

A critical review of the literature on integrated macroeconomic & input-output models

Topic: Issues in CGE and econometric modelling

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Keynes (1936) wrote his magnum opus, *The General Theory Of Employment, Interest And Money* during the Great Depression of the 1930-s. At about the same time, Leontief (1936) came up with his seminal article that culminated in the genesis of the Leontief Input-Output System. These two revolutionary ideas provided the foundations on which researchers developed two major strands of economy-wide quantitative methodologies, namely Macroeconometric Modeling and Input-Output Models. Over time, both approaches have developed a rich tradition of empirical studies, focusing specially on economic analysis and policy prescriptions for managing the economy. Klein (1978, 1986) advocated the integration of these two systems into a framework that incorporates substantive structural details, allowing for both structural and macroeconomic policy. Several countries have developed models using this integrated approach, in the light of Klein's ideas. The present paper makes a critical review of these Integrated Macroeconometric And Input-Output Models with respect to their objectives, methods of estimation and their results. The review includes, among others, selected developed countries such as the USA, Canada and Japan and several developing nations of the world. Models reviewed from developing countries include, among others, Bangladesh, Nepal, Sri Lanka, India and Iran from Asia, Egypt and Nigeria from Africa and Brazil and Mexico from Latin America. This critical review will contribute to the further development and refinement of the Keynes-Leontief-Klein type of models, which have become especially relevant in the light of the economic crisis in the present era of globalization.

Key Words: Integrated Macroeconometric and Input-Output Models, Keynes-Leontief-Klein Models, Economic Policy.

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