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ECONOMIC CONVERGENCE IN THE OLD AND THE NEW ECONOMIES OF THE OECD

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A rapid process of income convergence or catch-up of per capita income occurred in the industrialized group of countries in the post-war years. The process was limited to the rich group of nations, to a "convergence" club, and developing countries did not benefit. Also, within the convergence club itself, the post-war convergence thrust lasted only till the mid-1970s. More recently, the process of economic integration in Europe has visibly reduced income differentials within the bloc. But the question is whether the mere fact of EU membership did the trick, or whether other factors such as the advent of the "***new economy"*** (information technology) have played a role. We explore this issue by disaggregating the economies of the OECD into IT and IT-using sectors and non-IT using sectors, and testing for income and productivity growth convergence or catch-up separately for these sectors.

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