

Economic Institution, Religion, and Economic Development: Confucianism and Economy in Vietnam after The Implementation of the Doi Moi Policy

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Abstract

Among the three borderline Mainland Southeast Asian countries, located in the Indochinese Peninsula, Vietnam has the best economic performance, compared to Laos and Cambodia. The GDP per capita of Vietnam reached US\$4,163 in 2022, which was two times higher than Laos and Cambodia. While economic reform policies, political and economic institutions, and colonial history, are similar in all three countries, why does Vietnam have better economic development? Researchers pointed out the economic factors, specifically the positive effects of economic reforms on economic performance. Nonetheless, it is not convincing, while the economic reform in all three countries emphasized property rights, and encouraged decentralization, privatization, and marketization. This study suggested the religious factor of Confucianism in Vietnam that reinforce the effects of economic institutions on economic development, which leads to greater economic performance. The Confucian characteristics of emphasis on saving, education, and following the government's instruction and policies, support the government's economic reform, which is conducive to economic development.

Keywords: Religion, Confucianism, Economic Development, Vietnam, Comparative Political Economy

INTRODUCTION

Doi Moi means renovation or innovation, and it is an economic and partial political reform in Vietnam; it is similar to the open and reform policy initiated in China in 1978. Chinese economic reform has some influence on Vietnam. The process of economic reform in China included de-collectivization in agriculture, economic reform in industry, the opening of the Chinese market by encouraging foreign direct investment, and the reform in the state industrial planning system (Ellman, 1986).

The communique of the September 1979 sixth plenum (Fourth Central Committee) augured the beginning of economic reform as several economic innovations were introduced: “a quota and contract system, readjusted purchasing prices for agricultural products, a measure of factory autonomy and independence for local import and export companies, and authorization for provincial-level state banks to lend money to local entrepreneurs” (Cima, 1989, p.778). Cima (1989) suggested that as these initial steps for economic transformation were reaffirmed in the Sixth Party Congress in December 1986, the Doi Moi policy in 1986 manifested a new level of commitment to economic liberalization and reform (p.778). The renovation policy aimed to transform the state-command economy in Vietnam into a socialist-based market economy, and the economic reform began in the agricultural sector, in which the land was redistributed (Dinh, 2000, p.360).

The implementation of economic reform in Vietnam was caused by unfavorable economic conditions domestically. The constitution established in 1992 played an important role in Vietnam's economic and partial political reform as it made the Vietnamese government govern its country based on rules of law. Ku (2013) suggested that the economic reform in Vietnam can be categorized into three dimensions: the transformation of the planning economy into a market economy, permission and allowance of private property and ownership, and the allowance of foreign investment entering the Vietnamese market.

The economic reforms in Vietnam included the allowance of private property rights, and private ownership, reform in state-owned enterprises by reducing the excessive number of public officials and government subsidies, reform in the banking system, management of foreign currency exchanges, opening up the Vietnamese market for foreign investment, and participating in international trade. The reform of the economy

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in Vietnam led to a successful transformation to a socialist-oriented market economy, which has characteristics of a capitalist market economy that is under the supervision and control of the Vietnamese Communist Government.

In the agriculture sector, the government guaranteed the land-use rights; after the reformation of state-owned enterprises, the state-owned enterprises had more autonomy and moved to a self-accounting and -financing basis; the Vietnamese government also conducted tight monetary and fiscal policy to stabilize the macroeconomic environment (St John, 1997). Schellhorn (1992) stated that after the 1986 Doi Moi Policy, the state businesses in Vietnam were granted more autonomy, the subsidies for state enterprises were reduced, the family business was permitted, and foreign investment was allowed to enter Vietnam under the Investment Law of 1987, showing the gradual process of privatization, decentralization and opening up of Vietnamese market (p. 233). The economic reform was implemented to improve economic development. Economic reform can be understood as the establishment of sound economic institutions, including property rights, rules of law, market and price system, and other market mechanisms that reduce transaction costs and make the market system work efficiently.

As shown in Figure 1, before 1997, the GDP per capita among Vietnam, Laos, and Cambodia showed not much difference as the value of GDP per capita was below US\$400 in all three countries. Since 1998, more than ten years after the reform, the GDP per capita of Vietnam has surpassed the other two Indo-Chinese countries. It achieved US\$1,158 in 2008 and then rose to US\$2,190 in 2012. The value broke through US\$3,000, achieving US\$3,267 in 2018. In 2022, the GDP per capita in Vietnam reached US\$4,163, while the GDP per capita of Laos decreased to US\$2,054 and the value in Cambodia was US\$1,759. Vietnam's GDP per capita was two times greater than Laos and Cambodia in 2022.

