

# Late Converger Steam or Stall?

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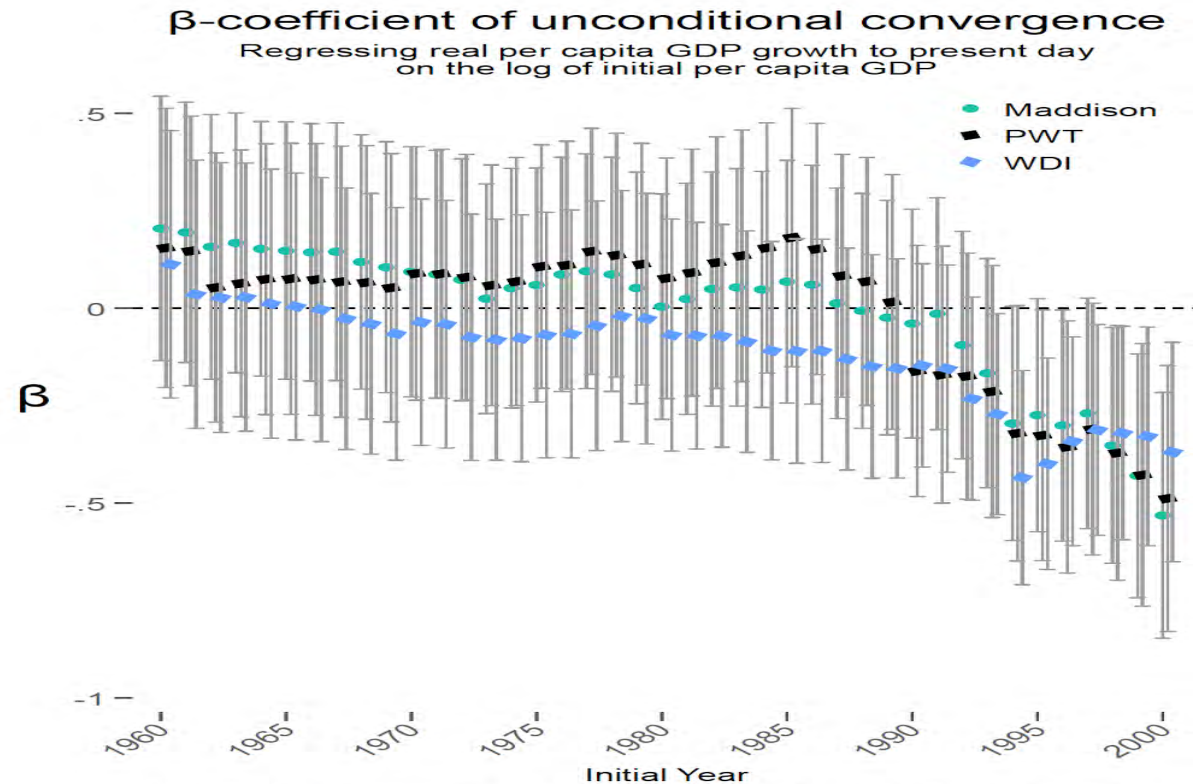
PIIE

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# Overview

- Good news from the past: Convergence
- Convergence can continue
- Convergence can stall

Since about 1990, many more poorer countries have been catching up: Convergence is now (finally) happening

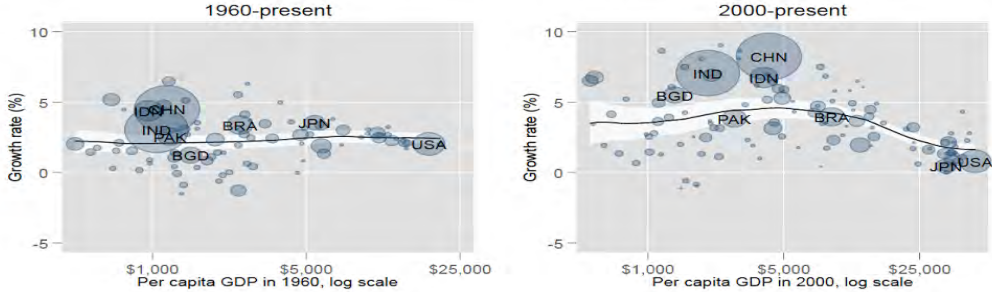


Each point represents the coefficient from a separate, bivariate regression. The dependent variable is the annual real per capita growth rate from the year listed until the most recent data round. The independent variable is the log of real per capital GDP in the base year.  
NB: Sample excludes oil-rich countries (i.e. 'Export Earnings: Fuel' in IMF DOTS), and countries with populations under 1 million.

