

AN APPROXIMATION METHOD IN NUMERICAL COMPUTATION OF THE LEONTIEF'S OPEN INPUT-OUTPUT MODEL

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1. Introduction

In the Leontief's open input-output model, the numerical value in each industry associated with a given amount of final demand is usually computed by means of the inverse matrix. It, however, is not a easy job to obtain the inverse of given matrix. Concerning this, it seems to have been considered as necessary to use a large scale computer when the number of industries is large. In this article we shall give simple ways to compute approximate values, in which use is made only of a table-computer.

2. Methods of approximation

Let Y_i denote the given amount of final demand in the i -th industry, X_i that of out-put to be obtained in the i -th industry associated with these final demands Y_i 's, and a_{ij} technical coefficients. Then the Leontief's system of linear equations is written as follows :

$$(1) \quad \begin{cases} (1-a_{11})X_1 - a_{12}X_2 & - a_{13}X_3 - \cdots - a_{1n}X_n & = Y_1 \\ -a_{21}X_1 & + (1-a_{22})X_2 - a_{23}X_3 - \cdots - a_{2n}X_n & = Y_2 \\ \dots & \dots & \\ \dots & \dots & \\ -a_{n1}X_1 & - a_{n2}X_2 & - a_{n3}X_3 - \cdots + (1-a_{nn})X_n = Y_n \end{cases}$$

These linear equations can also be written as

$$(2) \quad X_i = \frac{1}{b_{ii}} \left\{ Y_i + \sum_{j \neq i} a_{ij} X_j \right\}, \quad i=1, \dots, n$$

where $b_{ii} = 1 - a_{ii}$.

If the amounts of the final demands and those of outputs used in calculating these technical coefficients a_{ij} are represented by Y_i 's and X_i 's, these values must also satisfy the following equations.

$$(3) \quad X_i = \frac{1}{b_{ii}} \left\{ Y_i + \sum_{j \neq i} a_{ij} X_j \right\}, \quad (i=1, 2, \dots, n)$$

Then we put $X_i^{(1)}$

$$(4) \quad X_i^{(1)} = X_i + \frac{1}{b_{ii}} (Y_i - Y'_i)$$

which is taken as an approximation to X_i . These values can be easily calculated, for X_i 's, Y_i 's are known and Y'_i are given.

For the purpose of getting a better approximation, we estimate the error of that approximation. From (3) and (4), we obtain

$$(5) \quad X_i^{(1)} = \frac{1}{b_{ii}} \left\{ Y_i + (Y_i - Y'_i) + \sum_{j \neq i} a_{ij} X_j \right\} = \frac{1}{b_{ii}} \left\{ Y_i + \sum_{j \neq i} a_{ij} X_j \right\}.$$

The relative error of the approximation of X_i is then represented as

$$(6) \quad \frac{X_i - X_i^{(1)}}{X_i} = \frac{1}{X_i} \frac{1}{b_{ii}} \sum_{j \neq i} a_{ij} (X_j - X'_j) = \frac{1}{X_i} \frac{1}{b_{ii}} \frac{\sum_{j \neq i} a_{ij} X_j (X_j - X'_j)}{X_j}$$

$$= \frac{1}{X_i} \frac{\sum_{j \neq i} a_{ij} X_j}{b_{ii}} \cdot \frac{\sum_{j \neq i} a_{ij} X_j \frac{(X_j - X'_j)}{X_j}}{\sum_{j \neq i} a_{ij} X_j}.$$

Since

$$(7) \quad \sum_{j \neq i} a_{ij} X_j = b_{ii} X_i - Y_i,$$

from (6) and (7), we have

$$(8) \quad \frac{X_i - X_i^{(1)}}{X_i} = \frac{1}{X_i} \cdot \frac{b_{ii} X_i - Y_i}{b_{ii}} \cdot \frac{\sum_{j \neq i} a_{ij} X_j \frac{(X_j - X'_j)}{X_j}}{\sum_{j \neq i} a_{ij} X_j}$$

$$= \frac{1}{X_i} \cdot \left(X_i - \frac{Y_i}{b_{ii}} \right) \frac{\sum_{j \neq i} a_{ij} X_j \frac{(X_j - X'_j)}{X_j}}{\sum_{j \neq i} a_{ij} X_j}.$$

