

## **Networks and the Macroeconomy: A Methodological Exploration**

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A longstanding input output (IO) literature studies how industry specific shocks propagate through production networks under Leontief assumptions. More recently, a neoclassical approach initiated by the seminal work of Acemoglu et al. (2012, 2016) has modeled shock propagation within a Cobb Douglas framework. This paper quantifies the implications of these distinct theoretical foundations by replicating key elements of Acemoglu

et al. (2016) within an IO framework. We compare the propagation of government expenditure and import shocks across industries under both approaches and assess how each framework captures core network measures, in particular backward and forward linkages.

We find that while average network effects are broadly similar across frameworks, estimates based on the Acemoglu et al. (2016) approach exhibit substantially larger industry-clustered standard errors, pointing to considerable heterogeneity in network impacts across industries. In addition, estimated downstream responses to demand side shocks approach statistical significance, challenging a central prediction of the model namely, the absence of downstream network effects. Finally, the implied core network measures differ markedly across specifications: the strongest backward linkage under the Cobb-Douglas framework exceeds its IO counterpart by more than a factor of eight.