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THE ECONOMIC IMPACT OF ENDING OR REDUCING FUNDING FOR THE AMERICAN COMMUNITY SURVEY AND OTHER GOVERNMENT STATISTICS

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE
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THE ECONOMIC IMPACT OF ENDING OR REDUCING FUNDING FOR THE AMERICAN COMMUNITY SURVEY AND OTHER GOVERNMENT STATISTICS

TUESDAY, JUNE 19, 2012

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The committee met, pursuant to call, at 2:30 p.m., in Room 210, Cannon House Office Building, Hon. Carolyn B. Maloney presiding.

Representatives present: Maloney, Brady, Burgess, Campbell, Duffy, Mulvaney, and Cummings.

Staff present: Conor Carroll, Gail Cohen, Colleen Healy, Patrick Miller, Robert O'Quinn, and Christina Forsberg.

OPENING STATEMENT OF HON. CAROLYN B. MALONEY, A U.S. REPRESENTATIVE FROM NEW YORK

Representative Maloney. The meeting will come to order.

I am Congresswoman Carolyn Maloney, and I want to thank Chairman Casey for working with me to hold today's hearing. I wish we were having a hearing on job creation. Instead, we are having one on why the House voted to strip job creators of the tools they need to grow the Nation's economy, expand exports, and hold us in the government accountable for how well the country is doing.

Right now there is a concerted effort to cut funds for the Census Bureau and eliminate several of the vital surveys they conduct, or weaken them, by telling our nation that certain crucially important surveys should not be required for all of its citizens.

In studying this issue, I remember reading about what Representative James Madison said when he served in this House. He wrote, and I quote, "This kind of information all legislators and legislatures had wished for, but this kind of information had never been obtained in any country. If the plan were pursued in taking every future census, it would give Congress an opportunity of marking the progress of the society and distinguishing the growth of every interest," end quote.

This is not a fight about the funds for these surveys or the best return on the taxpayer investment—because I think we will hear today that it is. It is a fight over ideology. This is a slippery slope where ideological bullies threaten the trust, confidence, and independence of our nation's most critical statistics.

As we continue to compete in a world economy, it is imperative that we know how we are doing relative to other global economies. In our current economic times, it makes no sense to stop collecting such invaluable information that guides economic recovery and growth.

Let me be clear. The surveys that the House voted to eliminate are the best measurement of our nation's progress. The information from the American Community Survey and the Economic Census allow both the private and public sectors of our economy to be more efficient. And because we are more efficient, they allow us to be better able to compete globally and maintain our standard of living. It is that simple. Doing away with these surveys or weakening some by making them voluntary hurts the Nation and takes away a competitive advantage.

The American Community Survey is unique for its ability to produce annual economic and social data for the Nation down to the smallest geographic areas. Policymakers and Federal agencies use census information to distribute more than $450 billion in Federal funds to State and local governments based in whole or in part on ACS data. Local governments use ACS information to decide where to build new roads, schools, and hospitals. But it is not just government that uses this information. The private sector, the business community, the job creators use it to make assessments about local labor force, new markets, and customer needs.

The Economic Census also is under threat with funding cuts, meaning the 2012 effort would be halted even as the Bureau is ramping up to distribute the survey to thousands of businesses in the coming months. The Economic Census is the fundamental building block of the gross domestic product and national income and product accounts and is essential to accurately measuring industrial productivity, changes in price indexes, and annual and quarterly indicators of business activity.

In a letter this fall to the House and Senate appropriators, six former bipartisan Census Bureau directors noted that absent the 2012 Economic Census, public and private decision-makers would have to use a 2007 model of our country's economy until 2022. The former directors, who collectively led the Bureau for four decades, serving six Presidents from both political parties, stated, and I quote, "Going without a 2012 Economic Census in the midst of the worst recession in half a century is akin to turning off the country's economic GPS at the very moment that it is critically needed," end quote.

This is deja vu all over again. We had this debate when we were a new nation, and Madison and Jefferson strongly urged Congresses to put questions about age, gender, citizenship, occupation, manufacturing, and industry on census forms over 2 centuries ago. We had it again during the Eisenhower administration when Congress failed to fund the Economic Census, and the outcry gave us the 1954 act that mandated an Economic Census every 5 years. We had it again on the eve of the 1970 census, when Senator Ervin held 3 days of hearings about the long form.

