

Strengthening America's Economic Infrastructure

A Report on the Conference of the U.S. Chamber of Commerce and the Bureau of Economic Analysis

ON July 14, 2005, the U.S. Chamber of Commerce's National Chamber Foundation and the Bureau of Economic Analysis (BEA) jointly hosted a national conference on the U.S. economic accounts. The goal of the conference, entitled "Strengthening America's Economic Infrastructure," was to give data users from business and government an opportunity to share how they use the economic accounts and how the accounts can be strengthened to make their jobs easier. More than 150 people attended the event, including senior business leaders, trade and economic development experts, congressional staff, Government officials, academics, and members of the media. Together, they provided a broad perspective on the future of BEA's economic accounts.

BEA has taken seriously the suggestions for strengthening its accounts. It is incorporating specific recommendations into its statistical research and implementation plans for the next 5 years.

Ten years ago, the U.S. Chamber and BEA held a similar conference to review the programs and services of BEA as they stood in 1995. That conference resulted in substantial changes that improved the accuracy and relevance of the economic accounts. Since then, BEA has further integrated the use of strategic planning into its operations. It annually reviews and updates its 5-year strategic plan. This year's conference will inform that process.

In his opening remarks to the 2005 conference, U. S. Chamber President and CEO Thomas J. Donohue remarked: "We need to look for ways to work together and figure out how to make smart decisions, to use limited assets, and to improve the data that is going to be available for all of us to use." These themes emerged from the conference—the need for data that fit the needs of users and the need for BEA to continue to find efficiencies in using its resources.

This article was prepared by J. Steven Landefeld, Rosemary D. Marcuss, Kerry Suttan, Cindy M. Vojtech, Matthew R. Balazik

U.S. Chamber Vice President and Chief Economist Martin A. Regalia emphasized the fundamental role that accessible statistics play in the U.S. economy, stating: "One of the true public goods, like education or a solid infrastructure system, is infrastructure in data." Conference panelists praised the enhancements to the Nation's statistical infrastructure that BEA has recently delivered. They also noted that the U.S. economic accounts hold their place as world leaders for timely, accurate, and reliable estimates.

Participants made a number of recommendations for new data series and for ways BEA can improve its existing statistics. The recommendations can be grouped under the following topics:

- **Improving efficiency:** More statistical integration, data sharing, and increased communication with data users and other statistical agencies.
- **Measuring change in the economy:** Better measurement of services, offshoring, investments in information technology, and health and pension benefits.
- **Providing more detail:** Better and more detailed measurement of economic activity by industry and geographical area.

Improving efficiency

Participants complimented recent efforts by BEA, the Census Bureau, and the Bureau of Labor Statistics (BLS) to communicate better with the public and to integrate statistical methodologies among themselves, despite the decentralized status of the statistics production system. They did not advocate combining the agencies, pointing to the current system's ability to adapt and supply diverse products. Several panelists noted that the current decentralized system encourages specialized expertise within the agencies, which is important given the size and complexity of the U.S. economy. The Department of Commerce Under Secretary for Economic Affairs Kathleen B. Cooper referred to the statistical agencies' strong customer ratings as evidence of a high level of user satisfaction but noted that

continued success depends on maintaining cooperation.

Integrating economic accounts. Many participants applauded the rich supply of data available in the United States. However, several pointed out that on occasion the trend in an economic statistic from one agency will differ from the trend in a related statistic from another agency. To address that unintended outcome, conference participants called on BEA to continue integrating its accounting methods with those of its statistical partners, in particular, the Census Bureau, BLS, and the Federal Reserve Board (FRB). Im-

proved measurement of productivity, saving, and investment must be addressed through such integration. It was pointed out that a unified statistical architecture, which is the goal of the integration effort, will simplify interagency cooperation. Several participants commented on the central role that BEA plays in the statistical system as the producer of the national income and product accounts (NIPAs), the double-entry economic “books” of the U.S. economy that incorporate components of almost all other statistical efforts.

