Circular Flow: The Effects of Supply and Demand on Growth Economic. A Comparative Analysis of Economic Structure of Mexico, Brazil, and Argentina.

Topic:
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The Input-Output model is based on the conception of the economic system through the analysis of the circular flow, which acknowledges that the production process is driven by demand, and its effects are iterative among economic branches or industries. Changes in the demand for a sector modify the level of output for the entire economy, as it causes direct changes in the output levels of other sectors to which it is connected as suppliers, and indirect changes to the suppliers of those suppliers. Each branch increases, in a constant proportion, the use of inputs and factors for each unit of output. However, it has been demonstrated that this type of production makes it impossible for intermediate demand to follow a fixed consumption pattern. Therefore, the supply model derived from the Input-Output tables is implausible and unstable. This research measures variations in the prices of the Leontief model and interprets that the price increase is due to technological transfer resulting from the effect of demand disruption. Such results demonstrate that, according to the model, the demand curve for each sector can be elastic, inelastic, or inverse to price. This study exemplifies these principles in the production structures of Mexico, Brazil, and Argentina.