the citizens. There was some reluctance among officials; thus, they decided to have a vote of all member of the cooperative. 90 percent agreed the household contract in the 1977 summer harvest. Three approaches were applied to avoid the discipline from the district's government: (i) oral agreement; (ii) all officials committed to keep the policy confidentially; and (iii) applying only for a part of the total land. The whole cooperative was excited. Everybody worked eagerly on their land. As a result, the summer harvest was six times higher than other harvests and 36 times higher than the previous harvest – the winter-spring harvest.

The news reached to the district government on the Winter-Spring harvest in 1978. A delegation was sent to Doan Xa to investigate the case. The cooperative leaders reported the case to the delegation and took them to visit paddy fields to observe good results. The delegation witnessed the reality in Doan Xa and found no written documents on the decision of the party cell.

After the inspection, Doan Xa decided to continue the policy. The initiative was also applied in other communes and districts. The conservatives in the district criticized and wanted to discipline Doan Xa's officials, but it did not happen as the district was merged with another district. At the time, the district leaders and even the city leaders had similar reasoning as those in Doan Xa. Thus, they pretended for not knowing the situation.

The city's leadership assigned Do Son district to experiment the initiative in early 1980. The district party secretary summoned Doan Xa's party secretary to come to report the case in February 1980. He honestly reported the case. The district leader told him to go home and he would visit him latter. Two months later he visited Doan Xa and examined the case. A month later, in May 1980, Do Son issued Resolution 05-NQ-HU to apply the household contract for the whole district.

The party chief of the city summoned the party chief of Do Son to report the case. In June 1980, the two top leaders of the city: the party chief and the chairman visited Do Son. They were excited about it. On June 27, 1980, the city's party issued Resolution 24-NQ/TU to apply the household contract for the whole city.

The situation in the city level was more complicated as some members of the party committee were against and criticized the policy. The most important issue for the city was to convince and seek endorsement from central leadership, however.

The provincial chairman Doan Duy Thanh went to Hanoi to report to Le Duan that some localities violated the central policy. However, the results were good and asked the central to allow Hai Phong to have pilots. "I agree, do it immediately, we should not ask the permission from anybody." Le Duan told Doan Duy Thanh. He visited Hai Phong on October 2, 1980. After realizing the reality, he totally supported the pilot. Then, the provincial chairman went to Hanoi to report to Prime Minister Phan Van Dong. The PM then visited Hai Phong on October 12, 1980. He supported the initiative and advised Hai

Phong's leadership to convince Truong Chinh – the hardest figure. The Assembly Chairman Le Quang Dao also advised Hai Phong to overcome the hurdle – Truong Chinh who objected the initiative.

Do Son was the place for the central leadership to take rest. The city's top leader applied a prudent approach. First, in the summer of 1980, Doan Duy Thanh had a diplomatic visit Truong Chinh and implicitly mentioned the initiative. The city had a close assistant to Truong Chinh convince him that the secretary general and the PM had supported Hai Phong's initiative, he should come to visit Hai Phong. In the early 1981, Truong Chinh visited Hai Phong and agreed to spend a half of hour to listen the initiative. He actually spent one and a half hours. He asked whether the city leaders read his article to criticize Vinh Phuc. Doan Duy Thanh carefully took the article from his suitcase and told him that "we always read the article as an instruction for us to follow the central policy." Before leaving Truong Chinh told Hai Phong's leadership: "if Hai Phong achieves good results, I would come to spend the lunar new year holidays with them." On January 13, 1981, the Party secretariat issued the directive # 100 to allow the household contract. Truong Chinh just supported it after observing the success in some provinces. Truong Chinh visited Hai Phong during the Tet holiday and it was also his birthday. Finally, the top three leaders supported Hai Phong's household contract initiative.

After the issuance of the directive # 100 in 1981, Truong Chinh was still reluctant. When he visited Hai Hung Province – next to Hai Phong, the party chief who was against the initiative showed him bad examples of the household contract. Truong Chinh was worried and wanted to visit Vinh Phuc to examine the model. Truong Chinh's subordinators who supported the household contract diverted the trip to Ha Nam Ninh – Truong Chinh's hometown. At his hometown, Truong Chinh's relatives and neighbors told true stories about the household contract. He recognized the reality and support the policy (Huy-Duc, 2012).

However, the agriculture reform in the early 1980s was just partial while the whole system was still there. As a result, Vietnam faced the brink of collapse in the mid-1980s. The agricultural reform got its most important milestone was the Resolution 10 NQ-TW on April 5, 1988. In this resolution households have been considered as the production units in Vietnam. Since then land has given back to farmers for private plantation. As a result, Vietnam became a food exporter in a year later (Thai Duy, 2008).

### ***Fence breaking in Ho Chi Minh City***

The fence breaking in Ho Chi Minh City was the most aggressive because their leaders were close to the top national leadership and their credentials from the war. The most consequential leaders of HCMC during the period 1976-1986 were Nguyen Van Linh, Vo Van Kiet, and Mai Chi Tho. All three had begun agitating against French colonial rule as teenagers and had become during the war key revolutionary leaders of the south. Nguyen Van Linh also had close personal ties, going back many years, with Le Duan, General Secretary of the CPV (from 1960-1986). Vo Van Kiet had played a central role in developing the CPV's positions during the negotiations leading to the Paris Accords of 1973 and then had successfully directed the armed struggle to prevent the army of South Vietnam from consolidating its position. Mai Chi Tho had two brothers in high-ranking central government positions, including Le Duc Tho, the de facto number two figure in the CPV. Mai Chi Tho denied that this had any relevance.

