
Comments to “Growing United: Upgrading Europe’s Convergence Machine” by Peter Berkowitz

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Main comments – very interesting and important work for various reasons

1. Great “tour de force” on recent evidence about convergence processes in Europe
2. New evidence on different types of development traps
3. Development traps are not just an economic problem but quickly become a social and political problem >> discontent >> populism
4. Interesting approach to model impact of investments

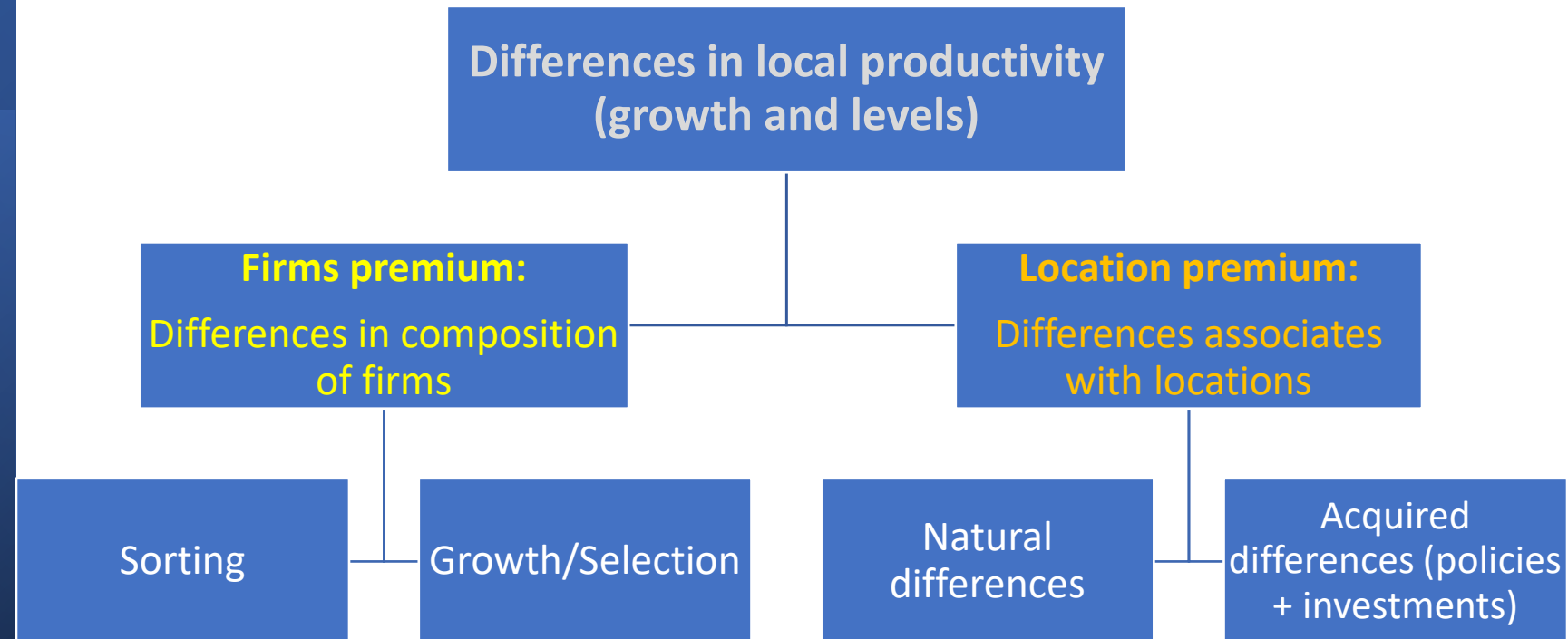
Takeaway #1: “Ex Uno Plura” – From a story about convergence to many ones

*“All happy families are alike;
each unhappy family is unhappy in its own way”*

1. Struggling to converge or presence of “development” trap can take many shapes...
 - The “runaway” story (e.g. Bulgaria)...not a bad story and maybe a temporary one?
 - The “sluggish” story (e.g. Greece)...backwards region not managing to pick up...a bad story as it may highlight “structural” problems in poorer regions
 - The “reversion to mean” story (e.g. Portugal)...more advanced regions are falling back
2. Thinking of different growth convergence models can we separate
 - Structural from conjunctural factors?
 - Can we move from “taxonomy” or “typology” to underlining drivers of these different “development traps” models?

