# Estimating a Social Accounting Matrix Using Cross Entropy Methods 

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[^0]
#### Abstract

There is a continuing need to use recent and consistent multisectoral economic data to support policy analysis and the development of economywide models. Updating and estimating inputoutput tables and social accounting matrices (SAMs), which provides the underlying data framework for this type of model and analysis, for a recent year is a difficult and a challenging problem. Typically, input-output data are collected at long intervals (usually five years or more), while national income and product data are available annually, but with a lag. Supporting data also come from a variety of sources; e.g., censuses of manufacturing, labor surveys, agricultural data, government accounts, international trade accounts, and household surveys. The problem in estimating a SAM for a recent year is to find an efficient (and cost-effective) way to incorporate and reconcile information from a variety of sources, including data from prior years. The traditional RAS approach requires that we start with a consistent SAM for a particular year and "update" it for a later year given new information on row and column sums. This paper extends the RAS method by proposing a flexible "cross entropy" approach to estimating a consistent SAM starting from inconsistent data estimated with error, a common experience in many countries. The method is flexible and powerful when dealing with scattered and inconsistent data. It allows incorporating errors in variables, inequality constraints, and prior knowledge about any part of the SAM (not just row and column sums). Since the input-output accounts are contained within the SAM framework, updating an input-output table is a special case of the general SAM estimation problem. The paper describes the RAS procedure and "cross entropy" method, and compares the underlying "information theory" and classical statistical approaches to parameter estimation. An example is presented applying the cross entropy approach to data from Mozambique. An appendix includes a listing of the computer code in the GAMS language used in the procedure.


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## Introduction

There is a continuing need to use recent and consistent multisectoral economic data to support policy analysis and the development of economywide models. A Social Accounting Matrix (SAM) provides the underlying data framework for this type of model and analysis. A SAM includes both input-output and national income and product accounts in a consistent framework. Input-output data are usually prepared only every five years or so, while national income and product data are produced annually, but with a lag. To produce a more disaggregated SAM for detailed policy analysis, these data are often supplemented by other information from a variety of sources; e.g., censuses of manufacturing, labor surveys, agricultural data, government accounts, international trade accounts, and household surveys. The problem in estimating a disaggregated SAM for a recent year is to find an efficient (and cost-effective) way to incorporate and reconcile information from a variety of sources, including data from prior years.

Estimating a SAM for a recent year is a difficult and challenging problem. A standard approach is to start with a consistent SAM for a particular prior period and "update" it for a later period, given new information on row and column totals, but no information on the flows within the SAM. The traditional RAS approach, discussed below, addresses this case. However, one often starts from an inconsistent SAM, with incomplete knowledge about both row and column sums and flows within the SAM. Inconsistencies can arise from measurement errors, incompatible data sources, or lack of data. What is needed is an approach to estimating a consistent set of accounts that not only uses the existing information efficiently, but also is flexible enough to incorporate information about various parts of the SAM.

In this paper, we propose a flexible "cross entropy" approach to estimating a consistent SAM starting from inconsistent data estimated with error. The method is very flexible, incorporating errors in variables, inequality constraints, and prior knowledge about any part of the SAM (not just row and column sums). The next section presents the structure of a SAM and a mathematical description of the estimation problem. The following section describes the RAS procedure, followed by a discussion of the cross entropy approach. Next we present an application to Mozambique demonstrating gains from using increasing amounts of information. An appendix includes a listing of the computer code in the GAMS language used in the procedure.

## Structure of a Social Accounting Matrix (SAM)

A SAM is a square matrix whose corresponding columns and rows present the expenditure and receipt accounts of economic actors. Each cell represents a payment from a column account to a row account. Define T as the matrix of SAM transactions, where $T_{i \mathrm{i}}$ is a payment from column account $j$ to row account $i$. Following the conventions of double-entry bookkeeping, the total receipts (income) and expenditure of each actor must balance. That is, for a SAM, every row sum must equal the corresponding column sum:

$$
\begin{equation*}
y_{i}=\sum_{j} T_{i, j}=\sum_{j} T_{j, i} \tag{1}
\end{equation*}
$$

where $y_{i}$ is total receipts and expenditures of account $i$.
A SAM coefficient matrix, $A$, is constructed from $T$ by dividing the cells in each column of $T$ by the column sums:

$$
\begin{equation*}
A_{i, j}=\frac{T_{i, j}}{y_{j}} \tag{2}
\end{equation*}
$$

By definition, all the column sums of $A$ must equal one, so the matrix is singular. Since column sums must equal row sums, it also follows that (in matrix notation):

$$
\begin{equation*}
y=A y \tag{3}
\end{equation*}
$$

A typical national SAM includes accounts for production (activities), commodities, factors of production, and various actors ("institutions") which receive income and demand goods. The structure of a simple SAM is given in Table 1. Activities pay for intermediate inputs, factors of production, and indirect taxes, and receive payments for exports and sales to the domestic market. The commodity account buys goods from activities (producers) and the rest of the world (imports), and pays tariffs on imported goods, while it sells commodities to activities (intermediate inputs) and final demanders (households, government, and investment). In this SAM, gross domestic product (GDP) at factor cost (payments by activities to factors of production) or value added equals GDP at market prices (GDP at factor cost plus indirect taxes, and tariffs = consumption plus investment plus government demand plus exports minus imports).

Table 1. A national SAM

| Receipts | Expenditure |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Activity | Commodity | Factors | Institutions | World |
| Activity |  | Domestic sales |  |  | Exports |
| Commodity | Intermediate inputs |  |  | Final demand |  |
| Factors | Value added (wages/rentals) |  |  |  |  |
| Institutions | Indirect taxes | Tariffs | Factor income |  | Capital inflow |
| World |  | Imports |  |  |  |
| Totals | Total costs | Total absorption | Total factor income | Gross domestic income | Foreign exchange inflow |

The matrix of column coefficients, $A$, from such a SAM provides raw material for much economic analysis and modeling. For example, the intermediate-input coefficients (known as the "use" matrix) correspond to Leontief input-output coefficients. The coefficients for primary factors are "value added" coefficients and give the distribution of factor income. Column coefficients for the commodity accounts represent domestic and import shares, while those for the various final demanders provide expenditure shares. There is a long tradition of work which starts from the assumption that these various coefficients are fixed, and then develops various linear multiplier models. The data also provide the starting point for estimating parameters of nonlinear, neoclassical production functions, factor-demand functions, and household expenditure functions.

In principle, it is possible to have negative transactions, and hence coefficients, in a SAM. Such negative entries, however, can cause problems in some of the estimation techniques described below and also may cause problems of interpretation in the coefficients. A simple approach to dealing with this issue is to treat a negative expenditure as a positive receipt or a negative receipt as a positive expenditure. For example, if a tax is negative, treat it as a subsidy. That is, if $T_{i, j}$ is negative, we simply set the entry to zero and add the value to $T_{j, i}$. This "flipping" procedure will change row and column sums, but they will still be equal.

## The RAS Approach to SAM estimation

The classic problem in SAM estimation is the problem of "updating" an input-output matrix when we have new information on the row and column sums, but do not have new information on the input-output flows. The generalization to a full SAM, rather than just the input-output table, is the following problem. Find a new SAM coefficient matrix, $A^{*}$, that is in some sense "close" to an existing coefficient matrix, $\bar{A}$ but yields a SAM transactions matrix, $T^{( }$, with the new row and column sums. That is:

$$
\begin{gather*}
T_{i, j}^{( }=A_{i, j}^{( } y_{j}^{\prime}  \tag{4}\\
\sum_{j} T_{i, j}^{( }=\sum_{j} T_{j, i}^{( }=y_{i}^{\prime} \tag{5}
\end{gather*}
$$

where $y^{*}$ are known new row and column sums.

A classic approach to solving this problem is to generate a new matrix $A^{*}$ from the old matrix A by means of "biproportional" row and column operations:

$$
\begin{equation*}
A_{i, j}^{( }=R_{i} \bar{A}_{i, j} S_{j} \tag{6}
\end{equation*}
$$

or, in matrix terms:

$$
\begin{equation*}
A^{l}=\hat{R} \bar{A} \hat{S} \tag{7}
\end{equation*}
$$

where the hat indicates a diagonal matrix of elements of $R$ and $S$. Bacharach (1970) shows that this "RAS" method works in that a unique set of positive multipliers (normalized) exists that satisfies the biproportionality condition and that the elements of $R$ and $S$ can be found by a simple iterative procedure. ${ }^{1}$

## A Cross Entropy Approach to SAM estimation

The fundamental estimation problem is that, for an n-by-n SAM, we seek to identify $\mathrm{n}^{2}$ unknown non-negative parameters (the cells of $T$ or $A$ ), but have only $2 \mathrm{n}-1$ independent row and column adding-up restrictions. The RAS procedure imposes the biproportionality condition, so the problem reduces to finding $2 \mathrm{n}-1 \mathrm{R}$ and S coefficients (one being set by normalization), yielding a unique solution. The general problem is that of estimating a set of parameters with little information. If all we know is row and column sums, there is not enough information to identify the coefficients, let alone provide degrees of freedom for estimation.

