Keynesian multiplier and limits to the accumulation: an Input-Output analysis

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This article deepens the Keynesian multiplierâ€™s effect on the income generated by final demand stimulus and the repercussion of the new value added on the final demand dynamization. Furthermore, the limits of the companiesâ€™ accumulation generated for these dynamics and the possibility of inflation are analyzed. A new input output methodology is proposed. This methodology articulates Keynesâ€™ multiplier idea, the division of economic agents and their correspondent consumptionâ€™s and savingâ€™s behavior proposed by Kalecki and Shaikhâ€™s classical economistâ€™s interpretation related to the limits to the accumulation. At first, the model is presented for a closed economy and without government, then is extended to a general model that incorporated the external and the public sector. The model is applied to El Salvadorâ€™s economy using the 2014 Input-Output Table obtained through the transformation of the 2014 Supply and Use Table published by the Central Bank of El Salvador with the Eurostatâ€™s B model. The articleâ€™s novelties are the possibility to calculate the sectorial Keynesian multipliers; the limits to the final demand stimulus; the model gives new approaches to understand in a better way the paradox of saving; the more general case of this model allows the analysis of fiscal policy and external sector effects.