



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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STATEMENT OF CHAIRMAN JIM SAXTON MEASURING ECONOMIC CHANGE

WASHINGTON, D.C. – It is a pleasure to welcome Secretary Evans and Professor Nordhaus before the committee this morning to address the issue of measuring economic change. As the structure and composition of the economy are transformed over time, we must ensure that our statistical system keeps up and reflects economic reality.

The economic data produced by the Bureau of Economic Analysis (BEA) are the foundation for many of the economic statistics used by decision-makers in government and business. These data on GDP growth, industry output, consumer prices, and many other features of the economy influence fiscal and monetary policy, and are also closely watched by economists, financial analysts, investors, and the public at large.

Although the BEA does a very good job with limited resources, it has proposed many improvements in its data to be implemented over the next several years. The BEA's strategic plan includes a number of proposals for improving the measurement of GDP, and the quality and timeliness of its economic statistics in general. For example, as of last year, the BEA was still forced to use assumptions about the structure of the economy as it was in 1992. More frequent updating of the benchmarks is needed.

As the service sector has grown in importance, so have the difficult problems of measuring the elusive value of many services. BEA is grappling with this issue and has several initiatives underway to improve the measurement of service sector output. Additional improvements are also planned in the measurement of output in telecommunications, pharmaceuticals, compensation, and other areas.

As we all know, information technology has transformed many areas of the economy. More timely, complete, and accurate economic data on information technology would improve our understanding of the important contribution of this sector to economic growth and labor productivity. The BEA has proposed a better benchmark estimation of software, and development of improved price measures for software products.

Accurate measurement of prices involves a number of issues, including accounting for quality improvements. Several years ago the Joint Economic Committee held a series of hearings on the consumer price index where quality change appeared to be among the most difficult issues, and the same can be said of the price measures produced by BEA. Inaccurate measures of price changes have broad effects, and can distort measures of real output.

The BEA has a good plan in place to bring the national economic accounts up to date and improve their accuracy. I hope these plans can proceed without undue disruption related to funding issues. The data produced by BEA are the basis for many critical economic decisions, and we need to ensure this information is as accurate as possible.

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