Data sharing. Some participants mentioned the

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Cohosted by the National Chamber Foundation and the Bureau of Economic Analysis

U.S. Chamber of Commerce 1615 H Street, NW Washington, DC

July 14, 2005

Registration and Continental Breakfast (8:30–9:00)

Opening Remarks (9:00–9:10)

- Thomas J. Donohue, President and CEO, U.S. Chamber of Commerce

Accomplishments and Agenda Items for the Federal Statistical System (9:10–9:25)

- Kathleen B. Cooper, Under Secretary for Economic Affairs, U.S. Department of Commerce

Introduced and moderated by Martin A. Regalia, Vice President and Chief Economist, U.S. Chamber of Commerce

Why Data Quality Matters (9:25–9:45)

- Senator Robert Bennett, Vice Chairman, Joint Economic Committee, U.S. Senate

Introduced and moderated by Martin A. Regalia, Vice President and Chief Economist, U.S. Chamber of Commerce

The Critical Need for Reliable Economic Data

(9:45–10:05)

- Dale W. Jorgenson, Chairman, BEA Advisory Committee, and Professor, Harvard University

Introduced and moderated by J. Steven Landefeld, Director, BEA

The Convergence of Business and Economic Figures

(10:05–10:50)

- David Huether, Chief Economist, National Association of Manufacturers
- Martin A. Regalia, Vice President and Chief Economist, U.S. Chamber of Commerce

- J. Robert Vastine, President, Coalition of Service Industries

Introduced and moderated by Philip L. Rones, Deputy Commissioner, U.S. Bureau of Labor Statistics

Perspectives From the Business Community

(11:00–11:45)

- Gail D. Fosler, Executive Vice President and Chief Economist, The Conference Board
- Kurt E. Karl, Chief U.S. Economist and Head of Economic Research and Consulting, Swiss Re
- Stuart G. Hoffman, Senior Vice President and Chief Economist, The PNC Financial Services

Introduced and moderated by Katherine K. Wallman, Chief Statistician, U.S. Office of Management and Budget

Public Uses of Economic Statistics (11:45–12:25)

- Jeff Blodgett, President, ACCRA, and Vice President of Research, CERC
- Robert L. Menga, Chief Budget Examiner, New York State Division of the Budget

Introduced and moderated by Stan Collender, Managing Director, Financial Dynamics Business Communication

Economic Data and Public Policy: Challenges and Prospects (12:35–1:40)

- Douglas Holtz-Eakin, Director, Congressional Budget Office

Introduced and moderated by Rosemary Marcuss, Deputy Director, BEA, and President, National Association for Business Economics

Closing Remarks (1:40–2:00)

- J. Steven Landefeld, Director, BEA

need for agencies to cooperate better through increased data sharing initiatives. They urged BEA to continue advocating for the passage of legislation that would allow for more data sharing among Federal statistical agencies, including specific business data from the Internal Revenue Service. The Confidential Information Protection and Statistical Efficiency Act of 2002 allows for some data sharing but stops short of allowing BEA, the Census Bureau, and BLS to share tax-related data. Senator Robert Bennett took a dim view of the current barriers to data sharing, stating, "Failure to share data creates more problems than hanging onto it solves."

Use of tax withholding data. Federal and regional data users argued that more intensive use by BEA of data on income and payroll taxes receipts withheld from paychecks could improve the accuracy of early NIPA wage and salary statistics and reduce the magnitude of subsequent revisions. Further, it was noted that distinction at the time of remittance between income taxes withheld and payroll taxes withheld would provide an important new indicator of wages and salaries. Currently, those remittances are commingled.

Increased communication. Participants spoke of the need for BEA to do more outreach to share information on available data, statistical methodologies, and proper use of BEA measurements. Panelists noted the excellent guidance provided by the staffs of BLS and Census Bureau regional offices and suggested that BEA, with only one office in Washington, DC, consider meeting regularly with broad groups of data users. A suggestion was also made to hold an annual conference specifically for users of regional data. Recognizing that cooperation with data partners does not stop at the Nation's borders, panelists recommended that U.S. statistical experts offer help to other countries' experts, especially those of major trading partners, to improve their trade data. While panelists recognized the need for internationally comparable data, they also believe that international efforts should not hinder work on improving the U.S. economic accounts.

Measuring change in the economy

One of the long-term challenges of the Federal Government statistical system is to better measure a constantly changing economy. Participants in the conference recognized that broad challenge and suggested specific areas that BEA should target.