Each time, Congresses came to their senses and turned to the census experts to professionally design the surveys and questions needed by the Nation in a manner that put the least burden on the

public. This time it is different, as the House has effectively defunded both the American Community Survey and the Economic Census without so much as a witness, let alone a hearing or a meaningful debate. This Congress should not be the first in history to deny itself the executive State and local governments and the Nation's business communities information that the Founders and every Congress since have judged essential for a growing, prosperous nation.

Today, we are trying to remedy that by hearing from some experts on the impacts of this stunning negative decision. My hope is that this hearing causes the Congress to reconsider its impulsive decision and that we act quickly to fully restore funding to these programs and give the job creators the tools we promised them and that we have provided as a nation for two centuries.

I yield back. And it is now my pleasure to recognize my good friend and colleague, Vice Chairman Brady, for up to 5 minutes or as much time as he may need.

[The prepared statement of Representative Maloney appears in the Submissions for the Record on page 28.]

OPENING STATEMENT OF HON. KEVIN BRADY, VICE CHAIRMAN, A U.S. REPRESENTATIVE FROM TEXAS

Representative Brady. Great.

And I join with Chairwoman Maloney in welcoming and thanking our witnesses for appearing today.

The Joint Economic Committee has a long history of interest in the accuracy, the relevance, and the timeliness of U.S. economic statistics. Washington relies upon these statistics to make policy decisions, and American job creators use these statistics to make employment and investment decisions.

I wish this hearing had been called to make a broader inquiry into the accuracy, relevance, and timeliness of all U.S. economic statistics instead of focusing merely on the American Community Survey. But since this committee is unlikely to have another opportunity during this Congress to explore how to rectify the deficiencies in U.S. economic statistics, Republican members of this committee will not confine our inquiry to solely the American Community Survey. Instead, the witnesses invited by our side of the aisle—Mr. Grant Aldonas, Dr. Keith Hall—will broadly explore how Congress and U.S. statistical agencies can work together to improve the quality of economic statistics for the benefit of the American people.

Frankly, this hearing is being held, as Carolyn Maloney pointed out, because the House of Representatives agreed to two amendments in the appropriations bills for fiscal year 2013 that cover the Census Bureau. One would prevent the Census Bureau from using funds to compel Americans to fill out the American Community Survey; the other would defund it altogether.

Compulsory participation in the American Community Survey is the number-one objection that lawmakers, and my constituents frankly, hear. In my opinion, this objection swayed the majority of the House on these two amendments concerning the Census Bureau.

Recognizing the importance of the statistics generated by the American Community Survey to economic decision-making by both governmental and private entities, I believe that there is a way forward. As former Commissioner Hall will testify, participation in the monthly Current Population Survey that generates the unemployment rate and other unemployment statistics is voluntary. The Bureau of Labor Statistics and the Census Bureau jointly designed the Current Population Survey in such a way as to generate accurate statistics on a voluntary basis.

If the Census Bureau were to make participation in the American Community Survey voluntary as well, rather than compulsory, I think most public opposition would disappear. The Bureau of Labor Statistics and the Census Bureau can jointly use a voluntary survey to obtain the necessary data from the Current Population Survey to generate accurate employment statistics, so why can't the able statisticians at the Census Bureau design a voluntary survey for the American Community Survey that would do the same?

Now, let me turn to other issues. I have long been concerned about the quality of our statistics measuring international trade and investment flows in the output of the services sector. For example, we cannot accurately count the number of jobs created by exports by sales for American goods and services. Moreover, we rely on outdated rules of origin that ignore the global supply chains of today, and we attribute, for example, all the value of an iPhone assembled in China as a Chinese export even though final assembly accounts for only 8 percent of that iPhone's total value.

From his experience as both Under Secretary for International Trade at the Department of Commerce and chief international trade counsel at the Senate Finance Committee, Mr. Aldonas will outline what steps Congress and the statistical agencies should take together to improve the quality of U.S. international trade and investment statistics.

Many statistical issues involve the price indices that are used to deflate gross service revenues into real services output. As a former commissioner of the Bureau of Labor Statistics, Dr. Hall will offer his suggestions on how to improve not only the quality of labor statistics but also the quality of price indices affecting the measurement of international trade and the real output of the services sector as well.

U.S. statistical agencies have a proud tradition of reporting economic data objectively regardless of the political ramifications for the incumbent administration. In the Green Jobs Act, however, Democrat leadership in Congress inserted an ill-defined and ill-conceived mandate for the Bureau of Labor Statistics to count green jobs.

