

"Investment Hollwing Out" by Alexander/Eberly

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$$I(q, \dots) \Downarrow$$

- Point 1: Not a GFC but a 2000 fact
- Point 2: Parallels labor market's timing and developments
 - Off-shoring
 - Intangible K displacing Tangible K

- Two explanations for failure of $I(q, ..)$
 - Off-shoring
 - q doesn't tell a global firm WHERE to locate the tangible investment
 - Substitution for Intangible K
 - q doesn't tell a firm WHICH kind of investment to make

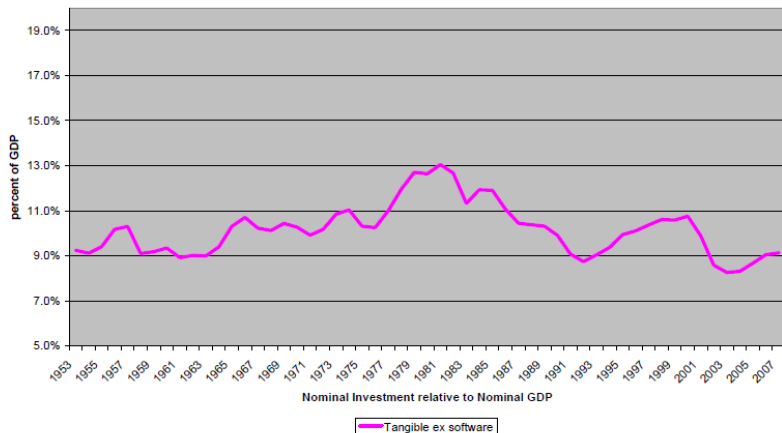
- Presumably we care about Investment drop for at least two reasons:
 - Drop in Aggregate Demand
 - Impact on supply side of economy
- It is very hard for outsiders to this important literature to map Intangible investment and its many measurement issues to Income and Wealth Accounts.
- Paper would provide a great service if it helped us to get a sense of whether we need to worry about $I(q, ..) \downarrow$ or not, and connect these worries (or not) to AD and AS statements

Measurement is tricky...

- A substantial share of it happens In-House
 - How do we measure private investment in tangibles?
 - Hard to measure by output, so it is mostly measured by input... but even this is hard. Which share of CEO's time allocated to creative activities? Etc.
- Nakamura, Corrado, Hulten and others give it a try building on work by Griliches
 - “Advertising, marketing, and brands become more important in the rapidly evolving world of Internet” and a source of wealth
 - Fundamentally non-rival
 - Expenditure in education? The rule of law?
- Traditional measure plus: software (BEA 1998), R&D from BEA's satellite account, advertising and training expenses associated with new products

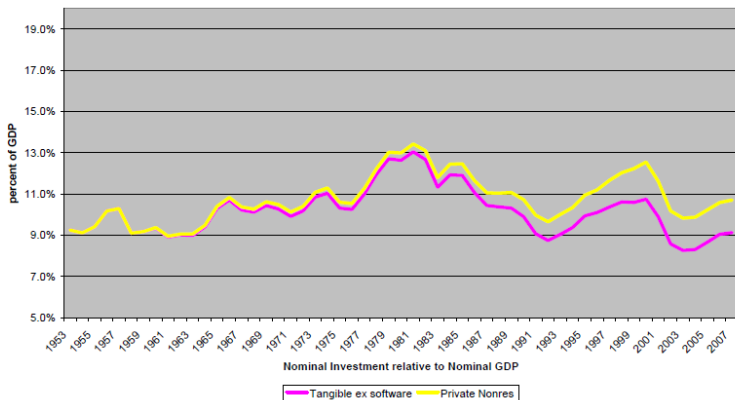
Some figures from Nakamura

Four views of US Private Business Investment: View 1 Old Definition -- Excludes Software Investment near post-war low



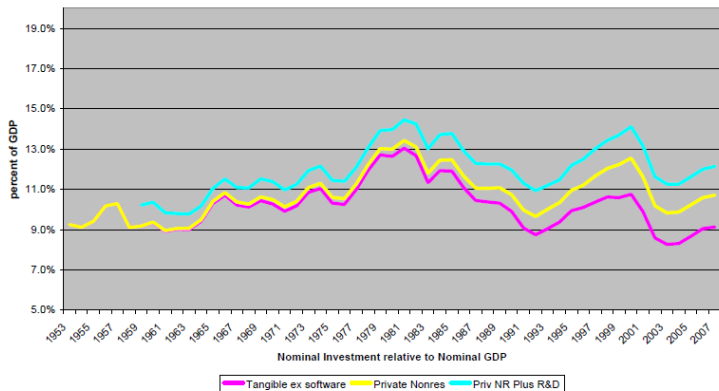
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Four views of US Private Business Investment: View 2 Current Official Definition Investment Near Postwar Average



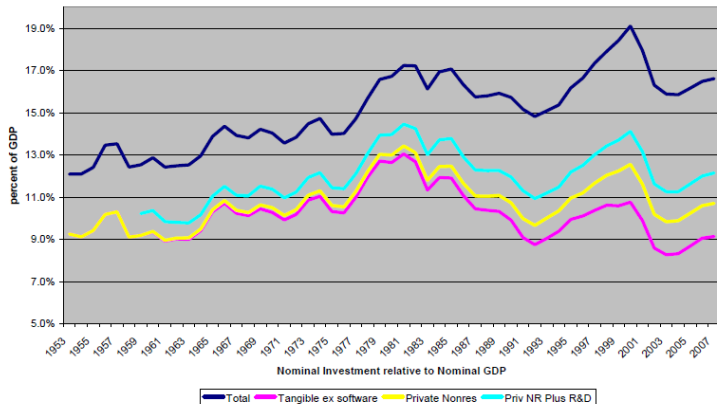
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Four views of US Private Business Investment: View 3 With Private R&D from Satellite Account Investment above Pre-1977



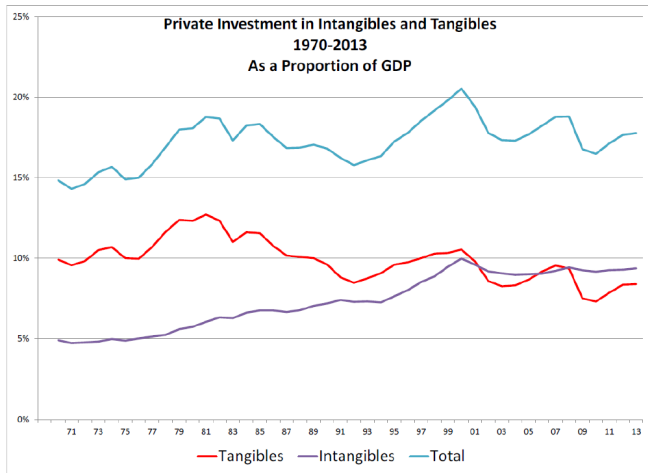
Some figures from Nakamura

Four views of US Private Business Investment
View 4: All Intangibles Included
Investment Near Postwar High (Excluding Internet Bubble)



Some figures from Nakamura II

Private Investment in the United States as a Proportion of Output



Perhaps q-theory is not so wrong after all? (Nasdaq)

