BEA
BUREAU OF ECONOMIC ANALYSIS
U.S. DEPARTMENT OF COMMERCE

The Role of BEA in Federal Economic Statistics

J. Steven Landefeld

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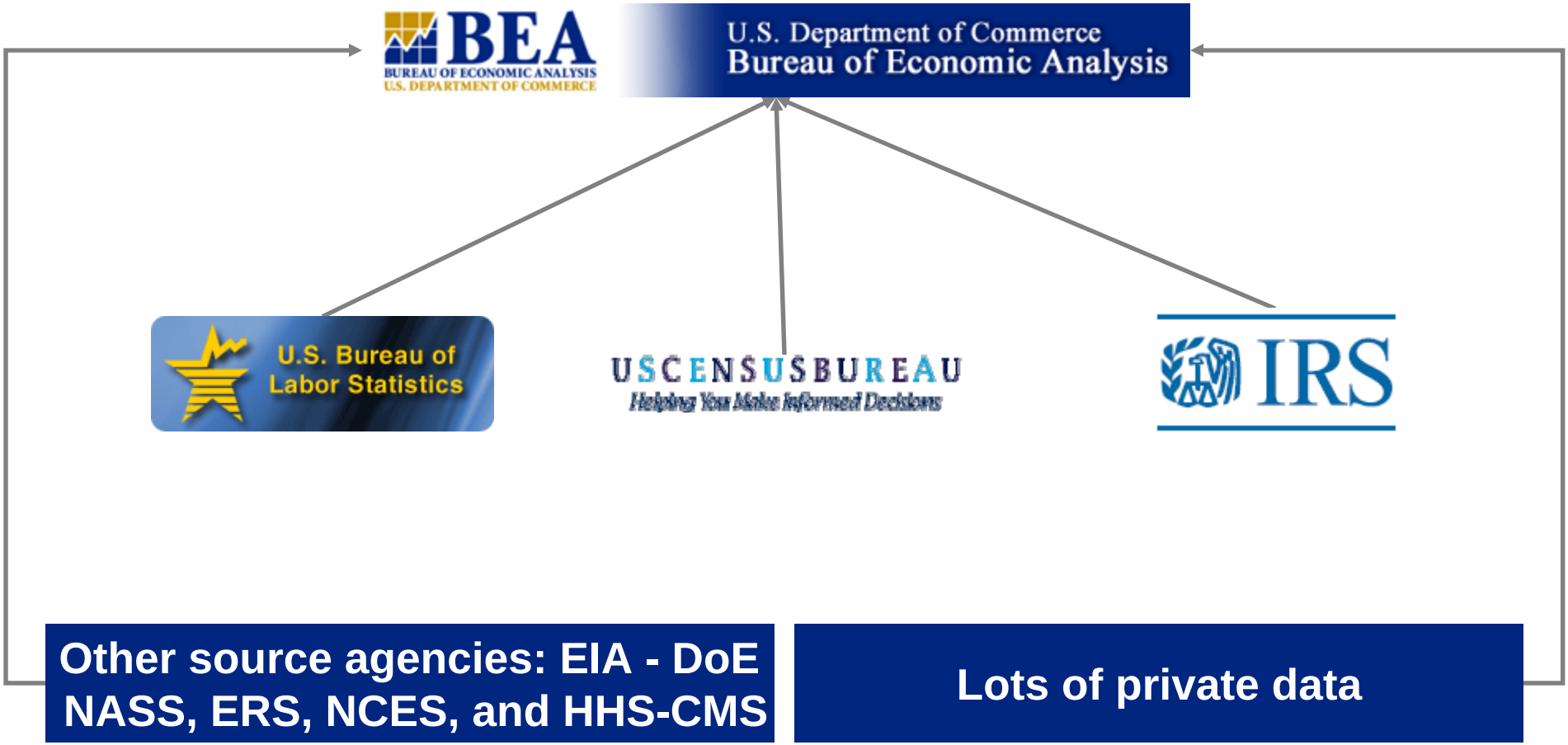
JPSM

BEA's Role in the Federal Statistical System

- Production of Comprehensive Measures of the U.S. Economy (handout)
  - Double-entry sets of economic accounts
  - National, International, Regional, and Industry Accounts
  - Except for its International Surveys, BEA accounts are built on a mosaic of public and private data collected for other purposes
  - Mine-Shaft Canary for U.S. Statistics
- Uses of BEA's Data
- GDP and Beyond

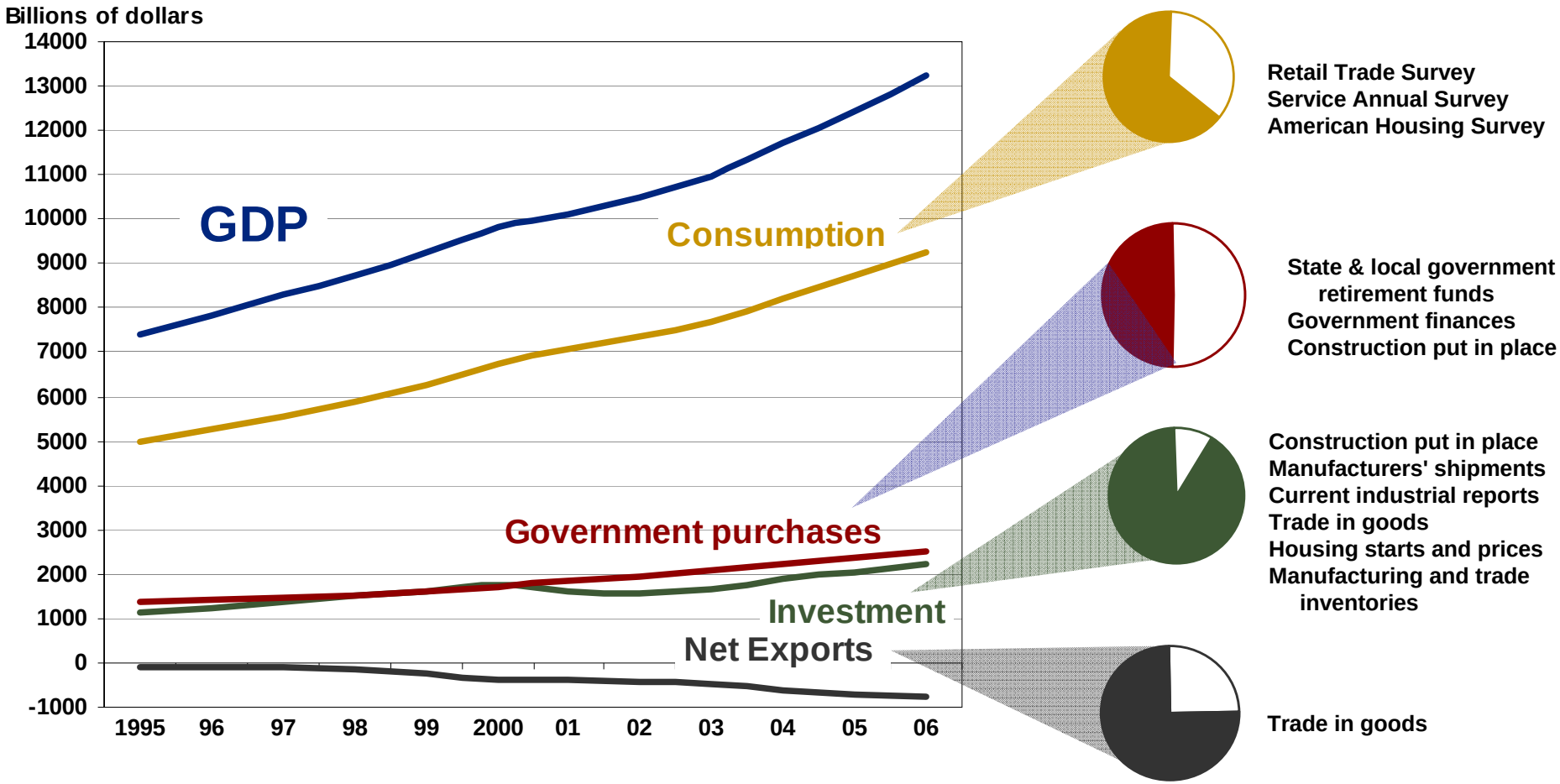
Source Data for BEA Accounts



Other source agencies: EIA - DoE NASS, ERS, NCES, and HHS-CMS

Lots of private data

Census Data – Building Blocks for GDP



Uses in Budgeting

Federal

Office of Management and Budget
Sensitivity of the Budget to Economic Assumptions