In a recent book, Golan, Judge, and Miller (1996) suggest a variety of estimation techniques using "maximum entropy econometrics" to handle such "ill-conditioned" estimation problems. Golan, Judge, and Robinson (1994) apply this approach to estimating a new inputoutput table given knowledge about row and column sums of the transactions matrix - the classic RAS problem discussed above. We extend this methodology to situations where there are different kinds of prior information than knowledge of row and column sums.

[^1]
## Deterministic Approach: Information Theory

The estimation philosophy adopted in this paper is to use all, and only, the information available for the estimation problem at hand. The first step we take in this section is to define what is meant by "information". We then describe the kinds of information that can be incorporated and how to do it. This section focuses on information concerning non-stochastic variables while the next section will introduce the use of information on stochastic variables.

The starting point for the cross entropy approach is Information Theory as developed by Shannon (1948). Theil (1967) brought this approach to economics. Consider a set of $n$ events $E_{1}, E_{2}, \ldots, E_{n}$ with probabilities $q_{1}, q_{2}, \ldots, q_{n}$ (prior probabilities). A message comes in which implies that the odds have changed, transforming the prior probabilities into posterior probabilities $p_{1}, p_{2}, \ldots, p_{n}$. Suppose for a moment that the message confines itself to one event $E_{i}$. Following Shannon, the "information" received with the message is equal to - $\ln \mathrm{p}_{\mathrm{i}}$. However, each $E_{i}$ has its own posterior probability $q_{i}$, and the "additional" information from $\mathrm{p}_{\mathrm{i}}$ is given by:

$$
\begin{equation*}
-\ln \frac{p_{i}}{q_{i}}=-\left[\ln p_{i}-\ln q_{i}\right] \tag{8}
\end{equation*}
$$

Taking the expectation of the separate information values, we find that the expected information value of a message (or of data in a more general context) is

$$
\begin{equation*}
-I(p: q)=-\sum_{i^{\prime} 1}^{n} p_{i} \ln \frac{p_{i}}{q_{i}} \tag{9}
\end{equation*}
$$

where $I(p: q)$ is the Kullback-Leibler (1951) measure of the "cross entropy" distance between two probability distributions (Kapur and Kenavasan, 1992). ${ }^{2}$ The objective of the approach, which aims at utilizing all available information, is to minimize the cross entropy between the probabilities that are consistent with the information in the data and the prior information $\mathbf{q} \cdot{ }^{3}$

Golan, Judge, and Robinson (1994) use a cross entropy formulation to estimate the coefficients in an input-output table. They set up the problem as finding a new set of $A$
${ }^{2}$ Kapur and Kenavasan, 1992 presents a description of the axiomatic approach from which this measure is obtained (Chapter 4).
${ }^{3}$ If the prior distribution is uniform, representing total ignorance, the method is equivalent to the "Maximum Entropy" estimation criterion (see Kapur and Kesavan, 1992; pp. 151-161).
coefficients which minimizes the entropy distance between the prior $\bar{A}$ and the new estimated coefficient matrix. ${ }^{4}$

$$
\begin{array}{r}
\min \left[\sum_{i} \sum_{j} A_{i, j} \ln \frac{A_{i, j}}{\bar{A}_{i, j}}\right] \\
\text { subject to } \sum_{j} A_{i, j} y_{j}^{( }=y_{i}^{\prime} \\
\sum_{j} A_{j, i}=1  \tag{12}\\
0 \leq A_{j, i} \leq 1
\end{array}
$$

The solution is obtained by setting up the Lagrangian for the above problem and solving it. ${ }^{5}$ The outcome combines the information from the data and the prior:

$$
\begin{equation*}
A_{i j}=\frac{\bar{A}_{i j} \exp \left(\lambda_{i} y_{j}^{( }\right)}{\sum_{i, j} \bar{A}_{i j} \exp \left(\lambda_{i} y_{j}^{( }\right)} \tag{13}
\end{equation*}
$$

where $\lambda_{\mathrm{i}}$ are the Lagrange multipliers associated with the information on row and column sums, and the denominator is a normalization factor.

The expression is analogous to Bayes' Theorem, whereby the posterior distribution ( $A_{i j}$ ) is equal to the product of the prior distribution $\left(\bar{A}_{i j}\right)$ and the likelihood function (probability of drawing the data given parameters we are estimating), dividing by a normalization factor to convert relative probabilities into absolute ones. The analogy to Bayesian estimation is that the approach can be seen as an efficient Information Processing Rule (IPR) whereby we use additional information to revise an initial set of estimates (Zellner, 1988, 1990). In this approach an "efficient" estimator is defined by Jaynes: "An acceptable inference procedure should have the

[^2]property that it neither ignores any of the input information nor injects any false information." Zellner (1988) describes this as the "Information Conservation Principle."

## Types of Information

Priors The matrix $\bar{A}$ from an earlier year provides information about the new coefficients. The approach is to estimate a new set of coefficients "close" to the prior.

Moment Constraints The most common kind of information to have is data on some or all of the row and column sums of the new SAM. This knowledge can be incorporated easily in the cross entropy framework by imposing a fixed value on $y^{*}$ in equation (11) in the same way as the RAS method (eq. (5)). While the RAS procedure is based on knowing all row and column sums, it is only one of several possible sources of information in CE estimation.

Economic Aggregates In addition to row and column sums, one often has additional knowledge about the new SAM. For example, aggregate national accounts data may be available for various macro aggregates such as value added, consumption, investment, government, exports, and imports. There also may be information about some of the SAM accounts such as government receipts and expenditures. This information can be summarized as additional linear adding-up constraints on various elements of the SAM. Define an n-by-n aggregator matrix, G, which has ones for cells in the aggregate and zeros otherwise. Assume that there are k such aggregation constraints, which are given by:

$$
\begin{equation*}
\sum_{i} \sum_{j} G_{i, j}^{(k)} T_{i, j}=\gamma^{(k)} \tag{14}
\end{equation*}
$$

where $\gamma$ is the value of the aggregate. These conditions are simply added to the constraint set in the cross entropy formulation. The conditions are linear in the coefficients and can be seen as additional moment constraints.

Inequality Constraints While one may not have exact knowledge about values for various aggregates, including row and column sums, it may be possible to put bounds on some of these aggregates. Such bounds are easily incorporated by specifying inequality constraints in equations (11) and (14).

## Stochastic Approach: Measurement Error

Most applications of economic models to real world issues must deal with the problem of extracting results from data or economic relationships with noise. In this section we generalize our approach to cases where: (i) row and column sums are not fixed parameters but involve errors in measurement, and (ii) the initial estimate, $\bar{A}$, is not based on a balanced SAM.

Consider the standard regression model:

$$
\begin{equation*}
Y=X \beta+e \tag{15}
\end{equation*}
$$

where $\beta$ is the coefficient vector to be estimated, $Y$ represents the vector of dependent variables, $X$ the independent variables, and $e$ is the error term. Consider the standard assumptions made in regression analysis from the perspective of information theory.

- There is lots of data providing degrees of freedom for estimation.
- The error $e$ is assumed to be distributed with zero mean and constant variance. In practice the error distribution is usually assumed to be normally distributed. This represents a lot of information on the error structure. The only parameter that needs to be estimated is the error variance. Given these assumptions, we only need information in the form of certain moments, which summarize all the information needed from the data to carry out efficient estimation $-\hat{\beta}=\left(X^{\prime} X^{\delta l} X^{\prime} Y\right.$.
- On the other hand, no prior information is assumed about the parameters. The null hypothesis is $\beta=0$, and we assume that no other information is available about $\beta$.
- The independent variables are non-stochastic, meaning that it is in principle possible to repeat the sample with the same independent variables, excluding the possibility of errors in measuring these variables.

These assumptions are extremely constraining when estimating a SAM because little is known about the error structure and data are scarce. The SAM is not a model but a statistical framework where the issue is not specifying an error generating process but as a problem of measurement error. ${ }^{6}$ Finally, data such as parameter values for previous years, which are often available when estimating a SAM, provide information about the current SAM, but this information cannot be put to productive use in the standard regression model. Compared to the standard regression model, we know little about the errors but have a lot of information in a variety of forms about the coefficients to be estimated.

We extend the cross entropy criterion to include an "errors in variables" formulation where the independent variables are assumed to be measured with noise as opposed to the "errors in equations" specification, where the process is assumed to include random noise.

Rewrite the SAM equation and the row/column sum consistency constraints as:

[^3]\[

$$
\begin{align*}
& y=A[\bar{x}+e]=A \bar{x}+A e  \tag{16}\\
& y=\bar{x}+e
\end{align*}
$$
\]

where $y$ is the vector of row sums and $x$, measured with error $e$, is the initial known vector of column sums. Following Golan, Judge, and Miller (1994, chapter 6), we write the errors as a weighted average of known constants as follows:

$$
\begin{equation*}
e_{i}=\sum_{w} W_{i, w} \bar{v}_{i, w} \tag{17}
\end{equation*}
$$

subject to the weights summing to one:

$$
\begin{array}{ll} 
& \sum_{w} W_{i, w}=1  \tag{18}\\
\text { and } & 0 \leq W_{i, w} \leq 1
\end{array}
$$

where $w$ is the set of weights, $W$. In the estimation, the weights are treated as probabilities to be estimated. The constants, $v$, define the "support" set for the errors and are usually chosen to yield a symmetric distribution with moments depending on the number of elements in the set $w$. For example, if the error distribution is assumed to be rectangular and symmetric around zero, with known upper and lower bounds, the error equation becomes:

$$
\begin{equation*}
e_{i}=W_{i} \bar{v}_{i}-\left(1-W_{i}\right) \bar{v}_{i} \tag{19}
\end{equation*}
$$

In this case the variance is fixed. In general, one can add more $v$ 's and $W$ s to incorporate more information about the error distribution (e.g., more moments, including variance, skewness, and kurtosis).

