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THE WORLD BANK

Washington, D.C.

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Research on Economics and Development - Bela Balassa - Chronological Record - June through November 1972

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November 29, 1972

Dr. Zvi Sussman  
Director, Research Department  
Bank of Israel  
Jerusalem  
Israel

Dear Dr. Sussman,

I was sorry to hear of your illness. I understand that this as well as the difficulties related to the discrepancies between the 1965 and 1968 input-output tables have caused some delay in the preparation of the results. Correspondingly, I will be expecting the revised estimates of the effective rates of protection for 1968 in the course of December and the evaluation in late January. It will be good if I had the estimates even before the write-up since I may be able to offer some suggestions for the evaluation.

Thank you for the information on the time spent on the project which has not been financed by the World Bank. Could you please express this in number of months as well as in dollar terms. I would need it in order to show that there has been joint financing of the project by the World Bank and the Bank of Israel.

Sincerely yours,

Bela Balassa

P.S.

I hope that you have fully recovered. Best regards to your wife. Please tell her that we are having the Jerusalem map she so kindly sent me framed.

Home Address

2134 Wyoming Avenue N.W.  
Washington D.C. 20008  
USA

28 November 1972

Mr. Frederick Drew  
Las Amazonas 190  
San Isidro, (El Olivar)  
Lima  
Peru

Dear Mr. Drew,

My travel plans are now firm; I will be in Lima between January 1st and 6th. I expect to stay at the ~~Crillon~~ hotel and will contact you upon arrival.

Since my last letter I have obtained a copy of the Act of Congress on the Regulation of Importation of Pre-Columbian Monumental or Architectural Sculpture or Murals. In the first paragraph it is indicated that the Secretary of State will prepare a list of items which are subject to import prohibition under the law. Thus, as I noted in my last letter, the law does not apply to any kind of pottery.

Sincerely yours,

Bela Balassa

P.S.

It is conceivable that instead of the Crillon Hotel I will stay at the Country Club. I will let you know in time.

## OFFICE MEMORANDUM

TO: Mr. Hollis B. Chenery

DATE: November 29, 1972

FROM: Bela Balassa *B*SUBJECT: Exchange Rate Conversions

In response to your memo of November 13, I enclose an evaluation of P.A. David's "Just How Misleading are Official Exchange Rate Conversions?" While I have concluded that the method suggested by David is not suitable for adjusting national income data in developing countries, I see possibilities for devising a more appropriate method. For this purpose, one could take the Clague-Tanzi article as our point of departure and utilize data on purchasing power parities that are regularly calculated by the German Statistical Office for 18 developed and 32 developing countries. Such an exercise would however involve considerable effort since, as I note on p. 9 of my memo, one would have to take account of factors such as natural resource endowment and human capital.

cc. Messrs. Stern  
Edelman  
Saxe  
Carter  
Adelman  
Yudin  
McPheeters

Cauas  
Hayes/Tims

BBalassa:alm

Mr. Peter Nichols

November 29, 1972

Bela Balassa

Miss Mehrzad Nadji

I enclose a resume of Miss Mehrzad Nadji which I have received from Professor Andrew Whinston of Purdue University. Professor Whinston has a very favorable opinion of Miss Nadji and I consider him to be a reliable judge of people. I would like to suggest therefore that you consider Miss Nadji for employment. You may perhaps wish to send her information on the Young Professional program.

BBalassa:alm

November 28, 1972

Professor Andrew Whinston  
Purdue University  
Krannert Graduate School of  
Industrial Administration  
Lafayette, Indiana 47907

Dear Andy,

Many thanks for your letter of November 15. I have sent a copy of the resumé of Miss Mehrzad Nadji to our Personnel Department as well as to Peter Clark who is the Chief of the Development Planning Division in the Development Research Center of the Bank. Let me add here that, given Miss Nadji's age, it is likely that she could get into the Bank only through the Young Professional program. This is a high-level program for selected people under 30 who wish to join the Bank. Exceptions are rarely made; a person may by-pass the Young Professional program if he or she possesses skills which are urgently needed in one of the Bank's Departments.

Sincerely yours,

Bela Balassa

cc. Mr. Clark

P.S.

It was good to see you and Veronika. I am sorry that thus far nothing seems to have worked out at Hopkins.

November 28, 1972

Mr. Pierre Keller  
Graduate Institute of International  
Studies  
132 rue de Lausanne  
Case Postale 53  
CH 1211 Geneva 21  
Switzerland

Dear Mr. Keller,

Please excuse the delay in answering your letter of August 25. This is due in part to a change in my address. The new address is shown in the letter-head.

I welcome your continuing efforts to establish a "Centre International d'Etudes monetaires et bancaires", and I trust that you will succeed. I have read the proposal and agree with its contents. I find the research program of the Centre of especial interest.

Please let me know if and when the Centre is established. Until then, I remain,

Sincerely yours,

Bela Balassa

cc. Dr. Alexandre Swoboda



November 28, 1972

Professor Kuo-shu Liang  
National Taiwan University  
Department of Economics  
College of Law  
21 Hsu Chow Road  
Taipei  
Taiwan

Dear Professor Liang,

I was sorry to hear about the delays you have had with your study on development strategies in Taiwan due to the difficulties with the programming and computer center. I certainly think, however, that the comparisons of the results for 1966 and 1969 are well worth doing.

It is good to know that you will be coming to Vanderbilt in early January and that you expect to have the results by that time. I would like you to come to Washington soon after your arrival so that we could discuss the results of the calculations in detail. I will be out of the country until the middle of January but you could perhaps come on January 17 or 18.

Sincerely yours,

Bela Balassa

November 28, 1972

Dr. Franz-Lothar Altmann  
Jahrbuch der Wirtschaft Osteuropas  
Osteuropa-Institut Munchen  
8 Munchen 80  
Scheinerstrasse 11  
West Germany

Dear Dr. Altmann,

I am sorry to say that again I will not be able to  
contribute to your Yearbook.

Sincerely yours,

Bela Balassa

November 28, 1972

Dr. Julio Berlinski  
Pueyrredon 336  
8p 25  
Buenos Aires  
Argentina

Dear Julio,

Dani Schydrowsky told me about the recent telephone conversation he had with you concerning the expected dates of completion of your study. I understand that calculations of effective rates of subsidy will be completed two or three weeks after the results of effective protection are available. Please let me know if there are any changes in the dates and let me have an indication of the extra expenditures you may incur.

After the fracas we have created concerning your employment by the Bank, there is again hope that the Economics of Industry Division will offer you a job. I certainly hope that they will do so.

With best regards,

Sincerely yours,

Bela Balassa

November 28, 1972

Mr. B. W. Wickham  
Conference Secretary  
Cambridge Conference on Development  
c/o Faculty of History (Room 12)  
University of Cambridge  
West Road  
Cambridge CB3 9EF  
England

Dear Mr. Wickham,

In response to your letter of October 12 I enclose two signed copies of the letter of agreement as well as a copy of a slightly revised version of my paper, "Regional Integration of Trade: Policies of Less Developed Countries". Please let me know the title of the volume in which the paper will appear, and the expected publication date.

With best regards,

Sincerely yours,

Bela Balassa

P.S.

To answer your kind enquiry, my wife and new baby are doing very well and by now the two-year old has also accepted her brother!

Home Address

2134 Wyoming Avenue N.W.  
Washington D.C. 20008

27 November 1972

Growth Fund Research Inc.  
P.O. Box 2109  
San Clemente  
Calif. 92672

Dear Sirs,

I am a subscriber to your Growth Fund Guide. I have not however received the November issue. Please send this by return mail. Also I would appreciate receiving your Guide early in the month so that I can make use of it in my transactions.

Sincerely yours,

Bela Balassa

Home Address  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008

27 November 1972

Fundicator Inc.  
P.O.Box AA  
Denville  
New Jersey 07834

Dear Sirs,

I am a subscriber to your Fundicator Guide. I have not however received the November issue. Please send this by return mail. Also I would appreciate receiving your Guide early in the month so that I can make use of it in my transactions.

Sincerely yours,

Bela Balassa

Home Address  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008

November 27, 1972

Templeton Dobbron & Vance Inc.  
Investment Counsel  
30 Rockefeller Plaza  
New York, N.Y.

Dear Sirs,

Please send me a copy of the prospectus of the Templeton  
Growth Fund to my home address.

Sincerely yours,

Bela Balassa

Bela Balassa

Multinational Infrastructure Projects.

1. Per your request, I report below on the two studies of multinational infrastructure projects. The first, Multinational Infrastructure Projects (1969) was prepared by a consulting firm, Cornell, Howland, Hayes and Merryfield, for the Institute for Latin American Integration (INTAL); the second, Proyectos Multinacionales de Infraestructura Fisica (1970) was written by John C. Elias of the staff of INTAL.
2. Multinational Infrastructure Projects relates the story of several multinational projects including three cases of gas pipelines in North America (Pemex, the Great Lakes Transmission Company, and the El Paso Natural Gas and West Coast Transmission Case); the Pacific Northwest Power Pool; international agreements in the containerization of cargoes; the International Telecommunications Satellite Consortium (INTELSAT); and the Sault Ste. Marie bridge between the United States and Canada. Only one of these projects (the construction of a gas pipeline in collaboration with Pemex) involved a developing country (Mexico) and this has foundered on the opposition of the US Federal Power Commission. At any rate, the treatment of the individual cases tends to be legalistic and historical, with little economic content.
3. Proyectos Multinacionales de Infraestructura Fisica utilizes material from the study discussed in Para 2 as well as from Pilot Study of Certain Multinational Projects by Zinder International Ltd. It describes multinational projects in a variety of fields involving the participation of the following countries.
  - (a) bridges: in Latin America (6), Mexico and the United States (7), Canada and the US (1), and Norway and Sweden (1).
  - (b) dams: Mexico and the US (4).
  - (c) other waterworks: Mexico and the US (2), Canada and the US (3), and various European countries (4).
  - (d) electrical transmission lines: Colombia and Venezuela, Brazil and Uruguay, Argentina and Uruguay, Argentina and Paraguay, Mexico and the US, Canada and the US, and various European countries.
  - (e) oil and gas pipelines: Argentina and Chile, Bolivia and Chile, Canada and the US, and various European countries.
  - (f) tunnels: France and Italy.
  - (g) railroads: Chile and Argentina.
  - (h) airports: France and Switzerland.

Finally, two annexes briefly deal with the Central American Telecommunications agreement and with INTELSAT.



4. As its subtitle (Formulas juridico-administrativas) indicates, the study gives emphasis to the legal and administrative aspects of multinational projects. It deals mainly with the construction, financing, and operation of these projects and considers the division of costs and benefits only in cases when this is subject to agreement by the contracting parties. The volume provides little economic analysis and, despite references to the contrary in the introduction, it does not have much to say on the implications of multinational projects for economic integration in Latin America.

cc. Mr. Stoutjesdijk

BBalassa:alm

Home Address

2134 Wyoming Avenue N.W.  
Washington D.C. 20008

November 27, 1972

Tudor Hedge Fund  
120 Broadway  
New York, N.Y. 10005

Dear Sirs,

I recently purchased shares in your Fund. I do not however have a prospectus. Please send me one to my home address.

Sincerely yours,

Bela Balassa



# Record Removal Notice



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Mr. Grant Slade

November 24, 1972

Bela Balassa

Computer Runs for Development Strategies Project

This is to inform you that my research assistant, Mr. Jonathan Levy, is entitled to undertake and request any kind of computer operations for my Development Strategies in Semi-Industrial Countries project, computer no. \$3688M4.

BBalassa:aim

Messrs. de la Renaudiere and de Vries

November 24, 1972

Béla Balassa

Bank Policy and Research on Economic Integration

This memo complements my note on Bank Policy and Research on Economic Integration.

EBalassa:alm

*pink*

## OFFICE MEMORANDUM

TO: Mr. Ernest Stern

DATE: November 24, 1972

FROM: Bela Balassa *B*SUBJECT: Bank Policy and Research on Economic Integration

1. Following the receipt of your memo, I had discussions with Mrs. Hughes on the research requirements of the policy papers on economic integration. Our joint conclusions on the topics, time requirements, and authors of background research papers for an "issues" paper on economic integration through trade agreements and for a policy paper on multinational (integration) projects are reported in Paras 2 and 3 below.
2. Background research papers for an "issues" paper on the benefits and costs of economic integration through trade agreements and on Bank policies to be followed concerning such schemes (point "b" in Para 18 of my November 6 memo):
  - (a) a reappraisal of the experience of the Central American Common Market; 4-6 weeks; Francisco Thoumi, Economics of Industry Division.
  - (b) a reappraisal of the experience of the East African Community; 4-6 weeks; a staff member of Eastern Africa Department.
  - (c) a survey of recent writings on regional integration in developing countries; 4-6 weeks; the author of the "issues" paper.
3. Background research papers for a Bank policy paper on multinational (integration) projects (point "f" in Para 18 of my memo):
  - (a) an investigation of the experience of the Central American Common Market with integration industries; to be done as part of (2a).
  - (b) an investigation of the experience of the East African Community with the transfer tax scheme; to be done as part of (2b).
  - (c) an investigation of the industry allocation scheme between Iran, Pakistan, and Turkey; 2-3 weeks; John Hansen, Economics of Industry Division.
  - (d) an investigation of the Central African scheme on industry allocation; 2-3 weeks; a staff member of the Western Africa Department.
  - (e) an investigation of the industry allocation scheme of the Andean Common Market; 2 weeks; Francisco Thoumi, Economics of Industry Division.
  - (f) an examination of Bank experience with multinational projects; 4-6 weeks; to be determined.
  - (g) an examination of the experience of regional banks and national aid agencies with multinational projects; 4-12 weeks; to be determined. Note: Mrs. Hughes and I feel that a 4-6 week study of the problem should suffice; this will mean concentrating on IDB and AID plus correspondence with other regional banks and aid agencies.

4. The people suggested for particular assignments have done work on the problems in question. I also had preliminary talks with Messrs. de Vries and Please on the possible involvement of their staff members without however asking for a definite commitment. I have further discussed with them as well as with Mrs. Hughes and Mr. Stoutjesdijk the contents of my November 6, 1972 memo and will take account of their comments in the revision. The revised version will clearly indicate the research requirements of the policy papers.

5. The contents of the "issues" paper are briefly indicated in Para 5 of my November 6 memo. In turn, the policy paper on multinational (integration) projects should focus on the evaluation and the promotion of such projects. As to the former, one should consider questions such as the measurement of benefits and costs to others than the nationals of the country where the project is to be undertaken together with the valuation of these costs and benefits; the use of compensation schemes for the equitable distribution of benefits and costs and the procedures to be applied in the absence of compensation; the usefulness of a "package-approach" to multinational (integration) projects; possibilities to allow for the interrelationship of projects; and, more generally, the question as to how lending criteria and lending terms may need to be adjusted for such projects. There further appears to be need to consider the question as to whether the Bank should play an active role as "promoter" of multinational (integration) projects and what form such promotion should take. This question is of especial importance in part because governments may not propose projects whose benefits are shared with other countries, and in part because the development of techniques to appraise multinational (integration) projects would require the Bank's active participation.

6. I come now to the question of the "demand" for the two policy papers in the Bank. Regional integration in developing countries has received considerable attention recently in connection with the primary exporters study as it offers a possible solution to small countries with unfavorable export prospects. I am also told that Mr. McNamara would like to get the Bank involved in regional integration and, in particular, in multinational (integration) projects. Integration has a practical interest especially for the Western Africa and the Eastern Africa Departments; the clients of these departments are small primary exporters who participate in various integration schemes and one of them contemplates undertaking multinational (integration) projects. In fact, my memo of November 6 was written as a direct response to questions raised by Messrs. de Vries and Please, the Chief Economists of the two departments.

7. As to the potential use of the proposed policy papers by the Bank, a distinction should be made between the "issues" paper and the paper on policies towards multinational (integration) projects. The former can serve to clarify issues relating to economic integration, supply a framework for economic reports on potential members of integration schemes, and provide support for the Bank's policy advising activities. In turn, the latter can serve as a basis for Bank financing of projects that are multinational in character. The importance of these papers for the Bank as compared to policy papers on other subjects is a different question, however. This is a matter for you and Mr. Haq to judge.

8. I have dealt so far with the research requirements and the potential usefulness of proposed policy papers in the field of regional integration (points "a", "b", "d", "e", and "f" in Para 18 of my memo). The proposed studies on the potential effects of integration schemes in selected regions (point "c") and on

industrial location of particular industries (point "g") are not related to the writing of policy papers. The latter has been approved by the Research Committee and is in progress; the Western Africa Department has expressed an interest in the former and I would prepare a research proposal if we reach agreement on its usefulness for the Bank.

cc. Messrs. Cauas  
Haq  
Hawkins  
Hughes  
Stoutjesdijk

BBalassa:alm



Adresse personnelle  
2134 Wyoming Ave. N.W.  
Washington D.C. 20008  
USA  
le 21 novembre, 1972

M. Jacques Brochier  
21 quai v. Augagneur 69  
Lyon  
France

Cher Jacques,

Mes amis Perouviens viennent de me suggerer de passer quatre jours au lieu de trois jours au "royaume inca". Voici un nouvel itineraire. Est-ce que vous etes d'accord?

28.12    jeudi    CF217    Lima 9.50 - Cuzco 10.50  
                  visite de la ville  
29.12    ~~ven~~endredi    visite a Macchu Pichu  
30.12    samedi    retour de Macchu Pichu  
31.12    dimanche    visite de la Valle des Incas et le marche indien  
                  de Pisac  
1.1      lundi    CF216    Cuzco 11.10 - Lima 12.10

Amicalement,

Mr. Ernest Stern

November 21, 1972

Bela Balassa

Poverty 2000

I strongly support Bank research on income distribution but I do not feel that we have sufficient evidence to judge Mr. Elliott's project at this time. I suggest that we postpone the decision until early next year when the first samples of his work become available.

cc. Members, Research Committee

*pink*

Home Address  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008

21 November 1972

The President  
PEPCO  
P.O.Box 2812  
Washington D.C. 20013


Dear Sir,

In my letter of October 24 to your firm I indicated that I was over-charged in your bill of October 5 and sent you a reading of my electricity meter as of October 19 together with a check for the amount of electricity actually utilized. I enclose a copy of the letter.

Your bill of November 7 reflects the payment of \$40 but rather than adjusting the bill, I am again charged with an exaggerated amount for the period October 5 - November 7 as well as a penalty payment for the previous period. At the same time, I was sent a card stating that "for the past several months the meter reader has not been able to gain entrance to my premises". This statement is untrue as, with two small children, there is always somebody in my house. At any rate, the meter reading sent you in my letter could have been used in the bill.

I wish to add that on November 19 the meter read 25830, as compared to 28960 shown in your bill of November 7. I wish to ask that my bill be rectified immediately and the overdue charges cancelled. Payment will be made as soon as I receive the revised bill.

Sincerely yours,

  
Bela Balassa

November 21, 1972

The Economists' Bookshop  
Clare Market  
Portugal Street  
London WC2A 2AB  
England

Dear Sirs,

Thank you for your recent note. I  
enclose a check for \$47.62 in payment of  
the invoices that are outstanding.

Sincerely yours,

Bela Balassa  
Professor of Political Economy

*pink*

## OFFICE MEMORANDUM

TO: Files

DATE: November 21, 1972

FROM: Bela Balassa

SUBJECT: Bank Work in Project Evaluation

1. Messrs. Chenery, Cauas, van der Tak and Balassa discussed on November 10, 1972 Bank work in project evaluation. The following summary of the discussions is based on the assumption that Mr. Henderson will accept the assignment to coordinate research on shadow prices and project evaluation in the Bank; it may serve as a basis for a memorandum by Mr. Chenery after this question is clarified. The topics covered are: the results of the recent Project Fest; the reconstitution of the Steering Group for Sector and Project Economics; the operational memorandum on project appraisal; and the research program on shadow prices and project evaluation.
2. Apart from demonstrating that, properly defined, alternative methods of project evaluation have the same information requirements and give the same results, the main benefit of the Project Fest appears to lie in its educational value to Bank staff. It has contributed to a better understanding of methods of project evaluation and of the need for using shadow prices. However, differences of opinion remain as to the practical application of alternative methods. Messrs. Balassa and Henderson have been asked to write a short memorandum stating points of agreement and the questions to be clarified.
3. The Steering Group for Sector and Project Economics has been reconstituted with Mr. Herman van der Tak as Chairman and Messrs. Bela Balassa and David Henderson as members. While the Steering Group has responsibility for Bank work on project evaluation and its relationship to sector studies, Mr. Henderson has been asked to coordinate Bank research on shadow prices and project evaluation on a day-to-day basis.
4. Under the direction of Mr. van der Tak, the Central Projects Department is engaged in an extensive revision of the operational memorandum on project appraisal. In revising the operational memorandum, use will be made of the various research papers prepared or in preparation at the Bank. Drafts of the memorandum will be circulated to those engaged in project work and, in particular, Mr. Henderson's contribution will be solicited.
5. Messrs. Balassa and Henderson have been asked to review recent Bank research on shadow prices and project evaluation and to prepare a proposal for future research. The proposal should aim at establishing a coordinated research program in the area and should cover work by Bank staff as well as by consultants. It should take Mr. van der Tak's May 10, 1972 memorandum on Shadow Prices and Project Appraisal as its point of departure. A copy of this memorandum is enclosed.

cc. Messrs. Chenery  
Cauas  
Duloy

BBalassa:alm

## OFFICE MEMORANDUM

TO: Distribution List

DATE: May 10, 1972

FROM: Herman G. van der Tak

SUBJECT: Shadow Prices and Project Appraisal

Following recent discussions, memoranda (from Balassa, Henderson, van der Tak) and research proposals (DRC, Economics), I should like to meet with you on Monday, May 15, 10 A.M., in Room C-303, to:

- (i) Agree on a program of work on shadow prices and project appraisal, and
- (ii) discuss a series of seminars on this topic.

Work program. Tentatively this work program includes the following:

1. Alternative project appraisal methods.

- (a) General survey paper on Little/Mirrlees, Bruno Test, UNIDO (Marglin), etc.;

Deepak Lal (ECD), in progress, draft being revised and completed, completion date?

- (b) Case studies.

- (i) Agriculture, Purna project;

Duane and Lal (ECD), in progress, completion date?

- (ii) Agriculture, project?

Parish (ECD) and ? (APD), Start? Completion?

- (iii) Industry, project?

Cammignani (NPD) and ? (ECD), Start? Completion?

- (iv) Other?

2. Shortcut methods of estimating shadow prices for capital, labor, and foreign exchange.

- (a) Balassa, Elitzer, Goreux

Scope? Start? Completion?

- (b) Deepak Lal (ECD)  
Scope? Start? Completion?
- (c) Maurice Scott (ECD?)?
- 3. Implications of partial use of shadow prices (second best problems).
  - (a) Deepak Lal (ECD)  
Part of survey paper sub 1 above?
  - (b) Schydrowski?
- 4. Sensitivity of shadow prices to specification of objective function (in particular, income distribution considerations).
  - (a) Practicable method of taking account of income distribution in project selection.  
Author?, Start? (soon), Completion (6 months?)
  - (b) Long-term study of impact on shadow prices of alternative specification of objective function.  
Goreux and others (DRC); in progress, completion date?
- 5. Fiscal constraints in implementing shadow price allocation?
  - (i) Effect of fiscal constraint on relevant shadow prices.
  - (ii) Tax/subsidies system for implementing shadow prices.  
Author? Start? Completion (6 months?)?
- 6. Sensitivity of shadow prices to different policy assumptions.
  - (i) Trade policies;  
Irma Adelman (DRC) Start? Completion?  
General question also to be discussed in Lal's survey paper, (sub 1 above).

## 7. Changes in shadow prices over time.

Manne (DRC), Start? Completion?

Bruno (DRC), Start? Completion?

I hope that during our meeting we can firm up this program, assign definite responsibilities and agree on timetables.

Seminars

I have received several suggestions for a series of seminars and other discussions on the use of shadow prices in project analysis, and fully agree that this would be useful and desirable. In my view it will be most effective to organize "limited access seminars" to discuss specific topics on the basis of prepared papers. In addition, open seminars should be held from time to time to disseminate whatever results are obtained more widely in the Bank.

A tentative series might include the following seminars:

1. On alternative project appraisal methodology.
  - (a) Deepak Lal, on general survey paper being prepared.
  - (b) Maurice Scott, on Little/Mirrlees with special reference to experience with actual application. (Paper now being completed).
  - (c) Stephen Marglin on UNIDO Method (Guideline volume has just been published).
  - (d) Authors of Bank case studies.

I propose we start the series in September, after the summer recess, and allowing adequate time for preparation and absorption of papers for discussion. I suggest we limit participation to twenty or less, and get some of the participants as discussants, or at least participants, in other sessions. Would it be preferable to concentrate a number of seminars in a short period, say a week, or rather stretch it out?

2. On second best problems etc. (see work program sub 3 and 5 above). To be scheduled after completion of relevant papers.
3. On shortcut methods for estimating shadow prices (see work program sub 2 above). Idem.



4. Treatment of income distribution/employment in project analysis. Idem.
5. Other.

HGvanderTak:lfb

Distribution:

cc: Messrs. Haq, B. B. King

Messrs. Henderson, Hawkins, Reutlinger, Mrs. Hughes (o.r.)

Messrs. Goreux, Balassa, Blitzer

Mr. Tims

Adresse personnelle  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008

le 17 novembre, 1972

Cher Jacques,

Voici les renseignements sur les vols Paris/Lima/Cuzco.

|       |          |       |                                   |
|-------|----------|-------|-----------------------------------|
| 27.12 | mercredi | AF203 | Paris 11.00 - Lima 21.50*         |
| 29.12 | vendredi | CF217 | Lima 9.50 - Cuzco 10.50           |
| 1.1   | lundi    | CF216 | Cuzco 11.10 - Lima 12.10          |
| 4.1   | jeudi    | AF202 | Lima 11.00 - Pointe-a-Pitre 19.10 |

\*avec une escale a Pointe-a-Pitre

Nous allons retenir des places sur les vols Lima/Cuzco/Lima indiqués ci-dessus. Faites le meme!

Il nous a fait beaucoup de plaisir de te voir et nous esperons de vous retrouver tous les deux a Lima.

Mes amities a Huguette.

M. Jacques Brochier  
21 quai v. Augagneur 69  
Lyon  
France

Home Address  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008

November 17, 1972

Eaton Paper Co.  
75 South Church Street  
Pittsfield  
Massachusetts 01201

Dear Sirs,

Please send to my home address one "Week-at-a-Glance" dated diary for 1973, no. 175-100J, any color except dark blue. My check for \$1.85 is enclosed.

Sincerely yours,

Bela Balassa

Home Address  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008

November 17, 1972

"The Sun"  
Baltimore  
Maryland

Dear Sirs,

Please send to my home address a copy of Frank Schoonmaker's  
Vintage Wine Chart.

Many thanks,

Sincerely yours,



Bela Balassa

November 14, 1972

Markham Publishing Co.  
3322 West Peterson Ave.  
Chicago, Ill. 60659

Dear Sirs,

Please send me copies of Project Evaluation: Collected Papers and Papers in Economic Development, both by Arnold C. Harberger, together with your invoice.

Sincerely yours,

Bela Balassa  
Professor of Political Economy



# Record Removal Notice



|   |                                |  |                                |                          |
|---|--------------------------------|--|--------------------------------|--------------------------|
| <b>File Title</b><br>Research on Economics and Development - Bela Balassa - Chronological Record - June through November 1972 |                                | <b>Barcode No.</b><br><br>30280405   |                                |                          |
| <b>Document Date</b><br>November 14, 1972   | <b>Document Type</b><br>Letter |  |                                |                          |
| <b>Correspondents / Participants</b><br>From: Bela Belassa<br>To: New England Merchants National Bank                         |                                |  |                                |                          |
| <b>Subject / Title</b><br>Purchase of Shares  |                                |  |                                |                          |
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| <b>Withdrawn by</b><br>Ann May  | <b>Date</b><br>13-Jan-17       |  |                                |                          |

November 14, 1972

Professor Richard Ruggles  
Department of Economics  
Yale University  
New Haven, Conn.

Dear Richard,

It is nearly a year ago now since I submitted the revised version of my paper written jointly with Daniel Schydrowsky on "Indicators of Protection and Other Incentive Measures" for publication in the Proceedings of the Cuernavaca Conference. Could you please let me know when the volume is scheduled for publication as well as its title and the name of the publisher.

Sincerely yours,

Bela Balassa

November 14, 1972

Dr. C. D. Kernig  
SDG 221 (238)  
Redaktion im Verlag Herder  
78 Freiburg  
Hermann-Herder-Strasse 4  
West Germany

Dear Dr. Kernig,

I received last April the proofs of the English version of my "Foreign Trade Theory". I would appreciate your informing me of the exact date and title of the publication of the volume in which this paper will appear. Also, I would like to know how many reprints I will receive.

Sincerely yours,

Bela Balassa



Home Address

2134 Wyoming Avenue N.W.  
Washington D.C. 20008

November 14, 1972

Medical Economics Inc.  
Oradell  
New Jersey, 07649

Dear Sirs,

Please would you send to my home address one copy of  
the October 23 issue of Medical Economics.

Many thanks.

Sincerely yours,

Bela Balassa

Home Address  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008

November 14, 1972

Mr. F. J. Mannarino  
Vice President  
W. & J. Sloane Inc.  
1130 Connecticut Avenue N.W.  
Washington D.C. 20036

Dear Mr. Mannarino,

In view of our agreement, on October 10 I paid the remainder of the purchase price of the sofa. I have now received, however, a bill showing a debit balance of \$18.29. This apparently represents interest charges on the outstanding balance in the past few months. I cannot accept this bill as I noted the defects of the sofa in a letter last spring but your firm did not act on my complaints until recently. I wish to add that I have never signed a credit agreement with your firm.

I enclose your bill with the request that this be cancelled.

Sincerely yours,

Bela Balassa

November 14, 1972

Organisation for Economic Co-  
operation & Development  
1750 Pennsylvania Avenue N.W.  
Washington D.C.

Dear Sirs, "

Please send me copies of the following publi-  
cations:

- The Industrial Policy of Japan
- Problems of Environmental Economics

Sincerely yours,

Bela Balassa  
Professor of Political Economy

November 14, 1972

Rand McNally  
Box 7600  
Chicago  
Illinois 60680

Dear Sirs,

Please send me one copy of Gurley-  
Cleaver, Readings in Radical Economics, to-  
gether with your invoice.

Sincerely yours,

Bela Balassa  
Professor of Political Economy

November 14, 1972

Allyn and Bacon  
Dept. 893  
470 Atlantic Avenue  
Boston, Mass. 02210

Dear Sirs,

I teach a course at Johns Hopkins University on Comparative Systems. I would like to consider using in this course Neuberger-Duffy, Comparative Economic Systems, and would appreciate receiving a copy of the book.

Sincerely yours,

Bela Balassa  
Professor of Political Economy

November 13, 1972

The University of Chicago Press  
5750 Ellis Avenue  
Chicago, Ill. 60637

Dear Sirs,

I teach a course at Johns Hopkins University on Development Theory. I would like to consider using in this course Kelley, Williamson, Cheetham, Dualistic Economic Development, and would appreciate receiving a copy of the book.

