

Robert  
Eisner

Northwestern  
University

# Factors in Business Investment

TECHNISCHE HOCHSCHULE  
DARMSTADT

Inv.-Nr.:

H 5644

WIRTSCHAFTSPOLITIK  
(VWL II)

National Bureau of  
Economic Research  
General Series No. 102



NBER/EIS

Published for the  
NATIONAL BUREAU OF  
ECONOMIC RESEARCH, INC.  
by  
BALLINGER PUBLISHING COMPANY  
*A Subsidiary of J. B. Lippincott Company*  
Cambridge, Mass.  
1978

# Contents

<b>List of Tables</b>	<b>xi</b>
<b>Preface</b>	<b>xxi</b>
<b>Chapter 1</b>	
<b>Introduction</b>	<b>1</b>
The Issues	1
Theoretical Framework	4
Data	5
Structuring of the Data: Time Series, Cross Sections, and Overall Relations—Firm, Industry, and Aggregate	8
Plan of the Volume	13
<b>Chapter 2</b>	
<b>Sales Expectations and Realizations</b>	<b>17</b>
Introduction	17
Short-Run Sales Change Expectations	18
Long-Run Sales Change Expectations	24
Short-Run Sales Realizations	28
Long-Run Sales Realizations	36
Summary and Conclusions	40
Appendix	44

<b>Chapter 3</b>	
<b>Inventory Investment</b>	<b>47</b>
Introduction	47
Specific Models of Inventory Investment	48
The Role of Profits	60
Summary and Conclusions	66
<b>Chapter 4</b>	
<b>Capital Expenditures—The Basic Model</b>	<b>69</b>
Analytical Foundations and Complications	69
A Basic Accelerator-Profits Investment Function	73
A Permanent Income Theory for Investment	79
The Role of Reported Sales Expectations	95
Utilization of Capacity and Other Variables	103
Summary and Conclusions	112
Appendix	114
<b>Chapter 5</b>	
<b>Capital Expenditures—Some Further Analyses</b>	<b>117</b>
Asymmetrical Accelerator Relations	117
Gross Profits and the Speed of Reaction	119
Asymmetrical Role of Profits in Speed of Reaction	124
Role of Profits and Size of Firm	125
Summary and Conclusions	130
<b>Chapter 6</b>	
<b>Short-Run Capital Expenditure Anticipations and Realizations</b>	<b>133</b>
Introduction	133
Means of Expenditures, Anticipations, Sales, and Profits	
Changes	134
Determinants of Anticipations and Expenditures	135
Realizations Functions	142
The Role of Sales Expectations and Realizations	145
Accuracy of Anticipations, by Year and Industry	153
Summary and Conclusions	157
Appendix	158

<b>Chapter 7</b>	
<b>Longer Term Capital Expenditure Anticipations</b>	<b>161</b>
Introduction	161
Determinants of Long-Run Capital Expenditure Plans	162
The Role of Long-Run Capital Expenditure Plans as Determinants or Forecasts of Actual Expenditures	166
Summary and Conclusions	171
Appendix	172
<b>Chapter 8</b>	
<b>Components of Capital Expenditures—Replacement and Modernization versus Expansion</b>	<b>175</b>
Introduction and Description of Data	175
Relative Stability of Replacement versus Expansion Investment	178
Determinants of Anticipated Replacement and Expansion Expenditures	181
Comparison with Feldstein-Foot Results	183
Summary and Conclusions	188
<b>Chapter 9</b>	
<b>A Final Note</b>	<b>189</b>
<b>Appendix A</b>	
<b>Glossary</b>	<b>195</b>
<b>Appendix B</b>	
<b>Sample McGraw-Hill Questionnaire</b>	<b>201</b>
<b>References</b>	<b>205</b>
<b>Index</b>	<b>211</b>
<b>About the Author</b>	<b>219</b>