

ABSTRACT

The analisis in this research was purposed for firstly, to determine the occurence or non-occurence of σ -convergence in Indonesia. Secondly, to determine the occurence or non-occurence of absolute and conditional convergence in Indonesia. Thirdly, to determine the magnitude of speed of convergence if there was the absolute or conditional convergence in Indonesia. Fourthly, to determine the half life of convergence or the time needed to cover the half of initial discrepancy. This research used the secondary data which is rate of economic growth year 2002 -2012, income per capita year 2002 – 2012, gross fixed capital formation year 2002 – 2012, labor market year 2002 – 2012 and total factory productivity data year 2002 – 2012 of 33 provinces in Indonesia. The methode used in this research is panel data with fixed effect model and dummy region. This research had two different analisis, first, σ -convergence analisis with counting the deviation standard of log of income per capita. And second, β -convergence analisis conducted through analisis absolute convergence and conditional convergence models. The result of this research showed that the σ -convergence have a declining scheme, this scheme illustrated the possibility of a decrease in inequality. The result of absolute convergence showed that there was no convergence in Indonesia. Meanwhile the result of conditional convergence showed that there was economy growth convergence in Indonesia with speed of convergence 5,9 percent per year and the half life of convergence in the amount of 12 years.

Keywords : convergence, σ -convergence, β -convergence, absolute convergence, conditional convergence