Update on New Measurements of the Impacts of Globalization

James J. Fetzer and Thomas F. Howells III

Advisory Committee Meeting

Washington, DC

November 13, 2015
Outline

- Recent Advisory Committee presentations on globalization
- Progress report
- Next steps
Recent presentations on globalization

- **May 2011: Global Manufacturing and Issues Raised by the iPhone**
  - Misleading bilateral trade data
- **May 2013: Trade in Value Added**
  - Many researchers have turned to an input-output (I-O) approach
- **November 2014: Update on BEA engagement**
  - International engagement
  - Supply-use tables
  - Firm-level heterogeneity
International engagement

- **OECD:**
  - Oct. 12-14: Expert Group on Extended Supply-Use tables

- **Asia-Pacific Economic Cooperation (APEC):**
  - Nov. 2-4: Second Meeting of the APEC Technical Group on Measurement of TiVA in Shanghai, China

- **North America Initiative with Canada and Mexico**
Supply-use tables: New for the United States

- Released in September, 2015 in BEA’s *Survey of Current Business* and updated in November, 2015
  - [http://bea.gov/scb/toc/0915cont.htm](http://bea.gov/scb/toc/0915cont.htm)
- Estimates are at the 71-industry level detail and cover the period 1997-2014
- Estimates will continue to be revised and the time series extended during future annual revisions
Supply-use tables: Estimation methodology

- Rearrangement of make-use tables
- International standard for TiVA analysis
- Consistency in valuation:
  - Gross output and value added in basic price valuation
  - Imports in CIF (cost plus insurance and freight) valuation
Supply-use tables: Why do they matter?

- Consistency with the international standard
- Consistency among national tables is a prerequisite for linking
- Linking is a requirement for TiVA analysis
Firm-level heterogeneity: Proof of concept

- **Dimensions of heterogeneity**
  - Multinational enterprises
    - Domestic-owned
    - Foreign-owned
  - Domestic-owned non-multinational enterprises

- **Underlying datasets**
  - BEA surveys of U.S. multinationals
  - IRS Statistics of Income tax return data
  - Other data
Firm-level heterogeneity: Value added as a share of output

Firm-level heterogeneity: Manufacturing-Imports/exports as a share of output

Enterprise-level proof-of-concept table shows reasonable results
Multinational/ownership type seen as a reasonable way to capture firm heterogeneity
Comments foreshadow long-run challenges
- ex. Larger difference in value added for some industries compared to others
Firm-level heterogeneity: Long-run linking project

- Data sets to be linked
  - Census Bureau
    - Economic censuses (and annual surveys)
    - Trade in goods
  - BEA
    - Activities of multinational enterprises
    - Trade in services
- Interagency agreement
- BEA & Census economists starting soon to link data
Next steps

- Joint project with U.S. International Trade Commission (USITC) to prepare extended SUTs (2016)

- Enhanced supply-use tables:
  - Consistent with international standard industrial classification (ISIC)
  - Separate domestic and import use tables valued at basic prices

- Begin Census-BEA linking project-5 year project

- Continue international engagement:
  - OECD Expert Group on Extended Supply-Use tables
  - Asia-Pacific Economic Cooperation TiVA project
  - North America Initiative with Canada and Mexico (2018)