



# The Role of Statistics in America's Economic Future

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# The Role Of Statistics in America's Economic Future

- Key Issues Confronting the Nation:
  - The widening distribution of income
  - The financial and housing crisis
  - Sustaining and stimulating growth through innovation and R&D
  - The increasing cost of health care

# Bubbles And Measuring Sustainability

**The Economist**

Britain agonises about Afghanistan  
The rot in Japan's governing party  
Europe's energy insecurity  
Goldman Sachs's record profits  
Summer camp for atheists

JULY 18TH-24TH 2009 Economist.com

MODERN ECONOMIC THEORY

**Where it went wrong-and how the crisis is changing it**

The McGraw-Hill Companies APRIL 27, 2009 | BUSINESSWEEK.COM

**BusinessWeek**

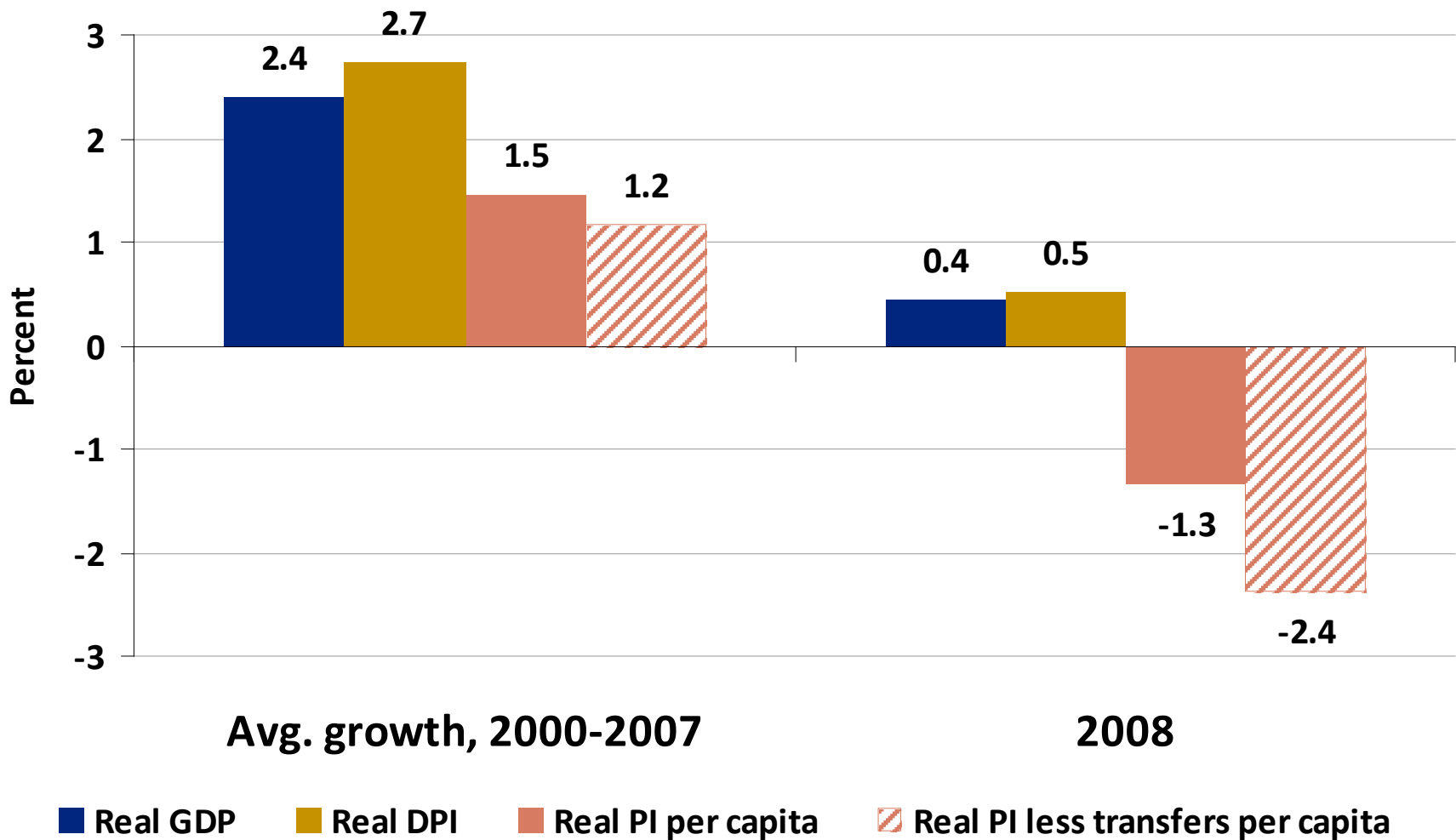
**WHAT GOOD ARE Economists ANYWAY**

TECH LOOKS POISED TO LEAD A RECOVERY | CREATIVE DESTRUCTION AT PEPSI | BIOFUELS: WHY BIG OIL MAY BE THE BIG WINNER

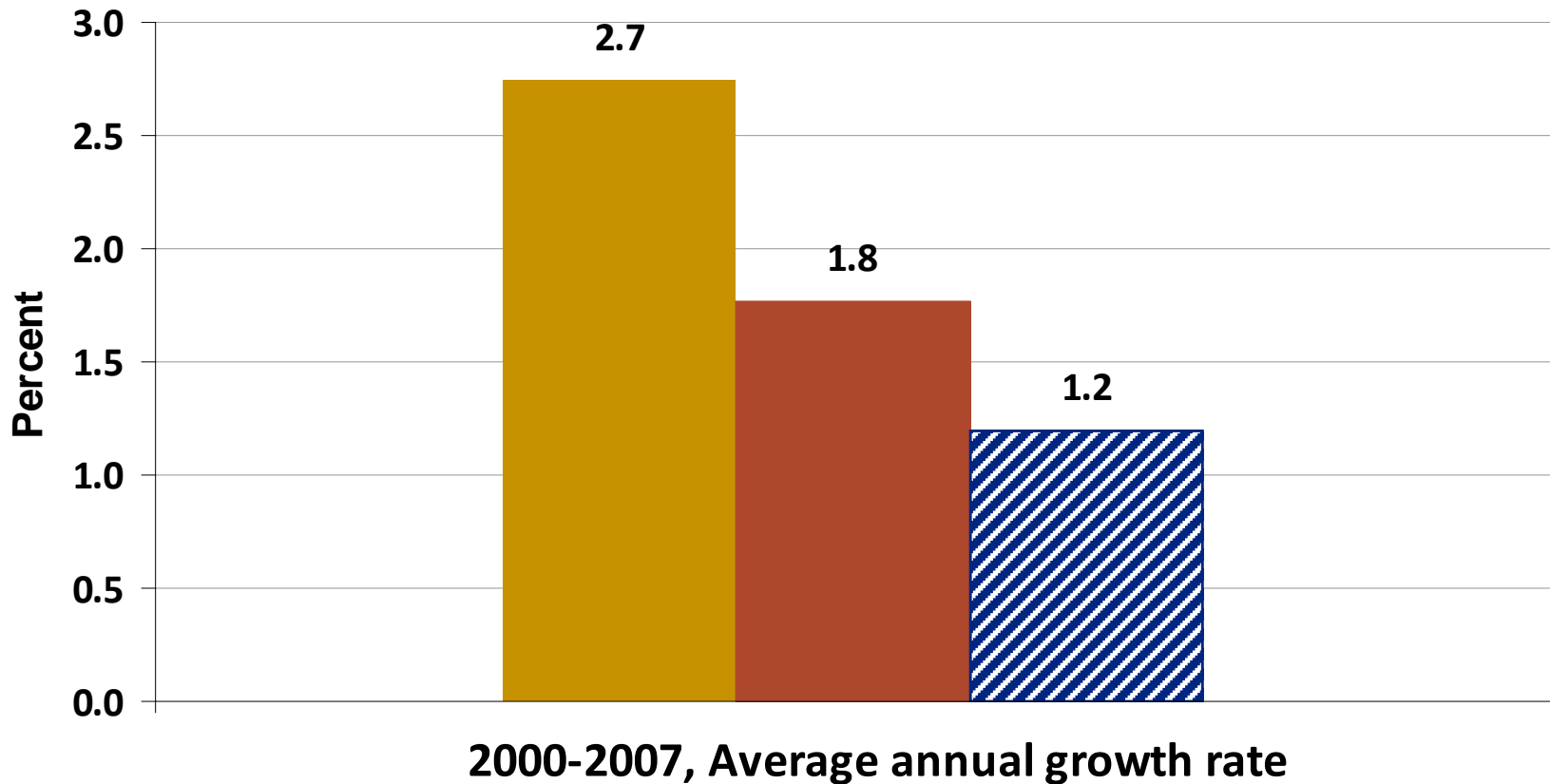
# What can we do within the GDP Accounts: Economic progress & sustainability

- Measures of Economic Progress:
  - Households
  - Regions
  - Business
- Measures of Sustainability:
  - GDP
  - Investment
  - Asset Prices
  - Leverage

