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THE WORLD BANK  
Washington, D.C.

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APRIL

1982

The World Bank Group  
**Archives**



30225144

R1991-086 Other #: 5

Bela Balassa's chron files - April 1982

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B. BALASSA CHRON FILE APR 1982

April 30, 1982.

Mr. Ignacio Bernal  
Coordinador de Proyectos de Desarrollo  
Presidencia de la Republica  
Felix Cuevas 301 4o Piso  
Mexico 12, D.F.  
Mexico

Dear Mr. Bernal:

Many thanks for sending me the final estimates of nominal and effective protection for Mexico. These estimates are of considerable interest to me since the Collegio de Economistas asked me to prepare a paper on Mexico's foreign trade policies. In this connection, I would very much appreciate receiving your final analysis and structural note. In turn, I am sending you some of my recent papers.

With best regards,

Sincerely yours,

Enclosure

Bela Balassa

Reprint No. 181 Growth Policies and the Exchange Rate in Turkey  
190 The Newly Industrializing Developing Countries after the Oil Crisis  
180 Trade in Manufactured Goods: Patterns of Change  
Policy Responses to External Shocks in Selected Latin-American Countries  
Shifting Patterns of World Trade and Competition



April 30, 1982.

University of Chicago Press  
5801 S. Ellis Avenue  
Chicago, Illinois 60637

Dear Sir:

I would like to order,

Jagdish Bhagwati *Import Competition and Response* in paperback, and

Anne O. Krueger, *Trade and Employment in Developing Countries Volume 2: Factor Supply and Substitution.*

Please bill me at the time of delivery at faculty discount.

Yours truly,

Bela Balassa



April 30, 1982.

Princeton University Press  
41 William Street  
Princeton, N.J. 08540

Dear Sir:

I would like to order Peter B. Kenen's Essays in International Economics at \$5.95. Please bill me at the time of delivery at faculty discount.

Yours sincerely,

Bela Balassa

April 30, 1982

Mr. George Ch. Calligas  
Administrative Director  
Centre of Planning and Economic Research  
22, Hippokratous Street  
Athens 144  
Greece

Dear Mr. Calligas:

This is to inform you that I have completed the review of "Greek Exports: Determinants and Policies, 1960-1979" by Messrs. Voloudakis and Fylaktos and find this to be of high quality. This brings to completion the study prepared under contract with the World Bank. Accordingly, I have requested that payment of the remaining \$10,000 be made to KEPE. May I request that part of this amount be earmarked for Messrs. Fylaktos of KEPE and Panourgios of the Central Bank, who have performed much beyond the call of duty in working on the study.

Yours sincerely,

Bela Balassa

cc: Mr. Voloudakis



April 30, 1982.

Cambridge University Press  
32 East 57 Street  
New York, New York 10022

Dear Sir:

I would like to order *Industrialization and the basis for trade* by R. A. Batchelor, R. L. Major and A. D. Morgan. The National Institute of Economic and Social Studies, Vol. 32. Please bill me at the time of delivery.at faculty discount.

Yours truly,

Bela Balassa

Mr. Luis de Azcarate, WANVP

April 27, 1982.

Bela Balassa, DRD

Country Reports

I would appreciate your letting me know which country reports have been sent to Mr. Diawara of the Club of Dakar. I earlier requested that these reports be sent for the countries listed in the enclosure.

Enclosure  
BBalassa:nc



CLUBDAK 290139F

ATTENTIO PROFESSEUR BELA BALASSA 1-6-158

ME REFERANT A VOTRE LETTRE DU 25 FEVRIER 1982 J AI LE PLAISIR  
E VOUS COMMUNIQUER LA LISTE DE 26 PAYS VISES PAR L ETUDE DE  
AFRIQUE DE L OUEST :

BENIN BURUNDI CAMEROUN CAPE VERDE CENTRAL AFRICAN REPUBLIC  
HAI CONGO EQUATORIAL GUINEA GABON GAMBIA GHANA GUINEA  
GUINEA-BISSAU IVORY COAST LIBERIA MALI MAURITANIA NIGER  
NIGERIA RWANDA SAO TOME PRINCIPE SENEGAL SIERRA LEONE TOGO  
TOPPER VOLTA ZAIRE

JE VOUS REMERCIE DE L ENVOIE DES DOCUMENTS QUE M AZCARATE  
POURRA NOUS ADRESSER

HAUTE CONSIDERATION

ERIC GUILLON CLUB DE DAKAR

✠

WORLDBANK440098

CLUBDAK 2901395✠

April 26, 1982.

Mr. D. Thomas  
Department of Economics  
Princeton University  
Princeton  
New Jersey

Dear Mr. Thomas:

Thank you for your letter of April 15th. I have transmitted this letter to Mr. Garry Pursell who made the estimates of effective protection and domestic resource cost for the Ivory Coast. He should also send you copies of the Ghana study.

I would like to emphasize that these are working documents and you could not use or cite the figures without our permission.

Yours sincerely,

Bela Balassa

cc: Mr. Pursell



Mr. Aklog Birara, PMD

April 23, 1982.

Bela Balassa, DRD

Leonardo D. Hakim Nunes

I have known Mr. Hakim Nunes socially, but I am not familiar with his work. He appears to be a pleasant individual who gets along with people easily. I presume that his background and language knowledge would make him worth considering for a Bank position.

BBalassa:nc

Le 23 avril 1982

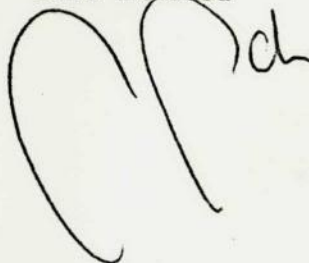
Cher ami

Je dois assister à un séminaire organisé conjointement par l'Institut français des relations internationales et la Banque mondiale, qui se tiendra à Paris le 14 mai. J'arriverai à Paris deux jours plus tôt pour me renseigner sur la politique économique française actuelle.

J'aimerais pouvoir m'entretenir avec vous sur ce sujet pendant mon séjour à Paris. Puis-je vous inviter à déjeuner le 12 ou le 13 mai? Mme Ponchon, du Bureau parisien de la Banque mondiale, vous téléphonera pour arranger un rendez-vous à votre convenance.

En attendant le plaisir de vous voir, je vous prie d'agréer, cher ami, mes salutations les plus cordiales.

Bela Balassa

A large, stylized handwritten signature in dark ink, consisting of a large loop followed by a smaller loop and a short horizontal stroke.

Monsieur Jean-Claude Casanova .  
Professeur, I.E.F.  
Fondation nationale des sciences politiques  
56, rue des Saints-Pères  
75007 Paris (France)



Mr. Timothy King, DED

April 23, 1982.

Bela Balassa, DRD

"The New Debate Over Population Growth:  
Back to First Principles"

I read with much interest your paper on the above subject. I agree with your major conclusions but wish that you had stated them more succinctly. I also have a substantive point concerning your conclusion No. 2. I would consider it an exaggeration to say that "For many countries, traditional Malthusian worries about food supplies are still very relevant." To my mind, the main issue is that rapid population growth reduces the amounts available for productive investment.

BBalassa:nc



Miss Khanh Nguyen, EMP

April 23, 1982

Bela Balassa, DRD

TUNISIA TAS Project

As you have requested, I provide below some comments on the two papers dealing with cautionnement and with improving export promotion, respectively, in Tunisia.

1. Cautionnement

It is not clear whether the purpose of the proposed scheme is to reduce imports, to divide monopoly rents due to import licensing between the license holder and the government, or to simplify the administration of import licensing. The first objective could best be pursued by changes in the exchange rate that would not increase the existing bias of the incentive system against exports. In turn, cautionnement may be used to appropriate some of the monopoly rents license-holders enjoy, although tariffs could be used to attain this objective more directly. Finally, 'nuisance applications' for licenses by would-be importers may be minimized by charging a fee -- partly related to the value of imports -- for license applications.

2. Improving Export Promotion

There is little doubt that export promotion efforts, including the operation of CEPEX and the administration of export promotion measures, leave much to be desired in Tunisia. I do not see, however, that improving the export promotion scheme would necessitate the collection of information on exporting firms described under (A). The results of this costly exercise would soon become outdated as new exporters emerge and product composition changes.

At the same time, it would be important to obtain information from a sample of firms on the effectiveness of the export promotion scheme presently in effect and to have their recommendations for possible future changes. As to the latter, the experience of other countries would also need to be reviewed. Finally, it would be useful if the study encompassed the institution of new export promotion measures, including the establishment of private trading firms and export credit insurance, I have proposed in my recent advisory report.

cc: Messrs. Fernandes, Vauris, EM2

BBalassa:nc



Le 23 avril 1982

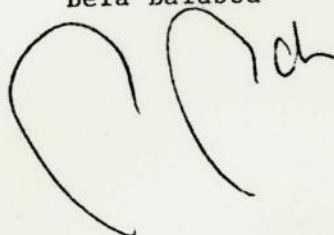
Cher ami

Je dois assister à un séminaire organisé conjointement par l'Institut français des relations internationales et la Banque mondiale, qui se tiendra à Paris le 14 mai. J'arriverai à Paris deux jours plus tôt pour me renseigner sur la politique économique française actuelle.

J'aimerais pouvoir m'entretenir avec vous sur ce sujet pendant mon séjour à Paris. Puis-je vous inviter à déjeuner le 12 ou le 13 mai? Mme Ponchon, du Bureau parisien de la Banque mondiale, vous téléphonera pour arranger un rendez-vous à votre convenance.

En attendant le plaisir de vous voir, je vous prie d'agréer, cher ami, mes salutations les plus cordiales.

Bela Balassa

A handwritten signature in dark ink, consisting of a large, stylized 'B' followed by a cursive 'alassa'.

