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From: XXX YYY<xxx@yyy.zzz>

Sent: Wed, Aug 7, 2013 at 3:31 AM

To: Managing Editor

Subject: Re: Request for final decision for manuscript number 2013_BJEMT_3822

I have revised the new version of the paper (which is very similar to the previous one) and I am very sorry to communicate that my opinion has not changed.

As I have previously explained the paper has a problem of global coherence affecting the whole econometric analysis. Therefore, my comments should not be interpreted as an exhaustive list, but as illustrations of the weaknesses of the paper

-The variables are not clearly defined, and this affects the interpretation of the estimated coefficients. According to page 5 "The growth rate of the initial GDP per capita is used to represent economic growth from the World Development Indicators", thus suggesting that GDPP is defined as **the growth rate of GDP per capita**. Nevertheless, according to page 6 "GDPP denotes **the GDP per capita** at time (t=1980, 1981, 1982...)".

- The interpretation of the difference should also be revised. As it is explained in page 6 "d" in front of each variable stands for the first difference of the variables, but the following sentences are quite confusing and they introduce a confusion between "differenced" and "lagged" variables. Therefore, I disagree with the following interpretation *"it suggests that a change in number of economic determinants (both dependent and independent variables) in current year is correlated with a change in last year. For example the GDPP this year is correlated with GDPP last year, the OPEN level of this year is likely correlated with OPEN last year, and the OPEN last year is correlated with the GDPP last year"*.

- The stationarity analysis should also be revised. According to the author's answer "To transform the non-stationary processes in to stationary processes, the deterministic or stochastic trends have to be eliminated". Please note that the treatment of deterministic and stochastic trends is quite different, and the non-stationarity problem refers to the stochastic trend. In fact the ADF test allows the possibility of including intercept, deterministic trends and lagged variables, although these decisions have not been included in your results (table 2). In fact, the stationarity analysis should be completed:

What is the significance level for the ADF critical values when variables are considered

at their levels? This information is not included in table 2

How have been the ADF regressions specified? Do they include intercept? Deterministic trend?

What was the selection criteria for the number of lags? (Information criteria such as Akaike, Schwartz, Hannan-Quinn are usually considered)

The figures should also be revised (for instance 2.214 should be -2.214). Furthermore, critical values should be coincident when sample sizes and ADF regressions are the same.

- Furthermore, the author says (page 5) that *“To avoid spurious relations among economic variables, time series analysis should not use the original series but recommended to be transformed”* and also the author’s feedback states that *“To avoid spurious relations among economic variables, time series analysis should not use the original series but recommended to be transformed as of weakly stationary process*. This comments should be completed including the possibility of cointegration relations (even if the empirical implementation of cointegration analysis would not be easy with the available sample size).

-Regarding the heteroskedasticity analysis, as I have previously said, the author should interpret the results obtained in each of the proposed models (according to previous versions of the paper some of them agreed with the homoscedasticity hypothesis while some other could suggest the possibility of heteroskedasticity). Surprisingly, these results have now been eliminated.

-Linguistic problems are still present in the paper (for instance “non-stationary” instead of “non-stationarity”, “heteroskedastic” instead of “heteroskedasticity”, “significant” instead of “significance”, ...)

In this situation, given the previous comments I recommend rejecting the paper and I would also suggest the possibility of contacting a new referee.

Editor's Details:

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