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### Review Of "National Unification And Economic Development In Vietnam" By M. Beresford And "The Agrarian Question In North Vietnam, 1974-1979: A Study Of Cooperator Resistance To State Policy" By A. Fforde

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Review

Reviewed Work(s): National Unification and Economic Development in Vietnam. by Melanie Beresford; The Agrarian Question in North Vietnam, 1974-1979: A Study of Cooperator Resistance to State Policy. by Adam Fforde

Review by: Frederic L. Pryor

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changed significantly between the fifties and the eighties under the influence of the creation and expansion of the European Economic Community, trade liberalization through GATT and decolonization. Goods produced in other developed countries now account for a considerable fraction of domestic consumption and an important part of domestic output is now sold abroad. Additionally France's exposure to inward direct investment increased markedly after the formation of the EEC. To assess the impact of those changes on competition, the author synthesizes several empirical studies showing a negative correlation between import exposure and price-cost margins and profitability or between import exposure and increases in price as well as a positive correlation between the sensitivity of domestic prices to shifts in domestic costs and propensity to export. Thus, it appears that increased international trade and investment did contribute to increased competition on French markets and to growth.

Finally, a chapter is devoted to changes in the domestic environment and in particular to competition policy and the emergence of competition in the retail trade. The author correctly points out that these developments, which have taken place mostly during the latter part of the seventies, are too recent to have had a significant impact on the postwar growth of France. He is also correct in pointing out that government efforts to promote competition on domestic markets through the strengthening of competition law and the modernization of the distribution sector were at times halfhearted even if they succeeded in the long run. However, he may understate the significance of these developments for the future by analyzing mostly their impact on the structure of the distribution sector. Indeed there are grounds to believe that one of the main consequences of the emergence of powerful nation-wide chains of large-scale distributors in France, which compete on prices in a highly visible manner, has been to change the attitude of consumers in the market place by making them realize the benefits to be expected from competition and enticing them to use their buying power in a way that would force their suppliers to compete. This development is of importance in a country in which rigidities on the supply side were complemented by conservatism on the demand side.

Thus the message conveyed is clear. Exposure to competition was the decisive factor leading to the important structural adjustments that made rapid and sustained growth possible in postwar France. If industrial policy played a role in promoting growth in a small number of specific industries in which government could influence both supply and demand, its overall impact was limited to facilitating the structural adjustments prompted by increasing domestic and international competitive pressures rather than to initiating those changes.

Altogether, this book offers extremely valuable and thought-provoking reading for those interested in the debate on the pros and cons of industrial policy as well as one of the most penetrating comprehensive analyses of French contemporary economic reality.

FREDERIC JENNY

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*National unification and economic development in Vietnam.* By MELANIE BERESFORD. New York: St. Martin's Press, 1989. Pp. xvi, 296. \$45.00. ISBN 0-312-03093-2. JEL 90-1176

*The agrarian question in North Vietnam, 1974-1979: A study of cooperator resistance to state policy.* By ADAM FFORDE. Armonk, NY and London: Sharpe, East Gate, 1989. Pp. xxii, 265. \$39.95. ISBN 0-87332-486-2.

JEL 90-0086

The two books under review join the growing literature on the economy of Vietnam. Unfortunately, Fforde leaves the story in 1981 and Beresford in 1985 before the economic reforms began to accelerate.

Adam Fforde's book focuses primarily on management problems in North Vietnamese cooperative farms in the middle and late 1970s. It provides an extremely useful analysis of the internal operations of the collective farms where, in a situation with weak internal discipline of the Marxist party in the rural area (p. 5), the peasants were able to subvert the system. Of particular importance is his attention to "nominal cooperatives" where farms appear to function as normal cooperatives, but the central managers have relatively little control over the activities of individual farmers so that the farms act more to service such smaller units,

rather than as a unit of central control. He estimates such farms comprised roughly 75 percent of the total in North Vietnam during the middle and late 1970s.

Fforde's discussion centers on the 1974 introduction of the "New Management System," which was supposed to lead to larger cooperatives and more centralized management. By 1979 he argues such an approach had failed for two reasons: a) Wet-rice cultivation exhibits no economies of scale so that the basic cooperative form was inappropriate; and b) the ambitious industrialization plans led to suppressed inflation in the urban areas, which in turn made private sales of agricultural products on the peasant markets more profitable. These forces, combined with dysfunctional incentives for participation in cooperative production, led to "nominalization" of the cooperative farm. Dr. Fforde also notes an interesting Vietnamese criticism against the system, namely the party leader serving also as farm manager led to technological conservatism and incompetent economic administration.

Although none of these arguments is documented as thoroughly as one might desire, the author's major contribution is his analysis of the management problems arising from conflicts of interest between cooperative farms and the state on the one hand and the government's difficulties in policy making. His emphasis on the methods of governmental policy implementation is also a welcome contribution to the literature on Marxist agriculture. He rightfully points out that measures such as the introduction of the contract system in 1981 can be interpreted either as a modified piecework system or the first step taken toward a Chinese-style "responsibility system," depending upon how the system is implemented.

