Real disaggregate multipliers in different approaches: the Mexican case

Topic: Classical IO applications (Chair: Eduardo Moreno Reyes, University of Macerata)
Author: Eduardo MORENO REYES
Co-Authors: Maurizio Ciaschini, Rosita Pretaroli, Stefano Deriu, Claudio SOCCI

Abstract

The aim of this paper is to analyze and compare the multiplier effects of three different multisectoral models: open classical model by Leontief (1944) or short model; Miyazawa model (1976) or elongated model, which endogenizes the primary allocation of income and the final consumption; Ciaschini & Socci model (2006) or extended model, which considers as endogenous also the secondary income distribution and investment (optional choose). The elongated and extended modelsâ€™ structural matrices can be decomposed in the Leontief multipliers matrix and the matrix which contains the inducted total effects, that is the income multipliers. Moreover, the Macro Multiplier approach (Ciaschini & Socci, 2007) isolates all feasible structures of multipliers and permits the identification of the latent structure of exogenous final demand able to maximize the total multiplicative effects on production and income.

The extended approach offers a detailed description of the direct, indirect, and induced effects of an exogenous shock, helping the policy makers in designing policy measures aimed to the income maximization. In addition, by analyzing the Macro Multipliers on income multiplier matrix, it is possible to quantify not only the effects on the intermediate demand but also the impact on all the other phases of the income generation and distribution.

The three different models are developed for the Mexican economy on the base of the Social Accounting Matrix. The results of the analysis confirm that the more meticulous construction of income multipliers in the extended model, fit better with the structure of macro aggregates. Indeed, the industries with the highest multiplier impact correspond to those in which the Mexican households expend the 70% of the disposable income, as reported by the national surveys of household income expenditure. Thus, this correction becomes fundamental if the aim of the research is designing a policy with the highest multiplicative effects.