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No. 21/1999

**Entrepreneurs as Social Actors**

**Privatization and Social Change in China and Vietnam**

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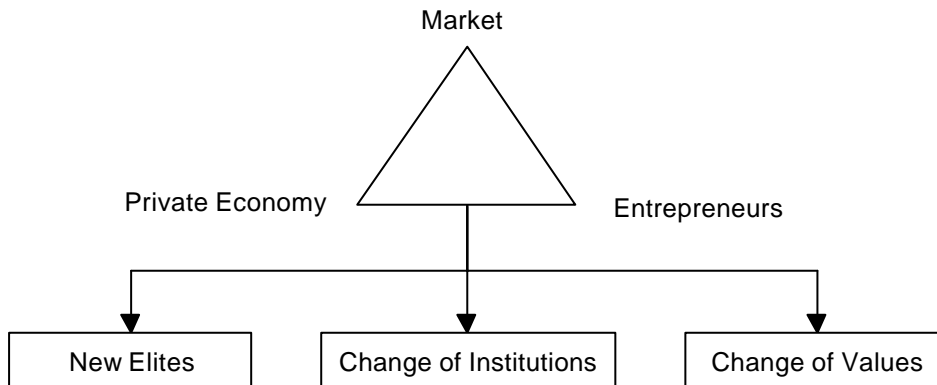
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# ENTREPRENEURS AS SOCIAL ACTORS PRIVATIZATION AND SOCIAL CHANGE IN CHINA AND VIETNAM

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Analyses of the transformation process in Eastern Europe refer sometimes to a "magic triangle", meaning the development of a market, of "autonomy" (private ownership) and "restructuring". The last term refers to economic adaptation to the market and the formation of an entrepreneurship.<sup>1</sup> A similar magic triangle is also the initial stage in the process of social change in China and Vietnam, which has significant consequences for social structures (changes in values, institutions and elites). Taking the new private entrepreneurship as an example, restructuring and its political and social consequences are investigated. Unlike in Eastern Europe, restructuring in China and Vietnam is not a top-down process, but mainly a spontaneous, bottom-up one.

**Figure 1: The Magic Triangle of Change**



## 1 Entrepreneurs as Social Actors

Until quite recently, there was no question of entrepreneurship in China and Vietnam. Only since the revival of private economic activities and their subsequent momentum have new entrepreneurs begun to emerge. The role of entrepreneurs in the process of political and social change has up till now largely been neglected in academic literature.<sup>2</sup> Neither in economic, sociological or political science theories have entrepreneurs been seen to play a significant role. This may be due to the influence of the classic economists (A. Smith, Ricardo), of neo-classics, or of Marxism, in which either individual

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<sup>1</sup> Dietz 1993: 170-172.

<sup>2</sup> Comp. Oesterdiekhoff 1993: 66-70.

actions, for example by entrepreneurs, are held to be of little relevance, or entrepreneurs as a social group are regarded as a negative factor.<sup>3</sup> Central functions were attributed to overall mechanisms like the market, investment or profit maximization, rather than to individuals or groups of individuals. The structuring and organising factor is then completely neglected here.

To begin with I will define just what should be classified under the term entrepreneur and which specific characteristics new entrepreneurs in both countries display.

In economic terms, the ideal-type entrepreneur is regarded as an active *homo economicus* who as an owner plans an enterprise, successfully founds it and/or independently and responsibly leads it with initiative, whereby [he] takes personal risks or capital risks.<sup>4</sup> Purely through the semantics of the word itself he is an "acting object",<sup>5</sup> whereby entrepreneurial activity sets a dynamic economic process in motion. Joseph A. Schumpeter, one of the most important entrepreneurship theorists, attributes creative, innovative behaviour and leadership qualities to entrepreneurs. Their function is to recognise and exploit new possibilities in the area of the economy. He also points out that the entrepreneur acts more by ambitions than by intellectual aims and frequently has to defend himself from accusations of deviant and antisocial behaviour.<sup>6</sup>

The economic side of entrepreneurship<sup>7</sup> however does not reveal anything about its social and political role. If - in line with the new system theory - one assumes enterprises to be "complex interwoven systems of events",<sup>8</sup> whose collective activities produce processes of change, then it becomes clear that entrepreneurs are actors who are substantially involved in forming and influencing this system. At the same time they do not act in a vacuum, but are embedded in structures of social relations, and therefore are not autonomous, but act within a social environment. Social relationships are a necessary prerequisite for successful business dealings. In order to fulfil economic functions, social and political commitment are required, particularly if founding and leading an enterprise is regarded not as an event, but as a process.<sup>9</sup> Because of this process-like nature, the entrepreneur must act above and beyond the purely economic sphere, in order to maintain, develop and expand the enterprise. The Marxist definition of profit orientation as the key characteristic of entrepreneurship does not go far enough. Firstly, profit is not an end in itself, but is - according to Georg Simmel - simultaneously a "centre of interest"<sup>10</sup> which "develops its own norms" and thereby takes on a controlling function. Secondly, psychic profits,<sup>11</sup> that is non-monetary incentives such as social recognition, are very important to entrepreneurs. In addition, in order to provide security and risk minimisation for the entrepreneur several factors are required: a legal framework, the creation of individual contacts with politicians, banks and authorities, and organisation in interest groups in order to achieve advantageous situations in economic, legal and political spheres vis-à-vis the state (precisely these activities can be characterised as political). The entrepreneur therefore has interests

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<sup>3</sup> Werhahn 1990: 17-20; Pierenkemper 1979: 9-14; Berghoff 1991: 15-20.

<sup>4</sup> Gabler Wirtschaftslexikon 1984: 1768/1769.

<sup>5</sup> von Eynern 1969: 1206/1207.

<sup>6</sup> Comp. Schumpeter 1928 and 1987: 149-151.

<sup>7</sup> Comp. the economic theory of entrepreneurship: Casson 1982.

<sup>8</sup> Rüegg-Sturm 1998: 3.

<sup>9</sup> Birley 1996: 20.

<sup>10</sup> Simmel 1994: 412.

<sup>11</sup> Lavoie 1991: 39.

which reach far beyond the economic sphere, even if they do serve to secure his economic activities. As an interest actor he therefore also promotes economic and social change. Werner Sombart referred to the capitalist entrepreneur (as opposed to the land-owning entrepreneur) as being "decidedly subversive and a re-organiser", because he breaks with old conventions and gears the current economic system to completely new aims.<sup>12</sup> At the same time, he has a well-developed desire for power in the form of his enterprising spirit which seeks to conquer all areas, not only in business, but also in state spheres.<sup>13</sup>

The question arises whether Schumpeter's ideal-type entrepreneur is also the typical entrepreneur in China and Vietnam, especially since the 'western' entrepreneur is usually regarded as an autonomous individual (in the terms of the philosophy of the Enlightenment).<sup>14</sup> Here we will refer to entrepreneurs as those who have founded and now run private enterprises or those who have taken over state-owned or privately-owned businesses which they now on the whole manage and develop independently.<sup>15</sup> This already demonstrates a great deal of innovation, as these are largely people who have left the secure state sector and now find themselves on economically, politically and socially risky, or even deviant ground. Kirzner and Codagnone (the latter referring to postsocialist societies) have shown that entrepreneurial alertness, i.e. recognising and reacting to market signals, even to weak ones, is more important than technical innovation. Chances and gaps in the market should be quickly recognised and exploited in times of difficult and turbulent markets and poor economic conditions.<sup>16</sup>

It follows then that the transitional phase in China and Vietnam requires particularly flexible private entrepreneurs. It is the task of the relatively new entrepreneurship to contribute to the development of an as yet incomplete market system. In order to do this, they must amass a great deal of knowledge and create considerable social connections, along the lines of "one makes the market work by working in the market".<sup>17</sup> Competence and knowledge however are not enough. Precisely in a situation where there is a lack of legal security, where private entrepreneurs are still subjected to some degree of economic, social and political discrimination, and where interest groups cannot openly act as pressure groups, the significance of informal structures such as social connections and networks is particularly great. This is also true for the primary aim of the entrepreneur, the desire or yearning for prosperity and the development of the enterprise, and also for another central factor in entrepreneurship: risk. Both require not only economic but also social and political safeguards.