Melanie Beresford's book focuses primarily on South Vietnam and the economic problems of unification. Her major thesis is that

the relative autarky and low productivity growth of "traditional" socialist economy will not be able to survive the impact of unification with a system of generalized commodity exchange based on competition. Any attempt to impose administrative planning mechanisms on such an economy, even if better prepared than in the Vietnamese case, is likely to destroy the productivity gains that can be had from using an incentive system to build upon the existing division of labor. (p. 242)

To reach this conclusion she examines the colonial economy of Vietnam and argues, in contrast to others, that the southern and northern regions were not economically integrated so that the split of the country in 1954 after the war of liberation did not result in severe economic dislocations. Unfortunately her data and arguments never really join battle with the data presented by Nguyen Tien Hung (1977), whose interpretation on this integration issue she is disputing.

In the period following the 1954 split she shows how market relations, especially between the urban and rural areas, deepened in South Vietnam because of the ready availability of imported goods. In agriculture she argues that the increasing uncertainty in the countryside arising from Vietcong activity, combined with pressures both from the peasants and the Americans to institute a thoroughgoing land reform, led to a dramatic land redistribution, with the Gini coefficient of land ownership decreasing from .62 in 1967 to .28 by the mid-1970s (my estimates from a Lorenz diagram on p. 101) in the Mekong delta area. This, in turn, led to an increase in investment in agricultural equipment and the solidification of an independent and land-owning peasantry in that area, who strongly resisted collectivization in the postwar years.

Although the main lines of her argument generally appear reasonable, the argumentation and analysis is weak, in large measure because Dr. Beresford, a professional historian, has only a superficial acquaintanceship with the non-Marxist literature on development economics. As a result she does not devote attention to certain crucial issues such as the implicit exchange rate used in the monetary unification taken by the North Vietnamese after 1975 (a problem which has bedeviled unification of the two Germanys) or the specific arrangements in such institutions as the collective farms which shape the incentives facing individual workers. Moreover, the author's use of quantitative information is often misleading, not just because she uses North Vietnamese data uncritically (e.g., on page 167 she speaks of a 42.6 percent average annual growth rate in industry in North Vietnam in the late 1950s) but also for many elementary errors such as confusing the relative flatness of particular curves on a graph with production stagnation (p. 67) without taking

into account the compressed scale of the axis which washes out an average annual growth rate of 3.9 percent (calculated from data from p. 94).

The book is written from a Marxist perspective, which means that it often takes several paragraphs of contorted discussion to reach relatively simply conclusions. For instance, after long discussion Dr. Beresford concludes from ideological evidence that the traditional collective farms do not provide the proper incentives to encourage hard work, a judgment which is unfortunately not buttressed by an analysis of the actual incentives facing the farmers. Political bias is also apparent, e.g., she criticizes the U.S. for using the war as an excuse to expand its rice markets in Vietnam, noting only later that Vietcong activity prevented Vietnamese-grown rice from reaching the city. Her misuse of certain concepts from bourgeois economics are an embarrassment, e.g., on page 55 she uses the ratio of GDP to gross investment when she really needs to use the incremental output capital ratio. In several footnotes the author, with a superior little smile, lectures the reader about "misunderstandings" of some bourgeois economists writing about Vietnam; in most such cases, however, Dr. Beresford totally misses the point of what they were trying to do. Finally, she leaves the reader with the impression that by 1985 the economic reforms were quite satisfactory; information emerging after the VI Congress of the Vietnamese Communist Party in December 1986 abundantly show that this was not the case and that much deeper economic reforms were necessary.

Although written in a tedious fashion, Fforde's book provides a wealth of detail on the internal operations of such farms which are available for no other communist nation and is a useful addition to the literature. Although containing some useful and new information, Beresford's book must be read selectively.

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#### REFERENCE

TIEN HUNG, GREGORY NGUYEN. *Economic development of Socialist Vietnam, 1955-80*. New York: Praeger, 1977.

*Technology and the pursuit of economic growth*. By DAVID C. MOWERY AND NATHAN ROSENBERG. Cambridge, New York, and Melbourne: Cambridge University Press, 1989. Pp. viii, 330. \$29.95. ISBN 0-521-38033-2. JEL 90-0647

This book is basically about the structure, conduct, and performance of the American R&D system, and how the current system came into existence. It also reflects on possible future developments now that we have entered an era where other nations possess technology and R&D systems as powerful as our own. In order to illuminate what is particular about the American system, the authors develop their case in part through comparative analysis. Thus there is an interesting chapter comparing the rise and organization of industrial R&D in the U.S. and Great Britain during the first half of the twentieth century. There is a short but well done comparison of contemporary Japanese science and technology with that in the United States. But the book is basically about the U.S.

The introductory chapter sets the analytical stage by presenting a broad overview of research, development, and the processes by which new technology gets into practice and utilized. The authors stress several important points, well understood by scholars of technical change, that often are misunderstood in popular discussion, and in some economic models. First, except in a few areas, "blue prints" (or the equivalent) describe only a small portion of what is needed to master a technology. To a considerable extent, control of a technology is a learned skill involving tacit know-how and touch. Second, while there are certain exceptions, technical advance generally does not come about through the exploitation of a new scientific discovery. Rather, for the most part, an inventive effort is defined by a perceived problem or opportunity and science is drawn on as needed to achieve the objective. Third, many fields of science—Sadi Carnot's thermodynamics is a canonical example and so too are modern fields like material science and the engineering disciplines—came into being in order to place technology on a scientific footing. Many research projects—in universities as well as in industry—are basically directed toward answering questions posed by technological problems