Sincerely yours,

Bela Balassa  
Professor of Political Economy

DR. AUGUSTINE TAN  
UNIVERSITY OF SINGAPORE  
DEPARTMENT OF ECONOMICS  
BUKIT TIMAH ROAD  
SINGAPORE 10

November 13 , 1972

LT

SINGAPORE

PREPAID REPLY 30 ~~MIN~~ WORDS LT  
PLEASE NOTIFY IMMEDIATELY EXPECTED DATE OF  
COMPLETION OF REVISED ESTIMATES IN STUDY

BALASSA

Bela Balassa

DRC

BBalassa:alm

DR.ZVI SUSSMAN  
DIRECTOR  
RESEARCH DEPARTMENT  
BANK OF ISRAEL  
JERUSALEM

November 13, 1972

LT

ISRAEL

PREPAID REPLY 30 WORDS LT  
PLEASE NOTIFY IMMEDIATELY EXPECTED  
DATE OF COMPLETION OF REVISED ESTIMATES  
IN STUDY

BALASSA

Bela Balassa

DRC

EBalassa:alm



## OFFICE MEMORANDUM

TO: Mr. Robert A. McPheeters

DATE: November 10, 1972

FROM: Bela Balassa *M*SUBJECT: World Bank Atlas

1. Several years ago I commented on the figures in the World Bank Atlas, criticizing the use of 1964 exchange rates in converting data expressed in terms of national currencies into US dollars and noting the apparent error in the ranking of the socialist countries by per capita incomes. I am glad to see that the conversion ratios have been updated in the new edition of the Atlas and that the ranking of the socialist countries has since also been corrected. However, the absolute figures shown for these countries continue to be subject to an upward bias so that, while they are correctly ranked among themselves, this is not the case vis-à-vis market economies.
2. The bias is due to the use of official exchange rates for the Soviet Union to which the exchange rates of the other socialist countries are linked. Apparently for prestige reasons, some years ago the Soviet government decided to increase the "value" of the rouble above that of the US dollar. This choice was, however, wholly arbitrary as evidenced by the relative valuation of the rouble and the dollar by the major trade partners of the Soviet Union. Since the introduction of the 1968 economic reform, Hungary has used for pricing purposes a ratio of the rouble to the dollar of 1.5 as against the official rate of 0.9; I am told that similar ratios are applied in other socialist countries. But Hungary's per capita income, too, is overestimated; in domestic price calculations a conversion ratio of 60 forints to the dollar is employed as against the exchange rate of 21 used in the Atlas.
3. Utilizing the results of research by Western scholars may help to improve the accuracy of the estimates for the European socialist countries. The error possibilities are even larger in the case of the Asian socialist countries and the estimates again seem to be subject to an upward bias. Thus, I doubt that Mainland China has a per capita income (\$160) much above that of Ceylon (\$110) and that incomes per head are higher in Mongolia (\$460) than in Taiwan (\$390). In the case of China even the population figures are very much in doubt; a figure of 700 million has recently been used in official pronouncements as against 836 million in the Atlas. I wonder therefore if anything is gained by the inclusion of data for the Asian socialist countries in the Atlas.

cc. Messrs. Chenery  
Stern  
Hayes  
Cauas

BBalassa:alm

*pink*

## OFFICE MEMORANDUM

TO: All Contributors

DATE: November 10, 1972

FROM: Bela Balassa *m*SUBJECT: Development Strategies Project

1. In reviewing the calculations for the country study on Korea, I have come to the conclusion that the definitions used in our project would need to be changed in two respects. Both of these changes have been made in the Korea study, for which we now have the full set of results. The changes should also be made in the other country studies and the results of the calculations be sent to me at the earliest.
2. Firstly, there is the question of the norms used for credit, tax, and input subsidies. In "Outline and Methodology", it was suggested that the norm should be defined as the rate that would obtain in the absence of subsidies. This will be the weighted average of actual rates in some cases (income tax) but not in others (credit). While this formulation has merit on theoretical grounds, the use of a norm different from the weighted average of actual rates would give rise to difficulties in the interpretation of the results since, for all industries taken together, average effective subsidies would differ from average effective protection. At any rate, in order to define incentives in relative terms, the weighted average of actual rates needs to be used as the norm. Please revise your calculations accordingly.
3. Further questions arise in connection with the definition of the effective rate of subsidy in using the so-called Balassa formula. In equation (40), this has been defined by deducting actual payments for income taxes, interest, and nontraded goods from the numerator and "hypothetical" payments calculated according to the relevant norms from the denominator. This formulation has appeal as it entails defining value added with the exclusion of all such payments made by the firms in a particular industry. It has the inconvenience however that estimates of rates of effective protection and effective subsidy are not comparable since they use a different denominator and, by deducting the "norm" payments from the denominator, effective rates of subsidy are raised above effective protection rates. To avoid this, and to make the two sets of estimates comparable, I have revised (40) in a way that parallels the formula used in estimating the Corden measure of protection. (In the equation, G does not appear separately; if there are government expenditures benefiting particular industries, they should be regarded as negative taxes in calculations made with both the Balassa and the Corden formulas).

$$(40) \quad D_i^B = \frac{W_i^B + \sum_n (a_{ni}^n - a_{ni})P_i + (T_c^n - T_c)Q_i + (i^n - i)K_i}{V_i^B} - 1$$

4. Taking the norms to equal the weighted average of rates applicable to individual industries, in the numerator of the formula the sum of all terms other than  $W_i^B$  will be zero on the national economy level. Correspondingly, the weighted averages of rates of effective protection and of effective subsidies for all industries taken together will be the same. In turn, for individual industries, differences between the two sets of rates will indicate the combined value of the various subsidy measures other than protection as a percentage of world market value added.

5. In this way, we can show directly the relative importance of protection and of all other subsidy measures for individual industries. Thus, if for a particular industry, the effective rate of protection is 20 percent and the effective rate of subsidy 30 percent, it is immediately apparent that measures other than protection amount to 10 percent of world market value added, accounting for one-third of the subsidy received by the industry. Conversely, if the effective rate of protection exceeds the effective rate of subsidy, measures other than protection will discriminate against the industry in question.

BBalassa:alm



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 - Telephone - EXecutive 3-6360 - Cable Address - INTBAFRAD

November 10, 1972

Professor Jean Waelbroeck  
Universite Libre de Bruxelles  
Departement d'Economie Appliquee  
DULBEA  
Ave. F. D. Roosevelt 50  
1050 Bruxelles  
Belgium

Dear Jean,

Many thanks for your letter of October 26. Both Louis and I are glad to hear that your work with Ginsburgh is progressing well.

In your letter, you indicate your intention of coming to Washington in the first half of December. This date appears rather early to us given the fact that your results are apparently not yet available and it will take time to evaluate them. We are asking you therefore to postpone your visit until you have prepared a paper incorporating your results together with an evaluation. It would be useful if you could send the paper to us some time prior to your visit so that we and others could read it beforehand.

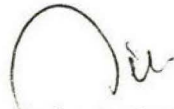
As to the proposed work on commodities, we recall our agreement with you that your collaborator would collect information on the relevant elasticities for all major primary products and would attempt to fill in the lacunae. From your letter, it is not clear if the first stage of the work had been done and this would have led to the selection of the five products mentioned in your letter. The elasticities for these products are hardly applicable to the particular product groups as they are not representative of these groups. At any rate, it would not appear to be an efficient use of available funds to do very detailed work on selected commodities; the emphasis should rather be on supplementing available information as noted above.

Your contract will be sent to you before the end of November. We had to put aside \$1000 for travel which leaves \$14,000 out of a total of \$15,000. I am afraid that we had not thought of this at the time you were here and the omission was pointed out to me only as we were preparing the contract. But if this will mean that you are short of \$1000 for paying your collaborators, we will provide for it in our budget for the next fiscal year that begins on July 1, 1973.

One last point. Following a reorganization of the Development Research Center, administrative responsibility for DRC research projects has been decentralized, and Ardy Stoutjesdijk has been given such responsibility for your

research project. He will correspond with you in the future on contractual matters, with Louis and myself continuing to write on other matters.

Sincerely yours,

A handwritten signature in dark ink, appearing to be 'Bela Balassa', written in a cursive style.

Bela Balassa

copies - Messrs. Goreux  
Stoutjesdijk

Kyoko

DRC Staff Members

November 10, 1972

Bela Balassa

Missing Journals

At the time I joined the Center I had full sets of the major journals, with the exception of the December 1964 issue of the Economic Journal. I now find that I have several issues missing. I would like to ask those of you who have been borrowing journals from me to check their library to see if they have any of the missing issues. Also, please do not take any journals from my office in the future without my secretary making a note of it. The missing journals are:

Review of Economics and Statistics

August 1968

Econometrica

January 1964

April 1964

September 1971

Journal of Political Economy

Jan-Feb, 1971

Jan-Feb, 1970

Quarterly Journal of Economics

November 1968

BBalassa:alm

Home Address  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008

November 10, 1972

Dear Mrs. Herbst,

Last May I ordered some excellent pastry from you by mail. I would like to do the same again. I enclose a check for \$20 to cover the purchase as well as the postage.

I would like to have several kinds of strudel. Should there be any difficulty in sending this in the mail I would instead have two nut beiglis, one poppy-seed beigli and assorted pastry for the remaining amount. I would appreciate your early attention to this order.

Sincerely yours,

Bela Balassa

Mrs. Herbst  
1437 - 3rd Ave. (bet.81 and 82)  
New York, N.Y.

November 9, 1973

Dr. Daniel Schydrowsky  
Center for Latin American  
Development Studies  
745 Commonwealth Ave.  
Boston, Mass. 02215

Dear Dani,

Anne has done a valiant job in typing out my comments on the Argentina draft study. In this way she spared you the trouble of trying to decipher my handwriting. Please call me if you have any questions about the comments.

In answer to my letter enquiring about the calculations on incentives for sales to domestic and to foreign markets, Julio indicated that he believes that remaining calculations would be done in Boston. I presume that he has provided you with all the data you need to make the above calculations. This is of great importance since the separation of incentives for exports and for import substitution is the principal distinguishing characteristic of the new study. May I therefore repeat my request that the tables be prepared in the prescribed form as is done in all the other country studies.

Sincerely yours,

Bela Balassa



Adresse Personnelle  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008  
USA

le 9 novembre 1972

Mlle. Olivia Adriana de Paula  
12 Cite Vaneau  
Paris 7e  
France

Chere Olivia,

Nous sommes contents d'apprendre que vous arriverez le 26 novembre.  
Nous serons a l'aeroport de Washington pour vous accueillir.

Votre avion, comme tous les avions venant de Paris, va faire une  
escale avant d'arriver a Washington. C'est a cette escale (a Boston) ou  
vous allez passer les formalites administratives et douanieres. Comme  
les autres passagers, vous descendrez avec tous vos bagages et regagnerez  
l'avion ensuite.

Dans l'avion on va vous donner deux formulaires a remplir: demandez  
a l'hotesse de vous aider de faire. Vous devrez mettre votre adresse chez  
les Gulhati sur les formulaires. Aussi, indiquez sur le formulaire pour le  
douane que vous n'avez rien a declarer.


Avec mes meilleurs sentiments.

Bela Balassa

## OFFICE MEMORANDUM

TO: Mr. J. P. Hayes

DATE: November 8, 1972

FROM: Bela Balassa SUBJECT: Import Substitution and Industrialization

1. I am in general agreement with the conclusions reached in the revised version of Paras 43-51 of the Primary Exporters study. The following comments are designed to sharpen some of the points you have made and to correct an omission as regards policy recommendations.
2. I would suggest distinguishing among the following stages of industrialization:
  - (1) "natural" import substitution of various manufactures, such as construction materials, matches, beer and nonalcoholic beverages, where high transportation costs inhibit trade;
  - (2) import substitution under protection of nondurable consumer goods and their inputs that tend to be labor-intensive and where economies of scale are of relatively little importance (it is this rather than the previous stage that is customarily called the "easy phase" of import substitution);
  - (3a) import substitution under protection of other intermediate goods, capital goods, and durable consumer goods, many of which are capital intensive and require large-scale production for efficient operations.
  - (3b) the exportation of nondurable consumer goods and their inputs.
3. The "easy phase" of import substitution has been completed by most Latin American and Asian countries; the small markets of many African countries however constrain their industrial development already in this phase. In turn, in countries that have progressed beyond this stage, the choice between alternatives (3a) and (3b) cannot be explained by objective factors alone. Rather, the choice has been the result of a conscious decision and some countries with similar characteristics have adopted different policies.
4. In the discussion of growth rates, I suggest putting the emphasis on the much more rapid expansion of countries following policy (3b) as against (3a). In turn, I would qualify the statement that the larger countries in group (3b) have done better than small countries. While large countries had a growth rate of at least 4 percent during the period under consideration, nearly two-thirds of the smaller countries did as well or better and those with lower growth rates generally followed inappropriate policies.
5. As regards the relationship between import substitution and economic growth, I would emphasize that growth rates tend to be high until industrial expansion encounters market limitations. This will happen at different points depending on the size of domestic markets. But market limitations have become binding even in the largest developing countries and the resulting slowdown in economic growth

has led to policy changes involving export incentives and lower protection (Brazil, Colombia) or, at least, proposals for such changes (Argentina, Chile).

6. As in smaller countries market limitations become binding at an earlier stage of industrial development, in the absence of favorable prospects for primary exports these countries would have to accept a lower living standard or export manufactured goods to developed and/or other developing countries. The latter solution involves some form of economic integration that would need to be considered in the discussion of policy alternatives.


cc. Messrs. Gulhati  
Hughes  
Weiss

BBalassa:alm

## OFFICE MEMORANDUM

TO: Files

DATE: November 8, 1972

FROM: Bela Balassa and Helen Hughes SUBJECT: A Proposal for a Bank Group Research Program in Industry

1. Although the Bank's Regional Departments are now responsible for all IBRD and IDA lending, Bank work on industry remains dispersed, with the Industrial Projects and the DFC Departments as well as IFC having operational responsibilities and providing functional guidance, and the Economics of Industry Division of the Development Economics Department undertaking economic analysis. All these units sponsor, and utilize the results of, research on industry carried out for the most part by the Economics of Industry Division (EID) and the Development Research Center (DRC). To make such research conform to the Bank's priorities and operational needs, to avoid overlapping, and to use the Bank's comparative advantage in research effectively, it seems advisable to prepare a medium-term (2-3 years) research program for industry, with an indication of its relationship with other areas.

2. In the following, we briefly discuss research under way or contemplated in various areas (Short descriptions of the individual research projects will be circulated later in the month). We would appreciate receiving suggestions both on the research considered in the memo and on the future directions research on industry should take. The comments will be utilized in revising the memo for discussion at a meeting with the participation of those interested in early December.

A. DEVELOPMENT STRATEGIES

3. As industrial policy is an important part of development strategy, research in this area should help the Bank to advise developing countries on the choice among alternative strategies. Related work includes comparative analysis of manufacturing industries, incentive systems, and policies for the least developed countries.

(a) Basic data and comparative analysis. Comparative analysis is required to establish international patterns of industrial development. EID will continue its work on basic statistics to the point where this can be taken over by the Economic and Social Data Division of the Economic Analysis and Projections Department for incorporation in its data bank. In collaboration with Mr. Chenery, EID will also undertake work on patterns of industrial production and trade.

(b) Incentive systems. Following the publication of the volume on the Structure of Protection in Developing Countries, a research project on the system of incentives (including protection, tax, credit, and expenditure measures) in six semi-industrial countries has been undertaken at the DRC. Another relevant research project, nearing completion at EID, examines the relationship between tariff levels and economies of scale.

(c) Policies for least-developed countries. It is proposed that further research on incentive systems should concentrate on the least developed countries that are becoming a focal point of the Bank's work. DRC plans a study of regional economic

integration through the coordination of incentive schemes for West Africa. Multi-national investments offer another route to regional integration; the preparation of a policy paper is planned on the subject, and DRC continues research in this area (cf. Part D below). The entire subject of economic integration will be considered in a separate memo.

#### B. EMPLOYMENT AND INCOME DISTRIBUTION

4. Given the Bank's increasing emphasis on employment and income distribution, this is an area where a substantial part of research on industry should be concentrated. The research program is expected to be an important input into the sector program paper planned on this subject for FY.1974. Major research areas include:

(a) Choice of techniques. Some aspects of capital-labor substitution in industry were examined in papers prepared by consultants for the DRC. A research project on the choice of techniques is being carried out at the DRC on the mechanical engineering sector in Korea. Further work is planned in connection with programming models in the manufacturing sector noted under D.

(b) Capacity utilization. The Research Committee is contributing to the financing of a study of problems relating to two-shift operations in several Latin American countries directed by Rosenstein-Rodan. A comparative study of capital utilization, analyzing the causes of unused capacity and the policy measures that may be used to correct the situation, is planned by EID.

(c) The role of small-scale industries in industrial development. Background work is being undertaken by EID; a research project which would attempt to identify ways in which the Bank could finance small industries has been approved by the Research Committee subject to the availability of funds.

#### C. SECTOR SUPPORT

5. Apart from work listed under headings A and B, relevant research areas include the prospects and problems of the exports of manufactured goods from less developed countries, foreign investment in these countries, and development finance.

##### (a) The supply and demand for manufactured exports

(i) With UN agencies giving considerable attention to market research, we should concentrate our attention on incentives to manufactured exports and their effect on growth in the developing countries. Research on export incentives is carried out at DRC in connection with its research project on incentive systems in semi-industrial countries. Further research is planned relating these incentives to export performance and economic growth. Also, EID plans to continue its work on export promotion in India.

(ii) The demand side of this problem was dealt with in broad terms in the papers for the Seminar on Industrialization and Trade Policies for the 1970s which are now being prepared for publication. As interest in this subject has been stimulated so that work is being carried out in developed countries and by other agencies, the Bank should not undertake further research in this area. It should, however, continue to monitor developed country policies on the imports of manufactured goods from the LDCs, with a view to advising on export incentives in the developing countries.

(iii) Supply and demand projections for trade in manufactured products are to be undertaken by the Economic Analysis and Projections Department.

(b) Foreign investment. This is a subject which has attracted a great deal of attention; the International Economics Division is engaged in improving the data base, and a "state of the art" paper has been produced. Further work in areas of particular interest to the Bank, and not covered elsewhere, is being contemplated by EID, the DRC, and the International Economics Division. A research program in the area will be prepared jointly by these units.

(c) Development finance. DFC special study missions to Korea, Turkey, and India, and the Program and Budgeting Department's study of Iran and Tunisia will provide the material for the effect of development finance companies on industrial growth. Further studies are being planned.

#### D. PROJECT SUPPORT

6. Support for industrial projects lending should continue to form an important part of research on industry. The following areas are considered to be of prime importance:

(a) Industry studies. The Bank Group's lending in a number of areas requires information on specific industries. A study of textile exports is being completed in EID, the Industrial Projects Department has sponsored a research project on steel prices, and it is proposing an in-house study of the pulp and paper industry. Other industry studies may be desirable if information is not readily available elsewhere.

(b) Programming models. Work on the Korean mechanical engineering sector and the fertilizer industry in West Africa is nearing completion at the DRC. Other programming studies involving choice of plant size, technology, location, and timing are being undertaken in the DRC in response to demands received from Regional Departments and the Industrial Projects Department. In the choice of the projects to be investigated, emphasis is given to multinational investments.

(c) Project appraisal techniques. Work on project appraisal techniques has been undertaken in EID and DRC, while in DFC and IFC the practical application of evaluation techniques is under study.

(d) Determination of border prices. The problem of determining appropriate "border" prices in project appraisal is one which has concerned the Bank group for some time. A proposal for research which would assist in the solution of this problem is being prepared in the EID.

cc. Messrs. Chenery, Stern, Cauas, Gulhati, Haq, Hayes, Stevenson  
Regional Chief Economists  
Messrs. van der Tak, Fuchs, Gustafson, Qureshi  
Messrs. Moore, Stoutjesdijk, Weiss, Wood

BBalassa/HHughes:alm

Home Address

2134 Wyoming Avenue N.W.  
Washington D.C. 20008  
USA

November 7, 1972

Mr. Frederick Drew  
Las Amazonas 190  
San Isidro, (El Olivar),  
Lima  
Peru

Dear Mr. Drew,

Many thanks for your letter of October 19. I do hope that I may meet you on my visit to Lima in the first week of January. Should you be away, I would appreciate it if you could leave some material for me with friends.

I called the U.S. State Department today and obtained information on the bill (HR.4678) that has recently passed Congress. I provide below a short description of the main provisions of the bill; I will get you a copy of the full text when I come to Lima.

The bill prohibits the importation of monumental architectural sculpture and murals into the United States when exportation is contrary to the laws of the country of origin. Such merchandise will be confiscated and criminal penalties applied.

The bill responds to the complaints of Mexico and Central American countries, some of whose monuments have been dismantled for the purpose of exportation to the U.S. In cases when only parts of the monument were removed, the remainder was often severely damaged.

The provisions of the bill do not apply, however, to ceramics and small stone statues. These continue to be imported freely into the United States.

Looking forward to seeing you, I remain,

Sincerely yours,

Bela Balassa

November 7, 1972

Professor Kuo-shu Liang  
National Taiwan University  
Department of Economics  
College of Law  
21 Hsu Chow Road  
Taipei  
Taiwan

Dear Professor Liang,

Thank you for your recent letter informing me of the latest developments with your study. The formulas you sent me appear to be fine and I look forward to receiving the results. Please let me know when I can expect these and send me your revised timetable for the completion of the project.

Sincerely yours,

Bela Balassa

P.S.

Could you please supply me with the information requested some months ago on time spent on the project that was not financed by World Bank funds. Thank you.



Mr. Ravi Gulhati

November 7, 1972

Bela Balassa

Olivia Adriana de Paula

I have filled out a medical insurance form for Olivia. You only have to sign it and send it to Mrs. Spriggs, room F.250, with a check for \$56. ~~I am told that the application ha~~

I enclose my check to you for the cost of the insurance.

BBalassa:alm

Messrs. B. de Vries and S. Please

November 7, 1972

Bela Balassa

Bank Policy and Research on Economic Integration


In reference to our lunch discussion, I enclose a preliminary version of my note on the above subject. I would appreciate receiving any comments you may have.

BBalassa:alm

## OFFICE MEMORANDUM

TO: Mr. Ernest Stern

DATE: November 7, 1972

FROM: Bela Balassa 

SUBJECT: Bank Policy and Research on Economic Integration

In reference to our discussion on October 27, I enclose a note on the above subject. If you agree with its contents, I suggest that we send copies to Chief Economists in Regional and Projects Departments and discuss the issues raised at a meeting held under your or Mr. Haq's chairmanship.

cc. Messrs. Haq  
Mrs. Hughes

Cauas  
Stoutjesdijk

BBalassa:alm

2134 Wyoming Avenue N.W.  
Washington D.C. 20008

November 7, 1972

Arena Stage  
Kreeger Theatre  
6th & M Streets S.W.  
Washington D.C.

Dear Sirs,

Further to our telephone conversation this morning, I return herewith my two tickets for November 9 in exchange for four tickets for November 14. You have reserved 4 seats in the last row of the Orchestra for me. My check for \$11.60 is also enclosed, together with a stamped, addressed envelope.

Sincerely yours,

Bela Balassa

Adresse Personnelle

2134 Wyoming Avenue N.W.  
Washington D.C. 20008  
USA

le 7 novembre, 1972

Mlle. Olivia Adriana de Paula  
12 Cite Vaneau  
Paris 7e  
France

Chere Olivia,

Nous vous remercions de votre lettre du 2 novembre et nous nous rejouissons de votre prochaine arrivee.

La prolongation de votre visa ne pose aucun probleme. Elle va etre accordee automatiquement sur la demande des Gulhati qui va etre faite des que vous arrivez. Mais comme les Gulhati vont partir pour des long vacances au debut du decembre, vous devriez venir a la fin du mois de novembre. Je vous suggere d'arriver le 30 novembre ce que doit laisser assez de temps a vos patrons pour trouver une remplaceante pour vous. Naturellement nous aimerions que vous veniez meme avant si c'est possible.

Demandez a Mme. Bazin de vous conseiller dans toutes les questions concernant votre voyage et de vous retenir une place dans d'avion. Il y a des avions Air France tous les lundis, mercredis, et jeudis et des avions TWA tous les jours. Le 30 novembre etant un jeudi, vous pouvez voyager Air France ce qui est preferable parce que les hostesses sont francaises et peuvent vous etre de service. Faites retenir votre place immediatement et ecrivez nous des que cela sera fait.

Comme nous vous l'avons ecrit dans notre lettre du 30 septembre, allez voir avant partir Mme. Diosi au Consulat Americain qui s'occupe des visa d'immigration. Montrez-lui la lettre de Mme. Waldheim, celle de M. Gulhati et votre visa diplomatique. Donnez lui votre adresse chez les Gulhati pour ce qu'elle puisse vous informer quand vous aurez recu votre visa d'immigration. Aussi, demandez a la police une "Attestation des Bonnes Moerrs" pour ce que vous puissiez presenter ce document au Consulat Americain au moment de votre retour a Paris pour le visa d'immigration.

Ma femme se joint a moi en vous envoyant nos meilleurs sentiments.

Bela Balassa



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ~~copy~~ ~~Mr. Coase~~

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 · Telephone - EXecutive 3-6360 · Cable Address - INTBAFRAD

November 6, 1972

Professor Robert Ferber  
Survey Research Laboratory  
University of Illinois  
414 David Kinley Hall  
Urbana, Ill. 61801

Dear Professor Ferber,

Many thanks for your invitation to write a paper on "Economic Integration, Relative Prices and the Terms of Exchange" for the International Conference on Consumption and Income to be held in Hamburg, Germany on October 1-3, 1973. I would be happy to come but I am not certain as yet if other obligations would permit me to do so. I would like therefore to postpone giving you an answer until mid-December, if that is convenient.

Sincerely yours,

  
Bela Balassa

cc. Mr. Grunwald

November 6, 1972

Professor Fritz Machlup  
Princeton University  
International Finance Section  
P.O.Box 644  
Princeton, N.J. 08540

Dear Fritz,

I am in receipt of your recent memorandum on the 1974 Congress in Budapest. As I made detailed suggestions on most of the topics in my letter of October 11, I would like now just to make an additional suggestion concerning Working Group G which was not considered in my note.

Professor Weiller wrote to me recently indicating that the Institut de Science Economique Appliquee has published a volume with the title Capitaux Internationaux, Integration et Croissance, and suggesting that this volume might be of interest for the Budapest Congress. I have not yet received a copy of the volume but you might wish to consider one of the authors for the program in case you retain Working Group G.

With best regards,

Sincerely yours,

Bela Balassa

November 6, 1972

Mr. Julio Paz  
Acuerdo de Cartagena  
Casilla de Correo 3237  
Lima  
Peru

Dear Mr. Paz,

In line with our telephone conversation today, I enclose a copy of the letter received from Mr. Benjamin King, an advisor to the Canadian International Development Agency. On the basis of this letter you should be able to finance Trent Bertrand's work from CIDA funds.

I understand that the meetings of the Group are scheduled for the first week of January and that you will call me if there is a change in the dates. I would appreciate your confirming the final date in a letter and informing me about the names of the other participants.

Sincerely yours,

Bela Balassa



November 6, 1972

Mr. Germanico Salgado  
Coordinador a.i.  
Acuerdo de Cartagena  
Casilla de Correo: 3237  
Lima  
Peru

Dear Mr. Salgado,

Thank you for your letter of October 23 and for the terms of reference. You should have received in the meantime a letter from Mr. Cauas accepting in Mr. Chenery's absence the invitation extended to me to participate in the work of an expert group on the common tariff of the Grupo Andino.

Sincerely yours,

Bela Balassa

November 3, 1972

Professor Suphan Andic  
University of Puerto Rico  
Department of Economics  
Rio Piedras Campus  
Puerto Rico

Dear Professor Andic,

Your letter of October 31 apparently has crossed with mine of the 30th. As I indicated in my letter, to my regret I will not be able to come to Puerto Rico on January 26, 1973. Please accept my apologies again.

Sincerely yours,

Bela Balassa

November 3, 1972

Mr. Benjamin King  
Canadian International Development Agency  
Jackson Building  
122 Bank Street  
Ottawa, Ontario K1A 0G4

Dear Ben,

Many thanks for your letter of October 25. In the meantime Julio Paz from the Andean Group contacted Trent Bertrand. Paz indicated that they will make the request to CIDA for Bertrand's services.

Gabor is flourishing. The rest of us are just overworked as usual. With best regards to the three of you from the four of us.

Bela Balassa

cc. Mes: . Thompson  
Upper  
Westphal

October 30, 1972

Dr. Joao Cravinho  
Ministerio da Economia  
Secretaria de Estado da Industria  
Cabinete de Planeamento  
Lisbon  
Portugal

Dear Dr. Cravinho,

Please excuse the delay in answering your letter of September 26. I will reply to the points you raised in the following.

I was interested to hear that my paper "The Implications of Portugal's Association with the European Common Market" is being circulated within the Administration and I look forward to receiving comments on it. At the suggestion of Mr. Faria Blanc who visited here a few weeks ago I also sent copies to Messrs. Cotta Dias and dos Santos.

It is indeed correct that the results of effective protection are sensitive to the averaging procedure used, and an even greater source of error lies in the use of price comparisons in the case of quotas or prohibitive tariffs.

I look forward to receiving the final report on the 1964 situation as well as the paper on the medium term and long term demonstration models. It would be good if you could send me two copies of both of these papers so that I can pass one over to Professor Westphal. I have talked to him again and he maintains an interest in the proposed project. He himself has not started yet to build effective protection results in a macro model of Korea. He plans to do so in the next six months or so.

I asked Professor Westphal to comment on the note on the treatment of nontraded goods which was enclosed with your letter. You should receive his comments soon. I also enclose a copy of a chapter on the Mexican study by Alan Weiss which takes account of protection results in making projections.

With best regards,

Wala Palawan

November 3, 1972

Hungarian Packing House  
1530 Second Avenue  
Bet. 79 and 80 Streets  
New York, N.Y. 10021

Dear Sirs,

I enclose a check for \$20 to cover the following purchases and postage. *Parcel to home address*

Please send me 21~~lb~~ of Hungarian-style smoked ham if you can be sure that it will not spoil in the mail. Otherwise, the entire amount should be used for Hungarian dry sausage (szarazkilbasz). I have tasted several kinds you have and I wish to have the one with the least amount of fat. I was very much satisfied with the kind you sent me a few months ago; apart from being dry it had a good taste of paprika.

I would appreciate it if you could send my order by return mail as I would need it immediately.

