



Title	An Analysis of the Fall of the BSPP Government
Author	Dr. Mi Mi Gyi
Issue Date	2013

# **An Analysis of the Fall of the BSPP Government**

**Mi Mi Gyi <sup>1</sup>**

## **Abstract**

The research examines the various reasons behind the fall of the BSPP Government in Myanmar in 1988. It used the qualitative research method by doing some personal interviews with important BSPP members, and analyzing reports and primary documents published by the BSPP, reports of the BSPP party congresses, and secondary sources in the open literature in both Myanmar and English language. Given the government centric approach, the research effort concentrates on examining and analyzing many restricted documents published by the Government. The paper argues that the inherent weaknesses of socialist economic system and one-man dictatorship and the subsequent economic and political catastrophe in the whole country, added by the two demonetizations in 1985 and 1987 as the immediate causes, led to the uprisings of the people who suffered from economic difficulties and had political discontents. At the end, these brought down the BSPP Government and its vanguard party.

Key Words: BSPP, socialism, Twenty Year Plan, stagnation, political discontent

## **1. Historical Background**

After independence, socialism attracted most of the Myanmar leaders and it appeared to be the most progressive system of the post-World War II period, especially for the newly independent states. The successive Myanmar governments had set socialism as the ultimate goal of the state and tried the socialist system in different forms. The AFPFL government, after independence, had made a try at socialism in its own way, ending up in democratic socialism rather than leftist socialism. In 1962, Revolutionary Council led by General Ne Win took over the power of the state and adopted *the Burmese Way to Socialism* as its economic policy. Under *the BWS*, the BSPP tried to replace the capitalist market economy with a centrally planned Socialist economy.

At the initial period of socialism (1962-74), the Government applied an unsuccessful doctrinaire socialist system without any declared economic plans establishing firm state control over national economy through nationalization and regulation of the private sector. With the motto

---

<sup>1</sup> Professor/Head, Dr., Department of International Relations, University of Mandalay

“ayinshin” (capitalist) must be first removed on the road to socialism”, nationalization teams chased after all firms, enterprises, wholesale shops, warehouses and stores that sought a profit from their businesses, regardless of their size. After 1974, The BSPP adopted the Twenty Year Plan (*TYP*) and the subsequent Four-Year Plans within the *Long Term and Short Term Economic Plans* (LTSTEP)<sup>1</sup> framework opening of state economy to a very small extent to private enterprise. The economy continued the state-led import-substituting industrialization (ISI) strategy since Myanmar's independence.

## **2. Ideologies of the BSPP: Burmese Way to Socialism (BWS), the BSPP Constitution, and System of Correlation of Man and His Environment (SCME)**

### **2.1. Burmese Way to Socialism (BWS)**

The economic objectives of the BWS are to establish a socialist economy that was participated by all for the general well-being in works of common ownership, and planning towards self-sufficiency and contentment of all, sharing the benefits derived there from. Its immediate economic goal is to expand production so that the general standard of living can rise, unemployment can disappear, and a means of livelihood will assure to all. It intended to narrow down the gaps between incomes to be reasonable. Self-reliance and economic independence are essential elements of a socialist economic strategy. To gain these objectives, the Government will have to nationalize such vital means of production as agricultural and industrial production, distribution, transportation, communications, and external trade in various ways. It called for the complete ownership of all forms of production by the state or cooperative societies or collective unions.<sup>2</sup> However, *the BWS* was self-contradictory. Calling for the elimination of private ownership, it also stated that the Government would allow national private enterprises that contribute to national productive forces with fair and reasonable restrictions.

### **2.2. The BSPP Constitution**

The other document -the BSPP Constitution - calls for the formation of a party to carry out the leadership role in Myanmar's future politics. It argued

---

<sup>1</sup> *Long-Term and Short-Term Economic Policies and Plan Guidelines* (Restricted), Yangon, Planning Department, October 1983

<sup>2</sup> *The Burmese Way to Socialism: The Policy Declaration of the Revolutionary Council*(in Myanmar), Yangon, the Revolutionary Council, 30 April 1962

that the RC was revolutionary in essence, but wore the outward garb of a military council. In the RC's opinion, the natural leader of a revolution should be a revolutionary political party. Thus, under the appended constitution, the BSPP would rise during the transitional period. However, the RC would control the party as the supreme authority and operated under a highly centralized command system as only party members could vote at that time. In *the BSPP Constitution*, the BSPP was to be built on democratic centralism.<sup>1</sup> As committees of top echelon, the RC appointed three committees of equal status: the Party Central Organizing Committee, the Party Discipline Committee, and the Socialist Economy Planning Committee.