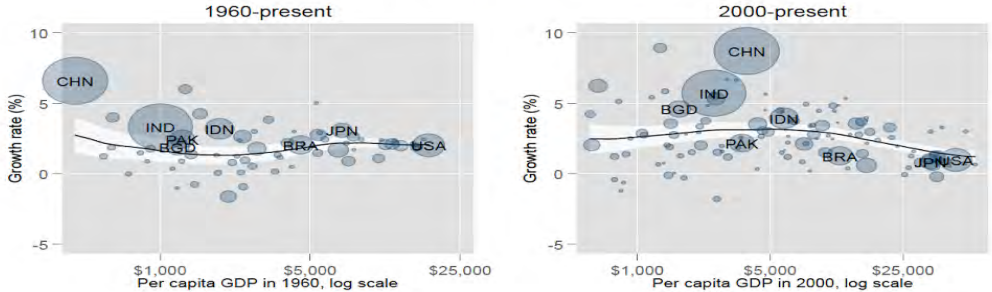
# Let us stop talking about Middle Income Traps!

## Growth and Initial GDP

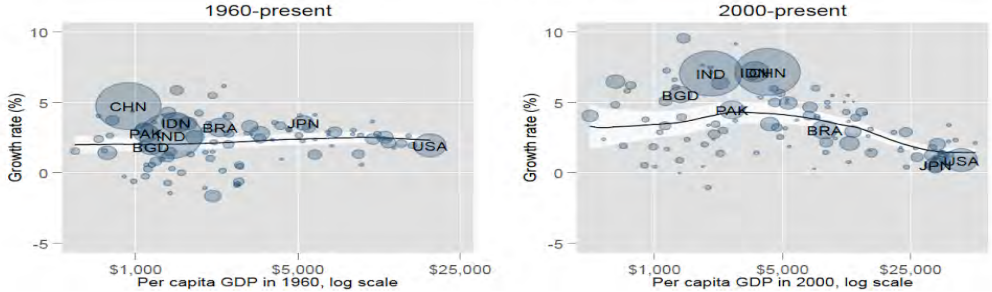
PWT 9.0, Chained PPP



WDI, 2011 PPP



Maddison, 2011 USD



# The Bright Future

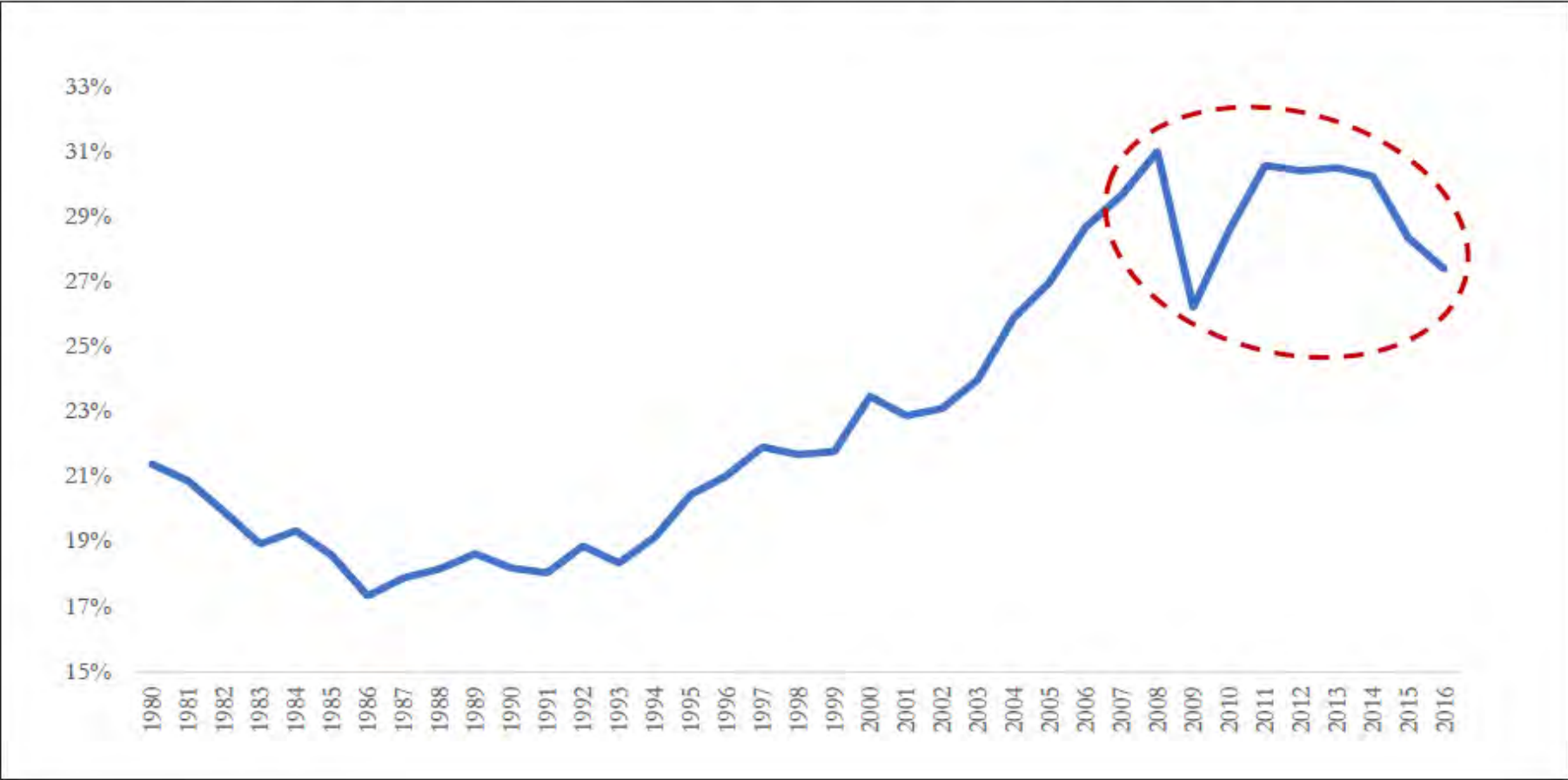
- Favorable demography
- Connectivity revolutions
  - Physical
  - Financial
  - Digital
  - Psychic

# The Four “Horseman”

- Backlash against globalization
- Impeded Lewisian transformation:
  - Pull: Inadequate manufacturing and other dynamic sectors
  - Push: Agriculture and climate change
- Technology and human capital regression