# Household Income: Alternative Estimates



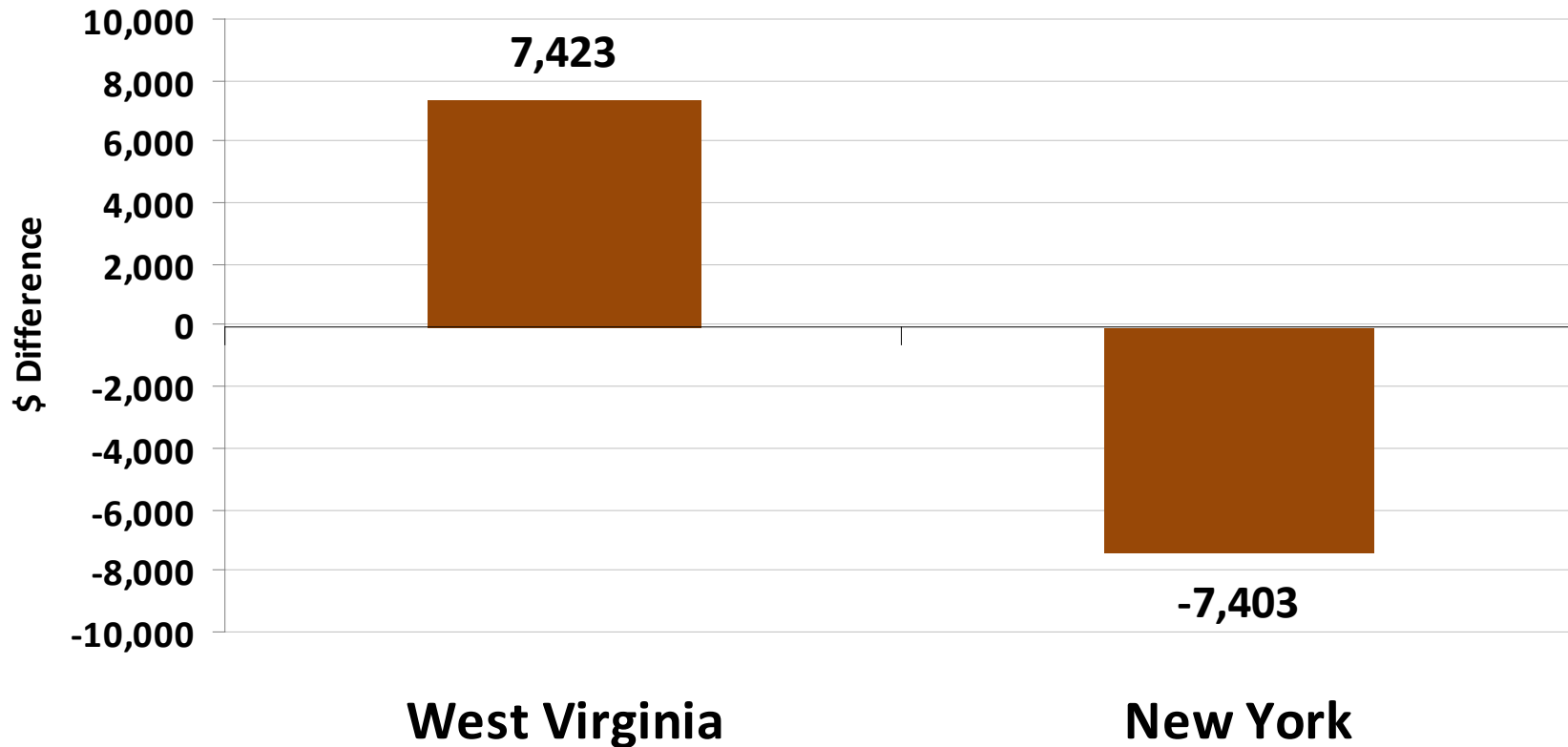
# Reconciling Measures of Income



■ Real DPI, BEA ■ Real DPI per capita, BEA ▨ Real median taxpayer income less taxes

# Regional Household Income

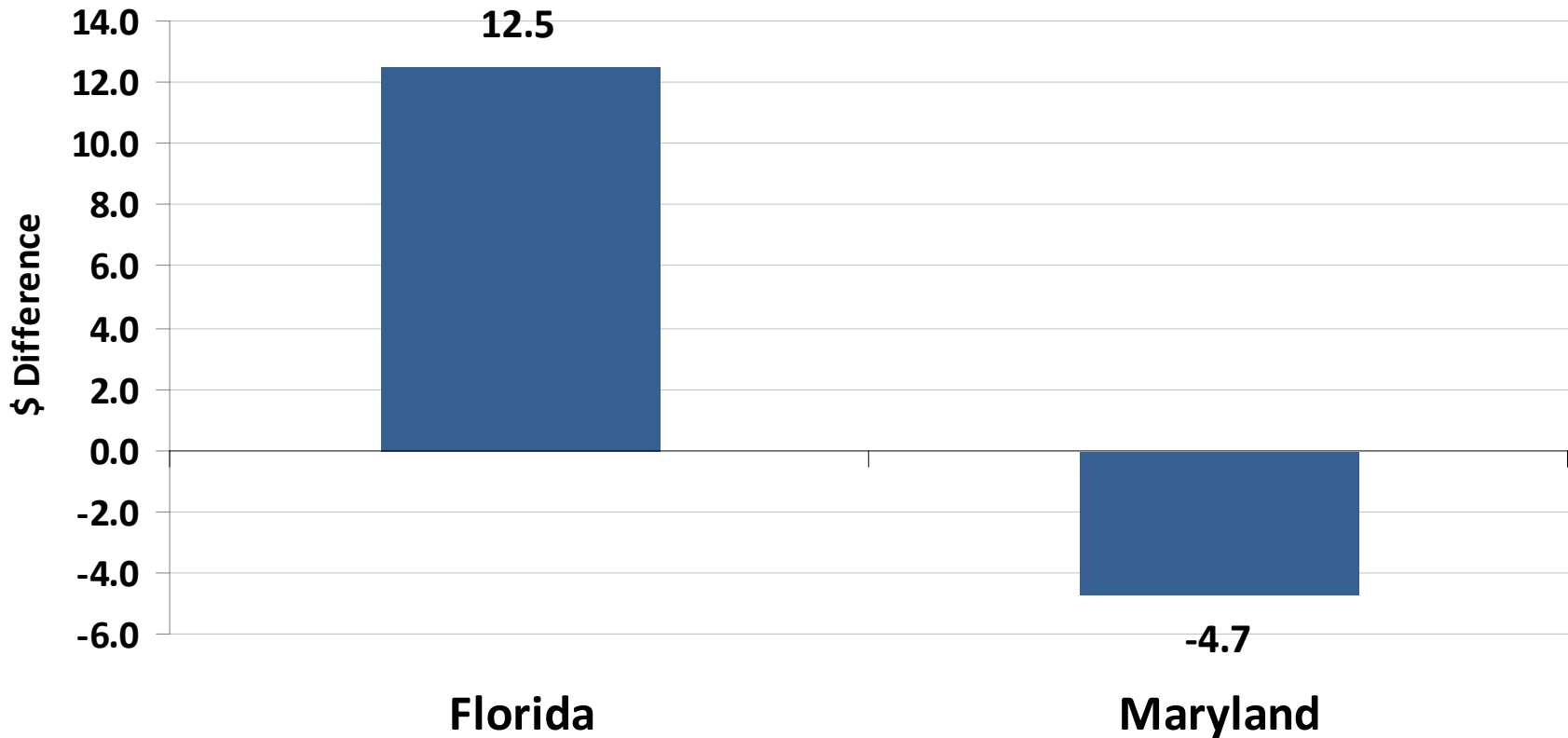
## Adjusting for regional price differences



