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The Interaction between Culture and Economy in Vietnam

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The Interaction between Culture and Economy in Vietnam

Paper prepared for presentation at the ERSa 2011 Conference, Barcelona

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Abstract:

Historically, the Vietnamese state developed in an area along the Red River and within its delta. The need to protect the inhabitants of this land from dangerous floods gave rise to a “hydraulic society”, which was accompanied by a specific culture. One of the features of this culture is an emphasis on formal education, which was “inherited” from a past in which the passing of an examination was a precondition for acquiring a high position in the state.

Today, the Vietnamese culture is a supporting factor in the current development process in Vietnam. Rigorous reform steps carried out since 1986 have transformed the Vietnamese socialist economy, which mainly followed the Soviet blueprint, into a market driven economy which is governed by strong private incentives. The culture predominant in this country on the one hand supports the functioning of the new capitalist system, and on the other hand compensates for many of its weaknesses. As a consequence a development process has been generated which has led to high rates of economic growth. However, it is not without systemic risks.

1. Introduction

During the first decade of the 21st century a tremendous economic catch-up process is taking place. Of course, the country attracting most of the attention is China, which has now achieved the highest export figures in the world. The positive development of this country was preceded by the success of the “Four Asian Tigers”, South Korea, Hong Kong, Taiwan and Singapore, which have been developing with far higher growth rates than western nations for some time. Then there is India, which, following a long period of relative stagnation, is now also developing considerable dynamics. And finally there is a country which could be compared to China, since it is also still ruled by a Communist party, and in which the economy is growing at a very high rate. This country is Vietnam. Whilst many developing countries in Africa and other parts of the world are stagnating economically and many former Communist states – above all those of the former Soviet Union – continue to struggle with considerable problems, an extremely dynamic development process can be observed in China and Vietnam.

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The catch-up process in (South-)East Asia, which has been described as a “miracle” (World Bank 1993, Stiglitz, Yusuf 2001), has been attributed to cultural factors (“Culture Makes Nearly All the Difference” - Landes 2000, see also Guo 2009) by academics of different backgrounds. It has frequently been claimed that the (South-East) Asian culture was advantageous for the development path. This explanation came into difficulties during the crisis of 1997, as it appeared that the development was shaped not so much by special cultural factors but by the normal development of capitalism, and also a considerable heterogeneity between the countries was registered (cf. Pohlmann 2004).

Though the insistence on institutional factors for the development is justified, we intend to demonstrate that Vietnam’s especially rapid economic development would not have been possible without specific cultural factors. In the following we substantiate the basic (double) hypothesis that on the one hand the Vietnamese culture is a product of economic development and on the other hand is also a force that conditions current and future development. Of course, this is not meant in the sense of a simple tautology, but rather as a sequence of causes: in the past a specific culture was shaped and this culture influenced development in later years. Though we restrict our view to the case of Vietnam, some conclusions of a general nature can be drawn from this case.

In the following we use information and data from many different sources. The included historical analysis draws extensively on sources dealing with the development of Vietnam in the past. For the analysis of recent times we use a panel survey of our own, Vietnamese Official Statistics and many expert interviews we prepared especially during the last three years when we were in Vietnam from time to time in connection with research projects prepared mainly in collaboration with the Friedrich-Ebert-Foundation.

In the paper we start with some important empirical facts (section 2) to present a cornerstone of our view. We concentrate especially on the high esteem with which Vietnamese people normally regard education. In the following two sections (3 & 4) we relate this to broader cultural influences that we intend to identify in a historical analysis. The next sections of the paper (sections 5 & 6) briefly describes the Vietnamese development process of the last three decades and highlights the cultural factors that are important in this context. The last section (7) concludes by reflecting upon the interaction between economy and culture.

2. Education

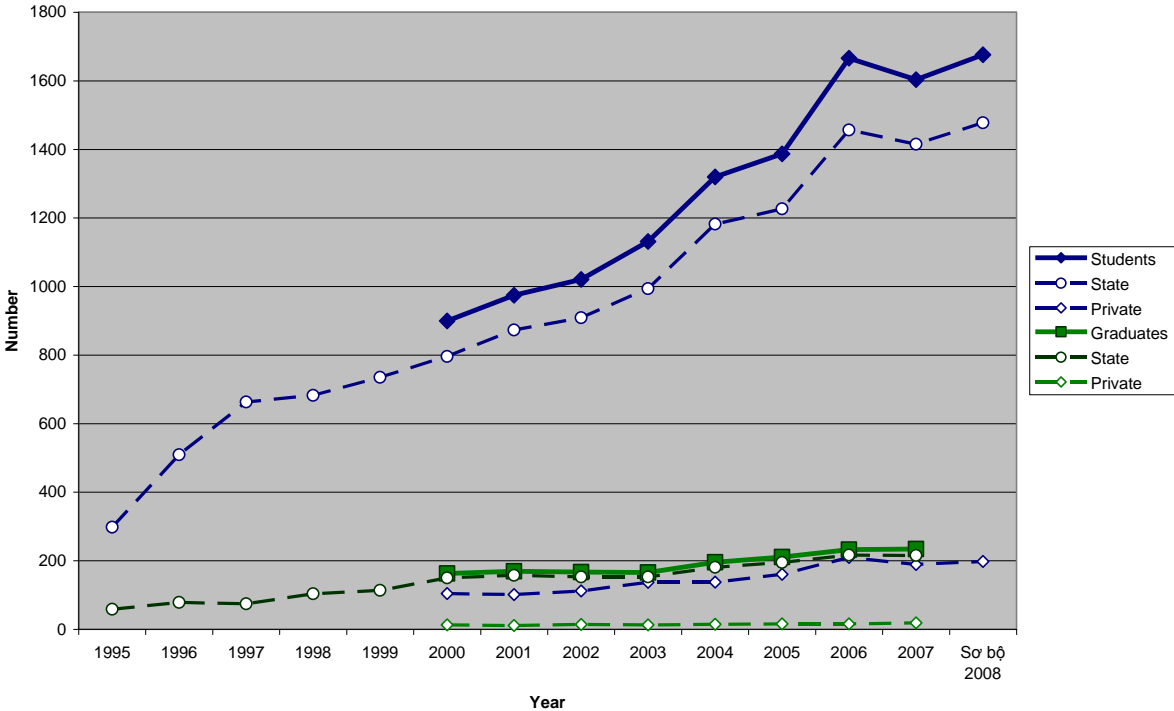
In Vietnam not only is the proportion of people with high levels of education relatively large, but also general education is better than in comparable countries. Due to investments dating back to the state-socialist area (before the economic reforms beginning 1986), the literacy rate is stable at around 90 %, whereas in the populations of countries with low incomes it increased from 50 % (1990) to only 62 % (2004 – see World Development Indicators Database).

It is striking how greatly many Vietnamese value education. They are interested in leading their children to high levels of formal education and are ready to sacrifice a lot in terms of

money and their own time for the aim of a particular qualification. In the following we show some indicators of this high regard for education. One is characterised by the “explosion” in the number of university and college students in recent years in Vietnam, which can be seen from Figure 1. Though Vietnam is still a relatively poor country (at least according to Western standards) with an average national product per capita of about \$ 1,000 (Table 2) in 2008, people are keen to send their children to universities and colleges. Their number has increased even faster than the national product has. People withstand the pressures from their low incomes, but put expenses on education in one of the first positions in their list of priorities.