To outline the area of action in which enterprises have influence: entrepreneurship allows a higher degree of autonomy, freedom to take decisions, independence and responsibility for oneself, and also implies a leadership function. The field of activity is also integrated in a tight web of social relationships. The entrepreneur in China and Vietnam is not organised in the usual *work units* (Chinese: *Danwei*), but is active, despite all the bureaucratic restriction, in the marketplace. And here he takes independent decisions, here he has a larger degree of social space. This freedom

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<sup>12</sup> Sombart 1987, vol. 1, part 2: 837

<sup>13</sup> Sombart 1987, vol. 1, Part 1: 327/328; Schumpeter 1987: 155.

<sup>14</sup> Comp. e. g. Schumann 1992: 13.

<sup>15</sup> Manager of state-owned and collective-owned enterprises, i. e. the sphere of "intrapreneurship" (innovative managers), comp. Carsud/Olm/Eddy 1986: 367/368).

<sup>16</sup> Kirzner 1978, 1983, 1985 and 1989: 21/22; Codagnone 1995: 64.

<sup>17</sup> Reid 1993: 242.

creates a specific attitude to business and makes the entrepreneur per se into an actor who more or less consciously tries to expand his room to manoeuvre, and not only in business, but also in social and political spheres, in which he of course also has to act. Therefore he has the function of an actor who in the first instance expands his own scope for action, but by doing this at the same time expands society's scope for action vis-à-vis the state. If the state restricts the entrepreneur's room to manoeuvre, the economic results of the market deteriorate and economic growth is reduced. For this reason, the economic policy maker, the state, has little interest in introducing too great a restriction on the entrepreneur.

A summary of the most important results of our surveys and interviews shows great similarities between entrepreneurs in China and Vietnam:

- One of the most important factors in the decision to become an entrepreneur was the desire for more independence and responsibility for oneself, which also indicates a desire for more individual and social room to manoeuvre. The percentage of those who expressed this wish was higher in more developed regions than in poorer areas. In the latter the desire for higher income and an improvement in living conditions was more significant. Other factors like access to capital, social connections (good relations with functionaries) and market chances also played a part in the decision. Self-fulfilment was one of the most important aims in life mentioned (in both countries over 70%).
- Most of the entrepreneurs had previously been employed as functionaries or as managers (in state-owned enterprises). Particularly in South and Central Vietnam the proportion of entrepreneurs from families of former 'class enemies' (members of the old regime, 'capitalists') and ethnic Chinese was high.
- The enterprise concept is influenced by traditional paternalistic ideas. Over 80% wanted to see their enterprise as 'one big family' in which the 'father' (the entrepreneur) looks after the employees, who then work for the enterprise with unselfish devotion.
- Large majorities were in favour of implementing market economy structures and freedom of economic development as a prerequisite for modernisation. They saw entrepreneurs as social role models and pioneers.
- The enterprises are very closely linked with the local authorities, which however leads to high costs (corruption, 'donations'). Without good social connections most entrepreneurs believe it would be very difficult to run their business. However, high percentages of those asked were critical about the way the Party and local government work. Only a quarter said they were satisfied with the Party's work. The others said the Party was bureaucratic and not very efficient and a hindrance to their business. In both countries over 70% agreed that it was necessary to establish legal security and political participation for entrepreneurs. In China there was a significantly greater percentage which spoke out in favour of entrepreneurs becoming involved in politics. This was less in the sense of individual activity and more concerning the creation of entrepreneur networks and interest groups. Absolute majorities were in favour of setting up non-state entrepreneur associations, even if they then primarily had to co-operate with the Party and

the state. Nevertheless more than a third was of the opinion that such associations should function as interest groups vis-à-vis the state.

- Criticism of the political system was more outspoken in Vietnam than in China. Considerably more entrepreneurs there regarded the current situation as a transitional phase on the way to a more democratic system. Dissatisfaction with constant political fluctuations by the Party leadership may encourage this tendency. Chinese entrepreneurs were more strongly in favour of strong political leadership (93%) than those in Vietnam. However, they then demanded of that leadership that it should introduce legal security and more freedom and individual rights.
- One must however take into account that there were also differences, in some cases significant ones, between regions and between urban and rural areas. Additionally, in Vietnam the replies varied significantly between the North and the South, due to very different socialisations, whilst replies from China were much more homogenous.

On the whole, even this rough summary of the results of our study shows that the new entrepreneurship is not only interested in processes of social and political change, but is actively seeking to further this aim. Moreover, these results show the transformatorial potential of entrepreneurs in China and Vietnam, which essentially consists of the following patterns:

- they generate a dynamic economic process and economic innovations, thus initiating processes of social change;
- they contribute to the establishment of a market system and they reinforce market thinking;
- their actions lead to a stricter separation of state and economy;
- they are by no means merely profit-oriented. Non-monetary incentives, that is psychic profits such as social prestige and acceptance are important as well. The realization of economic objectives demands at the same time social and political engagement and influences political input and output;
- their strong interest in economic security and risk minimization requires the establishment of social connections and networks, a legal framework as well as the organization of interests in special associations in order to create advantageous conditions for business. Thus entrepreneurs may act as protagonists for a legal system;
- they prefer a higher degree of personal freedom, individualism, autonomy and self-responsibility;
- their actions engender a change of the social structure;
- their specific consumption behavior and life style influence the change of values and attitudes;
- they disregard old patterns and thus change not only values, but also institutions.

On the whole one can assume the following socio-political aims of private entrepreneurs in China and Vietnam:

- Desire for political and financial security and legal protection
- Rejection of dominance by and preferential treatment of state ownership and distributional structures
- Aversion to constant attempts by the Party and state to interfere in business.

## 2 Entrepreneurs in Official Discourses in China and Vietnam

The debate about entrepreneurs in China and Vietnam is comparatively new, since until recently entrepreneurs simply did not exist. In the 1950s the terms 'capitalist' and 'bourgeois' were commonly used, which branded them as antisocialists and therefore placed them outside society. As economic reforms were introduced, individual small-scale businesses and eventually private enterprises began to emerge. Previously, since the conversion of private enterprises to state-ownership in the 1950s, enterprises had been managed by twosomes consisting of business director and Party secretary. This fact still influences the discussion today in which the term 'entrepreneur' is often only used for managers or directors of state-owned companies.<sup>18</sup>