Subtracting (3) from (2) side by side, we get

$$(9) \quad X_i - X'_i = \frac{1}{b_{ii}} \left\{ (Y_i - Y'_i) + \sum_{j \neq i} a_{ij} (X_j - X'_j) \right\}.$$

From (9) and (8) it follows that

$$(10) \quad \frac{X_i - X_i^{(1)}}{X_i} = \frac{X_i - \frac{Y_i}{b_{ii}}}{X_i} \cdot \left\{ \frac{\sum_{j \neq i} a_{ij} X_j \frac{(Y_j - Y'_j)/b_{jj}}{X_j}}{\sum_{j \neq i} a_{ij} X_j} + \frac{\sum_{j \neq i} a_{ij} \frac{1}{b_{jj}} \sum_{k \neq j} a_{jk} (X_k - X'_k)}{\sum_{j \neq i} a_{ij} X_j} \right\}.$$

As X_i are unknown, we estimate these values by replacing X_i 's, Y_i 's

by X'_i 's, Y'_i 's and by neglecting the second term in the braces of (10), that is, we estimate the values from

$$(11) \quad \frac{X_i - X_i^{(1)}}{X_i} \doteq \frac{X_i - \frac{Y'_i}{b_{ii}}}{X'_i} \cdot \frac{\sum_{j \neq i} a_{ij} X'_j \cdot \frac{(Y_j - Y'_j)/b_{jj}}{X'_j}}{\sum_{j \neq i} a_{ij} X'_j}$$

Now, $a_{ij} X'_j$ is the input of the i -th industry into the j -th industry, and may be positively correlated with X'_i for fixed i . Therefore, replacing $a_{ij} X'_j$ by X'_j , we have

$$(12) \quad \begin{aligned} \frac{X_i - X_i^{(1)}}{X_i} &\doteq \frac{X_i - \frac{Y'_i}{b_{ii}}}{X'_i} \cdot \frac{\sum_{j \neq i} X'_j \cdot \frac{(Y_j - Y'_j)/b_{jj}}{X'_j}}{\sum_{j \neq i} X'_j} \\ &= \frac{X_i - \frac{Y'_i}{b_{ii}}}{X'_i} \cdot \frac{\sum_{j \neq i} (Y_j - Y'_j)/b_{jj}}{\sum_{j \neq i} X'_j} \end{aligned}$$

Using these values, we obtain a better approximation of X_i

$$(13) \quad X_i^{(2)} = X_i^{(1)} \left(1 + \frac{X_i - \frac{Y'_i}{b_{ii}}}{X'_i} \cdot \frac{\sum_{j=1}^n (Y_j - Y'_j)/b_{jj}}{\sum_{j=1}^n X'_j} \right)$$

If $\frac{(Y_i - Y'_i)/b_{ii}}{X'_i}$ has an extra-ordinary value for large X'_i , we should

use $\frac{X_i - \frac{Y'_i}{b_{ii}}}{X'_i} \cdot \frac{\sum_{j \neq i} (Y_j - Y'_j)/b_{jj}}{\sum_{j \neq i} X'_j}$ for the second term in the paren-

theses of (13) instead of $\frac{X_i - \frac{Y'_i}{b_{ii}}}{X'_i} \cdot \frac{\sum_{j=1}^n (Y_j - Y'_j)/b_{jj}}{\sum_{j=1}^n X'_j}$.

From the equations (2) and (3) we have

$$(14) \quad X_i = \frac{1}{b_{ii}} \left\{ Y_i + \sum_{j \neq i} a_{ij} \frac{Y_j}{b_{jj}} + \sum_{j \neq i} a_{ij} \frac{1}{b_{jj}} \sum_{k \neq j} a_{jk} X_k \right\}$$

$$(15) \quad X'_i = \frac{1}{b_{ii}} \left\{ Y'_i + \sum_{j \neq i} a_{ij} \frac{Y'_j}{b_{jj}} + \sum_{j \neq i} a_{ij} \frac{1}{b_{jj}} \sum_{k \neq j} a_{jk} X'_k \right\}$$

Subtracting (15) from (14) side by side and neglecting the third term, we have

$$(16) \quad X_i - X'_i = \frac{Y_i - Y'_i}{b_{ii}} + \frac{1}{b_{ii}} \sum_{j \neq i} a_{ij} \frac{(Y_j - Y'_j)}{b_{jj}}$$

