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(COMMITTEE ON ECONOMIC STATISTICS MEMBER, PAT BAJARI, HAS RECUSED HIMSELF FROM THIS REPORT.)

Necessary Improvement in the U.S. Statistical Infrastructure: A Report to the Biden/Harris Administration

January 2021

Established in 1885, the American Economic Association (AEA) is a non-profit, non-partisan, scholarly association. It's more than 20,000 members include economists from academia, government, business, think tanks and foundations. The Association's Committee on Economic Statistics promotes AEA member access to current, detailed, useful economic statistics provided by the Federal government and other sources. Its Committee on Government Relations represents the interests of the economics profession in Washington DC and other locations around the country without taking a position on questions of economic policy or on any partisan matter.

These AEA Committees jointly offer a set of eight recommendations aimed at restoring trust and confidence in the U.S. Statistical System while improving its potential to accurately guide important decisions by households, businesses, and all levels of government. The Committees' members are available to elaborate on various recommendations or answer questions about them. To arrange a briefing, please contact Katherine Evans (see, below).

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Necessary Improvement in the U.S. Statistical Infrastructure

Statistical infrastructure, as much as transportation infrastructure, is essential to the efficient functioning of the economy. Whereas road and rail infrastructure connect households across regions, accurate and timely official statistics provide the knowledge base for households to identify the employment, healthcare, educational and other opportunities available at different nodes and alternative circumstances within the physical infrastructure.

Business, likewise, takes best advantage of road and rail infrastructure when it has sound data available to assess the consumption patterns, hiring opportunities, and capital connections at the end of alternative road and rail pathways. Official statistics, raw, and analyzed, also provide the evidence base for decision making on a myriad of government programs at the Federal, State, and local levels.

America's 2020 statistical infrastructure is undermined by serious cracks and structural weaknesses that have accumulated with age and been accentuated by political circumstances and the COVID-19 pandemic. Relevant, accurate, credible, and objective official statistics serve as critical benchmarks to anchor and evaluate the deluge of public and private metrics presented as facts to policymakers, business, and the public.

Yet, public trust in official statistics' integrity is crumbling, just when the importance of data and information is exploding. Recent reductions in the independence of official statistical institutions threatens achievement of official statistics' mission and value. The public information highway is more expansive and equitable yet less nimble under stress than private data systems. The decentralized nature of the federal statistical system is exhibiting weaknesses. Substantial investment of various sorts is needed to shore up the U.S. federal-state statistical infrastructure.

Here we identify critical needs for an improved and strengthened U.S. statistical infrastructure.

1. **The Executive Branch, with legislative support from Congress, must act to prevent politicization of federal statistics. This is essential in strengthening the public trust that will be needed to help halt or reverse alarming reductions in survey participation and restore confidence in the accuracy of federal statistics.**

   Recent problems include perceived if not actual meddling with and lack of access to detailed CDC data on COVID19, which has prevented the development and assessment of public health risks, public health interventions, and public trust in treatments and vaccines. Another concern is the numerous political interventions in the 2020 Decennial Census which have risked the accuracy of data which are the foundation for many federal statistics and the basis for the allocation of federal program funds to States and local governments and the apportionment of Congressional seats.

   Potential actions to increase future protection of official statistics from political intervention include:

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- ***Congress collaborating with the White House Office of Management and Budget (OMB) must enact legislation that puts into law what is now a collection of OMB Statistical Directives, and the recommendations embodied in "Principals and Practices for a Federal Statistical Agency," issued by the U.S. National Academies of Science.***

  These directives and recommendations had been followed as norms and good practice for decades, always vulnerable to Presidential elimination, which was not seriously recognized as a substantial threat until recently. The Directives affirm the fundamental responsibilities of Federal statistical agencies and recognized statistical units in the design, collection, processing, editing, compilation, storage, analysis, release, and dissemination of statistical information.

  The National Academies of Science "Principals and Practices for a Federal Statistical Agency" is included in the summary material of Statistical Directive #1; (https://www.federalregister.gov/documents/2014/12/02/2014-28326/statistical-policy-directive-no-1-fundamental-responsibilities-of-federal-statistical-agencies-and#:~:text=This%20Directive%20affirms%20the%20fundamental,and%20dissemination%20of%20statistical%20information). A brief summary is given by: Assuring trust among data providers and credibility among data users; Independence from political and other undue external influence, including necessary authority to protect independence; Wide dissemination of data; Commitment to accuracy and other measures of quality; Qualified professional staff; and An active research program.

