



# Chronicling 100 Years of the U.S. Economy

July 2021

Volume 101, Number 7

## Steve Landefeld Looks Back and Forward

Steve Landefeld has been an active, influential presence at the Bureau of Economic Analysis (BEA) for more than four decades—most particularly as Director between 1995 and 2014, and more recently, as a consultant on the “GDP and Beyond” initiative. All told, starting in 1979, Landefeld has served in seven roles at BEA. He was first hired as an economist in the Environmental Economics Division. He subsequently was promoted to Chief, Plant and Equipment Investment Spending and Capacity Utilization; Associate Director, International Economic Accounts; Acting Associate Director, Regional Economic Accounts; and Deputy Director of BEA, before taking the helm as Director. In addition, between 1984 and 1990, Landefeld managed a policy analysis division at the Commerce Department and held several positions at the Council of Economic Advisers (CEA), including Chief of Staff.



Landefeld's breadth of experience gives him a unique perspective on challenges BEA faced in the past, its accomplishments in addressing them, and opportunities going forward. His responses to questions posed by the *Survey of Current Business* on these three topics are provided below.

### Challenges

**Q.** When you joined BEA, what were its pressing research questions?

**A.** BEA sought and found ways to better measure:

- Real output and productivity—through better measures of the prices used to deflate IT [information technology] products, new products, quality change, services, and government and nonprofit output and more and better measures of services output.
- Investment, saving, and wealth—by reclassifying government spending on bridges, highways, and other investments from consumption to investment and valuing international assets and liabilities on a consistent current-value basis.
- Income and poverty—through updated concepts of income and unbiased measures of prices used in deflating income.

**Q.** What were the major debates among BEA economists at that time? How did they evolve?

**A.** There was tension over the use of new concepts, estimation methodologies, and source data. In my view, BEA needed to continuously update its approach to economic accounting to keep its data timely, accurate, and relevant in the face of continuous change in the economy. And where there were obvious gaps, we needed to fill them as best we could, utilizing the best available concepts, methods, and source data. I used to say to staff that I would rather we fill those gaps and be 80 percent right, rather than 100 percent wrong.

In her last year as [BEA] Director, [Carol Carson](#) initiated a process of continuous updating through the development of the Mid-Decade Review of the accounts and the first BEA strategic plan based on that review. Carol charged me, as Deputy Director, with preparing that review and plan. While initially I was not a fan of the review and planning process, I quickly became convinced it was a key management tool. So I implemented the strategic plan, which included a significant restructuring of BEA's products.

**Q.** What did other federal statistical agencies think of BEA at that time? Was there much collaboration?

**A.** Beyond BEA's long-standing use of data from other federal sources (for example, Census, IRS [Internal Revenue Service], BLS [Bureau of Labor Statistics]), there were few collaborative efforts at that time. Agencies might be described as seeing their data products as competing. Also at the time, the U.S. statistical system and other countries' statistical systems were quite stovepiped.

This changed over time. In the United States and abroad, policymakers and researchers encouraged harmonizing and improving the consistency, accuracy, and relevance of data. A new generation of statistical system leaders emerged to make that happen.

## Accomplishments

**Q.** How did BEA benefit from your years at the Commerce policy shop and CEA?

**A.** When I returned to BEA in 1990, my experience at CEA and Commerce was invaluable to me on a wide range of topics. These included leading indicators, the international investment position, data harmonization and integration, working with the policy and academic researchers, and more generally producing timely, accurate, and relevant estimates.

**Q.** What work are you most proud of accomplishing while at BEA?

**A.** Wow, hard to choose. Overall, I would say it was moving BEA to a highly effective organization that worked with customers and staff to continuously update BEA accounts and make the Bureau a leader in innovation and effective management. It was particularly gratifying that BEA regularly received external recognition that validated its staff's work, including:

- BEA's recognition as one of the top 5 percent of agencies rated on their performance by OMB [Office of Management and Budget].
- BEA's record of international leadership in innovation including implementing updates and new methods for national, international, industry, and regional accounts, integration of economic statistics, and foreign direct investment.
- BEA's rating by OPM [Office of Personnel Management] as a top federal workplace.
- BEA's top ratings on the President's Management Agenda.
- BEA's top IT ratings by the Department of Commerce.

