



SDI FINAL EVALUATION FORM 1.1

PART 1:

Journal Name:	British Journal of Economics, Management & Trade
Manuscript Number:	2013_BJEMT_8837
Title of the Manuscript:	AN ECONOMETRIC ANALYSIS OF DETERMINANTS OF EXTERNAL DEBT IN PAKISTAN

PART 2:

FINAL EVALUATOR'S comments on revised paper (if any)	Authors' response to final evaluator's comments
(5) In the section "methodological framework", the original ADF and PP unit root tests are no longer used in empirical research due to several problems already observed and explored in the literature (see reference of Ng and Perron, 2001, in the last page of this review-comment). My recommendations are: (i) Use the modified ADF and MZ tests as described in Ng and Perron (2001). These testes can be found in econometric softwares such as Eviews; (ii) Also use the unit root tests with structural break, for example, Perron (1989), or Saikkonen and Lutkepohl (2002), which can be found in free econometric software JMULTI in internet (see references of these studies in the last page of this review-comment).	Disagreed. ADF unit root test has power and size problem which can be avoided by using PP test. Present study used both tests already. In this study, both tests provide almost same results regarding stationarity of series. Hundreds of studies use these tests in internationally published well reputed empirical research work. (i) No need to use MZ tests in this study. (ii) I am unable to understand, as the data span used for Pakistan has no structural break, why unit root test with structural break should be applied. There is no need to apply such tests. All the options in software are necessary to be applied on the same study. Thanks for nice and valuable comments.