Book Review:

Economic Growth, Poverty, and Household Welfare in Vietnam

Paul Glewwe, Nisha Agrawal and David Dollar (eds)


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Somebody should start a business to turn draft research papers into publishable articles and books. This awesome 628-page tome was not published until 2004, although first drafts of the papers were reviewed at a workshop in Hanoi in May 2001. After that workshop a busload of World Bank researchers came to dinner at my [Adam’s] house, and we toasted our good fortune to be working in Vietnam at a time when it was transformed ‘from basket case to rice basket’. Not that we or the donor community in general could claim any of the credit. David Dollar, now heading the World Bank China office, was Country Economist for Vietnam in the early 1990s. Once famously introduced at a workshop as ‘Mr. American Dollar’, he was the only one the Bretton Woods institutions sent to Vietnam before 1993. David liked to think that the Vietnamese
had followed his policy advice. We will never know the counterfactual, but what we do know is that the remarkable reform and macroeconomic stabilisation during 1987–92 was achieved without any need for structural adjustment lending or balance of payments support.

To the book. In *Economic Growth, Poverty, and Household Welfare in Vietnam*, Glewwe, Agrawal and Dollar of the World Bank present 16 edited papers that explore important issues related to Vietnam’s recent rapid development. Ostensibly, the book’s purpose is to explain, using household living standards data, the remarkable ‘growth with modest inequality’ performance of Vietnam during 1993–98. The 16 chapters do this with impressive rigour, exploring the labour market and child labour, household enterprises, agricultural income, aspects of poverty reduction, and issues in health and education. A key, proximate reason for Vietnam’s economic success is identified in the chapter by Benjamin and Brandt, who remind us that 60 per cent of Vietnamese workers are self-employed farmers and that relative changes in rice and fertiliser prices, and related productivity gains, explain much of the fall in rural poverty. However, analysis of household data forces attention on such proximate causes, at the expense of broader historical and political economy explanations for the Vietnamese success story. For example, the regression analysis to investigate why ethnic majorities are poorer than the Kinh majority (Chapter 8) seems an unnecessary academic exercise when we consider the simple historical explanation that these minorities were pushed into the low-productivity mountains by the Kinh over hundreds of years. Trapped by its self-imposed method, the book gives only a partial answer to its central question.
The only chapter that does not utilise the household data is David Dollar’s, which is clearly a by-product of his work on *Assessing Aid* and other research with Aart Kraay. Dollar argues that economic reforms in Vietnam have made it one of the fastest growing economies in recent years, and that further improvement in policies and institutions is required to maintain rapid growth rates. In other words, Vietnam has moved towards, but still remains well within, its production possibilities frontier. But is rapid growth dependent on continued reform? So the pace of reform, say from 8th to 4th best institutions, becomes a short-run determinant of economic growth? This issue remains a reasonable assertion by Dollar and others, whose research has focused on a different matter, namely the significance of absolute ‘levels of policies’ in cross-country regressions.

The applied research about poverty issues is the strength of this book. A study on the equity implications of relying on local financing sources for government programs is presented in Chapter 6. In this chapter, van de Walle argues that Vietnam’s ‘Hunger Eradication and Poverty Reduction’ program has produced ‘little discernable progress’, and that existing government poverty programs are so poorly targeted that non-poor households receive more benefits on average than poor households. In Chapter 7, Minot and Baulch find that radio and television are particularly powerful proxies for poverty targeting and, when included in a composite index, may allow for better targeting of poor people than currently occurs. They identify the geographical concentration of poverty
(which in subsequent work was turned into poverty maps), and find that the Vietnamese government’s official list of poor communes is not very accurate.

Inequality issues are addressed in detail in the book. Glewwe concludes that the ‘increased gap between urban and rural areas accounts for almost all of the increase in inequality in Vietnam in the 1990s’ (p. 21). Increasing inequality is also observed between ethnic groups. While inequality in Vietnam has not reached the level of many other countries, it would appear that the trend will continue as Vietnam’s transition from a rural to a modern economy continues. Until restrictions on migration are relaxed (Chapter 15), urban–rural disparities are, in particular, likely to widen.

Five chapters are devoted to complex issues surrounding structural change in the health and education services in Vietnam. The general finding that inequality in health and education outcomes is increasing is alarming. Apparently, there was no reduction in infant mortality among the poorest 25 per cent of the population between 1993 and 1998. In Chapter 10, increased self-medication is linked to growth in private pharmacies and possible long-term negative effects through building resistance to antibiotics. Due to rising incomes, quality issues, and the effects of liberalising the pharmaceutical industry and deregulating retail markets, the private sector has increased its share of the health sector at the expense of commune health centres and government hospitals. Self-medication and commune health centres are both found to be ‘inferior’ goods (Chapter 11). In Chapter 12, Nga Nguyet Nguyen finds that enrolment gaps between the rich and poor have increased at the secondary and post-secondary levels. The ‘modest increased
inequality’ in reported household incomes and expenditures in Vietnam seem less modest when we consider access to health and education services.

Household data indicates that in Vietnam, like elsewhere, child labour is very closely associated with poverty. The data also shows that the great majority of child labour in Vietnam occurs within the household—in both commercial work (including agriculture) and household tasks. Edmonds and Turk (Chapter 14), using this household data, present a very detailed analysis of child labour in Vietnam. They make the clear point that success in reducing poverty is likely to flow on to reductions in child labour and that policy interventions to fully ‘eliminate child labour’ (p. 543) may have adverse implications for poor families. They contend that the government should consider the effects of Vietnam’s transition on child labour. Urbanisation, the move to non-farm activities and any increase in school hours may, in particular, ‘exacerbate’ some forms of child labour (p. 545).

As in many compiled volumes, this book is somewhat disjointed and, at times, repetitive. This is not a significant problem, however, because the book is as much a reference for social researchers as it is a book to be read cover-to-cover. Nor is it all number crunching. While the authors use econometrics extensively, they also provide useful descriptive analyses of the situation in Vietnam (see, for instance, detailed descriptive analyses about education in Chapters 12 and 13). The book is a foundation for further applied economic research in Vietnam. Future researchers will have additional data from the new biannual
Vietnam Household Living Standards Survey (VHLSS), with the year 2002 data now available.

A lingering question, however, is how much does research such as this influence policy in developing countries like Vietnam? The World Bank has given much attention to this issue of ‘bridging the gap’ between policy and research (see <http://www.gdnet.org/rapnet/>). While we can hardly dispute that ‘policymaking based on evidence accumulated by means of good empirical research is in our best interests’ (Squire 2002), what about when policymakers ignore such research? Is it enough just to do it? The poverty research in this book came to important policy relevant conclusions, and it would be interesting to trace whether these filtered into Vietnamese debates on these issues. With so much attention given to investment impact analysis, maybe some needs to be given to the microeconomics of research impact? This might lead to more emphasis on diverse and sustained dissemination of research outputs, and to the longer-term issues of building policy research capacity, understanding and working within the Vietnamese policy discourse, and supporting economics training.
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