

Comments by Katarina Juselius on "A replication of 'The long-run impact of foreign aid in 36 African countries: Insights from multivariate time series analysis' by Lionel Roger.

Let me first say that this is an impressive piece of work. I have seldom come across an empirical study so well done. Actually I cannot find anything critical to say about this study. Lionel Roger has performed a huge task: first he has reproduced the results of our study, JMT (individual Cointegrated VAR analyses of 36 South Saharan African countries based on Penn World Tables, PWT6); then he has re-done the JMT analyses for two updates, PWT7 and PWT8, and furthermore for another database, the World Development Indicators, WDI. Finally, he has re-specified the JMT models using the updated data to check the sensitivity of the results to possible misspecification. The work involved must have been just enormous. When considering that all analyses very competently are done following high scientific standards, it is impossible not to be impressed.

The original JMT study based on PWT6 data was already very demanding. While we never seriously considered the idea of checking the robustness of the results with respect to the other available big database, WDI, we did however discuss whether to choose the PWT or the WDI tables. The choice became PWT6, because most other studies that we wanted to compare with were based on these tables. One important aim of the JMT study, was to check whether the underlying statistical assumptions of panel data analyses were even approximately satisfied in the data. Not so surprising, they were not in general. But, we were very much aware of the fact, that the quality of the data left much to be wished for (certainly confirmed by the results of the present paper). But, we hoped that the measurement errors would not be systematic over time and/or that measurement errors in one variable would correspond to similar measurement errors in another variable and, hence cancel by cointegration.

The present paper sheds some light on this issue: in roughly 2/3 of the investigated cases, the conclusions from the JMT study remained valid. In my view, a surprisingly high proportion, considering the fairly large measurement errors and the long sample period, 1960-2007, during which many (most?) of the countries had undergone fundamental changes. The latter can actually explain the finding that insignificance of coefficients was a quite stable feature in the new model analyses. If the sample period contains several regime shifts with strongly varying coefficients (say positive becomes negative) than the average estimated coefficient over the full period can be close to zero and have a large variance. With approximately 40 annual observations, there is not sufficient data to study the possibility of regime shift changes, albeit the sample period covers a long period.

Altogether, I found the results quite promising, both because they show that one can actually learn a lot by performing this kind of replications study, but also because the results suggested that useful knowledge can, after all, be extracted from these rather imperfect data.