Taking Account

Fixler, Nalewaik Discuss GDP, GDI, and "True" State

Which is a better indicator of the "true" state of the economy: Gross domestic product (GDP) or gross domestic income (GDI)? The best estimate is perhaps a weighted average of the two, but that raises the issue of how to weight each measure.

Dennis Fixler, Chief Statistician at the Bureau of Economic Analysis (BEA), and Jeremy Nalewaik, a BEA economist, discussed their recent study of this topic last month at the National Bureau of Economic Research's Summer Institute 2005 in a workshop on productivity and macroeconomics.

In their study, the authors relaxed the assumption that the difference between the true state of the economy and both GDP and GDI is pure "noise," meaning that the two measures are not correlated with information about the economy's true state. Under this assumption, the measure with the smallest variance is given greater weight when calculating an average.

The authors explored the possibility that the difference could instead be "news," meaning pure information about the true state of the economy. The study suggests that under the news assumption, the measure with the greatest variance should be given additional weight because it is assumed to contain more information about the true state of the economy.

The authors concluded that the news assumption is closer to reality. Therefore, GDP (which has greater variance than GDI) should be accorded greater weight.

The study's working paper is available on BEA's Web site at <www.bea.gov>, by clicking on "Papers and Working Papers."

BEA Unveils New Emblem as Part of Branding Effort

BEA adopted a new emblem in July as part of its long-term communications plan.

The new emblem, shown on the front of this issue of the SURVEY OF CURRENT BUSINESS and on BEA's Web site, <www.bea.gov>, was selected based on employee input and designs supplied by a third-party communications firm. BEA's other communication materials now carry the new emblem as well.

With a dark blue and gold color scheme, the emblem includes traditional lettering and a stylized line graph to evoke the trustworthiness and reliability central to BEA's goal of providing timely, accurate, and nonpartisan economic accounts.

The rollout of the emblem is part of a comprehensive communications strategy to increase awareness and appreciation of BEA. More information about BEA's communications efforts will be available in the Strategic Plan to be released in late fall.

Reinsdorf Discusses Productivity and Trade

Since 1995, productivity growth in the United States appears to have accelerated. Many researchers have concluded that the primary cause has been accelerated productivity growth in the information technology (IT) sector, as evidenced by significant declines in the prices of IT goods.

In a recent study, BEA economist Marshall B. Reinsdorf and three coauthors investigated a new explanation for these IT price changes and, by implication, for the apparent acceleration in productivity: Gains in terms of trade, especially for IT products. Reinsdorf discussed this topic last month at the National Bureau of Economic Research's Conference on Income and Wealth.

The study suggests that while gains in terms of trade explain only a small portion of the productivity speedup, they are important to consider in the measurement of productivity.