### **2.3. System of Correlation of Man and His Environment (SCME)**

According to the *SCME*, the ideology of the RC theorists rests on three basic principles: change, revolution, and socialism. In economic terms, Myanmar's socialist economy will see production and ownership in the people's hands, rather than in those of a few individuals or a narrow social class. The state, either directly or through cooperative societies or collective unions, would manage the economy for the people. However, their documents did not state how exactly the state would do this work and in what proportion each person would act. *The SCME* adopted and went by the motto: "Man matters most" in socialist planning. *The SCME* plans the socialist economy in accordance six economic laws of socialism:

- (1) the Basic Law of giving maximum satisfaction to material, social and cultural needs of the whole nation
- (2) the Law of planned proportional development of the national economy
- (3) the Law of contribution according to capability and distribution according to work
- (4) the Law of steady increase in the productivity of labour
- (5) the Law of socialist accumulation, and
- (6) the Law of continual enhancement of the standard of living of the people on the basis of advancement in science and technology, enabling the people to enjoy in affluence the fruits and blossoms of the socio-economic system of socialism.<sup>2</sup> Under the guidance of these economic laws of socialism, the Government would have to implement *the BWS*. In order to succeed the programmes for the betterment of the human society, recruitment of good cadres with true-heartedness is, therefore, the key to and the determinant of

<sup>1</sup> *The BSPP Constitution*, Article 61(5) of the Chapter VIII, 1986, pp. 52-3

<sup>2</sup> *The System of Correlation of Man and His Environment*, Yangon, the BSPP, 1963

successful programme. It seems to be that socialism as envisaged by the RC theorists is utopian in its goals. They argued that justice and a prosperous and affluent society free from exploitation or oppression of man-by-man were bases of Burmese to socialism. Their documents, however, are vague about how they would realize these goals.

### **3. Political Economy of Myanmar during the BSPP Era: A vicious economic cycle**

Under *the TYP*, the ruling BSPP government recognized the role of agricultural sector and approved agriculture sector as the highest priority instead of the industrial sector. Several changes took place in the agencies responsible for granting credit to farmers up to 1973/74. Since 1974, the government implemented a new procurement system called *advance purchase system* that was actually a compulsory delivery system. This system set a quota of paddy that the farmers had to sell at a fixed price to the government depot according to the size of his holding for paddy, the yield per acre, his family size, and the amount of paddy paid to hired labour. It shows that the gap between the official procurement price and the black market price lessened the amount of government procurement.

However, rice found in the black-market was mostly from large farmers. Small farmers, on the other hand, sometimes had to sell part of their home consumption to the Trade Corporation N0.1 to fulfill their quota and later they had to buy rice for their own consumption at the black-market price, which was about twice the price of what they sold to the government. *In 1974, under "Green Revolution" known as the Whole Township Special Paddy Production Programme, with the government drive to use more fertilizer combined with high-yielding varieties (HYVs), the utilization of these modern inputs increased annually, resulting in higher yields. The Government, however, kept the procurement price nearly constant<sup>1</sup>. The effects of the Whole Township Special Production Programme reached the saturation point since 1983.*

The agricultural sector's growth rate of 8.7 % during the Third FYP slowed down to 4.3 percent in the Fourth FYP.<sup>2</sup> The production of paddy declined mainly due to the decline in yield per acre. The main reason was

---

<sup>1</sup> See in Table. 1

<sup>2</sup> 1978/79 Pyithu Hluttaw Report, 1978, p. 51, 1986/87 Pyithu Hluttaw Report, 1986, p. 57, 1988/89 Pyithu Hluttaw Report, 1988, pp. 34-5, Fourth Party Congress 1981, 1985, pp. 137-8