This green jobs mandate, which I believe is a thinly disguised attempt to create a metric to support a policy agenda, reeks of politics. Something is not quite right when, as I understand it, green jobs include EPA bureaucrats and attorneys that are suing to block the construction of Keystone pipeline, a project that would create up to 20,000 jobs here in America and reduce our nation's dependence on unfriendly oil sources in the Middle East and Venezuela.

Is there any economically meaningful definition of a green job? As the official formerly charged with executing this mandate, Dr. Hall, I am eager to hear your opinion.

With that, Madam Chairwoman, I look forward to the testimony of today's witnesses.

Representative Maloney. I thank the gentleman for his statement.

[The prepared statement of Representative Brady appears in the Submissions for the Record on page 29.]

Representative Maloney. And I want to thank all the panelists for being here. And I would like to introduce them.

Mr. Kenneth Simonson is the chief economist for the Associated General Contractors of America. He is responsible for analyzing economic data and trends to advise the AGC's member companies about possible future effects on the nonresidential construction market. In addition, he is currently serving as vice president of the National Association for Business Economists. Prior to joining AGC, Mr. Simonson worked for 3 years as the senior economic advisor in the Office of Advocacy for the U.S. Small Business Administration and earlier as vice president and chief economist of the American Trucking Association. He is also cofounder of the Tax Economist Forum and has served on the board of the National Tax Association.

Dr. Andrew Reamer is research professor at George Washington University Institute of Public Policy. He focuses on policies that promote U.S. competitiveness, including economic statistics. He was previously a fellow at the Brookings Institute Metropolitan Policy Program and deputy director of its Urban Markets Initiative. He founded the Federal Data Project, which sought to improve the availability and accessibility of Federal socio and economic data for States, metropolitan areas, and cities. He also co-authored the policy brief that served as the basis for the Regional Innovation Program authorized by Congress in 2010. He currently is a nonresident senior fellow at Brookings.

The Honorable Keith Hall—and it is very good to see him again; I have sat through many presentations from Dr. Hall—he is a senior research fellow now at the George Mason University. He was previously the commissioner of labor statistics for the U.S. Department of Labor and was a frequent witness before this committee. Dr. Hall also served as chief economist for the White House Council of Economic Advisors for 2 years under President George W. Bush. Prior to that, he was chief economist for the U.S. Department of Commerce. Dr. Hall also spent 10 years at the U.S. International Trade Commission.

And the Honorable Grant Aldonas is the principal managing director of Split Rock International, a Washington-based consulting and investment advisory firm that he founded in 2006. He also serves as a senior advisor in international relations at the Center for Strategic and International Studies, a bipartisan nonprofit organization that conducts research and analysis and develops policy initiatives. Before founding Split Rock, Dr. Aldonas worked for the government, serving as the U.S. Under Secretary of Commerce for International Trade and as the chief international trade counsel for the Senate Finance Committee.

I welcome all of the panelists. And I look forward to the testimony, starting with Mr. Simonson.

STATEMENT OF MR. KENNETH D. SIMONSON, CHIEF ECONOMIST, ASSOCIATED GENERAL CONTRACTORS OF AMERICA, VICE PRESIDENT, NATIONAL ASSOCIATION FOR BUSINESS ECONOMICS, WASHINGTON, DC

Mr. Simonson. Thank you very much, Madam Chair and Vice Chair Brady. I commend you for holding this hearing on a very important topic that is not very glamorous but affects all of our lives and businesses.

I am Ken Simonson. I am the chief economist for the Associated General Contractors of America, the leading construction trade association. And our members perform every kind of construction other than single-family-home building. So they are intensely interested in the state of local and national economic conditions, demand from different sectors for different types of construction.

I am going to be testifying today principally in my other role as vice president of the National Association for Business Economics. That is a 2,500-member professional organization not just for people with "economist" in their title or their degree but anyone who is using economic information in the workplace. And I would like to illustrate the breadth of users of the American Community Survey and the Economic Census and speak a little bit about the effect that has already occurred from cuts in other census programs.

I also serve as a member of the Data Users Advisory Committee for the Bureau of Labor Statistics and have seen many presentations and discussions, sometimes quite vigorous, over what is the proper role of the statistical agencies, how can they best use their resources in order to achieve timely, useful information without undue cost or intrusiveness.

