



# GDP & Beyond: Measuring Economic Progress & Sustainability

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BEA Advisory Committee Mtg.  
October 30th, 2009

# Long Standing Issue

- “The big question concerns whether **GDP** provides a good measure of living standards. In many cases, **GDP** statistics seem to suggest that the economy is doing far better than most citizens' own perceptions. Moreover, the focus on **GDP** creates conflicts: political leaders are told to maximize it, but citizens also demand that attention be paid to enhancing security, reducing pollution, and so forth - all of which might lower **GDP** growth.*

*The fact that **GDP** may be a poor measure of well-being, or even of market activity, has, of course, long been recognized. But changes in society and the economy may have heightened the problems, at the same time that advances in economics and statistical techniques may have provided opportunities to improve our metrics.”*

**-- Joseph Stiglitz, The Economist Voice, September, 2009**

# Missing the Mark

**The Economist**

BRITAIN AGONISES ABOUT AFGHANISTAN  
THE ROT IN JAPAN'S GOVERNING PARTY  
EUROPE'S ENERGY INSECURITY  
GOLDMAN SACHS'S RECORD PROFITS  
SUMMER CAMP FOR ATHEISTS

JULY 18TH-24TH 2009 [Economist.com](http://Economist.com)



**Where it went wrong—and how the crisis is changing it**

The McGraw-Hill Companies

APRIL 27, 2009 | BUSINESSWEEK.COM

# BusinessWeek

## WHAT GOOD ARE Economists ANYWAY

TECH LOOKS POISED TO LEAD A RECOVERY

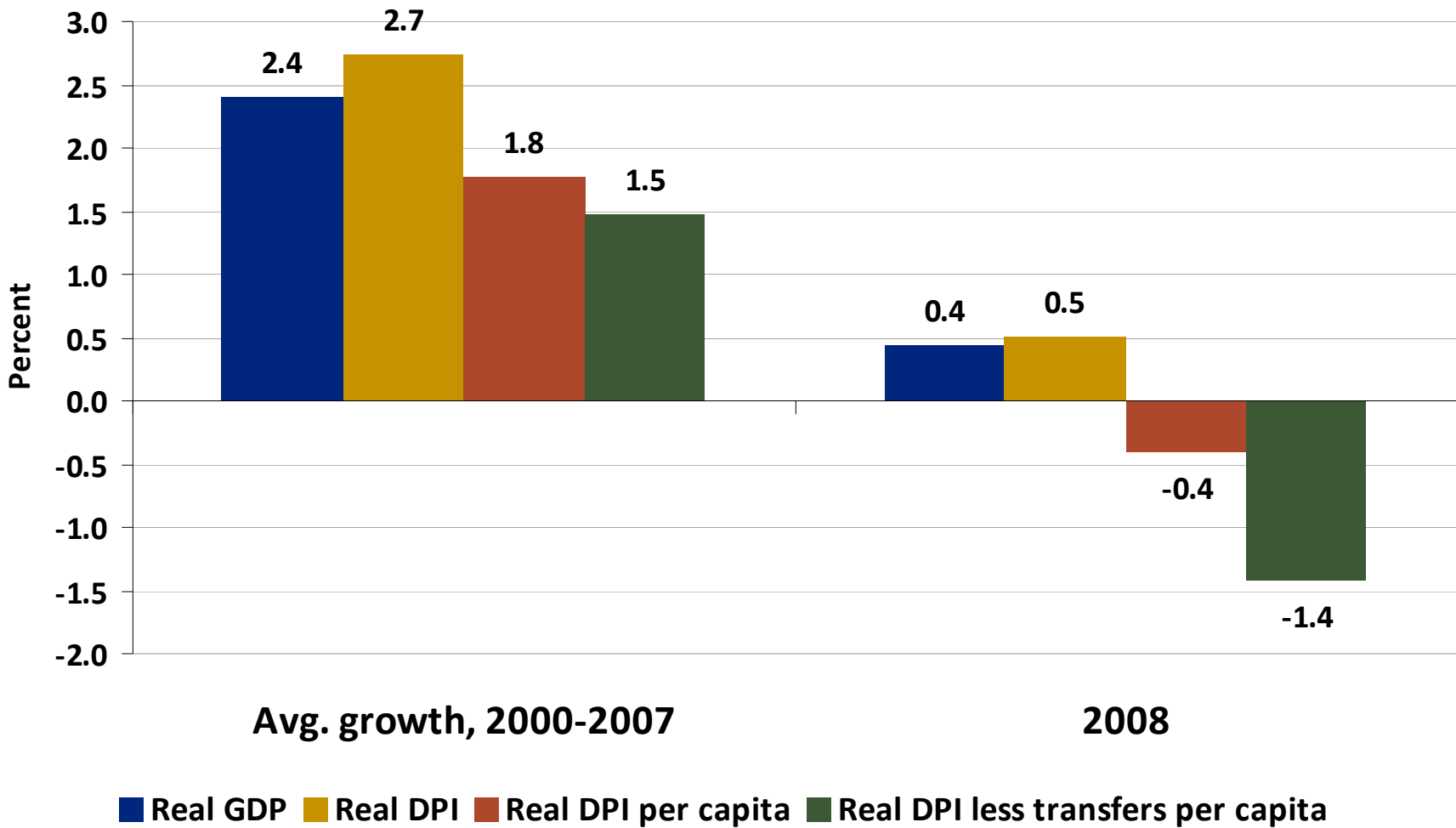
CREATIVE DESTRUCTION AT PEPSI

BIOFUELS: WHY BIG OIL MAY BE THE BIG WINNER

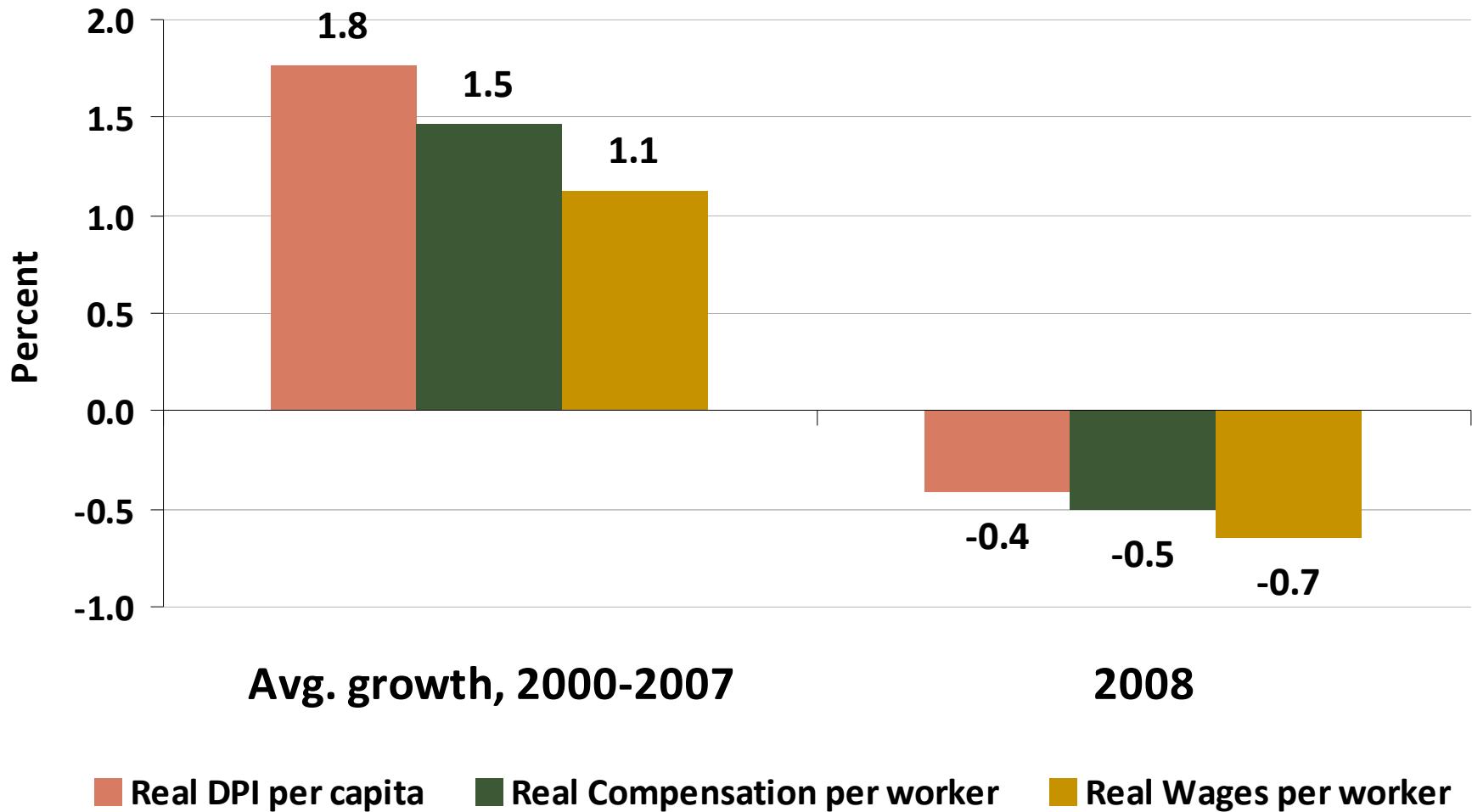
# What Can We Do Within The NIPA's: Economic Progress & Sustainability

- Measures of Economic Progress:
  - Households
  - Regions
  - Business
- Measures of Sustainability:
  - GDP
  - Investment
  - Asset Prices
  - Leverage

