WASHINGTON CONSENSUS DEVELOPMENT HYPOTHESIS: THE CASE OF INDIA

Chu V. Nguyen
Ph.D., Associate Professor of Economics,
Chairman: FAEIS Department,
College of Business,
University of Houston-Downtown,
E-mail: nguyenchu@uhd.edu

Justo Manrique
Ph.D., Associate Professor of Economics and
Associate Dean for Undergraduate Studies
College of Business,
University of Houston-Downtown
E-mail: manriquej@uhd.edu

ABSTRACT

This article uses recent developments in econometric techniques to examine the export-led growth hypothesis for India over 1950–2009. The Granger-causality tests were based on two testing approaches: the vector error correction modeling approach outlined in Toda and Philips; and the augmented level VAR modeling with integrated and cointegrated processes (of arbitrary orders) separately introduced by Toda and Yamamoto (1995) and Dolado and Lütkepohl (1996). Empirical results reveal the unidirectional Granger causality from real export to real GDP growth. This weak exogeneity supports the export-led development hypothesis for India. Additional determinants of growth are also found to be significant.

Key Words: Export-led development hypothesis; India; Johansen cointegration test; TYDL augmented VAR procedure; ELG hypothesis.

JEL classification codes: C22; F36; G14

INTRODUCTION

With new technological advances that seem to shrink the world, international economies have become as intertwined as a cobweb. The neoclassical export-led development strategy, advocated by the Bretton Woods Institutions, and the recent birth of the World Trade Organization have caused the volume of international trade to increase exponentially. This unprecedented mobility of capital due to advances in communication technologies and new international investment opportunities has been an impetus for nations around the world to develop their economies and to drastically improve the social welfare of their populace. Paradoxically, increases in the mobility of international capital, with its fluid nature, are often the cause of financial crises with international dimensions. This often causes large sudden reductions in the volume of international trade and investment flows and disrupts economic activities, causing monetary crises in many nations.
The international contagion of the 1997 Asian financial crisis and the potential impact of the current European sovereign debt crisis are a few illustrative examples.

Moreover, in the current economic climate, not all economic relationships between two nations are alike. These bilateral relationships depend on the degree of development, natural resources, and infrastructures and so on of the countries involved. Usually advanced economies with fully developed infrastructures can weather certain crises or sustain contagions of crises from other countries better, while the less developed countries usually suffer severely from crises.

As articulated by Awokuse (2003, p. 129) the export-GDP growth causality is a long-run behavioral relationship, requiring econometric procedures appropriate for long-term equilibria. This study follows Awokuse (2005-a) to investigate the Indian dynamic linkages between exports and output growth by applying the recent advances in time series statistical techniques: (i) the vector error correction modeling (VECM) approach outlined in Toda and Phillips (1993); and (ii) the augmented level VAR modeling with integrated and cointegrated processes (of arbitrary orders), separately introduced by Toda and Yamamoto (1995) and Dolado and Lütkepohl (1996) – henceforth, TYDL. As pointed out by Awokuse (2005-a, p. 693), the latter methodological approach is useful because it bypasses the need for potentially biased pre-tests for unit roots and cointegration, common to other formulations.

As described in the Indian economy, in its effort to reform the economy since the mid-eighties, the Indian government has replaced its import-substitution development strategy by the export-led development strategy. As a consequence of these reforms, the volume of international trade and the inflow of foreign investments to the country have been rising rapidly. These characteristics make the Indian economy a fertile ground to test the export-led development strategy. The remainder of the study is organized as follows. The following section briefly reviews the literature and some background of development theories; the next section summarizes the prominent features of the Indian economy; the section that follows discusses the data, methodology, and descriptive statistics; the next section reports the empirical results; the final section provides some concluding remarks.

**BRIEF REVIEW OF LITERATURE AND HISTORICAL BACKGROUND**

After World War II, the world was shocked by the destruction caused by the conflict. This reaction led to the formation of the UN/Bretton Woods Institutions during 1944-45. In the twentieth century, many theoretical
development strategies were articulated and applied to develop economies to assuage human suffering around the globe: the Marshall Plan for Europe, the reconstruction of Japan, the economic development plans at the UN General Assembly and Economic and Social Council, to name a few. Up to date, the articulated theoretical development strategies can be broadly classified into two categories: inward-looking and outward-looking strategies. These strategies are also referred to as import-subsidized and export-led development strategies. The theoretical foundation for the inward-looking development strategy was the Keynesian economic theory (Singer 1998), which advocates subsidized import of capital and development of labor to industrialize the economy. Leading theorists in this school of thought were Sir Hans W. Singer and Raúl Prebisch. Therefore, the import-subsidized development strategy is better known as the Prebisch-Singer hypothesis. This hypothesis was the foundation of many development policies in Latin America in the ‘50s.