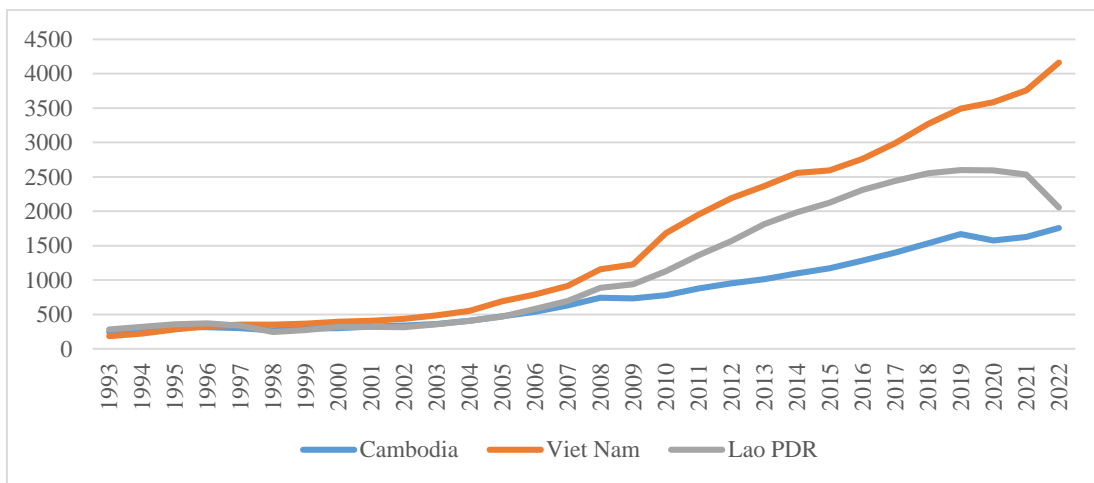


Figure 1: GDP per capita (current US\$) in Vietnam, Laos, and Cambodia

Source: World Development Indicators, The World Bank, retrieved from <https://databank.worldbank.org/reports.aspx?source=world-development-indicators#>, access date May 14, 2024.

Among these three countries, why does Vietnam have better economic development? The following literature review section first illustrated scholars' explanations for economic development in Vietnam, and then identified the research gap in economic explanations and suggested the importance of the religious factor of Confucianism. Furthermore, variables were identified to design this research for observation based on previous studies. In the section on research methodology, the researcher demonstrated the comparative method employed in this study. The research findings section compared the economic institutions and highlights the positive effects of Confucianism in explaining the economic development in Vietnam. In the last section, further conclusions were drawn.

LITERATURE REVIEW

In this section, the researcher first discussed the factors that contribute to economic development in Vietnam. Second, the literature on religion and economic development was reviewed. Third, the work on economic institutions was discussed. Lastly, the researcher identified variables based on the theory to design this research for observation and comparison purposes.

Explanation for Economic Development in Vietnam

Scholars illustrated the factors that contributed to economic development and growth in Vietnam. Szalontai and Choi (2012) pointed out some successes in the reform of Vietnam, including political liberalization, the normalization of external relations, massive quantities of foreign investment, extensive private entrepreneurial activity, satisfactory export performance, export-stimulating aid programs, and a considerable reduction of military expenditure (p. 243). Que (1998) compared the agriculture sector in Vietnam before and after the economic reform, and then illustrated the impacts of the agricultural reform on economic performance and social changes, concluding that the reform improves the organization and management of agricultural production. The reform, which is a bottom-up approach, meets the economic interests of the peasants and the process of the reform is a gradual one. An empirical result showed that foreign direct investment played an important role in economic growth after Vietnam opened up its market by implementing the renovation policy (Hoang et al., 2010).

Research Gap

Previous studies emphasized the importance of economic reform when explaining the economic performance and development in Vietnam. Scholars attributed the economic achievements to economic reform such as agricultural reform, foreign investment, and export. Nonetheless, while Vietnam, Laos, and Cambodia implemented similar economic reforms which emphasized decentralization, privatization, market system, and economy, in the 1980s, why does Vietnam have better economic development, compared to Laos and Cambodia? The factor of economic reform lacks explanatory power when explaining why Vietnam, Laos, and Cambodia result in different economic outcomes although they all implemented similar policies of economic reform to establish identical economic institutions.

In addition to similar economic reform, the governance structure in all three countries is one-party states. All three countries are located in a very similar geographical environment (in Indochina) and have a similar contemporary colonial history (as they were all colonized by France, which was once called French Indochina altogether). With all these similarities – political regime, geography, colonial history, economic reform, and establishment of economic institutions – it is imperative to investigate the variable to fill in the research gap that is not well discussed in the mainstream study of political economy or international relations.

This study suggests that the success of economic development in Vietnam is not only due to the establishment of the formal institutions after the Doi Moi Policy (the renovation policy) in 1986, such as property rights, land law, the autonomy of enterprises but also because of the factor of religion specifically the Confucianism. The Confucian religion in Vietnam can explain why it has better economic achievements compared to Laos and Cambodia. The main religious belief of Laos and Cambodia is Buddhism, which is different from the Confucian belief. This study fills in the research gap by incorporating the intervening variables of the religious factor and discussing the effects of Confucianism on economic development in Vietnam.