Monsieur E. Malinvaud  
Directeur général  
Institut national de la statistique et  
des études économiques (INSEE)  
18, Boulevard Adolphe Pinards  
9ème étage  
Paris (France)

Le 23 avril 1982

Cher ami

Je dois assister à un séminaire organisé conjointement par l'Institut français des relations internationales et la Banque mondiale, qui se tiendra à Paris le 14 mai. J'arriverai à Paris deux jours plus tôt pour me renseigner sur la politique économique française actuelle.

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Je vous prie d'agréer, cher ami, mes salutations les plus cordiales.

Bela Balassa

A large, stylized handwritten signature in black ink, consisting of two main loops and a small 'ch' at the end.

Monsieur Jacques Attali  
Conseiller spécial auprès du Président  
de la République  
Palais de l'Elysée  
55, rue du Faubourg Saint-Honoré  
75008 Paris (France)



Le 23 avril 1982

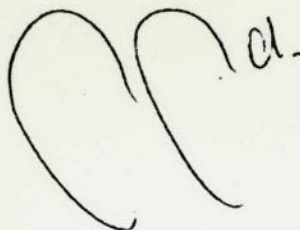
Cher ami

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Je vous prie d'agréer, cher ami, mes salutations les plus cordiales.

Bela Balassa

A handwritten signature in dark ink, consisting of a large, stylized 'B' followed by a smaller 'a' and a dash.

Monsieur Pierre-Henri Cassou  
Ministère de l'économie  
93, rue de Rivoli  
75056 Paris (France)

Le 23 avril 1982

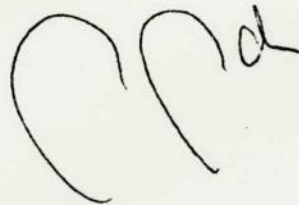
Cher ami

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Je vous prie d'agréer, cher ami, mes salutations les plus cordiales.

Bela Balassa

A handwritten signature in dark ink, consisting of a large, stylized 'B' followed by a smaller, more fluid signature element.

Monsieur Serge Christophe Kolm  
20, rue Henri Heine  
75116 Paris (France)



Le 23 avril 1982

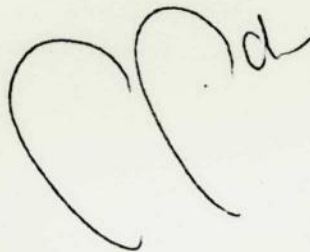
Cher ami

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Je vous prie d'agréer, cher ami, mes salutations les plus cordiales.

Bela Balassa

A handwritten signature in black ink, consisting of a large, stylized 'B' followed by a smaller 'a' and a flourish.

Monsieur Pierre Uri  
Institut Atlantique  
120, rue de Longchamp  
75116 Paris (France)

Messrs. Sherman Robinson, DED and Michel Noel, YP

April 23, 1982.

Bela Balassa, DRD

A Computable General Equilibrium Model for the Ivory Coast

1. I have no problem with the idea of doing modelling work on the Ivory Coast. I am not entirely clear, however, what policy alternatives would be investigated by the use of the proposed models. In particular, I do not see what trade policy options would be examined. As noted below, the same comment applies to educational policy.

2. As regards the models to be estimated, there is little need to provide a description of the CGE model, which has found several applications in the Bank. The structure of the proposed macroeconometric model needs explanation, however; this is a new area for the Bank and a single reference to the model will not suffice. Furthermore, one is very much in the dark as to how the two models will be combined.

3. A final point, A price endogenous model for the Ivory Coast was estimated some years ago by Louis Goreux. A distinguishing feature of the model was an explicit treatment of education qua an economic activity. Apart from making reference to Goreux's model, it would be desirable to review it in order to generate insights into the issues to be investigated and the methods to be applied.

BBalassa:nc



le 23 avril 1982

Cher ami

Je dois assister à un séminaire organisé conjointement par l'Institut français des relations internationales et la Banque mondiale, qui se tiendra à Paris le 14 mai. J'arriverai à Paris deux jours plus tôt pour me renseigner sur la politique économique française actuelle.

J'aimerais pouvoir m'entretenir avec vous sur ce sujet pendant mon séjour à Paris. Mme. Ponchon, du Bureau Parisien de la Banque mondiale, vous téléphone pour arranger un rendez-vous à votre convenance.

Je vous prie d'agréer, cher ami, mes salutations les plus cordiales.

Bela Balassa

Monsieur Alain Vernay  
Le Figaro  
37 rue du Louvre  
75002 Paris  
FRANCE

Le 23 avril 1982

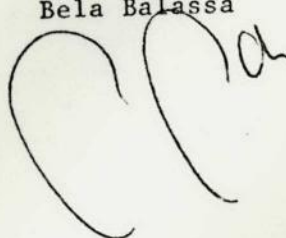
Cher ami

Je dois assister à un séminaire organisé conjointement par l'Institut français des relations internationales et la Banque mondiale, qui se tiendra à Paris le 14 mai. J'arriverai à Paris deux jours plus tôt pour me renseigner sur la politique économique française actuelle.

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Je vous prie d'agréer, cher ami, mes salutations les plus cordiales.

Bela Balassa

A handwritten signature in dark ink, consisting of a large, stylized 'B' followed by a smaller, more fluid signature.

Monsieur Paul Mentre de Loye  
Inspection générale des finances  
Ministère des finances et de l'économie  
93, rue de Rivoli  
75056 Paris (France)



Mrs. Liliana Ponchon, Paris Office

April 23, 1982.

Bela Balassa, DRD

Paris Visit

I enclose copies of letters I sent to people in Paris with the request that you contact them for setting up meetings for me on May 12 and 13. Please send me a telex informing me on the arrangements you have made. As indicated on the phone, I will be back in Washington on May 3rd.

Enclosures  
BBalassa:nc

Messrs. Sherman Robinson, DED and  
David Newbery, DRD  
Bela Balassa, DRD

April 23, 1982.

May 10th Seminar

As discussed with Sherman, I would be happy to give a seminar on the recent Hungarian reform on May 10th. I enclose a copy of my paper on the subject. In announcing the seminar, reference may also be made to my "The Hungarian Economic Reform, 1968-81" Working Paper No. 506 that provides background material.

Enclosure  
BBalassa:nc

Enclosed: Reforming the New Economic Mechanism in Hungary

*Mr. Sherman etc.*



2134 Wyoming Avenue N.W.  
Washington, D.C. 20008  
April 23, 1982.

Findings & Forecasts  
Anametrics, Inc.  
30 Rockefeller Plaza  
New York, N.Y. 10020

Dear Sir:

I wrote to you on April 2nd cancelling my subscription and requesting that a refund be sent to me. I have not yet received the refund but in the meantime, the April 7 issue has arrived. I would be glad to return this issue once my refund arrives.

Yours truly,

Bela Balassa

Mr. Roland Barker, AMEX

April 23, 1982.

Bela Balassa, DRD

Plane Reservations

Please make reservations for my wife, Carol Balassa, and children Mara (11 years) and Gabor (9 years) on the following flights.

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	Budapest	13:40	MA565
August 7 Saturday	Budapest	10:00	Paris	12:25	MA556
August 7 Saturday	Paris (Orly)	13:15	Lyon	14:10	IT5119
August 25 Wednesday	Lyon	10:15	Paris (CDG)	11:15	IT5262
August 29 Sunday	Paris (CDG)	12:45	Washington	15:15	TW891

BBalassa:nc





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<b>Correspondents / Participants</b> To : Mr. Jack Lowther, DRD From : Bela Balassa, DRD				
<b>Subject / Title</b> Research Assistant				
<b>Exception No(s).</b> <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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<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> Chandra Kumar</td><td><b>Date</b> Jun 5, 2014</td></tr></table>	<b>Withdrawn by</b> Chandra Kumar	<b>Date</b> Jun 5, 2014
<b>Withdrawn by</b> Chandra Kumar	<b>Date</b> Jun 5, 2014			

CABLE

APRIL 23, 1984

61991

MR. DONG FUREN, INSTITUTE OF ECONOMICS, ACADEMY OF SOCIAL SCIENCE  
5 JIANGUOMAN NEI DAJIE, BEIJING, CHINA

I WILL ARRIVE IN BEIJING FROM TOKYO ON PA15 AT 9:30 ON MAY 16 FOR  
A TWO WEEKS VISIT. SINCERELY, BELA BALASSA

BBalassa:nc

BELA DALASSA

BELA DALASSA

DRD



April 23, 1982.

Dr. Jorge Cauas  
President  
Bank of Santiago  
Casilla 14437  
Santiago  
Chile

Dear Jorge,

I regret to say that I will not come to Chile as originally planned. Mr. Garces asked me to postpone my visit until October/November. Subsequently, Vittorio Corbo spoke with Mr. de la Cuadra who said that he had not requested a postponement and that he would get in touch with me. This has not happened, and thus I have had to postpone my trip.

I understand now that some changes are in the offing in the government. Once these take place we could perhaps raise again the question of my visit.

Yours sincerely,

Bela Balassa

April 23, 1982.

Professor Hendrik Houthakker  
Department of Economics  
209 Littauer Centre  
Harvard University  
Cambridge, Massachusetts 02138

Dear Hank,

Shiro Kurihara wrote his dissertation, from which this paper has been derived, under my and Carl Christ's supervision. We both think very highly of the dissertation and would like to see the major results published. At the same time, I believe that the paper would need considerable revision before publication. Suggested changes are indicated in the enclosure. Let me add further that the paper could use some editing

It was good to see you in Cambridge.

Yours sincerely,

Enclosures

Bela Balassa



MACROECONOMIC EFFECTS OF HIGHER OIL PRICES

ON THE JAPANESE ECONOMY

For the purpose at hand, it would suffice to indicate the general character of the macroeconomic model without reproducing the set of equations of Table I. Correspondingly, the full list of variables would not have to be provided.