  The Foundations for Evidence-Based Policymaking Act of 2018 made an important step forward by codifying some core components of Statistical Directive #1 in Title III of the law:

  "(a) RESPONSIBILITIES.— "(1) IN GENERAL.—Each statistical agency or unit shall— "(A) produce and disseminate relevant and timely statistical information; "(B) conduct credible and accurate statistical activities; "(C) conduct objective statistical activities; and "(D) protect the trust of information providers by ensuring the confidentiality and exclusive statistical use of their responses. "(2) POLICIES, BEST PRACTICES, AND PROCEDURES.—Each statistical agency or unit shall adopt policies, best practices, and appropriate procedures to implement the responsibilities described in paragraph (1).

  However, the complete list of principles and practices is not delineated there or anywhere else in law. Of particular relevance is the absence of the principle of independence from political or other undue political influence, including necessary authority to protect independence.

  Note: The European Union, and some countries, including Australia and Canada, *have* enacted statistical laws that are designed to protect the independence of the heads of statistical agencies and promote transparency.

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- ***The OMB and Congress should consider making the Directors of all official statistical agencies and units career staff, (meaning no political appointees), or fixing terms of Directors' political appointments as non-coterminous with the President***

2. The White House/Office of Management and Budget must elevate the role and stature of the Chief Statistician of the United States, to empower him or her to lead and champion a strong federal statistical system.

The Chief Statistician of the United States heads the Statistical Policy Branch of the OMB's Office of Information and Regulatory Affairs and is charged with providing coordination, guidance, and oversight for designated official statistical agencies of the U.S. and their activities. In recent years the influence of the Chief Statistician has declined and the office is grossly understaffed to carry out the position's essential responsibilities. Some resolutions entail:

- ***Creating a Deputy/Associate position at the Senior Executive level to equate this office with that of the Chief CIO and other top-level offices in OMB***
- ***Increasing staffing levels so that they are consistent with national and international needs for U.S. statistical policy and representation***
- ***Assuring that substantively qualified staff oversee each of major official statistics' subject areas, including, for example, health, economic and demographic statistics***

All of this should be done while recognizing the necessity of retaining a career (not politically appointed) Chief Statistician, with requisite professional qualifications, who also assures that the clearance of survey instruments and questions is apolitical.

3. The Executive Branch should support the recommendations of the U.S. Commission on Evidence-Based Policymaking to help assure the widest possible access to federal statistics and administrative data under high standards of privacy and confidentiality.

Steps to help accomplish this include:

- ***Promoting the provisions of the Foundations for Evidence-Based Policymaking Act of 2018*** (which codifies roughly half of the recommendations made by the Commission)
- ***Supporting the work of the Advisory Committee on Data for Evidence Building,*** which will include recommendations for a National Secure Data Service to facilitate access to data for evidence building while ensuring privacy and transparency in how those data are used.

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- ***Implementing clearly defined standards for tiered access to federal data, whereby casual users are subject to high barriers for security reasons, while "sworn agents" of statistical agencies (including research collaborators outside the federal government) have less restrictive access.***

4. **Federal statistical agencies need to use lessons learned from statistical collection during the COVID-19 pandemic to propose, and the Executive Branch should examine and approve new ways of making standard statistical measurement protocols nimbler:**

U.S. statistical agencies have made admirable efforts to collect critical data under circumstances of unusually low response rates to statistical surveys. For example, the Bureau of Economic Analysis stepped up its use of credit card and other transactions data to measure consumer behavior. The Census Bureau managed quick, broad "pulse" surveys of households and businesses and the Bureau of Labor Statistics added COVID-19-related questions to the Current Population Survey. BLS also conducted a Business Response Survey to the Coronavirus Pandemic. Administrative data have additionally been re-programmed to generate new timely indicators (e.g., Business Formation Statistics from the Census Bureau).