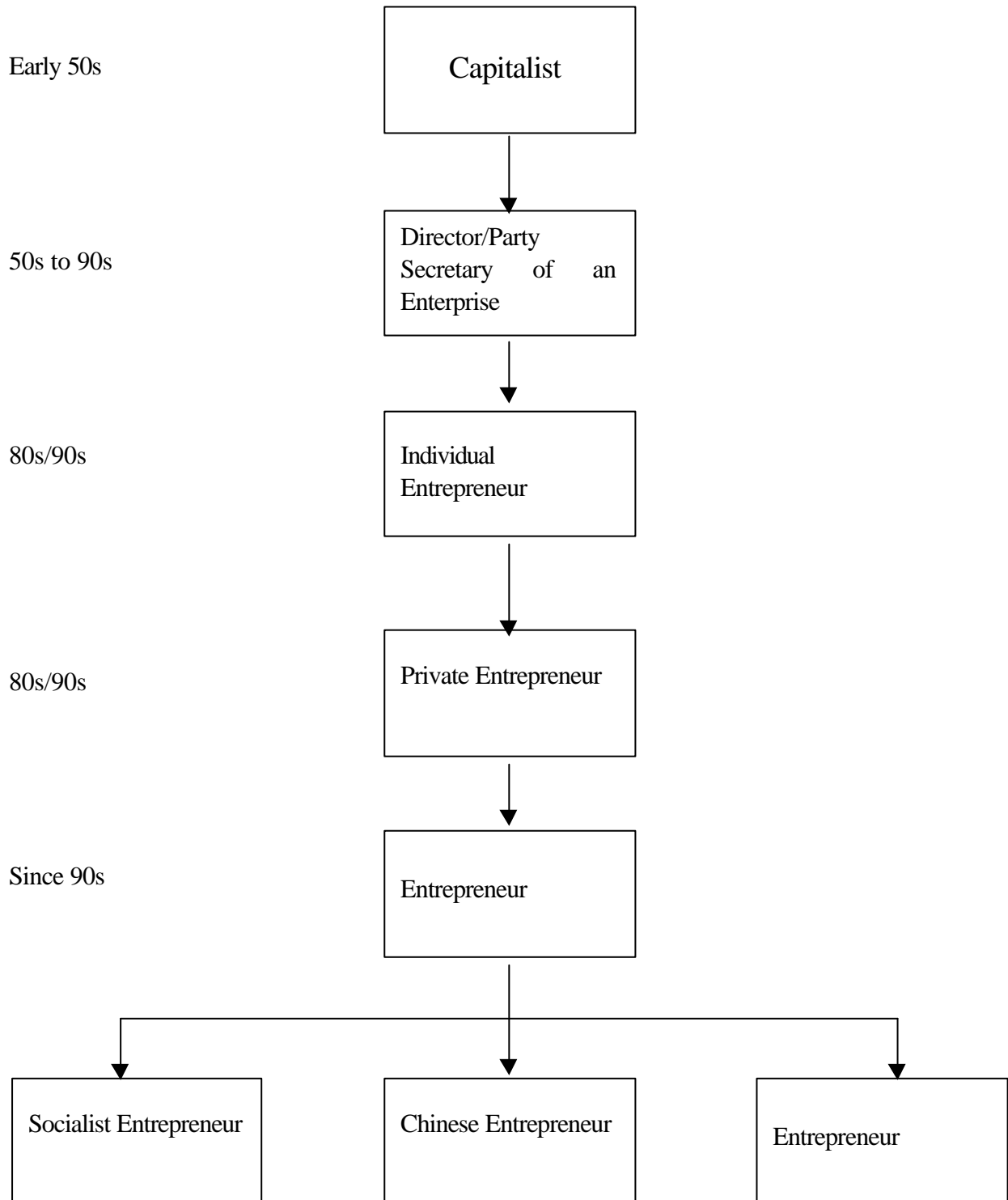
Only as economic reforms were introduced at the end of the 1970s did small-scale entrepreneurs (individual businesses) begin to emerge, followed in the second half of the 1980s by larger 'private enterprises' (see Fig. 2). The following diagram shows the changing evaluation of entrepreneurs right up to the reinterpretation of the term as 'traditional' (Chinese) or 'socialist' entrepreneurs.

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<sup>18</sup> For example Li Junjie 1997.



**Figure 2: Entrepreneur as a Category in China**



The discussion about the rather neutral term 'entrepreneur' has only recently begun. Initially in China the term 'agricultural entrepreneur' was common, which was used to mean successful rural managers and entrepreneurs. They were described as "representatives of advanced productive forces in the

countryside" and in the "new socialist village", "the forerunners of the development of commodity production", and "fighters against poverty in the countryside".<sup>19</sup> In 1997 in an essay in *Jingji Yanjiu*, the most important Chinese economics journal, the term 'entrepreneur' in Schumpertian usage was the subject of debate for the first time. It also contained indications that an entrepreneurship was beginning to develop again in China.<sup>20</sup> As far back as 1994 the entrepreneurship was described in an essay as the national economy's "most valuable resource". This stratum of society should be encouraged and aided and the necessary conditions, such as economic, political and legal equality, created to stimulate their development. The essay continued that state sector should no longer receive preferential treatment and that intellectuals should be encouraged to take up entrepreneurial activities.<sup>21</sup> In the same vein the *Zhongguo Gongshang Bao* wrote that it was an "honour" to be an entrepreneur, running a business was a "heroic act", even if it had to admit that it was a decidedly stony path that led to entrepreneurship on which many would fail.<sup>22</sup>

A contribution in the sociological journal *Shehuixue Yanjiu* found that there was indeed a stratum of entrepreneurs in China, whereby the term 'stratum' was not meant ideologically (like a 'class') or pejoratively (like the 'exploiting class'), but it was referred to a "living resource" which was developing in a process of social change and as the product of the very market economy which it serves.<sup>23</sup> Here it becomes clear how much the economisation of politics is undermining the ideological base: the category 'class' is losing its meaning and is giving way to the apparently neutral term 'stratum'. Already in 1994 an economist had suggested that all managers of enterprises regardless of the form of ownership should be referred to as "entrepreneurs".<sup>24</sup> At the end of 1997 a new journal entitled "Entrepreneur" (*Qiyijia*) was founded. In the first announcement of its release the central organ of the Communist Party of China *Renmin Ribao* (People's Daily) declared it was a journal "which might change your fate".<sup>25</sup>

Because the politico-economical delineation between Chinese and 'western capitalist' entrepreneurs is becoming increasingly difficult, the Chinese entrepreneur is treated as a specifically Chinese phenomenon. A book published in 1997 claimed that Chinese entrepreneurs differed from their western counterparts through their own "special, particularly Chinese, characteristics": they were "reformers", "heroes" and acted in the interest of social requirements and in order to improve social prosperity in China.<sup>26</sup> Another author described the difficulties caused by the term 'entrepreneur' in China and proclaimed Chinese entrepreneurs to be "socialist entrepreneurs", because, he said, they contribute to both the "material" and "spiritual civilization of socialism". Unlike western entrepreneurs they should fulfil two criteria: they should be innovators and also possess political qualities.<sup>27</sup>

An article in the *People's Daily* also recognised an ideal-type entrepreneur very different from that described by western economic theories. "As far as political and ideological qualities are concerned,

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<sup>19</sup> Wang/Chen 1995.

<sup>20</sup> Xu Zhijian 1997.

<sup>21</sup> Wei/Sun 1994.

<sup>22</sup> Yu Shaowen 1997.

<sup>23</sup> Mi/Gao 1997: 42-46; Wang Xiaodong 1996; Zhou Shulian 1996; Li/Li 1996; Wei/Xu 1996; Wang Qinghai 1997.

<sup>24</sup> Comp. Huang Rutong 1994: 26/27.

<sup>25</sup> *Renmin Ribao*, 27 October 1997.

<sup>26</sup> Liu Yong 1997: 1-2

<sup>27</sup> Yuan Baohua 1997: 5.