Source: BEA Regional data.

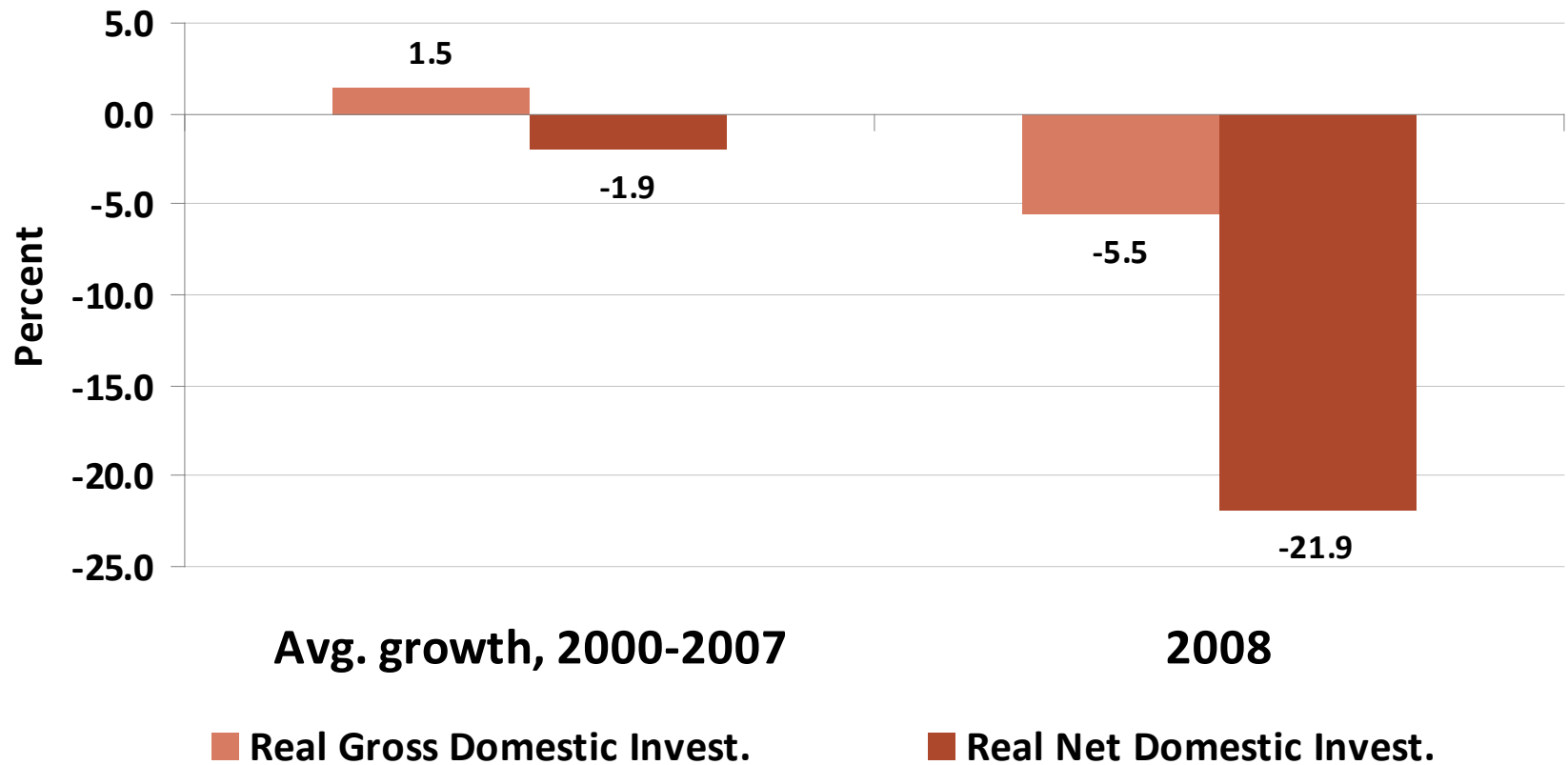
# Regional Household Income

## Impact of classifying