

'Product' & 'Factor' revaluations in Seton-Leontief Type models: Illustrations from Indian Institutional sectors

Topic: Input-output analysis for policy making 6

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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 'underpricing'. 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 labor in organized segments) vis-à-vis unorganized segment's factor inputs. Being the dual solutions it also pari passu reflect re-valuation of final product prices. By implications if the factor rewards or factor-valuations of the economy were to be charged it would warrant implicit VAT like taxes/or transfers together with changes in relative product prices across sectors.