Given knowledge about the error bounds, equations (17) and (18) are added to the constraint set and equation (16) replaces the SAM equation (equation 3). The problem is messier in that the SAM equation is now nonlinear, involving the product of $A$ and $e$. The minimization problem is to find a set of $A$ 's and $W$ 's that minimize cross entropy including a term in the errors:

$$
\begin{align*}
I(A, W: \bar{A}) & =\left[\sum_{i} \sum_{j} A_{i, j} \ln A_{i, j}-\sum_{i} \sum_{j} A_{i, j} \ln \bar{A}_{i, j}\right] \\
& +\left[\sum_{i} \sum_{w} W_{i, w} \ln W_{i, w}-\sum_{i} \sum_{w} W_{i, w} \ln \frac{1}{n}\right] \tag{20}
\end{align*}
$$

subject to the constraint equations that column and row sums be equal, and that the $W$ 's and $A$ 's fall between zero and one, and any other linear known aggregation inequalities or equalities (where n is the number of elements in the set $W$,). Note that if the distribution is symmetric, then when all the $W$ 's are equal, which is the default prior, all the errors are zero. ${ }^{7}$

We are minimizing equation 20 over the $A$ 's (SAM coefficients) and $W$ 's (weights on the error term), where the $W$ 's are treated like the $A$ 's. In the estimation procedure, the terms involving the $A$ 's and $W$ 's are assigned equal weights, reflecting an equal preference for "precision" (the $A$ 's) in the estimates of the parameters, and "prediction" (the $W$ 's) or the "goodness of fit" of the equation on row and column sums. Golan, Judge, and Miller (1996) report Monte Carlo experiments where they explore the implications of changing these weights and conclude that equal weighting of precision and prediction is reasonable.

Another source of measurement error may arise if the initial SAM, $\bar{A}$, is not itself a balanced SAM. That is, its corresponding rows and columns may not be equal. This situation does not change the cross entropy estimation procedure, but implies that it is not possible to achieve a cross entropy measure of zero because the prior is not feasible. The idea is to find a new feasible SAM that is "entropy-close" to the infeasible prior.

## An Example: Mozambique

To illustrate the use of the proposed cross entropy estimator, we apply it to recover an already existing 1994 macro SAM for Mozambique (Table 3). ${ }^{8}$ The original SAM is perturbed to be inconsistent, with some row and column sums not equal (Table 4). Starting from the perturbed inconsistent SAM as our prior, the problem is to estimate the coefficients of the original SAM.
${ }^{7}$ When the error distribution is assumed to be rectangular between the upper and lower bounds, and is symmetric around zero (that is only two $W$ s), equation (20) is written as:

$$
\min \left[\sum_{i} \sum_{j} A_{i, j} \ln A_{i, j}-\sum_{i} \sum_{j} A_{i, j} \ln \bar{A}_{i j}+\sum_{i}\left[W_{i} \ln W_{i}+\left(1-W_{i}\right) \ln \frac{1}{2}\right]\right]
$$

${ }^{8}$ Arndt, C. et al. (1997) describe the Mozambique SAM in detail.

We report the results and the efficiency gains from adding information to the estimation problem. The gains are evaluated according to how close the estimated SAM is to the initial SAM - the SAM in Table 3.

Three estimation results are reported. The first set of "Core" results are estimated under the assumption of no information and uses the core cross entropy method where only equations (11) and (12) are imposed as constraints (or equivalently, equations 1-8 in Appendix A with all error terms set to zero). The second set (Allfix) adds additional information assumed known from other sources. The additional information includes moment constraints on some row and column sums, inequality constraints, and knowledge of various economic aggregates like total consumption, exports, imports, and GDP at market prices. The third (Allfix plus error) extends the second estimation method to include the "errors in variables" formulation, adding information on additional row and column sums assumed to be measured with error. For the error term $\left(e_{\mathrm{i}}\right)$, we specify an error support set with three elements centered on zero, allowing a two-parameter symmetric distribution with unknown variance.

For each SAM estimation, Tables 5-7 report the new estimated balanced SAM along with the cell-by-cell deviation from the initial SAM. In addition, a set of estimation statistics relevant to each estimated SAM are reported in Table 2, which indicates the gains from adding information to the estimation problem.

Table 2. Estimation statistics

|  | Core | AllFix | Allfix plus error |
| :--- | ---: | ---: | ---: |
| Root Mean Square Error (RMSE) | 2.4718 | 0.9406 | 0.7785 |
| Coefficient RMSE | 0.0112 | 0.0110 | 0.0072 |
| CE $^{*}$ associated with SAM coefficients | 0.0000 | 0.0007 | 0.0028 |
| CE associated with error term | 0.0000 | 0.0000 | 0.0010 |
| Total CE | 0.0000 | 0.0007 | 0.0038 |

Note:
Core $=$ estimation under the assumption of no information added.
AllFix = estimation with additional information (moment constraints on some row and column sums, aggregate economic data on total consumption, exports, imports, and GDP at market
prices).
AllFix plus error = AllFix + "errors in variables" formulation on remaining column sums.

* $\mathrm{CE}=$ cross entropy

The gains from adding information to the estimation problem are evaluated according to how close the estimated SAM is to the initial SAM, in terms of both flows and coefficients. From Table 2, the root mean square error (RMSE) for the SAM flows and the SAM coefficients, measured relative to the initial SAM, falls as we add more information to the Core estimation. A
falling RMSE indicates that the estimated SAM coefficients have a smaller dispersion around their respective true values (represented by the initial SAM).

The Cross-Entropy measures reflect how much the information we have introduced has shifted our solution away from the inconsistent prior, and also accounting for the imprecision of the moments assumed to be measured with error. Intuition suggests that if the information constraints are binding the distance from the prior will increase; if none are binding then the cross entropy (CE) distance will be zero. That is, there exists a $y$, such that $\bar{A} y=y$. In our Core case without any constraints on the $y$ other than that column and row sums must be equal, a solution can be found without changing the column coefficients, as indicated by a CE measure of zero. ${ }^{9}$ We observe that, as more information is imposed, the CE measure increases as expected.

In the final estimation (AllFix with error), we impose a full set of column sums (information on $y$ ), but some are assumed to be measured with error. We end up with a CE measure associated with the error term that is larger, but the RMSE is smaller. The added information is significantly improving our estimate even when information is added in an imprecise way. The RMSE in Table 2 falls significantly as more information is used - by about 66 percent for the AllFix, and an additional 20 percent for the final estimation.

## Conclusion

The cross entropy approach provides a flexible and powerful method for estimating a social accounting matrix (SAM) when dealing with scattered and inconsistent data. The method represents a considerable extension of the standard RAS method, which assumes that one starts from a consistent prior SAM and has knowledge only about row and column totals. The cross entropy framework allows a wide range of prior information to be used efficiently in estimation. The prior information can be in a variety of forms, including linear and nonlinear inequalities, errors in equations, measurement error (using an error-in-variables formulation). One also need not start from a balanced or consistent SAM. We have presented cross entropy estimation results applied to the case of a SAM for Mozambique, where we started from a perturbed inconsistent SAM as our prior. Then we measured the gains from incorporating a wide range of information from a variety of sources to improve our estimation of the SAM parameters.

[^4]
## Table 3. Initial balanced 1994 Macro SAM for Mozambique

(millions of 1994 meticais)

|  | Expenditure |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Receipts | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | Totals |
| (1) Agr. activity |  |  | 25.14 |  |  |  | 30.49 |  |  |  |  |  | 55.63 |
| (2) Non-agr. activity |  |  | 12.46 | 206.28 |  |  | 2.14 |  |  |  |  |  | 220.88 |
| (3) Agr. Commodity | 1.58 | 13.42 |  |  |  |  | 20.12 |  | 0.00 |  | 0.09 | 8.58 | 43.79 |
| (4) Non-agr. Commodity | 7.24 | 98.86 |  |  |  |  | 86.72 | 16.78 | 0.00 | 33.94 | 33.03 | 24.13 | 300.69 |
| (5) Factors | 47.01 | 108.74 |  |  |  |  |  |  |  |  |  |  | 155.75 |
| (6) Enterprises |  |  |  |  | 62.86 |  |  |  |  |  |  |  | 62.86 |
| (7) Households |  |  |  |  | 91.63 | 58.96 |  | 1.33 |  |  |  | 3.46 | 155.38 |
| (8) Rec. govt.* |  |  | 0.94 | 9.88 | 1.26 | 2.41 | 2.48 |  | 5.55 |  |  |  | 22.53 |
| (9) Indirect tax | -0.19 | -0.14 | 0.24 | 5.64 |  |  |  |  |  |  |  |  | 5.55 |
| (10) Govt. investment |  |  |  |  |  |  |  |  |  |  |  | 22.94 | 22.94 |
| (11) Private investment |  |  |  |  |  | 1.49 | 13.42 | 4.43 |  | -11.00 |  | 24.79 | 33.12 |
| (12) Rest of the world |  |  | 5.01 | 78.89 |  |  |  |  |  |  |  |  | 83.90 |
| Totals | 55.63 | 220.88 | 43.79 | 300.69 | 155.75 | 62.86 | 155.38 | 22.53 | 5.55 | 22.94 | 33.12 | 83.90 | 1163.02 |

Source: Arndt, C. et al., 1997.