retirement income in state of residence



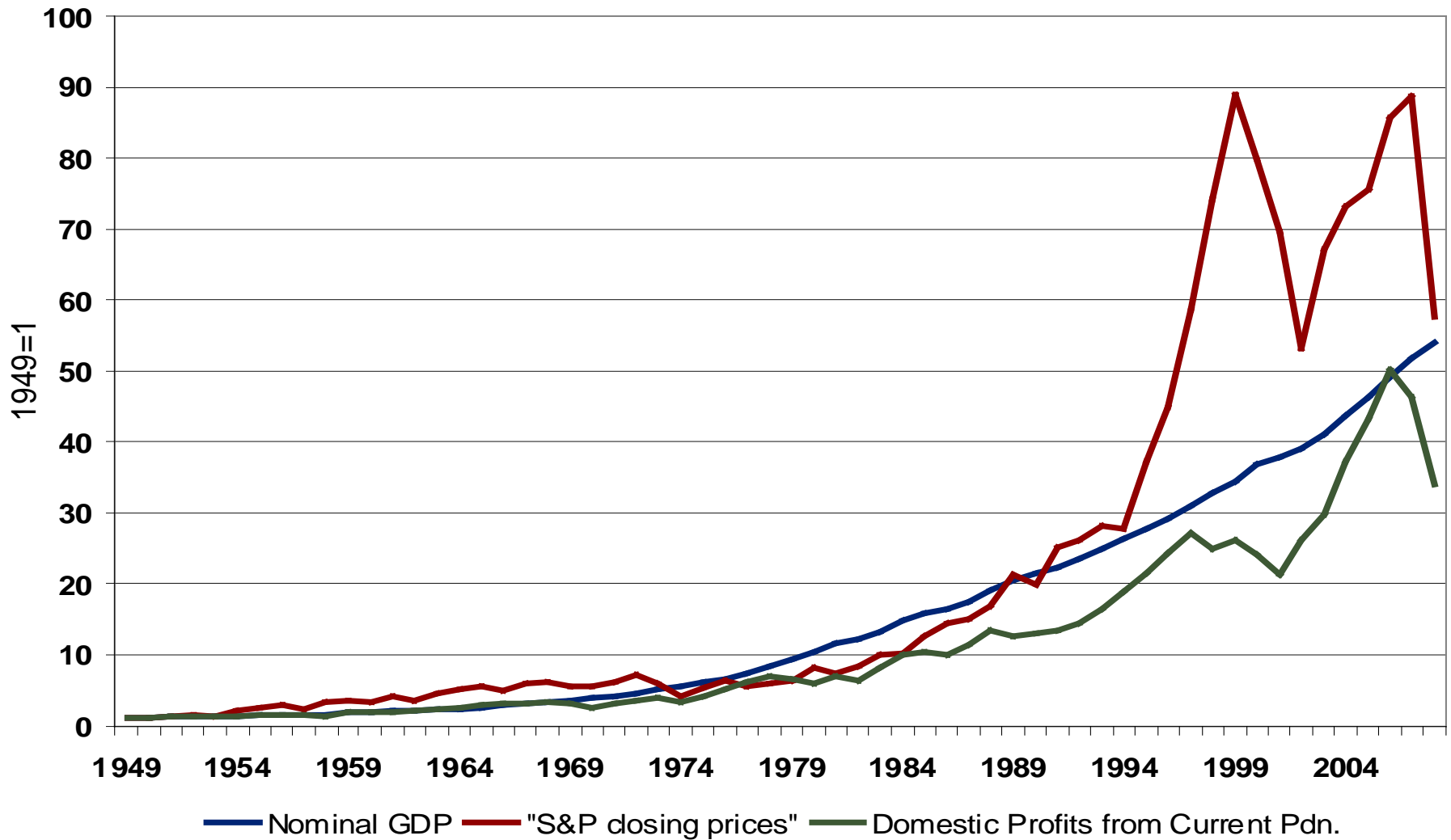
Source: BEA Regional data.

