INCLUDING MARKETING IN MEASURES OF CAPITAL
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Two Main Sources of Data Used

• Intermediate purchases recorded in BEA IO tables:
  ○ Advertising (NAICS 5418)
  ○ Marketing services (other NAICS)

• Occupation and wage statistics for own-account marketing
Plus Assumptions

- 60% of purchased advertising is investment
- 80% of purchased marketing is investment
- 30% of own-account marketing is investment
- 45% is an appropriate depreciation rate
- NAICS 5418 deflator is an appropriate price
Yield Marketing Capital Estimates

• With inputs:
  ○ BEA intermediate purchases plus BLS wages
  ○ Estimates for investment shares, depreciation, deflator

• Apply perpetual inventory method to estimate capital stocks
Main Findings

- Marketing investment to GDP steady around 1.3%
- Own-account investment now about 1/3 of total
- Real GDP growth after 2010 up roughly 0.08 pp
Main Issues

- Too many arguably ad-hoc assumptions for computing stocks
- Too little testing of intangible stock values

⇒ Best to publish underlying data
Testing Intangible Valuations

• Relevant output measures:
  
  ○ Profits = return on tangible and intangible capital
  
  ○ Market cap = values of all owned capital
  
  ○ Business sales = value of transferable capital

• Consistent with investments and estimated capital?
A Crude Demonstration of Inconsistency

• Compare:

  1. Market capitalization of US corporations
  2. BEA corporate fixed assets
  3. BEA corporate fixed assets (excluding IPP assets)

• Very large difference between 1) and 2) hard to reconcile
A Crude Demonstration of Inconsistency
Recommendation for BEA

- Publish detailed methodologies for all intangible assets

- Provide underlying data, eg,
  - Bibliography of studies motivating data construction
  - Expenditures used for investment series (original)
  - Adjustments made to expenditures
  - Price deflators
  - Implied capital stocks