FY 2008 Budget Request for the Bureau of Economic Analysis

The FY 2008 budget request for the Bureau of Economic Analysis (BEA) totals $81.4 million, including a $2.8 million increase to maintain current services and a $2.1 million increase for an initiative to incorporate R&D into the GDP accounts. BEA is part of the “Economic and Statistical Analysis” budget line item within the Department of Commerce.

<table>
<thead>
<tr>
<th>Bureau of Economic Analysis (BEA)</th>
<th>FY2005 Actual¹</th>
<th>FY2006 Actual¹</th>
<th>FY2007 Estimate¹</th>
<th>FY2008 Request¹</th>
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</thead>
<tbody>
<tr>
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<td>$73.6</td>
<td>$75.3</td>
<td>$75.7²</td>
<td>$81.4</td>
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</tbody>
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¹In millions of dollars
²Based on House Joint Funding Resolution of January 29, 2007 and is subject to change based on further Congressional action.

FY 2008 Budget Initiative:
Measuring the Impact of R&D on the Economy

Summary: BEA proposes to measure the impact of research and development (R&D) activity in the National Income and Product Accounts (NIPAs) and the GDP Accounts. The request totals $2.1 million.

A widely read BusinessWeek cover story (Feb. 13, 2006) highlighted the need to incorporate knowledge-based economic activities into the Nation’s most important measure of economic activity, the gross domestic product (GDP). Many believe that these knowledge-based economic activities, or investments in “intangibles,” are responsible for as much as 40 percent of recent U.S. economic growth. Understanding the effect of intangibles in the economy is critical to good business decisions and policymaking.

On September 28, 2006, BEA and the National Science Foundation (NSF) released a preliminary R&D satellite account, which provided prototype estimates of the effects of treating R&D as an investment in GDP rather than as an expense. These findings are the first glimpse of the effect that R&D have on our economy.

This initiative calls for BEA to extend the preliminary R&D satellite account, funded by NSF through 2007, with annual updates and extensions between 2008 and 2012, with full incorporation into the NIPAs planned for 2013.

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BusinessWeek
Why The Economy Is A Lot Stronger Than You Think.
by Michael Mandel
(February 13, 2006 )

“The statistical wizards at the Bureau of Economic Analysis in Washington can whip up a spreadsheet showing how much the railroads spend on furniture.

But they have no way of tracking the billions of dollars companies spend each year on innovations and product design, brand-building, employee training, or any of the other intangible investments required to compete in today's global economy. That means that the resources put into creating such world-beating innovations as the anticancer drug Avastin, inhaled insulin, Starbucks, exchange-traded funds, and yes, even the iPod, don’t show up in the official numbers.”