Upon reunification the three were appointed HCMC's top leaders and, in various combinations, led the city through its first postwar decade. All three were strong proponents of the socialist market view. Of the three, Nguyen Van Linh was the most outspoken, and he apparently played the key role in persuading the national leadership in 1975 to allow substantial preservation of the private business sector in HCMC. Paradoxically, Nguyen Van Linh was appointed in late 1976 as head of the socialist transformation committee with overall responsibility for eliminating capitalism and integrating the South into unified Vietnam. Almost nothing happened for more than a year, as a result Nguyen Van Linh came in for severe



criticism as a deviationist from socialism and as an obstacle to unifying the country (Nguyen, 2005). Early in 1978, he was dismissed as head of the socialist transformation committee though he remained a member of the Politburo. Two years later, in 1980, he resigned as a Politburo member after a furious argument with Le Duan over the transformation of the south (Shenon, 1998; Vo, 2003). Then he was assigned to supervise the implementation of party resolutions in the south, a powerless position.

During this period (1976-1981) Vo Van Kiet and Mai Chi Tho bent central government regulations again and again to solve urgent economic problems. Most notably, they went to the Mekong Delta to buy rice, allowed private businesses to conduct foreign trade, and supported SOEs in applying creative solutions to revive their production. They even allowed private newspapers to exist until the early 1980s. They managed nonetheless to retain central government support.

In late 1981 Nguyen Van Linh was brought back as HCMC party secretary while Vo Van Kiet was promoted to a high-rank position in the central government (Nguyen, 2005; Dang, 2008; Huy-Duc, 2008). As the city's market economy continued to revive under his aegis, Nguyen Van Linh soon came in for the same criticism as before, and in 1982, after a ten day review by the national Politburo led by Truong Chinh with city leaders, the city was directed to correct its mistakes and follow a stricter socialist direction (Communist Party of Vietnam, 1982).

Still Nguyen Van Linh persisted, and sought patiently to bring around the national leadership to his viewpoint. Among other things, he organized a series of meetings for national leaders in southern locales, so that they could view conditions and the multi-sector economy of the south directly (Le, 1999). In the spring of 1985, he published the book 'Ho Chi Minh City Ten Years On' in which he strongly criticized the mistakes of the hasty and irrational transformation of the late 1970s and praised the city's creativity in reviving production and trade. He wrote:

We should have treasured the industrial production base. The transformation should have aimed efficiently to utilize the management skill and technology of the capitalists.

By this time, the central leadership was persuaded. Nguyen Van Linh was reelected to the Politburo in 1985 and elected general secretary of the CPV in 1986. At the same time, in 1986 Mai Chi Tho was promoted to the Politburo and became the Minister of security.

Vietnam was a highly dangerous place for dissenters to the pure socialist line in the period under consideration. HCMC's leaders dared to bend central government regulations and they did revive the market economy. Three stories exemplify this process.

### *Averting famine*

Under central planning in the late 1970s, each province was directed to produce sufficient goods for its own needs. No goods could be transported across provincial borders without explicit central government permission. Checkpoints were everywhere to prevent trade. Additionally, prices were stipulated at impractical levels, generally identical for the whole country. Everyone had to sell surplus production to the state at the stipulated prices. Of course, HCMC had never been able to produce enough food for its needs. Consequently, it experienced serious food shortages even though it was located next to Vietnam's rice basket – the Mekong Delta.

The only way to avert famine was to buy food in other localities. Vo Van Kiet authorized his subordinates to do this though not in writing. One of his associates, Ba Thi, the wife of a revolutionary martyr and a war heroine in her own right, who was a close friend to both him and other key figures of the south's

revolution such as Le Duan and Pham Hung - the two politburo members and prominent leaders of the south during the war, led a group to the Mekong Delta to buy rice directly from farmers at the black market prices, five times higher than the stipulated ones. Thanks to the reputation of Vo Van Kiet and Ba Thi, Mekong provincial leaders ignored central regulations and allowed Ba Thi's group to buy rice in their provinces. To get through checkpoints, Ba Thi relied on army vehicles. Back in HCMC, the rice was processed and sold at prices higher than the stipulated prices, but lower than black market prices, through the women's federation (Dang, 2009). Later the transportation and the distribution were franchised to private agents. Efficiency was improved and theft was greatly reduced.

This event significantly contributed to a change of the national transformation direction. At its 6<sup>th</sup> Plenum in September 1979, the CPV resolved that prices should be adjusted "to encourage production," adding that "the purpose of the [socialist] transformation is to promote production... not implement it hastily or commandingly." (Communist Party of Vietnam, 1979). This model was successful for several years, and by 1984 accounted for nearly half the city's supply. Private companies had traditionally dominated the retail market for rice, but they could not legally move goods in this period across provincial lines. After 1986, however, when their role was again legalized, they soon again dominated the rice trade.