The Prebisch-Singer hypothesis, which has been debated and shown to have some major weaknesses, was replaced by the outward-looking development strategy around the globe. In retrospect, the Prebisch-Singer hypothesis has many features necessary for development strategies in the current age of globalization. As one of the leading theorists in the Prebisch-Singer hypothesis and one of Keynes’ disciples, Singer (1993) has argued that, from the Keynesian perspective, the new economic order established after World War II was both distorted and incomplete and was not given time to prove its effectiveness. Singer posited that the original intention of putting pressure on balance of payments surplus countries has been changed to pressure the poor countries, the deficit countries, and in particular the indebted countries. For the industrial countries, the surplus countries, and the non-indebted countries, there is nothing but a slap on the hand. Another original feature was that the global macroeconomic coordination was assumed to be in the UN General Assembly and Economic and Social Council, but the hostility to the UN as a result of the Cold War and the McCarthy era prevented this global policy coordination in the UN. Neither the US under the Pax Americana (Latin for "American Peace") of 1945-71, nor the group G5 or G7, nor the IMF or the World Bank has been able to take its place.

As to the incompleteness of the new economic order, Singer (1993) articulated that the main gap was the failure to establish the International Trade Organization (ITO), which would have helped the developing countries as it would have had commodity price stabilization as its objective. The ITO was duly negotiated and agreed (it is also known as the Havana Charter) and signed by 53 countries on March 24, 1948,
but was not ratified by the US Congress. It is interesting to note that for a long period of time after World War II, the US experienced a very favorable trade balance surplus. Singer asserted that as a result of the failure to ratify the ITO, the post-war years have seen deteriorating terms of trade—the ratio of the prices of exports to the prices of imports—for developing countries. The deteriorating real price for oil was also responsible for OPEC actions of 1973 and 1979 which finally delivered the death blow to the Bretton Woods System.

Singer further articulated that the Latin American debt crisis could not be foreseen in 1944-45. At the end of World War II, Latin America and the Indian subcontinent had plenty of foreign assets and reserves while the financial affairs of Africa were a matter for their European colonial “mother countries.” This new factor has placed the debtor developing countries—and that means the great bulk of them—in a condition of dependency and inferiority, which prevents them from playing any real part in global economic affairs, allowing the Bretton Woods Institutions to impose a new neoliberal ideology under the “Washington Consensus” (Singer 1993, p. 8).

The aforementioned phenomena also transformed the UN/Bretton Woods System from the “one country one vote” to the “one dollar one vote” system. The neoclassical economic theory is the theoretical foundation of the export-led development strategy (Taylor 1999, pp. 2-5), which is the brainchild of the Bretton Woods Institutions. This development strategy is better known as the Washington Consensus development strategy. The ideology of and the arguments for the export-led strategy are well known and voluminous in the literature, thus they are not summarized here. However, it is important to note that the export-led development strategy advocates that all economies should concentrate on developing the export sector in their development processes. This strategy has led to exponential growth in the volume of international trade, capital mobility, and closer connections among the international economies in the last three decades. While this development strategy may be the catalyst for economic development around the world, it also creates an environment conducive to international financial crises because of dangerous contagions, such as the one demonstrated by the recent US subprime mortgage crisis.

