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## Economic and non-economic returns to Communist Party membership in Viet Nam

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WIDER Working Paper 2018/46

## **Economic and non-economic returns to Communist Party membership in Viet Nam**

Thomas Markussen\* and Quang-Thanh Ngo<sup>†</sup>

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**Abstract:** Single-party political systems exist in a number of countries, such as China and Viet Nam. In these countries, party membership is potentially an important source of economic and social status. This paper investigates these effects and the mechanisms behind them. In particular, we use household- and individual-level panel data to analyse the causes and consequences of Communist Party membership in rural areas of Viet Nam. Fixed effects models are employed to control for unobserved differences between party members and others. Results suggest that party membership has a moderate positive effect on income, on the order of seven per cent, and a large positive effect on subjective well-being, even after controlling for income. Party membership is closely associated with working for the government but also appears to increase the propensity to use credit and to boost income from farm and non-farm enterprises. There are strong gender effects: men are several times more likely to be party members than women, and the effects of membership on income and subjective well-being are only present among men. Overall, results confirm that in spite of pro-market economic reforms, Communist Party membership continues to be of high value in rural Viet Nam.

**Keywords:** Communist Party membership, income, credit, subjective well-being, Viet Nam

**JEL classification:** D31, D73, H7, I31, P26

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## 1 Introduction

The spread of multiparty democracy across the world, which was witnessed after the fall of the Berlin Wall, has stalled (Freedom House 2017). A large share of developing countries remains under the leadership of autocrats. Therefore, understanding the political economy of autocracy is essential (Besley and Kudamatsu 2008). An important category of autocratic regimes is the one-party state, and the most important subcategory of the one-party state is the Communist regimes of countries such as China, Cuba, and Viet Nam. Understanding how the party functions, at local as well as at national level, is essential for understanding the political economy of these countries. This paper uses household panel data to investigate how the Communist Party in Viet Nam operates at the grassroots level in rural areas. We investigate who become members of the party and what they get out of their membership, in terms of economic as well as non-economic returns.

This is important for several reasons. First, to the extent that party membership is a source of economic privilege, it is also a source of economic inequality (e.g., Appleton et al. 2009; Dickson and Rublee 2000; Knight and Song 2003; H. Li et al. 2012; S. Li et al. 2009; Liu 2003; Zhou 2000). Hence, understanding the effects of party membership is potentially important for explaining differences in standard of living. Second, the prospect of party membership might be an important driver of economic decisions such as choice of education and occupation (Dickson 2014; Dickson and Rublee 2000; Walder 1995). For example, the possibility of gaining party membership may distort preferences for working in the public versus the private sector. Third, the political economy of party membership to a large extent determines the feasibility of political and economic reform (Frye and Shleifer 1997; Hellman 1998; Morduch and Sicular 2000). The larger the privileges attached to party membership, the stronger the incentives for current party members to resist the introduction of a multiparty system, for example (see Geddes 1999; Magaloni 2008). Also, if party members harvest rents from regulated markets, such as the market for credit, then they are more likely to resist the liberalization of such markets (cf. Dinh et al. 2012; Khwaja and Mian 2005).

Investigating the causes and effects of party membership is as difficult as it is important, first of all because party members are likely to differ from other people in a number of dimensions, including some which are difficult to observe. This paper addresses these concerns by exploiting a panel data set which covers a sufficiently large number of units (more than 2,200 households with more than 6,800 adult individuals in each round) and a sufficiently long time span (five survey rounds, covering eight years) to observe a reasonable number of individuals who *change* their party membership status during the course of the survey. This allows us to focus on fixed effects models which investigate the effects of a single individual or household changing its membership status, rather than relying on comparisons between different individuals or households with or without membership of the party. This enables us to rule out the possibility that results are driven by unobserved characteristics such as ability, personality, or family background, which are likely to be correlated with party membership but remain largely constant over time.

We investigate both the determinants and the effect of party membership. In terms of the effects, we focus on analysing whether and why party membership leads to higher income and/or higher subjective well-being. Results show strong effects of gender, education, army service, Communist Youth Union membership, and paternal party membership on the probability of being a party member. Party membership has a statistically significant, positive effect on household income, on the order of seven per cent. This effect is not only driven by access to lucrative government jobs. Party members appear to have easier access to credit than others, and to earn more from both farm and non-farm household enterprises. Party members report much higher subjective well-being than others, even after controlling for income, education, and other factors. The positive

effects of party membership on income and subjective well-being are only present for men, not for women.

The paper is structured as follows. Section 2 discusses related literature, and Section 3 provides background information about the Communist Party of Viet Nam. Section 4 presents the data set and identification strategy, and Section 5 is devoted to descriptive statistics. Section 6 analyses the determinants of party membership, Section 7 considers the effect of party membership on income, and Section 8 the effect on access to credit. Section 9 investigates how party membership affects subjective well-being, and Section 10 concludes.

## 2 Related literature

The literature on the determinants of party membership in Communist regimes in both Eastern Europe and East Asia has often focused on the distinction between ‘political’ and ‘educational’ screening, i.e. on whether recruitment is primarily based on ideological commitment or on skills (Konrad and Szelenyi 1979; Szelenyi 1987). Studies of China are of particular relevance, because China is similar to Viet Nam in a number of dimensions, including regime type and development trajectory. Results tend to show that during the process of economic reform, the Communist Party of China has shifted from recruiting members on the basis of political screening to putting more emphasis on education and employment in the most profitable sectors of the economy (Bian et al. 2001; Dickson and Rublee 2000; Hu and Yao 2012). Dickson (2014), using a sample of 3,874 respondents in urban areas in 2010, finds that gender, university and secondary school qualifications, and father’s party membership have significant effects on party membership. Appleton et al. (2009) report that being male, educated, and experienced increases the probability of being a party member among urban workers. They also find that being a white-collar worker, being employed in a state-owned enterprise (SOE), and working in government administration are associated with party membership. Bian et al. (2001), using data from surveys in Shanghai and Tianjin in 1993, find that gender, university and secondary school qualifications, parents’ party membership, parents’ education (university and secondary school), and job types have significant effects on party membership. Dickson and Rublee (2000) find that, among urban households in 10 provinces in China in 1988, age, gender, and education (such as university and secondary school) have significant effects on party membership. Walder (1995), using a cross-sectional urban data set of 1,011 observations in Tianjin in 1986, finds that work experience, gender, university and secondary school qualifications, and father’s party membership have significant effects.

In terms of the economic returns to party membership, a key question addressed by the literature on China is whether these returns tend to increase or decrease during the process of market-oriented reform. Nee (1989) argued that the rise of the market economy would gradually erode the importance of political status. It follows that the returns to party membership would decline. A number of studies have criticized this conjecture on both theoretical and empirical grounds. For example, Appleton et al. (2009) argue that marketization can increase the private value of membership because productive, personal, or power relations can now attract monetary rewards, for example because managers have more freedom to set wages, and because it is possible to start and expand private enterprises. Empirical results are ambiguous. A number of papers report a positive effect of Communist Party membership on income in the post-reform era (e.g., Appleton et al. 2009; Dickson 2014; Dickson and Rublee 2000; S. Li et al. 2009) or recruitment into prestigious jobs (e.g., Bian et al. 2001; Dickson 2014; Hu and Yao 2012; H. Li et al. 2012; Zang 1998). However, one of the most methodologically sophisticated studies, H. Li et al. (2007), reaches a different conclusion which is more in line with Nee’s hypothesis. This study compares twins with and without party membership in urban China and finds no effect of party membership

on income once innate ability is controlled for. Morduch and Sicular (2000) find that party membership only yields a private economic return once it is combined with holding a position as a local official. The paper most similar to ours is Zhang et al. (2012), which uses panel data from rural areas of China to estimate the effects of being a cadre (i.e. low-level village official), and of Communist Party membership, on income. The paper reports statistically significant but economically moderate positive effects of both variables.