The same phenomenon can be seen not only in the motherland of the Vietnamese but also in other countries where there is a large number of Vietnamese immigrants. The school success of this group of immigrants is higher than the one of other nationalities as can be shown for the USA {kommt noch}, Norway (Fekjaer, Leirvik 2011) or for Germany – especially after taking the social background into account. For Germany this is documented by results of the German school statistics. Among the relevant age cohorts of Germans the share of pupils attending the so-called “Gymnasium” is 29 % percent. The *Gymnasium* is the grammar school, the highest level of the German three-layer school system. Only the best performing pupils are allowed to attend this school. The corresponding share of foreign pupils attending the Gymnasium is only 13 %. Among Polish pupils it is 17 % and it is only 9% among Turkish pupils. But among Vietnamese pupils it is 40 %. (Die Beauftragte der Bundesregierung 2010: 93, based on analyses of German Official Statistics).

Figure 1: Students and graduates in Vietnam



Source: Vietnamese General Statistical Office 2009

Among Vietnamese nationals, the share of pupils at a *Gymnasium* is even higher than that of the native population. This is the case even though pupils with a German background have many advantages with respect to familiarity with the language, and especially with regard to their parents' education, income and occupational status. In Germany Vietnamese people often have low-grade jobs because they are immigrants (in many cases even former refugees) with qualifications which are not appropriate for the labour demand in this country. Since we can safely exclude innate differences in abilities, the relatively high rate of enrolment of young Vietnamese at German grammar schools is due to their immense personal efforts and also to the intensive support that they receive from their parents.

The efforts made to attend better schools are not only the result of a rational calculation on the basis of a preference system that is identical for Germans, Turks and Vietnamese. This can be seen from the enrolment rates of Vietnamese at German grammar schools, which are higher than average in spite of the relatively bad preconditions for the Vietnamese pupils. Obviously on average the preferences of Vietnamese people differ from those of the Turks: they show a stronger predilection for good education, which is passed on from the older to the younger generation. In the following we will argue that this preference for good education is based on the Vietnamese culture.

Before we enter the discussion of how the traditional Vietnamese culture developed in the homeland of the Vietnamese, a remark on the important notion of culture seems appropriate. By "culture" we mean a system of beliefs and norms which regulates the behaviour of individual people at least to a certain degree. "Culture encompasses language, norms, customs, morals, beliefs and conventions and it serves to establish a shared understanding among a group of people of the external world and each individual's relationship to this world" (Austen 2003:1). This is a narrow definition which does not include all aspects of culture: language, the arts, architecture and many other aspects are not taken into account. In our view we state that culture is a "system" and that it "regulates" the behaviour of individual people. The systemic aspect is emphasized because we assume that there is some coherence in the elements of a culture and that people take on some of these elements and integrate them into their preferences. This is what is meant by the regulation of behaviour. Of course, matters are simplified considerably by these assumptions. There are naturally many approaches providing further analyses of individual and holistic aspects of culture, however, due to lack of space we do not intend to discuss them any further.

3. Growing rice with the risk of floods

In Vietnam the climate of the densely populated coastal regions is hot and humid, which is well suited for growing rice. This form of agriculture allows a high population density as the yield from rice farming can feed approximately four times as many people as the yield from wheat crops covering the same area. On the other hand the production of rice is extremely labour-intensive. The freshly sown rice plants first have to be grown in grain fields before the

seedlings are transplanted individually to irrigated rice fields. After this, care must be taken that the rice plants always have the same water level. The field has to be drained before the rice is harvested.

The traditional Vietnamese culture, which has developed for over 2000 years, is strongly characterised by rice cultivation. The alternation of the tasks of sowing, transplanting, irrigation and harvesting have influenced the rhythm of Vietnamese life for thousands of years. Wealth and poverty are determined by the supply of rice. Rice cultivation has shaped religious practices in Vietnam. Sacrifices have always been made to ask for rain and growth for the fields. The Tet Festival, Vietnam's New Year celebration, too, is connected with the rice harvest, since it is a huge celebration of the revival of nature (cf. Le Thanh Koi 1969: 84f.).

A basic precondition of rice production is a relatively large amount of coordination. All rice farmers have to be provided with water. Canals and dykes have to be built in a well-ordered way. Nobody may interfere with another farmer's water, as this would endanger his rice production and therefore the livelihood of his family. The farmers from one village and further afield had to work together in order to achieve good production results to guarantee the survival of their families. This co-operation was far more intense than in traditional European agriculture based on the production of wheat and other crops.

Coordination on an even larger scale has been required for centuries in order to control the country's large rivers (Pfeifer 1991: 7ff., Nguyen Khac Vien 2002: 26). This applies in particular to the Song Hong, the Red River. The area around the delta of the Red River is the original homeland of Vietnamese civilization. It consists of land which is very suitable for rice farming. The climate and the general conditions allow two harvests per year. This favourable situation has its drawbacks, however, because the Red River is a huge tropical river, which implies some dangers. The bed of the Red River is between 500 and over 1000 metres wide in the vicinity of Hanoi and the water level can rise by 10 metres within 24 hours as a consequence of heavy tropical rainfalls. In this case the river would flood much of the fertile land on both of its shores and in the delta it forms. The river could ruin months of work for thousands of farmers and endanger their lives.

Frequent floods made it essential for the farmers to build dykes on a large scale. The first written records of such dykes date back to the year 1108 but they are certainly much older (Le Thanh Koi 1969: 87, Nguyen Khac Vien 2002: 27ff.), since an agricultural civilisation on the shores of the Song Hong could not have flourished without them. It is easy to conclude that they existed in the same place as early as the time of the late Bronze Age civilisation which is documented from archaeological findings in the delta (Le Thanh Koi 1969, Salemink 2003: 25). The findings are dated back to several hundred years BCE.

Taylor (1983, chapter 1) emphasizes another point: the soil of the delta is almost at sea level and therefore at risk of flooding from the sea, e.g. driven by typhoons. Apart from this, there are tidal influences which affect much of the delta, at least during parts of the year. These influences have to be controlled to enable the farmers to grow rice. Wetland is not suitable for farming, so dykes against the sea are required.

From the very beginning of Vietnamese civilisation it was therefore very important to build dykes (and canals), since they were necessary for people settling in the fertile land of the

Red River delta and along the shores of the river. The inhabitants of this area had no choice other than to organise themselves in order to be able to cope with the powers of nature and to grow rice under adverse conditions. Controlling the irrigation system and flood protection demanded an integrated state. The system of dykes required the co-ordinated efforts of a lot more people than those of only one village, in principle of all the villages in the delta. The farmers in these many villages were forced to unite and form a state. This gave rise to the first Vietnamese state, which was called Au Lac. Since central coordination was needed to build dykes without any gaps a central state was required. As early as over 2000 years ago these conditions stimulated the emergence of a highly developed culture, initially in northern Vietnam.

Whilst in other countries of the world the population did not go beyond the civilisation stage of hunters and gatherers, in Vietnam a highly organised state was formed. Following a long Bronze Age epoch (Beresford 1988: 3) the first historically documented figure is An Duong, who defeated his enemies in the year 258 BCE and then ruled over a unified state in northern Vietnam (Le Thanh Koi 1969). Little is known about this first state in the area of the Red River delta, but it can be safely deduced that the requirements of central organization gave rise to its development.

