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DEVELOPMENT OF FINANCES IN THE DEMOCRATIC REPUBLIC OF VIETNAM

By Trinh Van Binh

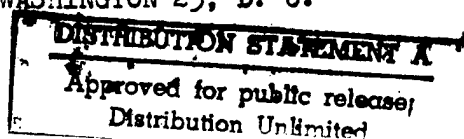
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FOREWORD

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DEVELOPMENT OF FINANCES IN THE DEMOCRATIC REPUBLIC OF VIETNAM

Following is the translation of an article by Trinh Van Binh entitled Razvitiye Finansov Demokraticheskoy Respubliki V'yetnam (English version above) in Financy SSSR, Moscow, No. 1, January 1961, pp. 81-86./

All the people of Vietnam are working with great enthusiasm towards a fulfillment of the Three Year Plan for the Economic and Cultural Reorganization and Development of the Country. This plan stipulates a significant increase in agricultural and industrial production. Basic attention is devoted to agriculture and primarily to food crops in order to resolve the problem of supplying the population with food of domestic production. At the same time, much significance is attached to the development of industrial production. It must provide the country with a large volume of the means for production of consumer goods.

The socialist reorganization of agriculture, the cooperativization of peasants is of the greatest importance in the socialist reorganization of national economy. The plan also stipulates an increase in the material welfare and a higher cultural level for all the people on the basis of a constant development of production.

The Vietnamese people are waging a determined struggle, surmounting serious difficulties, and have already achieved outstanding success in the building of their Homeland under direction of the Workers' Party, of the Government of the Democratic Republic of Vietnam and that of President Ho Chi Minh.

After victoriously culminating the war of resistance against French and international imperialism, we were forced to bear the burdens of a reconstruction period at a time when our country was split in two and was lying in ruins. At that time the productive forces both in the villages and the cities were in a state of deterioration and production relationships characteristic of a feudal economy predominated. The majority of the population was engaged in petty and very petty economy: over 10 million peasants in the villages were independent farmers, the cities contained over 300 thousand craftsmen and 200 thousand petty merchants. Private capital controlled many

decisive branches of industry -- most of the metal processing enterprises as well as the production of building materials, rubber products, the trade in yarn and textile products, the products of the agricultural and timber industries, as well as tobacco products, bicycles and motorcycles in addition to foreign trade operations and mechanized transportation. The publication business, the output of the printing industry, cinematography and the cultural-visual enterprises also belonged to private entrepreneurs.

Despite the fact that the state sector of the economy was already in existence, it did not possess enough power to assume a leading role in the country's economy. In 1955 only 20% of the overall retail commodity turnover was accounted for by the state internal trade sector and by the consumer-supply cooperatives, and only 23.6% of the overall cargo turnover was handled by the state transportation sector.

The cultural level of the predominant majority of the population remained low, a great lack in engineering-technical personnel and qualified workmen was felt in the country. Labor conditions were hard, the material welfare of the people left much to be desired. After evacuation of the French troops and the dismantling of a part of the industrial enterprises that were left after the war there were approximately 140,000 unemployed in the country.

Under these difficult conditions our people were confidently building the Democratic Republic of Vietnam and achieved outstanding success in all areas of life within a short period of time. Over a period of five years our people changed North Vietnam in a radical manner with the constant support and unselfish aid by all of the brotherly countries of the unified socialist camp.

During the period from 1955 to 1959 the gross output of agricultural production increased by 52.6%. The average annual rate of growth of agricultural production was 11.1%. The production of rice was increased from three million 600 thousand tons to five million 194 thousand tons. The production of basic industrial crops was increasing at a particularly rapid rate. Over a five year period it increased threefold. The increase in the output of the animal husbandry industry for the same period of time was 130%.

Industry was also growing at a tumultuous tempo. The volume of production over a five year period within the state sector increased by 16 times. The increase in gross production of the handicraft and private capital industry amounted to 65%. The average annual rate of development of industrial and handicraft production of the socialist sector amounted to approximately 30% from 1955 to 1959.