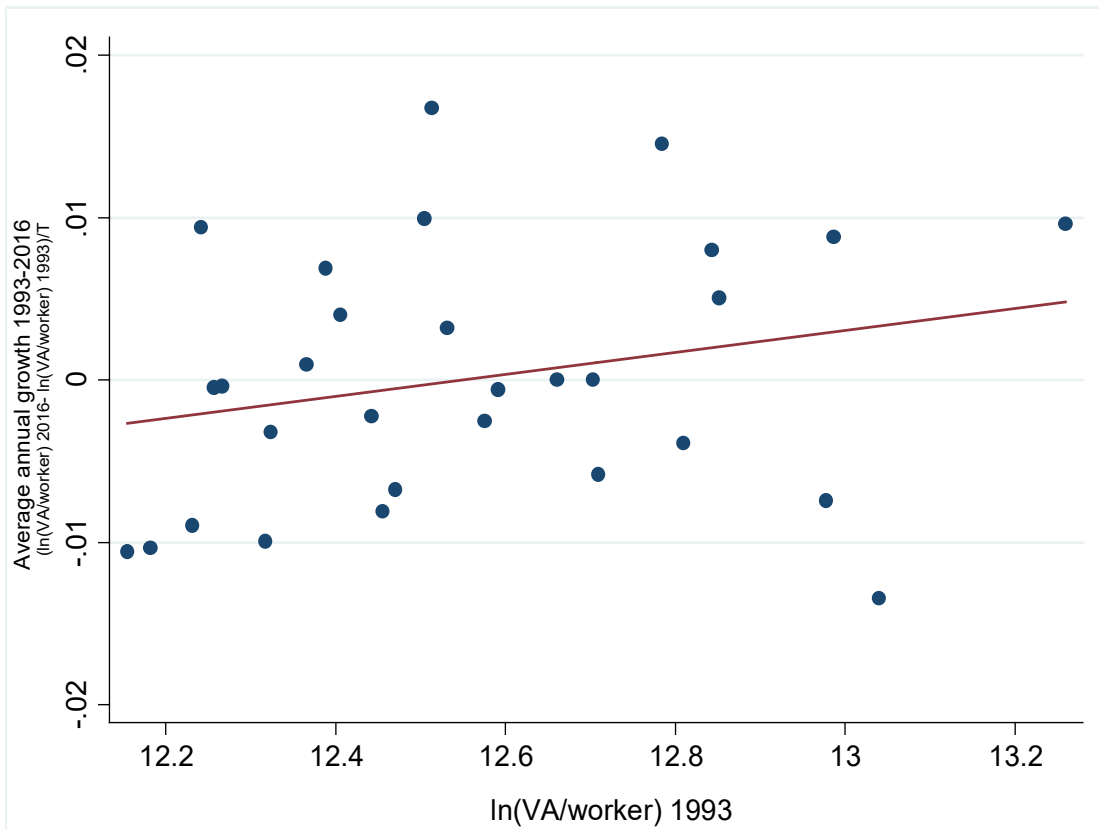
One idea for thinking about underlining drivers of “local” growth

