

International Financial Liberalization, Corruption, and Economic Growth

Francisco L. Rivera-Batiz

First published: 17 December 2002

<https://doi.org/10.1111/1467-9396.00309>



Abstract

This paper examines the effects of capital account liberalization on the long-run growth of a developing economy. A general-equilibrium, endogenous growth model is constructed in which corruption forms an integral part of the governance system of the country. By undermining the profitability of innovations, corruption lowers the rate of return to capital and reduces the rate of technological change. The impact of international financial liberalization on long-run growth in this model can be either positive or negative. A drop in growth is obtained when the level of corruption is high enough to cause domestic rates of return to capital before liberalization to drop below those in the rest of the world. In this case, liberalization generates capital outflows, which act as a constraining force on innovation, reducing the rate of technological change and lowering output growth. On the other hand, if the level of corruption is sufficiently low, the capital account liberalization will serve as a boost to the country's technical change and growth.

Citing Literature



[Download PDF](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



Manage Preferences

Accept All

Reject Non-Essential

Contact Us
Training and Support
DMCA & Reporting Piracy
Sitemap

OPPORTUNITIES

Subscription Agents
Advertisers & Corporate Partners

CONNECT WITH WILEY

The Wiley Network
Wiley Press Room

Copyright © 1999-2026 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



Manage Preferences

Accept All

Reject Non-Essential