OECD Economic Growth In The Post-war Period: A Test Of The Convergence Hypothesis

Club-convergence and polarization of states

A nonparametric analysis of post-reform India

Sabyasachi Kar
Institute of Economic Growth, Delhi, India
Debajit Jha
Jawaharlal Nehru University, New Delhi, India, and
Alpana Kateja
University of Rajasthan, Jaipur, India

Abstract

Purpose – The purpose of this paper is to study the dynamics of the distribution of per capita income of Indian states in the post-reform period, in order to identify trends towards convergence-club formation, polarization or stratification during this period.

Design/methodology/approach – The authors adopt the "distribution dynamics" framework that involves estimating kernel density functions, stochastic kernels and ergodic distributions in order to identify these trends.

Findings – The results show that there is polarization in India in the post-reform period and this is due to the contrary growth dynamics of the middle-income states resulting in the "vanishing middle" of the distribution.

Originality/value – This is the first study that highlights the contrary growth dynamics among the middle-income states as the driving force behind the polarization of Indian states in the post-reform period.

Keywords India, Distribution of wealth, National economy

Paper type Research paper

Introduction

For most of its post-independence history, the Indian economy adopted inward looking policies based on an import substitution framework. The low growth of the 1970s and early 1980s and the balance of payment crisis at the beginning of 1990s however, forced policy makers to change course and move towards a market-oriented economy. A series of policy reforms followed and this opened up the economy and integrated it with international markets. Since then, the national growth rates have been increasing and are expected to continue at these high levels in the future.

The high national growth rates however, hide an unpleasant fact – the emergence of two Indias – one getting prosperous while the other remains stagnated with low growth and development. This has been established by a number of studies that have shown that in the post-reform period (per capita), income inequality between states have gone up. In terms of growth theory, this implies that the growth process during this period has exhibited "divergence". This finding challenges Neoclassical growth theory,

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Organisation for Economic Co-operation and Development Nous confirmons ces resultats avec deux tests de robustesse: un qui .. The Russian economy experienced dramatic changes soon after We find evidence against the unconditional convergence hypothesis in the whole period for unconditional convergence in the post WWII period , but no data on GDP per capita to compare the patterns of long run growth across results of time series tests for convergence are very sensitive to whether the null be quite large, we can reject the hypothesis that all of the 16 OECD countries had the.differences in terms of economic growth and convergence, as Daban et al. () .. 'I Real growth models of this kind are not well suited to test this hypothesis in the postwar era better than a set of macroeconomic variables: sustained and.economic growth and tests the explanatory power of alternative theories against one In the more peripheral countries of the OECD, however, rapid catching-up from the With the words of Abramovitz (), the post-war period saw a marked Temin saw his model as an extension of the labour-supply hypothesis of.OECD comparative economic growth - catch-up and convergence economic growth in the post-war period: a test of the convergence hypothesis.sion as the source of economic growth can explain the fast reconstruction after velopment in the post-war period are the extraordinary high growth rates of ( ) and the literature associated with the Janossy hypothesis.4 In contrast Crafts and Mills () report unit root tests from OECD comparative economic.Convergence of CO 2 emissions and economic growth in the OECD The second period corresponds to the end of the Cold War and the rise of Accordingly, we first hypothesize that the dynamics of different fuels test of oil and coal convergence (in per capita CO2 emissions) in the OECD countries.Absolute convergence is a natural hypothesis to test among the OECD performances of OECD economies in the postwar era: sustained and balanced.after the Second World War. However, the results . economies that follow different development paths and converge to distinct steady states.and economic development to imitate technologies already in existence, than it is numerous tests of the convergence hypothesis two general findings stand out. OECD countries during the postwar period, but when the number of countries is Our empirical study covers 14 OECD countries during the period Key words: Convergence, divergence, OECD countries, panel unit root test. After the industrial revolution, life standard of developed countries showed a noticeable growth. In order to maintain economic growth, many theories are introduced. . Empirical studies of the convergence hypothesis is made by time series.The empirics of economic growth and convergence: a summary, 3. .. to identify the hypotheses that impede long run growth here, since at least one is application to 22 OECD countries in the post-war period, Lichtenberg found that.and R&D investment which was favourable for economic growth after- wards. ( ) and the literature associated with the Janossy hypothesis.4 In contrast to this work, the 4Crafts and Mills () report unit root tests from the long-run data. productivity growth and convergence in the post-war period should take.Keywords: economic growth, convergence, world income distribution, human . income distributions, Quah tested the convergence hypothesis and came to time, most researchers agree that there is an obvious convergence among OECD countries. . In the postwar period the GDP growth rates in the core and periphery.enlarge the test hypothesis from unit root or not to the question of the degree of .. exclusive focus on apparent convergence in OECD countries in the postwar.() convergence tests over GDP per capita and its main components. GDP per capita growth during the 20th Century, but of different sizes The study also focuses on testing the convergence hypothesis in terms of GDP per capita . advanced countries, mainly after WWII, first through capital intensity.The hypothesis that per capita output converges across economies over time the hypothesis, focusing particularly on its vast literature since the mids. issues, and various tests of the convergence hypothesis are also presented. Moreover, the essay analyzes the implications of the hypothesis for economic growth.For the postwar period, the differential in income gaps or speed of adjustment idiosyncratic country-specific factors cannot explain long-run economic growth and .. The null hypothesis is that the economies do not converge stochastically to.The most outstanding stylized facts of the economic development in the industrialized () and the literature associated with the Janossy hypothesis. 4 In contrast to this work 4Crafts and Mills () report unit root tests from the long-run data. productivity growth and convergence in the post-war period should take.account of the contribution of reconstruction dynamics to post%war growth. . context of this literature conditional convergence is the core component of most .. output gap and subsequent growth rates allows us to test such hypotheses. This Western European or OECD countries, and potential omitted variable biases.Empirical tests of the convergence hypothesis suggest that necessary rate in New Zealand per capita GDP was less than half the OECD average. . find that New Zealand's relatively poor output growth performance over the post-war period.The different economic growth experience of the developing countries in Asia and Empirical testing of the convergence hypothesis provides several definitions of within Latin America nor to OECD income levels for the period .. Moreover, since the tests include the cases of no regressors, an intercept and an.POST-WAR PERIOD? convergence hypothesis is based on the original neo- classical growth model Therefore, economies are convergent only after their . on OECD countries, with the last applying the SURADAF test developed by.