In the year 111 BCE Vietnam was conquered by the Chinese empire and was subsequently ruled as a colony. In the course of time the country was exploited economically with different levels of intensity. We will come to the consequences of this long colonial rule later in the paper. Following long battles Vietnam gained independence from China in the year 939. With the Ly Dynasty, which ruled from 1009 onwards, the country now known as Dai Viet (the north of today's Vietnam) was subjected to centralist rule. Thang Long, a large city close to the delta area was made the capital. The city located at the same place is called Hanoi today.

The form of society that developed after independence, which existed until the French colonial period, can be described in relation to others characterised by Wittfogel. He analysed advanced civilisations in which the necessity to form a central state goes back to basic problems associated with irrigation and flood protection. He calls such societies "hydraulic civilisations" (Wittfogel 1957, on the reception see North 1981² and Guo 2009), which were characterised by a high level of water regulation and which had in common the fact that a broad population was subordinated to an absolute central power. This description fits many ancient societies, such as those of Egypt, China and India. They frequently had huge buildings constructed, some of which are still standing today (e.g. the Pyramids of Gizeh). The rulers of these countries were often worshipped as gods by the population.

The difference from the societies of medieval Europe was that the latter had a "middle stratum" of society, which typically formed a system of fiefdom. Here the power in the state was

² North discusses the case of irrigation along the Nile and states that "Egypt provides a better fit to Wittfogel's hydraulic society than most of the other cases he cites" (North 1981: 117). He describes the gains in productivity achieved by irrigation as "economies of scale". This does not directly apply to the Vietnamese case. There, a system of dykes along the Red River and the sea without any gaps is required. If there is a gap, the floods will penetrate the country. Therefore, it was partly a game of all or nothing: the land was only habitable with protection from the floods.

divided between the emperor and rulers of different levels. The fiefdom created mutual obligations even for the dependent peasants at the lowest level of society. All this is different in the case of the emperor in a hydraulic civilisation, who had absolute power which corresponded to some global needs of the respective society and was normally centred around the construction of some waterworks which typically required the efforts of the whole civilisation.

The extent to which Vietnam was actually a hydraulic civilisation in Wittfogel's sense must be considered, however. For Wittfogel the typical case of a hydraulic civilisation was China, where a semi-arid climate provided far less favourable conditions for rice cultivation than the hot and humid climate in Vietnam. Here irrigation could generally be organised by the villages themselves, a central state was not necessarily required for that. The water of the Red River was apparently hardly used for irrigation (Enticknap Smith 2002).

Enticknap Smith claims that the central state therefore played a smaller role in Vietnam than in China. It was able to restrict itself to the important flood protection, whilst irrigation was regulated at a lower level. The author claims that there was more of a "hydraulic bargain" between the state and the water users, not an autocratic control by the state. However, Smith only looks at a comparatively short period and does not go further back than the early 19th century. Evidence of a highly important role played by the emperors could be seen even during this period since in the 19th century impressive buildings and fortresses were erected following the commands of the emperors. A new capital with large palaces was constructed, since during the era of the Nguyen dynasty Hanoi was not regarded as the proper place for the emperor. The important role of the central state could be seen during the whole period of independence. For instance, already shortly after the first millennium, large canals were built (Nguyen Khac Vien 2002: 29). The difference between China and Vietnam was thus more gradual. It may be concluded that Vietnam was also a hydraulic civilisation but one which permitted its villages greater independence because the natural conditions were more advantageous than they were elsewhere.

4. The traditional Vietnamese culture

In the time before the Chinese occupation the people living in the Red River delta, who were later called Vietnamese, developed their own culture. They were even able to preserve some basic features of this culture during the time of occupation. However, they integrated further elements during the time of Chinese rule since the rulers brought not only their script³ but also their culture with them. Especially Confucianism is to be mentioned in this respect, but also Buddhism and Taoism. All these influences were combined into the special Vietnamese system of beliefs and interpretations of the world, without any claim to exclusiveness.

³ Later, beginning with the 17th century the Chinese script was substituted by Latin letters. Two categories of accents were used to show the special kind of a vowel and its tone. There are six tones in the Vietnamese language and a simple word like "ma" has – depending on the tone – six different translations: ghost, mother, but, rice seedling, tomb, horse.

The religions taken over from other countries were integrated into the traditional Vietnamese religion, which is essentially spirit worship. In this view the whole world is considered to be inhabited by many different souls and spirits (Eckhardt, Nguyen Tien Huu 1968: 81ff.). Among them are the ancestors of the respective families, who are assumed to be present after their deaths. The living people regard them as helpers in many affairs. This system of beliefs makes the Vietnamese culture unique. Though there are many influences from China, the rules governing the everyday behaviour of people and the behaviour itself in the two countries is very different. An example is that Vietnamese are rather open and friendly to strangers, which is completely different in other countries of the region.

Due to lack of space, it is not possible to provide a full description of the many aspects of the Vietnamese religion and of the entire system of beliefs. Instead we concentrate on some important aspects of culture which can be related to the economy in several ways. One of these aspects is the Vietnamese version of Confucianism (Salemink 2003: 35), which has had a strong influence on many facets of thinking for a long time.

The goal of Confucianism is to find a peaceful and harmonious place in life. According to the teachings of Confucius (in Vietnamese Khong Tu, 551-479 BCE) morality and harmony are decisive for a person's action. Five cardinal virtues play a central role in Confucianism: humanity, righteousness, wisdom, morality and honesty. People have close relationships which are hierarchically structured. This element of Confucianism becomes clear in four of the five most important relationships, these are the subordination of the son to the father, the people to the ruler, the younger brother to the elder brother and the wife to the husband. Only the relationship between friends, the fifth important relationship, is non-hierarchical. In the Vietnamese case, however, the relationship between husband and wife is not regarded as hierarchical as it is in China. According to Confucianism, the stability of society and peace between nations depend on everyone virtuously accepting these (hierarchical) relationships (Woods 2002: 17f.).

The father is therefore the role model for the son, as is the teacher for the pupil and the emperor for his people. The family is the model for life in the village and the village is the model for the state. On the whole Confucianism implies strong family ties, the emphasis on authority in the state and administration, strong seniority and community orientation and the emphasis of education (Weber 1968). The last point is of specific importance as will soon become clear.

The patriarchal character of traditional Vietnamese culture was compatible with Confucianism (Khong Giao in Vietnamese). This was one of the reasons why Confucianism was quickly adopted from the Chinese. On the other hand it was also identified with Chinese colonial power. As a movement against China, Buddhism arrived in the country as early as the second century CE and found a great many followers. Even today cultural-religious thinking in Vietnam continues to be influenced by a combination of Confucianism, Ancestor Worship and Mahayana-Buddhism. A core of Vietnamese culture and language survived even during the thousand years of foreign rule and the dominance of Chinese culture and the Chinese language under the Vietnamese Mandarins.

Now let us turn to the relationship between the hydraulic society and Vietnamese Confucianism. What is important is that the state's administration was conducted by civil servants, the Mandarins, who were appointed to their positions following an educational examination (Le Thanh Koi 1969: 86). This is one of the central elements of Confucianism, which the Vietnamese rulers adopted from the Chinese (cf. Wittfogel 1957, Woods 2002). For the emperor it was advantageous to occupy government positions on the basis of examinations because the positions were not inherited. This prevented the development of a middle class with claims to power, and the central position of the emperor was emphasised even more strongly. Whilst in European feudalism there were diverse dependencies and obligations between an emperor and his vassals, the Vietnamese emperor was free in his decision-making. This is an important difference.