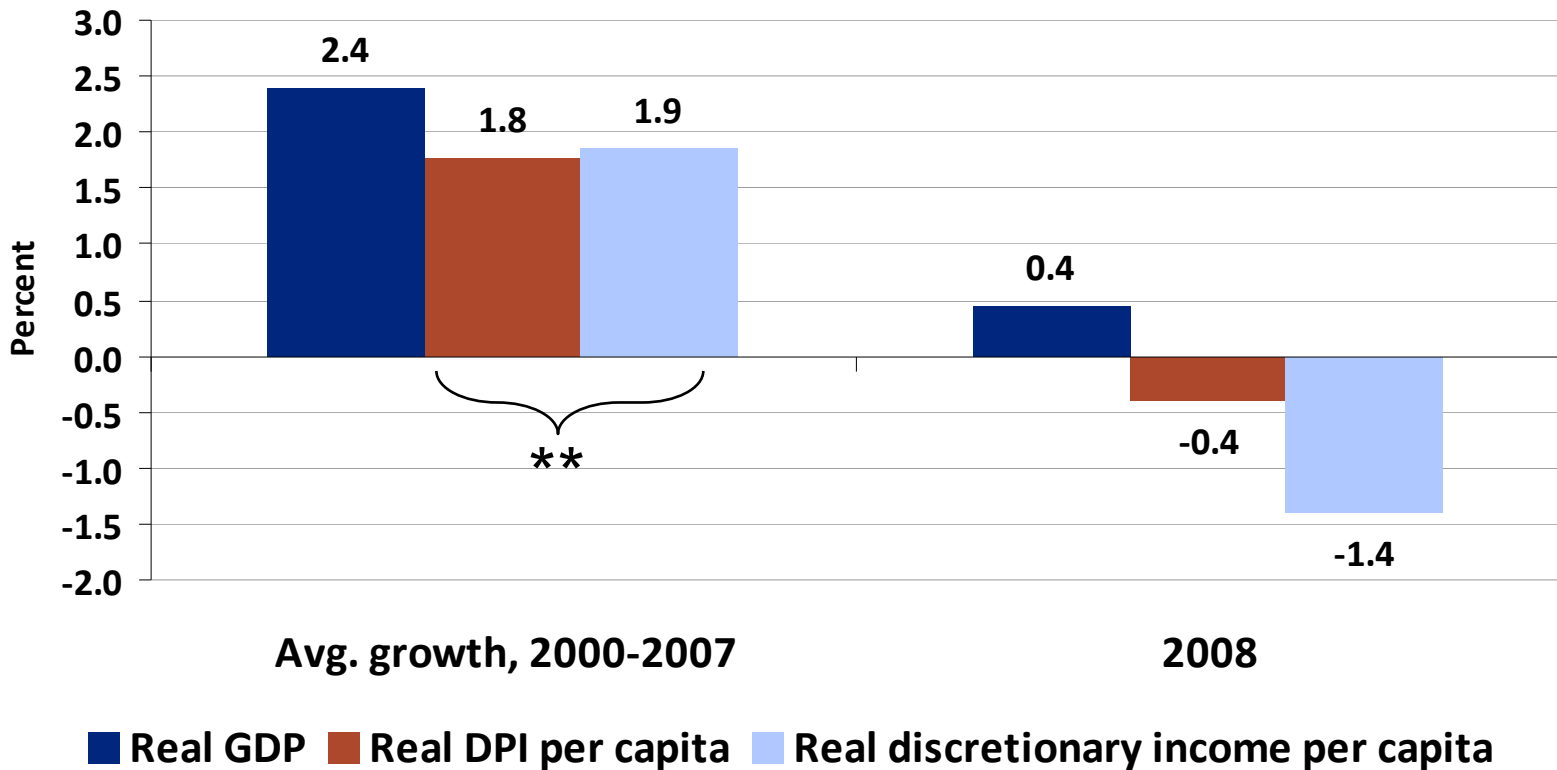
# Household Income: Alternative Estimates



# Spendable Income: Cash Measures



# Household Income: Cash Income\*

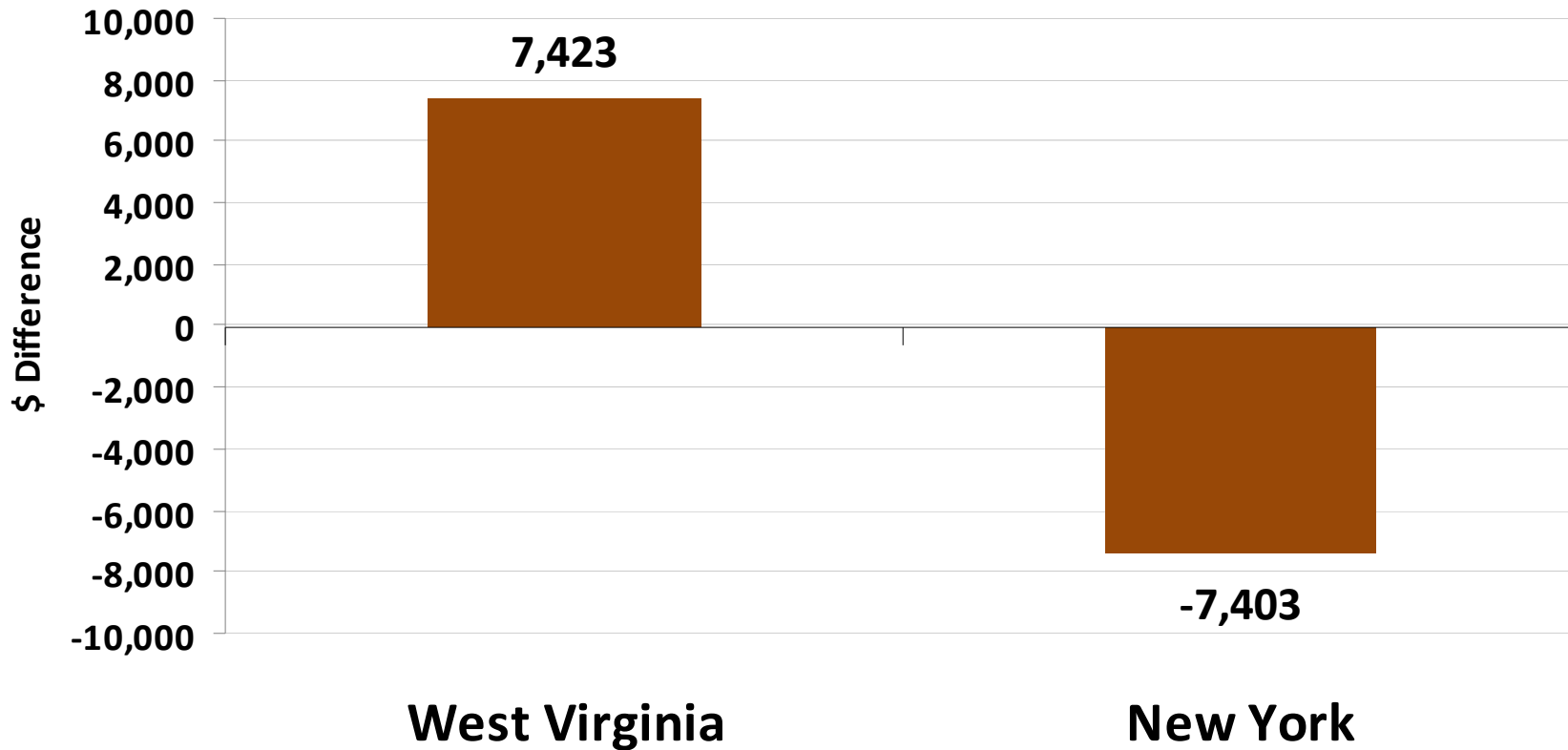


\* Cash income refers to income generated from the economy available for discretionary spending by households. This measure of Income excludes spending on such basics as food, shelter, clothing, child care, utilities, out of pocket medical care expenses, transportation and interest payments on consumer debt. Source: BEA NIPA data, deflated using PCE less food and energy price index.

