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The importance of credible government economic data to business

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OPENING REMARKS

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CECILIA ROUSE: So good afternoon everyone. I'm Ceclia Rouse. I'm the president of the Brookings and I welcome you to this timely discussion on an incredibly important topic, which is the credibility of federal economic data, not only for business, but for for all of us, but especially to businesses, our emphasis today.

So I'm an empirical labor economist who's relied on credible statistics my entire career. Most recently, as chair of the Council of the Economic Advisers at CEA, my responsibility was to offer the president objective economic advice using the best available data across the public and private sectors to understand employment trends, to judge changes in the pace of economic activity to gauge whether inflation was under control, among other indicators of of the health, of our, of the health of our economy. but I can tell you that the federal data was critical to our work. At times, the data did not paint the picture that the president might have wanted, but we were always confident that they were collected using the best available methods and analyzed by a dedicated non-partisan staff.

Importantly, whether the news was welcome or not, the president and other decision makers need data to fully understand the complexity of the decisions they make. Recognizing this need, the federal government in its infinite wisdom has over time created 13 statistical agencies, among them, the Bureau of Labor of Economic – well, Bureau of Labor Statistics. I'm going to Cambridge, so the NBER is on my mind.

Politicizing federal statistics and questioning the integrity of those who produce them harms decision making in every sector. It compromises the ability of policy makers in the executive branch, Congress, the Federal Reserve and leaders throughout the business community to properly an properly analyze the state of the economy and develop the best practices to ensure prosperity.

While no single piece of economic data is just positive in a leader's decision making, each must be as accurate as possible to help guide their decisions. That's why this, today's discussion is so very important. We all rely on these data at Brookings; we pride ourselves on being evidence-based. Often that evidence comes from federal data. It is the lifeblood of our work here and the work of all research and academic institutions across the country. To the public, this may seem like an arcane topic that interests only econ wonks like myself and maybe many of you in this room. But the truth is these statistical agencies have made it possible for business leaders and policy makers alike to analyze and plan for the future, and that is something everyone should care about.

I have little doubt that the success of the United States economy in part over the past century is due to its strong and independent federal statistical agencies. So I wanna thank all of the panelists who are here today from across different sectors for joining us. And with that, I'd like to welcome David Wessel, the director of our Hutchins Center for Fiscal and Monetary Policy, up to the stage to get the program started.

Thank you.

DAVID WESSEL: Thank you very much, Ceci, and thanks everybody for coming. You know, standing room only crowd to talk about economic statistics tells you something. So Ceci said that, the, we have 13 statistical agencies. I'll trust her on the number. Eric or Bill can correct me if I'm wrong, but as I understand it, the BLS was the first one founded in 1884, which as Erica pointed out in a recent conversation with Paul Krugman is a moment when there was a lot of industrial unrest around tariffs, trade and immigration. So some things change and some things don't. So we're really fortunate today to have, with us from, Seattle, Erica Groshen, who was the BLS commissioner from 2013 to 2017, appointed by Obama, but served in the first Trump term.

She's now at the affiliated with the Cornell University School of Industrial and Labor Relations, the Upjohn Institute. And she spent part of her career at the New York Fed.

Bill Beach on my right was the commissioner of labor statistics from 2019 to 2023, appointed in the first Trump term and served into the Biden term. He spent many years at the Heritage Foundation when the Heritage Foundation was different. Spent some time at the Senate Budget Committee, Mercatus, and he is now affiliated with the Fiscal Lab on Capitol Hill and Economic Policy Innovation Center. So, I'm gonna ask him some questions and we'll have time for some questions from the audience.

And Bill, since you're in person, you get to go first. And I told Erica, I told Bill the deal is that if you agree with Bill, you don't have to repeat what he just said so that we can ask about something else. Yeah. Although Tom Beers challenged me to find something where I could get you guys to disagree, but I, I don't, I'm not sure I'm that creative.

WILLIAM BEACH: Well, and see, Erica, Erica was my predecessor and she left the bureau in such great shape. She was the 14th commissioner, August the 15th. So pretty much everything I know about the Bureau is because, was she set this in place? Was,

DAVID WESSEL: I was thinking, was thinking of asking you, which one of you thinks you did a better job than the other, but we'll do that late that way.

WILLIAM BEACH: I would say Erica did.

DAVID WESSEL: That's very... so Bill look, obviously there's a lot of concern now about the role that the White House plays in, in, in picking people who make economic statistics. And I think we're afraid that they'll someday try and manipulate the statistics. So I'm looking for some historical perspective.

You served in the Trump and the Biden administrations, Trump won. What was your relationship like with the White House both? Was there any interference or what support did you get for modernizing the system and making it better and getting the resources you need?

WILLIAM BEACH: Well, I I, I, I've been asked that question before. And, I, thanks. I, the answer is somewhat surprising. Yeah. There was a continuous effort, most of it, innocent and inadvertent to not shape what BLS produced, but to have some control over some part of it. And I'll, now I'll clarify that 'cause I'm sure all the reporters in the room are writing this down.

the biggest problem that I had when I was commissioner, other than the fact I had to be the commissioner during the coronavirus, was that the president's management agenda, which most of you may never have heard about, mandated that BLS give up its HR department, it give up its procurement department, and most importantly give up its IT department and that the labor department for purposes of efficiency would run these departments.

that was the biggest problem I had because it's very important for an agency like the Bureau of Labor Statistics. Which is not independent of the Labor department. It is, its appropriation comes through the Labor department's appropriation that it have an arm's length with the, relationship with the Secretary of Labor.

And if the IT department, the procurement department and HR are all in the labor department itself, then that arm's length gets shorter and sometimes it could disappear entirely. And so I just drew the line on the, it, I had couch money from the coronavirus. No one was traveling or going to conferences until it was millions of dollars.

And I, moved the data center from. The building that we were in postal square out to Ashburn with the help of the labor department, but it really separated us from labor where, because they were nowhere near there. So I think that was the biggest problem. There were times when President Trump got excited about the, the, the numbers, and said, wait till you see the numbers tomorrow morning.

then I would call Kevin Hassett or someone up at the White House, and I would say, you make sure he never says that again. I cannot say that inadvertence.

DAVID WESSEL: How'd you do on that?

WILLIAM BEACH: Fine. I I I was no repercussions. And he wouldn't say, I'm excited.

DAVID WESSEL: But I mean, did he change his behavior?

WILLIAM BEACH: Well, I, I, it was a one-off and he didn't go back to that, that well again, the same thing in the Biden administration. There's really not much difference there, but they're, they get excited. They want to, the news to be shaped in a certain way.

With the Biden administration, our biggest issue was that they were insistent on cutting down the hour before you could comment, that is the administration is not supposed to comment until 9:30. That was in the, in the statistical policy direct cut it down to 30 minutes.

So these are just illustrations of the fact that it's a continuous struggle to keep that arm's length. And I, I, I, I don't think we should just be looking at the big headline news. The president fires the Commissioner. That was maybe the most outrageous thing that's happened. But it's a continuous effort to maintain an arm's length. That's true for Census, BEA, all of the other, 13, actually there's 26, agencies.

DAVID WESSEL: I tell Ceci she got it wrong.

WILLIAM BEACH: Yeah, so I, that's the way I'd answer that.

DAVID WESSEL: So Erica, now you get, you can agree or disagree on this one. What was your experience like with that?

ERICA GROSHEN: Oh. Well, I'm, I'm sorry that I have to mostly agree. I know you'd like to hear disagreement, but let me tell you the kinds of things that, that happened while I was there. So I, because be, just because of timing, I served almost entirely under, under President Obama, his, his second term. And when I got there, the, one of the things that the agency was working on was actually addressing the monthly revisions in the CES because we had been told that,

DAVID WESSEL: wait, wait, we have a no acronym policy here. CES.