The rapid development of agriculture and industry assured an accelerated expansion in the turnover of commodities. From

1955 to 1959 the retail domestic trade commodity turnover increased by 99%. The volume of exports and imports increased more than eightfold. Last year, for the first time after the war, the value of exported goods exceeded that of the imported commodities.

The increase in production in all of the branches of the national economy of the country was occurring on the basis of a constant reorganization of production relationships on socialist principles and a constant growth and consolidation of the state public sector of the national economy.

Over the past five year period the share of the state sector in the total gross industrial product increased from 13.7% to 42%; the share of state transportation in the overall cargo turnover increased from 23.6% to 71.7%. In 1955 the state sector of domestic trade and consumer supply cooperatives accounted for only 20% of the retail commodity turnover, whereas in 1959 they accounted for 62.5%. In 1959 the share of the state sector in foreign trade commodity turnover of the DRV (Demokraticeskaya Respublika V'yetnam -- Democratic Republic of Vietnam) amounted to 99.8%.

A socialist reorganization of agriculture, handicraft industry, petty trade and of the private capital segment of industry is at the present time being consistently and steadily conducted in the republic.

A consolidation of the cooperatives is occurring along with the development of industrial cooperativization. The numerous peasant producers' cooperatives are at the present time improving techniques for the cultivation of agricultural crops. The handicraft workers, amalgamated into cooperatives, are perfecting their work methods, constantly increasing the productivity of their labor, expanding the volume of production and are expanding the number of products necessary for the development of the entire national economy.

The reorganization of private capital industrial enterprises into state-private enterprises with mixed management brought about a labor upsurge among the workers. The machinery and equipment are used in a much more effective manner at these enterprises; raw material, electrical energy and fuel are used there with greater economy. All this leads to an increased output and a higher productivity of labor as well as a lower cost of production.

In 1959 over 28,000 petty merchants also joined into various forms of cooperatives; 12,000 merchants went to work in production, many became employees of state trade organizations.

The rapid development of production in all branches of the national economy is accompanied by an uninterrupted rise in the material welfare level of the Vietnamese people. The national income per person in the DRV increased almost by 90% in 1959 as compared with 1955.

The employment problem has also been resolved in the country. Just last year over 40,000 members of the urban population obtained work at government enterprises; in addition to that 22,000 persons took part in public works.

An increase in the volume of production within the national economy leads to a consolidation of the financial system of the DRV. The state budget of the republic for 1959 was almost twice as large as that for 1955.

The constant changes are surmounted by the revenue structure of the national budget of the country. Receipts from enterprises of the state sector of the national economy are presently several times higher than the taxes paid by the population. With an increase in the receipts from enterprises of the state sector, direct taxes on the population and cooperatives diminish. The share of taxes in the receipts of the national budget are decreasing; tax payments by the various categories of the population are also decreasing.

Receipts from enterprises of the state sector for the revenue portion of the state budget of the DRV (in the form of profit taxes as well as turnover taxes) increased from 14.5% in 1955 to 75.1% in 1959. The share of tax receipts in 1955 comprised 76.2% of the entire budgetary revenue and in 1959 it dropped to 21.4%.

The Vietnamese people receive unselfish economic aid from all countries of the socialist camp. In 1955 the amount of such aid comprised 38.6% of the revenue portion of the state budget of the DRV, while in 1959 it amounted to 17.7%. The great achievements of our republic are the result of a proper political course of the Workers' Party of Vietnam and of the great creative efforts of the people.

In order to realize the Three Year Plan for the Economic and Cultural Reorganization and Development of the Country, the XIV Plenum of the Central Committee of the Workers' Party of Vietnam outlined concrete measures for a further consolidation of the financial position in November of 1958. The decisions of the Plenum point out that "the development of industrial and agricultural production, and an increase in the per capita income of the population of the country and an expansion in the commodity turnover, comprise the means for increasing state funds. . . ." Under these new conditions it is necessary to study and find corresponding policies and methods in the sphere of economics and finance, in order to establish a proper distribution of income among the various layers of the population and also to see that such distribution would respond to the problems of reorganizing and developing the economy.

