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THE WORLD BANK
Washington, D.C.

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Washington DC 20433
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MAY 1982

The Walter Dink Group
Archives



30225145

Bela Balassa's chron files - May 1982

R1991-086 Other #: 5

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B. BALASSA CHRON FILE MAY 1982

May 11, 1982.

Bureau of Economic and Business Research
College of Commerce and Business Administration
University of Illinois at Urbana-Champaign
Champaign, Illinois 61820

Dear Sir:

I am writing to you to ask for your permission to include in the World Bank Reprint Series my paper "Policy Responses to External Shocks in Selected Latin-American Countries" that appeared in the volume *Export Diversification and the New Protectionism: The Experiences of Latin America*. As shown in the enclosed Reprint appropriate reference is made to the place of publication.

Your early attention to this request would be appreciated.

Yours sincerely,

Enclosure

Bela Balassa

cc: Mr. Werner Baer

May 20, 1982.

Mr. William Webster
Morgan Newman Associates
1835 K Street N.W.
Washington, D.C. 20006

Dear Mr. Webster:

Mr. Balassa asked me to thank you for your letter and the enclosures. In response to your request I enclose a copy of Kyklos "The Growth and Implications of LDC Manufactured Exports to Advanced Countries" by Leslie Stein. I am unable to get a copy of the June 1981 issue of Hitotshbashi Journal of Economics. The address for ordering the journal is Hitotshbashi University, Kunitacsi, Tokyo, Japan.

Yours sincerely,

Enclosure

Norma Campbell
Secretary to
Mr. Bela Balassa



Record Removal Notice

File Title Bela Balassa's chron files - May 1982		Barcode No. 30225145		
Document Date May 17, 1982	Document Type Letter			
Correspondents / Participants To : Riggs National Bank From : Bela Balassa				
Subject / Title Pay off Debit Balance				
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		<table border="1"><tr><td>Withdrawn by Chandra Kumar</td><td>Date Jun 10, 2014</td></tr></table>	Withdrawn by Chandra Kumar	Date Jun 10, 2014
Withdrawn by Chandra Kumar	Date Jun 10, 2014			

May 11, 1982.

Mr. Manuel Jacinto Nunes
Governor
Bank of Portugal
Lisbon
Portugal

Dear Mr. Nunes:

It was a pleasure seeing you again and I much enjoyed the conversation we had. I have sent my advisory report to Mr. Salgueiro who will undertake the distribution.

With best regards,

Sincerely yours,

Bela Balassa

Mr. Salah el Serafy OED

May 11, 1982

Bela Balassa, DRD

Turkey - Differences between the Fund's and the World Bank's Computation of the Real Effective Exchange Rate

1. With Mr. Noel's return, I can now comment on the memorandum from Mr. Hansen to Mr. Hole on the above subject, which you were kind enough to send me. I enclose Mr. Noel's memorandum, which shows that the Bank estimates pertain to the real rather than to the nominal effective exchange rate as the calculations were adjusted for changes in the dollar exchange rate of Turkey's competitors.

2. I must confess my surprise at the allegation that the Bank estimates had been incorrectly done. It would have been a rather simple matter to check with Mr. Noel as to the formula utilized. At the same time, despite repeated requests we still do not have information on the Fund estimates or on the methods used in deriving them.

cc: Mr. Noel
Messrs. Hole and Hansen (IMF)
(with enclosure)

Enclosure
BBalassa:nc

OFFICE MEMORANDUM

TO: Mr. Balassa, DRD

DATE: May 10, 1982

FROM: Michel Noël, WA2DA

SUBJECT: Differences between the Fund's and the World Bank's
Computation of the Real Effective Exchange Rate

1. In a memorandum dated April 20, 1982, Mr. Leif Hansen, commenting on the differences between the Fund's and the Bank's computation of the real effective exchange rate, states:

"The concept used by the World Bank has the flaw that it does not measure the impact on the Turkish Lira of movements in the exchange rate for the US dollar against the currencies of Turkey's other competitors."

2. The formula used by the Bank in the case of Turkey as well as in other country studies is the following:

$$PPPER_t^i = P_t^i \sum_{j=1}^n \phi_j \frac{R_t^j}{R_o^j} \frac{1}{P_t^j}$$

where

$PPPER_t^i$ = trade weighted purchasing power parity exchange rate index for country i at time t;

P_t^i = wholesale price index for country i at time t;

ϕ_j = weighted average share of partner country j in country i's exports and imports;

R_t^j = nominal exchange rate of partner country j at time t (in currency/dollar);

R_o^j = nominal exchange rate of partner country j in the base year o (in currency/dollar);

P_t^j = wholesale price index for partner country j at time t.

3. The index of the real exchange rate is then derived as follows:

$$RER_t^i = R_t^i \frac{1}{PPPER_t^i}$$

where

RER_t^i = index of the real exchange rate of country i
at time t;

R_t^i = index of the nominal exchange rate of
country i at time t;

$PPPER_t^i$ = trade weighted purchasing power parity exchange rate
index for country i at time t.