**Q.** How would you characterize the evolution of BEA's relationship with academia?

**A.** In the early part of my career, BEA, unfortunately, had a somewhat adversarial relationship with academia. During my tenure in leadership, we sought to make the relationship much more collaborative through bringing academic researchers into the tent. Our efforts included founding the BEA and Federal Economic Statistics Advisory Committees, regularly giving presentations at professional meetings, actively participating in and leading international statistical groups, and proactive outreach to policymakers and the media.

**Q.** How would you characterize the evolution of BEA's collaborations with other federal statistical agencies?

**A.** We've come a long way. The level of collaboration today is impressive. One significant barrier to further collaboration is the lack of legal authority to share certain confidential data between agencies for statistical purposes.

**Q.** How has BEA's relationship with other countries' statistical agencies evolved?

**A.** Carol Carson played a major role in moving BEA into a leadership role through her work in coordinating the 1993 System of National Accounts (SNA). Following her example, I and other BEA staff played key roles in many international projects, including the 2008 SNA; the IMF [International Monetary Fund] 2009 *Balance of Payments and International Investment Position Manual*; the OECD's [Organisation for Economic Co-operation and Development] *Benchmark Definition of Foreign Direct Investment*; the UN [United Nations] *Guidelines on Integrated Economic Statistics and Globalization*; and a wide range of other manuals and working groups on specific issues such as current-account discrepancies, capital flows, industry classification, and services.

**Q.** While you were Director, BEA experienced significant budget cuts at various times. What were the consequences?

**A.** To protect the Bureau's "core" products, the ones on which policymakers depend, we had to cut several data products, such as leading indicators and the international forecasting model. To my regret, the budget cuts also meant we were unable to incorporate extensions of the economic accounts as regular supplements.

**Q.** As Director, did you ever feel pressure to abandon BEA's policy of nonpartisanship?

**A.** Never. As Director, I briefed incoming political appointees on the importance of the independence of BEA. BEA was fortunate in that each of our Under Secretaries was a professional economist who understood the importance of, and were willing to fight for, BEA's independence from political considerations.

**Q.** If you could sit down and have a long chat with any of our "[Top Economic Influencers](#)," even those long gone, who would you want to talk to and what would you ask them?

**A.** I suppose I would simply ask them what they think of today's set of national accounts and how well it conforms to what they may have hoped for.

## Looking ahead

**Q.** Where would you like to see BEA in 100 years from now—or 50, or 25?

**A.** Blue-skying is always fun. Here are a few ideas:

- Direct electronic data collection from firm records under strong firewalls to protect privacy.
- Standard definitions developed with respondents to facilitate improved reporting and lower burden through common data collections.
- Greater use of administrative and business microdata and model-based estimation.
- Ongoing development and regular publication of extended accounts on issues such as global value chains.
- Completion of the existing agenda of projects from BEA's GDP and Beyond effort.
- Increasingly sophisticated editing routines to allow analysts more time to macro- and micro-check the data for consistency and coherence with the state of the economy. And more time for research on continuous data improvement.
- Expanding to even higher levels of collaboration with the research communities, including more joint research, sabbaticals, research support, and so forth.
- Construction of a virtual “Statistics USA,” using a common set of microdata and system of collaboration, continuous feedback, and joint planning.

Bottom line: A system that provides timely, accurate, and relevant objective facts that are the focus and the benchmark for policies, business decisions, and public perceptions.

**Q.** Tell us about the GDP and Beyond initiative. What is the goal of this “new” initiative at BEA? How did it come to fruition? What is your role?

**A.** The goal of GDP and Beyond is to provide better measures of economic well-being through highlighting existing and developing new measures of the distribution of the gains from economic growth and the sustainability of that growth.

GDP [gross domestic product] and the associated accounts are the premier economic datasets that influence macroeconomic policy, including monetary, fiscal, budget, tax, trade, and investment policies; the geographic distribution of federal, state, and local funding; and business planning. Through their impact on policies concerning exchange rates, interest rates, inflation, and employment, BEA's economic accounts affect all Americans.