It is necessary to actively struggle for an increase in revenues, it is also necessary to control expenditures with greater effectiveness, to lower administrative-management expenses, and to struggle against squandering. Funds, designated

for construction and for administrative expenses must be conserved in every way; it is necessary to strive for a more effective utilization of funds for the economic and cultural development. It is necessary to intensify financial management and to improve the activities of the financial institutions, to make such management more rational and to liquidate bureaucracy and red tape in financial management. It is at the same time necessary to struggle for an increase in conscientiousness by all of the branches and links of the national economy while observing financial discipline.

In order to fulfill all of the tasks outlined above, all organs of the people's government at all levels must constantly intensify and improve the management of financial work; all branches of the national economy and all of the enterprises must improve their financial activity. It is necessary to correlate in the closest fashion the tasks in the economic field and tasks in the field of financial work, in order to consolidate the finances and to develop the economy."

As a result of the widespread movement for an improvement in the management of the enterprises more favorable circumstances for an intensification of financial control were evolved after 1957. This permitted an active struggle for an increase in revenues and for their most rational utilization. Economic results of the activities of the individual enterprises and entire branches improved and at the same time they were spending less funds than before.

The workers of the financial system of the DRV are determinedly and persistently struggling for the consolidation and expansion of the principle of economic accountability at industrial enterprises, in capital construction, and at state farms. Despite the difficulties the results of the implementation of the principle of economic accountability is already in existence. The volume of production is constantly increasing, the productivity of labor is also increasing, while the cost of production is decreasing. As a result of an intensified financial control, the responsibilities of the enterprise and individual branch directors of the national economy for the fulfillment of planned capital accumulations, for the timely deduction of funds for the state budget and for the observance of financial responsibility have increased.

A problem which is still in need of a solution is the further regulation and an accelerated concentration of the pure profits of the state enterprises in the hands of the government. At the present time when the economy of the country is still not fully reorganized on a socialist basis, the taxes remain one of the most important sources of revenue for the state budget. The income of private entrepreneurs is limited by means of taxes; taxes also regulate the market and stabilize prices.

The tax work changes with the degree of socialist reorganization, with the degree of cooperativization of agricultural production, of the handicraft industry, of petty trading and with the creation of a state-capitalist sector of the economy. It is conducted in the interests of a more rapid development of the national economy in accordance with the necessity to extend multilateral aid to the cooperatives, to promote the development and consolidation of the system of economic accountability in the activities of the state enterprises and cooperatives. A tax policy designed to extend favorable terms to the peasant producers' cooperatives, handicraft workers and cooperative organizations of petty merchants was put into effect in the DRV beginning with 1959. The tax system serves to further develop and consolidate cooperative property, it is conducive to the amalgamation of the individual commodity producers into producers' cooperatives and to the reorganization of the cooperatives of the lower type into cooperatives of the higher type. The tax policy is directed at a multilateral increase in the output of cooperative unions of the peasants and the handicraft workers, at the perfection of techniques and technology, at an expansion in the variety of products that is necessary for the development of the national economy and the satisfaction of the demands of the population, at an increase in the level of material welfare of the cooperative members. A just distribution of the profits among the producers' cooperatives in the various branches of the national economy is also accomplished on the basis of tax policy.

In the end analysis the system of taxation is conducive to a liquidation of the old economic foundation and of the old classes and to the consolidation of the new economic basis of the new classes; it is called upon to serve the gradual growth and strengthening of socialism.

In the matter of distributing funds, we are adhering to a course of "receiving funds from the people and spending them for the benefit of the people". The Workers' Party of Vietnam and the Government of the DRV base themselves on the following principles: to constantly expand construction in the economic field and in the field of culture; to constantly raise the material welfare and the cultural levels of the people; to reduce administrative-management expenses in every possible way. This is indicated by the following data on the nature of budgetary expenses:

	1955	1956	1957	1958	1959	1960 (Plan)
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The overall share of
expenditures for
economic and cul-
tural construc-
tion.....

1955	49.5	62.3	64.7	67.2	69.9	68.6
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The overall share of
expenditures for
defense and ad-
ministrative-manade-
ment expenses.....

