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## ECONOMIC GROWTH CENTER

Contract No. A.I.D. Repas-12  
Progress Report, 1962-63

### Background

The Economic Growth Center has been concerned, since its inception in 1961, with quantitative research on economic structure and growth. As part of this research activity an organized program of intensive study of recent economic growth and structural change in selected countries was established. In view of the significance of this approach to problems of foreign aid policy, negotiations were entered with the Agency for International Development to use the resources of the Center to evolve a framework of quantitative information on the key relationships in the economies of 13 less developed countries and to analyze their recent growth performance in the light of this framework. A contract was signed on June 27, 1962 providing \$880,743 for a period of three years for this purpose.

### Provisions of the Contract

The contract specified that the country data framework shall provide at a minimum an integrated set of accounts for gross national income and product, personal income and outlay, government receipts and outlay and foreign trade and payments. The contract further provides for the collection of available economic data and the preparation of estimates for the components of the data system and for research and experimental work to improve and refine the system. The contract designates an initial group of 13 countries for application and field-testing. The countries selected were Chile, Argentina, Colombia, Peru, Brazil, Ceylon, Turkey, Mexico, Pakistan, the Philippines, Nigeria, Egypt and Greece. The list is subject to change by mutual agreement.

### Organization and Staffing

The Project Director is Professor Lloyd G. Reynolds. Work on the development

of the overall data framework is directed by Professor Richard Ruggles and Dr. Nancy Ruggles. Professor Raymond Goldsmith and Professor Simon Kuznets also advise and consult on this activity. Field research is directed by Professor Reynolds and Professor Gustav Ranis.

The field research staff for the entire Country Analysis Program consists of eighteen men, of whom thirteen are covered by the AID contract and five by other Center resources. Each man selected for field work specializes in a particular country. He is expected to spend about a year in New Haven perfecting necessary analytical and language skills and exploring available sources of data. He then goes abroad for one or two years and returns to Yale for about one year to prepare a monograph on his findings.

The thirteen country analysts appointed under the AID contract and their countries of specialization are listed below. During 1962-63 Group A analysts were in the field, having already completed their preparatory work. Group B analysts were in the first stage of their work at Yale.

<u>Group A</u>	<u>Country</u>
Werner Baer	Brazil
Gerald K. Helleiner	Nigeria
Donald C. Mead	Egypt
Donald R. Snodgrass	Ceylon
Jan V. Tumlrir	Greece
<u>Group B</u>	<u>Country</u>
Robert A. Berry	Colombia
Michel Hervé	Tunisia
Shane Hunt	Peru
Clark W. Reynolds	Mexico
Ronald Soligo	Pakistan
<u>Other</u>	<u>Country</u>
Carlos Diaz-Alejandro	Argentina
James W. Land	Turkey
Stephen A. Resnick	Philippines

Mr. Diaz joined the Country Analysis Program with Group A but took a leave of absence in 1962-63 for work with the OAS panel of experts. He is currently (1963-64) in the field with Group B. Arrangements were made to substitute Tunisia for Chile in Group B and to defer work on Turkey and the Philippines until appropriate staff appointments could be made. Mr. Land and Mr. Resnick were appointed in the spring of 1963 to join the Program with a third group of analysts beginning their work in 1963-64.

#### Research in Progress

Considerable progress has been made toward setting up a common conceptual framework for the Country Analysis Program. Moreover, a system of integrated economic accounts particularly suited to the needs of analysis in the less developed world has been under preparation. During 1962-63 the system was strengthened and refined as the result of (1) further research and experimental work at Yale on concepts and methods of measurement, (2) discussions in the workshop seminar among members of the staff, (3) the participation of outside consultants and specialists in the workshop seminar and (4) the experience and early findings of the researchers in the field.

In January 1963 two regional conferences were held with the men in the field, one in Rio and one in Athens. As an outcome of these conferences it became clear that revisions in the country data system were necessary and desirable. A revised system of historical data was worked out and made available in February. The revised system is given in Appendix A to this report. It is considered by the staff to be more feasible and useful than the original version. Appendix B presents the system of national economic accounts especially designed for the Country Analysis Program as evolved to the present.

The first group of analysts returned from the field in the fall of 1963 and are now engaged in concluding their analyses and working on their monographs. The country monographs of Group A (i.e. Brazil, Ceylon, Egypt, Greece, Nigeria), including the filled in statistical framework of exhibits A and B, are scheduled for completion by the end of this year.

#### Country Analysis Workshop

As part of the Country Analysis Program a workshop seminar was organized as a means of co-ordinating activities and facilitating the preparation for field work. The workshop fulfills three principal functions. It serves to train the field staff in the concepts and statistical requirements of the common analytical framework. It provides an opportunity to the country staff to hear and benefit from the work of outside specialists. Third, the workshop provides a forum for an exchange of views and the discussion of common problems.

The weekly workshop meetings were of two kinds, small working sessions of the staff and larger sessions with outside speakers. During the year 1962-63 the following principal speakers participated. The subjects of their prepared talks are also given.

Professor Simon Kuznets  
Harvard University

"Approaches to an Aggregative Study  
of a Country's Economic Growth"

Professor Richard Ruggles  
Yale University

"An Economic Data Framework for  
Analysis"

Dr. Dudley Seers  
United Nations

"Structural Change and Economic  
Growth"

Dr. Hollis Chenery  
A.I.D.

