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For years, the statistical agencies have struggled and simultaneously made improvements in the way U.S. data are calculated, despite widespread budget cuts and outright neglect. They pushed for new and better ways to capture inflation when it finally hit Congressional radar screens in the 1990s, and more recently, developed better measurements of the contribution being made by the often intangible information and technology sectors. Until recently, however, complaints of the compromises that these agencies were having to make due to antiquated equipment, noncompetitive pay packages, and the elimination of less key (but still valuable) data series, fell on deaf ears. Recent efforts to reverse the process are commendable, but still represent only a small step in catching a rapidly moving target.

Economics is, at its very heart, the study of collective human behavior, and as such, one of the hardest concepts to measure in a meaningful way. Perhaps Chairman Greenspan summed up the dilemma best in his speech of March 27, "...during the last decade or two, an ever-increasing share of GDP has reflected the value of ideas more than the material substance or manual labor input. This ongoing development is posing significant stress on our statistical systems."

More importantly, if the BEA and the Census do not get funding to make critical infrastructure investments and increase research on the best techniques to collect data, then the very relevance of the U.S. data system itself will come increasingly into question. Improvements to incorporate the impact of e-commerce and the advent of the Internet, in particular, will not be completed. Can you imagine a measurement of GDP that does not accurately track one of the fastest and far-reaching technologies to hit the global economy in decades?

Business leaders and financial reporters have begun to understand the magnitude of the problem, as they deal and report on the impact that these data have on financial markets everyday. Statistics on the macro economy shape everything from business strategy to portfolio management. The mere rumor of a surprise in one of these critical figures can move billions around the world in an instant. Businesses have also taken the matter into their own hands by investing aggressively in the ability to increase the flow of information internally, so that at the very least, they have real time information on their own operations. Why shouldn't the statistical agencies be doing the same to aggregate the data, and speed the flow of information to the public before it becomes yesterday's knowledge?

Moreover, the gap left by faulty or incomplete data has left policymakers and business leaders alike relying on private sector reports that are more questionable in quality and reliability than those produced by our own statistical agencies. The private sector reports which we see moving markets today, such as the Purchasing Managers Index, chain store sales and, in the extreme, the Challenger, Christmas, and Gray survey of corporate layoffs, provide only small pieces of a much larger and more complex puzzle. At worst, they represent a micro and slanted view of the economy, which can lead to downright wrong conclusions about the course of the economy at any point in time. This is nothing to say of the hazards associated with data that moves financial markets in the hands of what could be unscrupulous private sector players, seeking to benefit from advanced knowledge of such information.

Economists have also underscored their concern of the dangers of faulty and incomplete data. Recent studies suggest that the 1990 recession might have been avoided had accurate information on the U.S. economy been available. Data at the time was showing that the U.S. was still in an expansion as late as October. Chairman Greenspan himself was on record trying to reassure an increasingly skeptical public that the economy was still moving forward during that period. It was not until two years later, however, when the 1992 revisions to that data actually acknowledged that the economy was already in recession in the fourth quarter of 1990. Indeed, the economy actually hit its peak in August.

One can only imagine how the Fed would have acted if it had known sooner. Would history have been permanently altered? The inputs into the process are far too complex to guess the answers to those questions, but the point is nonetheless well taken, the quality of economic data has the potential to not only shape the decisions of business, but in some cases, the fates of nations.

More recent examples of the importance of good data (and the risks of bad data) include the emerging market crises of 1997 and 1998. Nobody knew the severity of the situation abroad until it was too late to act. The result was widespread capital flight, first from emerging Asia, and later from Latin America, deep recessions, and broad-based financial market turmoil. Do we want to run the same risk with our own economy in the U.S? Instead, with research on better data gathering techniques, we could export our knowledge of sound and transparent data procedures to nations with fewer resources, which may help prevent such crises in the future.

Finally, data quality is critical to the current debate over the magnitude of Federal Government surpluses. One could take a whole day to debate the validity and accuracy of current estimates, and not come to agreement. At the end of the day, however, I think that all of us would agree that the assumptions that we make about the future are largely irrelevant if we do not start with the best base data possible. There is no way to come to an accurate end-point, if your starting point is compromised by incomplete source data.

Now, I will return to where I started. Recent efforts to raise the bar on our national statistics are commendable, but still fall far short of capturing a rapidly moving target. In the past, these agencies suffered for lack of advocates and were neglected. (The word “data” appears to be among the most uninteresting and least provocative four-letter words in the English language.) I am here to tell you today that that is no longer the case. The National Association for Business Economics (NABE), the largest association of economists, policymakers, and strategists of its sort in the world, has turned up the volume on the debate for quality and timely data. The push for quality and timely statistical data is the one force that unifies an increasingly diverse and multinational membership.

Moreover, we have found allies in almost every industry and association we have approached. During our efforts to lobby support for the quality and timeliness of government statistics in September, one corporate leader even responded from his vacation to lend his support. Indeed, finding enemies in this debate is difficult.

I fear that complacency is our only true enemy. I urge Congress and the Administration to support the statistical agencies so that they may not only provide quality and timely data, but also make the investments in infrastructure and research necessary to export that knowledge of data collection to less fortunate places of the world. The return on such a small investment will be felt worldwide, and most importantly, in our own backyard for years to come.

Chairman Greenspan, a former president of the association, summed the sentiment of NABE well. When commenting on funding for the statistical agencies to a Senate panel last year, he said, “I am extraordinarily reluctant to advocate any increase in spending. So it’s got to be either a very small amount or a very formidable argument that is involved. And I find, in this case, that both conditions are met.”