

The Burmese Way to 'Socialism'

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Summary. — After the 1962 'revolution' the Burmese military government committed itself to a process of socialist construction. In this paper we assess the nature of Burmese socialism.

In defining socialism we distinguish between a socialist economy, which concerns the issues of public ownership and planning, and a socialist society, which concerns class relations. The subsequent discussion of the nature of ownership, planning and development strategy in Burma between 1962 and the mid-1970s indicates that while Burma established the formal structures of a socialist economy, it did not effectively implement those structures. Furthermore, in recent years, due to economic failure, Burma has had to accept policies that imply more private activity, including foreign investment.

Our analysis of the Burmese experience leads us to conclude that Burma does not have a socialist economy nor does the leadership have the ability or will necessary to build a socialist society.

1. INTRODUCTION

An earlier paper¹ put forward the view that the post-colonial Burmese economic system was determined by the impact of colonial rule on the relative strength of the economic, political and military sectors, and on the relative position of the Burmese in each of those sectors. Implicitly downgraded was the importance of ideology in determining Burma's approach to development. Furthermore the imperatives resulting from Burma being a less developed country were not taken to be a major consideration. In other words Burma's 'choice' of 'socialism' was a function of the historical-institutional legacy of their colonial experience combined with a desire to assert their independence in the face of the legacy. Specifically, the British, but even more directly during World War II, the Japanese, developed the country's political and military sectors and provided the Burmese with the appropriate training and experience. Thus in these sectors the Burmese were able to enjoy the power denied them in the economy. In addition the political importance of the military leaders was enhanced by the role of the Burmese Independent Army in fighting the British. After independence Burma, with a Burmese population possessing limited economic skills but reasonably capable of running the government and military sectors, turned to the latter two as the only hope for promoting independent economic growth. This government- and ultimately

military-dominated system, became the basis for the 'Burmese way to socialism'. Left unanswered in this analysis was the question of whether the resulting economic system was really 'socialist'. Of course the answer depends in part on the definition of socialism. It also depends on the specific institutions established and the development policies pursued. This paper represents an effort to deal with these issues. Section 2 will outline our view of socialism. The third section will focus on the Burmese approach to development since 1962. The relationship between this approach and our definition of socialism will be the subject of a concluding section.

2. DEFINING SOCIALISM

While there is basic disagreement over the proper definition of socialism the debate tends to take a predictable form. On one side you have those who focus on certain institutional arrangements. Public ownership of the means of production and central planning are considered the key ingredients of a socialist model. In fact it has been stated that public and private ownership are '... the only logical and useful distinctions ...' between socialism and capitalism.²

On the other side of the debate are those who see the institutional categories as perhaps a

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necessary, but not a sufficient, part of a socialist system. In their view those who would define socialism solely in institutional terms are dealing with legal and economic forms rather than matters of substance. The substance of a socialist society has to do with class relations. Socialism is defined in terms of the existence of a 'dictatorship of the proletariat'. This 'dictatorship' is reflected in the process of social, political and economic change. If the 'dictatorship' is operational, the changes taking place should be consistent with the interests of the mass of the working population.

There are many problems in applying this definition. If public ownership and planning represent form without substance, this definition of socialism focuses on technical end results rather than social means. Further the exact nature of the end results being sought is not clear. Finally, since the building of socialism is an on-going process, judgments really have to be made about the direction being taken rather than the end results *per se*. Put more simply, it is necessary constantly to ask whether or not a given policy is serving the interests of the masses. This must be done without clear standards and, in the real world, under circumstances where evidence is often very limited.

Where does the debate leave us? First, it is necessary to consider the practical implications of each of the definitions. The next step is to outline the standard to be applied when analyzing the Burmese experience.

Defining socialism in institutional terms tends to focus attention on questions of economic growth or alternatively 'productive forces'. The critical issue is whether public ownership and planning provide the most efficient basis for generating savings and promoting industrial development. The relative merits of socialism and capitalism are thus considered in terms of growth rates.

When the definition revolves around class the matter of growth rates becomes secondary. It is not that growth is unimportant but more important are the evolving 'relations of production'. Issues such as the nature of the economic decision-making process, the basis for determining economic reward, workers' relations to technology and expertise etc. become the key to socialist construction. Comparison with capitalism must take account of the pre-occupation of socialism with eliminating class divisions. To be more specific, the Soviet Union, for example, clearly socialist in institutional terms, is not socialist in the minds of many of those who emphasize the question of

class. At one level there is a growing literature that deals with the supposed restoration of capitalism in the USSR. Within this 'school', there may not be agreement on exactly when or why capitalism was restored, but there is agreement on the result of Bolshevik rule. A variation on this theme is the view that in terms of essential features, i.e. '... the domination of labour and the production process by capital in the interest of capital accumulation', Soviet development has not differed from the historical experience of capitalist societies.³ Using this framework, it can be said that socialist construction in the USSR has not really been attempted.

One implication of the class-related definition is that few, if any, societies are likely to be considered socialist. The only question is whether to call the many 'failed' self-proclaimed socialist countries capitalist or to provide some third designation. In any case, at least at the extreme, socialism becomes a self-serving utopian concept used as a base from which to attack capitalism.

What then constitutes socialism? The experience of the past 60 years should make at least a couple of things clear. First, countries that call themselves socialist have exhibited certain common features. The most obvious are their emphasis on public ownership of the means of production and some form of planning. Second, these countries have evolved in many different directions. Aside from a total reversion to private ownership and the market, there is no easy or objective way to determine the point at which a particular country has ceased to be socialist. In fact as a starting point, it is necessary to accept that a socialist 'revolution' can lead in many directions. These include, for example, the command economy of the USSR as well as the self-managed market socialism of Yugoslavia. Despite their differences both these countries may remain socialist. This does not mean that the varieties of socialism are to be treated as equally desirable. However it also does not mean that the existence of variety justifies referring to some of the variations as capitalist or at least non-socialist.