Defining Confucianism as a Religion

In this study, the researcher defined Confucianism as a religion based on Max Weber's work, titled *The Religion of China: Confucianism and Taoism*, and Anna Sun's book, *Confucianism as a World Religion: Contested Histories and Contemporary Realities*. Weber's (1951) work was a contrast to his other early work, *The Protestant Ethic and the Spirit of Capitalism*, contrasting Chinese society with Western society when comparing the development of capitalism based on the difference between Confucianism and Puritanism. Weber treated Confucianism as a religion that is mutually exclusive to Puritanism. Nonetheless, defining Confucianism as a religion leads to great contentions. Yang (1961) excluded Confucianism as a major religious system in China from the perspective of the structural and functional role of religion in Chinese society. Instead, Yang (1961) regarded "Confucianism as a sociopolitical doctrine having religious qualities" (p.27).

On the other hand, Sun (2013) tried to answer the question: “is Confucianism a religion?” in her book by discussing the debates on the religious nature of Confucianism in history. Extended from the literature of religious study, Sun (2013) defined Confucianism as a world religion and proved her argument through historical analysis by articulating “four historical controversies over the religious nature of Confucianism” (pp.29-44). Sun (2013) proposed three criteria of Confucian behaviors, including “the minimal criterion: Confucius worship”, “the inclusive criterion: ancestral rituals”, and “the extended criterion: cultural Confucianism” (p.127).

Based on the literature, I suggest the debates on the religiosity of Confucianism stem from the different ideas between Religious Confucianism and Confucianism as a culture. I further argue that the religious characteristics of Confucianism are embedded in Chinese social life, which people are not aware of. The ritual practices of praying to the heaven, and gods, and worshiping ancestors actually come from Religious Confucianism, while the religious dogma of Confucianism, for instance, family-centered value, filial piety, respecting the emperor (or government contemporarily), valuing education, thriftiness, etc., have been practiced for centuries, becoming part of cultural behaviors. The Confucian practices of religion, philosophy, and culture are embedded in Chinese society. It is hard to definitely separate between the religiousness of Confucianism and the cultural characteristics of Confucianism. Furthermore, in the Chinese language, there is no direct Chinese word for “Confucianism”. The meaning or translation of “Confucianism” as a religion or culture is open to interpretation.

As the religious or cultural study is mostly based on a qualitative approach, with the involvement of human beings, and people as the primary study population, it is methodologically difficult to make an explicit definition of Confucianism in terms of religion when observing the dynamic process of the human society. As a result, in this study, the researcher interpreted Confucianism as both a religion as well as a culture because these two elements of Confucianism are hard to be definitely separated.

The purpose of this study is to understand the effects of religious factor, specifically Confucianism, on the political economy development in three borderline countries in the Indochinese Peninsula. The debate about whether Confucianism is a religion is beyond the scope of this study. To follow the principle of parsimony (Sober, 1981), this research defined Confucianism as a religion from a macro perspective, meaning that this research does not distinguish differences in the practice of Confucianism as a religion at individual levels, for comparison purposes.

Religion and Economic Development

In this part, the author discussed the previous study focusing on the connection between religious as well as cultural factors and economic development, specifically the effect of religious belief on economic growth and development. Gill (2019) suggested that religion affects the political economy. First, the author reviews Weber’s (1930) work, *Protestant Ethic and the Spirit of Capitalism*, discussing how protestant ethics is conducive to the development of capitalism. Second, the other work focusing on the relations between religion and economy was reviewed, *The Wealth of Religion: The Political Economy of Believing and Belonging*, discussing how Barro and McCleary (2019) extended Max Weber’s (1930) idea of protestant ethics to analyze the effect of religion on the economy. *Institutions, Institutional Change, and Economic Performance* by North (1999) is another important study that is relevant to this paper. In North’s work, he not only stressed the importance of formal institutions but also emphasized the role informal institutions, which are also known as informal constraints, the cultural factors, play in society and supplement formal institutions.

Weber (1930) argued that protestant ethics is conducive to capitalism and economic growth and development. Specifically, the capitalist ethos, including hard-working and ascetic, are the key elements that lead a society to better economic growth. Also, some other religious beliefs or traits, such as work ethic, honesty, trust, and thrift make the capitalist system possible and successful. The reason why these religious beliefs encourage people to work harder is that they want to prove that they are the chosen ones (to be the chosen ones, they have to work hard and enjoy less). In this case, the protestant work ethic leads to higher productivity, while the belief in asceticism accelerates the process of accumulation of capital. Higher productivity will make a country wealthier; a greater degree of the accumulation of capital will foster more investment in society. Therefore, according to

Weber (1930), religious beliefs indeed lead to economic development.