4. As can be seen from the above formula, the concept used by the Bank does measure the impact on the Turkish Lira of movements in the exchange rate for the US dollar against the currencies of Turkey's partner countries.

MNoël/qb

May 11, 1982.

Mr. José de Silva Lopes
Caixa Geral de Depositos
Largo de Santa Catarina
Lisbon
Portugal

Dear Mr. Silva Lopes:

The purpose of this letter is to formally invite you to participate in the industrial mission I will lead to Morocco. It is expected that the mission will stay in the field for two weeks from July 19th and that you would meet with me in Paris in the early fall for one or two days to review your report.

You are asked to concern yourself with industrial finance at the mission. This would involve a consideration of the availability and cost of industrial finance, a review of the operation of financial markets and an appraisal of industrial finance by the development bank.

The Personnel Department will provide you with a contract, stipulating the total number of days of work involved in this assignment. While this would take some time, I would appreciate receiving your affirmative reply concerning the assignment.

Sincerely,

Bela Balassa

cc: and cleared with Mr. ^{Carter}~~Catert~~, EM2
cc: Mr. Bonnel, EM2

May 11, 1982.

Professor Guy Terny
Chairman, Scientific Committee
39th IIFP Congress
CESMAP - Centre d'Etudes Supérieures
du Management Public
Centre de Recherches et d'Etudes Doctorales
67 Avenue Lénine
94112 Arcueil Cedex
France

Dear Professor Terny:

In response to your letter of April 16th, I would like to recommend Professor Assar Lindbeck as a keynote speaker for the proposed conference. Professor Lindbeck is the Director of the Institute for International Economic Studies in Stockholm. He has done very interesting work on the economic effects of fiscal and social policy in developed countries. Lindbeck would be an excellent speaker for Sessions 0.2. or 4.1. I, myself, have an interest in the economic effects of public and social policy, in particular as far as developing countries are concerned. I would have an interest, therefore, to present a paper at your Session 0.4. or, should this already be allocated, at Session 2.8.

It was good to hear from you after so many years. In the event that you have not seen my recent paper on the French economy, I enclose a copy.

Yours sincerely,

Enclosure

Bela Balassa

cc: Mr. Gado

Enclosed Commentaire Numéro 11/Automne 1980

Mr. Jack Lowther, DRD

May 11, 1982.

Bela Balassa, DRD

Moving

My books and other belongings will be packed within a week and my office can be moved as soon as the wall has been knocked out in Marcelo's office. Apart from three bookcases that I am leaving in exchange for Marcelo's bookcases, all my furniture should be moved. This includes my desk which I carefully selected for size and color ten years ago; it matches the tan-colored cabinet in my office.

cc: Messrs. Stoutjesdijk, Selowski

BBalassa:nc

Mr. E. Stoutjesdijk, DRD

May 11, 1982.

Bela Balassa, DRD

April Memos and Papers

I enclose for April copies of my memos and substantive correspondence together with the final version of "The Adjustment Experience of Developing Economies after 1973."

Enclosures
BBalassa:nc

XESSEE TELEX
842-620628

MAY 11, 1982
61991

MR. YVES FRANCHET, INTBAFRAD
PARIS, FRANCE

A COMPARISON OF THE PROCESS OF ADJUSTMENT AFTER THE QUADRUPLING OF OIL PRICES IN 1973-74 AND THE DOUBLING OF OIL PRICES IN 1979-80 SHOWS SOME COMMON FEATURES AS WELL AS SOME DIFFERENCES. COMMON TO BOTH OILSHOCKS WERE THE INFLATIONARY EFFECTS OF THE OIL PRICE INCREASE AND, AGAINST EXPECTATIONS, THE RELATIVELY SHORT DURATION OF THE AGGREGATE SURPLUS OF THE OIL EXPORTING COUNTRIES. IN TURN, WHILE IN 1973-74 THE COST OF THE OIL PRICE INCREASE WAS BORNE BY PROFITS, IN 1979-80 REAL WAGES DECLINED IN THE DEVELOPED COUNTRIES. WITH A BETTER PROFIT PERFORMANCE, INVESTMENT CAN BE EXPECTED TO INCREASE ONCE THE RECESSION ENDS AND INFLATION RATES CAN STAY DOWN DURING THE EXPANSION. BUT IN THE DEVELOPING COUNTRIES ADJUSTMENT IS MADE MORE DIFFICULT BY EXTERNAL INDEBTEDNESS RESULTING FROM FOREIGN BORROWING AFTER 1973-74. REGARDS, BALASSA