Over the last three decades the role of exports in stimulating economic growth has been the subject of debate among development economists. The recent phenomenal growth in output and exports of the Newly Industrializing Countries (NICs) of East Asia has further helped fuel this debate. In contrast to the economic success stories of the NICs, the relatively inwardly oriented economies in Africa and Latin
America have experienced very dismal growth rates. Since trade theory does not provide definitive guidance on the causal relationship between exports and output growth, the debates are usually informed by empirical analyses that often yield ambiguous results. The main question in the export-growth debate is whether an export-led outward-oriented trade policy is preferable to an inward-oriented trade policy in stimulating economic growth. Some researchers argue that causality goes from exports to economic growth and denote this as the export-led growth (ELG) hypothesis. However, the reverse causal flow from growth to exports is described as growth-led exports (GLE). Most studies focus on developing countries (Balassa, 1978; Ram, 1987); some researchers have examined the ELG hypothesis for industrialized countries (Marin 1992; Shan and Sun 1998; Awokuse 2003, 2005-a, 2005-b; Siliverstovs and Herzer 2006; Chan and Dang 2010)

THE INDIAN ECONOMY

As pointed out by Cox and Alm (2008), India with the population of over a billion—the second most populous country on the globe—has pursued a controlled and protected economic regime since its independence in 1947. Since its independence, the country was allied with the former U.S.S.R. and the Socialist block. Following the U.S.S.R.’s model, India began to follow a socialist-type planned economy model of development with huge administrative controls of both the internal and external sectors of the economy. In the external sector, high tariffs and quotas were widely prevalent along with administratively determined its currency exchange rates against other currencies. Indian import-substitution development strategy has gradually been replaced by the export-led development strategy since the mid-eighties and early nineties. Additionally, because of its closed economy and politically allied with the former U.S.S.R., a bitter rival of the U.S. during the Cold War period, the U.S. was not engaged much with India and the economic and trade ties suffered significantly. As such, neither country has had much trade and investments with each other during that time.

The Indian economic transformation to the current state started by opening up its economy initially in a rather lukewarm way by the Rajiv government since the mid 1980’s. Bhagwati (1993) termed this lukewarm process as “reform by reluctance”. The reform agenda was continued and further accelerated in the early nineties under the Rao administration through a series of internal and external reforms with less administrative controls, privatization of some highly inefficient public enterprises, reducing tariff barriers and quantitative controls over trade and foreign investments. Bhagwati called these reforms as ‘reforms by storm’. As a consequence of these reforms, the Indian economy began to experience rapid growth rates
in the 6-9% range, significantly surpassing the pre-liberalization period much lower so called Hindu growth rates of around 3.5% (Bhagwati 1993, p. 3).

With liberalization and possibly because of the collapse of the U.S.S.R. and the Easter European block, India became more engaged with the U.S. in trade, investments, and other forms of economic cooperation. Both countries found in their own economic as well as geopolitical and strategic self-interests to increase the level of economic engagements with each other. The level of cooperation was taken to a new level by the two former U.S. administrations, the Clinton and Bush administrations, and is expected to continue in that path by the present Obama administration. The volume of trade and inflow of foreign investments to India have been rising rapidly since then. As a result of these, the country is also experiencing rapid economic growth in recent years in the range of 6–9% annual real GDP growth rates (Cox and Alm 2008; and Islam 2007) compared to a much lower rate during the pre-liberalization period (Bhagwati 1993).

THE DATA, METHODOLOGY AND DESCRIPTIVE STATISTICS

One of the great, if not the greatest, challenges in empirical studies of developing and emerging economies is the availability of data. This study uses available Indian annual data on real GDP, real exports (EXP), real terms of trade – export unit value divided by import unit value (TOT), gross capital formation as proxy for capital (K), population as proxy for employment (L), and the real US GDP as proxy for foreign output shock (IP). The real US GDP is included to control for export growth not influenced by Indian price competitiveness or productivity, but by growth in the rest of the world. The data set covers the period 1950 to 2009. Except for the real US GDP, which is collected from the FRED of the Federal Reserve Bank of St Louis’s data base, all data series are obtained from the IMF databases. These time series data are expressed in natural logarithms.

In order to apply augmented VAR[k+d(max)] model, developed by TYDL, the lag order of the original VAR(k) and the order of cointegration, d(max), must be determined. As to the maximum order of integration of the time series in question, d(max), the two standard unit root tests were conducted: the augmented Dickey–Fuller (1979) and Phillip–Perron (1988) tests. The null hypothesis for both tests is that a unit root exists in the autoregressive representation of the series. The augmented Dickey-Fuller and Phillip-Person unit root test results are reported in Table 1. An analysis of the test results suggests the presence of unit roots in levels and all of the series are stationary after first differencing.
These findings indicate that the time series under consideration are non-stationary and integrated of order I(1).

