

Critical Re-Evaluation of Neoclassical Convergence Paradigms: Implications for Endogenous Growth in Heterogeneous Economies

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Abstract. This article challenges the conventional neoclassical convergence models by exploring endogenous growth dynamics within heterogeneous economies. Utilizing panel data from 1990 to 2020 for OECD countries, the study employs advanced econometric techniques to dissect the nuanced interactions between innovation policy, capital accumulation, and productivity growth. The findings reveal significant variances in convergence speeds, driven by institutional and technological heterogeneity, suggesting a recalibration of policy frameworks. These insights underscore the necessity for tailored economic strategies, reshaping the discourse on global inequality mitigation.

Keywords: Neoclassical convergence, Endogenous growth, Economic heterogeneity, Innovation policy, OECD economies, Capital accumulation, Productivity growth, Global inequality, Econometric analysis

Introduction

In the contemporary discourse on economic growth, the neoclassical convergence hypothesis has been a cornerstone, positing that poorer economies tend to grow at faster rates than richer ones, thus converging in terms of per capita income. However, with the advent of globalization and the increasing complexity of economic interactions, this

premise warrants a critical re-evaluation. Our analysis is set within the broader context of endogenous growth theory, which emphasizes the role of knowledge spillovers and innovation as pivotal drivers of economic expansion. The stark disparities observed in economic performance across OECD countries over the past three decades call for a reconceptualization of traditional paradigms. By leveraging comprehensive panel data from 1990 to 2020, this study interrogates the heterogeneous nature of convergence across varying institutional and technological contexts. Through the application of state-of-the-art econometric methodologies, we provide granular insights into how differentiated innovation policies and capital accumulation strategies impact productivity growth and convergence rates. This re-assessment not only elucidates the limitations inherent in one-size-fits-all models but also highlights the imperative for nuanced and contextually adaptive policy prescriptions. The ensuing sections detail the methodology employed, followed by an in-depth analysis of the empirical findings and their implications for both policymakers and economic theorists.

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