Bela Balassa

Bela Balassa

DRD

BBalassa:nc

Files

May 11, 1982

Bela Balassa, DRD

Visit to Lisbon, April 24-30

1. I went to Lisbon at the invitation of Mr. Joao Salgueiro, the Minister of State for Finance and Planning, to have discussions on Portugal's short-term and long-term economic policies. Apart from Mr. Salgueiro, I had meetings with the Minister of Industry, Energy, and Exports, the Minister of Agriculture, Commerce, and Fisheries, the Secretaries of the Budget, Planning and Treasury, the Governor and Deputy Governor of the Central Bank, representatives of Industry and Labor, and academic economists.
2. I am in general agreement with recent evaluations by Bank and Fund missions of the present economic situation in Portugal. While the expected good harvest, a slight pick-up of economic activity in the European Common Market, and recent policy changes in Portugal promise improvements in the balance of payments, the current account deficit projected under the continuation of present policies is not sustainable.
3. I have made recommendations for a short term policy package aimed at improving Portugal's balance of payments as well as for medium-term policies aimed at facilitating Portugal's entry to the Common Market. The policy proposals made verbally to Mr. Salgueiro are contained in a report that, given the sensitive nature of some of the recommendations, is given limited distribution at Mr. Salgueiro's request.

cc: Messrs. Chaufournier, EMNVP; Dubey, EMNVP; Karaosmanoglu, EM1; Picciotto, EMP; Aiyer, EM1; Colaco, EM1; Hume, Roe, EMP; ERS and CPR Directors, DRD Senior Staff

BBalassa:nc

Mr. Ernest Stern, SVPOP

May 11, 1982.

Bela Balassa, DRD

Visit to Portugal

You might be interested in seeing the enclosed back-to-office memo and my advisory report on Portugal. The economic situation is quite bad, but it could be improved in short order if appropriate measures are taken.

cc: Mr. Please, SVPOP

Enclosure
BBalassa:nc

OFFICE MEMORANDUM

Files

May 11, 1982

Bela Balassa, DRD

Visit to Lisbon, April 24-30

1. I went to Lisbon at the invitation of Mr. Joao Salgueiro, the Minister of State for Finance and Planning, to have discussions on Portugal's short-term and long-term economic policies. Apart from Mr. Salgueiro, I had meetings with the Minister of Industry, Energy, and Exports, the Minister of Agriculture, Commerce, and Fisheries, the Secretaries of the Budget, Planning and Treasury, the Governor and Deputy Governor of the Central Bank, representatives of Industry and Labor, and academic economists.
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cc: Messrs. Chaufournier, EMNVP; Dubey, EMNVP; Karaosmanoglu, EMI; Picciotto, EMP; Aiyer, EMI; Colaco, EMI; Hume, Roe, EMP; ERS and CPR Directors, DRD Senior Staff

BBalassa:nc

BELA BALASSA

^{Arizona}
Plan and report to

Aufmann ✓

Ruby ✓

Kocherzopf ✓

Piccolo ✓

Aiger ✓

Glebe ✓

Horn ✓

Roe ✓

Steinreich ✓

Wade ✓

(The others fit only
the bed-to-office ^{meeting} report)

Chernichev ✓

Mentze

Kavalsky ✓

May 11, 1982.

Mr. Alejandro Violante Morlock
Economic Counsellor
Mexican Embassy
Trade & Fiscal Office
1101 15th Street N.W., Suite 505
Washington, D.C. 20005

Dear Mr. Violante:

Thank you for your letter of May 3rd inviting me to contribute a paper on trade policies in Mexico and to participate at the seminar that has been tentatively scheduled for the early part of January 1983. I would like to ask you to schedule the meeting for the 2nd and 3rd of January. This is because I have other obligations later in the month.

Yours sincerely,

Bela Balassa

Mr. Roland Barker, AMEX

May 11, 1982.

Bela Balassa, DRD

Plane Reservations

Please change the reservations for my wife, Carol Balassa, and children Mara (11 years) and Gabor (9 years) as indicated. *on the flight marked by an asterisk*

July 30 Friday	Washington, D.C. (Dulles)	18:25	Paris	7:50	TW890
July 31 Saturday	Paris (CDG)	9:55	Zurich	11:05	SR701
July 31 Saturday	Zurich	12:10 (16:00)	Istanbul	15:55 (19:45)	SR326 (SR 322)
July 31 Saturday	Istanbul	20:40	Antalya	21:45	TK448
* August 5 Thursday	Antalya	7:00 22:00	Istanbul	8:00 23:05	TK441 TK449
* August 7 Sunday	Istanbul	16:55	Paris Zurich	18:40	SR 325
* August 7 Sunday	Paris Zurich	19:40	Lyon	20:50	AF 1665
27 9 * August 25 Wednesday	Lyon	10:15	Paris (CDG)	11:15	IT5262
August 29 Sunday	Paris (CDG)	12:45	Washington	15:15	TW891

P.S. Please make reservations for me on all flights, except for Washington-Paris on July 30th, in first class. I will make an official trip for the Bank.

My friends in Istanbul have made reservations for us on Istanbul-Antalya-Istanbul. Please take over this reservation.

Please find the best way to get from Istanbul to Lyon on August 7th.

