

Time series test of nonlinear convergence and transitional dynamics

Abstract

This paper revisits the income convergence hypothesis by using the nonlinear unit root test of Kapetanios et al. [Kapetanios, G., Shin, Y. and A. Snell, 2003. Testing for a unit root in the nonlinear STAR framework. *Journal of Econometrics* 112, 359-379.]. Out of the 12 OECD income gaps in which nonlinearity has been detected, two cases of long-run converging and four cases of catching up are found. © 2008 Elsevier B.V. All rights reserved.