

OPENING REMARKS

I am delighted to welcome you to the Federal Reserve Bank of New York. Today's conference, "Economic Statistics: New Needs for the Twenty-First Century," is the result of the joint efforts of this Bank, the Conference on Research in Income and Wealth, and the National Association for Business Economics. I would like to thank Leon Taub and Richard Peach for their contributions to those efforts.

The purpose of this conference is to deepen our understanding of some of the key conceptual issues currently facing those charged with measuring the performance of the U.S. economy and other economies around the globe. These economies and their associated financial markets are evolving at a rapid pace. The United States, for example, has over the past several decades become a largely knowledge-based, service-producing economy. Measuring real output and price change for goods is difficult enough; for services, the task can be many times more difficult to conceptualize, let alone implement.

At the same time, some striking inconsistencies have emerged in our national income and product accounts and in our financial and international accounts. It is not known for certain that the rapid evolution of the economy and these discrepancies are necessarily related. Nonetheless, there is a growing unease about the accuracy of the existing measures of fundamentals, such as output, prices, and productivity.

As a central banker, I am keenly aware of the importance of "transparency." For a market economy to work well,

government, business, and personal decisions must be based on timely and accurate information. Further, publicly provided economic and financial data are often incorporated into private contracts, such as wage agreements and leases, and into government programs, such as indexing the tax code and social security benefits. Maintaining the quality and meaningfulness of those data is an ongoing struggle as government statistical agencies strive to keep up with rapid changes in the economy and financial markets. I should note that we are especially aware of this challenge as the Federal Reserve Bank of New York collects the nation's data on cross-border portfolio holdings.

Today, we have assembled leading experts from the community of data users, producers, and policymakers to discuss recent efforts to improve economic and financial data. Our speakers will also explore strategies for meeting the challenges that lay ahead. Accordingly, the conference will focus on four key areas: 1) the measurement of intangible capital, 2) the measurement of service sector output, prices, and productivity, 3) the measurement of international capital positions and flows, and 4) the use of hedonic indexes to measure prices while controlling for changes in quality.

Let me state most emphatically that today's discussions should not be viewed as criticism of the federal statistical agencies, most of which are represented at this conference and all of which have worked diligently to upgrade our nation's data systems. These agencies have made numerous

Jamie B. Stewart, Jr., is first vice president of the Federal Reserve Bank of New York.

improvements to U.S. economic and financial data over the past several years and are well aware of potential future improvements. Rather, the conference is intended to broaden awareness of the issues surrounding the measurement of economic and financial market performance. Greater familiarity with these issues might lead to a collective national decision to reevaluate the resources we have committed to

developing accurate economic and financial data—an important public good.

It is my sincere hope that this conference will shed additional light on the kinds of measures that might further our understanding of the economy and allow for faster and more informed policy and business decision making.