**Table 1**

**The government purchasing prices of rice for 46lb 100 baskets fixed during the period from 19 62/63 to 1985/86**

No	Group of paddy	1962/63 1965/66	1966/67	1967/68 1971/72	1972/73	1973/74	1974/75 1976/77	1977/78 1979/80	1980/81 1985/86
1	Ngasien group								
a.	Ordinary	310	340	358	425	600	900	900	900
b.	Second class/ quality strain	325	355	373	-	615	920	940	990
c.	First class/ first class quality strain	330	360	378	-	620	930	970	1060
2.	Meedone group								
a.	Ordinary	325	355	373	442	625	940	940	940
b.	Second class/ quality strain	340	370	388	-	640	960	980	1000
c.	First class/ First class quality strain	345	375	393	-	645	970	1010	1060
3.	Emata group								
a.	Ordinary	330	360	378	448	634	955	955	955
b.	Second class/ quality strain	345	380	398	-	654	980	1000	1050
c.	First class/ quality strain	350	390	408	-	664	995	1035	1125
4.	Special strain Emata group								
a.	Second class/ quality Strain	-	-	-	-	-	-	-	1035
b.	First Class/ quality Strain	-	-	-	-	-	-	-	1140
c.	Special/ quality Strain	-	-	-	-	-	-	-	1220
5.	Ngakywe group								
a.	Ordinary	385	415	433	514	726	1090	1090	1090
b.	Second class	400	430	448	-	741	1110	1130	1200
c.	First class	410	440	458	-	751	1120	1160	1300
6.	Glutinous rice group								
a.	Ordinary	300	330	348	413	584	875	900	900
b.	Second class/ quality strain	310	340	358	-	594	890	940	990
c.	First class/ quality strain	330	360	378	-	604	905	970	1060

Source: 1986/87 Phithu Huttaw Report, 1986, 265

the decline in the utilization of fertilizer and pesticides. Because of the cut, back in the import of inputs because of Foreign Exchange shortage arising from the fall in income of rice export and general deficit in the trade sector's balance of payment. It was a vicious cycle. Thus, although the policy to modernize the agricultural sector was still intact, the application of modern inputs was limited because of financial constraints. On the other hand, Myanmar export depended heavily on a few principal (traditional) commodities. The cumulative share of top three commodities — agricultural products, forest products, minerals, and gems— in total earnings remained 93.8 percent in 1980/81.<sup>1</sup> Attempts at export diversification had not been successful.

In the trade sector, the current account was in deficit as the value of imports exceeded exports; the Government had to cut imports, so production of the SEEs, already inefficient because they operated on political rather than economic principles, was reduced, creating a further

<sup>1</sup> See Table. 2

**Table 2**  
**Myanmar: Structure of Exports, by Commodity**

Commodity	1940/41	1960/61	1970/71	1980/81	1990/91
Agricultural products	53.9%	82.4%	62.5%	54.6%	28.2%
Animal and marine products	0.5%	0.3%	0.1%	3.0%	4.1%
Forest products	11.3%	9.8%	23.7%	24.7%	36.7%
Minerals and gems	11.2%	4.3%	8.9%	14.5%	1.3%
Others	21.7%	2.0%	0.3%	1.7%	29.7%
Re-exports	1.4%	1.3%	1.1%	1.5%	—
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100 %</b>	<b>100%</b>

— = not significant

Source: Mya Than, 1992, 23, *1966/67 Report to the Pyithu Hluttaw*, 1966, 46, *1986/87 Report to the Pyithu Hluttaw*, 1986, 243-5, *1988/89 Report to the Pyithu Hluttaw*, 1988, 180

drain on the state. It was necessary to raise the value of exports and increase export commodities, and hence it was necessary to boost the production in the agriculture and livestock and fisheries sectors. The trade deficit was high, mainly because the prices of exports fell while those of imports rose. Mono-crop system, attempts at export diversification had not been successful. Thus, when earning from rice stagnated after 1981/82 and rapidly dwindled after 1983/84, and the rising trend in income from minerals and gems stagnated in the early 1980s and declined in the second half of the decade, there arose large trade gaps. To fill these gaps, the Government had to seek foreign loans and grants that increased considerably after 1978.<sup>1</sup>

By the mid-1980s, the economy was in crisis because of both internal and external factors. Foreign aid had produced massive foreign debt, and the increase in the value of the Japanese yen, in which a substantial portion of that debt was valued, exacerbated the problem, resulting in difficulty in servicing it. Rice production had reached a plateau because of limited irrigation, credit, and fertilizer, and the value of exports of primary products had dropped on the world market while the costs of manufactured imports had risen because of worldwide inflation in the wake of the two oil crises. The current account was in deficit as the value of imports exceeded exports;<sup>2</sup> the Government had to cut imports, so production of the fifty-six Small Economic Enterprises (SEEs), already inefficient because they

<sup>1</sup> Reports to the Pyithu Hluttaw, 1974-1988

<sup>2</sup> See in Table. 3

operated on political rather than economic principles, was reduced, creating a further drain on the state. The Government had in part established the SEEs for an ill-conceived import-substitution program, as well as for internal political image, ideological reasons, and external show. The SEE pricing policies reflected political considerations rather than costs, scarcities, or local considerations. They also employed a major portion of the urban work force. The estimate was that the level of unemployment in 1983/84 was around 10.6 percent of the total labour force or 4.6 percent of the population.<sup>1</sup> Myanmar continued to function economically only because the country was largely composed of self-sufficient villages. The urban population relied increasingly on smuggling for consumer goods that the state could no longer produce and that competed with inferior local products. Most of them came from China and Thailand.