Initially only the sons of Mandarins were permitted to sit the examinations. Later on the circle of candidates was broadened but still only a relatively small group was able to find the time and the money for the schooling. The candidates had to have good knowledge of the Chinese language and script. The aim of the examinations was to ensure that skills and qualifications were decisive for gaining a government position and not solely descent and hereditary advantage.

The contents of the examinations came mainly from five books which covered the fields of politics, literature, morals and the art of administration. Practical skills, e.g. in farming or trades were therefore not part of the examinations. The candidate should present himself as being a "Gentleman", a reliable person, not one with practical abilities. The examinations were strongly formalised and barely changed for centuries. To pass an exam the ability to reproduce the subject matter was important, not creativity. Pre-selection examinations were held in the provinces and the main examinations in the Van Mieu Temple of Literature in Hanoi (from 1075 until 1915, longer than in China). This temple still exists today and is regarded as Vietnam's first university. Those who passed the examinations were appointed to a government position. The candidates who failed returned to the provinces. They took up positions as teachers, doctors and public scribes and passed on their knowledge to the population. They, too, were highly respected. The Mandarins and other educated people were supported by the peasant population.

As the power of the bureaucrats was not passed on to their sons, their exploitation of the peasant population was generally limited. However, in addition to the bureaucrats, the land owners were another important group in the state. Their role changed over time. Following the expulsion of the Chinese rulers, the emperors appropriated part of the cultivatable land. They then passed some of the land on to nobles (their own relatives, leading officers etc. and their heirs) who in turn leased the land to peasants. High leases and heavy taxation of the peasants provoked rebellions which were followed by land reforms (Woods 2002). There were, however, different forms of land ownership: in some cases the land also belonged to the peasants and in some cases it has belonged to the villages up until modern times (Le Thanh Koi 1969, Beresford 1988: 6 & 55). Besides the free peasants there were also serfs who had to work on the large estates.

The state facilitated higher productivity, generally not by means of superior technology but via the social organisation of production, which permitted the construction of huge structures and buildings. These efforts made the dense settlement of the country possible by guaranteeing irrigation and providing protection from floods. However, there was a second important reason for the role of the state. It protected the Vietnamese population from attacks by highland tribes (Beresford 1988: 6) and from foreign powers such as China. In the 13th century the state was so strong that it was able to put up resistance against the Mongols. The Mongols were able to capture the capital but could not gain a foothold in the rest of the country. The Vietnamese followed a strategy often applied during the centuries of combining open warfare with guerrilla tactics.

On the other hand the emperor at the head of the state was a despotic ruler who could deal with his subjects however he liked. Like other Asian rulers he built large palaces and other magnificent buildings, which were financed via taxes etc. His position was protected by the army. For long periods of time there was general compulsory military service for all free peasants. Nonetheless Vietnam's history is full of conflicts concerning the power in the state, as the repressed peasants repeatedly conducted rebellions. Battles were often fought between different groups for power in the state.

The power aspect of an economy's institutional setting is taken into account by North (1988: 21ff.), who distinguishes between two possible explanations of the state, a contract theory and an exploitation theory. In the case of Vietnam the contract theory does not appear to be appropriate as it implies a voluntary nature which is not given when a state is created. The conflicts concerning the power in the state show clearly that the central rulers did not simply act in the interest of the peasants. The large palaces and other buildings point to an exploitation of the peasant population. On the other hand, the emperor ordered the works dedicated to flood protection, which fulfilled a necessary function for this population.

In the almost 1000 years of Vietnam's history from the 10th to the 19th century Vietnam was able to maintain its independence from China with the exception of brief episodes. The area over which the Vietnamese emperor ruled expanded gradually southwards in repeated wars (see the chronological table of Vietnam's history). During this time the cultures and states of the Cham and the Khmer were fought against and were gradually ousted. The Vietnamese populated the coasts of the South China Sea, whilst the mountains inland remained populated by different tribes. The Vietnamese only began to settle gradually in the Mekong Delta from the second half of the 18th century onwards. The capital Thang Long (Hanoi) flourished. It was already an extensive metropolis with many thousands of inhabitants in the Middle Ages.

However, the country which was known as Viet Nam from 1802 onwards stagnated in economic terms. The system of rule of the hydraulic civilisation – including Confucianism – contains a very persistent element, as there is a lack of any motivating force for economic development. Although trade was conducted with western colonial powers, the country remained independent for a long time. Trade generally took place only on the fringes of this society, since external trade was strictly controlled by the state (Nguyen Khac Vien 2002: 30). The state had a double role in this respect: though it restricted trade, it was a force behind the

economy which guaranteed property rights and made exchange possible. A large proportion of the traders and moneylenders were ethnic Chinese, who were able to carry out financial transactions which were forbidden to the Vietnamese.⁴ The Vietnamese were not allowed to lend money.

During Vietnam's long history, the family was always the basic unit of production. This was also legitimated by Confucianism, which taught children to honour their parents and the parents to support their children. In a society that could offer only the lowest level of social assistance in the case of illness, old age or misfortune, the family was the main source of social security. Of course, this is again not simply a rational calculation, but is mirrored in the preferences of the subjects, who value family relations. This value is mirrored in the religion, which sees the dead members of the family as potential supporters of the living. The worship of ancestors and its special form are characteristics of the religion which make the Vietnamese society different from other societies which also know the importance of family relationships.

Family orientation implies a long time horizon. To secure the future livelihood of one's own children it is necessary to make long-term provisions. This implies a strong motive for income-maximization. Neglecting an opportunity for a high income would not only endanger the father's prospects but also those of his children.

From the brief analysis of Vietnam's earlier socio-economic development it is possible to derive some basic statements and explanations regarding central elements of the country's culture in the time before colonialism:

- The hydraulic mode of production was a response to the climate and the external conditions. It facilitated a relatively high level of economic and social development by means of highly developed social organisation despite low technical productivity.
- Passing educational examinations was the main way to acquire the status of a civil servant. This form of status acquisition was of advantage to the central power. The examinations gave education a high status.
- Since the basic productive units of society were families, there was a strong reliance on family ties, which were also emphasized in Confucianism.
- For the Vietnamese it was natural for society to be organised by the state. This was different in other societies which relied mainly on the addition of villages of peasants.
- It was equally natural to be embedded in a close social context that was given as a result of the joint production of rice.
- Vietnamese society was characterised by farming and had a strongly hierarchical structure which was legitimised in cultural terms by Confucianism.⁵

⁴ Relatively early the Chinese developed a system of trade relations which did not require the sanctioning power of a state. Instead, property rights and other aspects of trade relationships relied on the ties of the extended family, on the construction of guilds and other supports, which were described by Perkins (2000). This system was not a perfect substitute for state guarantees of trade, but it was so successful that Chinese traders were active in the whole area of South-East Asia, and many of them became wealthy. Later in the paper we come to parallel effects concerning the Vietnamese culture.

⁵ The social relations characterised by a hierarchical structure are even reflected in the language. In Vietnamese the form of address depends on a person's sex, on whether the person addressed is

- This society was characterised by stagnation, however, as there was hardly any incentive to increase production. There were only a few markets and they were controlled by the state. The lack of incentive for change was reflected by Vietnamese culture which showed a strong adherence to the persistence of unchanged rules.

Certain economically relevant elements of Vietnamese culture, for example the high value placed on formal education, learning ability, family values, adaptation to large social organisations, propensity to save etc. are the result of a cultural tradition that developed as a complement to the hydraulic society and mode of production. The culture that developed at the same time has endured for years and continues to have an effect today.