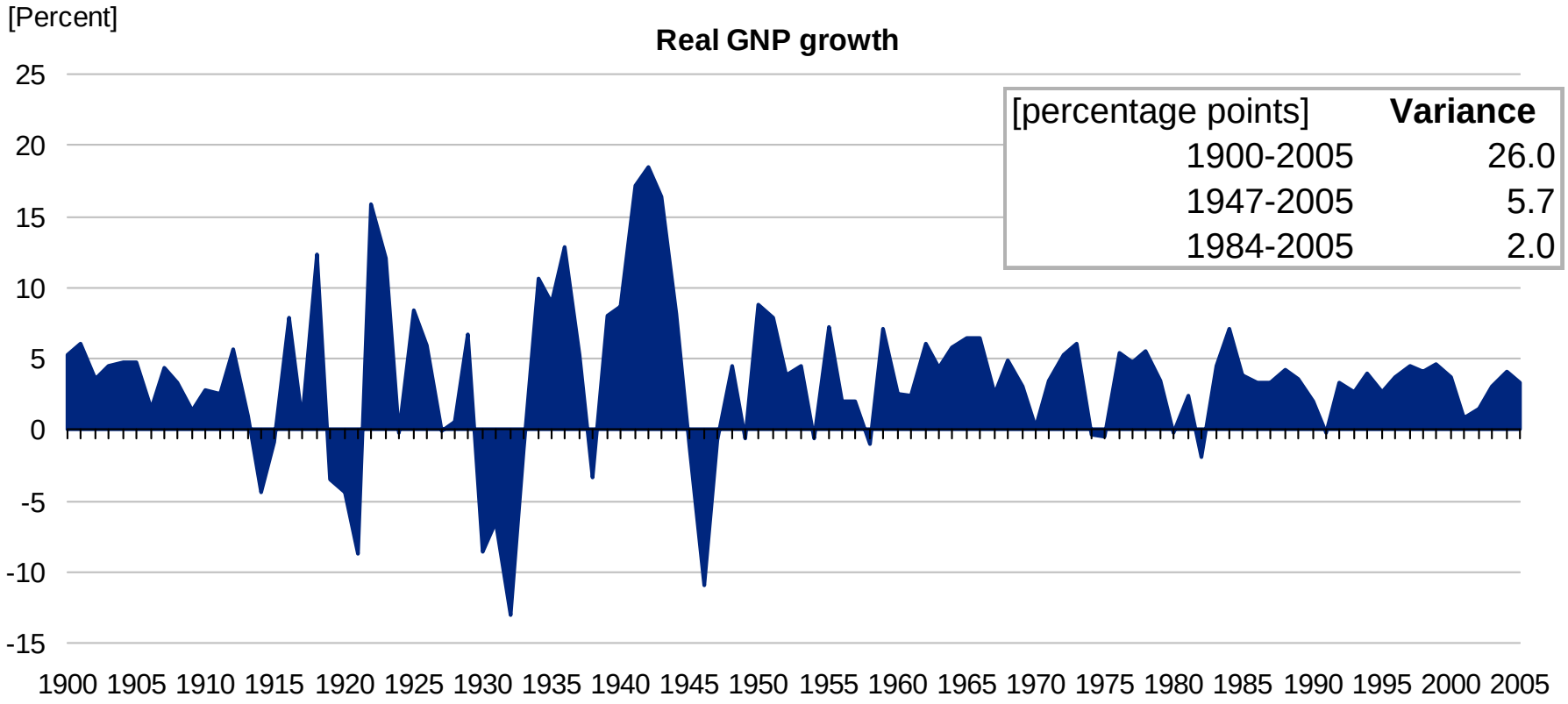
[Fiscal years; billions of dollars]	2008	2009	2010	2011	2012	2013	Total 2008-2013
Budgetary effects of 1 percent lower real GDP growth							
Sustained during 2006-2011, with no change in unemployment:							
Receipts	-14.0	-45.3	-83.8	-128.3	-170.5	-219.2	-661.1
Outlays	0.1	1.0	3.3	7.5	13.4	19.2	44.4
Increase in deficit (-)	-14.1	-46.3	-87.1	-135.8	-183.8	-238.4	-705.5

State & Local

- **21 states have statutory limits on revenues and spending tied to state personal income or some of its components**
- **Most state agencies use BEA data for tax revenue forecasts**

Source: OMB, *Analytical Perspectives*, p. 174.

Statistics, Institutions, and Stability

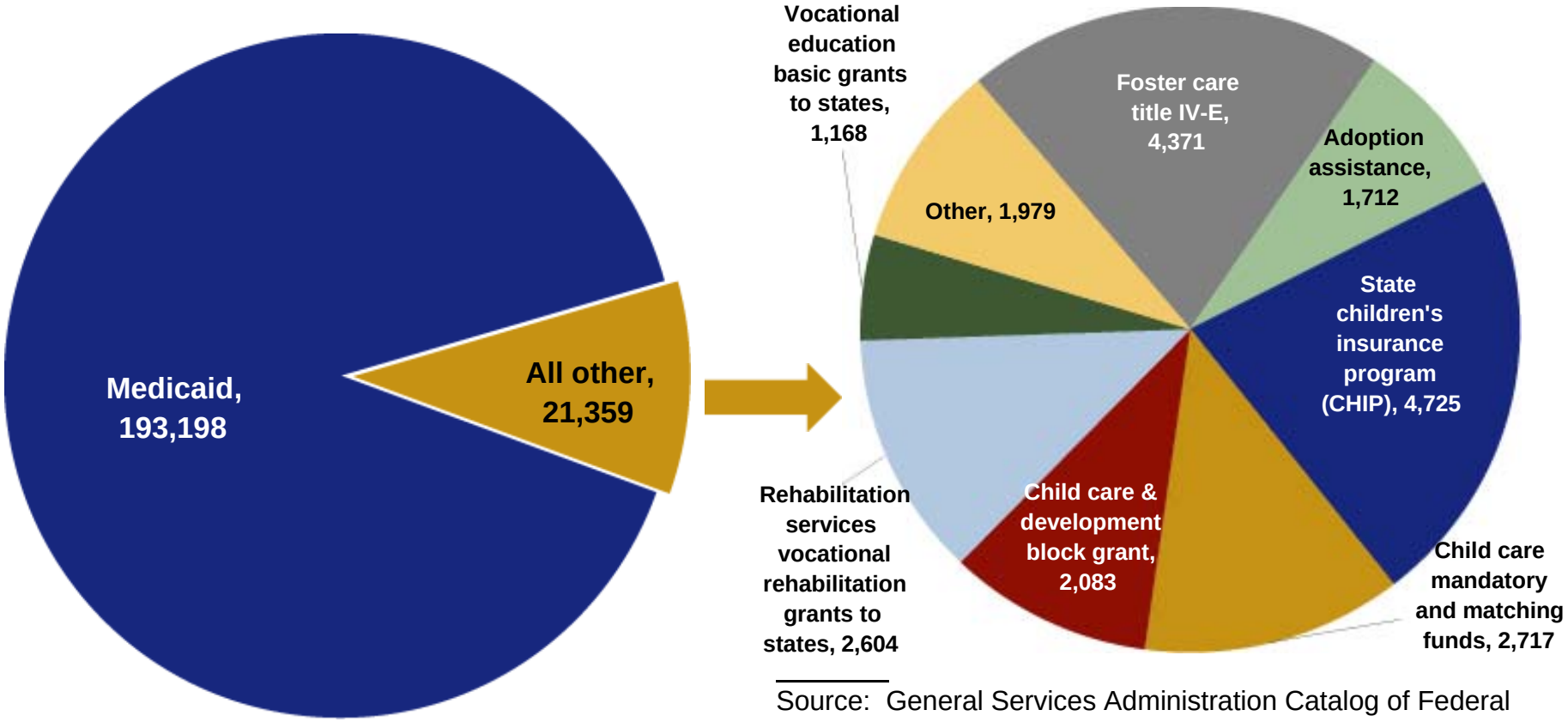


[percentage points]	Variance
1900-2005	26.0
1947-2005	5.7
1984-2005	2.0

Source: BEA, NIPA table 1.7.3; DOC, *Long Term Economic Outlook 1860-1970*, Washington, DC: GPO (1973).

