



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?

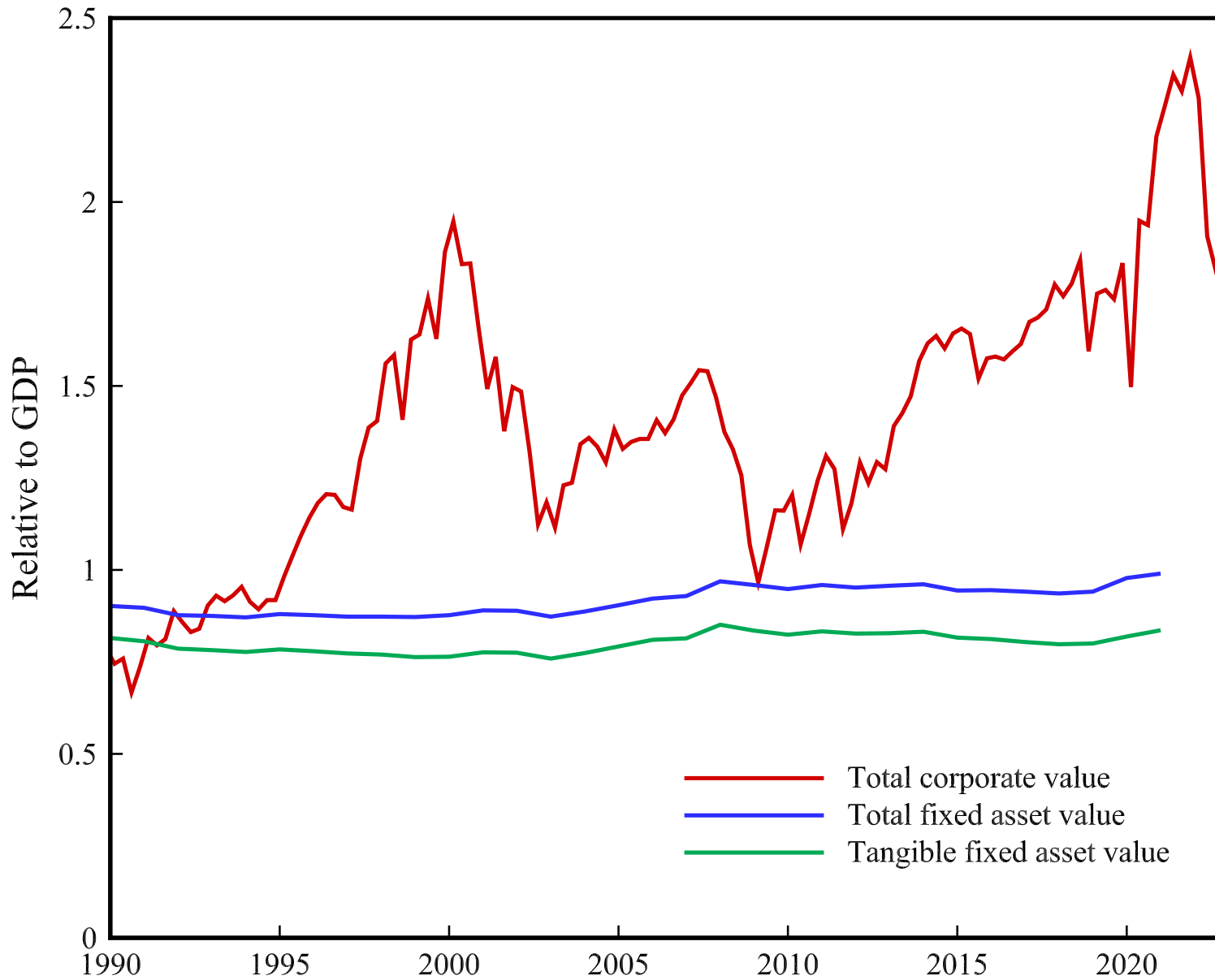


A Crude Demonstration of Inconsistency

- 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