There are far fewer studies of the effects of party membership in Viet Nam than in China. The only systematic quantitative analysis we know of is Kim (2004), who uses survey data from the 1995 round of the Viet Nam Longitudinal Study, conducted in three northern provinces (Ha Nam, Nam Dinh, and Ninh Binh).<sup>1</sup> Results show that party membership is positively affected by education, military service, gender (i.e. being male), and paternal party membership. Party members are shown to be more likely than others to work for a wage, and much more likely to work as public administrators.

A group of studies investigates the political economy of local and national government in Viet Nam without explicitly investigating the effects of party membership. Walder and Nguyen (2008) use cross-sectional data from the 2002 Viet Nam Household Living Standards Survey to investigate the effects of being a cadre on income. They find a positive effect, although they emphasize that, in contrast with comparable studies in China, the return to being a cadre is lower than the return to private entrepreneurship. Gillespie (2002), Gainsborough (2007), and Abrami et al. (2011) all argue that patronage relations play a significant role in the functioning of the Vietnamese government and Communist Party. Markussen and Tarp (2014) show that rural households with government officials among their relatives invest more, and have stronger land property rights and easier access to credit and monetary transfers, than other households. Do et al. (2017) show that towns where local officials are promoted to higher ranks of government experience faster improvement in local infrastructure than other towns. These studies all point to the conclusion that political connections are valuable in Viet Nam, which serves to motivate the hypothesis of an economic return to Communist Party membership. This hypothesis is also motivated by the general literature on the potential ‘capture’ of local governments by special interests in developing countries (e.g., Bardhan and Mookherjee 2000; Finan 2004; Markussen 2011).

A number of studies, on Viet Nam as well as other countries, investigate the effects of political connections on the performance of *firms*. While the present study uses household data, this literature informs our analysis of the effects of party membership on income from farming and non-farm household enterprises. For Viet Nam, Appold and Phong (2001) document the salience of connections between firm managers and government officials. Dinh et al. (2012) find that strong ties to high-status individuals reduce credit constraints among rural households. Rand (2017) shows that politically connected firms face fewer credit constraints than others. In China, H. Li et al. (2008) and Nee and Oppen (2010) both show that Communist Party membership of firm managers affects firm performance, at least for some categories of firms. Nee and Oppen (2010) find that benefits of party membership are highest in those sectors where state interference is most severe. H. Li et al. (2008) document that the return to party membership is highest in those regions of China where market institutions are least developed. Important studies from other parts of the world which also document effects of political connections on firm performance include Fisman (2001), Khwaja and Mian (2005), and Faccio (2006).

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<sup>1</sup> In spite of the survey name, Kim’s study was based only on cross-sectional, not longitudinal, data.

The hypothesis of a positive effect of party membership on subjective well-being is partly motivated by the studies of Knight and Gunatilaka (2010) and Monk-Turner and Turner (2012), which both report positive effects of party membership on happiness in China. The hypothesis is also motivated by the general literature on the determinants of subjective well-being, which shows that while individuals with higher income tend to be happier than others, a number of other factors with potential links to party membership, such as social status and exposure to stress, are also important (e.g., Helliwell et al. 2012).

### 3 Background

#### 3.1 History and organization of the party

The Communist Party of Viet Nam (CPV) was founded in 1930 and became the ruling party in the northern part of Viet Nam after the defeat of the French at Dien Bien Phu in May 1954. Following the collapse of the southern regime in April 1975, the party assumed leadership of the entire country. From 1976 to 1986, the CPV ruled according to a Stalinist strategy of central planning. By the mid-1980s, a profound and comprehensive socio-economic crisis had undermined trust in the party and constituted a real threat to its legitimacy and survival (Truong-Chinh 1986). The CPV responded to the crisis by formally launching an all-embracing policy known as *Doi Moi* (renovation) at its Sixth National Congress in December 1986, shifting away from the command economy and opening up to the outside world (Van Arkadie and Mallon 2003).

Formally, the CPV governs the nation by the resolutions of its party congresses, which are held every five years (most recently in January 2016). The Vietnamese government is responsible for formulating and carrying out more detailed five-year and long-term strategies and plans. The main role of the National Assembly is to review government plans and monitor government performance (Van Arkadie and Mallon 2003). The paramount role of the party is stated in Article 2 of the 2013 Constitution: ‘the Socialist Republic of Vietnam is a state of the people, from the people, for the people. All state power belongs to the people, and is based on an alliance between the working class, the peasantry, and the intelligentsia’ (National Assembly of Viet Nam 2013: 3). Article 4 defines the party as follows:

The Communist Party of Vietnam, the vanguard of the Vietnamese working class, simultaneously the vanguard of the toiling people and of the Vietnamese nation, the faithful representative of the interests of the working class, the toiling people, and the whole nation, acting upon the Marxist-Leninist doctrine and Ho Chi Minh's thought, is the leading force of the State and society. (National Assembly of Viet Nam 2013: 3)

The CPV is organized in the same way as other ruling Communist parties (Fforde 2017; Walder 2004). As a Leninist party, it has the structure of a giant pyramid, with committees, branches, groups, and other types of party organization both inside and outside the government. In total, the party has 262,894 branches of 56,548 grassroots party organizations, belonging to 67 central departments. The general principle is that the structure of the party closely parallels the structure of the government, with party groups embedded in government bureaucracies. As a general rule, the party (i.e. its committees at various levels and localities) makes policy decisions, while the government implements them. The party groups embedded in the government bureaucracies are intended to ensure that the party's policies are implemented. At the grassroots level, it is the party's policy that party cells should penetrate all organizations of significant size or importance in society. As in China, the party attempts to control not only the state apparatuses but also, through its

grassroots organizations, a large number of other organizations in society, such as factories, schools, hospitals, research institutes, villages, urban communities, units of the military, and so on (see Gore 2015). These organizations are customarily referred to as work units. The party cell resident in a work unit used to be, and in many cases still is, the ‘centre of leadership’, running the work unit on behalf of the party. The power and prestige of party organizations are derived from their control of public, corporate, and other types of administration at the national, local, and grassroots levels. In other words, CPV rule consists not only of its control over state power but also of the micro-level domination of work units by party cells.

### 3.2 Recruitment of party members

In 2015, there were 4.65 million members of the CPV. Membership as a share of the population has increased in recent decades, from 3.1 per cent in 1976 to 4.1 per cent in 2006 and 4.8 per cent in 2011 (Nguyen 2016). This increasing trend mirrors developments in China (Appleton et al. 2009).

The CPV’s main recruitment criteria have changed over time. During the Viet Nam War (referred to in Viet Nam as the American War), recruitment was largely based on ideological screening. After 1975, the focus of the party’s work shifted from national liberalization and unification to industrialization, and managerial and technical skills began to be emphasized more (see Thayer 1976). This trend was further strengthened by the launch of *Doi Moi* in 1986, and by the related amendments to the party’s ideological platform agreed at the 1991 and 2011 party congresses (Nguyen 2016).

Not everyone can apply for CPV membership. Those who do apply are subjected to a lengthy screening process involving five stages: (1) self-selection, (2) political participation, (3) daily monitoring, (4) closed-door evaluation, and (5) probationary examination (see Bian et al. 2001 for a description of similar procedures in China). Applicants for party membership must be 18 years of age or older. A would-be member must first be assessed and selected as an ‘elite partisan’ by either a Ho Chi Minh Communist Youth Union branch or a party branch at his/her workplace. Applicants then participate in a class fostering awareness of the party. Next, the elite partisan must submit a formal application to a party branch. This application must be backed by both a Ho Chi Minh Communist Youth Union branch and a party member. Each applicant is then assigned a party liaison member, who monitors and assesses the applicant’s political loyalty, work performance, social activities, and relationships with co-workers, neighbours, and others. Typically, within six months to one year of information-gathering and monitoring, a closed-door evaluation meeting by the members of the local party branch thoroughly evaluates the applicant’s political performance, personal and parental histories, and kinship and marriage connections. The information is collected both from applicants and through the formal channels of the party organization, and information from different sources is compared in order to test the applicant’s political trustworthiness. If the potential candidate passes the closed-door evaluation through voting, he/she becomes a one-year probationary party member. Probationary members can take part in all party meetings and activities, but they are not given voting power in the party, nor can they become candidates for any position within the organization. Probationary members are closely monitored within the party organization before they become formal CPV members.

