

## **The Importance of Global Statistical Cooperation**

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Good morning. It is a pleasure to be here and a pleasure to visit Beijing during this beautiful time of year. I wish to begin by thanking the National Bureau of Statistics and, in particular, Deputy Commissioner Mr. Xu for hosting this workshop. I know that the NBS staff together with Paul Schreyer at the OECD have worked hard to put this meeting together. I appreciate the effort, and I thank you for inviting me to speak at this opening session.

The majority of this workshop will be spent on exploring the technical details and techniques of national accounts statistics. Although I am an economist by training and profession, and I oversee two of the three major statistical agencies in the United States—the Bureau of the Census and the Bureau of Economic Analysis— my role here today is not to discuss the details of integrating input/output tables with national income and product accounts. I have brought Jieming Guo, who is a Senior Economist from the Bureau of Economic Analysis, to do that.

I want to start by stating how important this workshop is. The work that you will be doing over the next few days is very important because the development of timely, accurate, and transparent economic statistics is critical to effective and informed decision-making by business leaders and policy makers. Economic stakeholders—from investors, to international traders, to participants in financial markets, to monetary policy makers—need national accounts data, and indeed the underlying source data—to provide an accurate and timely picture of economic activity.

As economic activity and markets for goods and services become more global, statistical cooperation is increasingly important. Over the last few decades, advances in technology and transportation and the increased trade that they have facilitated have increased the interconnectedness of our world. The challenge for us now is to make sure that the data we produce and rely upon accurately mirror our changing world, both domestically and globally.

Statistical cooperation is something that grows naturally out of the distributed nature of the U.S. statistical system. I mentioned earlier that I oversee two of the three major statistical agencies in the United States. While there are three major statistical agencies that collect economic data—the Bureau of the Census, the Bureau of Economic Analysis, and the Bureau of Labor Statistics, there are dozens of others agencies that collect data about the U.S. economy—from data on milk prices collected at the Department of Agriculture to energy use data collected by the Department of Energy. From a U.S. domestic perspective, statistical cooperation among all of these agencies

is an important factor in making sure that diverse statistics collected by different agencies are as consistent as possible.

The United States' statistical agencies also engage in international statistical cooperation in ways that range from the ad hoc to the formal. Cooperation—whether it is an e-mail exchange between technical experts or a meeting of the United Nations Statistical Commission—helps us build a common vocabulary for discussing the changes that are taking place and provides opportunities for addressing our common problems more effectively.

We welcome the impromptu questions that come by phone or e-mail, but we especially appreciate the efforts of multilateral organizations—such as the OECD and the United Nations. These organizations advance the goal of international comparability through developing international standards such as the *System of National Accounts* and, at the same time, provide forums where we can learn from each other ways to advance the common goals that underlie all of our statistical programs. These are:

- integrity and accuracy of the statistics,
- transparency with respect to the quality of the source data and underlying methodology, so data users understand the limitations of the data, and
- timeliness, so that decision makers can have the most current statistical evidence possible to make decisions.

Bilateral cooperation can also be an effective means of sharing specific information. I am pleased to report that the agencies that I oversee have been actively engaged in cooperative efforts with Chinese statistical agencies for many years, as Mr. Xu mentioned.

- Staff members from the Bureau of Economic Analysis have been participating in these annual workshops since 2004, visited NBS to discuss measurement issues in national and industry accounts, and hosted NBS statisticians to discuss balance of payments and international investment accounts;
- The Census Bureau consulted with NBS and trained NBS statisticians as China prepared for its first economic census in 2004; and
- We have also been involved in efforts to reconcile bilateral merchandise trade statistics through the Statistical Working Group of the Joint Commission on Commerce and Trade.

With respect to the bilateral trade statistics reconciliation project, this detailed technical effort has worked to understand the sources of the differences in the bilateral trade statistics produced by the Chinese and by the United States. The goal is not to resolve differences, but rather-

within the context of international statistical standards—to understand what underlies the differences in terms of source data and methodology. Being more transparent by explaining differences in these trade statistics will only become more important as US/China trade continues to expand.