(...) he should resolutely adhere to the party line, its guidelines and policies and state legal regulations. " He should be able to hold his own in business, be hardworking, he should "fulfil his public duties in an honest and upright way, work hard and live modestly, readily perform services to society and cooperate with leadership groups [of the Party and the state] in the public interest". In terms of the job, entrepreneurs were expected to have leadership, organisational and coordinational qualities, to show market flexibility, to take part in further training measures on modern entrepreneurial and management matters, and to be able to orient themselves on national and international markets. More qualified entrepreneurs should be trained, the conditions and environment for entrepreneurial activities should be improved and the state should help them. On the other hand the article insisted that entrepreneurs should be kept more under control because of the high concentration of power in their hands and because power automatically corrupts.<sup>28</sup>

Traditional Confucian ideas which suggest that entrepreneurs should act in the interest of state and society - under a certain measure of control - whilst in a corporatist way integrated into existing structures and who conform to paternalistic socialist conceptions are here combined with concepts concerning adaptation to modern global economy structures and qualities, neglecting however the innovation factor. The 'Chinese' as well as the 'Vietnamese' entrepreneur should be a 'patriot', i.e. should identify himself with the political system and its values.

The socio-economic constellation in both countries produces two further entrepreneurial characteristics: firstly a significant intermixing of functionaries and entrepreneurs i.e. cadres who have become entrepreneurs and vice versa: This results from several factors: the form of business ownership and the fact that appointments in those enterprises are made by higher-level administrative bodies (state and collective-owned enterprises); an interest in increased income (income from business is far higher than that from administration or party jobs); the opportunities which are open to functionaries because of their good connections and integration in networks. Secondly, to overcome legal insecurities and run their business successfully, entrepreneurs have to get involved in politics. Involvement in politics often takes the form of joining the Communist Party, or alternatively becoming a member of a committee or body which may function as a kind of public protection (People's Congresses, Political Consultative Conferences, mass organisations). Functionaries or those with close connections to functionaries are in this respect certainly in an advantageous starting position.<sup>29</sup> Although the proportion of party members among private entrepreneurs is comparatively high (whilst the proportion of party members in the entire population was 4.8% in 1997, it was 15.8% among entrepreneurs according to a 1% sample taken in 1996<sup>30</sup>).

Whilst the debate in China is becoming increasingly positive in its attitude towards entrepreneurs, in the discussion in Vietnam the extreme positions are diverging more and more. Unlike in China, the private sector is officially referred to as "the private capitalist sector" and private entrepreneurs are called "private capitalists".<sup>31</sup> In 1994 an essay claimed that because of the development of the private sector and foreign investors, the "bourgeoisie" and the proportion of "capitalists" were increasing in number. It continued that they would produce their own ideology and demand to have their say in

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<sup>28</sup> Qiu 1997.

<sup>29</sup> Cheng/Sun 1996.

<sup>30</sup> Zhang/Li/Xie 1996: 179; Gongren Ribao, 8 July 97

<sup>31</sup> Guanli Shijie, op. cit. Far Eastern Economic Review, 6 November 1997: 28.

politics. The state should therefore keep them more strictly under control.<sup>32</sup> On the one hand then, private entrepreneurs are virtually declared to be anti-socialist, but at the same time their potential is to be used to develop the economy. The political implications of this classification seem to be more important, namely political control, surveillance, distrust and administrative arbitrariness towards entrepreneurs, since the party leadership sees them as capitalist and hence regressive, backward-looking elements. For the declared aim of the Party is still socialism, capitalism is expressly rejected and the class struggle between socialism and capitalism manifests itself in all areas of society.<sup>33</sup>

### 3 The State of Privatization and Entrepreneurship in China and Vietnam

#### 3.1 China

What does private economic activity at present include? Let us first refer to the registered official private sector, shown in the figures from 1996/97:

- 28.51 million "individual businesses"<sup>34</sup> (*getihu*) with 54.42 million workers (1997)
- about 961,000 registered "private enterprises"<sup>35</sup> (*siren qiye*) employing 13.49 million (1997)
- 25.83 million private rural enterprises with a work-force of 72.78 million people (1996)
- 120,000 private scientific-technical enterprises (*minying keji shiye*) employing 2.91 million people (1996)
- 220,000 enterprises (joint ventures or run with foreign capital) employing 25.01 million workers and staff members (1996).<sup>36</sup>

In 1996/97 there were at least 55.64 million enterprises with a work-force of 168.61 million people in the private sector. If we add the informal sector, namely unregistered private enterprises, family member helpers, persons with a second job that yielded the majority of their income, as well as the great number of enterprises with a state or collective status though in fact being private (especially in rural areas) and joint stock companies, it is possible that at present there are at least 250 million people working in the private sector. This figure is equivalent to about 35 % of the work-force, although it does not include any kind of the mixed forms of ownership, state and collective enterprises run quasi-privately (krypto-private activities), nor letting and leasing, even though the letting of public enterprises by contract has to be regarded as a form of privatization.

The initial starting point for the development of the private sector was poverty in the countryside. Already in the middle of the 1970s, i.e. several years before the first political reforms, a spontaneous shadow economy developed, particularly in poor areas. As a consequence many "free" markets developed which at that time were considered illegal. During the economic crisis in the second half of the 1970s, the pressure from the countryside grew and some provinces (Anhui, Sichuan) tolerated

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<sup>32</sup> Political Report 1996: 115.

<sup>33</sup> Trong 1996: 5-11; Tien 1995: 33/34.

<sup>34</sup> Enterprises with less than 8 employees.

<sup>35</sup> Enterprises with more than 7 employees.

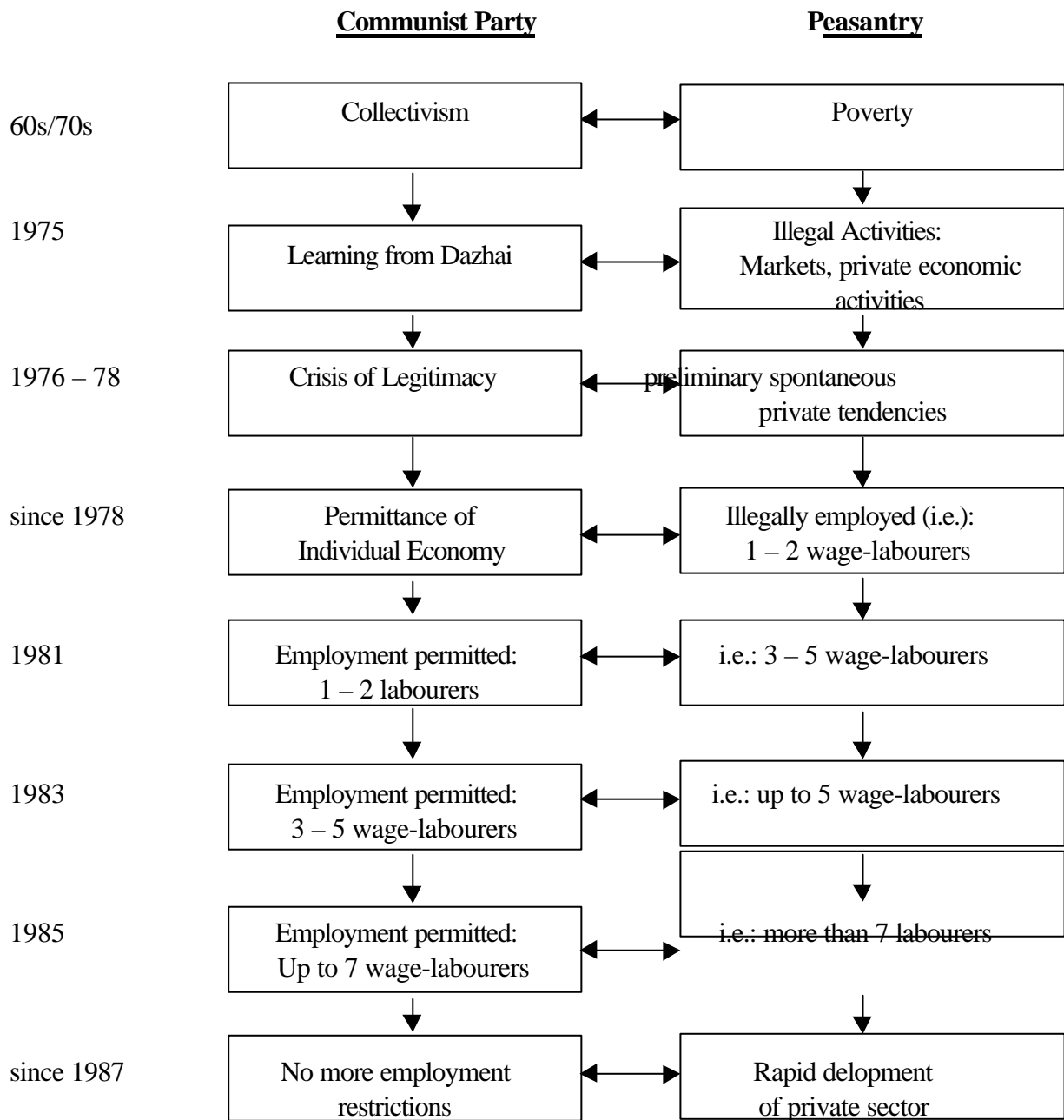
<sup>36</sup> Zhongguo Gongshang Bao (China's Industry and Commerce Daily), 25 April 1997, 27 January and 20 March 1998; Renmin Ribao, 10 April 1997 and 10 March 1998.

