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Titel: Essays on Econometric and Planning

Autor: Sagoroff, S.

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Kontakt/Contact

Digizeitschriften e.V.
SUB Göttingen
Platz der Göttinger Sieben 1
37073 Göttingen

info@digizeitschriften.de

Essays on Econometrics and Planning. Presented to Professor P. C. MAHALANOBIS on the occasion of his 70th birthday. Edited by C. R. RAO. Pergamon Press, Oxford, and Statistical Publishing Society, Calcutta. No year of publication given (1965 ?). 354S.

This collection of essays, edited by the famous Indian scholar C. R. Rao, contains contributions of many prominent economists and statisticians, among them Ragnar Frisch, Oskar Lange, Gunnar Myrdal, J. Tinbergen, and H. Wold. It can be generally described as a Symposium of central planning: out of 22 papers, not less than 7 are devoted to this topic and 7 are dealing with related subjects. The book gives very good information on central planning in India contained in four papers, namely: "Scientific Approach in Planning" — M. Mukherjee, "The Strategy of Indian Planning" — I. G. Patel, "Capital Formation and its Financing in the Private Corporate Sector in India" — N. S. R. Sastry and V. K. Sastry, and "The Twentieth Century Trend in Employment in Manufacture in India — as Illustrated by the Case of West Bengal" — Alice and Daniel Thorner.

Special attention should be called to the following five outstanding papers.

"*Parametric Solution and Programming of the Hicksian Model*" by Ragnar Frisch and Ashok K. Parikh. In an essay of 38 pages and 188 equations, an explicit general solution of the Hicksian Model for economic growth on national scale is given. The solution holds true for any period of time t and with any arbitrarily given right member. The recurrence method and the method of characteristic roots for solving linear difference equations are applied, in an improved form, worked out by Frisch.

What can be objected to the essay of Frisch-Parikh relates not to the mathematical apparatus used, but to the "substance" of the econometric model. The model is based on a wrong definition of the national income (see Equation 4). Every definition of national income is arbitrary: the investigator is free to choose "his" definition according to the set up of the problem to be solved. However, the definition choosen must be consistent. Defining national income as the sum of private consumption (C_t) and net investment (I_t and H_t), one is not allowed to add government use of goods and services (G_t) to it. Why? Because G_t is already included in the money value of consumption and net investment: G_t is an element of user cost of the micro-economic units producing the goods considered as consumption and net investment. As it is presented in equations (1)—(4), the model is a mixture of the Western (American and European) concept and the Eastern (Soviet Block) concept of national income.

"*The National Balance-Sheet of the Soviet Union*" by Raymond W. Goldsmith. This is an analysis of the financial structure of the U.S.S.R. It is very valuable because of both its rarity and its reachness and precision of information. Especially interesting are Table 2, Financial Institutions in U.S.S.R. and U.S.A., 1960, and Table 3, Sectorized National Balance Sheet of U.S.S.R., 1959.

"*Elements of a Theory of System Behaviour*" by Oskar Lange. Lange's essays is part of a larger work, which is in preparation, intending to provide a general theory of system behaviour. In attacking this very important and difficult problem of econometry, Lange makes use of cybernetic concepts and matrix algebra. This approach is very promissing and deserves a high appreciation.

"*A Phylosophical View of Civilization*" by Radhakamal Mukherjee. Trying to clarify the triangular interchange between Man, Human Value and Nature as basic components of civilization, the author comes to interesting conclusions. To cite a very illuminating one: "There are genuinely universal and inalienable elements of human worth and dignity in all cultures — absolute truth, love and goodness that transcend any particular societies and peoples (p. 179). "Very profound