And I think that the Census Bureau is achieving those goals in large part in the way that it conducts the American Community Survey. As you know, that replaced the long form on the census, which asked many of the same questions but only once a decade to a much larger number of people. And by having a continuous, small but scientifically chosen random sample—and those words do go together; they are not in conflict—the American Community Survey does deliver very timely information that is used by an extremely wide variety of users.

In the case of my association, for instance, we use information from both the ACS and the Economic Census, either directly or filtered through other government statistical products, to identify the role of construction in each State's economy and the impact that a billion dollars invested in nonresidential construction would have in terms of generating construction jobs, indirect jobs from supplier industries, such as mining, manufacturing, and a variety of services, and then induce jobs throughout the economy as the workers and the owners in the construction and supplying businesses spend their additional wages and profits. Other trade associations use these two data products in a variety of ways to track the role that their industries are playing in the economy.

The ACS is also used by many of the 5,000 economic development agencies and organizations throughout the U.S. to answer in-

quiries from businesses that are considering locating here versus other parts of the world. For instance, Patrick Jankowski of the Greater Houston Partnership testified to Congress in March that Japanese companies looking to open a plant in the Houston area want to know the size of the Asian community, in order to have assurance that expatriate workers that they assign to Houston will be comfortable there. When a European company wants to open a research and development facility in Houston, they ask about the number of engineers and scientists that live in the region.

I don't think there is any other data source that could get into that kind of detail and timeliness to help make that sale. And they have repeatedly made that sale, not just in the Houston area but throughout communities across America.

The National Association for Business Economics had a conference just 2 weeks ago on the comeback of manufacturing in Cleveland, which is seeing a big revival of manufacturing. And having the information that we get from the ACS on a continuous basis and what we could garner from an Economic Census if it is conducted and processed and reported timely in the next 2 years will help that process.

Consultants also use the ACS for a variety of purposes. I heard from John Knox, an independent socioeconomic research consultant in Hawaii, about looking at ways of evaluating the success of science research programs in recruiting students or other personnel from under-represented minority groups in Hawaii. And other researchers and institutes around the country likewise use that kind of socio-demographic information for their own communities and for identifying the most effective ways to put in place programs of assistance.

The associations also produce snapshots of their local housing markets. The National Association of Home Builders, for instance, does that for hundreds of housing markets around the country. And the use of the American Community Survey provides really the only source of data that can be used to provide housing and demographic data for individual congressional districts, as NAHB and other associations, other NABE members pointed out to me.

In addition to these products, the Census Bureau has had to discontinue a couple of other valuable series. In the case of my industry, the Survey of Residential Alterations and Repairs was something that contributed to a measure of how much construction activity is happening at any one time. In fact, the best guess the Census can make now is that residential improvements, as they call it, has been the biggest piece of residential construction and bigger than any single nonresidential segment for several years.

Representative Maloney. If you could please sum up. You are already over your 5-minute limit, and we can read it in the record. But if you could sum up now quickly.

Mr. Simonson. Yes, absolutely.

I believe that the ACS and the Economic Census are indispensable and there is no adequate replacement for them in the private sector or by making them voluntary.

Representative Maloney. Thank you.

[The prepared statement of Mr. Kenneth D. Simonson appears in the Submissions for the Record on page 31.]

Representative Maloney. Dr. Reamer.

STATEMENT OF DR. ANDREW REAMER, RESEARCH PROFESSOR, GEORGE WASHINGTON UNIVERSITY INSTITUTE OF PUBLIC POLICY, WASHINGTON, DC

Dr. Reamer. Congresswoman Maloney, Vice Chairman Brady, and members of the committee, I appreciate the opportunity to speak to you today about the economic impacts of insufficient funding for Federal economic statistics, including the American Community Survey and the 2012 Economic Census.

By way of background, in the first 20 years of my professional career I founded and managed two regional economic development consulting organizations. We worked with public- and private-sector leaders in cities and States across the U.S., including the States represented by most members of this committee, to help them understand their region's economic competitiveness, its strengths and weaknesses, and develop collaborative strategies to boost their area's competitive position. It was clear from that work over 2 decades that current accurate statistics are critical to economic development and job creation, because you need to understand what economic performance is, what economic structure is, and what the economic resources are that drive that performance and make that structure competitive.

