

# CHANGES IN INPUT-OUTPUT COEFFICIENTS AND THEIR IMPACT ON PRODUCTION LEVELS

P. VENKATRAMAIAH AND LATIKA ARGADE

## *Introduction*

1.0 The Leontief Input-output system is widely used in the planning exercises of many countries. The heart of the framework of reasoning consists, in applying an input-output model for obtaining the consistency amongst sectoral outputs. Input-output analysis assumes the constancy of input coefficients. The validity of the projections of output levels obtained by using the input-output framework is directly dependent upon the validity of the crucial constancy assumption used in input-output analysis. The validity of this assumption can be tested by comparing output projections derived from input-output method with actual outputs known.

1.1 The input-output table is a convenient means of representing a huge mass of heterogenous data into a coherent whole such that the structural relationships underlying the economy can be sharply focussed. Making use of the available input-output tables for India we analyse in this paper the changes in the structure of the Indian economy and assess the impact of changes in input-output coefficients on the projections of gross output levels.

1.2 The data analyzed in this paper covers the period 1951 to 1963. This may look as an exercise in Economic History rather than in current economic problems. But the latest detailed input-output data available for the Indian Economy is for the year 1966. In fact the Fifth Plan (1974-79) is based largely on the 1965-66 input-output table.

## *Input-output tables constructed in India*

2.0 In India the work on preparation of inter-industry tables was started by the Indian Statistical Institute (I.S.I.) in the year 1954. It had prepared 36 sector input-output tables for the years 1951-52 and 1953-54. For 1959 the Planning Commission had prepared a table with 29 sectors. A. S. Manne and Ashok Rudra of I.S.I. prepared a 32 sector table. M. R. Saluja constructed a transaction matrix for the year 1965 with 1961 input norms. For the year 1963 Gokhale Institute of Politics and Economics constructed a 238 sector table and an aggregated 84 sector table. The Planning Commission had constructed a 66 sector table for the year 1965 which was used in the Fifth Five