ERICA GROSHEN: Okay. The C – sorry, the CES is the payroll survey. That's part of the employment situation. So current, employment statistics. Anyway, so, so that was an, that was an example of there being a need in, in the administration for something. And we worked, and, and BLS was working to meet that need, and that wasn't to interference. That was, that was just communication and priorities.

So, now the other thing that, the things that I'm gonna mention are, one of the things that the administration allowed me to do that turned out to be extremely helpful in the budgetary environment was in, just really within the first month of my tenure, the budget sequester happened. And the administration allowed me to eliminate three programs that the BLS had in order to preserve the integrity of all of the other programs. And that was huge. Now, those were losses, but I eliminated the Green Jobs program, the International Labor Comparisons Program, and the Mass Labor Statistics Program. Without that, we wouldn't have been able to do any of the innovations that we we did during the time that I was there.

They also honored, the Department of Labor honored Carol Wright and Janet Norwood in the Labor Hall of Fame, which helped to, I think, improve morale and also, you know, establish the importance of our kind of work.

So it was a very difficult budgetary environment. We did not get any money for modernization beyond what we were able to free by eliminating those other programs. But at no time did I have any kind of interference.

DAVID WESSEL: And did you ever hear from the Trump White House when you were at the end of your

ERICA GROSHEN: career?

I only served the first week of the Trump administration, so I never heard from them.

DAVID WESSEL: I see. So, talk a little bit, maybe Erica, you can just, I know you've spoken about this. What has happened in the last year or so to the BLS budget, the number of BLS employees? What's happened there?

ERICA GROSHEN: Okay. So leading up to this, you know, from 2009, BL' S's budget in inflation adjusted terms has gone down by 20%. Since February, BLS staffing is down by 20%. a third of its top leadership positions are vacant. And the budget, the president's budget suggests reducing the BLS budget by another 8%. So I hear from inside that we have, we now have PhDs who are not working on modernization, but are working on collecting data.

DAVID WESSEL: Hmm. So Bill, what, what, what does this modernization mean? I mean, on one hand, yes, every agency would like to have their budget grow with inflation, but with technology and other things, we could expect more efficiency and maybe we don't need to always grow with inflation. But when you and Erica talk about modernization, what does that mean in tangible terms?

WILLIAM BEACH: The statistical system provides an infrastructure much like roads and bridges. So, when was the last time you picked GDP off a tree? Or found an unemployment rate lying in a gutter? Well, if it was me and I was unemployed, then maybe that was it. But, but you, these are concepts, right, that we create in our minds, but they're crucial for our understanding of the economy.

Maybe the first, second or third greatest invention of the 20th century was the national income and pro product accounts, the international accounting system. Without that, we would have so little knowledge of the trends and directions. All right.

So from time to time that system has to change and. The statistical system post World War II had a, had a huge improvement. It was called the probability sample. The survey survey drawn from a sampling frame, and it was cheap, people were patriotic, they loved to participate in these surveys, they couldn't wait to fill them out. We had 95% res response rates. Initiation costs that is the cost of getting people to be involved in that was very low. It was wonderful. And so we learned all these things about demographic participation rates. The way in which the, the price structure affected wages and the all kinds of granular data. It was very important to public policy, but extremely important also to the private sector infrastructure. We couldn't see the economy without the numbers. The, the economy's out there, but you don't see it.

Well, now the probability sample is dying. People are not participating in either the initiation level where the initiation rates are down around 20% and is only we're getting one out of five people to participate if we're getting even that. Cost of initiation is very high, and then the response rates are just cratering across the board. Some, some surveys have response rate at BLS, have response rates that are now dipping below 30%. When you get to that level, the details then begin to fall out. Where they were coming in with this probability sample in the '50s, '60s, and '70s, now they're falling out. We're seeing less and less of America and less and less of the economy.

Modernization, as Erica has written eloquently about this, is all about finding a way to go to the next level. And that next level is probably blending administrative and internet data with survey data, it's creating a much higher frequency data stream. I think one of the things we could do to modernize is not try to save the 20th century, but just write it off and say, let's go into the 21st and see if we can have daily, weekly official statistics, you know, data that comes out continuously. And you can do that if you're thinking outside the box and we need to do that.

So modernization is just not efficiency, cost savings, making people arrive on time and leave on, you know, those kinds of Taylorisms. It's all about the next step. Do we have a statistical system in 20 years that will give us information that we need about the economy worldwide, domestic, local. Or do we not? If we allow the current system to continue to decay, then --it's a poor analogy and I'm sorry for it-- but we'll have accidents on those bridges. We'll have less efficient travel on those roads. And the economy will still be there, but it will be less visible. And then when it's less visible, the information that's needed for those efficiencies that the private sector will be harder to attain.

DAVID WESSEL: Thanks. Erica, how will we know if the Trump administration is forcing the statistical agencies to tweak the data in a way that pleases the president?

ERICA GROSHEN: Well, that, that's a really good question. I will say that, the key thing to realize is that the way that BLS and the other agencies produce these very frequent data is really highly automated. You know, it's lot of the data comes in, it's captured in these programs that, with very little human role, the human role was in designing the whole system and keeping it running, but it's not in affecting what comes out of it, right? So it, it's designed to be inde, to, to not ha even have a place for interference.

So if you are going to interfere, you're going to be throwing a, a wrench into those works. So what would you see? Well, first of all, the easiest thing for them to do, would be to inject a policy spin into the, into the narratives that accompany the releases, right? Because that's not programmed in, right?

So, the statistical agencies, BLS included, don't like adjectives. They wanna say something goes up or it goes down and they're, they, they don't, they don't put in spin. I used to show a picture of the proverbial glass with a liquid in it and say, is this half full or half empty? What's the BLS'S answer? And the BLS answer is, this is an eight ounce vessel containing four ounces of water. Right? That's the way the spins, the... And when I tried to liven up releases at the BLS, I was told early on liveliness is not a goal. Objectivity is a goal, okay?

But you would also see delayed releases or maybe even accelerated releases for these purposes partly because it might muck up the work. So, so that could delay it. Or because they want to hide the news, right? So the, that statistical agencies take their deadlines very seriously. Don't, they don't like to come in before them or after them. You might see incomplete releases or an increased number of sig or significance of, of, of real errors, not revisions, but errors, right? Which are different, unannounced changes in methodology, formats, other practices. And then there are two other things that you would get, I think is you'd get staff reactions, right? They, you'd get leaks quits, whistle blowing, firings transfers, things like that. Because the staff wouldn't stand for this. And you'd see politicals having to take over career positions in order to make that happen.

WILLIAM BEACH: You know, I just, just a quick, quick comment. One day early in my term, might have been the first or the second jobs report, I decided I'd walk around the building and find out where they were doing the jobs report. I thought it would be interesting to see that, right? This is innocent. I had no evil intent, but I was the only political person.

ERICA GROSHEN: What he says,

WILLIAM BEACH: that's what he says. Please. I know the name of your cat, so let's just,

DAVID WESSEL: is it Simon Kuznets? So what's the name of the cat, Erica?

WILLIAM BEACH: Numbers, I think.

ERICA GROSHEN: Wallace.

WILLIAM BEACH: Wallace. Very good. So

ERICA GROSHEN: named after a biologist, not an economist.

WILLIAM BEACH: True. So I walked into this room where, where there was a big sign on the door, do not enter during these days. Do not enter these. And, I had had a, a, a key that opened up all the doors. And so, I walked in and I was confronted by my employees with the most vile looks and pointed language. You can imagine this was a violation. I had no intent whatsoever. Just to freeze this moment when Erica says there would be a staff reaction, it would be a very vigorous staff reaction and everyone in this room would know.

And on top of that, I think another thing, people in the private sector carefully watch very small air bands around the estimates, very small perturbations of the data. It's extremely important to them. If the data is managed. One of the things we know for managed data is that the movement, the variations in the data gets even bigger. The attempt to manage a natural process results in human error. And so I think we would see a lot of evidence that that process is occurring in.