On the TWA flight from Washington to Paris my wife and children would like to have bulkhead seats or, if this is not possible, seats far away from the smoking section.

88
today
100
2-05
1-44

May 10, 1982.

Mr. Joao Salgueiro
Minister of State for Finance
and Planning
rua da Alsandega
Lisbon
Portugal

Dear Mr. Salgueiro:

I take the pleasure of enclosing my report, "Economic Policies in Portugal." As we have agreed, I am not sending copies of the report to anyone else in Portugal.

It was a pleasure seeing you and I only hope that my suggestions may be of help to you in formulating policies in the next several months. Needless to say, I will be glad to undertake a return visit should this seem desirable.

Yours sincerely,

Enclosure

Bela Balassa

P.S.: In view of your interest in the underground economy, I enclose two papers dealing with this issue. As I mentioned to you at our meeting these estimates are considerably lower than those cited in the newspapers.

Enclosed: The Underground Economy in the United States: Estimates and Implications
Vito Tanzi
The Hidden Economy and National Accounts - magazine article
2 copies of Economic Policies in Portugal

Mrs. Teresa M. Ter-Minassian, IMF

May 10, 1982

Bela Balassa, DRD

Portugal Report

I enclose a copy of the final version of my advisory report on Portugal. Many thanks for the helpful discussions and comments on the report.

cc: Messrs. Whittome and Schmitt, IMF

Enclosure
BBalassa:nc

Mr. de Larosiere, IMF

May 10, 1982.

Bela Balassa, DRD

Report on Portugal

At the invitation of Mr. Salgueiro, State Minister for Finance and Planning, I went to Portugal to advise on short term and medium term policies. I thought that you might be interested in seeing my advisory report. Copies were sent also to Mr. Whittome and Mrs. Ter-Minassian.

Enclosure
BBalassa:nc

1 1 61991

MR. WAITZENEGGER, BANFRA

PARIS, FRANCE

CONFIRM MEETING ON MAY 13 AT 9:30. PLEASE INFORM MR. CASSOU'S
OFFICE (260.33.00 EXT. 3471) WHERE I CAN PARK. REGARDS, BALASSA

TELEX

220932

MAY 10, 1982

Bela Balassa

Bela Balassa

BBalassa:nc

DRD

Mr. Basil G. Kavalsky

May 10, 1982

Bela Balassa

Creditworthiness Analysis in the Bank

Due to my absence from Washington, I will be unable to participate at the May 20th meeting of the international economists steering group on the above subject. I enclose for your consideration at the Meeting, a memo from Gershon Feder on proposed work in this area.

cc: Participants at the meeting; Messrs. Waide, Chernick and Stoutjesdijk

Enclosure

Mr. Bela Balassa

May 11, 1982.

Gershon Feder

Work on Strengthening Credit Worthiness Analysis

Four areas have been identified by the Steering Group as suitable for background studies. Of these, the first three (A1, A2, A3) can rely heavily on works which have already been done in the Bank or by others.

- 1) External practices and views on creditworthiness analysis:
I can handle this when I return from India, relying on literature review prepared for the RPO and a recent book entitled "Assessing Country Risk" (edited by Richard Ensor).
- 2) Credit Worthiness Analysis in the Bank:
Mr. Edelman has prepared a detailed review (annex 1 of the RPO) which can be expanded within a short while. If he (Edelman) cannot spend time, I can take it up.
- 3) Case studies of Bank borrowers:
The IMF has prepared detailed reports on cases of rescheduling in the period 1975-80. These can serve as a basis for a background paper, but I do not want to take up this part of the work. It should be pointed out that at present the IMF is conducting a study with essentially the same objectives mentioned under this item.
- 4) A Restatement and Updating of Concepts and Principles: ~~I would~~
I would like to be involved with this task (presumably in collaboration with others.)

GFeder :nc

May 10, 1982.

Professor Jacques Lesourne
Secretariat d'Etat aux Universites
Conservatoire National des Arts et Métiers
Chaire d'économie et statistiques industrielles
292 rue Saint-Martin
75141 Paris CEDEX 03
France

Dear Professor Lesourne:

Thank you for your letter of April 8th inviting me to serve as a co-editor for international economic issues in your proposed encyclopedia of economics. I am happy to accept, on the condition that a division of labor can be arranged with Professor T. Fujii who I do not know.

With best regards,

Yours sincerely,

Bela Balassa

May 10, 1982.

Mr. John H. Komlos
717 West Melrose Street
Chicago, Illinois 60675

Dear Mr. Komlos:

Thank you for sending me your publications. They indeed look very interesting and I would be happy to write recommendations for you at any time you so wish.

Yours sincerely,

Bela Balassa

May 10, 1982.

Mr. Il SaKong
Vice President
Korea Development Institute
P.O. Box 113
Cheongryang
Seoul
Korea

Dear Mr. SaKong:

Due to my absence from Washington, I am sending you my belated thanks for the data on Korea. I will be revising the paper in the next few weeks, but I would still appreciate any suggestions you might make.