\*\* The slightly higher average annual growth rate in real DPI versus real discretionary income reflects the different deflators used to deflate each measure. The total PCE price index (used to deflate DPI) increased 2.3% from 2000-2002 and the PCE less food and energy price index (used to deflate discretionary income) increased 2.0%. Nominal DPI and discretionary income over the same time period increased 5.1% and 4.9%, respectively.

# Regional Household Income

## Adjusting for regional price differences

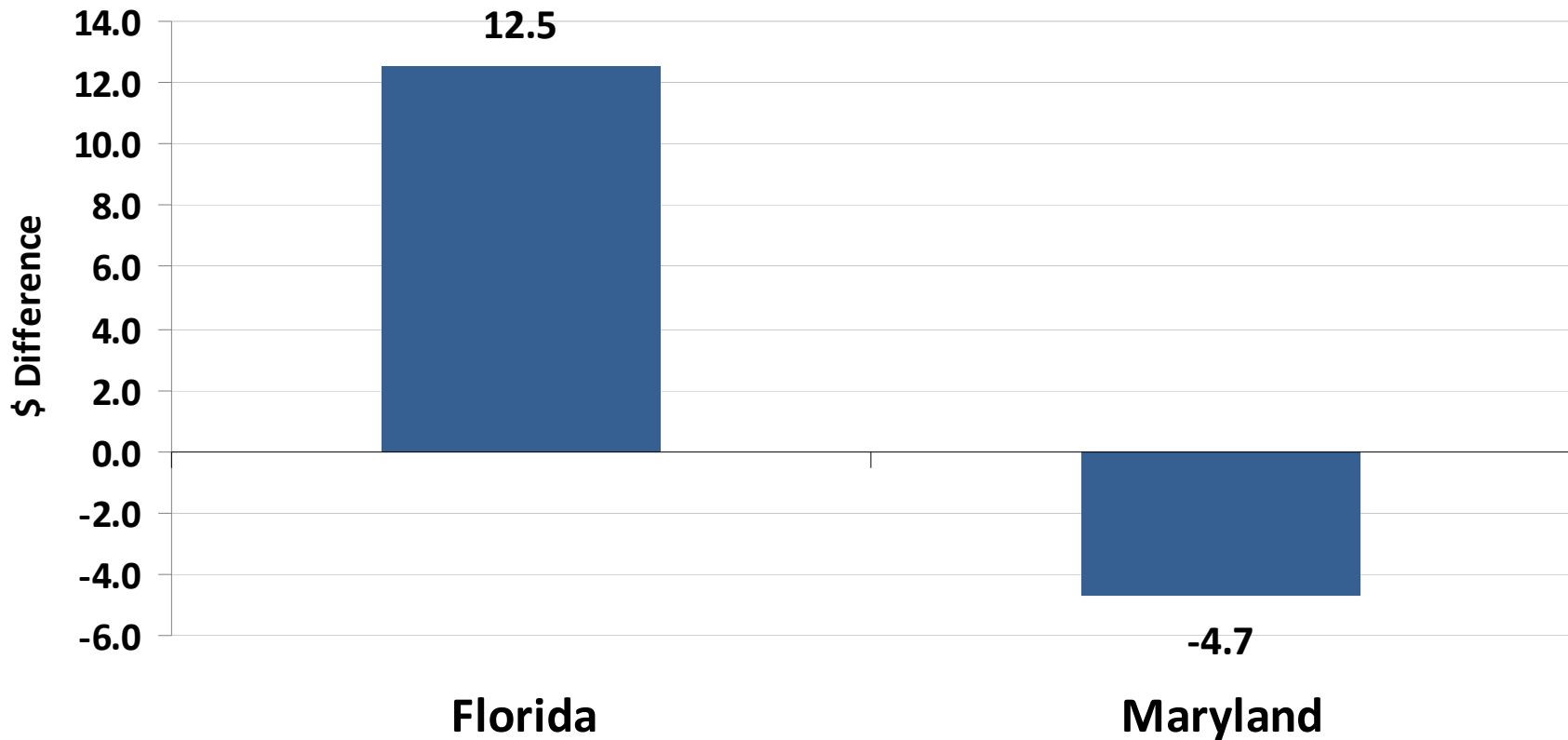


Source: BEA Regional data.



