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May 6, 2010

The Honorable Alan B. Mollohan
Chairman
House Appropriations Subcommittee on
Commerce, Justice, and Science
2302 Rayburn House Office Building
Washington, D.C. 20510

The Honorable Frank R. Wolf
Ranking Member
House Appropriations Subcommittee on
Commerce, Justice, and Science
241 Cannon Building
Washington, DC 20515

The Honorable Barbara A. Mikulski
Chairwoman
Senate Appropriations Subcommittee on
Commerce, Justice, and Science
503 Hart Senate Office Building
Washington, DC 20515

The Honorable Richard Shelby
Ranking Member
Senate Appropriations Subcommittee on
Commerce, Justice, and Science
304 Russell Senate Office Building
Washington, DC 20510

Dear Chairman Mollohan, Chairwoman Mikulski, Ranking Member Wolf and Ranking Member Shelby:

The President's proposed Fiscal Year 2011 budget requests funding for an important initiative of the Bureau of Economic Analysis called "Everyday Economics: The American Household," which will develop a new suite of statistics focused on household income, expenses, debt, and savings. As economists, policy analysts, and associations that rely on BEA data and hope to improve our national accounting system, we wish to convey our strong

support for this initiative and for three other important new initiatives in the BEA budget.

The proposed household accounts will provide a more accurate picture of income, taking regional price differences and estimates of the cost of necessities into account. They will also provide new measures of the distribution of income across households. With two-thirds of our Gross Domestic Product dependent on consumer spending, these new household measures, particularly of discretionary income, are vitally important for understanding the overall health of our economy.

New releases of household indicators will be extremely valuable to businesses (particularly small businesses), as well as to policymakers, the media, and the general public. The new indicators will provide a much clearer sense of the capacity of households to engage in economic activity and how this is changing over time. For small businesses in particular, which cannot afford to hire their own economists and analysts to do such research, the new household indicators will be an invaluable new source of public information for guiding credit and investment decisions, new hiring, job training, and other aspects of business development. The new household indicators will also provide invaluable real-time information for policymakers who hope to strengthen our economy at the household level, where it matters most.

In addition to the new household indicators, the BEA is also requesting funding for three other important new initiatives. The first is a new set of business and industry indicators designed to provide more detailed information for guiding business policy and regulation. Realigning and expanding on existing measures, the BEA will develop new measures of quarterly GDP-by-industry and industry-level productivity, of the scope and activity of small businesses across several types, and of net investment and other key aspects of business health over the long term. These measures (among others), will create what is effectively a new “Economic Dashboard” for monitoring business and industry trends, providing critically important information for analysts, policymakers, and regulators to identify problems and target responses more effectively.

Another new initiative, on measuring “Energy’s Economic Impact,” is also vitally important for the health of our economy. Working in consultation with the Energy Information Administration of the U.S. Department of Energy, the BEA will incorporate detailed data on energy prices, production, and usage into its national and industry accounts, creating a more integrated statistical framework for measuring energy’s impact on economic growth. This will provide critical new information for assessing the energy-related challenges we increasingly face in our economic development.

Finally, the BEA seeks to develop an improved framework for measuring Foreign Direct Investment in the U.S. and its economic impact, information that is vitally important for trade policy and job-creation, and particularly for state-level economic development. Among the improvements is a new field survey to identify and quantify different kinds of foreign investment in the United States. Most important, the new survey is needed to comprehensively differentiate between greenfield investment—plant and operations newly built—and foreign acquisition of existing businesses. These data are essential for economic analysis of foreign direct investment. Additionally, the BEA seeks to restore state-by-state data on fixed assets, commercial property, and manufacturing employment of foreign-owned U.S. companies—vital information for state governments seeking to attract foreign investment for economic development.

As we emerge from a major crisis fueled in part by massive information failures about what was happening in our economy, we commend the Bureau of Economic Analysis for developing new initiatives to fill critical gaps in our economic understanding. The proposal for a new system of household accounts is particularly important as we seek to restore household-level buying power and solvency at the heart of our economy. We urge Congress to provide the \$3.87 million requested for this vital new information source in our national accounting system.

At the same time, the new economic dashboard for business and industry trends, at \$5.2 million, the new statistical framework for measuring energy's economic impact, at \$1.2 million, and the new field survey of foreign direct investment, at \$3.3 million, will provide extremely valuable information for improving our economy and should also be funded.

Together, these relatively small investments in our information infrastructure will repay the public many times over by filling large gaps in our economic knowledge. In today's increasingly complex economy, this is a critical step forward for improving the effectiveness of economic policy and supporting continued progress for the American people.

Thank you.

Associations

Association for University Business and Economic Research

Association of Population Centers

American Statistical Association

Council for Community and Economic Research

Council of State Governments

National Association of Development Organizations

Northeast Midwest Institute

Organization for International Investment

Population Association of America

State International Development Organizations

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Allan Carlson
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Neva Goodwin
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