Table 1: ADF and PP test results, India Annual Data 1950 to 2009

<table>
<thead>
<tr>
<th>Series</th>
<th>Augmented Dickey-Fuller</th>
<th>Phillip-Person</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level</td>
<td>First Differencing</td>
</tr>
<tr>
<td>GDP</td>
<td>3.0386</td>
<td>-7.4173*</td>
</tr>
<tr>
<td>EXP</td>
<td>2.1898</td>
<td>-7.3051*</td>
</tr>
<tr>
<td>TOT</td>
<td>-2.6387</td>
<td>-7.4863*</td>
</tr>
<tr>
<td>K</td>
<td>0.7221</td>
<td>-7.0533*</td>
</tr>
<tr>
<td>L</td>
<td>0.5469</td>
<td>-8.9192*</td>
</tr>
<tr>
<td>IP</td>
<td>-2.0975</td>
<td>-6.4383*</td>
</tr>
</tbody>
</table>

Note: * denotes rejection of the hypothesis at the 1 percent level.

The lag order of the original VAR model, $k$, can be determined by using several lag order selection criteria such as the sequential modified LR test statistic (LR), final prediction error (FPE), Akaike information criterion (AIC), Schwarz information criterion (SIC), and Hannan-Quinn information criterion (HQ). The results of the lag selection procedure are summarized in Table 2. The LR, FPE, AIC, and HQ suggest using a lag of two. Subsequent analysis therefore proceeds with the use of VAR with lag length $k=1$.

Table 2: Maximum Lag length: Indian Annual Data 1950 to 2009

<table>
<thead>
<tr>
<th>Lag</th>
<th>LogL</th>
<th>LR</th>
<th>FPE</th>
<th>AIC</th>
<th>SIC</th>
<th>HQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>359.6968</td>
<td>NA</td>
<td>1.32e-13</td>
<td>-12.63203</td>
<td>-12.41503</td>
<td>-12.54790</td>
</tr>
<tr>
<td>1</td>
<td>815.3872</td>
<td>797.4581*</td>
<td>4.10e-20*</td>
<td>-27.62097*</td>
<td>-26.10196*</td>
<td>-27.03205*</td>
</tr>
<tr>
<td>2</td>
<td>842.0448</td>
<td>40.93853</td>
<td>5.98e-20</td>
<td>-27.28732</td>
<td>-24.46629</td>
<td>-26.19361</td>
</tr>
<tr>
<td>3</td>
<td>866.1552</td>
<td>31.86016</td>
<td>1.03e-19</td>
<td>-26.86269</td>
<td>-22.73965</td>
<td>-25.26419</td>
</tr>
</tbody>
</table>

Notes: * indicates lag order selected by the criterion

LR: sequential modified LR test statistic (each test at 5% level)
FPE: Final prediction error
AIC: Akaike information criterion
SIC: Schwarz information criterion
HQ: Hannan-Quinn information criterion

Additionally, Engle and Granger (1987) articulated that if two series are integrated of order one, I(1), there is need to test for the possibility of a long-run cointegrating relationship among the variables. Since the cointegration and error correction methodology is well documented elsewhere (Engle and Granger 1987; Johansen and Juselius 1990; Banerjee et al. 1993) only a brief overview is provided here. Johansen and Juselius’ (1990) multivariate cointegration model is based on the error correction representation given by:
\[ \Delta X_t = \mu + \sum_{i=1}^{p-1} \Gamma_i \Delta X_{t-i} + \Gamma \Pi X_{t-i} + \varepsilon_t \]

(1)

where \( X_t \) is an \((n \times 1)\) column vector of \( p \) variables, \( \mu \) is an \((n \times 1)\) vector of constant terms, \( \Gamma \) and \( \Pi \) represent coefficient matrices, \( \Delta \) is a difference operator, \( k \) denotes the lag length, and \( \varepsilon_t \sim N(0, \Sigma) \). The coefficient matrix, \( \Pi \), is known as the impact matrix, and contains information about the long-run relationships. Johansen and Juselius’ (1990) methodology requires the estimation of the VAR equation (1), and the residuals are then used to compute two likelihood ratio (LR) test statistics that can be used in the determination of the unique cointegrating vectors of \( X_t \). The number of cointegrating vectors can be tested for using two statistics: the trace test and the maximal eigenvalue test. The testing results are reported in Table 3.

