

## Lecture 3

# **beta and sigma convergence**

Macroeconomic theory of stabilization and convergence

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## Reading list

### 1. Papers to read

- Sala-i-Martin, X. X. (1996). The classical approach to convergence analysis. *The economic journal*, 1019-1036.
- Bond, S., Hoeffler, A., & Temple, J. (2001). GMM estimation of empirical growth models (very good).
- Caselli, F., Esquivel, G., & Lefort, F. (1996). Reopening the convergence debate: a new look at cross-country growth empirics. *Journal of economic growth*, 1(3), 363-389; (related to the previous paper Bond et al. 2001)
- Arčabić, V., Kim, K. T., You, Y., and Lee, J. (2017) A century-long dynamics and convergence of income inequality among the U.S. states. (most examples are from this paper)
- Choi, C. Y., & Wang, X. (2015). Discontinuity of Output Convergence within the United States: Why Has the Course Changed?. *Economic Inquiry*, 53(1), 49-71 (I like this paper!)

### 2. Codes and data files

- AER\_figure1\_Top10.xlsx
- cross-section results.rpf
- Beta\_convergence\_panel.do
- Estimation\_Model\_A.do (does not work properly!)

## Overview of the lecture

**Introduction**

**The concept of  $\sigma$ - and  $\beta$ -convergence**

**Measuring  $\sigma$ -convergence**

**Measuring  $\beta$ -convergence**

**Conditional  $\beta$ -convergence, panel estimation**

**Problems with  $\sigma$ - and  $\beta$ -convergence tests**