# Backlash Against Globalization

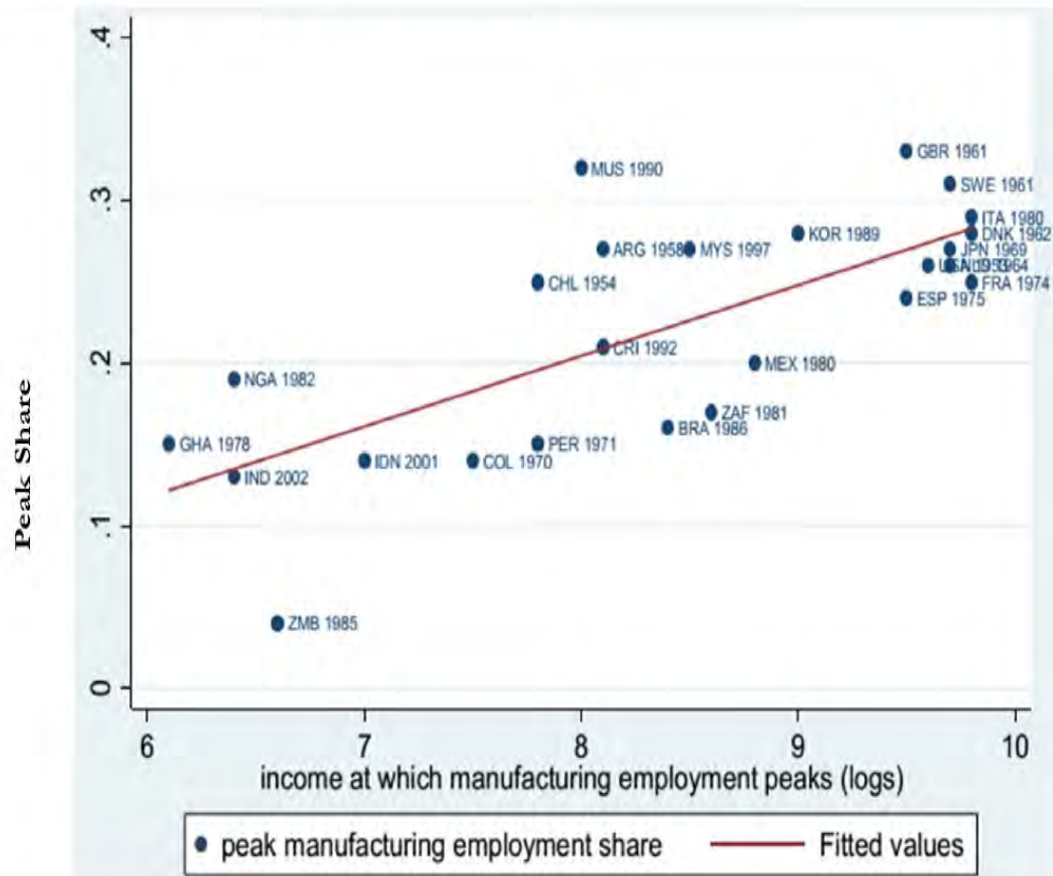
Figure 2. World Exports of Goods & Services, 1980-2016 (in per cent of GDP)