* Recurrent government expenditures

|  | Expenditure |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Receipts | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | Totals |
| (1) Agr. activity |  |  | $\begin{array}{r} 20.00 \\ (-5.14) \end{array}$ |  |  |  | 30.49 |  |  |  |  |  | $\begin{array}{r} 50.49 \\ (-5.14) \end{array}$ |
| (2) Non-agr. activity |  |  | 12.46 | $\begin{array}{r} 195.00 \\ (-11.28) \end{array}$ |  |  | 2.14 |  |  |  |  |  | $\begin{array}{r} 209.60 \\ (-11.28) \end{array}$ |
| (3) Agr. Commodity | 1.58 | $\begin{array}{r} 13.00 \\ (-0.42) \end{array}$ |  |  |  |  | 20.12 |  | 0.00 |  | 0.09 | 8.58 | $\begin{array}{r} 43.37 \\ (-0.42) \end{array}$ |
| (4) Non-agr. Commodity | 7.24 | $\begin{array}{r} 96.00 \\ (-2.86) \end{array}$ |  |  |  |  | 86.72 | 16.78 | 0.00 | $\begin{array}{r} 32.00 \\ (-1.94) \end{array}$ | $\begin{array}{r} 35.00 \\ (-1.97) \end{array}$ | 24.13 | $\begin{aligned} & 297.86 \\ & (-2.82) \end{aligned}$ |
| (5) Factors | 47.01 | 108.74 |  |  |  |  |  |  |  |  |  |  | 155.75 |
| (6) Enterprises |  |  |  |  | 62.86 |  |  |  |  |  |  |  | 62.86 |
| (7) Households |  |  |  |  | 91.63 | $\begin{array}{r} 60.00 \\ (-1.04) \end{array}$ |  | 1.33 |  |  |  | 3.46 | $\begin{array}{r} 156.42 \\ (1.04) \end{array}$ |
| (8) Rec. govt.* |  |  | 0.94 | 9.88 | 1.26 | 2.41 | 2.48 |  | 5.55 |  |  |  | 22.53 |
| (9) Indirect tax | -0.19 | -0.14 | 0.24 | 5.64 |  |  |  |  |  |  |  |  | 5.55 |
| (10) Govt. investment |  |  |  |  |  |  |  |  |  |  |  | 22.94 | 22.94 |
| (11) Private investment |  |  |  |  |  | 1.49 | $\begin{array}{r} 12.00 \\ (-1.42) \end{array}$ | 4.43 |  | -11.00 |  | 24.79 | $\begin{array}{r} 31.70 \\ (-1.42) \end{array}$ |
| (12) Rest of the world |  |  | 5.01 | 78.89 |  |  |  |  |  |  |  |  | 83.90 |
| Totals | 55.63 | $\begin{aligned} & 217.60 \\ & (-3.27) \end{aligned}$ | 38.65 | $\begin{array}{r} 289.41 \\ (-11.28) \end{array}$ | 155.75 | $\begin{array}{r} 63.90 \\ (-1.04) \end{array}$ | $\begin{aligned} & 153.96 \\ & (-1.42) \end{aligned}$ | 22.53 | 5.55 | $\begin{array}{r} 21.00 \\ (-1.94) \end{array}$ | $\begin{array}{r} 35.09 \\ (-1.97) \\ \hline \end{array}$ | 83.90 | 1163.02 |

## Source: Arndt, C. et al., 1997

* Recurrent government expenditures

Note: numbers in parenthesis represent the difference between the perturbed SAM and the true SAM of Table 3

| Table 5. Core Cross Entropy estimation for the 1994 Macro SAM for Mozambique (Core) |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Expenditure |  |  |  |  |  |  |  |  |  |  |  |  |
| Receipts | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | Totals |
| (1) Agr. activity |  |  | $\begin{array}{r} 21.77 \\ (-3.37) \end{array}$ |  |  |  | $\begin{array}{r} 29.36 \\ (-1.14) \end{array}$ |  | 0.00 |  |  |  | $\begin{array}{r} 51.13 \\ (-4.50) \end{array}$ |
| (2) Non-agr. activity |  |  | $\begin{gathered} 13.57 \\ (1.11) \end{gathered}$ | $\begin{array}{r} 194.63 \\ (-11.65) \end{array}$ |  |  | $\begin{array}{r} 2.06 \\ (-0.08) \end{array}$ |  | 0.00 |  |  |  | $\begin{array}{r} 210.26 \\ (-10.62) \end{array}$ |
| (3) Agr. Commodity | $\begin{array}{r} 1.45 \\ (-0.13) \end{array}$ | $\begin{array}{r} 12.56 \\ (-0.86) \end{array}$ |  |  |  |  | $\begin{array}{r} 19.37 \\ (-0.75) \end{array}$ |  | 0.00 |  | $\begin{array}{r} 0.09 \\ (-0.01) \end{array}$ | $\begin{array}{r} 8.61 \\ (0.03) \end{array}$ | $\begin{array}{r} 42.08 \\ (-1.71) \end{array}$ |
| (4) Non-agr. Commodity | $\begin{array}{r} 6.65 \\ (-0.58) \end{array}$ | $\begin{array}{r} 92.76 \\ (-6.09) \end{array}$ |  |  |  |  | $\begin{array}{r} 83.49 \\ (-3.23) \end{array}$ | $\begin{array}{r} 16.61 \\ (-0.17) \end{array}$ | 0.00 | $\begin{array}{r} 33.09 \\ (-0.85) \end{array}$ | $\begin{array}{r} 32.04 \\ (-0.98) \end{array}$ | $\begin{aligned} & 24.22 \\ & (0.08) \end{aligned}$ | $\begin{array}{r} 288.86 \\ (-11.82) \end{array}$ |
| (5) Factors | $\begin{array}{r} 43.22 \\ (-3.79) \end{array}$ | $\begin{aligned} & 105.07 \\ & (-3.67) \end{aligned}$ |  |  |  |  |  |  |  |  |  |  | $\begin{aligned} & 148.29 \\ & (-7.46) \end{aligned}$ |
| (6) Enterprises |  |  |  |  | $\begin{array}{r} 59.85 \\ (-3.01) \end{array}$ |  |  |  |  |  |  |  | $\begin{array}{r} 59.85 \\ (-3.01) \end{array}$ |
| (7) Households |  |  |  |  | $\begin{array}{r} 87.24 \\ (-4.39) \end{array}$ | $\begin{array}{r} 56.20 \\ (-2.76) \end{array}$ |  | $\begin{array}{r} 1.32 \\ (-0.01) \end{array}$ |  |  |  | $\begin{array}{r} 3.47 \\ (0.01) \end{array}$ | $\begin{aligned} & 148.22 \\ & (-7.15) \end{aligned}$ |
| (8) Rec. govt.* |  |  | $\begin{array}{r} 1.02 \\ (0.08) \end{array}$ | $\begin{array}{r} 9.87 \\ (-0.02) \end{array}$ | $\begin{array}{r} 1.20 \\ (-0.06) \end{array}$ | $\begin{array}{r} 2.26 \\ (-0.15) \end{array}$ | $\begin{array}{r} 2.39 \\ (-0.09) \end{array}$ |  | $\begin{array}{r} 5.56 \\ (0.01) \end{array}$ |  |  |  | $\begin{array}{r} 22.30 \\ (-0.23) \end{array}$ |
| (9) Indirect tax | -0.19 | -0.14 | $\begin{array}{r} 0.26 \\ (0.02) \end{array}$ | $\begin{array}{r} 5.63 \\ (-0.01) \end{array}$ |  |  |  |  |  |  |  |  | $\begin{array}{r} 5.56 \\ (0.01) \end{array}$ |
| (10) Govt. investment |  |  |  |  |  |  |  |  |  |  | $\begin{array}{r} -0.93 \\ (-0.92) \end{array}$ | $\begin{aligned} & 23.02 \\ & (0.08) \end{aligned}$ | $\begin{array}{r} 22.09 \\ (-0.85) \end{array}$ |
| (11) Private investment |  |  |  |  |  | $\begin{array}{r} 1.39 \\ (-0.09) \end{array}$ | $\begin{array}{r} 11.55 \\ (-1.87) \end{array}$ | $\begin{array}{r} 4.38 \\ (-0.05) \end{array}$ |  | -11.00 |  | $\begin{aligned} & 24.88 \\ & (0.09) \end{aligned}$ | $\begin{array}{r} 31.20 \\ (-1.92) \end{array}$ |
| (12) Rest of the world |  |  | $\begin{array}{r} 5.45 \\ (0.44) \\ \hline \end{array}$ | $\begin{array}{r} 78.74 \\ (-0.15) \\ \hline \end{array}$ |  |  |  |  |  |  |  |  | $\begin{array}{r} 84.19 \\ (0.29) \\ \hline \end{array}$ |
| Totals | $\begin{array}{r} 51.13 \\ (-4.50) \end{array}$ | $\begin{array}{r} 210.26 \\ (-10.62) \end{array}$ | $\begin{array}{r} 42.08 \\ (-1.71) \end{array}$ | $\begin{array}{r} 288.86 \\ (-11.82) \end{array}$ | $\begin{aligned} & 148.29 \\ & (-7.46) \end{aligned}$ | $\begin{array}{r} 59.85 \\ (-3.01) \end{array}$ | $\begin{aligned} & 148.22 \\ & (-7.15) \end{aligned}$ | $\begin{array}{r} 22.30 \\ (-0.23) \end{array}$ | $\begin{array}{r} 5.56 \\ (0.01) \end{array}$ | $\begin{array}{r} 22.09 \\ (-0.85) \end{array}$ | $\begin{array}{r} 31.20 \\ (-1.92) \end{array}$ | $\begin{array}{r} 84.19 \\ (0.29) \\ \hline \end{array}$ |  |