At the Fifth Party Congress held in August 1985, the report of the Central Committee to the Congress mentioned various shortcomings in relation to the *Fourth Five Year Plan* (FYP) and *the Twenty Year Plan* (TYP) guidelines and targets.<sup>2</sup> It was a lengthy report, but it recommended no effective policy initiatives. While the Congress was in progress, the rate of inflation accelerated in the rapidly deteriorating economy. To halt the inflationary pressure, the BSPP government resorted to the easy measure of demonetization once again.<sup>3</sup> On 3 November 1985, with *the Notification No.1, Special/85*, Kyat 100, Kyat 50, and Kyat 20 notes were declared worthless. Demonetized notes up to a total of Kyat 5000 could be exchanged immediately for legal tender equivalent value.<sup>4</sup> The main targets of attack were the destroyers of the socialist economy labeled as the greedy black money holders, black money hoarders, and tax evaders who were responsible for the hyperinflation and scarcity of goods. This drastic demonetization took roughly one-quarter of the currency out of circulation. This action was more a politically inspired punitive measure than an effective monetary instrument for rectifying the problem of excess liquidity and illegal trading.

---

<sup>1</sup> Steinberg, 2001, pp. 130-1

<sup>2</sup> The 1985 Fourth Party Congress: Yangon, Printing and Publishing Corporation, 1985, p.12

<sup>3</sup> First demonetization was in 1964.

<sup>4</sup> *The Guardian*, 4 November 1985, p. 1

**Table 3****Values of Exports, Imports and Balance of Trade (in million kyat) (in 1969/70 prices)**

No	Year	Export	Import	Balance of Trade
1.	1940/41	555.2	308.2	+ 247.0
2.	1947/48	757.3	595.8	+ 161.5
3.	1960/61	1015.1	1080.5	- 65.4
4.	1961/62	1271.8	1043.6	+228.2
5.	1962/63	1270.6	1096.2	+174.4
6.	1963/64	1141.7	1086.0	+55.7
7.	1964/65	1089.1	1412.9	-323.8
8.	1965/66	928.9	803.5	+125.4
9.	1966/67	672.2	816.6	-144.4
10.	1967/68	520.9	757.0	-236.1
11.	1968/69	557.2	753.3	-196.1
12.	1969/70	538.5	896.8	-358.3
13.	1970/71	591.1	852.1	-261.0
14.	1971/72	686.0	921.4	-235.4
15.	1972/73	690.2	704.2	-14.0
16.	1973/74	967.0	574.9	+392.1
17.	1974/75	925.8	1015.8	-90.0
18.	1975/76	1322.6	1443.3	-120.7
19.	1976/77	1715.7	1627.9	+87.8
20.	1977/78	1756.9	2086.5	-329.6
21.	1978/79	1852.7	3223.7	-1371.0
22.	1979/80	2696.0	4309.5	-1613.5
23.	1980/81	3225.1	4635.0	-1409.9
24.	1981/82	3452.8	5611.3	-2158.5
25.	1982/83	3036.3	6313.6	-3277.3
26.	1983/84	3419.5	5197.3	-1777.8
27.	1984/85	3194.5	5041.2	-1846.7
28.	1985/86	2653.9	4802.0	-2148.1
29.	1986/87	2514.0	3936.1	-1422.0
30.	1987/88	1679.0	4066.0	-2387.0
31.	1988/89	2193.0	3443.0	-1250.0

Source: 1978/79 Report to the Pyithu Hluttaw, 1978, 234, 1987/88 Report to the Pyithu Hluttaw, 1987, 188, 1988/89 Report to the Pyithu Hluttaw, 1988, 182

In September 1987, the government introduced a most radical reform in marketing policy by lifting the 21-year-old restriction of the free trade of paddy, maize and seven varieties of beans and pulses. The people took this action as an initial step in the right direction, the first of the promised policy reforms. Four days later, however, their hopes were dashed; the unexpected demonetization of Kyat 75, Kyat 35, and Kyat 25 notes was announced.<sup>1</sup> Unlike the previous two demonetizations of 1964 and 1985, this one was undertaken with no provisions whatsoever for refund, thus enraging the masses. It forcefully confiscated the monetary savings and wealth of the people in general. Immediately, almost 70 percent of the currency in circulation became invalid. The government's demonetization of currency notes forced the farmers to hoard paddy. Soon after this, the government again announced that farmers should pay agricultural taxes such as land revenue and sales tax in kind.<sup>2</sup> It helped government's procurement of paddy to increase in 1988/89. An even more radical one in February 1988, when the government announced that it would allow private business and cooperatives to export rice relaxing its 25-year-old monopoly, followed