My biggest thing is that we would see people's, staff people. Squealing all over the place.

ERICA GROSHEN: So yeah, here's a line from, that some of the BLS staff put out, in a, in a statement recently, the BLS staff will not be intimidated. We will publish reliable data no matter how inconvenient the results. Our now acting commissioner as a respected career professional, there are no other political appointees at BLS. The numbers will remain accurate and non-partisan. And if that ever changes, the professionals will tell you.

WILLIAM BEACH: Yeah, i, I would, I, I, sorry, David, this is your program, but we do want tell you stories. so, I, I, I was met by Bill Wiatrowski, he's the now acting commissioner, the longest serving Deputy commissioner in the history of the Bureau. I was met the day before my confirmation hearings at Union Station at a restaurant. He wouldn't, he wouldn't let me go even close, which is right across the street, the BLS. And he, his, he said, hi, I am Bill Trows. And I said, well that's, this is Bill Beach. He said, I want you to know one thing. If you were to cut me, my blood would be BLS blue.

DAVID WESSEL: So Bill, let me ask you something about, you referred to this when we asked you about modernization. We have lots of increasing amounts of privately gathered data. We have the billion price project. We have, ADP does, payroll data. We have people, you know, companies obviously have a lot of data. JP Morgan Chase and Bank of America are reporting. So what, when, when someone asks, and I hear this sometimes from business people, like we don't really need the bbl s these old fashioned surveys because if we just had all this data that Walmart and Bank of America collect, we'd, we'd have enough. What do you say to that?

WILLIAM BEACH: Well, the private sector tends to collect data that will be good for their bottom line. That's the first thing. They oftentimes don't think about generality or, you know, the principles of, representation of the whole population. But I think they all rely on the fact that there are government data that they can look at and that they can compare their own data.

And I said, I told you the same story. I'll tell it again if you wish. I'm at a conference. The million prices people are, a group of them, are telling everyone what, how much better they are the they, their web scraping is than CPI. How kind of ancient and backwards and nasty the BLS people are.

And so at, at a break, I asked, well, how do you know that you're right? How do you know that your scraping your trend is right? He said, it's easy, we calibrate to the CPI. So, so I mean, you know, that, that I think is, is what you see more often than not when you're talking about private data. ADP does a wonderful job on his private payroll survey, but it doesn't make an effort to make that representative of the entire population, especially after COVID with the restructuring of the lower half of the business structure in this country, the smaller businesses and how, how they were buffeted by the inflation and they're buffeted by it. It, you really do turn to the official organizations who spend the public's money to discover what is really going on there.

It's not of great interest to chase Manhattan Bank, to know what the bottom half of the, of that. Of that population of businesses is doing because they don't have that many clients down there, it's extremely important for census BEA and BLS to understand that, that cohort.

ERICA GROSHEN: So, yeah. So I will say that I, I just wanna jump in. I think, yeah. ADP works very hard now with its newly redesigned method to, to reweight to represent the entire country. But that's by, by waiting. And so the standard errors, on the, for the underrepresented parts of the economy are just much larger than than you would get.

DAVID WESSEL: So we're gonna hear in the second panel today about the ways in which the business community relies on the data that the government produces. And I think there's been a lot of focus lately on the employment report and how that tells the Fed what it should do with interest rates. Since you're telling stories, I'll tell a story. there's a great transcript of a federal open market committee meeting where the staff reports that they have, the Bureau of Economic Analysis has retroactively revise the GDP.

And then Governor Ben Bernanke says, well, if they can retroactively revise the GDP, can we retroactively change interest rates? But I think that, we will get increasing focus on the consumer price index, which is like, mainstreamed into the economy. It affects social security inflation adjustments, the return on treasury inflation index bonds, the indexing of tax brackets, and I'm sure there's lots of private contracts, rents and stuff that are escalated there.

So we can hear more about why, how important that is. I just, the employment report is sort of crowded out, focus on the CPI. But Erica, assuming that businesses have an interest in good data, what is it that you think the business community can and be, should and should be doing right now to ensure the integrity of the data and make sure it's getting better rather than worse?

ERICA GROSHEN: Well, so I think one of, you know, an important thing to do actually is to attest as they're doing to the importance in the reliability of federal statistics, because they should, this is important to keep up response rates, right? And, and also to make it clear to anybody who might want to meddle with the data that they would be tangling with the business community if they did that. And I think that's important. So do decry political interference and to encourage participation in federal surveys.

Businesses are some of the most effective voices on the Hill and with the administration right now. So the, in addition to whatever other governmental affairs agendas that businesses have, support for the statistical system is critical and has been lacking in recent years. Right? So there are a few things they could be asking for. Lifting the hiring freeze, protecting the object, objectivity of the data. And there's things like, making sure that schedule policy career, which converts a lot of civil service positions into more like political positions is not applied in the statistical system. And funding modernization, those are important.

And then there are internal actions that they can take that are very important. Monitoring and prioritizing participation federal statistical surveys is huge. I mean, it is the business sector that is not participating in federal surveys the way they used to be. That's responsible for the decline in participation in the payroll survey. Right? So saying to their employees, you know, first of all, are we doing this? If not, why not? Let's do it and let's reward people for doing it properly.

And then, if we mo as we move to this modernization that Bill was talking about, then that means really, incorporating more and more, administrative data from companies in various ways into our federal statistics. And that means we need more public-private partnerships and, and data standards and technology standards that will allow the safe transfer of really interoperable data from the business sector to the government.

DAVID WESSEL: There is some of that now, right? You do get some automatic data, right?

WILLIAM BEACH: We, we do, we do definitely. No, just I touched it. We do definitely get, that, that data, and it's, it's very important for us. For example, in the CPI, all of our gas prices right now are, acquired through gas Gas Buddy, JD Powers gives us used car and new, new who car, you know, on and on.

I wanna say one thing 'cause I think we've been a little bit understated here. Mm-hmm. It does great damage to the statistical system to attack the employees of the statistical system. Great damage. There is no asset in the statistical system except people, they could do this work in an open field. And when you attack their integrity, when you say that there's a criminal conspiracy to undermine an administration, when you fire people, dismiss people because you believe that they're acting against you, whether or not you believe that's true or not is not the point. You're putting off all the other things that need to be done. It's like attacking the captain of, of a sinking boat instead of fixing the hole in the boat, you're all gonna sink. So we really, those of us who are stakeholders in the system have to stop fighting the, the, the, that battle in as the only battle we certainly have to defend BLS employees, Census employees, all the employees.

We have to also fight the battle of, of, of change because unless these systems are changed, unless Census massively alters the way it does its census, if unless BLS comes up with new techniques of, of substituting for the probability sample, unless BEA finds a way to free itself of data coming from agencies that are literally fading away, we're gonna lose that infrastructure. That's the real battle.

And, and I think for people at Brookings in the think tank community, keeping that focus right in front of us is really important. At the same time that we're, that we're patting on the back and encouraging as much as we can, the work of patriotic people inside the statistical system, it's just really crucial that we, that we don't lose sight of what's the bottom line.

DAVID WESSEL: Right. That's very well put. Erica, you look like you wanted to say something.

ERICA GROSHEN: Yeah. So, we have to be able to hold in our heads two things that are true. One is that the products of the statistical system are the best ones available right now, and they could be much better and they should be much better. And both things are true and we have to support both of those right now, critically.

DAVID WESSEL: So Bill, lemme just ask you about sort of a step back here. One of the things that we will be confronting or are confronting is that there's been a lot of change in the federal government since President Trump took over some agencies kind of scorched earth. So if, let's say that, the administration in good faith said, what could we do to the way we organize the statistical agencies that would allow us to have. Better statistics, more cooperation between census BLS, BEA and all that. What would you suggest to them ought to be on their think about list?