### *Rehabilitating production*

In the early 1979, some enterprises in HCMC such as the Southern Detergent Company, the Tobacco Enterprise, and the Thanh Cong Textile Company began to develop their own plans, quite independently of government plans (Nguyen, 1985). These included worker compensations to reflect productivity rather than hours worked and a system of maintaining two sets of books, one for reporting to government authorities, the other for the company's management. The former was "faked", the latter was real. Illustratively, if it cost two dong to buy a bamboo, but the government-stipulated price was only one dong, the company would "cut" the bamboo into two chunks for official reporting purposes (Xuan-Trung and Quang-Thien, 2005). But it also kept a conventional market record of actual costs and revenues.

HCMC also allowed SOEs to experiment selling what they produced in excess of official plan targets at market rates. With the aid of this policy, HCMC's SOEs were able to increase their production significantly, though rarely all the way back to pre-1975 levels. Under this system, market mechanisms gradually revived in HCMC and the success of this strategy led to its adoption by the national government in 1981 (HCMC's Institute of Economic Research, 2005). It was the Decision 25-CP, dated 01/21/1981 by the Government.

### *Reviving trade*

Beginning in 1979, enterprises in HCMC started to find ways to trade with other provinces. To avoid the stipulated prices, barter was used. Goods were priced at market prices, but they were exchanged for one another at flexible "shadow prices". The exchange most typically involved three partners. Illustratively, a company would work out a trade with fishermen for dried squid. The dried squid would then be exchanged for foreign currency and/or imported goods available from import-export companies. The latter would then export the dried squid to get hard currency. Domestic currency was never used. Therefore, central government regulations were not violated.

In principal, foreign trade was controlled by the central government (Communist Party of Vietnam, 1980). However, the centrally planned system could not satisfy demand, nor could other countries in the socialist bloc. Most desired goods were only available from the capitalist world.

HCMC leaders relied primarily on ethnic Chinese to carry out foreign trade. These people had money and business relations in Hong Kong, Taiwan, and Singapore. Initially goods were priced in dollars and exchanged (bartered) without the use of currency.

The city established import-export companies through joint state-private enterprises, many of which were backed and operated by ethnic Chinese companies, especially Cholimex and Direximco, the two biggest (Thrift and Forbes, 1986; Nguyen, 2000; Nghi-Doan, 2003). Cholimex also played a role as an implicit remittance agent. When overseas Vietnamese wanted to send money for their relatives in Vietnam, Cholimex agreed with its partners in Canada to pay dong at reasonable exchange rates (not stipulated ones) for receivers, then its partners would transfer money to its overseas accounts. Cholimex used the hard currency to import goods under an umbrella of donation from patriotic overseas Vietnamese because it was not allowed to import goods directly (Xuan-Trung and Quang-Thien, 2005).

Eventually, seventeen import-export companies were established in HCMC and many in other provinces from north to south. There were many economic benefits, but central planners found this activity highly objectionable because it damaged the central plan.

As a result, the central government in 1982-1983 seriously criticized, as mentioned in the leadership in HCMC section, and required HCMC (1) to reorganize its all import-export companies into a single company; (2) to build a strong socialist distribution system, and (3) to use only stipulated prices (Dang, 2008). The friction between HCMC and the central government was perhaps, most severe in this period. It might not randomly happen under the leadership of Nguyen Van Linh, moreover. In time, however, the central government realized that trade was valuable, and trade became a focus after Doi Moi.

### *Seeking support from the central leadership*

Vinh Phuc and Kim Ngoc got troubled because of the opposition from the central leadership (Truong Chinh and conservatives more precisely). There was no effort to seek support and endorsement from the central before implementing the initiative. Kim Ngoc and his colleagues just believed what they did was good. This belief was not helpful in politics.

Hai Phong learned the mistake. Therefore, it skillfully lobbied the central leadership through many channels. After generating positive outcomes, the provincial leadership approached favorite figures first, then relied on them to convince harder ones. The hardest one – Truong Chinh was the last with multiple approaches. Truong Chinh's colleagues who supported the initiative at the central skillfully took him to right places to promote the initiative.

The most interesting case was Ho Chi Minh City. It was a mosaic process. The city's leadership and associates mobilized all possible resources and channels to initiate their ideas. The closeness with the central leadership, especially Le Duan and Le Duc Tho was a precious treasure. The city's leaders brought the central leadership to the reality. They organized events for SOE executives to directly report their difficulties, initiatives, and positive results to central government leaders. A 1983 meeting in Da Lat (a resort city in Vietnam's Highland) and a 1984 meeting at the Phuoc Long Textile Company in April 1984 were apparently of particular importance (Xuan-Trung and Quang-Thien, 2005; Dang, 2008).

### **“Soft” versus “Hard”**

There were pairs of soft public choices versus hard public choices through six decades of the CPV. Soft dominating choices include the arm struggle in the south and the process for renovation. The hard dominating choices include the American sides during the Vietnam war, and the process to build

socialism in Vietnam, especially the decade after 1975. This section focuses on contrast between the two sides in the Vietnam War.

The Vietnam War can be explained through lens of public choices. The side dominated by soft public choices defeated the other side dominated by hard public choices. The North Vietnam and the communist in the South (Viet Cong) fought for the will and desire of the Vietnamese people. Thus, the morale was strong and persistent. Vietnam has had a long history of defeating strong external armies such as the Chinese and the Mongol under Genghis Khan. Vietnam is a very different species. In the perspective of the Vietnamese people, sovereign and independence is invaluable. The resistance spirit has been in the gene. It clearly reflects in Ho Chi Minh's Call for Nationwide Resistance in 1946: "We would rather sacrifice everything, but we definitely do not accept to lose our country and become slaves." The Vietnamese revolutionaries understood the will and desire of the Vietnamese people. They did everything to defeat the American and bring the independence for Vietnam. There were internal issues, but collective wisdoms were generated. There were no signs of serious corruptions in the North, especially in the army. generals shared with their troops. The belief was strong, and many people sacrificed their lives. It is inappropriate to argue that the propaganda campaign with misleading information by the CPV played an important role for the victory.

