TITLE: GEOGRAPHIC AGGREGATION OF INPUT-OUTPUT TABLES: HOW TO DEFINE A GLOBAL RATE OF INFLATION

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ABSTRACT:

Input-output tables are ordinarily compiled on a national, or possibly, sub-national regional level. As a consequence, the unit of account to be used is naturally given and un-problematic. It represents the same economic value all over the territory covered. The same is not true when enlarging the scope of analysis to the supranational, and global level. National units of account lose their validity here, and an international unit does exist. The one time approach is to employ exchange rates as observed on the foreign exchange markets. That method may remedy the problem for a specific year, but when a period of longer duration is under study different national rates of inflation and varying exchange rates cause trouble for coherent aggregation. The paper addresses this problem suggesting a method of deflation based on a combination of the Geary-Khami index employed by the United Nations for converting national GDP to purchasing power parity, and input-output methodology.