<sup>1</sup> Declaration No.1 on 1987 Demonetization of 25-Kyat, 35-Kyat and 75-Kyat Notes, Yangon, Pyithu Hluttaw Office, 1987

<sup>2</sup> Paper on 1988 Emergency Party Congress, 1988, 14, WPD, 11 November 1987, p. 2, WPD, 30 September 1987, p. 1

these measures.<sup>1</sup> The government was forced to implement all these radical measures as the procurement situation had become very serious after the 1985/86 season.

On the other hand, the fall in paddy production since 1985/86 and the deregulation of marketing in 1987 raised the free-market prices to five to seven times more than the official price. The free-market retail price of rice also jumped while the government retail price remained unchanged. It was obvious that this situation favoured the farmers since the free market price was skyrocketing. However, it did not favour the urban population for even the official inflation rate had gone up in February 1988. Urban social unrests occurred partly because of the rise in the free-market price of rice. Some sources suggested that the true rate of inflation was as much as 500 percent in the second half of 1988.<sup>2</sup> The government tried to defuse the worsening situation by increasing the salaries of the government servants in 1988, but it was not successful as expected. In another speech delivered at the closing session of the Central Committee on 9 October 1987, U Ne Win expressed concern about Myanmar's economic woes and dwelled upon the theme of dealing with change<sup>3</sup> but admitted that no solution was in hand.

#### **4. Political Situation**

There were four basic confrontations in the 1988 uprising: the March, the June, the August, and the September Affairs. The first two incidents were mild relative to the latter two in terms of violence. The March 18, 1988 Affair was as a random incident of a quarrel between two students from the Yangon Institute of Technology (R.I.T) and the son of the owner of the local tea shop (Sanda Win) in Gyogon Township on March 12. During the crack-down of the demonstrations, two students, Hpone Maw and Soe Naing were shot and later expired. The spark set the situation ablaze. The report on the March Affair by the Government Enquiry Commission blaming the unruly conduct of students led to a demonstration by students and monks on June 1988. The BSPP government had to close down all universities and schools and to impose 6 p.m. to 6 a.m. dusk to dawn curfew that lasted until August 19, 1988. On July 24, the second day of the BSPP Congress, economic reform that had been the main aim and reason of this Congress was overshadowed by unexpected retirement plan of U Ne Win

---

<sup>1</sup> WPD, 2 September 1987, p. 1

<sup>2</sup> Mya Than and Tan, 1990, p. 111

<sup>3</sup> Paper on 1988 Emergency Party Congress, 1988, p. 4

and higher party leaders. Surprisingly General Secretary U Sein Lwin was elevated to the top party post and was appointed as the head of the state. From the BSPP's point of view, this made a guarantee for party strength and continuity, but there was also evidence of the people's disfavor to this decision. U Sein Lwin moved quickly to try to suppress the opposition. He was widely perceived as the planner of all that was brutal and hateful about the BSPP rule.

Sensing massive popular resentment, the government imposed *Martial Law* on city *Yangon* on 3 August 1988. Huge demonstrations erupted in all the cities and towns of Myanmar on 8 August 1988 and the August Affair occurred. Therefore, it was also called as *the four eights uprising*. On 11 August, U Sein Lwin unexpectedly resigned from all his posts — Party Chairman, the Presidency, and Pyithu Hluttaw member.<sup>1</sup> The planned referendum was cancelled and the BSPP party emergency congress adopted the decision to hold general elections under a multiparty system within three months. The Pyithu Hluttaw ratified it in the next day and a five-member elections commission was formed. The various demonstrating groups, however, refused to be appeased and continued to clamour for the abolition of the BSPP and for the government to step down. The September Affair occurred. On 18 September 1988, the military headed by Chief of Staff and Defense Minister, General Saw Maung assumed state power to preserve the deterioration of law and order in the country.

