

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



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

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

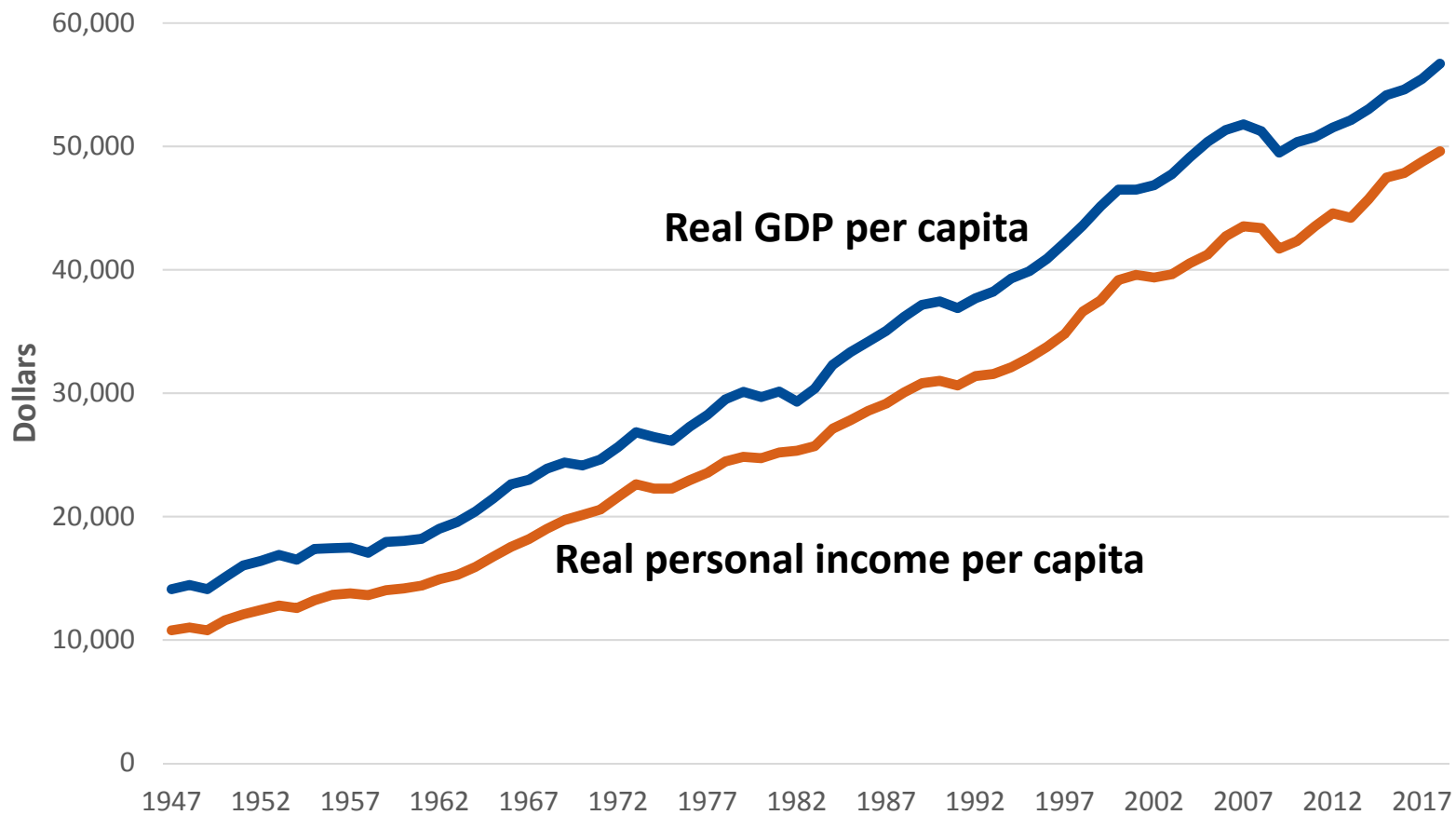
Dashboard Candidates



- **Trends and Sustainability**

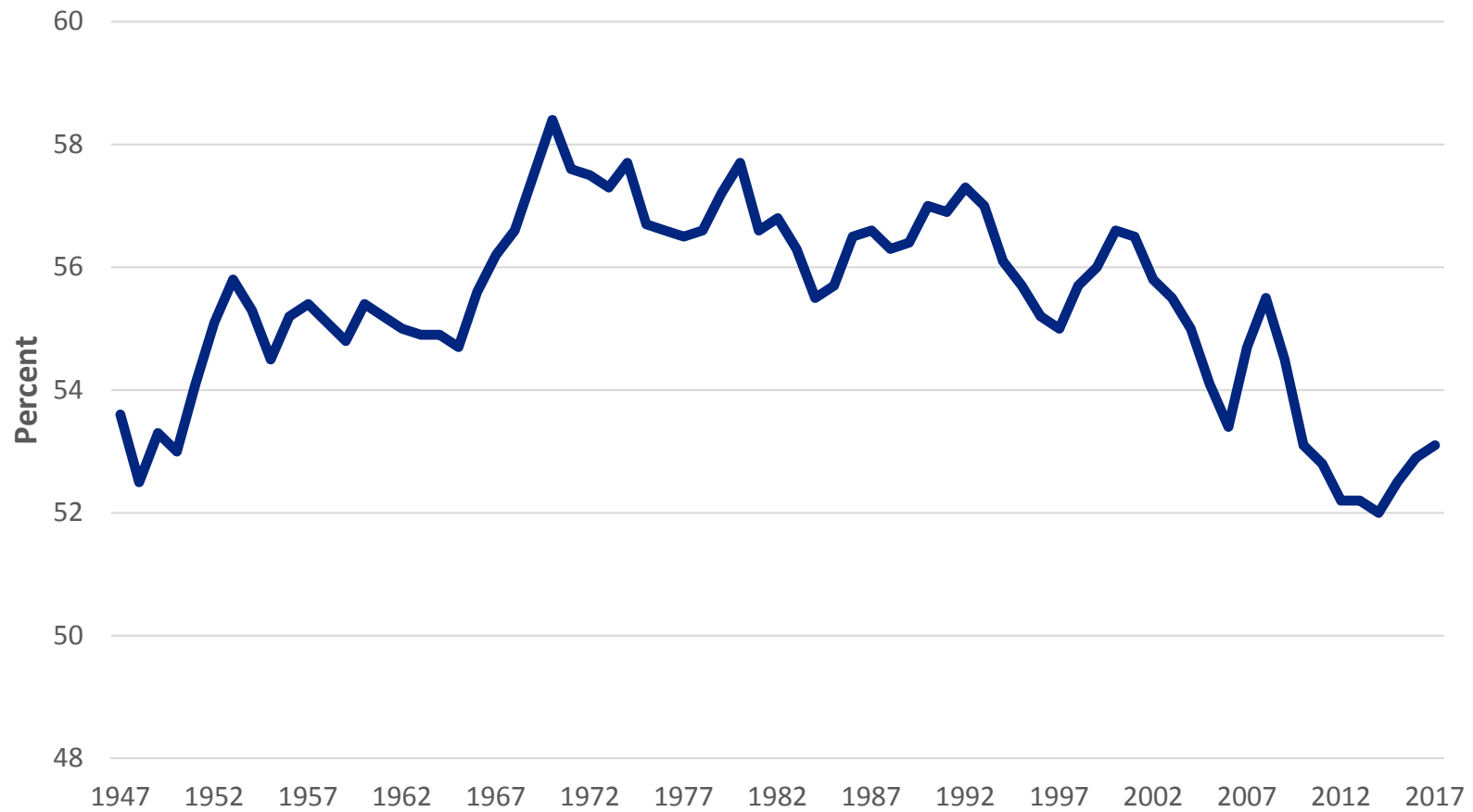
- Growth in U.S. real GDP, labor, capital, and multi-factor productivity
- Gross investment, net investment, and saving as a percent of GDP
- Investment in R&D as a percent of GDP
- Federal receipts, outlays, and deficits as a percent of GDP; federal outlays by type as a percent of GDP
- Federal debt 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



