On the Episodic Nature of Entry into and Exit from the "Convergence Club"

Research on economic development has largely focused on the characteristics of individual countries that might systematically determine success. While many correlations have been extracted from the data, cause and effect are difficult to disentangle; a reliable blueprint for development has eluded researchers. The Washington Consensus, perhaps now in updated form, still commands the position of conventional wisdom but its formulation is now so demanding as to cause more than one observer to wonder whether it in effect requires a country to be developed as a pre-condition for development.

Intriguingly, the record of convergence and divergence is highly inconsistent over time. Some historical periods appear to feature more entrants into the convergence club than other historical periods—and the most recent era has witnessed significant numbers of departures from this club.

The episodic nature of convergence suggests that different contexts are more or less conducive for development. This is an important issue: if we cannot, as it were, "bottle the ingredients" that make development work, but could identify contextual factors that make development more likely—and which might be amenable to policy manipulation—that would be a step in the right direction.

To get at this issue, we review the convergence record over time, relate the historical pattern to global exchange rate regime changes and associated changes in price behaviour.

Convergence during Alternative Globalization Eras

The first major era of globalization stretched from the Napoleonic wars to the outbreak of WW1. Consider the following description of globalization during this period: