

Late converger stall

May 23, 2020

- This refers to the phenomenon wherein a low-income country that hopes to grow into a middle- or high-income country, after witnessing a period of high economic growth, fails to achieve its goal.
- Instead, it gets trapped in its lower income status due to various reasons.
- Rapid growth witnessed by such countries turns out to be the result of favorable economic conditions and hides the structural weaknesses in those economies.
- Resource-rich economies generally witness high growth during periods of increasing commodity prices, which in turn leads to hopes of sustained economic growth.
- Such hopes come crashing down after commodity prices fall.