WILLIAM BEACH: Well, Eric and I are, are co-chairing an effort through the American Statistical Association to answer that question. And we'll have a final report here in late fall where we entertain five different ways in which the system could be structured. But I think the one thing that everyone agrees upon is this need for all of the agencies that now exist. I, I say there's 26 Ceci says there's 13 there,

DAVID WESSEL: 23 earlier, have we added three since?

WILLIAM BEACH: Minute wait, no, there's. It's a hundred.

For all of these groups to be able to use each other's data, I think that's so important. It's a, a small thing, but the states have figured out how to do that and they have data sharing going on that as, as, as silly as that might seem. That's huge. small agencies need to have access to large it re resources. They don't. We need to implement the provisions of the Evidence Act, especially the trust side of the Evidence Act. We need to go through Title two of that act and fully put regulations in place. There are all kinds of things that we need to implement that are already out there. We have a national secure data service. Let's get it working. We have a standard way in to, acquire data researchers to ask a very easy way to ask for data. We need to fully implement that. There's a lot of things we're gonna recommend in our report that are. At the edges.

In the end, we're probably going to say, and certain agencies should be combined together there, certain parts of the system should be now unified. We have a federated system. We're one of the few countries in the world that still has a federated statistical system. Most have some degree of consolidation for purposes of autonomy and cost effectiveness. And I think that's one of the directions we have to go. In the end, the key thing, no matter what the structure is, innovation, we have to really incentivize people in that system, give them lots of resources, lots of freedom to come up with new ways of understanding our society and in our economy.

And I think the right structure would, would in, really give us a, a better chance of doing that. So stay tuned. Eric and I are busy along with our colleagues, writing this report, getting it ready to go, and we'll have it out probably right at the time of the meeting of the American Economic Association.

DAVID WESSEL: Right. So I'm gonna take some questions. Here's the deal. I'm gonna. Take two or three questions. We have a lot of people here and we only have about 10 minutes. So brevity is encouraged. Andrew, and stand up. Wait for the mic and tell us who you are.

AUDIENCE QUESTION: Andrew Remer. George Washington University. Thank you both for your heroic efforts. To me, this eight, the single this, I'm asking you to comment on this observation. The single biggest roadblock to improving the system is the lack of interest on the part of Congress. That Congress shepherded the, the development of the statistical system from the 1790s to the 1980s, 200 years. And for several reasons it lost interest.

So, it knows nothing about, I can tell you from experience, it knows nothing about the statistical system. And two issues, one is Newt Gingrich sought to give Congress a lobotomy in the nineties 'cause he did not want an effective Congress. So the result is when those us go on the Hill to meet,

DAVID WESSEL: Supposed to be a question, not an enough, Andrew.

AUDIENCE QUESTION: OK, sorry. There's no staff capacity. And so how can we get Congress interested in the statistical system again?

DAVID WESSEL: Guy, can you pass them on? Yes. Thanks.

AUDIENCE QUESTION: Van Gour. Policy Engine. So, Atlanta Fed has GDP now, which is a now casting system as a statistician, and I think it's a forecast. And I'm just curious, is there an opportunity to do that? To communicate to the public that these aren't just the numbers. This is like our best guess and it's an early read and, this is how big the uncertainty is. And if, if it gets worse, it's gonna be this big. And maybe that could help with the reaction.

DAVID WESSEL: All right, let's, there's a woman on the aisle here. Wait for the mic. 'cause we have people online.

AUDIENCE QUESTION: Hi. I'm retired from the National Science Foundation, where I worked in the statistics shop of NSF. And, the biggest problem I saw for 30 years is the problem with the response rate, which you, which you talked about. recently in the news, there's been a lot of talk about improving civics, teaching in, in schools. Couldn't the importance of responding to surveys be incorporated, incorporated in that curriculum? you know, that's just a thought of mine because people don't see it as a, as a, a, a civic responsibility to respond to surveys.

DAVID WESSEL: Okay. Which one of you wants to attack Congress? Erica?

ERICA GROSHEN: Sure. Well, I, I, I think Andrew's right that we, run the, a little bit after 1980s, we lost the champions that we had in Congress. People are no longer elected on the good government platform and on much more partisan platforms. I think probably one of the biggest solutions to that is actually the governmental affairs, role that is played now, by, by donors, frankly, right? if, if the people who support the winning candidates tell their representatives that this matters to them, I think the representatives will listen to that, right? So I think that's a huge opportunity.

DAVID WESSEL: So just on the question of response rates, so you made a good point. Basically, we can't really count on response rates getting better. We have to find alternatives. Right. But, are there things that could be done to make response rates better, or is that just a lost cause?

WILLIAM BEACH: Civics education. I, I, I, I do think it's, I do think there's a, there's a formation question here. people are not currently formed. It is, they're not. Developed, if you would use that term, it might be better to use that term, in the same value structure as they were in the forties, fifties and sixties. That may be a, a time that we want to put behind us, but it nevertheless kind of engendered a sense that you do participate as a citizen in the life of the republic. And, that was, that is not as much the case today.

And then there are real reasons, secular reasons. I'm buffeted by surveys all the time. I'm buffeted by people trying to get my information, trying to steal things from me. the, the platform that we would like to use, which is text messaging, has become a, a platform of some, poor quality from a reputational standpoint. So response rates are, are just, there's, there's a generational difference.

People don't want to be bothered as much. I do think though, that we could get more. Participation if we did things to improve confidence in our, in our work. And I like this n now cast casting question, which I'm gonna now answer.

DAVID WESSEL: Good.

WILLIAM BEACH: So now casting is possible because you have higher frequency data or you have statistical methods that allow you to disaggregate from lower frequency. The higher frequency forms, and this aggregation has been, and or upwards aggregation has been a statistical process. We've known for about 30 years. We know how to do this, but we don't have the platform for the higher frequency data, but, but we do, and it's called text messaging. during the coronavirus, we had no idea what was happening to anything outside of, our offices really.

And yet trillion dollar decisions were being made, without adequate information. The monthly survey was too low frequency to actually respond to what was going on. So we used tracking devices on, on telephones to see where people were moving. and we came up with this wonderful idea. Census had 11 million texts message, telephone numbers. I dunno how they got them. I really don't. But they, they, Ron Jarmin one day said, I have 11 million, would you like to use these? and so seven agencies got together and we developed what was called the pulse survey. we had a household pulse survey, and then we developed a business pulse survey. Very high frequency every other week and sometimes weekly. Our response rate was around 25%, but we are doing 11 million. so I think that's David. That's one way to save the probability survey is to combine it with higher frequency. Another thing, we have data that we could be releasing at a higher frequency.

For example, take the, the employment numbers after the first closing of the employment numbers. Remember, it is open for three months. About two weeks later, we have second closing all done. Why not release it in two weeks? Why not release every week thereafter, whatever we've gotten in, in terms of our sample.

So there are things we can do to be communicating better to the public. more importantly, producing products the public would like to consume. and I think now forecasting or more high frequency data, which is what we're talking about, the Atlanta Fed is really shown the way on that.

DAVID WESSEL: Great. So I think with that, we're gonna, close. I wanna thank Erica, her cat, and Bill for participating. And invite up, Deborah Solomon, my former colleague at the Journal now to New York Times and her panel. There's a couple of, there's now seats up here, so you're in the back and you're welcome.

A place I wanna be.

DEBORAH SOLOMON: Well, thank you. It's good to see everyone. I wanted to just, first I'll introduce the panel. To my left is Tom Beers, who is the Executive Director of the National

Association of Business Economics. And, Michael Feroli, who is the chief US economist with JP Morgan Chase, and then Jed Kolco, who's now a senior fellow at the Peterson Institute for International Economics and a former Under Secretary for Economic Affairs at the Commerce Department under President Biden. Correct? Yeah.

Well, I just, I wanna start, I'm gonna grab my notes. I wanna start with some comments that, Erika McEntarfer, who was fired by President Trump, made on Tuesday night when she addressed her alma mater, Bard College. She said, messing with economic data is like messing with the traffic lights, cars, dunno where to go. Traffic backs up its intersections. There are more accidents and everybody's unhappy, scared, and worse off. She said economic data must be free from partisan influence that is essential to the mission of the agency. Markets have to trust that the data are not manipulated. And David talked about this a bit, but I'm not sure the general public really understands or thinks much about economic data.

