Appendix D:
Data Note

I n order to minimize the distorting effects of inflation on time series data, much of the data in this report is presented in inflation-adjusted or "constant" 1987 dollars. This is done by multiplying unadjusted "current" dollars by price indices appropriate to the particular type of data.] For merchandise trade data, the report uses merchandise export and import price indices provided by the Bureau of Economic Analysis (BEA). For R&D and technology trade data, an implicit GDP price deflator is used; it also is provided by BEA. Time series data in this report are presented in constant 1987 dollars; this presents data values for all years as if the dollar was equal to the value of the dollar in 1987.[2]

Direct investment is more difficult to measure, because there are three different ways it can be valued at any given point in time. In the first report of this assessment, OTA described the three principal methods for valuing direct investment: historical cost, current cost, and market value.[3] The historical cost method, which values direct investment at its initial cost, is the most widely used measure. Most of the detailed direct investment data provided by the BEA is stated in historical cost terms. For this reason, and because historical cost reporting is in many ways the most accurate measure for comparative purposes, this report provides data on investment position and composition in historical cost terms. To maintain consistency across all data on direct investment, the value of direct investment flows (as opposed to static direct investment position) is stated in current terms.

Comparing data that is reported in different currencies requires an exchange rate conversion. For the type of international data analyzed in this report, purchasing power parity (PPP) conversion is the preferred method.[4] When appropriate, a PPP conversion schedule provided by the OECD was used.

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[1] Current dollars are often referred to as "nominal" dollars. Likewise, constant dollars can be referred to as "'real" dollars.

[2] Technically, any year can be used as the base year from which to adjust time series data. For the type of data analyzed in this repro, 1987 is conventionally used as the base year.

[3] U.S. Congress, Office of Technology Assessment, *Multinationals and the National Interest—Playing by Different Rules*, OTA-ITE-569 (Washington, DC: U.S. Government Printing Office, September 1993); box 3-A, pp. 53-54.

[4] *See* footnote 37 in ch. 3 regarding the use of PPP conversion for R&D data.