Polanyi has pointed out that:

A study of how empirical economies are instituted should start from the way in which the economy acquires unity and stability, that is the interdependence and recurrence of its parts... Empirically, we find the main patterns to be reciprocity, redistribution and exchange. Reciprocity denotes movement between correlative points of symmetrical groupings, redistribution designates appropriational movements towards a center and

out of it again; exchange refers here to vice-versa movements taking place as between 'hands' under a market system.⁴

The first thing to note about Polanyi's categories is that he is referring specifically to types of *economy*. Although the nature of the *society* is related to '... the way in which the economy acquires unity and stability ...', society is a term that encompasses other considerations. In particular the term society can be used to reflect class relations and the way power is distributed and used. Our approach to socialism will distinguish between socialism as it related to the economy as opposed to the society.

In Polanyi's terms socialist economies are redistributive economies although not all redistributive economies are socialist. The unique institutional feature of socialism is public ownership of the means of production. It should also be noted that all redistributive economies, socialist included, rely on some form of planning as the means by which the 'centre' performs its 'appropriational movements'. It is here that a problem arises. A socialist (redistributive) economy may introduce aspects of the market usually associated with an exchange economy. There is no reason to assume that a rigid line exists between Polanyi's three forms of economic organization. However, there is a natural tension between the market as a price-determining institution and planning. To the extent that a price-determining market comes to dominate economic activity (and the question can only be dealt with empirically), the result may be a transition from a redistributive to an exchange economy. The process leading to this possible result, is, as Sweezy suggests, a '... dialectical one of reciprocal interaction'.⁵ It is a process that ensures society will not be socialist for long. This is so because, to follow Sweezy's argument a step further, increased dependence on the market increases the power of enterprise managers and reduces the extent to which centralized planning acts as the basis for guidance and control. 'Under these circumstances the juridical form of state property becomes increasingly empty and real power over the means of production, which is the essence of the ownership concept, gravitates into the hands of the managerial élite.'⁶ Such a result can be seen as the negation of socialism even in the limited form of public ownership.

To summarize, in our view as long as public ownership and planning are predominant the economy is socialist. Considerations of class are

important in order to assess the exact nature of the society's commitment to socialism. It is important that a society calling itself socialist recognize the relevance of class as a critical aspect of socialist construction. In other words, while the notion of the 'dictatorship of the proletariat' is essential to an analysis of alternative socialist experiences, it is not useful in defining whether or not the economy is in fact socialist.

In the case of Burma we will first focus on ownership and the role of planning as the basis for determining the type of economic system in effect. In addition the country's development strategy, particularly as it relates to such matters as incentives, decision-making, expertise, technology and education will be investigated in order to clarify further the nature of the Burmese system.

3. BURMESE STRATEGY OF DEVELOPMENT

After the Burmese Army had seized power in Burma in March 1962, the leaders expressed a need for a political order that would conform to the establishment of a new society. The Western institutions of parliamentary democracy had been tried twice and found wanting, now it was time to give shape to 'Burmese socialism'. In this sense, it was a revolutionary change.

From the very onset of the takeover, the leaders of the 'revolution' were motivated by a concern that ideology as a guide for action was important in the construction of the society that they had envisaged. A month after taking custody of the country, the ideology was defined in a policy statement called the 'Burmese Way to Socialism' (BWS). The statement emphasizing the establishment of a 'socialist democratic state', had as its major objectives the reformation of the economy from semi-private to socialist; the elimination of 'alien' influences from all spheres of activity; a social change of values and attitudes; and finally the establishment of a national identity or, in short, promoting 'Burmanization'.⁷

The major organ for initiating programmes reflective of the objectives was the Burma Socialist Program Party (BSPP), set up in July 1962, 4 months after the seizure of power. Since then the Party has been chiefly responsible for the co-ordination of political and economic activity in the country. The supreme power, through the Party constitution, is vested within the Revolutionary Council, which has

control and supervision of both the party and the government, and it is at the behest of the Council that decisions are actually enforced.

The role of the Army in the administration of Burma is critical. Historically, the Party has been significantly staffed with members of the armed forces. Especially in the leadership, the presence of military personnel has been acutely felt. Even after the formation of a civilian government in 1972, and the recruitment of personnel from civilian life, the leadership still came from within the army. The hierarchy was in fact comprised of those who had divested themselves of offices in the defence services. Power was further centralized through the constitution of 1974, which declared Burma a one-party state.

(a) *Ownership patterns*

The structural nature of the Burmese economy has been well documented; however, the operational significance of the structures is less clear. The major support for the BWS was to come from the peasants and workers, described as the 'vanguard and custodians of a socialist democratic state'. In compliance with that declaration, the means of production were to be placed under state ownership. However, a policy of nationalization across the board was not considered efficacious and, instead, a complex ownership structure was created. The policy that was enunciated specified types of ownership and operation within the country's economic system. Of immediate concern were key large-scale industries, such as oil and mining, the banking system and trade — foreign, domestic wholesale and retail. These all came under immediate state control. Agriculture was a different matter altogether.

