



# COMMERCE NEWS

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## **Gutierrez Calls for Government, Private Sector, and Academic Actions on Innovation Measurement**

**WASHINGTON**— Commerce Secretary Carlos M. Gutierrez today announced steps for the federal statistical agencies and others to work to explain and quantify one of the largest and most elusive drivers of the economy — innovation. Among the innovation measurement initiatives announced by Gutierrez were comprehensive accounting of the effect of high-tech goods and services, measuring the increase in productivity due to increased investments in innovation, and expanding collection of data on innovation.

The United States today is more than 75 percent wealthier in terms of real GDP per capita than it was 30 years ago, which is largely attributable to productivity gains driven, in large part, by innovation. However, until now, few steps have been in place to allow the United States to measure and understand innovation – and therefore develop policies that foster it.

Secretary Gutierrez announced these measures based on a report by the Advisory Committee on Measuring Innovation in the 21<sup>st</sup> Century Economy. Committee members\* are CEOs and prominent academics who worked over the past year to develop innovation metrics.

“Innovation has proven an essential driver of growth for the U.S. economy,” said Secretary Gutierrez. “Thanks to the leadership of the committee and Chairman Carl Schramm, we now have a well-informed framework for moving forward and ensuring that we as a nation foster innovation and its contribution to a healthy 21<sup>st</sup> Century economy.”

“While we recognize that the American economy is changing in profound ways – mostly due to innovation – our understanding is minimal,” commented Chairman Carl Schramm. “Data collection and measurement loom large in helping us to understand these changes and to identify and replicate what we’re doing well.”

Secretary Gutierrez called for immediate steps and participation from other groups based on the report's findings, including:

- The Bureau of Economic Analysis (BEA) will work with the Bureau of Labor Statistics (BLS) to provide a comprehensive accounting of the effect of high-tech goods and services on growth and productivity. This will set the stage for the development of integrated estimates for major sectors and detailed industries. Although total factor productivity growth is not a direct measure of innovation, correctly capturing productivity at the sectoral level will greatly improve our understanding where innovation occurs.
- BEA will design a supplemental innovation account by January 2009. This account will be a framework for directly measuring how much of the overall increase in productivity is due to increased investments in innovation. It will include investments in intellectual property (including patents, copyrights, and trademarks) and in human capital. In addition to directly measuring the impact of innovation on growth, such a measure would take into account the fact that knowledge, just like other property, is wealth – and those policies that increase knowledge increase the wealth of our society.
- Building on their successful efforts in developing measures of the impact of R&D on GDP growth, partners at the National Science Foundation are asked to maintain and expand their commitment and effort to the collection of data on research and development and innovation-related inputs. These efforts will provide an important piece of the puzzle of what drives innovation in the U.S. economy.
- Recognizing the clear benefits that can be achieved through better statistical coordination and data synchronization, Secretary Gutierrez pledged to work with the Council of Economic Advisors, the Office of Management and Budget, the Departments of Treasury and Labor, and Congress to see whether a framework that meets everyone's data confidentiality concerns is achievable.
- The Committee members expressed a desire for the dialogue to continue after the release of these recommendations. In particular, the Secretary indicated he would direct the bureaus in Commerce to conduct various workshops on the drivers and impediments to innovation.

The report is available on line at [www.commerce.gov](http://www.commerce.gov) and [www.innovationmetrics.gov](http://www.innovationmetrics.gov).

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\* The committee members are: Steve Ballmer (Microsoft Corporation), David L. Bernd (Sentara Healthcare), James Blanchard (Synovus Financial Corp), George Buckley (3M), Art Collins (Medtronic), Michael Eskew (UPS), Luther Hodges, Jr. (Phoenix Associates), John Menzer (Wal-Mart Stores), Samuel J. Palmisano (IBM), Carl Schramm (Ewing Marion Kauffman Foundation), Ashish Arora (Carnegie Mellon University), Rajesh Chandy (University of Minnesota), Kathleen B. Cooper (Southern Methodist University), Dale W. Jorgenson (Harvard University), Donald Siegel (University of California at Riverside).