STATE ADMINISTRATION, SELF-GOVERNMENT AND GOVERNMENT SERVICE

Nga Nguyen Hong,
Doctor in Economics and Construction Organization, Associate Professor,
Faculty of Economics,
University of Economics and Law, Hochiminh City, Vietnam
Vietnam National University - Hochiminh City;
Trang Nguyen Thi Thu,
Master of Public Policy, Doctoral Student, Faculty of Economics,
University of Economics and Law, Hochiminh City, Vietnam
Vietnam National University - Hochiminh City

ROLE OF GOVERNMENT AND EFFICIENCY IN VIETNAM IN THE COVID-19 OUTBREAK

Published: 20 December 2021

Abstract: *Role of government is a term holding various contents by countries. Arguments on these roles occur over time with the requirement of downsizing public sector. This study described the theory and the practice of role of Government and efficiency in the context of some countries and Vietnam focusing on rationale for the intervention. This study used the descriptive method from cases and a small survey to show the role of government and efficiency of public sector. Main conclusion suggested the government to focus on housing policies in order to attract and retain workers after Covid-19 outbreak.*

Keywords: *government, public sector, efficiency, policy*

Citation: Hong, N. N.; Thi Thu, T. N. (2021). Role of government and efficiency in Vietnam in the Covid-19 outbreak. Conferencii, (1) 9. http://doi.org/10.51586/bmess2021-9

Introduction

The role of the Government is a term holding various contents by countries and by time. Adam Smith with the invisible hand hinted that the pursuit of individual interest would bring social benefit (Smith, 1776), as a consequence human ambition and selfishness have pushed nations into the crisises wherefore the role of the Government has been considered indispensible. John May Keynes with the visible hand implied that market could not heal by itself but in need of active intervention from the Government (Keynes, 1936), as a result nations stepped in the economy by stimulate packages and overcame the crisises. However nation or the public sector was governed by the Government that was also human and so was failed in some cases. It signified that market failure was transformed into state failure, therefore the role of Government was discussed over time. The changes in function and scope of Keynesian state have occured in all countries since the late 1970s, the public sector's activities were reformed as the model of market and entrepreneurship, were privatised and superseded to the private sector (Jones, 1998).

This study described the role and the efficiency of Goverment based on the theory, the cases in some countries and in Vietnam. Our country in the period of strict social distancing is an opportunity to rethink efficiency in the areas of state participation. It is necessary to determine spheres which are efficient or inefficient, this is the premise or basis for the orientation of restructuring and funding, improving efficiency in the public sector after the Covid-19 outbreak. To answer this question, this study conducted a small survey approaching the residents who are end-users and directly receive benefits or burden costs from state interventions.

The role of Government and rationale for the intervention

Private sector and public sector are the parts existing parallelly in the economy but different in size. The former is operated inefficiently in these circumstances including non-competative market, information asymetry, externalites, public goods and services; and operated unstably in the macro economy causing inflation, unemployment, undevelopment, etc. It has no intention of equally income distribution, good and service accessibility, disaster shocks, etc. It does not tackle by itself the international issues like pollution, cooperation, exportation and importation. The latter is owned and regulated by the Government in the function of improving and enhancing the economy's efficiency, assuring the macro economy's stability, covering the society's equity and being the nation's representative in foreign relationship (Stiglizt and Rosengard, 2015).

How does the Government engage in the economy? The Government enacts laws; levies taxes on goods and services or income; subsidizes to businesses and residents in oder to regulate behaviour of human. The Government also implements fiscal and monetary policies to manage the macro economy; invests in infrastructure to create the platform and to attract investment for development. In addition to this the Government does business through public enterprises or public economic groups as if they are pioneers, bring supports to the market, and provide goods and services not supplied in the market. Besides the Government carries out social programs or social policies with the aim of helping poors or vulnerable people.

Generally, the Government and public sector has responsilbe for economic, social and international concerns in the purpose of improving economic efficiency and social equity, however these roles are changed across countries and over time.

The efficiency of Government in Vietnam

Even the public sector is an indispensable part in the economy, the arguments on the public sector's size, the Government's functions and scope always occur in any country with the requirement of gradually diminishing its intervention and of encouraging privatization or public-private partnership in the economy.

In some countries in the world like United States, railways were completely set off by the private companies in 1916, but from 1971 they were made go by National Railroad Passenger Corporation Amtrak run as a corporation but owned by the state, then in 2016 it was encouraged in privatization to end the uneconomic route, rise the investment and improve the quality. In Britain, the rail system was supplied by the state-owned corporation, in 1994 it was rearranged as a vertical system which seperated into the private truck infrastructure and public service operation, however after that the truck infrastructure was renationalized due to some problems. In Japanese, the rails have been soon changed into vertical structure and privatizated since 1990 even though these corporations also received subsidies from the Government. Railway system in these countries was the evidence of changes in the role of Goverment, and this situation happened not only in the transportation but also in the other fields such as education, energy, health and human services, homeland security, social security etc. (Edwards, 2016).