(i) *Agriculture*

The 'Law to Protect the Rights of Peasants and Tenancy Act' was passed by the government in May 1963. The Law provided the peasant with *de facto* ownership of land, and specified that he be the master of his own produce.⁸ The first step in the transformation of the rural sector was the abrogation of tenancy rents.⁹ The intent was to break the back of the rural élite and to transfer power to the newly formed village land committees which would oversee developments in agriculture. By April 1965, all tenancy rents were abolished by decree,¹⁰ and a new structure in the rural sector began to take form.

Attempts at socialization were made through

the proclamation of a co-operative credit scheme. The goal was to provide incentives, especially for low-income peasants. Rather than perform an 'investment function', the credit scheme was designed to help the peasant in his everyday affairs. This was seen as a means for gaining the peasants' trust and consequently strengthening the reformed structure in agriculture.¹¹ Further efforts included the establishment of tractor stations and co-operatives to stimulate a communal attitude among the rural populace. These measures, combined with a not too serious co-operative movement, have been the sum total of governments' involvement in agriculture. Agriculture, then, has operated on a private basis; though the legal aspects are still not very clear. What is clear is that though land is 'owned' by the State, the peasantry in effect remains outside direct state control. In addition, despite the state's professed desire to organize the rural population in a co-operative manner, their sporadic efforts at socialization have provided little cause for celebration. Productivity has lagged and the organizations (e.g. co-operatives) have performed poorly. As one author notes, this has been due to '... problems of maintenance and underutilization', which are seen as 'persistent'.¹² Given recent policy decisions, it seems unlikely that a change in basic ownership patterns, e.g. collectivization, will take place in the foreseeable future.

(ii) *Industry*

The industrial structure has come under constant revision during the past 18 years. The process of nationalization initiated in 1962 had as its major objective the takeover of key large-scale enterprises. Initially some large-scale enterprises were just placed under government supervision but by 1969 these too were nationalized.¹³ In contrast, small-scale industry has remained predominantly private. It is also important to note that small-scale industry accounts for a majority of the employment in the industrial sector. Almost 80% of the labour force in industry is to be found here. On an individual basis over three-quarters of the firms in this category employ 10 people or less.¹⁴ A final form of ownership is certain co-operatively-owned agricultural and commercial enterprises. In 1975 co-operative ownership accounted for less than 2% of the total number of factories in the industrial sector.¹⁵

Three features of Burmese industry should be emphasized. First is the dominant position of industries making use of raw materials coming from the farms, mines and forests of Burma. Rice, textiles and lumber mills represent the most significant areas of industrial activity.

Second, at least until 1977, little success had been achieved in establishing import-substituting industries or in the development of a heavy industrial base.¹⁶ Finally, although agriculture is in private hands, the mines and forests which provide so much of the basic industrial input, do come under state control.

Well into the 1970s, control over industry was highly centralized, with production decisions, prices and wages and investment levels determined by the central authorities. In the mid-1970s, as a result of poor economic performance and the general malaise in the country, substantial changes were undertaken. Basically there was an effort to 'liberalize' the economy in order to cope with deteriorating economic conditions. The 'Guidelines for Operating along Commercial Lines', enacted in 1975,¹⁷ represented a response both to the rigidities and inefficiencies manifested in the highly centralized system, and to the poor performance of the State Economic Enterprises (SEEs).¹⁸ The cornerstones of the 'Guidelines' were two key changes. First, although initially enterprises had been able to rely on state subsidies to offset commercial failure, they were now expected to work on commercial principles of profitability. One aspect of this was that in 1975 management committees were given control over all decision-making pertaining to the production process.¹⁹ Second, a bonus scheme, designed specifically to stimulate production and encourage efficient operation of the SEEs was introduced. The bonus scheme reflected the new emphasis on 'material' rather than 'moral' incentives.²⁰

Information detailing the operation of industry is limited. Even less clear is what is likely to happen in the future. There is no reason to believe that authorities will be willing to allow decentralization to affect their power to determine the future of Burmese industrial development. At the same time, the 1975 policy measures were vehemently defended by the leadership, who described them as a natural move in the development of Burmese socialism.²¹

Two recent developments are bound to have a significant effect on the future of the industrial sector. Prior to 1976, private activity, although allowed in marginal non-agricultural areas, such as handicrafts and other small-scale activity, was under rigid controls. It was not until 1973 that private investment, previously curtailed, was allowed again – though at this point there was nothing more than a 'declaration of intent'. With the passage of 'Rights of Private Enterprise Law' in 1977, the government formally indicated its willingness to

accept a change in policy.²² The reactivation of the private sector is, to a great extent, a consequence of the 'aid' that Burma has requested from the multilateral agencies, specifically the World Bank and the IMF. These aid packages come with their usual conditions. Chief among them in the Burmese case is the restoration of market forces and the admission of foreign capital to exploit the country's development potential.²³ The interposing of Western advice has an effect that would shift the Burmese economy into one that is clearly export-oriented.

The other development concerns foreign investment. The traditional government opposition to foreign investment is well documented, but it has been waning in the past few years. At the Third Party Congress, held in February 1977, certain concessions were made, allowing foreign capital to operate in a joint venture,²⁴ with ownership effectively vested in state enterprises. The question remains, how far are the authorities willing to go? Decision-making, ownership and the distribution of gains are among the issues that have to be resolved. It is one thing to pass laws, when international loans are at stake, but it is quite another matter to implement policies that represent a fundamental change in the existing economic system. However, at least on the surface, evidence supports the conclusion that Burma is undergoing a basic change in its industrial structure.