To boost or refine such efforts, the new Administration should:

Require statistical agencies, perhaps in concert with FEMA and other agencies, to establish statistically valid emergency survey protocols, and empower emergency agencies to fund surveys, if needed.

The statistical agencies should also facilitate the private production of timely statistics by continuing or expanding the provision of data, such as the Current Population Survey income data, that have been used to measure the impact of the Coronavirus Aid, Relief, and Economic Security Act.

5. **The federal government should actively facilitate the involvement of the private sector in federal statistics, for the benefit of both public and private sectors.** In particular:

- ***The Executive Branch should create a government-wide, public institution to specify standards and negotiate terms for public-private data sharing partnership agreements, with special reference to official statistical units. Such standard agreements would protect the privacy and confidentiality of each party in a transparent manner;***
- ***Also create a trusted data center or network/process for the largest firms to provide data for use in federal survey programs—organic data, protected from lawsuits.*** *In exchange, firms could gain input into data collection and storage process decisions and possible other incentives.*

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- *Federal science agencies should consider using prizes to induce private investment in public statistical goods.*

6. **The Executive Branch and the Congress need to work together to develop fundamental processes and incentives that assure that federal statistical agencies, under sufficient privacy and confidentiality provisions, can access State administrative data for improved State and Federal statistics.**

    - *Enact legislation for access by statistical agencies to State records (e.g., for SNAP, Unemployment Insurance, etc.) that is accompanied by funding for States to modernize, enhance and curate their record systems.*

    - *Launch a research program at BLS aimed at developing an economic indicator from Unemployment Insurance data.*

7. **The Executive Branch and the Congress need to resolve critical problems resulting from the decentralized nature of the Federal Statistical System, which confounds accuracy and consistency.** For example:

    - ***The Treasury Department must support, and the Congress must revise, Title 26, the Internal Revenue Code, to codify data sharing among BEA, Census, and BLS as routine practice.*** *The consequential reconciliation of currently differing BLS and Census Bureau business registers will substantially improve the accuracy and comparability of major, economic statistics used for business and public policy decision-making.*

    - ***Appropriations should be made for a National Academies' Committee on National Statistics study of the advantages and disadvantages to the creation of a "Statistics USA" agency that consolidates into one agency, all or parts of the current 13 officially designated statistical agencies of the U.S.***

8. **The Commerce and Labor Departments should act in concert to ensure that the Bureau of the Census, Bureau of Labor Statistics, and Bureau of Economic Analysis upgrade and modernize standard official economic indicators and increase the timeliness and granularity of economic statistics generated by statistical agencies and/or created in collaboration with private sources.**

    - *Support research to maintain and update core economic statistics to the ever-changing economy through new classification systems, new methodologies, and new source data.*

    - *Support the deliberation and implementation of the Interagency Technical Working Group proposals on alternative poverty measures that would improve*

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income measurement by combining administrative and survey data and capture consumption using expenditure data.

- ***Support the release of the Interagency Technical Working Group proposals on inflation measurement for poverty and other historical series and the research it proposes***

- ***Support the development of new measures of economic well being through "satellite" accounts and other indicators that better measure the distribution of income and production and the sustainability of growth. Such accounts include comprehensive and integrated measures of the distribution of income and wealth, the sustainability of growth, and sectoral accounts for health, human capitol, bioeconomy, natural resources, oceans, energy, the environment, globalization, household production, small and minority business, retail trade, and travel and transportation.***

9. The Department of Agriculture must restore the viability of the Economic Research Service (ERS)

ERS is one of the 13 official statistical agencies of the United States. Located since its origination in 1961 in Washington, D.C near federal agricultural policy makers, a majority of its staff positions were relocated to Kansas City in 2018. Following the relocation, roughly 75-percent of the professional staff resigned or retired. More than two years after the relocation was announced, ERS has severe staff shortages, particularly in its ranks of senior analysts and management, and is facing substantial staff recruitment challenges. As a consequence, the agency's statistical programs have been abridged and federal and state governments are suffering from inadequate agricultural statistics generally, but especially statistics to inform rural development, food assistance and security, and agriculturally related natural resource conservation policies. While we do not have a specific recommendation for how the Department of Agriculture ameliorates these problems, we believe it needs to act swiftly and decisively to assess and resolve the challenges it faces as a result of ERS' decimation.

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