



17th International Input-Output Conference

TITLE: MACROECONOMIC INPUT-OUTPUT MODELLING-STRUCTURES, FUNCTIONAL FORMS AND CLOSURE RULES

AUTHORS: KRATENA, KURT ; STREICHER, GERHARD

EMAIL: kurt.kratena@wifo.ac.at

COUNTRY: AUSTRIA

KEYWORDS: INPUT-OUTPUT MODELS ; CGE MODELS ; ECONOMETRIC MODELLING

PAPER CONFERENCE CODE: 119

FULL PAPER IN CD?: YES

ABSTRACT:

This paper gives an outline of options and strategies for closing input-output (IO) models by stepwise endogenisation of variables and embedding the input-output core into a general macroeconomic model. The accounting framework is a modified linear static IO model built around Supply and Use tables as provided by EUROSTAT. The modifications take into account that some variables that are determined in the IO quantity and price model will be taken from econometric modelling blocks for production, trade and the price system. The process of endogenising and modelling comprises the different steps of (i) endogenising final demand and factor demand (ii) applying macroeconomic closure rules and (iii) full modelling of factor markets. Step (i) comprises the endogenisation of totals of demand as in macroeconomic models or in SAM multiplier models as well as the linking of quantities and prices. Different types of IO models (type I to IV), econometric IO models (EIO) and computable general equilibrium models (CGE) can then be identified as different combinations of these modelling steps. Viewed in this way, the often almost "tribal" controversies between the CGE community and the econometric modellers look somewhat exaggerated.