Source: World Bank.

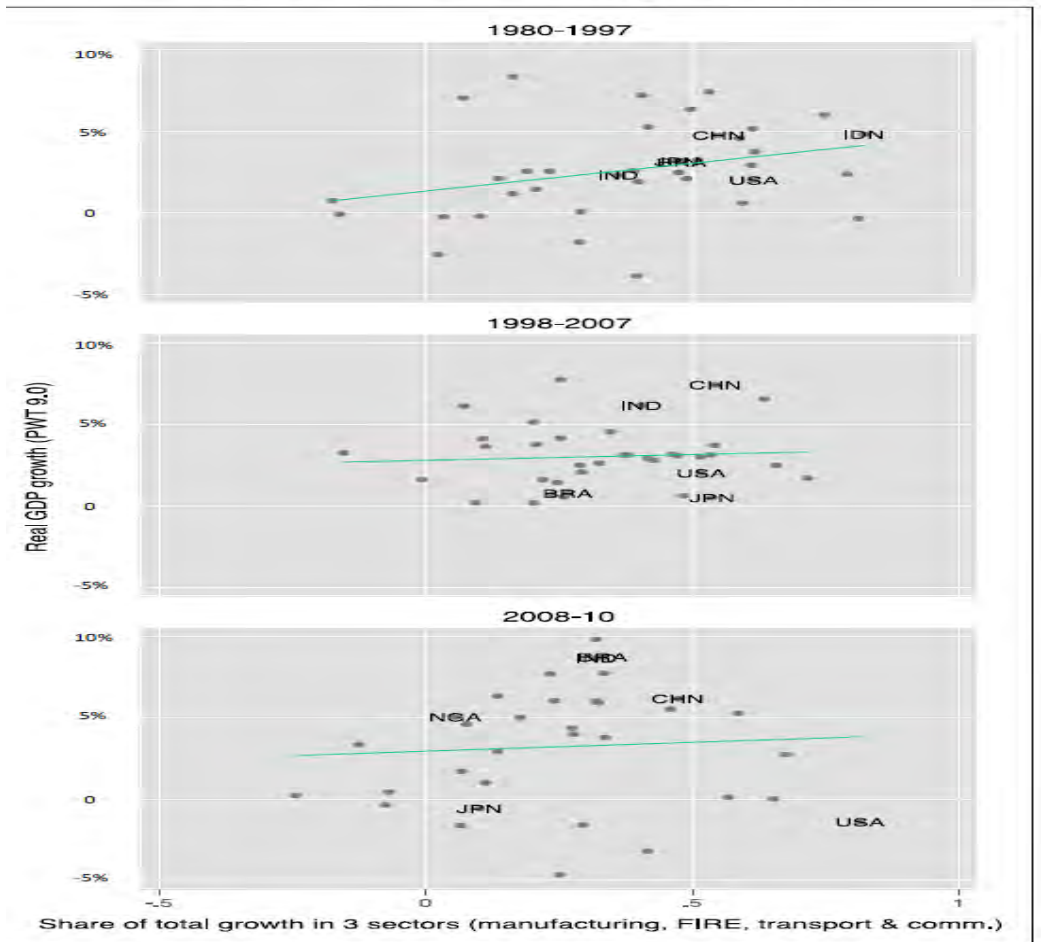
# Impeded Lewisian Transformation: The pull of Informality not formal dynamic sectors