Sincerely yours,

Bela Balassa

Home Address  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008

## OFFICE MEMORANDUM

TO: Mr. Ernest Stern

DATE: November 2, 1972

FROM: Bela Balassa *M*

SUBJECT: Countervailing Duties on Exports from LDCs

1. Following the receipt of your note of October 24 and our conversation on October 27, I have received Professor Frank's memo on the above subject dated October 20. Mail seems to be coming faster from one part of the Bank than from another ...
2. I enclose a copy of Frank's memo whose assessment of the situation conforms to the information we have obtained from elsewhere. It is indeed difficult to say at this point if countervailing duties will be applied in cases when such requests have been made and whether their application in a particular case will give rise to a spate of additional requests. I agree with you therefore that we should not write a paper on the subject at this time. You may wish to consider, however, including in the work program for the remainder of FY.73 a review of Bank policy advice to developing countries on the use of export subsidies, with account taken of the reactions of developed countries to the granting of such subsidies.
3. You may recall that I wrote a short paper on the application of GATT rules to export subsidies by developing countries. This paper could be easily updated and complemented by work on U.S. regulations. In turn, as Professor Frank suggests, one should examine the implications of the findings for export subsidies and, more generally, the system of incentives in developing countries.

cc. Mrs. Hughes  
Messrs. Frank  
Haq  
Hayes  
Gulhati

BBalassa:alm

November 2, 1972

Quadrangle Books Inc.  
12 East Delaware Place  
Chicago  
Illinois 60611

Dear Sirs,

Please send me one copy of Harald  
Malmgren, International Economic Peacekeep-  
ing in Phase II, together with your invoice.

Sincerely yours,

Bela Balassa  
Professor of Political Economy

November 2, 1972

University of Michigan Press  
615 East University  
Ann Arbor, Mich. 48106

Dear Sirs,

Please send me one copy, paperback, of  
Kenneth E. Boulding and Tapan Mukerjee (eds.),  
Economic Imperialism: A Book of Readings.

Sincerely yours,

Bela Balassa  
Professor of Political Economy



November 2, 1972

Committee for Economic Development  
477 Madison Avenue  
New York, N.Y. 10022

Dear Sirs,

Please send me one copy of the CED  
Statement on National Policy, The United  
States and the European Community.

Sincerely yours,


Bela Balassa

pink

## OFFICE MEMORANDUM

TO: Messrs. C. Fränk and A. Stoutjesdijk

DATE October 31, 1972

FROM: Bela Balassa SUBJECT: FERTILEA

1. I have read with interest the first draft of your East African fertilizer study. I provide some general comments below; marginal notations have been made in the individual chapters which are returned herewith. The main thrust of my comments is to make the study's findings accessible to a wider audience and to explore further their economic implications.
2. I understand that you plan to write an introductory chapter to the volume that will consider some of the general issues involved in the use of optimizing models for project selection. With this background, it will be possible to treat FERTILEA as a case study, concentrating on the economic interpretation of the assumptions and the results and de-emphasizing the computational aspects. These suggestions are in part met by the omission of Section III, "Zeroing in on the Integer Solution" from the new outline I received after the first version of my comments was written. It would further be desirable to transfer much of the discussion on computational issues in the other chapters to the new Appendix I and to expand the analysis of the economic issues.

Introduction and Summary

3. I would suggest combining the Introduction and the Summary and Conclusions of the present version into a single chapter. There is no such chapter in the new outline although it would be needed to give the reader a "bird's-eye-view" of the study. The chapter should be self-contained and understandable to non-specialists. This objective is not attained by the present version that puts emphasis on computational aspects rather than on economic content and in places employs terminology that is unfamiliar to many readers.
4. I suggest transferring the section on solution procedures (pp.153-6) to the technical appendix where these can be discussed in greater detail; the section as it stands is not likely to satisfy either the specialist or the non-specialist. Nor does the discussion on the disadvantages of applying operational research methods to the problem at hand (p.159) or statements on the use of a time-sharing terminal (p.162) belong in the summary. The decision rules applied could also stand some clarification while various technical terms relating to fertilizers, such as "the two-nutrient character of demand", "the compounds DAP and MAP", and "high-analysis products" should be omitted or explained. In turn, there appears to be need for more detailed discussion of the assumptions, the results, and the economic implications of the findings.

Fertilizers in East Africa

5. It would seem useful to provide in this chapter data on the present pattern of the consumption, production, and imports of fertilizers in the three East African countries. This could be followed by a discussion of the projections made.

I do not find the statement that "very careful demand projections were carried out for 1975" (p.15) to be sufficient. At the minimum, one should describe the assumptions made as regards the growth of the volume and the pattern of agricultural output and the changing fertilizer needs of this output. Also, given the error possibilities of extrapolating the 1975 results until 1987, it would seem useful to make comparisons with fertilizer consumption in other countries.

6. On the production side, it would be useful to indicate the reasons for dropping East Tanzania as one of the possible production locations while retaining two coastal locations (Tanga and Mombassa) that are very near to each other although located in two different countries. And while it is stated that "as Tororo is on the Kenyan-Ugandan border, the inland location applies to Eastern Uganda or Western Kenya" (p.10), no justification is given for assuming throughout the study that the production site will be in Uganda rather than Kenya although this assumption does affect the intercountry distribution of potential gains. Finally, a small point: is one to assume that the constant term in equations (1) to (7) represents loading costs?

#### The Assumptions

7. Several of the assumptions underlying the calculations need further explanation. As regards investment costs, it would be desirable to provide information on the assumed capacity-cost elasticities from which the linear cost functions of Table 7 have been derived. Also, the conclusion that investment costs in East Africa are double U.S. "battery-limit investment costs" would require explanation especially since the assumed ratio will greatly affect the results (p.24). The results are also influenced by the choice of maximum plant scales; this would require more detailed discussion as well as comparisons with plant sizes elsewhere.

8. On p.30, it is noted that "labor costs by category are taken from recent feasibility studies for East African industrial plants". It is not clear what period these figures refer to and whether increases in real wages over time have been allowed for. Also, the assumptions made in regard to the efficiency of the East African worker relative to its American counterpart should be noted and the other cost items, too, need justification. Finally, the choice of the 10 percent interest rate and the whole question of the use of capital recovery factors and the time-span of the "valid" results (pp.37-38) would require more discussion.

9. It is claimed that "present import prices are relatively high compared to world market prices and there is evidence that considerably lower prices are obtainable through a more aggressive import policy" (p.31). In view of the importance of price assumptions for the results, this point needs further discussion. The meaning of the expression "aggressive import policy" should be clarified and information should be provided on the sources and modalities of imports, on the uniformity or lack of uniformity of import prices in the three East African countries, as well as on present world market prices.

10. The projection of import prices also needs reconsideration. The range is wide between actual import prices that have been taken on an upper limit of possible values and the projected world market prices that are considered as the lower limit. The median price difference is 35 percent and in one case -- sulphuric acid -- it reaches 400 percent (p.35). Nor is there much justification in taking the average of the two as the "most likely" values in the projections.

The statement that "coincidentally, where TVA world market price projections are available, they come usually within the range of this 'most likely' projection" (p.35) raises more questions than it answers. Apart from the fact that the TVA world market prices are not shown, the question arises if these prices correspond to the c.i.f. prices in East African ports that would be obtained under an "optimal" import policy and, if so, what factors are responsible for the large difference between these prices and actual import prices.

11. In Section IV, I would suggest deleting the complete set of results on the solution of the basic version of FERTILEA. In turn, it appears desirable to present the results under the six basic solutions and under the no investment assumption in greater detail. Considerable interest attaches to the pattern of production and imports at various stages of the production of fertilizers under these alternatives. It would also be useful to indicate production costs under the various alternatives as well as the composition of these costs (labor, capital, foreign exchange etc.)

12. I further suggest that you compare savings in net imports to the foreign exchange expenditure on imported machinery, with a view to calculating the domestic resource cost of saving foreign exchange. This would permit giving explicit consideration to the scarcity value of foreign exchange that will exceed the official exchange rate you have used in the calculations. At the same time, the scarcity value of foreign exchange may differ among countries and vary over time.

13. In Section V, too, more detailed information should be provided on production, imports, and costs. Moreover, the assumptions made in regard to the pattern of fertilizer consumption will require further discussion. While in Section IV "fertilizer recommendations are assumed to remain in force so that the choice of fertilizer type is based on agronomic rather than least-cost considerations" (p.65), several of the alternatives in Section V assume the opposite. Earlier in Section I it was noted that "the importance of these assumptions on actual recommendations is a long-standing point of dispute among agronomists and soil chemists" (p.8), adding however that at least in one case the latter alternative "may lead to the wrong conclusions" (*ibid*). These comments give little help to the reader to choose between the two alternatives although this choice affects the cost of fertilizer consumption and the solution of the problem to a considerable extent (See Para 15 below).

14. In turn, I am puzzled by the statement that "the Tanga plant does comparatively well" (p.106) under the assumption of low world market prices; as only variable costs were covered in this plant under the medium-price assumption, it seems surprising that it continues to operate at substantially lower prices. Here again information on production costs and on the import content of domestic production would be helpful to the reader with the value figure of Table 17 being supplemented by data on the volume of production and imports under the various alternatives.

#### Interpretation of the Findings

15. I come now to Section VI entitled "The Importance of Economic Cooperation in East Africa". From the results reported in this section, it would appear that cooperation in fertilizer production is of little importance for the region as -- apart from the unlikely case of high price assumptions -- the gain from cooperative as against the nationalistic solutions is between 1 and 5 percent. This gain is small compared to the cost reductions that can be obtained by changing the

pattern of fertilizer consumption (10-13 percent) and especially in comparison to the savings obtainable if import prices decline from their present level to projected world market prices (35-40 percent). One may then wonder if measures aiming at changes in the pattern of fertilizer consumption or the joint purchasing of imports would not be more important than cooperation in production which, as you note, has a political cost.

16. Let me add here however that I am puzzled by the smallness of the benefits from a cooperative solution as gains of nearly 30 percent shown in a study of fertilizers in Latin America by Vietorisz and Manne. I wonder if the differences are explained by the relatively small market for fertilizers in East Africa or the assumed limitations on the maximum size of plants. A detailed comparison of the volume of production and imports and of the cost of production under various alternatives may help to provide an answer to this question.

17. The distribution of the gains from the cooperative solution among the three East African countries is a further consideration. In terms of your objective function, i.e. in terms of the net cost of providing for fertilizer demand, Uganda and Tanzania are said to suffer a loss in the event that the cooperative solution is adopted in the place of national solutions. You suggest that this result is explained by the fact that under the cooperative solution new capacity would be built in Tanzania and Uganda, involving an increase in the supply price of fertilizers, and that the transfer prices are assumed to equal average costs in old and new plants. I would suggest that you make calculations (a) equating transfer prices equal the full cost in the new plants which exceeds marginal costs in the old plants; and (b) making alternative assumptions as to the distribution of the gain from the cooperative solution. The latter problem arises because of the existence of monopolistic market structures.

18. The scarcity value of foreign exchange is a further consideration. By equating this to the actual exchange rate, you understate the gains to the exporting countries (Tanzania and Uganda) and overstate the gains to the importing country, Kenya. These considerations apply under protection even if foreign exchange is not a constraint in the Chenery-Strout sense; they are reinforced if the latter situation applies. In turn, account should be taken of the fact that exports may utilize some resources, e.g. unskilled labor and fertilizer raw materials, which have no alternative uses.

19. Correspondingly, I would suggest extending the analysis of the gains and losses from alternative solutions and their distribution that is of great importance to the three countries. Together with a more detailed examination of the assumptions and the implications of the results, the economic aspects of the study could thus be strengthened. In turn, in the technical chapters, greater emphasis should be given to the contribution of the study to solution procedures for large-scale models that was one of its original objectives.

cc. Messrs. Chenery  
Stern  
Cavas  
Duloy

Westphal  
Meeraus

Hughes  
Moore  
Please

BBalassa:alm

October 31, 1972

Mme. Figuepron  
SATCO  
14 rue Clapeyron  
Paris 8e  
France

Chere Madame,

Le 11 juillet j'ai demande que le reglement de l'affaire concernant l'assurance de ma Peugeot 304 soit fait a mon adresse a la Banque Mondiale a Paris. Je n'ai rien recu depuis et, comme je suis de retour a Washington, je vous serais tres reconnaissant si pouviez faire parvenir un cheque en reglement de l'affaire a l'adresse indiquee ci-dessus. Veuillez trouver ci-enclos une copie de ma lettre du 11 juillet et celle du MM Guian, datee le 30 juin.

Je vous prie d'agreer, chere Madame, l'expression de mes sentiments les meilleurs.

Bela Balassa

Adresse Personnelle  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008  
USA

le 31 octobre, 1972

Monsieur le Directeur  
Credit Lyonnais  
Agence AD/429  
141 avenue Mozart  
Paris 16e  
France

Monsieur,

Veillez trouver ci-enclos un cheque de 30 francs sur la  
Compagnie Financiere et un cheque de 27 francs sur la Banque de  
France. Le montant des deux cheques devraient etre crediter a  
mon compte no. 731 075A.

Salutations distinguees.

Bela Balassa

October 30, 1972

Dr. Julio Berlinski  
Pueyrredon 336  
Sp 25  
Buenos Aires  
Argentina

Dear Julio,

It was good that we had a chance to talk on the telephone. This permitted us to clear up some misunderstandings concerning the averaging procedure and it brought me up-to-date on the progress of your work. I am briefly stating the main points of our conversation below.

I understand that data availabilities permit your classifying commodities as competing and non-competing on the product level. Correspondingly, averaging on the 5-digit level of nominal rates of protection is carried out by equating this to the tariff in the case of import competing goods and using price comparisons for non-competing goods. In turn, 3-digit averages are derived by using world market production as weights.

You indicated to me that I can expect to receive the results of nominal and effective protection calculations in about a month and that an additional three months will be needed to prepare the evaluation of the results. I presume that Dani Schydrowsky will contact you to agree on the distribution of the work between the two of you.

The results on nominal and effective protection should be sent airmail in a form that will avoid overly high mailing costs. Nonetheless, it would be useful if you provide details on the averaging of nominal protection on the 5-digit level. Please send one copy each to Dani and myself.

Sincerely yours,

Bela Balassa

c.c. Professor Daniel Schydrowsky



P.S.

I have just talked to Helen Hughes about the World Bank offering you a position. Unfortunately, things have not worked out. It has taken Helen several months to get the agreement of Personnel to make you an offer and in the meantime, due to the reorganization of the Bank, she has lost the position in question. I very much regret this since I had hoped that you would join the Bank. As the situation is not likely to improve in the near future, you may wish to continue negotiations with other institutions.

October 30, 1972

The Economists' Bookshop  
Clare Market  
Portugal Street  
London W.C.2.A 2AB  
England

Dear Sirs,

There are several items on your statement of 31 July for which I have not yet made payment. This is due to the fact that I assumed that you would send separate bills for these in addition to the slips included with the books. As this does not appear to be the case and I no longer have the slips in question, I would like to ask you to send me copies of these or a separate bill on the following items:

69059    118948    ~~118948~~    118947    118945

I would like to add that I have returned one of the books sent to me because it didn't live up to expectations. This is Wiles, Predicting Communist Economic Performance, Despatch Note no. J 118944, £4.19.

With best regards,

Sincerely yours,

Bela Balassa

October 30, 1972

Professor Suphan Andic  
University of Puerto Rico  
Department of Economics  
Rio Piedras Campus  
Puerto Rico

Dear Professor Andic,

I am terribly sorry to tell you that I will not be able to come to give a seminar at your university on January 26, 1973. I have recently received an assignment which makes it necessary for me to be away from the United States in the month of January.

I hope that this change in my plans does not inconvenience you; I presume that you will not find it difficult to get a replacement. I also hope that my declining the invitation does not mean that you will not invite me another time. As a small token of my regret, I am sending you under separate cover a recent book of mine on The Structure of Protection in Developing Countries.

Sincerely yours,

Bela Balassa

October 30, 1972

Dr. Augustine H. H. Tan  
University of Singapore  
Department of Economics  
Bukit Timah Road  
Singapore 10

Dear Augustine,

It has been a long time since I last heard about the progress of your project. Please let me know by return mail how things have developed since your visit to Washington, and when you expect to send me the preliminary results. I would also like to have your revised timetable for the completion of the project.

With best regards,

Sincerely yours,

Bela Balassa

October 30, 1972

Dr. Zvi Sussman  
Director  
Research Department  
Bank of Israel  
Jerusalem  
Israel

Dear Dr. Sussman,

It has been a long time since I last heard about the progress of your project. May I ask you to let me know how things have developed since our meeting in Paris and when you expect to send me the preliminary results. I would also like to have your revised timetable for the completion of the project.

With best regards,

Sincerely yours,

Bela Balassa

P.S.

Could you please supply me with the information requested some months ago on time spent on the project that was not financed by World Bank funds. Thank you.

Mrs. Michelle Bazin

October 30, 1972

Bela Balassa

Miss Adriana de Paula

Many thanks for your note and for the help you have given to Miss Adriana de Paula in the visa matter. The Bank's travel office is sending you authorization for a Paris/Washington one-way air ticket for her. I am writing to her today to go to your office to pick up the ticket.

BBalassaLalm

le 30 octobre, 1972

Mlle. Olivia Adriana de Paula  
12 Cite Vaneau  
Paris 7e  
France

Chere Olivia,

Nous venons d'apprendre de Mme. Bazin que vous avez recu votre visa. Cette nouvelle nous avez faite beaucoup de plaisir. Nous vous attendons vers le 15-20 novembre comme prevu.

Veillez aller chez Mme. Bazin qui vous donnera votre billet avion Paris/Washington. Ce billet vous donne le droit a faire transporter des valises jusqu'une limite de 20 kilos. En sus vous pouvez prendre avec vous dans l'avion des bagages a la main. Toutes autres choses devraient etre envoyer en colis par le SNCF a l'adresse des Gulhati. Cette adresse devraient etre utilisee dans tous les documents.

Si vous avez des questions, ecrivez moi par retour de courrier mais Mme. Bazin peut vous conseiller sur tous qui concerne votre voyage.

Bela Balassa

October 27, 1972

Professor Jean Waelbroeck  
Département d'Economie Appliquée  
Université Libre de Bruxelles  
Dulbea  
1050 Bruxelles  
Ave. F.D. Roosevelt, 50  
Bruxelles  
Belgium

Dear Jean,

Many thanks for your letter of October 12.

I have submitted the statement of expenses for the computer to the Controller's Department. The amount of the statement will be paid from FY72 funds. I presume that the \$4000 computer expenses indicated in your letter and telegram already includes this amount. Correspondingly, your contract for FY73 will provide for computer expenses of \$3000. The contract will be sent to you soon.

In your letter you make mention of the publication of my article "Structural Policies in the European Common Market" in the first issue of Vol. IV of the European Economic Review. As I noted in my letter of September 11, I would like to have one part of this paper published in your Review. Apart from the fact that Part II has not yet been written, Parts I and III are self-contained and they are long enough to be published separately. I would like to suggest that you publish Part I, "Planning and Programming"; Part III, "Regional Policies and the Environment", will be published in the Weltwirtschaftliches Archiv. I hope that you find this arrangement acceptable; I plan to send you the revised version of the Planning paper in the course of November.

Sincerely yours,

P.S. I have just received your letter of October 23. Please let me know by return mail by what date you will need the revised version of the paper.

Bela Balassa



October 27, 1972

Mr. Walter Salant  
The Brookings Institution  
1775 Mass. Ave. N.W.  
Washington D.C. 20036

Dear Walter,

I enclose two copies of my comment on Cooper, "European Monetary Unification and Integration of the World Economy". Needless to say, I will be glad to make any changes you consider necessary. This may especially be the case in the introduction where I retained the comments I delivered at the meeting.

Sincerely yours,

Bela Balassa



# Record Removal Notice



|   |                                    |  |                                |                          |
|---|------------------------------------|--|--------------------------------|--------------------------|
| <b>File Title</b><br>Research on Economics and Development - Bela Balassa - Chronological Record - June through November 1972 |                                    | <b>Barcode No.</b><br><br>30280405   |                                |                          |
| <b>Document Date</b><br>October 27, 1972  | <b>Document Type</b><br>Memorandum |  |                                |                          |
| <b>Correspondents / Participants</b><br>From: Bela Belassa<br>To: John H. Duloy   |                                    |  |                                |                          |
| <b>Subject / Title</b><br>Computer Expenses on International Model Project  |                                    |  |                                |                          |
| <b>Exception(s)</b><br><br>Financial Information (iv)   |                                    |  |                                |                          |
| <b>Additional Comments</b>  |                                    | <p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b><br/>Ann May</td><td><b>Date</b><br/>13-Jan-17</td></tr></table> | <b>Withdrawn by</b><br>Ann May | <b>Date</b><br>13-Jan-17 |
| <b>Withdrawn by</b><br>Ann May  | <b>Date</b><br>13-Jan-17           |  |                                |                          |



# Record Removal Notice



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| <b>Subject / Title</b><br>Interim Performance Evaluation - Mr. J. Levy  |                                    |  |                                |                          |
| <b>Exception(s)</b><br>Personal Information   |                                    |  |                                |                          |
| <b>Additional Comments</b>  |                                    | <p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b><br/>Ann May</td><td><b>Date</b><br/>13-Jan-17</td></tr></table> | <b>Withdrawn by</b><br>Ann May | <b>Date</b><br>13-Jan-17 |
| <b>Withdrawn by</b><br>Ann May  | <b>Date</b><br>13-Jan-17           |  |                                |                          |

## OFFICE MEMORANDUM

TO: Mr. J. P. Hayes

DATE: October 25<sup>7</sup>, 1972FROM: Bela Balassa SUBJECT: Primary Exporters StudyFluctuations in Export Earnings

1. I welcome the emphasis of the study on the importance for the economic development of the LDCs of export growth as against fluctuations in export earnings. I am also in full agreement with the related conclusion that neither Bank participation in short-term commodity stabilization schemes, such as a buffer stock arrangement, nor its financing medium-term export shortfalls through the Supplementary Financing Scheme represents a desirable use of scarce resources.
2. In fact, these conclusions are strengthened if one reinterprets the results of the calculations reported in Annex I on the effects of export fluctuations on economic growth. Using the ratio of three-year averages to averages for the preceding five-year period will not be an appropriate measure for this purpose as it does not distinguish between temporary fluctuations and changes in the trend. The importance of the latter factor is evident if we consider that the strongest association between the income and the export variables is observed mostly in countries which have experienced a rapid acceleration in their export growth (Ivory Coast, Iran, Peru, Korea, Mexico, and Libya).
3. Nor should the observed correlation between export growth in preceding years and GNP growth in a later period be interpreted as an indication of the effects of export fluctuations on economic growth, since this correlation may well be due to factors affecting both exports and economic growth in the two periods. Finally, the data of Table A-1-3 cannot be adduced in support of the proposition that "for countries which suffer from slow trend rate of growth of export earnings, there is evidence that unexpected fluctuations are an additional handicap" (Para 7). Thus, if we exclude war-torn Nigeria from the bottom left-hand group, there will be no difference in the average growth rate of GNP between this group and the next one that experienced smaller export fluctuations. Also, it would seem that higher growth rates in the third group encompassing Morocco, Ghana, Brazil, Argentina, Mexico, Ceylon, Philippines, and Venezuela are explained not so much by small fluctuations in export earnings but by the ability of these countries to generate economic expansion through import substitution, in part because they started from a higher level of economic development and in part because they have larger markets. The latter consideration brings out the importance of economic structure and market size to which I will return below.

Perspectives for Developing Countries

4. While the negative conclusions of the study, i.e. the need to avoid using scarce resources for the stabilization of export earnings are valuable, its positive recommendations offer little help "to accelerate the development of the countries clustered in the bottom right-hand sectors of Table 1" (i.e. small and medium size primary exporters). Yet, judging from the introduction to the study

and your covering memo from which the above quotation has been taken, this was to have been the principal objective. One reason is that in attempting to cover a wide range of subjects, it has not apparently been possible to focus on the problems relevant to the countries in question; another is the overemphasis given to factors that are outside the control of a particular country. For example, the study contrasts the dire prospects of primary exporters with the favourable perspectives enjoyed by the exporters of fuels and manufactured goods.

5. The availability of petroleum is indeed an "act of God" and, aided by OPEC, it can ensure rapid economic growth especially if the fuel sector is large in comparison with the rest of the economy. However, the expansion of manufactured exports is largely policy-determined and countries at similar levels of industrialization have reached high or low export and GNP growth depending on the policies followed. Thus, growth in per capita terms -- which is the relevant indicator of growth performance rather than the GNP growth rate used in Table 1 -- has been high in countries like Korea, Taiwan, and Israel that followed outward-looking policies and low in countries with an inward-orientation such as India, Argentina, Brazil, and Chile and even negative as in Uruguay. This distinction is neglected in the study that classifies countries according to their export composition rather than their economic structure, thereby putting Uruguay in the same group with Afghanistan and Chile together with Sierra Leone.

6. Using a classification based on economic structure would permit focusing on primary producing countries that are at low levels of economic development. Separating out large countries that have greater possibilities to expand manufacturing activities, one is left with small countries at low levels of development whose economies are based on primary production and exports, including agricultural products as well as minerals (I use the adjective "small" in referring to countries in both the "small" and the "medium" size categories of the study as the upper limit of the latter is \$2 billion, i.e. less than one-fifth of the GNP of Switzerland).

#### Factors Determining Growth Performance

7. One should next raise the question why some countries in this group have done better than others. While the study makes reference to the success of the Ivory Coast, it does not provide information that would explain why Gabon has done better than the Central African Republic and why Mali has attained a higher growth rate than Chad. In particular, the study neglects differences in policies while emphasizing export and domestic demand constraints.

8. I find the discussion of export constraints rather unsatisfactory. It is repeatedly stated that the expansion of exports of primary products by particular developing countries would be at the expense of the rest (Section II, Para 14 and Section III, Para 12). Yet, most of the nonfuel primary products exported by these countries are competing also with the products of the developed nations. Thus, adding fruits and vegetables to the competing products listed in Table 9 and excluding products competing with synthetics from the noncompeting category, the latter will account for only 16 percent of LDC nonfuel primary exports.

9. One should then consider changes in the share of the countries in question in world exports rather than in LDC exports. In this way, one may separate the effects of commodity composition ("demand effect") and changes in market shares ("supply or competitive effect") on the export growth of particular countries.

This, in turn, is a first step towards analyzing the effects of economic policies on export performance and examining the possibilities for increasing exports in the future. As regards the latter, one would also need to consider potential increases in the supply of products, such as fruit and vegetables, that may replace domestic production or contribute to increased variety in consumption -- both in product composition and in time -- in the developed nations.

10. I also see the need for a more detailed discussion of protection in the developed nations (Section IV). The distinction between protected and unprotected competing commodities in Table 9 is inadequate, in part because it groups together products with high and low protection and in part because it disregards the possibilities for competition with exporters in the developed nations. To my mind, an important part of the story is why developed country producers have done much better in exporting oilseeds, cereals, and meat to protected markets than did developing country producers. Also, the beneficial effects of tariff reductions undertaken by the developed nations have been grossly underrated; developing countries have benefited to a considerable extent from the automatic extension to them of multilateral tariff reductions on manufactured goods, including textiles and processed food.

11. Apart from export demand limitations, the study gives emphasis to the alleged limitations of domestic demand for agricultural products (Section I, Para 5 and Section VI, Para 21). Here one finds shades of Nurkse who argued that the domestic market provides a constraint to the development of any single manufacturing industry. Given their low nutritional levels, domestic demand will be an important obstacle to the expansion of agriculture in few developing countries. In most instances, supply rather than demand has been the limiting factor as discrimination against agriculture did not permit an adequate growth of food production. At the same time, an expansion of their production will increase the peasants' own consumption of foodstuffs as well as their demand for industrial goods.

#### Recommendations

12. The study puts considerable emphasis on the need for the diversification of production and exports. It is argued that "at a more fundamental level, both slow growth of export earnings and slow growth of product spring from difficulties in diversifying the structure of production" (Section II, Para 23) and it is suggested that "the main role of the Bank will continue to be in assisting economic diversification of developing countries" (Section I, Para 14). No evidence is provided, however, on the relationship between export diversification and growth; in fact, McBean and Coppock did not find that such a relationship existed. And while it is useful to diversify at a higher stage of economic development and in cases where the prospects for a country's major exports are poor, recommendations to this effect might divert attention from the need for improvements in the processes of production and in the policies applied.

13. Improvements in policy should be interpreted in a wider sense to include improvements in the system of incentives to domestic and foreign investment, as well as in infrastructure, education, and administration. Collecting and disseminating information on the relationship between policies and performance, expanding Bank lending in areas such as education where social profitability considerations are decisive, and making lending contingent on policy improvements may be mentioned in this connection. A related matter is the role the Bank may play in furthering economic integration in the developing countries.

14. As regards the latter, I would suggest narrowing the focus of the discussion in Section V to small primary-producing countries. These countries do not have a wide range of inefficient industries that have obstructed integration in Latin America. Nor do the preference schemes so far unsuccessfully tried by semi-industrial countries located on different continents (Section V, Para 13) have relevance for them. At the same time, the gains for integration are greater for these countries because of the smallness of their national market, and they can derive benefits from reducing barriers to intraregional trade, harmonizing national policies, and avoiding the establishment of industries oriented towards the narrow national market. The Bank could make a contribution to the latter objective through its lending policy. I will discuss this and several other questions relating to Bank policy and research on economic integration in a separate memo.

15. I come next to the proposed new activity for the Bank that is given central place in the introduction to the study: the development and application of manufacturing technologies adapted to the needs of small and medium sized low income countries (Section I, Para 18). I do not think that this activity represents an efficient use of resources. The analogy with agriculture is misleading here as we are dealing with a wide variety of products and complex production processes. I agree with Helen Hughes that one should provide incentives for choosing the technology appropriate to the conditions of the country concerned rather than trying to develop new technologies so to speak in the laboratory. At any rate, the possibilities for the better utilization of factors of production lies more in the choice of products rather than in the choice of technology for a particular product. But here again general policies are necessary.

#### Conclusion

16. I have suggested above that it would be desirable to focus the paper on the problems of small countries at lower levels of development whose economies are based on primary production and agricultural exports. Focusing on the problems of these countries would also permit a considerable tightening of the paper; the present version is rather diffuse and often repetitive.

cc. Messrs. Chenery, Stern, Haq, Gulhati, Cauas  
Mrs. Hughes

BBalassa:alm

October 26, 1972

Professor Anton Zottmann  
Institut für Weltwirtschaft  
2300 Kiel 1, Postfach  
West Germany

Dear Professor Zottmann,

Thank you for your letter of October 3. The first part of the paper you refer to, "Planning and Programming", will be published in the European Economic Review; I would be happy if you published the third part, "Regional Policies and the Environment". Part two, "Industrial Policy" has not been written yet and I expect to send it to another journal. I could send you the final version of "Regional Policies and the Environment" by the end of November if convenient.

Please give my best regards to Professor Giersch.

Sincerely yours,

Bela Balassa



October 26, 1972

Dr. Peter Ady  
St. Anne's College  
Oxford University  
Oxford  
England

Dear Peter,

Enclosed is a note I wrote on two of the papers presented at the Belgrade meeting of the Directors of Development Institutes. I hope that you will find it of interest.

It was good to see you in Cambridge and I hope that I might have the chance to get to Oxford before long. Should you come to Washington, my wife and I would be happy to receive you at our home.

With best regards,

Sincerely yours,

Bela Balassa

P.S.

I have just discovered that two papers you asked for earlier have not yet been sent to you. I am enclosing them.

October 26, 1972

Harvard University Press  
79 Garden Street  
Cambridge, Mass. 02138

Dear Sirs,

Please send me one copy of J. H. McArthur  
and B. R. Scott, Industrial Planning in France,  
together with your invoice.

