



The Interrelationship between Growth, Poverty and Inequality in Vietnam: An Empirical Analysis

Le Quoc Hoi (VDF Researcher and NEU Lecturer)

hoilq@vdf.org.vn

This paper examines the interrelationship between growth, poverty, and inequality in Vietnam from 1996 to 2004 by using the provincial data and data from the household living standard surveys which were implemented by the General Statistics Office of Vietnam (GSO) in 1998, 2002, and 2004. The empirical results show that:

- 1) There is a robust negative relationship between initial poverty rate and subsequent economic growth. However, there is no link between initial inequality and subsequent economic growth.
- 2) Lower inequality leads to lower poverty rate, and poverty reduction could help to reduce inequality. Other determinants of inequality and poverty reduction include human capital, investment, GDP growth rate, and trade openness.

Given the empirical findings, the paper points out some policy implications:

- (i) Reducing poverty, apart from helping the most vulnerable segments of society, is beneficial from the perspective of improving the future distribution of income and promoting economic growth.
- (ii) Concentrating on poverty elimination will help us to build a more equitable society without sacrificing economic growth.