## **5. Myanmar's international relations and repercussions on Myanmar Economy**

The rise and fall of the BSPP has many repercussions on Myanmar's international relations. Even in the early stage of building the nation under *BWS*, Myanmar tried to stand on its own feet without taking any outside help. The import substitution strategy was adopted in economics. Myanmar carried on economic and commercial relations only with other socialist and communist states. In this way, the sphere of Myanmar's commercial relations with other countries became smaller and smaller until Myanmar was called a hermit nation. When in 1967 the Bangkok Declaration formed ASEAN, Myanmar did not participate. The government led by General Ne Win continued to follow the policy of nonalignment in international relations. Nevertheless, Myanmar's participation in international affairs became less and less until she officially withdrew from the Non-aligned

---

<sup>1</sup> *WPD*, 12 August 1988, p. 1, *The Mirror*, 13 August 1988, p. 1

Movement in 1979. Although Myanmar had accepted the flow of Foreign Direct Investment into Myanmar after 1974, the BSPP government had required that the FDI be invested only in the state sector, and not Myanmar's private sector. The socialist government's mismanagement of the economy and rampant corruptions finally drove Myanmar to apply for and accept the Least Developed Country (LDC) status in 1987.<sup>1</sup> Myanmar officially gained the economically degrading status of one of the 41 least developed countries.

## **6. Research Finding: Reasons behind the fall of BSPP**

### **6.1. Socialism and centrally planned Socialist Economy**

Under the planned economy, in order to fulfill the targets of the various socialist economic plans, all kinds of pressure from above were used. The strategy of giving incentives that was more in conformity with human nature was neglected. The result was a steady decline in production. According to the BWS, the socialist policies required no unemployment problem, or that the unemployment problem must be negligible. Therefore, more workers and employees were to be appointed in every factory, office, department, and work place than was actually needed. It led to a hidden unemployment problem. The government was unable to pay the workers and employees enough wages and salaries for their livelihood. It was needed the monthly issues of certain provisions at cheap prices.

Socialism despises profiteering and the profit-motive. The profit margin for production of goods in the socialist system was very small and not enough for capital formation. It greatly hindered re-investment for the extension of the existing enterprises. In the socialist system, all the factories, industries, and enterprises under the BSPP became state owned. Competition between enterprises, which is the main driving force behind development, disappeared. Factories and enterprises were only required to fulfill the production targets laid down by the state for each of the plans. Lack of competition led to lack of efforts for quality improvement and new inventions. The poor-quality products produced by the socialist industries could not compete well in the international markets. It precluded the accumulation of the required FE to import modern equipment and modern technology, resulting in a vicious cycle of lack of capital and lack of development. Although the state possessed unlimited political authority, it lacked the capacity to intervene effectively in the economic sphere. The

---

<sup>1</sup> "Assessment on Socio-economic Conditions of 26 year Period", 1990, pp. 35-6

demand that the anti-market *BWS* must be upheld at all costs made it impossible to manage the market. State controls over trade and investment increasingly vulnerable to both domestic and international market forces. Distorted markets made the plans ineffective, leading to a standstill in development, an impending economic crisis, and popular discontent.

The decision of General Ne Win to establish a one-party socialist state — the BSPP — in Myanmar, or rather to choose socialism as a means of development for Myanmar liked putting all the stake money on the wrong horse, the horse that was sure to lose in the race. Socialism as a world system doomed to failure as was witnessed by the events in the socialist world in the 1980s and 1990s. Stagnation had set in the world socialist economic system by the 1970s leading to a general decline in the 1980s and to its fall in the 1990s. Moreover, never in the history of the socialist state in Myanmar, substantial economic aids were given to the BSPP government by fellow socialist states of the world except China. Ironically, most of the massive aid came from capitalist countries. It had the adverse effect of a general loss of confidence in socialism. All of the socialist economies were declining by that time and could do very little for the ailing BSPP government. In this way, with the brief spell of progress in the mid 1970s, the history of socialism in Myanmar was an image of stagnation, decline, and ultimate collapse.

### **6.2. One-Party System and One-Man Dictatorship**

Myanmar party system was not able to accommodate a variety of interests and created the need for an authoritarian system. Since the rise of the BSPP, there were disagreements among the cabinet ministers of the RC over the *modus operandi* in implementing the socialist economic system to establish a socialist society. On 4 October 1962, Brigadier Aung Gyi, President *pro tempore* of the RC, indicated that the national entrepreneurs would be allowed to continue operating small-scale light industries and those small-scale industries would not be nationalized. General Ne Win felt that Brigadier Aung Gyi was threatening his own command of the civilian side of government, and justified removing him. He invited Brigadier Aung Gyi to his office and expressed his intolerance with the freewheeling style of Brigadier Aung Gyi, claiming that the governing body of a country could not accommodate two leaders at the same time so one had to go. Because his power base in the military was no match for General Ne Win's, Brigadier-General Aung Gyi resigned from the RC and all ministerial

positions he held.<sup>1</sup> U Ne Win's stand oriented to the one-man dictatorship in the Government decision making. Over the years, the leaders of the BSPP have become less and less able to represent any interests except those of the small group of men who dominate the BSPP. In theory, U Ne Win wanted to build a popular form of Myanmar socialism, but his government has, in practice, even destroyed the democratic tradition of Myanmar parliamentary democracy system.

