

GOVERNMENT VERSUS PRIVATE NET SAVINGS: A CASE STUDY OF INDIA

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I. Introduction

In a recent paper,¹ the concept of 'net savings by income brackets' has been introduced. The importance of the concept of net savings by income groups arises from the possibility that the ranking of income groups by savings and net savings may not be identical. Net savings *may* give a radically different ranking than savings. It has been argued by Hazari [1], that if the rankings differ then the following equity axiom may be violated, "every income group above the subsistence level should be characterized by non-negative net savings".² Due to the non-availability of data, the model suggested by Hazari [1] could not be empirically estimated.

The object of the present paper is to use a variation of the model of Hazari [1], and present some empirical results. In this paper we estimate government and private net savings for India. In Section II, we present the model and our motivation for estimating government and private net savings. Results are presented in section III.

II. The Model

In this section, we shall develop the concept of net savings by government and private sector. Given below is the notation used in developing the model :

- g, p denote government and the private sector.
t denotes time period.
 $[C]_g^t, [C]_p^t$ Consumption vectors of the government and private sectors.
 S_g^t, S_p^t Savings of the government and private sector.
 Note that S_g^t, S_p^t are scalars.
(I-A)⁻¹ the inverse of the Leontief technology matrix (n × n).
(B) matrix of the capital coefficients (n × n).

¹ See Hazari [1].

² See Hazari [1] p. 14.