



Corruption, good governance and the economic development of Vietnam

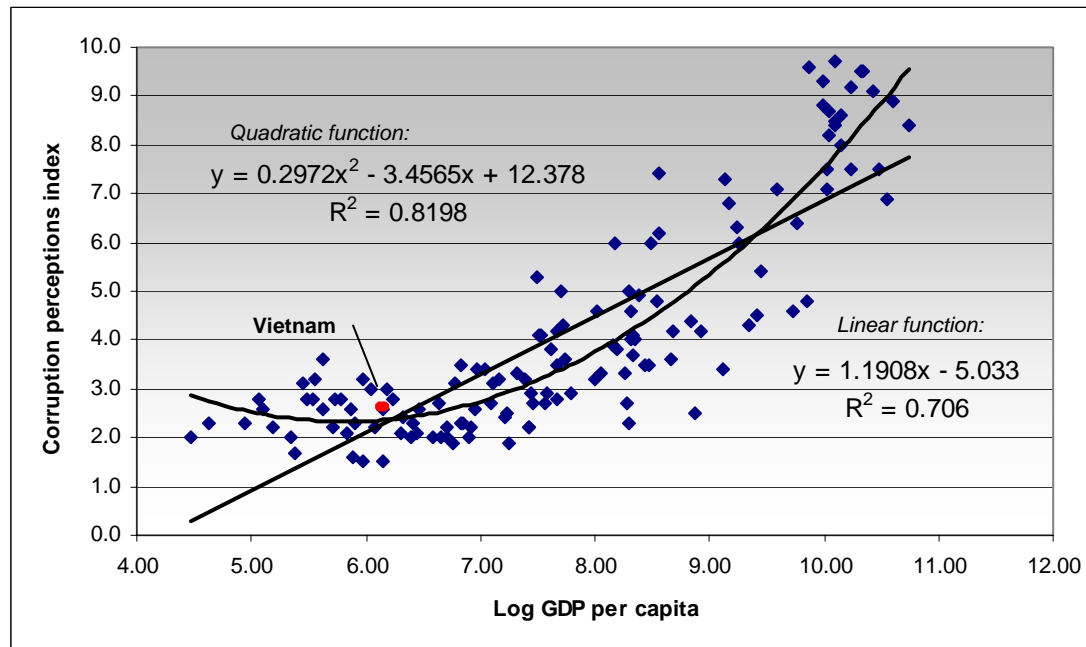
Richard Record (Economist / ODI Fellow)

richardrecord@hotmail.com

High levels of corruption and poor governance are widely believed to be constraints to economic growth in developing countries. This paper examines cross-country evidence on the relationship between corruption, GDP per capita and growth rates, with special reference to Vietnam.

The paper presents evidence in support of the argument that in actual fact, causality runs from higher income to lower corruption, rather than the other way around. In light of this argument, the paper suggests that Vietnam's successful, pro-poor economic performance is most likely to be sustained through a continuation of a domestically-driven reform and policy agenda, and that fears of a slowdown in growth due to perceived weak governance are misplaced.

Plot of log GDP per capita vs. corruption perceptions, 135 countries, 2003



Conventional “good governance” approach suggests a straight line fit. However, a quadratic function describes the data better.