From 1976 to 1983, both military and civilian leaders were dismissed in three political purges. The victim of the first purge was General Tin Oo, the Chief of-Staff of the Army and Minister of Defense. His popularity and the respect he commanded from the young officers, soldiers and the public were the main causes of his political downfall. He was forced to resign in March 1976 on the pretext of his wife's alleged black-market activities. A group of young officers that he was cognizant of it accused General Tin Oo of failing to report the assassination plot. He was sentenced to seven-year imprisonment. Others were convicted under the Vanguard Party Safeguarding Law of 1974.<sup>2</sup> In February 1977, victims of the second purge were Prime Minister Brigadier Sein Win and three other ministers. They were called a gang of 113 and branded as anti-party and anti-people elements. On 17 May 1983, the target of the third purge was General Tin Oo, Director of National Intelligence Bureau and the Chief of the MI Service. He was considered Number One and a half in the power hierarchy of Myanmar. Thus, he represented a potential danger to U Ne Win's power. The BSPP ended up as a one-man dictatorship, with U Ne Win as the sole dictator. The widening of the gap between the centre and the grassroots were overlooked. Under the illusion of an established one-party system operating with impunity, the leaders of the BSPP failed to foresee the erosion of its superstructure and the signs of the people's ignorance and apathy in *BWS* as well as rampant corruption in the country. They were not prepared for the wrath of suppressed people of Myanmar in 1988.

Inner-party democracy and democratic centralism were the professed guidelines for the particular method of the *BWS*. However, centralism appeared to have prevailed over democracy in practice. Moreover, the political leaders were unable to incorporate their own ideological construction into their own beliefs since the latter had not grown out of political or revolutionary experience like those of socialist leaders in

---

<sup>1</sup> *Yangon Daily*, 10 February 1963, p. 1

<sup>2</sup> *the Vanguard Party Safeguarding Law*, 1974, p. 3

China and Vietnam. On the other hand, the cadre system provided patronizing opportunities and produced a system similar to the Soviet System. Like the Soviet system, it encompassed not only key positions determined by party nominations or requiring the latter's consent but also the functionaries who served in them.

### **6.3. Lack of Transparency**

There was also one problem that the leadership of the BSPP had never been able to solve. The leadership failed to understand the actual conditions at any particular time. The official feedback system developed during the BSPP period did not work for two reasons. Firstly, actual problems were ignored until they reached crisis proportions and became most difficult to solve. Secondly, statistics were distorted to satisfy political requirements. For example, production was inflated and inflation was deflated. In addition, smuggling of both import and exports was rife and the greater part of the economy was underground or in the informal or illegal trade sector. Because of the undue restriction of the media and the freedom of the press, "the fourth pillar" of the state had lost its capability to point out the blunders and weaknesses of the party in power. Alienation of the people led to a decline in the party's organizational ability. The lack of press freedom amounted to indirectly protecting the wrongdoers and corrupt elements in departmental organizations. However, the most important effect of news blackouts was that the people no longer relied on and put their trust in their government. This suppression of freedom of the press and the news blackouts or lack of transparency led to the loss of confidence in and lack of responsiveness of the people in the BSPP.

### **6.4. Immediate cause: Two demonetizations**

Two demonetizations wiped out almost all liquid savings in the country and most financial claims to wealth lost their validity. BSPP leaders tried to capture the money from businesspersons. The main targets of attack were the destroyers of the socialist economy labeled as the greedy black money holders, black money hoarders, and tax evaders who were responsible for the hyperinflation and scarcity of goods. However, in keeping with the previously observed pattern, deterioration in living standards of the people, coupled with the loss of their money. GDP growth rate fell from 5.9 % in 1984/85 to 1.9 % in 1987/88.<sup>1</sup> The impact of the September demonetization was the most damaging one not only to the people but also to the BSPP and its chairperson. Most of Myanmar commercial transactions were settled in

---

<sup>1</sup> *Report to the Pyithu Hluttaw for the year 1988/89*, 1988, pp. 34-7

cash, with reserves and savings also held in cash, due in part to the inefficient state-monopolized banking system. Moreover, as the border trade where the black market thrived and on which Myanmar's real economy depended heavily declined, the value of Myanmar Kyat fell at an accelerated rate. Thus, it intensified the scarcity of goods and inflationary pressure in 1988 to a degree unparalleled in the entire history of the BSPP. It again led to widespread riots in the country. It had suggested that demonetization and its damaging repercussions on the people were the direct and immediate cause for the mass movement downing the one party BSPP government in 1988.