(iii) Trade

Perhaps the most profound policy effects were in the area of domestic and foreign trade. According to one Burmese scholar, the nationalization of all trading activity has been the major cause of the country's economic ills. The take-over of trade has brought about 'grave internal dislocations in the market [which] have fully taxed its administrative capacities, diverted energies from other programs and adversely affected all classes in society'.²⁵ The government's attitude toward trade reflected a number of considerations. First of all, control of trade was necessary to implement the government distribution policy. This policy was one aspect of the stated commitment by the leaders of the revolution to socialist construction. Second, prior to nationalization, trade was not controlled by the ethnic Burmese, but rather by the Chinese and Indian minorities. The nationalization of trade, therefore, also played a key role in the government's policy of Burmanization.²⁶ In fact, to extend the argument made in the introduction to this paper, the government's attitude toward nationalization in agriculture, industry and trade

reflected in part the role of the ethnic Burmese in each of these areas. To be more precise, in agriculture, once the colonial legacy of tenancy and land alienation were dealt with so as to leave Burmese in control of the land, nationalization became a less pressing issue. In industry, which was foreign dominated, and trade, dominated by ethnic minorities, nationalization was seen as necessary to assert Burmese independence. Third, the policy of central control over trade was related to the government's desire for isolation in international affairs. This philosophy, related to notions of independent development, made it essential for the state to maximize its control over trade in order to minimize foreign contact. The government's efforts in the area of trade had grave economic consequences. They also emphasize the practical limits of policy.²⁷

In agriculture, after 1962, the State Agricultural Marketing Board moved swiftly to take control of the entire paddy and rice trade. The pricing policy pursued in the rural sector was doomed from the very beginning. Price stability was the major goal of government policy. In addition, procurement prices for paddy were fixed at fairly low levels. This defies logic, for if agriculture was to be in private hands, prices had to be high enough to allow cultivators to cover their costs while also providing a surplus for investment. Prices were in fact not high enough for these purposes. Another result of low rice procurement prices was that many farmers shifted from rice to the production of higher profit grains. This in turn caused a significant loss of revenue for a government dependent on rice exports for a major portion of its receipts.²⁸ Declining rice exports also contributed to a shortage of foreign exchange. Before the Ne Win takeover, Burma was a major rice exporter. After 1962 the country's export capacity was found seriously wanting. One significant result of the shortage of foreign exchange was that the SEEs had to face a shortage in key imported inputs.²⁹ Rice procurement prices remained low until 1972–1973 and then, after a substantial jump in 1973–1974, stabilized.³⁰

Nationalization also created havoc in the administration of domestic trade. The people put in charge of various sales, trading and distribution agencies were ill-prepared to carry out the functions of the experienced dealers, whom they had replaced. The peasant was hit extremely hard by the inefficiencies in the distributive sphere. In 1967 matters came to a head as chaotic conditions in the market, combined with bad harvests, caused a drastic drop

in government procurement.³¹ The inability of the trading sector to conduct itself efficiently was evident as late as 1976. A World Bank study mission which toured Burma at the end of the year reported that progress in Burma had slowed due to a 'declining flow of resources reaching the social sectors' and further reflected that the cause of this was that little effort had been made 'to develop supporting services or even maintain them at their previous level of efficiency'.³²

A final consequence of the nationalization of trade was the emergence of an illegal black market. This market seriously compromised the central authorities' ability to control distribution. The emergence of a black market and its prosperity, especially during the 1965–1975 period, reflects not only inadequate government pricing policies, but also inefficiencies in the functioning of the state distribution system. The fact that the black market thrived on the sale of essential rather than luxury items is a further reflection of the failure of the government-controlled economy.³³

The government did little to combat black market activity. It was only with steps taken after 1975 to liberalize the economy, combined with the introduction of the Commodity and Service Tax,³⁴ that the public sector actually provided the black market with competition. It must also be emphasized that revenue siphoned off by the black market represented a substantial loss of funds for the government. This seriously hampered their financial effort. Carrying this a step further, one can safely assert that Burma's need to look outwards for the financing of its economic development resulted to a great extent from its inability to counter the activities of its illegal shadow economy.

(b) *Planning*

The commitment of the BSPP to central planning is well documented. Although planning in Burma pre-dates the BSPP, only after the revolutionary government's takeover did planning become part of a commitment to build a socialist state. Plans announced soon after the seizure of power in 1962 were however of a short-term nature. These plans were not part of a coherent long-term economic outlook, but rather each plan seemed a response to the problems emerging from the one preceding it. One scholar concludes that '... the socialism of Burma ... is truly the 'Burmese way to Socialism', producing an unplanned socialized economy of disproportional development'.³⁵

In September 1972, the first steps were taken to draft a long-term development strategy. This strategy was embodied in the 'Long Term and Short Term Economic Policies of the Burma Socialist Program Party', popularly referred to as the Twenty-Year Plan. The Twenty-Year Plan is made up of five 4-year plans. The first actually lasted less than 3 years, the second covered 1974-1975 to 1977-1978 and the third, now operational, is for the period 1978-1979 to 1981-1982. It would appear that a formal planning structure is in place. The question is the substantive nature of that planning structure.

There is little information detailing the operation of planning in Burma. Basic goods, in terms of growth rates and sectoral development are determined and specified by the central authorities. In that sense planning is a top-down process. Exactly how planned goals are made operational, or if in fact they are effectively turned into guidelines for those responsible for production, is not clear. What is clear is that investment programmes are determined by central directive. Whether this is done as part of a comprehensive integrated central plan is another matter. The central authorities seem to be primarily concerned with insuring an acceptable distribution of output as well as controlling foreign trade and investment. Simply put, planning does not appear to be based on sound data or to be managed by competent people able to control the economy.³⁶ The implications of the Burmese approach to planning, in terms of socialist construction, will be dealt with in the concluding section of this paper.