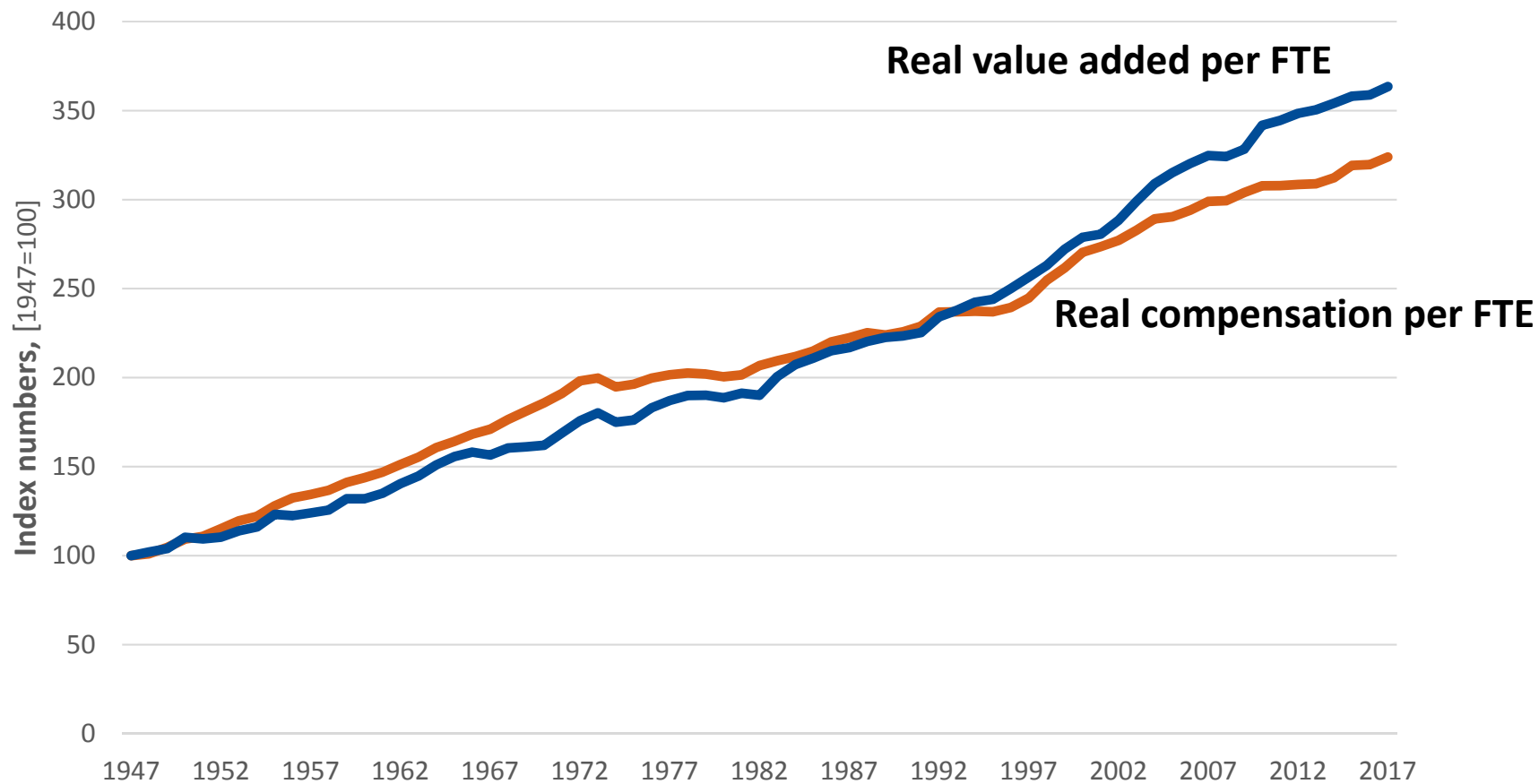
Note: Real personal income calculated by deflating personal income with the PCE price index
Source: Bureau of Economic Analysis, NIPA tables 2.1, 2.3.4, and 7.1

