# Taking Account...

## Economists Study How Carmakers Respond to Shocks

How do the Big Three automakers respond to large, short-term demand shocks?

They have several options. They can increase or decrease sales by changing prices, usually in the form of dealer and customer incentives. They can alter labor inputs through layoffs and overtime. They can allow inventories to increase or decrease. Or they can engage in some combination of these options.

According to a recent working paper by BEA economist Adam Copeland and Yale University economist George Hall, sales typically respond immediately. Prices respond gradually, with the size of the response depending in large part on the initial level of demand and inventories.

Production also responds, but only after a delay. The production responses tend to be much larger than the corresponding price response.

These results stand in contrast to other academic analyses of the automobile industry, which tend to focus on either production or price adjustment, assuming the other variable is fixed.

Copeland and Hall's study relied on weekly plant-level data on production schedules and output with monthly data on sales and transaction prices.

Two recent demand shocks were explored: The Ford Explorer/Firestone tire recall in 2000 and the September 11 terrorist attacks.

The working paper is available at <www.bea.gov> by clicking on "Papers and Working Papers."

## New Comparison of BEA and Fed Saving Measures

Both BEA and the Federal Reserve Board publish widely watched measures of personal saving.

BEA measures personal saving as the amount remaining from disposable personal income after personal outlays and taxes. Consumers can use this amount to acquire financial assets such as bank deposits and mutual funds, to use toward acquiring a home, or to reduce liabilities by repaying principal on mortgages or consumer debt.

The Federal Reserve Board's personal saving measure from the flow of fund accounts is conceptually consistent with BEA's. It measures personal saving as the difference between the sum of net purchases of financial assets and net investment in tangible assets, minus increases in personal liabilities, such as mortgage and other consumer debt.

As a service to its users, BEA provides an interactive table on its Web site that compares these two measures. This new feature also allows users to download data on saving.

View the comparison at <www.bea.gov/bea/dn/nipaweb/Nipa-Frb.asp>.

## BEA Launches New FAQ Database on Web Site

BEA recently launched a new Frequently Asked Questions (FAQ) database on its Web site.

With this feature, users can quickly find answers to commonly asked questions about BEA's data as well as submit ideas for new questions.

Currently, the database includes 176 items that explore a variety of issues, such as how disasters affect personal income, profits, gross domestic income, foreign transactions, and the current-account balance; how to obtain pre-1929 income data; how the NIPA tables are organized; and when the next benchmark input-output tables will be available.

Users can browse the FAQs in several ways, including one that provides the current "most popular answers." Or they can design specific searches by text phrases or by category (including each of BEA's accounts and hurricane-related items).

More questions will regularly be added to this service.

To access the FAQs from the BEA home page, click on "BEA Launches New FAQ Database" in the Spotlight section.