(c) *Development strategy*

It is hard to identify a coherent development strategy being pursued by the Burmese. Economic policy has consisted of a series of commitments. First, a commitment to socialism, although this may be more accurately seen in terms of a rejection of capitalism. Second, a commitment to independence even to the point of isolating Burma from the world economic community. Finally, a commitment to provide the population with at least a minimal level of nutrition along with expanded social services. The latter was to be done even if it meant increased balance-of-payments problems, a reduction in productive investment and a declining rate of economic growth.³⁷ In this regard there is no indication that the state has been willing to squeeze the labour force in order to increase the rate of investment. It is

true that government procurement prices for agricultural output have generally been kept low. However, this has been done in order to make food available to the population at reasonable prices, not in order to generate a surplus for investment.

As has already been noted, schemes in industry, trade and agriculture have not been part of an integrated development strategy. In addition, even given the control potential of a one-party state along with public ownership and planning, the Burmese still find it difficult to implement projects.³⁸ There are also problems in the area of technological development. There is no indication of any significant investment in modern technology in either agriculture or industry during the post-1962 period. Although changes were made in the marketing and ownership structure, basic production techniques remained the same. One survey of Burmese agricultural development concludes that rice production in Burma rose because more and more land was brought under cultivation and not due to any increase in yields per hectare.³⁹ Furthermore, import-substituting industry was not developed. The Burmese continue to rely on foreign imports to meet non-food consumption needs and to provide necessary capital goods. Certainly the Burmese look forward to industrial growth and hope to take further advantage of their mineral wealth. However, despite these goals no significant gains in productivity have been observed. The end result is that despite its economic potential, Burma remains an underdeveloped country.

The recognition of economic failure is reflected in the changing attitude of state authorities. Since 1973 there have been policy changes involving private industry, foreign investment and decision-making. In their seeming acceptance of an expanded role for private industry the central authorities have recognized the need to take fuller advantage of the entrepreneurial skills of the population. Up to now these skills have tended to manifest themselves primarily in the illegal black market. In the case of foreign investment it is a matter of generating funds without significantly reducing consumption levels or social services. The need for funds is not all that motivates the change in attitude toward the outside world. The Burmese also need the expertise of those capable of organizing and managing large-scale development projects. Finally, the Burmese have moved toward decentralizing decision-making in the state industrial sector. The need for decentralization reflects the rigidities and inefficiencies in the existing system.

While it is too early to make a definitive judgment, the proposed changes represent a significant reversal of Burma's approach to development. Of course, as with many proposals in the past two decades, the changes may turn out to be more apparent than real. One fairly clear intention of Burmese development strategy since 1973 has been to propose changes in order to satisfy agencies such as the World Bank. The leadership appears to feel that by moderating their stand on socialism and economic independence they will loosen the purse strings of the developed capitalist countries.

Any discussion of Burmese development strategy must include a number of additional observations. We have alluded to, but not sufficiently emphasized, the success the central authorities have had in the area of nutrition and social services. Even during bad rice harvests minimum consumption levels have been maintained. Of course Burma is part of the rice bowl of Asia. Historically it has been a major rice exporter. In other words, it has always produced enough to feed its domestic population. In fact it can be argued that the failures of the present regime are in part reflected in unstable rice harvests. How can it be considered an achievement to maintain minimal nutritional levels in a country with a food surplus? The answer involves recognizing the critical role of distribution in preventing hunger. Even a nation with a food surplus can have a majority of its population going hungry. In fact an argument can be made that an underdeveloped, food surplus country with balance-of-payments problems and/or heavy foreign debt payments is under pressure to pursue policies that will insure that its population is hungry. The distribution policy of the present regime is thus properly considered a significant achievement. The regime has eliminated absentee land ownership and the accompanying problems of tenancy. It has seen to it that reduced output, whether due to climate or government policy, has been absorbed by reductions in exports not domestic consumption.⁴⁰ Control over food distribution has been an important aspect of the existing organization of the economy. The result is that on the average, in terms of food consumption, the population of Burma has probably never been more secure.

An increase in security is also reflected in the areas of education and health care, where the achievements of the Revolutionary Government are most impressive. Literacy rates in Burma are high by the standards of other developing countries. Since Ne Win took power

in 1962, there has been a significant increase in the number of schools, with a corresponding increase in the number of students and teachers as well.⁴¹ Increases are also evident in the numbers of both middle and high schools and other advanced educational institutions. Expenditures have been constantly on the increase, though in real terms they have declined, with a high point achieved in 1973.⁴² Similarly the health sector has showed considerable promise. Significant increases in hospitals, hospital beds and doctors are noted.⁴³ The result of this was that between 1962 and 1972 there was a decline in the infant mortality rate from 147.6 to 66.5 per 1000 and in the maternal mortality rate from 4.9 to 1.9 per 1000. In addition life expectancy went up by 4 years from 40 in 1962 to 44 in 1972.⁴⁴ After slowing down in the middle 1970s, expenditure on public health rebounded to a new high in 1978.⁴⁵ Government priorities may be questioned, but the results of recent social policy have been impressive.

A second observation has to do with the role of the BSPP in mobilizing mass participation in economic and political decision-making. Efforts have been made to establish peasant and worker councils in agriculture and in industry.

From its very inception the BSPP has carried out programmes to train cadres which would later form the party's nucleus. These cadres were sent out by the Peasant Affairs Bureau of the party created in 1966, to organize councils in the countryside. A fair amount of success was achieved with the formation of a Central Peoples Peasant Council (CPPC) described as a hierarchy of elected appointed councils to represent the interests of the peasants.⁴⁶ By March 1969, when the first national meeting was held, the councils had become functional units.

