

**THE WORLD BANK GROUP ARCHIVES**

**PUBLIC DISCLOSURE AUTHORIZED**

**Folder Title:** Research on Economics and Development - Bela Balassa - Chronological Record - May through July 1967

**Folder ID:** 30280543

**Series:** Reading File of Bela Balassa

**Dates:** 05/01/1967 – 07/31/1967

**Subfonds:** Records of the Office of the Vice President, Development Economics and Chief Economist and later Senior Vice President, Development Economics and Chief Economist (DECVP)

**Fonds:** Records of the Office of the Chief Economist

**ISAD Reference Code:** WB IBRD/IDA DEC-03-15

**Digitized:** 03/31/2022

To cite materials from this archival folder, please follow the following format:  
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: [www.worldbank.org](http://www.worldbank.org)

**PUBLIC DISCLOSURE AUTHORIZED**

B. Balassa

CHRONOLOGICAL FILE

May 1, 1967 - July 31, 1967



30280543

R1991-086 Other #: 1

19179B

Research on Economics and Development - Bela Balassa - Chronological Record - May through July 1967

**DECLASSIFIED  
WITH RESTRICTIONS**  
WBG Archives

July 31, 1967

Professor John G. Gurley  
American Economic Review  
Room 220  
Stanford University  
Stanford, California 94305

Dear Professor Gurley:

Enclosed are two copies of my review of America  
in the Market Place by Paul Douglas which you requested.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

encl.

America in the Market Place - By Paul H. Douglas  
New York: Holt, Rinehart and Winston, 1966. Pp. ix, 369. \$7.95

Senator Douglas provides a highly readable exposition of his views on international trade, tariffs, and the balance of payments. The book is addressed chiefly to the policy-maker and the non-economist but some of its chapters, like those on the historical development of tariffs and trade, merit the attention of economics students also.

In most questions, Douglas is on the side of the angels. He presents a convincing case for free trade and effectively dismisses the arguments of protectionists. The mercantilists meet with a similar fate and there are trenchant references to present day mercantilists. Nevertheless, in the policy discussion Senator Douglas appears to accept the popular view that considers the other countries' tariff concessions as a gain and our own as a sacrifice. He submits that we are pledged to get as much as we give and complains that the tariff concessions offered by the Common Market in the Kennedy round of tariff negotiations are not sufficiently generous (p. 146).

In the historical part of the book, Douglas is sharply critical of protectionist tendencies in the United States in the late nineteenth and the early twentieth century and endorses the moves made towards free trade since Cordell Hull's Trade Agreements Act of 1934. But in the discussion of recent tariff negotiations, the United States comes off a little too well. It is claimed that we have had only minor departures from a liberal trade policy and that the specific protective measures used by the

the U.S. "have been relatively slight in comparison with the export bounties and covert forms of discrimination practiced by many other nations." (p. 299). Elsewhere, American generosity and European self-interest are contrasted. Thus, Douglas submits that, in separating the discussion of agricultural goods from that of industrial merchandise in the Kennedy round of negotiations, "once again the generous desire of the Americans to co-operate had been turned by the Europeans to their own advantage" (p. 145)

The views voiced in the discussion of aid to less developed countries are also open to dispute. According to Douglas, "on the whole, the United States emerges from these comparisons as by far the most generous of the industrial nations. It has also distributed its assistance over a much wider spectrum of countries and, having no colonial empire of its own, has made liberal grants and investments in countries over which it has had no political control." (p. 196). This exposition disregards the political and military objectives of U.S. aid and the concentration of a good part of it in Vietnam, Korea, and Taiwan. Also, one can hardly claim that our burden of foreign assistance much exceeds that of any other Western nations. According to the latest OECD compilation, in 1965 U.S. aid to developing countries amounted to 0.61 percent of national income, while the corresponding ratios were 1.06 in France, 0.81 in Belgium, and 0.59 for the OECD countries as a whole. True, our aid terms are generally more favorable than those of other countries, but much of U.S. food aid is overpriced and tied aid may entail a larger excess cost in this country than elsewhere.

Senator Douglas has considerable interest in international monetary arrangements. He favors a modified version of the Triffin Plan under which new reserves would be distributed to the members of a re-organized IMF in proportion to their quotas. These new collective reserve units would grow at a rate that permits total reserves to increase at about 3 percent a year. Nevertheless, selective increases would also be permitted.

Increased international reserves would permit countries to "ride out" larger balance-of-payments fluctuations than they have in the past without necessitating variations in exchange rates. Senator Douglas is a staunch opponent of flexible rates. He maintains that Britain narrowly escaped devaluation in 1964 and again in 1965 and that she "was saved directly and indirectly by the United States" (p. 270). Some would interpret the historical evidence in a different fashion and blame the U.S. government for having exerted pressure on Britain not to devalue.

This reader would also disagree with Douglas on the desirability of establishing a trading area consisting of the United States, EFTA, Canada, Australia, New Zealand, and Japan in the event that the Common Market decided against participation. This proposal would create a division in the Atlantic alliance and would tend to increase the dominant position of the United States in political and economic relationships with the allies which is opposed by many Europeans. A continuation of tariff negotiations under the most-favored-nation clause might be a better means for furthering our political and economic objectives.

These comments should not detract from the value of the book which presents an eloquent and reasoned plea for freer trade, for helping less developed countries, and for improving the international monetary mechanism. It should be read by Douglas' former colleagues in Congress, as well as in the Executive Branch, and it should command attention among people interested in our international relations.

Bela Balassa  
International Bank for Reconstruction and Development, and  
The Johns Hopkins University

July 31, 1967

Mr. Harry H. Bell  
Director, Research Division  
United Nations Conference on Trade and Development  
Palais des Nations  
1211 Geneve 10  
Switzerland

Dear Harry:

Thank you for your letters of July 24th and 25th and the enclosures. I was not surprised to see the critical comments on the effective tariff issue by the representatives of France and the United States.

My experience is that the aid-giving agencies of developed countries (AID in the United States, and the Ministry for Overseas Development in the United Kingdom) welcome the concept of effective protection and consider this as an improvement over the use of nominal tariffs. On the other hand, representatives of foreign ministries (the U.S. State Department and the British Foreign Office) are generally hostile to the use of the new concept. Nonetheless, it seems to me that its acceptance is on the increase.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

BBalassa/pam

P



July 28, 1967

Professor P. Månthe  
Department of Economics  
Oslo University  
Frederiksgate 3  
Oslo, Norway

Dear Professor Månthe:

This is a follow up to my letter to you of July 24th. I have just received a copy of the Norwegian tariff schedule for the years 1954-55. It appears that the majority of tariffs are specific rather than ad valorem duties. For purposes of estimating the effective rate of protection, we have to convert these rates into ad valorem equivalents. This in turn requires information on actual prices.

I would like to avoid making the detailed calculations item by item, and would wish to use instead, with appropriate adjustments, the ad valorem tariffs calculated by Mr. Haughness for 1964. But since Mr. Haughness calculated tariff averages for the individual industries weighted by Norwegian imports, this would have to be redone in the way indicated on pages 13-15 of my "Outline and Methodology".

We would like to contract Haughness for this work and I would greatly appreciate it if you could get in touch with him so that we could make the appropriate arrangements.

With best regards,

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

EBalassa/pam

cc: Mr. Stevenson

Mr. I. S. Friedman

July 27, 1967

Bela Balassa

Topics for Discussion by the Economic Committee

1. The discussion at the Wednesday luncheon on the need to clarify and to develop the Bank's position on certain policy issues was most interesting. The experience of the Economic Committee meeting on Central America showed that such issues can be raised but not adequately discussed in connection with country reports. Correspondingly, in my June 7th memorandum to Mr. Kamarck, with a copy to you, I suggested that the Economics Department prepare position papers on some of the major policy issues for discussion and approval by the Economic Committee.
2. The topics listed in my memorandum were: growth strategies, regional integration, planning techniques and methodology, and the implications of commodity agreements for trade and development. Upon reflection, some of these topics appear to be overly general and also require considerable preparation. I would suggest, therefore, putting several topics on the agenda for the next year or so and postponing the discussion of others. The first group of topics may include local currency financing, the margin of preference to local suppliers, criteria for IDA lending, regional integration, and coffee diversification. In turn, the more general questions of growth strategies and planning could be divided into several sub-topics that would require intensive preparatory work.
3. While in the memorandum I proposed that position papers be prepared by the Economics Department, there is no reason why, in some instances, this task could not be entrusted to an Economic Adviser in another Department. We should maintain flexibility in this respect as well as in regard to the question of whether position papers should be prepared in every case. It would seem to me that in order to focus on the outstanding issues, it would be necessary to have some kind of memorandum as a basis for discussion. Depending on the problem at hand, this might take the form of a two-page annotated agenda or a 15-20 page paper. Moreover, in all cases, the conclusions arrived at by the Economic Committee should be summarized in the form of guidelines for the work of the Bank's Departments.
4. My practical suggestion would be to ask a Senior Adviser in the Economics Department to take charge of the entire enterprise. He would receive suggestions and circulate the list of proposed topics among Economics, Area, and Project Department Advisers. This would permit him to prepare a list of topics for approval, with an indication as to their relative urgency. Under the supervision of the Director of Economics Department, he could also take responsibility to arrange for the preparation of memoranda (position papers) for the Economic Committee meetings, and of the guidelines incorporating the conclusions of the Committee.

BBalassa/pam

cc: Messrs. Kamarck, Adler, de Vries

Mr. I. S. Friedman

July 27, 1967

Bela Balassa

Paper on "Integration and Resource Allocation  
in Latin America"

The enclosed paper may be of interest to you. It was prepared for a Conference at Cornell University in April, 1966, and will be published early next year.

encl.

July 26, 1967

Mr. Charles Fricke  
Hayden & Stone  
One Wall Street  
New York City, N. Y.

Dear Mr. Fricke:

I received today the enclosed statements concerning my IBM stock. I am not quite sure what they mean. At the same time, you will recall that I asked you to purchase one 60ths IBM in order to round out my holdings to eleven. I have not yet received any notification of this purchase.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

encl.

## OFFICE MEMORANDUM

TO: Mr. Jan de Weille

FROM: Bela Balassa

SUBJECT: Comments on Schlomo Reutlinger's, "Techniques for Project Appraisal under Uncertainty"

DATE: July 24, 1967

1. Mr. Reutlinger gives a generally fair review of the literature on decision-making under uncertainty. He is less successful in attaining his objective "to present workable procedures of analysis to practicing project appraisers, within and without the Bank." (p. 1). There are also problems with the presentation of the material. At some points the discussion is overly detailed while elsewhere technical terms introduced without explanation will baffle the non-initiated reader. The following statement may serve as an example: "However, in practice, one may find that exact mathematical solutions for non-linear, non-additive functional relationships are extremely difficult and not worthwhile to calculate, and instead can be adequately approximated by using the capacity of high-speed electronic computers." (p. 22)

The Nature and Appraisal of Uncertainty

2. The reasons for the use of the probabilistic method are correctly stated in Section II of the paper. In places, however, the clarity of the discussion could be improved. Further, I do not find it appropriate to use the example of repeating a simple game for "the aggregation problem"; nor do references to the choices made by a "conservative person" have much appeal to me. One should introduce the problem of decision-making under uncertainty by discussing first the probability distribution of possible outcomes and providing references to individuals' utility functions at a later point.

3. As regards the actual estimation of the probability distribution, Reutlinger expresses the view that if the appraiser finds it impossible to assign probability values to each possible outcome, "he so implies that the outcome of this variable to the best of his knowledge is equally likely to fall into each subclass." (p. 14). I do not agree with this statement, since the described selection of the subclasses is entirely arbitrary. Instead, subclasses should be selected in such a way that they have approximately equal probabilities.

4. The author examines the danger of overestimating the potential outcome if "most likely" values are taken. (pp. 17-18). Clearly, we have an equal degree of danger of underestimating it. (Assume in the example that revenue from both sources is estimated to be either 10 or 5 with respective probabilities of 0.4 and 0.6). Also, for the sake of symmetry, the "conservative" appraisal should be contrasted to an "optimistic" evaluation of the possible outcome.

### Calculation of Project Returns under Uncertainty

5. The introduction to Section III is repetitive. It would be useful to concentrate all discussion of the need for probabilistic judgment in Section II and the practical problems of calculation in Section III. Accordingly, questions relating to the estimation of probability distribution (pp. 13-15) may also come into the latter section. In turn, the last part of Section II should include a discussion of the need for considering the mean as well as the variance of possible outcomes in the decision-making process.

6. In Section III the author provides a learned discussion of probability concepts. However, the inclusion of the detailed mathematical argument in the text is neither necessary nor desirable for the present purposes. Readers without previous background in probability calculus will be bewildered by the complications of the analysis and may not be able to follow the argument. I suggest a complete revision of the section, the text of which should provide a careful "build-up" of the argument by the use of simple examples while the mathematical presentation could be relegated to an appendix.

### Project Decisions under Uncertainty

7. The discussion of the individual's utility function is unnecessarily fuzzy and, at places, misleading. According to Reutlinger, unless he is an "all out gambler" the individual will choose among the three options open to him, either a sure chance of receiving 10 dollars or a 50-50 chance of getting 6 or 16 dollars and he would discard option C that would yield him 0 or 24 dollars, each with a 50-50 chance. One can hardly accept this judgment. The mathematical expectations of the three options are 10, 11, and 12 dollars respectively, with risks increasing pari passu. The outcome will depend on the individual's evaluation of the marginal utility of money (wealth) and he may choose option C even if his utility function is concave to the horizontal axis. (This will be the case if the utility of receiving 0, 6, 10, 16, and 24 dollars is evaluated at 0, 6, 9, 14, and 21 units).

8. Further, it is incorrect to say that in the third case described by Reutlinger, "the endowment and the variability relative to the average of the respective outcomes in this situation are approximately the same as in the first and the second cases." (p. 66). The individual's endowment is zero in the third case and the range of the outcomes is considerably larger than in the previous instances. Finally, in the fourth situation, Reutlinger re-introduces the mythical conservative individual whose assessment of the game is clearly unrealistic.

9. These defects of the exposition can be remedied by introducing the concept of the marginal utility of money (wealth) and by using simple geometry a la Friedman-Savage and Markovitz. In my teaching I have found that undergraduates without any previous preparation easily understand the arguments of these writers. In fact, geometrical techniques appear to me the only way to get the point across.

10. In the discussion of public investment decision, Reutlinger expresses the view that "fortunately for those having to advise on the selection of government financed projects ... the kind of uncertainty decisions most frequently encountered by governments are those described by the second and fourth cases of the hypothetical example" (p. 68): investment plans consisting of many diverse projects with uncorrelated risks and plans entailing only small net additions to total revenue. Should this be the case, the uncertainty issue could be neglected. But in developing countries the number of projects under consideration is usually small and most of these represent an important addition to the nation's present endowments. Hence, as subsequent examples given by the author also indicate, a consideration of uncertainty is of importance for these countries.

11. The above objection can be met by rephrasing the introduction to the discussion of public investment decisions. But this entire subsection should come at a later point after the discussion of utility theory. In this way, the relationship between individual and collective utility can be introduced before getting to public investment decisions. In this connection, considerable attention should be given to negative outcomes while the statement concerning "the slow disappearance of risk takers and its consequences for the growth potential of the capitalistic system" (p. 76) should be deleted. This statement is not substantiated; neither is it necessary for the argument.

12. In conclusion, it appears that despite its obvious merits, Reutlinger's paper would have to be substantially revised to be useful to the Bank. Emphasis should be put on explaining the theoretical basis for decision-making under uncertainty in simple terms while the calculation of expected returns and their variance should be illuminated by examples, moving from relatively simple to more complicated cases.

BBalassa/pam

cc: Mr. A. M. Kamarck  
All recipients of study

July 24, 1967

Professor P. Munthe  
Department of Economics  
Oslo University  
Frederiksgate 3  
Oslo, Norway

Dear Professor Munthe:

On June 16th, I wrote to Mr. Erik Homb, with a copy to you, asking if the Central Bureau of Statistics could undertake certain calculations on changes in production, exports and imports in individual industries. I also asked Mr. Homb to provide me with the SITC numbers corresponding to each industrial category of the input-output tables.

I have not yet received an answer to this letter and I am anxious to know if Mr. Homb could cooperate with us in this matter. It would be especially important to receive the classification scheme of the input-output tables at an early date since this is necessary for calculating effective tariffs.

I would greatly appreciate it if you could get in touch with Mr. Homb and tell me where we stand.

It was a pleasure seeing you in Oslo and I very much look forward to our continued cooperation.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

P.S.

I am enclosing a second copy of the letter to Mr. Homb.



July 21, 1967

Mr. Donald M. Chaffee, Jr.,  
University of California, Davis  
Department of Economics  
Davis, California 95616

Dear Mr. Chaffee:

In response to your request for a reprint of my article "Trade Creation and Trade Diversion in the European Common Market" which appeared in the March 1967 issue of The Economic Journal, I am sorry to have to advise you that I do not have any more copies. May I suggest that you write to Mrs. Jean Mulligan, Economic Growth Center, 52 Hillhouse Avenue, New Haven, Connecticut for a copy.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 21, 1967

Mr. Andrew E. Rice  
Executive Secretary  
Society for International Development  
1346 Connecticut Avenue, N.W.  
Washington, D. C.

Dear Mr. Rice:

At the request of Mr. J. Burke Knapp, I am enclosing a shortened version of my contribution to the Conference on "Regional Integration and Development". I understand that this paper will be published in the next issue of your Quarterly International Development Review. Please do not hesitate to get in touch with me should there be any questions regarding the paper.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

BBalassa/pag

cc: Messrs. J. Burke Knapp  
J. G. Cano  
A. M. Kamarek  
George Young - EFTA  
Joseph A. Silverstein - State Department  
blue book

Mrs. R. Gilmore

July 24, 1967

Bela Balassa

Proposal on Economics Department Working Papers

It seems to be an excellent idea to regularize the circulation of working memoranda and research papers in the Economics Department. My own experience has been that while most of the papers listed have reached me, I missed one or two (like Elsaas' "Models for Economic Planning in India) on which I might have offered suggestions. Would it be possible to place my name on the distribution list to prevent this from happening in the future?

EBalassa/pam

cc: Messrs. Kamarck  
Stevenson

July 21, 1967

Mr. Petter Jakob Bjerve  
Statistisk Sentralbyra  
Central Bureau of Statistics of Norway  
Dronningens Gate 16  
Oslo, Norway

Dear Mr. Bjerve:

Many thanks for sending me your "Trends in Quantitative Economic Planning in Norway". I have read with great interest about the recent developments that have taken place in Norwegian planning. Should I undertake a study of national economic plans in European countries at some later date, I would like to call on you again to discuss the application of Modis II and other matters.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

July 20, 1967

Food and Agriculture Organization  
of the United Nations  
Via delle Terme di Caracalla  
Rome, Italy

Dear Sirs:

I have used in the past data on fiber consumption published in your Commodity Bulletin Series No. 31 and in the January, 1962 issue of the Monthly Bulletin of Agricultural Economics and Statistics. In our work on the trade and payments of developing countries we need comparable data for the United States, Canada, countries of Western Europe, Japan, Australia, New Zealand and South Africa, for the year 1965. I would appreciate it if you could supply us with this information at your earliest convenience.

Thanking you in advance, I remain

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 20, 1967

Mr. T. Sirisena  
230 Barrie Street, Apt. 7  
Kingston, Ontario

Dear Mr. Sirisena:

In response to your request, I am sending you a copy of the list of input/output coefficients used in my JPE article on tariff protection in industrial countries.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

encl.

July 20, 1967

Mr. H. Fuhrer  
Assistant Director  
Development Department  
Organization for Economic  
Cooperation and Development  
2, rue Andre-Pascal,  
Paris 16<sup>e</sup>, France

Dear Mr. Fuhrer:

Please accept my sincere thanks for sending me the OECD report on technical assistance for the year 1965. I assure you that the material contained in the report will be kept in strict confidence.

It was a pleasure seeing you in Paris and I very much appreciated the help I received from you. I expect to send you a draft of my paper on trade and payments in developing countries sometime in September.

With best regards,

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 20, 1967

Professor Anthony Scaperlanda  
Department of Economics  
Northern Illinois University  
DeKalb, Illinois 60115

Dear Professor Scaperlanda:

Data on EEC imports from the associated countries and from other developing nations are given in Appendix I of my Economic Journal article. I have also made some more detailed comparisons but these are not available in a form I could send to you.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department



July 20, 1967

Richard D. Irwin, Inc.  
1818 Ridge Road  
Homewood, Illinois

Dear Sirs:

I wish to order a copy of Caves and Johnson,  
"Readings in International Economics." Please send this  
to my home address and bill me at your professional  
discount. I am a member of the American Economic Association.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 19, 1967

Manhattan Metracar  
326 East 48th Street  
New York City, N. Y.

Dear Sirs:

This is to confirm our telephone conversation concerning the rental of a Mustang convertible for the period August 7th to September 11th. I understand that your weekly rate is \$69.65 and there is no mileage charge. Full liability and collision insurance is an additional \$8.00 a week plus 1¢ a mile.

The car will be for a French friend, Mr. Eric Bernard, who will arrive in the United States shortly before August 8th. Mr. Bernard has an American Express credit card; the number is 492-087-360-3.

I would appreciate receiving your confirmation of this reservation at my home address, 2500 Que Street, N.W., Washington, D.C. I am enclosing an extra copy of this letter for this purpose.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

---

Confirmed.

July 18, 1967

Mr. Joel Bergsman  
USAID - Rio de Janeiro UCB  
APO New York 09676

Dear Joel:

After discussion with Mr. Harold Dyer, Personnel Officer of the Bank, I am answering your letter of July 7th addressed to him.

I am afraid that it would be difficult for us to change the agreement we reached earlier with the OECD Development Center. You will recall that according to this agreement, the cost of your stay in Brazil early next year would be provided as follows: the Development Center pays your salary, while the Bank reimburses you for your travel expenses. Assuming a stay of about six to eight weeks, the total expenses incurred by each institution would not differ to an appreciable extent since the travel expenses paid by the Bank include the cost of transportation as well as a per diem for the period of your stay in Rio de Janeiro. According to Bank regulations, the per diem is paid on the basis of reasonable actual living expenses (hotel, meals, etc.).

I very much hope that it will be possible for us to return to the original arrangement since I have set up the budget of the project accordingly and I cannot at this point obtain additional appropriation for paying your salary.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

P.S.

As regards your comments on the standardized input/output table, the industries to which you refer are missing. Rather, the numbers you list have been used to combine data for several industries in the case of those EEC member countries where appropriately detailed statistics were not available. They should simply be disregarded in making calculations on effective tariffs.

cc: Messrs. Stevenson, Dyer, Ian Little (OECD Development Center)

July 18, 1967

Mr. E. Raymond Platig  
Director  
Office of External Research  
Department of State  
Washington, D. C.

