

Measuring health

As Thomas Hale wrote almost 4 years ago in this *Review*, measuring health or disability status in household surveys is a difficult and often frustrating task. Michael Baker, Mark Stabile, and Catherine Deri show that the difficulties and frustrations continue. A broad range of analysts, they say in a recent article in *The Journal of Human Resources*, recognize that subjective self reports of physical capacity can be biased as respondents may report a spurious incapacity to justify non-participation in the labor market. Baker, Stabile, and Deri go on to ask if self reports of “objective” health measures—the existence of specific diseases or ailments—share any of the same weaknesses.

Unfortunately, the evidence seems to suggest that such objective measures are also, as we say in the statistics trade, difficult to interpret. The authors find that there is considerable error, both false positives and false negatives when comparing responses to the Canadian National Population Health Survey that could be linked to the administrative records of the Ontario Health Insurance Plan. They also find that these errors are statistically related to labor market status. Thus, they conclude that the self reports of objective health indicators “share many of the weaknesses of other measures of health commonly used in the literature.”

Affording gas

Recent fluctuations in gas prices could make one wonder if there could soon be

evidence of a presumed complementary goods relationship between gasoline and low-gas-mileage passenger vehicles. William T. Gavin doubts it. In the November 2004 Federal Reserve Bank of St. Louis publication *National Economic Trends*, Gavin notes that while it was true that the amount of gas an hour of work could buy fell from a little more than 14 gallons in February 1999 to just under 8 gallons in May 2004, it was important to realize that February 1999 was the record high point for that calculation. In his view, the subsequent rises in gas prices relative to wages served to bring gasoline affordability back to something only a little below its long-term average. Thus, he concludes, “Unless this modestly higher price persists and continues to rise in tandem with or faster than wages, we should not expect it to dent consumer demand for SUVs.” [Editor’s note: As of the January payroll survey reference week, an hour of work was worth 8.9 gallons of gasoline.]

Raising productivity

As has been the case in the past, productivity growth slowed at the beginning of the 2001 recession and sped up again once the recession was over, according to a recent report in the *Current Issues in Economics and Finance* series published by the Federal Reserve Bank of New York. But, note authors Dale W. Jorgenson, Mun S. Ho, and Kevin J. Stiroh, “the drop-off in productivity in 2001 was not as large as it had been in earlier recessions and the productivity recovery was much stronger.” As they are quick to point

out, this created some problems for business cycle analysts who had to deal with the differing trends in output and employment growth as they sought to identify the trough of the recession.

Using the standard techniques of growth accounting, Jorgenson, Ho, and Stiroh attribute much of the recent vigorous growth in productivity to accelerated capital deepening attributable to information technology and to a rebound in the rate of total factor productivity growth to about the rate that was recorded in the 1960s and very early 1970s. The rebound in total factor productivity itself reflected a disproportionate contribution from information technology: Despite accounting for only 5 percent of aggregate output, information technology producers accounted for about 35 percent of the increase in total factor productivity.

The authors project a continuation of these trends through 2014. Their base-case scenario implies an annual average growth in productivity of about 2.6 percent. This can be compared to the 2.2-percent per year rate of productivity growth the same team of authors projected in a report released in 2002. The authors attribute their revision to a projected continuation of recent productivity trends, particularly in the high-tech sectors, offset only slightly by a projection of slightly higher “drag” on productivity growth from demographic trends. Jorgenson, Ho, and Stiroh conclude modestly that “there is little evidence to suggest that the technology-led productivity resurgence is over or that the U.S. economy will revert to the slower pace of productivity growth observed in the 1970s and 1980s.” □