Sincerely yours,

Bela Balassa  
Professor of Political Economy

October 26, 1972

Dear Professor Dunning,

Enclosed is a note I wrote on two of the papers presented at the Belgrade meeting of the Directors of Development Institutes. I hope that you will find it of interest.

It was good to see you and I hope that I will have the chance to see you again before long. In the meantime, I would appreciate getting copies of any papers you might write on the problems of foreign investment and the multi-national corporation.

Sincerely yours,

Bela Balassa

Professor John Dunning  
University of Reading  
Department of Economics  
Whiteknights  
Reading RG6 2AA  
England

## OFFICE MEMORANDUM

TO: Mr. Montek S. Ahluwalia

DATE: October 25, 1972

FROM: Bela Balassa

SUBJECT: Income Distribution Research and Work Program

1. I have read your memo on the above subject with much interest. It is an excellent survey of possible areas of research on income distribution and provides a "menu" for Bank research. In accordance with our discussion today some suggestions are made below for selecting "dishes" from the menu.
2. I am all for improving the data base as suggested in Part I of your memo but I wonder if it would be desirable to launch into a vast survey project at this stage. While such a survey might be financed from funds outside the regular research budget, we would eventually have to show what we have gotten for our money. And if there are possibilities for obtaining additional funds, should we not rather prepare a package of research projects relating to income distribution (and employment), of which data collection is a part?
3. I would suggest that in the field of data collection we initially emphasize extending the DRC/ECD project on the size distribution of income to cover functional distribution and rural-urban balance and, to the extent possible, consider changes over time. A critical analysis of existing data can serve the double purposes of providing information on various facets of income distribution and of helping us to subsequently organize large-scale surveys while avoiding blind alleys and waste of resources.
4. I would like to reserve judgment on the use of general equilibrium models for studying various problems of income distribution (Part II) until the results of these studies are available. Nonetheless, these models could be used as a framework in undertaking the kind of studies mentioned in your Para 8. Thus, it would appear useful to select countries on which such models are being prepared for at least some of the more detailed studies, in part because of economies of scale in data collection and research and in part because of possible feedbacks into the models. Among the topics you mention, I find especial interest in an investigation of the effects of income distribution on consumption demand patterns, with a further analysis of the implications for the import content of consumption.
5. The above comments also apply to sector-level studies (Part III). Although the impact of the "Green Revolution" on income distribution is worthy of study, the major income distributional effects may well occur between sectors through reductions in domestic product prices. In turn, while I would like to see studies of capital-labor substitution to be carried out in an intercountry framework, one should realize the difficulties -- and the cost -- of such studies. Unless they are carried out in the framework of multinational corporations, one would have to compare firms with different histories, accounting procedures etc.
6. I share your view on the need for using basic economic reports as a framework for studies that seek answers to questions such as the implications of the public budget for income distribution (Part IV). I wonder, however, if the characteristics of low income groups should not be left to other agencies to investi-

gate. This raises the more general question of collaboration with researchers and international agencies outside the Bank and the relationship of research on income distribution with other research areas in the Bank. As regards the latter, there is especially need for coordinating research programs on income distribution and on employment so that the two will reinforce each other and duplications are avoided. In turn, the possible need for introducing income distributional criteria should be investigated in conjunction with ongoing and planned research on project selection and shadow prices.

7. In conclusion, there appears to be need for a stepped-up effort of data collection in the framework of the DRC/ECD project as well as for in-depth studies of selected subjects in countries for which general equilibrium models are being prepared or will be subject to basic economic reports. But I agree with you that in the near future it would be desirable to concentrate on writing interpretative surveys on various topics that will then help in orienting the research program in the general area of income distribution (and employment).

cc. Messrs. Chenery, Stern, Cauas, Haq, Avramovic, Duloy, Hawkins, Turnham, Clark, Stoutjesdijk, Tiemann, Anand

Mrs. Lele and Mrs. Kumar

BBalassa:alm

+ Baneth  
Karaos manoglu  
Bulhati

Home Address  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008

October 24, 1972

PEPCO  
P.O.Box 2812  
Washington D.C. 20013

Dear Sirs,

On the enclosed bill you indicate a reading of 25710 on October 5. No reading has been taken by your representative and on October 19 the meter read 24360. I presume that you have simply charged me for the amount of your previous bill. This is grossly exaggerated since with the end of the air conditioning season our electricity consumption has greatly declined. I enclose a check for \$40 which should cover my electricity consumption until October 5. Please correct your bill accordingly.

Sincerely yours,

Bela Balassa

Mr. Hollis B. Chenery

October 24, 1972

Bela Balassa

Advising the Andean Group on Tariff Structure

You should receive shortly an official request from the Commission of the Andean Common Market concerning my advising them on the tariff structure of the Common Market. Dragoslav Avramovic has agreed to this undertaking and Jorge Cauas is enthusiastic about my doing it. I would have to be there for about a week in early January.

BBalassa:alm

October 24, 1972

Mr. G. R. Denton  
Reader in Economics  
University of Reading  
Whiteknights  
Reading RG6 2AA  
England

Dear Mr. Denton,

Many thanks for your letter of October 11. I will try to make the changes you suggest in the revised version of my paper.

With best regards,

Sincerely yours,

Bela Balassa



October 24, 1972

Professor Willy Sellekaerts  
Department of Economics  
University of Ottawa  
Ottawa, Ont. K1N 6N5  
Canada

Dear Professor Sellekaerts,

I would like to know where you stand with the publication of the Tinbergen Festschrift. It has been a long time since I last received information on this.

Sincerely yours,

Bela Balassa

October 24, 1972

Mr. Paul Hamelynck  
North-Holland Publishing Co.  
305-311 Keizersgracht  
P.O.Box 103  
Amsterdam C  
The Netherlands

Dear Mr. Hamelynck,

Many thanks for your letter of October 3 and for sending me a copy of Mr. Snater's letter to Professor Adelman. To answer your question, our work on European economic integration has made good progress. I am afraid, however, that we would not be able to meet the original deadline. I will write to you towards the end of the year to inform when you can expect the completed manuscript.

Sincerely yours,

Bela Balassa

October 24, 1972

Mr. Bernard Guillochon  
Maitre-assistant a Paris IX  
31 avenue RAPP  
Paris 7e  
France

Dear Mr. Guillochon,

I am afraid that I will not be in Paris during the period indicated so that I will not be able to be a member of your thesis committee.

Sincerely yours,

Bela Balassa

Mr. Jorge Cauas

October 20, 1972

Bela Balassa

Conference Participation

As the enclosed letter indicates, I have been invited to present a paper at an international conference on consumption and income sponsored by ECIEL. Please let me know if you consider my participation in the conference desirable.

BBalassa:alm

Home Address  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008

October 20, 1972

Internal Revenue Service  
12th & Constitution N.W.  
Washington D.C.

Dear Sirs,

I have been sent the enclosed card concerning my employer identification number. I am afraid, however, that the first digit is not readable; it could be a 3 or a 5. Would you please correct the number and return the card to me.

Sincerely yours,

Bela Balassa

October 20, 1972

Mr. Fritz Steuber  
B.I.R.D.  
66 Avenue d'Iena  
Paris 16  
France

Dear Fritz,

Due to my absence from the Bank, Mrs. Rinaldi's telegram concerning my Common Market papers reached me with some delay. The papers in question were prepared under a contract with the National Science Foundation and not for the Bank. I am enclosing copies of them with the request that you consider these as confidential. You can give copies to the Pakistani delegation only on the understanding that they are not to be quoted in their present form. I plan to revise them in the next few weeks.

Sincerely yours,

Bela Balassa

cc. UNCTAD, Geneva

## OFFICE MEMORANDUM

TO: Those Listed Below

DATE: October 17, 1972

FROM: Bela Balassa

SUBJECT: "Alternative Project Selection Procedures"

The enclosed note, "Comments on Deepak Lal, 'Alternative Project Selection Procedures for Developing Countries'", is distributed to the recipients of Mr. Henderson's memo of October 16.

### Distribution

Messrs. Baum, van der Tak, Bohr, Yudelman, Adler, Berrie, Baldwin,  
Hendry, Carmignani, Squire, Schumacher, Fuchs, Hogg, Lomax,  
Jaycox, Erder, Hansen  
Messrs. Avramovic, de Vries, Thompson, Cacho, Gintsburger, Sonmez  
Messrs. Kamarck, Frost, Lamson-Scribner, Schlesinger, Carnemark,  
Schuster, Bhatt  
Messrs. Gulhati, Wood, Loeschner, Wolf  
Messrs. Henderson, Stevenson, Duloy, Blitzler, Clark, Ray, Reutlinger,  
Hansen, Turnham, Hawkins, Barkai, Papageorgiou, Parish, Duane,  
Price, Ahluwalia, English, Que

BBalassa:alm

October 16, 1972

Mr. Benjamin King  
Canadian International Development Agency  
Jackson Building  
122 Bank Street  
Ottawa Ontario K1A 0G4  
Canada

Dear Ben,

As I mentioned to you on your last visit, I have been invited to Lima to advise the Andean Group on tariff policy. I would be member of an expert group to which two Canadians will be invited. I am told that the choice of nationality is explained by the fact that your organization would finance the participation of two Canadian nationals.

I have suggested to the Group that they invite Professor Trent Bertrand of the Johns Hopkins University as one of the Canadians. I am told that this may not be possible because Bertrand is a landed immigrant in Canada but not a citizen. As his expertise would be of considerable benefit to the work of the expert Group I wonder if an exception could be made and he could be considered for purposes of this assignment as a full-fledged Canadian.

Sincerely yours,

Bela Balassa



October 13, 1973

Dr. Julio Berlinski  
Pueyrredon 336  
8p 25  
Buenos Aires  
Argentina

Dear Julio,

We may be laboring under some misunderstanding as far as the averaging procedure is concerned. In Para 1 of my note of August 28 I warned against using as weights exclusively data for products for which price comparisons have been made. In your example, if the share of non-import-competing products in the sector in question is greater than their share in the combined output of the products for which price comparisons have been made, their weight in the averaging should be adjusted upwards.

An extreme example is when the sector as a whole is non-import-competing, yet price comparisons have nevertheless been made for the single import-competing product it contains. Now, the share of this product in the sector's total output should be used in the averaging. The above considerations also apply to import-competing industries so that, as you note, Para 2 of my note is symmetrical with Para 1.

In turn, 3-digit averages of nominal protection should always be built from 5-digit averages since otherwise we would lose the information that is available in a disaggregated form. Still, the sector can be classified on the basis of the ratio of imports to domestic consumption at the 3-digit level. The question of classification is, however, not of great importance as it does not affect the calculation of the weighted average of nominal rates of protection.

Should you have any further questions, I will be happy to call or, if possible, you could call me collect. My number is (202) 477 5601.

With best regards,

Sincerely yours,

Bela Balassa

cc. Dr. D. Schvdlowv

## OFFICE MEMORANDUM

TO: Mr. Hollis B. Chenery

DATE: October 13, 1972

FROM: Bela Balassa

SUBJECT: The Structure of Protection in Developing Countries

Ronald McKinnon of Stanford University has reviewed The Structure of Protection in Developing Countries in the last issue of the Journal of International Economics. I enclose the review together with two others. I am also sending copies to the members of the Bank Review Committee on the book.

There has not yet been a review in the Journal of Economic Literature. Dr. Perlman, the editor of the Journal, called me recently and complained that while he has received the Spanish edition of the book, he has not been sent the English original. I have asked Johns Hopkins Press to correct this omission.

cc. Messrs. Stern, Duloy, Haq, Clark Wm., Lind  
Bank Review Committee

BBalassa:alm

## OFFICE MEMORANDUM

TO: Mr. Munir P. Benjenk

DATE: October 13, 1972

FROM: Bela Balassa *h*SUBJECT: Portugal

I enclose comments on my advisory report "The Implications of Portugal's Association with the European Common Market" received from Mr. Joao Cravinho, Chief of the Planning Cabinet in the Secretariat of Industry, and from Mr. Jose da Silva Lopes, Chief of the Planning Cabinet in the Ministry of Finance.

It appears from Mr. Cravinho's letter that he will remain in his present capacity with the new minister and he would like me to continue working with him. I understand from Mr. Upper that this is also the wish of your Department. In agreement with him, I have sent copies of my paper to Dr. Manuel Cotta Dias, the new Minister of Finance, and to Professor Hermes dos Santos, the new Secretary of Industry.

cc. Messrs. Votaw  
Upper  
Thompson

Chenery  
Stern  
Duloy  
Hughes

BBalassa:alm

October 13, 1972

Mr. Salvador Lluch Soler  
Coordinador  
Acuerdo de Cartagena  
Junta  
Casilla de Correo: 3237  
Lima  
Peru

Dear Sir,

I accept with pleasure your invitation to participate in the work of an expert group on the common external tariff of the Grupo Andino. I understand from Mr. Schydrowsky that the Group will meet in the first week of January.

Please send an official letter of invitation to Mr. Hollis B. Chenery, Vice President, Development Policy, at the World Bank.

Sincerely yours,

Bela Balassa

Home Address

2134 Wyoming Avenue N.W.  
Washington D.C. 20008  
USA

October 13, 1972

Mr. Frederick P. Drew  
Las Amazonas 190  
San Isidro (El Olivar)  
Lima  
Peru

Dear Mr. Drew,

Many thanks for your letter of October 3. As a matter of fact I was just about to write to you myself to inform you that I expect to be in Lima in the first week of January. I have been invited by the Junta of the Grupo Andino to advise them on tariff policies. I will write to you in advance to indicate the time of my arrival.

Looking forward to seeing you, I remain,

Sincerely yours,

Bela Balassa

October 11, 1972

Professor Fritz Machlup  
Princeton University  
International Finance Section  
P.O.Box 644  
Princeton, N.J. 08540

Dear Fritz,

I enclose some suggestions for chairmen, speakers, and discussants on the various topics. I added "Integration in Developed Countries" to the proposed list of subjects. I have done this in part for symmetry and in part because this would permit a discussion of the proposed US/Canadian free trade area and trade arrangements in the Pacific. Please let me know if I can be of any further help.

With best regards,

Sincerely yours,

Bela Balassa

October 10, 1972

Dr. Daniel Schydrowsky  
Center for Latin American  
Development Studies  
745 Commonwealth Avenue  
Boston, Mass. 02215

Dear Dani,

I enclose a letter from Mr. ten Kate. Could you please check the formulas in point 2 on page 2. I think that we have not had the proofs yet so that the corrections could be made.

I also enclose a list of 132 names to whom I sent the reprints of our joint article in the JPE. The list includes about 50 trade and development economists to whom I sent the paper in both our names. There are an additional 75 copies I have reserved for you. We could then work out a cost-sharing arrangement.

Sincerely yours,

Bela Balassa

Home Address  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008

October 10, 1972

Mr. F. J. Mannarino  
Vice President  
W. & J. Sloane Inc.  
1130 Connecticut Avenue N.W.  
Washington D.C. 20036

Dear Mr. Mannarino,

Thank you for your letter of October 2 indicating your confirmation of my agreement with Mr. Jacobs. I enclose a check for \$488.23 which represents the balance on the sofa as indicated in my letter of September 29 which you have countersigned.

Sincerely yours,

Bela Balassa



October 10, 1972

Prof. Hermes dos Santos  
Secretario de Estado da Industria  
Ministerio da Economia  
Lisbon  
Portugal

Dear Mr. Secretary,

At the suggestion of Mr. Faria Blanc I enclose a copy of my advisory report "The Implications of Portugal's Association with the European Common Market", which I prepared following a visit to Portugal last August. I very much hope that you will find this report of interest.

Sincerely yours,

Bela Balassa  
Consultant  
Development Research Center  
Professor of Political Economy  
The Johns Hopkins University

October 10, 1972

Dr. Manuel Cotta Dias  
Ministro das Financas e Economia  
Ministerio das Financas  
Lisbon  
Portugal

Dear Mr. Minister,

At the suggestion of Mr. Faria Blanc I enclose a copy of my advisory report "The Implications of Portugal's Association with the European Common Market", which I prepared following a visit to Portugal last August. I very much hope that you will find this report of interest.

Sincerely yours,

Bela Balassa  
Consultant  
Development Research Center  
Professor of Political Economy  
The Johns Hopkins University

October 10, 1972

Dr. Jose da Silva Lopes  
Caixa Geral de Depositos  
Lisbon  
Portugal

Dear Mr. Silva Lopes,

Many thanks for your letter of September 2 and for your offer to correct some of the figures in the paper. While I do not plan to publish this (it was prepared as an advisory report for your government), I would appreciate it if you could make appropriate corrections.

Looking forward to seeing you next year, I remain,

Sincerely yours,

Bela Balassa

October 10, 1972

Mr. Carsten R. Moser  
"Intereconomics"  
HWWA-Institut für Wirtschaftsforschung  
2000 Hamburg 36  
Neuer Jungfernstieg 21  
W. Germany

Dear Mr. Moser,

I will be glad to write the article on regional integration and international trade under the conditions suggested in your letter of September 20 (8 typewritten pages; a fee of DM 300). You will have my paper before the end of the year.

Sincerely yours,

Bela Balassa



# Record Removal Notice



|   |                                    |  |                                |                          |
|---|------------------------------------|--|--------------------------------|--------------------------|
| <b>File Title</b><br>Research on Economics and Development - Bela Balassa - Chronological Record - June through November 1972 |                                    | <b>Barcode No.</b><br><br>30280405   |                                |                          |
| <b>Document Date</b><br>October 10, 1972  | <b>Document Type</b><br>Memorandum |  |                                |                          |
| <b>Correspondents / Participants</b><br>From: Bela Belassa<br>To: William Murray, Amos G. Hewitt Insurance Agency             |                                    |  |                                |                          |
| <b>Subject / Title</b><br>Insurance Policy  |                                    |  |                                |                          |
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| <b>Withdrawn by</b><br>Ann May  | <b>Date</b><br>13-Jan-17           |  |                                |                          |

October 10, 1972

Mr. A. ten Kate  
Nederlandse Economische Hogeschool  
Burgemeester Oudlaan 50  
Rotterdam 3016  
The Netherlands

Dear Mr. ten Kate,

Many thanks for your letter of September 29 and for sending me your paper on the treatment of nontraded goods in the theory of protection.

I appreciate it that you have taken the trouble to note the errors in the formulas. My definition of the Corden method, however, stands and it is accepted by Corden himself. As to your own paper, I find it of considerable interest but I wonder whether it adds very much to the existing literature in analytical as against definitional terms.

Sincerely yours,

Bela Balassa

October 10, 1972

Mr. Pierre Uri  
The Atlantic Institute  
120 rue de Longchamp  
Paris 16e  
France

Dear Pierre,

I enclose a xerox copy of the paper on energy consumption I mentioned to you. I hope that it will be of some use.

It was good to see you, and Carol and I look forward to having you for dinner on your next visit later this year.

Sincerely yours,

Bela Balassa

October 10, 1972

Mr. Dermot McAleese  
The Economic & Social Research Institute  
4 Burlington Road  
Dublin 4  
Ireland

Dear Dermot,

Many thanks for sending me a copy of your dissertation as well as the reprints of your papers on Irish manufactured exports to the EEC and on effective protection in Ireland.

I am happy to see that you are doing well and I hope that you got one of the two jobs I wrote recommendations for. I will be glad to write further recommendations whenever you need them.

Sincerely yours,

Bela Balassa



October 10, 1972

Professor Mark Perlman  
Managing Editor  
Journal of Economic Literature  
Box 7320 Oakland Station  
Pittsburgh, Pa. 15213

Dear Professor Perlman,

I have asked Hopkins Press to send you a copy of my Structure of Protection in Developing Countries. You should receive it in a few days.

Should you decide to have the book reviewed, I think that Harry Johnson would be the best choice. He is now at Yale and might be willing to write a review. Other suggestions are Arnold Harberger and Peter Kenen.

Sincerely yours,

Bela Balassa

October 10, 1972

Mr. Jack Goellner  
Editorial Director  
The Johns Hopkins Press  
Baltimore, Md. 21218

Dear Jack,

The Editor of the Journal of Economic Literature called me recently and told me that while he has received a copy of the Spanish translation of my book on The Structure of Protection in Developing Countries, he has never received the English edition. As the JEL is the most important forum for reviewing books on economics, I am very anxious that they get a copy. You may also wish to check if other books on economics published by the Press have found their way to the Journal.

Sincerely yours,

Bela Balassa

JEAN WAELBROECK  
CORE  
DE CROYLAAN 54  
3030 HEVERLEE

October 10, 1972

LT

BELGIUM

IMMEDIATE REPLY REQUESTED TO MY LETTER OF  
SEPTEMBER 11

Balassa

Bela Balassa

DRC

BBalassa:alm

October 6 1972

Mrs. Michelle Bazin  
BIRD  
66 Ave. d'Iena  
Paris 16  
France

Dear Mrs. Bazin,

I have just received a copy of the letter written by Mr. Edmonds, Chief of the Personnel Services Section, to the American Consul in Paris. In case you have not received a copy I enclose one.

I am writing to Miss Adriana de Paula to obtain the forms for applying for the ~~CV~~ visa and to ask your help in filling ~~them~~ out. Your assistance in this matter would be greatly appreciated.

Sincerely yours,

Bela Balassa

## OFFICE MEMORANDUM

TO: Research Committee Members

DATE: October 3, 1972

FROM: Bela Balassa

SUBJECT: Brazil and ECIEL Projects

Not being able to attend the October 4 meeting of the Research Committee, I am circulating at Mr. Stern's suggestion some comments on two groups of research proposals with which I have some familiarity. They are the three research proposals submitted by ECIEL and the three proposals on Brazil.

I ECIEL Research Program

Last June a Subcommittee consisting of Messrs. Stern, Avramovic, Kuczynski, and myself was unanimous in recommending that the Bank should not provide "program financing" for research coordinated by ECIEL and should instead ask Mr. Grunwald to submit specific research proposals. These recommendations were accepted by Mr. Chenery and were incorporated in his letter to Mr. Grunwald.

Subsequently, Mr. Grunwald submitted three research proposals to the Bank. However, as these proposals apparently cover ECIEL's work for some years to come, they may be considered as a request to participate in the financing of ECIEL's entire research program. Indeed, the estimated net financing needs of the three projects (\$950,000 over a period of five years) are practically the same as the \$200,000 a year requested in the earlier submission for "program financing". I wish to add that, for reasons explained in my memo of June 6 to Mr. Stern, I considered the \$200,000 figure to be excessive.

As to the individual projects, I agree with the recommendations made in the Subcommittee's report dated September 19. To begin with, I see little need for undertaking another study of international prices, purchasing power, and real income. Apart from the Kravis project, studies on this subject have been carried out by ECLA and by ECIEL itself.

Also, while the employment problem is of considerable importance to the Bank and to Latin American countries, the Subcommittee is correct in stating that "this proposal is much too general to allow proper review". The Subcommittee further recommends that "Bank staff assist ECIEL in working out concrete research proposals of mutual interest". I would add that we should look at research on employment as a whole, and consider ECIEL as one of possible contributors in the general area which is not lacking in would-be researchers.

I come finally to the studies on income and expenditure, of which one (Urban Household Income and Expenditure) awaits completion while its proposed extensions (Income Distribution Study and Demand Study) are still in the drafting stage. ECIEL indicates the need for \$27,500 in FY73 and \$62,500 in FY74 for the completion of the first study. As the Subcommittee notes, "financing of this part of the study should naturally be considered as the first step in our association with ECIEL". This should not mean however that we should finance the entire residual amount.

First of all, it is doubtful that it represents the best use of the Bank's resources to be a "grantor of last resort" for projects carried out by other institutions. Second, there is no reason to assume that other sources of financing could not be utilized for this purpose. Third, if the Bank commits considerable funds for the completion of an ongoing project, it will have little left over to finance new projects in whose design and implementation it could participate. Yet I strongly feel that in the ECIEL and elsewhere Bank participation not be limited to financing but, as the Subcommittee recommended, it should involve participation "in the design of projects and possibly in the implementation as well". In this way, it can be ensured that the projects in question appropriately serve Bank research objectives and can be coordinated with other Bank-financed projects in particular areas of research.

Correspondingly, I would suggest that we finance a part of the residual needs of the Income and Consumption study, perhaps one-third. Much of this amount could be made available for FY73. At the same time, we should express the willingness of committing additional funds to the income distribution and/or demand studies, provided that their research design meet the specifications indicated by the Subcommittee.

## II Brazil Research Proposals

The Brazil research program has a long and checkered history which need not be repeated here. My understanding is that there is agreement on the choice of Brazil as one of the key countries for Bank research but there is as yet no agreed-upon research program for this country.

At this juncture, a decision needs to be reached if research on Brazil were to begin now or it be postponed until other research projects are generated. I would not consider the latter alternative to be the appropriate choice. First of all, the momentum and goodwill generated by discussions on cooperation with Brazilian economists would be lost and the Bank would fail to respond to the request by the Brazilian Finance Minister for at least one research project. Second, the projects in question involve relatively small financing and they in no way jeopardize the initiation of other projects in the future; in fact, the third research proposal represents an important step in generating new proposals. Last but not least, as I will note below, the research projects in question have intrinsic merits that warrant serious consideration.

### Impact of Government Policy on Growth and Income Distribution

I am in general agreement with the comments of the Subcommittee chaired by Pedro-Pablo Kuczynski on this project. I would like to put emphasis, however, on the quality of the researchers who would be involved in the research project. His knowledge and experience with model building makes Lance Taylor one of the very best economists who could undertake a project of this sort. Also, Edmar Bacha of the University of Brazil, a Yale-trained economist, is highly regarded by his U.S. colleagues, myself included, and is engaged in studies that fit into the research project. Considering also the informal request by the Ministry of Finance of Brazil and the potential contribution the project can make, I suggest that it be given high priority.

### A Regional Model of Northeast Brazil

I again agree with the Subcommittee that in its present form the project proposal can only be regarded as preliminary and that the question of the Brazilian

counterpart needs further attention. It seems appropriate, however, that funds be provided for a first phase of the study to be undertaken in FY73, with additional funding made contingent on the submission of a detailed research proposal together with a revised budget and a report on work in progress. This suggestion is made because of the availability of Professor Loucks at the DRC in FY73 who could make a substantial contribution to the project and the lack of sufficient general funds in the DRC for carrying out a preliminary investigation.

Regional Studies in Brazil

The proposal calls for developing a regional economic research program. If decision is reached for a regional orientation of Bank research in Brazil, this project could be combined with the previous one. I wonder, however, that it would be appropriate to limit at this juncture the areas of possible investigation in Brazil. Rather, I would suggest that there is need to investigate possible future research projects in a broader framework. This would also correspond to the desire of the Area Department to generate a greater variety of projects.

Ideally, project generation should be financed from the general budget of the initiating department. As FY73 departmental budgets do not provide sufficient amounts, I would suggest that the Research Committee allots funds for this purpose. These funds should be used, and new research projects generated, in consultation with the Coordinating Committee on research in Brazil. In this way, it can be ensured that the research projects provide support for the Bank's lending program and correspond to the needs of Brazil.

Distribution:

Messrs. Chenery, Stern, Qureshi, Avramovic, Gulhati,  
van der Tak, H. Adler, Schulmann, Kuczynski, Baneth, Haq

BBalassa:alm

Mrs. Michelle Bazin

September 29, 1972

Bela Balassa

Miss Adriana de Paula

Mr. Gulhati today sent the enclosed letter to Miss Adriana de Paula. Simultaneously, he asked Miss Marshall to make the necessary steps for obtaining a visa.

I am writing to Miss Adriana de Paula to contact you on this matter. Any help you can give her that would speed up the process of getting the visa would be greatly appreciated.



Home Address

2134 Wyoming Ave. N.W.  
Washington D.C. 20008

September 29, 1972

Mr. Leonard Jacobs  
President  
W. & J. Sloane Inc.  
1130 Connecticut Avenue N.W.  
Washington D.C. 20036

Dear Mr. Jacobs,

In the course of a telephone conversation on August 25 I agreed with your suggestion to keep the sofa I purchased from you if I am given a 20 percent reduction in the purchase price. At the time, you indicated that you would write a letter to me confirming this arrangement. I have not yet received a letter from you and on my September bill the old purchase price is still shown.

As I indicated to you on the telephone, I will pay for the sofa as soon as I have a written confirmation of our telephone conversation. You may do this by returning to me the enclosed copy of this letter with your signature.

For your information, the price of the sofa was \$860.29. Deducting 20 percent, the new price will be \$688.23 from which an advance of \$200 should be deducted.

Sincerely yours,

Bela Balassa

Mr. Hollis B. Chenery

September 29, 1972

Bela Balassa

Cambridge Conference Papers

I enclose papers by Frances Stewart and Harald Malmgren which might be of interest to you. Mrs. Stewart provides a highly imaginative discussion of technology and production structure in developing countries. The solution she proposes reminds me somewhat of Mahbub ul Haq's suggestions for exploring the applicability of the Chinese experience. While she obviously overstates her case, the paper is worth reading.

While Mr. Malmgren's paper has no intrinsic interest, you might like to see it because the author is U.S. Deputy Special Representative of trade negotiations. Despite the disclaimer, the paper seems to represent official views.

May I ask you to return the papers after reading them.

22 September 1972

Mr. Jan Tumlir  
GATT  
Palais des Nations  
CH-1211  
Geneva 10  
Switzerland

Dear Jan,

As I indicated to you in Cambridge, the Bank is organizing a "Seminar on Industrialization and Trade Policies for the 1970's". As the enclosed outline indicates, a number of eminent economists will present papers at the seminar.

We would be happy if you could participate in our seminar. This would hopefully permit cooperation of efforts by GATT and the Bank on problems relating to the adjustment process in developing countries.