Dear Mr. Platig:

Enclosed are the completed application forms and fingerprint charts as requested.

You may wish to note that the address given for the State Department fingerprinting office is incorrect. This was especially annoying in my case since, after having gone to the Federal Office Building on E Street, I had to return to a building next to the one in which I am working.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

encl.

2500 Que Street, N.W.  
Washington, D.C. 20007

July 18, 1967

Government of the District of Columbia  
Finance Office, Revenue Division  
Municipal Center  
300 Indiana Avenue, N.W.  
Washington, D.C. 20001

Dear Sir:

On May 25th I sent you a letter explaining the deductions I had made in my D. C. income tax return. I have now received a statement on the amount of property tax paid to the City of New Haven in Connecticut on February 1, 1966. A copy of this statement is enclosed.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

encl.

2500 Que Street, N.W.  
Washington, D.C. 20007

July 18, 1967

Collector of Taxes  
New Haven  
Connecticut

Dear Sir:

On June 5th I sent you a letter explaining the deductions I had made in my D. C. income tax return. I have now received a statement on the amount of property tax paid to the City of New Haven in Connecticut on February 1, 1966. A copy of this statement is enclosed.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

encl.

July 18, 1967

Mr. Philip E. Mosely  
Columbia University in the City of New York  
622 West 113th Street  
New York, N. Y. 10025

Dear Phil:

Your letter of June 9th reached me upon my return from a five weeks trip in Europe; hence the delay in answering.

I am grateful for your interest in the book and also for sending me one of the two copies you received from the Council. They are indeed very skimpy with author's copies and I received only ten of them.

I regret that it has been a long time since we last met. I wonder if I could invite you for lunch whenever you are in Washington. I am an Adviser with the World Bank on a full time basis until September and will continue as a part time Consultant afterwards. During the academic year I will be here on Mondays, Tuesdays and Thursdays. My telephone number is DU 1-2781.

With sincere regards,

Bela Balassa  
Adviser  
Economics Department

July 18, 1967

Alexander's Rent-a-Car  
405 East 65th Street  
New York City, N. Y.

Dear Sirs:

I would like to reserve a Plymouth convertible with bucket seats for the period August 8th to September 11th. I understand that your monthly rate is \$279.00 and that there is a mileage charge of 2¢ a mile after 2,000 miles. [ The car will be for a French friend, Mr. Eric Bernard, who will arrive in the United States shortly before August 8th. Mr. Bernard has an American Express credit card; the number is 492-087-360-3. ]

Please let me know the amount of the deposit you require. Also, I would like to know the insurance coverage you offer. Your reply should be sent to me at -

2500 Que Street N.W.  
Washington, D.C. 20007

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department



July 18, 1967

Mr. Peter de Janosi  
The Ford Foundation  
477 Madison Avenue  
New York, N. Y.

Dear Peter:

Since our last conversation, I talked to Professor Jean Benard of the University de Poitier who is also Director of CEPREL (a French Institute doing research on planning and forecasting). Benard plans to apply for a Ford Foundation research grant to finance a stay of one year in the United States. His first choices are Berkeley and Harvard since at these two universities he can find people working on problems of public goods and educational planning in which he is presently interested.

I also talked to Benard concerning teaching and research in economics in France. While agreeing with my diagnosis he indicated that a promising new avenue has opened up in the form of the Ecole Pratique des Hautes Etudes which provides seminars for advanced students and also serves as a clearing house for research funds. The Ecole Pratique includes professors from the University of Paris, the Ecole des Mines and other institutions so that some of France's outstanding mathematical economists also participate in its work. The President of Section VI dealing with social sciences is M. Braudel, a Professor of History at the College de France. You might wish to talk to Braudel in the event that the Foundation's operations will be extended to France.

I also tried to contact Pascal Salin, who is the main organizer of the Seminaire Jean-Baptiste Say about which I talked to you earlier. While I was not able to speak to Salin during my stay in Paris, he sent me a paper on the development and activities of the seminar. I am enclosing this paper with the request that it be returned to me. Let me add here that I find the lines of research carried out and planned by the seminar very promising and I believe that they would deserve support in some form.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 18, 1967

Mrs. Jean Mulligan  
Economic Growth Center  
52 Hillhouse Avenue  
New Haven, Conn.

Dear Jean:

I have not received reprints 96 to 102 of the  
Growth Center Reprint Series. May I ask you to send these  
to me please.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 17, 1967

Professor John H. Power  
University of the Philippines -  
University of Wisconsin  
P.O. Box 776  
Manila, Philippines

Dear John:

I have today sent you under separate cover, the two IBRD studies you requested in your letter of July 7th. The IMF study by P. D. Ojha, "Tax Reform in Malaysia" is now, however, available.

With kind regards,

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 17, 1967

Princeton University  
International Finance Section  
Department of Economics  
P.O. Box 614  
Princeton, New Jersey 08540

Dear Sirs:

I would appreciate your sending me the following:

- No. 59 N. T. Wang, New Proposals for the International Finance of Development. (April 1967)
- No. 12 Robert Triffin, The Evolution of the International Monetary System: Historical Reappraisal and Future Perspectives. (June 1964)
- No. 18 Benjamin J. Cohen, Adjustment Costs and the Distribution of New Reserves. (Oct. 1966)

I am enclosing a cheque for \$2.00 to pay for the latter two.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 17, 1967

Brookings Institution  
1775 Massachusetts Avenue  
Washington, D.C. 20036

Dear Sir:

I have been on your mailing list for Reprints and Research Reports but the last Reprint I received is No. 122. I would like to continue receiving these publications and would also like to have the one I missed.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

Mr. Andrew M. Kanarck

July 14, 1967

Bela Balassa

Bank Papers for the Second UNCTAD Conference

My comments relate to Issues Requiring Attention in the D.A.C., included in D.A.C. (67) 22, Report of the Working Party on UNCTAD Issues that, in turn, derives from Section IV of the Provisional Agenda for the Second UNCTAD Conference. I will consider here the possibilities for the Bank of preparing papers on these topics for purposes of the Conference.

(i) Volume of Aid. It does not appear warranted that the Bank should concern itself with the definition of aid targets and the actual volume of aid.

(ii) Terms and Conditions of Aid. According to the Report, "terms and conditions of aid will be an issue of primary concern at the Second Conference." No indication is given, however, concerning the papers prepared on this topic by UNCTAD or DAC. The Bank has long been engaged in work on the terms and conditions of aid, and hence it would be appropriate if we presented a paper dealing with changes in aid terms. Aside from examining changes in the terms and conditions of aid in global terms, the paper may present some case studies pertaining to individual countries.

(iii) Aid Tying. Bhagwati and others are doing useful work on this problem and a contribution by the Bank's Staff is not warranted.

(iv) Debt. According to the Report, "studies being undertaken by the UNCTAD Secretariat, involving a deeper analysis of the question of debt, should throw additional light on the effects of different kinds of indebtedness etc." However, the quality of the earlier version of the UNCTAD paper that was made available to us is rather low (this is also the view of people at the OECD Secretariat) and it is uncertain whether substantial improvements can be expected. At the same time, while the Bank has submitted a paper on "Rescheduling Debt Operations", much of important work done recently at the Bank is not made available to outsiders, although it would greatly contribute to the understanding of the subject. It might be useful to prepare a paper containing estimates on past changes in debt and debt services in the developing countries as well as on the expected future debt burden in countries such as India and Argentina, with consideration being given to the implications of the increased indebtedness.

(v) Commercial Credits. The Bank's Suppliers' Credit Study, presented to UNCTAD comes under this heading.

(vi) Regional Development. The Report points to the importance of the question of regional integration in less developed areas. While I would not suggest that the Bank should prepare a paper on this topic, the emphasis given to it by UNCTAD and DAC further underscores the need for internal discussion, as proposed by Mr. Friedman.

(vii) Private Capital. Thus far, this topic has not received much consideration at the Bank and for the present the preparation of a paper does not appear warranted.

The issues referred to in this memorandum all pertain to the field of development finance. The Supplementary Financing Scheme also belongs here; in addition to the original proposal, this has been the subject of several papers prepared by the Bank staff. The other large area of discussion at the UNCTAD conference is international trade. Papers by de Vries and Lovasy, as well as my paper on the effects of the industrial countries' tariff structure on the exports of processed goods from less developed areas belongs here, while the paper in preparation on the trade and balance-of-payments of the developing countries in the period 1960-65 pertains to both development finance and international trade.

EBalassa/pas

Mr. Andrew M. Kamarck

July 14, 1967

Bela Balassa

Paper on "Integration and Resource Allocation  
in Latin America"

I am enclosing a paper I prepared on the above subject last April for a Conference at Cornell University. It will be published in early 1968.

The discussion at the Economic Committee meeting on Central America indicates that there is considerable interest in the Bank in problems of regional integration. Given this interest, it might be useful to send copies of the paper to people in the Western Hemisphere Department as well as to other Area Departments. I would like to ask for your approval for an informal distribution of the paper.



July 14, 1967

Harvard University Press  
Cambridge, Mass., 02138  
U.S.A.

Dear Sirs:

Please send me Wolfgang Stolper,  
"Planning without Facts" and bill me at the  
faculty rate.

Yours very truly,

Bela Balassa  
Professor of Political Economy

July 14, 1967

Mr. P. E. Stonham  
The University of Newcastle  
Faculty of Economics and Commerce  
Newcastle, New South Wales  
Australia

Dear Mr. Stonham:

I find the study you plan to undertake on "Australian Export Performance" of interest. I wonder, however, if you are not trying to do too much. Section 5 on a comparative study of export performance in Argentina, Canada and South Africa would involve redoing much of the same exercise for these countries and could be deleted. There also seems to be a lot of descriptive material in the thesis as you presently envisage it.

You could perhaps concentrate instead on a few issues including the effect of costs and prices and of the behavior of overseas markets on Australian exports. These two topics have been examined in a number of articles in recent years. A paper by Helen Junz and Rudolf Romborg in the July, 1965 issue of the IMF Staff Papers combines the two. You might wish to consult this article on methodology as well as for references on the earlier work.

With best regards,

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 14, 1967

Mr. Harry H. Bell  
Director, Research Division  
United Nations Conference on Trade and Development  
Palais des Nations  
1211 Geneve 10  
Switzerland

Dear Harry:

I received a copy of the draft letter to the Bank while in Vienna. The text is perfectly fine with me and I trust that the request will receive sympathetic consideration at the Bank.

I am enclosing an evaluation of Mrs. Janet Pack. Let me add here that I consider her an extremely bright girl who would certainly be a useful addition to your Division.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

encl.

July 14, 1967

Mr. William B. Kelly, Jr.  
c/o Begnoche  
6056 Munson Hill Road  
Falls Church, Virginia 22044

Dear Bill:

I have made all the changes requested by you with two exceptions. On the last Galley I have not included the newly added paragraph on negotiations concerning particular industries because this was in conflict with some discussion we had elsewhere in the volume. Furthermore, I have not reinstated new paragraphs in a few cases where this did not appear necessary. Incidentally, such changes have been made by the Hopkins Press editor with the intention of assuring uniformity of style by combining overly short paragraphs.

One final point, in the sentence, "Although there is no consensus among economists ...," I added the reference to you that the statement "the economic advantages of dumping may outweigh the advantages" is your own. I would be glad to change the formulation in page proofs but wish to avoid the implication that this would be generally accepted.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 14, 1967

Professor Franklin V. Walker  
Department of Political Economy  
State University of New York at Albany  
Graduate School of Public Affairs  
Sayles Hall  
179 Partridge Street  
Albany, New York 12203

Dear Professor Walker:

Thank you for your letter of July 11th. I have done much of the work indicated in your research proposal and will also extend my investigation to post-Kennedy Round tariffs. I am enclosing a paper I prepared on the subject for UNCTAD.

As you will see from the paper, the only subject included in your research proposal and not covered by me is the height of pre-GATT tariff rates. I wonder if it would be useful to make comparisons with this period for a complete set of tariffs. One may rely instead on the tariff sample prepared by Harry Bell, Research Director of UNCTAD. Bell intends to use this tariff sample for several benchmark years including a pre-GATT year.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

July 14, 1967

Review of Economics and Statistics  
232 Littauer Center  
Cambridge, Mass. 02138

Dear Sirs:

On February 9th I sent you a cheque for \$9.00 to renew my subscription to the Review of Economics and Statistics for the year 1967. To date I have not received any issues of the periodical for this year. May I ask you to send me the issues that have appeared so far.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 14, 1967

John L. Ecob, Esq.,  
Richard D. Irwin, Inc.,  
1818 Ridge Road,  
Homewood, Illinois

Dear Mr. Ecob:

I have now received additional copies of both  
the Portuguese edition of my "Theory of Economic Integration"  
and the Spanish edition of my "Trade Prospects for Developing  
Countries".

Many thanks,

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 13, 1967

Mr. William B. Kelly, Jr.  
c/o Begnoche  
6056 Munson Hill Road  
Falls Church, Virginia 22044

Dear Bill:

I have made all the changes indicated by you with two exceptions. On the last page I have not included the newly added paragraph on negotiations concerning particular industries because this was in conflict with some discussion we had elsewhere in the volume. Furthermore, I have not reinstated new paragraphs in a few cases where this appeared logical. Incidentally, such changes have been made by the Hopkins Press editor with the intention of assuring uniformity of style by combining overly short paragraphs.

One final point, in the sentence, "Although there is no consensus among economists ..." I added the reference to you since there is, indeed, no agreement on the issue noted in the second part of the sentence. I would be glad to change the formulation in page proofs but wish to indicate that the statement according to which "the economic advantages of dumping may outweigh the advantages" is your own.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department



July 13, 1967

Professor D. S. Sarma  
Department of Economics  
D. M. College  
Lephal, India

Dear Professor Sarma:

I was interested to hear of your plans on "Prospects of a Regional Trade Arrangement in Asia and the Far East." This appears to be a useful project although I have some doubts concerning the feasibility of regional integration encompassing the entire Southeast Asia and the Far East. There would be little point in including Japan as a full-fledged member in such an arrangement; at the same time, India does not show much willingness to participate.

I would be interested to see any outline you may prepare on your approach. Until then, I remain

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 13, 1967

Lic. Gerardo Bueno  
Nacional Financiera  
Venustiano Carranza 25  
Mexico 1, D.F. Mexico

Dear Gerardo:

I am now planning my trip to Chile and Mexico. Please let me know at the earliest if it will be convenient for me to come for the week starting September 25th. I think that it will be useful if we had several days to discuss any problems that might arise in connection with the study.

With kind regards,

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 13, 1967

Miss Teresa Jeanneret  
Universidad de Chile  
Instituto de Economia  
Castilla 3861  
Santiago, Chile

Dear Teresa:

Many thanks for sending me a copy of the Chilean input/output table. Please be assured that I will not use it in any way that would infringe upon official secrecy.

I am now planning my trip to Chile and Mexico. Please let me know at the earliest if it will be convenient for me to come for the week starting September 18th. I think that it will be useful if we had several days to discuss any problems that might arise in connection with the study.

With kind regards,

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

BBalassa/pam

July 13, 1967

Dear Mr. Humphrey:

The 1958 Argentina input/output table you refer to is presently in the possession of Dr. Daniel Schydrowsky, who is one of my collaborators in a project on the Structure of Protection in Developing Countries.

Schydrowsky is an Assistant Professor at Harvard University and will return there in September. You may then wish to write to him directly. He also has my copy of the Argentine tariff nomenclature.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

Mr. David B. Humphrey  
Department of Economics  
University of California  
Berkeley, California 94720

July 13, 1967

Mr. T. A. Owen, M. A.  
Registrar  
Coleg Prifysgol University College of Wales  
Cymru  
Aberystwyth  
Wales

Dear Mr. Owen:

Having recently returned from vacation, I found your letter concerning Mr. James L. Ford's application for the post of Professor of Economics at your College. I trust that my answer does not come too late.

I am familiar with Mr. Ford's writing and also saw him on a number of occasions during his stay at Yale University several years ago. I have a high regard for his capabilities and I am confident that he will continue to publish in the field of international trade. In his major book he has synthesized various contributions to the Heckscher-Ohlin theory, while other papers show a considerable aptitude in using theoretical tools. I am not familiar with his teaching ability.

On the basis of my knowledge of him, I warmly recommend Mr. James L. Ford for a Professorship at your institution.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 13, 1967

J. Savage, Esq.  
Unilever Limited  
Unilever House  
London, E. C. 4  
England

Dear Mr. Savage:

Many thanks for sending me the figures on the European usage of oils and fats for the year 1965. The information provided by you will be of considerable importance in our work.

Hoping to see you again in the not too distant future, I remain

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

BBalassa/pam

July 13, 1967

Mr. W. Fickenscher  
Verlag Herder  
7800 Freiburg, Germany  
Hermann-Herder-Strasse 4

Dear Mr. Fickenscher:

Thank you for your letter of June 8th. I will indeed be happy to write the article on "The Theory of Economic Integration" and the January 1968 deadline appears feasible.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 13, 1967

Mr. J. N. Christensen  
Silver Store  
Vester Voldgade 8  
Kobenhavn V.  
Denmark

Dear Mr. Christensen:

Thank you for your letter of June 1st which reached me upon my return from Europe.

The solution you suggest is perfectly fine with me and I am enclosing a cheque for \$31.00 to pay for the remainder of the shipment. Please send this in several parcels marked, "Gift. Valued under \$10.00" to

Mr. Bela Balassa  
2500 "Q" Street N.W.  
Washington, D.C. 20007

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

P.S.

I have just received the first package containing two knives.



Mr. Andrew M. Kamarck

July 13, 1967

Bela Balassa

Economic Seminar Luncheon  
July 20, 1967 - for Mr. Alan M. Strout

This is to advise you that the following people have been invited and will attend the luncheon to be held on Thursday, July 20th, at 1:00 p.m. in Dining Room A:

Messrs. Kamarck  
Sacchetti  
de Vries  
Dubey  
Seers  
de Fontenay  
Goreux  
Strout  
Balassa

July 12, 1967

Professor Mordechai Kreinin  
Michigan State University  
Department of Economics  
East Lansing, Michigan

Dear Max:

I received your note of July 6th upon my return to Washington yesterday. There was a confusion on the part of the publisher and this accounts for the fact that the Appendix was not sent to you. I am now enclosing a copy of the Methodological Appendices which include yours. As you will see, no changes have been made as compared to the last version. The Galley proofs have to be corrected, however, to upgrade the title of each Appendix and to add the names of the authors which were inadvertently omitted. Please return the entire set as soon as you can.

Before the book went to the printer, the Johns Hopkins Press decided not to make any reference to the monographs by yourself and by Sidney Wells that have been prepared by using materials pertaining to the Atlantic Trade Project. This decision has been reached because our volume reproduces the papers prepared for the Council while the monographs are derived from this and also contain additional material. At the same time, Hopkins Press is, in a sense, the "depository" of the Council's original copyright, while the monographs have a "derived" copyright. I am afraid, therefore, that I cannot add a note concerning the publication of your monograph.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

July 12, 1967

Mrs. Ann Ambrose  
The Johns Hopkins University Press  
The Johns Hopkins University  
5820 York Road  
Baltimore, Maryland

Dear Mrs. Ambrose:

We have now finished proof-reading the Galleys of Studies in Trade Liberalization. The printer has done a good job and there were only a few corrections to be made. With the exception of Chapter 9, neither did the authors make many changes. A few comments follow:

1. On Galley 1, the headings for Tables 1.1 and 1.2 are indicated. This is an error since the table headings in question were on a separate page and do not correspond to any tables in the text. They should be deleted.
2. The Appendix tables to Chapter I are mixed together with the text on Galleys 3, 4 and 5. They should come after the text of the chapter, starting on a new page. The same procedure should be followed in regard to other chapters.
3. On Galley 18 and on several following pages the title of Mr. Wonnacott's book has changed. The new title is rather long and I wonder if it can be replaced by op. cit. whenever it is cited again.
4. On Galleys 109, 110 and 115 the Greek letter (eta) is missing. Moreover, in cases where it does appear in the text (Galley 115) it is not shown in the usual way. In the enclosed paper, "Tariff Protection in Industrial Countries An Evaluation" on page 587 the correct way of printing this letter is shown. Please return this paper to me eventually.
5. On Galley 107 I have changed "Methodological Appendix" to "Methodological Appendices". This has become necessary to emphasize the independence of each Appendix. For the same reason I wish to ask you to "upgrade" the main subtitles: Appendix to Chapter I (Galley 107), Appendix to Chapter II (Galley 112) and Appendix to Chapter III (Galley 115). Also, as indicated in the corrected proofs, the names of the authors to the Appendices should be added.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

July 5, 1967

Mr. Petter Jakob Bjerve  
Statistisk Sentralbyra  
Central Bureau of Statistics of Norway  
Dronningens Gate 16  
Oslo, Norway

Dear Mr. Bjerve:

Mr. Balassa is expected back in the office on Tuesday, July 11th, at which time I shall bring to his attention your letter of June 30th together with the attachment.

Yours sincerely,

Secretary to Mr. Balassa

July 5, 1967

Jean J. A. Salmon  
Professor at the Law Faculty  
Avenue F.D. Roosevelt, 39  
Bruxelles 5, Belgium

Dear Mr. Salmon:

In Mr. Balassa's absence in Europe, I wish to acknowledge your letter of July 3rd which I shall bring to his attention immediately upon his return to the office on Tuesday, July 11th.

Yours sincerely,

Secretary to Mr. Balassa

June 9, 1967

Mr. David B. Humphrey  
Department of Economics  
University of California  
Berkeley, California 94720

Dear Mr. Humphrey:

Mr. Balassa is away from the office until July 11.  
He will reply to your letter of June 2, 1967, upon his  
return.

Very truly yours,

Winifred Blansfield  
(Temporary Secretary to Mr. Balassa)

July 5, 1967

Miss G. E. Chubb  
Hill, Samuel Inc.,  
430 Park Avenue,  
New York, N. Y. 10022

Dear Miss Chubb:

In Mr. Balassa's absence in Europe, I wish to acknowledge receipt of 50 copies of the Spring 1967 issue of "Moorgate and Wall Street."

Yours sincerely,

Phyllis Muddiman  
Secretary to Mr. Balassa

July 5, 1967

Political Science Quarterly  
321M Fayerweather Hall  
Columbia University  
New York, N.Y. 10027

Dear Sirs:

Mr. Balassa is at present out of the country but immediately upon his return to the office on Tuesday, July 11th, I shall bring your request to review "Fiscal Harmonization in Common Markets" by Carl S. Shoup (ed) to his attention.

Yours sincerely,

Secretary to Mr. Balassa



July 3, 1967

Professor John G. Gurley  
American Economic Review  
Room 220  
Stanford University  
Stanford, California 94305

Dear Professor Gurley:

Mr. Balassa has asked me to advise you that  
he will submit the review of America in the Market Place  
by Paul Douglas by August 1st.