From my experience, I know that the Federal Government is essentially an irreplaceable provider of such statistics. I will tell you why, very briefly.

A month ago, I hosted a 2-day data fair at the George Washington University called Innovative Data Sources for Regional Economic Analysis. We had 50 exhibitors from the Federal sector, the private sector, such as Google, Amazon, Microsoft, S&P, Moody's, and academia and nonprofits like Brookings—50 exhibitors, over 200 participants. Given the incredible recent expansion of information technology capacity and advances in statistical methodologies, the idea was to have people get acquainted with the different new types of data sets that are available, make connections across sectors, and start a conversation about what the proper allocation of roles are between the Federal Government and the private sector regarding economic statistics.

As one result, people were very happy with the fair and a number of collaborative efforts developed between Federal agencies and some of the private organizations that I mentioned to pursue projects in common.

In conversations with the non-Federal organizations, they readily admit that they could not and do not want to collect the data that the Federal Government does. Rather, they see opportunities to add value to Federal data, sell their unique data to the Federal Government, integrate—and that is actually happening now—and enhance access to Federal data through Web-based data platforms.

The Federal Government has an essential role to play in the production of statistics that lead to better decisions regarding the economy and competitiveness because data are a classic, what economists call, public good; that they are under produced because they are freely available and it is often the case that the private

sector cannot get the full price that the societal benefits of data access would suggest.

As full data are necessary for the efficient operation of markets, so the Federal Government has a role in addressing information market failure. Only the Federal Government has the financial resources, the authority, and the motivation to produce data that are objective, reliable, and relevant to policy needs consistent over space and time and freely available to multiple users. And they are critical for helping the public hold their political elected officials accountable.

The total cost of the economic statistics budget is less than $2 billion a year to cover a $14 trillion economy—the cost of about four F–22 jets. And so the Federal statistical system is a very effective, adaptable mechanism for addressing information market failure at low cost and with economic and fiscal returns orders of magnitude greater than taxpayer investment. The private sector does not have the capability to produce data of similar reliability and usefulness.

Vice Chair Brady, I am pleased to hear your interest in the broader array of economic statistics. In my testimony, there are two stories about unreliable GDP data and unreliable current employment statistics data at the State level because of the unwillingness of Congress to provide 8 million bucks to the Census Bureau to capture regular data on the services industries regarding GDP and the flat-lining of Federal Monies going to State partners in labor market information, resulting in the diminution of skills at the State level and causing problems with the current employment statistics system of the like that we just saw in the Wisconsin recall election. You might be familiar with the difference of opinion between Wisconsin Republicans and Democrats regarding that state's economic performance in 2011.

With regard to the American Community Survey, each of you has a packet that I put together with data on your district from the American Community Survey. As Congresswoman Maloney said, the notion of collecting data beyond bare enumeration has been with us since James Madison, the father of the Constitution, proposed it in the first Congress, Thomas Jefferson for the second census, and then Presidents and Congresses from there on. President Grant complained about 1870 census data being out of date by 1875.

More than a century later, the American Community Survey came into being to provide annually updated data as proposed by President Bush. ACS data, and the long-form data before them, are essential ingredients for the functioning of the public and the private sectors in the U.S. economy. They are the building blocks for Federal statistical and population estimates, the boundaries of metropolitan areas, State and local per capita income. They are the building blocks for State restraints on taxes and spending. Half the States have restraints on tax and spending that are based on data from the ACS. They are essential for——

Representative Maloney. Will the gentleman sum up? He is 2 minutes over.

Dr. Reamer. Sure. They are essential for legislative redistricting and business decision-making. Medicaid reimbursement, quarter of a trillion dollars a year, is dependent on the ACS.

A voluntary ACS is not viable, it won't produce reliable data. There are ways to address the issues raised by the House without making the ACS voluntary; I would be pleased to talk about them.

Regarding the Economic Census, I would echo Congresswoman Maloney's point that it is essential for developing accurate quarterly and annual economic statistics for the Nation and the States. And without the 2012 Economic Census, we would be in the dark about the true state of our economy until the beginning of the next decade.

Representative Maloney. Thank you.

[The prepared statement of Dr. Andrew Reamer appears in the Submissions for the Record on page 38.]

Representative Maloney. Dr. Hall.