Sincerely yours,

Bela Balassa

## OFFICE MEMORANDUM

TO: Mr. Dragoslav Avramovic

DATE: September 22, 1972

FROM: Bela Balassa

SUBJECT: Invitation by the Commission of the Andean Group

With reference to my memo of September 18, I enclose a written invitation received from the Commission of the Andean Group. In the last but one paragraph of the letter it is indicated that following the receipt of my answer an official letter of invitation would be sent to the Bank.

cc. Messrs. Chenery                      Cauas  
                    Henderson  
                    Hayes  
                    Duloy

BBalassa:alm



# Record Removal Notice




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| <b>File Title</b><br>Research on Economics and Development - Bela Balassa - Chronological Record - January through May 1972 |                                | <b>Barcode No.</b><br><br>30280404   |                                |                          |
| <b>Document Date</b><br>09 September, 1972  | <b>Document Type</b><br>Letter |  |                                |                          |
| <b>Correspondents / Participants</b>  |                                |  |                                |                          |
| <b>Subject / Title</b>  |                                |  |                                |                          |
| <b>Exception(s)</b>   |                                |  |                                |                          |
| <b>Additional Comments</b><br>Language Unavailable  |                                | <p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b><br/>Ann May</td><td><b>Date</b><br/>13-Jan-17</td></tr></table> | <b>Withdrawn by</b><br>Ann May | <b>Date</b><br>13-Jan-17 |
| <b>Withdrawn by</b><br>Ann May  | <b>Date</b><br>13-Jan-17       |  |                                |                          |

## OFFICE MEMORANDUM

TO: Files

DATE: September 22, 1972

FROM: Bela Balassa SUBJECT: Cambridge Conference on Trade and Development

1. At the invitation of the University of Cambridge Overseas Studies Committee, I participated in the 1972 Cambridge Conference on Development. The purpose of the Conference was to bring together economists and high-level civil servants to discuss problems of trade and development as they relate to the developing countries. ~~The Conference was financed by the British Overseas Development Administration.~~
2. The Conference was organized around three main headings: outward-looking strategies, regional integration and trade, and inward-looking strategies. Under each heading, the policies of developed and developing countries were considered on the basis of background papers written by experts in the particular field. In addition, several general papers were prepared. I enclose a list of the papers presented at the Conference. The papers are available on loan from my office (ext. 5601).
3. Much of the discussion at the Conference took place in groups that focused on the individual headings. During the two days (September 19 and 20) I spent in Cambridge, I participated in the work of the group on regional integration. Apart from myself, Felipe Pazos of the Interamerican Development Bank, Sidney Dell of UNCTAD, and Gerard and Victoria Curzon of the Geneva Graduate Institute presented papers on the subject.
4. My own paper -- distributed in the Bank last June -- attempted to place the issue of regional integration in the context of inward and outward-looking development strategies. Emphasis has been given to the limitations of national markets and the possible ways to escape these limitations through outward-looking policies, regional integration, and generalized preference schemes among the developing countries. Following a discussion of the potential benefits of regional integration, I considered the need for policy coordination in an integrated area, the treatment of existing and new industries, as well as the problems associated with the participation of countries on different levels of industrial development in regional integration schemes.
5. Felipe Pazos' paper discussed some of the same topics and, relying in part on my earlier contributions, gave basically identical answers. In the discussion, too, we took practically the same position on every issue. Thus, we criticized suggestions made by Gerard and Victoria Curzon to adopt the free trade area form in the developing countries on the grounds that high and disparate tariffs not only create distortions in trade but also become an obstacle to integration. This is observed in LAFTA where countries are reluctant to give tariff concessions on sensitive items since the value of these concessions is greatly affected by the height of tariffs on the product and its inputs.
6. Sidney Dell's paper dealt with the effects of regional integration schemes in developed countries on developing economies. While the conclusions of the paper are basically correct, Dell shows a bias against the EEC and in favor of

the Comecon. Thus, he disregards the benefits African countries derive through association with the EEC and pays little attention to the fact that the Comecon has the lowest proportion of imports from developing countries in its gross national product. Furthermore, in the course of the general discussion, a major contentious issue was the distribution of new industry, with Dell favoring centralized allocation among the member countries and Pazos and myself suggesting greater reliance on the market mechanism and on project selection by regional development banks rather than allocation through intergovernmental bargaining.

7. While the Conference brought a useful exchange of ideas, the desirability of the compartmentalization of the discussion under particular headings is open to question. As my own paper indicates, the individual subject matters are interdependent; one cannot discuss regional integration without reference to general trade policies and the experience with inward and outward-looking strategies also needs to be contrasted. Finally, greater participation by people from the developing countries would have been desirable. Only one-fourth of the speakers and about one-third of the Conference participants came from the developing countries, chiefly from the former British dependencies.

cc. Messrs. Chenery  
Stern  
Cauas  
Duloy  
Goreux  
Clark P.

Hayes  
Hulley  
Henderson  
Haq  
Hughes  
Frank

Avramovic  
Lerdau  
Thompson  
de Vries  
Please  
Baneth

BBalassa:alm

Registered

September 18, 1972

Dr. Erik Thorbecke  
International Labour Office  
CH 500 Geneva 22  
Switzerland

Dear Mr. Thorbecke,

Mr. Balassa asked me to send you the enclosed folder.  
Please return it as soon as you are through with it.

Sincerely yours,

Secretary to  
Bela Balassa



September 18, 1972

Mr. Edmar Bacha  
University of Brasilia  
Department of Economics  
Brasilia  
Brazil

Dear Edmar,

Many thanks for your letter of September 11. I have tried to revise the second paragraph of page 10 so as to avoid giving rise to misunderstanding. Also, with appropriate reference, I have adopted your conclusion on the shadow price for foreign exchange under protection with the proviso that the two formulas will be identical if the elasticities are constant.

I hope that we can have further discussions on this at the time you are in Washington.

Sincerely yours,

Bela Balassa

Mr. Alphonse A. Gintzburger

September 18, 1972

Bela Balassa

Narinda Ship Repair Project

1. I agree with your general argument on the need to sponsor export-oriented development projects. This issue is completely neglected in the analysis of the project you have sent me. Nor did the analyst substantiate his assertion that the use of shadow prices in project evaluation would not significantly alter the results. In the present case, the shadow price of foreign exchange would need to be used as the actual price of foreign exchange is distorted by the imposition of protective measures. These measures make import-substituting projects profitable in domestic prices even when they are not profitable in world market prices which is the relevant consideration. In turn, the social profitability of export-promoting projects is under-estimated if these do not receive subsidies.

2. It is a different question, which I am unable to judge, if there is sufficient demand for establishing ship repair facilities in both Dakar and Narinda. To my mind, the best way to approach this problem is to examine the bids of foreign investors and to carry out benefit-cost analysis by comparing the potential benefits to the national economy to the concessions demanded by the foreign investor. This would mean adjusting the traditional method of project analysis that has been applied by the analyst.

BBalassa:alm

## OFFICE MEMORANDUM

TO: Mr. Dragoslav Avramovic

DATE: September 18, 1972

FROM: Bela Balassa

SUBJECT: Invitation by the Commission of the Andean Group

1. As I indicated to you on the phone, I have received a telephone inquiry requesting my participation in the work of an expert group that is to provide advice on setting the common customs tariff for the Andean Common Market. Rather than dealing with the details of tariff setting, the expert group will advise the Commission of the Andean Group on the broad outlines of the tariff policy, with emphasis on external trade relations and on the efficiency of the tariff structure.

2. I would appreciate having your reactions on the desirability of my accepting this invitation. In the case of acceptance, the question of the financing of my travel would further need to be settled. I am asked to spend one week in Lima in early January.

cc. Messrs. Chenery  
Henderson  
Hayes  
Duloy

BBalassa:alm



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| <b>Document Date</b><br>October 17, 1972  | <b>Document Type</b><br>Letter |  |                                |                          |
| <b>Correspondents / Participants</b><br>To: Bela Belassa<br>From: Carol Mara Gabor  |                                |  |                                |                          |
| <b>Subject / Title</b>  |                                |  |                                |                          |
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| <b>Withdrawn by</b><br>Ann May  | <b>Date</b><br>13-Jan-17       |  |                                |                          |



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| <b>Document Date</b><br>September 15, 1972  | <b>Document Type</b><br>Letter |  |                                |                          |
| <b>Correspondents / Participants</b><br>From: Bela Belassa<br>To: Flor de Liza R. Spriggs                                     |                                |  |                                |                          |
| <b>Subject / Title</b><br>Domestics' Insurance  |                                |  |                                |                          |
| <b>Exception(s)</b><br>Personal Information   |                                |  |                                |                          |
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| <b>Withdrawn by</b><br>Ann May  | <b>Date</b><br>13-Jan-17       |  |                                |                          |

September 15, 1972

Mr. Carsten R. Moser  
"Intereconomics"  
HWWA-Institut für Wirtschaftsforschung-Hamburg  
2000 Hamburg 36  
Neuer Jungfernstieg 21  
West Germany

Dear Mr. Moser,

I am rather busy at this time and I would find it difficult to write an article before the end of the year. At any rate, prior to making a commitment, I would like to know what the length of the paper should be and what honorarium you are prepared to make.

Sincerely yours,

Bela Balassa

## OFFICE MEMORANDUM

TO: Files

DATE: September 15, 1972

FROM: Bela Balassa

SUBJECT: Report on the Meetings of Committee III at the Belgrade Conference  
(August 28-30, 1972)

1. I have been asked to represent the Bank at the meetings of Committee III at the Belgrade Conference of Directors of Development Research and Training Institutes. The subject matter considered by the Committee was foreign investment in developing countries. Two papers were presented: H.C. Bos-Carlo Secchi, "A Macro-Economic Model for Estimating some Quantitative Effects of Private Foreign Investment in Less Developed Countries"; and Grant Reuber, "Private Foreign Investment in Less Developed Countries".

A Macro-Economic Model for Estimating some Quantitative Effects of Private Foreign Investment in Less Developed Countries

2. The Bos-Secchi paper attempts to evaluate the effects of changes in foreign investment on national income, on the balance of payments, on private investment, and on the public sector in five developing countries (Argentina, Guatemala, Ghana, India, and the Philippines). The paper is subject to criticism on a variety of points. First of all, one may object to making estimates in terms of current prices, especially in a country with a high rate of inflation, such as Argentina. Second, it appears that the data have been used uncritically and no attention has been given to the underlying economic situation in the particular country. A case in point is Ghana where the authors show large beneficial income effects of foreign investment undertaken in 1963 although it is well-known that many of these investments not only entailed substantial overpayment on imported machinery but the factories are not even operating as production has proved unprofitable.

3. Turning from data problems to methodological questions, the biases inherent in the method of estimation should be noted. The estimation of the income effects of foreign investment by the use of output-capital ratios is subject to an upward bias because the implied price of the other factors of production, including skilled labor, technicians, and managers, is zero. A further source of upward bias is that increments in incomes are measured in domestic prices inflated by protection which provides the principal attraction for foreign investment in the countries under consideration.

4. In turn, the estimation of balance-of-payments effects is subject to a substantial downward bias. Thus, the authors take account of the importation of inputs and the repatriation of profits, both of which have a negative effect on the balance of payments, but disregard the saving of foreign exchange through import substitution that has a positive effect. No wonder, then, that the paper shows the balance-of-payments impact of foreign investment to be uniformly unfavorable.

5. These points may suffice to show that the Bos-Secchi paper represents neither an advance in methodology nor does it provide useful results. Rather, the results may mislead those who are unaware of the methodological and the data problems. Also, the study may be used as an example of "academic imperialism"

as the institutes in the developing countries played only the role of the suppliers of data which in turn have been used rather uncritically by the authors.

#### Private Foreign Investment in Less Developed Countries

6. Reuber's paper summarized the findings of a survey of investments carried out by eighty foreign firms in developing countries. I enclose a copy of the main conclusions of the survey that has provided some interesting results. However, the paper has a weak theoretical basis and the discussion of the policy implications of foreign investment lacks sophistication. In particular, while Reuber considers the impact of special incentives on foreign investment, he disregards the effects of general incentives in the form of protection which encourage foreign investment in import-substituting industries where the net benefit to the country may be small or even negative.

7. More generally, in evaluating the desirability of foreign investment, attention should be given to possible alternatives in the form of (a) imports; (b) domestic production; (c) foregoing the domestic consumption of a particular commodity; and (d) lack of utilization of a particular resource. As regards the first alternative, one should calculate the benefit-cost ratio of foreign investment under alternative assumptions. The results of such calculations can be used to indicate the upper limit of governmental incentives to foreign investment that still make the foreign investment socially profitable. In turn, the supply price of foreign capital will provide the lower limit of the bargaining range for the government and the foreign investor.

8. ~~As regards the second alternative, it is of especial interest to compare~~ the relative desirability of foreign investment and of domestic investment financed from foreign funds in the form of loans from international agencies or suppliers' credits. One of the participants at the Conference argued that the latter is preferable to the former because of the lower cost of capital. However, in the evaluation of these alternatives, one should consider the importation of managerial and technical know-how associated with foreign direct investment.

9. In turn, in inquiring into the effects of foreign investment on the pattern of consumption, one would necessarily raise income distributional considerations relating to the availability of particular products. Finally, cost-benefit analysis assumes especial importance in the case of a resource which would not otherwise be used; or at least not for the present; in this event the present value of the resources would need to be estimated.

#### Conclusion

10. The shortcomings of the two papers and the considerable interest expressed in problems of foreign investment at the Conference and number of developing countries point to the need for carrying out research on the subject. While the use of a macro-model for this purpose does not appear to be promising, research along the lines indicated in Paras 7-9 above may be usefully undertaken. There are also other subjects for research on foreign investment and we may consider establishing a small working group to explore the possibilities for research in the area.

cc. Messrs. Chenery, Stern, Duloy, Goreux, Blitzer, Clark, Stoutjesdijk  
Henderson, Stevenson, Hayes, Hughes, Saxe, Haq  
Qureshi, Gulhati, Kalmanoff



These results may be summarized as follows:

a) The evidence provides no reason for believing that the percentage of the workforce made up of local personnel is significantly influenced by the degree of foreign ownership if one allows for the effect of differences associated with the type of investment. The only instance where there is any suggestion that this might be a factor is for production workers and here the evidence is questionable since there is very little variation in the variable (percentage of employees who are national) which stands close to 100 per cent for all investments.

b) There is no evidence that the change in exports from the investing firm to the LDC is significantly associated with the degree of foreign ownership. There is some indication that the export of raw materials may be positively affected but the association is weak and doubtful. As for imports from the host country to the investing firm, the evidence suggests that, if anything, there are positively associated with greater foreign ownership; but this association also is weak and inconclusive.

c) When one considers the evidence relating to the form in which earnings are received by the investing firm one finds that these also are not significantly associated with the degree of foreign ownership. The one clear exception is fees: according to the evidence, the higher the percentage of foreign ownership, the smaller is the percentage of total earnings received by the investing firm in the form of fees. This association is quite significant statistically and is fully consistent with the view that the fees levied by investing firms are less the greater their control over the affiliate.

d) The evidence indicates that the higher the percentage of foreign ownership the greater the percentage of total capital that the investing firm invests from abroad.

e) Although there is some suggestion that the higher the degree of foreign ownership, the larger the percentage of sales in the investing country and the lower the percentage of sales in the host country and the LDCs, these associations are weak and rather inconclusive.

f) There is no evidence that the percentage of foreign ownership is significantly related to the percentage of purchases made by the affiliate from local firms, the parent company or other sources.

g) There is no evidence from these tests to indicate that the percentage of foreign ownership is significantly related to the number of distributors, sales agencies or local suppliers brought into existence because of the operations of the project.

f) There is some indication that the percentage of foreign ownership is positively related to the training costs incurred to transfer the parent firm's corporate management systems to the affiliate.

i) Finally, and perhaps most important of all, the evidence strongly indicates that the higher the degree of foreign ownership the more competitive by international standards are the production costs of the affiliate. Calculated at the mean, the extricated equation implies that a 1 percentage point increase in ownership is associated with a .6 per cent improvement in relative costs.

All in all, one may summarise this evidence as follows. Except in a few areas, the degree of foreign ownership seems to have little effect on the performance of affiliates in the host countries. There appear to be three clear exceptions - a higher degree of foreign ownership is associated i) with lower fees; ii) with the inflow of more capital from abroad; and iii) with lower production costs. In addition, although the evidence is much weaker, a higher percentage of foreign ownership may be associated with a higher percentage of exports to the investing country and with greater imports of raw materials and supplies from the investing country. On balance, these effects of a higher degree of foreign ownership seem as likely to work to the advantage as to the disadvantage of the host country.

These conclusions are consistent with evidence on foreign investment more generally, adduced in other studies from systematic comparisons between wholly-owned subsidiaries and joint ventures. This evidence also suggests that from the standpoint of the host country wholly-owned subsidiaries may be more beneficial from an economic standpoint.

September 15, 1972

Dr. Julio Berlinski  
Pueyrredon 336  
8p 25  
Buenos Aires  
Argentina

Dear Julio,

Dani Schydrowsky's letter of July 17 reached me with considerable delay, hence my reply was sent out only on August 28. Your letter of August 31 has thus crossed with mine. On a separate sheet I provide some comments on the points you have raised.

As regards the research budget, I am sorry to say that I have no more funds available. The budget had to be finalized before June 30 and, not having received an additional request from you, I asked for the supplementary amounts we agreed on at the time of your departure. But perhaps I could find \$200-\$300 that is not used for some other purpose, and I am asking Dani to see if he can do something.

With best regards,

Sincerely yours,

Bela Balassa

c.c. Dani Schydrowsky

Comments on Julio Berlinski's Memorandum  
of August 31, 1972

---

1. Berlinski suggests that in the case when there are import-competing (IC) products in a sector classified as non-import-competing (NIC), these products should receive zero weight / <sup>in the averaging.</sup> This will not be the appropriate procedure as the existence of IC products in the sector indicates that the sector is not 100 percent NIC. Correspondingly, some weight should be given to the IC products. As a minimum, the weight should be the value of output of the products in question. It would be desirable, however, also to add output value for similar products.
2. O.K.
3. See Para 2 of my letter of August 28.
4. Nominal rates of protection on the 3-digit level should be derived as averages of the results obtained in the 5-digit breakdown, using the world market value of output as weights. It does not matter that the relative importance of the IC and NIC sectors changes as we move from the 5-digit to the 3-digit classification scheme. Nor is there need to provide two sets of estimates on the 3-digit level.

September 13, 1972

His Excellency  
Mr. Julio A. Lacarte  
Representacion del Uruguay  
ante la ALALC  
Hotel Victoria Plaza  
piso 11  
Montevideo  
Uruguay

My dear friend,

I very much enjoyed my stay in Montevideo, in large part due to your gracious hospitality. I also want to thank you for the beautiful gifts that will remind me of you and of Uruguay.

I enclose as promised a copy of my culinary guide for Paris. I hope that you will soon have the occasion to use it.

With best regards,

Sincerely yours,

Bela Balassa

September 13, 1972

Dr. Zarko Mrkusic  
II Bulevar 123/12  
Belgrade  
Yugoslavia

Dear Zarko,

The evening I spent with you remains a pleasant memory and I wish to thank you and Anna for your gracious hospitality. I very much hope that next time it will be my turn and you will visit us in Washington.

On the family side, my son was born on September 6 when I was still in Montevideo. He and his mother are fine. I gave him the name of Gabor which, as you probably know, is Hungarian.

With best regards, I remain,

Sincerely yours,

Bela Balassa

P.S.

I am sending you under separate cover a copy of a recent book of mine.

September 12, 1972

Mr. F. Snater  
North-Holland Publishing Co.  
305-311 Keizersgracht  
P.O.Box 3489  
Amsterdam C  
The Netherlands

Dear Mr. Snater,

Irma Adelman has asked my advice on a publisher for her latest book (with Frederick Golladay) on Approaches to Educational Planning. She had her last two books published by Johns Hopkins Press but has not been satisfied with the sales effort they made and is looking now for a commercial publisher.

I thought that you might be interested in the book, of which I enclose a Table of Contents. Should you want to pursue the matter, please write directly to Mrs. Adelman at the following address: University of Maryland, College of Business and Public Administration, Department of Economics, College Park, Maryland 20742.

With kind regards,

Sincerely yours,

Bela Balassa

September 14, 1972

Mr. Donald S. Lamm  
Vice President  
W. W. Norton & Co. Inc.  
55 Fifth Avenue  
New York, N.Y. 10003

Dear Don,

I have used up nearly all the gummed stickers in commenting on Ed Mansfield's manuscript. This fact as well as the enclosed detailed comments indicate that there is much work to be done on the chapters. Please let me know if I can be of any further help.

I spent altogether two days in doing the review.

Sincerely yours,

Bela Balassa



September 14, 1972

Professor Arthur I. Bloomfield  
Rittenhouse Claridge  
Philadelphia, Pa.19103

Dear Arthur,

I am not at all surprised that we have covered the same things in a paper on an identical topic. I will be interested to see your extension of the narrative.

Looking forward to seeing you later this month, I remain,

Sincerely yours,

Bela Balassa

## OFFICE MEMORANDUM

TO: Mr. Pedro-Pablo Kuczynski

FROM: Bela Balassa

SUBJECT: Export Promotion in Mexico

DATE: September 14, 1972

1. I have read Mr. Hutcheson's memoranda dated August 21 and 29. I am sympathetic to the idea of rationalizing the system of export subsidies in Mexico and of providing higher subsidies. In the evaluation of the incentives given to exports, however, account should be taken of the fact that the rebate of indirect taxes on exports is not a "genuine" export subsidy since it only removes an existing cost disability. Putting it differently, the imposition of indirect taxes on imports and the rebate of such taxes on exports represents the application of the "destination principle" which is in general use in Western Europe. In rebating indirect taxes on exports, the government simply corrects a distortion due to the unequal tax treatment of imports and exports.
2. This being the case, one should first try to convince the Mexicans of the need to generalize their tax rebate scheme in the way suggested in my original proposal. You may recall that this proposal ("Trade Policy in Mexico", October 1970; published in Spanish translation in the Comercio Exterior, November 1970) called for rebating indirect taxes on all exports. While the proposal served as a basis for the institution of the tax rebate scheme, various exceptions have unfortunately been introduced.
3. One should further find out if tariff rebates on inputs used in exports are fully provided since under GATT rules these are not considered as subsidies either. Once the tax and tariff rebate scheme is fully applied, one may then explore what forms of additional export incentives could be granted. I do agree with Mr. Hutcheson that these should preferably be given on the basis of world market value added. The question needs to be answered however as to what forms of subsidies would not encounter retaliation on the part of the United States.

cc. Messrs. Hutcheson  
Nelson  
Ruof

Thadani  
Thoumi  
Walstedt

BBalassa:alm

PAUL STREETEN  
QUEEN ELIZABETH HOUSE  
21 ST. GILES  
OXFORD

13 Sept. 72

FR

ENGLAND

ARRIVING TUESDAY MORNING SEPTEMBER 19 FOR TWO DAYS STAY

BELA BALASSA

A. Stoutjesdijk

DEC

BBalassa:alj

B. W. WICKHAM  
CAMBRIDGE CONFERENCE ON DEVELOPMENT  
ROOM 12, FACULTY OF HISTORY  
WEST ROAD  
CAMBRIDGE

Sept.13, 1972

FR

ENGLAND

ARRIVING ~~THE~~ TUESDAY MORNING, SEPTEMBER ~~ER~~ 19 FOR TWO DAYS STAY

BELA BALASSA

A. Stoutjesdijk


DRC

BBalassa:alj

## OFFICE MEMORANDUM

TO: Mr. William M. Gilmartin

DATE: September 12, 1972

FROM: Bela Balassa SUBJECT: Japanese Research Proposal

1. In the August 30, 1972 issue of the European edition of the Herald Tribune, an article appeared reporting on projections made by the Japan Economic Research Center on Japanese imports from Southeast Asia in 1980. The projections seem to cover the same ground as the original research proposal submitted by Mr. Okita and they raise questions as to the "additionality" of research to be carried out under Part I of the new proposal. It may be useful to obtain copies of the JERC study so that we can see what exactly they have done.

2. I wish further to report on a conversation I had with Mr. Cohen who represented Mr. Okita in his capacity as director of International Development Center at the meeting of directors of research institutes held in Belgrade at the end of August. Mr. Cohen privately expressed the view that the research proposal IDC prepared for us was hastily put together and it contained an unrealistic timetable. He further indicated to me that he had expressed doubts to Mr. Okita whether IDC as yet had the capacity to successfully bring to completion a large-scale research project. One way of handling the problem might be to involve somebody of the stature of Professor Kojima in the supervision of the industry studies. Incidentally, Kojima will be in Washington at a seminar organized by the Bank on October 5 and 6.

cc. Messrs. Goodman  
Hablutzel  
Asanuma

Stern  
Duloy  
Hughes

BBalassa:alm

## OFFICE MEMORANDUM

TO: Mr. Hollis B. Chenery

FROM: Bela Balassa *m*

SUBJECT: Symposium on Regional Integration

DATE: September 12, 1972

1. At the invitation -- and the expense -- of the Government of Uruguay and the Institute for Latin American Integration I participated in a Symposium on Uruguay and LAFTA in Montevideo on September 4-6. Other participants included Raul Prebisch, Eric Wyndham-White, Carlos Lleras Restrepo, as well as Alberto Sola and Gustavo Magarinos, respectively, the former and the actual Executive Secretary of LAFTA.
2. The Symposium took the form of roundtable discussions of papers presented by the participants, followed by questions from an audience of economists, high-level civil servants, and businessmen. The paper I presented was based on my "Regional Integration and Trade Liberalization in Latin America" (Journal of Common Market Studies, September 1971) and "Regional Integration and Trade: Policies of Less Developed Countries" (to be presented at a Conference on Trade and Development in Cambridge, England, on September 19, 1972). A copy of the paper is enclosed.

cc. Messrs. Stern  
Duloy  
Clark P.

Henderson  
Hayes  
Hulley  
Frank I.  
Hughes

Alter  
Avramovic  
Wiese

September 12, 1972

Mr. V. Xavier Pintado  
Rua D. Pedro V, 45-3<sup>o</sup>-Esq.  
Lisbon  
Portugal

Dear Mr. Pintado,

It was indeed a surprise to meet you at the Rio airport. I am only sorry that we did not have more time to talk.

I enclose a copy of my advisory report on Portugal's entry into the Common Market; a copy of my book on The Structure of Protection in Developing Countries is being sent to you under separate cover.

Hoping to see you next year, I remain,

Sincerely yours,

Bela Balassa

Mr. Ravi Gulhati

September 12, 1972

Bela Balassa

Olivia Adriana de Paula

Dear Ravi,

Herewith the data you need for Olivia.

Name: Olivia Adriana de Paula  
Address: 12 Cite Vaneau, Paris 7e  
Nationality: Brazilian  
Birth date: April 10, 1922  
Marital status: Single

Let me add here that Olivia is an accomplished cook; I especially like her spicy dishes. She worked as a cook for the Brazilian Consul in Paris from 1964 until his departure in 1967, and was cook and governess with Françoise Sagan between 1967 and 1971. She left Miss Sagan because there were too many parties lasting until 5.00 and 6.00 in the morning. (I know that you like your sleep so this will not be a problem!).

As agreed, I enclose a draft letter to Olivia. This could take the place of a formal contract. Since she doesn't know English, it would be useful if she also received a French translation of the letter. I will make the translation myself as soon as I have your letter to her.



12 September 1972

Mr. Michael Kaser  
St. Antony's College  
Oxford OX2 6JF  
England

Dear Michael,

On 8 September I wrote to you indicating my willingness to revise my contribution to the English edition of your volume and promised to send this by mid-September. I have since looked at Mr. Hohmann's letter more carefully and find that at this time he only wants a commitment from the authors as publication depends on a positive answer from the majority. May I ask you therefore if arrangements have been made for publication; I will send you my revision within a week of the receipt of your letter.

Sincerely yours,

Bela Balassa

c.c. Mr. Hohmann



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| <b>Withdrawn by</b><br>Ann May  | <b>Date</b><br>13-Jan-17       |  |                                |                          |

Mr. John Hulley

September 11, 1972

Bela Balassa

Economic Integration Among Developing Countries

Professor Frank's rewrite of the paper is fine but I miss a discussion of the benefits of regional integration over and above those obtained through overall trade liberalization. On this point, see my "Regional Integration of Trade Policies of Less Developed Countries. Section II".

cc. Isaiah Frank

BBalassa:alm



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| <b>Correspondents / Participants</b><br>To: Professor Jean Waelbroeck, Free Univ. of Brussels<br>From: Bela Balassa           |                                 |  |                                |                                 |
| <b>Subject / Title</b><br>New contract and fee breakdown  |                                 |  |                                |                                 |
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| <b>Document Date</b><br>September 11, 1972  | <b>Document Type</b><br>Memo |  |                                |                          |
| <b>Correspondents / Participants</b><br>From: Bela Belassa<br>To: Mr. Basuki Hartanto   |                              |  |                                |                          |
| <b>Subject / Title</b><br>Consultant Fee  |                              |  |                                |                          |
| <b>Exception(s)</b><br>Personal Information   |                              |  |                                |                          |
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| <b>Withdrawn by</b><br>Ann May  | <b>Date</b><br>13-Jan-17     |  |                                |                          |

## OFFICE MEMORANDUM

TO: Mr. Deepak Lal

DATE: September 11, 1972

FROM: Bela Balassa SUBJECT: "Estimating the Shadow Price of Foreign Exchange in Project Appraisal"

1. Your note of August 29 reached me upon my return to the Bank today. I find your statements -- and especially your opening and closing remarks -- rather odd and wonder if they are to be taken at all seriously. Nonetheless, I provide below some information on "chronology" for the benefit of those who have not even seen my paper which was given in the form of a preliminary draft for comments to only a few people on a personal basis. A revised draft will be distributed later this month.

2. If the main ideas contained in my paper sound familiar, this is because it is based on my earlier paper, "Project Evaluation in Developing Countries" which antedates your own efforts (The paper was circulated in the Bank in May 1971 and, subsequently, as Economic Staff Working Paper No. 119 in October 1971; it was published in part in the Journal of Political Economy, May-June 1972; it will appear in full in a Festschrift in Honor of Jan Tinbergen). And this paper, too, built on my earlier writings on the subject. For example, I advocated the use of a semi-input-output method in project evaluation in a paper that appeared in the May-June 1968 issue of the Journal of Political Economy, i.e. before Little-Mirrlees saw the light of day. Nor has there since been a change in my view towards accepting Little-Mirrlees; if anything, my last paper expresses a more critical attitude. At the suggestion of Alan Manne and others, I will expand on this in the revised version where your proposed solution involving the use of marginal value products expressed in world market prices will also be considered.

3. Let me add that in January 1972 I commented in much detail on your "Adjustments for Trade Distortions in Project Analysis" of which "Alternative Project Selection Procedures for Developing Countries" is a popularized version. These comments have been acknowledged in your revision that incorporated some changes made apparently in response to my suggestions. I still do not find, however, that either of your two papers would provide a balanced evaluation of the choice among alternative project evaluation methods. But I see no point in pursuing the polemics and have chosen rather to expound my own ideas on the subject in more detail in "Estimating the Shadow Rate of Foreign Exchange". Indeed, the paper has to deal with the question if there is need at all for a shadow exchange rate. And this is for our readers to judge.

cc. Messrs. Reutlinger  
van der Tak  
Henderson  
Chenery  
Stern  
Hayes  
Duloy

Blitzer  
Goreux  
Duane  
Parish  
Hawkins  
Anderson D.  
Hughes

BBalassa:alm

September 8, 1972

Mr. Michael Kaser  
St. Antony's College  
Oxford OX2 6JF  
England

Dear Michael,

Since my last letter to you of August 11 I have been to Hungary for a few days where I had discussions on the new economic mechanism. This will permit me to update the paper as was requested in the letter by Mr. Hohmann. I expect to send you the revised version around the middle of the month.

Sincerely yours,

Bela Balassa

cc. Mr. Hohmann

August 28, 1972

Dr. Daniel Schydrowsky  
Harvard University DAS  
1737 Cambridge Street  
Cambridge, Mass. 02138

Dear Dani,

This is in answer to your letter of July 17 which has reached me with considerable delay. I take up your questions one by one.

1. In cases when a sector is classified as non-import-competing yet price comparisons have been made for two competing and one non-competing products, in averaging the price ratios one should give greater weight to the latter than to the former two combined.
2. In cases when there are some non-import-competing products in an import-competing industry, one should attempt to estimate their proportion in the total and use their price ratios in the averaging.
3. We do not consider bricks and cement as nontraded goods as they are often traded. Even if this were not the case in Argentina, uniformity requires that they be considered in the category of V Construction materials like in the other studies.

