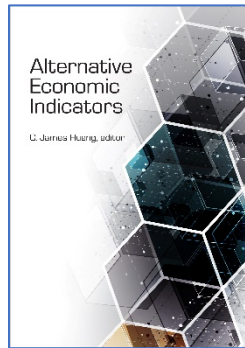




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## Alternative Economic Indicators

C. James Hueng, Editor

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KALAMAZOO, Mich. — During perilous economic times—like now—as COVID-induced economic impacts hit hard and fast, quantifying the true effects on the economy in real time is critical. But traditional economic indicators often delay reporting, use out-of-date methodology, and neglect some aspects of the economy. Therefore, policymakers need new ways to assess how a variety of indicators are faring so they may implement effective policy responses.

Recent advances in economic theory, econometrics, and information technology have fueled research in building broader, more accurate, and higher-frequency economic indicators. A new [open access ebook](#) from the Upjohn Press offers an in-depth look at a new set of tools that are now being used by economists to determine the national and worldwide economic impacts of, among other things, the COVID-induced recession. In ***Alternative Economic Indicators***, C. James Hueng presents contributions from a group of prominent economists who address alternative economic indicators, including indicators in the financial market, indicators for business cycles, and indicators of economic uncertainty.

Included are:

**Alternative Economic Indicators**, an introduction by C. James Hueng. Hueng briefly describes the issue in general and each of the ensuing chapters.

**Getting It Wrong: How Faulty Monetary Statistics Undermine the Fed, the Financial System, and the Economy**, by William A. Barnett and Kun He. Barnett and He argue that traditional monetary aggregates, such as M1–M4, are obsolete and provide misleading information. Instead, they propose the use of their [Divisia](#) monetary aggregates, which weight the growth of the various indicators it includes. They also describe their efforts incorporating credit card services and demand-side and supply-side money services into Divisia.

**A Closer Look at the Chicago Fed's Activity Indexes**, by Scott A. Brave. Brave discusses a set of financial measures developed by the Federal Reserve Bank of Chicago following the Great Recession. These include the [National Financial Conditions Index](#), the [Adjusted National Financial Conditions Index](#), and the [Chicago Fed National Activity Index](#). The first two reflect the

overall condition of the financial markets while the third is a monthly estimate of U.S. economic growth.

**Nowcasting the Great Recession**, by Domenico Giannone, Eric Qian, Argia Sbordone, Mihir Trivedi, and Patrick Adams. The authors present the [New York Fed Staff Nowcast](#), which synthesizes big data in real time to produce an early estimate of GDP for the current and subsequent quarters. To prove its efficacy, the authors show that the Nowcast provided accurate early estimates of U.S. GDP during the Great Recession.

**Real-Time Measurement of Business Conditions, Macroeconomic Surprises, and Uncertainty: Is a Recession Looming?**, by Alessandro Barbarino and Chiara Scotti. This chapter focuses on using the [Aruoba, Diebold, Scott Index](#) to evaluate current business conditions in the United States. Barbarino and Scotti also gauge market participants' optimism or pessimism about the economy and the uncertainty around this. The authors also evaluate some recession probability models that use different types of data to predict whether a recession is imminent.

**Rising Policy Uncertainty**, by Steven J. Davis. Davis details the construction of the monthly [Economic Policy Uncertainty Index](#) and highlights the effects of the shift in U.S. trade policy on economic uncertainty under the Trump administration. The index seeks to capture uncertainty about who will make policy decisions, what economic policy actions will be undertaken and when, and the economic effects of policy actions or inaction. Davis shows that the U.S.-China conflict over trade and commercial policies has become a major source of both economic policy uncertainty and increased market volatility.

**Measuring Economics from Space**, by Adam Storeygard. Recent advances in technology have afforded social scientists the ability to use satellite data to answer questions concerning real-time economic activity and the effects of specific policies on phenomenon such as the COVID-19 pandemic. Storeygard describes six advantages for availing the use of this emerging technology and provides examples of research on deforestation, pollution, urban growth, transportation, and political economy.

The chapters presented in this book are based on papers presented at the 2018–2019 Werner Sichel Lecture Series, an annual event organized by Western Michigan University's Department of Economics and cosponsored by the W.E. Upjohn Institute.

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