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योजना आयोग
नई दिल्ली
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Dear Siddhartha,

I have just gone through the article by Bardwell on "Overturning Equilibrium Economics". I do not find it too useful, but if it serves to explain the workings of an economy and how it grows, particularly with technological change, to people trained in the sciences and engineering, then I suppose it serves a useful purpose.

He starts off with a false assertion "The standard dogma in economics is that economic growth and development are perturbations of the more fundamental equilibrium state of stable technological levels and fixed population". I do not know which economics Bardwell has been reading but this is certainly not taught in any economics I have read!

There are a host of elaborate theories concerning technological change, economic growth and population growth which are standard in economics.

The second main misconception, as I discussed with you in Bangalore, concerns the treatment of all activities not producing tangible goods as "non-productive" or overhead. One realises the absurdity of this approach between the productive and unproductive sectors of the economy. It is too facile a trick to contrast gambling with the production of steel as examples of non-productive and productive. To illustrate the difficulty: I would assume that by Bardwell's classification scheme, an operations research man who programs the schedule of production in a factory would be regarded as productive. But if the same man worked for a consultancy firm and did the programming as a consultancy job, would be be regarded as "~~productive~~" or "unproductive" (or overhead).

when one
attempts
to draw
a line
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Of course, Bardwell's position is very near to Marxist/ Communist dogma in the accounting of economic activities. The best example of a reasoned and lucid account of problems with this approach - especially as it relates to economic planning is by Janos Kornai in "Rush vs Harmonic Growth" (North Holland Publishing Company) which illustrates the problems that occur as a result of this thinking.

One other book I can suggest to you which has the most lucid account of the bases of standard neo-classified economic theory is by Tjalling C. Koopmans "Three Essays on the State of Economic Science". It is a most elegant exposition of the core of economic theory - and one I think that you will appreciate. It gives a good understanding of the theory behind valuation of goods and services which is the core of the problem in Bardwell's articles.

Despite the above remarks, I do find the analogies with thermodynamics quite interesting.

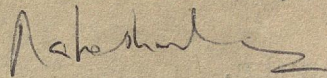
On the other issues we discussed, I am in the process of discussing them with Nitin and hope to write to you in the near future (I.I.Sc. Management Courses, technology policy).

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p.t.o....

All the best and the very best wishes for a
HAPPY NEW YEAR.

Yours sincerely



(Rakesh Mohan)

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