Sincerely yours,

Bela Balassa

c.c. Julio Berlinski



August 30, 1972

Prof. Alexander K. Swoboda  
Graduate Institute of International Studies  
132 rue de Lausanne  
Geneva  
Switzerland

Dear Professor Swoboda,

In Mr. Balassa's absence, I am pleased to return  
the proofs of his "Comments" as requested.

Sincerely yours,

*Anne Muhstasik*  
Secretary to  
Bela Balassa

## OFFICE MEMORANDUM

TO: Mr. Munir P. Benjenk

DATE August 26, 1972

FROM: Bela Balassa *MB*SUBJECT: Back-to-Office memo (Portugal, August 1-4, 1972)

1. I was in Lisbon between August 1 and 4 as a consultant to the Secretaria de Estado da Industria on questions of industrial policy and protection in Portugal. I reviewed work done by the Secretariat of Industry on the Portuguese system of protection and had discussions with the Secretary of Industry, the Governor of the Bank of Portugal, and some government officials as well as several private industrialists on questions relating to Portugal's association with the European Common Market.
2. In carrying out work on the system of protection in Portugal, the Secretaria de Estado da Industria has utilized the methodology developed at the Bank. This study relates to the year 1964, for which an input-output table is available. We have agreed that, in order to make it useful for purposes of policy making, the study should be updated to 1970 as soon as the input-output table for that year is completed. We have further agreed on various modifications in the work done so far and on extending its scope to include incentives other than protection, such as credit and tax preferences, which have assumed increasing importance in Portugal.
3. I enclose a report I have prepared on "The Implications of Portugal's Association with the European Common Market"; it has been cleared with Messrs. Thompson and McCall. The report considers the problems facing Portugal in a free trade area in industrial goods with the EEC, and contains suggestions for improving the competitiveness of Portuguese industry.

cc. Messrs. Thompson  
Horsley  
Upper  
McCall

Chenery  
Henderson  
Duloy  
Hughes

Qureshi  
Kalmanoff  
Gulhati

BBalassa:alm

August 26, 1972

Dr. Max Kreinin  
Department of Economics  
Michigan State University  
East Lansing  
Michigan 48823

Dear Max,

Thank you for your letter of August 17 containing the outline of your paper. Herewith are my comments.

I wonder if it is appropriate to include a separate section on theoretical considerations in your chapter. The issues of trade creation and trade diversion and the dynamic effects of the EEC are covered elsewhere and you may simply wish to have a short sub-section (at most 2 pages) on the theoretical issues in your section on the static effects on developing countries.

As regards the static effects, I presume that the emphasis will be on indicating the differential impact of the Common Market and on the associated and on the non-associated countries. This raises the question of the product breakdown of the estimates and the manner in which the implications of the elimination of preferences in the French market will be considered. I think that all this will require considerable space and you might want to devote an entire section to the effects of the EEC on trade flows. The section should also include a discussion of the effects of preferences on the exports of processed goods from the associated countries.

You may consider devoting a separate section to a discussion of evaluation, policy issues, and perspectives for the future. In this section you could consider, among other things, the possible future effects of preferences for processed exports from the LDCs, the issue of reverse preferences, and the probable effects of British entry.

Some of these suggestions might reflect the fact that I am not certain how you want to handle some of the sub-headings. But, at any rate, the next step should be that we have discussions on the telephone. I am leaving for a trip abroad and will be back on September 8. We can talk any time after that.

Sincerely yours,

Bela Balassa

August 26, 1972

Mr. Walter S. Salant  
The Brookings Institution  
1775 Mass. Ave. N.W.  
Washington D.C. 20036

Dear Walter,

I will be happy to comment on Dick Cooper's paper, provided that this is given on the afternoon of September 21 or on September 22. I couldn't check on the timing since I don't seem to have received the program.

Sincerely yours,

Bela Balassa

26 August 1972

Mrs. Margaret E. Bett  
Secretary to Dr. U. W. Kitzinger  
Nuffield College  
Oxford OX1 1NF  
England

Dear Mrs. Bett,

I enclose a copy of the paper which apparently got lost  
from the envelope addressed to Professor Kitzinger.


Sincerely yours,

Bela Balassa

## OFFICE MEMORANDUM

TO: Mr. Herman van der Tak

DATE: August 26, 1972

FROM: Bela Balassa SUBJECT: Organization of Seminars on Project Appraisal

1. Mr. Henderson's memo of July 5 deals with some of the questions relating to the proposed seminars on project appraisal. In the present note, suggestions are made for the organization and timing of the seminars.
2. I propose that we start with a two-day seminar to discuss papers on methodology as well as case studies. Candidates are the papers prepared or being prepared by Blitzer, Lal, Maurice Scott and myself, the Bank case studies, and the UNIDO Guidelines. The papers should be distributed in advance and the authors should only summarize them at the seminar so that the bulk of the time available could be devoted to discussion.
3. The seminar should be limited to 18-20 people. From the Bank's side, participants could include those who were at the May 15 meeting with one or two people added. Among consultants, Corden, Feldstein, Harberger, Lal, Marglin, Scott, and Schydrowsky could be invited (I think that we should not try to economize in limiting the number of consultants). Since Lal departs on October 1 and Corden and Scott leave in early October, I suggest that the seminar be held on September 29-30. While this is very near, one should not miss the occasion to have the threesome from Britain. Needless to say, invitations would have to go out immediately.
4. Following the seminar, a discussion meeting should be held by Bank participants to evaluate the experience of the seminar, to discuss the needed revision of the papers, and to set up the final schedule of subsequent seminars. Some of these seminars would be organized around the topics analyzed in the individual papers while others could discuss the need for future research.
5. Seminars on future research should follow immediately upon the September 29-30 seminar to ensure the participation of the consultants from the U.K. (Lal could be asked to delay his departure, if possible). They would be rather freewheeling affairs, with no more than 8-12 people present, the purpose being to discuss the direction of future research at the Bank on subjects such as second-best shadow prices, the fiscal implications of project evaluation at shadow prices etc.
6. Seminars on particular topics analyzed in the papers would be organized with the participation of Bank staff interested in problems of project evaluation or carrying out such evaluation in practice. Discussions should take place in small groups to ensure audience participation. The discussion leaders may take as their text several papers or just parts of a particular paper, the emphasis being on methods of project evaluation. In turn, I would suggest to postpone taking decisions on the usefulness of holding any large meetings until later.

7. The seminars should be helpful for reconsidering Bank practices of project appraisal. I wonder however if it would be useful, and even feasible, to come up with a statement of the Bank "party line" on project evaluation before the seminars. It may be more appropriate to try to develop a Bank position after the seminars have been completed.

cc. Messrs. Chenery  
Stern  
Hayes  
Henderson  
Duloy

Blitzer  
Goreux  
Lal  
Reutlinger  
Duane

Hughes

BBalassa:alm

26 aout, 1972

Sr. Rogerio Martins  
Secretario  
Secretaria de Estado da Industria  
Lisbon  
Portugal

Cher Monsieur,

J'ai ete tres heureux de vous rencontrer et de m'entretenir avec vous sur des problemes de l'economie portugaise. Veuillez trouver ci-inclus une note que j'ai redige sur le sujet de l'association du Portugal avec le Marche commun.

En esperant de vous revoir l'annee prochaine, je vous prie de croire, cher Monsieur, a mes sentiments les meilleurs.

Bela Balassa



25 aout, 1972

Professor Luis Maria Teixeira Pinto  
Chairman  
Sociedade Financeira Portuguesa  
Rua Duque Palmela 30-8  
Lisbon 3  
Portugal

Cher Luis,

J'ai ete tres heureux de vous revoir et de m'entretenir avec vous sur des problemes de l'economie portugaise. Veuillez trouver ci-inclus une note que j'ai redige sur le sujet de l'association du Portugal avec le Marche commun.

En esperent de vous revoir prochainement, je vous prie de croire, cher Luis, a mes sentiments les meilleurs.

Bela Balassa

P.S.

Je joins egalement une copie de la nouvelle version de mon guide culinaire.

25 aout, 1972

Dr. Jose da Silva Lopes  
Caixe Geral  
Lisbon  
Porgugal

Cher ami,

J'ai ete tres heureux de vous revoir et de m'entretenir avec vous sur des problemes de l'economie portugaise. Veuillez trouver ci-inclus une note que j'ai redige sur le sujet de l'association du Portugal avec le Marche commun.

En esperent de vous revoir l'annee prochaine, je vous prie de croire, cher ami, a mes sentiments les meilleurs.

Bela Balassa

P.S.

Je joins egalement une copie de la nouvelle version de mon guide culinaire.

25 aout, 1972

Dr. Fernando Cruz  
Associacao Industrial Portuguesa  
Lisbon  
Portugal

Cher Monsieur,

J'ai ete tres heureux de vous revoir et de m'entretenir avec vous sur des problemes de l'economie portugaise. Veuillez trouver ci-inclus une note que j'ai redige sur le sujet de l'association du Portugal avec le Marche commun.

En esperent de vous revoir l'annee prochaine, je vous prie de croire, cher Monsieur, a mes sentiments les meilleurs.

Bela Balassa

P.S.

Je joins egalement une copie de la nouvelle version de mon guide culinaire.

25 aout, 1972

Dr. Ricardo de Faria Blanc  
Companhia Uniao Fabril  
Lisbon  
Portugal

Cher Ricardo

J'ai ete tres heureux de vous revoir et de m'entretenir avec vous sur des problemes de l'economie portugaise. Veuillez trouver ci-inclus une note que j'ai redige sur le sujet de l'association du Portugal avec le Marche commun.

En attendant votre visite a Washington, je vous prie de croire, cher Ricardo, a mes sentiments les meilleurs.

Bela Balassa

P.S.

Je joins egalement une copie de la nouvelle version de mon guide culinaire.

25 August 1972

Dr. Joao Mauricio Fernandes Salgueiro  
Tv. to Ferreiro a Lapa, 21/5<sup>o</sup>  
Lisbon 3  
Portugal

Dear Dr. Salgueiro,

I much enjoyed seeing you again and discussing with you questions relating to the Portuguese economy. I enclose a copy of my paper "The Implications of Portugal's Association with the European Common Market"; I hope that you will find it of interest.

Looking forward to seeing you next year, I remain,

Sincerely yours,

Bela Balassa

P.S.

I also enclose a revised copy of my culinary guide.

August 25, 1972

Professor D. Antonio Pinto Barbosa  
Governor  
Bank of Portugal  
148 Rua do Comercio  
Lisbon, Portugal

Cher ami,

J'ai ete tres heureux de vous revoir et de m'entretenir avec vous sur des problemes de l'economie portugaise. Veuillez trouver ci-inclus une note que j'ai redige sur le sujet de l'association du Portugal avec le Marche commun.

En esperant de vous revoir prochainement, je vous prie de croire, cher ami, a mes sentiments les meilleurs.

Bela Balassa

P.S.

Je joins egalement une copie de la nouvelle version de mon guide culinaire.

August 25, 1972

Dr. Joao Cravinho  
Ministerio da Economia  
Secretaria de Estado da Industria  
Cabinete de Planeamento  
Lisbon  
Portugal

Dear Dr. Cravinho,

Enclosed please find a copy of my paper on "The Implications of Portugal's Association with the European Common Market". I am sending under separate cover the various papers on the methodology of my protection study. This should enable your staff to make the modifications we have discussed in Lisbon. With these modifications the study should provide valuable results. Of course, for purposes of policy-making you will need the estimates based on 1970 data.

I have talked to Professor Westphal who expressed interest in participating in a study that would combine estimating a programming model with effective protection. I suggest that you write to him directly on this and send him whatever material is available on the estimation of a programming model in Portugal. I would myself like to receive a copy since I would plan to collaborate with Professor Westphal. He can be reached at the above address.

It was good to see you but, needless to say, I would have preferred seeing you under different circumstances. I do hope that you are improving rapidly and will be able to leave the hospital soon.

With my best wishes for a speedy recovery, I remain,

Sincerely yours,

Bela Balassa

P.S.

The note on the treatment of nontraded goods your assistants promised to send me has not yet arrived.

August 25, 1972

Dr. Erik Thorbecke  
c/o World Employment Program  
International Labor Office  
CH-1211 Geneva  
Switzerland

Dear Erik,

Many thanks for your recent letter and the outline of your study. Herewith are my comments.

I wonder if it is useful to spend much time and effort on changes in the pattern of agricultural trade, (your section 3). It would seem that the constant market share analysis is not very useful in analyzing the effects of the common agricultural policy. I rather suggest that you concentrate on changes in production, consumption, and trade that are covered in section 4. The effects of the common agricultural policy could then be expressed first by calculating changes in the own, partner country, and foreign shares in consumption; and second by calculating the effects of price increases due to the CAP on consumption. This method is analogous to that used by Truman and it should give especially useful results in agriculture.

You did not mention it separately but I presume that section 4 would include estimates on the efficiency cost of the common agricultural policy as described in your original research proposal. The comparisons with the pre-CAP situation and with the free trade situation discussed there are of considerable importance for our project.



-3-

I would appreciate having your reactions to this and your letting me know what commodity breakdown you plan to use.

Sincerely yours,

Bela Balassa

August 25, 1972

Mr. B. W. Wickham  
Conference Secretary  
University of Cambridge  
Overseas Studies Committee  
Cambridge Conference on Development  
c/o Faculty of History (Room 12)  
West Road  
Cambridge CB3 9EF  
England

Dear Mr. Wickham,

Thank you for your letter of August 17. I will see Paul Streeten in Belgrade next week and will discuss with him the possibility of my participation in the Cambridge conference.

Sincerely yours,

Bela Balassa

August 25, 1972

Prof. Peter B. Kenen  
Princeton University  
International Finance Section  
P.O.Box 644  
Princeton, N.J. 08540

Dear Peter,

I will be happy to participate in the conference organized by the International Finance Section on the future of research in international economics next March.

Thanking you for your invitation, I remain,

Sincerely yours,

Bela Balassa



# Record Removal Notice



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| <b>File Title</b><br>Research on Economics and Development - Bela Balassa - Chronological Record - June through November 1972 |                              | <b>Barcode No.</b><br>30280405   |                                |                          |
| <b>Document Date</b><br>August 25, 1972   | <b>Document Type</b><br>Memo |  |                                |                          |
| <b>Correspondents / Participants</b><br>From: Bela Belassa<br>To: Mr. M. M. van Gent  |                              |  |                                |                          |
| <b>Subject / Title</b><br>Mr. Schydrowsky's Contract  |                              |  |                                |                          |
| <b>Exception(s)</b><br>Personal Information   |                              |  |                                |                          |
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| <b>Withdrawn by</b><br>Ann May  | <b>Date</b><br>13-Jan-17     |  |                                |                          |

August 25, 1972

Mr. Donald S. Lamm  
Vice President  
W. W. Norton & Co. Inc.  
55 Fifth Avenue  
New York, N.Y. 10003

Dear Don,

The manuscript has indeed followed me from Paris to Washington but unfortunately it arrived only two days before my departure for a two-week trip abroad. I hope however that I will be able to read it by mid-September. Please let me know if this is too late.

I would have been happy to see you on your visit to Washington but I am afraid that I shall be returning only after you leave. Perhaps we will have another occasion soon.

Sincerely yours,

Bela Balassa

P.S.

Many thanks for your note on the Adelman book. I understand the reasons for your decision.

MARTIN AROCENA  
INTAMBANC  
BUENOS AIRES

August 25, 1972

LT

ARGENTINA

WILL CONTACT AIRFRANCE PARIS CONCERNING TICKET

NEXT WEEK

BELA BALASSA

Bela Balassa

DRC

EBalassa:alj

Home Address

2134 Wyoming Avenue N.W.  
Washington D.C. 20008

August 23, 1972

Mr. Leonard Jacobs  
President  
W. & J. Sloane Inc.  
1130 Connecticut Avenue N.W.  
Washington D.C. 20036

Dear Mr. Jacobs,

On June 18, 1972 I wrote to your Customer Service Department informing them that I wished to return the sofa I purchased from you. In the letter (copy enclosed) I indicated the reasons why I wanted to return it. A few days later a service man called and on June 23 I had a telephone conversation with Mrs. Shield on the conditions of returning the sofa. Mrs. Shield indicated that there would be a \$50 charge, which I accepted.

After considerable delay, the representatives of your firm came to my home on August 17 to pick up the sofa. They showed my wife a paper according to which there would be a 25% charge for the return of the sofa. My wife objected to this as I had informed her following my conversation with Mrs. Shield that the charge would be \$50. I immediately called Mrs. Shield who now denies having told me that a \$50 charge applies; she maintains that she had told me that there would be a 25% charge for the return of the sofa. However, I clearly heard her saying that the charge would be \$50; one cannot misunderstand a figure of 25% for \$50.

Mrs. Shield also tells me that on the original order I signed it was indicated that there would be a 25% charge for the return of the merchandise. I have never been given a copy of the original order, and even if I had, the charge does not apply since I am returning the sofa because I find it unsatisfactory.

I would appreciate it if this matter could be settled at an early date. As I indicated to Mrs. Shield in the course of our telephone conversation on June 23, I am willing to pay a \$50 charge despite the fact that I find the sofa unsatisfactory. In this connection, I wish to add that while points (1) and (3) in my letter of June 18 do not require further explanation, the abrupt changes in the color noted in my point (2) is apparently due to the fact that the fabric was put lengthwise rather than from front to back.

Sincerely yours,

Bela Balassa  
Consultant, Development Research Center  
Professor of Political Economy



Bela Balassa

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 • Telephone - EXecutive 3-6360 • Cable Address - INTBAPRAD

June 18, 1972

Customer Service Department  
W & J Sloane, Inc.  
1130 Connecticut Avenue, N.W.  
Washington, D.C. 20036

Dear Sir:

I received delivery of a loose pillow back sofa, style number 5600, on June 6th. I am writing today because, after careful consideration, I wish to return the merchandise for the following reasons:

1. As I have indicated to your salesman, Mr. Bill Rose, the cushions and pillows on the sofa are very soft, although at the time of ordering I emphasized that I wanted to have firm cushions and pillows. Also the underconstruction is not sufficiently firm, thereby contributing to a soft, uncomfortable seating.
2. The velvet fabric covering the sofa is shiny, abruptly changes color as one moves in the room, and shows harsh color contrasts from any given angle.
3. Finally, the material of the cushions and pillows wrinkles badly, apparently because the upholstery job has been poorly done.

I am leaving for a six-week trip abroad next Friday, June 23d, and I would like to ask you to arrange for pick-up of the sofa before my departure.

I would plan to use the amount I paid you on the sofa for future purchases. Let me add here that I have been perfectly satisfied with earlier purchases from you and have no doubt that this will be the case in the future.

Should you have any questions, please call me at my office, 477-5601.

Yours very truly,

  
Bela Balassa



MARTIN AROCENA  
INTAMBANC  
BUENOS AIRES

August 22, 1972

LT

ARGENTINA

TICKET AUTHORIZATION NOT RECEIVED BY AIRFRANCE PARIS STOP  
AM LEAVING WASHINGTON SATURDAY 26 AUGUST STOP PLEASE SEND  
AUTHORIZATION TO WASHINGTON IMMEDIATELY

BELA BALASSA

Bela Balassa

DRC

BBalassa:alm

21 August, 1972

M. Paul-Marc Henry  
President  
Development Centre  
OECD  
94 rue Chardon-Lagache  
Paris 16e  
France

Dear Mr. Henry,

It was a pleasure meeting you and I much enjoyed the lunch we had with Ambassador Greenwald in July. I have since sent you a copy of my book on "The Structure of Protection in Developing Countries" as well as my culinary guide. I hope that you may find them of interest.

I now enclose a copy of a memorandum I prepared at the request of Mr. Montague Yudelman last January. At that time, Yudelman had asked me to make suggestions for coordinating work undertaken or planned at the Centre on problems of the changing international division of labor and to write a general volume on the subject.

The outline I prepared had the double purpose of providing a framework for the Centre's research program in this area and indicating chapter headings for a general volume. In separate correspondence, I suggested to Yudelman that, apart from including their main findings in the general volume, several of the studies might also warrant publication in separate volumes.

I look forward to seeing you at the Belgrade Conference.

Very truly yours,

Bela Balassa  
Professor of Political Economy

copy - Ambassador Greenwald

August 18, 1972

His Excellency  
Mr. Julio A. Lacarte  
Representacion del Uruguay  
ante la ALALC  
Hotel Victoria Plaza  
piso 11  
Montevideo  
Uruguay

Excellency,

In reference to your letter of July 12, I enclose two copies of my paper "The Second Development Decade and Regional Economic Integration". Please excuse the delay.

Looking forward to meeting you in Montevideo, I remain,

Sincerely yours,

Bela Balassa

August 18, 1972

Mr. Euro F. Alves  
Subdirector  
INTAL  
Casilla de Correo 39  
Sucursal 1  
Buenos Aires  
Argentina

Dear Mr. Alves,

I enclose a copy of the paper "The Second Development Decade and Regional Economic Integration" as you requested.

Sincerely yours,

Bela Balassa

KURO ALVES  
INTAMBANC  
BUENOS AIRES

August 18, 1972

LT

ARGENTINA

PAPER SENT TODAY STOP TICKET AUTHORIZATION NOT RECEIVED

PLEASE INFORM

BELA BALASSA

Bela Balassa

DRC

BBalassa:alm

August 18, 1972

Mr. Constantine Ch. Deligiannis  
1331 Newton Street N.E.  
Washington D.C. 20017

Dear Mr. Deligiannis,

I have read through your paper "Import Substitution and Investment Allocation: A Case Study of Greece." While I can see that with appropriate revisions and the application of a more sophisticated approach, this could provide the basis for a dissertation at the Catholic University, I am afraid that there is no possibility for financing your work on the subject by the Bank.

Sincerely yours,

Bela Balassa

cc. Messrs. Stern  
Goreux  
Duloy

Adresse Personnelle  
2134 Wyoming Avenue N.W.  
Washington D.C. 20008  
USA

le 15 aout, 1972

M. Michel Guerard  
Le Pot au feu  
50 rue des bas  
Asnieres (Hauts de Seine)  
France

Cher Monsieur,

J~~e~~ vous remercie de vos lettres que me sont parvenues apres mon retour aux Etats Unis. Je suis content de savoir que vous etiez d'accord avec ma description de votre restaurant.

Le diner que nous avons eu chez vous le mois de juillet etait, comme toujours, excellent. J'aurais aimer repeter cet experience avant mon depart pour les Etats Unis mais malheureusement cela me n'etait pas possible. Je reviendra a Paris l'annee prochaine et je vous ferai signe avant mon arrivee.

En vous remerciant de votre accueil, je vous prie de croire, cher Monsieur, a mes meilleurs sentiments.

Bela Balassa

P.S.

Lors de notre diner chez vous, j'ai oublie d'emporter la note dont j'ai besoin pour ma declaration d'impots aux Etats Unis. Veuillez avoir l'amabilite de m'envoyer une note indiquant simplement la date (le 8 juilllet), le nombre des couverts (4) et la somme payee (Fr.295). Je vous en remercie d'avance.

Mr. Ian Bowen

August 15, 1972

Bela Balassa

Reprints

This is to give permission for the republication of my paper "Trade Policies in Developing Countries" which appeared in the American Economic Review in May 1971. As the reprinting is not done for commercial purposes, I relinquish my royalty rights.

BBalassa:alm



August 15, 1972

Mr. Donald S. Lamm  
Vice President  
W. W. Norton & Co. Inc.  
55 Fifth Avenue  
New York, N.Y. 10003

Dear Don,

Irma Adelman, whose office is next to mine at the moment, has asked my advice on a publisher for her latest book (with Frederick Golladay) on Approaches to Educational Planning. She had her last two books published by Johns Hopkins Press but has not been satisfied with the sales effort they made and is looking now for a commercial publisher.

I thought that you might be interest in the book, of which I enclose a Table of Contents. Should you want to pursue the matter, please write directly to Mrs. Adelman at the above address; she could provide you with a sample chapter. Let me add here that she has accepted a professorship at the University of Maryland and is a consultant to the Bank.

Hoping that things are going well with you, I remain,

Sincerely yours,

Bela Balassa

August 15, 1972

Mr. Jeffrey B. Nugent  
Economic Affairs Officer  
United Nations  
United Nations Building  
P.O. Box 4656  
Beirut  
Lebanon

Dear Jeffrey,

Thank you for your letter of August 7. I have in the meantime talked to the Johns Hopkins Press; they hope that you will have the manuscript by the end of the year so that the book could be included in their fall list.

I cannot think of anybody who would fit the needs of your Department at the present; I will let you know if I have some suggestions.

Sincerely yours,

Bela Balassa

Mr. John Hulley

August 15, 1972

Bela Balassa

Note on Economic Integration among LDCs

1. Herewith my comments on your note with a view to compressing it into some six pages, a difficult task indeed. It would require a surgical operation, eliminating some parts, while retaining material relating to the Bank Group since this is the subject of the paper.
2. I would suggest that you start with the statement that regional integration should be part of a development strategy and <sup>then</sup> provide the reasons for integration as in your Para 1 while adding the infant industry argument on a regional level. Next, you could indicate the need to avoid that the union becomes a high cost area; this would necessitate combining regional integration with overall trade liberalization. The discussion could include, in a greatly abbreviated form, Paras 9-12 from your Section II.
3. The second section of the revised note could deal with the difficulties of regional integration as in your Paras 5-8. You may add here that fears of dislocation in existing industries have been exaggerated; the CACM experience indicates that the path to free trade among these industries can be relatively smooth. The section should incorporate some of your discussion on the existing economic integration schemes (Paras 16-21) in the form of examples.
4. In the third section you could make some general statements on the forms of integration utilizing Paras 13-15 but giving more of a typology. The section should also consider nonregional preference schemes but your discussion here is rather uncritical while you seem to overemphasize the polarization issue in regional integration. Also, I would delete your Section IV but give some attention to problems of policy coordination.
5. I have little to say on past contributions by the Bank Group except that the Bank economic reports on CACM and on the EAC have been quite useful. At the same time, you may wish to raise the question why the Bank has not done more in the regional integration field. Finally, Section VI should be reproduced verbatim.

BBalassa:alm

## OFFICE MEMORANDUM

TO: Mr. William Gilmartin

DATE: August 15, 1972

FROM: Bela Balassa

SUBJECT: Japanese Research Proposal

1. The revised proposal is more manageable in size but it still has several important shortcomings. Firstly, it is not clear how Parts I and II would be linked. Secondly, the methodology to be utilized in Part I is open to various objections. Thirdly, the study would not provide a comprehensive picture of Japanese imports from the countries of East and Southeast Asia. Fourthly, the methodology of the in-depth industry studies has not been worked out. Fifthly, as you also note, the selection of industries does not appropriately serve the purpose at hand.
2. The discussion of projection methodology in Part I is rather muddled. It is not clear what assumptions would be made in regard to the share of Japan in world exports (p.6). Also, the discussion seems to indicate that the macro-projections would be made in current prices, and the data deflated by the use of the consumer price index. I do not see the usefulness of current price projections; nor do I consider the (projected) consumer price index an appropriate deflator. Further questions arise in connection with the treatment of capital; this is an independent variable used in conjunction with employment forecasts to project GNP but it becomes a dependent variable in the sectoral projections. Finally, I do not see the need in the present context to give detailed attention to changes in input-coefficients. The Clapper Almon study for the United States has shown that material coefficients change little over time.
3. It seems to me that a more common-sense method should be adopted for making projections. This would involve estimating the rate of growth of GDP on the basis of estimates of the labor force and the capital stock -- itself dependent on the share of investment in GDP -- using a production function approach. Next, one would explore the implications of economic growth for the pattern of final expenditure and use information on input-output relationships and import shares to derive production and import estimates.
4. Much of this is straightforward and energies should be concentrated on estimating the share of imports in the various industries. This is the crux of the matter since material input coefficients are reasonably stable but import coefficients are not. Yet the proposal concentrates on the former and completely disregards the latter.
5. Projections of import shares in various industries should ideally be based on a detailed investigation of individual industries. To reduce the task to manageable proportions and to direct energies towards industries of interest to the countries of East and Southeast Asia, one would have to select industries for in-depth study where the countries in question (a) export raw materials to Japan; (b) may become producers of parts, components and accessories for assembly in Japan; and (c) may eventually replace Japanese domestic production. For all other industries, simplified methods of analysis could be used but the scope of the work may also vary among the industries selected for in-depth study.

6. These suggestions may serve what I consider to be the major objectives of the analysis: to derive estimates of the prospective Japanese imports from East and Southeast Asia and to provide detailed information on the possibilities offered for the countries of East and Southeast Asia in selected industries. Let me add here that I am in full agreement with your recommendations as regards the methods of investigation to be employed in the in-depth industry studies.

BBalassa:alm



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| <b>File Title</b><br>Research on Economics and Development - Bela Balassa - Chronological Record - June through November 1972 |                              | <b>Barcode No.</b><br><br>30280405   |                                |                          |
| <b>Document Date</b><br>August 14, 1972   | <b>Document Type</b><br>Memo |  |                                |                          |
| <b>Correspondents / Participants</b><br>From: Bela Belassa<br>To: The Bank of New York  |                              |  |                                |                          |
| <b>Subject / Title</b><br>Contribution to Keogh Plan  |                              |  |                                |                          |
| <b>Exception(s)</b><br>Personal Information<br><br>Financial Information (iv)   |                              |  |                                |                          |
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| <b>Withdrawn by</b><br>Ann May  | <b>Date</b><br>13-Jan-17     |  |                                |                          |

August 14, 1972

Mr. Dermot McAleese  
The Economic & Social Research Institute  
4 Burlington Road  
Dublin 4  
Ireland

Dear Dermot,

Congratulations on your appointment. I wish you luck and further advancement.

Many thanks for the reprint; I shall be interested to continue getting copies of your work.

Sincerely yours,

Bela Balassa

August 11, 1972

Penguin Books Inc.  
7110 Ambassador Road  
Baltimore Md. 21207

Dear Sirs,

My paper "Trade Creation and Trade Diversion in the European Common Market" was reprinted in International Economic Integration (ed. P. Robson), but I have not yet received a copy. I would appreciate receiving one or, if possible, two copies.

Sincerely yours,

Bela Balassa



August 11, 1972

Mr. Miguel Rodriguez  
Department of Economics  
University of Oregon  
Eugene, Oregon 97403

Dear Mr. Rodriguez,

While I have not done research on nominal and effective protection in Venezuela, such work has been carried out by the Banco Central. You may wish to write to them at the following address:

Mr. Helly Tineo Salazar  
Banco Central de Venezuela  
Depto de Investigaciones Economicas  
Organismos Internacionales  
Esq. de Carmelitas  
Caracas  
Venezuela

Sincerely yours,

Bela Balassa

11 aout 1972

Monsieur S. Ronchetti  
Directeur, Division Transport  
Office Statistique des Communautés europeennes  
Boite postale 130  
Luxembourg

Monsieur,

Je vous remercie de votre lettre de 22 juin que m'est parvenue apres mon retour d'un voyage a l'etranger. Je vous suis tres reconnaissant de m'avoir fourni des renseignements qui me seront tres utiles.

En vous remerciant de votre gentillesse, je vous prie de croire, cher Monsieur, a mes meilleurs sentiments.