The second term of the right hand side of (16) can be estimated in the similar way as in obtaining (12), that is,

$$(17) \quad \begin{aligned} \frac{1}{b_{ii}} \sum_{j \neq i} a_{ij} \frac{Y_j - Y'_j}{b_{jj}} &= \frac{1}{b_{ii}} \sum_{j \neq i} a_{ij} X'_j \frac{(Y_j - Y'_j)/b_{jj}}{X'_j} \\ &= \left(X'_i - \frac{Y'_i}{b_{ii}} \right) \cdot \frac{\sum_{j \neq i} a_{ij} X'_j \frac{(Y_j - Y'_j)/b_{jj}}{X'_j}}{\sum_{j \neq i} a_{ij} X'_j} \\ &= \left(X'_i - \frac{Y'_i}{b_{ii}} \right) \cdot \frac{\sum_{j \neq i} \frac{(Y_j - Y'_j)}{b_{jj}}}{\sum_{j \neq i} X'_j} \end{aligned}$$

Then substituting (17) into (16), we get an approximation $X_i^{(3)}$ of X_i

$$(18) \quad \begin{aligned} X_i^{(3)} &= X'_i + \frac{Y_i - Y'_i}{b_{ii}} + \left(X'_i - \frac{Y'_i}{b_{ii}} \right) \cdot \frac{\sum_{j=1}^n \frac{(Y_j - Y'_j)}{b_{jj}}}{\sum_{j=1}^n X'_j} \\ &= X_i^{(1)} + X'_i \cdot \frac{\left(X'_i - \frac{X'_i}{b_{ii}} \right)}{X'_i} \cdot \frac{\sum_{j=1}^n \frac{(Y_j - Y'_j)}{b_{jj}}}{\sum_{j=1}^n X'_j} \end{aligned}$$

For large X'_i the same consideration must be taken into account as in obtaining $X_i^{(2)}$.

3. Errors and remark

The relative error of the approximation $X_i^{(1)}$ is of nearly the same as the value of the second term of the approximation $X_i^{(2)}$. For the short term forecasting, even that approximation may be satisfactory.

For the long range forecasting it is better to use the approximation $X_i^{(2)}$ or $X_i^{(3)}$. In these two approximations, the second term multiplier of $X_i^{(1)}$ in $X_i^{(2)}$ and that of X'_i in $X_i^{(3)}$ are of the same. And the error of this term comes from the discrepancy between the weights used in computation, X'_i , and the true weight $a_{ij}X_j$, and from the replacement of X_i 's, Y_i 's by X'_i 's, Y'_i 's. The error caused by these replacements is fairly small. It is the error due to the discrepancy between the weights that must be taken up. For the evaluation of this error, we estimate the

difference between weights d_{ij} by the difference between $\frac{X'_j}{\sum X'_j}$ and $\frac{a_{ij}X'_j}{X'_i - \frac{Y'_i}{b_{ii}}}$ for such a j that $\frac{(Y_j - Y'_j)/b_{jj}}{X'_j} = p_j$ has an extraordinary value.

It can be seen that $\frac{X'_i - \frac{Y'_i}{b_{ii}}}{X'_i} \cdot \sum_j d_{ij} p_j$ may give the rough estimate of the error in consideration.