That said, economists have long recognized that market-based GDP accounts do not measure many “free gifts of nature” that are inputs into production, including environmental and natural resources. They also have recognized that key investments and assets, such as investments in human capital, are not treated as investment in the accounts. Also, GDP per capita, while a useful proxy for the nation's standard of living, does not include the value of nonmarket work in households. Also, as an average, GDP per capita, unlike a median, does not accurately measure the income of middle-income households that constitute the majority of households in the country. Further, it does not describe changes in the distribution of income.

While BEA has conducted a large volume of research on these and other related topics over the years, none of those efforts resulted in a regularly published set of estimates to supplement the core GDP and related accounts. Recent changes in the distribution of income as well as increasing concern over issues such as health, energy, household savings, and the environment have renewed interest in better accounting for economic well-being and sustainability.

As I oversaw BEA research on these topics during my tenure, [then BEA Director] Brian Moyer asked me to advise on rejuvenating an earlier GDP and Beyond initiative. I worked with Brian, Mary Bohman, [BEA Deputy Director and Acting BEA Director], BEA's senior staff and researchers, the BEA Advisory Committee, other key users of BEA's data (including NABE [National Association of Business Economists] and AEA [American Economic Association]), and my collaborators—Shaunda Villones and Alysa Holdren [of BEA]—to develop a long-term plan for developing an ongoing set of extended, or “satellite,” accounts. BEA published this plan in the June 2020 *Survey of Current Business* and the highest priorities have been incorporated in BEA's strategic plan.

**Q.** Why is it important for BEA to focus on economic well-being and sustainability in the national accounts?

**A.** The most important single characteristic of BEA's national accounts is their relevance. Because of changes in income distribution, if GDP and GDP per capita do not resemble the economic circumstances of most Americans, there may be a loss of trust in GDP as an accurate and objective measure of the state of the economy.

The distribution of income across households is just one example of the importance of these broader measures. If the GDP accounts, through supplementary accounts, do not provide accurate and relevant benchmarks for economic well-being, energy and other natural resource and environmental policies, or investments in health care and education, then they will become less useful for public and private decisions in these areas.

As the old adage goes, “If you can't measure it, you can't manage it.”

**Q.** How will this impact BEA's traditional measures of economic growth?

**A.** It should not impact BEA's official measures of growth. As I mentioned, the core GDP estimates are critical for a broad range of economic policies. Attempting to include nonmarket and near-market goods and services would dramatically reduce the usefulness of GDP for measuring and managing the market economy. As a result, GDP and Beyond calls for the construction of such estimates in the form of supplementary or satellite accounts that extend the concepts and definitions and can be used with the powerful tool kit of the GDP accounts, without reducing the usefulness of the core accounts.

**Q.** How will these measurements impact the economic experience of everyday Americans?

**A.** Hopefully, these extended accounts would provide accurate and objective data on most of the important issues of public interest today. Such data could provide benchmarks to help determine the absolute and relative size and importance of various competing policies; better assess the returns to investments to address these issues; and measure the distributional impact of various policies across households, industries, and regions.

## Conclusion

To understand the BEA of today and the statistical products it produces, it is necessary to look back at how we got here. Since July 2020, the *Survey*, to commemorate its centennial, has looked back at the achievements and innovations that have made BEA a well-respected source of accurate and objective data on the health of the nation's economy.

In our ever-changing world, full of more predictable changes, such as business cycles, and less predictable changes, as with the global pandemic, BEA's direction going forward is more important than ever, with the need to look beyond conventional measures of economic growth. As a result, BEA has re-energized the GDP and Beyond initiative, [first described in the \*Survey\*](#) over a decade ago.

Landefeld's participation again in this initiative illustrates his dedication to BEA and its role in providing better measures of economic well-being and sustainability. Through his work at, and outside of, BEA over the last four decades, Landefeld has acquired a deep understanding of the national accounts and what is needed to expand and improve them to better serve the American public.

For more information on BEA's GDP and Beyond initiative, see "[GDP and Beyond: Priorities and Plans](#)" in the June 2020 *Survey*.



*Survey of Current Business*  
apps.bea.gov/scb  
scb@bea.gov  
(301) 278-9004