Yours sincerely,

Phyllis Maddiman  
Secretary to Mr. Balassa

June 30, 1967

Miss Ingrid Cully  
Secretary to Mr. Scott  
Organisation de Cooperation  
et de Developpement Economiques  
91, boulevard Exelmans  
Paris, 16<sup>e</sup>

Dear Miss Cully:

In Mr. Balassa's absence, I wish to acknowledge  
your letter of June 26th which I shall bring to his attention  
immediately upon his return to the office on Tuesday, July 11th.

Yours very truly,

Phyllis Muddiman  
Secretary to Mr. Balassa

June 30, 1967

Mr. Edmar L. Bacha  
Rua Voluntarios da Patria 374/702  
Rio de Janeiro  
Brazil

Dear Mr. Bacha:

In Mr. Balassa's absence, I wish to acknowledge  
your letter of June 26th which I shall bring to his attention  
immediately upon his return to the office on Tuesday, July 11th.

Yours very truly,

Phyllis Muddiman  
Secretary to Mr. Balassa

June 30, 1967

J. Savage, Esq.  
Unilever Limited  
Unilever House  
London, E. C. 4  
England

Dear Mr. Savage:

In Mr. Balassa's absence, I wish to acknowledge your letter of June 26th which I shall bring to his attention immediately upon his return to the office on Tuesday, July 11th.

Yours very truly,

Phyllis Muddiman  
Secretary to Mr. Balassa

Mrs. S. M. Armstrong

June 27, 1967

Phyllis Muddiman

Operational Manuals

With reference to your memo dated June 12th on the above subject, the following is a list of memos missing from my Operational Manual:

| <u>Number</u> | <u>Issued</u> |
|---------------|---------------|
| 2.02          | May 2, 1966   |
| 2.04          | Aug. 24, 1966 |
| 5.04          | Jan. 28, 1966 |
| 6.08          | Sept. 1, 1965 |
| 7.02          | Aug. 22, 1966 |
| 7.07          | Aug. 1, 1966  |

June 27, 1967

Mr. H. H. Liesner  
Faculty of Economics and Politics  
University of Cambridge  
Sidwick Avenue  
Cambridge, England

Dear Mr. Liesner:

Mr. Balassa is at present out of the country and is not expected back in the office until Tuesday, July 11th. Immediately upon his return I shall bring your letter to his attention.

Mr. Kelly's address is:

Mr. William B. Kelly, Jr.  
U.S. Delegation  
KR Delegation  
80 rue de Lausanne  
Geneva, Switzerland

Yours sincerely,

Secretary to Mr. Balassa

June 22, 1967

Professor Daniel M. Schydlowsky  
c/o Banco Central de Reserva del Peru  
Villalta y Carrera  
Lima, Peru

Dear Professor Schydlowsky:

Enclosed herewith is the revised version of the  
paper which you requested.

With kind regards,

Sincerely,

Secretary to Mr. Balassa

June 21, 1967

Mr. John G. Gurley  
American Economic Review  
Room 220, Stanford University  
Stanford, California 94305

Dear Mr. Gurley:

Mr. Balassa is at present in Europe and is not expected back in the office until Tuesday, July 11th. However, I am today forwarding your letter on to him.

Yours sincerely,

Secretary to Mr. Balassa



June 20, 1967

Professor Daniel M. Schydrowsky  
c/o Banco Central de Reserva del Peru  
Villalta y Carrera  
Lima, Peru

Dear Professor Schydrowsky:

In Mr. Balassa's absence in Europe, I am enclosing one copy of two different versions of the paper which you requested.

With kind regards,

Sincerely,

Secretary to Mr. Balassa

June 27, 1967

Mr. Andrews Pianim  
Room 2601  
ESA/CDPPP  
United Nations  
New York 10017

Dear Mr. Pianim:

I have just received your letter and am today  
sending the completed form to the University of Pennsylvania  
and also letters of recommendation to the University of  
Wisconsin, Iowa State University, and Cornell.

Wishing you the best of luck, I am

Sincerely,

Bela Balassa  
Adviser  
Economics Department

June 20, 1967

Mr. Andrews Pianin  
Room 2601  
ESA/CDPPP  
United Nations  
New York, N. Y. 10017

Dear Mr. Pianin:

Thank you for your letter of June 19th. I have forwarded your letter to Dr. Balassa today, airmail special delivery, and you will no doubt be hearing from him shortly.

Yours sincerely,

Secretary to Mr. Balassa

June 19, 1967

Dean of Graduate School  
Cornell University  
Ithaca, New York

Dear Sir:

This is to recommend Mr. Pianim for a fellowship at your graduate school.

Mr. Pianim participated in Yale's graduate course in economic theory in the International Foreign Economic Administration Program. He gave an excellent performance in the course, and showed himself to be one of the outstanding students in this program. I recommended him for admission into the Ph.D. program at the time but he decided to interrupt his studies.

I am happy to know that Mr. Pianim plans to resume graduate studies in economics. I believe that he is an excellent candidate who will do above average work and will be able to utilize the knowledge he acquires to the benefit of his home country.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

June 19, 1967

Dean of Graduate School  
University of Wisconsin  
Bascom Hall  
500 Lincoln Drive  
Madison, Wis. 53706

Dear Sir:

This is to recommend Mr. Pianim for a fellowship at your graduate school.

Mr. Pianim participated in Yale's graduate course in economic theory in the International Foreign Economic Administration Program. He gave an excellent performance in the course, and showed himself to be one of the outstanding students in this program. I recommended him for admission into the Ph.D. program at the time but he decided to interrupt his studies.

I am happy to know that Mr. Pianim plans to resume graduate studies in economics. I believe that he is an excellent candidate who will do above average work and will be able to utilize the knowledge he acquires to the benefit of his home country.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

June 19, 1967

Dean of Graduate School  
Iowa State University  
Ames, Iowa

Dear Sir:

This is to recommend Mr. Pianim for a fellowship at your graduate school.

Mr. Pianim participated in Yale's graduate course in economic theory in the International Foreign Economic Administration Program. He gave an excellent performance in the course, and showed himself to be one of the outstanding students in this program. I recommended him for admission into the Ph.D. program at the time but he decided to interrupt his studies.

I am happy to know that Mr. Pianim plans to resume graduate studies in economics. I believe that he is an excellent candidate who will do above average work and will be able to utilize the knowledge he acquires to the benefit of his home country.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

June 19, 1967

Mr. Donald J. Watson, Consultant  
Educational Relations  
The General Electric Company  
Crotonville P.O. Box 151  
Ossining, New York 10563

Dear Mr. Watson:

In Mr. Balassa's absence from the office, I acknowledge with thanks receipt of your letter dated March, 1967, with which you enclosed materials which may be of value in teaching or research. Immediately upon Mr. Balassa's return to the office on Tuesday, July 11th, I shall bring your letter to his attention.

Yours sincerely,

Secretary to Mr. Balassa

June 19, 1967

Dr. Etienne S. Kirschen  
Department d'Economie Appliquee  
de L'Universite Libre de Bruxelles  
49, rue du Chatelain  
Bruxelles, Belgium

Dear Dr. Kirschen:

Mr. Balassa is at present in Europe but immediately upon his return to the office on Tuesday, July 11th, I shall bring your letter to his attention.

Yours sincerely,

Secretary to Mr. Balassa



June 19, 1967

Mr. John L. Ecob  
Foreign Department  
Richard D. Irwin, Inc.,  
1818 Ridge Road  
Homewood, Illinois

Dear Mr. Ecob:

Thank you for your letter of June 16th in which you advise Dr. Balassa that you are sending another copy of the Portuguese Edition of his book: THE THEORY OF ECONOMIC INTEBRATION.

Dr. Balassa is at present out of the country but is expected back in the office on Tuesday, July 11th, at which time I shall bring your letter to his attention.

Yours sincerely,

Secretary to Dr. Balassa

June 19, 1967

Mr. Carl H. McMillan Jr.,  
Harvard University  
Russian Research Center  
1737 Cambridge Street  
Cambridge, Massachusetts 02138

Dear Mr. McMillan:

I am very sorry to have to advise you that Mr. Balassa is at present vacationing in Europe and is not expected back in the office until Tuesday, July 11th, at which time I shall bring your letter to his attention.

Yours sincerely,

Secretary to Mr. Balassa

June 19, 1967

Miss Teresa Jeanneret  
Universidad de Chile  
Instituto de Economia  
Castilla 3861  
Santiago, Chile

Dear Miss Jeanneret:

Mr. Balassa is at present out of the country but immediately upon his return to the office on Tuesday, July 11th, I shall bring your letter and enclosures to his attention.

Yours sincerely,

Secretary to Mr. Balassa

June 19, 1967

The Manchester School of Economic and Social Studies  
The Department of Economics  
The University of Manchester  
Oxford Road  
Manchester 13, England

Dear Sir:

This is to request permission to use material from my article: "Trade Liberalization and 'Revealed' Comparative Advantage" that appeared in the May 1965 issue of The Manchester School, to be used in my two forthcoming books TRADE LIBERALIZATION AMONG INDUSTRIAL COUNTRIES, publishers: McGraw-Hill Co., and STUDIES IN TRADE LIBERALIZATION, publishers: The Johns Hopkins University Press.

I presume that this is a formality since, as indicated in the footnote to the article, the statistical material used in it was prepared in the framework of the Atlantic Trade Project, the results of which will be published in the two books referred to above.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

June 19, 1967

Professor D. S. Sarma  
Department of Economics  
D. M. College,  
Imphal, India

Dear Sir:

Mr. Balassa is at present out of the country  
but immediately upon his return on Tuesday, July 11th,  
I shall bring your letter to his attention.

Yours sincerely,

Secretary to Mr. Balassa

June 15, 1967

Mr. Andrews Pianim  
United Nations  
Room 2601, ESA/CDPPP  
New York, 10017  
N. Y.

Dear Mr. Pianim:

Mr. Balassa is at present out of the country  
but will be back in the office on Tuesday, July 11th,  
at which time I shall bring your letter to his attention.

Yours very truly,

Secretary to Mr. Balassa

m June 15, 1967

Mr. W. Fickenscher  
Verlag Herder  
7800 Freiburg, Germany  
Hermann-Herder-Strasse 4

Dear Mr. Fickenscher:

Mr. Balassa is at present out of the country  
and is not expected to return until Tuesday, July 11th,  
at which time I shall bring your letter to his attention.

Yours sincerely,

Secretary to Mr. Balassa

June 15, 1967

Mr. T. A. Owen, M.A.  
Registrar  
Coleg Prifysgol University College of Wales  
Cymru  
Aberystwyth  
Wales

Dear Sir:

Re: Mr. James Lorne Ford

Thank you for your letter of June 8th regarding the above-named applicant for the post of Professor of Economics at your College.

Mr. Balassa is at present out of the country but will be back in the office on Tuesday, July 11th, at which time I shall bring your letter to his attention.

Yours sincerely,

Secretary to Mr. Balassa



June 9, 1967

Mrs. Ann Ambrose  
The Johns Hopkins University Press  
The Johns Hopkins University  
5820 York Road  
Baltimore, Maryland

Dear Mrs. Ambrose:

Thank you for sending me the sample pages of the book on Studies in Trade Liberalization. The pages are very nice, and I can see that the book will be a fine job.

My regular secretary, Miss Phyllis Muddiman, will return on June 11, and the proofs of the book can be sent to her at that time.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

June 8, 1967

Mr. Stephen E. Guisinger  
17 Rutland Street  
Cambridge, Massachusetts 02138

Dear Mr. Guisinger:

Mr. Balassa is in Europe, and your letter  
will be brought to his attention when he returns.

Very truly yours,

Winifred Blansfield  
(Secretary)

All Contributors

June 7, 1967

Bela Balassa

Outline and Methodology of the Structure of Protection  
for Developing Countries Project

1. Enclosed is the revised version of the Outline and Methodology for our project. Please let me have any comments you wish to make on this paper.
2. I will be away from Washington until July 11. Should any matters of urgency arise, you can reach me at the enclosed addresses.

BBalassa/wb  
Enclosure

June 7, 1967

Mr. John S. deBeers  
Associate Director  
Economic and Social Development  
Division  
Inter-American Development Bank  
Washington, D. C 20577

Dear Mr. deBeers:

The possibility has arisen to include Brazil in our project on protection. In your absence, I discussed this with Mr. Gonzalez, who has agreed to our adding Brazil to the list of countries under consideration. The Brazilian study was carried out by a young economist, Mr. Joel Bergsman, who has been working on Brazilian industrialization policy over the past two years.

The inclusion of the paper in the project will be financed from our reserve funds and does not necessitate an additional contribution from the IDB.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

cc: Mr. Joaquin Gonzalez  
IDB

June 7, 1967

M. Jean Benard  
Professeur Agrege  
Directeur du Centre d'Etude de la  
Prospection Economique a Moyen  
et Long Terms  
16 rue Berthelet, Arcueil  
Paris, France

Cher Ami:

En raison de retards malheureusement inevitables il n'etait pas encore possible a la Banque de mettre sur pied le projet dont vous ai parle dans mes precedents lettres. Je quitte Washington pour quelques temps mais j'espere bien qu'au moment de mon retour d'ici six semaines les choses auront progresser. En tout cas je vous tiendrai au courant des developments de l'affaire des que j'en aurais connaissance.

Je vous prie de croire, cher Ami, a mes sentiments amicaux.

Bela Balassa  
Adviser  
Economics Department

June 7, 1967

Jean Waelbroeck  
Professeur a l'Universite Libre de Bruxelles  
29, rue d'Heuval  
Laroche-en Brabant  
Bruxelles, Belgium

Cher Ami:

En raison de retards malheureusement inevitables il n'etait pas encore possible a la Banque de mettre sur pied le projet dont vous ai parle dans mes precedents lettres. Je quitte Washington pour quelques temps mais j'espere bien qu'au moment de mon retour d'ici six semaines les choses auront progresser. En tout cas je vous tiendrai au courant des developments de l'affaire des que j'en aurais connaissance.

Je vous prie de croire, cher Ami, a mes sentiments amicaux.

Bela Balassa  
Adviser  
Economics Department

BBalassa:vmc

June 7, 1967

M. Le Guay  
Commissariat general du Plan d'equipement  
et de la Productivite  
18 rue de Martignac  
Paris VII, France

Cher Ami:

En raison de retards malheureusement inevitables il n'etait pas encore possible a la Banque de mettre sur pied le projet dont vous ai parle dans mes precedents lettres. Je quitte Washington pour quelques temps mais j'espere bien qu'au moment de mon retour d'ici six semaines les choses auront progresser. En tout cas je vous tiendrai au courant des developments de l'affaire des que j'en aurais connaissance.

Je vous prie de croire, cher Ami, a mes sentiments amicaux.

Bela Balassa  
Adviser  
Economics Department

BBalassa:vmc

June 7, 1967

Mr. Andrew E. Rice  
Executive Secretary  
Society for International Development  
1346 Connecticut Avenue, N.W.  
Washington, D. C.

Dear Mr. Rice:

Mr. J. Burke Knapp, in his letter of May 18, asked me to submit to you my contribution to the recently held conference on "Regional Integration and Development" in published form, by July 1, for inclusion in the International Development Review. I have not, however, received as yet the transcript of my speech. Since I would need a transcript for preparing my paper, I have not been able to do this before my departure for Europe on June 8.

I will be returning to Washington on July 11, and will complete the paper by July 15. I hope that this delay will not inconvenience you.

Very truly yours,

Bela Belassa  
Adviser  
Economics Department

cc: Mr. Joaquín Gutiérrez Cano



June 7, 1967

Mr. Martin Kessler  
Senior Editor  
Challenge  
475 Fifth Avenue  
New York, N. Y. 10017

Dear Mr. Kessler:

It seems now that I will not be able to submit the article on U.S. relations with the Common Market by July 15. I wonder if I could do this in the first part of August, so that you could include the article in the next issue of Challenge.

Very truly yours,

Bela Balassa  
Adviser  
Economics Department

June 7, 1967

Professor Robert Mundell  
Hotel Beau-Rivage  
Geneva, Switzerland

Dear Bob:

Thank you for your note and expense account. I have forwarded these to the treasurer.

I will be arriving in Geneva on the evening of June 18, for a stay of a day or two with UNCTAD. I would be glad if we could have dinner together, and I wonder if you would be free on Sunday evening. Please let me know about this at the Bank's address in Paris:

International Bank for Reconstruction  
and Development  
4, Avenue d'Iena  
Paris 16<sup>e</sup>, France

I will be staying at the Hotel California and could come over to your hotel to pick you up around eight.

Following comments received from Corden and others, we have gone through another revision of the paper written jointly with Daniel Schydrowsky. I submitted this paper to the Journal of Political Economy today. An additional copy of the paper is enclosed.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

Enclosure

June 7, 1967

Mr. Hilton C. Buley  
President  
Southern Connecticut State College  
501 Crescent Street  
New Haven, Connecticut

Dear Mr. Buley:

This is to recommend Mrs. Janet Rothenberg Pack for a position at your college.

Mrs. Pack was my student in a graduate course on international trade at Berkeley in the academic year 1961-62. Subsequently she consulted me on her dissertation and on several occasions I discussed economic subjects with her at Yale.

She was my best student in the Berkeley class -- bright, interested and competent -- and my recent conversations with her confirm my favorable opinion of her capabilities. Aside from being an excellent economist she shows promise of becoming a good teacher. I highly recommend her for the position at Southern Connecticut State College.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

Professor of Political Economy  
The Johns Hopkins University

June 7, 1967

Mr. John H. Power  
University of the Philippines  
P. O. Box 776  
Manila, Philippines

Dear John:

Many thanks for your letter of May 31, and the enclosure. I am glad to see that you will be able to use the 1965 input-output table for the Philippines. I understand that in the case of Malaysia, you will prepare two sets of calculations.

The paper you sent to me is fine but, as I earlier indicated at the meeting, we expect to put all material on methodology that is common to every study in a separate chapter. (I am sending you tomorrow the revised outline and methodology which contains the relevant material.) Correspondingly, your chapter should include only a discussion of any special problems that have arisen in connection with the Philippines.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

June 7, 1967

The Editor  
The Journal of Political Economy  
1126 East 59th Street  
Chicago, Illinois 60637

Dear Editor:

I am enclosing a paper written jointly with Daniel Schydlofsky on "Effective Tariffs, The Domestic Cost of Foreign Exchange and the Equilibrium Exchange Rate," for your consideration for publication in the Journal. I wish to add that I have sent an additional copy directly to Professor Mundell in Geneva.

Very truly yours,

Bela Balassa  
Adviser  
Economics Department

Professor of Political Economy  
The Johns Hopkins University

Enclosure

June 7, 1967

The Managing Editor  
The Canadian Journal of Economics  
and Political Science  
100 St. George Street  
Toronto, 5, Canada

Dear Editor:

At the suggestion of Harry Johnson, I wish to submit the enclosed paper, "Tariff Protection in Industrial Nations and its Effects on the Exports of Processed Goods from Developed Countries," for your consideration for inclusion in the Journal.

May I add that in case you would find the tabular material excessive, Appendix Table 2 could be deleted from the paper.

Very truly yours,

Bela Balassa  
Adviser  
Economics Department

Professor of Political Economy  
The Johns Hopkins University

Enclosure

*Chronos*

## OFFICE MEMORANDUM

TO: Mr. A. M. Kamarck

FROM: Bela Balassa *m*

SUBJECT: Proposal for Economic Working Parties

DATE: June 7, 1967

1. I welcome Mr. Collier's proposal to move the discussion of the economic content of country reports from the Economic Subcommittee to Economic Working Parties. Indeed, by the time a report gets to a Subcommittee, it is "frozen" and Area Departments often regard Subcommittee discussions a nuisance. On the other hand, Economic Working Parties could usefully review the report while it is still in the production process, and the suggestions of the Economics Department's representatives can more easily find acceptance.

2. But what should be the role of the Economic Working Party? In my view, the validity of the analysis rather than questions of internal consistency and intelligibility should receive emphasis. Instead of being "a fairly low level discussion group," as Collier suggests, the Working Party may serve as a forum where questions of general applicability are "thrashed out" among representatives of the Area and the Economics Departments.

3. This discussion raises the more general question as to the role the Economics Department should play in the preparation of country reports. It seems to me that, with the increasing importance of the Bank's advisory function on the member countries' economic policies, the Economics Department's responsibilities also become greater. To begin with, some reports still look at individual sectors in isolation without considering the interaction of decision-making in the national economy. One of the functions of the Economics Department should be to emphasize this interdependence. Further, on questions such as the choice between import substitution and export promotion, or the use of national economic planning, there are noticeable differences among the Area Departments. The Economics Department should endeavor to develop a general policy on these questions and should represent this at meetings of the Economic Working Parties.

4. The Economics Department should also consider the implications of recommendations made on a particular problem in one region for other areas and try to seek an understanding among the Area Departments. The questions of fiscality and resource allocation arising out of the International Coffee Agreement provide an example for the need of developing a common position. Finally, the Economics Department should apply recent advances in the development literature to practical and policy issues, and should play the role of an innovator to develop and test new ideas.

5. These tasks are likely to necessitate a certain reorientation of research carried out by the Economics Department. Aside from project-oriented research, the major areas of investigation should include growth strategies, regional integration, planning techniques and methodology, and the implications of commodity agreements for trade and development. It would further be desirable if the Economics Department prepared position papers on these issues for discussion by the Economic Committee. Upon approval, these papers could serve as guidelines for the preparation of country reports.

BBalassa/wb

cc: Messrs. Friedman  
Stevenson  
Adler  
deVries  
King  
Sacchetti  
Collier  
Kalmanoff  
van der Tak

*Copy also sent to Mr. Stolper*



June 6, 1967

Mr. Joel Bergsman  
USAID - Rio de Janeiro UCB  
APO New York 09676

Dear Joel:

I am happy to say that the Bank has approved the arrangement we discussed at the OECD Development Center meetings early last month. We are now writing an official letter to Ian Little on this.

I have just finished the revised version of the Outline and Methodology, a copy of which is enclosed.

I am leaving for Europe tomorrow and will return to Washington on July 10. Should you wish to contact me before that date, my secretary will forward the letter.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

Enclosure

June 6, 1967

Professor W. M. Corden  
Australian National University  
P. O. Box 4  
Canberra A.C.T.  
Australia

Dear Max:

Many thanks for your letter of May 15, and for your comments on our paper. Schydlofsky is indeed from Peru; he is presently assistant professor at Harvard and is one of my collaborators in the Structure of Protection in Developing Countries project.

In the earlier version of the paper I sent to you, we assumed that all inputs are tradables and introduced non-traded goods only in the last section. I have ~~not~~ changed this so that in discussing the relative merits of the two indicators, we now separate the two kinds of inputs. This has been helpful to point out an important feature of the Bruno method; he handles all domestically purchased inputs other than labor as if they were non-traded goods.

