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The legendary 2% convergence parameter: flexible or fixed?

The article goes beyond the standard approach in testing the hypothesis of the existence of real income-level convergence. A load of macroeconomic literature is devoted to the problem of GDP convergence. While many authors raise doubts whether the *ceteris paribus* rate of relative β convergence should be believed to be constant across countries or regions, most of them assume that it is approximately stable over time. This, however, seems doubtful especially in the years of global economic crisis. In the article, we propose a dynamic panel data approach in which the convergence parameter $\beta + x(t)$ is allowed to vary over time. Obtaining the estimates of $x(t)$ allows for identification of the path of β convergence parameter over time in the group of EU countries with an emphasis on the problem of its stability in the years of global economic crises.