

“The Importance of Being Unimportant”: A Century of New Zealand Economic Growth.

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Recent tests of the Convergence Hypothesis, or the tendency for per capita income levels to narrow over time have included a time-series testing approach, see Bernard and Durlauf (1995, 1996), Oxley and Greasley (1995), Greasley and Oxley (1997, 1998a). Results have been mixed with Bernard and Durlauf finding no evidence of convergence whereas Oxley and Greasley find evidence of two small convergence clubs. This paper adds to the debate by considering a newly created annual per capita income series for New Zealand, 1870-1993. The results show that the series is integrated of order 1, $I(1)$, and neither a single or joint breaks overturn the null of a unit root. Combined with results from Greasley and Oxley (1998a, 1998b), this property of New Zealand data is incompatible with her belonging to the UK/Australia convergence club, or converging towards either of the North American economies. New Zealand per capita income growth is idiosyncratic, diverging below the growth rates of traditional trading partners. A conjunction of small size and insular economic policies distinguishes New Zealand's economic development.

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