

**PREPARED STATEMENT OF  
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*The Fiscal Year 2008 Budget*

**Before the Subcommittee on Commerce, Justice, Science, and Related Agencies  
Committee on Appropriations, U.S. House of Representatives**

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Mr. Chairman, Ranking Member Frelinghuysen, and members of the Subcommittee, my name is Steve Landefeld and I am the Director of the Bureau of Economic Analysis (BEA). I want to thank you for this opportunity to testify before you this morning about the work of the Bureau.

The Department of Commerce's Bureau of Economic Analysis is the nation's economic accountant. Although a relatively small agency – with a staff of about 500 employees – BEA provides some of the nation's most closely watched economic statistics, including the gross domestic product (GDP), personal income, and U.S. balance of payments. BEA relies heavily on the Census Bureau and other Federal statistical agencies to collect most of the data used to produce the macroeconomic estimates that you—the Congress, the business community, government officials, and the American people use to monitor the state of the U.S. economy.

BEA's statistics are critical inputs to monetary, fiscal, and trade policy. Wall Street and the rest of the business community depend on them—in fact, try to anticipate them—for investment and business planning decisions. Over \$215 billion in Federal funds are distributed using BEA's regional estimates. BEA economic data have a significant influence on interest rates, stock prices, and other economic variables that affect each American who runs a business, saves for retirement, or obtains a mortgage.

When you stop to consider the critical uses of BEA's statistics, you realize that it is more important than ever that we get the numbers right. Investments made over the previous several years have allowed BEA to make some critical advances in the accuracy, timeliness, and relevance of these essential statistics.

One of the most important improvements in the GDP estimates has been the Census Bureau's program to expand its quarterly and annual collection of data on services used to estimate the GDP. Completion of this initiative will be one of the most important advances in U.S. economic statistics in decades, and we strongly support the \$8M initiative in the Census Bureau request to significantly accelerate this expansion. The Administration's and Congress' support for updates in recent years has significantly increased the accuracy of BEA's estimates ranging from GDP to corporate profits. BEA has accelerated the availability of a wide range of its statistical products, ranging from input-output accounts to state personal income. Finally, BEA is hard at work with Census, the Bureau of Labor Statistics, and the Federal Reserve Board to produce more accurate, consistent, and better integrated economic statistics for the nation's decision-makers.

Much remains to be done -- including improved measures of stock options, "offshoring," derivative instruments, medical care output, pensions, and investments in intangibles -- but BEA is on the right

track. With your support, BEA will continue to anticipate and develop measurement techniques to keep its estimates accurate, timely, and relevant.

For fiscal year 2008, BEA and ESA are requesting \$85 million, which fully funds BEA's ongoing programs. The President's Budget calls for \$2.1 million for an initiative to measure the impact of research and development (R&D) on the U.S. economy. Securing full adjustments to base is critical to BEA's program of continuing to update and maintain our IT systems and the accuracy of GDP and other data products.

As important as BEA's current programs are, the R&D initiative is an exciting and critical part of this fiscal year 2008 request. The contribution of R&D to the overall growth of the U.S. economy is important, but unknown. Last fall, BEA and the National Science Foundation (NSF) released prototype R&D estimates that show the importance of R&D investment to GDP growth. This \$2.1 million initiative calls on BEA to extend these prototype R&D estimates—funded by NSF through 2007—with annual updates and extensions between 2008 and 2012, leading to their full incorporation into the GDP accounts. We believe the R&D accounts are a good first step in the Secretary's goal of getting a better handle on the economic impact of innovation.

I thank you for this opportunity to discuss the programs of the Bureau of Economic Analysis and I am happy to answer any questions you may have.