Weber's (1930) theory was further developed by Barro and McCleary (2019). In their work, *the Wealth of Religion: The Political Economy of Believing and Belonging*, they studied the connection between religion and economic behavior, analyzing the effect of religious belief on economic growth. In the third chapter of the book, Barro and McCleary (2019) studied the effect of religiousness on economic outcomes. The results of the study showed that economic growth responds positively to higher religious beliefs (p.66). The explanation for the results was that religious beliefs promote a Protestant work ethic and thrift; furthermore, the Protestant church emphasizes that individuals can read and interpret the bible by themselves, which leads to a higher literacy rate, offering sufficient human capital for economic development. To further understand how religious beliefs play a role in economic growth or development, the empirical results show evidence that the belief in hell will lead to better economic outcomes because the belief encourages people to perform better, such as improvement in work effort, thrift, honesty, and ethic, which increase productivity (Barro and McCleary, 2019, p.58). It can also be understood that salvation anxiety motivates believers to enhance their economic productivity (saving themselves by working hard, wanting to be the chosen one to enter heaven, instead of hell). The effect of religion on economic growth can be found in the twenty- and twenty-first-century data, stating that some forms of religious beliefs encourage economic growth (Barro and McCleary, 2019, p.53).

Formal Institutions, Institutional Change, and Economic Performance

In North's (1999) work, he not only underscored the importance of the formal institution, but also stressed the importance of informal institutions (or informal constraints), meaning the cultural factor, in shaping how people interact in society because informal institutions modify, supplement, or extend formal institutions. North (1999) first stressed the importance of formal institutions, which are the rules of the law in a society, constraining human behavior, and shaping human interaction. The institution offers a structure to help reduce uncertainty and offer incentives in society. Institution affects the economic performance of society because of the existence of transaction costs (costs for exchange and production). The establishment of formal institutions such as the rule of laws, property rights, market economic system, and so on, reduces uncertainty and lowers transaction costs, which contributes to further economic growth and development (North, 1999). Simultaneously, informal institutions are as important as formal institutions. Informal institutions, including the norms, routines, customs, traditions, codes of conduct, conventions, and codes of behavior, which are the cultural factor, are embedded in societies. It has a tenacious survival ability due to habitual behavior, and it plays an important role in supplementing formal institutions (North, 1999). Without the support of informal institutions, the foundation of formal institutions during institutional changes may not be possible or even successful. The importance of the informal institution and informal constraints stress the factor of culture. As informal constraints shape how people interact in the market, it is necessary to take the cultural aspect, or the religious beliefs, into consideration.

The book, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* by Acemoglu and Robinson (2012) also emphasized the importance of institutions to explain why some countries are wealthier, while others are poor, supporting North's argument of the effects of formal institutions on economic growth and development. In the first chapter of the book, the authors compared Nogales, Arizona, United States, with Nogales, Sonora, Mexico and suggested that the reason why Nogales, Arizona has a higher average income, higher life expectancy, better infrastructure, business-friendly environment, reliable democracy, and with lower crime rate is that in the United States of America, the political and economic institution offers sufficient incentives to business, politicians, and individuals (Acemoglu and Robinson, 2012, p.9). The authors further suggested that the economic institution shapes economic incentives, while the political institutions determine the political process that determines the economic institutions within society (Acemoglu and Robinson, 2012, p.42).

Application of Theories to Identifying Variables

The establishment of formal institutions can be found in Vietnam after the Doi Moi Policy to reform the economy, especially the 1992 constitution, in which the rule of law was established. As the Vietnamese government rules the countries based on laws, the political power of the government officials is restricted and limited. They cannot randomly confiscate the private property of the people, as property rights are protected

by the Constitution. The personal safety of Vietnamese citizens is protected by the Constitution; no one should be harmed or attacked by the other. These are the formal constraints that shape the behavior of humans and shape how people interact with each other in the market. Based on the aforementioned studies, the economic institution is an important factor in economic development (North, 1999; Acemoglu and Robinson, 2012); the economic institution is designated to be the independent variable in this research, while the dependent variable is economic development.

In addition to the formal economic institutions, North (1999) emphasized informal institutions (cultural factors), which support the formal economic institutions during institutional change. Institutional changes in this study refer to the economic reform or the transition into state capitalism in Vietnam. This study suggests the effects of religious factors (as informal institutions or informal constraints) in supporting and sustaining the economic institutions to promote economic development. Religious factors have been studied to have impacts on the economy (Weber, 1930; Barro and McCleary, 2019; Gill, 2019). Based on previous work, the intervening variable of religious factors is identified to understand the influence of religion on the relations between economic institutions and economic development.

