

The Concept of Equilibrium and the Room for Economic Policy in W. Leontief's Work

Topic: I-O Concepts: New and Old

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In 1934 W. Leontief wrote against the idea that the economic policy could be effective to alleviate the effects of a slump in the essay "Helping the Farmer," which appeared in the book *The political economy of recovery* (Douglass, C, K, 1934). That book argued that because economic cycle was inevitable, economic policy would prove useless. Indeed, the circular flow of the economic system results in equilibrium states and allows no room for correcting policies. Later, Leontief would accept the possibility that public intervention would be relevant. This paper explores a few papers where Leontief discusses such issues and concludes that Leontief's position was coherent with his circular flow analysis.