The socialization of the industrial working class followed a pattern similar to that in agriculture. Under the tutelage of the BSPP, the Central Peoples Workers Council (CPWC) was established in 1968.⁴⁷ The goals specified were similar to those in agriculture: improvement in organization and production, alliance with different sectors of the economy and national defence.⁴⁸ The Chinese experience indicates the difficulties involved in attempting to realize the goal of mass participation. Nevertheless, the effort must be recognized as part of overall development strategy. It is particularly significant in evaluating the BSPP's commitment to building a socialist society.

A third observation involves the political realities of Burma. In Burma, whatever the

main features of the specific development strategy, economic development must take place in the absence of basic political unity. Since independence, Burma has been afflicted by ongoing political insurrection. Considerable resources are given over to supporting military efforts designed to contain and/or eliminate these threats to national unity. The exact nature and merit of the various insurrections are not the issue here. What is relevant are the limits placed on economic development when the political environment is unstable.

A final observation concerns the military rulers of Burma. Whatever their commitment to socialism it is clear that they lack experience in economic affairs. Up to this point our analysis has focused on organizational structures and development strategy in order to determine whether or not Burma can properly be considered a socialist country. For those primarily interested in the question of why a country as well endowed as Burma remains underdeveloped the answer must be sought not just in the area of organization and strategy, but, as already suggested, also in the area of implementation. It is here that the inexperience of the leadership in economic affairs, the limited numbers of trained managers and planners, poor communication, political instability etc. have acted to restrict Burma's economic growth.

4. BURMA AS A 'SOCIALIST' STATE

It is difficult to make a definitive judgment concerning socialism in Burma. Public ownership and planning, the essential features of a socialist economy, are part of the country's institutional structure. However, as the previous section of this paper reveals, public ownership is largely absent in the dominant agricultural sector and does not affect about 80% of the labour force in industry. In turn, planning does not appear to be based on sound data or managed by competent people in control of the economy. A critical look at public ownership and planning suggests other problems. Economic growth in the state-owned industrial and mining sectors has not been such as to reduce the importance of the private agricultural sector nor has any serious effort been made to collectivize agriculture. Furthermore, presumably in order to make the economy more productive, the reforms of the 1970s emphasized production goals and management dominated decision-making committees. These policies, combined with the seeming acceptance of foreign investment and an expanded role for

private industry, raise questions about the government's commitment to public ownership.

In the case of planning efforts, real control seems to have focused on the area of distribution. Even here planning, in the sense of a clearly established set of goals, effectively implemented and enforced, does not seem to exist. This conclusion is supported by the size of the black market which implies that, despite planning and the nationalization of trade, the central authorities are not in control. Also, as Section 3 of this paper makes clear, the distributive sector of the economy has been an area of particular uncertainty as well as inefficiency. This is not a sign of effective planning. Finally, the same policies that raise questions about the government's commitment to public ownership weaken the potential for effective planning. We refer specifically to decentralized decision-making and an expanded role for private industry. If fully implemented these policies increase the importance of the market at the expense of a central plan.

The evidence makes it difficult to accept the designation 'socialist' for the Burmese economy. As far as the society within which the economy functions, its socialist credentials are even more dubious. There is every reason to believe Burmese society is governed by a leadership which is largely removed from the masses. The command economy approach has strengthened the bureaucracy. Peasants in particular, reacting to the incompetence of the authorities, have been alienated from the leadership. In addition the worker and peasant councils have increasingly tended to become instruments for the BSPP's control over the country rather than a base for promoting mass participation.

The building of a socialist economy and a socialist society is at best a difficult and ongoing process. A minimum requirement for success is an efficient and unified leadership capable of mobilizing the mass of the population. The 'Burmese way to socialism' must be seen in light of the goals, attitudes and circumstances of post-colonial Burma. The dominant theme after independence was a rejection of capitalism as distinct from a commitment to socialism. Capitalism was associated with colonialism and continued dependence. The military government, although more specific in its commitment to socialism than the government of U Nu, reflects this same history. In addition, respect for the central authorities, necessary if they are to fulfil their role as the vanguard for socialist construction, has been undermined by their failure to run the economy efficiently. The post-1962 leadership also

has been unable to achieve effective political control over large areas of the country. To summarize, while Burma calls itself socialist, the socialist economic institutions of public ownership and planning appear to lack substance. For this reason we believe it is more useful, at least for the present, to identify Burma's economy as dominated by the redistributive form of integration (see note 4). This designation focuses attention on the central economic role performed by the government while leaving open the matter of whether or not the econ-

omy is socialist. Those who do choose to call the Burmese economy socialist must in particular take account of recent tendencies towards an 'exchange economy', reflected in the reforms of the 1970s. Whatever the conclusion about the economy, there is little evidence that Burma either is now, or is in the process of becoming, a socialist society. The leadership, although demonstrating a certain social concern, clearly lacks the ability and the will necessary to build a socialist society.

NOTES

1. See Allen Fenichel and Gregg Huff, 'Colonialism and the economic system of an independent Burma', *Modern Asian Studies*, Vol. 9, No. 3 (1975), pp. 321-335, for a more complete analysis of the factors determining Burma's post-colonial economic system.

2. P. J. D. Wiles, *The Political Economy of Communism* (Oxford: Basil Blackwell, 1962), p. 3.

3. J. Ron Stanfield, 'Capitalist evolution and Soviet evolution', *Review of Social Economy*, Vol. 34, No. 2 (1977), pp. 202ff.