Uses in Fiscal Policy

BEA Regional Estimates Are Used to Distribute $215 Billion in Federal Funds



Source: General Services Administration Catalog of Federal Domestic Assistance, April 2006.

Why Does It Matter? — Elections

Ray Fair Model: Correct for 19 of 23 elections (1916-2004)

$$V = a_1 + a_2 I + a_3(g3)I + a_4(p15)I + a_5(n)I + a_6 DPER + a_7 DUR$$

- V = one party's share of the two-party presidential vote
- I, DPER, and DUR = variables used to describe incumbent party, if an incumbent is running, and the duration that a party has been in power
- g3 = real per capita GDP annual growth rate for first 3 qtrs. of the election yr.
- p15 = abs. value of GDP deflator annual growth rate for the first 15 qtrs. of the administration
- n = # of qtrs. in the first 15 qtrs. of the administration in which real per capita GDP annual growth rate is greater than 3.2

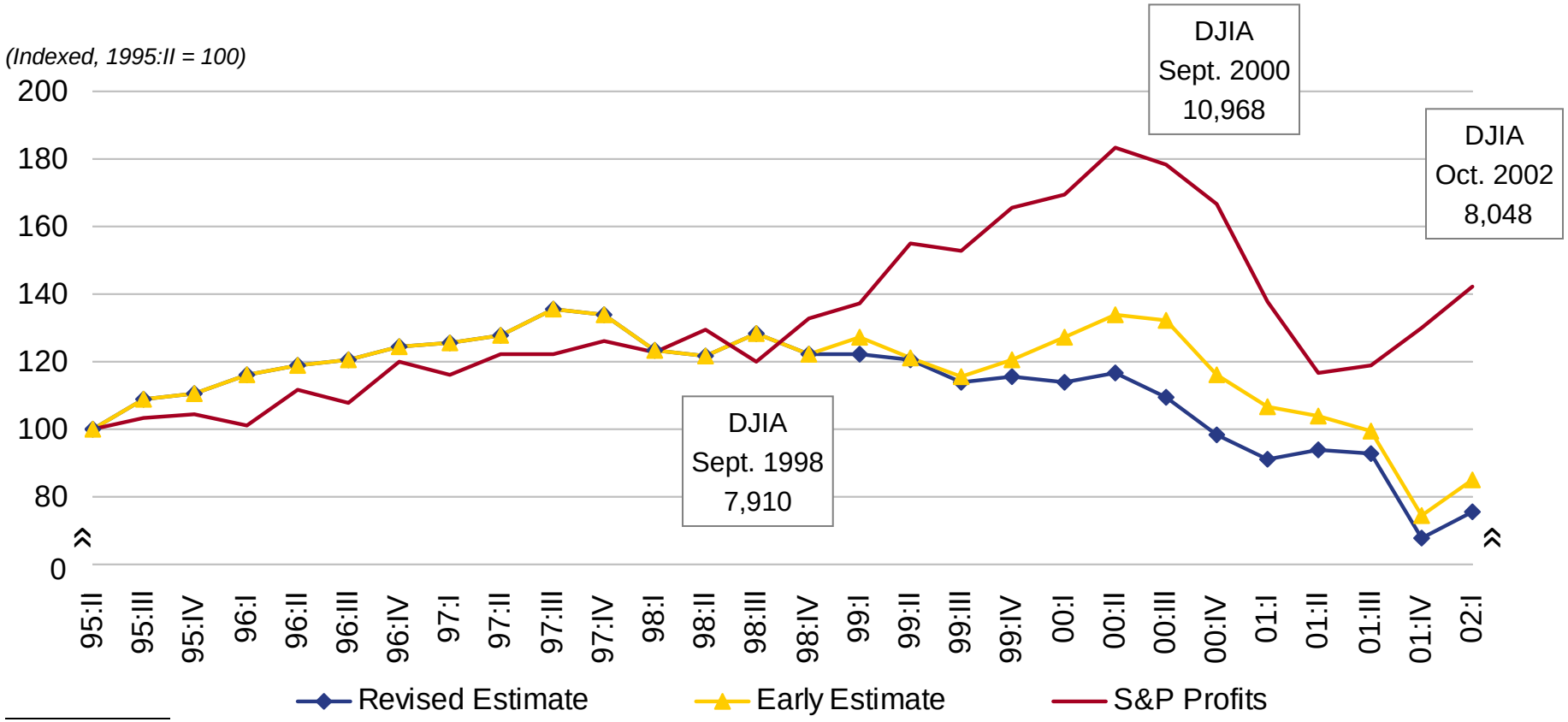
Note: Formula excludes sections that drop out when not in a major war (election years: 1920, 1944, and 1948).

Why Does It Matter? — Elections

"It's the economy stupid." —Bill Clinton

Importance of Government Statistics: Reality Check On Other Statistics

Corporate Profits Estimates vs. S&P Index



Source: BEA press releases and Standard & Poor's, Inc.

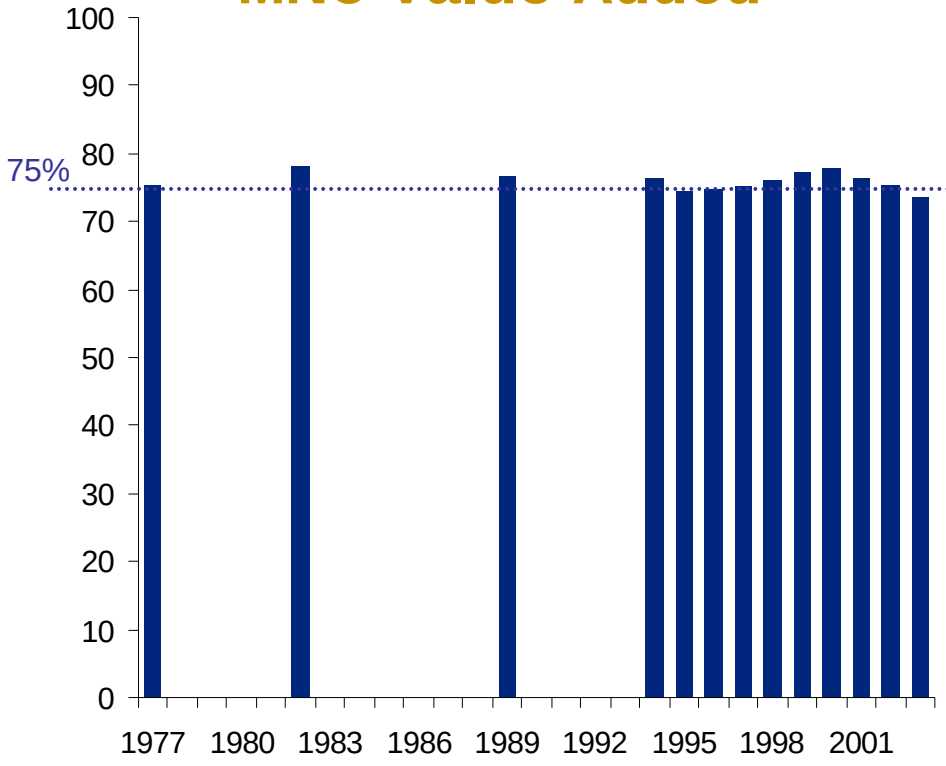
What the Statistics Tell Us — Offshoring

