

METHODOLOGY OF SPATIAL EQUILIBRIUM MODELS OF THE RICE ECONOMY OF SOUTH INDIA*

M. G. KANBUR** and H. NEUDECKER

THE DECADE OF THE FIFTIES witnessed the development of spatial equilibrium models from theoretical exposition to empirical application. Linear programming methods were then introduced into spatial equilibrium model building.

Spatial equilibrium models seek to determine an equilibrium consumption pattern and an optimum trade pattern for a product between three or more market places within perfectly competitive market area (or, what is the same, within a perfectly regulated market area). In this paper we have made an attempt to illustrate the methodology of spatial equilibrium models by an empirical application to the rice economy of South India.

Spatial equilibrium analysis is the outcome of two well-known schools of thought in economics. The first one believed in classical, neoclassical and modern trade theory whereas the second one stemmed from location theory. The classical writers were mainly concerned with the welfare aspects of trade. The comparative cost theory of the classical economists assumed that trade takes place when there are international differences existing between real unit cost ratios. According to them, some trade is better than no trade. Traditional trade theory was criticized as it ignored completely the existence of space aspects of economic activity. The economists belonging to the school of location theory observed this gap in the traditional trade theory and Von Thunen constructed a generalized location model with the help of which it was possible to explain the effect of transportation on the kind of production to be found at given distances from the market centre. With the absence of spatial variables in the traditional trade theory, it is difficult to explain intra- and inter-regional deve-

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