Structural Inflation and Input-Output Analysis

Topic: Methodological aspects of input-output analysis 1
Author: Takashi Yagi

The idea of structural inflation is introduced by Pasinetti [1981][1993]. The structural inflation is defined as the difference between the productivity change rate of the numéraire commodity chosen and the weighted average of the rates of growth of productivity of the entire economy. If the dynamic standard commodity is chosen as numéraire, the general price level is kept constant and there is no structural inflation. The structural inflation is avoided only when the dynamic standard commodity is adopted as numéraire. By the introduction of structural inflation, we should consider three different notions of income: nominal income, 'real' income with structural inflation, and truly real income measured in terms of the dynamic standard commodity.

I-O Tables are constructed in two ways: nominal I-O tables and real I-O tables. The prices of real I-O tables are given by the prices of base year. But, in the light of structural inflation, real I-O tables are not the truly real table which is measured in terms of dynamic standard commodity, and have the effects of structural inflation. In this paper, we will discuss the structural inflation and real values in the framework of I-O tables.