"Foreign Aid and Economic Develop-  
ment"

Professor Richard Eckhaus  
M.I.T.

"An Evaluation of Alternative Plan-  
ning Models"

Professor Gustav Ranis  
Yale University

"Capital Accumulation and Technological Change in the Less Developed Economy: Theory and Policy"

Professor Paul Streeten  
Wesleyan University

"The 'Capital Output Ratio' in Development Planning"

Professor Peter Schran  
Yale University

"Wage Policy and Economic Development"

Professor Henrik Houthakker  
Harvard University

"A Cross-Country Comparison of Savings"

Mr. Arjun Sengupta  
M.I.T.

"Factor Substitution, Technical Progress and Economic Growth"

Professor Mary Jean Bownman  
University of Chicago

"Education and Economic Development"

Professor Raymond Powell  
Yale University

"The Estimation of Capital Stocks from Limited Information"

Mr. Raymond Christensen  
Chief, Economic Development Branch  
U. S. Dept. of Agriculture

"The Role of Food in the Development Processes of Low Income Countries"

### Financial Report

Expenditures under the AID contract during the fiscal year are shown in Table I. Total expenditures were \$174,379.77, as against a budget of \$335,421. In some categories, such as faculty support for country analysts and clerical, secretarial and statistical assistants, expenditures were at or near the amounts budgeted. In the other categories the rate of expenditure was substantially below budget. The specific reasons are given below.

TABLE I

COUNTRY DATA SYSTEMS AND ANALYSIS PROGRAM  
BUDGET AND EXPENDITURES, 1962-63

<u>Category of Expenditure</u>	<u>Contract Budget</u>	<u>Expenditures</u>
Six Country Analysts in Field Research Writing (Group A)	\$ 58,800	\$ 42,663.70
Off-Campus Overhead	18,816	10,452.60
Seven Country Analysts in First Stage of Research and Writing in New Haven (Group B)	68,600	22,390.41
Support for Country Analysts		
Faculty	12,000	11,499.96
Statistical Assistant	4,500	3,322.00
Clerk-Typist	3,500	2,040.00
Research and Development on Data Framework		
Part-time Direction	8,000	3,777.77
Research Associate	12,000	12,000.00
Research Assistant	6,000	5,445.00
Typing, Computation	4,500	4,303.35
On-Campus Overhead	65,505	27,826.66
Travel in United States		
Visitors to Research and Writing Seminars in New Haven	2,000	996.80
Field Visits by Supervisors to arrange contacts and supervise	6,000	4,338.72
Travel Expenses for Analysts Abroad		
Travel, including Dependents	18,000	3,338.25
Local Research Allowance	6,000	1,026.24
Local Travel Allowance	3,000	176.00
Preparatory and other Expenses	1,500	1,130.67
Overseas Allowances	23,700	17,186.88
Other		
Fee to IIE	3,000	----
Yale Computing Services	10,000	464.76
	<u>\$335,421</u>	<u>\$174,379.77</u>

1. Six Country Analysts in Field Research and Writing.

The budget called for \$58,800 and actual expenditures were \$42,664 because one of the six was on leave of absence and only five analysts are covered.

2. Seven Country Analysts in First Stage of Research and Writing in New Haven. (Group B).

A total of \$68,600 was budgeted and \$22,390 was spent. Only five analysts were covered and one of these joined the group at mid-year. The remaining two analysts started their work after the close of the 1962-63 fiscal year. It is expected, therefore, that a higher than normal rate of expenditure in 1963-64 will offset the low rate in 1962-63.

3. Travel Expenses for Analysts Abroad.

The low rate of expenditure in these categories are due to three reasons. (a) As previously mentioned, five analysts rather than six were in the field work stage. (b) At the time the contract went into effect, Group A analysts were already en route to their overseas posts on funds advanced by the Center. It had been anticipated that the travel costs incurred were chargeable to the Project, but these expenses were disallowed. Therefore, international travel costs and all preparatory expenses of Group A analysts prior to the date of the contract were borne by the Economic Growth Center. (c) Funds for local travel and research expenses were also advanced to Group A analysts by the Center. These expenses were largely incurred during the period of the contract in 1962-63 but full reports of charges were not available at the close of the fiscal year. The balance of charges incurred will appear in the totals for the second year of the contract.

4. Fee to Institute of International Education.

After a series of discussions with the Institute it was agreed that no useful

purpose would be served by subcontracting the administration of the overseas operations of the project. Accordingly, such administration was assumed by the Center staff and the fee of \$3,000 allocated for this purpose has not been used.

5. Yale Computing Services.

During much of the year the data was being compiled at the Center and was not yet programmed for computer application. Substantial computer expenses incurred toward the end of the year were not billed in time to be recorded during the fiscal year.

6. Overhead.

Overhead charges were below normal for two reasons. (1) The labor costs on which it is based were below normal. (2) In April 1963 the University reduced its overhead rates from 32% of off-campus salaries and 55% of on-campus salaries to 24.5% and 43.5% respectively, and an overhead adjustment was made.

At the same time clerical supplies and other direct costs were eliminated from overhead. As a consequence of this, a revised budget is being prepared which will take account of the new rates. The revised budget, which will be submitted in the near future, will also indicate reallocations in other budget categories based on current rates of expenditure.