*Drivers of differences:
Connecting “space”
based with “firms”
based drivers*

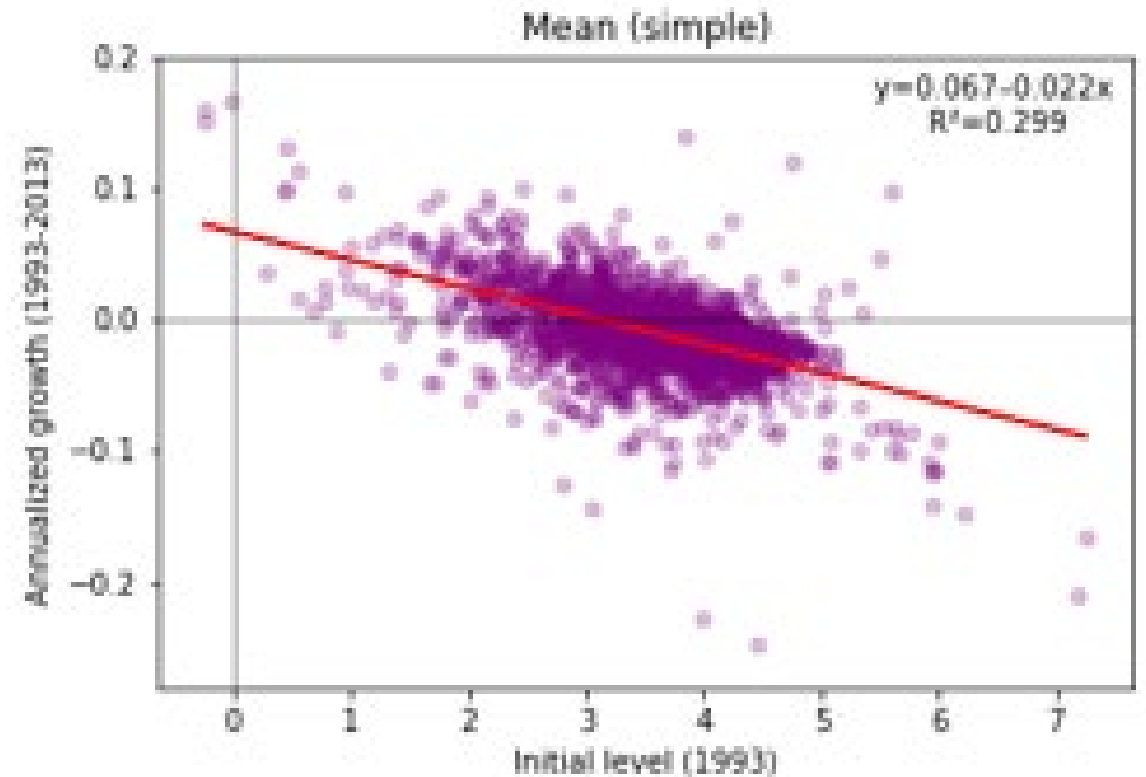


Takeaway #2: Binoculars vs microscopes - What is the right unit of observation?

Mexico: Lack of convergence between “states”

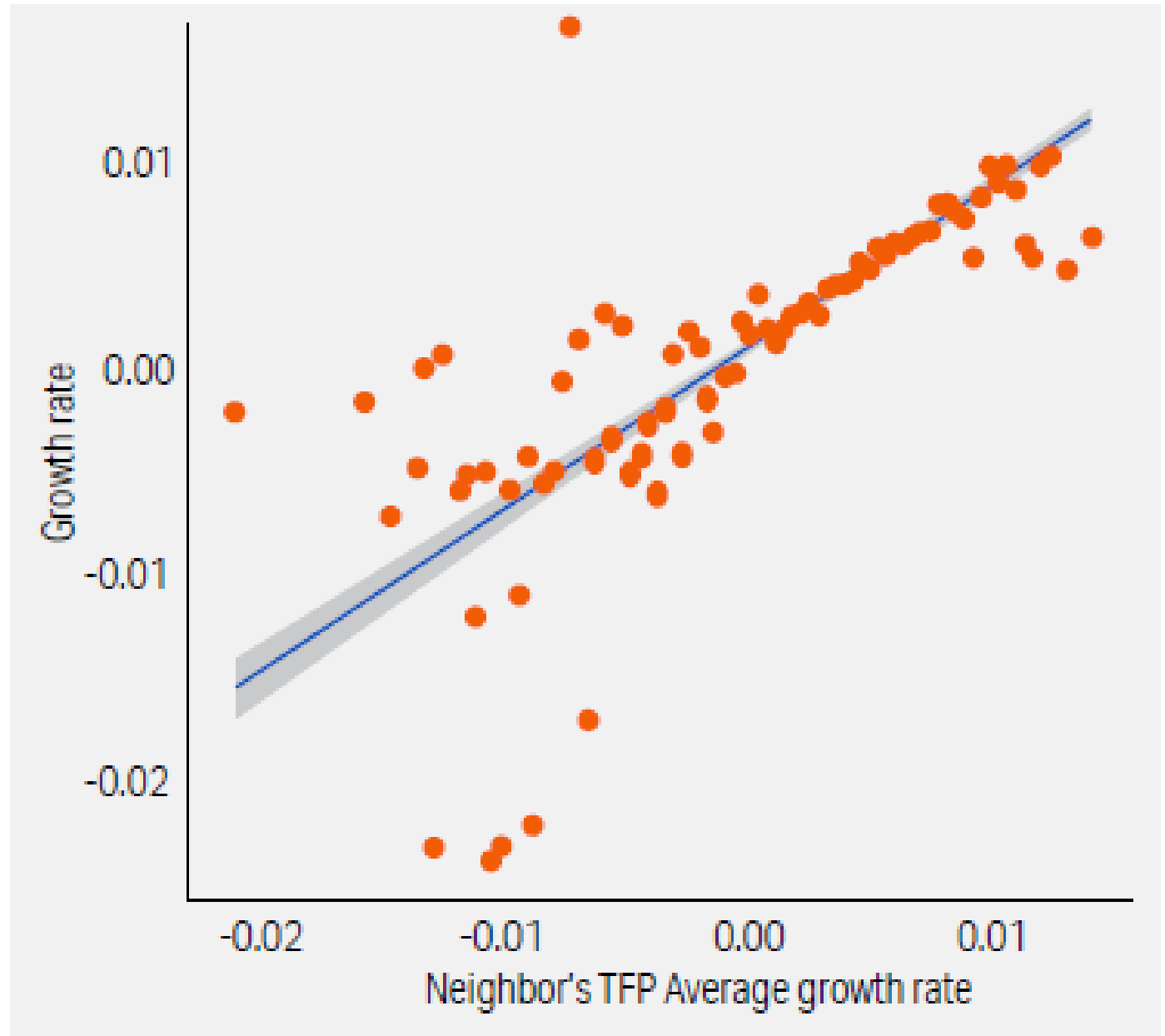


Mexico: Strong convergence between “municipalities”



One more idea
from Mexico: the
importance of
good neighbors –
does it matter
also for Europe?