Once a person has joined the party, it is relatively rare for him/her to leave it again. However, if people fail to show up for regular quarterly or annual meetings, or do not register at the local party unit, they may be considered to have left the party, and may consider themselves no longer to be party members (for examples of members leaving the party due to dissatisfaction, see Tran 2004).



## 4 Data and identification strategy

### 4.1 Data

Our analyses exploit five waves of the Viet Nam Access to Resources Household Survey (VARHS). The survey collected data from a panel of rural households in 12 provinces in Viet Nam every second year from 2008 to 2016. Interviews were always conducted between June and August.<sup>2</sup> VARHS re-interviewed rural households sampled for the income and expenditure modules of the 2002 and 2004 Viet Nam Household Living Standards Survey in 12 provinces. The provinces were selected to facilitate the use of the survey as an evaluation tool for Danida-supported programmes in Viet Nam. Seven of the 12 provinces are covered by Danida business sector programme support, and five provinces are covered by the agricultural and rural development programme. The provinces supported by the agricultural support programme are located in the North-West and Central Highlands, so these relatively poor and sparsely populated regions are over-sampled. Figure A1 in the appendix shows the location of the VARHS survey sites.

The 2008 round of the VARHS survey covered 2,286 households, dropping very slightly to 2,245 in 2010. In 2012, the VARHS sample was expanded by 515 young households to keep the sample representative of the current population. These households were, with a few exceptions, re-interviewed in 2014 and 2016, and sample sizes for those two years were 2,725 and 2,669 respectively. We include both the original sample and the additional 2012 sample in our analyses. The survey collected detailed information on, among other things, party membership, income, assets, borrowing, and subjective well-being.

### 4.2 Model specification

In our analyses of the effects of Communist Party membership, we consider household-level regressions of the type:

$$Y_{ht} = \alpha C_{ht} + \beta' X_{ht} + v_h + \varepsilon_{ht}$$

where  $Y_{ht}$  is an outcome variable measured in household  $h$  in period  $t$ ,  $C_{ht}$  is an indicator for the household having at least one member of the Communist Party, and  $X_{ht}$  is a vector of potentially time-varying household characteristics.  $v_h$  represents unobserved fixed household characteristics. The error term  $\varepsilon_{ht}$  captures measurement error in the outcome variable and unobserved time-varying household characteristics. Conditional on  $X_{ht}$  and  $v_h$ ,  $\varepsilon_{ht}$  is assumed to be uncorrelated with  $C_{ht}$ . We also conduct individual-level analyses with an analogous structure.

The outcome variables we consider include total household income; income from specific sources such as farming, waged labour, and non-farm enterprises; use of credit from various sources; land ownership; and subjective well-being. The assumption that party membership is exogenous in models for these outcomes is not entirely trivial. Our identification strategy relies on three

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<sup>2</sup> See CIEM et al. (2009) for further background information and details. The sampled provinces are, by region: Red River Delta: Ha Tay; North-East: Lao Cai, Phu Tho; North-West: Lai Chau, Dien Bien; North Central Coast: Nghe An; South Central Coast: Quang Nam, Khanh Hoa; Central Highlands: Dak Lak, Dak Nong, Lam Dong; Mekong River Delta: Long An. VARHS was also implemented in 2002 and 2006, but several key variables used in this study were only introduced in 2008. Our sample is statistically representative of rural areas at the provincial but not the national level.

elements. First, as discussed in the introduction, the inclusion of household fixed effects is essential because it rules out the possibility that results are driven by unobserved factors such as ability and family background, which vary little over time. Fixed effects models rely heavily on the presence of households or individuals who change their party membership status during the period of study. Since only a small fraction of individuals join or leave the party in a given year, the availability of a relatively long panel (five waves, covering eight years) is essential. We observe 315 individuals who join the Communist Party during the period of study and 152 individuals who are recorded as leaving the party.

Second, we control for observed potentially time-varying factors that may be correlated with both party membership and outcome variables, such as level of education. Third, we attempt to build a comprehensive, coherent picture of causal relations by investigating several different outcome variables. For example, we test the effect of party membership not only on total income, but also on specific components of income, and on variables that may mediate a relationship between party membership and income, such as access to credit. One could imagine that a reverse causal relationship from income to party membership existed (although income is by no means an official screening criterion—see Section 2), but it seems much less plausible that a reverse causal link exists from taking a loan to becoming a party member.

## **5 Key variables and descriptive statistics**

Membership of the Communist Party is measured for all household members older than 18. Information on whether individuals hold a leadership position in the local party organization is also collected. Income is measured through a number of survey modules that collect information on, for example, the value and quantity of crops grown both for sale and for own consumption, the net income from household enterprises, income from waged labour, transfers, and so on. Together, these modules allow the construction of a quite comprehensive income measure. A potential concern is that households may not report illicit income, such as earnings from bribe-taking. We discuss in the analysis section how to deal with this concern. All money values in the paper are converted to 2014 prices and presented in thousands of Vietnamese dong.

Our subjective well-being indicator is a measure of ‘life satisfaction’, as opposed to ‘emotional well-being’ (cf. Kahneman and Deaton 2010). In particular, the survey question asks respondents whether they are ‘very pleased’, ‘rather pleased’, ‘rather displeased’, or ‘very displeased’ with their lives (each respondent picks one answer). We focus on a binary indicator for being ‘rather’ or ‘very’ pleased with life (cf. Markussen et al. 2017). This question was only included in the 2012 and 2014 rounds of the survey, and only one respondent in each household, typically the household head, answered the question. This limits the amount of available data, but quite fascinating results still emerge. Other variables are described below.

Table 1 presents the share of individuals who are members of the Communist Party, by gender and region. Regions are defined by the dimensions ‘north-south’ and ‘highland-lowland’ (the Central Highlands are in the southern part of Viet Nam).

Table 1: Communist Party membership by gender and region (per cent)

Region	Male	Female	All
Northern lowlands	7.5	2.7	5.0
Northern uplands	7.3	1.3	4.3
Southern lowlands	4.2	1.5	2.8
Central Highlands	5.1	2.2	3.6
All	6.2	2.1	4.1

Note: 2008–2016 data pooled. N = 38,391. All respondents aged 18 or older included. Northern lowlands include former Ha Tay, Phu Tho, and Nghe An; northern highlands include Lao Cai, Dien Bien, and Lai Chau; southern lowlands include Quang Nam, Khanh Hoa, and Long An; Central Highlands include Dak Lak, Dak Nong, and Lam Dong.

Source: authors' calculations based on VARHS 2008–16.

Results show clear effects of both region and gender. First, party membership is more common in the north than in the south. Given the history of the Communist movement in Viet Nam, this is not surprising. There is also a strong effect of gender. Males are almost three times more likely to be party members than females. For a party with no official ideological support for differentiated gender roles, this is remarkable, but not dissimilar from the situation in China or other Communist countries (Bian et al. 2001; Dickson and Rublee 2000; Hu and Yao 2012).

Table 2 presents individual and household characteristics by party membership. The table documents that party members and non-party members differ in a number of ways. For example, party members are older, more educated, have higher income, and are more likely to have served in the military. Party members are also more likely than others to have parents (especially a father) who was a member of the party, they are many times more likely to be government officials, and they are much more pleased with their lives than the average respondent. There are also some notable absences of difference. For example, party members are only slightly more likely than others to belong to the ethnic majority Kinh group, and they do not belong to larger households than others.