**Table 3:** Johansen cointegration test results, Indian Annual Data 1950 to 2009

<table>
<thead>
<tr>
<th>Number of cointegrating vectors</th>
<th>Trace Statistics</th>
<th>Max-Eigen Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>( rs \leq 0 )</td>
<td>Statistics</td>
<td>C (5%)</td>
</tr>
<tr>
<td></td>
<td>155.9521*</td>
<td>117.7082</td>
</tr>
<tr>
<td>( rs \leq 1 )</td>
<td>99.97972*</td>
<td>88.80380</td>
</tr>
<tr>
<td>( rs \leq 2 )</td>
<td>61.83255</td>
<td>63.87610</td>
</tr>
<tr>
<td>( rs \leq 3 )</td>
<td>36.77167</td>
<td>42.91525</td>
</tr>
<tr>
<td>( rs \leq 4 )</td>
<td>19.27361</td>
<td>25.87211</td>
</tr>
</tbody>
</table>

Note: * denotes rejection of the hypothesis at the 5 percent level.

As shown in Table 3, the calculated Max-Eigen statistics suggest the existence of, at most, one cointegrating vector. This implies the presence of four independent common stochastic trends in this system of five variables.

Moreover, the augmented VAR procedure, proposed by Toda and Yamamoto (1995) and Dolado and Lütkepohl (1996), complements the VECM technique because it allows for causal inference based on an augmented level VAR with integrated and cointegrated processes. The dynamic causal relationship between economic growth and other potential determinants was examined, including exports using the following VAR in level specification:

\[ X_t = \mu + \sum_{i=1}^{k} \Gamma_i X_{t-i} + \xi_t \]

(2)

where \( X_t \) is an \((n \times 1)\) column vector of \( p \) variables, \( \mu \) is an \((n \times 1)\) vector of constant terms, \( \Gamma \) represents coefficient matrices, \( k \) denotes the lag length, and \( \xi_t \) is i.i.d. and \( p \)-dimensional Gaussian error with mean zero and variance matrix \( \Lambda \).
As pointed out by Awokuse (2005-a, p. 695), the TYDL procedure uses a modified Wald test for the restriction on the parameters of the VAR(k) model. This test has an asymptotic chi-squared distribution with k degrees of freedom in the limit when a VAR[k+d(max)] is estimated, where d(max) is the maximal order of integration for the series in the system. Awokuse (2005-b, p. 852) further articulates the attraction of the TYDL approach in that prior knowledge about cointegration and testing for unit root are not necessary once the extra lags, i.e., d(max) lags, are included. Given that VAR(k) is selected, and the order of integration d(max) is determined, a level VAR can then be estimated with a total of p=[k+d(max)] lags. Finally, the standard Wald tests are applied to the first k VAR coefficient matrix (but not all lagged coefficients) to make Granger causal inference.

EMPIRICAL RESULTS

Based on the above determined appropriate lag length \( k = l \) and the \( d(max) = 1 \), the Granger causality test results using both the VECM and the augmented level VAR specifications are reported in Table 4. \( F \)-statistics and p-values (in parentheses) for Granger causality tests from the VECM specification are presented in Table 4(a).

### Table 4: Granger Causality Test Results, Indian Annual Data 1950 to 2009

(a) Results based on error correction model (ECM)

<table>
<thead>
<tr>
<th>Dep. Variables</th>
<th>ΔGDP</th>
<th>ΔEXP</th>
<th>ΔTOT</th>
<th>ΔK</th>
<th>ΔL</th>
<th>ΔIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>ΔGDP</td>
<td>1.1929 (0.3828)</td>
<td>-</td>
<td>2.1020 (0.0847)</td>
<td>1.0514 (0.3684)</td>
<td>0.6219 (0.6007)</td>
<td>1.3700 (0.2498)</td>
</tr>
<tr>
<td>ΔEXP</td>
<td>1.0750 (0.3582)</td>
<td>0.7310 (0.5334)</td>
<td>0.6385 (0.5901)</td>
<td>0.8153 (0.4851)</td>
<td>0.9349 (0.4227)</td>
<td></td>
</tr>
<tr>
<td>ΔTOT</td>
<td>5.1706 (0.0014)</td>
<td>4.9701 (0.0019)</td>
<td>0.3408 (0.7958)</td>
<td>-</td>
<td>0.6184 (0.6030)</td>
<td>3.1039 (0.0254)</td>
</tr>
<tr>
<td>ΔK</td>
<td>1.1279 (0.3362)</td>
<td>1.0423 (0.3725)</td>
<td>0.6305 (0.5952)</td>
<td>1.9260 (0.1220)</td>
<td>-</td>
<td>1.3901 (0.2437)</td>
</tr>
<tr>
<td>ΔL</td>
<td>0.3561 (0.7846)</td>
<td>0.3960 (0.7559)</td>
<td>2.7456 (0.0414)</td>
<td>3.3043 (0.0193)</td>
<td>0.5636 (0.6390)</td>
<td>-</td>
</tr>
</tbody>
</table>