Figure 3. Premature De-Industrialization



Source: Rodrik (2015).

Figure 5. Correlation Between the Share of “Good Growth” and Total Growth: The Share of Good Growth is Falling and the Correlation is Getting Weaker

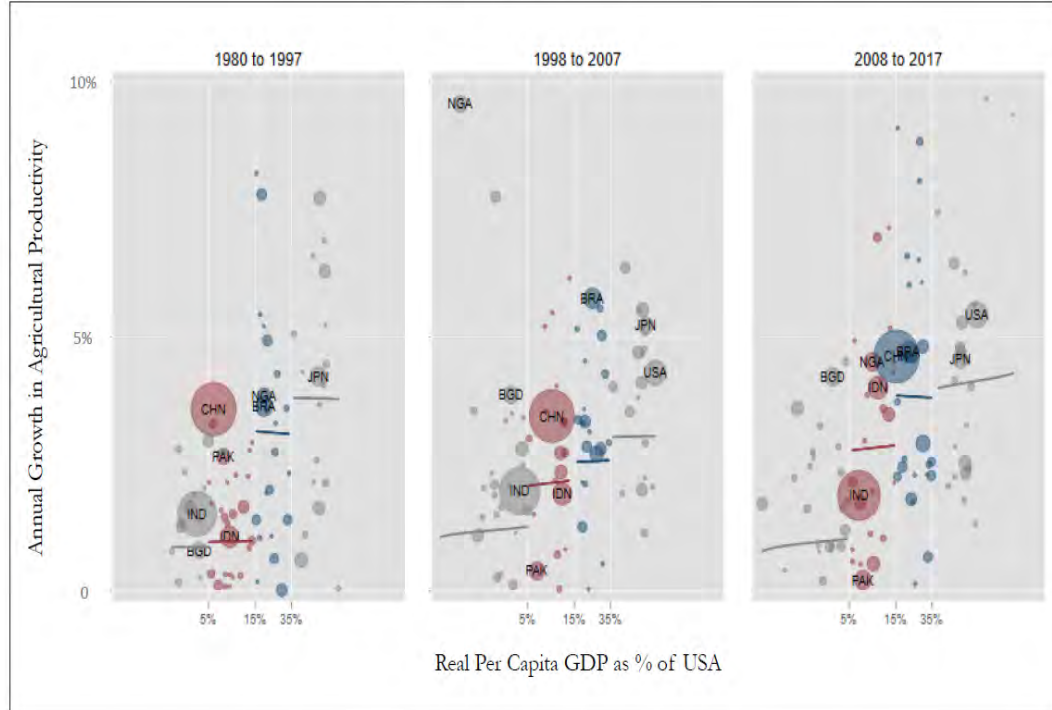


Source: Penn World Tables.