Table 2: Individual and household characteristics by party membership

	Member of Communist Party		All
	No	Yes	
Female	0.53	0.26	0.52
Age	42.00	49.70	42.32
Kinh	0.75	0.77	0.75
Born in commune of residence	0.66	0.67	0.66
Years of schooling	7.61	10.44	7.73
Served in the army	0.12	0.38	0.13
Annual hh income	97,344	143,779	99,253
Hh size	4.79	4.57	4.78
Father was member of Communist Party	0.05	0.16	0.06
Mother was member of Communist Party	0.01	0.02	0.01
Single	0.21	0.05	0.20
Married	0.69	0.89	0.70
Widowed	0.09	0.05	0.09
Divorced	0.01	0.01	0.01
Works for a wage	0.34	0.59	0.36
Works on own farm	0.67	0.60	0.67
Works in a non-farm hh enterprise	0.15	0.11	0.15
Works with CPR collection	0.21	0.13	0.21
Does hh chores	0.74	0.75	0.74
Days of waged work in last year	62	144	66
Days of work on own farm in last year	57	42	56
Days of work in own non-farm enterprise in last year	24	14	24
Days of work in CPR collection in last year	4	2	4
Days of work in last year, total	147	199	149
Daily wage (among waged workers)	166	189	168

Personal income from waged work in last year	9,659	26,386	10,342
Works for the government	0.03	0.46	0.05
Works for an SOE	0.02	0.07	0.02
Government official	0.01	0.25	0.02
District-level official	0.00	0.04	0.00
Senior commune official	0.00	0.06	0.00
Commune official	0.00	0.08	0.01
Leader of mass organization unit	0.00	0.05	0.00
Manages non-farm hh enterprise	0.10	0.07	0.10
Number of workers in non-farm enterprise	2.20	2.85	2.22
Number of paid workers in non-farm enterprise	0.56	0.98	0.57
Income from non-farm enterprises in last year	4,730	4,638	4,726
Agricultural land owned, square metres	5,645	7,263	5,800
Borrowed money within last two years	0.14	0.23	0.15
Borrowed from Social Policy Bank within last two years	0.05	0.09	0.05
Borrowed from Bank for Agriculture and Rural Development within last two years	0.04	0.07	0.04
Borrowed from state or mass organization lender within last two years	0.10	0.17	0.10
Borrowed from formal lender within last two years	0.10	0.18	0.11
Borrowed from informal lender within last two years	0.04	0.06	0.05
Total amount borrowed in last two years	8,005	14,500	8,270
Amount borrowed from formal lenders in last two years ( <i>not</i> conditional on borrowing)	6,302	10,461	6,472
Amount borrowed from informal lenders in last two years ( <i>not</i> conditional on borrowing)	1,593	2,931	1,648
Rather or very pleased with life	0.47	0.70	0.48
Very pleased with life	0.06	0.13	0.06

Note: Pooled data for 2008–16. N = 38,391. Means. Data from all waves with available data pooled. Money values in thousands of Vietnamese dong, 2014 prices. Hh: household. CPR: common property resource. SOE: state-owned enterprise.

Source: authors' calculations based on VARHS 2008–16.

## 6 Determinants of party membership

This section investigates who become members of the Communist Party. Table 3 presents random effects individual-level regressions for party membership. Since most of the variables included vary little or not at all over time, a fixed effects model is not appropriate.

The right-hand side variables can largely be regarded as exogenous. We first include gender, the relevance of which is strongly suggested by the results in Tables 1 and 2. Second, age and the square of age are also in the model. As described in Section 3, individuals need to build up credentials in order to be considered for membership. Many people will not be able to generate these credentials until they have reached a certain age. Since it is rare to leave the party once one has joined it, this is likely to generate a positive correlation between age and membership. The squared term is included to allow the relation to be non-linear, for example because the rate of member recruitment has changed over time (as discussed above, it has tended to increase). Schooling is included to capture meritocratic elements in the recruitment process (cf. Konrad and Szelenyi 1979; Szelenyi 1987). Ethnicity (a dummy for belonging to the majority Kinh group) is included to check whether ethnic favouritism plays a role in allocation of membership. A dummy for being in northern Viet Nam is included in Model 1 to investigate whether the difference between north and south documented in Table 1 is driven by other factors, such as ethnicity or schooling (Models 2–4 include province fixed effects, which are collinear with the north-south dummy).

Table 3: Determinants of party membership

	Dependent variable: Member of Communist Party			
	(1)	(2)	(3)	(4)
Female	-0.031*** (0.003)	-0.031*** (0.003)	-0.030*** (0.004)	-0.048*** (0.006)
Age	0.005*** (0.000)	0.005*** (0.000)	0.004*** (0.000)	0.002* (0.001)
Age squared/1,000	-0.031*** (0.004)	-0.031*** (0.004)	-0.030*** (0.005)	-0.003 (0.013)
Years of schooling	0.007*** (0.000)	0.007*** (0.001)	0.007*** (0.001)	0.006*** (0.001)
Kinh	-0.016*** (0.004)	-0.003 (0.005)	-0.001 (0.006)	-0.008 (0.007)
North	0.010** (0.004)			
Served in the army			0.023*** (0.005)	0.006 (0.005)
Born in commune of residence				0.002 (0.003)
Ever a member of Youth Union				0.065*** (0.009)
Father member of Communist Party				0.071*** (0.023)
Mother member of Communist Party				0.019 (0.030)
Year fixed effects	Yes	Yes	Yes	Yes
Province fixed effects	No	Yes	Yes	Yes
N	38,391	38,391	31,298	13,746

Note: Random effects, linear probability models. Constant included, not shown. Standard errors, adjusted for commune-level clustering, in parentheses. Data for 2008–16 used. Only individuals aged 18 or older are included. Army service was only measured from 2010 onwards, which explains the drop in the number of observations in Model 3. For the Youth Union and parental party membership variables, data is only available for household heads and spouses. This explains the further drop in the number of observations in Model 4.

\*\*\* Significant at 1%, \*\* significant at 5%, \* significant at 10%.

Source: authors' calculations based on VARHS 2008–16.

As described above, an earlier study (Kim 2004) documented an effect of army service on party membership, and we include this variable in two models. Since data on army service was only collected from 2010 onwards, we lose observations by including this variable, which explains why it is only used in Models 3 and 4.

Results confirm the findings on gender reported in Table 1. Women are much less likely than men to be party members, including when other factors are controlled for. The probability of membership increases with age, although the relationship is curvilinear (in Model 2, the peak of the age membership curve is at 81 years, confirming that membership is generally more common among the middle-aged and elderly than among the young). Schooling has a strong positive effect on the likelihood of party membership, consistent with the view that party membership is at least in part based on merit and that a major aim of membership selection is to recruit individuals with a potential to become senior officials in local government (cf. Kim 2004).

Once province fixed effects are included, there is no effect of ethnicity, consistent with the results reported in Table 2 and indicating an absence of ethnic discrimination in the allocation of membership. This is remarkable in the sense that minority ethnic groups in a number of countries tend to be under-represented in politics and government (see e.g., Zang 2012 on ethnicity and

party membership in China). One reason may be that the Communist movement in its early days had a stronghold among ethnic minorities in the upland regions of northern Viet Nam.<sup>3</sup>

The difference between north and south, reported in Table 1, persists in Table 3, although there is only a one percentage point difference in the probability of membership once other factors are controlled for. The effect of army service is positive in Model 3, consistent with earlier findings (Kim 2004). The variable becomes insignificant in Model 4, but note that the sample in this model is restricted to household heads and spouses. This also explains why the effect of age is much less pronounced in Model 4: there is less variation in age among heads and spouses than among the full sample of respondents. There is no evidence of parochial favouritism. Being born in the commune of current residence has no effect on the probability of membership. On the other hand, the effect of Youth Union membership is strong and significant, confirming the hypothesis of screening for political commitment (see the similar result for China in Bian et al. 2001). In addition, the effect of having a father who was a party member is also strong and significant (cf. Walder 1995). On the other hand, there is no significant effect of maternal party membership.