The system of Confucianism matched the structure of the hydraulic society very well. In the relationship between economy and culture it is not simply the case that the economy determines the culture. At any rate it has been demonstrated that in Vietnam Confucianism was very compatible with the economic structure. This was the reason why it was able to become established and influential over a very long time. Culture and economy have to be understood as interacting factors. The long time during which Confucianism had an influence in Vietnam is then not purely to be understood as resulting from the momentum of the culture but from the unchanged economic structure. Conversely, the culture stabilised the economic development. The economic world was interpreted by the peasants in accordance with the rules of Confucianism and, for example, the power relations between the emperor and the peasants were legitimated.

Now, returning to the subject dealt with in the second section of this paper, the Vietnamese high regard for education is understandable. During the dominance of Confucianism the system of examinations was in force that provided a very direct access to state positions depending on the performance in these examinations. The message to a pupil was: if you learn well you will gain a high position in the state. This message was so strong, because of its realism, that the belief in the value of education was maintained even during the relatively brief period the country was a French colony (see Table 1). It was passed on from one generation to the next. It can be assumed that education was not only regarded as a means to an end in the way human capital theory sees it. Even people's preferences were adapted; they regarded the contents of education with great respect and thought it natural that educated people should gain good positions in the state. We have already seen that the described high regard for education is embedded in a system of beliefs which corresponds to Confucianism and to the culture of a hydraulic society. In section 6 we relate this whole system of culture to the development of Vietnam in modern times, which we describe first, in section 5.

younger or older than the speaker and also on the person's position or rank. What is more, the way someone talks about him/herself and the expression for oneself also change accordingly. In this way a categorisation into certain social relationships and groups already occurs in the language.

Table 1
Chronology of Vietnamese history

ca. 700-300 BCE	Bronze Age. Dong Son culture and An Lang empire of the legendary Hung kings.
258-207 BCE	Iron Age: Au Lac kingdom with the capital of Co Loa.
207 BCE	Conquest by Trieu Da, kingdom of Nam Yüeh (Nam Viet).
111 BCE	Invasion of Nam Viet by the Han Chinese.
111 BCE -939 CE	Vietnam is a colony or province of China.
39-43 CE	Revolt, and suicide of the Trung sisters
939	Ngo Quyen defeats the Chinese at Bach Dang River and becomes the first emperor of the independent Dai Viet.
1010-1225	Ly Dynasty. Heyday of Buddhism and the start of southward expansion also against the kingdom of Champa in today's southern Vietnam.
1010-1028	Emperor Ly Thai To founds the capital Thang Long (Hanoi)
1054-1072	Ly Thanh Tong annexes Champa to Quang Tri and has the Temple of Literature erected in Hanoi in 1070.
1225-1400	Tran Dynasty. Mongol invasions, battles against Champa on the southern border.
1288	Tran Hung Dao defeats the Mongols.
1408-1428	Dai Viet becomes a Chinese colony again.
1428	Le Loi defeats the Chinese and as Emperor Le Thai To (1428-1433) reforms the Confucian monarchy
1471	Capture of Vijaya and therefore the end of Champa.
1535	The Portuguese land in Da Nang and built a settlement in Faifo.
1672-1786	Division of Dai Viet into the principalities of the Trinh (Hanoi) and the Nguyen (Hue).
1679	Foundation of Cholon by Chinese emigrants.
1771-1802	Tay Son revolution; Emperor Quang Trung defeats the Chinese in 1789.
1802-1841	Battles with Siam for supremacy over Cambodia.
1862	Cession of Cochin China as a French colony.
1883	The French declare Annam and Tonkin to be protectorates and in 1887 establish the Indochinese Union. The Vietnamese emperor goes into exile.
1890	Birth of Ho Chi Minh.
1904	First independence movement of Phan Boi Chau.
1930	Foundation of the Vietnamese Communist Party in Hong Kong under the chairmanship of Ho Chi Minh.
1940-1945	Japanese occupation.
1941	Formation of the Viet Minh (League for the Independence of Vietnam).
1945	2 September: Ho Chi Minh unilaterally proclaims the Democratic Republic of Vietnam (DRV) in Hanoi.
1946-1954	War of independence against France (Indochina War).
1960	Formation of the NLF ("Viet Cong") in the South, which is supported by North Vietnam.
1964	March: US troops (25,000) land in Da Nang.
1973	Paris Peace Agreement, followed by the withdrawal of US troops.
1975	Spring offensive of the DRV and the subsequent fall of Saigon.
1986	December: the 6th Party Congress of the Vietnamese Communist Party introduces extensive economic reforms (Doi Moi: renovation).
2007	Vietnam becomes a member of the World Trade Organisation (WTO)

Sources: Le Thanh Koi (1969), Taylor (1983), Van Arkadie, Mallon (2003: 72ff.), Nguyen Khac Vien (2002) etc.

5. Dynamics of Vietnam's recent development

Vietnam was a French colony until 1954. Afterwards the country was divided into the communist North and the capitalist South, which gave rise to a very bitter and bloody war. The estimates of the death toll were 1.5 Mill. people or more. The war ended with the unification of the country in 1975. From that time onwards the Communist Party ruled the entire country.

The economy was structured following the blueprint provided by the USSR. Production was nationalised, the many peasants were forced to join agricultural production cooperatives. However, it soon became apparent that the programme was a failure, as the years following Vietnam's unification were a period of stagnation. Mounting economic problems led to starvation and to poverty for almost the entire population (Van Arkadie, Mallon 2003: 27ff.).

After some experiments with market reforms from 1981 onwards, in 1986 a phase of substantial reforms was announced, which was called "Doi Moi" (renovation, see Van Arkadie, Mallon 2003: 38ff.). In the following period basic changes were made to the economic system, though they did not constitute an overnight revolution. Unlike the system change in the former Soviet Union and contrary to some recommendations, a "big bang" transformation was avoided. Instead, significant reforms were introduced step by step. Some of these steps were:

- In the agricultural sector the decision-making power was transferred from the cooperatives to the peasant families (mainly implemented in 1988).
- Price reforms were introduced, which included the abolishment of central planning, setting firms free to act on the markets (mainly 1989).
- The country was opened up to foreign investors.
- State firms were privatised in several waves (though there are still many state owned enterprises today).

Parallel to this, the institutions of a market economy were created. Among the many laws which were passed, a "labour code" was brought into force which regulated employment and the labour market (Sidel 2008: 92ff.). Though these reforms created the framework of a market economy, the political system underwent only very few changes. The Vietnamese Communist Party remained the dominating force in the country.

From Table 2 it can be seen that the reform process has largely been a success. The country has been able to attract a great deal of capital (see rows 10 & 11 of Table 2) and to increase its ability to compete on the world markets, since its exports have soared to unbelievable heights. The country has been integrated into the world market. Whereas initially its exports were mainly oil and agricultural products, the economy has since been able to sell more and more technologically complex products. The overall growth rate has remained high and stable over a long period (row 2). The inflation rate has been relatively low (row 3).

Though inequality has increased within society, poverty has decreased according to international standards from 58 % (1993) to 13 % (2005). The proportion of people living from a budget equivalent to less than one US Dollar a day has fallen from 40 % to 2 % (see Mausch 2010: 14). This reduction of poverty has been an enormous success, relieving the majority of the population from a heavy burden. In more recent years it has been possible to restrict poverty even further, leaving mainly only the inhabitants of the mountainous regions still affected. Klump and Bonschab (2007) regard the special pattern of economic growth followed by Vietnam as "pro poor growth" since it was in favour of the poor population. Klump (2006) asked further "Vietnam: miracle of model?" since the country was so successful that its concepts and regulations could be possibly used as a blueprint for other developing countries.