# Regional Household Income

## Impact of classifying retirement income in state of residence

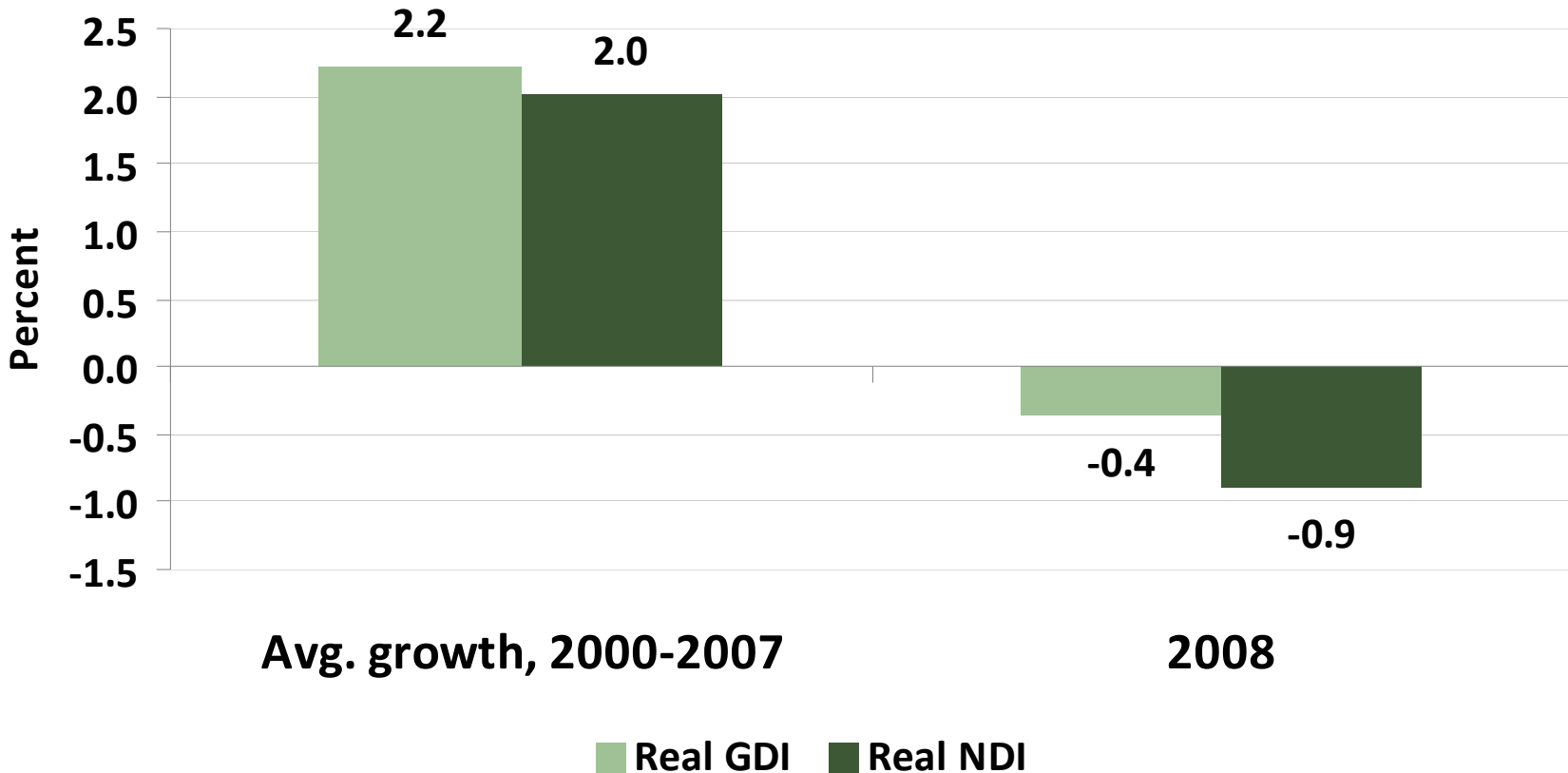


Source: BEA Regional data.

# Sustainability

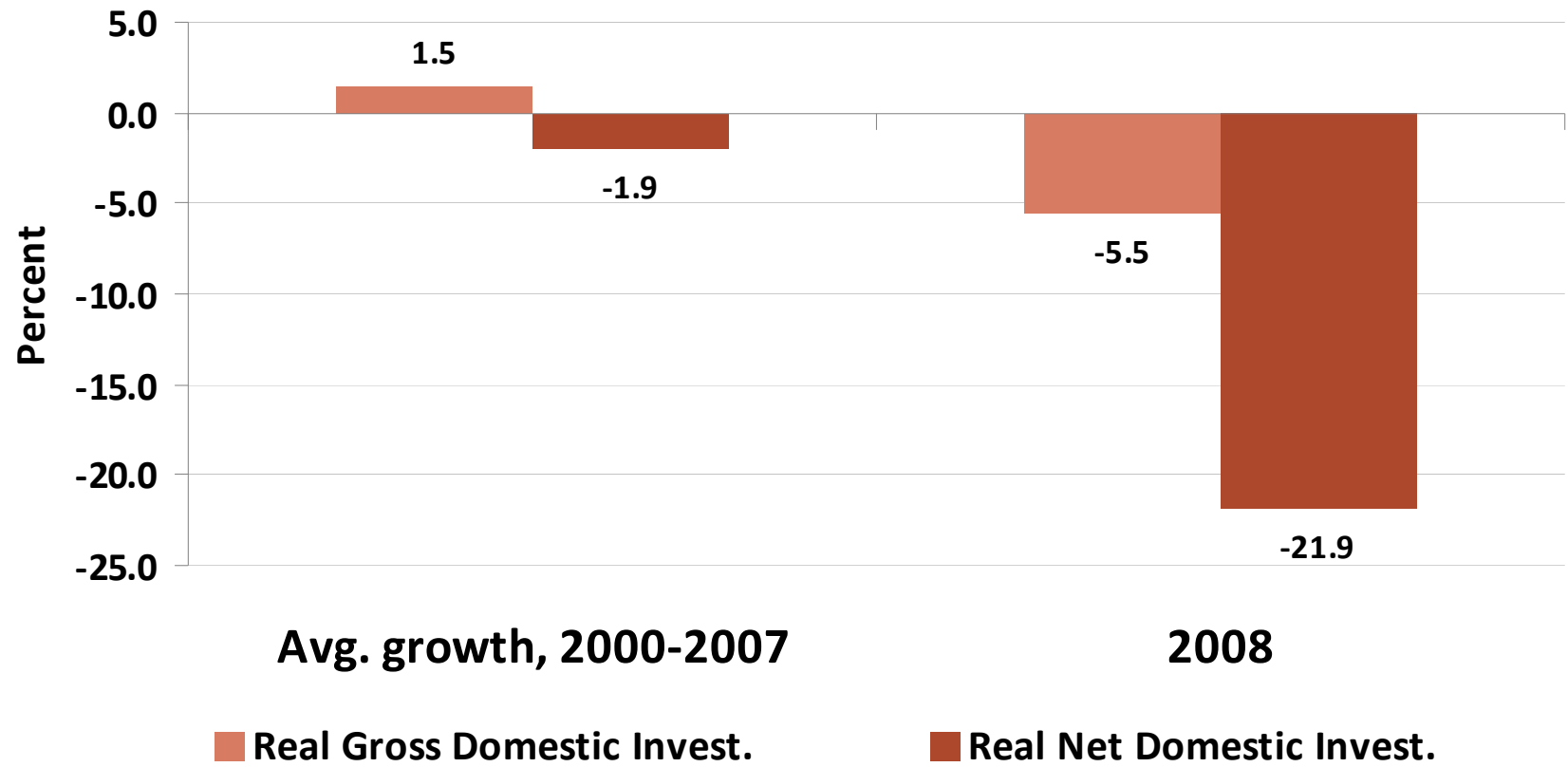
- Measuring Sustainability:
  - Long-Term
  - Examples from Recent Experience