Vietnam is no exception to this trendline, however we do not directly follow any international model. In 1980s, the Government partially subsidized public goods and services due to the lack of resources. Since the reforms in 1986s, Vietnam had gradually shifted towards the socialization which public goods and services were providing by social constributions. Nevertheless this progress was without adequate attention to strengthen the Government's management and supervision, it was similar to the goals of the public-private partnership and to the implement of the privatization. (NCIF, 2016). For instance in energy, the Government set up 3 state-owned companies in 3 regions of Vietnam to serve seperately the power without any interconnected infrastructure. This manner booted the cooperatives, individuals and organizations bought electricity from these companies in each locality and sold to end-users. As a consequence the informal retail electricity market was formed and not regulated by the Goverment, the prices were set freely. Because of hidden market and power shortage, the electricity market had been started to open for the participation of private sector as well as international partners since 1986s. Over 1500 km of the North-South 500kV transmission line was built in 1994, those 3 companies were merged into one organization named Electricity of Vietnam (EVN) in 1995. Then the power sector reforms have formally implemented since 2004, however the subsidies of the Government and the monopoly of EVN caused some weaknesses, the electricity market was continued to restructure as vertical system in order to attract the private sector's investment and to perform the competative market. (Lee and Gerner, 2020).

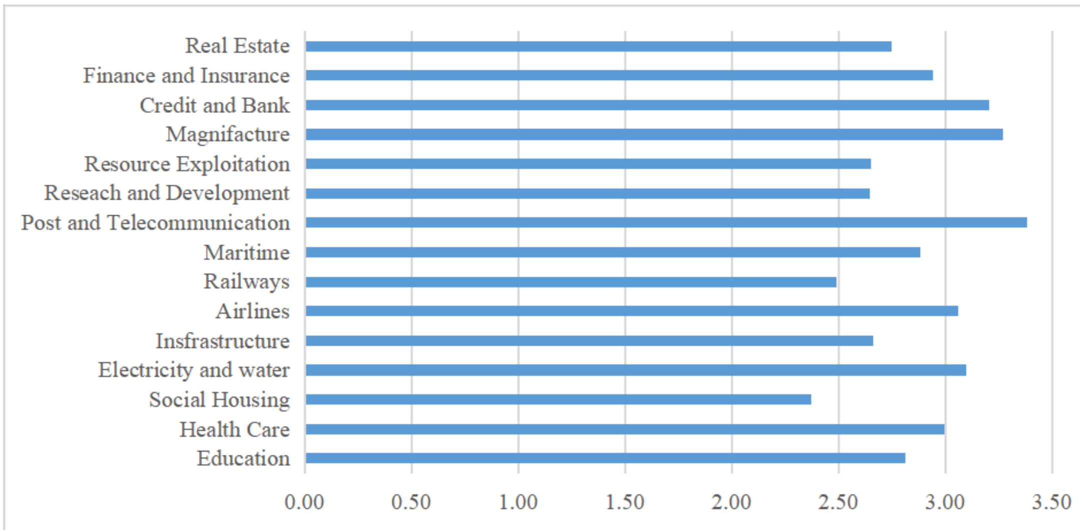

Figure 1. Efficiency of public sector (Likert Scale)

Why should the Government act as it do? The economic and social function, size and scope of the public sector have been changed because of inefficiency of intervention, growth of the private sector, increases of income and need of residences, international economic integration. In the term of public sector's inefficiency, the rationale for the Government's operations is the market inefficiency, yet it's the Government's turn that is not efficient, called state failure. There are many evidences in the world showing that the public goods and services or public investment were costly and unqualified, the provision did not meet the need of residence. Furthermore the fund from the Government lead to the shortage of public finance and destroyed the motivation for innovation and improvement. In our small survey on the fields which the public sector take part in, most of respondents stated that the Government are not effective in social housing and railways, but more effective in post and telecommunication and manufacture (Figure 1).

Conclusion

The study has generally described roles of the Government and changes in the size of public sector in some countries and in some fields. The result implied that there was no universal formula for this intervention. The result also insisted that the Government was not effective in providing social housing. In the practice of Covid-19 outbreak, housing and habitation cost were the factor that pushed workers to leave the pandemic areas during lockdown, consequently the supply chain was disrupted due to a labor shortage after lockdown. Therefore, the study recommended that the Government should focus resources on improving housing condition, controlling housing cost, this is a solution to attract and retain workers.

Acknowledgments. *This study is funded by Vietnam National University HoChiMinh City (VNU-HCM) under grant number C2019-34-08/HD-KHCN.*

References

1. Smith, A. (1776). An inquiry into the nature and causes of the wealth of nations (1st ed.). London: W. Strahan.
2. Lee, A.D. & Gerner, F. (2020). Learning from power sector reform experiences. Case of Vietnam. [Policy Research Working Paper]. World Bank.
3. Edwards, C. (2016). Privatizing Amtrak. Downsizing the Federal Government. Retrieved on: https://www.downsizinggovernment.org/transportation/privatizing-amtrak.
4. NCIF (2016). Vai trò của nhà nước trong đầu tư và cung cấp dịch vụ công [The role of the Government in investment and Public Service Delivery]. Document of the Government's role in Vietnam's economic development. Cited from: World Bank (2016). Vai trò của nhà nước trong phát triển kinh tế Việt Nam [The Government's role in Vietnam's economic development].
5. Jones, M. (1998). Restructuring the local state: economic governance or social regualtion. Political Geography. Elsevier Science Ltd. 17 (8), pp.959-988.
6. Keynes, J.M. (1936). The general theory of employment, interest, money. London: Macmillan.
7. Stiglizt, J.E. & Rosengard, J.K. (2015). Economics of the Public Sector (4th Ed). W.W.Norton & Company.