this development. The return to family economy led to the revival of the private small individual business sector in 1979, as in the countryside it eventually led to redundancy for 150-200 million workers (according to Chinese data) who had no access to urban job markets or to the state sector. The only place where they could be absorbed back into the workforce was the informal sector i.e. self-employment. To begin with, it remained forbidden to employ workers as waged labour. However, as more and more small businesses employed 'family' or 'relatives', waged labour became standard. Hesitatingly the state allowed first the employment of two, then five and finally seven workers during the first half of the 1980s. The real state of affairs was, however, always one step ahead of the decisions made by the state. The development of the private sector was no longer under control, especially since the advantages it offered in terms of employment, providing consumer goods and income for local communities were very obvious. In June 1988 the State Council decreed the "Provisory Regulations for Private Enterprises in the People's Republic of China". The employee limits were removed and with them the main restriction on the development of the private sector.<sup>37</sup>

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<sup>37</sup> For this development see Heberer 1989. The Private Enterprises Law in: Renmin Ribao, 29 June 1988.

**Figure 3: Deviance becomes Policy: the Case of the Private Sector**



### 3.2 Vietnam

Despite considerable collectivisation and nationalisation of the North-Vietnamese economy in the 1950s and 1960s, peasants retained a certain degree of economic autonomy.<sup>38</sup> In Hanoi, the capital of North Vietnam and later of the whole of Vietnam, private companies did business to a limited extent, mostly in the tertiary sector.<sup>39</sup>

<sup>38</sup> Porter 1993: 44; Werner 1984: 48.

<sup>39</sup> Le Ngoc Hung/Rondinelli 1993: 9.

In contrast to northern Vietnam, after 1975 a considerable proportion of the South Vietnamese economy remained outside state control: "At the end of the 1970s collective and privately owned industry operating outside the plan still accounted for close to 40% of industrial output".<sup>40</sup> The planned and collective economy was obviously not accepted by the South Vietnamese population which had been educated in the ways of the market economy for years by massive American influence lasting from the 1950s to the middle of the 1970s. The academic literature even describes official tolerance of the informal, private sector, for example in trade and small businesses, before 1986, since in this way state companies could be provided with input-goods.<sup>41</sup> The economic crisis of 1978 to 1981 led to a great increase in the number of people taking up secondary jobs, for which state materials and goods were often "put to one side" (e.g. building materials and machines from state companies were "borrowed" for private jobs).<sup>42</sup> In addition to this shadow economy, which at least in the South was quite extensive, a grey area in the form of lease contracts between state or collective companies and private households or individuals emerged, which was allowed substantial economic room to manoeuvre.

Among the most important reform measures introduced since 1986 which supported the further development of the private economy was a government decree on enterprises (state, collective and private) in 1988. This decree was the first to create a legal basis for entrepreneurial activities, which already existed to an extent in the private sector. It also contained three decrees from the Council of Ministers concerning the collective, household and the private economy. Household economy (or house or home economy) consisted of all private secondary jobs done by workers, peasants and civil servants. Private economy on the other hand was defined as any private business activity considered as a person's main job.<sup>43</sup>

Parallel to the extension of the private sector through the founding of new companies, the state sector was restructured leading to a reduction in the number of state companies from around 12,000 to 6,310 by the end of 1995 and down to 5,790 by the middle of 1997. Whilst some of the companies were closed at local level, the majority simply seem to have been combined into larger companies. Over a million jobs have been lost through this measure which have to be compensated for by the private sector.<sup>44</sup> Despite this apparently impressive restructuring, the Vietnamese government still does not have a clear privatisation or reform programme for the state sector. There has been some very hesitant equitization of some state companies, but until now it has remained unsuccessful.

There has been some 'spontaneous' privatisation in Vietnam. A large number of state companies have been contractually handed over to the managers with few conditions attached. Those who managed to make profits without state subsidies were able to become rich very quickly. Additionally, state assets from these enterprises were often redirected into private companies owned by the managers or their families.<sup>45</sup> For this reason, it is these managers who are resisting the legal privatisation process suggested by the World Bank, as they would then lose control of the state

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<sup>40</sup> Ibid.: 22

<sup>41</sup> Andreff 1993: 519; Dinh Qu 1993: 533.

<sup>42</sup> Beresford 1989: 183.

<sup>43</sup> Economic Sectors 1992: 81; Südostasien aktuell, 5/1989: 248.

<sup>44</sup> General Statistical Office 1996: 41; Straits Times, 27 September 1997.

<sup>45</sup> Comp. Weltbank 1996: 63; Kolko 1997: 56-60.

assets which they have acquired for free and therefore would make no more private profits. This is also the reason why until 1995 only 19 of a total of 6,000 state companies had applied for privatisation and only three of those have actually gone through with the plan.<sup>46</sup>

The total of officially registered limited companies, private businesses and joint-stock companies in the middle of 1995 was 23,960; there were 1.88 mio small or family businesses and 7,179 state enterprises.<sup>47</sup> Ronnas gives different figures (1996 2.2 million household enterprises, 20,000 private enterprises, 8,300 limited liability companies and 190 joint-stock companies).<sup>48</sup> The differences between these figures show how difficult it is to express the situation in figures, as the different estimates reflect different political opinions.

As far as determining the quantitative extent of private business activities is concerned there are similar difficulties in Vietnam to in China. It is not possible to estimate the extent of the shadow economy, which consists on the one hand of secondary jobs and on the other hand of illegal if not criminal operations like smuggling and so on. Le Dan Doanh, head of the renowned Institute for Economic Management (CIEM) in Hanoi, estimates that in 1996 over one million non-registered private companies were trading in Vietnam.