# Business Income: Real Gross & Net Domestic Investment

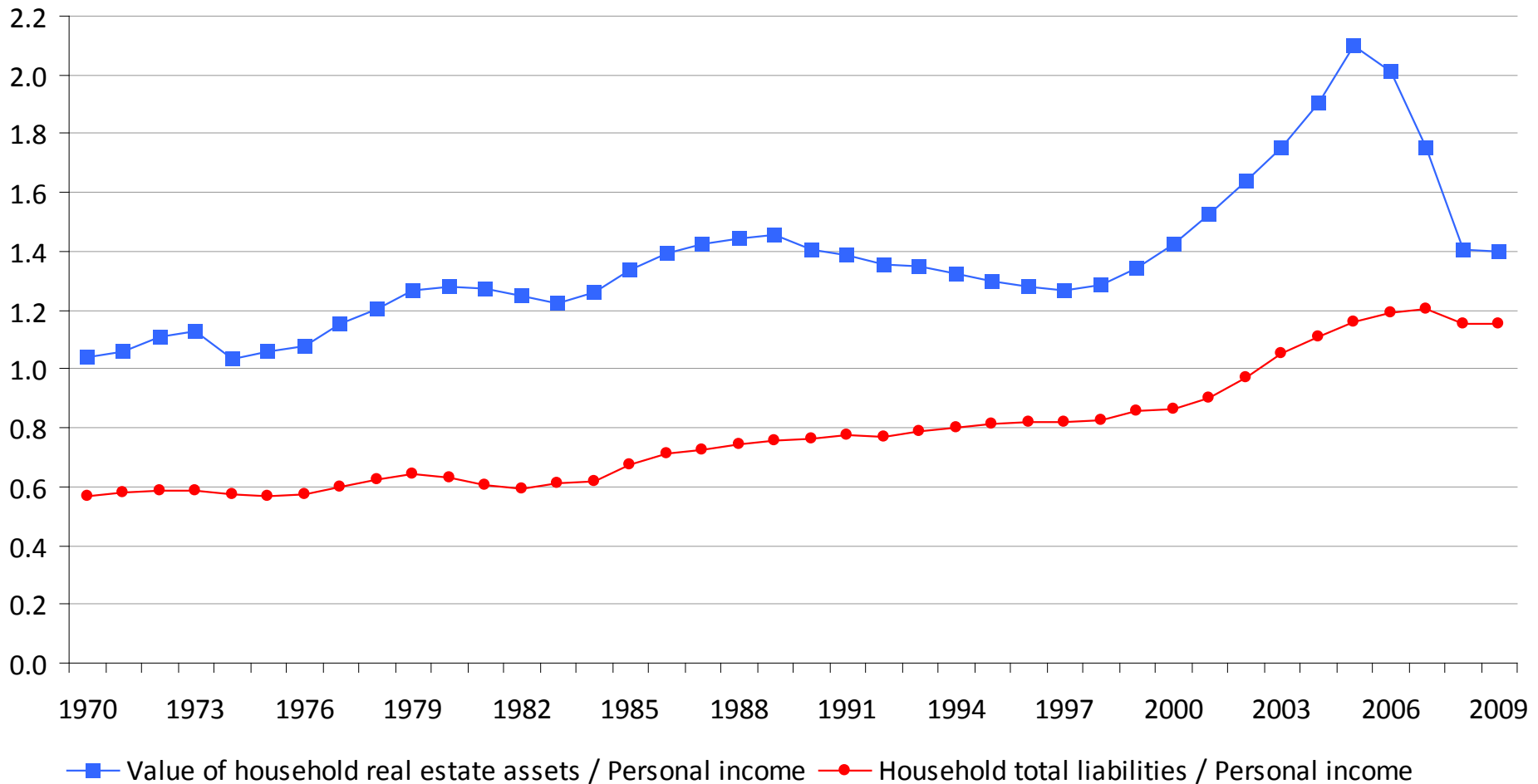


Source: BEA NIPA data

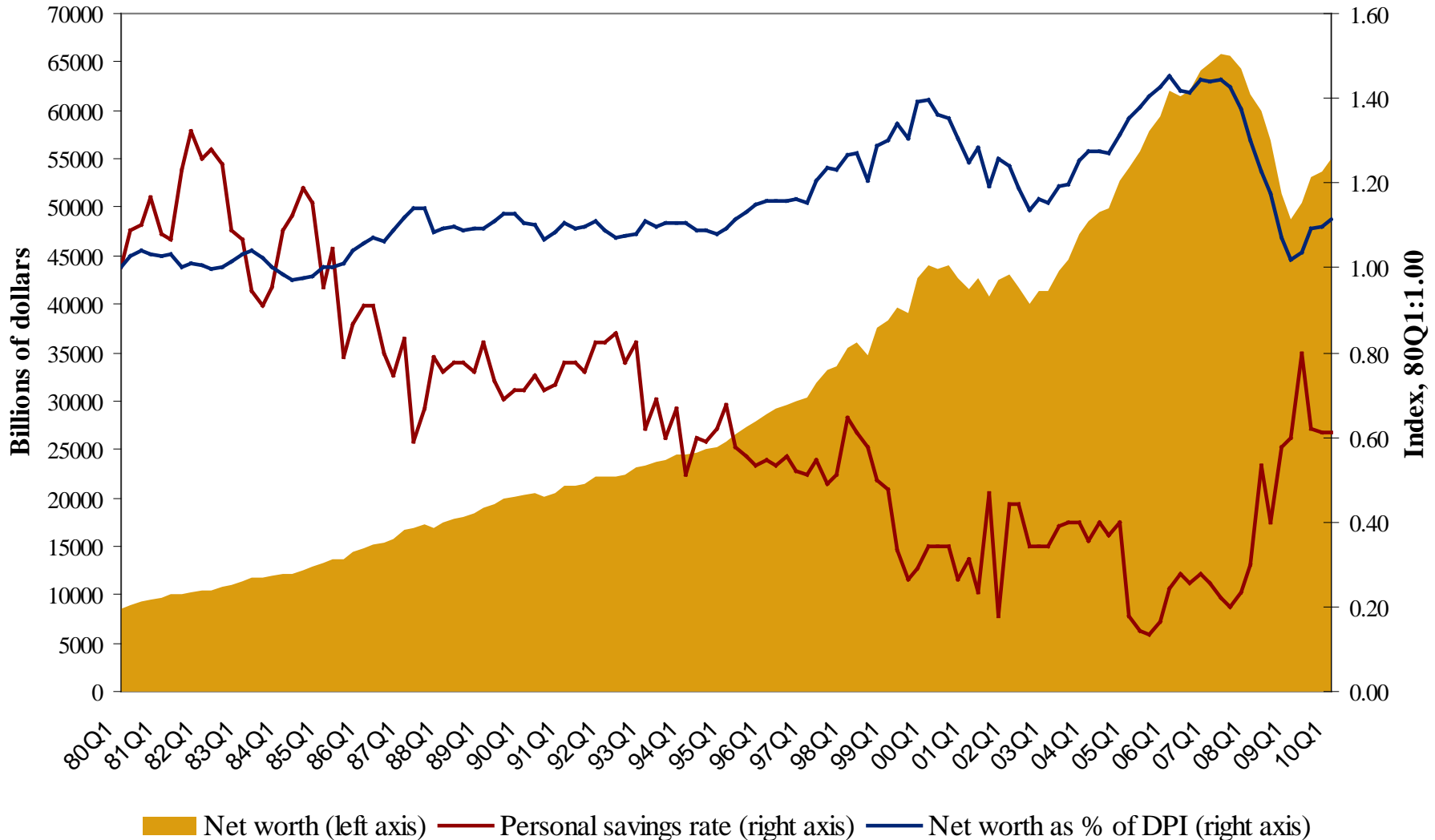
# Equity prices, NIPA profits & GDP



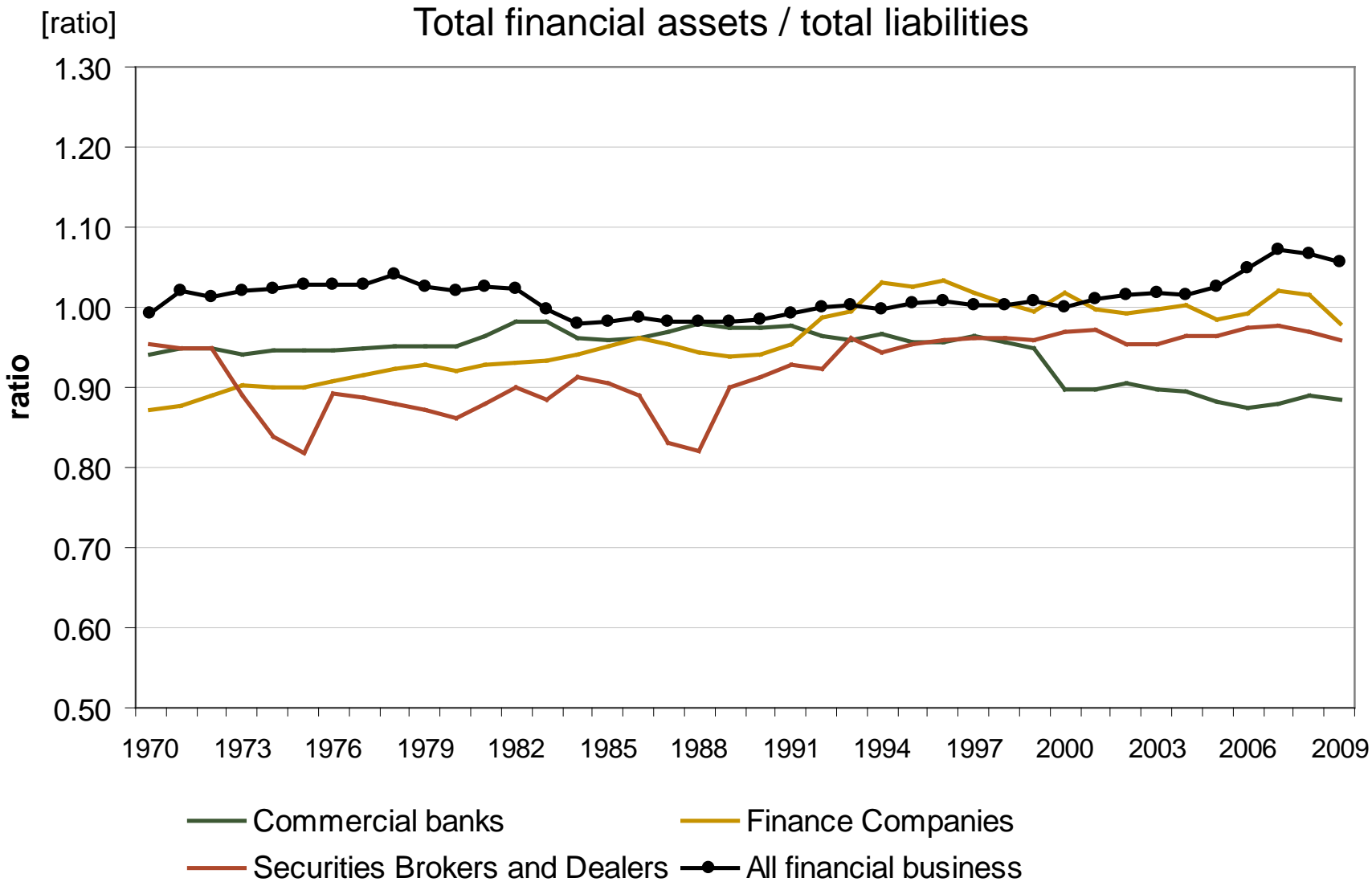
# Housing & Personal Income



# Household Asset Values & Savings



# Financial Business Sector Leveraging



# Filling gaps in financial data

- More complete data on institutions that played a large role in the crisis
  - hedge funds
  - private equity funds
  - structured investment vehicles
- More detailed data by type of instrument
  - valuation
  - maturity
  - ultimate owner
- More data on leverage by institution and by instrument