Table 2:
Basic indicators of Vietnam's socio-economic development

		1994	1997	1998	1999	2000	2001	2002
1	GDP per capita (US\$)	214	317	330	374	401	410	440
2	Growth rate in real terms (%)	8.8	8.2	5.8	4.8	6.79	6.9	7.04
3	Inflation rate	9.5	6.0	9.2	0.1	-0.6	0.8	4.0
4	GDP (bn Dong VN) current prices	178534	313623	361017	399942	441646	481295	535762
5	Population (m)	70.8	74.3	75.5	76.6	77.6	78.7	79.7
6	Exports (US\$m)	4054	7256	9185	9360	11541	14483	15029
7	Imports (US\$m)	5826	11144	11592	11500	11742	15637	16218
8	Balance of payments on current account (US\$m)	-1772	-3888	-2407	-2139	-201	-1154	-1189
9	Unemployment rate		5.8	6.9	7.4	6.44	6.28	6.01
10	Foreign investment: - carried out	2041	2714	3115	2367	2335	2414	2451
11	- announced (both US\$m)	2540	3511	2649	2474	975	1312	1709

		2003	2004	2005	2006	2007	2008	2009
1	GDP per capita (US\$)	492	553	639	723	834	1034	1064
2	Growth rate in real terms (%)	7.24	7.7	8.4	8.23	8.48	6.18	5.32
3	Inflation rate	3.0	9.5	8.4	6.6	12.6	19.9	10.0
4	GDP (bn Dong VN) current prices	613443	715307	839211	974266	1144015	1477717	1556300
5	Population (m)	80.9	82	82.4	83.3	84.2	85.1	86.0
6	Exports (US\$m)	16706	20149	26485	32447	39826	62685	56600
7	Imports (US\$m)	19746	25256	31969	36761	44891	80713	68800
8	Balance of payments on current account (US\$m)	-3040	-5107	-5484	-4314	-5065	-18029	-12200
9	Unemployment rate	5.78	5.6	5.3	4.82	4.64	4.65	4.6
10	Foreign investment: - carried out	2591	2650	2853	3309	4100		10000
11	- announced (both US\$m)	1272	1139	1217	1973	4675		23107
12	GDP per capita (US\$) purchasing power	1781	1949	2143	2365	2607	2794	
13	Remittances (US\$m)	2700	3200	4000	4800	5500	7200	
14	Budget deficit as % of GDP	-7.2	-4.5	-4.5	-1.1	-5.3	-4.7	
15	Gross capital formation as % of GDP	31.14	33.26	32.87	33.35	38.27	34.61	

Source: Vietnamese General Statistical Office

These dynamics were mobilized by the described basic reform steps. Especially in the agricultural sector privatization set free a powerful incentive which led to large increases in productivity. However, the country did not follow a purely neoliberal reform course as until recently the state retained an important role directly within the economy (Van Arkadie, Mallon 2003).

The composition of exports is shown in Table 3. It can be seen that Vietnam has been successful in exporting agricultural products and raw materials. Industrial exports have mainly been textiles and other relatively simple products. More recently the production of electronic goods has gained importance. There is reason to hope that the country will be able to specialize increasingly on technologically complex products, as will be argued below.

The tremendous dynamics of the development process in Vietnam were mobilized by the basic reform steps described earlier. Especially in the agricultural sector privatization set free a powerful incentive which lead to large increases in productivity. However, the country has not followed a purely neoliberal reform course (Van Arkadie, Mallon 2003) and the state continues to play an important role directly within the economy. Since the accession to the World Trade Organization WTO (in 2007) the remaining state industry accelerated the conversion of its ownership form to state-owned capital companies.

Table 3: Exports (in million US\$)

	1995	2002	est. 2008
Total	5,198	16,706	62,685
Rice	549	726	2,894
<i>Thousand tons</i>	<i>2,052</i>	<i>3,241</i>	<i>4,742</i>
Crude oil	1,024	3,270	10,357
<i>Thousand tons</i>	<i>7,652</i>	<i>16,879</i>	<i>13,752</i>
Coal	81	156	1,338
<i>Thousand tons</i>	<i>2,800</i>	<i>6,049</i>	<i>19,355</i>
Coffee	495	322	2,111
<i>Thousand tons</i>	<i>200</i>	<i>719</i>	<i>1,060</i>
Textiles & Garments	800	2,752	9,120
Footwear		1,867	4,768
Electronics & Computer Parts		605	2,638

Source: General Statistical Office

Vietnam today has a segmented economy with two main segments. The primary dividing line is between traditional farming (about half of employment) and the remainder of the economy. The non-farming sector is again divided into two segments. One is the formal, the other the informal economy. The formal economy includes all employment which is regulated by formal contracts. These mainly concern establishments with more than 10 employees, foreign and state establishments. The informal economy includes the self-employed, small family enterprises and other establishments not covered by official regulation. Because of gaps in the

official statistics only estimates are available for the relative sizes of these two sectors. Our study on the economy of Vinh and assessments of Vietnamese experts give hints that the informal sector might be nearly the same size as the formal sector, but with a decreasing tendency.

The formal sector is the modern one, which has structures similar to those of the leading capitalist countries. The informal sector produces goods and services that are not supplied by the formal sector. It provides many people with a livelihood and acts as an economic buffer, which among other things provides a substitute for a fully developed social insurance system. Unemployment figures are low in Vietnam because until recently there was no unemployment insurance. Many people laid off during the transformation process switched to this sector of the economy and supplied simple services.

As incomes in the informal sector are often low and fluctuate, people are interested in leaving this sector. Good educational qualifications are often required to enter the formal sector. Certificates often serve as entrance tickets to the formal sector of the economy. In the upper part of the formal sector a college or university degree is required. In many cases people with these degrees are hired though their qualifications are hardly ever used.

In order to analyse Vietnam's labour market and its social and economic context, a panel survey was carried out, with waves in 2005 and in 2009. The sample size was relatively large with over 2500 households included in each wave (for analyses of the first wave of the panel and of a preceding cross-sectional survey see Blien, Phan thi Hong Van 2009). This survey does not cover the whole country but, in the form of a regional pilot study, concentrates on Vinh City, a town in central Vietnam with approximately 200,000 inhabitants. It was decided that it would be more fruitful to collect and analyse data about only one region (the sampling rate was about 6 % in each survey), than to conduct a representative study for the entire country. The main reason for the concentration on a case study was the intention to ensure the quality of the data. In a case study the quality can be controlled better.

Although the results of the survey are only representative of Vinh City, they nonetheless yield a great deal of information about Vietnam in general. In a certain way this city is typical of the situation in the country as a whole. Not the extreme cases of rural areas and of large agglomerations i.e. of Ho Chi Minh City and Hanoi are regarded, but a medium-sized town which is somewhere in between.

Since the survey is representative of the whole population of Vinh, it maps a lot more than just the labour market. It comprises information on the entire regional economy and maps in particular its large informal sector, which is important for assessing the development process. Now the data can be used to make comprehensive analyses of processes determining the living standards of many people. The dynamics of a transformation and developing economy can be shown at micro-level from new perspectives. A comparison of the results indicates the development trends.