Source: Arndt, C. et al., 1997.

* Recurrent government expenditures

Note: numbers in parenthesis represent the difference between the estimated SAM and the initial SAM of Table 3.

| Table 6. Cross Entropy and additional information estimation for the 1994 Macro SAM for Mozambique (AllFix) |
| :--- |

Source: Arndt, C. et al., 1997.

* Recurrent government expenditures

Note: numbers in parenthesis represent the difference between the estimated SAM and the initial SAM of Table 3 .

Table 7. Cross Entropy and additional column sums measured with error estimation for the 1994 Macro SAM for Mozambique (AllFix plus error) (millions of 1994 meticais)

| Receipts | Expenditure |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | Totals |
| (1) Agr. activity |  |  | $\begin{array}{r} 23.36 \\ (-1.78) \end{array}$ |  |  |  | $\begin{gathered} 32.26 \\ (1.77) \end{gathered}$ |  | 0.00 |  |  |  | 55.62 |
| (2) Non-agr. activity |  |  | $\begin{gathered} 13.40 \\ (0.94) \end{gathered}$ | $\begin{aligned} & 202.98 \\ & (-3.30) \end{aligned}$ |  |  | $\begin{array}{r} 1.68 \\ (-0.46) \end{array}$ |  | 0.00 |  |  |  | 218.06 |
| (3) Agr. Commodity | 1.58 | $\begin{array}{r} 13.14 \\ (-0.28) \end{array}$ |  |  |  |  | $\begin{array}{r} 19.96 \\ (-0.16) \end{array}$ |  | 0.00 |  | 0.09 | $\begin{array}{r} 8.60 \\ (0.02) \end{array}$ | 43.37 |
| (4) Non-agr. Commodity | 7.24 | $\begin{array}{r} 96.30 \\ (-2.55) \end{array}$ |  |  |  |  | $\begin{array}{r} 85.57 \\ (-1.15) \end{array}$ | $\begin{array}{r} 16.64 \\ (-0.14) \end{array}$ | 0.00 | $\begin{array}{r} 33.93 \\ (-0.01) \end{array}$ | $\begin{gathered} 33.18 \\ (0.16) \end{gathered}$ | $\begin{array}{r} 24.11 \\ (-0.02) \end{array}$ | 296.97 |
| (5) Factors | $\begin{array}{r} 47.00 \\ (-0.02) \end{array}$ | $\begin{gathered} 108.76 \\ (0.02) \end{gathered}$ |  |  |  |  |  |  |  |  |  |  | 155.75 |
| (6) Enterprises |  |  |  |  | 62.86 |  |  |  |  |  |  |  | 62.86 |
| (7) Households |  |  |  |  | $\begin{array}{r} 91.61 \\ (-0.02) \end{array}$ | $\begin{array}{r} 58.95 \\ (-0.01) \end{array}$ |  | $\begin{array}{r} 1.35 \\ (0.02) \end{array}$ |  |  |  | $\begin{array}{r} 3.30 \\ (-0.16) \end{array}$ | 155.21 |
| (8) Rec. govt.* |  |  | $\begin{array}{r} 1.01 \\ (0.06) \end{array}$ | $\begin{array}{r} 9.82 \\ (-0.06) \end{array}$ | $\begin{array}{r} 1.28 \\ (0.02) \end{array}$ | $\begin{array}{r} 2.39 \\ (-0.03) \end{array}$ | $\begin{array}{r} 2.50 \\ (0.01) \end{array}$ |  | 5.54 |  |  |  | 22.53 |
| (9) Indirect tax | -0.19 | -0.14 | $\begin{array}{r} 0.26 \\ (0.02) \end{array}$ | $\begin{array}{r} 5.62 \\ (-0.02) \end{array}$ |  |  |  |  |  |  |  |  | 5.55 |
| (10) Govt. investment |  |  |  |  |  |  |  |  |  |  | 0.11 | $\begin{array}{r} 22.82 \\ (-0.12) \end{array}$ | 22.93 |
| (11) Private investment |  |  |  |  |  | $\begin{array}{r} 1.52 \\ (0.04) \end{array}$ | $\begin{array}{r} 13.24 \\ (-0.18) \end{array}$ | $\begin{array}{r} 4.55 \\ (0.13) \end{array}$ |  | -11.00 |  | $\begin{aligned} & 25.07 \\ & (0.28) \end{aligned}$ | 33.38 |
| (12) Rest of the world |  |  | $\begin{array}{r} 5.35 \\ (0.34) \\ \hline \end{array}$ | $\begin{array}{r} 78.55 \\ (-0.34) \\ \hline \end{array}$ |  |  |  |  |  |  |  |  | 83.90 |
| Totals | $\begin{array}{r} 55.62 \\ (-0.02) \\ \hline \end{array}$ | $\begin{aligned} & 218.06 \\ & (-2.81) \\ & \hline \end{aligned}$ | $\begin{array}{r} 43.37 \\ (-0.42) \\ \hline \end{array}$ | $\begin{array}{r} 296.97 \\ (-3.71) \\ \hline \end{array}$ | 155.75 | $\begin{array}{r} 62.86 \\ (0.00) \\ \hline \end{array}$ | $\begin{aligned} & 155.21 \\ & (-0.17) \\ & \hline \end{aligned}$ | 22.53 | 5.55 | $\begin{array}{r} 22.93 \\ (-0.01) \\ \hline \end{array}$ | $\begin{gathered} 33.38 \\ (0.26) \\ \hline \end{gathered}$ | 83.90 |  |

[^5]* Recurrent government expenditures

Note: numbers in parenthesis represent the difference between the estimated SAM and the initial SAM of Table 3.

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Appendix A: Mathematical Representation

Table A.1: Cross Entropy Equations

| \# | Equation | Description |
| :---: | :---: | :---: |
| 1 | $\begin{aligned} I(A, W: \bar{A}) & =\left[\sum_{i} \sum_{j} A_{i, j} \ln A_{i, j}-\sum_{i} \sum_{j} A_{i, j} \ln \bar{A}_{i, j}\right] \\ & +\left[\sum_{i} \sum_{w} W_{i, w} \ln W_{i, w}-\sum_{i} \sum_{w} W_{i, w} \ln \frac{1}{n}\right] \end{aligned}$ | Cross-Entropy minimand |
| 2 | $T_{i, j}=A_{i, j}\left(\bar{X}_{i}+e_{i}\right)$ | SAM equation |
| 3 | $Y_{i}=\bar{X}_{i}+e_{i}$ | Row/column sum consistency |
| 4 | $e_{i}=\sum_{w} W_{i, w} \bar{v}_{i, w}$ | Error definition |
| 5 | $\sum_{j} T_{i, j}=\bar{X}_{i}+e_{i}$ | Row sum |
| 6 | $\sum_{i} T_{i, j}=Y_{j}$ | Column sum |
| 7 | $\sum_{i} A_{i, j}=1 \quad \text { and } 0<A_{i, j}<1$ | Sum of Column coefficients |
| 8 | $\sum_{w} W_{i, w}=1 \quad$ and $0<W_{i, w}<1$ | Sum of weights on errors |
| 9 | $\sum_{i} \sum_{j} G_{i, j}^{(k)} T_{i, j}=\gamma^{(k)}$ | Additional Constraints |

## Notation



Appendix B: GAMS Code

## Appendix B: GAMS code

What follows is a listing of the GAMS program used in illustrating the entropy difference method discussed above. A quick list of some of GAMS features are listed below. For additional information about GAMS syntax see Brooke, Kendrick, and Meeraus (1988).

