

‘Product’ and ‘Factor’ Revaluations in Seton-Leontief Type Models: Illustrations from Indian Institutional Sectors

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Seton proposes modified/unified version of Leontief in which set of utility based ‘product prices’ are determined simultaneously (like ‘dual’) with ‘factor prices’. Such unique equilibrium pair of utility based ‘product valuations in conjunction with factor input valuations are used to judge the extent of ‘over-pricing’ or ‘under-pricing’. The simultaneous eigenvector solutions are indicative of revealing extent of under/over valuations of product and factor contents. Using this we propose to estimate nature of under/over valuations of organized factor inputs (both capital and labour in organized segments) vis-à-vis unorganized segment’s factor inputs. Being the dual solutions it also paripassu reflects re-valuation of final product prices. Similar factor content/input segregation into ‘rural’ and ‘urban’ factor uses is also examined. By implication if the factor rewards or factor-valuations of the economy were to be charged, it would warrant implicit VAT like taxes/transfers together with changes in relative product prices across sectors.

The exclusion of “demand” or “utility” considerations from the value formation has been a source of discomfort with linear models, i.e., Sraffa-Leontief/Von-Neumann type models. These models accurately capture various ‘costs of production’ versions of classical political economy. However, in cooperation of use value based determinants in value formation has remained elusive for these models. Seton’s [Cost, use, & value, 1984] book attempts to redeem the impasse by posing “utility and factor cost based valuations” as the two entities to be simultaneously (therefore mutually complementing and consistent) discovered. His approach re-synthesizes Augustinovic’s (1970) suggestion with conventional labour/capital based valuations.

Seton considers an economy with three sectors. The output and deliveries made by them being reckoned in their own units or currencies, i.e., Coal-Rupees, power rupees, etc.

		Coal	Power	Service	Final outputs (Z)
(X)	Coal	80 crs	10 crs	30 crs	30 crs
	Power	20 prs	25 prs	25 prs	20 prs
	Service	-	-	10 srs	75 srs
(W)	Capital	6 krs	18 krs	6 krs	
	Labor	39 lrs	27 lrs	17 lrs	
(Z)	Output	150 crs	90 prs	85 srs	

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