Next, we estimate the neglected term by the formula

$$\begin{aligned}
 (19) \quad & \frac{1}{X'_i} \frac{1}{b_{ii}} \sum_{j \neq i} a_{ij} \frac{1}{b_{jj}} \sum_{k \neq j} a_{jk} (X_k - X'_k) \\
 & \doteq \frac{1}{X'_i} \frac{1}{b_{ii}} \sum_{j \neq i} a_{ij} \frac{1}{b_{jj}} \sum_{k \neq j} a_{jk} \frac{Y_k - Y'_k}{b_{kk}} \\
 & = \frac{1}{X'_i} \frac{1}{b_{ii}} \sum_{j \neq i} a_{ij} \frac{\sum_{k \neq j} a_{jk} X'_k}{b_{jj}} \cdot \frac{\sum_{k \neq j} a_{jk} X'_k \frac{(Y_k - Y'_k)/b_{kk}}{X'_k}}{\sum_{k \neq j} a_{jk} X'_k} \\
 & \doteq \frac{1}{X'_i} \cdot \frac{\sum_{j \neq i} a_{ij} X'_j}{b_{ii}} \cdot \frac{\sum_{j \neq i} a_{ij} X'_j \frac{(X'_j - \frac{Y'_j}{b_{jj}})}{X'_j}}{\sum_{j \neq i} a_{ij} X'_j} \cdot \frac{\sum_{k=1}^n a_{jk} X'_k \frac{(Y_k - Y'_k)/b_{kk}}{X'_k}}{\sum_{k=1}^n a_{jk} X'_k} \\
 & \doteq \frac{(X'_i - \frac{Y'_i}{b_{ii}})}{X'_i} \cdot \frac{\sum_{j \neq i} (X'_j - \frac{Y'_j}{b_{jj}})}{\sum_{j \neq i} X'_j} \cdot \frac{\sum_{k=1}^n (Y_k - Y'_k)}{\sum_{k=1}^n X'_k} \\
 & = \frac{(X'_i - \frac{Y'_i}{b_{ii}})}{X'_i} \cdot \frac{\sum_{j=1}^n (X'_j - \frac{Y'_j}{b_{jj}})}{\sum_{j=1}^n X'_j} \cdot \frac{\sum_{k=1}^n (Y_k - Y'_k)}{\sum_{k=1}^n X'_k}
 \end{aligned}$$

From two values estimated above, the roughly estimated error can be obtained for $X_i^{(2)}$ and $X_i^{(3)}$. When this relative error is negative, we use $X_i^{(2)}$. When it is positive, we use $X_i^{(3)}$.

When some of technical coefficients are changed from those obtained from the survey by taking into account technological change, we should use the values of the final demands computed from the changed technical coefficients and the output data of the survey. These values of the final demands can easily be computed.

If a further better approximation is wanted, we can get it by the successive approximation method, in which $X_i^{(2)}$ or $X_i^{(3)}$ is to be used the

	X_i'	Y_i'	$\frac{1}{b_{ii}}$	$\frac{Y_i'}{b_{ii}}$	$X_i' - \frac{Y_i'}{b_{ii}}$	$\frac{X_i' - Y_i'/b_{ii}}{X_i'}$	Y_i
1	17,386	9,228	1.147667	10,591	6,795	0.39	9,926
2	3,002	200	1.019701	204	2,798	0.93	259
3	5,465	4,704	1.005150	4,728	737	0.16	5,119
4	53,883	24,322	1.704620	41,460	12,423	0.23	24,351
5	8,591	4,997	1.006090	5,027	3,564	0.41	5,349
6	7,395	2,075	1.039061	2,502	4,893	0.66	2,408
7	1,754	432	1.012702	437	1,317	0.75	467
8	10,714	6,205	1.098984	6,819	3,895	0.36	7,955
9	4,185	1,147	1.0	1,147	3,038	0.72	657
Total	112,375			702,915	39,460		

	$Y_i - Y_i'$	$\frac{Y_i - Y_i'}{b_{ii}}$	$\frac{\sum(Y_j - Y_j')/b_{jk}}{\sum X_j'}$	$\frac{X_i' - Y_i'/b_{ii}}{X_i'} \cdot \frac{\sum(Y_j - Y_j')/b_{jj}}{\sum X_j'}$
1	698	801	0.028*	0.012
2	59	60	0.031	0.029
3	415	417	0.031	0.005
4	29	49	0.059*	0.016
5	352	354	0.031	0.017
6	333	346	0.031	0.020
7	35	35	0.031	0.023
8	1750	1923	0.017*	0.006
9	- 490	- 490	0.031	0.022

	$X_i^{(1)}$	Error percent	$X_i^{(2)}$	Error percent	$X_i' - \frac{Y_i'}{b_{ii}} \cdot \frac{\sum(Y_j - Y_j')/b_{jj}}{\sum X_j'}$
1	18,187	0.8%	18,405	-0.4%	190*
2	3,062	2.7	3,151	-0.1	88
3	5,882	0.8	5,911	0.3	23
4	53,932	1.5	54,795	-0.1	733*
5	8,945	1.3	9,061	0.03	110
6	7,741	1.7	7,896	-0.3	152
7	1,789	2.1	1,830	-0.1	41
8	12,637	0.2	2,713	-0.4	66*
9	3,695	2.9	3,776	0.8	94

	$X_i^{(3)}$	Error percent	X_i calculated by means of inverse matrix
1	18,377	-0.3%	18,328
2	3,150	-0.1	3,148
3	5,905	0.4	5,927
4	54,665	0.1	54,734
5	9,055	0.1	9,064
6	7,893	-0.3	7,873
7	1,830	-0.1	1,828
8	12,703	-0.3	12,660
9	3,789	0.4	3,805

* In the calculation of values with star mark, *, $\frac{X_i' - \frac{Y_i'}{b_{ii}}}{X_i'} \cdot \frac{\sum_{j \neq i} (Y_j - Y_j')}{\sum_{j \neq i} \frac{b_{jj}}{X_j'}}$ is used
as the second term of (13) or (18).