Many thanks again for your comments.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

Mr. Hugh Latimer

June 6, 1967

Bela Balassa

Description of Structure of Protection in  
Developing Countries Study

In response to your request, I am enclosing page one of the Outline and Methodology of the above project. This outline gives a description of the purpose and the contents of our work.

I wish to add that the proposed volume should have interest for the Bank as well as for professional economists and planning authorities in developing countries since, for the first time, it will provide a comparative evaluation of the systems of protection in semi-industrialized developing countries.

EBalassa/wb  
Enclosure

June 6, 1967

Mrs. Angela Lavarello  
The Johns Hopkins University  
Department of Political Economy  
Baltimore, Maryland 21218

Dear Mrs. Lavarello:

In response to a note from Dr. Mills, I am listing below my publications that appeared between July 1, 1966, and June 30, 1967.

Trade Liberalization among Industrial Countries: Objectives and Alternatives, New York, McGraw Hill Book Co., 1967.

"Planning in an Open Economy," Kyklos, 1966 (3), pp. 385-410.

"Die Entwicklungslander in der Weltwirtschaft" in Entwicklungspolitik, (Hans Besters and E. Boesch ed.), Stuttgart, Kreuz Verlag 1966, pp. 71-103.

"Aussenhandelstheorie," in Sowjetsystem und Demokratische Gesellschaft, (C. D. Kernig, ed.), Freiburg, Herder Verlag, 1966, pp. 506-19.

"Trade Creation and Trade Diversion in the European Common Market," Economic Journal, March, 1967, pp. 1-21.

"Trade Liberalization and the 'Kennedy Round': The Static Effects," (with M. E. Kreinin), Review of Economics and Statistics, May, 1967.

"American Attitudes towards Trade Liberalization in the Atlantic Area," Moorgate and Wall Street Review, Spring 1967.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

Mr. J. C. Reamy  
(through Mr. A. Stevenson)  
Bela Balassa

June 6, 1967

Payment of Consultant Fee to Professor Robert Mundell

Professor Mundell worked as a consultant on the Structure of Protection in Developing Countries project. His work included participation in the April 17-18 meeting of the project (two days) and the reading of papers for the meeting (two days), altogether four days. His consultant fee should be charged against the budget of the Structure of Protection in Developing Countries project.

Professor Mundell also reports two days spent on consultation and reading of papers on the Import Substitution study. Mr. deVries will provide an acknowledgement of this work.

EBalassa/wb  
Enclosure

cc: Mr. deVries

June 6, 1967

Journal of Political Economy  
5750 Ellis Avenue  
Chicago, Illinois 60637

Dear Sirs:

I apparently neglected to renew my subscription to the Journal of Political Economy. I am enclosing now a check for \$10, with a request that you send me all numbers beginning with the December 1966 issue.

Very truly yours,

Bala Balassa  
Adviser  
Economics Department

Enclosure

2500 Que Street, N.W.  
Washington, D. C. 20007

June 5, 1967

Mr. Harry Siegel  
2446 18th Street N.W.  
Washington, D. C.

Dear Mr. Siegel:

Enclosed is a cheque in the amount of \$41.15 to  
cover a case of Hooper's 1937 Port to be sent to

Mr. Luis de Ascarate  
6225 - 32nd Place  
Washington, D. C.

Please call party before delivery. The telephone  
number is 363-6830

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

June 5, 1967

Mrs. Angelo Lavarello  
The Johns Hopkins University  
Department of Political Economy  
Baltimore, Maryland 21218

Dear Mrs. Lavarello:

Enclosed is the report on the final exam of my graduating course in international trade. May I ask you to forward it to the registrar's office.

I am also enclosing Mr. Stram's examination. He will come to pick it up.

I will be in Europe for about five weeks and will return to Washington on July 10. Since I do not expect to come to Baltimore during the summer, I would like you to forward all first class mail to my home address. After July 10, I can be contacted at the International Bank during the day.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

Enclosure



2500 Que Street, N.W.  
Washington, D.C. 20007

June 5, 1967

Collector of Taxes  
New Haven  
Connecticut

Dear Sir:

On May 25, I asked for a receipt of the property tax of \$29.54 which I paid on January 28, 1966, for the year of 1965. I have since received a receipt for the tax I paid in January 1967, on the June 1, 1966, grand list. May I ask you to send me also the receipt relating to the previous year.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

June 5, 1967

Dr. Etienne S. Kirschen  
Department d'Economie Appliquee  
de L'Universite Libre de Bruxelles  
49, rue du Chatelain  
Bruxelles, Belgium

Dear Etienne:

I read your paper, "Projecting Aid from Capitalist Countries," with considerable interest. It is indeed a useful exercise to try to assign numerical values to the motivation of the individual countries to extend foreign aid. While the values adopted for such a purpose are necessarily arbitrary, the figures used for the period 1962-65 seem to be quite reasonable to me. Still, I wonder if one can speak of a colonial tradition in Germany; also, it is not clear to me why you have separated the cultural from the political motivation of aid-giving in the French case since these are combined elsewhere.

Further questions arise in connection with the projections. To begin with, you do not justify the increase in aid due to humanitarian motives from .25 percent to .50 percent of national income. In fact, in reading your discussion of the major determinants of the minimum level of aid, one might conclude that a decline rather than an increase would be forthcoming. This is not to say that I would expect a decline; the point is that you have to justify the assumption that a doubling would take place--especially since this affects your results to a considerable extent.

Furthermore, I do not see how one can arrive at an increase in the share of national income devoted to aid in the United States on the basis of a consideration of past trends. The semi-logarithmic formula used by Van Liefferinge--and adopted by you--apparently does not take account of the decline in this share that has taken place since 1962. A recalculation including observations for recent years would lead to rather different results.

Thank you again for sending me the paper. I will be interested to see a revised version. Could you please also let me have the detailed calculations in which you have adjusted for interest payments and for pensions of ex-colonial civil service.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

June 2, 1967

Mr. Harry H. Bell  
Director Research Division  
UNCTAD  
Palais des Nations  
1211 Geneva 10, Switzerland

Dear Harry:

I read your paper on "Negative Tariffs, a Possible Form of 'Super Preferences'" with great interest. It is indeed a cogent piece of writing, and it provides an excellent discussion of an important problem. My comments are rather minor.

I doubt<sup>whether</sup> your definition of negative tariffs would avoid the undesirable implication that subsidies on developing countries' imports are a partial substitute for foreign aid. Your suggestion that the subsidy should be paid to the importer of the product "who may but quite possibly will not pass on the subsidy to foreigners," only evades the problem and, at the same time, it doesn't offer a good practical solution for getting the payment to the intended beneficiary. (Importers are often in a monopsony position and they would be making a profit from an import subsidy.) Since the "least developed" countries you and Singer would wish to subsidize would only become marginal exporters of manufactured goods, an export subsidy paid to them would not affect the world market price and would indeed appear as a form of foreign aid. At the same time, I welcome your suggestion that tariffs levied on the products of developing countries can be regarded as "negative foreign aid," and it might indeed be useful to emphasize this in discussions on tariff preferences.

I come now to your memorandum on "The Network of the Preferential Trade in Manufactures." While it is of interest to calculate the proportion of trade among industrial countries and between industrial and developing countries that takes place under preferential regimes, I would interpret the figures somewhat differently than you do. To begin with, for a large number of manufactured products, including machinery, transport equipment, etc., integration among industrial countries does no harm to developing nations, since the latter cannot export the products in question anyway. In fact, to the extent that integration contributes to an acceleration of economic growth in the industrial nations, developing countries stand to benefit through an increase in their exports.

Furthermore, you seem to use a rather restrictive definition of economic integration that would remove the "opprobrium" associated with the elimination of internal, and maintenance of external, tariffs. In a different vein, I would not equate the elimination of internal tariffs (100 percent preference) with partial preferences, as you do in your tables.

I look forward to discussing these and other problems with you in Geneva.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

Mr. Harold E. Dyer  
(through Mr. Alexander Stevenson)  
Bela Balassa

June 2, 1967

Study of Protection in Brazil

1. At the time of the meetings of the OECD Development Center in early May, I reached a verbal agreement with Mr. Ian D. M. Little, the Vice President of the Development Center, concerning the inclusion of part of the results obtained by Mr. Joel Bergsman in his work under contract with the Development Center, in our project on the Structure of Protection in Developing Countries. According to the agreement, Bergsman's work on effective protection in Brazil, that forms part of the monograph he is preparing for the OECD Development Center, would be included, in an appropriately revised form, as one of the country studies in our prospective volume dealing with protection in developing economies. Bergsman is carrying out this part of his research according to the methodology and outline I have prepared for the country studies and, hence, his contribution will form an integral part of our volume.

2. It will be necessary, however, for Bergsman to carry out research on price comparisons in Brazil which is not part of the original terms of reference of the OECD study. This would involve his return to Brazil towards the end of the year. According to the agreement, we would cover the cost of this trip (Berkeley, California - Rio de Janeiro) and per diem expenses during the approximately two months Bergsman will spend in Brazil. Bergsman's salary for this period will be paid by the OECD Development Center.

3. The expenses to be paid by the Bank will amount to approximately \$1500-\$2000 and will be covered from the reserve funds available for the Structure of Protection in Developing Countries project for the 1967-68 fiscal year.

BBalassa/wb

cc: Mr. Alexander Stevenson

June 2, 1967

Mr. S. El-Naggar  
Assistant Director  
Research Division  
UNCTAD  
Palais des Nations  
1211 Geneva 10, Switzerland

I was interested to read your memorandum on "Compensation for Loss of Preferences in the European Common Market." It is indeed an important problem to what extent the countries associated with EEC would lose in the event of general tariff reductions. These countries are bound to ask for compensation in such an event, and your paper is a first effort to measure the amount of the loss that may be compensated for. Some comments on your paper follow.

I wonder if there are any cases when the price of a commodity in the EEC would be determined by the tariff-free supply imported from the associated countries. The commodities in question are standardized products which have a world market price and, as long as the associated countries are not the only exporters to the Common Market, the domestic price will equal the world market price plus the non-preferential tariff (This is indeed the assumption you use in measuring the maximum price advantage).

It should be added, however, that benefit associated countries derive from preferences is also influenced by the shape of the supply curve. Thus, if the supply curve is upward-sloping, these countries would not sell the quantities actually exported to the Common Market in the absence of preferences. There are two types of gains in this case: (a) the preferential margin on the quantity that would have been exported to the EEC (or elsewhere) without preferences, multiplied by the preferential margin, and (b) the expansion of exports due to tariff-free entry. But, to evaluate the latter, an assumption has to be made concerning the alternative uses of resources in the associated countries.

As regards your "Ex post" estimates, I don't find the comparison made between the rate of growth of exports to EEC and to non-sheltered markets useful. The rate of growth of exports in the two cases might differ simply because the Common Market is growing at a rate higher or lower than other importing countries or because the income elasticities of import demand differ from country to country. But even if there are no such differences, your measure may reflect the extent of the diversion of exports due to preferences as well as the trade-creating effects of same.

I rather suggest that you use a second measure in such a form that it compares the expansion of EEC imports from the associated countries to the average increase of total imports of the commodity in question. This is indeed what I have used in my Common Market study. Finally, I have some qualms about your statement according to which the results of

"Ex post" calculations necessarily differ from those arrived at by using the "Ex ante" method, but let us talk about it when I will be in Geneva.

Your paper on "The Common Agricultural Policy and Market Excesses" provides a useful description of the Common Market agricultural policy. At the same time, you appear to overly belabor the point that a variable levy has the same effect as a quota. This is self-evident, since as long as the variable levy is set in such a way as to insure that imports do not surpass a certain level (the difference between domestic consumption and production at target prices), it will act as a quota. Should the objective be instead to maintain a constant share of imports in domestic consumption, the variable levy will be equivalent to a variable quota.

It follows that the statement, according to which the variable levy is more favorable to a third country than a conventional tariff under conditions of rising world prices, is not meaningful. As long as the purpose of the variable levy is to provide markets for the entire amount of domestic production, it will generally be less favorable to outsiders than a conventional tariff. Rising world prices will reduce the relative disadvantage of foreign producers under the variable levy scheme but will not eliminate it.

In turn, I wonder if it is correct to say that the reference price on fruits and vegetables is not envisaged as a production-stimulating instrument. The Italians would certainly want it to serve this function and the outcome will depend on their bargaining power. Recent experience indicates that Italy is using the fruit and vegetable issue as a lever in negotiating on the contributions to the agricultural fund of the Common Market. Similar considerations apply to pork, eggs, and poultry, where the level of, and changes in, the price will determine the protective effect of the common agricultural policy on these commodities. Finally, I am not sure what is meant by the statement that the EEC policy on oils and oil seeds is "designed to maintain price and output at moderate levels." The truth of the matter is that the production of rapeseed is inefficient in Western Europe; nevertheless, this accounts for a substantial part of domestic consumption. In addition to domestic subsidies to production, mixing regulations also have a protective effect.

One more point: in your detailed analysis it is assumed that part of the Common Market consumption of grains will be imported. However, in the summary section you state that "target prices, and hence, variable levies are set at sufficiently high levels to induce not only complete self-sufficiency but also an exportable surplus." Should this be the case, the earlier analysis would need to be revised in order to accommodate the case of an export surplus.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

cc: Mr. Harry Bell

Mr. Harold E. Dyer  
(through Mr. Alexander Stevenson)

June 2, 1967

Bela Balassa

Additional Expenditures on the Structure of Protection  
in Developing Countries project

1. This is to request that arrangements be made for contracting Mr. Frederico Herschel of the Consejo Nacional de Desarrollo to carry out a survey for determining the domestic and c.i.f. prices of Argentine manufacture. This survey is necessary for purposes of the Structure of Protection in Developing Countries project. Mr. Herschel is to undertake this survey according to instructions given to him verbally by Mr. Daniel Schydrowsky, a consultant to the project.

2. The cost of the survey agreed upon between Mr. Schydrowsky and Mr. Herschel is the peso equivalent of \$400. Since part of this compensation is used to pay several investigators who carry out the work under the direction of Mr. Herschel, I would like to ask that one-half of the above amount be sent to Mr. Herschel now and the other half at the time when Mr. Schydrowsky has reported to us the completion of this work.

3. Mr. Herschel's address is:

Sector Presupuesto Economico  
Consejo Nacional de Desarrollo  
Hipolito Yrigoyen 250  
Buenos Aires, Argentina

4. The amount payable to Mr. Herschel is covered from reserve funds of the 1967-68 budget of the Structure of Protection in Developing Countries project.

BBalassa/wb

cc: Mr. Alexander Stevenson



June 1, 1967

Mr. Edmar L. Bacha  
299 Townsend Avenue  
New Haven, Connecticut

Dear Mr. Bacha:

Thank you for your letter of March 27, and for sending me your dissertation and prospectus. Your thesis promises to be an interesting contribution to the coffee problem. My only comment is that you don't seem to take care of the problem of interdependence between coffee prices and the amount imported in the United States.

I presume that you have been in contact with Gerda Blau, who directs the World Coffee Study. Have you not done so, I suggest that you send her a copy of your prospectus.

As regards the possibility of your joining the Bank you should get in touch directly with the Assistant Director of Personnel, Administration Department here. As a rule, they arrange interviews with interested departments.

Very truly yours,

Bela Balassa  
Adviser  
Economics Department

BBalassa:wb

June 1, 1967

Mr. Goran Ohlin  
Federation of Swedish Industries  
Artillerigatan 34  
Stockholm 5, Sweden

Dear Goran:

Thank you for your letter of May 29. I am glad that you found something of interest in my lectures on "Economic Development and Integration"; it is really a rather simple piece of work.

I will get a few copies of the book by next Monday and I will send you one immediately, air mail printed matter.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

June 1, 1967

Mr. Hal B. Lary  
National Bureau of Economic Research, Inc.  
261 Madison Avenue  
New York, N. Y. 10016

Dear Hal:

Many thanks for your letter of May 26, and for sending me your monograph on "Imports of Labor-Intensive Manufactures by Developed from Less Developed Countries." I look forward to reading it when I return from Europe in late July.

It is perfectly fine with me to include the table on nominal and effective tariffs containing my estimates in your study. I am glad that you could make use of the material.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

June 1, 1967

Mr. Ph. Carré  
Director  
Trade Intelligence Division  
United Nations  
General Agreement on Tariffs and Trade  
Villa le Bocage - Palais des Nations  
1211 Geneva 10, Switzerland

Dear Mr. Carré:

I read your memorandum on "Trends in Sources of European Imports Since the Creation of the EEC and EFTA" with considerable interest. Apparently, we have come to use similar methods in evaluating the effects of European integration on trade flows. The major difference is that you neglect the trade-creating effects of European integration schemes. This question cannot be decided on the basis of a cursory examination of graphs, but a calculation has to be made in numerical terms.

At the same time, your choice of 1960 as the benchmark year distorts the results. Tariff reductions began in the Common Market in 1959 and these reductions, as well as the anticipation of the complete elimination of duties under the Rome treaty, have led to a very large expansion of intra-EEC trade between 1959 and 1960. In fact, the increase in this trade between the two years was larger than in any subsequent pairs of years, and the results of my Economic Journal article indicate the existence of trade creation in the period 1959-1965.

Your neglect of the trade-creating effects of the Common Market means that you consider the "residual deviation" as the preferential effect of the EEC, while this is in fact a mixture of trade creation and trade diversion. Also, you seem to underestimate the importance of the residual factor. For one thing, you consider this in absolute terms rather than looking at the difference between the pre-integration and post-integration periods. For another, by concentrating the discussion on the combined figures for the Common Market and EFTA, you de-emphasize the very appreciable Common Market effects. Indeed, as Table C indicates, the residual (preferential) effect far outweighed in importance the country and commodity

composition effects in the trade of the Common Market. The opposite conclusion pertains, however, to EFTA. What is of interest, then, is to explain the difference in the results pertaining to the two areas.

The major reason for this difference may lie in the assumed permanence of the EEC and the lack of permanence of EFTA. Common Market producers base their investment plans on the supposition that the established Common Market is not reversible. On the other hand, EFTA is regarded as a temporary expedient and, especially in Britain, producers make plans by taking account of a possible merger with the EEC. It might be of interest to look at your data in a year-to-year breakdown to indicate the extent to which trade flows might have been influenced by changes in anticipation as regards the possibility of British entry into the Common Market. Let me add here that the anticipation factor should also be considered in regard to trade in agricultural products among the Common Market countries.

It was good to hear from you and I hope that we may have the occasion to talk about your memorandum, as well as on other subjects, on the occasion of my next visit to Geneva. I plan to be in Geneva on June 19 and 20, and will give you a call then to arrange a meeting.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

June 1, 1967

Hotel Kaiserin Elisabeth HV  
I., Weihburggasse 3  
Vienna, Austria

Dear Sirs:

I would like to reserve a double room with shower for my wife and myself, as well as a single room with bath for a relative, Mrs. Bela Balassa, for the period July 2 - 7, 1967. Please inform me if I should send a deposit upon confirmation of this reservation.

Please send your answer at your earliest convenience to the following address:

International Bank for Reconstruction  
and Development  
4, Avenue d'Iena  
Paris 16<sup>e</sup>, France

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

June 1, 1967

Hotel Capricorno  
I., Schwedenplatz 3  
Vienna, Austria

Dear Sirs:

I would like to reserve a double room with shower for my wife and myself, as well as a single room with bath for a relative, Mrs. Bela Balassa, for the period July 2 - 7, 1967. Please inform me if I should send a deposit upon confirmation of this reservation.

Please send your answer at your earliest convenience to the following address:

International Bank for  
Reconstruction and Development  
4, Avenue d'Iena  
Paris 16e, France

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

June 1, 1967

Hotel Regina  
IX., Rooseveltplatz 15  
Vienna, Austria

Dear Sirs:

I would like to reserve a double room with shower for my wife and myself, as well as a single room with bath for a relative, Mrs. Bela Balassa, for the period July 2 - 7, 1967. Please inform me if I should send a deposit upon confirmation of this reservation.

Please send your answer at your earliest convenience to the following address:

International Bank for Reconstruction  
and Development  
4, Avenue d'Iena  
Paris 16<sup>e</sup>, France

Yours very truly,

Bela Balassa  
Adviser  
Economics Department



June 1, 1967

Dear Mr. Tsukuda:

I was interested to see the comparisons made for the EEC between nominal and effective tariffs shown in my JPE article and those derived from UNCTAD's tariff sample. Since I used post-Dillon Round tariffs, the relevant comparison is with your second set of figures and the similarity in nominal tariffs is indeed striking.

Differences between effective tariffs are larger, however, chiefly because you used a lower figure for duties on other material inputs: 7.2 percent instead of my 9.5 percent. In order to assure the comparability of the results, it would be necessary to recalculate effective rates by using my tariff figure on other material inputs. At any rate, my figure pertains to those material inputs (coal, refined petroleum, paper, chemical products, non-metallic products, and metal manufacture) which most frequently come into this category while you used an average for all industries. Let me add here that the relevant figures for the other countries included in my calculations are: United States 5.8%, United Kingdom 8.6%, Sweden 2.2% and Japan 11.4%.

I have since revised estimates of effective tariffs on paper and paper products that were in error. The corrected figures are: United States 5.6%, United Kingdom 13.5%, Common Market 19.0%, Sweden 4.2%, Japan 18.5%. Further, the effective tariff on railway equipment in the Common Market is 14.4%, rather than -0.2%. On the other hand, the Common Market figure for pig iron is correct; the result is due to the high tariff (16.8%) on coking coal.