There is need, however, to indicate the rationale for the choice of the policy reaction functions and to show the equation forms actually utilized. Also, the five dynamic simulations should be described in the text rather than in a footnote in a table.

April 22, 1982.

Mr. Egon Ronay  
Egon Ronay Organisation  
Greencoat House  
French Street  
London SW1P 1DH  
England

Dear Mr. Ronay:

Many thanks for sending me your guide to hotels and restaurants in England. While it may take some time before I can use it, I have loaned it to a friend who went to England a few days ago.

I very much appreciated your kindness and will send you a revised version of my culinary guide when it appears next year.

Yours sincerely,

Bela Balassa



Personnel Department

April 22, 1982.

Bela Balassa, DRD

A relative of mine, Mr. E. de Szechi wrote to me regarding the application of Mr. Eric Greby. I am told that Mr. Greby is an outstanding and well motivated individual who has done excellent work in a variety of capacities. For purposes of identification I enclose his curriculum vitae.

Enclosure  
BBalassa:nc

April 22, 1982.

Mr. John Williamson  
c/o Carnegie Endowment  
for International Peace  
11 Dupont Circle N.W.  
Washington, D.C. 20036

Dear John,

I enclose the revised version of my paper for inclusion in the proceedings of the Conference on IMF Conditionality. The paper has needed few revisions. I have added references to the bibliography concerning the relative performance of outward-and inward-oriented economies in the 1960-73 period. I further list a paper I presented at December's AEA meeting, which provides evidence on the interest-sensitivity of savings in developing countries and have added a summary statement on this evidence in the paper itself. Finally, I have eliminated the equation explaining growth rates in terms of incremental capital-output ratios and savings ratios; this equation does not add anything to what I say in the paper and it creates unnecessary controversy.

With best regards,

Sincerely yours,

Enclosure

Bela Balassa

cc: Professor Dornbusch

Enclosed: The Adjustment Experience of Developing Economies after 1973

*2 copies to Williamson  
1 copy to Dornbusch.*

2 copies sent to Williamson  
1 copy to Dornbusch



April 22, 1982.

Professor Kwang Suk Kim  
College of Political Science and Economics  
Kyung Hee University  
Seoul 131  
Korea

Dear Kwang Suk,

Thank you for your letter of April 14th and for your very useful comments on my Korea paper. I will take account of them in making the revision.

I have not yet received the book on the PAFTA Conference and will let you know if it does not arrive in the next few weeks.

With best regards,

Yours sincerely,

Bela Balassa

April 22, 1982.

Mr. Oscar Soberon M.  
Director  
El Trimestre Economico  
Fondo de Cultura Economica  
Apartado Postal 44975  
Mexico 12, D.F.  
Mexico

Dear Mr. Soberon,

Please excuse the late reply to your letter of November 12th. I certainly agree that El Trimestre Economico is the best economics journal in Latin America and I would be happy to express this view in a short note. I do not know as yet, if I would be able to submit a paper for your special issue.

With best regards,

Sincerely yours,

Bela Balassa



April 22, 1982.

Mr. Pedro Sampaio Malan  
Institute de Planejamento  
Economico E Social  
Caixa Postal 2672  
20001 Rio de Janeiro, RJ  
Brazil

Dear Mr. Malan:

Thank you for your letter of March 31st which reached me only today. I appreciate that you have given permission to include in the Bank's Reprint Series the Portuguese edition of my paper "The Newly-Industrializing Countries After the Oil Crisis" that appeared in Pesquisa e Planejamento Economico (April 1981). Reference to your Journal will be made in a footnote as is customary.

Yours sincerely,

Bela Balassa

Ms. Virginia Hitchcock, IPA

April 22, 1982.

Bela Balassa, DRD

Reprint

I enclose a letter from Mr. Pedro Sampaio Malan giving permission to include in the Bank's Reprint Series the Portuguese edition of my paper "The Newly-Industrializing Countries After the Oil Crisis" that appeared in Pesquisa e Planejamento Economico (April 1981). Please go ahead with issuing the Reprint.

Enclosure  
BBalassa:nc



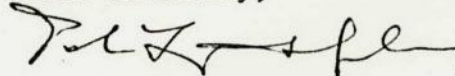
Rio de Janeiro, March 31, 1982

Prof. Bela Balassa  
The World Bank  
1818 H Street, N.W.  
Washington, D.C. 20433  
U.S.A.

Dear Prof. Balassa,

Thank you for your letter of February 22, 1982. Of course you have our permission to include in the Bank's Reprint Series the Portuguese edition of ~~your~~ paper "The Newly-Industrializing Countries After the Oil Crisis" that appeared in Pesquisa e Planejamento Econômico (April 1981). I would only ask for a footnote stating this fact.

Yours sincerely,



Pedro Sampaio Malan

PSM/dpa.

Pedro Sampaio Malan  
IPEA/INPES  
Caixa Postal 2672  
20001 - Rio de Janeiro, RJ  
BRASIL.

April 22, 1982.

Hotel Scandinavia  
27 rue de Tournon  
Paris 6  
France

Chère Madame:

A la suite de notre conversation téléphonique, je reconfirme mon  
arrivée le 12 mai, départ le 15 mai. Veuillez trouver ci-inclus un  
chèque de 250 francs pour les arrhes.

P.J.

Bela Balassa

cc: Mrs. Ponchon



Miss Annie Malroux, ADM

April 22, 1982

Bela Balassa, DRD

Translation of letters

I enclose the revised version of letters addressed to Messrs. Attali and Casanova.

Please have a letter typed to Mr. Malinvaud with the same text as the letter to Mr. Casanova.

Further I would like to ask that the letter with the same text as that addressed to Mr. Attali be sent to Messrs. Cassou, Kol<sup>m</sup>, Mentre and Uri.

The list of addresses is below.

I would appreciate having the letters by tomorrow morning as I am leaving on a trip over the weekend.

Mr. E. Malinvaud  
Director General  
Institut National de la Statistique et  
des Etudes Economiques (INSEE)  
18 Boulevard Adolphe Pinards  
9th Floor  
Paris  
France

Mr. Pierre Uri  
Institut Atlantique  
120 rue de Longchamp  
75116 Paris  
France

Mr. Pierre-Henri Cassou  
Ministere de l'economie  
93 rue de Rivoli  
75056 Paris  
France

Mr. Serge Christophe Kolm  
20 rue Henri Heine  
Paris 16e  
France

Mr. Paul Mentre de Loye  
Inspection Générale des Finances  
Ministère des Finances et de l'Economie  
93, rue de Rivoli  
75056 Paris RP  
France

BBalassa:nc



# Record Removal Notice

The World Bank Group  
**Archives**  
& Records Management

<b>File Title</b> Bela Balassa's chron files - April 1982		<b>Barcode No.</b>  30225144		
<b>Document Date</b> Apr 22, 1982	<b>Document Type</b> Letter			
<b>Correspondents / Participants</b> To : Mr. Jack Lowther, DRD From : Bela Balassa, DRD				
<b>Subject / Title</b> Research Assistant				
<b>Exception No(s).</b> <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				
<b>Reason for Removal</b> 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>Withdrawn by Chandra Kumar</td><td>Date Jun 5, 2014</td></tr></table>	Withdrawn by Chandra Kumar	Date Jun 5, 2014
Withdrawn by Chandra Kumar	Date Jun 5, 2014			



Travel -

April 22, 1982

Bela Balassa, DRC

Mr. Robert Therriault's ticket

Please issue ticket to Therriault through American Express or some other travel agency in Montreal and he should be informed by phone. His number is (514) 843-3812.

BBalassa:nc

April 22, 1982.

Cambridge University Press  
32 East 57 Street  
New York, New York 10022

Dear Sir:

I would like to order *Industrialization and the basis for trade* by R. A. Bathhelor, R. L. Major and A. D. Morgan. The National Institute of Economic and Social Studies, Vol. 32. Please bill me at the time of delivery.

Yours truly,

Bela Balassa



Mr. Jayanta Roy, EM2

April 20, 1982

Bela Balassa, DRD

Report on Engineering Industries

1. As far as content is concerned, Mr. Sethi has done an excellent job in revising and extending the report on engineering industries in Turkey. The report should be very useful for the government and provide a point of departure for future Bank work on these industries.
2. However, the quality of the writing leaves much to be desired. Just as in the case of the report on mining and mineral-based chemicals, no effort has been made at editing. Again, I had no choice but to perform this task myself. Given the extensive changes I had to make, careful checking of the corrections will be required before the report is widely distributed.
3. The text and annex tables also need to be checked. Among others, the references contain a number of errors. For example, the first table on p. 3 makes reference to annexes 1 and 3, neither of which contain constant price data.
4. The two industry reports, together with the annex on fruit and vegetable processing, should be distributed as a single white-cover annex to the grey-cover report. To do this, it will be necessary to standardize headings, subheadings, table numbering, footnotes, etc. in the three industry reports. Also, they should be numbered within the annex and their paragraph numbers adjusted accordingly.

cc: Messrs. Dubey, EMNVP; Chaffey, EM2; Sethi, IPD

BBalassa:nc



Mr. James Chaffey, EM2

April 19, 1982

Bela Balassa, DRD

TURKEY - FY82 CEM Pre-Mission Issues Paper

1. The revised Issues Paper correctly states the principal questions to be addressed by the mission in regard to the private sector. I would like to add a few items to the list including the extent of capacity utilization and the potential usefulness of existing capacities for export; the quality requirements of exporting to the Middle East and to Western Europe; and the problems resulting from the lack of possibility for private firms to discharge workers.
2. Also, more emphasis should be given to the implications for the private sector of decisions taken in the public sector. This would include a consideration of the changing share of the public sector in GNP and in financial markets as well as an indication of the effects of increases in SEE prices, in taxes on corporate and unincorporated business, and in arrears by the SEEs on the private sector. In fact, a flow of funds-type analysis of the interrelationships between the private and the public sectors is long overdue.
3. In turn, one should de-emphasize the proposed "synthesizing" of the analysis and the policy recommendations contained in earlier reports. These have been studied ad nauseam and, in the absence of new analysis, repeating policy recommendations may prove to be counterproductive. The time of the mission would be better spent in providing new information and analysis in both the private and the public sectors.