As in China, false registration is a central problem which is widespread among collectively owned companies and small businesses alike. Although they should long since have been registered as private companies because of their size (20, 30 or 50 workers) and capital assets, many entrepreneurs refuse to re-register because it would, for example, move the company into a higher tax bracket. Many state and collectively owned companies exist as such only nominally. In reality they hardly differ from private companies. In some Vietnamese statistics the collectively owned sector is already classified with the private sector.<sup>49</sup>

In terms of personnel the two sectors are also very closely interlinked. At least 39% of entrepreneurs had previously worked as employees or managers in state and collective companies. In this area too one finds a striking difference between North and South Vietnam. From the 39% mentioned above, nearly half came from North Vietnam and less than a third from the South. Connections which had been made whilst previously working in the state or collective sector have been kept up after founding private companies and contribute in this way to the close links between the different sectors of the economy in northern Vietnam. The closer links between the state and the private sector in northern Vietnam reflect the historically different development of the economy in the different parts of the country with decades of socialist structures in the North. On the other hand, private enterprises compete with state enterprises.

In both countries, privatisation began as a spontaneous process, initially among peasants in the countryside. As well as widespread rural poverty before there were any reforms, other factors were also important: the peasants' strong desire for private property and family-based management forms;

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<sup>46</sup> Kolko 1997: 59-61.

<sup>47</sup> Information from Do Minh Cuong, Nguyen Minh Tu and Tran Duc Vinh at the DED Regional Conference in Hanoi, 25 – 28 October 1996.

<sup>48</sup> Ronnas 1998: 1.

<sup>49</sup> Comp. Vietnam Economic Times, February 1998: 15.



a certain autonomy the peasants enjoyed vis-à-vis the state; the peasants were not integrated in the state social welfare system; and the fact that the political leadership tolerated and ideologically accepted private activities as long as they did not involve employing workers as waged labour and therefore exploitation. The acceptance of private economy, however, turned out to be a Pandora's box, because private business activities almost automatically lead to employment of waged labour. Private business activities by peasants were easier for the political elite to tolerate because the peasants were not the main actor in the socialist re-modelling of the country, unlike the workers. The primary aim in both countries was industrialisation and socialization in urban areas, whilst the agricultural sector - according to prevailing opinion - should have become less and less important as industrialisation progressed. In all socialist countries it was the cities and the urban economy, and above all large industrial concerns, which were regarded as the crucial sector for the dominance of socialist management. Liberalisation and privatisation processes which began in rural areas could therefore be tolerated more easily because they did not appear to threaten the Communist Party's real base of power i.e. industry and cities.<sup>50</sup>

#### **4 Entrepreneurs as a Category in China and Vietnam**

The owners of private enterprises in both countries can be divided up into the following groups:

- Small individual businesses (traders and skilled manual workers who run their own business alone or with support from members of the family)
- Small businesses with a limited number of waged-labour workers
- Large-scale entrepreneurs
- Suppliers of capital or share-holders who are in fact owners but do not work in the enterprise itself.

Entrepreneurs are not a single, homogenous group. There are entrepreneurs running large, medium-sized and small businesses, there are entrepreneurs whose origins lie in the local Party or state bureaucracy (cadres) who have significant connections, and those without such contacts. Werner Sombart distinguishes between "powerful" and "cunning" entrepreneurs. The "powerful" ones come from bureaucratic origins and can count on the power potential to which they have access thanks to their previous jobs (cultural capital, connections, networks). The "cunning" entrepreneurs act more as "conquerors" and tend to rely on their entrepreneurial trading potential.<sup>51</sup> There are 'push' entrepreneurs, who have become self-employed because they were dissatisfied with the working conditions in their previous employment, and there are 'pull' entrepreneurs who are attracted to the business of being an entrepreneur with its social and financial opportunities and have given up their previous job for this reason.<sup>52</sup> One could classify entrepreneurs according to the different reasons for choosing self-employment, for example a) making use of market opportunities and incentives (mostly in urban areas and more developed regions); b) blocked prospects of upward mobility; c) privileged chances (privileges, social connections) for members of the political elite and sub-elite (particularly at

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<sup>50</sup> See e. g. Milanovic 1989: 66/67.

<sup>51</sup> Comp. Sombart 1987, vol. 1, part 2: 839.

<sup>52</sup> See Amit/Muller 1996.

local level); d) survival strategies (the unemployed, pensioners).<sup>53</sup> Finally, social strata within the entrepreneurship should not be overlooked. Another alternative categorisation would be by means of area of trade or industry, or origin: from a family business, from a political and administration-based network of connections, or from a business background (business enterprise or business administration). Each of these groups has its own status which among owners is based on business success, level of education, social connections and (particularly in rural areas) achievements for the community (job creation, financial support for public projects, raising the local standard of living).

Private small businesses are run mainly by people for whom the state-collective sector and agriculture offer no suitable occupation or income. In urban areas these tend to be the unemployed, pensioners, the disabled and those with a criminal record, in the countryside it often affects peasants. These are mainly people with little education who come from the lower strata of society. Self-employment in the informal sector is, as in other developing countries, the only economic alternative. In recent years increasing numbers of workers have been leaving struggling state-collective companies which can no longer guarantee their workers a minimum suitable wage or social package. Some of the smallest businesses are monetarily very strong, but they consume most of their income. Political uncertainties stop them from investing larger sums. The small group who do re-invest tend to develop into large businesses.

The large-scale entrepreneurs (in the "private sector") are in a quite different situation to that of managers of small enterprises. The second Chinese 1% sample of private entrepreneurs in 1995 and our own investigations showed the following trends for China, which incidentally are very similar to those in Vietnam:

- two thirds were between 31 and 45 years old;
- 18.4% had been to university or polytechnic (the figure for the entire population according to the 1990 census was 1.9%), only 0.3% were illiterate (for the entire population the figure is around 22%);
- the initial capital was in most cases the person's own income and savings (90.6%) or that of relatives and friends (70.6%). The majority of the companies were founded by one (56.1%) or by two or three (28.8%) suppliers of capital;
- 24.2% of the urban and 17.3% of the rural entrepreneurs had been functionaries before becoming entrepreneurs (the dominant job group);
- 58.6% of the urban and 35.3% of the rural entrepreneurs came from the public sector (state and collective-owned companies);
- 22.3% of the urban and 11.2% of the rural private entrepreneurs' fathers were functionaries, 23.3% of the urban and 13.3% of the rural spouses were functionaries, 26.0% of the children (urban; rural 19.2%), 39.1% of close relatives of urban entrepreneurs as compared to 26.4% of the rural ones and 46.2% (urban) compared to 42.2% (rural) of their friends were cadres;<sup>54</sup>
- the occupation of the father (whether previously or at present) obviously plays an important role: research findings have shown that a considerable proportion of entrepreneurs' children also become self-employed.<sup>55</sup>

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<sup>53</sup> Similarly: Fang Li 1998: 87/88.

<sup>54</sup> Zhang/Li/Xie 1996: 144-162.

<sup>55</sup> Wu/Lin 1998: 73.

- The annual income for 60.7% of the entrepreneurs was between 10,000 and 100,000 yuan, 12.7% had more than 100,000 yuan (for comparison: the per capita income in 1995 was 3,893 yuan in urban areas and 1,578 yuan in rural ones).<sup>56</sup>
- At 17.1% the percentage of party members was above average (for the whole of China it is around 5%).<sup>57</sup>

Large-scale rural entrepreneurs in both countries are on the whole former officials, technicians, qualified workers from various areas, people with relatively high levels of education or experience, and people with good personal connections with bureaucracy. On the whole this stratum is financially quite well-off and it has been forced to re-invest in order to survive economically. The number of employees per company is continually rising as is the number of enterprises, leading to a well-off entrepreneur stratum.