Very truly yours,

Bela Balassa  
Adviser  
Economics Department

Mr. C. Tsukuda  
UNCTAD  
Palais des Nations  
1211 Geneve 10, Switzerland

cc: Mr. Harry Bell

Mr. Andrew H. Kanarek

May 31, 1967

Bela Balassa

Conference on Planning and Economic  
Growth in Eastern Europe

1. On May 13-14, I participated at a Conference organized by Professor Abner Bergson of Harvard University on Planning and Economic Growth in Eastern Europe. The Conference dealt with problems of evaluating the growth performance of East European countries and with recent developments in their planning system. I will concentrate my remarks on Yugoslavia, which is the only Bank country in the group. Further, I will comment on some issues common to socialist countries and to developing market economies. et
2. Charles Rockwell of Yale University reported on his researches into the growth performance of the Yugoslav economy. In carrying out a project for the Yale Economic Growth Center, the results of which will be published in book form, Rockwell gave special emphasis to the measurement and to the causes of the economic growth in Yugoslavia. Having carried out various consistency checks, he reached the conclusion that official data do not substantially overestimate the growth of national income (material product) in that country. He further indicated that technological improvement in industry and the shift of labor from agriculture to industry have been important factors contributing to growth.
3. In my comment to Rockwell's paper, I noted that the underpricing of agricultural products and overpricing of industrial goods led to an overestimation of Yugoslav growth performance. This conclusion follows because, in the presence of such price distortions, the shift of labor from agriculture to industry will give rise to an apparent rather than a real increase in national income. But this problem is not confined to Yugoslavia; it pertains also to developing countries whose protective measures raise the relative prices of industrial goods so that the rapidly growing industrial sector is given an excessively large weight in calculations on growth rates.
4. Benjamin Ward of the University of California (Berkeley) discussed changes in the Yugoslav planning system. He emphasized that successive modifications in planning have taken place as a result of a "learning process": the Yugoslavs have generally taken a pragmatic attitude and introduced reforms as the defects of the planning system became apparent. Often, this was done on a hit-or-miss basis; for example, direct controls were used for a time to restrict inflation and only recently have steps been taken to restrict increases in the money supply.
5. In the general discussion on growth and planning, I have emphasized the need for a comparative evaluation of planned and market economies. The experience of countries at lower levels of development, such as Rumania and Bulgaria, should be set against that of Greece or

Turkey, with special emphasis on changes in the industrial structure and the role of foreign trade in the economic system. In turn, for countries that had industries already in the interwar period, such as Czechoslovakia and East Germany, the national economies of Western Europe would offer a standard of comparison.

6. Given the emphasis of the Conference on problems of statistical estimation, I also offered some remarks on the reliability of national income data in planned as compared to developing market economies. I indicated that there are three major sources of error in such data:

- (a) lack of adequate statistics in physical and in current value terms;
- (b) deliberate distortions on the firm and/or the government level; and
- (c) an aggregation bias due to the vagaries of pricing.

7. The countries of Eastern Europe are way ahead of developing market economies as far as the first point is concerned. Planning requires data, and over the years an impressive statistical reporting system has been built up in all centrally planned economies. In turn, although there are substantial differences from country to country within the developing market economies group, their statistical reporting system is often poor.

8. On the other hand, distortions of data are rarely found in developing market economies, but such practices do exist in the countries of Eastern Europe. Until a few years ago these were fairly general on the government level, inasmuch as there was a tendency towards "cosmetics" in the figures on economic progress for public consumption at home and abroad. This tendency is likely to persist in China and, among the countries of Eastern Europe, in Albania, but it has disappeared, or is disappearing, elsewhere.

9. Deliberate distortions (falsification) on the firm level continue, however. As long as the bonuses of management are tied to the fulfillment of the production plan, an incentive is provided to "magnify" the results. In some cases, this is done by inflating the quantity of output but more frequently by setting high prices for new products and by reducing the quality of old products. In the absence of competition among suppliers, this practice continues also under the new schemes of tying bonuses to profits in Eastern Europe. This problem is of little importance in the market socialism of Yugoslavia, however.

10. Finally, the aggregation problem pertains to both planned and developing market economies. Both groups of countries tend to overprice manufactured goods and to underprice agricultural products by comparison to world market price relations. In the planned economies of Eastern Europe this reflects a deliberate decision to keep down the incomes of peasants, while in developing market economies it is the result of high tariffs and other protective barriers on imports. Now, with industrial production rising faster than agricultural output in both groups of countries, the growth of national income is overestimated.

11. In conclusion, the efforts of two countries in Eastern Europe, Hungary and Czechoslovakia, to adopt a form of market socialism should be noted. While it is not yet clear to what extent the reforms of these countries will be carried out in practice, they reflect the determination of their governments to utilize the price system, to introduce competition among firms, and to increase the country's participation in the international division of labor. The reforms are also of interest to the economist since they indicate a high degree of sophistication on the part of their authors. Finally, they may possibly turn to the Bank for assistance at some future time.

cc: Messrs. Friedman, Stevenson, King, Kalmanoff

Mr. Joseph C. Reamy (through Mr. Stevenson)

May 31, 1967

Bela Balassa

Mr. Schydrowsky's Trip to Washington

At the time when Mr. Schydrowsky participated in the meetings on the Structure of Protection in Developing Countries project, Mr. de Vries suggested to him that he come to Washington to discuss the need for certain materials from Mr. Walstedt's group. While Schydrowsky informed me of his pending trip I have neglected to fill out a travel request for him. The travel request form is now enclosed.

On his Statement of Expenses, Mr. Schydrowsky indicated that he could not obtain tourist accommodation on a Washington/Boston flight. I request approval of his purchase of a first-class ticket.

I wish to add that on the yellow sheet "Analysis of Advances" an advance for Schydrowsky's subsequent trip to Latin America has also been included. Since he will report separately on the Latin American trip, I wish to ask that on the present Statement of Expenses only the \$120 advance received in connection with the trip he reported on be included.

Mr. Alexander Stevenson

May 31, 1967

Bela Balassa

Additional Expenditures for Argentine Study

I had earlier indicated to Mr. Kamarck the possible need for further expenditures on the Argentine study. Mr. Schydlofsky now reports that an amount of \$400 will be necessary in order to make a survey to compare domestic and import prices of manufactured goods in Argentina. I ask your approval for an expenditure of this amount, which would be covered by the reserve funds of the project.

cc: Mr. Kamarck

May 31, 1967

Professor P. Munthe  
Department of Economics  
Oslo University  
Frederiksgate 3  
Oslo, Norway

Dear Professor Munthe:

As I indicated to you in earlier correspondence, I will be arriving in Oslo on Sunday night, June 11, for a stay of three days. I wonder if I could see you on Monday morning; perhaps you could come to the Grand Hotel where I am staying, or call me there around nine o'clock.

I am looking forward to seeing you and your associates who work on the protection problem in Norway.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

May 31, 1967

Professor Tibor Scitovsky  
Organization for Economic  
Co-operation and Development  
91, boulevard Exemans  
Paris 16<sup>e</sup>, France

Dear Tibor:

As I mentioned to you at the time of the Brookings meeting, I will be in Paris on June 15 and 16. I would like to come to the Development Center on June 15 (Thursday) before noon, and I wonder if you would be free to have lunch with me on that day. I would be glad if Ian Little could also join us.

Should you not be free, please drop me a line at the following address so that we could make other arrangements:

World Bank Flats  
39 Hill Street  
Mayfair  
London, S.W. 1, England

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department



May 31, 1967

Mr. William B. Kelly, Jr.  
U.S. Mission  
KR Delegation  
Geneva  
Department of State  
Washington, D.C. 20521

Dear Bill:

Thank you for your letter of May 23. I have no doubt that we will reach an agreement on the matter of corrections at the time of my visit to Geneva. This will not be too late, since the galley proofs will not arrive before the end of June.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

May 31, 1967

Hotel Maestral  
Brela  
Jugoslavia

Dear Sirs:

Thank you for your letter of April 6, confirming my reservation at your hotel. My wife and I will arrive on June 24 for a stay of one week, as indicated in my earlier letter to you.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department



# Record Removal Notice

|   |                                       |   |                                    |                                       |
|---|---------------------------------------|---|------------------------------------|---------------------------------------|
| <b>File Title</b><br>Research on Economics and Development - Bela Balassa -<br>Chronological Record - May through July 1967 |                                       | <b>Barcode No.</b><br><br>30280543  |                                    |                                       |
| <b>Document Date</b><br>May 29, 1967  | <b>Document Type</b><br>Memorandum    |   |                                    |                                       |
| <b>Correspondents / Participants</b><br>From: Bela Balassa<br>To: Mrs. Mary Wolfe   |                                       |   |                                    |                                       |
| <b>Subject / Title</b><br>Tax Reimbursement   |                                       |   |                                    |                                       |
| <b>Exception(s)</b><br>Financial Information iv   |                                       |   |                                    |                                       |
| <b>Additional Comments</b>  |                                       | <p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"> <tr> <td><b>Withdrawn by</b><br/><br/>Ann May</td> <td><b>Date</b><br/><br/>September 28, 2022</td> </tr> </table> | <b>Withdrawn by</b><br><br>Ann May | <b>Date</b><br><br>September 28, 2022 |
| <b>Withdrawn by</b><br><br>Ann May  | <b>Date</b><br><br>September 28, 2022 |   |                                    |                                       |

AIRMAIL

May 29, 1967

Mr. Luigi Ceriani  
Banca Nazionale del Lavoro  
Quarterly Review  
Ufficio Studi  
Via Vittorio Veneto, 119  
Rome, Italy

Dear Mr. Ceriani:

Many thanks for your letter of May 19 and for your kind invitation to contribute another article to your Review. While I could not accede to your request at the present time, I hope that I will have an opportunity to do so in the not too distant future.

Sincerely yours,

Bala Balassa  
Adviser  
Economics Department

BBalassa:ya

AIRMAIL

May 29, 1967

Prof. Dr. H. Besters  
Seminar für Wirtschafts- und Finanzpolitik  
der Ruhr-Universität Bochum  
463 Bochum-Querenburg  
Buscheystrasse, Gebäude 1B  
Germany

Dear Professor Besters:

I am afraid that I do not have any more copies of my contribution to your encyclopedia. Perhaps you could send a Xerox copy to Prof. Fritsch.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

BBalassa:ya

May 29, 1967

Prof. Donald R. Sherk  
Boston College  
Department of Economics  
Chestnut Hill, Mass. 02167

Dear Professor Sherk:

I am afraid I do not have any more copies of my December 1965 JPE article on Tariff Protection. You may be able to get copies, however, from the Economic Growth Center at Yale University.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

BBalassa:ya

May 29, 1967

Mr. John L. Ecob  
Richard D. Irwin, Inc.  
1818 Ridge Road  
Homewood, Illinois

Dear Mr. Ecob:

Thank you for your letter of May 19 and for the copy of the Spanish edition of my TRADE PROSPECTS FOR DEVELOPING COUNTRIES, which arrived last week.

I wonder if I could purchase a second copy of this book; I try to keep two sets of all my publications. You may also recall that I wrote you earlier concerning a second copy of the Portuguese edition of my THEORY OF ECONOMIC INTEGRATION.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

BBalassa:ya

May 29, 1967

Mr. George Feivel  
The University of Tennessee  
College of Business Administration  
Knoxville, Tenn.

Dear George:

I have not written anything yet on the Economic Reform in Hungary, but I may be doing a piece on this problem later this year.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

BBalassa:ya



AIRMAIL

May 29, 1967

Dr. Klopstock  
The Kraus Reprint Inc.  
208/210, Abbey Lane  
Victoria Street  
London, S.W.1  
England

Dear Dr. Klopstock:

This is to request permission to use material from my article: "Trade Liberalization and 'Revealed' Comparative Advantage" that appeared in the May 1965 issue of The Manchester School, to be used in my two forthcoming books TRADE LIBERALIZATION AMONG INDUSTRIAL COUNTRIES, publishers: McGraw-Hill Co., and STUDIES IN TRADE LIBERALIZATION, publishers: The Johns Hopkins University Press.

I presume that this is a formality since, as indicated in the footnote to the article, the statistical material used in it was prepared in the framework of the Atlantic Trade Project, the results of which will be published in the two books referred to above.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

BBalassa:ya

AIRMAIL

May 29, 1967

Mr. Andras Nagy  
Konjunktura- es Piackutato Intezet  
Budapest 62, P.O.B. 133  
Hungary

Dear Andras:

Please excuse the long delay in answering your letter of March 14. In the meantime you have received the official invitation from Johns Hopkins University which you had asked about.

As regards teaching obligations, Edwin Mills must have indicated to you that we would like you to teach a course on Some Problems of Planning. Instruction is on quite a high level here and students have a good amount of mathematics. You can, therefore, freely use mathematical tools in your lectures; otherwise, the choice of the topics is up to you.

We are all looking forward to seeing you here. Please do not hesitate to write me if you have any further questions concerning the school or on housing possibilities in Baltimore. I will be in Europe until July 10 and will be back in Washington thereafter. During the official part of my trip you can reach me at the enclosed addresses.

Sincerely yours,

Bela Balassa

BBalassa:ya

AIRMAIL.

May 29, 1967

Mr. Henry G. Aubrey  
Council on Foreign Relations, Inc.  
The Harold Pratt House  
58 East 68th Street  
New York, New York 10021

Dear Henry:

Please accept my congratulations on your appointment as Senior Fellow at the European Institute of Columbia University. This appointment is a fitting tribute to your work and I am sure that your new position will give mutual benefit to Columbia and to you.

Due to pressure of time, Houssiaux has indeed not written the paper originally planned for my second volume. He should be back in Nancy now. His address is:

M. Jacques Houssiaux  
Professor agrege a la Faculte de  
Droit et des Sciences economiques de Nancy  
Laboratoire de Statistique appliquee  
13, place Carnot  
Nancy, France.

The Johns Hopkins University Press will publish the entire second volume including the country studies and the special papers prepared by Dosser and Kelly. I have merely written an introduction to this volume which should be out in November.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

BBalassa:ya

Home: 2500 Que Street, N.W.  
Washington, D.C. 20007

AIRMAIL

May 29, 1967

Mr. N. Christensen  
Silver Store  
Vester Voldgade 8  
Copenhagen  
Denmark

Dear Mr. Christensen:

<sup>Serving</sup> On August 1, 1964, we bought eight (8) place settings and ~~some~~ pieces of Jensen's "Cyprus" pattern from you. I would now like to buy some additional pieces and I wonder if it would be possible for you to deliver them to the Copenhagen Airport on June 14. I will be arriving from Oslo on Flight SK.465 at 3:40 p.m. and will be leaving for Paris on AF.794 at 5:45 p.m. I will, therefore, not have time to come to your store and I would like to have the silver sent to the airport.

I would like to order the following items:

| <u>Item No.</u> | <u>Description</u>         | <u>No. of pieces</u> |
|-----------------|----------------------------|----------------------|
| 12              | Dinner Fork                | 2                    |
| 14              | Dinner Knife - long handle | 2                    |
| 31              | Teaspoon - large           | 2                    |
| 41              | Salad Fork                 | 2                    |
| 46              | Butter Spreader            | 1                    |
| 72              | Fruit Knife - steel blade  | 9                    |
| 146             | Lemon Fork                 | 1                    |
| 196             | Cake Knife - steel blade   | 1                    |

On the basis of your earlier pricelist I have calculated the amount for these items, with a 5% discount which you gave me earlier, to be approximately \$115. A check for this amount is enclosed; should this not be sufficient I will send you a check for the difference.

For purposes of U.S. Customs I would like to ask you to separate the items into two groups of approximately equal amount and prepare two bills, one in my name and the other in the name of my wife.

Sincerely yours,

Bela Balassa

AIRMAIL

May 29, 1967

Mr. Giorgio Basevi  
Centre de Recherches Economiques 2B  
rue E. Van Even  
Louvain, Belgium

Dear Mr. Basevi:

Please excuse my delay in answering your letter of April 25. I am enclosing a copy of my article: "Tariff Protection in Industrial Countries", for inclusion in your series of essays on tariff protection.

I am also sending you, under separate cover, copies of two papers I recently wrote on problems of protection. Unfortunately, I do not have any copies left of the paper: "The Impact of the Industrial Countries' Tariff Structure on Their Imports of Manufactures from Less Developed Countries".

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

P.S. I should appreciate it if you would send me copies of any papers you may write on the protection issue.

BBalassa:YA

May 29, 1967

Alexander's  
Car Rental Agency  
405 East 65th Street  
New York, New York

Dear Sirs:

I would like to inquire about the rental of a Mustang convertible for the month of August. Please let me know also what the rental for an additional week would cost.

I wonder if one can reserve the car at this time and whether an American Express Credit Card can be used for making payment.

Since I am leaving for Europe in 10 days I would appreciate an early answer.

Sincerely yours,

Bela Balassa

P.S. If a Mustang convertible is not available, please inform me what other convertibles you have.

May 29, 1967

Kinney Systems  
Car Rental Agency  
10 Rockefeller Plaza  
New York, New York

Dear Sirs:

I would like to inquire about the rental of a Mustang convertible for the month of August. Please let me know also what the rental for an additional week would cost.

I wonder if one can reserve the car at this time and whether an American Express Credit Card can be used for making payment.

Since I am leaving for Europe in 10 days I would appreciate an early answer.

Sincerely yours,

Bela Balassa

P.S. If a Mustang convertible is not available, please inform me what other convertibles you have.

May 29, 1967

Miss Janet Rothenberg Pack  
106 Livingston Street  
New Haven, Connecticut

Dear Janet:

I have written a letter to the Southern Connecticut  
State College, as you requested.

I wish you good luck with your new job.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

BBalassa:ya



Mr. Alexander Stevenson

May 29, 1967

Bela Balassa

1967/68 Budget of the Structure of Protection in Developing Countries  
Project

In the 1967/68 budget of the above project I have reserved funds amounting to \$6,150. The breakdown of this amount is as follows:

|               |   |         |
|---------------|---|---------|
| Research      | - | \$2,950 |
| Travel        | - | \$1,600 |
| Miscellaneous | - | \$1,600 |

The amount kept in reserve should amply cover the expenses we would incur in connection with the Brazilian study (\$1,500 to \$2,000), extra expenses related to the Argentine study (\$400) and the possible cost of computations for the Norwegian study (\$300 to \$500), as well as presently unforeseen expenses for the project as a whole.

cc: Mr. Kamarck

BBalassa:ya

AIRMAIL

May 29, 1967

Miss P. Ady  
Ministry of Overseas Development  
Bland House  
Stag Place,  
London S.W.1, England

Dear Peter:

Many thanks for your letter of May 23. I am looking forward to meeting with the Economic Planning Staff on June 9. I will expect to receive word from you regarding your choice between the two topics I suggested for my talk.

I would be happy to come to dinner on June 9 if this is convenient. I would certainly like to see Nicky Kaldor; hopefully he doesn't carry a grudge against me for some earlier controversy we had had.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

Mr. Alexandre Kafka, Executive Director, IMF

May 29, 1967

Bela Balassa

Comments on your Chicago Paper

I am enclosing a copy of my revised comments on your:  
"Some Aspects of Regional Monetary Integration of Developing  
Countries". While I will be leaving for Europe in a week or so,  
I very much hope that we can get together for lunch following my  
return on July 10.

BBalassa:ya

May 29, 1967

Mr. Ralph I. Strauss  
375 Park Avenue  
New York, New York 10022

Dear Mr. Strauss:

Many thanks for your letter of May 23 and for sending me a copy of your article. I read it with great interest.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

BBalassa:ya

Home: 2500 Que Street, N.W.  
Washington, D.C. 20007

May 29, 1967

Washington Hospital Center  
110 Irving Street, N.W.  
Washington, D.C. 20010

Dear Sirs:

I have received two requests concerning a balance of \$32.88 to be paid in connection with my hospital stay between December 15 and 24, 1966.

I am not clear what these charges are for since at the time of leaving the hospital I fully paid the part of the bill which is not covered by Group Hospitalization. I wonder if possibly you have not submitted the bill on laboratory charges to Group Hospitalization. From the statement I received from them it seems that you asked for reimbursement of \$35. for X-rays, but the item of \$92.50 was not included.

Yours very truly,

Bela Balassa

BBalassa:ya

Mr. Andrew M. Kamarck

May 26, 1967

Bela Balassa

Some Problems of Regional Monetary Integration

Last September I participated at a conference on international monetary problems in Chicago where I discussed some problems related to the regional monetary integration of developing countries. My contribution took the form of a comment on Alexander Kafka's paper.

Given the Bank's interest in regional integration, I am enclosing a copy of the revised comments that will be published in the proceedings of the Conference.

cc: Messrs. Friedman  
Stevenson  
Sacchetti  
Kalmanoff

BBalassa:ya

Mr. Andrew H. Kamarck

May 26, 1967

Bela Balassa

Export Performance and Economic Growth in Africa

In connection with the Bank's Annual Report, questions have arisen concerning the apparent lack of consistency between the relatively favorable export performance and low growth rate of GDP in Africa during the nineteen-sixties. In fact, in the years 1960-65, Africa's exports rose at an annual rate of 8.2 percent, as compared to a rate of 6.4 percent for the developing countries taken together; in the same period the rate of increase of GDP was 3.6 percent in Africa and 4.8 percent in the developing countries.

This apparent paradox can be resolved if we separate Algeria and Libya--two countries with a rather particular experience during the 'sixties--from the rest of Africa. In the 'sixties Algeria suffered a decline in GDP, estimated at 4.2 percent a year, while her exports grew at an annual rate of 13.7 percent. Apparently, the domestic economic difficulties in the period of conflict with the French and the subsequent years far outweighed in importance the rapid expansion of exports, chiefly petroleum and natural gas. It may be added that export figures do not make allowance for the reverse flow of the investment income of foreign companies and for the decline in tourist expenditure and in spending by the French. Were we to consider increases in foreign exchange receipts on the current account instead of exports, there would seem to have been no increase at all.

The rise in the exports of petroleum was even more spectacular in the case of Libya, where total exports rose from \$11 million in 1960 to \$787 million in 1965, i.e., at an annual rate of 135 percent. At the same time, in the absence of data on gross domestic product for Libya, the growth rate of GDP for Africa was estimated without taking account of that country.

Should we exclude both Libya and Algeria from the calculations, the growth of exports of African countries is reduced to 4.9 percent, as against a rate of increase of GDP of 4.2 percent. Thus, the growth experience of the rest of Africa differs little from that of the other developing regions.

cc: Messrs. Kochav  
Larsen  
Leon

BBalassa:ya

Mr. Irving S. Friedman

May 26, 1967

Bela Balassa

Lectures on "Economic Development and Integration"

Given your interest in the regional integration of developing countries, you may wish to have a copy of my "Economic Development and Integration" that provides the text of five lectures I delivered at CEMLA in Mexico City in 1963.

A more up-to-date exposition of my views on these questions is given in a paper entitled: "Economic Integration and Resource Allocation in Latin America", to be published shortly in a volume by the Cornell University Press.

cc: Mr. Kamarck

BBalassa:ya



May 26, 1967

Professor John G. Gurley  
American Economic Review  
Room 220  
Stanford University  
Stanford, California

Dear Professor Gurley:

Here is the solution to one of the puzzles. In preparing the monthly list of my activities for the Director of the Economics Department, my secretary included the comments I made on Schmitt's paper. Let me add here that at the time I had no knowledge of the fact that Schmitt was with the Bank.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

BBalassa:ya

Mr. Andrew M. Kamarck

May 26, 1967

Bela Balassa

The Kennedy-Round and the Developing Countries

The successful conclusion of the Kennedy-Round raises the question of how the developing countries will be affected by reductions in tariffs undertaken in Geneva. At the present time, one can only give a very tentative and preliminary answer to this question since the text of the agreement is not yet available. It is expected that a more detailed evaluation will be possible around August 1.

