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Comments on

Through Which Channels Can Remittances Spur Economic Growth in MENA Countries?

Sami Ben Mim and Mohamed Sami Ben Ali, Economics-ejournal.

This paper plausibly argues that remittances have a positive effect via investment and human capital on growth if only the countries invest.

However, the paper understates what has been done in the literature and it is flawed in the econometric part.

There is much more literature on the effect of remittances and growth via investment and human capital (see the survey of Ziesemer 2012) rather then a gap claimed by the paper. Similarly, the paper states first that there is nothing in this regard on the MENA countries, but later Glytsos (2002) is mentioned. There is also a paper by Glytsos (2005) and one by Eltayeb Mohamed (2009).

Moreover, p.2 states that remittances do not hamper exports, whereas p.5 states that they cause appreciation and Dutch disease.

Econometrics

Whereas the text probably correctly talks about fixed effects estimates, the tables talk of random effects, which according to all experience do never better than fixed effects in the Hausman test of country-year type of panels.

The coefficients of the lagged dependent variables are by far too large (absolutely) for a growth regression: -8 for SGMM and –16 for fixed effects. According to Durlauf et al. (2005) they should be in the interval (-1,0) if the growth rate is on the left-hand side and between (0,1) if the log level is on the left-hand side. The order of magnitude is that of the rate of convergence to the steady state when the growth rate is on the left.

The Sargan or Hansen J statistic has a high p-value of 0.88. Whereas this is nicely in line with a J-statistic that is not too high, according to Roodman (2006, 2009) it also indicates that the instruments do too little: "25% is already worrying". There is also no information about instruments in the whole paper.

The equations for consumption and investment do not use lagged dependent variables. Without them there is no reason to use SGMM (see Baltagi 2008, ch.8), but not including them most likely leads to an omitted variable bias.

In growth regressions we should have the growth rate of the population, not the log level as in Tables 3 and 8.

References

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