Yours sincerely,

Bela Balassa

May 10, 1982.

Professor Dr. Armin Gutowski
President des HWWA-Institut
für Wirtschaftsforschung-Hamburg
Neuer Jungfernstieg 21
2000 Hamburg 36
Germany

Dear Armin,

In your absence your secretary kindly sent me your reports and papers on China. I look forward to reading them on the long plane trip to Beijeng. I will be in touch with you on my return.

Yours sincerely,

Bela Balassa

May 10, 1982.

Mr. Jean Florenzano
SETEF
21, rue Jean-Mermoz
75008 Paris
France

Dear Mr. Florenzano:

Thank you for your letter of April 21st which reached me just before my departure for China. My haste in answering explains my writing to you in English.

I am sorry to say that I do not have any contacts at the IMF I could utilize in helping the case of Mr. Pierre Bougerol. I hope, however, that he will get the position in question on his own merits.

Yours sincerely,

Bela Balassa

May 10, 1982.

Mademoiselle Sivan Brijitte
6 rue de Vouillé
75015 Paris
France

Dear Mademoiselle Sivan:

Thank you for your letter of April 19th and the enclosure. I look forward to reading your paper. I would also be interested in having a copy of the report you have prepared at the OECD Development Centre. I do not suggest, however, that you send me a copy of your thesis at this time.

I am afraid that I do not know of any open positions in the areas of your interest at the World Bank. Economic work at the Bank has been extensively reorganized and there is a freeze on hiring at this time. Nevertheless, should you wish to apply to the Bank, I enclose an application form.

Yours sincerely,

Enclosure

Bela Balassa

May 10, 1982.

Dr. Bela Csikos-Nagy
President
Hungarian Economic Association
1170 Budapest Pf. 544
Hungary

Dear Bela:

Thank you for your letter of April 22nd and for informing me of the publication of my paper in Gazdasag. I take the liberty of sending you a second paper that provides detailed evidence in support of the conclusions in Part 2 of my "Structural Adjustment Policies in Developing Countries." It might perhaps be useful to have this paper translated as well for the December seminar.

Please let me know at the earliest opportunity if and when you will be coming to New York. My schedule is quite flexible for the time being and it should be possible to find a suitable date for the seminar. Should December pose difficulties, I could also come in January. I hope, however, that on the occasion of your trip to New York, you will also visit Washington.

Yours sincerely,

Enclosure

Bela Balassa

Enclosed: The Adjustment Experience of Developing Economies After 1973



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Correspondents / Participants To : Mr. Ursel Herbert - From : Bela Balassa				
Subject / Title Extension of Insurance				
Exception No(s). <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
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Document Date May 10, 1982	Document Type Letter
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Correspondents / Participants
 To : Riggs National Bank
 From : Bela Balassa

Subject / Title
 Transfer of Funds

Exception No(s).

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 Prerogative to Restrict

Reason for Removal
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Withdrawn by Chandra Kumar	Date Jun 10, 2014
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May 6, 1982

Dr. Evangelos A. Voloudakis
Research Director
Bank of Greece
Athens
Greece

Dear Mr. Voloudakis:

I would like to extend my congratulations on the completion of the excellent study you and Mr. Fylaktos have written on "Greek Exports: Determinants and Policies, 1960-1979." The revisions of the study over the past several years have been very much worthwhile as an excellent product has emerged as a result.

While a further revision of the study is not necessary, I would like to ask you to answer the queries noted in the enclosure. Furthermore, in cases when lagged price variables have been used, estimates of short-term and long-term elasticities should be provided in a summary table. Please provide also t-values for the elasticities shown in Tables 3.27, 3.28, 3.31, 3.32, 3.35 and 3.36. Finally, I will need the estimates referred to in the text that have not been reported in the study; they are noted in the enclosure.

As you have correctly noted in the concluding section of the study, the estimated supply elasticities are affected by the impact of export expansion on the growth of capacity. Further difficulties are encountered in separating the influence of export subsidies from that of the rapid growth of world demand.

Estimates for total exports also suffer from the heterogeneity of this category, resulting in unsatisfactory Durbin-Watson statistics and statistically insignificant lagged values. In view of these considerations, we may consider reporting these results only in a summary form. Also, there appears little need to report the OLS export demand functions.

Again, many thanks for the excellent work you have done. I have written today to Dr. Calligas of KEPE, reporting on the completion of the study.

Sincerely,

Enclosure

Bela Balassa

Copy of ltr. to Mr. Calligas enclosed.