Compensation Share of GDI



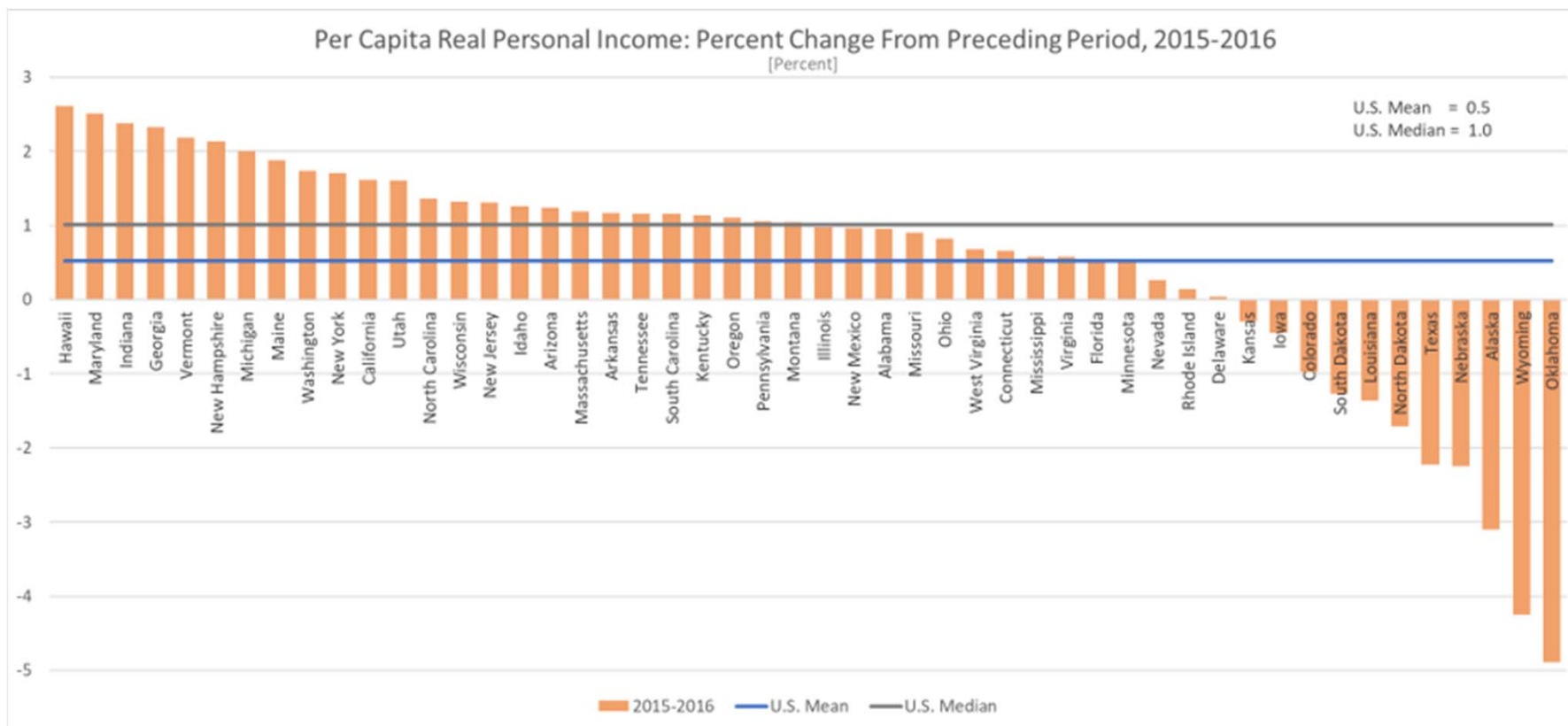
Source: Bureau of Economic Analysis, NIPA table 1.11