But reliable data is essential for governments, central banks, companies as well as retirees. Anyone who rents an apartment gets a mortgage or a car loan. So I wanna start with a general question for the three of you, and maybe Jed, you can go first. can you talk about why this data is so important?

What is it used for inside the government? What does it underpin and what does it influence?

JED KOLKO: Great. So one of the conversations, and there have been, endless conversations about the future of the statistical system. what are the threats to official statistics, what alternatives might emerge. One very constructive part of this conversation that sometimes comes up is people like, take a step back sometimes and ask the question, why do we have a statistical system to begin with and why is it public? Economists of course always love to push the question, why should the government be doing things? Can you point to some classic, neoclassical reason for government involvement, in all kinds of markets? And I think we can ask the same thing about official statistics. So my personal view is there are two overwhelmingly strong reasons why we have an official statistical system, why this is an essential government function.

Setting aside whether the private sector could or couldn't do it, there are still reasons why the government should do it. So the first is that official statistics are essential for policymaking. So a key client or user of statistics is itself the public sector. And you can imagine what might happen if policy makers had to choose among unofficial or private sector sources, perhaps raising questions of which they should choose in order to make policy decisions.

We want the inputs to these very public policy decisions, whether by the Fed or the executive branch or the legislative branch and all states and localities to be based in public data. So that's one part of the answer, but the second part of the answer is for the private sector, official statistics are a public good.

There is great value, even if there were equally high quality private sector statistics to have a commonly agreed upon set of official statistics. That is the basis for private sector activity. Lots of private sector activity consists of transactions or negotiations or bargaining, between employers and employees, between suppliers and customers, between companies or countries that trade with each other.

And imagine how much more difficult those negotiations or agreements would be if each side were bringing different sets of data, different sets of basic facts to these discussions. Again, even if private sector data were as high quality as official statistics, which. They are not. but even if they were, there is still an incredibly strong rationale for thinking of official statistics as a public good that the private sector depends on.

DEBORAH SOLOMON: Thank you. Michael, can you talk a bit about how businesses and investors use the data, how much they rely on official government statistics? I mean, Jed talked about it a bit, but I'd be curious from your perch, you know, with, on Wall Street and also talk a bit about what happens if investors and businesses lose faith that their data is reliable.

MICHAEL FEROLI: Yeah, so maybe just building off of what, Jed said, you know, big user of the data is the Federal Reserve, right? It's dual mandate is framed in terms of two variables that are released by the BLS, with help from BEA or vice versa. So, you know, I think that's a good reason right there. Now, I think there's another good reason for why that should be available, not just to the Fed, but to the public and in particular to markets, which is that.

You know, back in 2003, Mike Woodford said one of the good things about having a well communicated, policy framework is that it creates stabilizing expectational dynamics, which in terms of markets means that I think, in 2016, Rick Michigan put it, put it pretty well, is that it allows the markets to do the Fed's work for it.

So, in other words, and you gave an example of when you have a bad payroll report, the market will immediately readjust the path of policy rates, and in that way, do the Fed's work for it. So I do think there is definitely a big public policy case for not just, you know, giving the fed this data, but giving the public this data so that they can react to, you know, deviations from price stability and full employment in a way that can be stabilizing to those two goals.

And certainly for, you know, markets, that is, you know, it, this data really forms our. Our own personal schedules of how we look at the month is when is jobs, when is CPI. so it's definitely, you know, front and center for us if we lost faith in that. It's really hard to, you know, think of that world obviously.

I think David mentioned the tips market, you know, right there you're talking about what is it, a two, 2 trillion and change market that would be, you know, severely disrupted. And, and God only knows how that would play out in terms of market prices. But that's one simple place. beyond that, it's really hard to say because we never had a regime that we can compare in the us to think about what happens in markets when we start to lose faith in these numbers.

DEBORAH SOLOMON: Tom, I should have mentioned you worked at BLS. Right? So having worked there, I'd be curious to hear your thoughts on, you know, Erica talked about this a bit, but what, how we would know if there was a degradation. And I know you have a, a pretty, firm view that that cannot happen, but, you know, to, to Erica's point, you know, what would you look for and.

What is the kind of the, the risk to, to the public if the data becomes unreliable in terms of where we use, like what does this data, you know, underpin things like COLAs for social security? You know, could you talk a little bit about the real world implications if there were problems with the data?

TOM BEERS: Sure. so yeah, I, I was at BLS my first job, GS 7 <u>economist</u> way back when, before the days of the internet. So on the first Friday of every month, we would take a thousand phone calls. What was, what's the unemployment rate? What's the unemployment rate? But the system's much better now than it was in 1997. So, we've come a long way. And I should just also say that the NAB is the National Association for Business Economics, 3000 economists around the world who use data. I think, David Wessel once referred to us, I think comparing us to the glitterati that go to Davos, we were, I think he called us the plumbers, the economic plumbers. So I take that in the best possible way. And given that we're plumbers, I don't know what that makes economic data, but I'm gonna go with a, with a plunger or a wrench, to complete the metaphor.

So, but I would say just being on the inside of BLS, in those days and, and actually seeing the data process, I would write the release about twice a year. The data would come to us, and there was no. Like editing the data. There was no markups. The data were the data, and it was just, down to, as Erica and, and Bill said, it's just down to picking adjectives and, and things that, would make it, feel as four ounce out of eight ounces as you possibly could do.

And so, and that just tells you about something about the people that work at bbl. S These are the types of people that would sit around in a room and argue whether the word dipped meant thumping was coming back or not. these are not people who are gonna be part of any kind of conspiracy. I think the best quote I've ever heard about when, you know, the, the economic data being manipulated was from a, a former deputy commissioner who said, you'll know because there'll be a long line of BLS people filing outta the building.

And I think, if you know someone that works at BLS who's dedicated, or any of the statistical, statistical agencies who've dedicated to getting the numbers right, that's their only job. And if they thought there was any hint of manipulation there would be a, a filing at the building. It used to be at the postal square. Now it's out in center at Suitland. I'm sure there's a TGI Fridays they all meet at and, and get ready to storm the building together.

The, but I mean the uses, from, from, from, from business economists of the data, are just un I mean, where to, where to begin. So we have a, an economist at Toll Brothers that's sitting on the PPI report waiting to see what the price of copper wiring is every month there's a, there's an economist at Manpower who's looking for slack in the labor force, who's looking at, any, any indications of, of wage increases.

You know, but I think also it's just like BLS data and all the data from the statistical agencies, they really form the fabric of what we all sort of commonly share, the thoughts that we have about the economy. When you're watching CNBC and they're talking about. a, a company in the context of the current economic conditions. They don't need to say BLS data or people sort of know the economy's upwards down and it's sort of just subconscious because the, the data are ubiquitous, they're trusted.

And so, I mean, I think it's just really part of, and, and same with Main Street. If you a restaurant opens up or closes, someone says, well, that's the economy we're in. That isn't magic. It is because we have a trusted statistical system. So undermining that, you know, if there's manipulation, there, I think, starts to unwind all of that sort of common, understanding about the economy from businesses. you start making bad decisions if you're, you know, I don't think anyone would manipulate the price of copper wiring, but, you know, who knows then all your bids are going in high or they're going in low, you're using one set of data, your competitors using another as, as Jed would say.

But I think it's just, it really starts to, to, to kind of completely fall apart, once we don't have an agreeable, reliable source of data.