# The Multi-Factor Productivity Residual: Intangibles or Institutional Factors?

[Percent]	<u>1960-2005</u>	<u>1960-95</u>	<u>1995-2000</u>	<u>2000-2005</u>
Gross domestic product	3.35	3.31	4.29	2.76
Hours worked	1.39	1.52	1.89	-0.02
Average labor productivity	1.96	1.78	2.40	2.78
Contribution of capital deepening	1.03	0.94	1.36	1.40
Information technology	0.40	0.31	0.92	0.56
Non-information technology	0.63	0.63	0.45	0.84
Contribution of labor quality	0.29	0.29	0.19	0.35
<b>Total factor productivity</b>	<b>0.64</b>	<b>0.56</b>	<b>0.85</b>	<b>1.03</b>
Information technology	0.22	0.16	0.51	0.33
Non-information technology	0.42	0.40	0.34	0.70
		<b>Addendum-Growth Rates</b>		
Labor input	1.88	2.02	2.21	0.56
Labor quality	0.48	0.49	0.32	0.57
Capital input	3.94	3.81	5.23	3.57
Capital stock	2.93	3.05	2.81	2.19
Capital quality	1.02	0.77	2.42	1.38

Source: Jorgenson, Dale W., Mun S. Ho, and Kevin J. Stiroh. 2005. Information Technology and the American Growth Resurgence, Cambridge, MA: MIT Press, pp. 38-39

# Results from BEA's 2007 R&D Satellite Account:

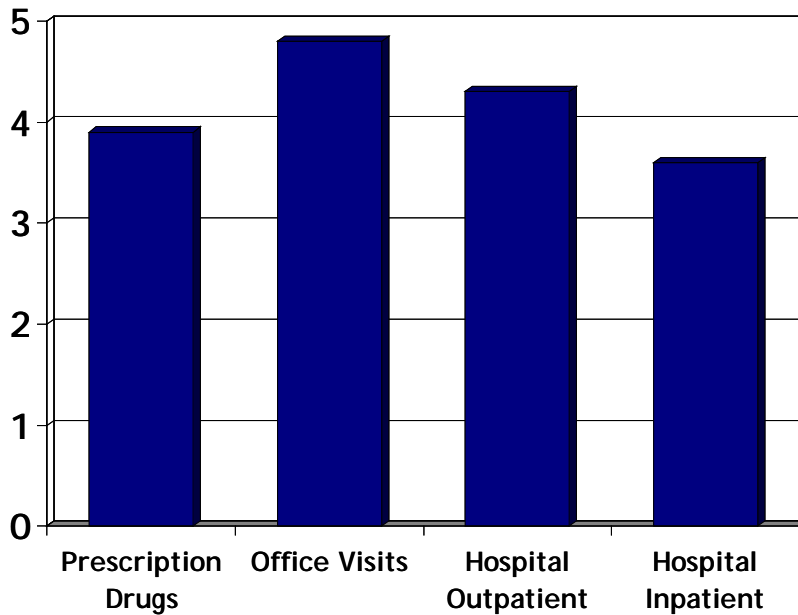
- Between 1959-2004, R&D accounted for 5 percent of growth in real GDP.
- Between 1995-2004, R&D's contribution rose to 7 percent; in comparison, business investment in commercial and all other types of buildings accounted for just over 2 percent of real GDP growth.
- R&D's stepped-up contribution is almost as large as the contribution of computers in the existing GDP measure.

# Health care inflation

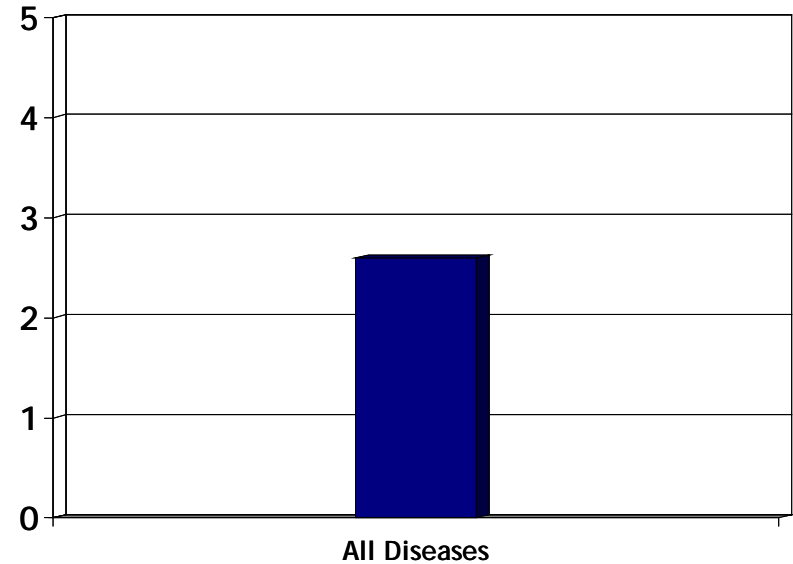
## Comparison of Price Indexes for Medical Care, 2001-2003

(compound annual growth rates)

**Provider-Based**



**Disease-Based**



Source: A. Aizcorbe and N. Nestoriak, "Using Commercially-Defined Episodes of Illness for the Measurement of Health Accounts: A Progress Report," Paper presented at NBER/CRIW Summer Institute, July 2006