4. Karl Polanyi, 'The economy as instituted process', in Karl Polanyi, Conrad Arensberg and Harry Pearson (eds), *Trade and Market in the Early Empires* (Chicago: Gateway edition, 1957), p. 250.

5. Paul Sweezy, 'A reply', in Paul Sweezy and Charles Bettelheim, *On the Transition to Socialism* (New York: Monthly Review Press, 1971), p. 29.

6. Sweezy, *op. cit.* (1971), p. 29.

7. Josef Silverstein, 'Burma: Ne Win's revolution considered', *Asian Survey*, Vol. 6 (February 1966), pp. 95-96.

8. The land nationalization decree of 1948 and the Land Nationalization Act of 1953 had empowered the state to take ownership of all cultivable land. What is important to note is that there was no takeover of the 'means of production'. In this sense, one writer suggests that the measures in agriculture were '... lenient relative to the expropriation measures undertaken in the field of trade and industry'. Mya Maung, 'The Burmese way to socialism beyond the welfare state', *Asian Survey*, Vol. 10 (June 1970), p. 545. Also H. V. Richter, 'The Union of Burma', in R. T. Shand (ed.) *Agricultural Development in Asia* (Berkeley: University of California Press, 1969), pp. 166-167.

9. Besides terminating land rents, the decree nullified the traditional feudal practice of attaching land as payment of debt. It also prohibited the transfer of land to non-agricultural practices, and '... empowered the state to lend moneys directly to the individual pro-

ducer'. Silverstein, *op. cit.* (1966), p. 96. See also Richter, *op. cit.* (1969), pp. 167-168.

10. The Tenancy Law Amending Law was published in *The Guardian* (7 April 1965), along with a statement of the Ministry of Agriculture. Richter, *op. cit.* (1969), p. 168 (footnote 19).

11. Richter, *op. cit.* (1969), p. 171.

12. Lawrence Stifel, 'Economics of the Burmese way to socialism', *Asian Survey*, Vol. 11 (1971), p. 808.

13. World Bank, *Development in Burma: Issues and Prospects* (27 July 1976), p. 6.

14. The figures are taken from Government of the United States of America, *Area Handbook for Burma* (Foreign Affairs Department, 1971), Chapter 11. The source further reveals that in 1969 there were 1308 public factories and 16,149 private ones and of the latter only 27 were 'government-controlled'. The relevant figures for 1975 were 1460 and 27,000 respectively. World Bank, *op. cit.* (1976), p. 6.

15. World Bank, *op. cit.* (1976), p. 6.

16. Calculations based on World Bank data show that 36% of the current receipts from State Economic Enterprises in 1976/1977 were from agriculture-based industries and 45% of the receipts were from extractive industries and related products. Heavy industry accounted for only 6% of the total receipts from industry. World Bank, *Burma: Development Performance and Policies* (8 March 1979), pp. 67-68.

17. The 'Guidelines' and their impact on the State Economic Enterprises, are discussed extensively in World Bank, *op. cit.* (1979), pp. 32-42.

18. The enterprises had registered an overall deficit in seven of the first 8 years after the 1962 takeover. Government of the United States of America, *op. cit.* (1971), Chapter 11.

19. The committees were made up of five to nine members of which 'two-thirds ... are appointed from

the officers of the corporation by the Ministry in coordination with the Party unit concerned with that sector', and, 'one-third are appointed from the workers by the Party in coordination with the Central Workers Council'. World Bank, *op. cit.* (1979), p. 34. The committees have the right '... to hire and fire employees and to change the output mix'. Also the enterprises were given greater scope in other areas of economic decision-making. IMF, *Burma: Recent Economic Developments* (24 January 1978), p. 12.

20. IMF, *op. cit.* (1978), p. 11; World Bank, *op. cit.* (1979), pp. 33–34.

21. Ne Win asserted: 'If we stubbornly go on implementing our decisions without changing or revising them, even though we have come to know they are incorrect, we will never achieve success and there will appear ... antagonisms ...' M. C. Tun, 'Diversion on the road to socialism', *Far Eastern Economic Review* (3 December 1976).

22. This represented an addition to the 'role of the private sector' which had already been defined in the 'Guidelines for the Framing and Implementation of the National Plan for the Economic Development of the Union of Burma'. See L. Stifel, 'Burmese socialism: economic problems of the first decade', *Pacific Affairs*, Vol. 45 (1972), p. 64 (footnote 13). An idea of just how far-reaching the 1977 law may be is reflected in an observation to be found in the World Bank report which states: 'The law has the potential for significantly expanding private sector activity, if interpreted and implemented in a flexible and encouraging fashion'. World Bank, *op. cit.* (1979), p. 27.

23. James Harriman, 'Party grasps an economic lifeline', *Far Eastern Economic Review* (11 March 1977). Another writer indicates that Burmese '... credit arrangements with the IMF ... have brought ... the economy under IMF surveillance and control'. Ho Kwon Ping, 'The cautious search for success', *Far Eastern Economic Review* (18 January 1980). The package is straightforward in terms of structural reform: devaluation to boost exports, opening up of the economy, avenues for private capital formation. One writer notes that though the question of foreign direct investment is '... rarely broached openly, it is part of the logic of the whole liberalization programme'. William Mattern, 'Burma eyes the aid lifebelt', *Far Eastern Economic Review* (26 November 1976).

24. Harriman, *op. cit.* (1977).

25. Stifel, *op. cit.* (1971), p. 804.

26. R. Holmes, 'Burmese domestic policy: the politics of Burmanization', *Asian Survey*, Vol. 7 (March 1967).

27. Initially the government had decided to nationalize only the large wholesalers and stockbrokers. The

'staggering responsibility' of centralized distribution was a response to the severe shortages of key consumer items, which '... convinced the Revolutionary Council that even the small traders were conspiring to ... sabotage the Burmese Way to Socialism'. The government thus moved to bring the distribution of key commodities under their full control. Interview with U Ba Nyein in Stifel, *op. cit.* (1972), pp. 70–71.

