

Balanced System of U.S. National Accounts and Structural Distribution of the Aggregate Statistical Discrepancy

Topic: Foundations of the Supply-Use model

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This paper demonstrates the empirical feasibility and computational efficiency of a generalized least square (GLS) method that systematically collects and incorporates all available information on the reliability of initial data in reconciling a large disaggregated system of national accounts. Using data from 2002 U.S National Income and Product Accounts, Input-Output accounts, and GDP-by-industry accounts, the GLS method produced a statistically meaningful balanced system of accounts and estimated statistical discrepancy by industry and by expenditure category, according to the relative reliabilities of initial data. Balanced estimates from the GLS method enhance the credibility of national accounts estimates and help trace the aggregate statistical discrepancy to its sources.

Keyword: Data Reliability, Accounts Reconciliation, GLS Estimation

JEL classifications: C61, C63, C67, C82, E01