- "[The U.S. should] repeal every tax break and loophole that rewards any Benedict Arnold CEO or corporation for shipping American jobs overseas. —John Kerry (Speech, Feb. 19, 2004)

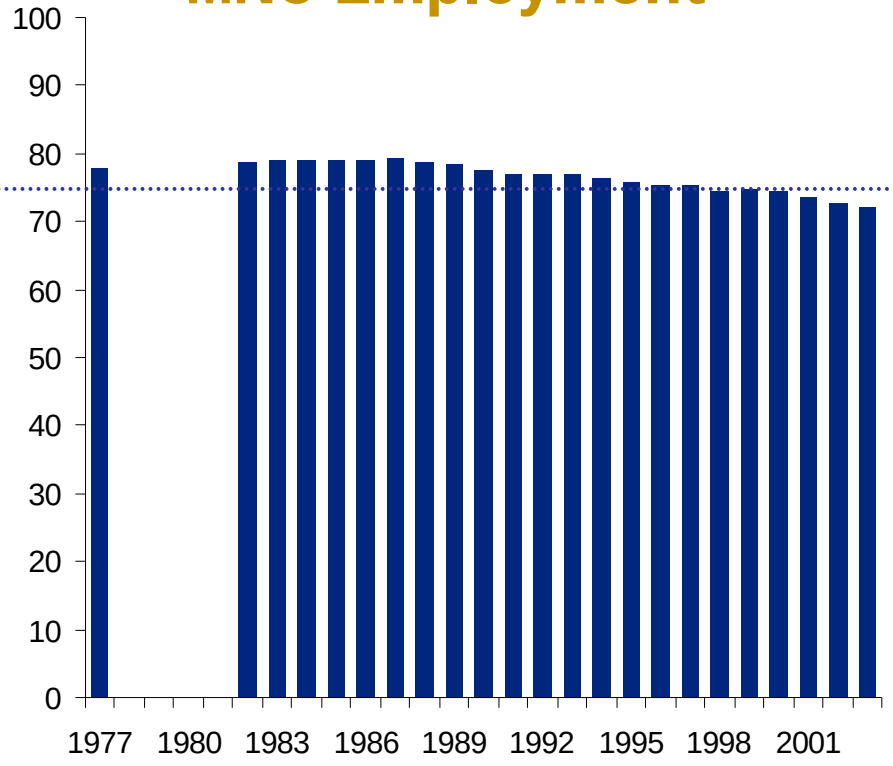
- "Nielson continues… taking decent jobs away from ordinary Americans and even forcing them to train their cheap foreign replaces. Many of those jobs will ultimately be sent overseas"
  —Lou Dobbs (loudobbs.tv.cnn.com, June, 2008)

What the Statistics Tell Us — Offshoring

U.S. Parent Share of MNC Value Added



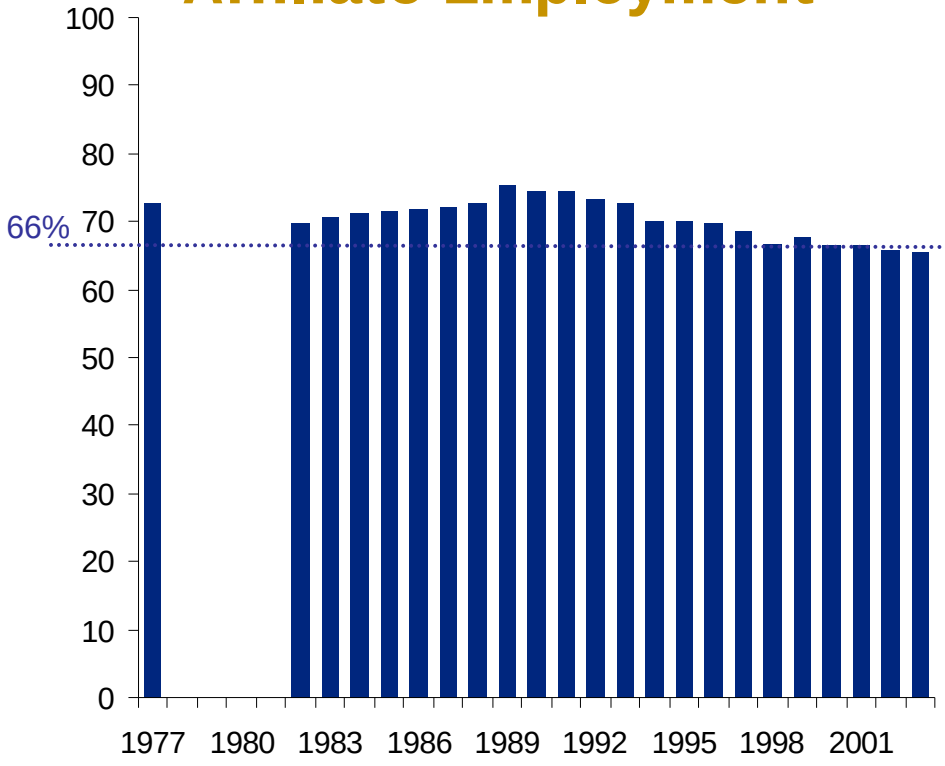
U.S. Parent Share of MNC Employment



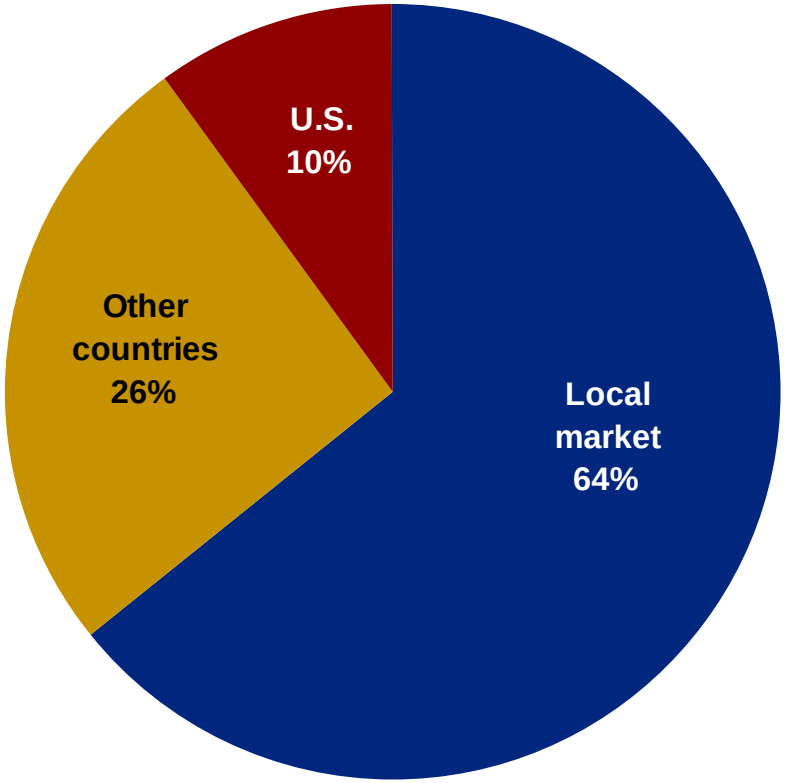
Source: BEA foreign direct investment data.

