

Handwritten note: Ubu kopi

8 August 1953

RF/IØ

Professor P.C. Mahalanobis,
Statistical Laboratory
Presidency College
Calcutta,
India.

KOP
Originalen sendt UB's
håndskriftsamling

My dear Mahalanobis,

Through the United Nations Organization I have had a request to go to India as a technical expert to advise the Indian Ministry of Finance on national accounting, econometrics and similar problems (project Ind. 109). I understand that the initiative originated with you, and I want to thank you for the confidence you have shown me.

You know that I have always had a special sympathy for the Indian people and the Indian philosophy - and, of course, the particular technical problems now in question interest me tremendously. I have therefore after some hesitation told the Organization that there is a possibility that I may be coming.

There are, however, certain practical problems involved which still make me hesitate. Foremost amongst these is a concern about the climate and the living conditions. Yesterday I had the honour, in a luncheon given by the Norwegian State Department, to meet Madame Indira Gandhi, the daughter of your Prime Minister. I need not tell you how charming and interesting acquaintance I found this to be. Through her and also through our former ambassador to India, Mr. Schive, I understand that the working conditions in New Delhi from the latter half of March and through the months of April, May and June are very trying. Indeed, according to the information I now have, I would think that it would be out of the question for me to do any work - or even to stay - in this place during such a period without being assured of airconditioned working space and living- and sleeping-room.

There is, however, another solution which will be more satisfactory not only from the viewpoint of working conditions but also, I believe, from the viewpoint of scientific efficiency. The following is in rough outline what I have in mind.

I take a leave of absence of six months from my present position with the Oslo University in order to devote my energy to the India project. The first half of this time I spend in India. Possibly the best time to come would be

from the middle of December (that is to say 2 weeks before the scheduled time January 1, 1954). Three months would then carry us to the middle of March. During these three months I would be active on the spot getting in contact with all concerned. I presume that most of my time would have to be spent in New Delhi where the Government offices are.

During this time I would hope to have an opportunity of consulting with you as frequently as possible. I presume that I would also have to discuss the problem with your Minister of Finance, Mr. Desmukh.

If the time is effectively and energetically used - as I would expect it to be - I think that the problem and its setting would be cleared in the course of these three months. We would know what kind of questions that are considered the most important, what kind of data are or could be made available, and also what kind of associates from scientific institutions or Government offices in India that would be most appropriate for the carrying on of the work in its later stages. Right from the beginning I would aim at making myself superfluous in due course. I would consider this as a primary object to have in mind.

When after three months the situation was cleared, we would pick, say, three of your countrymen to continue the work with me for the next three months. This remainder of the work could be done in Europe, the four of us constantly working together. I think it would be a great advantage to bring these men either to Oslo or to Geneva or possibly to arrange for the work to be done partly in one of these places and partly in another.

I think it would be an interesting experience to these men to see how the national accounting and the national planning work is actually carried out. Although conditions, say, in Norway, are concretely speaking, extremely different from those of your own country, there are certain administrative, statistical and theoretical aspects of the actual situation that it would be useful for them to see.

I know that you are frequently visiting Europe and stop over in Geneva once in a while. I therefore think that there might be more than one chance for us of discussing the further development of the work thoroughly with you. In Geneva we would, of course, also have the advantage of discussing our problems with some of the experts connected with the United Nations Organization.

At the end of the six months our findings and proposals would be presented in a report.

In my answer to the United Nations authorities I have said that I would not consider going to India without bringing my wife and a daughter of 15, and this would apply also if some such plan as the above is followed. We are not used to any luxury in the European sense of the word. Indeed we are used to a very simple form of life. The only essentials are healthy food and cleanly-

India were fixed to the period between the middle of December and the middle of March. If one should consider an extension of the stay in India through the really hot period of the year, the problem from the viewpoint of living conditions would be very much complicated.

I do not know where you can be reached at present. I am sending this letter to your office address as well as to your private address in Calcutta and a carbon copy to the United Nations Secretariat in Geneva with a request that they forward it.

I hope to have an opportunity of seeing you at the congress of the International Institute of Statistics in Rome in September. Since time is now already getting short for a possible work in India, I am nevertheless sending these words in the hope that they might reach you at an early opportunity and that you will send me a few words as soon as possible.

With warm regards,

Sincerely yours

Ragnar Frisch

Copy of this letter is sent to Professor Mahalanobis' private address: Barrackpore Trunk Road 87, Calcutta, India, as well as to the office of the United Nations, Geneva, Switzerland, with a request that it be forwarded.