# Business Income: Real GDI & NDI



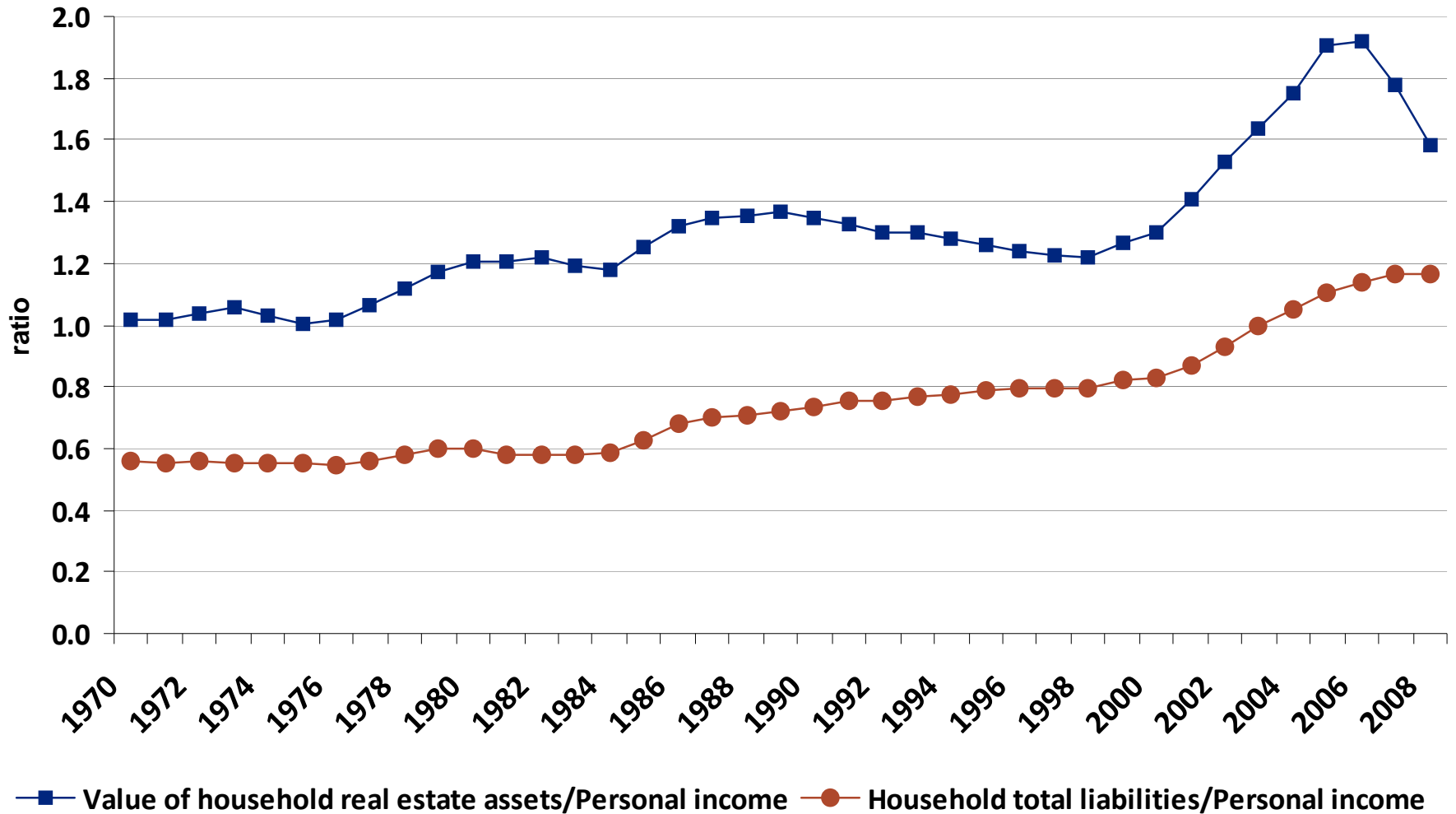
Source: BEA NIPA data

# Business Income: Real Gross & Net Domestic Investment

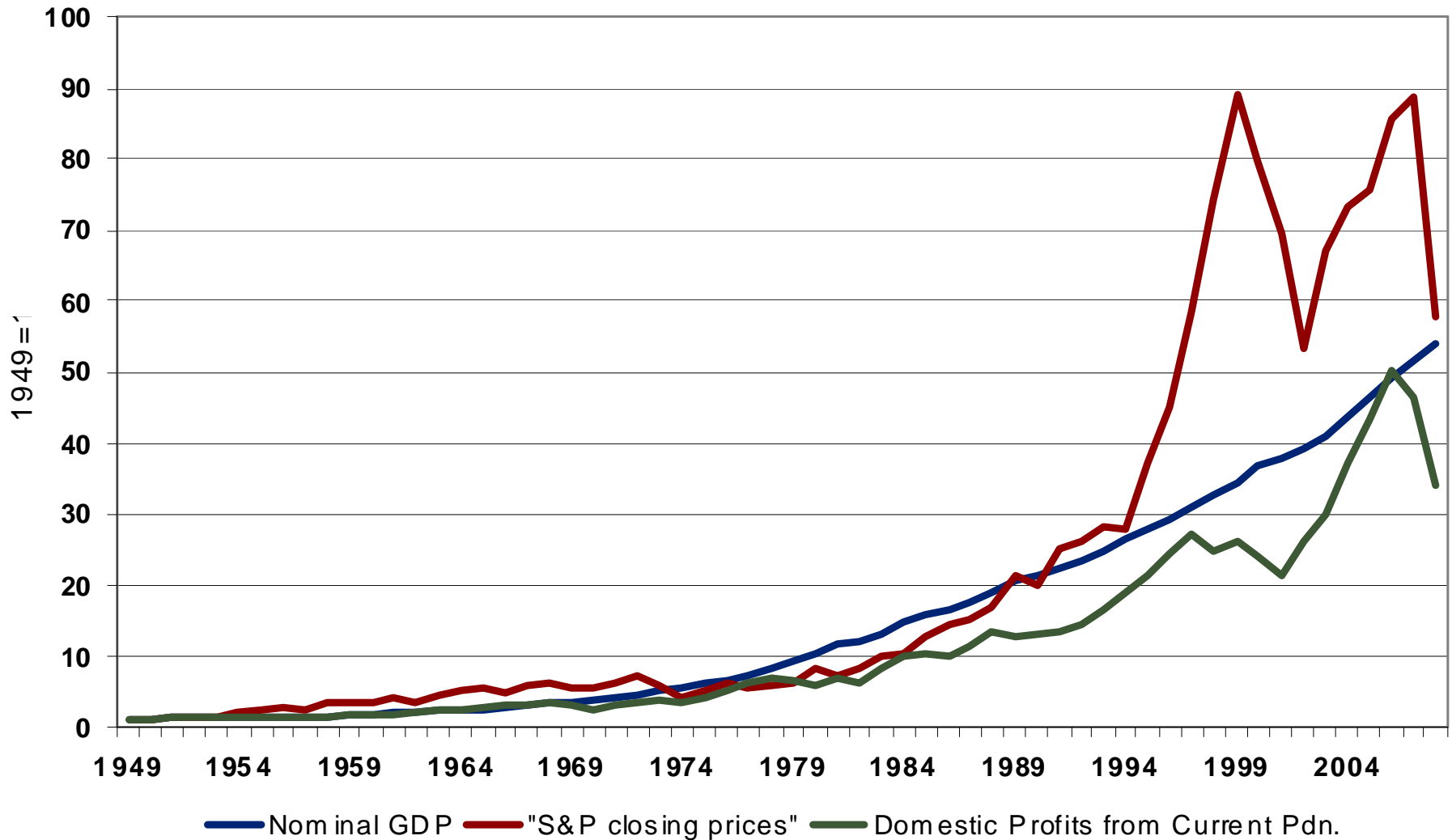


Source: BEA NIPA data

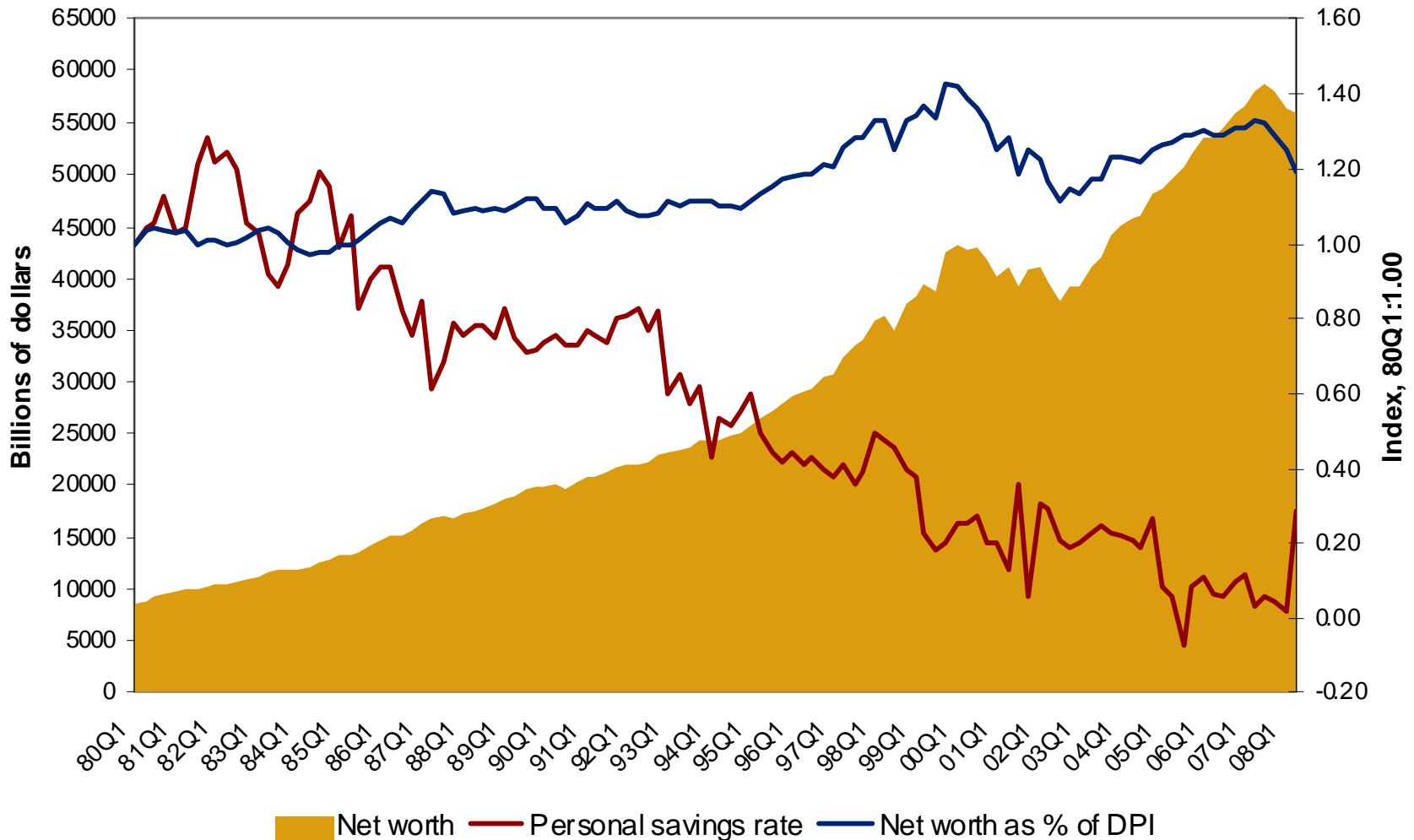