What the Statistics Tell Us — Offshoring

High-Wage-Country Share of Affiliate Employment

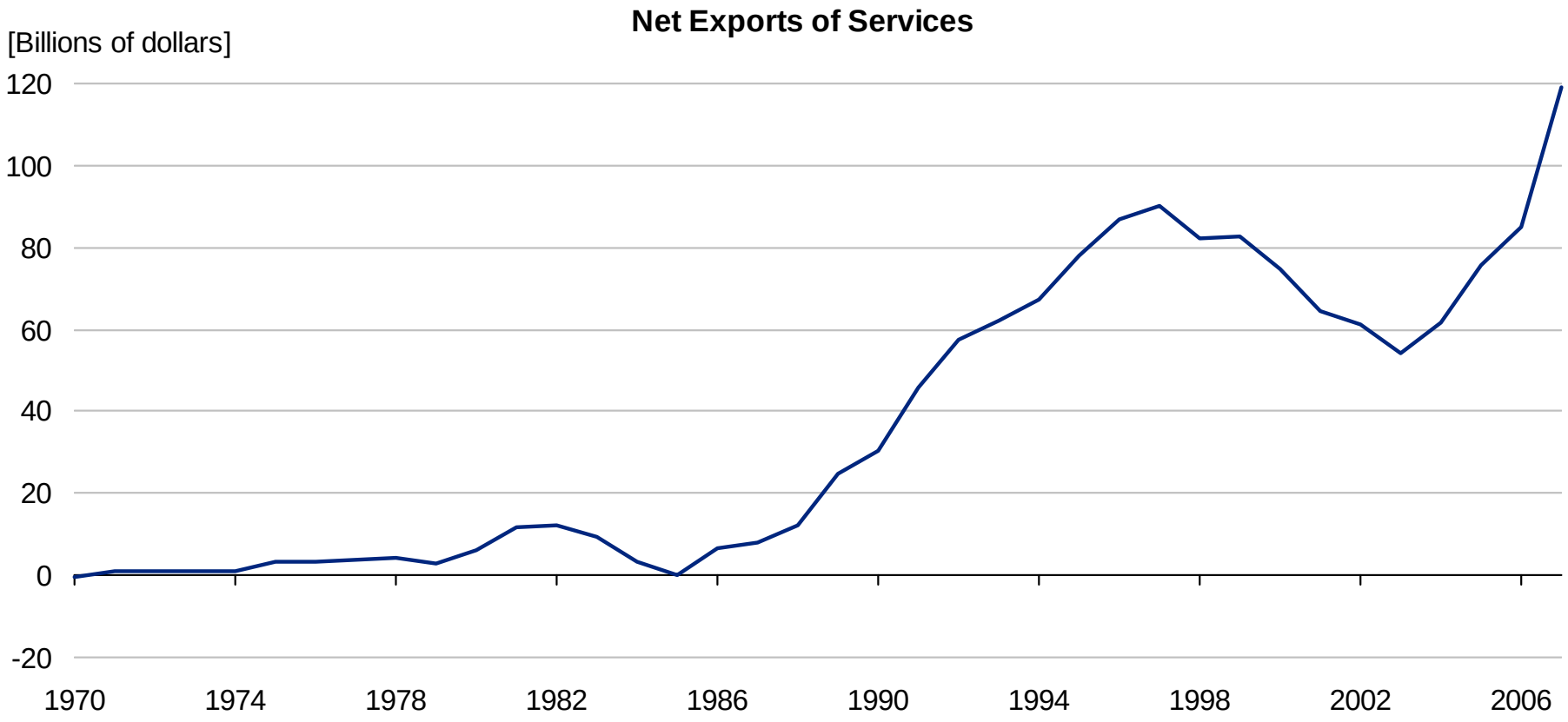


Destination of Sales by Foreign Affiliates



Source: BEA foreign direct investment data.

What the Statistics Tell Us — Offshoring



Source: BEA balance of payments data.

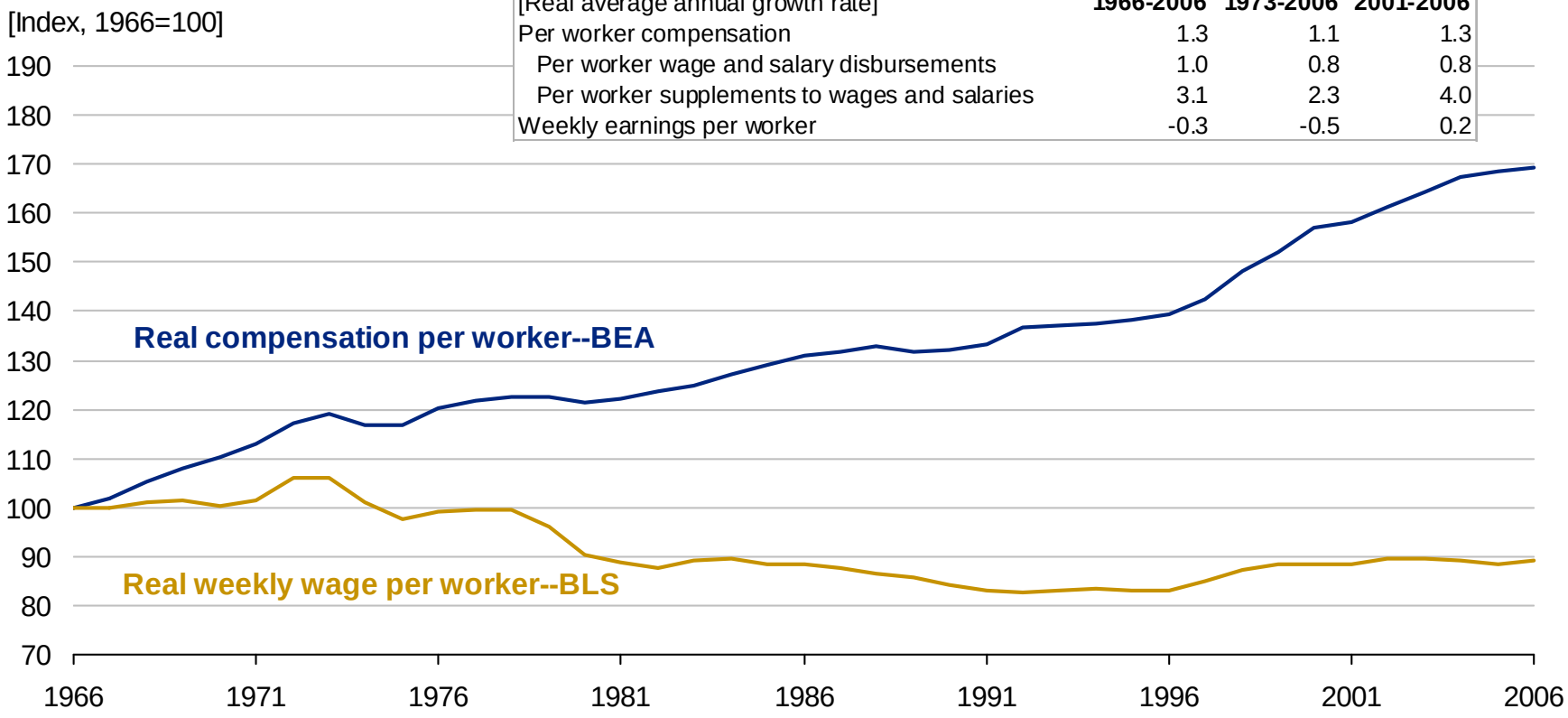
What the Statistics Tell Us — Are You Better Off Today…?

- "Workers' wages are thus facing two pressures in the current job market: hourly and weekly wage growth that is not keeping up with inflation and diminishing weekly work hours."

  —Jared Bernstein
  (Economic Policy Institute, May 2008)

What the Statistics Tell Us — Are You Better Off Today…?

[Real average annual growth rate]	1966-2006	1973-2006	2001-2006
Per worker compensation	1.3	1.1	1.3
Per worker wage and salary disbursements	1.0	0.8	0.8
Per worker supplements to wages and salaries	3.1	2.3	4.0
Weekly earnings per worker	-0.3	-0.5	0.2



Source: Bureau of Labor Statistics CES data; BEA, NIPA table 2.1 and 2.3.4.

