Open, closed and semi-closed IO models; Theory and Application

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In this paper we take a second look at the relation between what commonly are known as open, semi-closed, and closed input-output (IO) models, respectively. All three types of models have provided answers to particular sets of questions, often related to labour market or income distribution situations.

Treating open and closed models as polar cases, in this contribution we shall focus on the semi-closed and closed models. We briefly review the established pedigrees, thereby focusing on the contributions in the 1970s and ’80s and providing special attention to the position of Miyazawa-related modeling.

We signal, however, that important questions in the relation between prices and price formation on the one hand and income distribution formation on the other are not well-understood in the present setting. This is particularly important in relatively new areas of socio-economic policy analysis, including catastrophe or climate change analysis. In this contribution we propose an alternative classification for IO modeling, focusing on what we “for the moment have called the “internal” structure of the models in question. We provide some examples and discuss a possible future agenda.