Voloudakis-Fylaktos, Greek Exports: Determinants and Policies, 1960-1979

- p. 28 Provide the data charted in Figure 2.1
- p. 33 Provide the data charted in Figure 2.2
- p. 49 Capacity utilization is affected by export performance, giving rise to simultaneity bias.
- p. 60 The statement that "the full impact [of production] on exports is exercised with some time lag" should be backed up by empirical evidence as a lagged production variable is not used in the equation.
- p. 72 The second sentence in the following statement needs empirical justification: "Fifth, the computed elasticities with respect to output were of about the same size as in total exports. The similarity extended to the lag structure also."
- p. 77 Comparisons with static elasticities cannot be checked for lack of estimates.
- p. 103 Differences in the price elasticities for total exports under OLS and TSL procedures have little meaning as none of the elasticities are statistically significant.
- p. 113 Provide the comparable equations for total manufactured exports. (The reported estimates included export subsidies.)
- p. 114 It is not clear why would the output elasticity of export supply increase as the capital intensity of production decreases. At any rate, where are the data on capital intensity?
- p. 119 Did you try simultaneous equation estimation in regard to textiles and clothing?
- p. 120-1 Why was Japan dropped from the table?

May 6, 1982

Mr. Suk Tai Suh
Associate Professor
Yonsei University
College of Business and Economics
Seoul 120
Korea

Dear Mr. Suh:

I have at last had the chance to read your "The Effects of Export Incentives on Korean Export Growth 1953-79." The study is competently done and it has benefited from the revisions that have been made in the past several years.

Chapter II contains much useful information on the Korean trade regime and incentive system. There are too many tables, however, and the style also requires considerable revision. I plan to shorten this chapter, as well as Chapter I, prior to publication.

Chapter III on estimating the effects of export incentives provides too many variants as far as the price variable is concerned. In the final version, we could hardly report the results obtained with seven price variables. Please indicate, following our earlier discussions, suggested choices based on a priori grounds as well as on the estimates themselves.

You have provided convincing evidence that the gross subsidy variable performs better than the net one. And while simultaneous equation estimates show considerable differences in the relevant elasticities, it may be preferable to include estimates utilizing the gross subsidy variable only in the summary tables.

I am concerned with the inclusion of the production cost variable in the estimating equation that also contains a relative price variable, because of the possible intercorrelation between the two. This fact may explain the poor statistical results obtained. In turn, while the production cost model is referred to on p. III-53 in reporting on the simultaneous equation estimation, the numerical results are not provided.

The statement that "Korean exports are highly elastic with respect to world income" (p. III-52) is subsequently qualified as international comparisons are made. It follows that use of the constant-market-share model offers particular interest in the Korean case, although it is surprising that the resulting elasticity was higher in Korea than the world average in 1970-73. The large competitive gains shown for Korea, however, conform to our expectations.

Given the problem of intercorrelation in the period of rapid supply growth, the simultaneous equation estimates obtained for Korea may not be comparable with the Goldstein-Kahn estimates for European countries. Nor can one explain the high income elasticity of demand for Korea's exports by its small initial export share.

Chapter IV (Conclusion) largely repeats what has been said before and will be substantially cut in the course of the revision.

Looking forward to hearing from you, I remain,

Sincerely yours,

Bela Balassa

Mr. Francis X. Colaco, EMI

May 6, 1982

Bela Balassa, DRD

HUNGARY: Pre-Economic Mission Issues Paper

1. Due to my policy advisory mission to Portugal, I was unable to participate at the meeting on the pre-economic mission issues paper last Friday. I am in general agreement with the contents of the paper and have only a few comments to make.

2. The pre-mission issues paper accurately describes recent developments in the Hungarian economic reform. The only inaccuracy pertains to the question of import licensing. Rather than being "quasi-automatic" (Para. 21), the practical application of the import licensing system involves discretionary decisions that limit imports -- particularly when there are domestic substitutes.

3. The paper tends to overemphasize problems relating to wage setting; the main issue is not the compatibility or incompatibility of market-determined prices and administratively determined wages but whether wages for equivalent labor could diverge among firms. As long as competition in the labor market is not assured and the softness of the budget constraint leads to an excess demand for labor, the removal of administrative wage regulations would lead to differences in wages paid for equivalent work among firms.

4. In turn, one should recognize the "constructed" nature of industrial prices, which do not ensure market equilibrium and have had adverse effects on export performance in Hungary. These adverse consequences point to the desirability of focusing on problems of price determination under the heading "price level and structures." In this connection, gathering information from firms on their experience with price setting would be useful.

cc: Messrs. Chaufournier, EMNVP; Dubey, EMNVP; Karacosmanoglu, EMI
Picciotto, EMP; Hume, EMP; Humphrey EXC

BBalassa:nc



Record Removal Notice

File Title Bela Balassa's chron files - May 1982	Barcode No. 30225145
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Document Date Apr 2, 1982	Document Type Medical Form
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Correspondents / Participants

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Withdrawn by Chandra Kumar	Date Jun 10, 2014
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DRD Senior Staff