Services. Many conference participants observed that current economic data provide sufficient breadth and detail of the goods-producing side of the economy

but not of the increasingly important services-producing side. Underscoring the importance of the subject, one data user suggested that BEA design a 5-year plan to improve the measurement of services. In general, panelists did not advocate reassigning efforts away from current measures of goods, but rather creating more and better measures of services. To this end, several speakers commended the recent incorporation of the first components of the new Census Bureau Quarterly Services Survey data into the national accounts and urged the completion of a multiyear phase in of additional industry coverage. No quarterly data on services had been produced before that new survey was put into the field in 2004. As the survey expands in coming years, it will cover additional difficult-to-measure services industries. In addition, the value of expanding the annual Census Bureau survey of services from partial coverage of services to total coverage was emphasized. Participants also asked for more information about trade in services, noting a significant gap between information available for trade in services and information about trade in goods.

Offshoring. Several panelists commented on the need for more data to help disaggregate the complex flows of goods and services in the global market. In particular, they expressed interest in more accurate and more detailed data on international services transactions, which would facilitate research related to "offshoring." In addition, several participants suggested publishing more detailed estimates on the domestic production of services to help in analyzing changing trade flows.

Investments in information technology. Panelists called for BEA to provide more up-to-date information on investments in information technology by producing annual capital flow tables, matrixes that detail specific industries' investment in specific types of equipment. Currently, BEA produces the data only every 5 years. The data are tied to the quinquennial Economic Censuses and become available only 5 years after that census year. Panelists said data that far removed from the year of measurement are out-of-date upon issuance. Similarly, participants requested more timely investment data to better inform policymakers.

Health and pension benefits. Because healthcare-related spending makes up a rising percentage of the Federal budget, there were requests for new statistics on the healthcare industry that would, among other things, better inform the dilemmas facing policymakers. One recommendation was to create a new health care "satellite" account, a periodic account fully consis-

tent with the NIPAs that provides detailed information on a specific economic sector. Helpful new measures of health care-related economic activity might show, for example, the distribution of goods by geographic region and age and income of the recipient. Such data would more clearly separate cost increases from quality improvements in health care and provide better information on costs, including the cost of insurance coverage. In addition, participants called for more comprehensive data on pension and retirement benefits.

Providing more detail

Given the multiple uses of BEA data by public and private users, participants made numerous recommendations for creating new data series and for improving existing measures to improve productivity analysis, measurement of economic growth, monetary and fiscal policymaking, and regional economic development.

Industry-specific data. Requests for improved capital investment data were made in almost every session of the conference. Several participants asked for more detailed data on capital investment at the industry level with an emphasis on services-producing industries. Such data would result in better input-output measures, which could facilitate improvements to BLS's productivity measures. In addition, some panelists argued that the industry categories published for trade in services do not provide sufficient detail.

Regional-level data. Participants suggested a wide range of improvements to regional-level data. Participants requested that BEA consider publishing state personal income data that are not seasonally adjusted. Currently, they are published only in seasonally adjusted form. Unadjusted data would aid state budget officers in tracking wage patterns. In addition, requests were made for local area data on "transfer payments"—such as Social Security payments, public support payments, and pensions—and for regional data on prices. Other participants lamented the time-series break in gross state product, a measure of the eco-

nomical output of each state, brought about by the otherwise beneficial switch in economic classification from the decades-old Standard Industry Classification to the new North American Industry Classification System. The time-series-break problem is unavoidable when implementing a better classification system, but panelists urged BEA to provide more historical data to relieve those problems.

Country-specific trade data. Panelists mentioned that they would benefit from more detailed quarterly data on trade in services, which are produced by BEA. Such data, now available only on an annual basis, would allow people to better trace the cross-border flows of inputs into the now global production processes of many services.

Next steps

BEA Director J. Steven Landefeld summed up the conference by listing the major themes and important requests presented by participants. He outlined a course of action for evaluating and incorporating key recommendations. He committed BEA to continued meetings with data-producing partners—especially the Census Bureau, BLS, FRB, and the Internal Revenue Service—and with government economic data users, such as the Council of Economic Advisers, the Treasury Department, and the Office of Management and Budget. Importantly, he also committed BEA to new, regular meetings with business data users. More meetings to gauge users' needs will be incorporated into the BEA strategic plan. BEA has already begun incorporating the recommendations expressed at the conference into its strategic plan. The plan for fiscal years 2006–2010 is being reviewed and will be presented to the public and the BEA Advisory Committee at the November 2005 advisory committee meeting.

BEA would like more feedback on these recommendations and other ideas that would allow users to better do their jobs. BEA will evaluate all data user needs and recommendations and implement them when they are analytically and financially feasible.