cc: Messrs. Bart, EM2; Chaffey, EM2; Dubey, EMNVP; Asfour, EM2; Hume, EMP; Gregory, EM2; Roy, EM2; Ms. Saito EM2

BBalassa:nc





# Record Removal Notice

The World Bank Group  
**Archives**  
& Records Management

<b>File Title</b> Bela Balassa's chron files - April 1982		<b>Barcode No.</b>  30225144		
<b>Document Date</b> Apr 19, 1982	<b>Document Type</b> Letter			
<b>Correspondents / Participants</b> To : Controllers From : Bela Balassa, and Oli Havrylynshyn				
<b>Subject / Title</b> Contractor's Completion of Work				
<b>Exception No(s).</b> <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				
<b>Reason for Removal</b> 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> Chandra Kumar</td><td><b>Date</b> Jun 5, 2014</td></tr></table>	<b>Withdrawn by</b> Chandra Kumar	<b>Date</b> Jun 5, 2014
<b>Withdrawn by</b> Chandra Kumar	<b>Date</b> Jun 5, 2014			

April 19, 1982.

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

Dear Armin,

The dates for my China trip are now set. I will leave for Paris on May 11th and will continue to Beijeng a few days later. I was invited to come for three weeks but will be there only for two weeks.

At our last meeting you suggested that you would send me copies of your advisory reports on China on a confidential basis. I would very much like to receive these reports. I will, in turn, send you my report following my return.

Yours sincerely,

Bela Balassa



Mr. Vinod Dubey, EMNVP

April 19, 1982.

Bela Balassa, DRD

Proposed Working Paper

I enclose a copy of my paper "Reforming the New Economic Mechanism in Hungary." I would like to have your agreement for including the paper in the World Bank Reprint Series. Under the new rules, the memo should also include a statement on the usefulness of the paper for the Bank.

Enclosure  
BBalassa:nc



# Record Removal Notice

<b>File Title</b> Bela Balassa's chron files - April 1982		<b>Barcode No.</b>  30225144		
<b>Document Date</b> Apr 19, 1982	<b>Document Type</b> Letter			
<b>Correspondents / Participants</b> To : Mr. Jack Lowther, DRD From : Bela Balassa, DRD				
<b>Subject / Title</b> Summer Research Assistant				
<b>Exception No(s).</b> <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 checked="" type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
<b>Reason for Removal</b> Personal Information Corporate Administrative Matters				
<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>Withdrawn by Chandra Kumar</td><td>Date Jun 5, 2014</td></tr></table>	Withdrawn by Chandra Kumar	Date Jun 5, 2014
Withdrawn by Chandra Kumar	Date Jun 5, 2014			



April 19, 1982.

Mr. Kim Kihwan  
President  
Korea Development Institute  
P.O. Box 113  
Cheongryang  
Seoul  
Korea

Dear President Kim:

Thank you for your letter of April 10th and for your comments on my paper. I very much appreciate that you have taken the time to write and comment on it. I will take account of your suggestions in the revision and I will also check on the typographical errors which appear to be rather numerous. The paper was typed in my absence and a check could not be made before it was distributed.

Yours sincerely,

Bela Balassa

Typewritten  
Character  
Must Fall  
Completely In  
Box!

PAGE

OF

EXTENSION

MESSAGE NUMBER

TEST NUMBER  
(FOR CASHIER'S USE ONLY)

START  
HERE

TO: MR. J. SALGUEIRO, MINISTER FINANCE &amp; PLANNING

CITY/COUNTRY

LISBON, PORTUGAL

I ACCEPT WITH PLEASURE YOUR INVITATION TO VISIT LISBON FOR POLICY DISCUSSIONS. I AM ARRIVING ON APRIL 26TH, MONDAY AT 7:00 A.M. ON TAP 311. IN ORDER TO UTILIZE ALL AVAILABLE TIME, I WOULD LIKE TO HAVE A FULL DAY OF MEETINGS STARTING IMMEDIATELY ON MY ARRIVAL ON MONDAY MORNING. MR. RODRIGO GUIMARAES WILL CABLE YOU A LIST OF PEOPLE I WOULD LIKE TO MEET OUTSIDE YOUR MINISTRY. BEST REGARDS, BELA BALASSA.

END  
OF  
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

Telex

TELEX NO.

12143 MINFIN-P

DATE

April 16, 1982

SUBJECT:

DRAFTED BY:

Bela Balassa

CLEARANCES AND COPY DISTRIBUTION

AUTHORIZED BY (Name and Signature)

DEPARTMENT:

DRD

SECTION BELOW FOR USE OF CABLE SECTION

CHECKED FOR DISPATCH



Mr. Ardy Stoutjesdijk

April 16, 1982

B. Balassa

Space Allocation

1. Following our discussion, we have measured the wall area in Selowsky's office and in mine. While Marcelo has 428 inches of usable space, I have 527 inches that are fully utilized. It would not be possible therefore to fit my bookshelves and other effects into Marcelo's office.
2. We have raised the possibility of adding one-half of the next office to mine, with the other half being used by a research assistant. Jack Lowther tells me that this would not leave enough space for an assistant. I accordingly request adding the entire office next door to mine.
3. The suggested arrangement would permit placing all my book cases as well as my furniture. As regards the latter, I would like to add that I have increasingly held meetings with operational staff in my office. In the last few months, I have had meetings with 3-4 participants up to the Division Chief level on Brazil, Mexico, Morocco, Tunisia, and Turkey. These meetings have related to the operational and policy support I have provided to the Regions. A meeting is scheduled in my office for next Monday on Mauritius where my help is being asked.
4. Given my "O" level status, the Administrative Services Department has never raised problems in regard to the size of my office. While, under the suggested arrangement my office would be somewhat larger (357 sq. feet) than the present one (291 sq. feet) it would be comparable to Kavalsky's office.

BB/vec

## OFFICE MEMORANDUM

TO: Mr. Ardy Stoutjesdijk  
FROM: B. Balassa  
SUBJECT: Space Allocation

DATE: April 16, 1982

1. Following our discussion, we have measured the wall area in Selowsky's office and in mine. While Marcelo has 428 inches of usable space, I have 527 inches that are fully utilized. It would not be possible therefore to fit my bookshelves and other effects into Marcelo's office.
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BB/vec



TO: Mr. Jayanta Roy, EM2DA

April 15, 1982

FROM: Bela Balassa, DRC

SUBJECT: Report on Mining and Mineral Based Chemicals

1. Mr. Ogmen has done a good, workmanlike job in this report. I have found the new section on comparative advantage of particular interest. The report contains a lot of information and it should be useful to the Bank and to the Turkish Government.
2. At the same time, I regret that no effort has been made to edit the chapter. I have had to do this myself and it has involved extensive revisions and rewriting. Please have your secretary check carefully all the corrections.
3. The tables are also in rather poor state. I have indicated the changes to be made in the enclosure. It will, further, be necessary to review the tables for consistency.

BB/nks  
Enc.

cc: Messrs. Dubey, Chaffey

TURKEY: Mining & Mineral Based Chemicals Industry

Comments on Tables

Table A.3.1	Eliminate decimals.
Table A.3.2	Eliminate decimals and small differences compared with Table A.3.1. The last column should have the heading "1980" rather than "1976". Under all headings replace "tons" with "thousand tons".
Table A.3.3	Figures conflict with those of Table A.3.4. In view of overlapping between the two tables, delete Table A.3.3.
Table A.3.4	Retain one decimal only.
Table A.3.5	Use one decimal for tonnage. Delete decimals from dollar value of exports.
Table A.3.6	Delete decimals from exports to Pakistan.
Table A.3.7	Use one decimal.
Table A.3.8	Eliminate decimals; explain meaning of "tpy".
Table A.3.9	Explain meaning of "tpa".
Table A.3.10	Explain asterix. Eliminate 4th to 6th lines.
Table A.3.11	Give full reference to TSKB Study.
Table A.3.12	In deriving capacity shortage based on 1979 capacity, capacity existing in that year (shown in first column) should be deducted from the demand estimate\$, multiplied by 1.25, that are presently shown in the third column under the title "Capacity Shortage Based on 1979". Also, the fifth column should be checked for errors and decimals eliminated throughout the table. Data missing for sodium perborate.
Table A.3.13	Eliminate discrepancies between estimated demand in 1983 in Table A.3.12 and the sum of production and imports in Table A.3.13. Also eliminate all decimals from the table.
Table A.3.14	Delete decimals
Table A.3.15	Meaning of $B_2O_3$ is not clear.



TURKEY: Mining & Mineral Based Chemicals Industry

- Table A.3.25      The demand projections on this table bear no resemblance to those in Table A.3.12. Retain only projections for ~~titkal~~ and colemanite that are not included in the earlier table.
- Table A.3.26 & 27      Combine with table 3.25
- Table A.3.28      Express quantities in thousand tons. Use one decimal for percentage shown.
- Table A.3.32      Arrange in same way as Table A.3.20.
- Table A.3.33      Arrange in same way as Table A.3.21.
- Table A.3.34      Use one decimal.
- Table A.3.42-48      Use one decimal.