Stille Linn

29 May 1954

RF/Iφ

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KOPI
Originalen sendt UB's
håndskriftsamling

My dear Mahalanobis,

This is the last day of Mukherjee's stay in Oslo. He has spent the evening at the house and we have been discussing the matters of macro-economic planning for India. Our attention has been focussed primarily on what we call here the "median model" - that is to say the type of macro-economic decision model which I discussed in my Castelgandolfo-paper last fall.

The essence of Mukherjee's study along these lines while in Oslo will be incorporated in a memorandum to appear in the series of mimeographed memoranda from the Oslo Institute of Economics. Its title will be "A scheme for collecting and utilizing data on the Indian economy". It will contain a foreword by me, but the main part of the paper will be presented under the authorship of Mukherjee. This will be a technical working paper. We will see to it here that a necessary number of copies are forwarded to Mukherjee's Indian address.

We have also discussed what might be a plan for things to be done in India. The following is a tentative suggestion.

First of all primary material must be made available. This work can perhaps most effectively be split up in the following four tasks.

1) Interindustry studies. This means in short the construction of an input-output table showing the production connections in the Indian economy. The data can be obtained partly from the national sample survey and partly from other sources. Most of the data are at present available or nearly available. A unit of some two or three men ought to be able to produce this in the course of about one year.

2) Consumption studies. It is crucially important to make consumption studies and to do it in such a way that this study gears into the interindustry study so that one can see how purchasing power distributed from the various industries will cause changes in effective demand as the activities in the various sectors changes. One part of this work, namely the breaking down of consumer goods by industries and consumer groups, will be fairly easy, mostly machine work.

Another part of this work will take more thinking, namely to describe how income received by the several consumer groups is derived from each of the various industries, these industries being subdivided in the same nomenclature as that used in the interindustry study mentioned above. For this purpose it will probably be necessary to utilize a fresh round of the national sample survey. In this round one could obtain the additional information necessary to describe the source of the income, that is to say to describe the several sectors from which the various consumer groups get their income.

3) Government activity. Through a study of various government accounts and related statistics one must describe how indirect taxes are derived from the several sectors. This will not be an easy task, but it is hoped that it can be carried through. Other types of taxes can be described more easily. Also government consumption of goods and services must be determined for each of the several industries.

4) Imports and exports. With the help of the Reserve Bank of India one must reclassify imports so as to bring out the import needs of each of the production sectors that enter into the interindustry matrix. Similarly one must describe the exports from these sectors.

Next with regard to the technical computational work and the broader theoretical approach. Two types of work will be needed in this connection.

An EPC-team ("Economic Program Computation - team") should be established within the framework of the ORU ("Operational Research Unit") at the Indian Statistical Institute. The EPC-team should be concerned with such questions as to describe the effects to be expected from specific types of measures to be taken, for instance effects to be expected from a certain type of development scheme, of changes in trade policies etc. Also the more ambitious task of determining optimal solutions within the concrete structure as described through the work listed above under 1)-4), should be studied. The technique of linear programming will come in as an important aspect in this type of study. The EPC-team should be organized without delay so as to give time to gain experience and to do experimental computational work on preliminary - admittedly inexact - data. In this way the analytical machinery would be ready by the time the concrete data become available.

An EPT-team ("Economic Program Theory - team"). The whole work as outlined above ought to be seen in its broad perspective of economic theory as applied to economic policy. Therefore a general work on the theory of macro-economic decision models should be developed. The team should work directly under you. It is very important that this part of the work is supervised by the director of the Indian Statistical Institute himself. I would consider it an unsatisfactory solution to find any other man that could at present work independently as the head of this part of the work. You as the chief

disposal a consultant - an internationally known econometrician - who could for some length of time - at least some years - devote his whole time and energy to develop the theory of macro-economic decision models with special application to Indian conditions. A man like for instance Lawrence R. Klein may exemplify the type of men I have in mind. Whoever this man might be I consider it important that the head of the work is an Indian and a top level man. As experience is gained this type of work might perhaps later be extended so as to become a general training stimulus for various types of econometric work as applied to Indian conditions.

I hope all is well with you and madame Mahalanobis.

Cordially yours

Ragnar Frisch

Copy to Dr. M. Kulkarjee, c/o Mr. S. Sarkar, High Commission of India,

India House, Albury, London N. 7, England