Real Compensation per FTE vs. Real Gross Nonfarm Business Value Added per FTE

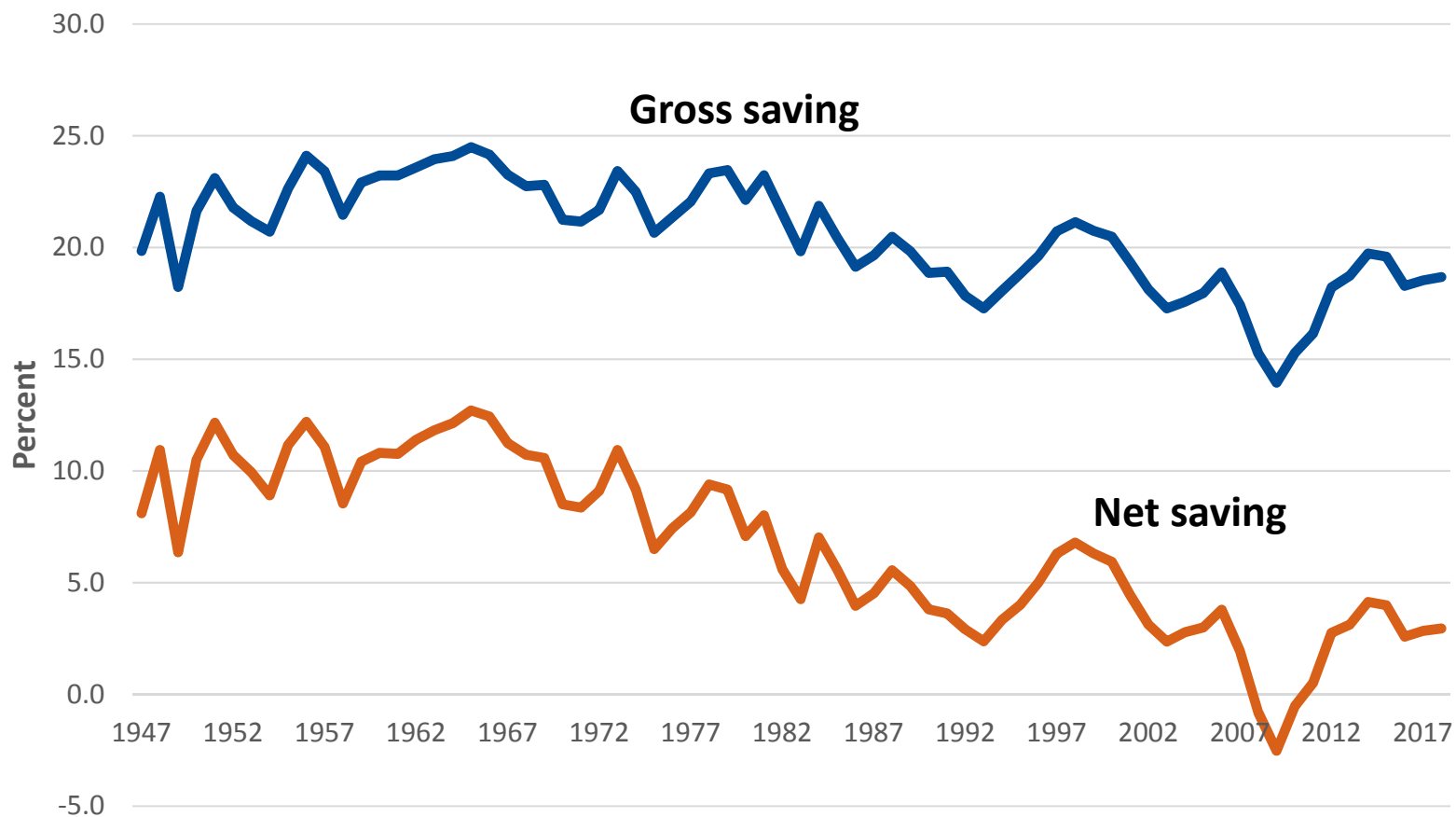


Note. Real compensation calculated as compensation deflated by the PCE price index
Source: Bureau of Economic Analysis, NIPA tables 1.3.6, 2.1, 2.3.4, and 6.5A–6.5D

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