Table 1: Variables

Variables	Independent Variable	Intervening Variable	Dependent Variable
Theoretical Foundations	Economic Institutions (North, 1999; Acemoglu and Robinson, 2012)	Religious Factor (Weber, 1930; Barro and McCleary, 2019; Gill, 2019)	Economic Development (Weber, 1930; North, 1999; Acemoglu and Robinson, 2012; Barro and McCleary, 2019)

Source: edited by the author.

RESEARCH METHODOLOGY

This is a qualitative study, applying the political economy approach. A comparative method is employed in this study to compare Vietnam, Cambodia, and Laos to investigate the religious factor of Confucianism in economic development. Variables are identified based on previous research, shown in Table 1. This research designated economic institution as the independent variable, religion as the intervening variable, and economic development as the dependent variable. The intervening variable transmits the effect of an independent variable to the dependent variable. In this study, the intervening variable of the religious factor of Confucianism explains why the economic institution led to greater economic development in Vietnam. The researcher demonstrates the impacts of the religious factor of Confucianism on economic development when the effects of the independent variable are controlled. In other words, this research explains why countries with great similarities, implementing identical economic reform to form economic institutions under similar political regimes, resulted in different economic outcomes.

These three countries are selected for comparison because they have many similarities. First of all, all these three countries are Southeast Asian countries and are the members of Association of Southeast Asian Nations (ASEAN). Vietnam joined in 1995, Lao PDR in 1997, and Cambodia in 1999. Second, they are all located in Mainland Southeast Asia (also known as the Indochinese Peninsula), and their border are connected. Third, they had a similar colonial history temporarily, Vietnam and Cambodia were under the rule of the French from 1887 to 1954, while Laos was ceded to France in 1893, from Siam (Thailand). Vietnam, Cambodia, and Laos were parts of French Indochina. Fourth, after several decades of independence, they all became one-party socialist republics or communist states in the 1970s. The Lao People's Revolutionary Party came to power in 1975. After the end of the Vietnam War, Vietnam was reunified under the Communist Party of Vietnam in 1976. The Cambodian People's Party ruled Cambodia since 1979. Fifth, they all implemented identical economic reforms in the 1980s to decentralize, privatize, and marketize the economy.

While geography, colonial history, political regimes, and economic reform for establishing economic institutions are similar in all three countries, the differences are religion, ethnicity, and population. The population of Vietnam reached 98 million in 2022, which is around thirteen times higher than the population of Laos (7.5 million in 2022), while the population of Cambodia was 16.7 million in 2022. Critics may argue Vietnam has

better economic performance because of its larger population, as it offers sufficient human capital and labor. However, as the indicator of GDP per capita is selected for showing economic development in each country in Figure 1, the factor of the population is excluded. Additionally, Asian countries with small populations, such as Singapore (5.6 million), Hong Kong (7.4 million), Taiwan (23.5 million), and South Korea (51.7 million) have good economic performance. Coincidentally, all the aforementioned small-population countries with good economic performance are the countries that practice Confucian religion, beliefs, thoughts, and philosophy. As a result, the primary differences in Vietnam, Cambodia, and Laos are religion and ethnicity.

The comparative method applied in this study is based on the method employed in the work of Acemoglu and Robinson (2012) when they compared Nogales, Sonora, Mexico with Nogales, Arizona, United States to illustrate why some countries are rich and others are poor. Acemoglu and Robinson (2012) highlighted some similarities between these two cities. The geography, climate, culture (music and food), ethnicity, colonial history (ruled by Spain), and even types of diseases are similar or not different. Acemoglu and Robinson (2012) underscored the important factors of economic institutions and political institutions, which explain why Nogales, Arizona is richer than Nogales, Sonora.

On the other hand, in our study, some adjustments are made to fit in the context of countries in Mainland Southeast Asia. The political institutions are identical under the rule of a one-party state, while similar economic institutions were established after the economic reforms in the 1980s in Vietnam, Cambodia, and Laos. The comparative method is applied to illustrate why countries implemented similar economic reforms to establish similar economic institutions resulting in different economic outcomes. This study suggests the effects of intervening variables of religious factors in reinforcing the effects of economic institutions on economic development.

RESEARCH FINDINGS

In this section, the independent variable of economic institution and the intervening variable of Confucianism as a religious factor are discussed. Then the researcher compared the similarities and differences between Vietnam, Laos, and Cambodia, and highlighted the Confucian characteristics in strengthening the relations between economic institutions on economic development.

Economic Institution

This research design is based on the premise that economic reform in Cambodia, Laos, and Vietnam are homogenous. As the effects of economic reform are assumed to be identical, then the differences in the effects of religious factors on economic development can be compared, to further highlight how Confucianism is conducive to the economic development in Vietnam. In this part, the researcher demonstrated the similarities in economic reform implemented by these three countries to support the premise.