The general principle underlying the Kennedy-Round negotiations was to get an across-the-board tariff cut of 50 percent, with exceptions negotiated by the participants. According to published statements, the agreed-upon exceptions will bring down the average of tariff reductions to approximately 33-35 percent. The developing world stands to benefit from these reductions extended to them under the most-favored-nation clause without having to offer reciprocal concessions. The extent of this benefit will depend on the level of pre-Kennedy-Round tariffs levied on products of interest to developing countries and the reductions in these tariffs.

In a paper on the structure of production in the industrial countries, I have shown that tariffs on manufactured goods that are of interest to the developing countries are considerably higher than for all manufactures imported by the industrial nations. Tariffs average 16.3 percent in the first case as compared to 11.4 percent in the second. The differences are even more substantial if we calculate the rate of protection on value added in the manufacturing process, the relevant figures being 32.8 and 19.1 percent. These differences are explained if we consider that tariffs in the industrial economies tend to increase with the degree of fabrication but they are again lower on investment goods which the developing countries are not able to export.

The relatively high tariffs on the products of the developing countries suggest that an across-the-board reduction in duties would result in a larger-than-average increase in the exports of the latter. This is, indeed, the result obtained in the above paper, according to which a 50 percent tariff cut would be accompanied by an approximately 16 percent rise in the industrial countries' total imports of manufactures while their imports of manufactured goods from less developed areas would increase by 27 percent.

But the Kennedy-Round will have no effect on exports of manufactured goods from the developing countries that are subject to quotas. Among these, cotton textiles are the most important, accounting for about one-fourth of the exports of manufactured goods from less developed areas. Tariff reductions would make no difference here since the International Cotton Textiles Agreement effectively limits this trade. On the other hand, available information indicates that exceptions to the 50 percent general tariff cut relate mostly to sophisticated products and less so to products of interest to the developing countries.

The developing countries will obtain further gains from tariff reductions on semi-processed goods, such as meat and food preparations, preserved fruit and vegetables, cocoa products, vegetable oils, sawwood, and unwrought metals. In the case of all of these products, effective rate of protection is relatively high because of the "graduation" of tariffs from raw materials to the processed stage. But, here again, the evaluation of possible gains will have to await the publication of the new tariff schedules.

I come finally to the possible effects of the grain agreement for the developing countries. This agreement raises the minimum price of hard-water wheat from its current floor price of \$1.50 per bushel to \$1.73, and provides for food aid of 4.5 million tons of grain a year. It is difficult to evaluate these measures since we do not know what would have happened in their absence. Thus, the actual price of wheat exceeds that provided in the agreement and, given the expected demand-supply imbalance in the next few years, the new floor price may conceivably have no effect. On the other hand, it can be assumed that the 4.5 million tons of food aid will exceed the amount that would have been made available otherwise.

cc: Messrs. Friedman  
Stevenson  
Adler  
de Vries  
King  
Sacchetti  
Collier  
Kalmanoff  
Kochav

BBalassa:ya

May 25, 1967

Government of the District of Columbia  
Finance Office, Revenue Division  
Municipal Center  
300 Indiana Avenue, N.W.  
Washington, D.C. 20001

Dear Sir:

In reference to your note of May 18, 1967, I wish to inform you that the amount of \$40 which I deducted in line 7 of the tax computation schedule consisted of the following two items:

|   |              |
|---|--------------|
| Property tax paid in the<br>State of Connecticut              | \$29.54      |
| Non-resident city income tax paid to<br>the City of Baltimore | <u>10.00</u> |
|   | \$39.54      |

The property tax in the State of Connecticut related to the possession of an automobile as of June 1, 1965. Since the city of New Haven, to which I paid this tax, does not regularly send out receipts for relatively small amounts of tax paid, I have now asked for such a receipt. A copy of my letter is enclosed.

According to tax regulations in Baltimore City, I am liable as a non-resident to pay a  $\frac{1}{2}$  percent city tax on income earned in that city. This tax amounted to \$10 on wages of \$2000 received from the Johns Hopkins University. A photocopy of the relevant wage and tax statement is enclosed.

Very truly yours,

Bela Balassa

Enclosures (2)

May 25, 1967

The City of New Haven  
Property Tax Division  
New Haven, Connecticut

Dear Sir:

On January 28, 1966, I paid property tax of \$29.54 on an automobile that was in my possession on June 1, 1965. I am now a resident of the District of Columbia, which requires the presentation of a receipt on property taxes paid in other States and deducted from the District of Columbia income tax. I would appreciate it if you could send me such a receipt.

Please note that my New Haven domicile was at 100 York Street.

Very truly yours,

Bela Balassa

cc: Government of the District  
of Columbia  
Finance Office  
Revenue Division  
Washington, D.C. 20001

May 25, 1967

Professor John G. Gurley  
American Economic Review  
Room 220  
Stanford University  
Stanford, California

Dear Professor Gurley:

I was dismayed to learn that my name as referee was disclosed to one of the authors whose contribution I read for the AER. At the same time, I am at a loss to understand on what basis Hans Schmitt could suggest in his letter to you that "neither of your referees made any considerable attempt to keep their role confidential." I make a habit of not telling people of papers I have read for a journal, and Charlie Kindleberger (whom I called about this matter) tells me that he does the same. Hence, I am as puzzled as ever how Schmitt could have gotten hold of our names.

Furthermore, while I am pleased to be listed among "the leaders in the profession," I must take strong exception to the accusation of not devoting sufficient time to the papers sent to me for review. The truth of the matter is that Schmitt's paper was not even a marginal case and, after due consideration, I had no other choice than to recommend rejecting it. Since Charlie apparently feels the same way, there was hardly need for a detailed rebuttal from him.

I hope that this letter will close this rather unfortunate and strange episode.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

cc: C. P. Kindleberger  
Hans O. Schmitt

AIR MAIL - SPECIAL DELIVERY

May 24, 1967

Mr. Harry H. Bell  
c/o UNCTAD - Director  
Research Division  
Palais des Nations  
Geneva, Switzerland

Dear Harry:

Upon my return to Washington, I received your telegram of May 19. Mr. Tsukuda's came somewhat earlier.

I am afraid that I do not have a corrected copy of the paper here, which makes it difficult, so that I was not able to check on the text of paragraph 70. However, from an earlier draft, it appears that there is a typing error in one of the sentences. The correct wording is, "But this could be accomplished by not replacing the natural attrition of the labor force in the textile industry resulting from retirement, death, or change of occupation." In this way there is no contradiction, I believe.

Your question on the employment of the labor force at the same site was raised also by Harry Johnson. In my answer to Johnson, I indicated that in present-day industrial countries there are alternative opportunities for employment in the same region (an example is the expansion of electronic industries in New England following the decline in textile production); moreover, there is plenty of evidence of migration in these countries.

As regards Tsukuda's questions, the paragraph dealing with plywood should be rewritten by indicating that the preferential treatment received by Philliping exports explains part of U.S. imports of plywood. Finally, SITC 841.3 Apparel and clothing accessories of leather has been included with Clothing rather than with Leather goods other than shoes. You will recall that I have used the classification system of the Common Market input-output tables and I can hardly change this without destroying the meaning of the input-output figures.

- 2 -

Due to urgent work at the Bank, I still have not read the various papers sent to me from your office. I will have read them, however, by the time I come to Geneva.

Looking forward to seeing you, I remain

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department



May 22, 1967

Mr. George F. Franklin  
Executive Director  
Council on Foreign Relations, Inc.  
The Harold Pratt House  
58 East 68th Street  
New York, New York 10021

Dear Mr. Franklin:

I had thought that with the submission of the final proofs my problems with the book on Trade Liberalization were over. I was mistaken. I have just read the blurb on the jacket of the book (I obtained a copy in a bookstore in Washington since the Council has not yet sent me copies) and I am appalled at how ineptly written the blurb is.

Apparently, the task of writing was entrusted to someone illiterate in economics and public policy. While he utilized some parts of the "Notes for the Jacket" I sent to the Council on January 18th, in aiming to write a "popular" description of the book, he added some introductory sentences of his own that misrepresent the content of the book and are outright false:

"Today, the reasons for our high tariffs are no longer meaningful. Instead of protecting our industries, these barriers are beginning to strangle them. Despite the continual effort of each presidential administration to modify the policies established during the Depression, protective barriers will impede American trade with industrial countries."

Now, it is an exaggeration to say that U.S. tariffs would be especially high and the cited statement does not do justice to the efforts of the United States and the other industrial countries that have succeeded in reducing tariffs to a fraction of their level of thirty years ago. And what is meant by the phrase that tariff barriers are beginning to strangle our industries? Surely no economist or policy maker can accept such an assertion.

A blurb of this sort can only be counterproductive. Reading the introductory sentences, the book editor of a newspaper or magazine will hardly be inclined to assign the book to a reviewer. Neither would the editor of a professional journal, were he not familiar with my earlier writings. At the same time, the blurb fails to make the most important selling point: no reference is given to the Kennedy round of tariff negotiations.

I wish to add that my position and professional activities are also misstated on the jacket. While in the book itself the text I provided was correctly reproduced, on the jacket it was truncated in a rather curious fashion. Thus, it is not stated that I am Professor of Political Economy;

rather, my temporary position as an adviser to the IERD is given. And whatever the intentions of the author of the blurb to cater to a business audience, it is hardly acceptable to single out the Harvard Business Review as a journal I contributed to. A contributor to the HBR is not necessarily an expert on trade policy and, surely, since President Kennedy's inauguration, professors have become acceptable in Washington and elsewhere.

In conclusion, I strongly protest the appearance of the blurb in its present form and wish to ask that this be replaced by one that correctly represents the content of the book and my professional activities.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

cc: Mr. Harold van B. Cleveland  
Vice President  
First National City Bank  
399 Park Avenue  
New York, N. Y.

Mr. Irving S. Friedman

May 22, 1967

Bela Balassa

Comments on "Economic Development, Some Current Issues And Problems"

I have read your paper on the above subject with considerable interest. It is a fine piece of writing and I have no doubt that it will appeal to your audience. They must have heard enough general speeches on development problems. Nevertheless, it might be useful to cut down on technicalities in the exposition of the Scheme. In the following, I will offer a few comments on particular points:

- Page 4 It is not clear how planning techniques are related to technology. At any rate, there seems to be too much emphasis on the latter.
- Page 5 UNIDO, GATT, and UNCTAD should be added to the list of international organizations to help to improve the environment of world trade, exchange of techniques.
- Page 6 The sentence at the bottom of the page is unclear.
- Page 7 The distinction between instability and uncertainty is not made explicit.
- Pages 10-11 I wonder if a discussion of the IMF compensatory financing facility should come at this point. It might be better to postpone it until pages 17-18 where the facility is analyzed in greater detail. The discussion on "reasonable expectations" on page 10 could then be linked up directly with that on page 12.
- Should you nevertheless decide to include the part dealing with the IMF compensatory financing facility at this point, you may wish to delete the first sentence on page 11 that is repetitive and the last sentence in the same paragraph that doesn't belong here. The latter statement might best come at a further point, and it should be linked up with a discussion of the non-revolving nature of the supplementary finance scheme.
- Pages 14-15 The discussion of the methodology of estimation appears to be overly detailed.
- Page 15 The size of the overages may also be mentioned at this point.
- Page 16 It is somewhat of an exaggeration to say that "export projections are now done for all countries, unless statistically impossible." There are still a few countries for which economic reports are not prepared; also not all reports contain five-year export projections.

- Page 17 The question of the possible inadequacies of the LDC's policies, raised on page 16, is not really answered.
- Page 20 Here or elsewhere it may be useful to indicate the reasons for the difference between the \$1.6 billion shown on page 15 and the \$300-\$400 million indicated here.
- Page 27 I suggest replacing the expression "give greater weight to the future than the current" by "offer little immediate returns."
- Page 28 While I agree with the statement that the growth of GDP should not be used as the only success indicator, I think that you overdo your criticism of it. At the same time, I find the India example rather inappropriate since a growth rate of GDP slightly exceeding 3 percent corresponds to a 50 percent increase over a period of thirteen years, while several of the indicators listed in the paper show a smaller change.
- Page 29 Is there such a word as "vitaminization?"

BB/aa

cc: Mr. Kamarck

Mr. Bertil Walstedt

May 20, 1967

Bela Balassa

Material for Mr. Daniel Schydlofsky

In conformity with Mr. de Vries' note to me on the above subject, I would like to ask that Xerox copies of the tables listed on the enclosed sheet be sent to me for our use in the Argentine Study of the Structure of Protection in Developing Countries project. I wish, again, to assure you that the confidential nature of the material will be preserved.

cc: Mr. de Vries

May 18, 1967

Professor Alexander Swoboda  
The University of Chicago  
Department of Economics  
Chicago, Illinois 60637

Dear Alex:

Enclosed are two copies of my comments on Kafka's paper. Sorry for the delay.

Please let me have the exact title of the volume in which the comments will appear. Also, the name of the editor, the publisher and the expected date of publication.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

encl.

May 18, 1967

Professor Robert Mundell  
The University of Chicago  
Department of Economics  
Chicago, Illinois 60637

Dear Bob:

In my letter of April 18th I asked you to let me have the number of days you spent on our project as well as your travel expense account. The administration has now again requested these; may I ask you to send them to me by return mail. Enclosed is a copy of the travel expense report in case you lost the previous one.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

encl.

P.S.

At last I have had the chance to revise my comments on the Kafka paper. I am mailing them today to Swoboda.

Mr. J. H. Collier

May 16, 1967

Bela Balassa

Format for Basic Data

Here are a few comments on the Format for Basic Data.

1. GNP and GDP figures are given in the tables at current factor costs while the annual average real growth rate of each is calculated from data expressed in constant prices. But the latter do not appear anywhere in the table and neither do the guidelines provide an explanation of how deflation is to proceed.

Since current data are already given in terms of dollars, one gets the impression that the procedure chosen involves deflating these figures by some price index. But this would not be an appropriate procedure because of the vagaries of exchange rates over time. Rather, data expressed in national currencies should be translated into dollars in the base year (this should preferably be identical for all countries) and an index of real GNP (GDP) in national currency be used to derive the dollar figures for other years. It might be useful, then, to give dollar figures in constant rather than in current prices.

2. According to the guidelines, "the growth rate for 1950-1959 should be calculated on the basis of the terminal years 1949 and 1959 ... The terminal years for the period 1960-1965 are 1959 and 1965." I do not know where this practice originated but to my best knowledge no other international organization, economist or statistician conforms to it. Rather, the terminal years for a period are the first and the last year, i.e. 1960 and 1965 for 1960-65. It would be advisable if the Bank adopted common practice, otherwise we are open to misinterpretation. At the same time, in order to conform to the generally accepted definitions of the UN Development Decade, the relevant period should be 1950-60 and 1960-65.

3. I thought we agreed that the use of the expression "resource gap" can easily give rise to misinterpretation. Why not get rid of it altogether and substitute some innocuous term, like net transfers from abroad, instead? In turn, it is customary to speak of "gross domestic investment" rather than "gross investment". Finally, I am not quite sure what the "gross capital output ratio" is good for. If we continue to use it, however, it should be relabelled "marginal".

4. I do not see the meaning and the usefulness of providing data on central bank credit to government.

BBalassa/pam

cc: Messrs. Kanarek, King, Levy



May 16, 1967

Mr. Harry H. Bell  
Director  
Research Division  
United Nations Conference on  
Trade and Development  
Palais des Nations  
1211 Geneva 10, Switzerland

Dear Harry:

Thank you for your letters of April 25th and May 10th. Dr. Prebisch's suggestion regarding the publication of the papers is agreeable to me.

I was interested to see that your Research Division plans to do work on the structure of protection in developing countries. I am sending you today, through UNCTAD's New York office, the documentation of our meeting held April 17th and 18th, with the exception of the Lewis/Guisinger papers which you received earlier. I will also send you in ten or fifteen days, the revised outline and methodology of our project. We can discuss, then, related problems during my visit.

As I indicated to Mr. Parnicksy, I will be in Geneva on June 19th and 20th. I would be happy if Dr. Prebisch could also see me on one of these days. I would appreciate it if you would concentrate the appointments on the first day and the morning of the second.

As regards the Grubel/Johnson paper, there is no doubt that it is correct to adjust for indirect taxes. We are also doing this in our project on the structure of protection. At the same time, the Grubel/Johnson paper does not refute my thesis on effective tariffs. It simply means -- what we have known all along from discussions on tax harmonization in the Common Market -- that not only tariffs but also indirect taxes matter. But let us negotiate tariffs first and get to indirect taxes later just as the Common Market has done.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

May 16, 1967

Mr. William B. Kelly, Jr.  
U.S. Delegation  
Geneva  
Department of State  
Washington, D.C. 20521

Dear Bill:

Thank you for your letter of April 30th. I will look at the suggested changes carefully and we can discuss them at the time of my visit to Geneva on June 19th and 20th. I trust that we will be able to reach an agreement in line with our responsibilities as author and editor.

May I ask you to get in touch with Harry Bell at UNCTAD to arrange an appropriate time for our meeting. Harry is setting up my schedule of engagements for my stay in Geneva.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

May 16, 1967

Professor Bernard F. Haley  
Department of Economics  
University of California  
Santa Cruz, California 95060

Dear Professor Haley:

I warmly recommend Professor John Power for a position with your University. Professor Power is working with me on a project dealing with the structure of protection in developing countries and is preparing country studies on Malaysia and the Philippines in the framework of this project.

I find him a very pleasant person to work with. He is highly intelligent and has a good grounding in economic theory. The quality of his research is high and I am told that he is an able teacher.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

May 16, 1967

Professor John H. Power  
Visiting Professor of Economics  
University of the Philippines  
P.O. Box 776  
Manila, Philippines

Dear John:

Thank you for your letter of May 8th and for the accounting of your travel expenses. I have sent the latter to our Treasury Department.

My secretary talked to the Travel Department concerning your trip to Kuala Lumpur. She was told that the Travel Department will issue an authorization for your travel from Manila to Kuala Lumpur and return, economy class, and you can use this authorization to request the special economy fare from the Malaysian/Singapore airline, paying the difference yourself. This is possible with an economy class ticket but a change could not be carried out with a first-class ticket; this is why an economy class ticket is issued. Should you want a first-class ticket instead, please cable me.

The ticket authorization has been sent to the airline by cable today.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

May 16, 1967

Miss Peter Ady  
Ministry of Overseas Development  
Hland House  
Stag Place  
London, S.W. 1, England

Dear Peter:

Please excuse the delayed answer to your letter of March 13th but I wanted to wait until my travel plans had firmed up. I will be arriving in London on June 8th in the evening and will be available for consultation the next day. I will be delighted to give a talk to the Economic Planning Staff on our project on the structure of protection in developing countries or on recent work I have done concerning effects of protection in developed countries on the exports of processed goods from developing areas.

As regards "empty economic boxes" my problem with the French accounting system is that this does not give the answer to the question of what alternative crops should be used in the place of coffee. I do understand the difficulties of gathering data and do not pretend to be an expert on the art of the impossible in East Africa. At the same time, my conversations with members of the Bank Mission to East Africa and with Mr. Geer suggest that a good part of the information necessary for this purpose can be collected within a reasonable time. While this does not permit us the use of optimizing models, it might help to answer the relevant questions. But let us talk about it when I am in London.

I am looking forward to seeing you soon. I think that my back has progressed to the point where I can forego a swimming party before dinner.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

May 16, 1967

Mr. Arthur Karasz  
IBRD  
Deputy Special Representative in Europe  
4, Avenue d'Iena  
Paris 16e, France

Dear Arthur:

The time of my European trip is now approaching. I will be in Paris on June 15th and 16th during which time I will be happy to talk to the OECD Trade Committee on the structure of protection in developing countries project I am directing.

For your information, I will also have talks with officials of the OECD Development Center and plan to meet some European economists who may participate in the Bank's work on planning in developing countries on a short term basis.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

May 16, 1967

Mr. John V. Brain  
Advertising & Promotion Manager  
The Johns Hopkins Press  
5820 York Road  
Baltimore, Maryland

Dear Mr. Brain:

Enclosed is a list of journals and periodicals to which review copies of my book may be sent. It might also be useful to put an advertisement in the American Economic Review.

Let me add here that the apparent success of the Kennedy Round and the British application for entry into the Common Market gives additional interest to my book which may well be pointed out in promoting it.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

encl.

List of Newspapers and Periodicals to which Review Copies should be sent  
(with the address of specialized periodicals)

UNITED STATES

Journal of Political Economy

The Editor  
Journal of Political Economy  
1126 East 59th Street  
Chicago, Ill. 60637

American Economic Review

John G. Gurley  
Managing Editor of  
The American Economic Review  
Stanford University  
Stanford, California 94305

Challenge

Editorial Office  
475 Fifth Avenue  
New York, N. Y. 10017

World Politics

Corwin Hall  
Princeton, N.J., 08540

Reporter

Newsweek

Time

Business Week

The New York Times

International Organization

Editorial and Executive Offices  
40 Mt. Vernon Street  
Boston, Mass. 02108

Atlantic Community Quarterly

Editorial and Business Offices  
The Atlantic Community Quarterly  
1616 H Street, N.W.  
Washington, D.C. 20006

GREAT BRITAIN

The Economist

Economic Journal

The Editor  
Royal Economic Society  
The Marshall Library  
Sidgwick Avenue  
Cambridge, Mass.



GREAT BRITAIN (Cont'd)

Economica

The Editors  
The London School of Economics and  
Political Science  
Aldwych, London  
England

London Times

The Observer

Manchester Guardian

Journal of Common Market Studies

Journal of Common Market Studies  
Assistant Editor, Stanley Henig  
Department of Politics  
University of Lancaster  
Lancaster, England

CANADA

Canadian Journal of Economics  
and Political Science

Secretary Treasurer  
100 St. George Street  
Toronto 5, Ontario

FRANCE

Economie Appliquee

Institut de Science Economique Appliquee  
35 bd des Capucines  
Paris 1e, France

Revue Economique

Revue Economique  
Secretariat de Redaction  
54, rue de Varenne  
Paris VII<sup>e</sup>, France

Revue D' Economie Politique

Revue D' Economie Politique  
Henri Guitton  
Redacteur en Chef  
Professeur a la Faculte de Droit et  
des sciences economiques de Paris  
Paris, France

Le Monde

SWITZERLAND

Kyklos

Kyklos-Redaktion  
Institut fur Sozialwissenschaften  
Petersgraben 29  
CH-4000 Basel  
Switzerland/Suisse

GERMANY

Weltwirtschaftliches Archiv

Weltwirtschaftliches Archiv  
Hoffmann & Campe Verlag  
Hamburg, Germany

ITALY

Banca Nazionale del Lavoro, Quarterly Review

Banca Nazionale del Lavoro  
Ufficio Studi  
Via Vittorio Veneto, 119  
Rome, Italy

Economia Internazionale

Instituto di Economia Internazionale  
piazza R. De Ferrari, 4/1  
Genova, Italy

May 15, 1967

Miss Grace Darling  
Council on Foreign Relations, Inc.  
The Harold Pratt House  
58 East 68th Street  
New York, N. Y. 10021

Dear Miss Darling:

Enclosed are three lists of people to whom copies of my book, Trade Liberalization among the Industrial Countries: Objectives and Alternatives may be sent. The first list contains names of outstanding international economists including some people in Government. It would be useful if copies of the book were sent to all of these as well as to high officials of international and foreign organizations whose names are given on the second list.