Long Standing Issue

- *"The big question concerns whether **GDP** provides a good measure of living standards. In many cases, **GDP** statistics seem to suggest that the economy is doing far better than most citizens' own perceptions. Moreover, the focus on **GDP** creates conflicts: political leaders are told to maximize it, but citizens also demand that attention be paid to enhancing security, reducing pollution, and so forth - all of which might lower **GDP** growth.*

*The fact that **GDP** may be a poor measure of well-being, or even of market activity, has, of course, long been recognized. But changes in society and the economy may have heightened the problems, at the same time that advances in economics and statistical techniques may have provided opportunities to improve our metrics."*

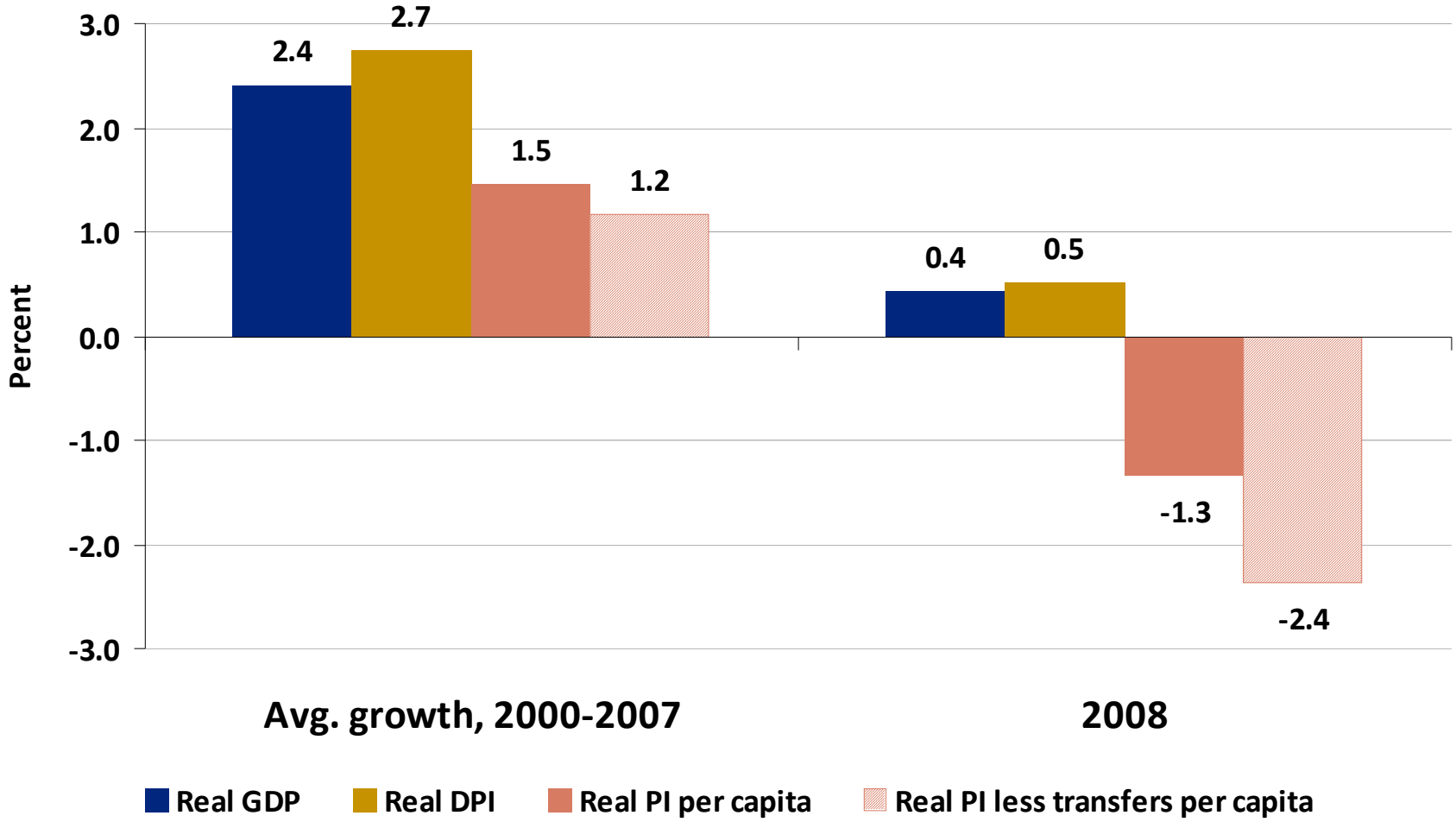
-- *Joseph Stiglitz*, The Economist Voice, September, 2009

Missing the Mark

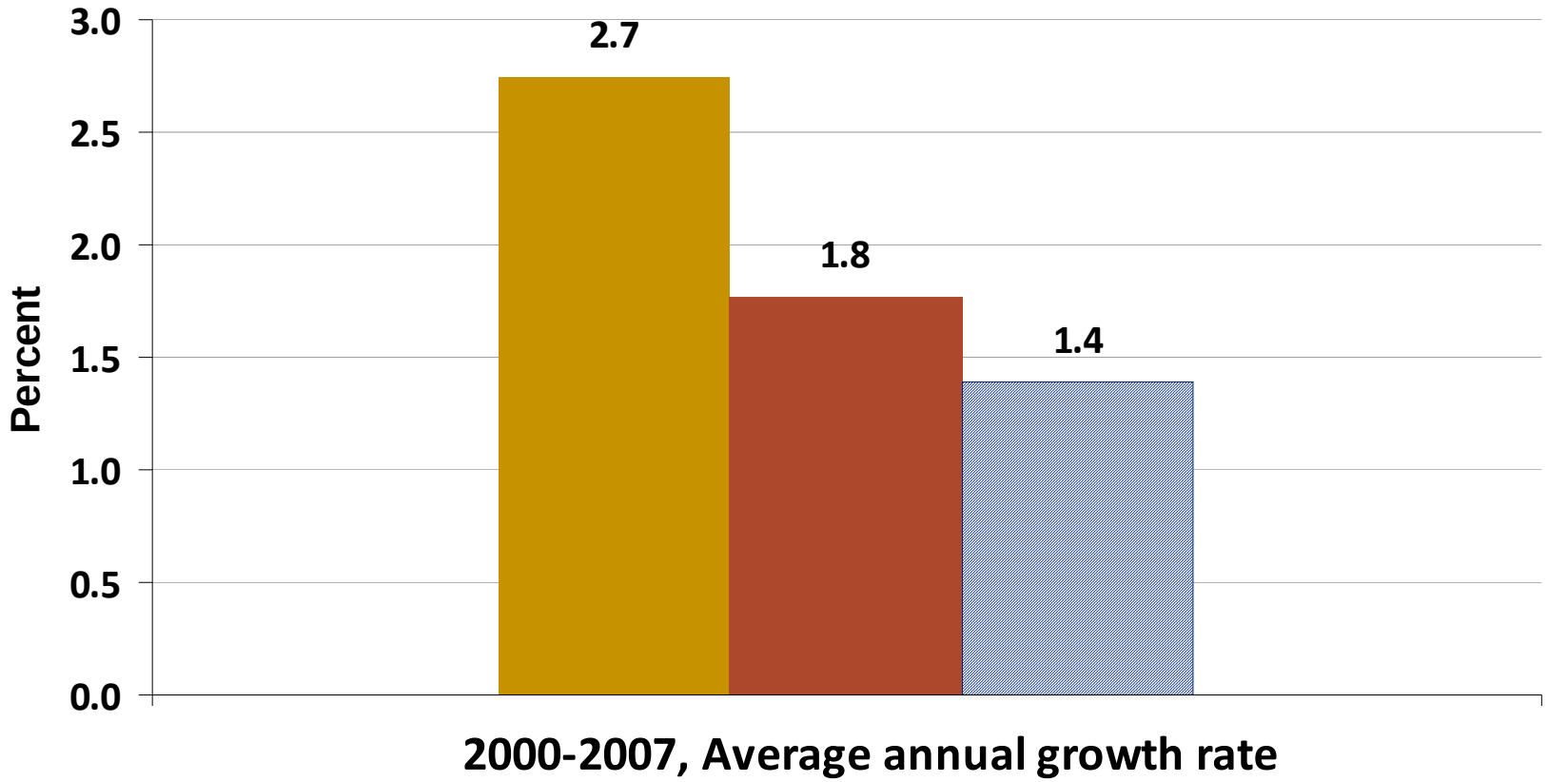
What Can We Do Within The NIPA's: Economic Progress & Sustainability