What do I mean by transparency? Each country’s statistical system is unique, reflecting the idiosyncrasies of the economic and policy structure that they were designed to inform. Statistical cooperation enables us to build a common vocabulary so that quirks in the source data and differences in methodology are acknowledged, documented, accessible, and readily understood by data users. By sharing information and seeking to conform to international standards based on best practices, we also improve data comparability, shedding light on the dynamics of the global economy.

The focus on international standards is not limited to statistical agencies. Prior to taking my current position, I was a Commissioner of the U.S. Securities and Exchange Commission. This agency, which regulates the securities industry, is exploring allowing firms that operate in the United States to report their accounting data using International Financial Reporting Standards (IFRS), rather than requiring that they use the U.S. Generally Accepted Accounting Principles, or GAAP. This effort, which is still in its early stages, is yet another recognition by those of us who collect information about businesses and the economy that our economies are increasingly interconnected.

In the spirit of sharing information, I would like to tell you about three areas where we in the United States are making strides to improve our statistics—our preliminary satellite account on investment in research and development, our efforts to improve health care measures, and our efforts to improve measures of innovation. While we are working on these statistical areas for domestic reasons, I know that the policy issues that have motivated us to search for better statistical tools in these areas are important in many countries. Two of these touch on national accounts statistics; the third is potentially wide reaching, but is still in the early stages.

Last September, the Bureau of Economic Analysis, with support from the National Science Foundation, published a preliminary satellite account on investment in research and development. Satellite accounts are supplementary estimates that do not change the official national accounts. However, by remaining consistent with the broader economic accounts, while adding new information and formats better suited to answering particular analytical questions, these accounts provide a “laboratory” for economic accounting research into specific industries and markets.

This particular satellite account was developed to explore the effect of investment in research and development on U.S. economic growth. But, as I am sure you are aware, exploring the role of R&D via satellite accounts is also featured in the updated system of national accounts. What we have learned from this preliminary account is fascinating. It appears that R&D may have accounted for a substantial share of the resurgence in U.S. growth in recent years.

The increasing cost of health care is an important budget issue confronting the U.S. government. Health care spending currently represents 16 percent of U.S. GDP. It has doubled as a share of GDP over the last ten years, and it is expected to continue to increase. We know that some of the data that we are now using to measure health care are incomplete and inadequate. Preliminary research also indicates that our measures of health care inflation are likely overstated. If this is the case, we could be looking at an overstatement of overall inflation and an understatement of overall economic growth and productivity because the sector represents such a large share of our economy. Getting the best information we can is critical not only for health care policy, but also for monetary and fiscal policy.

Another policy-sensitive area where we are seeking better statistics is in the area of innovation measurement. This is an area that I know is also of high importance in many countries. We have begun by looking at what data are already available. We, like many countries, have some information—such as research and development expenditures and investment data, but we really do not have a good idea of how innovation actually works. For example, is it the same for all sectors of the economy? Is it different for services than for manufacturing?

We have examined various types of data collected across our entire statistical system. We have talked to colleagues in other countries and in international agencies to see what they have discovered as they struggle with similar questions. But, we are also taking a next step and asking data users and businesses about what new data we should collect to really understand the impact of innovation in the U.S. economy. In February, the Secretary of Commerce convened an advisory committee of CEOs and academics to advise him on new or improved metrics on innovation in the economy. We expect to see the Advisory Committee's recommendations soon. In the public comment process, a number of the suggestions that the committee received relate to improving our national accounts data, such as doing a better job of measuring intangibles in our economy.

Change is never easy. Re-thinking and refining how one collects the necessary data and puts it together to measure economic activity is challenging. It requires that those of us who make a profession out of data collection and analysis look outward and remain willing to adopt fresh perspectives as the world changes.

I think that the most important thing to remember is that we are not measuring economic activity for its own sake, but rather to help individuals and policy makers make good decisions. Data truly only have value if they are used. International statistical standards must be updated to meet the needs of users as the world's economy changes. As we work together to improve how we collect data and compile it into economic information, we should make a concerted effort to think about the users' perspective. After all, users of economic data across the globe ultimately want the same thing—timely information that they can trust.

Thank you very much.