

The Nexus of Corruption and Growth: Empirical Evidence from the 4 Asian Tiger Economies

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In this paper, we use the panel vector autoregression (PVAR) model to examine the corruption-economic growth nexus in the 4 Asian Tiger economies (Hong Kong, South Korea, Singapore and Taiwan) over the period 1995 – 2011. We found that corruption has a significant effect on the economic growth rate. The results based on PVAR model shows that every 1 point improves in the corruption perceptions index score results in a 5 percent increase on GDP growth rate. Meanwhile, the degree of economic freedom and the growth rate of domestic exports both have significantly positive impact on a country's economic growth rate. On the other hand, the effect of unemployment rate and investment rate are insignificant, but are not necessarily unimportant variables that do not have positive or negative impacts on a country's economic growth rate.

JEL Codes: C22, F43