Bela Balassa

August 11, 1972

Mr. Michael Kaser  
St. Antony's College  
Oxford OX2 6JF  
England

Dear Michael,

I am extremely sorry but due to other obligations I am unable to make any revisions in my paper in the foreseeable future. Let me add that changes in Hungary have been rather unimportant so that the paper will not be outdated.

Sincerely yours,

Bela Balassa

August 11, 1972

Mr. Paul P. Streeten  
Warden  
Queen Elizabeth House  
Oxford  
England

Dear Paul,

I am afraid that I have some bad news, at least from the point of view of the Conference on Trade and Development. There seems to be a time conflict with the birth of my second child which brings into question the possibility of my coming to Cambridge.

While I have been aware of this conflict for some months -- although not at the time when I accepted the invitation -- I had hoped that I would be able to make it to Cambridge. It now appears, however, that the birth will come on September 22 or thereabouts. Moreover, according to the program I just received, the Conference requires my presence for the entire September 19-27 period, so that I could not just fly over for a day or two to deliver the paper and leave.

While it is still possible that the child will be born prior to the Conference, I think we should consider the possibility of my not being able to come. I have tried to find a replacement here but the two persons who have the qualifications to take my place are not free. I wonder, however, if you might consider replacing me on the program with somebody from Britain. There are several people I can think of, including A.J. Brown, P. Robson, and W. Newlyn.

Needless to say, I am very unhappy that I may not be able to attend the Conference which promises to be of considerable interest. You can, however, understand my motives. Let me add here that I will be spending two hours at London Airport on my way to Belgrade on Sunday, August 27 (arriving Heathrow at 7.20 a.m.), and could call you at that time to talk about this question if you so wish.

Sincerely yours,

Bela Balassa

August 11, 1972

Mr. Euro F. Alves  
Subdirector  
INTAL  
Casilla de Correo 39  
Sucursal 1  
Buenos Aires  
Argentina

Dear Mr. Alves,

Many thanks for your letter of July 28 and for the information contained therein. I plan to arrive in Montevideo on September 4 at 1.10 p.m. flight AF.089 from Paris. I would have liked to arrive earlier to participate in the opening ceremonies but unfortunately there is no flight from Paris the previous day and I am not able to leave two days earlier.

The arrangements you suggest are fine with me and I will plan to stay at the Hotel Victoria Plaza. I presume that I could receive the per diem together with the honorarium and would pay the hotel bill myself.

Mr. Tami sent me a telegram asking if I could extend my stay by a day to have discussions at INTAL in Buenos Aires. I am afraid that this will not be possible since I have to be in Washington on September 7, but I could perhaps leave Montevideo half-a-day earlier to be able to spend a few hours at INTAL. Let me add here that I could accept your invitation only because it pertained to the days September 4 to 6 for which I could make myself free.

As to the paper for the Conference, due to my other obligations, it has been impossible to prepare it during the short time available. I expect, however, to mail the paper next week.

Sincerely yours,

Bela Balassa

August 10, 1972

Textile Economics Bureau Inc.  
10 East 40th Street  
New York, N.Y. 10016

Dear Sirs,

Please send me one copy of your latest issue of  
Textile Organon. My check for 0.50 is enclosed.

Sincerely yours,

Bela Balassa  
Bla

August 9, 1972

University of California Press  
P.O. Box 1588  
Richmond  
California 94802

Dear Sirs,

In answer to your statements I wish to inform you that I sent you a check in payment of invoice no. 743364 on June 20. I enclose another check in the same amount, \$14.39, in the event that the first got lost. Should you have received the first one, please destroy it.

Sincerely yours,

Bela Balassa

August 8, 1972

Ritz Hotel  
Lisbon  
Portugal

Dear Sirs,

I was staying ~~at~~ your hotel in room 639 between July 1 and 4. I left in the room in one of the drawers of the credenza a folder containing correspondence. I would appreciate it if you could send me these papers by airmail; I will be happy to reimburse you for the expense involved.

Sincerely yours,

Bela Balassa



Home Address

2134 Wyoming Avenue N.W.  
Washington D.C. 20008

Aggust 8, 1972

National Geographic Society  
17th & M Streets N.W.  
Washington D.C.

Dear Sirs,

I would like to order a subscription for 1973 to the  
"National Geographic Magazine" to be sent to:

Mr. Gabor Szechy  
Matrai utca 9, III 1  
Budapest I  
Hungary

This should be sent by seammil.

In the meantime, would you send Mr. Szechy your enlarged  
wall map of Europe, 50" x 57", cat.no. 615. The enclosed note  
should be sent with the map. Please let me have your bill.

Sincerely yours,

Bela Balassa

Miss M.T.R. Pascual

August 8, 1972

Bela Balassa

Dr. Augustine Tan/Development Strategies Project

I enclose the expense vouchers in connection with Dr. Tan's visit to Washington last May.

BBalassa:alj



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| <b>Document Date</b><br>August 8, 1972   | <b>Document Type</b><br>Memo |   |                                |                          |
| <b>Correspondents / Participants</b><br>From: Bela Belassa<br>To: Dr. Joseph Bognar, Center for Afro-Asian Research of the Hungarian Academy of Sciences |                              |   |                                |                          |
| <b>Subject / Title</b>   |                              |   |                                |                          |
| <b>Exception(s)</b>  |                              |   |                                |                          |
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June 23, 1972.

Dr. Joao Cravinho,  
Ministerio da Economia,  
Secretaria De Estado Da Industria,  
Cabinete de Planeamento.

Dear Dr. Cravinho:

This is to confirm my telephone conversation concerning my visit to Lisbon. I will arrive from Paris on August 1st (Tuesday) at 13.25 on Flight No. AF501. I plan to leave on August 4th, Friday. I understand that you will make reservations at the Ritz Hotel.

I am looking forward to receiving your paper at the Paris office of the World Bank - 66 Avenue d'Iena Paris 16e, France, prior to my visit to Lisbon.

Sincerely yours,

Bela Balassa.

c.c.s J.H. Duloy, J.L. Upper, R.P. Armstrong,  
D.H. McCall, H. Hughes.

BBalassa:mf



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| <b>Correspondents / Participants</b><br>From: Bela Belassa<br>To: Maryland Blue Shield Inc.                                   |                              |  |                                |                          |
| <b>Subject / Title</b><br>Bill for Insurance Claim  |                              |  |                                |                          |
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2134 Wyoming Avenue, N.W.  
Washington D.C. 20008

June 23, 1972.

Professors W. Lee Hansen and Burton Weisbrod,  
University of Wisconsin,  
Madison, Wisconsin.

Dear Professors Hansen and Weisbrod:

Perhaps one should rank articles not only by their length but also by the number of readers. If this criterion is used your paper surely deserves a corner in the Hall of Fame of Economists as it is avidly read by those who made it and those who did not.

But how exact are your calculations or has the computer goofed? My research assistant exclaimed upon reading the paper that I have been slighted. While my name appears as one of the top ten in 1960-61 and 1964-65, Awards V and VI have been unjustly denied to me. With twenty-three articles listed between 1959 and 1965, I should have fourth place with an annual average of 3.3 articles among the contenders for the Lifetime Batting Average and third place with 46.3 pages a year in the lineup for the Lifetime Slugging Average.

Your fellow batsman

Bela Balassa.

Mr. Duloy

June 23, 1972.

Bela Balassa

*shadow*  
Schedule Pricing Project

I discussed with Mr. Stevenson the need to have a DRC report coordinating above project with Economics Department. Their ~~report~~ <sup>contact</sup> is Ross Parrish.

Apart from naming DRC report, some arrangement has to be made on the handling of the budget of this project. It is not clear whether the budget is to be divided between the two departments or it is to be included with the Economics Department's projects.

BBalassa:mf.

June 23, 1972.

*Nazario*  
Mr. Mavirio Debaca,  
AID  
Department of State,  
Washington D.C.

Dear Mr. Debaca:

Mr. Mauricio Pinto is working under me on his dissertation. Dissertation deals with Brazilian economic problems and it is desirable that he goes to Brazil for field research this summer. I wish to ask you, therefore, to provide finance for his trip.

Sincerely yours,

Bela Balassa.



June 23, 1972.

Dr. Odd Aukrust,  
Central Bureau of Statistics of Norway,  
Oslo Dep.  
Oslo 1  
Norway.

Dear Dr. Aukrust:

I have written to you (April 21, 1972) requesting that you send me the input-output tables for Norway for recent years. Should it not be possible to send the tables for several years I would appreciate it if I could have the table (both credits and debits) for 1969. I would like to get copies both in 1969 and 1961 prices so that I would have comparable data for a long period.

Needless to say I would be happy to pay any cost of duplicating the input-output tables.

Sincerely yours,

Bela Balassa.

June 23, 1972.

Dr. Carlos Antonio Rocca,  
Faculdade de Economia,  
Universidade de Sao Paulo,  
Ceixe Postal 8030,  
Sao Paulo,  
Brazil.

Dear Dr. Rocca:

I am extremely sorry to have delayed writing this letter so long but it is only now that I have gotten to read your monograph. I am afraid that I had too much work at the University and at the Bank so that I had to postpone my reading it.

Let me say that the reading of the monograph allays my fears expressed to you at the time of our meeting. It is my view that your method is a valid one and, notwithstanding the qualifications relating to quality differences and other matters, the results are valid. I congratulate you on this work as you are the first who has been able to quantify external economist using econometric methods.

I am send you, under separate cover, a copy of my book on "The Structure of Protection in Developing countries", as well as my paper on "Latin America Integration".

With best regards.

Sincerely yours,

Bela Balassa

June 23, 1972.

Random House Inc.  
501 Madison Avenue,  
N.Y., N.Y. 10022,  
U.S.A.

Dear Sir:

I would like to explore the possibility of republishing in a single volume papers I have written in recent years on policies followed by semi-industrial countries. The main theme of the volume is the similarities in the policy issues confronting these countries that are customarily placed in different categories -- developed, developing and socialist. It should be useful in courses of comparative economics, development economics, and Soviet-type economies on the advanced undergraduate and the graduate level.

I enclose a list of the papers together with a summary description of the contents of the contents of the proposed volume. I would also expect to write a ~~concluding~~ paper, in which I would bring together the findings that emerge from the papers. Should you have an interest in publishing the volume, I will be happy to send you a complete set of the papers.

Sincerely yours,

Bela Balassa.

The File

June 23, 1972.

Bela Balassa

Thomas Birnberg

Thomas Birnberg has made a favourable impression on me. He is very good econometrician who has a feel for reality. The paper he wrote jointly with Resnick is a path-breaking effort.

In my opinion, Mr. Birnberg will fit very nicely in the DRC as he brings econometric skills and he would like to work on subjects which are of interest to the Bank.

The main thing against Birnberg is that he has not published yet. He has a book in preparation, written jointly with Stephen Resnick, and two articles submitted to journals, again with joint authorship. I wonder, however, if he is not one of the slow starters who could do extremely well in the future. I would give it a try.

BBalassa:mf.

June 23, 1972.

Mr. William J. Murray,  
Hewitt Insurance Agency,  
Trust Company Building,  
New Haven, Conn. 06510.

Dear Mr. Murray:

This is to confirm your telephone conversation with my wife concerning the water damage in our house. There is damage in the room on the first floor that faces the street, from the plumbing system of the second floor. Furthermore, there is damage in the middle room on the first floor from leaking radiator in the second floor.

I understand that you will send out a representative after August 1st to survey the damage when we return from Paris.

Yours sincerely,

Bela Balassa.

June 23, 1972.

Mr. Edwin M. Truman,  
Department of Economics,  
Box 1905-A Yale Station,  
Sheffield-Sterling-Strathcona Hall,  
Yale University,  
New Haven, Connecticut 06520.

Dear Ed:

Thank you for your letter of June 9th. I am answering your three questions below.

As regards the appendix tables I would suggest that you include the second set for those countries you will investigate in more detail. But if you feel that this is not sufficient, let us talk about it after I return to Washington on August 7th.

I see considerable interest in disaggregation of the EEC and EFTA results by exporting countries and I would encourage you to carry out work on this.

As you know, I plan to write a summary chapter. In this chapter I will discuss, among other things, the estimates on the three defects of the EEC and EFTA in your two chapters - in those of Kreinen and Thorbecke as well as the extension of my Economic Journal estimates to recent years. It would be desirable to avoid overlapping but I can understand that you will want to make some comparisons between the Truman and the Resnick-Truman results.

With best regards.

Sincerely yours,

Bela Balassa

June 23, 1972.

Mr. Jeffrey B. Nugent,  
United Nations Building,  
Economic and Social Office,  
P.O. Box 4656,  
Beirut, Lebanon.

Dear Jeffrey:

Having looked more carefully at your production function estimates, I understand your qualms of including the technological term and the common market dummy in the same regression. This apparently gives rather strange results for the co-efficient of the capital output ratio. I wonder, however, that we can dismiss the technological term on this basis since presumably the results would be fine if we had this one in the regression and exclude the common market dummy.

I will be interested in seeing your results obtained under alternative methods. Until then, I remain,

Sincerely yours,

Bela Balassa.



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| <b>Correspondents / Participants</b><br>From: Bela Belassa<br>To: H. Khan   |                              |  |                                |                          |
| <b>Subject / Title</b><br>Advance to Mr. Sussman  |                              |  |                                |                          |
| <b>Exception(s)</b><br>Personal Information   |                              |  |                                |                          |
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June 23, 1972.

Mr. G. Dorrance,  
International Monetary Fund,  
19 and H Street,  
Washington D.C.

Dear Graeme:

This is to extend to you a formal invitation to reside at the Johns Hopkins University in the 1972/73 academic year. I understand that you would attend our general seminar, audit a graduate course, participate in departmental discussions. An office will be provided for you for the period of your stay.

We are all looking forward to having you next year and hope that you will have a profitable stay.

Best regards.

Sincerely yours,

Bela Balassa  
Professor

June 23, 1972.

Mr. Carsten R. Moser,  
Intereconomics,  
Monthly Review of International Trade and Development  
Editorial Office: HWWA-Institut für Wirtschaftsforschung-Hamburg.

Dear Mr. Moser:

I am afraid that I will be unable to write a paper for your Journal on such short notice.

Sincerely yours,

Bela Balassa.

2134 Wyoming Ave. N.W.  
Washington D.C. 20008-  
June 23, 1972.

Consumer Reports,  
P.O. Box 597  
Mount Vernon  
New York, 10550.

Dear Sir:

I wrote to you on April 27th, indicating that I have not received your annual guide for the year 1972. I have not heard from you since and would like to ask you to send me the guide without further delay. As I indicated in my earlier letter, I have a continuous subscription since 1971.

Best regards.

Sincerely yours,

Bela Balassa.

June 23, 1972.

Mr. Kim Mahn Je,  
Korea Development Institute,  
58 - 7 Seosomun-dong, Seodaemun-Ku, Seoul,  
C.P.O. Box 5096 Seoul,  
Korea.

Dear Mr. Kim Mahn Je:

I am indeed sorry for not being able to participate at the Symposium held in connection with the opening of the KDI. But Irma Adelman will represent me.

Your research program looks very good and I do hope that I will be able to visit Korea before long.

Sincerely yours,

Bela Balassa.

June 22, 1972.

Mr. Edmund Sheehey,  
Department of Economics,  
Marshall Hall,  
Michigan State University,  
East Lansing, Michigan 48823.

Dear Mr. Sheehey:

In reply to your letter of May 21st, I enclose a copy of the Free Trade Input-Output Co-efficient used in my study, together with the <sup>weights</sup> ~~ways~~ for each of the industries for which co-efficients are provided.

My paper on Regional Integration in Latin America has not been published. I enclose a copy of the mimeograph version.

Calculations of effective protection for Argentina by <sup>Berlinsky and Schydlowsky</sup> ~~GBNDS~~ are being carried out in the framework of our development strategies in industrial countries project. This is a rather detailed investigation involving some 250 industries. I doubt, therefore, that it would be worth your while to carry out similar calculations. You may wish to write to Mr. Julio Berlinsky for details on his study. His address is:

Pueyrredon 336,  
8° piso, Dpto 25,  
Burnos Aires,  
ARGENTINA.

With best regards.

Sincerely yours,

Bela Balassa.



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| <b>Correspondents / Participants</b><br>From: Bela Belassa<br>To: Arnault Amaury  |                                |  |                                |                          |
| <b>Subject / Title</b><br>Purchase tax  |                                |  |                                |                          |
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pln

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mrs. Hughes

FROM: Bela Balassa 

SUBJECT: Small Scale Industry

DATE: June 22, 1972.

I endorse Mrs. Hughes' suggestion to obtain the services of Mr. Walinsky to carry out a study on small scale industry. I will be glad to participate in writing the terms of reference for such a study.

c.c.s Messrs. Gulhati, Henderson, Haq, Qureshi,  
El Darwish

BBelassa:mf.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

*Pink copy*

OFFICE MEMORANDUM

TO: H.B. Chenery

DATE: June 22, 1972.

FROM: Bela Balassa *M*

SUBJECT: Paper on Regional Integration

I enclose a short comment I wrote on draft of "Board Paper on Regional Economic Integration" prepared by Mrs. Hughes and Mr. Hulley. I understand now that there will be no Board Paper on regional integration but the subject will be covered in the Board paper on primary producers. As I noted at a meeting on the latter held several weeks ago, I doubt that this would be an appropriate procedure. Regional integration concerns chiefly trade in manufactured goods rather than primary products and should be considered as possible avenue for regional export promotion and import substitution in manufacturing.

c.c. Stern

BBelassa:mf.



## OFFICE MEMORANDUM

TO: Mr. Hayes

FROM: Bela Balassa

SUBJECT: Board Paper on Regional Economic Integration

DATE: June 16, 1972

1. I have read with interest the proposed draft outline for a Board Paper on the IBRD's Role in Economic Integration among Developing Countries, both in the original (Helen Hughes) and the revised (John Hulley) version. Some comments on the covering memo and on the draft outline follow.
2. In the covering memo, the problem of disparities of economic levels among participating countries seems to be overemphasized. While this had been the major problem in East Africa, it has found a solution in the form of transfer taxes. In turn, among the major LAFTA countries (Argentina, Brazil, and Mexico), their unwillingness to admit competing imports and to compromise their sovereignty have been the major reasons for failure. At the same time, for reasons mentioned in my "Regional Integration of Trade: Policies of Less Developed Countries," I see little chance of success for agreements encompassing countries located on different continents (p. 7). This has been tried since 1967 with practically no results.
3. As regards the draft outline, I wonder if it could be framed in more general terms. One may then start out with the rationale for regional integration, considered as a facet of development strategy (see pp. 1-6 in my paper). This could be followed by a discussion of the obstacles to integration, some of which are indicated on pp. 7-13 of my paper).
4. The discussion of the subjects referred to in Para 3 could provide the background for a brief evaluation of existing integration schemes. While one should discuss the difficulties that have plagued some of these schemes, the draft outline paints an overly dark picture. And, again, I have strong reservations to the solution suggested in Para 9.
5. As to past contributions by the Bank Group, it would be useful to emphasize the successes and the failures, and describe the reasons for the results. In a telephone conversation about a week ago, Mike Hoffman raised the possibility of his Department writing a paper on the subject for a Conference to be held next year. No matter who writes the paper, you might find it useful to talk to him, as he has some very good ideas.

June 22, 1972.

Mr. B.W. Wickham,  
Conference Secretary,  
University of Cambridge  
Overseas Studies Committee,  
Cambridge Conference on Development,  
c/o Faculty of History (Room 12),  
West Road, Cambridge CB3 9EF

Dear Mr. Wickham:

Thank you for your letter of June 14th. I am afraid that there is an error in the travel form we sent you. I will leave Washington on Monday, 18th of September, arriving London the following morning and in Cambridge at noon (Tuesday, 19th).

With best regards.

Sincerely yours,

Bela Belassa

June 22, 1972.

Mr. Ki-ho Kim,  
1-D, 36-08, 29th Street,  
Astoria, N.Y. 11106

Dear Mr. Kim:

The import-demand elasticity for the United States have been derived as indicated on page 18 of my book. Subsequently, elasticities for the other countries have been calculated by utilizing the formula on page 190.

Sincerely yours,

Bela Balassa.

June 22, 1972.

Mr. E.I. Demetriades,  
c/o Department of Statistics & Research,  
Nicosia Cyprus.

Dear Mr. Demetriades:

Please excuse the late <sup>answering</sup> ~~reply~~ of your letter of March 30th. I will answer your questions in the following:

- 1) For consistency sake, I would suggest using census value added at factor cost in your calculations.
- 2) Under my suggestion No.1, it should make little difference whether you apply the Corden or the Balassa method of treating non-traded goods.
- 3) If an accounting depreciation is very much different from economic depreciation, you have ~~choices~~: *two choices*:
  - a) if there is a constant ratio between accounting economic depreciation, translate one into the other;
  - b) if the ratio is not constant, do not make adjustments for depreciation.

I enclose the *Outline* and Methodology of my recent research project. This should be of help to you in deriving the formula. My recent book - "The Structure of Protection in Developing Countries" is obtainable from the Johns Hopkins Press, Baltimore, Maryland.

Sincerely yours,

Bela Balassa.

June 22, 1972.

Mr. Elie de Robien  
Director  
5, rue du docteur Lancereaux,  
inter-urbis  
Paris 8<sup>e</sup> France

Dear Mr. de Robien:

Thank you for your letter of June 13th. In the mean time, I have found apartment through a friend. I might come to you again next year.

Sincerely yours,

Bela Balassa.

June 21, 1972.

Robert J. Gordon,  
Co-Editor,  
Journal of Political Economy,  
University of Chicago,  
1126 East 59th Street,  
Chicago - Illinois 60637

Dear Professor Gordon:

I enclose my comments on "Further Issues in the Proper Choice of Techniques for Domestic Resource Cost Ranking" by Charles Staelin. I suggest that you reject the paper. It provides little more than a rehash of some of the issues that have already been discussed ad nauseam. It also contains several misstatements.

With best regards.

Sincerely yours

Bela Balassa

June 21, 1972.

Mr. Glen E. Wittur,  
c/o Department of Mineral Economics,  
The Pennsylvania State University,  
University Park, Pa. 16802.

Dear Mr. Wittur:

The detailed results of my GJE Paper were published by UNCTAD. The title is "The Structure of Protection in Industrial Countries and its Effects on the Exports of Processed Goods from Developing Countries" in The Kennedy Round: Estimated Effects on Tariff Barriers, Geneva, UNCTAD, 1968, pp.189-207.

Best regards.

Sincerely yours,

Bela Balassa

June 21, 1972.

Robert W. Russell,  
Northern Illinois University,  
DeKalb, Illinois 60115

Dear Mr. Russell:

I will be in Paris during the month of July and can be reached  
at the address of the World Bank - 66 Avenue d'Iena, Paris 16e,  
France.

With best regards

Sincerely yours,

Bela Balassa



June 21, 1972.

Mr. Andreas Michalakis,  
65 Kalliga Street,  
Filothei, Athens,  
Greece.

Dear Mr. Michalakis:

In reply to your letter of May 8th to Mr. Thompson, I enclose a copy of the Free Trade Input-Output Co-efficient used in my study together with the ways for each of the industries for which co-efficients are provided.

May I add that one of my colleagues at the World Bank - Mr. Papageorgiou D. has also made calculations on effective protection in Greece. You may wish to write to him directly to exchange information on the subject.

With best regards.

Sincerely yours,

Bela Balassa

c.c. Mr. C.H. Thompson

June 21, 1972.

Johns Hopkins Press,  
Baltimore, Maryland.

Dear Sir:

My Secretary by mistake sent to you a copy of my book, "The Structure of Protection in Developing Countries". Please return it.

I enclose instead a request for information concerning the book, which should have been sent to you. for action.

Sincerely yours,

Bela Balassa

June 21, 1972.

Mr. R.J. Line,  
Industrial Development Officer,  
Industrial Programming Section,  
United Nations Industrial Development Organization,  
Lerchenfelder Strasse 1, A-1070,  
P.O. Box 707, A-1011  
Vienna, Austria.

Dear Mr. Line:

Thank you for your letter of May 24th. Mrs. Hughes tells me that she is writing you directly concerning the request for assistance on Tariff Policy from the Government of Malaysia, and the proposed regional workshops. Let me add here that I was not the one who proposed regional workshops; my idea was rather to have a seminar on Industrial Incentives in Vienna.

I appreciate you informing me of recent developments in work on Industrial Incentives at UNIDO. I will be happy to receive further papers that will be prepared on the subject.

With personal regards.

Sincerely yours,

Bela Balassa.

June 20, 1972.

Mr. Hugh Latimer,  
Course Leader,  
Industrial Projects Course,  
Project Planning Centre for  
developing countries,  
University of Bradford,  
Bradford, Yorkshire BD7 1DP  
ENGLAND

Dear Hugh:

I am sorry to say that we have only a few copies of working paper No. 86 left. Considering also the mailing cost involved, I am afraid that I will not be able to send you the 32 copies.

With best regards.

Sincerely yours

Bela Balassa

June 19, 1972.

M.F. Boyer de la Giroday,  
Directeur "Affaires Monetaires",  
DG Affaires Economiques et Financieres  
Commission Economique  
Europeenne  
rue de la Loi, 200  
Brussels, Belgium

Dear Frederic:

I sent you some time ago the revised version of my paper on "Monetary Integration in the European Common Market" together with my culinary guide. I enclose now a preliminary draft of the introductory part of a paper on "Structural Policies in the European Common Market."

I would like to emphasize the preliminary character of the paper as well as the fact that it is written in rather strong terms. I would appreciate it if I could have your comments on it on the occasion of my visit to Brussels on July 7th. M. de Creeft is taking care of the arrangements for my visit.

Hoping to see you soon, I remain

Sincerely yours

Bela Balassa

Jack L. Lowther

June 19, 1972.

Bela Balassa

Time Reporting System

I miss in the time sheet a box where one can indicate the time spent at meetings -- which, alas, is on the increase. Also, it would be useful to have a separate box for the time spent in commenting on papers that, at least for me, is a rather time-consuming activity.

From the instructions, it appears that time spent on various activities should be measured in hours. To my mind, days and half-days would suffice and one could also omit the day-by-day accounting that is itself a time-consuming activity.

Bela Balassa

c.c. Stern

June 19, 1972.

Mr. Robert Triffin,  
Master of Economics,  
Berkeley College,  
Yale University, New Haven,  
Connecticut 06520

Dear Robert:

Thank you for your letter of June 9th.

I do hope that you will enjoy my culinary guide in Paris. Should you be there in the month of July, I will be happy if we could try one of the restaurants together. I can be reached at the address of the World Bank - 66 Avenue d'Iena Paris 16e, FRANCE, Tel: 720-2510.

Hoping to see you soon, I remain

Sincerely yours

Bela Balassa

June 19, 1972.

Mr. Albert O. Hirschman,  
Harvard University,  
Department of Economics,  
215 Littauer Center,  
Cambridge, Massachusetts 02138

Dear Albert:

Thank you for your letter of June 5<sup>th</sup>.

I do hope that you will enjoy my culinary guide in Paris. Should you be there in the month of July, I will be happy if we could try one of the restaurants together. I can be reached at the address of the World Bank - 66 Avenue d'Iena Paris 16e, FRANCE, Tel: 720-2510.

Hoping to see you soon, I remain

Sincerely yours

Bela Balassa



June 19, 1972.

M.T. de Creeft,  
Chef de la division  
Direction generale "Presse et Information"  
Commission Economique  
Europeene  
rue de la Loi, 200  
BRUSSELS, BELGIUM

Dear Mr. Creeft:

I plan to come to Brussels on July 7th to see a few people at the Commission. I have already written to Messrs. Molitor, Wegner, Froschmaier, Tavitian, and Giroday about my visit. I would also like to see Mr. Duesberg or, if he is not available, somebody else at Concurrence. I would appreciate it if you contacted these people and set up a schedule for the entire day.

May I ask you to confirm the arrangements in writing to me at the Paris address of the World Bank, 66 Avenue d'Iena Paris 16e, FRANCE.

Looking forward to seeing you, I remain

Sincerely yours

Bela Balassa

June 19, 1972.

Mr. Gerardo Bueno,  
Nacional Financiera S.A.  
Apartado Postal No.353  
Isabel la Catolica 51  
Mexico 1, DF  
MEXICO

Dear Gerardo:

It was good to see you and we look forward to seeing Maria Martha and yourself in Paris. The Paris address of the Bank is 66 Avenue d'Iena Paris 16e, France. Tel. 720-2510.

I also enclose a list of Restaurants in the event that you go to Budapest. I presume that you will want to stay at the Inter-Continental Hotel which is by far the best.

With best wishes for pleasant trip, I remain

Sincerely yours

Bela Balassa

June 19, 1972.

Mr. Stephen Marris  
Directeur Suppleant des Etudes Generales  
Departement des Affaires Economiques  
et Statistiques  
O.E.C.D.  
94 rue Chardon-Lagache  
Paris 16e, FRANCE

Dear Steve:

A few weeks ago I wrote to you inquiring about the possibility of having an office at the OECD in the month of July. I will call you from my vacation near Lyon in the last week of June to find out if I could be assured an office.

I enclose a preliminary draft of the introductory part of a paper on "Structural Policies in the European Common Market". The paper is preliminary and it is written in rather strong terms. I will appreciate having your comments on it/to have the opportunity /and to discuss with you some related issues.

Hoping to see you soon, I remain

Sincerely yours

Bela Balassa

June 19, 1972.

M. Pierre Uri,  
Institut Atlantique  
120 rue Longchamp  
Paris 16e FRANCE

Dear Pierre:

I sent you some time ago the revised version of my paper on "Monetary Integration in the European Common Market" together with my culinary guide. I enclose now a preliminary draft of the introductory part of a paper on "Structural Policies in the European Common Market."

I would like to emphasize the preliminary character of the paper as well as the fact that it is written in rather strong terms. I would appreciate it if I could have your comments on it on the occasion of my stay in Paris in the month of July.

Hoping to see you soon, I remain

Sincerely yours

Bela Balassa

June 19, 1972.

Professor Burton G. Malkiel,  
Director of Graduate Studies,  
Princeton University,  
Department of Economics,  
Princeton, New Jersey 08540

Dear Professor Malkiel:

I would be very happy to serve on Mr. Broner's Committee but I am afraid that I am already over-committed for the next year. Why don't you try Michael Montias, Yale or Fred Pryor at Swathmore. Let me add here that Fred wrote his dissertation under me on CMEA. His book is surprisingly missing from Broner's list.

With best regards.

Sincerely yours

Bela Balassa

June 16, 1972

M. Franz Froschmaier  
Chef de Cabinet adjoint de M. Haferkamp  
Membre de la Commission

Dear Franz:

I sent you some time ago the revised version of my paper on "Monetary Integration in the European Common Market" together with my culinary guide. I enclose now a preliminary draft of the introductory part of a paper on "Structural Policies in the European Common Market."

I would like to emphasize the preliminary character of the paper as well as the fact that it is written in rather strong terms. I would appreciate it if I could have your comments on it on the occasion of my visit to Brussels on July 7th. M. de Creeft is taking care of the arrangements for my visit.

Hoping to see you soon, I remain

Sincerely yours

Bela Balassa

June 16, 1972

Mr. Manfred M. Wegner  
Conseiller au Cabinet de M. HAFFERKAMP  
Membre de la Commission

Dear Manfred:

I sent you some time ago the revised version of my paper on "Monetary Integration in the European Common Market" together with my culinary guide. I enclose now a preliminary draft of the introductory part of a paper on "Structural Policies in the European Common Market."