BB/nks  
April 13/82

TO: Mr. A. Karaosmanoglu, Director, EMI

April 15, 1982

FROM: Bela Balassa, DRD

SUBJECT: Policy Discussions in Portugal

1. I mentioned to you a few weeks ago that I had received an invitation to visit Portugal for policy discussions. Due to an administrative error a confirmation of the invitation arrived only this week. I would plan to go to Portugal for the week of April 26.

2. The invitation comes from the Finance Minister, Mr. Joao Salgueiro. I have had a good working relationship with Mr. Salgueiro over the years. I lead a Bank mission to Portugal in 1968 and I have been back there as an official and non-official adviser in 1972, 1976 and 1979.

BB/nks

cc: Messrs. Chaufournier, Aiyer



April 15, 1982

Dear Walter:

Thank you for your letter of March 30 and for your detailed comments on my paper. I have since received comments from Fields.

I must confess I did not know that the volume is destined for non-economists as well. I will explain the concepts and methodology used in the paper to make it understandable for them.

The paper makes comparisons between Korea and other outward oriented developing economies and countries whose policies have been characterised by inward orientation. Apart from India all the countries can be characterised semi-industrialised or, using the more recent terminology, newly industrialising. The comparisons are of interest, I believe, since they put Korea's achievements in perspective.

The latter conclusions indicate the desirability of retaining tables which make international comparisons. I will do my best to simplify tables, however; I am also eliminating duplications between the text and the tables. At the same time, I did not think that it would be appropriate to add more tables.

I will limit the discussion of external shocks. Nevertheless, this is necessary to indicate that outward oriented economies, including Korea, have been able to better surmount these shocks. Thus the moral is not "do not be heavily involved in foreign trade when export markets turn bad" but, rather, "despite the larger shocks, outward orientation ultimately helps".

In Table 10 the only absolute figure pertains to the exchange rate; it will be replaced by an index number. I am also eliminating quarterly figures. Hopefully, I will get the annual data for 1981 before the new deadline.

As regards the planned meeting, please note that I am teaching on Tuesdays and Wednesdays.

With best regards,

Sincerely,

Bela Balassa

Professor Walter Galenson  
1150 Park Avenue  
New York, N.Y. 10028

BB/nks



April 15, 1982

Dear Gary:

Thank you for your letter of April 6 and for your useful comments. I was not aware of the fact that the volume is destined for non-expert readers as well; I will make the necessary explanations to make the paper understandable for them.

While I agree on the need to limit the comparative discussions, I believe that these are useful to put the Korean experience in perspective. As regards the importance of the over-valuation of the Korean exchange rate after 1978, this is well documented and agreed to by all concerned.

Finally, I will make the suggested change in regard to income distribution.

Sincerely,

Bela Balassa

Professor Gary S. Fields  
Cornell University  
P. O. Box 1000  
Ithaca, New York, 14853

cc: Prof. Walter Galenson

BB/nks



April 15, 1982

Dear Professor Courbis:

Many thanks for sending me the volume on "Commerce international et modeles multiregionaux". My cursory reading suggests that the volume contains a number of important contributions including the one by yourself.

With best regards,

Sincerely,

Bela Balassa

Professor Raymond Courbis  
Centre National de la Recherche Scientifique  
Universite de Paris-x-Nanterre  
2, Rue de Rouen  
92001 Nanterre, France

BB/nks

April 15, 1982

Dear Raul:

I regret that, due to a conflict with my graduate courses at Hopkins, I was unable to attend your seminar. I have since read the paper with great interest. While the earlier parts of the paper present your views I have been familiar with, I find that your discussion of the generation of the economic surplus makes an important contribution.

I very much hope that we will find an opportunity to meet soon. Until then I remain,

Sincerely,

Bela Balassa

Dr. Raul Prebisch  
United Nations - ECLA  
1801 K Street, N. W.  
Room 1261  
Washington, D.C. 20006

BB/nks



April 15, 1982

Dear Professor Komlos:

I regret that there might have been a misunderstanding concerning "Magyar Fuzetek". I thought to have told you that I have already received 910 and would need only new numbers starting from 11. Accordingly, I return No. 910 of the publication.

I will keep my eyes open for a job in economic history or economics. If you send me one or two of your publications I would also be happy to write a letter of recommendation for a job you might be applying for.

Sincerely yours,

Bela Balassa

Enc.

Professor John H. Komlos  
717 West Melrose Street  
Chicago, Ill. 60657

BB/nks

TO: Mr. Gerhard Pohl, AEADE

April 15, 1982

FROM: Bela Balassa, DRC

SUBJECT: Comments on Paper: "The Role of Foreign Trade in the Economic Development of Korea"

Thank you for your comments they will be useful in revising my paper. I expect to get annual figures for 1981 on the real exchange rate and will modify the text accordingly. I will also modify the statements on financing activities in capital intensive industries while noting that the term includes, in particular, petrochemicals and chemicals. These are industries where Korea did rather badly.

BB/nks

cc: Mr. R. Agarwala



April 15, 1982

Dear Bela:

I enclose a copy of my recent paper "The Hungarian Economic Reform, 1968-81" which you might like to refer to in the Hungarian Studies Newsletter.

Sincerely,

Bela Balassa

Mr. Bela Charles Maday  
Editor  
Hungarian Studies Newsletter  
4528 - 49th Street, N.W.  
Washington, D.C. 20016

Enc.

BB/nks

April 15, 1982

Dear Raymond:

I am pleased that you liked the financial market study on Brazil; it was written by Alan Gelb, one of the brightest young economists at the Bank. There is no need for you to return the Study.

I wish you a good trip to China. I, myself, am going there in May for policy discussions.

Carol joins me in sending you our best regards,

Sincerely,

Bela Balassa

Mr. Raymond Goldsmith  
Department of Economics  
Yale University  
37 Hillhouse Avenue  
New Haven, Connecticut 06520

BB/nks



April 15, 1982

Dear Professor Fair:

Thank you for your three papers. I find your estimates of the factors affecting trade shares of great interest. At the same time, I am afraid that I do not see possibilities for Bank support of your work. I would think, however, that the IMF might be interested as this kind of study is more relevant to their work than it is to the work at the Bank.

Incidentally, I asked for the papers in conjunction with my teaching at Hopkins rather than for use in my work at the Bank.

My thanks again.

Sincerely yours,

Bela Balassa

Professor R. C. Fair  
Department of Economics  
Yale University  
Box 2125  
Yale Station  
New Haven, Connecticut 06520

BB/nks

April 15, 1982

Professor Richard S. Eckaus  
Department of Economics  
MIT  
Cambridge, Mass. 02139

Dear Dick:

I did not take amiss your comments on the relevance of my Hungarian experience to Tanzania. You seem to have missed my point, however. Apart from trying to avoid being labeled anti-socialist, I wanted to indicate the relevance of the Hungarian experience for Tanzania.

With best regards,

Sincerely,

Bela Balassa

BB/nks



FOR TRANSLATION INTO FRENCH

April 13/82

Dear Sir:

Thank you for your letter of March 29 inviting me to give a lecture at the Centre des Hautes Etudes de l'Armement. I would be happy to do so as I expect to be in Paris in the course of December.

I wish to inform you that my own work has been on the effects of developed countries on the Third World. I would, therefore, plan to examine inter-relationships between the two groups of countries, if this subject meets your needs.

Sincerely,

Bela Balassa

Centre Des Hautes Etudes de L'Armement  
21, Place Joffre  
75700 Paris, France

Monsieur,

Je vous remercie de votre lettre du 29 mars m'invitant à prononcer une conférence devant le Centre des hautes études de l'armement. Ayant l'intention de me rendre à Paris en décembre prochain, j'accepte volontiers votre invitation.

Comme je m'intéresse beaucoup à l'impact des pays développés sur la situation des pays du tiers monde, j'envisage de traiter, si le sujet vous convient, des relations entre ces deux groupes de pays.

Dans l'attente de votre réponse, je vous prie d'agréer, Monsieur, l'expression de ma considération distinguée.

Bela Balassa

Centre des hautes études de l'armement  
21, Place Joffre  
75700 Paris (France)



FOR FRENCH TRANSLATION

April 13/82

My dear friend:

Thank you for your letter of March 23. I am glad to know that work has progressed on the book.

I enclose the corrected proofs. I have made only very few changes. Please have your secretary review the corrections in the proofs.

My visit to Bordeaux remains a pleasant memory. Please convey my best regards to your wife.

Sincerely,

Bela Balassa

Professor H. Bourguinat  
Faculte des Sciences Economiques  
Universite de Bordeaux  
Avenue Leon Duguit  
33604 Pessac, France

Le 13 avril 1982

Cher ami,

Je vous remercie de votre lettre en date du 23 mars et suis heureux d'apprendre que l'ouvrage devant paraître chez Economica est en bonne voie.

Je vous retourne ci-joint les épreuves, auxquelles je n'ai apporté que de très légères modifications; je vous saurais gré de bien vouloir demander à votre secrétaire de les relire.

Sachez que j'évoque toujours avec grand plaisir mon séjour à Bordeaux, à l'agrément duquel vous avez contribué pour beaucoup.

Je vous prie de transmettre à votre femme mon respectueux souvenir et vous adresse, Cher ami, mes très sincères salutations.

Bela Balassa

Monsieur H. Bourguinat  
Professeur  
Faculté des sciences économiques  
Université de Bordeaux  
Avenue Léon Duguit  
33604 Pessac (France)



April 12, 1982

Dear Henry:

To prepare you for your trip to Budapest, I enclose a copy of my recent paper "Reforming the New Economic Mechanism in Hungary". You will see that my views on the exchange rate issue are quite different from those of Fekete.

I further enclose "A Short Guide to Restaurants in Budapest" which I wrote eight years ago. There have been few changes since. I, particularly, recommend the first two restaurants on the list. You may also wish to try Corso, it is near to the downtown hotels and it is one of my favorites.

