

Government Capital Account

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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