

**Fed:** “Research and analysis about consumers, their financial experiences, and the communities in which they live inform Federal Reserve policymaking.” – Fed Board

**Fed Unfiltered:** Each week we’ll read through and outline the most relevant information for your decision-making.

**Gross Domestic Product (GDP):** The BEA’s website offers a brief explanation of GDP and three documents, which provide different levels of detail about GDP. The Philadelphia Fed talks about the history of GDP and how the measurement is imperfect, but still helpful.

## BEA – GDP Explained

- “The value of the goods and services produced in the United States is the gross domestic product. The percentage that GDP grew (or shrank) from one period to another is an important way for Americans to gauge how their economy is doing. The United States’ GDP is also watched around the world as an economic barometer.”
- “BEA estimates the nation’s GDP for each year and each quarter. But new GDP statistics are released every month. Why? Because for each quarter, BEA estimates GDP three times. The **advance estimate**, coming about a month after the quarter’s end, is an early look based on the best information available at that time. The **second estimate** and **third estimate** each incorporate additional source data that weren’t available the month before, improving accuracy.”
- “The nation’s gross domestic product totals trillions of dollars. Most often, the number you’ll hear people refer to as “GDP” is a percentage. That’s the rate of change in real GDP from the previous quarter or year.”

Source: BEA website <https://www.bea.gov/resources/learning-center/what-to-know-gdp> 1/25/23

## BEA – Resources Regarding GDP

- [BEA, Report: GDP](#)
- [BEA, Report: The Making of GDP](#)
- [BEA, Report: Measuring the Economy](#)

## Philadelphia Fed – The Perceived Imbalance of GDP

- “America entered the Great Depression lacking an organized national statistical system with which to track the aggregate economy and to inform economic policy. By 1933, 25 percent of the workforce was unemployed, up from around 3 percent four years earlier. There was a partial recovery, but the rate went up again to 20 percent in 1938 before falling to as low as 1.2 percent during World War II. There were no official estimates of Gross Domestic Product at the start of the Depression with which to guide the policy response, but by the mid-1930s, this began to change. However, the National Income and Product Accounts, in their more-or-less current form, were only published in the late 1940s.”

- “The development of these accounts was called “one of the great inventions of the 20th century” by Paul Samuelson and William Nordhaus. Yet, GDP has also attracted substantial criticism in recent years. The leading example is perhaps the 2009 report by the International Commission on the Measurement of Economic Performance and Social Progress, *Mismeasuring Our Lives: Why GDP Doesn’t Add Up*, coauthored by Stiglitz, Sen, and Fitoussi. As summarized by its lead author in a 2018 piece titled “Beyond GDP.”
  - **Beyond GDP:** “GDP is not a good measure of well-being. What we measure affects what we do, and if we measure the wrong thing, we will do the wrong thing. If we focus only on material well-being — on, say, the production of goods, rather than on health, education, and the environment — we become distorted in the same way that these measures are distorted; we become more materialistic.”
- **Conclusion:** “GDP and welfare metrics provide insights and answers to different questions about the economic system and its growth, and both have important roles to play in the architecture of a unified statistical system. Thus, the currently perceived imbalance in favor of GDP should not be corrected by creating an imbalance in favor of the well-being aspects.”

[Philadelphia Fed, Report: Is GDP Becoming Obsolete? The “Beyond GDP” Debate 11/8/22](#)



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