Sincerely,

Bela Balassa

Governor Henry C. Wallich  
Board of Governors of the Federal Reserve System  
Constitution Avenue & 20th Street, N. W.  
Washington, D.C. 20551

BB/nks

April 12, 1982

Dear Mr. Whitten:

I will be happy to review "Portugal: Revolutionary Change in an Open Economy". Please send the book immediately and let me know when you would like to have the review.

Sincerely yours,

Bela Balassa

Mr. David O. Whitten  
Managing Editor  
Department of Economics  
Auburn University  
Alabama 36849



April 9, 1982.

Journal of Development Economics  
North-Holland Publishing Company  
Journal Division  
P.O. Box 211  
Amsterdam  
The Netherlands

Dear Sir:

I have just seen a reference to the June 1981 issue of the Journal of Development Economics. While I am a subscriber to this Journal, this issue was not sent to me. I had no knowledge that such an issue existed and hence I could not send a reclamation to you.

I received, however, two copies of the April 1981 issue; in turn, I will be happy to return the second copy of the April 1981 issue.

Yours sincerely,

Bela Balassa

Mr. Jack Lowther, DRD

April 8, 1982

Bela Balassa, DRD

Robert Therriault

In reference to our telephone conversation I provide below addresses and telephone numbers for Mr. Robert Therriault. In view of the fact that mail to Canada might take several weeks and that I need him to start work on May 1st, communications with him should be made by telephone or telegram.

Please send me a copy of your communications to the Personnel Department as well as copies of any replies received and telegrams sent.

3483 Stanley Street  
Montreal, Quebec H3A 1S2  
Canada  
Tel: (514) 285-0707

Student residence (514) 843-3812

BBalassa:nc



April 8, 1982.

Dr. Varga György  
1054 Budapest  
Alkotmany u. 10  
Hungary

Dear Gyuri,

It was good to see you in Bloomington and I very much enjoyed the conversations we had. All in all, it was an excellent Conference.

You asked me if I could provide a paper for publication in Gazdasag. I enclose my "Structural Adjustment Policies in Developing Economies" which has just appeared in World Development and may be of interest to Hungarian audience. I have also written about this to Mr. Csikos-Nagy and sent him a copy.

Yours sincerely,

Enclosure

Bela Balassa

Mr. Ernest Stern, SVPOP

April 8, 1982

Bela Balassa, DRD

Book Review

The enclosed review of my book *The Newly Industrialising Countries in the World Economy* in the Bulletin of the Institute of Development Studies of the University of Sussex may be of interest to you.

cc: Mr. Please, SVPOP

Enclosure  
BBalassa:nc



DRD Senior Staff

April 8, 1982

Bela Balassa, DRD

Book Review

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Enclosure

BBalassa:nc

Mr. Hollis B. Chenery, VPD

April 8, 1982.

Bela Balassa, DRD

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cc: Mr. Wright, VPD

Enclosure  
BBalassa:nc



DRD Professional Staff

April 8, 1982

Bela Balassa, DRD

Reprint Series


Please send me any papers you wish to suggest for the Reprint Series in 15 copies by April 16th. I also need a short paragraph on the contributions of the paper to literature and its relevance for the Bank. Papers accepted for publication, but not yet published, should be provided in mimeograph form.

BBalassa:nc

## OFFICE MEMORANDUM

DRD Professional Staff

April 8, 1982

Bela Balassa, DRD 

Reprint Series

Please send me any papers you wish to suggest for the Reprint Series in 15 copies by April 16th. I also need a short paragraph on the contributions of the paper to literature and its relevance for the Bank. Papers accepted for publication, but not yet published, should be provided in mimeograph form.


BBalassa:nc



## OFFICE MEMORANDUM

DRD Senior Staff

April 8, 1982

Bela Balassa, DRD 

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Enclosure  
BBalassa:nc

## OFFICE MEMORANDUM

TO: Mr. Richard L. Berney, EGY D1

FROM: Bela Balassa, DRD

SUBJECT: TURKEY - Energy Assessment Report

DATE: April 5, 1982

1. This is in answer to your request for comments on the pricing of energy products in Turkey (first part of Chapter III of the captioned report). Mr. D. C. Rao has also asked my views on the subject. I am sending copies of my reply to him as well as to those immediately concerned with the issue in EMENA.
2. I may begin by citing my paper, "Structural Adjustment Policies in Developing Economies" World Development, January 1982 (originally distributed as World Bank Staff Working Paper No. 464) on the subject: "Apart from adjusting domestic energy prices to world market prices, an additional tax should be imposed on energy to the extent that the shadow price of foreign exchange exceeds the actual exchange rate. This will be the case even if the balance of payments is in equilibrium as long as there is import protection (export subsidization). In this event, the shadow exchange rate will equal the weighted average of 'commodity exchange rates,' which are defined as the actual exchange rate augmented by import tariffs or export subsidies." (p. 30).
3. Following the depreciation of the lira in real terms during the second half of 1981, it can be assumed that Turkey's actual exchange rate equilibrates the balance of payments, given the various import protection and export subsidy measures applied. However, the existence of these measures raises the shadow exchange rate above the actual exchange rate to a considerable extent. While recent estimates of the shadow exchange rate are not available, indications of possible magnitudes can be given.
4. As shown in Turkey: Industrialization and Trade Strategy (ITS), the average nominal tariff is 53 percent on general imports and 44 percent on imports from the European Common Market (Vol. II, Table 2.18). In view of the importance of the EEC in Turkish imports, the latter figure may be retained for further discussion. At the same time, this figure does not reflect the scarcity margin of foreign exchange associated with quantitative import restrictions, which are widespread in Turkey. In a small sample of commodities, implicit tariffs, defined as the percentage excess of domestic over cif import prices, were found to exceed nominal tariffs by varying margins (Table 2.23). Such is not the case, however, for a number of intermediate products produced by the state economic enterprises. In fact, in some instances, domestic prices are below the cif import price (Table 6.4).
5. The results point to the fact that implicit tariffs may exceed, or fall short of, nominal tariffs, depending on the scarcity premium of foreign exchange and on the existence of "water" in the tariff. Estimates of implicit tariffs will be available in a few months in the framework of the protection study carried out in Turkey. Until then, one may assume that implicit tariffs, on the whole, exceed nominal tariffs and take an average of 55-60 percent as a point of departure.



6. The report raises the possibility of setting petroleum prices by adding average effective protection rates in the manufacturing sector to the world market price (Para. 3.07). Effective rates do not provide an appropriate benchmark, however, for price setting. Also, the shadow exchange rate has elements other than import protection in the manufacturing sector, including export subsidies in this sector as well as protection rates in agriculture. Thus, a 55-60 percent tax on oil would unduly penalize manufactured exports and agricultural products that receive lower rates of protection.

7. According to ITS, the average subsidy to manufactured exports is 11 percent in Turkey. In turn, in 1980, implicit protection rates for the major agricultural products ranged between -.26 percent (hazelnuts) and 32 percent (olives), with positive protection rates shown for three out of nine items, to which three "outliers", rice (165 percent), sugarbeet (155 percent), and sunflower (46 percent), should be added. In 1978, the last year for which a complete set of data is available, the average protection of agricultural products was 26 percent.

8. The shadow exchange rate was estimated to exceed the actual exchange rate by 40 percent in 1978 (ITS, Vol. III, A 1.13). Choosing this figure as a point of departure, and taking account of subsequent reductions of protection rates in industry as well as in agriculture, one may suggest making a 30-35 percent adjustment in the exchange rate for purposes of pricing petroleum and its products (i.e. setting energy taxes at 30-35 percent).

9. I would not favor further adjustment in petroleum prices on the grounds suggested in the report that rapid increase in energy consumption would lead to a deterioration of Turkey's balance of payments, necessitating changes in the (real) exchange rate (Annex 9), unless prices are sufficiently raised. In fact, I would assume that a 30-35 percent increase in energy prices would be sufficient to avoid such an eventuality.

cc: Messrs. Bart, EM2; Picciotto, EMP; Carmignani, EMP; Chaffey, WA2;  
Reekie, EMP; Dubey, EMNVP; Asfour, EM2; Hume, EMP; Roy, EM2;  
D.C. Rao, EGY; Chadenet; Please, SVPOP; Newbery, DRD

BBalassa:nc



Mr. Richard L. Berney, EGY D1

April 5, 1982

Bela Balassa, DRD

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Reekie, EMP; Dubey, EMNVP; Asfour, EM2; Hume, EMP; Roy, EM2;  
D.C. Rao, EGY; Chadenet

BBalassa:nc



# Record Removal Notice

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<b>Document Date</b> Apr 5, 1982	<b>Document Type</b> Letter			
<b>Correspondents / Participants</b> To : Mr. Alexander Meeraux, DRD From : Bela Balassa, DRD				
<b>Subject / Title</b> Mr. Kenneth Myers				
<b>Exception No(s).</b> <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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<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> Chandra Kumar</td><td><b>Date</b> Jun 5, 2014</td></tr></table>	<b>Withdrawn by</b> Chandra Kumar	<b>Date</b> Jun 5, 2014
<b>Withdrawn by</b> Chandra Kumar	<b>Date</b> Jun 5, 2014			



2134 Wyoming Avenue N.W.  
Washington, D.C. 20008  
April 5, 1982

The John F. Kennedy Center  
Washington, D.C. 20566

Dear Sir:

I would like to order six tickets for Saturday, April 17th,  
the evening performance of A Bridge from Pluto. My check for \$45.00 is  
enclosed as well as a stamped self-addressed envelope.

