

The consequences of the US Bureau of Economic Data' false dataset

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There is a lot of uncertainty around the sustainability of the US current account. In recent times not only Chinese authorities but even such representative persons of the financial world like Buffet and Krugman voiced their concern about the future of the US dollar, the US current account and as a consequence the US national debt.

A couple of years ago two theories, namely the Dark Matter (DM) and the Exorbitant Privilege (EP), suggested that the large US current account deficit can continue on in a benign manner and the US is going to earn its way to current account sustainability while other views predicted the opposite. Thanks to Curcuru, Thomas, Warnock and Dvorak (CTW and CDW) new studies proved that from a relative reliability of the data these theories rely on fail as they are built on the assumption that position and flow data form a cohesive dataset. CTW use a market based approach to calculate return differentials for assets making part of the US International Investment Position and show that returns differentials computed using their preferred method are quite small, with an aggregate differential of 0.9-1.1 percent per year.

They expose a "gap" in the international accounts that, computed over the 1990 to 2007 period, totals between \$1,358 billion and \$1,752 billion (depending on how revised DI "other adjustments" are treated). Conceptually, this gap is the difference between the position recorded in 2007 and the position that would be estimated by adding flows and valuation adjustments to the initial (end-1989, in this exercise) position. A positive gap indicates that 2007 positions are greater than implied by past flows and valuation adjustments. To understand this gap CTW examines potential holes in the international accounts and they show problems even with goods exports data which considered as one of the most reliably piece of the international transaction accounts.

All this suggests that there is definitively something wrong with the statistical dataset published by the Bureau of Economic Data (BEA) and as a consequence has an influence not only on the US but on the world economy as well and put in prospective the importance of the data collection by statistical authorities.

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