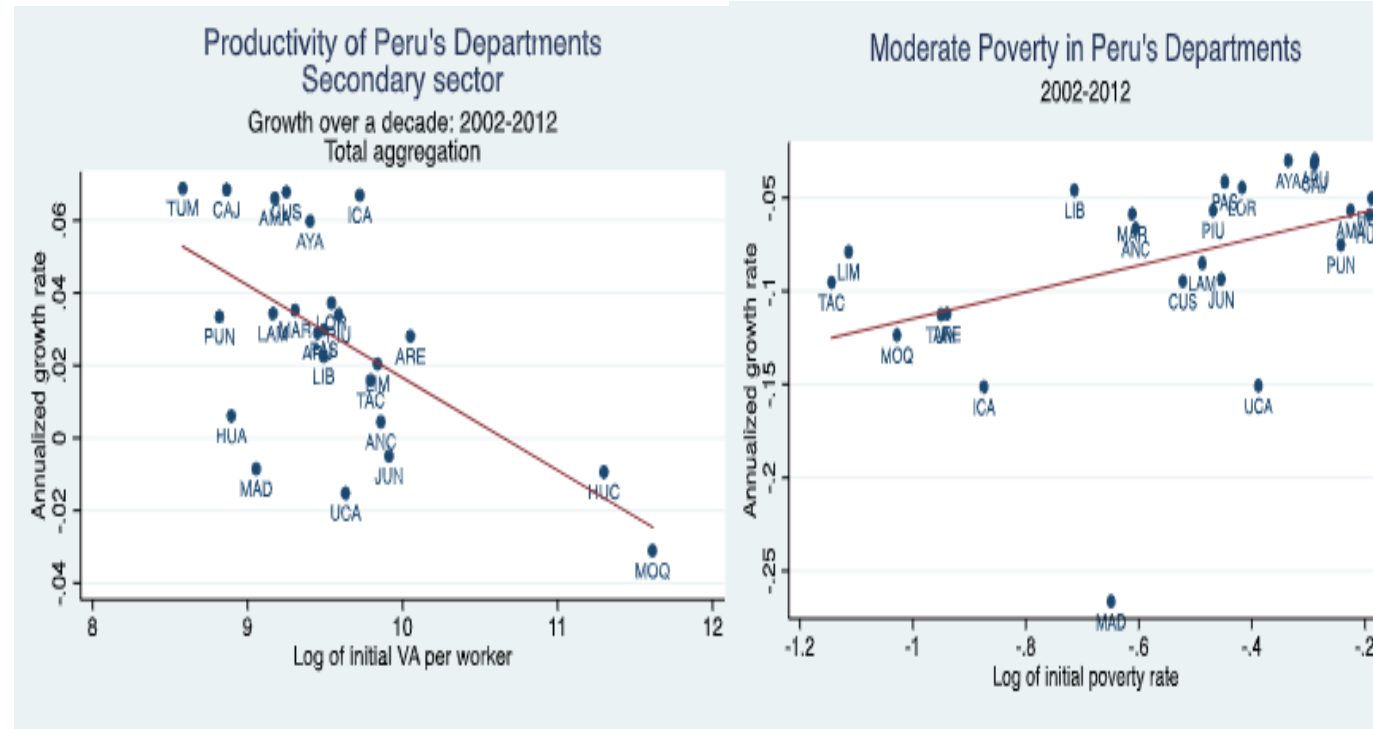
Correlation between the growth rates of a municipality
and its neighboring municipalities in Mexico



Takeaway #2-part 2: What about convergence between sectors?

- Should we care just about convergence between “localities” or convergence between localities-sectors?
- What can we learn by analyzing how sectors are converging?
- This would point to a key issue: reallocation of resources across sectors (and firms) >> **big role for markets, investments and policies**

Peru: Sectoral convergence but poverty divergence



Some concluding questions

Q1. Can we think of different models of growth for different context (and respective policies to support them)?

1. Lagging regions: focus on “reallocation” from low productivity to higher productivity activities + basic accumulation (human and physical capital)
2. Intermediate regions: technology adoption and diffusion + “reallocative” efficiency (“between firms” productivity drivers)
3. Leading region: innovation and creation – focus on “within” firm driven productivity growth

Q2. What role technology diffusion and innovation plays in these patterns of convergence and “development traps”?

Thank you!