There was a different picture from the American side. The American public was given the Domino theory that a communist government in one nation would quickly lead to communist takeovers in neighboring states, each falling like a perfectly aligned row of dominos (History.com Editors, 2020). If Vietnam were fallen into the communist regime, the whole Southeast Asia would have been taken by the communist and it would have been incalculable to the free world. When leading the American into Vietnam, the U.S. government just thought that Vietnam was just a puppet of the Soviet Union and China. Those in charge the matter did not even bother to learn the fact as the above. Key figures basically put their private interests above the common ones. There were no determinations and inspiration to achieve the goals (Burns and Novick, 2017). The reality was very different from the intention of the American to prevent the spread of the Communism – the collective goal of the capitalist bloc led by the United States. The US government at the time wanted to create a puppet government in the South for obedience. Elimination of Ngo Dinh Diem's regime considered as a dictatorship and replaced by incompetent and corrupted democratic governments was a strategic mistake (Burns and Novick, 2017). It was opposite to South Korea where General Park Chung-hee led the coup to overthrow the incompetent and corrupted democratic government supported by the United States and formed a dictatorship government with harsh treatment to the people and society, clean and determine to build a strong army and rich nation (Kim and Vogel, 2011).

In the interviews of 27 senior officials right after the Fall of Saigon in 1975 by Hosmer, Kellen and Jenkins (1978), the general view is that "pervasive corruption, which led to the rise of incompetent leaders, destroyed army morale, and created a vast gulf of social injustice and popular antipathy." The respondents revealed that many senior officers received their appointments for reasons of political loyalty or through linkages of corruption rather than military competence. Commanders did not stick with their troops and abandoned them in critical situations. Regarding Nguyen Van Thieu and his regime, as L. Nguyen (2012) pointed out "During his near decade in office, Thieu acted in his own interests and not in those of his constituents." Among those closest to the events, Randolph (2016) pointed out, corruption was considered the most damaging, "largely responsible for the ultimate collapse of South Vietnam.

Similar situations happened in the US governments at the time. The presidents and his associates continuously lied to the Congress and the American people. The most important calculations were for power and wins in elections of individuals and political parties. For example, in the 1968 presidential election, Johnson's government speeded up the negotiation process with the North Vietnam to create advantage for the Democratic candidate Humphrey. In opposite, Nixon had secret agreement with

Nguyen Van Thieu about not joining the negotiation (Farrell, 2017). It was considered as a treasonous action (Burns and Novick, 2017). The peak of the self-interest motivation was Nixon as his aim to win the second presidential term in 1972. The secret conversations between Nixon and his associates (mainly Kissinger) revealed it. He voiced in a conversation with Kissinger:

Let's be perfectly . . . cold-blooded about it...I look at the tide of history out there—South Vietnam probably can never even survive anyway... I mean, you've got to be—we also have to realize, Henry, that winning an election is terribly important. It's terribly important this year... But Vietnam, I must say . . . Jesus, they've fought so long, dying, and now . . . I don't know (University of Virginia Press, 2014).

The above soft vs. hard contrast is similar to the situation in Asian countries. Soft public choices dominated in Japan under Meiji, South Korea under Park Chung-hee, Taiwan under Chiang Kai-shek and his successors till the late 1980s, Singapore under Lee Kuan Yew, and China since Deng Xiaoping thanks to either external pressure or inspiration to become a global leader. In opposite, hard public choices dominated in Indonesia under Sukarno and Suharto, Malaysia under Mahathir, the Philippines under Marcos and Thailand under the Junta because of the absence of pressure or inspiration.

### **Reflections and conclusions**

Vietnam was in a serious crisis and the communist regime was on the brink of collapse in the mid-1980s when the Socialist Bloc was falling apart. A series of difficulties were happening at the same time. The economy was stagnated; two wars (one with China in the north border and the other with Khmer Rouge in the southwest) made the national resources extremely exhausted; aids from the Soviet Union and other socialist countries were significantly vanished; and the embargo by the United States along with boycott by many countries because Vietnam brought troops to Cambodia caused serious consequences for Vietnam. These troubles were originated from the illusion after the victory in 1975. The revolutionaries thought that they could do anything (Dang, 2008; Dao and Vu, 2008; Huy-Duc, 2012). The national leadership led by Le Duan made a series of serious mistakes due to the communist arrogance. Vietnam chose to be the comprehensive partnership with the Soviet Union; became brother enemies with China and Khmer Rouge, missed the opportunity to normalize the relationship with the United States; and applied the Soviet socialist model with a hurry transformation of the south economy. Rampant hard public choices were largely responsible for the problems. Many self-interest public servants just rigidly followed regulations and instructions from higher levels regardless whether their actions were worth for common interests.