In the GAMS language:

- Parameters are treated as constants in the model and are defined in separate "PARAMETER" statements.
- "SUM" is the summation operator, sigma.
- "\$" introduces a conditional "if" statement.
- The suffix ".FX" indicates a fixed variable.
- The suffix ".L" indicates the level or solution value of a variable.
- The suffix ".LO" and ".UP" indicate the lower and upper bounds, respectively of a variable.
- An asterisk "*" in the first column indicates a comment. Alternative treatments in the model Code are shown commented out.
- An "ALIAS" statement is used to give another name to a previously declared set.
- A semicolon (;) terminates a GAMS statement.
- Items between slashes (/) are data or set elements.
\$TITLE Entropy Difference. Mozambique Macro SAM \$OFFSYMLIST OFFSYMXREF OFFUPPER
*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# \#\#\#\#\#\#\#\#\#\#\#\#
* 
* MOZAM101 start by aggregating the balanced micro SAM reported in:
* Arndt, Channing, et al. (1998) " Social Accounting Matrices for
* Mozambique 1994 and 1995" MERISSA projectworking paper No. XX
* IFPRI, Washington, D.C
* The aggregated SAM is then perturbed and the Cross Entropy Method
* is used under different assumptions about data
availability to
* re-estimate it
* 
* Programmed by Sherman Robinson, Andrea Cattaneo, and Moataz El-Said,
* June 1998.
* Trade and Macroeconomics Division
* International Food Policy Research Institute (IFPRI)
* 2033 K St., N.W.
* Washington, DC 20006 USA
* Email: S.Robinson@CGIAR.ORG
* A.Cattaneo@CGIAR.ORG
* M.El-Said@CGIAR.ORG
* Method described in S. Robinson and M. El Said,
"Estimating a Social
* Accounting Matrix Using Cross Entropy Methods." September 1997.
* See also A. Golan, G. Judge, and D. Miller, Entropy Difference
* Econometrics, John Wiley \& Sons, 1996.
* Based on program used in C. Arndt, A. S. Cruz, H. T.

Jensen,

* S. Robinson, and F. Tarp, "A Social Accounting Matrix for Mozambique:
* Base Year 1994." Institute of Economics, University of Copenhagen,
* March 1997
* Original version programmed by Sherman Robinson and Andrea Cattaneo.
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SETS
i macrosam accounts / AGRA Agricultural activities NAGRA Non agricultural activities AGRC Agricultural Commodities

NAGRC Non agricultural Commodities
FAC Factors
ENT Enterprises
HOU Households
GRE Govt recurrent expenditures
ITAX Indirect taxes
GIN Govt investment
CAP Capital account
ROW Rest of world

TOTAL
/
ii(i) all acounts in i except TOTAL

* For a uniform distribution, set jwt to only two entries. Error * range set below with the vbar parameter.

| jwt | weights on errors in variables | / 1*3 / |
| :---: | :---: | :---: |
| AA (i) | activity | $\begin{aligned} & \text { /AGRA } \\ & \text { NAGRA } \end{aligned}$ |
| CC (i) | Commodity | /AGRC NAGRC |
| F (i) | Factors | /FAC |
| H (i) | Households | / HOU |
| G (i) | Government and Investment accounts | $\begin{aligned} & \text { /GRE } \\ & \text { ITAX } \\ & \text { GIN } \\ & \text { CAP } \end{aligned}$ |

FIX(i) Accounts to be fixed when solving core with allfix
/ FAC, GRE, ITAX, ROW

| ii(i) | $=$ YES; |
| :--- | :--- |
| ii("Total") | $=$ NO; |

ALIAS (AA, AAP), (CC,CCP), (F,FP), (H,HP) ;
ALIAS (i,j), (ii,jj);
*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# SAM DATABASE

## \#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#

*Initial balanced Macro SAM (aggregate of Micro SAM / parameter SAM1)

| FAC | AGRA ENT | NAGRA | AGRC | NAGRC |
| :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |
| AGRA |  |  | 25.140 |  |
| NAGRA |  |  | 12.464 | 206.275 |
| AGRC | 1.578 | 13.419 |  |  |
| NAGRC | 7.235 | 98.855 |  |  |
| FAC | 47.012 | 108.740 |  |  |
| ENT |  |  |  |  |
| 62.860 |  |  |  |  |
| HOU |  |  |  |  |
| 91.629 | 58.961 |  |  |  |
| GRE |  |  | 0.941 | 9.885 |
| 1.263 | 2.414 |  |  |  |
| ITAX | -0.194 | -0.135 | 0.239 | 5.636 |
| CAP |  |  |  |  |
|  | 1.485 |  |  |  |
| ROW |  |  | 5.007 | 78.892 |
| TOTAL | 55.631 | 220.879 | 43.792 | 300.687 |
| 155.752 | 62.860 |  |  |  |
| + | HOU | GRE | ITAX | GIN |
| CAP | ROW |  |  |  |
| AGRA | 30.491 |  |  |  |
| NAGRA | 2.140 |  |  |  |
| AGRC | 20.120 |  | $-2.40000 \mathrm{E}-4$ |  |
| 0.095 | 8.581 |  |  |  |
| NAGRC | 86.720 | 16.778 | $-2.20000 \mathrm{E}-4$ | 33.942 |
| 33.027 | 24.131 |  |  |  |
| HOU |  | 1.331 |  |  |
|  | 3.457 |  |  |  |
| GRE | 2.485 |  | 5.547 |  |



| Abar00 (i,j) | Prior SAM coefficient matrix |
| :--- | :--- |
| Abarll(i,j) | Adjusted prior SAM coefficient matrix for |
| negative coefficients |  |
| Target0 (i) | Targets for macro SAM column totals |
| Vbar(i, jwt) | Error bounds |
| DELTA | Tolerance to allow zero entries in new SAM | ;

SCALARS

| sumtarg0 | sum of targets |
| :--- | :--- |
| TM0 | Total imports |
| TX0 | Total exports |
| TC0 | Total household consumption |
| TVA0 | total value added from true SAM |
| GDPMP0 | GDP at market prices |

*\#\#\#\#\#\#\#\#\#\#\#\# Setting SAM to aggregated SAM1 then perturbing it \#\#\#\#\#\#\#\#\#\#\#\#

$$
\begin{array}{ll}
\operatorname{SAM}(i, j) & =\operatorname{SAM}(i, j) ; \\
\operatorname{SAMO}(i, j) & =\operatorname{SAM}(i, j) ;
\end{array}
$$

* Perturbing Domestic sales

SAM ("AGRA","AGRC") = 20.00;
SAM ("NAGRA", "NAGRC") = 195.00;

* Perturbing Intermediate demand

SAM ("AGRC", "NAGRA") $=13.00$;
SAM ("NAGRC", "NAGRA") $=96.00$;

* Perturbing Enterprise payment to Household SAM("HOU","ENT") = 60.00;
* Perturbing Household Savings
SAM ("CAP", "HOU")
= 12.00;
* Perturbing Government investment (Gov't Investment to commodities)
SAM ("NAGRC","GIN") = 32.00;
* Perturbing investment (Capital payment to commodities) SAM ("NAGRC","CAP") = 35.00;
* \#\#\#\#\#\#\#\#\#\#\#\#\#\# calculating totals

| SAM ("TOTAL",jj) | $=\operatorname{sum}(i i, \operatorname{SAM}(i i, j j)) ;$ |
| :--- | :--- |
| SAM(ii,"TOTAL") | $=\operatorname{sum}(j j, \operatorname{SAM}(i i, j j)) ;$ |

```
SAM2(i,j) = SAM(i,j);
DIFF(i,j) = SAM(i,j) - SAMO(i,j)
PERCENT(i,j)$SAM(i,j) = 100*(SAM(i,j) - SAMO(i,j))/SAMO(i,j);
Display SAM, SAMO, DIFF, PERCENT;
```

*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# Divide SAM entries by 10 for better scaling

$$
\begin{array}{ll}
\operatorname{SAM}(i, j) & =\operatorname{sam}(i, j) / 10 ; \\
\operatorname{SAM}(i, j) & =\operatorname{sam}(i, j) / 10 ;
\end{array}
$$

*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# Initializing Parameters

```
Abar0(ii,jj)$SAM(ii,jj) = SAM(ii,jj)/SAM("TOTAL",jj) ;
Abar00(ii,jj)$SAM1(ii,jj) = SAM1(ii,jj)/SAM1("TOTAL",jj) ;
T0(ii,jj) = SAM(ii,jj);
T0("TOTAL",jj)
T0(ii,"TOTAL"
T00(ii,jj)
TOO("TOTAL",jj) = SUM(ii, SAM(ii,jj));
TOO(ii,"TOTAL") = SUM(jj, SAM(ii,jj));
DELTA = .000001;
Display T0, Abar0, sam0 ;
```

*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# CROSS ENTROPY \#\# \# \# \# \# \# \# \# \# \# \# \# \# \# \# \# \#\#\#\#\#\#\#\#\#\#\#\#\#\#
*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# RED ALERT!!! \#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#

