

Comments on the paper, entitled, “*Foreign-capital inflow and its welfare implications in a developing country-context*”.

I have gone through the paper in detail. My comments are stated as below.

- This is a good attempt to re-examine the welfare-implications of foreign-capital inflow in a small open economy. In a three-sector general equilibrium setting, the study finds some interesting propositions in a developing country-context, like India.
- The study notifies that foreign-capital inflow may cause widening of the skilled-unskilled wage-gap. The model also shows that inflow of foreign capital may expand foreign enclave and the agricultural sector, while the output of manufacturing sector can be reduced. But the prime contribution of the work is to show that inflow of foreign capital can lead to increase in welfare of a developing country (with the underlying assumptions of the model). This result differs from the finding obtained in some previous studies made by eminent economists, like, Brecher-Alejandro (1977), Khan (1982), and, Beladi and Marjit (1992)¹. These studies showed that the foreign-capital inflow may cause a loss in welfare of a country.
- Like all other theoretical studies, this is also not beyond limitations. Findings of a theoretical work is essentially limited by the assumptions made in the model. Present work is also limited from that standpoint. But over and above all, this is a good effort to develop an alternative model (with some alternative but realistic assumptions) that obtains some new findings in a developing country context. From that viewpoint, the present work seems to be a contributory one to the existing literature.
- According to me, this should be accepted for publication in *Economics*.

¹ References are cited in the original text.