GDP and Beyond: Next Steps

J. Steven Landefeld, Shaunda Villones, and Alyssa Holdren
May 10, 2019
Goals of Project

The development and periodic publication of extended economic accounts that highlight existing measures and provide additional measures of:

• Economic well-being
• Distributions of income, wealth, and consumption
• Trends in growth and the sustainability of growth
## Advisory Committee Priorities

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Overall Ranking (High, Medium, Low)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education (human capital) Account</td>
<td>High</td>
</tr>
<tr>
<td>Global value chains</td>
<td>High</td>
</tr>
<tr>
<td>Health Care Account</td>
<td>High</td>
</tr>
<tr>
<td>Income, consumption, and wealth distribution</td>
<td>High</td>
</tr>
<tr>
<td>Produce aggregate welfare measures</td>
<td>High</td>
</tr>
<tr>
<td>Integrated accounts (e.g. BEA-FRB, BEA-BLS)</td>
<td>Medium-High</td>
</tr>
<tr>
<td>Small Business Account</td>
<td>Medium-High</td>
</tr>
<tr>
<td>Energy Account</td>
<td>Medium</td>
</tr>
<tr>
<td>Government Account</td>
<td>Medium</td>
</tr>
<tr>
<td>Household production</td>
<td>Medium</td>
</tr>
<tr>
<td>Natural Capital Account</td>
<td>Medium</td>
</tr>
<tr>
<td>Incorporate new/free goods into GDP</td>
<td>Medium</td>
</tr>
<tr>
<td>Create input data for subjective well-being measures</td>
<td>Medium</td>
</tr>
<tr>
<td>Ocean Economy Account</td>
<td>Low-Medium</td>
</tr>
<tr>
<td>Create dashboard of existing measures</td>
<td>Low-Medium</td>
</tr>
<tr>
<td>Arts &amp; Culture Account</td>
<td>Low</td>
</tr>
<tr>
<td>Outdoor Recreation Account</td>
<td>Low</td>
</tr>
<tr>
<td>Travel &amp; Tourism Account</td>
<td>Low</td>
</tr>
</tbody>
</table>
Shorter-Term BEA Priorities

• Reflect Advisory Committee priorities and BEA criteria

• **Distribution of Income**—Comprehensive measure of household income based on the concept of personal income that addresses problems in:
  – Underreporting
  – Bias
  – Representativeness
  – Units of measurement
  – Scope
  – Timeliness

• **Distribution of Wealth**—Today’s FRB presentation on the newly released quarterly and annual distribution of wealth estimates
Distribution of Income

• Increasing interest—including by Congress, researchers, and business economists—in adding distributional information to GDP Accounts
  – Most important step in better linking economic welfare to national accounts
  – Long-standing issue: Tableau Economique, early accounts estimates in the late 1880s, NBER and Milton Friedman in the 1940s
  – BEA periodically produced such estimates but dropped for budget reasons
  – Fed quarterly extrapolated wealth estimates likely to increase demand for quarterly income data

• BEA’s plan
  – Benchmark and Annual Estimates based on long series of research papers by Fixler, Johnson, Gindelsky, Furlong, and Craig (*FY2019*)
    • Extending annual times series: 2007–2016
    • Testing and fine-tuning allocation methodologies
  – Extrapolation and Interpolation Estimates based on indicators (annual tax data and annual and *possibly* quarterly NIPA income data) (*FY2020, as directed by Congress*)
    • Developing annual and *possibly* quarterly prototype estimates from Fixler et al. benchmarks and testing for accuracy
Shorter-Term Priorities

• Dashboard of BEA measures of economic well-being and of the distribution and sustainability of economic growth

• Updates to make GDP a better measure of welfare and production, including
  – Continued production of existing integrated and extended accounts
  – Continued work on improving key measurement challenges associated with the digital economy, innovation, and services
Dashboard Candidates

• **Standards of Living and Well-Being**
  – Real GDI per capita
  – PCE inflation rate
  – Real PI per capita and real PI before and after tax and transfers
  – Real net worth per capita
  – Unemployment and employment rates

• **Distribution**
  – Real GDP per capita, compensation share of GDI, real output per worker vs. real compensation per worker
  – Median vs. average growth for states and industries, above and below average growth for states and industries
Dashboard Candidates

• **Trends and Sustainability**
  
  – Growth in U.S. real GDP, labor, capital, and multi-factor productivity
  
  – Gross investment, net investment, and saving as a percent of GDP
  
  – Investment in R&D as a percent of GDP
  
  – Federal receipts, outlays, and deficits as a percent of GDP; federal outlays by type as a percent of GDP
  
  – Federal debt as a percent of U.S. assets
  
  – International trade balance as a percent of GDP and international debt (IIP) as a percent of U.S. assets
Real GDP per Capita vs. Real PI per Capita

Note: Real personal income calculated by deflating personal income with the PCE price index
Source: Bureau of Economic Analysis, NIPA tables 2.1, 2.3.4, and 7.1
Compensation Share of GDI

Source: Bureau of Economic Analysis, NIPA table 1.11
Real Compensation per FTE vs.
Real Gross Nonfarm Business Value Added per FTE

Note. Real compensation calculated as compensation deflated by the PCE price index
Source: Bureau of Economic Analysis, NIPA tables 1.3.6, 2.1, 2.3.4, and 6.5A–6.5D
Distribution of Growth Across States
Gross Saving and Net Saving Shares of GNI

Source: Bureau of Economic Analysis, NIPA tables 1.7.5 and 5.1
Medium- and Longer-Term Priorities

- Global value chains
- Integrated estimates of distribution of income, wealth, and consumption
  - Aggregate measure of welfare
- Human capital
- Natural economy and ocean accounts
- Government
GDP and Beyond: Next Steps

J. Steven Landefeld, Shaunda Villones, and Alyssa Holdren
May 10, 2019