

The Brookings Institution

Metropolitan Policy Program

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The Role of Statistics in U.S. Economic Policy: Assessment and Agenda for Action

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Assessment



The Creation of the Modern Economic Statistical System

Modern economic statistical system emerged after World War II

- strong desire to avoid new economic traumas
- belief that government could use emerging principles of economic science to stabilize and grow nation's economy

Catalyst was Employment Act of 1946 – government charged with using “all practical means” to “to promote maximum employment, production, and purchasing power”

Policymakers viewed economy as a problem for “top down” social engineering – on the basis of good data, pull the right fiscal and monetary levers to see that the economic cycle remains on course

Act catalyzed coherent, integrated, though still decentralized and idiosyncratic, economic statistical system

Agencies' key mission – provide regular, dependable flow of national data for effective management of the economic cycle

Economic Policy and Statistics in U.S.-Dominated World: 1946-1980

Macroeconomic policymakers saw little need to focus on nation's strong, stable economic base – believed proper fiscal and monetary policy sufficient to support growth

Efforts to enhance economic structure addressed ad hoc outside of macroeconomic policy, e.g., creation of National Science Foundation (1950), Small Business Administration (1953), and interstate highway system (1956)

With prosperity, 1960s Great Society aimed to reduce poverty through grants to states/areas for infrastructure, labor, housing – model was “top down” social engineering

New statistical agency responsibility – provide state/local data to determine geographic allocations of grants

Economic Circumstances, Policy, Statistics: 1980-2010

Over the last 30 years, the circumstances in which economic statistical agencies operate have changed in three significant ways:

- Economic – a dramatic change in the industrial structure, competitive vulnerability, and geographic location of the nation's economic base
- Technological – an orders-of-magnitude advance in the capacity of public and private data users across the nation to access, absorb, and analyze federal economic statistics
- Political – a decline in Congress and Administration understanding of the value of federal economic statistics for effective public policy

Economic Circumstances, Policy, Statistics: 1980-2010

Innovations in communications, transportation, product development, production technology, and finance led to the disruption of economic base – geographic dispersion of plants and personnel around the globe, greater fluidity in business structures, intense global competitiveness

Many industries lost competitive advantage, communities lost stability, wealth, and reason for being

U.S. has lacked a coherent, integrated policy for addressing competitive vulnerabilities – approach to policy remains in mid-20th century macroeconomic policy framework

In absence of fundamental change in policy, statistical agencies continue to view the federal government as their primary customer

Example: BEA Data Program Priorities

BEA defines its core programs as those producing:

- (1) statistics that feed into the estimation of gross domestic product and related statistics
- (2) statistics required by federal law
- (3) statistics required for the administration of federal programs

Current State of Federal Economic Statistics

U.S. suffers from an undersupply of current, accurate, useful economic data – as a result, the nation's ability to track and respond to economic conditions through macroeconomic and structural policies is diminished

Budgets have been constrained. Congress has not appreciated the value of \$1B investment in economic data to facilitate \$14T economy. Impacts 2001-2008:

- existing data series eliminated; reduced in detail, accuracy; not recalibrated to reflect new benchmarks and new methods
- statistical system not adequately upgraded to reflect the major structural changes in the economy
- statistical system not able to take full advantage of remarkable advances in information technology and statistical methods
- statistical agencies had not paid sufficient attention to the needs of non-federal, particularly regional, data users

In 2009, Congress, Administration, and agencies have taken first steps to rectify problems

New Approach



New Approach to Economic Policy and Statistics – 1

U.S. needs economic policy approach that integrates traditional cyclical management with efforts to enhance competitiveness

This approach should encompass all dimensions of economic structure, including economic and workforce development, physical and financial infrastructure, innovation, entrepreneurship, and community stability

Structural policies should reflect the fact that the health of the national economy is a function of the economic competitiveness of its regions

While macroeconomic policy is “top-down,” effective structural policy is “bottom-up,” enhancing the capacities of businesses, governments, and workers to promote competitiveness, particularly at the regional level

Metaphorically, need to shift paradigm from Newtonian, mechanistic physics—seeing the universe as an engineering problem to master—to quantum physics—a universe of uncertainty amenable to efforts to raise the probabilities of desirable events

New Approach to Economic Policy and Statistics – 2

The most cost-effective structural policy tool is current, accurate, detailed economic data that can inform intelligent decision-making regarding goods, services, and activities in which to invest scarce resources, how much, and where

There is a market failure of insufficient and inaccurate information

New information technologies have enabled an extraordinary increase in the number of data users and their capacity to use large volumes of data to improve decision-making

As information is an inexpensive public good, the return on the nation's investment in economic statistics is nearly infinite

Consequently, statistical agencies should seek to meet the data needs of the full array of federal and non-federal data users

New Approach to Economic Policy and Statistics – 3

A structurally dynamic, knowledge-based economy requires a statistical system that produces innovative data series that take full advantage of IT advances and statistical agency staff creativity

