Modelling of intermediate imports and external sector 'closure' in macrostructural models: A comparison between SFC-IO, Econometric-IO and CGE models

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Traditional Stock Flow Consistent (SFC) models are typically aggregative/macroeconomic in nature presenting the economy as composed of only one aggregated productive sector. As such, there is no differentiation between the modelling of intermediate inputs and final goods. Consequently international trade is modelled as if consists only of final goods and following a post-Keynesian approach is modelled depending on disposable income (Godley and Lavoie, 2007), although some contributions have also included other determinants. As researchers seek to develop open economy multisectoral SFC models through the use of input-output tables, the question about how intermediate imports should be modelled emerges. This paper discusses different alternatives to modelling imports explored within the JUST2CE SFC-IO and its implications to the â€˜closureâ€™ of the external sector balance in line with the stock-flow norms. The paper closes with a comparison with the modelling of intermediate trade flows founds in Macroeconometric Input-Output and CGE models.