1955	41.0	30.8	29.8	28.6	25.5	24.5
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The state budgetary expenses of the DRV for the economy and for the construction and development of the socialist culture are increasing from year to year, while the share of expenses for defense and administrative government matters constantly are decreasing in the overall volume of budgetary expenditures. This is the best possible confirmation of the peace loving policies conducted by the Workers' Party of Vietnam and by the Government of the DRV.

Expenses for capital construction are growing at a particularly rapid rate. In 1955 capital investment in the national economy comprised 40.9% of the overall budgetary expenses while in 1959 their share of the expenditures increased to 49.9%, in an absolute expression the volume of capital investments for that period of time increased almost threefold. As a result of the increasing rate of capital investment the agricultural and industrial production is developing at a rapid tempo, the government sector of the economy is steadily expanding and becoming consolidated; the state revenues are growing and the workers' welfare is constantly increasing. There is also a constant increase in expenditures for education, the development of science and technology as well as for the training of engineering-technical workers and qualified workmen and for public health and social security.

One of the most important achievements of the Vietnamese people is the liquidation of illiteracy among the population of the plain regions. Over a period of five years 1,745 new general education schools were opened in the DRV and the number of students almost doubled, 30 specialized secondary educational institutions were added and the number of students attending them increased by six times. Over the same period of time six more institutions of higher learning were opened. The number

of medical-prophylactic institutions doubled along with an increase in the number of workers receiving medical aid. The number of doctors increased by 80%. We now have twice as many doctors as we did in all of Indo-China during the French colonial domination.

The number of periodicals increased almost threefold in the DRV between 1958 and 1959, the number of literary works serving the matter of socialism also increased. There has been a fourfold increase in the number of libraries while the number of theaters and motion pictures theaters increased by approximately three times.

Despite the large and constantly increasing government expenditures for the development of culture and social security, the educational, public health and cultural demands of the workers of the DRV are at the present time still not fully satisfied. The Workers' Party of Vietnam and the Government are undertaking all possible measures in order to attract the broad masses of the workers for participation in public and cultural work. It is conducted under the slogan: "The people do it themselves and the government assists". This slogan inspires the workers and increases their activity. The broad masses are drawn into work with schools, medical points, maternity homes, kindergartens, creche, and homes for the aged. This work encompasses all the villages, all the mountain regions and all corners of the country.

Extensive ties with the masses of the population, reliance on the workers -- this is a proper policy that is supplemented by an economic policy of the Workers' Party, national patriotism, the revolutionary traditions of the people that spring from the glorious August National-Democratic Revolution of 1945.

An improvement in the management of the economy and finances is a central task. Since the restoration of peace in Indo-China the republic has achieved exceptional success in the management of the economy and finances. Some of the concrete measures to improve the management of industrial enterprises, trading enterprises of transportation, communication and state farms, along with the realization of a constant financial control and a struggle against squandering.

With the growing economy and culture the demands for qualified management are also increasing, the financial-economic work is constantly becoming more complex. The progress that we have achieved in financial-economic work turns out to be inadequate. The management of the economy and finances is a new facet for our personnel and economists, it has still not been adequately studied, it is therefore necessary to manage and study the work at the same time.

It is also necessary to adhere to a course of "much, fast, good and inexpensive", to develop a sense of responsibility

among the personnel for the realization of this course, to strictly observe financial discipline, to intensify the control of economy and the finances by state organs. It is also necessary to improve ideological work, to educate cadres, workers and employees in a spirit of thrift and diligence as well as in the spirit of service in the cause of socialism.

The numerous difficulties in financial work during the period of transition from capitalism to socialism -- difficulties that are quite surmountable, are the difficulties of growth.

Under the guidance of the Workers' Party of Vietnam, the Government and President Ho Chi Minh along with the brotherly aid by all of the countries of the socialist camp and primarily that of the Soviet Union and the Chinese People's Republic, the Vietnamese people will develop and consolidate the national economy and finances and will be able to surmount all difficulties on the path of building socialism in North Vietnam as well as in their struggle for the unification of their Homeland.

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