I would like to emphasize the preliminary character of the paper as well as the fact that it is written in rather strong terms. I would appreciate it if I could have your comments on it on the occasion of my visit to Brussels on July 7th. Mr. de Creeft is taking care of the arrangements for my visit.

Hoping to see you soon, I remain

Sincerely yours

Bela Balassa

June 16, 1972

M. B. ~~Meibert~~, Directeur  
Economies nationales et conjoncture  
Direction generale "Affaires Economiques  
et Financieres

Dear Bernhard:

I sent you some time ago the revised version of my paper on "Monetary Integration in the European Common Market" together with my culinary guide. I enclose now a preliminary draft of the introductory part of a paper on "Structural Policies in the European Common Market."

I would like to emphasize the preliminary character of the paper as well as the fact that it is written in rather strong terms. I would appreciate it if I could have your comments on it on the occasion of my visit to Brussels on July 7th. Mr. de Creeft is taking care of the arrangements for my visit.

Hoping to see you soon, I remain

Sincerely yours

Bela Balassa



June 16, 1972

M. Roland Tavitian  
Directaur  
Structure et Developpement Economiques  
Direction Generale II  
Affaires Economiques et Financieres

Dear Roland:

I sent you some time ago the revised version of my paper on "Monetary Integration in the European Common Market" together with my culinary guide. I enclose now a preliminary draft of the introductory part of a paper on "Structural Policies in the European Common Market."

I would like to emphasize the preliminary character of the paper as well as the fact that it is written in rather strong terms. I would appreciate it if I could have your comments on it on the occasion of my visit to Brussels on July 7th. M. de Creeft is taking care of the arrangements for my visit.

Hoping to see you soon, I remain

Sincerely yours

Bela Balassa

June 16, 1972

Mr. Arthur Karasz  
Director, European Office  
66 Avenue d'Iena  
Paris 16<sup>e</sup>, France

Dear Arthur:

My plans have changed and I will not be in Paris  
on June 23 as indicated in my last letter to you. I will  
be there, however, with the entire family on July 3.

Looking forward to seeing you, I remain

Sincerely yours,

*Lb edw*

*Bela Balassa*  
Bela Balassa  
Development Research Center

## OFFICE MEMORANDUM

TO: Mr. Hayes

DATE: June 16, 1972

FROM: Bela Balassa

SUBJECT: Board Paper on Regional Economic Integration

1. I have read with interest the proposed draft outline for a Board Paper on the IBRD's Role in Economic Integration among Developing Countries, both in the original (Helen Hughes) and the revised (John Hulley) version. Some comments on the covering memo and on the draft outline follow.
2. In the covering memo, the problem of disparities of economic levels among participating countries seems to be overemphasized. While this had been the major problem in East Africa, it has found a solution in the form of transfer taxes. In turn, among the major LAFTA countries (Argentina, Brazil, and Mexico), their unwillingness to admit competing imports and to compromise their sovereignty have been the major reasons for failure. At the same time, for reasons mentioned in my "Regional Integration of Trade: Policies of Less Developed Countries," I see little chance of success for agreements encompassing countries located on different continents (p. 7). This has been tried since 1967 with practically no results.
3. As regards the draft outline, I wonder if it could be framed in more general terms. One may then start out with the rationale for regional integration, considered as a facet of development strategy (see pp. 1-6 in my paper). This could be followed by a discussion of the obstacles to integration, some of which are indicated on pp. 7-13 of my paper.
4. The discussion of the subjects referred to in Para 3 could provide the background for a brief evaluation of existing integration schemes. While one should discuss the difficulties that have plagued some of these schemes, the draft outline paints an overly dark picture. And, again, I have strong reservations to the solution suggested in Para 9.
5. As to past contributions by the Bank Group, it would be useful to examine the successes and the failures, and describe the reasons for the results. In a telephone conversation about a week ago, Mike Hoffman raised the possibility of his Department writing a paper on the subject for a Conference to be held next year. No matter who writes the paper, you might find it useful to talk to him, as he has some very good ideas.

6. I agree with the recommendations contained in Part IV of the outline, with two provisos. First, the Bank could take a more active role in promoting integration projects; second, in appraising projects in individual countries, the possible conflicts among such projects and potential sales to regional markets should be taken into account.

7. I will be happy to discuss with you any questions relating to the Board Paper if you so wish. I will be here next week but will leave for a six-week period next Friday.

cc: Hulley  
Mrs. Hughes

June 16, 1972

Jagdish N. Bhagwati  
Editor  
Journal of International Economics  
E52-280B M.I.T.  
Cambridge, Ma. 02139

Dear Jagdish:

As I am going abroad for a six-week period, I will be unable to evaluate "ATTesting of the Ricardian Theory of Comparative Advantage" by Agarwal, Askari and Corson.

Sincerely yours

Bela Balassa

June 15, 1972

Robert J. Gordon  
Co-editor  
Journal of Political Economy  
University of Chicago  
1126 East 59th Street  
Chicago, Illinois 60637

Dear Mr. Gordon:

I do not recommend accepting Millard Long's "Finance and Cost Benefit Analysis: The Case of Foreign Loans". The paper does not represent an advance over earlier contributions. An appropriate approach would have to build on the ideas of Kroeger and Balassa-Schydrowsky in JPE, January-February, 1972 which suggests using, with appropriate adjustments, the domestic cost of foreign exchange measure.

Sincerely yours,

Bela Balassa

June 15, 1972

Dr. Zvi Sussman  
Director, Research Department  
Bank of Israel  
Jerusalem  
Israel

Dear Dr. Sussman:

Thank you for your letters of June 6 and 7. Payments to your research assistants should go out in a week or two and the travel office will send you and Baruch the tickets for the Paris trip.

I wonder if you could come on July 9th rather than the 10th. It is likely that I will leave Paris for a few days on the 12th and would like to have ample time for the discussions. Please send your answer to the Bank's address in Paris. (66 Avenue d'Iena, Paris, 16e)

Sincerely,

Bela Balassa



# Record Removal Notice



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| <b>Document Date</b><br>June 14, 1972   | <b>Document Type</b><br>Letter |  |                                |                          |
| <b>Correspondents / Participants</b><br>From: Bela Belassa<br>To: Mr. Khan  |                                |  |                                |                          |
| <b>Subject / Title</b><br>Thomas Hutcheson's Contract   |                                |  |                                |                          |
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| <b>Withdrawn by</b><br>Ann May  | <b>Date</b><br>13-Jan-17       |  |                                |                          |



Mr. Chenery

June 14, 1972

Bela Balassa

David Morawetz

1. I am familiar with Morawetz's work and also had the occasion to talk with him, in Bogota as well as in Washington. He is a well-trained economist who has acquired a practical orientation during his stay in Latin America. I believe that he would be a good acquisition for the Bank; I rate him slightly above Berlinski who I recommended for the Industrialization Division.

2. I am sending a copy of this memo to Helen Hughes who also knows Morawetz. I return the paper you sent me; I already have two copies.

cc: Mrs. Hughes

June 12, 1972

Mrs. Ruth Ridler  
Assistant Editor  
National Bureau of Economic Research, Inc.  
261 Madison Avenue, New York, New York 10016

Dear Mrs. Ridler:

I have found it quite difficult to make the requested changes in my comments. Apart from the fact that the authors of a paper are not supposed to make major changes after the comments are presented, the new version is far from clear on how the problem in question has been handled.

I enclose the revised paragraph which is of approximately equal in length to the old one. I hope that this will be satisfactory.

Sincerely,

Bela Balassa

June 11, 1972

American Embassy  
#2 Avenue Gabriel  
75382 Paris  
CEDEX 08 France

Dear Sir:

I would appreciate it if you could post the enclosed card.

Sincerely,

Bela Balassa

June, 9, 1972

Mr. Thomas W. Joseph  
Vice President  
Scudder Fund Distributors, Inc.  
10 Post Office Square  
Boston, Massachusetts 02109

Dear Mr. Joseph:

I would like to ask you how I could obtain regular quotations on your Fund. Could I perhaps send you a stack of self-addressed cards on which the prices of the Fund could be indicated on a regular basis?

Sincerely,

Sola Balassa

rk

June 9, 1972

Mr. B. W. Wickham  
Conference Secretary  
Cambridge Conference on Development  
c/o Faculty of History (Room 12)  
West Road  
Cambridge CB3 9EF  
England

Dear Mr. Wickham:

I enclose my paper "Regional Integration of Trade: Policies of  
Less Developed Countries" in the original and one copy. I  
also enclose the form relating to travel in two copies.

Sincerely,

Bela Balassa

/wK

June 9, 1972

Mr. Frank C. McLaughlin C.F.A.  
Vice President  
Edie Fund Sales, Inc.  
530 Fifth Avenue  
New York, NY 10036

Dear Mr. McLaughlin:

A few weeks ago I established a Keogh Plan with Edie Special Institutional Fund. As the Fund is not quoted in the newspapers, I wonder if I could receive information on its prices on a regular basis. I wonder if I could send you a stack of self-addressed post cards on which the prices of the Fund could be indicated at the end of every week.

Sincerely,

Bela Balassa



# Record Removal Notice



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| <b>Subject / Title</b><br>Investment in Fund  |                                |   |
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June 9, 72

Files

Bela Balassa

Regional Integration of Trade: Policies of Less Developed Countries"

The enclosed paper on the above subject has been prepared as background material for the conference "Trade and Development" organized by the Overseas Studies Committee of the University of Cambridge, England. The conference will be held in Cambridge from the 19th to the 27th of September, 1972.



June 9, 1972

Mr. William J. Murray  
Hewitt Insurance Agency  
Trust Company Building  
New Haven, Conn. 06510

Dear Mr. Murray:

In reference to our telephone conversation I enclose a letter from Mr. Benjamin King concerning the antiques I will keep for him in my home at 2134 Wyoming Avenue for two years. Please take out a fine arts rider on the appraised value on the furniture, \$4,500, starting June 12th, 1972. I am enclosing a xeroxed copy of the appraisal.

Sincerely,

Bela Balassa

Bela Belassa

Havelock Brewster's Study of Central American Common Market

1. Time did not permit a thorough study of Havelock Brewster's study of the Central American Common Market. Nevertheless, I have been able to formulate a general impression of this work. My comments on the parts dealing with the growth effects of integration, industrial balance, protection, and employment follow.
2. While Brewster is correct in his criticism of McClelland's estimate of the effects of the Central American Common Market (CACM) on the economic growth of the region, he is unduly critical of Jeffrey Nugent whose estimate based on an aggregate, production function has sound methodological foundation (Ch. 1, pp 1-2). Brewster's own estimates of the growth effects of trade creation are subject to serious criticism as he assumes that the resources employed in export activities -- and in industries which are said to expand through the workings of the "multiplier" -- have no alternative uses (Ch. 1, pp 3-6). Thus, the full amount of the well-documented increases in the exchange of consumer goods among these countries is incorrectly considered as a gain in national income. In turn, Brewster's method of estimating the economic cost of trade diversion, derived as the difference between domestic and import prices on trade diverted from foreign countries, is fine but his use of average price differences on all imports is objectionable because it takes the account of disparities in import trends among major commodity groups that have widely divergent price ratios. (Ch. 1, pp 6-7).
3. The section on industrial balance is rather weak. Firstly, Chenery's intercountry model can hardly be used to derive the optimal integration of industries (Ch. 2, pp 5-6). Secondly, the listing of criteria for the allocation of industries is not very helpful (Ch. 2, pp 13-14). Finally, I see serious political problems in applying the consultation procedure for allocating industries (Ch. 2, p. 24); a better solution would be to use the price system and accord temporary subsidies to the lesser developed countries of the region.
4. I find the arguments in favor of industrial protection exaggerated (Ch. 3, pp 7-16), and the method suggested for measuring the cost of protection does not make sense to me (Ch. 3, pp 12-13). In turn, I have no quarrel with the proposal to equate tariffs to the differences between private and social costs (pp. 14-15) but this is hardly an operational proposition. Calculations of effective protection are interesting due to a disregard of quality differences between domestically produced and imported goods. Finally, the suggested tariff schedules (Ch. 3, pp 64-65) involve too much tariff escalation and dispersion to be appropriate in the Central American context.

Mr. Guy Pfefferman

- 2 -

June 7, 1972

5. In Chapter 6, Brewster provides useful data on the labor and capital intensity of individual industries. The calculations on the trade-off between output and employment are also interesting, and the recommendations for using shadow prices of labor in project evaluation are sound.

cc: Kuczynski

June 7, 1972

Professor Dr. Antonio Pinto Barbosa  
Governor  
Bank of Portugal  
148 Rua do Comercio  
Lisbon, Portugal

Dear Professor Pinto Barbosa:

After several years, I will be returning to Portugal, this time to advise the Secretariat of Industry on the formulation of industrial policy. I would very much like to have the occasion to meet with you again during my stay in Lisbon; perhaps I could invite you for lunch or dinner on June 19, 20, or 21.

You may wish to contact Senor Joao Cravinho, Director of the Planning Cabinet in the Portuguese Secretariat of Industry, whom I have asked to arrange my schedule. You could also reach me at the Ritz on the days indicated.

I am sending you under separate cover a copy of a recent book of mine which may be of interest to you.

Hoping to see you soon, I remain

Sincerely yours,

Bela Balassa

June 7, 1972

Dr. Joao Salgueiro  
Undersecretary for Planning  
Office of the Prime Minister  
Lisbon, Portugal

Dear Dr. Salgueiro:

After several years, I will be returning to Portugal, this time to advise the Secretariat of Industry on the formulation of industrial policy. I would very much like to have the occasion to meet with you during my stay in Lisbon; perhaps I could invite you for lunch or dinner on June 19, 20, or 21.

You may wish to contact Senhor Jose Cravinho, Director of the Planning Cabinet in the Portuguese Secretariat of Industry, whom I have asked to arrange my schedule. You could also reach me at the Ritz on the days indicated.

I am sending you under separate cover a copy of a recent book of mine which may be of interest to you.

Hoping to see you soon, I remain,

Sincerely yours,

Bela Balassa

Dr. Ricardo da Faria Blanc  
Companhia Uniao Fabril  
Lisbon, Portugal

June 7, 1972

Dear Dr. Faria Blanc:

After several years, I will be returning to Portugal, this time to advise the Secretariat of Industry on the formulation of industrial policy. I would very much like to have the occasion to meet with you again during my stay in Lisbon; perhaps I could invite you for lunch or dinner on June 19, 20, or 21.

You may wish to contact Senhor Joao Cravinho, Director of the Planning Cabinet in the Portuguese Secretariat of Industry, whom I have asked to arrange my schedule. You could also reach me at the Fitz on the days indicated.

I am sending you under separate cover a copy of a recent book of mine which may be of interest to you.

Hoping to see you soon, I remain,

Sincerely yours,

Bela Balassa

June 7, 1972

Dr. Jose da Silva Lopes  
Caixa Geral  
Lisbon, Portugal

Dear Dr. Silva Lopes:

After several years, I will be returning to Portugal, this time to advise the Secretariat of Industry on the formulation of industrial policy. I would very much like to have the occasion to meet with you again during my stay in Lisbon; perhaps I could invite you for lunch or dinner on June 19, 20, or 21.

You may wish to contact Senhor Joao Cravinho, Director of the Planning Cabinet in the Portuguese Secretariat of Industry, whom I have asked to arrange my schedule. You could also reach me at the Ritz on the days indicated.

I am sending you under separate cover a copy of a recent book of mine which may be of interest to you.

Hoping to see you soon, I remain,

sincerely yours,

Bela Balassa

June 7, 1972

Dr. Fernando Cruz  
Associacao Industrial Portuguesa  
Lisbon, Portugal

Dear Dr. Cruz:

After several years, I will be returning to Portugal, this time to advise the Secretariat of Industry on the formulation of industrial policy. I would very much like to have the occasion to meet with you again during my stay in Lisbon; perhaps I could invite you for lunch or dinner on June 19, 20, or 21.

You may wish to contact Senhor Joao Cravinho, Director of the Planning Cabinet in the Portuguese Secretariat of Industry, whom I have asked to arrange my schedule. You could also reach me at the Ritz on the days indicated.

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Hoping to see you soon, I remain,

sincerely yours,

Bela Balassa



June 7, 1972

Professor Luis Maria Teixeira Pinto  
Chairman of  
Sociedade Financeira Portuguesa  
Rua Duque Palmela 30-8  
Lisbon 3, Portugal

Dear Professor Pinto:

After several years, I will be returning to Portugal, this time to advise the Secretariat of Industry on the formulation of industrial policy. I would very much like to have the occasion to meet with you again during my stay in Lisbon; perhaps I could invite you for lunch or dinner on June 19, 20, or 21.

You may wish to contact Senhor Joao Cravinho, Director of the Planning Cabinet in the Portuguese Secretariat of Industry, whom I have asked to arrange my schedule. You could also reach me at the Ritz on the days indicated.

I am sending you under Separate cover a copy of a recent book of mine which may be of interest to you.

Hoping to see you soon, I remain,

sincerely yours,

Bela Balassa

Mrs. Hughes

June 7, 1972

Bela Balassa

Benjamin Cohen

I have just had the chance to read Benjamin Cohen's "The Economic Impact of Foreign Investments for the Export of Manufactures: A Tentative Study of South Korea". It seems to be a rather primitive piece of work and I doubt that it would provide an appropriate basis for a collaborative research project on the performance of multinational firms in developing countries. I also wonder if he would be the best choice for coordinating such a project. Let me add that I find the topic to be of considerable interest and would be glad to participate in further discussions on research dealing with it.

c.c. Messrs. Henderson/Stevenson/Haq  
Chenery, Stern, Adelman, Saxe

June 7, 1972

Hendrik S. Houthakker  
Professor of Economics  
Harvard University  
209 Littauer Center  
Cambridge, Massachusetts 02138

Dear Hank:

We are happy to know that you will be able to come to address our seminar. The September 20th date is fine with us; classes begin on the 11th. It will give the students and us time to read your paper. I would appreciate having it about 10 days prior to the seminar.

You might at that time let us know the exact time of your arrival and departure.

Looking forward to seeing you, I remain<sup>ii</sup>

Sincerely yours,

Bela Balassa

June 7, 1972

Dear Jean:

I forgot to ask you two questions, one relating to Common Market models and the other to recruiting. I would very much appreciate it if you could answer them by return mail.

You are familiar with the work Resnick is doing. I am now thinking of combining the data and to estimate a micro-model for the Common Market as a whole. Could you please tell me if anybody is carrying out work on such a model?

Could you please also let me have your suggestions as to European economists we could be interested in the DRC's work. We are looking for (a) development economists; (b) econometricians; and (c) experts on programming models.

It was good to see you; perhaps we will also meet somewhere in Europe this summer.

Sincerely,

Bela Balassa

Bela Balassa

Effects of Import Restrictions in Developed Countries on LDC Exports of Manufacturers

1. Multilateral reductions in tariffs by developed countries during the postwar period have benefited the exports of manufactured goods from developing economies. In particular, the just-completed Kennedy Round tariff reductions entailed a 30 percent decrease in the average tariff on manufactured goods imported from the LDCs.

2. Despite the reductions undertaken since World War II, however, tariffs on the imports of manufactures from the LDCs remain high on absolute as well as in relative terms. Post-Kennedy-round tariffs on the imports of manufactured goods from the LDCs average 12.6 percent in the United States, 14.8 percent in the United Kingdom, 9.1 percent in the European Common Market, 11.7 percent in Japan, and 11.8 percent in the developed countries, taken together. These figures are approximately twice as high as the average of tariffs on trade in manufactured goods among the developed countries themselves which does not exceed 6 percent.

3. The observed differences in tariff averages are due to the fact that developed countries have higher tariffs in products of interest to the LDCs, such as clothing, shoes, and processed food, than on technologically sophisticated products (machinery, electronics, etc.) in which the LDCs do not have the capacity to export. This means that the tariff structure of the developed countries discriminates against products where the LDCs have a comparative advantage.

4. Another source of discrimination is that, apart from technologically sophisticated products, tariffs tend to rise from the raw material to the finished stage. This observation applies to foodstuffs, rubber and wood products, textiles, and metals equally well. For example, in the European Common Market, there is no duty on cotton imports; a 10 percent tariff is levied on yarn and thread, 12 percent on cotton fabrics, and 14 percent on clothing. To give another example, in the United States there is no duty on copra which crude coconut oil is subject to a 5.5 percent and refined oil to a 30 percent tariff.

5. This "escalation" of the tariff structure means that effective rates of protection, i.e. the protection of the processing activity, are much higher than the tariffs themselves. Post-Kennedy-round effective rates average 22.8 percent on imports of manufactures by the developed countries, taken together, for the LDCs. Effective rates on these imports are higher than the average in the United States (23.9 percent) and lower in the EEC (16.9 percent).

6. The elimination of tariffs by the developed countries would result in a considerable increase in their imports of manufactured goods for the LDCs. This increase has been estimated at 38 percent, amounting to \$1.8 billion on 1970 imports of manufactures. Increases would be much larger if one also abolished quotas that have proliferated in recent years. These conclusions are strengthened if we consider that the threat of imposition of quotas tends to depress the exports of manufactured goods from the LDCs.

P.S. The analysis draws on "The Structure of Protection In Industrial Countries and its Effects on the Processed Goods from Developing Countries" by Bela Balassa that appeared in The Kennedy Round - Estimated Effects On Tariff Barriers, a report by the Secretary-General of UNCTAD, published in 1968.

cc: Mrs. Hughes

Mr. Stern

June 7, 1972

Bela Balassa

Effects of Import Restrictions in Developed Countries on LDC Exports of  
Manufacturers

In response to your memo of June 5th I enclose a short note on the above subject. I will be ~~back~~ on Thursday, June 8, but will be back on Friday in case there are any questions.

June 7, 1972

Dr. Joao Cravinho  
Ministerio da Economia  
Secretaria De Estado Da Industria  
Cabinete de Planeamento

Dear Dr. Cravinho:

Thank you for your letter of May 17th. My travel plans have now been finalized and I will arrive in Lisbon on June 20th, Tuesday, at 7:50 AM on TAP 311. I plan to leave on June 23rd, Friday morning and will be staying at the Ritz Hotel.

To fully utilize the time available, I propose that we start discussions immediately following my arrival. It would be useful if you would send me your paper beforehand so that I could familiarize myself with the work that had been done.

I wrote to several people in Lisbon whom I would like to meet on my visit, preferably for lunch or dinner. They are Messrs. Pinto Barbosa, Teixeira Pinto, Salguierro, Faria Blanc, Silva Lopes, and Cruz. I asked them to contact you so that conflicts in my schedule could be avoided.

Looking forward to seeing you, I remain

Sincerely yours

Bela Balassa

cc: Messrs. Benjenk  
Hortwich  
Upper  
Chenery  
Henderson  
Goreux



Mr. Doris R. Bomsten

June 6, 1972

Bela Balassa

Structure of Protection book

In reference to our telephone conversation, I enclose a check for \$60.00 in payment for 25 copies of the paperback edition of my Structure of Protection in Developing Countries book (price of the paperback edition is \$4.00, less 40% author's discount comes to \$2.40). I have received 24 copies today.

Mr. Stern

June 6, 1972

Bela Balassa

The ECIEL Program

1. I agree with the general conclusions of your memorandum and have only two comments to offer. One of these relates to possible areas for research projects, the other to financial needs.

2. You mention employment and income distribution as areas ECIEL is moving into and where Bank financing of research projects may be possible. I would like to add to the list demand and consumption studies ECIEL has been working on for several years. Constantino Lluch, who is carrying out a study on the subject at the DRC and has been in contact with ECIEL, thinks that a cooperative effort in this area could be mounted within a relatively short time. He will participate at the ECIEL meeting to be held in Paraguay on July 3 - and is prepared to make recommendations on the methodology to be applied. I would suggest that we ask him to explore the possibility of a comparative project in the demand-consumption area, with the proviso that such a project would be undertaken if we participated in developing the methodology. If you agree, Lluch should also be asked to establish contacts with Robert Ferber even before the Paraguay meeting as Ferber has done much of the methodological work so far.

3. As to ECIEL's financial needs, I find that the budget is rather exaggerated. While the \$450,000 figure for ECIEL coordination can be provisionally accepted as it represents "historical cost," this is not the case for the \$200,000 budgeted for the individual research institutions. The average figure for the period 1969-70 was \$70,000 a year and I am not aware of any reasons that make it necessary to almost triple it. You may recall that I tried to press Mr. Grunwald on this point but got no satisfactory answer; the \$200,000 figure may, indeed, reflect a bargaining position. If a more realistic figure is chosen, the estimate of ECIEL's unfilled financial needs will be correspondingly reduced from \$200,000 to possibly below \$100,000. This looks much more manageable and an involvement from our part in the \$25 - 50,000 range would appear as an important contribution.

cc: Avramovic, Kuczynski, Lluch

June 5, 1972

Mr. Jeffrey B. Nugent  
United Nations Building  
Economic and Social Office  
P. O. Box 4656  
Beirut, Lebanon

Dear Jeffrey:

Sorry for the delay in answering your letter but I have been very busy between dissertations at Hopkins, my own research, and work at the DRC. You should have received by now Mr. Arnold's letter concerning the acceptance of your study for publication by the Johns Hopkins Press. Let me repeat my earlier statement that I consider this an important book and it will add luster to the Hopkins list.

I am sending you under separate cover a copy of my Economic Development and Integration with the request to send it back when you are through with it. This is a rather simple-minded book, containing five lectures I gave a decade ago, but it considers some of the topics you discuss in your study. Needless to say, feel free to criticise my writings; a number of your ideas represent an advance over what I have said.

To answer your first point: by "amended" Johnson I mean Johnson's method as amended by you on pp. 80-82. At the same time, it would be useful to indicate to what extent your results reflect (a) differences in the assumptions as regards elasticities, and (b) the introduction of tariff dispersion (my secretary typed "distortions" instead of dispersion. As you have noted, this is not the only case where she has made errors).

Turning to the production function approach, your statistical results do favor the inclusion of the technological term. Not only is this highly significant but the t-value for the Common Market effect remains above 2 as the technological term is added. There is also some increases in  $R^2$  although it is not likely to be statistically significant.

It would have been interesting to estimate trade creation and trade diversion from the results of Chapters IV and V but I would not suggest to do this if it involves undue expenses. Let me add, however, that I would find it interesting to use the CACM dummy for this purpose since it should capture the trade effects for the period of estimation. Could this be done without undue cost?

Mr. Jeffrey B. Nugent

- 2 -

June 5, 1972

As to the title, it might be appropriate to give greater prominence to Central America. A possible choice would be: "Central American Economic Integration: ~~An~~ Empirical Study." But the choice of the title, and the extent of the revisions to be made, is up to you.

Let me add here that I look forward to meeting you when you come to the DRC; it is a pity that you could not spend a longer period with us.

Yours sincerely,

Bela Balassa

Enc.

*Ha*

### Specific Points

- p.4 My understanding is that the agreements on eliminating tariffs, harmonizing, the tax treatment of manufactures etc. have not been implemented as yet.
- p.6 Read CACM for LACM.
- p.11 Reference should have been to the Panamerican highway.
- pp.60-61 Yes. See p. 108 in my Theory of Economic Integration on this point.
- p.80 It seems to me that Cooper's article is relevant as he raises the question whether the dispersion of tariffs affects their restrictiveness. This can be related to the welfare gain question.
- pp.81-85 I cannot answer your question as to whether the learning-by-doing argument would make a customs union the optimal arrangement. But the fact remains that there are such effects not only because of capital market imperfections but also because of differences in the private and social evaluation of risk and uncertainty (bankruptcy!).
- p.88 O.K.
- p.187 O.K.
- p.185 You are right in saying that exchange rate adjustments are needed in order to realize comparative advantage. But if there are no such adjustments you will have balance-of-payments imbalances which cannot be maintained.

Adresse Personnelle

2134 Wyoming Avenue N.W.  
Washington D.C. 20008  
le 2 jun, 1972

Chers Amis:

Voici la dernière édition de mon guide culinaire.  
J'espère que nous aurons l'occasion de visiter un de ces  
restaurants avec vous pendant notre séjour à Paris cet été.

Nous serons à Paris pendant tout le mois de juillet.  
Nous aurons avec nous Mara et aussi la nouvelle édition  
Balassa qui va paraître en septembre.

Je passerai par Paris le 23 juin pour chercher un  
appartement. Si vous connaissez quelqu'un qui veut louer  
un appartement, faites-nous signe, s'il-vous-plait.

Amicalement

Bela Balassa



# Record Removal Notice



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| <b>Subject / Title</b><br>Payments on Hutcheson's Contract  |                              |  |                                |                          |
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Mr. Thomas Hutcheson

June 1, 1972

Bela Balassa

Colombia Study

1 I wish to compliment you on the work you have done on the Colombia study. I know that it has consumed an enormous amount of your time and what remains to be done is small by comparison. Still, the validity of the results crucially depends on the time and effort you will spend on it the next few months. In this connection, I am happy to report that Pedro Pablo agreed to your spending part of your time in the Bank prior to the mission to Mexico on the study. I have also arranged for the additional \$1500 of research funds; you should get a check next week. The computer bills will be charged against this appropriation. I return the bills for key punching etc. They should be signed and addressed as well as social security number added.

2. I continue to be concerned with the sampling technique applied in making price comparisons. As we discussed it after the meetings, it would be desirable if you made certain adjustments in the results. First of all, from data on individual commodities, you could calculate on, say, the ten sector level the average share of exports in the production of export commodities (or exportables). These ratios would, in turn, be applied to estimate the production of export commodities for each industry of the input-output table from data on exports that are available in this breakdown. These estimates should be deflated by the ratio of domestic to export prices for products sampled in the individual industries. Next, if you take the difference between the value of output in the industry and the value of production of exportables, you obtain the value of production of "importables." This in turn should be deflated by the average ratio of domestic to import prices in the industry.

3. I have assumed so far that price observations for exportables as well as for importables are available in every industry. Should you have such observations only for exportables, price ratios for importables should be derived by adding the average margin between price ratios for importables and for exportables calculated on the ten-sector level to the price ratio observed for exportables.

4. Please keep in touch on the progress of the study. I would especially like to know how you have progressed with the price comparisons.

cc: Mr. Schydrowsky

/ta



June 1, 1972

Mr. Elie de Robien  
INTERURBIS  
5, rue du Docteur Lanceraux  
Paris 17e  
France

Dear Mr. de Robien:

This is in reference to my letter of May 17th in which I indicate my desire to rent an apartment for the month of July. I will be in Paris on June 22 and would like to visit available apartments. Please let me know by return mail if you expect to have a two bedroom or a large one bedroom apartment in the 16e or 17e Arrondissement.

With best regards,

Sincerely yours,

Bela Balassa

June 1, 1972

American Advisory Service  
c/o Herald Tribune  
Paris

Dear Sir:

23 — I would like to rent an apartment for the month of July, preferably in the 16e or 7e Arrondissement. We have a two year old daughter and would like to have a two bedroom or a large one bedroom apartment. I will be in Paris on June 22 and would like to visit available apartments. Please let me know by return mail if you have apartments corresponding to my specifications.

With sincere regards,

Bela Balassa