May 7, 1982

Bela Balassa, DRD

Publications

1. The Editorial Committee has decided to continue the Reprint Series in its present form, with free distribution on demand. Also, the author of the paper may receive an unlimited number of Reprints, as well as Working Papers, for personal distribution.
2. Inclusion in the Working Paper series is not a barrier to subsequent inclusion in the Reprint Series. However, reprinting will have to await the near-exhaustion of the Working Paper version. This is not likely to be particularly onerous as Working Papers will be printed in smaller quantities than beforehand and there is usually a long "printing lag" before journal publication. At any rate, the rule has been in practical operation in recent years.
3. Inasmuch as papers appearing in the Working Paper series can subsequently be included in the Reprint Series, the DRD (former DRC) Discussion Papers may continue to be a repository of technical papers. As the enclosed memo by Mr. Muncie indicates, and Mr. Feather has subsequently confirmed, the Editorial Committee wishes to limit the number of series that receive the Bank's imprimatur. We may then maintain the Discussion Papers in their present form unless there is a desire to make a case for a new series that would be listed in the Catalog of Publications.

Enclosure
BBalassa:nc

OFFICE MEMORANDUM

DRD Senior Staff

May 7, 1982

Bela Balassa, DRD

Publications

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Enclosure
BBalassa:nc

OFFICE MEMORANDUM

TO: Mr. Bela Balassa, DRD

DATE: April 23, 1982

FROM: P. C. Muncie, PUB *PCM*SUBJECT: Discussion Paper Covers

1. The interrelated matters of covers, artwork, standards for inclusion into the Bank's Catalog of Publications, and papers that constitute a technical series were the subject of lengthy discussion at the Editorial Subcommittee meeting held on April 21.
2. "I specifically raised your request for a distinctive cover to be used in the "discussion paper series."
3. It was the unanimous view of the subcommittee that formal guidelines should be prepared so as to make clear the distinction between narrowly written papers, highly technical papers, and papers that serve primarily an inside-the-Bank audience and those manuscripts that are intended to transfer Bank experience and research results to a wide audience, both in developed and developing countries.
4. The latter group is assigned ISBN or ISSN numbers and is included in the Catalog. Most are marketed as sales publications, and all receive distinctive graphic design to distinguish them from manuscripts included in the first-named group. Clearance and evaluation procedures are required for publications in this group.
5. Procedural guidelines are to be formulated in the next few weeks and will be passed on to the Publications Committee for its approval. These guidelines will include the requirement that use of the Bank's imprint and logo and of cover art work produced by the Bank shall be limited to publications with a press run of at least 1,000 which have received the correct clearance and of which at least half of the quantity printed is intended for external distribution. An additional requirement will be that publications for which typographic services and art work are provided should be "final" products of research or technical expertise and not working drafts or discussion briefs.
6. The Subcommittee's view was that the discussion papers would not fall within the category of external publications. While I do not wish to anticipate the Publications Committee's new policy, I think it would be desirable in this case to dispense with formal cover art work.

Mr. L. A. Whittome, IMF

May 7, 1982.

Bela Balassa, DRD

Advisory Report on Portugal

I enclose a second draft of my advisory report on Portugal. I have not been able to reread the retyped version but hope that there are not too many errors in it. The tables to the report have not yet been typed.

Mr. Salgueiro asked me to send the report only to him and not to anyone else in Portugal. This is because of the sensitive nature of the recommendations on devaluation. Nevertheless, I presume that he will give Mr. Nunes a copy.

Enclosure
BBalassa:nc

Mr. William Webster

May 6, 1982

Bela Balassa

Before my departure for Portugal on April 24, you indicated to me that the publication, "Global Strategy for Growth" would be picked up from my office on the same day. As no one came, my secretary called to remind but to no avail; the publication was still sitting on her desk on my return. I enclose it now, with the request that a decision on reviewing be taken by May 11th when I leave for China.

I would also like to repeat my request for the journals that had been sent to me in the past on a regular basis. For several months now, I have not received any and several earlier issues are missing. A list of the missing issues was sent to you some months ago; a copy is enclosed.

cc: Mr. McArthur

Enclosures
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File Title Bela Balassa's chron files - May 1982	Barcode No. 30225145
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Document Date May 6, 1982	Document Type Letter
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Correspondents / Participants
 To : Mr. Donald A. Gralla
 From : Bela Balassa

Subject / Title
 Information about a back-up trustee

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Withdrawn by Chandra Kumar	Date Jun 10, 2014
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2134 Wyoming Avenue N.W.
Washington, D.C. 20008
May 6, 1982.

Department of Finance and Revenue
300 Indiana Avenue N.W.
Washington, D.C. 20001

Dear Sir:

I have repeatedly asked on the telephone for the forms for the payment of estimated tax in the year 1982, form D-30, Unincorporated Business Franchise Tax Return. Please send the forms to me in two copies, for my use as well as the use of my wife, at the earliest.

Yours truly,

Bela Balassa

Mrs. Betty Eltezam

May 6, 1982.

Bela Balassa

Contract of Greek Study - RPO 671-35

The Greek Center of Planning and Economic Research (KEPE) has completed work under the contract we had with them in RPO 671-35, Export Incentives in Developing Countries. Accordingly, I request that payment of the remaining \$10,000 of the amount contracted be made to the Center.

