



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 now around 2.5%
- Own-account investment estimated at 1/5 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?



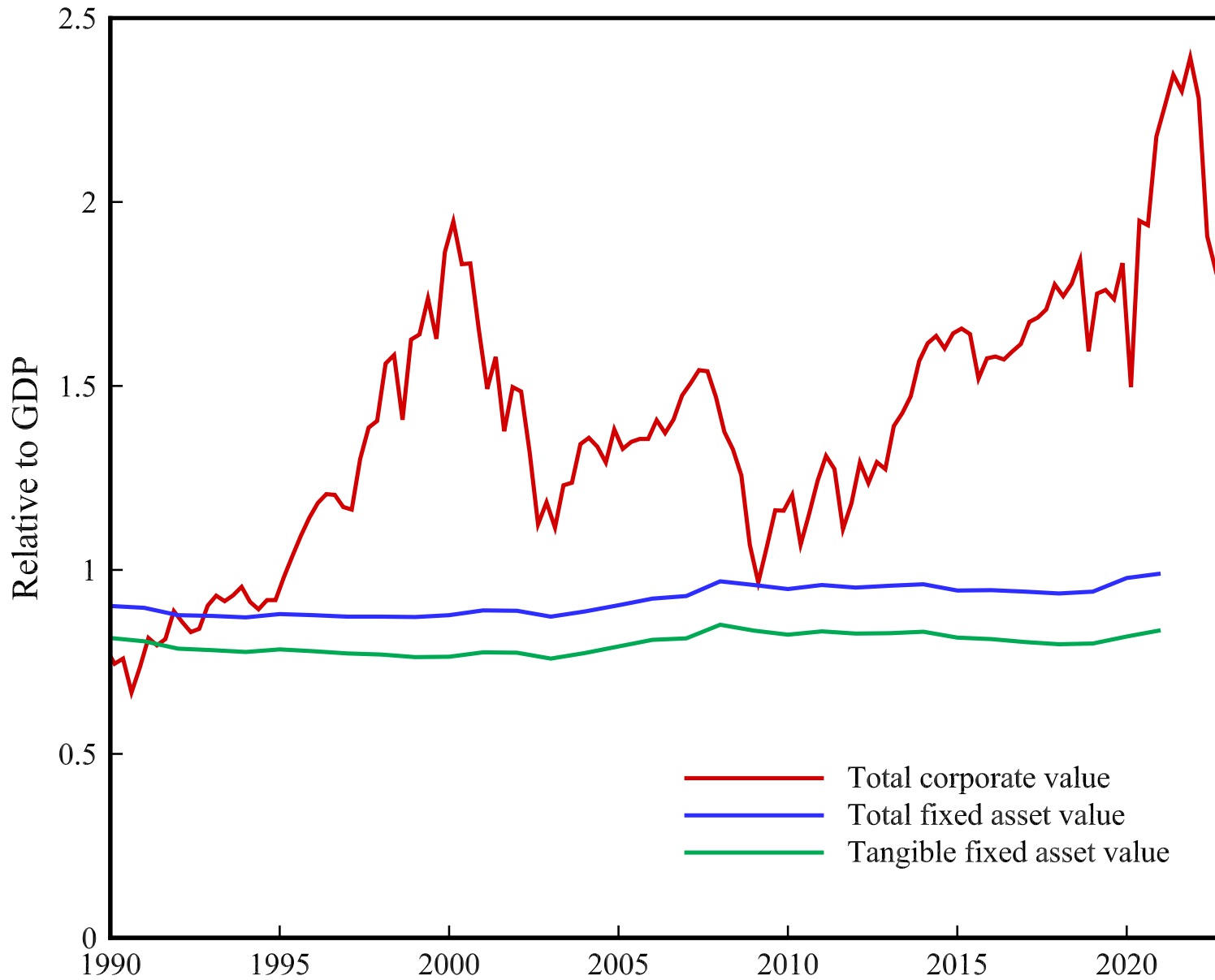
## A Crude Demonstration of Inconsistency

- 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