# Impeded Lewisian Transformation: The push from weak agriculture

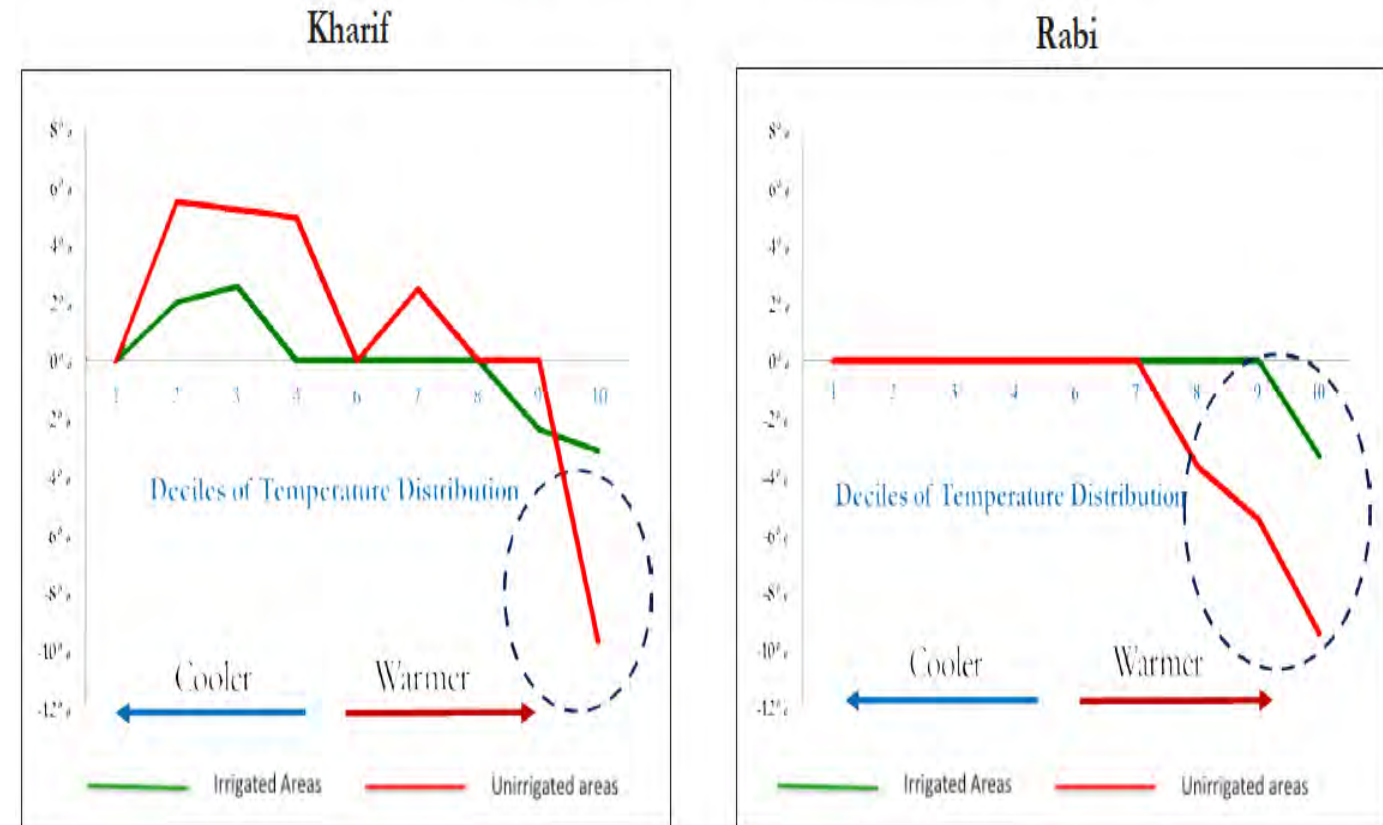
Figure 7. Unlike GDP, agricultural productivity levels across countries are increasingly diverging, not converging



Source: World Bank; Penn World Tables.

Note: Lines show a local polynomial regression. Bubbles are proportional to initial population, but regressions and averages are unweighted.

Figure 9. Effects of Temperature on Yields



Source: Survey calculations from IMD and ICRISAT data.

# Technology, Learning and Human Capital Regression

Figure 3. True Distance from Frontier

