

COMMENTS BY DEPUTY SECRETARY OF COMMERCE DENNIS HIGHTOWER
AT THE BROOKINGS INSTITUTION

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*Measuring Up in a Changing Economy:
A Look at New U.S. Service Sector Data and Why It Matters*

THANK YOU KAREN. I WANT TO THANK THE BROOKINGS INSTITUTION FOR HOSTING US TODAY, AND ALL OF YOU FOR BEING HERE.

SEVERAL YEARS AGO JUST BEFORE THE CALENDAR TURNED TO 2000, THE DEPARTMENT OF COMMERCE DID AN INFORMAL, INTERNAL SURVEY TO DETERMINE WHAT MARKED THE DEPARTMENT'S GREATEST ACHIEVEMENT OF THE 20TH CENTURY.

THE LIST OF POSSIBILITIES INCLUDED THE WRIGHT BROTHERS PATENT, THE FIRST ATOMIC CLOCK, FOSTERING PUBLIC TELEVISION AND STRENGTHENED WEATHER PREDICTION.

BUT THE WINNER WAS OUR DEVELOPMENT OF THE GROSS DOMESTIC PRODUCT, WHICH PAUL VOLKER CALLED "UNMATCHED IN THE WORLD."

THE GDP HAS BEEN RANKED AS ONE OF THE THREE MOST INFLUENTIAL MEASURES THAT AFFECT U.S. FINANCIAL MARKETS.

AND THE DEPARTMENT HAS MADE EXCEPTIONAL EFFORTS OVER THE YEARS TO ENSURE THAT THE GDP MEASURE KEEPS UP WITH THE RAPID CHANGES IN THE U.S. ECONOMY AND ECONOMIC GLOBALIZATION.

SINCE THE GDP WAS FIRST INVENTED, THE PRIMARY FOCUS OFTEN HAS BEEN ON MEASURING GOODS PRODUCING INDUSTRIES.

TRADITIONALLY, SECTORS SUCH AS MANUFACTURING AND AGRICULTURE HAVE BEEN WELL MEASURED, LARGELY DUE TO THEIR LONG-TIME ROLE IN THE AMERICAN ECONOMY, AND IN PART DUE TO THE RELATIVE EASE OF MEASURING THEIR OUTPUT.

UNTIL RECENTLY, DATA ON LARGE PORTIONS OF THE SERVICES SECTOR WERE ONLY CAPTURED ONCE EVERY FIVE YEARS IN THE ECONOMIC CENSUS.

BUT, IN THIS NEW CENTURY, NEW MEASUREMENT NEEDS HAVE BECOME CLEAR.

IN 1950, THE ECONOMY WAS ROUGHLY SPLIT BETWEEN SERVICES AND GOODS. TODAY, SERVICES MAKE UP MORE THAN TWO THIRDS OF THE PRIVATE SECTOR (68%). THEY ARE NOT ONLY THE DOMINANT SECTOR. THEY ARE THE PRIMARY DRIVER OF GROWTH AND PRODUCTIVITY.

I SPENT PART OF MY CAREER BOTH IN MANAGEMENT AND ON BOARDS OF DIRECTORS IN THE SERVICE INDUSTRY. IT IS A DYNAMIC FORUM IN WHICH TO WORK.

THE SERVICE INDUSTRY IS A SOURCE OF EMPLOYMENT FOR MILLIONS OF AMERICANS. AND SERVICE-PROVIDING INDUSTRIES ARE PROJECTED TO GENERATE SOME 14.5 MILLION NEW WAGE AND SALARY JOBS BY 2018.

ESPECIALLY IN THE CURRENT ECONOMIC ENVIRONMENT, WHERE GOVERNMENT AND BUSINESS LEADERS NEED A PRECISE MEASURE OF HOW QUICKLY OUR ECONOMY IS RECOVERING – IT IS VITALLY IMPORTANT THAT GDP MEASURES SERVICE INDUSTRIES AS ACCURATELY AS POSSIBLE.

OUR TEAM AT THE ECONOMICS AND STATISTICS ADMINISTRATION HAS RESPONDED TO THIS CHALLENGE.

I AM PLEASED TO REPORT TODAY THAT THE DEPARTMENT OF COMMERCE IS EXPANDING THE COVERAGE OF THE GOVERNMENT'S DATA ON SERVICES.

YESTERDAY, FOR EXAMPLE, WE RELEASED THE FIRST QUARTERLY REPORT ON THE OUTPUT OF FINANCE AND INSURANCE FIRMS.

EXPANDED SERVICE INDUSTRY COVERAGE ALSO INCLUDES TRANSPORTATION AND WAREHOUSING; EDUCATIONAL SERVICES; REAL ESTATE; AND UTILITIES.

OTHER NEW PRODUCTS FROM ESA WILL INCLUDE QUARTERLY GDP BY INDUSTRY. PRESIDENT OBAMA REQUESTED THE FINAL PIECE OF FUNDING FOR THIS IMPROVEMENT IN HIS FY 2011 BUDGET.

THIS NEW MEASURE WILL HAVE A POSITIVE EFFECT ON NEARLY EVERY MAJOR STATISTICAL SERIES PRODUCED BY THE DEPARTMENT OF COMMERCE, INCLUDING NATIONAL GDP ACCOUNTS, INDUSTRY GDP ACCOUNTS, AND REGIONAL GDP ACCOUNTS.

OVERALL, BUSINESS DOES A GREAT JOB OF PROVIDING THE INFORMATION REQUESTED. NEARLY TWO-THIRDS OF BUSINESSES ARE VOLUNTARILY RESPONDING TO QUARTERLY SURVEYS AND EIGHTY PERCENT OF FIRMS ARE RESPONDING TO ANNUAL SURVEYS.

THIS IS CRITICAL. THE QUALITY OF THE DATA WE CAN PROVIDE YOU IS DIRECTLY RELATED TO THE NUMBER OF FIRMS THAT RESPOND.

THIS IS MUCH MORE THAN AN ACADEMIC EXERCISE.

SINCE WE EMBARKED ON EFFORTS TO BETTER UNDERSTAND THE SERVICE SECTOR, WE GAINED EXCEPTIONAL NEW INSIGHT INTO THE DRIVERS OF ECONOMIC GROWTH.

AND THAT IS GOING TO HELP FEDERAL, STATE AND LOCAL GOVERNMENTS SHAPE BETTER POLICIES TO SPUR ALL-IMPORTANT JOB CREATION.

AND IT IS GOING TO HELP BUSINESS LEADERS WITH THEIR LONG-TERM PLANNING DECISIONS.

CONCLUSION

TO GET THESE NEW MEASUREMENTS RIGHT, HOWEVER, WE ARE GOING TO NEED YOUR HELP.

I SPENT MOST OF MY CAREER ON THE BUSINESS SIDE OF THE TABLE IN MANUFACTURING AND SERVICES. THERE WAS NOT ONE COMPANY THAT I WORKED FOR THAT WELCOMED ADDITIONAL GOVERNMENT PAPERWORK.

SO I KNOW THAT NEWS OF YET ANOTHER SURVEY TO FILL OUT WILL NOT THRILL ANYONE HERE.

BUT AT THE END OF THE DAY – AT DECISION MAKING TIME – WE ALWAYS APPRECIATED HAVING THE BENEFIT OF GOOD, HARD DATA.

THAT IS WHAT THESE NEW SURVEYS – COMPLETED AND RETURNED – WILL HELP PROVIDE YOUR BUSINESSES AND OUR NATION.

WE WELCOME YOUR COMMENTS AND FEEDBACK, AND LOOK FORWARD TO WORKING WITH YOU.

THANK YOU.