Price re-interpretations of the basic IO quantity models result in the ultimate input-output equations

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Author: Jan Oosterhaven

This note shows that Leontief's well-known demand-driven input-output (IO) quantity model may also be interpreted as the almost unknown revenue-pull IO price model, but measured in value terms instead of in prices. It is also shown how these two demand-driven models may be combined into a single ultimate demand-driven IO equation. An analogous result holds for the supply-driven quantity model and the cost-push price model, which results in a single ultimate supply-driven IO equation. The new price interpretation of the Leontief quantity model opens up hitherto unused possibilities to simulate interindustry demand-driven inflation processes, just as the price interpretation of the Ghosh quantity model enables simulations of supply-driven inflation processes.

Keywords Leontief model, Ghosh model, Supply-driven inflation, Demand-driven inflation, Ultimate input-output equations