Cambodia, Laos, and Vietnam, which once constituted Indochina, under the colonization of the French, all became socialist countries after their socialist revolution around 1975. Some tentative steps toward the reform were initiated around 1979 and 1980, and the formal economic reform, driven by poor economic performance and political-economic instability, was implemented in 1986 and 1988 (St John, 1997, p. 185). Identical characteristics of economic reform can be highlighted in these three countries.

Vietnam first abolished the administrative supply system, individuals were allowed to decide on their own productivity, enterprises were permitted in certain circumstances, and state-owned enterprises were encouraged to become financially independent, without subsidies from the government. In Laos, the government removed the restriction on free-market exchanges, allowing individuals to buy and sell the products, the government also implemented monetary and pricing policies and adopted the New Economic Mechanism, which unified the price system for goods and the exchange rates, leading toward more economic liberalization.

Worner (1989) demonstrated the economic reform in agricultural sectors, state enterprises, and baking reform in Laos; in the agricultural sector, the government lifted the control of the internal trade of agricultural products, removed the price control system, and allowed individuals to trade in the market voluntarily. The government also cut its subsidy to state-owned enterprises, and farmers have the private ownership and rights to use the

land, including rights of commercial transfer and inheritance. As for the state enterprise, after the economic reform, the state enterprises were granted autonomy to manage the financial conditions in the companies and were able to set prices, wages, and bonuses without the intervention of the government. The government no longer provided any state subsidies to the state enterprises, as the state businesses have to be self-financed. Lastly, the government reformed the state-controlled banking system and transformed the banking system by introducing a new economic management system, making it more market-oriented (Worner, 1989, pp. 198-201).

Regarding the economic reform in Cambodia, the private sector was added to the economic system, and individuals were allowed to hire labor and invest in small-scale manufacturing (St John, 1997, pp. 228-229). The Cambodian government recognized the important of private sector in economic development, more autonomy was granted to the state enterprises, private property rights, and privately-own land, and the ownership of property was protected by the law; the Cambodian market was opened to the foreign investment under the foreign investment law (Than, 1992, p. 271). In general, a similar measure of economic reform can be found, including, privatization, decentralization, private property rights, freedom for production, autonomy for state-owned enterprises, and a market-economy-oriented system.

The similar effects of the economic reform in all three countries were that, first, peasants were able to access the land, having the rights to use and farm the land. Land ownership was protected by the constitution, and farmers could make their own decisions on the amount of productivity of the products and sell their products in the market freely. Second, reform in the state-owned enterprises can also be witnessed in these three countries as the government stops subsidizing the state enterprises, and they tend to be responsible for their own finance and accounting. Private enterprises are allowed to operate, opening up more opportunities for the private sector, and the once-closed markets were opened to foreign investment under economic liberalization. Third, there was a deregulation of the governmental control on the price. All in all, under economic reform, citizens are enabled to set their own prices and maximize their own personal profits. Economic reform offers strong economic incentives for the citizens to develop their own wealth under economic liberalization. Brown (1993) stated that “the systemic reforms of all three countries emphasize decentralization and privatization and permit market forces considerable scope in determining economic activity.”

Confucianism in Vietnam

Hung and Lam (2024) suggested that “Vietnamese individuals do not identify themselves as adherents to any single religion” and the religion in Vietnam is a syncretism of Confucianism, Buddhism, and indigenous beliefs. However, from a macro perspective, I suggested that religion in Vietnam can be identified as Confucianism because Confucianism was systematically introduced into Vietnam during more than a millennium of Chinese domination in history. Guliyev (2022) stated that “the Vietnamese had already adopted many aspects of Chinese culture including its governance, architecture, philosophy, and religions” (p. 22). The Temple of Confucius or Temple of Literature can be found in Vietnam, known as *văn miếu* and *văn thánh miếu* in Vietnamese languages. While Confucianism is incorporated and embedded in society and everyday life, “people are no longer conscious of their Confucian origins” (Sun, 2013, p.132). Kelley (2006) has suggested the Confucian cultural elements in Vietnam. Whitmore (1984) found Confucian thought in Vietnam.

The characteristics of Confucianism can be found in Vietnam, as it was ruled by China, specifically Chinese control of the territory in Northern Vietnam (officially annexed it to the Chinese empire). The first, second, and third Chinese Domination in Vietnam were under the rule of the Han, Sui, and Taing dynasties as well as various Chinese dynasties and kingdoms since 111 B.C. After a thousand years of Chinese domination, Confucianism has had a profound influence in Vietnam, even after Vietnam’s independence in 939 A.D (Guliyev, 2022). Between 1414 and 1427, Vietnam was incorporated into the territory of the Ming Dynasty, and the emperor sinicized citizens in Vietnam. Confucianism's influence was further reinforced in Vietnam society.

