

# INPUT-OUTPUT FRAMEWORK FOR EXPLORATIONS IN THEORETICAL AND EMPIRICAL ECONOMIC RESEARCH

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BY THE CLOSE of the first quarter of this century the engine of economic analysis appeared to have come to a grinding halt, following the brave failures of the various approaches developed up to that time to explain and predict economic realities. In the realm of pure theory, the work of Leon Walras represented a high water mark. However, Pareto was demonstrating its practical futility. The placid world in which main economic questions bothering the economic experts were of marginal character susceptible to partial analysis with *ceteris paribus* had been destroyed. It was obvious even to casual observations, that the Grand System of Economics so assiduously developed and perfected by a galaxy of brilliant Neo-Classicals, culminating in Marshall's *magnum opus*, was based on assumptions which were becoming tenuous in the post First World War environments. Perfect knowledge and perfect markets, invariant taste profiles universally known, every good to be produced by a great number of evenly sized firms amongst which buyers were completely indifferent and no growth or cycles were really suitable for the eighteenth century and appeared amusingly simple to be useful in the twentieth. The conception of the process of production into time sequential stages rather than of inter-dependence of industries and the feed back or reflexive aspects of round about production, completely excluded the possibility of the economic processes being observable in actuality except in trivial cases. No wonder Clapman was wondering how to fill these empty boxes of analysis. In contradistinction with both these general and partial equilibrium approaches, Wicksell and his followers were developing an aggregative approach implying, as it does, the fix-relative price assumption. Consequently, even this approach was not able to grapple with the economic questions that were being posed by reality.