In Table A1 in the appendix, we present separate regressions for those who were younger and older than 18 years in 1986, the year the *Doi Moi* reform programme was initiated. Persons who were younger than 18 must have joined the party after the initiation of reforms, whereas persons in the older group are likely to have joined before the onset of reforms. Results show that the effect of father's party membership is much stronger for older respondents than for younger. This gives some support to the view, discussed above, that political screening has become less prevalent. On the other hand, the effect of education is strong and significant in both groups, indicating that educational screening was applied both before and after 1986. The effect of gender is several times stronger in the older group than in the younger, suggesting that gender discrimination in terms of recruitment might have been more severe in the past than it is today.

In sum, the probability of party membership is positively affected by male gender, age, schooling, army service, a history of Youth Union membership, and paternal party membership, but does not appear to be affected by ethnicity, place of birth, or maternal party membership.

## 7 Party membership and income

This section investigates the relationship between Communist Party membership and household income. Since some categories of income, such as earnings from farming, are not attributable to single individuals, we consider total household income rather than individual income.

The measure of Communist Party membership used is a dummy for the household having at least one party member. Table 4 presents random as well as household fixed effects models for the log of per capita income. Model 1 includes only province and year fixed effects, in addition to the party membership indicator. This model obviously does not identify the causal effect of party membership on income, but it is interesting as a descriptive regression: it shows how much richer households with party members are than other households, for one reason or another. The model estimate of this difference is 31 per cent. This is a significant difference, in economic as well as statistical terms, especially considering that typically only one household member out of four or five (of whom two or three are adults) is a party member. Model 2 adds gender, age, and ethnicity

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<sup>3</sup> It is of course entirely possible that some ethnic minorities are more likely to be party members than others, but we do not have sufficient data to investigate this.

of household head, as well as the average level of schooling among working-age adults. These variables can reasonably be viewed as exogenous.

Model 3 introduces household fixed effects. The model drops the ethnicity of household head, which does not vary over time.<sup>4</sup> On the other hand, age and gender of household head and average years of education are retained. While these variables vary little or not at all at the individual level (age varies, of course, but is collinear with the year dummies at the individual level), they may vary over time at the household level, because household composition and headship may change. Model 4 includes two additional variables, namely an indicator for household members being employed by the government or an SOE, and the number of working-age adults. It is somewhat complicated to decide whether these variables belong in the model. On the one hand, both may affect income as well as party membership, and excluding them could therefore lead to an upward bias in the coefficient estimate for party membership. On the other hand, it is also possible that party membership affects income *through* these variables. Party membership could potentially increase the likelihood of being employed by the government or an SOE, and party membership of one household member may affect the decisions of other household members about whether to stay in the household or leave. For example, a son or daughter may remain longer in the household if their father gains party membership, because the party membership generates new business opportunities or means that their labour is needed on the family farm.

Results show that Communist Party membership has a positive and statistically significant effect on income in all models. The effect drops dramatically when households fixed effects are introduced (from 24 to nine per cent, comparing Models 2 and 3), supporting the view that fixed effects are an essential element in a strategy to identify the effect of party membership on income. The estimated effect drops further from nine to seven per cent when government/SOE employment and household workforce are controlled for in Model 4. The final, arguably conservative, estimate of the effect of party membership on income is thus seven per cent, a non-trivial but still moderate effect. The estimate is close to the estimates of return to party membership in rural China presented in Zhang et al. (2012).<sup>5</sup>

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<sup>4</sup> This is true except in the extremely rare cases where the identity of the household head changes and the new head is of a different ethnicity from the former head.

<sup>5</sup> In particular, see the ‘fixed effect’ column of Table 5 in that paper, which estimates the party premium to be 7.1 per cent.

Table 4: Determinants of household income

	Dependent variable:				
	Per capita hh income, log				Per capita luxury food consumption, ln(x+1)
	(1)	(2)	(3)	(4)	(5)
Communist Party member in hh	0.306*** (0.031)	0.242*** (0.028)	0.093*** (0.032)	0.068** (0.032)	0.102*** (0.035)
Female hh head		0.045** (0.023)	0.083** (0.042)	0.071 (0.043)	0.01 (0.041)
Age of hh head		0.025*** (0.004)	0.022*** (0.006)	0.028*** (0.007)	0.01 (0.006)
Age of hh head squared/1,000		-0.209*** (0.035)	-0.219*** (0.058)	-0.268*** (0.060)	-0.104* (0.056)
Years of schooling, mean among working-age adults		0.064*** (0.004)	0.023*** (0.005)	0.027*** (0.005)	0.025*** (0.005)
Kinh		0.355*** (0.038)			
Government or SOE worker in hh				0.169*** (0.024)	0.093*** (0.023)
Number of working-age adults, log				-0.136*** (0.031)	-0.195*** (0.033)
Year fixed effects	Yes	Yes	Yes	Yes	Yes
Province fixed effects	Yes	Yes	No	No	No
Household fixed effects	No	No	Yes	Yes	Yes
N	12,139	12,130	12,130	12,130	12,130

Note: Models 1 and 2 are random effects models, Models 3 and 4 fixed effects models. Standard errors, adjusted for commune-level clustering, in parentheses. Hh: household. SOE: state-owned enterprise. \*\*\* Significant at 1%, \*\* significant at 5%, \* significant at 10%.

Source: authors' calculations based on VARHS 2008–16.

Results for control variables show positive returns to education and an inverse U relationship between age of household head and income. Kinh ethnicity has a strong positive effect on income, as has the presence of a government or SOE employee. In fact, the effect of having such a worker is more than twice as great as the effect of party membership. Somewhat surprisingly, the effect of female headship is positive. The effect of the number of working-age adults on per capita income is negative, suggesting that labour markets are incomplete.<sup>6</sup>

As discussed above, a potential weakness of the income models is that income is self-reported. If respondents earn illicit income, for example from bribes, they may not tell the survey enumerators about it. If a party premium consists partly of such income, then the regressions in Table 4 may underestimate the premium. One possibly way to deal with this issue is to focus on consumption rather than income. Even if people hide part of their income, they may be happy to talk about their pattern of consumption. VARHS does not collect complete consumption data, but it does include a module on consumption of a range of luxury food items.<sup>7</sup> Model 5 explains the (log of the) value of luxury food consumption, rather than income, otherwise keeping the same

<sup>6</sup> If it were always possible to obtain employment at the going wage rate, an additional working-age adult should increase rather than decrease per capita income, since non-working household members are included in the denominator of the income per capita variable. At the other extreme, if no waged labour is available, additional working-age household members are added to the labour force of the family farm and/or non-farm enterprises, and diminishing return to labour may imply that the additional gain in income this creates is less than proportional to the increase in household size.

<sup>7</sup> The items included are: pork, beef, chicken, fish, shrimp, fruit, sweets, biscuits, milk, beer, alcoholic beverages, coffee, canned drinks, and eating outside the home.



specification as in Model 4. Results are quite comparable to those for income. There is a positive, statistically significant effect of Communist Party membership, with a point estimate of 10 per cent. This is somewhat higher than the effect on income (seven per cent), but the two estimates are not statistically significantly different. The fact that the effect on consumption is somewhat higher than the effect on income is consistent with the view that the party premium is underestimated in the income models, but there is no strong evidence that this is the case, and certainly no evidence that it is underestimated by a large magnitude.

Table 5: Decomposing the effect of party membership on income

	Dependent variable: Per capita hh income, log	
	(1)	(2)
Communist Party member, rank-and-file	0.062* (0.032)	
Communist Party member, leader	0.139** (0.060)	
Male Communist Party member		0.076** (0.031)
Female Communist Party member		-0.03 (0.045)
Control variables	Yes	Yes
Year fixed effects	Yes	Yes
Household fixed effects	Yes	Yes
N	12,130	12,130

Note: Fixed effects models. Standard errors, adjusted for commune-level clustering, in parentheses. Hh: household. \*\* Significant at 5%, \* significant at 10%. Source: authors' calculations based on VARHS 2008–16.