While Vietnam was ruled by China, it was greatly influenced by Confucianism. Vietnam not only followed the Chinese system of government, and the Confucian religion and culture but also received a Chinese education. Furthermore, as the border of Vietnam is connected to China, Chinese Migration has entered Vietnam and

brought in some Chinese religion and culture through intermarriage. In Vietnam, people also celebrate the lunar Chinese New Year, the Drang-Boat Festival, and the Mid-Autumn Festival, worship ancestors, and go to the Temple of Confucius. The process of Sinicization spread throughout Vietnam society under direct Chinese rule in history. Confucianism as both a religion and culture had a strong influence on Vietnam, for instance, Confucian rituals and the Confucian principle of filial piety (Coughlin, 1967); scholars have suggested that Vietnam was under the shadow of China. Under Chinese domination, Confucianism is prevalent in Vietnam, embedded in its philosophy, society, culture, religion, and even in its governmental system.

Confucianism and Economic Development in Vietnam

While Vietnam, Laos, and Cambodia conducted similar economic reforms to establish economic institutions and have a similar historical path of development, the reasons why Vietnam has better economic achievement can be explained by its Confucian characteristics, which are conducive to the establishment of state capitalism in Vietnam after economic reform. It is suggested that Confucianism, including deference to authority, collectivism, disciplined behavior, frugality, and a propensity to save, contribute to economic growth (Kim, 1997, p. 86).

Confucian traits such as accepting, respecting, and supporting authority, emphasizing social harmony, and following the rules of the government make the implementation of structural reform in the economy function effectively. As Confucianism emphasizes the social roles of society, it leads to social order and well-functioning governmental institutions to govern and implement economic reform. Citizens are responsible for their own duty in society. It created a stable political, economic, and social environment for the government to reform the countries for establishing economic and political institutions. Being obedient to the authority makes citizens follow the governmental policies, allowing the government to mobilize the citizens and resources to implement economic reform. With such a collectivist culture and deference to the government, it ensures the social order and stability that are conducive to economic development and growth. The transformation from communism to state capitalism needs public support. The government needs to be legitimized to make the transformation function properly.

People with Confucian beliefs are eager to elevate their living standards and value economic success as well as personal educational achievement. The emphasis on education in Confucianism led to high-quality human resources in Vietnam. High-quality human resources play an important role in socioeconomic development in Vietnam (Thanh, and Tri, 2024). According to the World Development Indicators, retrieved from the World Bank database, in Vietnam, the duration for compulsory education was extended from 5 to 9 years in 2005, and then further expanded to 10 years in 2015, whereas in Laos, the duration was extended from 5 to 9 years in 2016. The statistics indicate that Vietnam values education. Additionally, the human capital index was 0.69 in Vietnam in 2020, while it was below 0.5 in Laos and Cambodia. More than 10 percent of the population above age 25 has at least a bachelor's degree in Vietnam. The Human Development Index (HDI) of Vietnam was 0.726 in 2022, ranking 107 in the world, while the HDI of Laos and Cambodia were around 0.6. HDI consists of the indicators of adult literacy rate, gross enrolment ratio, GDP per capita, and life expectancy.

The Confucian characteristics of frugality, thriftiness, or saving money, are conducive to good economic performance in Vietnam. A high saving rate means that the government has enough resources to conduct economic reform policy to establish economic institutions and enforcement of the institutions to make the government function properly, effectively, and efficiently. The adjusted gross savings of Vietnam were approximately 30 percent of GNI since the year 2000. Saving and labor are important determinants for economic growth based on the Solow Growth Model in the study of macroeconomics (Solow, 1956). With high-quality labor, and high saving rate, and obedience to the government, these Confucian characteristics support and strengthen the effects of economic institutions on economic development in Vietnam.

Confucianism is conducive to economic growth and development. Scholars have suggested that the characteristics of Confucianism are an important factor behind the rapid economic development of East Asian countries, especially Asia's Four Tigers, Hong Kong, Taiwan, Singapore, and Mainland China (Liang 2010). Countries that are deeply influenced by Chinese culture, especially Confucian ethics, including Japan, Malaysia, Thailand, and Vietnam, achieved rapid economic growth (Liang, 2010, p.207).

Table 1 shows the comparison of differences and similarities in the political regimes, economic institutions, religion, and social and cultural conditions in Vietnam, Laos, and Cambodia. First of all, these three countries have a similar colonial history, as they were ruled by France under the name of French Indochina. Second, all of these three countries established either a socialist or communist regime after 1975. Third, these three countries implemented identical economic reforms in the 1980s. Vietnam learned economic reform from China and initiated the Doi Moi Policy in 1986. Laos and Cambodia followed Vietnam and learned from the Vietnamese experience to conduct economic reform to liberalize their economy as well. As a result, these three countries have very similar measures for economic reform, including privatization, decentralization, reform in state-owned enterprises, the allowance of the private sector, and the introduction of a market-economic system (price system).