STATEMENT OF THE HON. KEITH HALL, SENIOR RESEARCH FELLOW, MERCATUS CENTER, GEORGE MASON UNIVERSITY, FORMER COMMISSIONER, BUREAU OF LABOR STATISTICS, ARLINGTON, VA

Dr. Hall. Congresswoman Maloney, Vice Chairman Brady, and members of the committee, thank you for the chance to discuss the economic statistics produced by the Federal statistical system. In my testimony, I will talk briefly about some of the challenges that the current system is struggling to meet and then mention a handful of specific inadequacies in data coverage.

Federal economic statistics are important for both policymakers and the public. The reason is simple: Good information allows good decisions. Relevant, accurate, and credible economic data plays much the same infrastructure role for the economy as physical infrastructure like a highway system.

The challenges facing Federal statistical agencies are significant and many. Like physical infrastructure, statistical systems become obsolete over time as the nature and scope of economic activities by businesses and households are becoming increasingly complex. While this is a great challenge, especially in times of tight budgets, it is also a great opportunity. Federal statistical agencies need to recognize this opportunity and take advantage of the changes brought about by technology. This can not only lead to improved economic data but a significant reduction in the burdens that they impose upon the survey respondents.

First, agencies need to modernize their data collection to better reflect how households and businesses store and use information. This is, to a large degree, simply taking advantage of data that is already collected. This can be done in a number of ways. They need to continue to find and use existing administrative records whenever possible. For example, the Current Employment Statistics program at the Bureau of Labor Statistics takes advantage of unemployment insurance records that companies are required to maintain.

Agencies also need to find more ways to use existing electronic records already kept by private companies. For example, the Consumer Price Index Program is researching the use of electronic

price information held by corporations. This could potentially replace the use of data collectors that still today walk into a store, pick up an item for sale, and write down its price.

Agencies need to make a serious effort to match businesses across different data surveys so that survey responses can be shared. This could significantly reduce redundancy in surveys.

Agencies need to coordinate the data collection from large corporations. Just two-tenths of 1 percent of firms employ 40 percent of the private-sector workers in the United States. Agencies could get together, identify a core set of measurable objectives, and negotiate with a relatively small number of firms to get data into a single survey. And agencies could begin to replace personal visits to both companies and households with online interviews so we reduce the agency travel costs.

Second, agencies need to improve their use of technology by sharing computer information systems. Large statistical agencies have a number of independent statistical programs, each with its own budget and each with its own independent IT system, for data collection and processing. This creates a significant amount of redundancy and raises their overhead costs. Similar redundancy exists between smaller agencies that each have their own information system and do not share a common IT platform with each other.

And third, statistical agencies need to modernize the data dissemination. Often, agencies don't seem to realize that the data they collect and analyze belongs to the taxpayers that footed the bill. They need to make sure that their information is available to everyone and that that information is in an understandable and usable form. In general, they need to improve their Web sites and pool data with other agencies at online data warehouses. Agencies also need to encourage and coordinate more with the private sector in the creation of tools like Google's Public Data Explorer.

In addition to the challenges faced by most statistical agencies, there remain a great many inadequacies in the coverage and quality of statistical data. I discussed a few in my written testimony, and I will mention just two here.

First, there is a significant gap in the level of detail available in data-owning services. For decades, the statistical system focused primarily on goods, yet the service sector is now responsible for over 80 percent of total U.S. employment and for the past several decades 100 percent of job growth. And for the first time ever, more than half of the job loss in the recession, in the great recession, was in services.

Lastly, I want to mention difficulties with the unemployment rate. The unemployment rate primarily serves as a measure of labor market slack—that is, it should indicate how much current employment falls short of the supply of labor. However, the U.S., like most other countries, has a very narrow definition of the unemployed. Only those completely without work and actively seeking employment are counted. It is often the case during recessions that many of the jobless become discouraged and don't actively look for work. Because of this inactivity, they are not considered unemployed, and the accuracy of the unemployment rate as a measure of labor market slack declines.

The problem with the unemployment rate has never been worse than it is now. To give you some idea of the problem, a simple calculation can be done. If we had 63 percent of the population in the labor force, as before the recession, and all those people were counted as part of the labor supply, there would be an additional 5 million people counted as unemployed. This would raise the unemployment rate a full 3 percentage points to about 11.3 percent, and that would be the highest unemployment rate ever recorded by the Bureau of Labor Statistics.

Thank you.

Representative Maloney. Thank you. That is startling. Thank you.

[The prepared statement of Hon. Keith Hall appears in the Submissions for the Record on page 52.]