Since the survey yields valuable information about the regional economy, its data have been used for planning purposes in social security and labour market policy. Table 4 shows some basic regression result with the log of monthly income (in Vietnamese Dong) as the response variable. The number of respondents was nearly 6000. There are some interesting

aspects of the results. Between 2005 and 2009 there was an income growth which corresponds to a yearly rate of approximately 11 % (the coefficient of dummy variable “Year 2005” recalculated). The figure is higher than the growth rates shown in Table 2 for the period under observation, though Vinh does not give the impression of an especially booming region. This supports the suggestion put forward by internationally experienced experts that the officially reported growth rate might be too low (Van Arkadie, Mallon 2003).

The main result of the regressions is that incomes increase with vocational education. People with a college or university degree earn about 50 % more than people without any formal vocational education.

Table 4

Mincer function for gainfully employed people

Response variable: logarithm of monthly income (inflation corrected)

Source: Own calculation using the panel data of the Vinh survey (Vietnam)

Pooled regression and random effects model in comparison

	Pooled		Random	
	Obs: 5983 R ² = 0,30		Obs: 5983	
	Coefficient	t-Value	Coefficient	t-Value
Constant	5,120 ***	46,92	5,145 ***	44,97
Female	-0,225 ***	-15,42	-0,231 ***	-14,03
Age	0,076 ***	13,11	0,076 ***	12,46
Age squared	-0,0078 ***	-10,55	-0,0078 ***	-10,03
Year 2005	-0,352 ***	-25,11	-0,353 ***	-30,52
No vocational qual. (Ref.)				
Lowest vocational education	0,125 ***	4,33	0,114 ***	4,09
Vocational school attendance, no qualification	0,116 ***	3,85	0,097 ***	3,33
Vocational school attendance with qualification	0,189 ***	7,59	0,181 ***	7,35
Higher vocational school	0,250 ***	11,51	0,224 ***	10,21
College, university	0,513 ***	27,65	0,473 ***	23,92
Master's degree, doctorate	0,672 ***	12,24	0,629 ***	11,2
sigma_u			0,424	
sigma_e			0,421	
Rho			0,503	

6. Cultural factors in Vietnam's recent economic development

Table 4 shows that on average individual economic agents are able to obtain remuneration which is in accordance with their educational level in Vietnam. People with higher education levels earn more; their investments show positive returns. In several transition countries these rates were low in the first years after transformation (Münich, Svejnar, Terrell 2005) and Vietnam seems to have been similar in this case (Friedman 2004), but has since adapted (Blien, Phan thi Hong Van 2009). In many other developing economies there has been only a very small return to educational investment.

The returns to educational investment provide incentives for acquiring higher qualifications. This is important since an educated population is one of the pre-requisites for economic development. The empirical literature on economic growth shows a positive association between the average level of education in a country and its rate of growth (e. g. Durlauf, Johnson 1995, Bloom, Canning, Chan 2006). According to this finding there should be a positive effect on Vietnam's growth rate, since the relatively high level of education satisfies the demand of a developing economy.

The preoccupation of most Vietnamese with securing a good education for their offspring is on the one hand a result of their cultural background, which sets great store by education. And it is on the other hand due to modern experiences of high wages for educated people, which are in harmony with the traditional preoccupations. Education is valued in the most important books of Confucianism and is part of the Vietnamese culture. It reflects the experiences of a distant past where it was possible to acquire good state positions by passing examinations. The educational investment also corresponds to the distant time-horizons of many Vietnamese. Since they care about their children's futures, they tend to invest in conditions which could be expected to secure this future. Hence they are inclined to make a great deal of effort today, though the returns to this effort are uncertain and may not be collected for many years.

This structure of time-preferences also corresponds to investment in all kinds of real capital. The last row (no. 15) of Table 2 shows high rates of capital formation⁶, which can be explained by the interest of the Vietnamese to care for the future wellbeing of their children and their families in general. Since Vietnamese people pursue this interest they are under pressure to use any option concerning additional incomes. Under the conditions of an underdeveloped social security system in Vietnam many people are forced to substitute social security with a high rate of capital formation. However, for the many small enterprises it is difficult to finance new projects, due to the country's narrow capital market. The lack of funding from banks demands other forms of capital provision. Therefore, the financial assets of the respective families are used. The numerous small enterprises in Vietnam which grow out of the

⁶ The high figures of capital formation overstate the direct effect on economic growth because of the high prices of real estate. In preferred locations in Hanoi prices are even higher than in cities of the Western world. The overshooting of prices might be an indicator of a "bubble", which could be due to the fact that the capital market is still very narrow in Vietnam. Many people are forced to invest in real estate instead of contributing to the stock of productive capital.

country's informal sector can only exist on the basis of this financial background. Since they are flourishing in large numbers it is clear that the funds of the owner families work quite effectively although the banking system is not effective enough.

This involves another aspect which is the same for Chinese and Vietnamese people. Perkins (2000) shows that family ties are important for enforcing property rights and contracts, if the state is not entirely ready to guarantee these. Perkins argues that in China family relationships work as a partial substitute for these state guarantees. The mechanism he describes is working the following way: It is not only the reputation of an individual person which is at stake if he or she is unable to pay back a loan, the reputation of the whole family is at risk. The family is therefore inclined to ensure that the original loan is repaid. At least this is so if the family is involved in business that requires a good reputation. Perkins argues that the strength of their family ties is one of the reasons why people with a Chinese background have been able to play an important role in trade throughout the whole of South-East Asia. It is easily possible to transfer Perkins's argument to Vietnamese families.

The rapid increase in the number of small businesses populating the informal sector in Vietnam is therefore based on a cultural background. Today, this informal sector is very important for the stability of the Vietnamese economy. People who have to leave the formal sector of the economy, because the firms they were working for have closed down or have reduced their workforces, can move to the informal sector and start up a small special business of their own there. Since supermarkets and other "modern" retail stores are still quite rare in Vietnam, the shops in the informal sector are important to meet the demand of the population. Apart from trade there are many other businesses performing services and producing goods in the informal sector. Again, this is important for the development of the economy, since these businesses fill gaps in the supply by formal enterprises. Furthermore, the informal sector is a good starting point for entrepreneurs, who are able to guide their businesses into the formal sector of the economy in later phases. Many of the people in the informal sector, however, earn only small incomes. According to the Vinh survey the average incomes in the informal sector are roughly equivalent to those in the formal sector of the economy (again, for analyses of older versions of the data see Blien, Phan thi Hong Van 2009).

Virtually every Vietnamese who is affected by unemployment performs some kind of work in the informal sector. This buffers the economy against fluctuations and works as a partial substitute for a social insurance system which is still underdeveloped. Some of the assessments of the future of the Vietnamese economy conducted in the phase following the start of "Doi Moi" were rather pessimistic (e.g. de Silva, Jamal 1994), because most of the institutions of a modern economy were missing, the growth potential and the flexibility of the economy were underestimated. The potential of the Vietnamese economy to create new jobs for its rapidly growing population (an increase of about one million people per year) and to secure the existence of those people who lost their jobs especially in the state industry, was greatly underestimated.

The ability of the Vietnamese economy to adapt is one of the reasons why the transformation from socialism and towards a modern productive economy has run so smoothly, so far. The ability relies on the networks people can use, which are based on family ties and on the

relations which extend this primary network.⁷ The informal economy could not flourish without the opportunity to use loans from relatives and without the possibility to employ family members in the many small enterprises. The strong family ties are the result of the influences generated by the cultural background.