* The ENTROPY DIFFERENCE procedure uses LOGARITHMS: negative flows in
* the SAM are NOT GOOD!!!
* 
* The option used here is to detect any negative flows and net them out
* of their respective symmetric cells, e.g.
* negative flow ACT ---> GRE is set to zero
* and ADDED to GRE ---> ACT as a positive number.
* The entropy difference method can then be implemented.
* After balancing, the negative SAM values are returned to their
* original cells for printing.
red(i,j) Set of negative SAM flows
;

Parameter
redsam(i,j)
rtot(i)
ctot(i)
redsam1 (i,j)
rtot1(i)
ctot1(i)
rtot (ii)
ctot(jj)
rtot1(ii)
ctot1(jj)
red(ii,jj)\$(T0(ii,jj) LT 0)
redsam(ii, jj)
redsam(ii, jj) \$red(ii,jj)
redsam(jj,ii) \$red(ii,jj)
red(ii,jj)\$(T00(ii,jj) LT 0)
redsam1 (ii,jj)
redsam1 (ii,jj)\$red(ii,jj)
redsam1 (jj,ii) \$red(ii, jj)
$=\operatorname{sum}(j j, T O(i i, j j)) ;$
= sum (ii, TO (ii, jj));
$=$ sum(jj, TOO(ii, jj));
$=$ sum(ii, T00(ii, jj));
= yes ;
= 0 ;
$=T 0(i i, j j) ;$
= T0(ii, jj);
$=$ yes ;
= 0 ;
= T00 (ii, jj);
$=T 00(i i, j j) ;$
*Note that redsam includes each entry twice, in
corresponding row
*and column. So, redsam need only be subtracted from T0.
T1 (ii, jj)
= T0(ii,jj) -
redsam(ii,jj);
T1("Total", jj)
$=\operatorname{sum}(i i, \quad \mathrm{~T}(\mathrm{i}, \mathrm{j} j))$;
T1(ii,"Total")
T2 (ii, jj)
$=\operatorname{sum}(j j, ~ T 1(i i, j j))$;
$=T 00(i i, j j)-$
T2 ("Total", j)
T2 (ii,"Total")
= sum(ii, T2(ii,jj));
$=$ sum(jj, T2(ii, jj));
redsam("total",jj)
= sum(ii,
redsam(ii,"total")
redsam1 ("total", jj)
redsam1 (ii,"total")
sam(ii,"total")
sam("total", jj)
sam1 (ii, "total")
sam1("total", jj)
rtot(ii)
ctot(jj)
rtot1 (ii)
ctot1(jj)
Abar1(ii, jj)
= sum(jj, redsam(ii,jj));
= sum(ii, redsam1 (ii, jj));
= sum(jj, redsam1 (ii, jj));
$=\operatorname{sum}(j j, ~ T 1(i i, j j))$;
= sum(ii, T1(ii,jj));
$=\operatorname{sum}(j j, ~ T 2(i i, j j)) ;$
$=$ sum(ii, T2(ii,jj));
$=\operatorname{sum}(j j, ~ T 1(i i, j j)) ;$
$=$ sum(ii, T1(ii,jj));
= sum(jj, T2(ii,jj));
$=$ sum(ii, T2(ii,jj));

Abar11(ii,jj)
= T1(ii,jj)/sam("total",jj);

T2 (ii, jj)/sam1 ("total", jj);
display "NON-NEGATIVE SAM" ;
display redsam, T1, T2, Abar0, Abar1, rtot, ctot ;
*\#\#\#\#\# Initializing Parameters after accounting for negative values \#\#\#\#\#\#\#
*SR Note that target column sums are being set to average of initial

* row and column sums. Initial column sums could have been used instead,
* depending on data quality and prior knowledge.
target0(ii)
= (sam(ii,"total") + sam("total",ii))/2 ;
target0 (aa)
= sam("total",aa) ;
target 0 (cc)
target0("ent")
= sam(cc,"total") ;
target0("gin")
= sam("ent","total")
sumtarg0
= sam("gin","total")
TM0
= sum(ii, sam(ii,"total") );
= SUM(CC, T2("ROW",CC));
TX0
TVAO
$=\operatorname{SUM}(C C, T 2(C C$, ROW") );
= T2 ("FAC", "AGRA") + T2("FAC", "NAGRA");
$=\operatorname{SUM}((A A, H), T 2(A A, H))+S U M((C C, H)$,
T2 (CC, H) ) ;
GDPMP 0
$=\mathrm{TC} 0+\mathrm{TXO}+\mathrm{SUM}((\mathrm{CC}, \mathrm{G}), \mathrm{T} 2(\mathrm{CC}, \mathrm{G}))-\mathrm{TM} 0$;

Display TVA0, TC0, TX0, TM0, GDPMP0;
*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# VARIABLES
*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# VARIABLES
\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#

| VARIABLES |  |
| :--- | :--- |
| A(i,j) | Post SAM coefficient matrix |
| TSAM(i,j) | Post matrix of SAM transactions |
| Y(i) | row sum of SAM |
| X(i) | column sum of SAM |
| ERR(i) | Error value |
| W(i,jwt) | Error weight |
| DENTROPY | Entropy difference (objective) |
|  |  |
| TVA | Total value added or GDP at factor cost |
| TC | Total consumption |
| TX | Total exports |
| TM | Total imports |
| GDPMP | GDP at market prices |

;
*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# INITIALIZE VARIABLES \#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#
A.L(ii, jj)

Abar1(ii,jj) ;
TSAM.l(ii,jj)
Y.L(ii)
X.L(ii)

ERR.L(ii)
W.L(ii, jwt)

DENTROPY.L
TVA.L
TC.L
TX.L
TM.L
GDPMP. L
Display TM.l
*\#\#\#\#\#\#\#\#\#\#\#\# CORE EQUATIONS
EQUATIONS

| SAMEQ(i) | row and column sum constraint |
| :--- | :--- |
| SAMMAKE(i,j) | make SAM flows |
| ERROREQ(i) | definition of error term |
| SUMW(i) | Sum of weights |
| ENTROPY | Entropy difference definition |
| ROWSUM(i) | row target |
| COLSUM(j) | column target |
| COLSUM2(j) | column coefficients |

*\#\#\#\#\#\#\#\#\#\#\#\# EQUATIONS IMPOSING KNOWN INFORMATION

| TOTVA | Total value added is known |
| :--- | :--- |
| TOTC | Total Consumption |
| TOTX | Total exports |
| TOTM | Total Imports |
| TOTGDP | GDP at market prices |

;
*CORE


```
SAMEQ(ii).. Y(ii) =E= X(ii) + ERR(ii) ;
SAMMAKE(ii,jj)$(Abar1(ii,jj))..
    TSAM(ii,jj) =E= A(ii,jj) * (X(jj) + ERR(jj)) ;
ERROREQ(ii).. ERR(ii) =E= SUM(jwt,
W(ii, jwt) *vbar(ii, jwt)) ;
SUMW(ii).. SUM(jwt, W(ii,jwt)) =E= 1 ;
ENTROPY.. DENTROPY =E= SUM((ii,jj)$(Abar1(ii,jj)),
    A(ii,jj)*(LOG(A(ii,jj) + delta)
    - LOG(Abarl(ii,jj) + delta)))
    + SUM((ii,jwt), W(ii,jwt)
    * (LOG(W(ii,jwt) + delta)
    - LOG((1/card(jwt)) + delta)) )
;
\begin{tabular}{|c|c|c|c|}
\hline ROWSUM(ii).. & SUM(jj, TSAM(ii, jj)) & \(=\mathrm{E}=\mathrm{Y}(\mathrm{ii})\) & ; \\
\hline COLSUM (jj). & SUM(ii, TSAM(ii,jj)) & \(=E=(X)\) & + ERR(jj)) \\
\hline
\end{tabular}
COLSUM2(ji).. SUM(ii, A(ii,jj)) =E= 1;
```

*ADDITIONAL MACRO CONTROL-TOTAL
EQUATIONS $=========================$
TOTVA.. TVA =E= TSAM ("FAC","AGRA") +

TSAM ("FAC", "NAGRA");

TOTC.. TC $=\mathrm{E}=\mathrm{SUM}((\mathrm{AA}, \mathrm{H})$, TSAM (AA, H)) $+\operatorname{SUM}((C C, H), \operatorname{TSAM}(C C, H))$;
TOTX.. TX =E= SUM (CC, TSAM (CC, "ROW"));

*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# Solve statenment \#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#

Scalars

Core to solve model using core equations /1/
Colfix to solve using core equations plus some column total /0/
hhldfix colfix plus total household consumption known /0/
Expfix hhldfix plus total exports known / 0
Impfix Expfix plus total imports known / $0 /$
Allfix Impfix plus GDP at mkt prices known / 0
CoreER to solve model using core equations / $0 /$
AllfixER Impfix plus GDP at mkt prices known / 0 /
;

## *\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# Define variables bounds on errors

## \#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#

* VBAR parameter defines upper and lower bounds on rectangular error
* distribution on variable $X$. Here they are set at the difference between
* the min and max column and row sums.

