

PLANNING FOR IMPORT SUBSTITUTION : SOME METHODOLOGICAL AND EMPIRICAL RESULTS*

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I. *Introduction*

1. The analysis of the problem of import-substitution poses broadly three problems of methodology : The first one is : what is meant by import-substitution or how to measure quantitatively the degree or the level of import-substitution. The second one is : how to evaluate the *effects* of a chosen import-substitution program. The third related problem is one of planning for "optimum" import-substitution program, so that an "optimum" plan may be suggested for a future period or the "optimum" process of import-substitution for the past may be derived and compared with the actual process of import-substitution. The problems are highly inter-linked and cannot be tackled separately. However, in this paper an attempt will be made to discuss only some aspects of these inter-linked aspects in the framework of input-output models. The second section discusses the concept of import-substitution and the alternative approaches for measuring the phenomenon of import-substitution. It develops models for treating imports as endogenous variables in the system and for analysing the effect of any "import-substitution", on the output-structure and import-structure of the economy. The third and the fourth sections describe the empirical findings for the end-use classification of imports for India, for 1962. Hitherto, inter-industrial transaction tables have been constructed for India, for the years 1953-54, 1955-56, 1959 and 1960-61. These tables¹ do not distinguish between the transaction that arises through imports and that arising through domestic production. Each cell of the table pre-

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¹ The tables for 1953-54, 1955-56 and 1960-61, are constructed by I.S.I., Delhi and Calcutta branches while the table for 1959 is derived by the Economic Division of the Planning Commission.