## 7. Conclusion

Myanmar's experiment on socialism was not a success story. Four decades of the state intervention in the country's economy failed to foster economic growth and improve the living standard of the people. The poor implementation of socialist programmes together with poor and corrupt performance of the responsible personnel led to the economic deterioration in the country and the fall of the ruling BSPP. In other words, the socialist economy of the BSPP was ailing along with those of other socialist states. Without any strong props to support it, Myanmar's socialist economy fell while others were on the verge of collapse. With the brief spell of progress in the mid 1970s, the history of socialism in Myanmar gives an image of stagnation, decline, and ultimate collapse. In fact, inherent weaknesses of socialism itself, one-party system, one-man dictatorship, and economic as well as political catastrophe led to popular discontent and it brought down the BSPP government and its vanguard party. The fault of this failure lies with the system itself, the BSPP, its leadership, and the people themselves.

## References

- *Assessment on Socio-economic Conditions of Twenty-six Year Period*, Yangon, National Unity Party, 1990
- *Declaration No.1 on 1987 Demonetization of 25-Kyat, 35-Kyat and 75-Kyat Notes*, Yangon, Pyithu Hluttaw Office, 1987
- *History of Myanmar Industry, Revolutionary Period* (in Myanmar), Part IV and Part V, Yangon, Ministry of No.1 industry, 1988
- *History of Rice Marketing in Myanmar*, Yangon, Myanmar Agricultural Produce Trading, Ministry of Commerce, 2004
- *Historic Speeches of the Chairman of the BSPP*, V. I and II, Yangon, Burma Socialist Programme Party Central Committee Headquarter, 1985
- *Long-Term and Short-Term Economic Policies and Plan Guidelines (Restricted)*, Yangon, Planning Department, October 1983

- *Open letter from retired Brigadier Aung Gyi to President San Yu, six retired senior army officers, and former members of the Revolutionary Council*, Yangon, 9 May 1988
- *Party Seminars: 1965, 1966, 1968, 1969, 1981 and 1985*, Yangon, Burma Socialist Programme Party, 1966
- *Paper on 1988 Emergency Party Congress*, Yangon, BSPP, 1988
- *Records of the Party Congresses of the BSPP*, Yangon, Burma Socialist Programme Party
- *Report Concerning Reforms on Economic Policies and Guidelines (Restricted)*, Yangon, Burma Socialist Programme Party Publishing House, July 1988
- *Report on Reforming National Economic Policies and Guidelines*, Yangon, Burma Socialist Programme Party, July 1988
- *The 1985 Fourth Party Congress*: Yangon, Printing and Publishing Corporation, 1985, p.12
- *Yearly Reports to the People by the Union of Burma Revolutionary Council from 1963 to 1973*, Yangon, Burma Socialist Programme Party
- *Yearly Reports to the Pyithu Hluttaw on Financial, Economic and Social Conditions of The Socialist Republic of the Union of Burma for the Year s from 1974/75 to 1987/88*, Yangon, Ministry of Planning and Finance
- *Revolutionary Council's Laws (From 1962 to 1964)*, V. I, II and III Yangon, Pyithu Hluttaw Office, 1989
- *The Records of the BSPP Emergency Party Congresses, First Day, Second Day and Third Day (Restricted)*, Yangon, Burma Socialist Programme Party, 1988
- Kyaw Yin Hlaing: "Reconsidering the Failure of the BSPP Government to eradicate Internal Economic Impediments", *Southeast Asia Research*, London, IP Publishing Ltd., 2001
- Kyaw Win and Others : *1958-1962 Myanmar's Politics*, V. I, II and III, Yangon, Universities Publishing House, 1991
- Maung Maung, Dr: *The 1988 Uprising in Burma*, New Haven, Yale University Press, 1999
- Mya Maung: *The Burma Road to Poverty*, New York, Praeger, 1991
- Mya Than and Tan, J. L.H (edited): *Myanmar Dilemmas and Options: The Challenge of Economic Transition in the 1990s*, Singapore, Institute of Southeast Asian Studies, 1990
- Sithu Aung and Maung Hmat: *No Longer a Distance to the Golden Land (In Myanmar)*, Yangon, News and Periodical Enterprises, 1993
- *The Working People's Daily (WPD)*, Yangon, Working People's Daily Press
- *Yangon Daily*, Yangon, Yangon Daily Press