*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# DEFINE MODEL
\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#
* Model with core equations only MODEL SAMENTRPO /

SAMEQ
SAMMAKE
ERROREQ
SUMW
ENTROPY
ROWSUM
COLSUM
COLSUM2
/
MODEL SAMENTROP / ALL /
*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# SOLVE MODEL
\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#

OPTION ITERLIM = 5000;
OPTION LIMROW $=3000$, LIMCOL $=3000$;
OPTION SOLPRINT $=O N$;

* SAMENTROP.holdfixed = 1 ;
* SAMENTROP.optfile $=1$;
* OPTION NLP $=$ CONOPT
* SAMENTROP.WORKSPACE $=25.0$;


## *\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# Apply CE using core equations

 \#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#IF (Core,

* X.FX(ii)
$=$ TARGETO (ii) ;
SOLVE SAMENTRPO using nlp minimizing dentropy ;
display "CORE"
;

ELSE
);
*\#\#\# Apply CE using core equations plus knowledge of some column totals \#\#\#

IF (colfix,
*Set target column sums, $X$ (assuming we know some column totals)

* X.FX(ii)
= TARGETO (ii) ;
X.FX("FAC")
X.FX("GRE")
= TARGETO ("FAC") ;
X.FX("ITAX")
= TARGETO ("ITAX") ;
X.FX("ROW")
= TARGETO("ROW") ;
SOLVE SAMENTROP using nlp minimizing dentropy ; display "colfix"
;
ELSE
);
*\#\#\#\#\#\#\#\#\#\#\#\# Apply CE using core equations + Colfix + hhldfix \#\#\#\#\#\#\#\#\#\#\#\#

IF (hhldfix,
X.FX("FAC")
= TARGETO ("FAC") ;
X.FX("GRE")
= TARGETO ("GRE") ;
X.FX("ITAX")
= TARGETO ("ITAX") ;
X.FX("ROW")
= TARGETO("ROW") ;
TC.FX

ELSE
);
*\#\#\#\#\# Apply CE using core equations + Colfix + hhldfix + expfix \#\#\#\#\#\#\#\#\#

IF (expfix,

```
X.FX("FAC"
= TARGETO("FAC") ;
X.FX("GRE")
= IARGETO("GRE")
X.FX(N
X.FX("ROW")
TC.FX
TC.FX
= TCO;
TX.FX
= TX0;
SOLVE SAMENTROP using nlp minimizing dentropy ;
display "colfix + hhldfix + expfix"
;
ELSE
);
*\#\# Apply CE using core equations + Colfix + hhldfix + expfix + impfix \#\#\#\#
IF (impfix,
\begin{tabular}{|c|c|}
\hline X.FX("FAC") & = TARGET0 ("FAC") \\
\hline X.FX("GRE") & = TARGET0 ("GRE") ; \\
\hline X.FX("ITAX") & = TARGET0 ("ITAX") \\
\hline X.FX("ROW") & = TARGETO ("ROW") ; \\
\hline TC.FX & = TCO; \\
\hline TX.FX & = TX0; \\
\hline * TM.FX & = TM0; \\
\hline TM.LO & \(=\) TM0 - 0.0001; \\
\hline TM.UP & \(=\mathrm{TMO}+0.0001\); \\
\hline
\end{tabular}
```

SOLVE SAMENTROP using nlp minimizing dentropy ; display "colfix + hhldfix + expfix + impfix" ;

ELSE
);
*\#\# Apply CE using core eqns + Colfix + hhldfix + expfix + impfix + GDPMP \#\#\#\#

IF (allfix,
X.FX("FAC")
= TARGETO ("FAC") ;
X.FX("GRE")
= TARGETO ("GRE") ;
X.FX("ITAX")
= TARGETO ("ITAX") ;
X.FX("ROW")
= TARGETO ("ROW") ;
TC.FX
$=\mathrm{TCO}$;
TX.FX

* TM.FX
$=$ TX0;
TM.LO
= TMO;
TM.UP
$=$ TMO -0.0001 ;
GDPMP.FX
$=$ GDPMP0;

SOLVE SAMENTROP using nlp minimizing dentropy ; display "colfix + hhldfix + expfix + impfix + GDPMP" ;

ELSE
);
*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# Apply CE using core eqns + ERROR \#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#

IF (CoreER,
X.FX(ii)
$=$ TARGETO (ii) ;
W.LO (ii, jwt)
= 0 ;
W.UP (ii, jwt)
$=1$;

SOLVE SAMENTRPO using nlp minimizing dentropy ; display "CoreER"
;
ELSE
);
*\# Apply CE using core eqns + Colfix + hhldfix + expfix + impfix + GDPMP + ERROR \#\#

## IF (AllfixER,

W.LO(ii, jwt)
$=0$;
W.UP (ii, jwt)
$=1$;
X.FX(ii)
TC.FX
TX.FX

* TM.FX
= TC0;
= TX0;
$=$ TM0;
TM.LO
$=$ TMO -0.0001 ;
TM.UP
$=$ TMO +0.0001 ;
GDPMP.FX
= GDPMP 0 ;

SOLVE SAMENTROP using nlp minimizing dentropy ; display "colfix + hhldfix + expfix + impfix + GDPMP + Error"; );
*\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\#\# \#\#\#\#\#\#\#\#\#\#
*---------
Macsam1 (i,j)
entropy diff
Macsam2 (i,j)
SEM
percent1 (i,j)
SAM
PosUnbal (i,j)
PosBalan(i,j)
Diffrnce (i,j)
SAM in values
Diffr(i,j)
SAM in values
Percent1 (i,j)
SAM in values
Percent2 (i,j)
SAM in values
Chisq
Chisq1
Chisq2
Chisq3
ChisqTot

Count (i,j)
RMSE
AAE
RMSEP
perturbed SAM
AAEP
SAM
CRMSE
CAAE

## Parameters for reporting results

Assigned new balanced SAM flows from
Balanced SAM flows from entropy diff x 10 Squared Error Measure percent change of new SAM from original

Positive unbalanced SAM
Positive balanced SAM
Differnce btw original SAM and estimated

Differnce btw PERTURBED SAM and estimated
Differnce btw original SAM and estimated

Differnce btw PERTURBED SAM and estimated
Chi-squared staistic
Chi-squared staistic component1
Chi-squared staistic component2
Chi-squared staistic component3 Chisq1 * Chisq2 * Chisq3

Root Mean Square Error
Ave absolute error
Root Mean Square Error relative to
Ave absolute error relative to perturbed

Coefficients Root Mean Square Error
Coefficients Ave absolute error


```
    DENTROPYO = DENTROPY.L - SUM((ii, jwt), W.L(ii,jwt)
        * (LOG(W.L(ii,jwt) + delta)
    - LOG(1/card(jwt)+ delta)) ) ;
    DENTROPY1 = DENTROPY.L;
    DENTROPY2 = SUM((ii, jwt), W.L(ii,jwt)*LOG(W.L(ii, jwt) +
delta)) -
delta)) ;
    DENTROPY3 = DENTROPYO + DENTROPY2;
;
display macsam1, macsam2, Diffrnce, Diffr, PERCENT1,
PERCENT2, count,chisq, RMSE,
        AAE, CRMSE, CAAE, DENTROPY0, DENTROPY1, DENTROPY2,
DENTROPY3,
        ABAR10, ABAR110, ADOTL, CDIFF;
```


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*TMD Discussion Papers marked with an "*" are MERRISA-related papers.


[^0]:    *The first version of this paper was presented at the MERRISA (Macro-Economic Reforms and Regional Integration in Southern Africa) project workshop. September 8 -12, 1997, Harare, Zimbabwe. A version was also presented at the Twelfth International Conference on Input-Output Techniques, New York, 18-22 May 1998. Our thanks to Channing Arndt, George Judge, Amos Golan, Hans Löfgren, Rebecca Harris, and workshop and conference participants for helpful comments. We have also benefited from comments at seminars at Sheffield University, IPEA Brazil, Purdue University, and IFPRI. Finally, we have also greatly benefited from comments by two anonymous referees.
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[^1]:    ${ }^{1}$ For the method to work, the matrix must be "connected," which is a generalization of the notion of "indecomposable" [Bacharach (1970, p. 47)]. For example, this method fails when a column or row of zeros exists because it cannot be proportionately adjusted to sum to a non-zero number. Note also that the matrix need not be square. The method can be applied to any matrix with known row and column sums: for example, an input-output matrix that includes final demand columns (and is hence rectangular). In this case, the column coefficients for the final demand accounts represent expenditure shares and the new data are final demand aggregates.

[^2]:    ${ }^{4}$ Although the CE method can be applied to SAM coefficients, one must take care when interpreting the resulting statistics because the parameters being estimated are no longer probabilities, although the column coefficients satisfy the same axioms.
    ${ }^{5}$ The problem has to be solved numerically because no closed form solution exists.

[^3]:    ${ }^{6}$ The problem is analogous to the distinction between errors in equations and errors in variables in standard regression analysis. See, for example, Judge et al. (1985). Golan and Vogel (1997) describe an errors in equations approach to the SAM estimation problem.

[^4]:    ${ }^{9}$ The CE measure associated with the error term is zero for the Core and AllFix cases because the error term is set to zero and the column totals are free to vary, so no constraint is imposed.

[^5]:    Source: Arndt, C. et al., 1997.