Unlike in the small, individual business sector, the new industrial entrepreneurs in China and Vietnam are not from the lower class, but mostly from the local sub-elite (former managers in state-owned and collective-owned enterprises, rural party functionaries), the immediate surroundings of the local elite (relatives of cadres), the lower middle stratum (blue collar workers, purchasing agents and sales representatives in state factories, successful individual entrepreneurs), also partly from political "fringe groups" who were prevented from participating in social upward mobility (former "class enemies" and their family members). This contradicts the opinion of western social scientists who had come to the conclusion that brigands and buccaneers were the "original" entrepreneur-type.<sup>58</sup> The observation that in postsocialist societies it was often talented individuals from the lower classes who became rich during the transition from the planned to the market economy, and who did so by no means entirely legal means, where fortunes were often amassed by private acquisition of state property,<sup>59</sup> is only partly valid for China. Such people can mostly be found in trade, in small individual businesses and in the shadow economy. However, the small business and shadow economy sectors should be regarded as the training ground where ongoing managers of large private enterprises can cut their teeth. Comparisons between different countries show that during massive changes in the economy, society and basic values, it is also members of the upper class (including the local upper class) who become entrepreneurs, firstly because they are in a position to understand the changes taking place due to their knowledge of social relations and activities. Secondly they wish to maintain their traditional role despite the changes, and thirdly they are distinctly market oriented anyway.<sup>60</sup> In China and Vietnam, it is functionaries and their relatives who are contributing in this way to social change and to the economisation of politics.

## **5 Socio-political Impact of Privatization: Social Change**

Socio-political change, or to use a more familiar term, social change does not refer to mere alterations within the respective economic, political or social sub-system, but means change to the

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<sup>56</sup> Comp. Zhongguo tongji nianjian 1997: 291.

<sup>57</sup> Zhang/Li/Xie 1996: 144-162.

<sup>58</sup> E. g. Sombart 1987, vo. 2, part 1: 25-26.

<sup>59</sup> Comp. e. g. Sievert 1993: 237.

<sup>60</sup> Hoselitz 1963.

social structures of a system, or rather to the whole system itself. Social structures constitute "regularities", such as role behaviour, values, organisation patterns, social stratification and so on.<sup>61</sup> Social change is therefore a highly complex and comprehensive process which it is difficult to cover in its entirety in empirical analysis. We have therefore concentrated on the following central aspects:

- *Social stratification and change in elites, or rather the development of a new elite.* Leading officials (administration, Party) represent the political elite, whereas upwardly mobile private entrepreneurs can be seen as the new business elite. There is some, limited, exchange of personnel between the political and the business elite, in particular in the form of cadres joining the business elite. Additionally, in the course of privatisation processes there is a degree of overlap between the two elites as some cadres are simultaneously also involved in private business. As far as the social strata are concerned, there are differences between the pre-reform period and the reform period. Before the reforms began, the organisation of social strata was based mainly on political criteria, in that party membership and cadre rank were conditions for membership of the elite and that those who were considered to be "class enemies", such as former landlords, rich peasants and their families, were in the lowest social stratum. Increasingly today, the organisation of strata is more strongly based on economic premises.
- *Institutional change.* The most visible change is in the personnel, the conception and the functions of institutions. The existence of the private sector requires institutions too to gear themselves to the requirements of the market. Cadres have to have the relevant specialist knowledge to meet these new expectations. Parallel to this development, new institutions and organisations are emerging, some which represent the interests of private entrepreneurs (interest associations).
- *Change in values and attitudes.* The private economy requires on the one hand particular values and attitudes, and on the other hand it changes the attitude to previous values and the ranking of existing values. All in all a sort of "economisation" of the value system is taking place, which apparently has already got as far as partly de-ideologising the political ideology.

The rapid and comprehensive economic change which is happening in both countries at the moment has effects on both society and politics and brings about social change.<sup>62</sup> The process of change was not intended by the political leadership in either country, neither could it simply be kept under control. The most striking change is the development of a new business elite from below. It consists mostly of entrepreneurs which have become rich in the course of the privatisation process. Because of differing market opportunities, a gap in incomes has developed which has led to a polarisation of society. Recent research findings by Chinese and Vietnamese sociologists reveal drastic differences in income in both rural and urban areas.

In the early stages of privatisation processes this prosperous group of entrepreneurs is the most important, but it is by no means the only social actor involved in social change. In the long term this elite will contribute to institutional change which will eventually also reach the political system, starting

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<sup>61</sup> Comp. Zapf 1992: 365.

<sup>62</sup> Detailed: Heberer 1993; Heberer/Taubmann 1998.

with the lower levels of the bureaucracy. Entrepreneurs are pushing their way into the bureaucracy in order to obtain competitive advantages. And their access to the bureaucracy is all the easier, the more functionaries move into private business for economic reasons.<sup>63</sup>

This then becomes a necessary condition for the development of a new political elite which can itself set off a new modernisation drive, as experienced by the NIC-states in East Asia. In these countries the state or rather the bureaucracy was able to realise its higher aim of modernisation despite considerable social resistance.<sup>64</sup> In contrast to the business elite, the state has the advantage that particularistic interests, for example economic ones, can be channelled into a higher aim and if necessary it can use force to do so. This can only happen if a new business elite exists and if the conventional type of bureaucracy has undergone change, since a rigid, inflexible political system will hardly be able to implement change. Some researchers already assume the development of a new "hybrid" class consisting of cadres from the administration and private entrepreneurs from rural areas.<sup>65</sup>

Simultaneously the ability of state and Party to keep control is reduced and at least at the lowest level their interests are no longer adequately represented. In some provinces in China this process of change has apparently already progressed so far that in particular in the countryside a dualism of political and economical power exists.<sup>66</sup> Private entrepreneurs are increasingly participating in formal institutions. According to Chinese research in 1995 14.2% of private entrepreneurs were members of the People's Congresses and 33.9% were members of the Political Consultative Conferences.<sup>67</sup>

This development is very worrying for the political leadership. A document from the "United Front Department" of the CCP's Central Committee required Party committees to keep an eye on private businesses, because private entrepreneurs were buying votes to get elected in local People's Congresses or were buying political advocates in Party committees and parliaments.<sup>68</sup>

On the other hand officials are using their position to enrich themselves by creating advantages for private enterprises, i. e. via corruption. This form of corruption seems to have become very widespread during the privatisation process, as is demonstrated by the continual discussions on the subject in China and Vietnam.<sup>69</sup>

As a result of the economic privatisation process, new interest groups with strong desires for political participation have emerged. Entrepreneurs are beginning to organise the representation of their interests in associations. Economic interests can in this way have a direct political effect, in that they could lead to a liberalisation of economic policy (prices etc.). In the medium term this can result in the desire to have a say in politics, which is already partially manifesting itself in the desire of private entrepreneurs for party membership and a position in the bureaucracy.

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<sup>63</sup> Comp. e. g. Gongren Ribao, 12 January 1992.

<sup>64</sup> Bürklin 1993; Henderson 1993.

<sup>65</sup> Unger 1994: 52-59.

<sup>66</sup> Comp. the study of Shue 1990 on China's Guanghan county.

<sup>67</sup> Hu/Zhu 1996: 38.

<sup>68</sup> Dangdai (Hongkong), 15 June 1994.

<sup>69</sup> China aktuell, April 1994: 413/414. On Vietnam: Fritsche 1991: 4; Sjöberg 1991: 16; Südostasien Informationen 1/1994: 28.

