I thank the anonymous reviewer for his or her (generally favourable) review and excellent comments. I generally agree with the review, and my responses to the specific points raised are as follows:

1. Indeed, the parameters refer to the effect of shocks to aid on the level of growth. However, these changes are the result of cumulative changes to the growth rate. The fact that changes to the growth rate are not explicitly quantified is a result of the methodological choice by JMT, who choose to focus on the long-run, cumulative impact. I do not entirely agree with the referee’s comment that the link between aid and long run GDP levels is conceptually straightforward (if so, only to the extent that the link between aid and growth is straightforward).

2. This is somewhat true – there is no neat interpretation of the amplitude of the parameters captured in the C-matrix as with traditional regression coefficients. This is for two reasons: First, they reflect the cumulative impact of exogenous shocks to any given variable, meaning that it will vary with the amplitude of underlying shocks (it is nothing like a marginal effect or so). Second, the ceteris paribus interpretation, which is crucial for the way we normally interpret regression coefficients, does not apply to these coefficients as they incorporate feedback effects through the other variables.

3. I agree with this point (similar to 2); it would add a lot of value if some sort of rate of return to aid could be derived, but the method doesn’t lend itself to that in any straightforward manner. It is (as the referee notes in his or her introductory remarks) also not immediately relevant to a replication study.

4. Similar to 3, I agree with this comment but it is a conceptual comment about the original study and not within the scope of a replication study.

5. It is true that overall, foreign aid is on the agenda of policy makers who typically declare the intention to step it up. However, this is not uncontested, and leading politicians have expressed critical opinions about foreign aid effectiveness. The US Government’s proposed Budget for 2020, for instance, envisages a 24% cut to USAID’s funding.

6. While I agree that the literature appears to be converging towards the conclusion of effectiveness, I would maintain the view that this debate has been notoriously controversial over the past decades. Examples of influential studies finding negative or negligible effects of aid include Boone (1996), Easterly et al. (2004), Doucouliagos and Paldam (2008), Rajan and Subramanian (2011).

7. If deemed appropriate by the Editor, the description of the replication procedure can be abridged in the main text, with details relegated to an appendix.

8. It is true that the JMT paper, and hence the present paper, do not touch on the type or composition of aid, which is an interesting topic to explore.

9. This is a legitimate concern regarding the methodology of the original paper. However, the identity is not complete, and the foreign component which is missing will typically be large and volatile in the (small and open) economies considered in the study, alleviating the problem.

10. This comment is largely about the presentation of the results, and suggests a combination of Tables 4 and 9. I personally feel that the current exposition is sufficiently clear, but can make the suggested change if deemed appropriate by the Editor.

11. This can be done (clarifying notation on page 11).

References