Yours sincerely,

Enclosures

Bela Balassa



Thomas L. Hutcheson, LCP

April 5, 1982

Bela Balassa, DRD

Andean Group

1. I agree with your evaluation of the results of regional integration in the framework of the Andean Group as well as with the recommendations made for its future reorientation. In fact, these recommendations closely conform to the proposals I made to the Junta in 1973 and in 1975. Thus, my comments on your memo are minor.
2. While you regard the Andean Group as an expression of a subregional import-substituting industrialization strategy, on my visits to Lima I found considerable sympathy at the Junta for my ideas for greater outward orientation. In fact, the guidelines prepared by the Junta for the common external tariff incorporated several of my recommendations and their implementation would have represented a far-reaching reform of the protection policies of individual member countries. I presume, however, that the outcome was a political compromise.
3. One of my recommendations accepted by the Junta was to set import tariffs so as to equalize effective, rather than nominal, protection rates. As long as untaxed primary inputs are used in manufacturing, this would not imply uniform tariffs across-the-board.
4. Furthermore, in the evaluation of the results, note should be taken of the effects of reductions in intra-area trade barriers (the unqualified use of the word "liberalization" is hardly appropriate) on extra-area exports. In turn, the proposed export subsidies may encounter retaliation on the part of the industrial countries, in particular the United States. One would then have to consider alternative combinations of the exchange rate, import tariffs and export subsidies that have similar effects. On this point, see my "Export Subsidies in Developing Countries: Issues of Policy" (World Bank Reprint No. 55) written jointly with Michael Sharpston.

cc: Messrs. Renger, LCP; Cook, LCP; Baskind, LCP; Levy, LC2; Meo, LC1; Nowicki, LC1; Wogart LCP

BBalassa:nc



Bela Balassa

Etude du Secteur Textile et Cuir

1. Cette étude présente les résultats de calculs sur les incitations et sur le cout économique des productions dans les industries du textile et du cuir de façon instructive. Les commentaires qui suivent ont comme but de clarifier et d'améliorer la méthodologie ainsi que le texte.

Le méthodologie des calculs

2. On devrait séparer la description de la méthodologie de celle des résultats quantitatifs. Néanmoins, en décrivant la méthodologie, il serait souhaitable d'utiliser un exemple (Le cas de la filature pourrait y servir). Il serait aussi souhaitable de préparer un glossaire des définitions et des abbréviations.

3. Dans le calcul du coefficient de protection effective (CPE), on n'utilise la valeur ajoutée indirecte que pour les inputs non commercialisables. Ainsi, on ne peut pas dire que c'est "la valeur ajoutée directe et indirecte qui est appréhendée ici" (p. 7).

4. Le coefficient de subvention effective (CSE) tient compte des incitations douanieres et non douanieres (p. 12). Aussi, le calcul du CSE devrait etre fait a partir des normes exprimant la situation en l'absence de subventions. En particulier, le taux normal de la taxation directe de l'activité sous forme de taxe urbaine, de l'impôt sur les patentes etc, des impôts contenus dans les inputs non commercialisables et les amortissements, ainsi que l'IBP normalement du par la société en l'absence de toute mesure de promotion, ne devraient pas etre considérés comme des subventions négatives. Dans le cas de la premiere société de la filature, les subventions nettes s'élèveront ainsi a 42.000 dirhams et le CSE sera légèrement supérieur au CPE de 12.5%. Par ailleurs, le CSE devrait etre calculé pour le marché intérieur ainsi que pour le marché extérieur.

5. Le mode de calcul des prix de référence de la main d'oeuvre, du capital, et des devises devrait etre expliqué. En particulier, il faudrait expliquer dans quelle mesure on a séparé la main d'oeuvre qualifiée de la main d'oeuvre non-qualifiée. Cette séparation semble etre indiquée par le fait que le salaire moyen de référence est de 8.56 DH pour la premiere société et de 12.74 DH pour la deuxieme (pp. 21-22).

6. Il faut clarifier les éléments qui influencent la productivité du capital. La protection augmente la rentabilité du capital aux prix intérieurs mais pas la productivité du capital. Aussi, on doit insister sur le fait que la productivité du capital, ainsi que celle du travail, sont influencées par le rapport capital/travail dans l'entreprise.



### Branche filature

7. Pourquoi a-t-on traité sur ordinateur seulement deux des sept sociétés auxquelles les questionnaires ont été envoyés? Les sociétés fabriquant des filés acriliques et texturés présentent aussi un intérêt pour l'étude.
8. Le calcul du coefficient de protection nominale (CPN) pour les filés de coton devrait être clarifié. La phrase, "en ce qui concerne les produits vendus en admission temporaire sur le marché intérieur, les comparaisons de prix ont été effectuées à travers une comparaison directe des prix des produits locaux et des prix similaires importés par des clients exportateurs" n'indique pas ce qui a été fait. Aussi, les CPN, CPE, et CSE devraient avoir trois décimales dans les tableaux et deux décimales dans le texte. Il faut ajouter que le CPN global pour la deuxième société est de 1.04 au lieu de 1.40 (p. 10).
9. Tous les calculs devraient être faits sur la base de la même année. On ne peut pas introduire des différences dans les résultats dues exclusivement aux changements des taux de la TS et du timbre douanier.
10. On se demande si, pour la deuxième société, le marché intérieur est "assez bien protégé" (p. 12). Le CPE de 1.20 pourrait être inférieur au taux de change de référence. Le taux choisi devrait être indiqué dans le texte. En même temps, on ne peut pas parler du "transfert de protection" (p. 13).

### Filature Tissage

11. On devrait pouvoir obtenir des prix pour les articles du premier choix sur le marché intérieur. Aussi, la phrase, "en moyenne, il est apparu une majoration de 3 à 5% des CPNs, avec cependant la majorité se trouvant entre 1.13 et 1.19" (p. 28), devrait être clarifiée. D'ailleurs, ces calculs n'aboutissent pas au résultat cité d'un CPN de 1.20, et les sociétés elles-mêmes suggèrent un écart des prix allant de 0 à 25% (p. 28). D'autre part, pourquoi choisir un CPN de 1.42 pour les pièces détachées ou la fourchette du prix va de 1.42 à 2.62? (p. 32).
12. Le calcul de la valeur de l'amortissement accéléré pour les entreprises devrait être clarifié. On ne peut pas dire que "sa valeur pour une entreprise qui le pratique dans une année donnée est égale au moins à la valeur actualisée des économies bancaires ainsi économisées" (p. 36). Il faut plutôt calculer la différence annuelle entre les intérêts payés sans, et avec, l'amortissement accéléré.
13. Il va de soi que, si la REC global est supérieure à 12%, la REC direct l'est aussi. En même temps, on devrait parler de la rentabilité économique du capital direct au lieu de la rentabilité du capital tout court (p. 38). Aussi, il faut souligner que la productivité des facteurs calculée dans le tableau 5 est influencée par le rapport capital/travail dans la firme. D'autre part, ce rapport est en grande partie déterminé par le caractère économique de l'activité elle-même.



### Bonneterie

14. Le texte met l'accent sur la productivité du capital qui ne peut pas être évaluée par rapport à une norme. Ceci est particulièrement clair dans le cas de la firme qui loue son usine (p. 49).

### Confection

15. C'est dommage qu'on n'a pas retenu dans l'échantillon les sociétés vendant des vêtements et des chemises sur le marché intérieur. Ceci étant le cas, l'échantillon n'est pas représentatif de la branche. D'autre part, il faut souligner l'effet défavorable de l'achat local des inputs pour les exportations.

16. Comme il a été indiqué ci-haut, on ne peut pas comparer la productivité du travail dans les branches, telles que la confection et la filature tissage (p. 57), ou les rapports capital/travail sont très différents. Aussi, la productivité très élevée du facteur capital dans la confection est due au fait que cette branche industrielle est très peu capitalistique. Finalement, le niveau très bas des salaires est expliqué par le fait que la branche utilise en grande partie la main d'œuvre non-qualifiée.

### Chaussures

17. Pas de commentaire.

### Considérations globales

18. Comme il a été indiqué dans les instructions, l'analyse des résultats par sous-secteur devrait être précédée d'une description des caractéristiques générales du secteur et suivie d'une analyse comparée des sous-secteurs. La description du secteur exige aussi une comparaison des firmes de l'échantillon à la branche dans son ensemble. Pour l'analyse comparée des sous-secteurs, il faut un tableau qui inclurait les indicateurs d'incitations et de rentabilité économique.

19. Dans l'analyse de la rentabilité économique, l'accent devrait être mis sur le coût économique réel des devises, qui devrait être comparé avec les indicateurs d'incitations économiques. Dans la mesure où la rentabilité économique du capital est utilisée, c'est la REC globale qui exprime la rentabilité de la production et, pour des raisons indiquées ci-dessus, la productivité du capital et celle du travail n'ont pas une signification économique. Ainsi, la REC ne peut pas être considérée comme étant le résultat du rapport de la productivité du capital et salaires sur la valeur ajoutée (p. 58).

cc: Messrs. Michael Carter, Bonnel, Etti and Ms. Guerard

April 5, 1982

Mr. Teng Weizao  
President  
Nankai University  
Weijin Road 94, Tianjin  
People's Republic of China

Dear Mr. Teng:

I was glad to learn from your letter of March 10th that you plan to come to the United States in May. I would like to invite you to visit the Bank on the occasion of your trip. We would defray the extra expenses involved. In the event that the timing of your visit is flexible, I would like to ask that you come in the first ten days of May. I myself will depart on the 11th for France and China.

Apart from having discussions here, we would be very happy if you could present a seminar. Should this be the case, please let me know about possible topics.

I am sorry that you might not be in China at the time I will be there, but I hope that we can meet in Washington.

With best regards

Yours sincerely,

Bela Balassa

cc: Mr. B. B. King, VPD



M. le Professeur Raymond Barre  
176 bd. St. Germain  
75007 Paris  
France

Monsieur le Professeur et Cher Ami:

I will be in Paris on May 13 and 14 for meetings. I would very much like if I could see you and Mrs. Barre during my visit. I wonder if I may invite you for dinner on May 13 or 14 in one of my favorite restaurants. Should the evening not be convenient for you, I would suggest lunch on May 13 instead.

