

**Testimony
of
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**before the
Subcommittee on Government Efficiency, Financial Management and
Intergovernmental Relations
Committee on Government Reform
U.S. House Of Representatives**

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1:30 P.M.**

Chairman Horn and members of the Subcommittee, it is a pleasure to appear before you to discuss the important issues of data sharing and statistical confidentiality. Enhanced data sharing will boost our understanding of the U.S. economy, especially in fast-growing regions and industries. This will lead to more accurate measures of the impact of technology on productivity growth, and improve the accuracy of the Nation's most important economic indicators, such as the Gross Domestic Product (GDP) and other key aggregates that are the cornerstones of budget and monetary policy. Enhanced confidentiality protection will strengthen the confidence that respondents place in government statistical organizations and their willingness to participate in government surveys. All of this would happen at no additional cost to the taxpayer.

The Administration strongly supports this legislation, and is grateful for your leadership on this issue. As you know, the Administration has consulted with the Congress extensively on the development of legislation to address these important goals. These collaborative efforts have produced a bill that is good, common sense government. Thank you for your efforts in developing this important piece of legislation.

The data-sharing initiative as embodied in H.R. 5215, the Confidential Information Protection and Statistical Efficiency Act, would authorize the sharing of business data among the Bureau of the Census (Census Bureau), the Bureau of Economic Analysis (BEA), and the Bureau of Labor Statistics (BLS). The ability to share data would improve the accuracy and reliability of economic statistics, and reduce the duplicative paperwork burdens imposed on businesses. H.R. 5215 also would establish a uniform set of statutory protections to ensure the confidentiality of all information acquired from the public under a pledge of confidentiality for exclusively statistical purposes; these protections would include tough criminal and civil penalties for inappropriate disclosure.

Let me discuss each aspect of the proposal in turn. The sharing of business data among the Census Bureau, BEA, and BLS will facilitate statistical projects that improve the quality and reduce the burden and cost of statistical programs. Only business data will be shared, for exclusively statistical purposes. Household and demographic data are not part of the data sharing proposal. Written agreements will specify the business data to be shared, the statistical purposes for which the business data are to be used, and the appropriate security procedures to safeguard the confidentiality of the business data.

What benefits accrue from allowing greater sharing of data? Enhanced data sharing will improve the ability of the Census Bureau, BEA, and BLS to track rapidly changing trends in the U.S. economy. The most important result of the proposal would be allowing these agencies to improve employment, price, and shipments data by better classifying establishments in appropriate industries. A limited research study compared the Census Bureau's and BLS's business lists for 1994 and found that 30 percent of the same single-establishment firms had been assigned different industry codes at the 4-digit Standard Industrial Classification (SIC) level. Industry analyses that rely on employment or price survey data from BLS and shipments survey data from the Census Bureau may well provide unreliable characterizations of changes in real output and productivity for particular industries. Moreover, it is expected that this discrepancy will worsen as the economy changes.

The initiative would permit these agencies to increase accuracy and resolve data anomalies. At the end of 2001, the statistical discrepancy in the National Income and Product Accounts (the difference between income and output) was historically high, approaching two percent of GDP. The discrepancy distorts our readings of such critical indicators as output and productivity growth. And these are critical for budget policy: an error of just 0.1 percentage point in long-term real GDP growth can result in an error of approximately 200 billion dollars in a ten year budget forecast.

Sharing of business data would help provide for more accurate measures of industry output and compensation trends that could help reduce the statistical discrepancy. It would permit the statistical agencies to keep abreast of our dynamic economy by producing statistical samples that are consistently adjusted for the entry and exit of new businesses in a timely manner, and allowing the agencies to correct errors quickly and efficiently. This is especially important for fast-growing industries such as information technology. A comparison of BLS-based payroll data in the information technology sector was 13 percent higher than the payroll as reported by the Census Bureau in the last economic census year of 1997, and similar differences exist in other industries.

At present, Federal statistical agencies sometimes conduct separate collections of information from the public on similar subjects. This occurs when multiple agencies have a critical need for such information but are prohibited by law from sharing it. Data sharing can provide new opportunities for the agencies to coordinate their efforts by integrating or eliminating duplicative collections of information.

The second important aspect of the legislation will strengthen safeguards to protect confidential statistical information provided by the public. Individuals, businesses, and other organizations currently have varying degrees of statutory protection for confidential statistical information that they provide to the Federal Government. This legislation would apply clear and uniform statutory restrictions on the use of confidential statistical information. In particular, information about individuals or organizations acquired for exclusively statistical purposes and under a pledge of confidentiality could only be used for statistical purposes.

In addition to uniform restrictions, the legislation would provide consistent, tough penalties for unauthorized disclosure of confidential statistical information. In doing so, it would not diminish or restrict the applicability of harsher penalties that already exist in the law for unauthorized disclosure.

Finally, the two aspects of the proposal work together. Reducing reporting burdens and providing greater assurances of confidentiality will raise the likelihood that businesses will respond to surveys, and therefore lead to more accurate descriptions of the economy.

The Administration looks forward to working with the Congress on enactment of H.R. 5215 so that the American public can start benefiting from higher quality economic statistics for public and private decision-making, greater Federal Government efficiency, and increased protection of confidential statistical information. Thank you for the opportunity to be here today. I would be happy to answer your questions.