



SDI FINAL EVALUATION FORM 1.1

PART 1:

Journal Name:	British Journal of Economics, Management & Trade
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Title of the Manuscript:	R &D Expenditures and Import Competition: Recent Evidence for the U.S.

PART 2:

FINAL EVALUATOR'S comments on revised paper (if any)	Authors' response to final evaluator's comments
The paper maintains the same mistakes pointed out in the original version. The authors just commented the critics and included only two subjects in the body of text, as know: (i) instrumental variables; and, (ii) unit root tests. As an econometrist I criticize the wrong use of instrumental variables once the authors in first paragraph of section 6.1 “....To address this issue, we introduce the log function of ms as an instrumental variable in our analysis....” ms in and instrumented variable. (Why they do not used a constant, a trend, and lagged dependent variable?) – Those instruments are weak or strong ones? If the unit root tests for panel data indicates in the last paragraph of section 6.2 “... Panel A of Table 7 shows that time series of rds and ln(ms) have unit root of one....” Why they do not included a dependent lagged variable and a difference of ln(ms) in the estimation ? It was observed that no more important modifications were settled in the body of text.	To facilitate the comparison with Zietz and Fayissa (1992), the instrumental variable of the log function of ms is introduced in our study. The purpose of introducing IV is to control for the potential endogeneity problem. The reason that we use ln(ms) as instrumental variable is due to the expectation that it is correlated with the explanatory variable but is not directly correlated with the dependent variable. As suggested by the reviewer, we performed an additional test which incorporates the lag of dependent variable in the panel regression, since it demonstrates unit root of one. Also the lag of ln(ms) is introduced in the same regression to address the issue that it has the unit root of one. The process is described in Section 6.3 and results are presented in Table 8. We thank the reviewer for improving our empirical methods.