Yours sincerely,

Bela Balassa

Le 2 avril 1982

Monsieur le Professeur et Cher ami,

Prévoyant d'être à Paris les 13 et 14 mai pour diverses réunions, je serais très heureux de pouvoir vous rencontrer ainsi que votre femme. Puis-je vous inviter à dîner, l'un ou l'autre soir, ou à défaut à déjeuner le 13, dans un de mes restaurants favoris?

En attendant votre réponse, je vous prie de croire, cher ami, à mes sentiments distingués.

Bela Balassa

Monsieur le Professeur Raymond Barre  
4-6, avenue Emile Acolas  
75007 Paris (France)



2 avril 1982

Mme. La Directrice  
Hotel Scandinavia  
27 rue de Tournon  
Paris, 6e  
France

Chère Madame:

Je vous prie de bien vouloir me retenir une chambre pour les  
dates suivantes.

Arrivée: le 12 mai

Départ: le 15 mai

Envvous remercient d'avance, je vous prie de croire, chère Madame,  
à mes meilleurs sentiments.

Bela Balassa

cc: Mme. Ponchon (Banque Mondiale, Paris)

2134 Wyoming Avenue N.W.  
Washington, D.C. 20008  
April 2, 1982.

Findings & Forecasts  
Anametrics, Inc.  
30 Rockefeller Plaza  
New York, N.Y. 10020

Dear Sir:

I am in receipt of the latest issue of Findings & Forecasts, indicating that the "Three Step and Stumble Rule" triggered a sell signal on December 18, 1980. A sell recommendation was not made at that time, however, rather a continued invested position was suggested.

Given this conflict in the recommendation and the rules devised by Mr. Gould, and the disappointing results obtained, I do not wish to continue with my subscription to Findings & Forecasts. Accordingly, I request that you refund the amount of my outstanding subscription.

Very truly yours,

Bela Balassa



Enclosed: Reprint No. 59 Export Incentives and Export Performance in Developing  
Countries: A Comparative Analysis  
No. 68 Exports and Economic Growth: Further Evidence  
Disequilibrium Analysis for Developing Economies: An Overview of Issues  
and Techniques - Dec. 23/81

April 2, 1982

Professor Rudiger Dornbusch  
Department of Economics  
Massachusetts Institute of Technology  
Cambridge, Massachusetts 02138

Dear Rudi,

As promised, I enclose the data on unit values of manufactured goods exported by the developed countries to the developing countries and vice versa. It is apparent that the change in the terms of trade between 1970 and 1978 was rather small. At the same time, as shown by Kravis and Lipsey (Prices and Terms of Trade for Developed Country Export of Manufactured Goods, paper presented at the Athens Conference of the International Economic Association, September 1981), unit value indices overstate the rise in the prices of manufactured goods, in particular machinery, exported by the developed countries. If appropriate adjustment is made, there may not have been any change in the terms of trade at all.

I further enclose my "Disequilibrium Analysis for Developing Economies: An Overview of Issues and Techniques" that summarizes available evidence on the interest-elasticity of savings. But, as I repeatedly noted at the Conference, overly high real interest rates will have adverse economic effects. This will be reflected on the revised version of the paper that will be sent to you next week.

I see no need, however, to modify my conclusions on the superior performance of outward-oriented economies in surmounting the 1974-75 external shocks. As noted in the paper this conclusion obtains for the NICs and the less developed countries separately, irrespective of whether one calculates group averages or examines the relationship between adjustment through export promotion and economic growth.

While this result might have come as a surprise, given the exposure of outward-oriented economies to the vicissitudes of the world market, it only confirms the results obtained by myself and others for the preceding period of world expansion. On the latter, see my enclosed papers.

I regret not to have been able to discuss these, and other, points with you at the Conference. I am confident that through such discussions we could have narrowed our differences.

Sincerely,

Enclosures

Bela Balassa



Unit Values for Manufactured Exports \* (1970 = 100)

	<u>Developed Country Exports to Developing Countries</u>	<u>Developing Country Exports to Developed Countries</u>
1970	100.0	100.0
1971	107.8	109.2
1972	118.7	120.6
1973	142.0	159.0
1974	176.0	176.2
1975	202.6	204.2
1976	204.3	189.2
1977	220.6	215.5
1978	261.6	237.0

\* SITC 5+6+7+8-68. In the case of the developed countries, adjustment for the exports of nonferrous metals could not be made. These exports, however, represent a small proportion of the total.

Source: United Nations, Monthly Bulletin of Statistics, various issues.



## OFFICE MEMORANDUM

TO: Ms. M. Nishimizu and Mr. J. Page, DED

FROM: Bela Balassa, DRC

SUBJECT: Infant Industry RPO

DATE: April 2, 1982

I thought that it may be useful to briefly note a few points regarding your research proposal.

(a) In view of the speculative nature of external economies, more emphasis should be given to market failures at the firm level, which involve limitations on the ability of the firm to borrow or differences in the private and the social evaluation of risk. At any rate, the evidence you will collect in the first two phases of research is relevant for both forms of market failures.

(b) Investment incentives and protection may be designed to offset market failures at the firm level or to compensate for external economies. Changes in the profitability of the firm with and without these incentives should be indicated and the degree of permanence of the incentives examined. While infant industry incentives are supposed to be temporary, they are often maintained for long periods.

(c) Inter-country comparisons of total factor productivity need to be made in terms of common prices. One possible alternative is to make several sets of calculations, each utilizing the prices of a different country. This alternative has the disadvantage, however, that it would involve the use of protection-distorted prices in developing countries.

(d) An alternative procedure would entail using "world market" prices for traded as well as for nontraded inputs. However, a developing country with a low TFP at "world market" prices may still be competitive if its labor costs are sufficiently low. Thus, in the case of nontraded inputs, in particular labor, the country's own prices will be relevant. This, then, leads one to estimate domestic resource cost ratios to express competitiveness.

(e) Apart from pricing, intercountry comparisons of particular activities encounter problems because of differences in plant size, technology, and the quality of output and inputs. All these difficulties suggest the desirability of making comparisons in physical terms for homogenous products whenever possible. One can, then, obtain points on isoquants representing different levels of output.

(f) Another problem that bedevils cross-section as well as time series estimates of TFP is the existence of year-to-year variations in the degree of capacity utilization. This is because some cost items are rising proportionately, and others non-proportionately, with output. Apart from overtime, in this connection reference needs to be made to the concept of the "user cost" of capital.

(g) A further question relates to the time span of the time-series estimates. In order to ensure comparability, one should limit the time period

to the life of the plant; apart from the excess costs involved in the transitional period of moving from one plant to another, a new plant will generally employ a new technology. One should also avoid including in the sample firms where substantial plant extensions occurred during the period of observation.

(h) Finally, one should not promise too much; experience indicates that at the time the research project is evaluated, the results will be compared to what was originally promised. In particular, it should be emphasized that the proposed project will be successful even if only the first two phases provide numerical results. At the same time, one should be more definite in stating data requirements. One should not use the expression that "our strategy with respect to the price and quantity data is to specify a Christmas wish list of the 'ideal' data set, and then do our best to approximate it out in the field" (p. i). An alternative procedure is to state minimum data requirements and to exclude from the sample firms that cannot conform to these requirements.

cc: Recipients of draft proposal.

BBalassa:nc



April 2, 1982

Dr. Bela Csikos-Nagy  
President  
Hungarian Economic Association  
1370 Budapest Pf. 544  
Hungary

My dear friend:

My plans for the summer have changed somewhat and I would come to Budapest in the first week of August. I fear that this may conflict with your vacation, and the vacation of others, in which case we may postpone the seminar until December.

I enclose my paper "Structural Adjustment Policies in Developing Countries" that may serve as a basis for the seminar. Needless to say, I could introduce modifications if you wish me to treat some of the subjects in more detail.

In any event, you may wish to consider my paper for publication in Gazdasag. For this eventuality I am sending a separate copy to Gyorgy Varga.

I further enclose the final version of my paper "Reforming the New Hungarian Economic Mechanism." Rezső Nyers told me that he would like to have the paper published in Kozgasdasagi Szemle.

Awaiting your reply, I remain,

Sincerely yours,

Bela Balassa

Enclosed: Structural Adjustment Policies in Developing Economies  
Reforming the New Economic Mechanism in Hungary

April 1, 1982.

Professor J. H. Dunning  
Department of Economics  
University of Reading  
Whiteknights  
Reading RG6 2AA  
England

Dear John,

Thank you for your letter of March 24th. I will indeed be happy to see Mr. Nicholas Nanopoulos. I suggest that he contacts me when he arrives at the Bank.

Yours sincerely,

Bela Balassa



April 1, 1982.

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

Dear Professor Suh:

Thank you for your letter of March 15th. I am afraid that due to my many obligations I still have not gotten to your study. I should be able to read it before the end of the month.

Yours sincerely,

Bela Balassa

2134 Wyoming Avenue N.W.  
Washington, D.C. 20008  
April 1, 1982.

Usinger  
1030 North Third Street  
Milwaukee, Wisconsin 53203

Dear Sir:

Please send me your mail order catalogue and let me know which  
one of your products are available in Washington and where.

Yours sincerely,

Bela Balassa



April 1, 1982.

Mrs. Ann Richards-Loup  
OECD Development Centre  
94 rue Chardon-Lagache  
Paris 75016  
France

Dear Ann,

Thank you for your letter of February 24th. I was also glad to get your message concerning the unskilled labor data. Your consultancy fee will be paid once these arrive.

Yours sincerely,

Bela Balassa