Table 5 investigates in more detail what generates the effect of party membership on income. First, one could imagine that only party members with a certain status would benefit. For example, party leaders may have better access than others to lucrative jobs, subsidized loans, and other government-controlled resources. Model 1 in Table 6 distinguishes between Communist Party leaders (at the local level) and rank-and-file members. Second, the gender role norms that generate the differences in membership rates between men and women documented in Tables 1–3 may also imply that the *effect* of membership differs between men and women. Therefore, Model 2 distinguishes between households with male and female party members. Apart from the revised specification of party membership, the models are identical to Model 4 in Table 4.

Results on the difference between leaders and rank-and-file party members show that both types of membership have significant positive effects on income, but that having a party member in a leadership position approximately doubles the effect of party membership on household income. Hence, there is some support for the idea that high-ranking members earn a larger membership premium than others, but rank-and-file members appear to harvest economic gains as well.

The results on gender are again remarkable. The effect of party membership is exclusively driven by male party members. The effect of male members is both economically and statistically significant, while the effect of female membership is close to zero and entirely insignificant. This again suggests that traditional gender roles play a strong role in the functioning of the party.<sup>8</sup>

Table 6 further investigates the mechanisms behind an effect of party membership on income by testing the relationship between having a party member and household income from a number of specific sources, including family farms, waged labour, non-farm enterprises, common property resource (CPR) collection, public and private transfers, rental income, and a residual category.

<sup>8</sup> The difference between the coefficients on male and female membership is statistically significant ( $p < .05$ ).

Households with strictly negative income from a given source are excluded. The specification is again the same as in Model 4 of Table 4, except that the dependent variable is changed.

Table 6: Effects of party membership on different sources of income

	Dependent variable: Log of per capita income (+1) from...							
	Own farm	Waged work	Non-farm hh enterprises	CPR collection	Private transfers	Public transfers	Rental income	Other sources
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Communist Party member in hh	0.234** (0.106)	0.044 (0.191)	0.314* (0.165)	-0.190* (0.106)	0.079 (0.238)	0.268 (0.196)	0.038 (0.104)	0.223 (0.149)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Household fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	11,494	12,267	12,263	12,267	12,267	12,267	10,908	12,266

Note: Fixed effects models. Standard errors, adjusted for commune-level clustering, in parentheses. Data for 2008–16 used. CPR: common property resource. Hh: household. \*\* Significant at 5%, \* significant at 10%.

Source: authors' calculations based on VARHS 2008–16.

Results suggest that the effect of party membership on income is driven by earnings from own farm and non-farm enterprises. Having a party member is estimated to increase income from these sources by 23 and 31 per cent respectively. On the other hand, households earn significantly less income from CPRs after they gain a party member than before. Perhaps party membership induces households to shift out of relatively low-return activities such as CPR collection, and into more remunerative occupations. Note also that although the effect of party membership on income from public transfers is insignificant, the point estimate is quite high (27 per cent). If an effect exists, it could partly be driven by better access to pensions for individuals who used to be employed by the government.

Given the results reported in Table 2, which showed that party members earned much more income from wages than others, it is surprising that the effect of party membership on income from waged labour is not significant in Table 6. Note, however, that the model controls for the presence of household members employed by the government or an SOE. Once this control is removed, the effect of party membership on income from salaried work is strong and highly significant. Table 7 investigates the relationship between party membership and income from wages in more detail, exploiting the fact that data on income from wages is available at the individual level.

Table 7: Individual-level wage income regressions

Dependent variable: Income from wages, $\ln(x+1)$				
	(1)	(2)	(3)	(4)
Member of Communist Party	0.965*** (0.227)	0.023 (0.139)	0.213*** (0.056)	-0.161 (0.197)
Employed by government or SOE		6.432*** (0.151)		
Observations	All	All	Employed by government or SOE	Works for a salary in private sector
Year fixed effects	Yes	Yes	Yes	Yes
Individual fixed effects	Yes	Yes	Yes	Yes
N	38,400	38,400	2,662	10,919

Note: Individual-level fixed effects, linear models. Standard errors, adjusted for commune-level clustering, in parentheses. Only individuals aged 18 or older are included. SOE: state-owned enterprise. \*\*\* Significant at 1%.

Source: authors' calculations based on VARHS 2008–16.

The table presents individual-level regressions for income from waged labour, including both year and individual fixed effects in all specifications. The first and second models include all adult individuals, including those who earn no income from wages at all. Model 1 shows that membership of the Communist Party is associated with a massive increase in income from wages. Model 2 shows that once employment by the government or an SOE is controlled for, this association disappears almost entirely. Hence, party members largely earn more income from wages than others because they are much more likely to work for the government or an SOE.

Models 3 and 4 add a little more nuance to this story. These models consider only individuals with positive income from wages and distinguish between those working in the public and private sectors. Results show that party membership has no effect on wage income in the private sector (Model 4). However, for those employed by the government or an SOE (i.e. the public sector), party membership increases earnings from wages by about 21 per cent (Model 3). This is consistent with the view that party membership facilitates promotion to more remunerative positions within the public sector (see the similar result for China in Dickson 2014).

## 8 Party membership and access to credit

Table 6 suggested that the effect of party membership on income is primarily driven by income from farm and non-farm household enterprises. One common factor, which potentially helps to explain both results, is access to credit. Credit is an important means of raising working capital and financing investment in farm as well as non-farm enterprises. At the same time, Communist Party membership could facilitate access to credit in a number of ways. Local government and 'mass organizations' (e.g., Women's Union, Farmers' Union) play a significant role in screening borrowers for a number of lending institutions, such as the Viet Nam Bank for Agriculture and Rural Development (VBARD) and the Viet Nam Bank for Social Policy (VBSP). Also, party membership could facilitate the formation of connections to wealthy individuals, which might improve access to informal loans.

Table 8 presents linear probability models for having taken any loan in the last two years, and for having borrowed from formal and informal lenders. The last three models explain borrowing from three (types of) formal lenders, namely VBARD, VBSP, and any lending institution operated by

the state or a mass organization.<sup>9</sup> The purpose of VBARD is to finance small-scale productive investment in rural areas. VBSP, on the other hand, is specifically targeted at poorer households, lends at subsidized rates, and is supposed to select borrowers on the basis of need as well as profitability.

All models include household and year fixed effects and the same set of control variables as in Model 4 of Table 4. Results show significant positive effects of party membership on the probability of taking out a loan, both in general and from formal and informal lenders. In particular, a household is six percentage points more likely to take out a loan after one of its members joins the party than before (four percentage points more likely to borrow from a formal lender, and three percentage points more likely to borrow from an informal source). Among formal lenders, party membership has no effect on borrowing from VBARD but a significant positive effect on the likelihood of borrowing from VBSP and from any state or mass organization lender. This is remarkable because VBSP is supposed to lend to the worse-off segments of the population. Households with Communist Party members would rarely belong in that category, and the results therefore point in the direction of resource capture by powerful individuals (cf. Bardhan and Mookherjee 2000).

These results are noteworthy, both because access to credit is important in itself, and because they provide indirect support for the hypothesis of an effect of party membership on income. While reverse causality from income to party membership is difficult to rule out entirely, it is unlikely that such an effect exists in the relation between party membership and use of credit. Taking out a loan should not have a positive causal effect on the probability of party membership. If there is an effect of party membership on access to credit, then it also seems likely that there is an effect on income, since credit facilitates income-enhancing investment.

A potential explanation for the positive effect of party membership on income from agriculture is access to land. Table 2 indeed shows that families with party members on average own more agricultural land than others. However, regressions similar to those in Table 8, but with the log of total farmland or irrigated farmland as the dependent variable, yield no significant effects of party membership, either in fixed or in random effects models (results not shown). Hence, there is no evidence that party membership increases access to land.

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<sup>9</sup> Results on amounts borrowed, rather than simply whether one borrowed or not, are similar, but estimates are less precise, possibly because of noisy data on the exact amount borrowed.