In both countries a significant change in values and attitudes is underway. This is true, for example, of the attitude to wealth or prosperity. Unlike in the pre-reform period, in which wealth was considered indicative of exploitation, today prosperity is seen as a desirable and worthwhile aim in life. In China Deng Xiaoping introduced the slogan that first of all at least part of the population should become rich. The Chinese mass media are full of reports about individuals' quick-growing 'prosperity'. Luxury items, new electrical goods, expensive hobbies etc. are accordingly fast becoming the new status symbols.<sup>70</sup>

The pursuit of profit has apparently reached such a high level of acceptance that in comparison other values are losing importance. Sociologists in both countries have observed that in particular the family, one of the most important, basic social units, is suffering in the course of this change of values. Many parents hardly spend any of their time bringing up their children because they are too busy earning money.<sup>71</sup> Similarly, more and more school pupils are playing truant in order to make financial gains.<sup>72</sup>

However, the social security offered by employment in the state sector still seems to attract people. This seems to be true for both countries, where the insecurity of the state sector has risen significantly in recent years due to company closures. For example, in a survey at five universities and polytechnics in Hanoi 85% of the students still expressed a preference for employment in the state sector.<sup>73</sup>

According to Vietnamese Ministry of Labour, the positive opinion of the wealthy is accompanied by a certain animosity towards the poor who have not managed to profit from the reforms.<sup>74</sup>

An increased consciousness of oneself as an individual rather than as part of a collective is particularly noticeable among the generation of those born after 1970. A survey of Chinese school pupils in 1993 showed that nearly 50% of those asked placed their own individual interests above those of society, and 60% said that the organisation of their future depended on their own efforts. The interviewers concluded as a result that there is a tendency to prioritise one's own well-being.<sup>75</sup>

On the whole the early stages of such a comprehensive, far-reaching process of change lead to disruptions to the social order and lack of orientation. The old order is corroded and shaken to the core, but has not yet been replaced by a new, generally accepted order. Both economic and the subsequent socio-political change therefore first of all leads to destabilisation and furthers the differentiation and polarisation (social, regional).

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<sup>70</sup> China aktuell, January 1994: 46; Young 1991.

<sup>71</sup> Far Eastern Economic Review, 13 January 1994: 71.

<sup>72</sup> China aktuell, February 1994: 176; Pfeifer 1990; Tran Trung Dung 1991: 14.

<sup>73</sup> Le Ngoc Hung/Rondinelli 1993: 17.

<sup>74</sup> Far Eastern Economic Review, 13 January 1994: 71.

<sup>75</sup> China aktuell, February 1994: 187.

## 6 Conclusion

Society differentiates itself in the sense of the above-described social change. Privatization from below, including the establishment of small enterprises, facilitates the process of change and thereby the "quiet revolution from below". This process does not automatically lead to a breakdown of the political system but erodes it in its present form.

In this context, the decisive question is whether a middle class will develop out of this new economic elite that might direct economic and political changes and thus lead the process of democratization. Barrington Moore's slogan "no bourgeoisie, no democracy", having apparently been proved by the developments in Taiwan and South Korea, today also applies to China and Vietnam. There is hope that in the long run a process of democratization will be generated by market development, private economy, more autonomy in society with regards to the state, the change of elites, the rise of independent interest groups and the formation of a "middle class".

The term "middle class" refers to a new middle stratum, that is to groups such as private entrepreneurs, employees in higher- or medium-level positions, civil servants, a great part of the intelligentsia as well as to independent professions that are once again to be found in increasing numbers. In China and Vietnam, the greatest hopes are focused on entrepreneurs, the stratum that is growing most quickly and is the wealthiest and most influential.

There are a number of reasons for but also against this supposition. A group has in fact come into existence whose protagonists, larger-scale private entrepreneurs and managers of big firms, pursue common economic interests and goals. This group has particular ideas regarding social development as well as an interest in participating in politics, though the policies of restriction and control by the bureaucracy might remind one of a "blocked middle strata", that is a mobility-oriented group hindered by structural barriers that are part of the traditional system of power.<sup>76</sup> From the opposite point of view this part of the middle stratum seems to be a heterogeneous group without common interests.<sup>77</sup> Some commentators argue that private entrepreneurs are mostly persons with a low level of education and little social prestige who are only interested in an "economic democracy", allowing them to establish and run enterprises, but not in a political democracy.<sup>78</sup> As a stratum they are said to be too weak, compared to the Party leaders, to be able to start political processes of change.<sup>79</sup>

Actually, the middle stratum consists of heterogeneous groups, such as persons with and without property, people with independent occupations, employees, party functionaries as well as people not belonging to the Party, intellectuals and persons with a low level of education. The common features, however, are that they are mainly people with a higher degree of education, training or occupational experience, who want to freely develop their activities, who are interested in social advances and who, because of their work, have developed self-confidence, which allows them to strive for more participation. That does not mean, however, that this group in each case acts unanimously. On the basis of an interest-coalition, though, it tends towards common action.

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<sup>76</sup> Senghaas 1994: 71.

<sup>77</sup> Hsiao 1993: 9; Wank 1993: 295-300; MacDonald 1995: 56.

<sup>78</sup> Bruun 1993: 3/4

<sup>79</sup> An Chen 1993: 363/364; Zheng Yongnian 1994: 258.

In my opinion, it is not correct to argue that entrepreneurs in the large-scale private sector in general have a low educational standard. That applies more to people engaged in the small business sector. Furthermore private entrepreneurs possess entrepreneurial abilities and experience that also have to be regarded as a factor of education. This also applies to the managers of non-private enterprises. The argument that private entrepreneurs were only interested in economic democratization is based on a static attitude. In view of their occupational activities, the economy should be their main interest. For stable business activity it is necessary to have equal opportunities (just as in the state-collective sector), a secure legal position and reliable business conditions. Open political actions, however, such as being drafted as a candidate in elections, or being opposed to the general political direction, might negatively influence not only business but might also have adverse personal consequences for the actors. On the other hand being organized in interest associations, being active in parliaments and other institutions are clear signs of political activities. Critics of political abstinence often wrongly compare political activities in both countries with those in democratic societies. As far as the social prestige of larger-scale private entrepreneurs is concerned, in rural regions it is already quite high and in urban areas it is increasing.

Counter-arguments are based on a conception of a static class. That is why I prefer to use the term "middle stratum", not middle class. Entrepreneurship in both countries is still at a very early stage. The characteristics of traditional middle strata are not yet fixed, such as, for example, being safely embedded in the social establishment of power, prestige and income. As I have shown, entrepreneurs develop a great variety of interests and activities that go beyond purely economic matters. That does not mean, however, that they are the only group to change the political system. For that a broader coalition of interests is necessary. They contribute, though, to a fundamental change from below. That is why one should not talk of a blocked middle strata, because the entrepreneurs contribute to the dissolution of the traditional system and its limitations, and the state as well as the bureaucracy will be less and less able to block this stratum. However, one should always keep in mind that private ownership is not sufficient to turn the middle stratum into a strong power. It is also necessary to establish a legal system that protects and promotes entrepreneurs. Interest groups are a great help in legally securing this business condition while economic legal security is at the same time a step towards political legal security.

Though Chinese and Vietnamese entrepreneurs do not have much in common with the European bourgeoisie at its early stage, one cannot deny that a more comprehensive privatization of economic activities has led to more motivation (due to economic reforms), mobility and the demand for radical social change. These circumstances have also had an affect on privatization in other sectors.



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