The third list contains the names of some foreign scholars who were helpful at the time I carried out research on the project. Should the Council or McGraw Hill have a sufficient number of copies, I would certainly appreciate it if these people could also receive the book; should this not be possible, please let me know.

Let me add, finally, that at the request of McGraw Hill Book Co., I earlier supplied a list of outstanding personalities to whom pre publication review copies may be sent. I am enclosing a copy of this list; in case these people do not receive pre publication copies, they should be put on List I.

I would like to take this opportunity to make a suggestion concerning the review copies that are being sent to newspapers and periodicals. The experience with the books of Geiger and Pincus indicates that the daily and weekly newspapers are disinclined to review a book without special inducements. Such an inducement can be provided if they receive a press release indicating the main merits of the book and its relevance for policy-making. It seems to me that my book should be especially interesting to them since it discusses questions relating to the post Kennedy-round period. I wonder if the Council could prepare a press release utilizing the "suggested notes for jacket" which I sent a few weeks ago. In the press release, emphasis should further be given to the situation facing the United States following the Kennedy-round and the possible enlargement of the European Common Market. Should you not have a copy of the notes referred to above, I will be glad to send you one.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

encl.



# Record Removal Notice

|   |                                    |  |                                    |                                    |
|---|------------------------------------|--|------------------------------------|------------------------------------|
| <b>File Title</b><br>Research on Economics and Development - Bela Balassa -<br>Chronological Record - May through July 1967 |                                    | <b>Barcode No.</b><br><br>30280543   |                                    |                                    |
| <b>Document Date</b><br>May 12, 1967  | <b>Document Type</b><br>Letter     |  |                                    |                                    |
| <b>Correspondents / Participants</b><br>From: Bela Balassa<br>To: Mr. Richard Blackhurst                                    |                                    |  |                                    |                                    |
| <b>Subject / Title</b><br>Social Security Number  |                                    |  |                                    |                                    |
| <b>Exception(s)</b><br>Personal Information   |                                    |  |                                    |                                    |
| <b>Additional Comments</b>  |                                    | <p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"> <tr> <td><b>Withdrawn by</b><br/><br/>Ann May</td> <td><b>Date</b><br/><br/>October 4, 2022</td> </tr> </table> | <b>Withdrawn by</b><br><br>Ann May | <b>Date</b><br><br>October 4, 2022 |
| <b>Withdrawn by</b><br><br>Ann May  | <b>Date</b><br><br>October 4, 2022 |  |                                    |                                    |

Mr. Isaiah Frank

May 11, 1967

Bela Balassa

Institutional Grant Application to AID

Enclosed is the most recent version of the draft proposal on the International Economics Studies Centre. Please let me know if you find this version acceptable; I will not send it to AID until I hear from you. Also, I wonder if early June would be agreeable to you for having lunch with AID representatives. Ed Mills suggested June 1, 2 and 5 as alternatives.

After discussion at Baltimore, we have decided that we should not at this point make any recommendation concerning possible courses for AID officials. It seems better if such a proposal came from them. Correspondingly, I did not use the material you gave me on earlier training programs.

BBalassa/pam

May 11, 1967

Professor Harry G. Johnson,  
The London School of Economics and Political Science  
Houghton Street, Aldwych  
London, W. C. 2, England

Dear Harry:

Many thanks for your letter of May 4th. In the meantime my paper, "The Impact of the Industrial Countries' Tariff Structure on their Imports of Manufactures from Less Developed Areas," was accepted for publication by Economica. Following your suggestion, I will send the other paper to the Canadian Journal.

I am now revising the paper on "Effective Tariffs, the Domestic Cost of Foreign Exchange and the Equilibrium Exchange Rate." After revision, I will submit it to the JPE.

Best regards,

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

May 11, 1967

Professor Edwin Mills  
Chairman  
Department of Political Economy  
The Johns Hopkins University  
Baltimore, Maryland

Dear Ed:

Enclosed is a copy of the most recent version  
of the draft proposal for the International Economics Studies  
Center. Please let me know if this is acceptable to you.

With best regards,

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

encl.

May 11, 1967

Mr. Noel Roy  
2929 North Calvert Street  
Baltimore, Maryland

Dear Mr. Roy:

Other obligations have not permitted me to look at your dissertation proposal as yet. I will do so sometime next week and suggest that you come to my office on Saturday, May 20th, at 1:30 p.m.

With best regards,

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department



May 11, 1967

American Airlines Inc.,  
633 Third Avenue  
New York, N. Y. 10017

Attention: Passenger Refund Branch

Dear Sirs:

Re: Ticket No. 001-26-3-508-939

On April 7th I returned to you an unused first-class roundtrip ticket, Washington/New York, for reimbursement. May I ask you to give this matter your prompt attention.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

May 11, 1967

Hotel Scandinavia  
28 rue de Tournon  
Paris 6e, France

Chere Madame:

Veillez me reserver une chambre avec un grand lit, preferemment a un etage superieur, pour trois jours a partir du 21 Juin. Un cheque de cinquante francs est enclos.

Salutations distinguees,

Bela Balassa  
Adviser  
Economics Department

Mr. Bela Balassa

May 9, 1967

Alexander Stevenson

Terms of Reference

You are authorized to travel to London, Oslo, Paris and Geneva during the period June 9 - 20 on official Bank business as follows:

June 9, Friday - London

Seminar on the Bank's project on the Structure of Protection in Developing Countries at the UK Ministry for Overseas Development. Discussion of paper prepared for the Coffee Study by the Ministry.

June 12 - 24, Monday - Wednesday - Oslo

Discussion of Norwegian study on the Structure of Protection.

June 15 - 16, Thursday and Friday - Paris

Report on the Protection Project at the OECD Trade Committee. Discussion with officials of the OECD Development Center. Discussion with Messrs. Le Guay and Benard on summer research project.

June 19 - 20, Monday and Tuesday - Geneva

Discussions with UNCTAD officials.

BBalassa/pam

Mr. David Kochav

May 10, 1967

Bela Balassa

Growth Rates in Developing Countries

The enclosed table provides revised estimates on growth rates in developing countries. There are two differences between this table and that supplied by Mr. Levy earlier today. First, I have excluded Puerto Rico from the Latin American area. Second, I have added a rough estimate for the former French Territories in Africa to the African figure. The latter adjustment has become necessary because the present coverage of Africa is small and sharp changes in two countries -- Algeria and the former Belgian Congo -- influence the comparison of data for 1950-60 and 1960-65 to a considerable extent.

I have taken information on the growth of GDP of the former French Territories from United Nations "World Population and Gross Domestic Product: Extrapolation of Historical Trends for the Years 1965, 1970, 1975" and have assumed trends to continue in the period 1960-65. While this is not an entirely appropriate procedure, it is better than using a rather incomplete sample for the African continent.

encl.  
BBalassa/pam

cc: Mr. Levy

Economic Growth in Less Developed Areas

|                             | <u>1950-1960</u> | <u>1950-1955</u> | <u>1955-1960</u> | <u>1960-1965</u> |
|-----------------------------|------------------|------------------|------------------|------------------|
| <b>LATIN AMERICA</b>        |                  |                  |                  |                  |
| GDP                         | 4.9              | 5.1              | 4.8              | 4.7              |
| Population                  | 2.8              | 2.8              | 2.8              | 2.9              |
| GDP per head                | 2.0              | 2.2              | 1.9              | 1.7              |
| <b>AFRICA</b>               |                  |                  |                  |                  |
| GDP                         | 4.0              | 3.9              | 4.2              | 3.6              |
| Population                  | 2.1              | 2.1              | 2.2              | 2.2              |
| GDP per head                | 1.8              | 1.8              | 2.0              | 1.4              |
| <b>MIDDLE EAST</b>          |                  |                  |                  |                  |
| GDP                         | 5.6              | 5.8              | 5.3              | 7.2              |
| Population                  | 2.4              | 2.7              | 2.3              | 3.2              |
| Population per head         | 2.3              | 2.1              | 2.3              | 2.3              |
| <b>ASIA</b>                 |                  |                  |                  |                  |
| GDP                         | 4.0              | 4.1              | 4.0              | 3.8              |
| Population                  | 2.1              | 1.9              | 2.3              | 2.5              |
| GDP per head                | 1.9              | 2.2              | 1.7              | 1.7              |
| <b>SOUTHSOUTH ASIA</b>      |                  |                  |                  |                  |
| GDP                         | 3.6              | 3.3              | 4.0              | 3.2              |
| Population                  | 1.9              | 1.7              | 2.1              | 2.4              |
| GDP per head                | 1.7              | 1.6              | 1.9              | .8               |
| <b>FAR EAST</b>             |                  |                  |                  |                  |
| GDP                         | 5.2              | 6.4              | 4.1              | 5.0              |
| Population                  | 2.5              | 2.5              | 2.6              | 2.6              |
| GDP per head                | 2.6              | 3.8              | 1.5              | 2.3              |
| <b>DEVELOPING COUNTRIES</b> |                  |                  |                  |                  |
| GDP                         | 4.5              | 4.6              | 4.4              | 4.3              |
| Population                  | 2.2              | 2.1              | 2.4              | 2.6              |
| GDP per head                | 2.3              | 2.4              | 2.0              | 1.7              |

Sources: 1950-60      IBRD and UN  
1960-65      IBRD

Mr. Bertil Walstedt

May 10, 1967

Bela Balassa

Price Information for Argentina

I would appreciate it if I could receive copies of the tables listed below from "Country Study Report No. 1, Industrial Protection of the Automotive and Heavy Equipment Industries in Argentina." The price and other data provided by these tables will be used by Mr. Daniel Schydrowsky in his study prepared in the framework of the protection in developing countries project. Please be assured that the information provided by the tables will be kept in strict confidence.

Chapter IV, Tables 9, 10, 16, 17, 22, 25, 28, 29, 30, 31, 32, A-4;  
Appendix C

Chapter V, Tables 4, 22 and 26

Chapter VII, Table 2

BBalassa/pam

Mr. Arthur E. Tiemann

May 10, 1967

Bela Balassa

Import Matrices for 1965

I have earlier received from your Division a set of import matrices for the year 1965. I would now like to ask to have additional matrices prepared for the commodities listed below using the same geographical breakdown.

|       |  |
|-------|--|
| 513.6 | Other inorganic bases and metallic oxides              |
| 283.4 | Lead ores  |
| 671.5 | Other ferro-alloys                                     |
| 653.4 | Jute fabrics woven                                     |
| 656.1 | Bags and sacks of textile material                     |
| 667   | Pearls and precious and semi-precious stones, unworked |
| 671.4 | Ferro-manganese  |

EBalassa/pam

Mr. Andrew M. Kamarck

May 10, 1967

Bela Balassa

Mr. Escobar's Request

I am afraid that we do not have as yet any results available on effective tariffs in Latin American countries. I suspect that preliminary results will be available sometime in the summer but not before.

As regards the terms of reference of the study, I am enclosing a copy of the original proposal for research. I am presently revising the Outline and Methodology which will be available in about ten days.

BBalassa/pam



May 10, 1967

Institut d'Etudes Europeennes  
Universite Libre de Bruxelles  
50 Ave. Franklin Roosevelt  
Brussels, Belgium

Dear Sirs:

I would like to ask for your permission to use some of the material from my lectures "Some Considerations on Trade Liberalization in the Atlantic Area," delivered at the Universite Libre de Bruxelles, and published in the publication series of the Institut d'Etudes Europeennes, Universite Libre de Bruxelles, 1965, in my book Trade Liberalization among the Industrial Countries: Objectives and Alternatives to be published by the McGraw Hill Book Co. Ltd. later this year.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

May 10, 1967

Editor  
The Journal of Political Economy  
1126 East 59th Street  
Chicago, Illinois 60637

Dear Sir:

I would like to ask for your permission to use some of the material from my article, "Tariff Protection in Industrial Countries: An Evaluation," published in the December, 1965 issue of your Journal, in my book Trade Liberalization among the Industrial Countries: Objectives and Alternatives to be published by the McGraw Hill Book Co. Ltd. later this year.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

May 10, 1967

Professor John G. Gurley  
American Economic Review  
American Economic Association  
Room 220, Stanford University  
Stanford, California 94305

Dear Professor Gurley:

I would like to ask for your permission to use some of the material from my article, "Tariff Reductions and Trade in Manufactures among the Industrial Countries," published in the June, 1966 issue of your Journal, in my book Trade Liberalization among the Industrial Countries: Objectives and Alternatives to be published by the McGraw Hill Book Co. Ltd. later this year.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

May 10, 1967

Dott. Luigi Ceriani  
Ufficio Studi,  
Banca Nazionale del Lavoro  
Via Vittorio Veneto, 119,  
Roma, Italy

Dear Sir:

I would like to ask for your permission to use some of the material from my article, "American Direct Investments in the Common Market," published in the June, 1966 issue of your Journal, in my book Trade Liberalization among the Industrial Countries: Objectives and Alternatives to be published by the McGraw Hill Book Co. Ltd. later this year.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

May 10, 1967

The Editor  
The Manchester School  
Economics Department  
The University  
Manchester 13, England

Dear Sir:

I would like to ask for your permission to use some of the material from my article, "Trade Liberalization and 'Revealed' Comparative Advantage" published in the May, 1965 issue of your Journal, in my forthcoming books -

Trade Liberalization among the Industrial Countries: Objectives and Alternatives, to be published by the McGraw Hill Book Co. Ltd., and

Studies in Trade Liberalization: Problems and Prospects for the Developed Countries, to be published by the Johns Hopkins Press.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

May 10, 1967

Hotel Mate  
XVII., Bergsteiggasse 22  
Vienna, Austria

Dear Sirs:

I would like to reserve a double room with shower for my wife and myself, as well as a single room with bath for a relative, Mrs. Bela Balassa, for the period July 2 - 7, 1967. Please inform me if I should send a deposit upon confirmation of this reservation.

Yours very truly,

Bela Balassa  
Adviser  
Economics Department

May 9, 1967

Professor P. Munthe  
Department of Economics  
Oslo University  
Frederiksgate 3  
Oslo, Norway

Dear Professor Munthe:

I received the draft of the paper on "Effective Tariffs in Norway." While I do not understand Norwegian too well, from the equations and the tables it appears that the calculations are fine.

As I indicated in my letter of March 18th, I plan to be in Oslo June 12th to 14th, Monday to Wednesday, to discuss problems relating to your study on effective protection. I sent you a cable today to find out if these dates are convenient.

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

Mr. Alexander Stevenson

May 9, 1967

Bela Balassa

Study of Protection in Brazil

Mr. Joel Bergsman, an outstanding young economist from Berkeley, is writing a monograph on industrialization in Brazil in the framework of the OECD Development Center's project. In the monograph he also examines the structure of protection in Brazil and calculates the effective rate of protection, in which he is following our methodology. This fact prompted me to ask Ian Little if they had objections to including Bergsman's discussion of protection, in an appropriately revised form, in our volume. Little has found this suggestion acceptable.

It seems to me that adding Brazil to the list of our countries would well complement our project and would make international comparisons of the structure of protection more interesting. The cost to us would be relatively small: it would amount to about \$1500 - \$2000 covering the cost of a trip to Brazil Bergsman would have to make at the end of the year to carry out research on price comparisons which is not part of the terms of reference of the OECD study. This cost can be borne from the reserve funds available for the 1967-68 fiscal year.

On the basis of these considerations, I would like to suggest incorporating a paper on Brazil in our proposed volume. (Incidentally, our volume would be completed ahead of time of the OECD Development Center studies). While the consent of the IDB would be necessary for this, it would not involve a contract with Bergsman, since his travel expenses could be paid from funds available to the project. We would exchange with him a letter of understanding, however.

BBalassa/pam



May 9, 1967

Mr. Harry Siegel  
2446 18th Street N.W.  
Washington, D. C.

Dear Mr. Siegel:

Enclosed is a cheque in the amount of \$41.15 to cover  
a case of Hooper's 1937 Port to be sent to

Mr. Luis de Azcarate  
6225 - 32nd Place  
Washington, D.C.

Please call party before delivery. The telephone number  
is 363-6830.

With best regards,

Sincerely yours,

Bela Balassa  
Adviser  
Economics Department

Mr. David Kochav

May 9, 1967

Bela Balassa

Additional information on import capacity  
and growth rates for the Annual Report

In response to your request, on the enclosed table I am providing information on changes in the import capacity of the developing countries during the period 1960-1965. As elsewhere in my paper, the figures relate to less developed countries outside the European area. For purposes of comparison, data including aid to Southern Europe are given in parenthesis.

The Comparative Country Data Group has recalculated growth rates for Asia in the years 1950-1960 using the IERD weighting system throughout. This has meant some adjustment in the figures and it has enabled us to provide data separately on South Asia and the Far East. To assure consistency, data for the other regions relating to 1960-60 will also be recalculated.

BBalassa/pam

cc: Messrs. Leon, Levy

May 8, 1967

Economic Growth in Asia, 1960 - 1965

|                   | <u>GDP</u> | <u>Population</u> | <u>GDP per capita</u> |
|-------------------|------------|-------------------|-----------------------|
| <u>ASIA</u>       |            |                   |                       |
| 1950-55           | 4.1        | 1.9               | 2.2                   |
| 1955-60           | 4.0        | 2.3               | 1.7                   |
| 1950-60           | 4.0        | 2.1               | 1.9                   |
| <u>SOUTH ASIA</u> |            |                   |                       |
| 1950-55           | 3.3        | 1.7               | 1.6                   |
| 1955-60           | 4.0        | 2.1               | 1.9                   |
| 1950-60           | 3.6        | 1.9               | 1.7                   |
| <u>FAR EAST</u>   |            |                   |                       |
| 1950-55           | 6.4        | 2.5               | 3.8                   |
| 1955-60           | 4.1        | 2.6               | 1.5                   |
| 1950-60           | 5.2        | 2.5               | 2.6                   |

NB: Countries included in calculations are similar to those included in the 1960-65 period; excepting that the present periods include Cambodia, but exclude S. Korea, and S. Vietnam.

Import Capacity in Developing Regions - 1960-1965<sup>a</sup>  
(\$ billion)

| <u>Year</u> | <u>Exports</u> | <u>Net Official Capital</u> b | <u>Private Investment</u> | <u>Guaranteed Export Credit</u> | <u>Import Capacity</u> |
|-------------|----------------|-------------------------------|---------------------------|---------------------------------|------------------------|
| 1960        | (24.55) 22.73  | (4.55) 4.00                   | (2.39) 2.13               | (.50) .33                       | (31.99) 29.17          |
| 1961        | (25.04) 23.19  | (5.42) 4.65                   | (2.53) 1.57               | (.61) .46                       | (33.60) 29.87          |
| 1962        | (26.30) 24.24  | (5.76) 5.06                   | (1.74) 1.09               | (.60) .60                       | (34.40) 30.99          |
| 1963        | (26.51) 24.33  | (6.28) 5.54                   | (2.01) 1.14               | (.59) .47                       | (35.39) 31.48          |
| 1964        | (31.60) 29.03  | (6.15) 5.63                   | (2.31) 2.18               | (.82) .66                       | (40.88) 37.50          |
| 1965        | (33.83) 30.99  | (6.69) 6.00 <sup>c</sup>      | (3.09) 2.90               | (.71) .51                       | (44.32) 40.40          |

a The figures in parenthesis include Southern Europe and unallocated.

b From DAC countries and multilateral only.

c The figure shown in the consolidated balance-of-payments of the developing countries is \$5.80 billion.

Mr. Andrew M. Kamarck

May 5, 1967

Bela Balassa

IBRD Commodity Price Index

I have now had an opportunity to read the proposal made by Mr. Singh on January 16, 1967 for revising the IBRD Commodity Price Index. I understand that such a revision would broaden the base of the index; however, further evidence would be necessary before a decision is made for carrying out the revision.

Mr. Singh proposes to add 15 commodities to the coverage of the index which presently includes 23 products. In the various commodity groups he suggests adding the following: fibres -- cotton textiles, jute textiles, abaca, sisal; vegetable oils and oil seeds -- coconut oil, fish meal, linseed, groundnut oil; metals and ores -- bauxite, iron ore, manganese ore; commodities not in groups -- bananas, hides and skins, timber, phosphate rock.

The principal problem with the above commodities seems to be that, with the exception of vegetable oils, most of them do not have a clearly defined world market price for a major variety of the products exported from less developed countries. These observations pertain especially to ores, the metal content of which varies, and to timber and hides and skins where quality changes are frequent. It is suggested, therefore, that Mr. Singh should provide a detailed discussion of the availability of appropriate price observations for the commodities in question. This memorandum should be reviewed by a small committee, the objective being that the quality of the index should not deteriorate by including commodities in the case of which price observations are not reliable.

Two further points: there is no reason to include cotton textiles and jute textiles with fibres. These are manufactured goods and should be considered as such. Moreover, I wonder if one should increase the number of commodities in the index that are not included in any of the major groups.

BBalassa/pam

Mr. David Kochav

May 5, 1967

Bela Balassa

Developing Countries: Economic Growth, Trade  
and Balance of Payments in 1960-1965 -- Corrections

above memo. Please note the following corrections to be made in the

Page 2 Last line. Replace "decline in per capita incomes" by  
"decline in the rate of increase of per capita incomes".

Page 4  
Footnote 1 Replace \$35.1 billion by \$34.4 billion.

Page 5 Last line of paragraph 9. Replace "figures" by "figures  
of some of the developing countries".

Table 2 Replace the following figures in the Services column:

|                            |       |            |       |
|----------------------------|-------|------------|-------|
| -- Africa                  | -1959 | instead of | -1859 |
| -- Developing<br>Countries |       |            |       |
| Total                      | -7699 | instead of | -7799 |

BBalassa/pan

cc: Messrs. Friedman, Kassarck, Stevenson, Leon, Rao

Mr. David Kochav

May 4, 1967

Bela Balassa

Developing Countries: Economic Growth, Trade  
and Balance of Payments in 1960-1965

Enclosed is a draft of "Developing Countries: Economic Growth, Trade and Balance of Payments in 1960-1965" prepared for the Annual Report. Please note that some of the figures are still subject to change. Also, I have included in the draft some detailed comparisons between balance-of-payments and DAC figures, which will be deleted from the final version.

Finally, the conclusions of the paper are very tentative and will be revised in the light of new information.

BBalassa/pam  
encl.

