The Government has appointed Sir Charles Bean, President of NIESR and formerly Deputy Governor of the Bank of England, to review UK economic statistics. In the latest issue of the National Institute Economic Review, Diane Coyle, Professor of Economics, University of Manchester and a member of NIESR's Council of Management, argues that despite access to more economic data than ever before, alongside this is greater uncertainty over what is being measured and whether it is meaningful.

There are two kinds of questions about the effectiveness with which economic statistics currently perform the functions we need; one is whether the collection and sampling methods used by statistical agencies, and the categorisations they use, have kept pace with changing business and consumer behaviour and habits. The other is whether statistical definitions and conventions – notably real GDP growth as now defined and constructed – remain useful indicators for economic policy and accountability.

Coyle discusses how categorisation types, particularly within the occupations sectors, are outdated and defined when manufacturing was more important to the economy. It is also impossible to know who is working part-time or who is working more than one job.

A further cause of concern for Coyle is the extent to which the measure of how well the economy is doing, real GDP growth, is diverging from a meaningful concept of economic welfare – the “GDP-welfare wedge”. Many of the questions raised in current debate about the adequacy of aggregate growth statistics concern the wedge between GDP as defined and constructed now and economic welfare. The size of the wedge may be increasing. Certainly many participants in ‘new’ sectors believe official growth figures underestimate the truth.

Coyle concludes that it is important for the public to be able to use statistics to make sense of the changes they know from experience and from the media to be taking place in their societies.

ENDS

Notes:

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