BBalassa:nc

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MRS. LILIANA PONCHON, WORLD BANK, PARIS OFFICE

66 AVENUE D' IENA, 75116 PARIS, FRANCE

PRIMO PLEASE MAKE THE FOLLOWING RESERVATIONS FOR ME. MAY 12 LUNCH AT 1300 FOR TWO, CONTICINI, 4 RUE PIERRE-LEROUX 7E; 306.99.39. MAY 12 DINNER AT 2100 FOR THREE, AU TROU GASCON, 40 RUE TAINÉ 12E; 344.34.26. MAY 13 LUNCH AT 1230 FOR TWO, LE BOURDONNAIS-LA CANTINE DES GOURMETS, 7E; 705.47.96. MAY 13 DINNER AT 2100 FOR THREE, BENOIT, 20 RUE SAINT-MARTIN, 4E; 272.25.76. MAY 14 DINNER AT 2100 FOR THREE, CHEZ LES ANGES, 54 BD. LATOUR-MAUBOURG, 7E; 705.89.86. IN ALL CASES ASK IF PARKING FACILITIES ARE AVAILABLE. INFORM MR. MALINVAUD ON THE HOUR AND PLACE OF LUNCH. ALSO REQUEST A QUIET CORNER TABLE AT CHEZ LES ANGES WHERE I AM TAKING MR. RAYMOND BARRE AND HIS WIFE FOR DINNER. SECUNDO MEETING WITH MR. WAZZENGGER IS FINE. WE ARE SENDING HIM A TELEX TO CONFIRM IT DIRECTLY. TERTIO PLEASE INQUIRE AT MR. ATTALI OFFICE AS TO WHERE I CAN PARK. QUATRO PLEASE TRY TO SET UP A MEETING WITH MR. DROUIN OF LE MONDE FOR ELEVEN O'CLOCK ON MAY 13, IF POSSIBLE. QUINTO PLEASE INFORM ABOUT HOTEL RESERVATIONS BY TELEX. REGARDS, BALASSA

NOT TO BE TRANSMITTED

SUBJECT:

DRAFTED BY:

Bela Balassa

CLEARANCES AND COPY DISTRIBUTION:

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DRD

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may 4, 1982
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MS. VANAZZI, WORLD BANK, PARIS OFFICE, 66 AVENUE D' IENA
75116 PARIS, FRANCE

PRIMO THANK YOU FOR THE APPOINTMENT SCHEDULE. REGRET INABILITY TO
DINE WITH MR. CASSOU DUE TO PREVIOUS ENGAGEMENT. WILL COME BY CAR
FROM AIRPORT. PLEASE ASK CASSOU WHERE TO PARK FOR MEETING WITH HIM.
ALSO, ASK MR. WAIZENEGGER OF THE BANQUE DE FRANCE IF HE COULD SEE
ME FOLLOWING MEETING WITH CASSOU AT 11:00. SECUNDO PLEASE HAVE THE
FOLLOWING PUBLICATIONS PURCHASED FOR ME. 1. LE RAPPORT BLOCH-LAINE,
QUOTE LA FRANCE EN MAI 1981 COLON FORCES ET FAIBLESSES UNQUOTE. 2.
INSEE, TENDANCES DE LA CONJONCTURE (LATEST ISSUE). 3. INSEE,
SITUATION ET PERSPECTIVES DE L'ECONOMIE FRANCAISE (LATEST ISSUE).
4. ANNUAL REVIEW OF FRENCH ECONOMY BY INSEE, REPORTED IN APRIL 19
ISSUE OF FINANCIAL TIMES (POSSIBLY, SAME PUBLICATION AS UNDER 3).
REGARDS, BALASSA

Bela Balassa

Bela Balassa


DRD

BBalassa:nc

OFFICE MEMORANDUM

Mr. A. Roe, EMI and Mrs. Ter-Minassian, IMF

May 4, 1982

Bela Balassa, DRC Portugal Advisory Report

I enclose the first draft of my Advisory Report prepared for the Portuguese government. I apologize for the rough state of the report but I wanted to get it to you before leaving for the university. I will return on Thursday and would appreciate receiving any comments you may have before the weekend.

I have not yet had the tables typed and the extent of the devaluation is being recalculated. However, I enclose some updated tables on the national income, balance of payments, and monetary and fiscal variables I received on my visit to Portugal.

Enclosure

BBalassa:nc

2134 Ayoming Avenue N.W.
Washington, D.C. 20008
May 3, 1982

Mr. Edson B. Gould
Anametrics, Inc.
30 Rockefeller Plaza
New York, New York 10020

Dear Mr. Gould:

Your letter of April 27th crossed my letter. I understand the explanation given in your letter. Nevertheless, in view of the circumstances, I would like to ask you to cancel my subscription and to refund the amount applicable for the remainder of the year. I hereby return your April 7th issue.

Yours sincerely,

Enclosure

Bela Balassa