

Recommendations and Closing Remarks

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Recommendations

- The statistical agencies continue to refine their methodologies to keep improving measurement and to adapt to changes in the economy
- Much progress has been made—in improving deflators, in capitalizing certain activities (R&D, software, artistic originals), and in measuring areas of the economy (Digital Economy and Health Satellite Accounts).
- But more remains to be done.
- We asked our authors to include recommendations for the agencies to further this progress
- Some of the recommendations are fairly broad, and some are much more detailed
- I will give you just a flavor of some of them here (more details are in each chapter)

Some Recommendations

From the chapter on GDP as a measure of well-being:

- BEA should improve the treatment of multinationals so that tax-motivated misreporting of the location of income (away from the U.S. and to lower taxed jurisdictions) is undone for purposes of GDP measurement
- BEA Continue research aimed at measuring the consumer surplus from new and improved goods and services

From the chapter on What's Changed Since the Boskin Commission (Moulton)

- BLS should work on capturing the benefits to consumers from new retail outlets
- BLS should research methods to capture the effects of globalization/deglobalization on input price indexes to address “offshoring bias”
- BLS's should reconsider its practice of only doing quality adjustment when an item has disappeared from its sample:
 - When Uber and Lyft were introduced, BLS could have used their prices—with an adjustment for any quality differences between those services and taxis—to replenish a sample of taxi cab fares, instead of treating Uber and Lyft as separate services

Some Recommendations

From the chapter on Intangible Investment:

- Expand the set of intangibles capitalized in investment
- Invest in data development to aid in this task (detailed recommendations in chapter)

From the chapter on the New Goods, Variety, and Quality Change:

- Increase use of quality adjustments
- Increase use of new data sources like scanner data and web-scraped data
- Increase use of unit-value index for relatively homogenous products (like bytes of data transmitted by telecom carriers).

Some Recommendations

From the chapter on the Digital Economy:

- Greater use of Big Data and Machine Learning techniques in hedonic quality adjustment
- Regularly re-estimate depreciation rates.
- Harmonize statistics across countries and time and make sure export and import prices are measured with same methodology

From the chapter on the health sector:

- Improve the treatment of health spending in the NIPAs as currently measured
 - Change treatment of non-profit and public hospital so that they are treated similarly to for-profit health providers (using market prices to deflate revenues instead of input costs)
 - Try to better capture and control for cost-increasing improvements in treatment
- Continue working on improving the Health Satellite Accounts by developing methodology for outcomes-based quality adjustment (detailed suggestions in the chapter)

Some Recommendations

From the chapter on the Environmental Accounts:

- Expand the national accounts, productivity growth measurements, and CBO evaluation of legislation to include environmental quality.
- Begin with pollutants that are likely to have the greatest impact – fine particulate matter and CO2 emissions
- Estimate monetary value of damage to health from pollutants, and deduct Present Value of damage from current emissions from current measure of output

From the chapter on the Nonstandard data:

- BLS, BEA, and Census should operate within a 'StatsUSA' to coordinate better and should be funded better and with more data sharing flexibility.
- Improve **public administrative** data quality and statistical access to them.
- Improve **private sector** data quality and create means for large firms to more easily and efficiently provide statistical agency access to them.

Concluding Remarks

The volume shows that there is still much to do to improve measurement of prices, output, and productivity

In a time of tight budgets, it may be tempting to rein in the budgets of the statistical agencies

- But as Moulton explains, “The cost of improved statistics is modest compared to the costs of policies conducted with deficient statistics”
- Carol Corrado quotes Ben Bernanke: “We will be more likely to promote innovative activity if we are able to measure it more effectively and document its role in economic growth”
- Byrne shows that we need better measurement to answer questions like: How does the IT revolution compare to roll outs of earlier general-purpose technologies like electricity?
- Overstating inflation because we don’t capture quality improvements also lowers tax collections and raises government spending
- And for those who say Big Data can do it all and government statistics are no longer necessary, see the discussion in the Groshen et al chapter on the need for government surveys to benchmark Big Data

It will be important for economists to continue making the case of the importance of this work.

We hope this book contributes to that discussion and also serves as a steppingstone for those who are interested in learning more about measurement.