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

Household Income – Alternative Measures

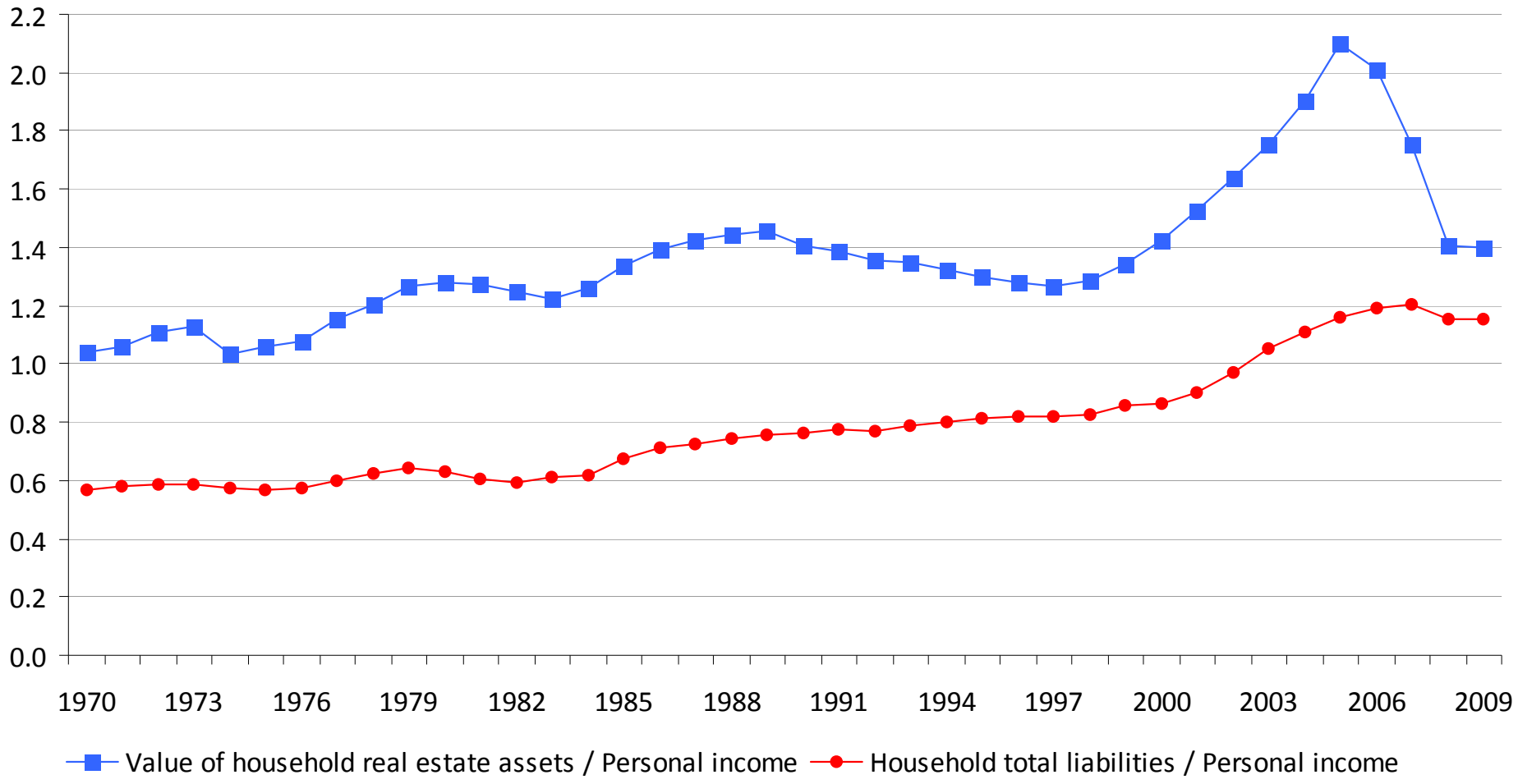


Reconciling Measure of Income



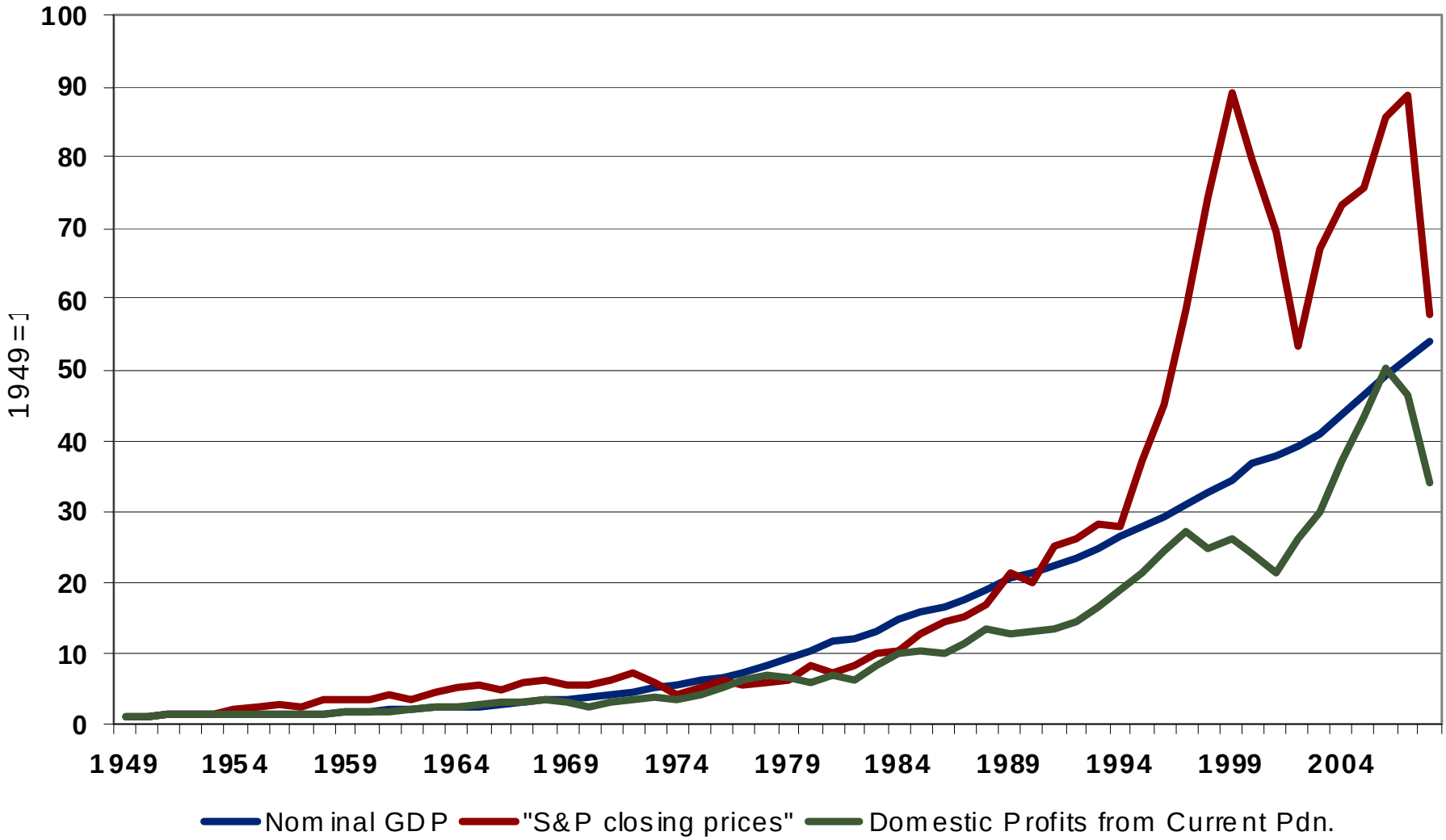
Real DPI, BEA Real DPI per capita, BEA Real median taxpayer discretionary income

