

Export Instability and Development: A Reply

Professor Glezakos takes issue with the fact that I cast doubt on his findings that LDCs, in contrast to DCs, are adversely affected by export instability, and that I suggested that, in practice, his index may not be too dissimilar to Coppock's. To assist the reader let me quote what I had actually written:

"Glezakos' paper provided support for Maizels' critique, for in it he claimed that regardless of MacBean's assertions, he had found evidence that instability is indeed detrimental to LDC economic growth. His data were obtained by regressing real per capita income on export instability but some doubts as to the validity of the results may be harboured. This is so, since 7 of the 40 countries placed in the LDC sample are not normally so regarded. The countries in question were Cyprus, Greece, Iceland, Portugal, Spain, Turkey and Yugoslavia. Furthermore, Glezakos took considerable pains to ensure that his per capita growth rates were calculated in real terms but there is no indication that in computing his instability indices, real export changes were considered. While in certain circumstances mixing of real and monetary variables is permissible, in this case, indices based respectively on constant and current prices could well differ appreciably causing Glezakos' results to be biased".¹

Although Glezakos used per capita income as the criterion for placing a country in the LDC category, none of the 7 cited² (Iceland should have read Ireland, I concede poor proofreading) are generally regarded as Third World countries by either the U.N., UNCTAD or GATT. Since his article maintained that LDC exports have limited backward and forward linkages, factors other than income should be taken into account in determining which countries belong to the LDC category. While I had cited the work of Kenen and Voivodas (only once in the section on growth, not repeatedly as alleged) without checking the countries they included, it should be realised that whereas Glezakos directly compared differences between a group of LDCs and DCs, Kenen and Voivodas did not. Given that Glezakos derived conclusions from samples of 2 different types of economies, it is reasonable to query his criticism and selection of sample items. That others had not in-

¹ L. STEIN, "Export Instability and Development: A Review of Some Recent Findings," in this *Review*, September 1977.

² Glezakos' article does not indicate that Yugoslavia was not used in the regressions.

cluded the 7 countries in question in their sample of DCs, is of no consequence.

The use of current export revenues, converted into US dollars hardly eliminates the objection that Glezakos regressed real income on nominal exports. Even though the US dollar may have been stable, current export proceeds expressed in dollars do not reflect terms of trade changes. Furthermore, even though LDCs' production linkages may be small, consumer expenditure linkages may significantly influence incomes, in which case real not nominal export earnings are relevant.

In terms of my being "completely off base" in dismissing Glezakos' disapproval of Coppock's instability index, I had chosen 33 countries listed on page 281 of Erb and Schiavo-Campo's paper³ and correctly calculated the rank correlation to be .83. I cannot help suppressing the feeling that Glezakos must have been perturbed in seeing so high a correlation between his and Coppock's index. Why else would he recompute it himself using a wider number of variables derived from page 267 of Erb and Schiavo-Campo's paper? Having confirmed that the correlation is close, Glezakos summarily dismisses the evidence by fatuously stating that "the observed high rank correlation coefficient simply indicates that for the period under consideration most of the countries involved experienced strong trends rather than cyclical fluctuations in their export revenues." If this is so, one might legitimately wonder why Glezakos chose that particular period himself to test the hypothesis that instability is detrimental to growth?

As to my treatment of the nature of the various indices used, I simply indicated that in some problems the choice of index was not significant, while in other studies it appeared to be so. Glezakos was somewhat carried away when he stated that "so shallow is the treatment of export instability measures in Stein's review article that the well known problems associated with the instability indexes using moving averages to correct for the trend are not even mentioned." In fact, on page 280 of my article I clearly wrote that "in using moving averages one should be alert to the fact that the length of the chosen interval influences the degree of smoothing and where it is small, the moving average tends to absorb some of the short-term fluctuations possibly causing an underestimation of instability."

Among my other "sins" I stand accused of excluding "a significant part of the pertinent bibliography." Although my article was published in September 1977, it was written at the beginning of 1976, and I could not be expected to have cited the references by Lim, MacBean and Yotopoulos and Nugent which were the only ones Glezakos refers to on the subject that I hadn't. In any case, I had laid no claim, as the title of my paper suggests, to writing a fully comprehensive review.

My original reservations about Glezakos' paper stand unaltered. He had claimed that "export instability is responsible for about one fourth of

³ G.F. ERB and S. SCHIAVO-CAMPO, "Export Instability, Level of Development and Economic Size of Less Developed Countries," *Bulletin - Oxford University Institute of Economics*, November 1969.

the observed variation in the income growth rates of the LDCs under consideration."⁴ This is a fairly high figure considering, to re-quote Glezakos, "most of the countries involved experienced strong trends rather than cyclical fluctuations in their export revenues." Given the points I made originally and now reaffirm, I simply contend that there are valid reasons to treat such an outcome sceptically.

What is regretted, is that Glezakos, by impugning my honesty, motives and competence, has departed from the academic tradition of attacking the issues and not the man.

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⁴ GLEZAKOS, 1973, page 674.