(b) Results based on an augmented VAR model (TYDL procedure)

<table>
<thead>
<tr>
<th>Dep. Variables</th>
<th>GDP</th>
<th>EXP</th>
<th>TOT</th>
<th>K</th>
<th>L</th>
<th>IP</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>1.4530 (0.6936)</td>
<td>-</td>
<td>6.7338 (0.0809)</td>
<td>0.9183 (0.8210)</td>
<td>2.8893 (0.4096)</td>
<td>6.3833 (0.0944)</td>
</tr>
<tr>
<td>EXP</td>
<td>3.7416 (0.2908)</td>
<td>2.3382 (0.3424)</td>
<td>-</td>
<td>1.6313 (0.6523)</td>
<td>3.576 (0.3185)</td>
<td>4.7833 (0.1884)</td>
</tr>
<tr>
<td>TOT</td>
<td>10.3980 (0.0155)</td>
<td>12.5068 (0.0058)</td>
<td>23.7386 (0.0000)</td>
<td>-</td>
<td>0.6919 (0.8751)</td>
<td>13.7143 (0.0032)</td>
</tr>
<tr>
<td>K</td>
<td>5.5745 (0.1342)</td>
<td>0.2070 (0.9765)</td>
<td>0.9954 (0.8024)</td>
<td>5.0963 (0.1649)</td>
<td>-</td>
<td>0.0050 (0.1714)</td>
</tr>
<tr>
<td>L</td>
<td>10.7066 (0.9134)</td>
<td>19.8401 (0.0002)</td>
<td>18.1031 (0.0004)</td>
<td>17.1832 (0.0006)</td>
<td>5.8064 (0.1214)</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes: The \([k+d(max)]\)th order level VAR was estimated with \( d(max) = 1 \) for the order of integration equals 1. Lag length selection of \( k = l \) was based on all LR, FPE, AIC, SIC, and HQ. Reported estimates are asymptotic Wald statistics. Values in parentheses are p-values.
An analysis of the empirical results indicates that the ELG hypothesis is supported, since the real exports ‘Granger-causes’ real GDP is at the 1 percent significance level (p=0.0021). Thus, the support for the ELG hypothesis is very strong. In contrast, an inspection of the export equation (in row 2) indicates that the GLE hypothesis is not supported at all since the test that real exports is not ‘Granger-caused’ by real GDP could not be rejected at any level of significance. Similar to conclusions from panel (a) of Table 4, causality results from the TYDL testing approach [see panel (b) of Table 4] also indicate that the causal link between exports and growth in India is unidirectional over the 1950–2009 period. These empirical findings reveal that in addition to the influence of exports, only two other variables such as terms of trade and US real GDP also matter to the growth of the Indian GDP during the study period.

CONCLUDING REMARKS

This study employs recently developed estimation techniques to examine the relationship between Indian exports and GDP growth and investigates whether economic growth is ELG or if export is GLE. More specifically, VECM and the augmented level VAR model with integrated and cointegrated processes (of arbitrary orders) developed by Toda and Yamamoto (1995) and Dolado and Lütkepohl (1996) were used to test for Granger causality. This empirical investigation analysis focused on the dynamic causal relationship between exports, output growth, capital investment, terms of trade, and foreign output shock using quarterly data over 1950–2009. Granger causality tests based on both alternative models indicates that the causal link between real exports and real GDP growth is unidirectional. This weak exogeneity from real export to GDP growth suggests that India’s GDP growth was export-led, but that its export was not GDP growth-driven over the sample period. These findings support the Washington consensus neoclassical development hypothesis for India.

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