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ERRATA

These Annals, Vol. VII.

P. 118, 15th line from bottom: read

$$\text{“ } \left(X_i' - \frac{Y_i'}{b_{ij}} \right) \text{”} \quad \text{instead of} \quad \text{“ } \left(X_i' - \frac{X_i'}{b_{ii}} \right) \text{”}$$

$$\dots \frac{\left(X_i' - \frac{Y_i'}{b_{ij}} \right)}{X_i'} \dots \quad \text{instead of} \quad \dots \frac{\left(X_i' - \frac{X_i'}{b_{ii}} \right)}{X_i'} \dots$$

P. 119, 9th line: read

$$\frac{\sum_{k=1}^n a_{jk} X_k' \frac{(Y_k - Y_k')/b_{kk}}{X_k'}}{\sum_{k=1}^n a_{jk} X_k'} \quad \text{instead of}$$

$$\frac{\sum_{k=1}^n a_{jk} X_k' \frac{(Y_k - Y_k')/b_{kk}}{X_k'}}{\sum_{k=1}^n a_{jk} X_k'}$$

P. 119, 11th line from bottom: read “ \div ” instead of “=”

P. 121, 12th line: read

$$\text{“ } \frac{\sum (Y_i - Y_i')/b_{jj}}{\sum X_j'} \text{”} \quad \text{instead of} \quad \text{“ } \frac{\sum (Y_i - Y_j')b_{jk}}{\sum X_j'} \text{”}$$

P. 121, 10th line from bottom: read

$$\text{“ } \left(X_i' - \frac{Y_i'}{b_{ii}} \right) \cdot \frac{\sum (Y_j - Y_j')/b_{jj}}{\sum X_j'} \text{”} \quad \text{instead of}$$

$$\text{“ } X_i' - \frac{Y_i'}{b_{ii}} \cdot \frac{\sum (Y_j - Y_j')/b_{jj}}{\sum X_j'} \text{”}$$

ERRATA

These Annals Vol. V, No. 2

Page 63, line 9,

read “ $\leq \frac{27}{n^2} \sum_{i=1}^l n \dots$ ” instead of “ $\leq \frac{8}{n^2} \sum_{i=1}^l \dots$ ”

Page 63, line 10, 13, 14, 19, 23,

read “ 108 ” instead of “ 32 ”

Vol. VII, No. 2

Page 117, line 10,

read “ $X_i^{(2)} = X_i^{(1)} \left(1 + \frac{X_i - \frac{Y_i}{b_{ii}}}{X_i} \dots \right)$ ”

instead of “ $X_i^{(2)} = X_i^{(1)} \left(1 + \frac{X_i - \frac{Y_i}{b_{ii}}}{X_i} \dots \right)$ ”

Page 121, line 2 from bottom,

read “ 12.713 ”, instead of “ 2.713 ”

Vol. VII, No. 3

Page 147, line 2 & 3,

read “ $\eta_u = \frac{\sinh^{-1} \left[\frac{1}{2} \dots \right]}{\alpha'(n+1/\sigma^2)}$ ” instead of “ $-\eta_L = \frac{\sin^{-1} \left[\frac{1}{2} (\dots) \right]}{\alpha'(n+1/\sigma^2)}$ ”

Page 151, line 6 from bottom,

read “ $P_{\theta'} \{S_n \text{ covers } \theta\}$ is... ”

instead of “ $P_{\theta} \{S_n \text{ covers } \theta'\}$ is... ”

Vol. VIII, No. 1

Page 59, line 9 from bottom,

read “ 0.01234, 0.04344, 0.12803, 0.28807, 0.52812 ”

instead of “ 0.52812, 0.28807, 0.12803, 0.04344, 0.01234 ”