CONVERGENCE AND WELFARE IN ASEAN AND BEYOND

DISCUSSANT'S COMMENTS

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RESEARCH QUESTION

The main paper hypothesis are:

- Despite all differences between ASEAN countries, does the economic growth and income of them converge?
- What are the key ingredients for faster growth?

SUMMARY OF THE PAPER

Main Findings:

- Yes, ASEAN country income per capita converge to Advanced Economy (AE) and Cambodia Laos Myanmar Vietnam (CLMV) converge to ASEAN-5.

- The growth of ASEAN-5 is still slower than Korea, Japan, and China at a similar level of development.

- Introducing new measurement of welfare (Consumption-equivalent welfare instead of income-equivalent welfare).

COMMENTS

- ASEAN country will converge regardless of whether it reform its economy. So if the result are the same, what is the purpose of economic reform? This paper needs to address whether any economic reform could increase the convergence speed.
- This is one of the first papers that recognize structural reform as a convergent factors. Previously, income convergence was based on assumption of labor mobility (Rappaport, 2005). Slaughter (1997) argue that international trade has a big role in income convergence.
- "Avoid middle income traps: ... promote home-grown innovation,..." We need more details on strategy to promote innovation.

COMMENTS

- New measurement of welfare (Consumption-equivalent welfare instead of income-equivalent welfare) is promising. It should be able to distinguish between the welfare of a country that depends on domestic consumption and the welfare of a country that depends on external factors.
- The unresolved mystery: What makes China, South Korea, and Japan have higher growth at a similar level of development?
- Even in a context of convergence across ASEAN countries, the gap between developed and developing countries in terms of living conditions remains large.
- These findings bring clear policy relevance, especially for Indonesian

CONVERGENCE CONCEPTS

- Main convergence concepts which are usually used in explaining the convergence dynamics:
  β-convergence, σ-convergence, Progressivity, Re-ranking and Leapfrogging.

- β-convergence
  - This measurement test if poor countries could grow faster than rich countries and was based on the regression of income growth rates on initial income.
  - Mankiw (1992) and Friedman (1992) argued that this measurement could detect mobility within an income distribution but did not give any indication to detect whether there is reduction in income dispersion

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- σ-Convergence
  - This approach was developed by Quah (1993) after showing that the traditional β-convergence regression does not give an understandable answer about convergence.
  - There is a case in which β-convergence tends to be negative even if the income differences have not decreased. He suggested that σ-convergence pertains to the decline in the cross-sectional dispersion of per capita income

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- Progressivity, Re-ranking and Leapfrogging
  - Based on Jenkins and Van Kerm (2003)
  - They decompose the change in income inequality over time into terms representing the progressivity of income growth and the extent of re-ranking (mobility).
  - Donaldson & Weymark (1980, 1983), Yitzhaki (1983), Lambert (2001) introduced Generalized Gini Index to measure this convergence.

Thank You