DEBORAH SOLOMON: Thank you. so. We heard a little bit about the, you know, how BLS has been struggling with response rates, staffing challenges, budget cuts, but there have been other challenges at BLS. You know, the agency said this summer that it was reducing its collection of data on consumer prices. It stopped collecting data entirely in several areas, including Nebraska, Utah, Buffalo, New York, and suspending about 15% of the sample in, in the other 72 areas that it surveys, you know, we just got data that revealed the US actually added nearly, you know, 1 million fewer jobs from March, 2024 to March, 2025 than we had previously believed.

Jed, is there a risk that the data is going to be even unreliable, even absent political meddling? I mean, if BLS is cutting out entire areas, reducing its sample, how can Americans and businesses be sure that the data, you know, is actually valid?

JED KOLKO: So there are risks for sure. Response rates declining. You've heard a lot about already. Declining resources, in terms of, headcount, but also expertise specifically a third of the leadership at BLS at the moment is vacant. That is both headcount and expertise and it's very specific expertise. Some of the cuts, of course, will happen, around the edges, to datasets that may be, less central, that, might result in less granularity being published in a data release, not necessarily taking away a headline number. But this will hurt businesses, more than they realize.

And there are a couple of reasons for this. I think, first of all, for the most part, leaders of businesses have no idea. How often and how widespread the use of official statistics are in daily operations. The HR team is using wage and price data for compensation. The market research team is using an entire array, of data for planning, for site selection. You can go on and on.

This is often less known, I think, at the leadership level for a few reasons. One is often, it is unclear once data get presented to decision makers in a company where those data came from. They might have come from a trade association, they might have come from a consultant. the consultant might have an incentive to say to put their own name on the analysis that they did, even though it was Census American Community Survey data.

So I think there's a bit of a crediting problem. First of all, it is not as obvious to business leaders that of official statistics are driving a lot of what they're seeing. I think another is that a lot of what is most valuable for business decisions tends to be pretty granular data. So data about their specific sector, or a particular local area. and those more granular, underlying data are probably more at risk, first at risk, from resource cuts than headline numbers are.

I think the third reason is it's often very hard to know what the provenance of a final number is. So for instance, the BEA produces the Bureau of Economic Analysis-- sorry, no acronym rule I assume carries to the second panel-- Bureau of Economic Analysis produces the GDP report, which is based on inputs from multiple statistical agencies, lots and lots of companies and trade associations, and a range of other sources. So damage that is done to a relatively obscure census demographic program is gonna have downstream effects across most economic releases that eventually come out. And that is all very hard to see and makes it very hard to help businesses make a case for the importance of official statistics. So I think a lot of these risks, even if they don't show up in, you know, pausing the publication of the headline unemployment rate nonetheless damages data that businesses rely on, even if they might not be fully aware of their reliance.

MICHAEL FEROLI: Can I just add something to that? Yeah,

DEBORAH SOLOMON: please.

MICHAEL FEROLI: When this whole kerfuffle came up about the revisions, you know, when we looked at it, it's looked like the average absolute magnitude of the revisions on the monthly jobs report was still trending down actually. And that while the annual revision, was large in in percent terms, it certainly wasn't unprecedented even in the last, 10, 20 years. So that kind of makes me think, given all the challenges that you listed at the outset, that absent those challenges would, you know, real funding levels stable, how much better the underlying the data could actually be, so that there actually are improvements in productivity gains in these methods, but they're being, offset by some of these challenges you mentioned.

DEBORAH SOLOMON: How much uncertainty do you assume, you know, that do you build into the jobs report each month?

MICHAEL FEROLI: The market unfortunately, wants to know these things like if you're off by 10,000, they think that's significant, right? So, as much as BLS can, you know, publish, the uncertainty attending to these estimates, people think that the first estimate is, you know, the truth.

And, I don't know if, you know, I, I think this kind of goes back to the question about now casting how, is there a better way to convey the uncertainty that attends these estimates? Right? If we, if they were published in, you know, a percent gain terms to the nearest 10th, like the retail sales report was, is, you know, would that change how we think about the magnitude of these revisions?

I don't know. Maybe it's a communication problem, but whatever it is, it's definitely not getting through to market participants when they read it.

DEBORAH SOLOMON: Yeah. So we've talked a lot about the resource challenges. I mean, we are not in an environment where we're gonna see, you know, this current administration giving more money to, An agency like the Labor Department. so Tom, you know, you, when we talked before, this panel, when we were getting, preparing, you know, you, you wanted to talk about sort of like response bias, lack of resources. Obviously you heard the statistics from Erica about, you know, the, 20%, cut in staffing and 20, I think it was 18%. Data collection budget has declined 18% in real terms over the past 15 years. What's the answer? If you're not gonna get more money, how is this agency, you know, going to actually be able to increase response rates or figure out how to do more with less? I mean, the reason they're ending these surveys in some areas is because of a lack of staff.

TOM BEERS: Yeah. I mean, the answer is you're not, I mean, there, you just, you're not gonna do it. I mean, unfortunately, I think, we have to take pay BLS to do, the surveys and the programs the way they do them now, however, flawed. And we also have to put the money into researching and modernization. 'cause that takes time.

We've gotta pilot these programs so we can't just flip a switch and say, good enough. here's your new employment situation release. These stuff have to be battle tested over time compared to the current processes. So, I don't know if that means we have to give BBLS twice the money that they, that they get now, but it has to be more than 20% less than, than it was a few years ago.

We're going in the wrong direction. So I really think of this as infrastructure and I think, you know, we, you know, the, the administration and, this administration, last administration have been willing to spend on, on. On infrastructure projects. I think this, that's the way you need to think about this.

This is infrastructure for the economy. This is the plumbing of the economy. These, this is what businesses use, whether they know it or not, to make decisions. This is, you know, going into all of the Federal Reserve decisions, micro data are being used. So, I think this hap has to happen, right away.

I, and I, so I think we'll, we'll see a slow death. I mean, if you look at the, the survey I used to work on, the current population survey I think was in the 95% response rate area. When, when I was working on that at last month, I think it fell below 70%. It was in 69 point a half, percent response rate.

So that means we were imputing lots more, of data. And so we can watch this thing slowly die, and we can watch it get less reliable. And we can also, you know, stop believing the numbers or we can. I think convince the people in Congress in the administration that now is the time to actually infuse quite a bit of capital into this, to save it and to, and to, to have it working so that we can measure tomorrow's economy.

DEBORAH SOLOMON: One of the things that the Trump administration has talked about is incentivizing people to respond to surveys. That I'm not sure whether that's carrots or sticks. There's been some discussion about publishing the names of businesses that don't respond to the surveys in order to shame them. Do you, I'd be curious to hear from all of you, whether you think there are actual ways, I mean, in addition to, you know, patriotic duty, teaching kids that they need to respond to surveys and not just, you know, swipe them off their phones when they're adults. What, is there a way to actually incentivize businesses?

Or is it just that, you know, the laggards are laggards for a reason, they just are not ready to, you know, to answer. Do you wanna question real quickly?

TOM BEERS: I think, I think I, I did hear that that's illegal. When I was on talking to Bill and Erica, we talked about that. Yeah. And so there are surveys that are mandatory, you know, by way of the constitution, you need to fill out the Census or there will be fines in jail time. I don't think it's enforced very often. I don't, wouldn't recommend we putting CEOs in prison for not completing surveys.

But I do think that there is possibilities for more outreach using the relationships that the administration has, that the BLS has to try to, convince the companies, especially on these, these, company surveys. That by responding to the survey on the first time, we're not gonna continue to harass you. there's, and ways to incentivize them to, to, if they're participating in multiple surveys, to just give them one survey and get all the data you need from several surveys. And so if we can think of ways to, to make this, more worth their time or, or, or, or lace west, waste less of their time, I think they'll respond.

I don't have a great answer, but I do think this actually brings up something adjacent to what was being discussed earlier, which is the comparative advantages of public and private data, which is, as my understanding, my understanding is, is similar to yours, that there are certain legal limitations on what the agencies can collect, which, to the extent some private data collectors have that maybe proprietary data doesn't have these legal restrictions.