IT transformation allows statistical agencies to shift from command-and-control, production shop style of management to one of stimulating internal entrepreneurship

Greater interaction with non-federal users will lead agency cultures to be more customer-oriented and flexible; agencies will gain customer base willing to advocate for sufficient budgets

Conclusion:

- A redefinition of federal economic policy to include an integrated, coherent approach to competitiveness is sorely needed
- This redefinition should lead to an explicit re-purposing of economic statistical agencies so they provide data needed for improved public and private decision-making and a stronger economy

Taking Action



The Market for Federal Statistics



FUNDERS/AUTHORIZERS

OMB
Congress
Federal Department Budget Offices



PRODUCERS

Census Bureau
Bureau of Economic Analysis
Bureau of Labor Statistics
Internal Revenue Service



USERS

Federal policymakers and managers
State and local policymakers and managers
Businesses

Federal Statistics Market Failures



FUNDERS/AUTHORIZERS

Don't fully understand the importance of and high ROI on statistics



PRODUCERS

Lack relationships with users—to fully understand needs and have friends to influence funders



USERS

Blind men and elephant – don't understand breadth of offerings
Black box – don't understand how the statistical system works and how to influence it

Brookings Federal Data Project

Mission: see that the federal government produces the current, accurate, detailed geographic data needed by public and private decision-makers and researchers

Objectives: see that

- federal policymakers understand that statistical programs are a necessary and highly cost-effective component of “top down” and “bottom up” public policy
- Congress provide adequate funds for statistical agencies
- federal statistical agencies distribute data products that meet data user needs

Approach: help federal funders and statistical agencies understand data user needs and the implications of these needs for budgets, programs, and products

Communications to Data Producers - 1

Organize Data Users

- BEA – support for new metro GDP series (2004)
- Census Bureau – Local Employment Dynamics reorganization (2008)
- APDU call for comments on federal statistics proposals (ongoing)
- C2ER conference -- federal data update (annual)

Roundtables

- Census Bureau – journalists on improving ACS data products (2007)
- BEA – regional data users (2008)
- BLS – regional data users (2009)

Communications to Data Producers – 2

Presentations

- Census Bureau – creation of new Economics Directorate office of product development (2008)

Comments on ICRs to Agencies, OMB

- Census Bureau/NSF – support for and comment on proposed Business R&D and Innovation Survey (2008)
- Census Bureau – encouragement for procedures to identify hard-to-find housing units in decennial address canvassing (2007-2009)

Policy Memos

- OMB – Implementation of Coburn-Obama Federal Funding Accountability and Transparency Act (2007)
- HUD – Convening of an interagency task force on housing statistics (2010)

Communications to Funders/Authorizers – 1

Congressional Testimony

- Additional funds for BEA regional statistics (2007)
- Additional funds for decennial census participation (2007)

Congressional Briefings

- Importance of decennial census, ACS (2005)
- Data synchronization (2008)
- Measuring poverty (2009)
- FY11 budget initiatives (2010)
- Census Bureau's Local Employment Dynamics (2010)

Policy Memos

- Implementation of Coburn-Obama Federal Funding Accountability and Transparency Act (2007)

Communications to Funders/Authorizers - 2

Articles

- “To Take a Bite Out of Crime: Safeguard the Census” (2006)

Public Events

- Importance of new Census Bureau services industry data for BEA national accounts (2010)

Organize Data Users

- Op-ed on appropriations for the Survey of Business Owners (2007)
- Annual roundtable on Census/BLS/BEA FY budget initiatives (2009, 2010)
- APDU, C2ER communication with congressional Members (ongoing)

Communications to Key Data Users

Administration Briefings

- Briefings to ESA, CEA on Local Employment Dynamics (2008)

Roundtables

- Longitudinal data – NCES/State longitudinal education data and LED workforce data (2009)

Public Communications

Research Briefs

- Census Bureau – Counting for Dollars: The Role of the Decennial Census in the Geographic Distribution of Federal Funds (2010)

Policy Briefs

- EDA – “Clusters and Competitiveness: A New Federal Role for Stimulating Regional Economies,” propose regularly updated clusters map

Articles

- “In Dire Straits: The Urgent Need to Improve Economic Statistics” (2009)
- “Who Cares About Federal Economic Statistics?” (2009)
- articles on federal statistical budgets, Brookings and *The New Republic* blogs (2009-2010)

Moving Forward 2008-2010

Data users are getting more organized

- ASA, AEA hires statistical policy staff
- APDU, C2ER, PAA, NABE, others more active


Data producers getting more active

- Census Econ Directorate creates product development office
- BLS expands liaison capacity, creates Data User Advisory Committee
- BEA expands liaison capacity, actively seeks user relations

Data authorizers/funders are more supportive

- OMB Director Orszag takes active interest in federal statistics

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