Housing & Personal Income



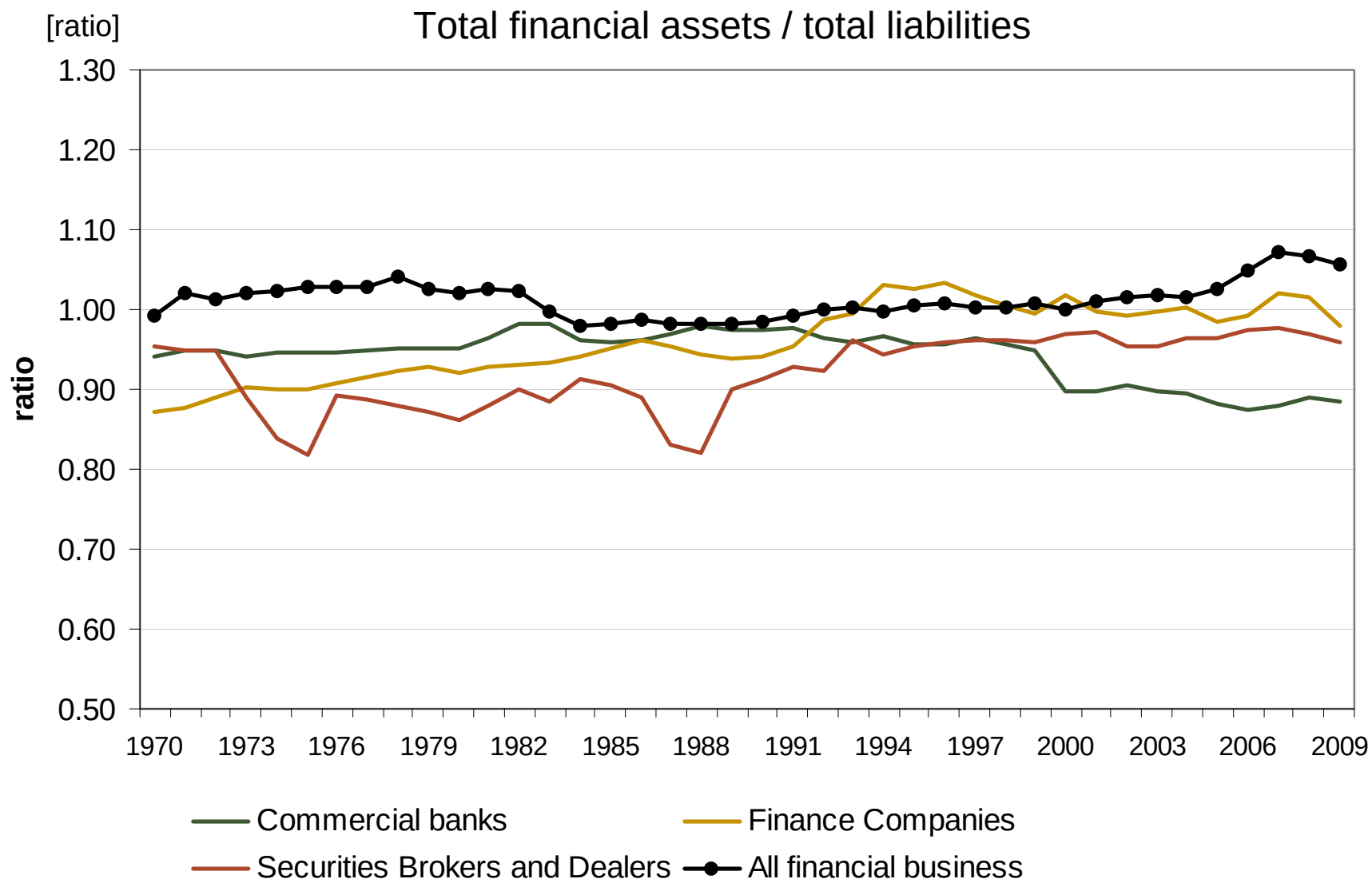
Source: BEA NIPA data & Federal Reserve Board Flow of Funds data

Equity prices, NIPA profits & GDP



Source: BEA NIPA data, Standard and Poor's data

Financial Business Sector Leveraging

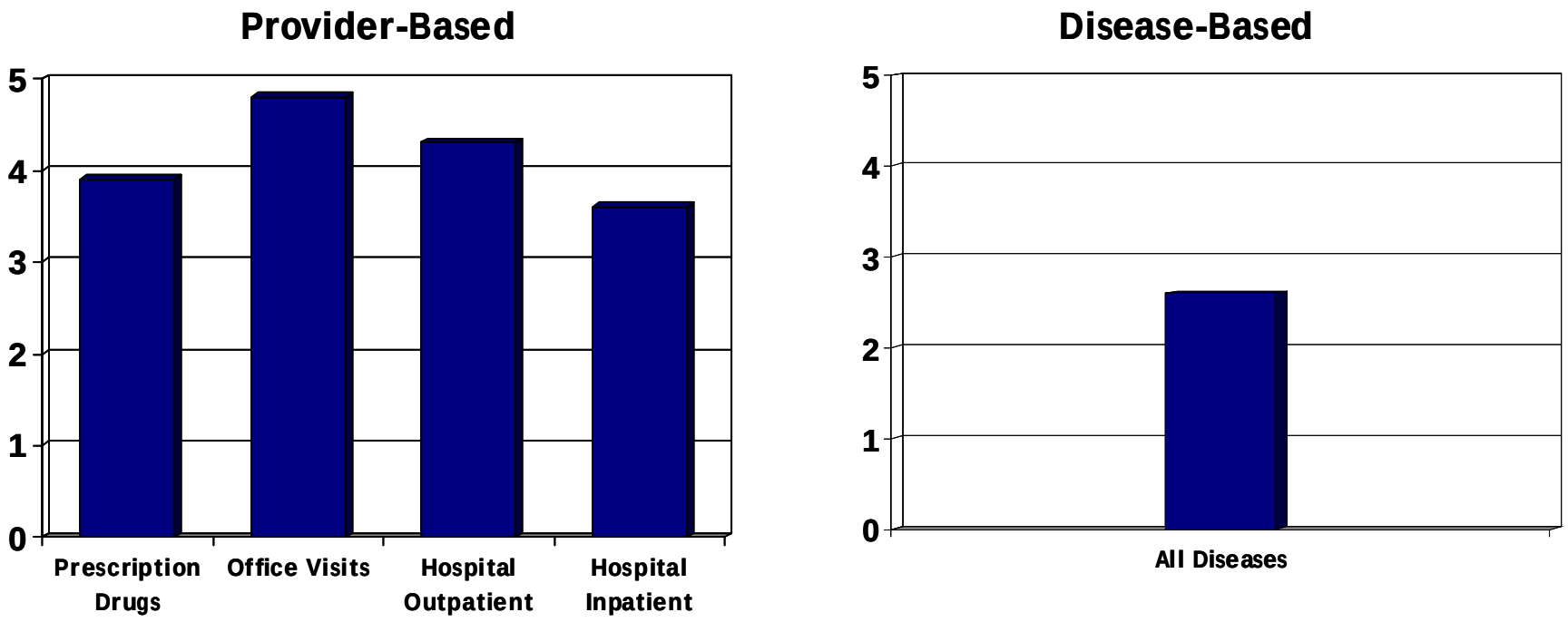


Source: BEA & Federal Reserve Board Flow of Funds data

Health care inflation

Comparison of Price Indexes for Medical Care, 2001-2003

(compound annual growth rates)



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