## OFFICE MEMORANDUM

TO: Mr. David Kochav

FROM: Bela Balassa

SUBJECT: Developing Countries: Economic Growth, Trade  
and Balance of Payments in 1960-1965

DATE: May 4, 1967

Enclosed is a draft of "Developing Countries: Economic Growth, Trade and Balance of Payments in 1960-1965" prepared for the Annual Report. Please note that some of the figures are still subject to change. Also, I have included in the draft some detailed comparisons between balance-of-payments and DAC figures, which will be deleted from the final version.

Finally, the conclusions of the paper are very tentative and will be revised in the light of new information.

BBalassa/pam  
encl.

cc: Messrs. Friedman, Kamarck, Stevenson, Leon, Rao



DEVELOPING COUNTRIES: ECONOMIC GROWTH, TRADE  
AND BALANCE OF PAYMENTS IN 1960-1965

Economic Growth

1. United Nations declarations on the Development Decade called for an annual rate of economic growth of 5 percent in the developing countries to be reached in the course of the nineteen-sixties.<sup>1/</sup> This target was not attained in the first half of the decade; in fact, the estimated average annual rate of increase of gross domestic product in the developing countries did not exceed the 4.4 percent growth rate experienced during the fifties. (Table 1). Nonetheless, there appears to be a tendency towards a reversal of the decline in growth rates that took place between 1950-55 (4.6 percent) and 1955-60 (4.3 percent).

2. But estimates for the developing nations, taken together, conceal considerable variations among the individual areas and countries. Among the major regions, the Middle East leads with a growth rate of 7.2 percent, followed by Latin America (4.8 percent), while the corresponding figures for Asia and Africa are 3.8 and 3.7 percent, respectively. In the former two areas, the results represent a decided reversal of the decline in growth rates between the first half and the second half of the fifties and both areas surpassed their average growth rates for the nineteen-fifties. In the Middle East, Israel and the oil countries did equally well, while the rate of growth of GDP for the whole of Latin America was held back somewhat by

<sup>1/</sup> The United Nations regards the countries of North America and Western Europe, as well as Japan, Australia, New Zealand and South Africa, as "developed" and all other countries outside the Sino-Soviet area as "developing" or "less developed". This definition will be adopted in the following, and we will further classify developing countries according to geographical groupings: Latin America (the countries of the Western Hemisphere less the United States and Canada), Africa (the continent of Africa less South Africa), Middle East (the countries of the Asian continent west of Iran), Asia (the continent of Asia other than the countries of the Middle East, the Communist countries, and Japan, plus the islands of Oceania). Within the latter, we will separate the countries of South Asia (Afghanistan, Burma, Ceylon, India, and Pakistan) from those of the Far East.

the relatively slow expansion of Argentina (3.4 percent) and Brazil (4.4 percent).

3. By contrast, the decline in the average annual growth rate of GDP continued in Asia: it was 4.3 percent in 1950-55, 3.9 percent in 1955-60, and 3.7 percent in 1960-65. These results are largely due to the poor performance of India and Indonesia that account for one-half and one-tenth, respectively, of the total GDP of the area. Thus, the gross domestic product of India grew at an annual rate of 2.7 percent in the years 1960-65, that of Indonesia at a rate of 1.6 percent, while the average for all other countries in the area, taken together, was 6.0 percent. If we separate South Asia and the Far East, the corresponding figures are 3.2 and 5.0 percent a year, and for the Far East without Indonesia 6.5 percent.

4. Just as in Asia, the rate of growth of GDP continued to decline in Africa also. It was only 3.7 percent in 1960-65, as against 4.3 percent in 1950-55 and 3.9 percent in 1955-60. Here again the poor performance of two large countries greatly affected the outcome. Available information indicates a decline in Algeria's GDP of 4.2 percent a year and an increase of only 2.6 percent in the former Belgian Congo. By contrast, all other countries, taken together, averaged a rate of growth of about 4.5 percent.

5. The rate of increase of GDP is customarily used to evaluate a country's growth performance. However, for gauging increases in living standards, data on per capita rather than total gross domestic product are relevant. In this respect, the situation in the developing countries is much less favorable than GDP figures would indicate. The growth of population accelerated to a considerable extent in the years 1960-65, leading to a decline in the rate of increase of per capita incomes as compared to the nineteen-fifties. In the

developing countries, taken together, population rose at an annual rate of 2.2 percent in 1950-60 and 2.6 percent in 1960-65. Correspondingly, the rate of growth of per capita income fell from 2.2 to 1.8 percent. It is small consolation that the latter figure shows no deterioration as compared to the second half of the fifties, especially since the growth rate of per capita incomes in the developed nations accelerated: it was 2.2 percent in 1955-60 and 3.6 percent in 1960-65. Thus, income differences between the two groups of countries have increased in absolute as well as in relative terms.

#### The Import Capacity

6. In discussions preceding and following the first UNCTAD conference, the sluggish growth of demand on the part of developed countries has been said to be the most important single obstacle to economic growth in less developed areas. It has further been noted that capital imports are a substitute for exports in the sense that the resulting increase in foreign exchange permits the importation of commodities required for the continuing growth of the national economy. In the following, we shall employ the concept import capacity to refer to the availability of foreign exchange through exportation and capital inflow. In turn, the uses of import capacity include merchandise imports, invisibles,<sup>1/</sup> reverse capital flows, and net transactions in the monetary sector (mainly changes in reserves).

7. The inflow of capital -- public and private -- is shown on a net

<sup>1/</sup> Although invisibles, especially spending by foreign governments and tourist income, assumed some importance in the postwar period, merchandise exports have remained the major source of foreign exchange in the developing countries, accounting for over four-fifths of their receipts on the current account. At the same time, for the year 1965, the breakdown of invisibles for a number of developing countries is not available and the reliability of existing data is also open to question. Correspondingly, we have regarded net payments on invisibles as a use of foreign exchange available for the developing countries.

basis while, following customary usage, we have included interest on public debt among invisibles. This is not an entirely satisfactory procedure and, for some purposes, import capacity may be expressed by deducting contractual interest payments from the sum of exports and net capital inflow. Correspondingly, the amount of interest payments on the public debt will be indicated separately.

8. According to the data of Table 2, in 1965 exports contributed \$36.4 billion (83 percent), net official capital flows \$5.8 billion (14 percent) and net private flows \$1.4 billion (3 percent) to the import capacity of the developing countries. The export figure is identical to that reported in UN statistics; in the few cases where differences were shown, exports and imports were adjusted by the same amount.<sup>1/</sup> In turn, DAC reports net official bilateral capital flows of \$5.1 billion,<sup>2/</sup> to which should be added \$0.8 billion provided by multilateral institutions and \$0.7 billion received from non-DAC countries.<sup>3/</sup>

<sup>1/</sup> There are, however, differences on the import side. The UN estimates imports into developing countries on the basis of the export statistics of all nations of the world at \$37.5 billion while our figure, derived chiefly from the balance-of-payments statistics of the developing countries, is \$34.4 billion (both figures are expressed on an f.o.b. basis). There are three possible explanations for this discrepancy: shipments reported as exports to developing countries in UN statistics might have been redirected en route; the amount of freight deducted from the c.i.f. price for countries that report imports on a c.i.f. basis might have been overestimated; and, imports into developing countries might have been underreported in the balance-of-payments of these countries. In the second eventuality, imports and freight would have to be adjusted by equal amounts without affecting the trade balance while the third would necessitate an adjustment in the import figure as well as in the errors and omissions item.

<sup>2/</sup> The figure excludes net official capital flows of \$0.5 billion to Southern European countries and \$0.2 billion of unallocated aid.

<sup>3/</sup> DAC estimates this outflow to have amounted to \$675 million in 1965, the bulk of which came from the Sino-Soviet area (OECD, Development Assistance Efforts and Policies, 1966 Review, Paris, 1967, pp. 29-30). By comparison, UN trade statistics show an export surplus of \$590 million in the trade of the Sino-Soviet area with the developing countries, of which about \$100 million is with Cuba.

Finally, DAC estimates net private capital flows from developed to developing countries at \$2.9 billion,<sup>1/</sup> and guaranteed export credits at \$0.5 billion.

9. There are several reasons for the differences between net official capital flows reported by the donors and by the recipients. First, official transfers are shown on a net basis in Table 2, after deductions for transfers originating in developing countries that amounted to \$0.2 billion in 1965. Second, the DAC figures include technical assistance of \$1.0 billion in 1965 which is not fully reported by some of the developing countries.<sup>2/</sup> Finally, the lack of geographical breakdown of data on UN assistance, amounting to \$0.2 billion in 1965, did not permit its inclusion in the balance-of-payments figures of some of the developing countries.

10. Differences in the reported figures on private capital flows are considerably larger. At the same time, a region-by-region comparison of the figures is not possible since the geographical breakdown of over one-fifth of the \$2.9 billion DAC figure is not available. Nevertheless, it can safely be said that the major cause of these differences is the reverse flow of capital from developing to developed countries. This flow appears especially large in Latin America but it has some importance in other areas also.

11. Further interest attaches to changes in the total amount -- and in the sources -- of import capacity in the period 1960-65. For the sake of comparability, we will consider four major developing regions -- Latin America, Africa, the Middle East, and Asia -- and will exclude intraregional trade from the calculations. In the case of private flows, the DAC figures have been used by roughly estimating the geographical distribution of the unallocated \$0.8 billion (Table 3).

<sup>1/</sup> The figure excludes private investment in Southern Europe of \$159 million as well as guaranteed export credits to Southern Europe of \$175 million and unallocated of \$13 million.

<sup>2/</sup> Adjustment for an understatement of technical assistance would involve raising the amount of public transfers and payments on the service account by the same amount.

Export Expansion

12. According to the final version of the UN projections for the Development Decade, published in the 1963 World Economic Survey, the total exports of the developing countries would rise during the 1960-70 period at a rate of 4.0 percent a year. Prospective annual increases in the exports of these countries to the developed nations were estimated at 3.7 percent, and to the Sino-Soviet area at 8.7 percent. The actual expansion in exports in the first half of the sixties greatly exceeded these expectations. Sales of developing countries to the developed nations rose at an annual rate of 6.0 percent; the rate of increase of exports to the Sino-Soviet area was 13.6 percent and in trade among developing areas 5.7 percent. As a result, the total exports of the developing countries (excluding intra-area trade) grew at a rate of 6.4 percent a year. During the same period, the prices of exports originating in developing countries remained unchanged.

13. Developed nations continue to provide markets for the bulk of the exports originating in less developed areas (84 percent in 1965), hence it is of especial interest to indicate changes in this trade. The rapid expansion of the imports of developed nations from developing countries is partly explained by the high rate of growth of GDP in the former. Whereas the United Nations calculated with a growth rate of 3.7 percent in the 1960-70 period, the actual figure for the years 1960-65 was 5.0 percent. But an improvement is indicated even if we adjust for differences between actual and projected growth rates since a one percent increase in GDP in the developed countries was associated with a 1.2 percent increase in their imports from less developed areas while the United Nations calculated with a one-to-one relationship. These differences are explained by the faster than expected rise in imports of fuels and manufactured goods from developing nations: while the UN assumed that a one percent

increase in the gross domestic product of developed countries would lead to a 1.4 percent increase in these imports, the actual figures for 1960-65 were 2.0 and 2.2 percent, respectively.

14. Among the developing regions, exports rose the most rapidly in the Middle East (9.4 percent), followed by Africa (8.2 percent); the corresponding figures were 5.5 percent in Asia and 4.5 percent in Latin America. The Middle East benefited from the rapid expansion of demand for fuels while Africa increased its market share in fuels and, to a lesser extent, manufactured goods (chiefly metals). By contrast, Asia and Latin America experienced an erosion in their market shares in most major commodity groups.

#### Public and Private Capital

15. According to the data of Table 3, the net amount of official capital obtained by developing countries increased from \$4.0 billion in 1960 to \$5.8 billion in 1965. But 1965 data include aid from non-DAC countries while excluding some other items. If we consider the DAC countries only, the increase is from \$4.0 billion to \$5.1 billion, i.e. 28 percent. In terms of annual rates of change, this increase is identical to that of the gross domestic product of the DAC countries although it is less than the rise in their imports from less developed areas.

16. Increases were larger in the case of private investment and guaranteed export credits that rose at a rate of 5.8 percent a year in this period. At the same time, 1965 was a peak year in private foreign investment and preliminary indications point to some decline in 1966. The increase in guaranteed export credits, however, can be expected to continue.

17. As regards the geographical composition of the flow of capital, we find that the countries of Asia and Latin America were the principal beneficiaries

of the increased inflow of official funds; there was little change in the amounts received by Africa and the Middle East. In turn, the rise in guaranteed export credits benefited Asia and Africa, while Latin America and the Middle East experienced a decline. Finally, there is evidence of an increase in private capital flows to the Middle East but the uncertainties related to the geographical breakdown of private capital flows do not permit us to derive any conclusions in regard to the other regions.

#### Import Capacity and Economic Growth

18. All in all, the import capacity of the developing countries, taken together, rose at an annual rate of 6.6 percent between 1960 and 1965, far exceeding the annual increase of 4 percent implicit in the UN projections. The results need to be adjusted, however, for changes in the terms-of-trade. While the average prices of the exports of developing nations to developed countries did not change during this period, the prices of their imports were reported to have risen by 5 percent<sup>1/</sup>. But the latter figure tends to overestimate increases in prices since it takes no account of improvements in the quality of machines imported from industrial countries. A smaller price change is indicated if we consider instead the export price indices of the latter group of countries. Finally, it should be noted that in 1965 slightly over one percent of the import capacity of the developing nations was used for interest payments on their public debt.

19. Among individual regions, increases in import capacity (in current prices) were the most pronounced in the Middle East (9.7 percent), followed by Asia (6.9 percent), Africa (6.8 percent), and Latin America (4.7 percent). It appears, then, that import capacity was much less of a bottleneck to economic growth in developing regions than UN projections would have led us to expect.

<sup>1/</sup> United Nations, Monthly Bulletin of Statistics, November, 1966



At the same time, the rate of growth of GDP exceeded that of import capacity only in Latin America.

20. But to indicate the relationship between import capacity and economic growth, country-by-country comparisons need to be made. Using the 40 country sample used elsewhere in this report, we find a positive correlation between exports and economic growth. Aside from Argentina, only some relatively small countries, such as Bolivia, Cyprus, Honduras, Paraguay, Malawi and Tunisia do not fit the pattern. By contrast, there is no correlation between the inflow of official capital and guaranteed export credits, on the one hand, and economic growth, on the other. Correspondingly, the relationship between import capacity and economic growth appears to be weaker than between exports and growth.

21. It also appears that the rate of growth of GDP was higher in areas where exports account for the bulk of foreign exchange earnings. The relevant ratio approaches 90 percent in the Middle East and Latin America, it is three-fourths in Africa and slightly above two-thirds in Asia. At the same time, in the countries of South Asia that had the poorest growth performance, exports accounted for only slightly more than one-half of import capacity.

22. These considerations indicate the importance of exports in the growth process. They should not lead us to belittle the contribution of capital inflow to economic growth, since aid is often given to countries that face difficulties in increasing, or maintaining, their growth rate due to the slow expansion of their exports. At the same time, the data point to the conclusion that a combination of exports and capital inflow may provide the best solution for many of the developing countries.

Table 1

ECONOMIC GROWTH IN LESS DEVELOPED AREAS

|                             | 1950-60               | 1950-55 | 1955-60 | 1960-65 |
|-----------------------------|-----------------------|---------|---------|---------|
|                             | Annual rate of growth |         |         |         |
| <u>Latin America (a)</u>    |                       |         |         |         |
| GDP                         | 4.6                   | 4.8     | 4.5     | 4.8     |
| Population                  | 2.8                   | 2.8     | 2.8     | 2.9     |
| GDP per head                | 1.8                   | 1.9     | 1.6     | 1.8     |
| <u>Africa</u>               |                       |         |         |         |
| GDP                         | 4.1                   | 4.3     | 3.9     | 3.7     |
| Population                  | 2.2                   | 2.1     | 2.3     | 2.4     |
| GDP per head                | 1.9                   | 2.2     | 1.6     | 1.3     |
| <u>Middle East</u>          |                       |         |         |         |
| GDP                         | 5.2                   | 5.6     | 4.7     | 7.2     |
| Population                  | 2.4                   | 2.7     | 2.3     | 3.2     |
| GDP per head                | 2.7                   | 3.0     | 2.4     | 3.9     |
| <u>Asia</u>                 |                       |         |         |         |
| GDP                         | 4.2                   | 4.3     | 4.1     | 3.8     |
| Population                  | 2.1                   | 1.8     | 2.3     | 2.5     |
| GDP per head                | 2.1                   | 2.4     | 1.8     | 1.3     |
| <u>Developing Countries</u> |                       |         |         |         |
| <u>Total</u>                |                       |         |         |         |
| GDP                         | 4.4                   | 4.6     | 4.3     | 4.4     |
| Population                  | 2.2                   | 2.1     | 2.4     | 2.6     |
| GDP per head                | 2.2                   | 2.5     | 1.8     | 1.8     |

Sources: 1950-60: United Nations, World Economic Survey, 1963, Part II  
 1960-65: IBRD

Note: (a) Data for 1950-60 includes Latin American republics only.

Table 2

The Balance-of-Payments of Developing Countries, 1965

(\$ million)

|                                | <u>Exports</u> | <u>Imports</u> | <u>Trade Balance</u> | <u>Services</u> | <u>Private Transfers</u> | <u>Current Account Balance</u> | <u>Official Capital</u> | <u>Private Capital</u> | <u>Capital Account Balance</u> | <u>Monetary Sector</u> | <u>Errors and Omissions</u> |
|--------------------------------|----------------|----------------|----------------------|-----------------|--------------------------|--------------------------------|-------------------------|------------------------|--------------------------------|------------------------|-----------------------------|
| Latin America                  | 12700          | 11128          | +1572                | -2316           | 2                        | -742                           | 1011                    | 305                    | 1316                           | -846                   | ?                           |
| Latin American Republics       | 10415          | 8324           | +2091                | -2425           | -10                      | -344                           | 745                     | 138                    | 883                            | -734                   | 195                         |
| Cuba                           | 685            | 785            | -100                 | -               | -                        | -100                           | 100                     | -                      | 100                            | -                      | -                           |
| Other Western Hem.             | 1600           | 2019           | -419                 | 109             | 12                       | -298                           | 166                     | 167                    | 333                            | -112                   | 77                          |
| Africa                         | 7670           | 7418           | +252                 | -1959           | 14                       | -1693                          | 1583                    | 430                    | 2013                           | -47                    | -273                        |
| Middle East                    | 6490           | 4322           | +2168                | -2589           | 215                      | -206                           | 328                     | 365                    | 693                            | -248                   | -239                        |
| Asia                           | 9540           | 11570          | -2030                | -1035           | 194                      | -2871                          | 2880                    | 255                    | 3135                           | -252                   | -12                         |
| South Asia                     | 2910           | 4096           | -1186                | -867            | 102                      | -1951                          | 2012                    | 49                     | 2061                           | 95                     | -205                        |
| Far East                       | 6400           | 7218           | -818                 | -151            | 92                       | -877                           | 836                     | 195                    | 1031                           | -347                   | 3                           |
| Oceania                        | 230            | 256            | -26                  | -17             | -                        | -43                            | 32                      | 11                     | 43                             | -                      | -                           |
| Developing countries,<br>Total | 36400          | 34438          | +1962                | -7899           | 425                      | -5512                          | 5802                    | 1355                   | 7157                           | -1393                  | -252                        |

Source: Exports and Imports: UN, Monthly Bulletin of Statistics, March 1967 and special communication.

Other items -- IMF, Balance of Payments Statistics and estimates

Table 3

Import Capacity in Developing Regions, 1960 and 1965

(\$ billion)

|               | <u>Exports</u> <sup>1/</sup> |             | <u>Official Capital</u> |             | <u>Private Investment</u> |             | <u>Guaranteed Export Credit</u> |             | <u>Import Capacity</u> |              |
|---------------|------------------------------|-------------|-------------------------|-------------|---------------------------|-------------|---------------------------------|-------------|------------------------|--------------|
|               | <u>1960</u>                  | <u>1965</u> | <u>1960</u>             | <u>1965</u> | <u>1960</u>               | <u>1965</u> | <u>1960</u>                     | <u>1965</u> | <u>1960</u>            | <u>1965</u>  |
| Latin America | 8.49                         | 10.58       | 0.33                    | 1.01        | 0.91                      | 1.00        | 0.25                            | -0.03       | 9.98                   | 12.56        |
| Africa        | 4.86                         | 7.19        | 1.43                    | 1.58        | 0.70                      | 0.80        | 0.06                            | 0.25        | 7.05                   | 9.82         |
| Middle East   | 3.81                         | 5.96        | 0.29                    | 0.33        | 0.20                      | 0.60        | 0.04                            | 0           | 4.34                   | 6.89         |
| Asia          | <u>5.57</u>                  | <u>7.26</u> | <u>1.95</u>             | <u>2.88</u> | <u>0.32</u>               | <u>0.50</u> | <u>-0.02</u>                    | <u>0.29</u> | <u>7.80</u>            | <u>10.93</u> |
|               | 22.73                        | 30.99       | 4.00                    | 5.80        | 2.13                      | 2.90        | 0.33                            | 0.51        | 29.17                  | 40.20        |

Source: 1960 -- Bela Balassa, Trade Prospects for Developing Countries, Homewood, Ill., Richard D. Irwin, 1964, pp. 94, 106

Notes: <sup>1/</sup> Excludes intraregional trade.

May 3, 1967

Oliver-Boyd Limited  
Tweeddale Court  
14 High Street  
Edinburgh, Scotland

Dear Sir:

Enclosed is a cheque for \$8.00 to cover a subscription to the Review of Economic Studies for the year 1967. I would also like to purchase some volumes of the review for earlier years: 1964, 1965 and 1966. Please let me know whether back issues are available for these years and how much they cost.

Yours sincerely,

Bela Balassa  
Adviser  
Economics Department

encl.

May 1, 1967

Chere Madam,

Veillez m'excuser de ce delai mais je n'ai pas en occasion de repondre a vos communications jusqu'ici.

Je vous felicite d'avoir donne un excellent resume des discussions. La seule correction majeure se trouve dans la discussion des rapports de synthese. Comme j'ai indique dans le texte, la tete du tableau doit etre corrige comme suit:

"la capacite des filiales europeenne, exprime en pourcentage de la capacite de production des maison-meres americaines."

"le cout de revient des filiales europeennes, exprime en pourcentage du cout de revient des maisons-meres americaines"

En esperant que vous pouriez toujours effecteur ces corrections, je vous prie a croire, chere Madame, a mes meilleurs sentiments.

Bela Balassa  
Adviser  
Economics Department

Madame Henri Chapron  
6, Rue Balny d'Avricourt  
Paris, XVII<sup>e</sup>, France