



Bureau of Economic Analysis (BEA)
Advisory Committee Meeting
May 3, 2002

Background material:

1. Three items on the use of the National Accounts in macroeconomic forecasting:
 - A. Testimony by Robert Dennis of the Congressional Budget Office (CBO), [“Issues Affecting the Bureau of Economic Analysis”](#) (April 5, 2001). That provides a summary of how BEA’s data are used in CBO’s macroeconomic and budget projections.
 - B. The “box” entitled “Better Tools: Improving the Accuracy and Timeliness of Economic Statistics,” beginning on page 24 of the [Economic Report of the President](#) (February 2002). That describes the dilemma posed for policy-makers by revisions and by the persisting statistical discrepancy in the National Accounts and suggests means of improving those.
 - C. The testimony of Federal Reserve Chairman Alan Greenspan, presenting the [semiannual monetary policy report to the Congress](#) (Senate, March 7, 2002). In that testimony, Chairman Greenspan addresses, among other things, the dependence of business decision-makers on “real-time information” (high frequency, up-to-date information) and the range of the GDP growth-rate forecasts of the members of the FOMC. In addition, the complete [Monetary Policy Report to the Congress](#) (February 27, 2002,) on which the testimony is based and which discusses GDP in more detail, is also available.
2. Three items on the use of the National Accounts in federal government budget forecasting: At the meeting, the focus will be on forecasting budget receipts rather than expenditures because over 80% of federal receipts are generated from income and payroll taxes. That tax structure leads to a receipts projection that is, most importantly, a function of a forecast of personal income. (On the expenditure side, a critical economic statistic is the CPI because of the explicit—and implicit—indexing of entitlement programs.)
 - A. The “Economic Assumptions” section of the President’s Budget [Analytical Perspectives](#) volume for Fiscal Year 2003 (February 2002). The relevant section, “Sensitivity of the Budget to Economic Assumptions,” begins on page 27. That puts numbers on the large-scale budget revisions discussed in the press. Ten years of forecasted receipts revisions are often presented in the press as a simple sum of the progressively larger revisions generated in an updated forecast for each successive budget out-year. Those revisions result from revisions in the GDP-forecast assumptions, among other causes.

- B. The [“Revenue Outlook”](#) chapter in CBO’s *The Budget and Economic Outlook: Fiscal Years 2003-2012* (January 2002.) The first section includes a graph showing how federal government receipts track the GDP historically; although, with a more saw-toothed profile and spikes in years of substantial tax-law changes. The second section mentions the effects on the federal budget receipt forecast attributed by CBO to “technical changes” that include miscues on current income, including GDP-related miscues.

- C. [Excerpt](#) from an earlier President’s Budget *Analytical Perspectives* volume (for Fiscal Year 1997) describing improvements in economic statistics that would aid federal government budget forecasting. The specific improvements described here are dated, but the general subject remains the heart of the matter to be discussed at the meeting.