28. A problem also resulted from the inefficient operation of government-run tractor stations. The cultivators responded to the inefficiencies by using cattle for draft purposes. The result was further pressure on already rising meat prices, as slaughterers and cattle merchants competed with farmers trying to procure draft animals. The farmers were caught in a vice, as their costs soared at exactly the same time the government was paying a low price for the grain. Silverstein, *op. cit.* (1966), p. 197.

29. In addition, the costing and pricing policies of the SEEs had a lot to do with their poor performance. These policies are detailed in World Bank, *op. cit.* (1976), p. 41; and in IMF, *op. cit.* (1978), p. 26.

30. The prices jumped from 213 kyat/ton in 1972–1973 to 438 kyat/ton in 1973–1974. World Bank, *op. cit.* (1979), p. 55.

31. One author ruefully notes that rice supplies were so limited that the '... introduction of rationing ... was a dismal necessity in the country which formerly produced the world's largest rice surplus'. Stifel, *op. cit.* (1972), pp. 66–67. Earlier Ne Win had declared the economy to be '... in a mess', further reflecting that, 'if Burma were not a country with an abundance of food, we would all be starving'. Associated Press, 'Burma's economy a "mess", Ne Win tells ruling party', *New York Times* (13 December 1965).

32. Henry Kamm, 'Burma in shift, request World Bank's assistance', *New York Times* (23 August 1976). In reports that were submitted at the Third Congress of the Burma Socialist Program Party there was a general admission of mismanagement, corruption and inefficiency. Harriman, *op. cit.* (1977).

33. Jon Swain, 'Burma's black-market lifeline', *Sunday Times* (5 October 1975). Before the revolution there was hardly any difference in the free market and official prices. Ten years after the takeover black market prices were three and a half times higher than official prices. Ping, *op. cit.* (1980).

34. Through this tax, the price of many goods sold through government channels rose close to and above the black market prices. 'This price hike had the effect of drawing money away from the black market, as buyers spent more of their incomes on the most essential commodities. The black marketeers felt the pinch, with some going out of business'. Ann Scott, 'Letter from Rangoon', *Far Eastern Economic Review* (24 March 1978).

35. Maung, *op. cit.* (1970), p. 550.

36. More than one observer has expressed the view that planning in Burma is done more in panic than as part of a well-thought out strategy. The incompetence of the planning authorities is stressed in Denzil Peiris, 'Socialism without commitment', *Far Eastern Economic Review* (13 September 1974).

37. Stifel notes that a socialist transformation does entail a trade-off '... between the desideratum of income equality and economic growth ...', with the latter declining as '... private sector capital formation is constrained'. In the Burmese case, he states, 'All governments have endorsed the general mode of development ... but the [Revolutionary Government] has taken the most decisive step towards its implementation.' Stifel, *op. cit.* (1971), p. 816.

38. There is some disagreement over the question of implementation as a major cause of Burma's economic problems. Maung rejects poor implementation as a cause of the dismal economic performance. He places the blame squarely on ill-advised schemes reflecting that '... success in development attempts ... depends on the propensity of a (particular) social system to adapt and renovate through pragmatic schemes of optimal allocation of resources'. Maung, *op. cit.* (1970), p. 551. Stifel though implicitly blames poor implementation. Recognizing the '... personal dedication and integrity of the socialist leadership ...', he notes that their efforts have '... not sparked popular acceptance of socialist ideals as bases for action'. He concludes that '... the people generally associate socialism with regulations, petty corruption and rising prices'. Stifel, *op. cit.* (1972), pp. 72-73. This point is more explicitly stated by a World Bank report, which after praising the social policies of the government, notes that Burma's poor economic performance was due mainly to the serious difficulties encountered by the government '... in attempting to coordinate development through centralized planning', given the constraints and the '... inherent difficulty

in monitoring and managing a wide variety of new tasks'. World Bank, *op. cit.* (1979), p. 7.

39. Richter, *op. cit.* (1969), p. 152. In recent years the situation has changed somewhat. An IMF report discloses that '... improved performance of the agricultural sector [has] resulted from intensification of production methods, and to a lesser extent, from an expansion of sown area'. IMF, *op. cit.* (1978), p. 4.

40. This has been acknowledged by the World Bank mission which visited Burma in late 1978. World Bank, *op. cit.* (1979), p. 46.

41. Primary schools increased in number from 12,851 to 17,399 between 1962 and 1972. The relevant figures for students are 1,681,908 and 3,249,104 and for teachers 40,287 and 67,542. Richard Butwell, 'Ne Win's Burma: at the end of the first decade', *Asian Survey*, Vol. 12 (October 1972), p. 910.

42. World Bank, *op. cit.* (1979), Tables 1.4 and 1.5, pp. 82-83.

43. Over the 1962-1972 period, hospitals increased in number from 269 to 374, hospital beds from 11,035 to 20,587 and the number of doctors from 1778 to 3073. Butwell, *op. cit.* (1972), p. 911.

44. Butwell, *ibid.*

45. World Bank, *op. cit.* (1979), Table 1.6, p. 84.

46. J. Silverstein, 'Political dialogue in Burma: a new turn on the Burmese road to socialism', *Asian Survey*, Vol. 10 (February 1970), p. 136.

47. Silverstein, *op. cit.* (1970), p. 137.

48. *Ibid.*