So in some way, you know, the agencies may be, starting the race, you know, a couple yards behind. and that may be, you know, an issue in itself. But I, I don't have a great answer to how to improve, under the current laws. Yeah.

DEBORAH SOLOMON: Jed, do you have any thoughts on that? No. So let me switch to the private data for a minute. Jed pointed out an article this morning in, the Atlantic by Peter Za, who's a former, head of the CBO and OMB, in which he basically said, government sucks at collecting data. Let the private sector do it. I have heard from you guys, you know, through this, that you think that private sector data is a compliment, not a replacement. But if the government is unable to get, the money and the resources it needs to collect the data, why not just go with private alternatives? What's the risk to that, Jed?

JED KOLKO: How long do we have? so, first of all, I just wanna, slightly divide this into two somewhat separate arguments. And I think, Peter Orszag's argument was more that the official statistical agency statistical agencies should do much more to incorporate private sector data. Which is a, obviously a somewhat different argument from the official statistical agents should get out of the way and let the private sector, essentially produce and own the statistical process. either way. there are, of course some advantages that the private sector has. one is being able to ask about things that the, public sector, won't or can't ask about.

All the information we have about religion, for instance, in the US comes outside official statistical channels. In France my understanding other people might know better is everything known about race and ethnicity has to come from outside of official statistics. So there are examples of topics that are handled outside of official statistics.

the private sector can sometimes be faster. when I was at Indeed, we published our weekly job postings a couple days after the week ended. for the immediate week prior, and pretty much stayed on track. that was real fast. sometimes the private sector can also be more granular, and able to get deeper because there aren't the same, kinds of confidentiality, and disclosure restrictions.

the private sector can also move more quickly, in answering cutting edge topics. for instance, official government taxonomies change very slowly. So occupations and industries in official statistics only get revised, every several years. whereas, the private sector can organize their data however they want. And ask about data scientists long before that became, an official occupational classification. In government data. So lots of advantages that the private sector can have. but the disadvantages are many we already heard, in the first panel about the lack of representativeness. How do you know about the, activities that are not part of your customer base or your clients or your partners?

Almost no private sector effort, goes back as foreign in time as almost any official statistical series has, and it is very, very hard to interpret any kind of statistic if you don't have some kind of historical comparison. There's also much less of a guarantee that any private sector. economic indicator will continue to be collected in the future, subject to whatever the incentives or priorities are, of the company producing or providing those data.

And of course, it is not being collected necessarily for a, for a public purpose. there could be all of the possibilities of, manipulation or self-censorship. All of these things could happen in the private sector as they could in the public sector. a company might not, want to publish economic data that are displeasing to an administration and you'd be much less likely to know that's happening with private sector data than you would if that were happening with public sector data. as you've heard about, the ethics and culture of the BLS. So there are lots of ways in which the private sector cannot do, what the public sector does.

Again, even if it could match the public sector on all these dimensions, there's still a really important public good element of official statistics. But for the most part, the private sector can fill in gaps and complement what the public sector does, but cannot replace or beat it.

DEBORAH SOLOMON: So Michael, given that Chase collects data, I'd love your views on whether you think that it is, you know, robust and granular, you know, enough to potentially be a, you know, a replacement for government data or, is it just a good compliment and what can the government, what can the private sector do better than the government at this point?

In terms of,

MICHAEL FEROLI: Yeah, I mean, to reiterate, I think something that was said in both the first panel and then a couple times on this panel, we do view this data as a compliment, not a substitute. one thing that's been said several times is the benchmarking, right? No bank is gonna have data that is geographically representative, much less demographically representative or any other, way you wanna slice the data.

so definitely, and I know this is true of ADP, you need to benchmark to something that is nationally representative, which is the national data. You know, at a high frequency, you have challenges when there are, you know, small changes in market share. Like if you have a incentive day on your card, that's gonna change your market share. And at a high frequency, those little changes are actually pretty big.

Now that said, there are, you know, areas of, you know, relative, advantages here for, for Chase or any other, you know, I think, data series, a lot of that is comes, from the heterogeneity that you, you gotta look into, right? So you look at something like the retail sales report that tells you, really the only thing it tells you is the d different type of establishment that, the sales at that establishment doesn't really give you geography, certainly doesn't give you the type of consumer, right? So you can see things like that, that are helpful in thinking about, you know, hurricane effects on retail sales, things like that.

So there are definitely, you know, I think areas where, private sector data, big data, if you wanna call it that, I don't know. is, is a compliment. I think we're still learning about some of these advantages, but they're, you know, they're definitely there in a lot of cases it's getting at, the heterogeneity that you don't necessarily pick up in the public data because of just the way it's constructed or because of limitations on how it has to be constructed.

DEBORAH SOLOMON: And do you agree that it potentially misses the, you know, underrepresented parts of the, economy?

MICHAEL FEROLI: Definitely. We, and you know, for, I know for like the institute data, they try to as best possible to reweight things to, to capture that, but it's never gonna be perfect, of course.

JED KOLKO: There are, there are a couple, other advantages that the private sector can often have. Another example with private sector bank data is, you can sometimes see, a fuller life of the consumer, income and spending and savings, all for the same. Person or household, which is often very hard to see in public data where you know, those information all come out in different reports, maybe even produced by different agencies, therefore much harder to get it, an entire view.

Another advantage sometimes is there are private companies that, collect and produce data across multiple countries. And so you can get, in some cases better international comparability for certain kinds of data from the private sector. We did this at Indeed with our job postings. then you can get, from the public sector, which is almost always a national statistical agency and therefore not necessarily as consistent with other national statistical agencies.

so there are for sure advantages, and things that you can only see in private sector data, none of which makes it a substitute for official statistics.

DEBORAH SOLOMON: Tom, did you have any thoughts on it?

TOM BEERS: I would just say the, I think 15 years ago, or maybe it's 12 years ago, where we all thought big data were gonna take over to use, you know, the buzzword at the time that we would need any other statistics? Well, I'd say we, that we were let down by that. I think the number of statistics that have floated to the top into the A or B list from private institutions is pretty low still. you know, I, I, but I do think that there is quite a bit of opportunity to be incorporating these into federal statistics, and we obviously should be doing that.

But it also is not a cure all. It's not a panacea. I mean, we can't just, I mean, Ron Jarmin or, Bill Wiatrowski can't just get a feed from Amazon and start to churn out retail. I mean, you've gotta incorporate it into the, the existing platforms. it, it isn't free. It, it, you know, it isn't easy. And so again, these are things that they should definitely be doing.

I mean, every single series that we collect, we should be thinking about. How are we gonna do this, in a world where we can no longer take surveys or we can't send somebody into a grocery store with a scanner because it's just not viable. you know, if, if we have to be mapping, the current ways to the new ways.

And so I think that Orszag is right, that we, i, we, we should be thinking about that. but I would say it isn't, it isn't gonna be easy and isn't gonna be cheap, so it may not actually save a lot of money, but it may save, save the statistics.

MICHAEL FEROLI: Yeah. From my approach, it felt like the peak hype moment for big data was probably like March, April of 2020. 'Cause you had this really deep interest in things that you could measure daily, which is a lot of high frequency, I'm sorry, a lot of private data providers, big data providers, and when things are going down a lot and up a lot, those things were telling you things were going down a lot and up a lot.

And then as you get back into normal times, you saw that a lot of these things had a, you know, greater difficulty in getting the directional wiggles that, you know, you get in normal times. So it feels like after that hype now we're. Kind of getting to the serious work of actually trying to make this more useful in normal times.

DEBORAH SOLOMON: Do you think businesses are relying more on their own data and private data than they are government data at this point?

MICHAEL FEROLI: I think certainly. Yeah. well, they're relying more on their own private data relative to, 10 years ago. And that of course is being accelerated certainly by ai. Yeah.