Surprisingly, the communist regime was able to self-renovate. It recognized and timely corrected mistakes. It decided to: (i) transform the economic model from the central planning to market mechanism and expand economic relations to all possible countries; (ii) change from naming enemies to be friends with all countries; (iii) withdraw the troops from Cambodia; (iv) end the war and normalize the relationship with China; (v) normalize the relationship with the United States, and (vi) rejoin the Association of Southeast Asian Nations (ASEAN). Those strategic steps happened within a decade marked by the normalization with the United States in 1995 when the GDP growth was 9.5 percent, the peak since Doi Moi.

Looking back the CPV's history, the renovation was not surprised because the CPV had the rationality and strong public entrepreneurship. There were all three components for generating rational collective actions including: public entrepreneurship, strong governing and supporting coalitions, and pressure of to be or not to be situation.

***Public entrepreneurs took proper account of public value***

There were many public entrepreneurs including Ho Chi Minh, Le Duan and Truong Chinh taking proper account of public value. They had space to act creatively and proactively to inspire and lead coalitions to achieve the common goals of the party and the nation. A few people will be named in each period besides the three. During the process gaining the independence and the war against the French, the army commander-in-chief – general Vo Nguyen Giap played a key role of the arm struggle, especially the Dien Bien Phu battle; Prime Minister Pham Van Dong took charge of the external relations; the head of the CPV in the South Le Duan established his reputation there by his competency and determination.

During the war against the American, Le Duc Tho played an important role in the negotiation with Kissinger and building the force in the south when he was the party chief there; the political chief of the army - General Nguyen Chi Thanh convinced comrades in the South by building strong and effective defense system in the south; general Van Tien Dung replaced for Nguyen Chi Thanh and later became the minister of defense played a critical role in implementing Le Duan's initiatives. In the south, Phan Hung, Nguyen Van Linh, and Vo Van Kiet along with their associates exercised their roles actively and proactively. Even those who were sidelined or stripped significant power such as Vo Nguyen Giap, Truong Chinh and Pham Van Dong still played their roles to contribute to the common goals.

The situation was similar during a decade before the renovation - called the night before Doi Moi in Vietnam. Many people from the central leadership to commune level tried proactive solutions to deal with difficulties. They did not act blindly for their narrow self- interests as a popular choice of public servants around the world. For example, Truong Chinh along with associates examined principles or theories and had fieldtrips to figure mistakes and correct them. Many people at lower levels such as provincial leaders: Kim Ngoc, Doan Duy Thanh, Vo Van Kiet, Nguyen Van Linh, Nguyen Van Hon, Nguyen Minh Nhi, and lower level: Ba Thi, Bui Van Long, Lu Minh Chau, those at Doan Xa commune and Do Son district dared to violate existing policies or went out the comfort zone for common interests.

The goals of the party and country were put above individual interests and bloody internal power struggle was avoided. Since the CPV has had its role in Vietnam (from the early 1940s) till Doi Moi in 1986, the power was in the hands of Ho Chi Minh, Le Duan and Truong Chinh. Ho Chi Minh was an example of avoiding the internal power struggle and put the common interests ahead. He along with his comrades usually chose personnel to suitable for positions. He had opportunities to take the top post – the general secretary of the CPV, but he never did it (Vu, 2017). When established the CPV in 1930, he had the chance to take the top post. The first general secretary was Tran Phu. At the 8<sup>th</sup> Plenum in 1941, he chose Truong Chinh as the general secretary who played an important role for Vietnams' revolution for over a decade. When Truong Chinh was dismissed in 1956, he just took the top post temporarily and chose Le Duan shortly. Moreover, when having opportunity in 1941, Ho Chi Minh did not take revenge on those who had tried to purge him in the USSR in 1937, with the accusations of this bourgeois nationalism (Neville, 2018, p.53). His actions got respectfulness from his comrades and keep a united party. During Khrushchev 's anti-personality cult campaign, Ho Chi Minh's comrades united behind instead of denouncing him (Vu, 2017).

Since taking the top post of the CPV in November 1940, Truong Chinh played an important role in seizing the opportunity to form the new government in 1945. He was considered as the "builder and commander" of the revolution. The decision of land reform was under the leadership of Ho Chi Minh and it could be considered as collective decision, but Truong Chinh took the responsibility and resigned from the top post. However, he was still in the politburo, and he was still among the most powerful figures of the party until his death in 1988. As the top theoretician of the CPV, especially the socialist theory, he still had significant power and authority even when Le Duan concentrated most power. When Le Duan's policy became wrong in the early 1980s along with his health deteriorated, his power was diminished. Truong Chinh gained power again and led to the Doi Moi in 1986. Even disagreed with some major policies and he could see failures, Truong Chinh still took charge and signed decisions in accordance with

the politburo's approval. At the 6<sup>th</sup> Congress of the CPV in 1986, Truong Chinh compromised with other two senior leaders: Le Duc Tho and Pham Van Dong to hand over the power to next generation and retire to keep the party's solidarity (Huy-Duc, 2012).

In the CPV's history, the harshest purge was in the 1960s during Le Duan's time. However, the top posts were still there and played their roles as required. There were some humiliations for General Vo Nguyen Giap as he was assigned to be the minister of social affairs taking care of the birth control issues in the early 1980s. However, there were no mass killing or imprisonments. According to Vu Thu Hien's (1997) memoirs, the number of prisoners was just tenths and there was no evidence of brutal killing as dictators around the world. The motivation for Le Duan to build a police state was for his determination to liberate the South. Le Duan was a pragmatist as he pointed out in his writing "Under the Glorious Flag of the Party" in 1970:

There has never been and will never be a unique formula, one that is suited to all circumstances and all times, for making a revolution. Revolutionary leaders must be familiar with concrete details of the situation in their own country as well as knowing the Marxist texts. Revolution is more than a science; it is also an art.

