

Liberalisation and Net Resource Saving (Dissaving)

Arun K Sengupta and Tushar Das

While calculating factor intensity of production it is usually (the Orthodox Measure of total factor intensity developed by Leontief), it is assumed that all intermediate inputs are produced domestically. When some intermediate inputs are imported, Riedel (1975) has suggested a method of calculating total factor intensity which takes into account the factor requirements in producing goods which are exchanged for imported inputs. Using these two alternative methods, this paper obtains estimates of factor intensity for different producing sectors in India. The exercise has shown that the importation of intermediate inputs as prevailed in 1989-1990, 1993-1994, 1998-1999 and 2003-2004 results in a net saving of capital and a net dissaving of labour.

I Introduction

The orthodox measure of total factor intensity of a product as developed by Leontief indicates the factor intensity at the last stage of production of the commodity and of all the previous stages in the full circuit of its production process. While doing so, no distinction has been made between the imported inputs and domestic inputs as regards the direct factor requirement calculation for the inputs. All intermediate inputs are taken to be domestically produced. As a result, the computation of total factor intensity is required to be dependent on the validity of the implicit assumption that in respect of calculation of direct factor intensity imported intermediate inputs are equivalent to domestic inputs. This assumption appears to be unrealistic to some extent and it has been suggested that if some of the intermediate goods are imported, the calculation of total factor intensity should take into account the factor requirements in producing the goods, which exchange for imported inputs, not the factor requirements which are required for imported inputs directly.

Keeping this in mind, we have made an endeavour to obtain alternative estimates of factor intensity based on the methodology introduced by Riedel (1975) for different producing sectors in India. The estimates of total labour intensities and total capital intensities so obtained for 18 sectors of India have been viewed as the factor¹ intensities of the sectors in the existing structure of

Arun K Sengupta, former professor of Economic Research Unit, Indian Statistical Institute, Kolkata 700108, email: arun_gupta44@yahoo.com.

Tushar Das, Ph.D student of Netaji Subhas Open University, 1, Woodburn Park, Kolkata 700020, email: Tushar_das@yahoo.com.

¹ Here 'factor' means primary inputs like labour and capital only. Material and fuel inputs generally as they are absorbed in production are not termed as factors in the standard economic literature.