Table 8: Party membership and use of credit

	Dependent variable:					
	Hh has taken loan in last two years	Hh has borrowed from formal lender in last two years	Hh has borrowed from informal lender in last two years	Hh has borrowed from VBARD in last two years	Hh has borrowed from VBSP in last two years	Hh has borrowed from state or mass organization lender in last two years
Communist Party member in hh	0.056 (0.022)**	0.043 (0.022)*	0.031 (0.017)*	-0.008 (0.015)	0.039 (0.019)**	0.05 (0.021)**
Female hh head	0.023 (0.028)	0.017 (0.024)	0.008 (0.023)	-0.023 (0.016)	0.041 (0.018)**	0.01 (0.022)
Age of hh head	-0.001 (0.005)	-0.003 (0.005)	0.001 (0.003)	-0.001 (0.003)	-0.002 (0.004)	-0.003 (0.004)
Age of hh head squared/1,000	-0.011 (0.041)	0.012 (0.038)	-0.012 (0.024)	0.008 (0.024)	0.01 (0.029)	0.014 (0.037)
Years of schooling, mean among working-age adults	0.003 (0.003)	0.003 (0.003)	0.003 (0.003)	-0.002 (0.002)	0.005 (0.003)*	0.003 (0.003)
Government or SOE worker in hh	0.015 (0.018)	0.016 (0.017)	0.007 (0.014)	0.001 (0.011)	-0.002 (0.013)	0.014 (0.017)
Number of working-age adults, log	0.024 (0.006)***	0.023 (0.005)***	-0.001 (0.004)	0.009 (0.004)**	0.015 (0.004)***	0.021 (0.005)***
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Household fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
N	12,130	12,130	12,130	12,130	12,130	12,130

Note: Fixed effects linear probability models. Standard errors, adjusted for commune-level clustering, in parentheses. Data for 2008–16 used. Hh: household. SOE: state-owned enterprise. VBARD: Viet Nam Bank for Agriculture and Rural Development. VBSP: Viet Nam Bank for Social Policy. \*\*\* Significant at 1%, \*\* significant at 5%, \* significant at 10%.

Source: authors' calculations based on VARHS 2008–16.

## 9 Party membership and subjective well-being

This section turns to investigate the effects of Communist Party membership on subjective well-being. This effect could be either positive or negative. On the one hand, party membership might be associated with higher workload and stress, and could therefore lead to lower subjective well-being. On the other hand, party members may enjoy high social status, in addition to being better off economically than other people. This could generate a positive effect. Hence, non-economic rewards or costs of party membership could either cancel or complement the economic returns to membership analysed in the previous sections.

VAHRS collected data on subjective well-being in the 2012 and 2014 survey rounds. Only one person in each household answered questions about subjective well-being, typically but not always the household head. As described above, the measure of subjective well-being we use is a dummy for stating that one is either 'very' or 'rather' satisfied with life. Table 9 presents random and individual fixed effects regressions with this measure as the dependent variable. We believe it is more plausible to attach a causal interpretation to the random effects models in this case than in the case of the income regressions presented above. For the income regressions, there is a strong presumption that individual or household fixed effects are correlated with party membership (i.e. that unobserved factors driving income also drive party membership). It is much less clear that

this is a problem in the subjective well-being regressions. In other words, there are no strong reasons to think that the party would target the happiest individuals for recruitment, or that the same unobservable factors drive both happiness and party membership.

In addition to the party membership indicator, the models reported in Table 9 include a number of other potential determinants of subjective well-being, including age, gender, ethnicity, schooling, income, marital status, and employment category. The specification also includes a measure of health status, namely the number of working days lost due to ill health in the last year (cf. Deaton 2008; Helliwell et al. 2012; Markussen et al. 2017). Age, gender, ethnicity, and schooling are excluded in the fixed effects models, since they vary very little or not at all over time (note that this is an individual-level model, as opposed to the household-level model for income). All models include year fixed effects. Random effects models include province dummies.

Results show strong, positive and statistically significant effects of party membership on subjective well-being in all models. This includes models both with and without controls for income, education, and other observable factors that may be correlated with both happiness and party membership, and both random and fixed effects models. Since only data for two years is available, identification in the fixed effects models is based on the rather small number of individuals who joined the party between 2012 and 2014 and answered the happiness question in both years. There were 22 such respondents. Eleven of these reported being happy in 2012 (50 per cent), rising to 18 (82 per cent) in 2014. This drives the significant effect of party membership in the fixed effects models. These results suggest that party membership has value for individuals beyond its effect on economic well-being. A plausible explanation is that party membership is associated with significant social prestige. Article 1 of the Charter of the Communist Party (2011 version) states:

A member of the Communist Party of Viet Nam is a revolutionary fighter in the vanguard of the Vietnamese working class, the toiling people, and the whole nation; spending his/her whole lifetime struggling for the cause of the Party; putting the interests of the Nation, the working class and the toiling people as the highest priority. (Communist Party of Viet Nam 2015, our translation)

While this wording may appear somewhat anachronistic in light of the market-based economic reforms of recent decades, our results suggest that the charter's basic message—that party members are heroes—still resonates among the rural population.

Table 9: Party membership and subjective well-being

	Dependent variable: Rather or very pleased with life (dummy)				
	(1)	(2)	(3)	(4)	(5)
Member of Communist Party	0.274*** (0.024)	0.122*** (0.026)	0.370*** (0.115)	0.357*** (0.115)	0.518*** (0.137)
Member of Communist Party*female					-0.460** (0.216)
Hh income per capita, ln		0.135*** (0.010)		0.063*** (0.024)	0.061** (0.024)
Divorced		-0.144*** (0.045)		0.099 (0.121)	0.099 (0.121)
Widowed		-0.112*** (0.021)		-0.096 (0.102)	-0.096 (0.102)
Single		-0.105** (0.044)		0.104 (0.140)	0.104 (0.140)
Number of working days lost due to sickness in last year, log		-0.031*** (0.006)		-0.026*** (0.010)	-0.027*** (0.010)
Self-employed on own farm		0.097*** (0.019)		0.092** (0.041)	0.092** (0.041)
Self-employed in non-farm enterprise		0.080***		0.069	0.067

		(0.025)		(0.054)	(0.054)
Self-employed in CPR collection		-0.023		0.035	0.035
		(0.051)		(0.088)	(0.088)
Not employed		0.092***		0.088	0.089
		(0.033)		(0.067)	(0.067)
Employed by government or SOE		0.151***		0.096	0.093
		(0.027)		(0.063)	(0.063)
Female		-0.014			
		(0.014)			
Number of years of schooling		0.006**			
		(0.003)			
Age		-0.006**			
		(0.003)			
Age squared/1,000		0.085***			
		(0.030)			
Kinh		0.000			
		(0.029)			
Year fixed effects	Yes	Yes	Yes	Yes	Yes
Province fixed effects	Yes	Yes	No	No	No
Individual fixed effects	No	No	Yes	Yes	Yes
N	5,390	5,245	5,390	5,246	5,246

Note: Models 1 and 2 are random effects, Models 3 and 4 fixed effects, linear probability models. Standard errors, adjusted for commune-level clustering, in parentheses. CPR: common property resource. Hh: household. SOE: state-owned enterprise. \*\*\* Significant at 1%, \*\* significant at 5%.

Source: authors' calculations based on VARHS 2012–14.

Previous sections showed that women are much less likely to be party members than men, and that the economic return to party membership is much lower for women than for men. On the basis of these results, Model 5 includes an interaction term between the female dummy and party membership. This variable is highly significant, and the coefficient estimate is negative and almost of the same absolute magnitude as the main effect of party membership, which in this model shows the effect for men. In other words, the positive effect of party membership is almost entirely cancelled for women. Again, this result is driven by a small number of observations (seven of the 22 respondents who joined the party between 2012 and 2014 were women). Still, the fact that the estimates are statistically significant is remarkable and adds further to the impression that Communist Party membership works very differently for women than it does for men.

