

THE INPUT-OUTPUT ECONOMICS

—A RESUME

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1. Introduction

1. With the transformation of the mode of production from primitive self-contained to more elaborate processes leading to specialisation and exchange, the need to investigate the interwoven web of economic inter-dependence, both in its theoretical and empirical aspects, became increasingly important. Theoretical explorations in this area began more than two centuries ago with the construction of the *Tableau Economique* (1766) by the famous French economist Francois Quesnay and culminated in the work of Leon Walras (1874). However, the complex nature of economy-wide interdependent systems of Walras and others remained show-pieces of economic theorising almost upto the 'thirties of this century, since such elaborate constructs involving thousands of behavioural and production relations were deemed empirically unmanageable. Consequently, attention was focussed on the investigation of small portions of an economic system, assuming that nothing, other than the particular portion under study, changes. Such a methodology meant, additionally, that the changes occurring in the given portion of the economy which is being investigated will not have any significant effect on the rest of the system. This logically results in confining the analysis to a study of small variations within extremely delimited small portion of the total system.¹

2. Since the publication of the results of his investigations pertaining to inter-industry economics in the thirties by Wassily Leontief of Harvard [1], the situation is gradually changing. The major

¹ Such modes of thought, however, led some scholars to apply, perhaps unwittingly, the tools suited for partial, micro studies, even for handling economy wide problems. This explains the existence of a large number of parables in economic literature. The use of aggregate production functions like the Cobb-Dougllass and its other more recent neo-classical variants to determine choice of technique and obtain distributive shares by fitting such functions is one such importance instance; witness the current controversy in capital theory.