The differences between these three countries are their religious beliefs and ethnicity. First of all, while the religion of Vietnam is Confucianism, Buddhism is the major religious belief in Laos and Cambodia. Second, the majority of the Vietnamese ethnicity is Vietnamese; the majority is Laos in Lao PDR; Khmer is the major ethnicity in Cambodia, implying differences in cultural practices. Only Vietnamese have obvious Confucian beliefs, as Confucianism is embedded in the society while Vietnam was ruled by China for more than a thousand years. Some scholars may call Vietnam a “little China”.

Table 2: Comparison of Vietnam, Laos, and Cambodia

	Vietnam	Laos	Cambodia
Geographical Location	Indochinese Peninsula	Indochinese Peninsula	Indochinese Peninsula
Colonial History	French Indochina	French Indochina	French Indochina
Political Regime	One-Party State under the Vietnamese Communist Party	One-Party State under the Lao People’s Revolutionary Party	One-Party State under the Cambodian People’s Party
Economic Reform to Establish Economic Institutions	Doi Moi in 1986	New Economic Mechanism in 1986	Economic Reconstruction and Rehabilitation in 1988
Religion	Confucianism	Buddhism	Buddhism
Ethnicity	Vietnamese	Laos	Khmers

Source: edited by the author.

In the case of the three Indo-Chinese countries (Vietnam, Laos, and Cambodia), these countries implemented similar economic reforms that began around 1979. The general direction of economic reform had been the same in all three countries, and the result had also been similar – socialist-oriented market economies (St. John, 1995, 237). Even though all these three countries reformed their economies and established economic institutions, Vietnam still had the best economic performance (shown in Figure 1). Therefore, this paper suggests the importance of the religious factor of Confucianism as an intervening variable in affecting a country’s economic development. With the effect of the intervening variable of Confucianism in Vietnam, Confucianism strengthens the effects of economic reform to build economic institutions and further contributes to better economic performance and development in Vietnam.

The characteristics of Confucianism, embedded in Vietnamese society, induce the Vietnamese people to answer the call of the Vietnamese government in economic reform, mobilizing resources to support the government. Confucianism also stress the importance of saving and value personal achievements in terms of education and economic success. Simultaneously, characteristics of Confucianism, such as hard-working, and thrift also lead to economic growth and development. These Confucian characteristics explain why Vietnam has the best economic development. While the Buddhist countries, Laos and Cambodia, do not have such strong Confucian traits alike Vietnam, the economic performance of Laos and Cambodia is not as strong as Vietnam. As a result, this study concluded that the religious factor of Confucianism is conducive to economic development in Vietnam by strengthening the effects of economic institutions.

CONCLUSION

This research addressed the question of why Vietnam has the highest GDP per capita compared to Laos and Cambodia, which all three countries have great similarities in political institutions, economic reform policies,

colonial history, and geographical locations, and are members of ASEAN. The researcher identified variables and designed this research based on the work of Max Weber (1930) and other scholars studying institutions, religion, and economic performance.

This study illustrated the effect of religious belief (specifically Confucian beliefs and thoughts) on economic development. This study designed economic development as the dependent variable, and the economic institution as the independent variable, while the religious factor of Confucianism is the intervening variable that plays a role in reinforcing the effects of economic institutions on economic development. To understand the effect of the intervening variables on economic development, this paper compared Vietnam, Laos, and Cambodia, as these three countries, with similar political regimes as well as colonial history, established their economic institutions during the economic reform in the 1980s. After the comparison, the research findings suggest that it is the effect of Confucianism that accelerated the economic development after Vietnam's Doi Moi Policy (the establishment of the economic and political institutions in Vietnam).

While this article suggests it is the Confucian religion that makes the economic development of Vietnam successful, some important limitations are acknowledged. First of all, as this study is from the perspective of Republic of China (Taiwan), future research can be conducted to understand Southeast Asian or Vietnamese perspectives on the study of religion and economic development in Vietnam. Second, while this study focuses on a macro perspective, slight heterogeneity in economic reform policy, economic institutions, political institutions, and religion is not fully discussed based on the principle of parsimony for comparison purposes. Future research can focus on the comparison of economic reform, political and economic institutions, and religion in Vietnam, Laos, and Cambodia. Third, as religion is difficult to define and quantify, many caveats need to be resolved and discussed theoretically and methodologically in future research.

In the economic literature, determinants of religion and culture are intellectually ignored or assumed to be homogenous. Additionally, in the study of international relations, under the paradigm of realism, the impacts of religious or cultural factors have not been fully discussed. Nonetheless, in the real world, cultural differences lead to dissimilar political and economic results. As stated by Liang (2010), "If they want to apply the lessons of East Asia's experiences, it is not enough to merely imitate the economic and institutional aspects of said experiences, they must also factor in the cultural aspects that played a part in East Asia's achievements (pp.232-233)." It is imperative to study how and why religion affects societies and economics on multiple issues (Haynes et al., 2020), and incorporate religion into International Relations Theory (Chadha, 2022).

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