Although leaders in Hanoi, including Le Duan, Giap, and Ho, as L Nguyen (2012) points out, may have adopted aspects of Chinese or Soviet policies, the ultimate goal was always to promote Vietnamese interests and ambitions. The leaders of Vietnamese revolutionaries frequently put the common interests above their private ones. This is a good culture or value of the CPV.

### ***Strong governing and supporting coalitions***

The coalitions were strong thanks to thick layers like an onion. The CPV, especially its core during the wars was indeed cohesive and concrete as comrades were imprisoned, lived, and faced life or death situations together. Like other organizations and countries, there were power struggle inside the CPV. However, it was not so brutal in zero sum games. The unification and solidarity of the CPV were maintained. The CPV was able to recognize and correct mistakes.

The CPV's cohesion was important. The CPV had, as Stone (1989) described, that people who know one another, who have worked together in the past, who have shared in the achievement of a task, and who perhaps have experienced the same crisis are especially likely to develop tacit understandings. The 1930s was a bloodshed period of the CPV as its many senior members were imprisoned and executed including the four party chiefs. However, it was the time for the CPV to build its cohesiveness and determination to liberalize the country. In prisons, comrades in the party cells united, taught and bonded each other. Many people imprisoned during this period became senior leaders or took key positions of the Government till the late 1990s. Moreover, during the wars, comrades lived together, and anybody's life could be threat anytime; thus, many of them shared values and built their cohesion. It has been a treasure for the CPV. Thanks to this treasure, many revolutionaries dared to break the central regulation to revive the economy that latter took Vietnam to the renovation to avoid a collapse.

The Vietnamese tradition also played a significant role for the CPV's cohesion. According to Vietnamese village and family customs, people are usually given friendly names based on their orders in their family. For leaders, noms-de-guerre are also common. Thus, Le Duan was known as Anh Ba (Third Brother), while Nguyen Van Linh was called Anh Muoi (Tenth Brother). This phenomenon was reflected in formal CPV documents, often signed by friendly names and sent to friendly names of the party leaders instead of their official names (Communist Party of Vietnam, 1975). The relations among many government officials, especially revolutionaries who had worked and lived closely together during the wars, were usually a mixture of family and business relationships. Perhaps, for this reason, the debate between Le

Duan and Nguyen Van Linh who had longstanding ties of collaboration and even affection rather than two rivals like Lenin and Trotsky in Russia. The amazing thing is not that he resigned, as opposed to being dismissed, but that he was able to retain his position on the central committee and to rise again several years later.

No Vietnamese top leader, concentrated power to nearly the extent of Stalin in the USSR or Mao Zedong in China. Power has traditionally been collective in the top Vietnamese leadership rather than concentrated in a single person. In a classic communist regime, party leaders exercise near-total power. Those below who seek to innovative have two options: (1) seek to obtain supporting signals from the leader(s) through their speeches, visits, or individual contacts, and/or (2) exploit the ambiguities in party resolutions (Dang, 2008). Thus, even in China as Sachs (2010) pointed out “individuals have a great capacity to distort party policy during the process of implementation... local leaders have intervened in the governing process to amend outcomes to suit their own preferences”. Local officials in Vietnam had applied similar methods effectively (Nguyen, 2005).

Moreover, de facto decision makers did not usually sign official documents or leave related clues, especially when they were bending central government policies. They often gave only oral commands or vaguely worded handwritten letters (Huy-Duc, 2012). If central government leaders later became concerned, local leaders could then act as negotiators to smooth things over. In the case of food in HCMC, Vo Van Kiet told his subordinates “If you go to jail, I will take care of you”. It was obviously a strong commitment, intended to inspire confidence among his subordinates. But oral commitments were only appropriate for those who were close and well understood each other. Inherited from the war time and Vietnamese tradition, the relation among many government officials was, usually a mixture of family and business relationships. Who could have dared such insubordination except people like Nguyen Van Linh, Vo Van Kiet, Mai Chi Tho, and Ba Thi, who were recognized heroes of the revolution? Their loyalty was never in doubt. They had experienced wide autonomy during the war, when communications with the center were sporadic, and they continued to strain for it in the postwar period (Dang, 2009). In the foreign trade case, Mai Chi Tho and Vo Van Kiet had enough courage and credit to allow private businesses, especially those run by ethnic Chinese, to conduct foreign trade. They knew that only the ethnic Chinese had the skill and experience to conduct foreign trade effectively. They took risks, however (Dang, 2009). And their pragmatism was stronger than their ideology.

*The Vietnamese people or public in the coalition.* The participation of the people was strong. The CPV was able to mobilize the mass to participate into the mission to gain the country’s independence and fight to keep it. The unity of Vietnam is like the unity of a chain (Buttinger, 1968). The participation of the constituencies having long-term interests – the Vietnamese people was massive and the pressure of to be or not to be was extremely high. There has been a long history of Vietnamese’s determination to fight enemies and keep the nation’s independence (Buttinger, 1968). The Vietnamese has an instinct on the nation’s independence. It has never lost in wars through the history. The people have always supported governments in wars.