# Housing & Personal Income



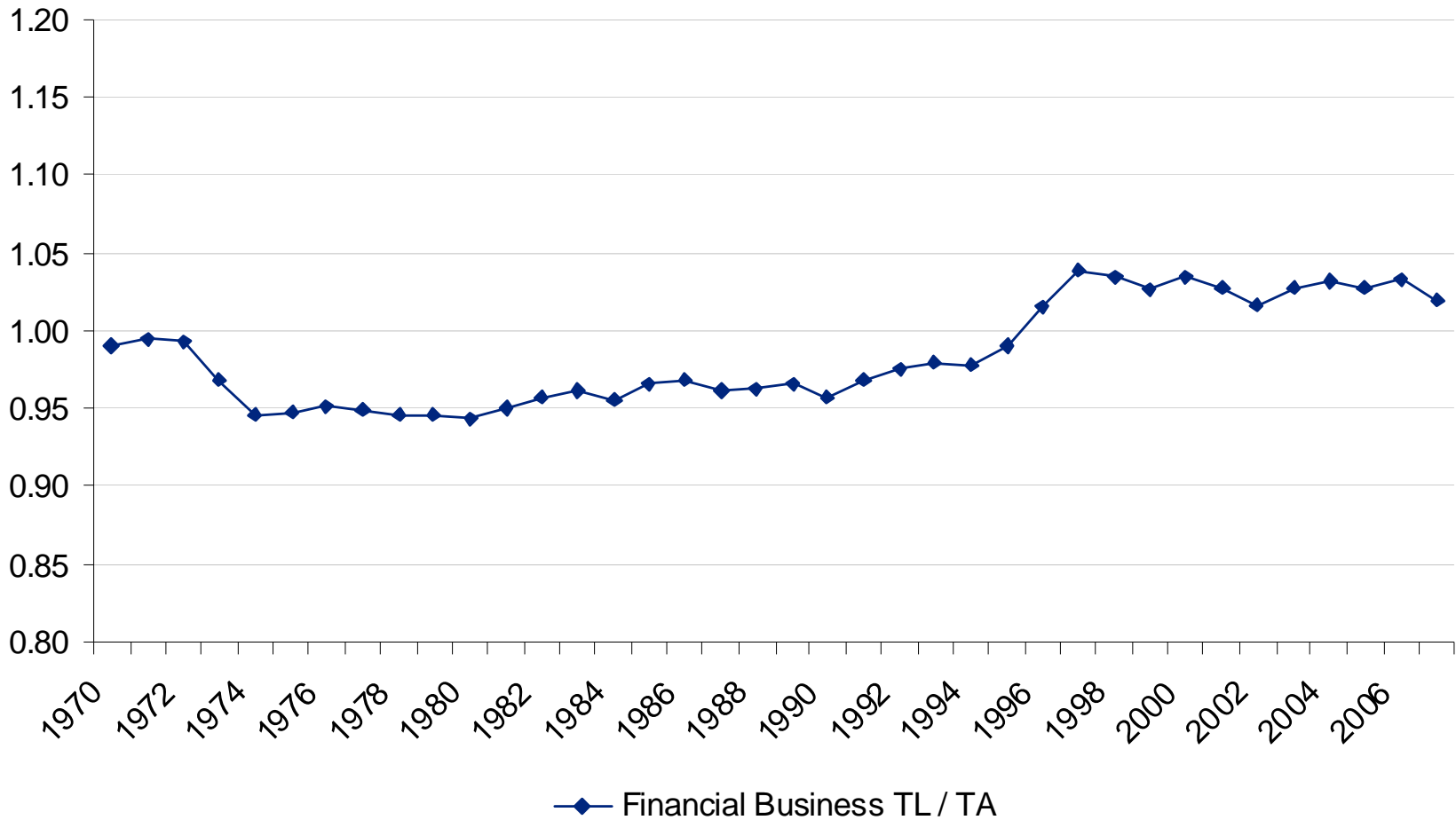
# Equity prices, NIPA profits & GDP



# Household asset values & savings



# Business Sector Leveraging





# Filling gaps in financial data

- More complete data on institutions that played a large role in the crisis
  - hedge funds
  - private equity funds
  - structured investment vehicles
- More detailed data by type of instrument
  - valuation
  - maturity
  - ultimate owner
- More data on leverage by institution and by instrument