Government Capital Account

Comments by David Lebow, Federal Reserve
1. Timing and private inventories

• Some private companies may not report WIP inventories
  – GDP appears to be concentrated when gov’t purchase occurs
  – Problem with private, not government, data
  – Affects timing, not level, of GDP

• How big a problem?
  – Aggregation of overlapping items will smooth it out

• Solutions
  – find out what is missing
  – improve data collection or impute
2. Exceptions: ships and structures

- Included in gov’t I as built, not when delivered
  - OK for timing of GDP – just like private structures
  - But boosts capital stock (and CFC) inappropriately
  - Not just timing: GDP is too high

- But hard to believe this is large
  - Increment to K small relative to K
  - Effect on growth of GDP or G smaller than on level
• Still, want to fix even small problems if we can
  – Include in government inventories (if added)
  – Or put in private inventories
  – At minimum (or in meantime), turn off CFC
3. Add government inventories

- Define consumption as *use* not *purchase*
  - Ammunition
  - Could be done throughout NIPAs (PCE food)

- This can be more informative if large or sudden inventory changes
  - Wars fought out of inventory
  - CCC and SPR

- Does not affect GDP
  - Affects inventory change versus “final sales” (final sales and inventory use?)
Government inventories (cont.)

- Do data exist?
  - Misleading to move part way in this direction?
  - Consistency over time is important

- Starting with defense seems right
  - Are missiles capital goods or intermediate?
Concluding comments

• Suggestions all sound sensible
• Next step is to figure out quantitative importance