*Foreign governments or partners in the coalition.* The Vietnamese revolutionaries clearly knew the importance of the external support. The Soviet Union and China were the most important as they recognized and supported Vietnam. Vietnam’s leadership skillfully dealt with other countries to pursue the missions. Not only did Vietnam act independently, it also exploited the split between the two for Vietnam’s reunification goal. Never naïve, North Vietnamese leaders, as Mehta (2012) points out, were realists who shared with the people of Vietnam feelings of distrust for China that stemmed from ten centuries of Han Chinese rule over Vietnam. The relationship between Vietnam and China has been much bumpier than that with the Soviet Union. Loyalty to the ideology helped Vietnam to avoid the to be or not to be choice between Soviet and China in the 1960s. The Soviet Union and China was in a competition to support Vietnam. Therefore, Vietnam could neutralize the influence from the two brothers



while receiving huge aids to pursue its way. The CPV and Vietnamese government has been capable and competent and never as a puppet of Soviet Union and China (Asselin, 2001; Vu, 2017). Besides dealing with the Soviet Union and China, Vietnam also had to deal with other ‘brothers’, especially Cambodia and Lao. As demonstrated, all senior Vietnamese leaders played active role in external relations. However, the CPV made serious mistakes in external relations and paid costly prices.

### ***Pressure***

Since establishment to Doi Moi, the CPV always faced extremely difficult situations and strong pressure. Many times, it was in the situations of to be or not to be. From 1930 to 1943 when Comintern abandoned the CPV, the CVP and Ho Chi Minh had many problems with Comintern. Vietnamese revolutionaries had to adapt in different situations to lead its alliance to achieve the independence for Vietnam. After 1945 till 1950 – when the Soviet Union and China officially recognized and endorsed the DRV, it had to fight the French in uncertainty situations. Since 1950, the CPV and DRV still faced strong pressure from the enemy and the brothers as the confrontation between the Soviet Union and China. The CPV had a short period of freedom after the reunification. Unfortunately, serious mistakes made the CPV and Vietnam’s government faced strong pressure again. The failures of the decade before Doi Moi made the pressure stronger over time. When on the brink of collapse, the CPV was able to renovate as mentioned above. Continuous pressure forced the CPV to be rational.

### ***Conclusions***

Through lens of public choices and public entrepreneurship, this paper examines ingredients for Vietnam’s Renovation in 1986 when the Socialist Bloc was falling apart, and Vietnam’s communist regime was in a brink of collapse. The findings show that public entrepreneurship and collective wisdom have made the communist regime lead the Vietnamese people to gain the national independence and change Vietnam’s development model to achieve high economic growth and inclusive development. Individuals pursuing private purposes also take proper account of public value as Ostrom’s argument, and rational collective actions are possible. There are three conditions for collective wisdoms including: public entrepreneurship, strong governing and supporting coalitions; and pressure to achieve group interests.

The party’s cohesion and discipline helped it to win all other forces to lead Vietnam to the independence and build the Democratic Republic of Vietnam (DRV) in 1945, then led the country through two brutal wars, a difficult period after the reunification and the renovation in 1986. Martin Rama (2008), the chief economist of the World Bank Office in Vietnam wrote: “Unlike in other transition countries, there were no internal coups, no political purges, no open infighting.... Some of the same leaders who embraced the planned economy model in the 4<sup>th</sup> Congress were leading Doi Moi by the time of the 6<sup>th</sup>.”

Vietnam’s achievements for over three decades of Doi Moi are indeed significant. The World Bank Chief Economist Pinelopi Goldberg (2019) wrote in the Bank Blog “*Vietnam’s achievements since the beginning of its Doi Moi strategy in 1986 are nothing short of exceptional. Vietnam’s shift from a centrally planned to a market economy has transformed the country rapidly from one of the poorest in the world into one of the most dynamic economies in the East Asia region.*”

In short, the development of the Communist Party of Vietnam from its establishment in 1930 to Doi Moi in 1986 is an obvious example of rational collective actions and public entrepreneurship. Whether the CPV can keep its value or culture is an open question.

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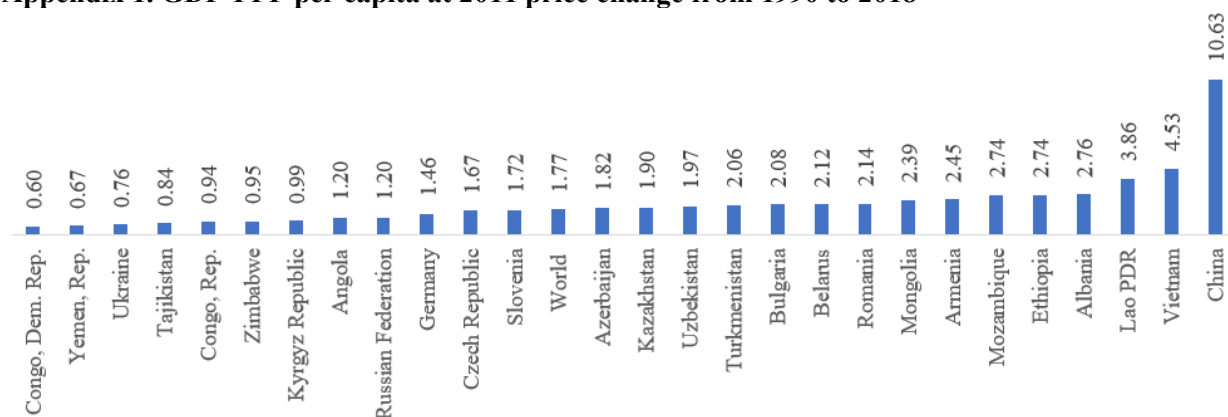
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## Appendix 1. GDP-PPP per capita at 2011 price change from 1990 to 2018\*