Many peasants try to move to the towns and cities and start up businesses in the informal sector there. Since they are used to hard work, jobs with tough working conditions do not deter them. This potential for disciplined hard work is a central factor for the success of the Vietnamese economy. The tradition of a peasant economy which has relied primarily on hard manual work is very important and is the reason why it is possible to find so many labourers for the joint ventures in this country. Since Vietnamese peasants are used to adapting to each other it is relatively easy for them to work in large production units.

Vietnamese labourers work for wages which are below those of the relevant competitors. Wages in China are about three to four times higher. If the Gross National Product per capita is used as an indicator Chinese wages were about 200 % higher in 2007 (World Development Report 2009: 352f.). A considerable cost advantage thus works in favour of the Vietnamese population and economy. This cost advantage is being eroded, however, due to increasing wages in Vietnam. Yet there is hope that the Vietnamese population is sufficiently educated so that the major focus can be shifted to technologically advanced production, leaving behind the phase of grim working conditions for low pay. Of course there are many other preconditions for this shift, but again one can hope that they are met too.

We have now seen that the Vietnamese culture is relevant for the development path pursued by Vietnam in the last two decades. However, culture is certainly not the only factor that is important for explaining this path. The core of Vietnamese culture remained virtually unchanged for a long time, but the economy stagnated in the phase before the introduction of Doi Moi. There was hardly any development before French colonization. The introduction of capitalist institutions in the context of economic reforms was important in this respect. Powerful incentives were set free according to this change of institutions. We do not intend to discuss special aspects of the reform process, e.g. its gradual nature and its step-by-step character, which might also contribute to fast growth.

It is not possible to assess the exact size of the contribution of culture to the growth path of Vietnam. The country represents a unique case and it is therefore not feasible to observe variations of its cultural patterns to identify the intensity of its influence. The various arguments developed above, however, support the view that culture is significant for at least three aspects of the country's development in particular:

- The growth process has been "smoothed out". Many events could have generated serious crises, but their influences have been softened and dampened. The transformation crisis was very deep in many countries which developed out of the former Soviet Union and its former allies. In Vietnam this was different, for reasons that include

⁷ One of the most quoted articles in sociology is Granovetter's (1973) "The Strength of Weak Ties". He argues that weak ties in social relationships are decisive for success on the labour market because they extend the range of the individual network considerably. In the case of Vietnam's informal economy, however, primarily strong ties are important.

family support and the creation of the informal economy, which was virtually non-existent in before. This creation was in turn facilitated by family ties of the people active in this sector. Many people who lost their jobs after central planning was abolished therefore found new ways to earn a living.

- Economic growth in Vietnam has reached high levels. People perform hard and disciplined work under often quite unfavourable conditions. The mobilization of capital was possible due to people's orientation towards future economic outcomes and by utilising the durability of family relationships.
- In more recent years it has been important that Vietnam has an educated population and that the enrolment of young people at colleges and universities has increased tremendously. This is due to the high esteem for education expressed in the Confucian doctrines. The relatively large proportion of qualified people is one of the reasons why it is possible to establish more and more technologically advanced production in this country.

These arguments support the expectation that Vietnam will be able to overcome its current difficulties such as imbalances between exports and imports. There is no certainty that this will be the case, since the main conditions for Vietnam's development are the ordinary conditions of growth of a capitalist economy. Culture is a facilitating factor which is important but cannot secure an upward trend against the conditions of the world market. There remains hope that the country's economy will be able to avoid a "low wage trap", i. e. a situation where development is restricted to simple and technologically backward production. There is no guarantee, however, that this will be the case.

7. Conclusion

We have analysed how the Vietnamese culture came into existence in a civilization centred around the Red River delta. The people living in the area which was endangered by floods from the Red River and the sea were confronted by the necessity either to organize themselves or to leave this fertile area. To control the floods a centralized state was created which was governed by an emperor; a "hydraulic society" was generated. In this society a culture developed partly under its own impetus, and was partly taken over from external influences, mainly from China. It was characterised among other things by the doctrines of a Vietnamese version of Confucianism, which laid great store by education. It also demanded subordination to the authority of a well-meaning head of the family and to the authority of the well-meaning head of state. Family relations were also important in Vietnamese religion since the reverence of ancestors is one of its major features. This culture was well suited to the demands of the hydraulic society. The centralization of decision processes was facilitated by a system of exams, which regulated the selection process for good positions in the state and which prevented the generation of an intermediate class based on an inherited status.

This culture is formative for the life of Vietnamese people even today, though the corresponding basis of a hydraulic society vanished with the arrival of the European power which

took over Vietnam as a colony in the 19th century. Vietnamese culture persisted during the time of foreign rule. As we have seen, it is also present in Vietnamese populations living in distant countries. The high success rates of Vietnamese immigrant pupils at foreign schools are the results of a special orientation of the Vietnamese population.

Today, it has been argued, the Vietnamese culture supports the development process taking place in the country. In Vietnam many of the institutions of a modern state are underdeveloped. There is neither a reliable social insurance system nor an effective banking system. However, people are able to substitute these institutions partially by structures of their own. On the basis of family relationships they back up investors and help each other in the case of serious problems (at least up to a certain degree) with which the social insurance system is not ready to deal. This is due to the influence of the Vietnamese culture.

In the end we find a double relationship: on the one hand the culture under observation is influenced by the basic economic conditions of the relevant society. On the other hand it in turn influences economic development. This is not a simple circular reasoning, but the result of a special time structure: the formation of culture came first, after its development it has influenced the economy in turn. The new economic conditions of the market system can also be expected to have an effect on culture and its traditional form is likely to be eroded by these conditions.

The argumentation in this paper assumes that cultural influences are passed on from one generation to the next, at least to a certain extent. Only in this way can the culture shaped in a hydraulic society still have an influence on a population of immigrants in modern Western societies. It is assumed that by way of socialization within families the preferences of individual people are influenced and their subsequent actions are affected. Therefore, a multi-level conceptual approach is needed for the explanation of the situation described. The specific culture provides the economic subjects with the interpretation patterns they use in order to understand economic relations. The economic subjects' preferences take up these cultural influences. In this respect the macro-level influences the micro-level. Conversely, the economic subjects' interests are a decisive factor for which culture can become established.

Culture provides rules for individual behaviour, which tell Vietnamese families for example to save time and energy for the education of their children. These rules restrict an individual's behaviour, they are limitations to individual action. This occurs in two ways: on the one hand by integrating rules in his or her individual preferences by judging which actions are right or wrong. On the other hand these rules are guidelines for sanctions against the improper behaviour of others. It is appropriate to point out that the rules also have an enabling side since they make individual actions possible. The hydraulic society with its considerably greater population density compared with other peasant societies and its higher standard of living was only possible in this way. In this sense culture directly provides resources for individual action. Of course these sentences may have many aspects of theoretical significance and it would be worthwhile to explore these aspects further on the basis of the economic and sociological theory of individual action.

Coming back to the case of Vietnam it has been argued in this paper that the favourable development of the country could not be regarded either as a "model" or as a "miracle" in the

question put by Klump (2006). It is not a miracle since this development has been partly based on reform steps, which mobilised growth dynamics. The country is on the other hand not a model for the many existing stagnating underdeveloped countries since the idiosyncrasies of its culture also contribute to its development process during the last two decades. It is the interaction of both forces which is so successful. But it has to be noted, that the development process also cannot serve as a model since it includes many risks.

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