

What Is ‘Seinfeld’ Worth?

**BADA
GDP!**

By JARED BERNSTEIN and DEAN BAKER, Published: July 31, 2013

WASHINGTON — THE tinkering of federal government accountants is rarely newsmaking stuff. But after a few tweaks to the way the [Bureau of Economic Analysis](#) calculates the gross domestic product, those accountants have pulled off something seemingly remarkable: in the blink of an eye this week, they made the size of the American economy grow by \$560 billion.

Not only is this a big change — that output, 3.6 percent of the total, lifting the economy to \$16.6 trillion this year, is like adding a New Jersey to the nation’s economy — but it raises important questions about what we consider economic value and costs, and what we leave out.

The changes involved are pretty simple. Beforehand, if a factory bought a drill press, the government would count that as an investment that would generate income over time, depreciating along the way until its value added fell to zero.

But consider the movie companies or TV studios that produce lasting hits like “Star Wars” or “Seinfeld.” They, too, spin off years of revenues. In that sense, their production is much like a capital investment, though there’s been no place in the national accounts to score that investment.

Now there is a new category in the quarterly G.D.P. reports called “intellectual property products,” including “entertainment originals.” For example, the production costs of what the B.E.A., a part of the Commerce Department, calls “long-lived TV shows” — ones that provide a steady stream of income, like “Seinfeld” reruns — will for the first time be counted as investment. That’s right — the ultimate show about nothing will now add billions to G.D.P.

Research and development spending that was previously treated as an expense to business, the same as paper clips and electricity, will also now be treated as an investment with the potential to generate future income.

The logic here is solid. Spend a few hours on Netflix and you’re happily consuming the results of considerable R & D in streaming technology, along with investments in the shows themselves. It seems clear that the intellectual property called “The Sopranos” is as valuable to its owners as the laptop and software enabling you to binge-watch it.

Still, if that sounds squishy, that's because it kind of is. Also, most people may not react well to being told that, according to the B.E.A., we're all about \$1,800 richer on a per-capita basis — but only on paper. Your paycheck's still your paycheck. Have a nice day.

But there are other, more significant problems with this new calculation. One is how to draw the lines around what is an "intellectual property product" and what isn't.

Take online videos. We spend billions of hours watching videos free of charge on YouTube. Some people — not the ones with cats — spend considerable time and money putting these together. But since they are available at no cost, this will not add to G.D.P. In that sense, what's really being valued here is entertainment that's protected by copyright, which in the era of viral videos is actually a declining share of what we watch.

Another arbitrary ring must be drawn around what is lasting in terms of added value and what is fleeting. Journalism is out, for example: barring the unlikely event that generations to come deem this essay an essential read, it will not be considered an investment in the G.D.P. accounts. Nor will blogs, despite the fact that since your time is worth something to you, they add value to those who take the time to read them.

But perhaps the most arbitrary part of this or any other G.D.P. revision is not the value of what's put in, but the cost of what's left out.

The failure to account for environmental degradation is a serious shortcoming of our measurement system. If we use hydraulic fracturing to reach deep pools of natural gas and in the process pollute groundwater, we will count only the value of the gas. There is no subtraction for the polluted groundwater or the greenhouse gas emitted when the gas is burned.

Finally, while this revision is a big deal for those of us in the field, does it matter to more normal people? For one, while it lifts the level of G.D.P. going back many years, it doesn't have much impact on the growth rate. Over the past year, for example, the economy grew an anemic 1.4 percent, meaning we're still in the same slog we were in before.

True, since the change raises the level of G.D.P. but doesn't affect the debt, it will lower the debt-to-G.D.P. ratio, which in tandem with falling deficits should give policy makers the political oxygen to implement a jobs measure. But given the state of Washington these days, don't hold your breath.

Too many Americans have felt disconnected from economic growth for a long time, something President Obama has stressed in recent speeches. Over this recovery, real G.D.P. is up 9 percent, while the typical household's income is down 4 percent. So we'll forgive you for not jumping for joy over the revisions.

Still, as new sources of economic value emerge, it's important to try to account for them, even if the accounting risks becoming more arbitrary as the measurement issues become more challenging. But it's equally important to try to measure the value we're destroying — to "net out" the environmental damage.

So here's the deal, and let's stick with the movies: we'll count "Star Wars," if they'll count the findings of "An Inconvenient Truth."

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