\* Russia and Ukraine (from 1990-2017)

Source: Author's rendering from World Development Indicators

## Appendix 2. General Secretary of the Communist Party of Vietnam

No	Name	Took office	Left office
1	Trần Phú	27-Oct-30	6-Sep-31
2	Lê Hồng Phong	27-Oct-31	26-Jul-36
3	Hà Huy Tập	26-Jul-36	30-Mar-38
4	Nguyễn Văn Cừ	30-Mar-38	9-Nov-40
5	Trường Chinh	9-Nov-40	5-Oct-56
6	Hồ Chí Minh	5-Oct-56	10-Sep-60
7	Lê Duẩn	10-Sep-60	10-Jul-86
5	Trường Chinh	14-Jul-86	18-Dec-86
8	Nguyễn Văn Linh	18-Dec-86	28-Jun-91
9	Đỗ Mười	28-Jun-91	26-Dec-97
10	Lê Khả Phiêu	26-Dec-97	22-Apr-01
11	Nông Đức Mạnh	22-Apr-01	19-Jan-11
12	Nguyễn Phú Trọng	19-Jan-11	Incumbent

## Appendix 3. Top leaders in HCMC from 1975-1985

<u>Time</u>	<u>Party secretary</u>	<u>Chairman</u>	<u>1<sup>st</sup> Deputy secretary</u>
01/1976-12/1976	Nguyen Van Linh	Vo Van Kiet	Mai Chi Tho
12/1976-06/1977	Vo Van Kiet	Vo Van Kiet	Mai Chi Tho
06/1977-08/1978	Vo Van Kiet	Vu Dinh Lieu	Mai Chi Tho
08/1978-12/1981	Vo Van Kiet	Mai Chi Tho	Mai Chi Tho
12/1981-07/1985	Nguyen Van Linh	Mai Chi Tho	Mai Chi Tho

#### Appendix 4. Chronology of major events from 1975-1986 related to Ho Chi Minh City

- 1975 Apr 30, Reunification  
Le Duan revealed his intention to allow the south to maintain the multi-sector economy  
In the 24<sup>th</sup> Plenum of the Central Committee (CC)<sup>3</sup> III, the CPV allowed the south to preserve the multi-sector economy  
The first campaign of the socialist transformation
- 1976 Establish the committee of transformation of private industry and trade (the socialist transformation committee)  
In its 4<sup>th</sup> Congress in September, the CPV decided to eliminate capitalism to build socialism quickly
- 1977 The CPV urged and directed to quickly implement the transformation  
In the 1<sup>st</sup> Congress in April, HCMC's party allowed other economic sectors to exist along with state and collective sectors  
China cut off its aid to Vietnam and withdrew all technical assistance
- 1978 Do Muoi replaced Nguyen Van Linh as head of the socialist transformation committee  
The second campaign of the socialist transformation  
The Politburo urged to propel the transformation process  
Vietnam joined the Council for Mutual Economic Assistance and signed friendship treaty with USSR  
The ethnic Chinese event caused by (exodus of Sino-Vietnamese)
- 1979 HCMC broke the central regulation to go to Mekong Delta to buy rice  
The 6<sup>th</sup> Plenum of CC IV loosened policies toward the market economy
- 1980 HCMC's government allowed the association of small businesses to import raw materials  
September, Thanh Cong Textile Company implemented a pilot project 304/80 TC
- 1981 Vietnam's Government issued the decree 25-CP to allow SOEs to have three-part plan  
HCMC established import-export companies (Imex)  
Nguyen Van Linh replaced Vo Van Kiet as the city's party secretary
- 1982 The central government sent many delegations to check the situation in the city  
The 5<sup>th</sup> Congress of the CPV  
The Politburo issued resolution 01-TW/NQ to criticize HCMC  
The central government checked the operation of import-export companies
- 1983 The Meeting in Dalat  
The Politburo sent a delegation to HCMC to check the implementation of the resolution 01  
Le Duan took part in the 3<sup>rd</sup> Congress of HCMC's party
- 1984 The meeting in Phuoc Long Textile Company
- 1985 Truong Chinh praised the city creativeness in a meeting with the city's party  
The book "Ho Chi Minh City Ten Years On" by Nguyen Van Linh was published  
Nguyen Van Linh was reelected to the Politburo
- 1986 Nguyen Van Linh left for Hanoi to hold the standing position of the secretariat board  
The 6<sup>th</sup> Congress of the CPV, Doi Moi was officially kicked off and Nguyen Van Linh was elected as the nation's top leader.

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<sup>3</sup> Central Committee is the highest authority of a communist party. Its members are elected in party congresses. There are plenums – meetings of all central committee members between congresses to decide specific policies based on resolutions in congresses. In Vietnam these meetings are usually semi-annual.