Results for control variables are largely in line with findings in other papers. There are significant positive effects of income, schooling, good health, and marriage. The effect of age on subjective well-being is U-shaped. As reported in Markussen et al. (2017), there is a positive effect from being self-employed in farming, as opposed to being a waged worker.<sup>10</sup>

## 10 Conclusions

This paper has investigated the determinants as well as the effects of Communist Party membership in rural Viet Nam. We find evidence that both political and educational screening are important in the party's recruitment decisions. In particular, Youth Union membership, paternal party membership, and years of schooling are all important determinants of party membership, although there is evidence that the effect of paternal party membership has decreased in recent years.

<sup>10</sup> Remarkably, these results hold in fixed effects as well as random effects models. This is a significant corroboration of the results in Markussen et al. (2017), which used only cross-sectional data.

In terms of the effects of party membership, we find a positive and significant effect on household income, even when employment with the government is controlled for. The effect appears to be driven by income from farm and non-farm household enterprises. A potentially important mechanism, which we document empirically, is that party members have easier access to credit from both formal and informal lenders than non-party members. As expected, party membership is also closely related to working as a government official. The positive effects on economic outcomes imply that Communist Party member recruitment is a source of economic inequality in rural Viet Nam. Party members were better off than others before they joined the party and move even further ahead after joining. On top of this, party members report much higher subjective well-being than others, even when income, education, and a number of other factors are controlled for. This suggests that party membership is associated with significant social status in rural Viet Nam.

Gender plays a strong role in the functioning of the party. Men are much more likely than women to be members; membership is driven by paternal but not by maternal party membership; only male party members affect household income; and only males appear to derive psychological rewards (i.e. increased subjective well-being) from party membership. These gender effects are likely to amplify the inequality-increasing effects of party member privileges, since men tend to be privileged relative to women even if they are not party members (cf. World Bank 2011).

Viet Nam has undergone significant economic but limited political reform in recent decades. An important question is whether a party membership premium is compatible with further reform or functions as an obstacle to change (cf. e.g., Fforde 2017; Frye and Shleifer 1997; Hellman 1998). For economic reform, the effects are somewhat difficult to predict. As argued by Morduch and Sicular (2000), benefits to cadres and party members may go hand in hand with reform if the magnitude of benefits received by cadres and party members depends positively on economic reforms. This would for example be the case if benefits came in the form of ownership stakes in newly established enterprises. While local governments have been much less involved in the process of industrialization in Viet Nam than in China (cf. Walder and Nguyen 2008), our results still suggest that party members may benefit disproportionately from the new economic opportunities that arise during the process of reform. In particular, we find that party members earn more than others from household enterprises. On the other hand, our findings also suggest that this earnings gain might be driven by preferential access to credit. Hence, party members seem to benefit from the opportunity to establish enterprises, but perhaps only because the credit sector is government-controlled. This suggests that party members may be happy to support some forms of liberalization (e.g., facilitating the entry of small enterprises) but not others (e.g., privatizing the credit sector). In terms of political reform, predictions are easier to make: the stronger the returns to Communist Party membership, the lower the incentives to accept competing political forces. Hence, the privileged status of party members is likely to function as a barrier to political liberalization in Viet Nam.



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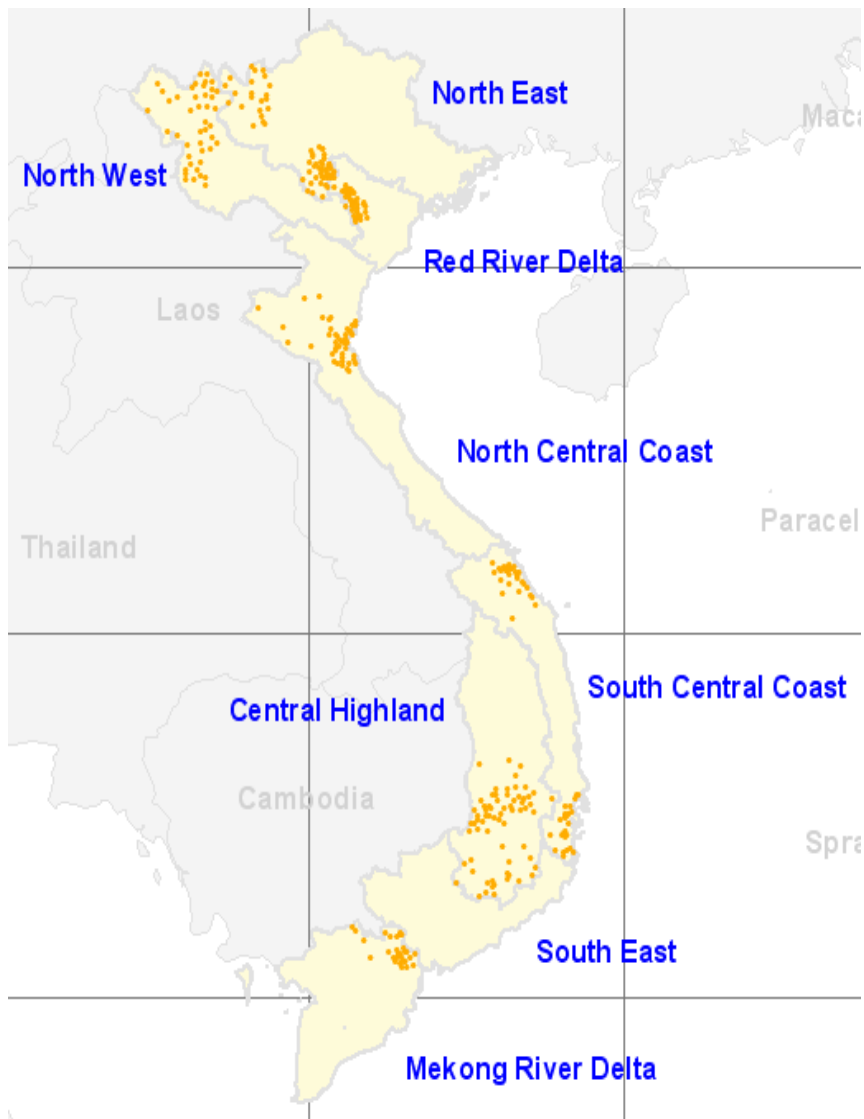
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## Appendix

Figure A1: VARHS survey sites



Source: Brandt and Tarp (2017).

Table A1: Determinants of party membership, by age

	Dependent variable: Member of Communist Party			
	Younger than 18 in 1986	Older than 18 in 1986	Younger than 18 in 1986	Older than 18 in 1986
Female	-0.013 [0.003]***	-0.061 [0.008]***	-0.009 [0.009]	-0.062 [0.008]***
Age	0.012 [0.002]***	0.004 [0.002]**	0.008 [0.010]	0.006 [0.003]**
Age squared/1,000	-0.143 [0.028]***	-0.025 [0.014]*	-0.099 [0.150]	-0.027 [0.021]
Years of schooling	0.006 [0.001]***	0.008 [0.001]***	0.004 [0.001]***	0.007 [0.001]***
Kinh	-0.002 [0.006]	0.002 [0.008]	0.002 [0.009]	-0.01 [0.009]
Served in the army	0.032 [0.008]***	0.011 [0.006]**	0.006 [0.013]	0.004 [0.006]
Born in commune of residence			0.002 [0.004]	0.002 [0.004]
Ever a member of Youth Union			0.057 [0.012]***	0.067 [0.011]***
Father member of Communist Party			0.028 [0.030]	0.086 [0.028]***
Mother member of Communist Party			0.001 [0.035]	0.027 [0.037]
Year fixed effects	Yes	Yes	Yes	Yes
Province fixed effects	No	Yes	Yes	Yes
N	17,903	13,395	3,595	10,150

Note: Random effects, linear probability models. Constant included, not shown. Standard errors, adjusted for commune-level clustering, in parentheses. Data for 2008–16 used. \*\*\* Significant at 1%, \*\* significant at 5%, \* significant at 10%. See also notes to Table 3. Source: authors' calculations based on VARHS 2008–16.