DEBORAH SOLOMON: I wanna go back to one thing you mentioned, about the Fed and, and, David talked about this before with Ben Bernanke's, comment, but obviously the Fed met yesterday.

the Fed chair, Jerome Powell was asked about, he's, he's expressed concern about, you know, data integrity in the past. And he said yesterday that the data, a quote, still good enough for us to do our work. given that job creation was far less robust than we had thought, even if it was not, you know, that much of a negative trend in your view, you know, was the fed fed operating on flawed information?

I mean, is this a real world example of how the Fed may have been too late to, understand what was happening in the labor market because the data was not as reliable as it as it should have been?

MICHAEL FEROLI: You know, if, I hard to say, but I think if he took collectively what Powell has said over the past few meetings that with a lot of uncertainty about labor supply and labor demand, the unemployment rate tells you is kind of the, the, the judge and jury on that question, to the degree the unemployment rate, you know, isn't revised, effectively then maybe, you know, that flawed information we had, you know, through March of 2024 was just telling us things about relative supply and relative demand that necessarily aren't necessarily, you know, a big issue for, or shouldn't necessarily be a big issue for the Fed. So I'm, I'm not sure it's an obvious, I'm sure some could say that they, they have operated on flawed information, but I'm not quite sure it's obvious to me.

JED KOLKO: Yeah. And many things that, become sort of shocking headlines. are not necessarily surprises for the Fed. So the preliminary benchmark revision, to the payroll numbers, that minus nine, 11,000, preliminary estimate, last week from BLS, that was widely anticipated, based on, other data that BLS puts out in a transparent way on a telegraphed schedule.

So, you know, it, again, it was a big headline, but, you know, I, I would be very surprised, if people at the Fed were like caught wildly off guard, by this well anticipated number, three quarters of which was already known, months in advance of. Last week's announcement.

DEBORAH SOLOMON: Would you say that for the, the 258,000 jobs that were erased in the

JED KOLKO: right. I think, I think that one's trickier, but, even so, you know, given what we see in, the household survey, the unemployment rate, other measures that come out of the household survey that again, don't get revised, you know, it's the Fed and anyone else who watches the economy closely is looking at a wide range of data.

These data generally move in such ways that tell, plausible stories, when one series is moving differently. people either explicitly, or implicitly, lower the weight they place on that a bit. and already, most folks who watch the labor market, have been putting, less weight than they used to on the payroll survey.

In part because the unknown rate of immigration this year makes it harder to know, how many jobs we need to keep the labor market steady. and shifting a bit more weight to, as Michael said, the household survey measures like the unemployment rate that aren't affected by that same issue. so, I think there is, there is lots of room for navigating, a world where there are many different sources of data.

Some, you know, each of which has challenges, but understanding, in which situations each data sources challenges, might matter more. and therefore, focus a bit more on what the others say.

DEBORAH SOLOMON: I guess we'll open it up for questions. We have a few minutes left. Do you wanna a mic over this gentleman?

AUDIENCE QUESTION: Hi, David Johnson, international Association of Research on Income and Wealth, but I've been at BLS, Census and BEA, so I wanna push a little more on the private sector data. I agree you can't take ADP and replace the current employment situation, but why couldn't ADP give BLS all the data and then BLS can focus on all the companies that aren't there to improve response rates there.

Why couldn't Amazon, Target and Walmart give BLS the price data and they can focus all their efforts on the rest of it? Or why couldn't JP Morgan Chase give BLS all their spending data, credit card, spending data and they can collect spending data from the others? I think Eric is the one who said they blend the data, not, it's not a replacement.

So I'm just wanted to know how, why they couldn't do that.

DEBORAH SOLOMON: Who wants to take that one?

TOM BEERS: I mean, have those companies offered? So that's a question you should take this one.

AUDIENCE QUESTION: I do know that census for the retail trade survey, they're getting from a data aggregator on totals for companies that don't respond to the monthly retail. So they're already doing that on a lower level. I do know that, that that census is in negotiation with other companies to get some of their price data. So I do know that that's happening,

DEBORAH SOLOMON: Jed?

JED KOLKO: So great. But then you ask the question, what risks does that create? how do you, what, what do you need to buttress to manage those risks? What if ADP leadership changes and they say, Hmm, we're not doing this anymore. maybe there's a contract. and then all of the investment. The, skill development, the technological investment that went into, building those pipelines, figuring out how to analyze, and figuring out all the quirks of the ADP data, including the contract that would've required probably massive technical support from within ADP, lots of engineering resources, lawyers, ADP agreeing, and then they change their mind for whatever noble reason.

And you multiply that over all of the private sector partners that the official statistical agencies deal with. Like that may be manageable. but that's a cost and a risk. and I think the key point is it is not as simple as just saying we just need more private sector data. It is extremely complicated having been at multiple companies that produce that kind of data.

And try to have partnerships with agencies, that might look like the Fed or major international, multilateral organizations. These partnerships are incredibly complicated. They take far more resources to set up than either side imagines and resources to maintain. And so it is possible, it could absolutely be an improvement.

And the worse, survey response rates become then that might look relatively better over time as an alternative. but it's not simple and it takes resources and expertise, and needs to be taken. If, if we are to move in that direction and we should, it needs to, the, the costs and process needs to be taken much more seriously than I think people who haven't worked in the private sector with these data. Imagine that it takes

DEBORAH SOLOMON: another

JED KOLKO: question.

AUDIENCE QUESTION: Thank you. So I'm Bill Cunningham. I guess I should stand up. bill Cunningham, creative Investor research. couple of questions really. I used to work for data resources and for Wharton Econometrics back in the day on the private sector side. Aren't you making the same mistake that they make with ai, to wit all of the racial biases embedded in these types of systems? By the way, I'm here with two of my interns, DIA. So, one of the questions for them is that I have for them, is this public interest requirement on the part of private sector data sources? Shouldn't there be a, a, a, an absolute requirement that the public interest be considered on the, the data side? It's the same reason why we don't let the court system be financed by private companie. I'm not sure if that was clear. Was that clear?

DEBORAH SOLOMON: Tom, do you want answer?

TOM BEERS: I think that probably just makes it even less likely that companies will agree. and I, and then most of the, the data that, that come from these companies, ex is exhaust. It's not, these are, these are not, des companies aren't going into business to collect this data.

In most cases. It's like we run a jobs board, here's the data, we'll do the best we can with it. And, and if you track it over time, it could be useful. But how that incorporates directly into a fee that BLS could use? I'm not sure.

DEBORAH SOLOMON: Another question? Gentlemen in checkered, sorry, plaid.

AUDIENCE QUESTION: Hi, Max Guinness from Policy Engine. I'm curious about, it seems like there's, public data and there's the private data, but there's also these institutions, civil society groups like Brookings who could produce more public goods given the data that's available, maybe synthesizing it, producing derivative, derivative products, that's broadly useful.

I'm curious where, especially Jed, like where you think the biggest, benefit could be for society, in, building those kind of tools?

JED KOLKO: So I think, for, sort of nonprofit foundation, other sort of public minded institutions, one valuable role is helping create standards, and compatibility that can be, you know, a, a place for contributing and harmonizing data that comes from other sources. so there have been efforts, for instance, to do this with state and local data, where there's, an extremely valuable role for, lots of university efforts, for instance, to, try to bring together, data, from different states, perhaps to fill in gaps, that exist or might exist in the future, with federal data.

There could also be roles to try to do that sort of harmonization, with data from different private sector sources. so I think the, the role of, these organizations, is probably less to be, you know, yet an another competing sort of raw source of original data. but rather a sort of neutral or relatively safe space, for coming up with standards and rules, for harmonizing data and also possibly, one thing that we haven't talked as much about today, is thinking about how, users access data, in some conversations in the statistical system.

This is the conversation that is, first on the agenda all the time, of thinking about access, to data. and that's another potential role, for institutions.

DEBORAH SOLOMON: I think we're out of time. So I appreciate everybody and sorry if we didn't get to your question. But thank you to the panelists for coming and have a great rest of your day.