Representative Maloney. Mr. Aldonas.

STATEMENT OF THE HON. GRANT D. ALDONAS, PRINCIPAL MANAGING DIRECTOR, SPLIT ROCK INTERNATIONAL, WASHINGTON, DC

Mr. Aldonas. Thank you, Congresswoman Maloney and thank you, Vice Chairman Brady. I would ask that my full statement be entered into the record. I will summarize it here.

My mother always said to me when I was a kid that the surest way to get the wrong answer was to ask the wrong question. And what I feel we have been doing is asking the wrong question.

Both when I was on the Finance Committee as the chief international trade counsel and when I was Under Secretary of Commerce, what I realized was, although I depended on a lot of the great work that Keith did in the Bureau of Economic Analysis, that in the part of the world that we were responsible for in terms of trade statistics, we had learned how to calculate the static effect of a tariff change to four or five decimal points in a world where the pace of economic change was accelerating and the dynamics were what mattered. In other words, we had perfected the technique right when it was no longer needed.

The reality is, in the world of international trade we live in today, time to market is far more important than the static effect of tariff changes, but it is not something we measure. And to give you a sense of what that implies is that, while we are discussing the two surveys, even accepting what the other witnesses have said, it pales by comparison to the idea that we are undercounting our services exports by 30 percent. It would offer a totally different perspective about trade policy, international income accounts, in terms of what drives job creation, if we had that information.

If you looked hard at how we create value in this country and how value is created in the global economy, it would fundamentally alter the way you thought about our tax code, the question of tax reform, what we would do in terms of trying to encourage job creation, and create the right kind of environment at this point. None of those questions are actually answered or addressed by the surveys that we have in hand. But they are far larger in terms of their actual implications for whether Americans can create their own economic future than anything in the existing surveys at this point.

What I really would like to focus on is what we should measure. And here I just want to come back to the chairwoman's fundamental question. There are two great values in American society. One is individual liberty; the other is equality of opportunity. The sad reality is that we don't have a measure of either. If, in fact, you are serious about what you want to do, then I think this is the time to use the opportunity that the House bill has created to have a serious discussion about how we do measure individual freedom and how we do measure our progress toward equality of opportunity. What I would suggest is that knowing the average commuting time of a white male over 55 in a one-ton pickup is not going to inform our judgment about either of those two values or our progress toward those great American goals.

Turning to the specifics of the surveys, I just want to make couple of points, which really are, I think, fairly straightforward. The census does a great job, in my estimation, of every time they look at a survey and, every time they look at the census, they ask themselves hard questions. And I think they need to do that with you, with the committee, and with the Congress. You are the representatives of the people; they certainly are trying to carry out your will. But in doing that, it is time for a fundamental rethink. And I think that is true both because of the questions we need to answer in the economic challenges we face, but also because of the cost implicit in collecting the data and the cost imposed on individuals who have to respond.

So, what I would suggest is a simple three-part test. First, I think both you and the Census should explore whether there are alternatives available that would eliminate the need for the surveys in whole or in part.

Second, where there is no alternative to the government collecting the data, along the lines Keith was suggesting, explore whether government could acquire such information by other less costly means.

A good example is that many of the questions in the personal survey in the ACS relate to your veterans disability benefits. The reality is the Department of Veterans Affairs has that information. There is no need to be asking that as a part of the survey. The same thing happens with the IRS. There is even a question that asks you your opinion about value of your home, rather than actually looking at prices in the market for which they are sold. There really is no need for that question, to be honest. It doesn't actually inform either economic policymakers, or, as I certainly can attest from my own experience in business, does it actually inform the judgment of an economic actor in the marketplace.

The last point, I would say, is that you should ask the Census to reassess the reasons for asking certain information, with a view to limiting the cost and burden of reporting in those instances where there is no other alternative to a survey either from public or private sources.

So my point is not to suggest that the ACS and the Economic Census don't provide data of considerable value. Rather, it is to suggest that there are certain instances where the juice certainly isn't worth the squeeze in terms of the information those surveys provide. The fact of the matter is, what we ought to be doing is try-

ing to reduce the impact on the average American citizen in trying to cut the budget at the same time as we are trying to accomplish the data needs that you have to have as policymakers.

Thank you.

Representative Maloney. Thank you.

[The prepared statement of Hon. Grant D. Aldonas appears in the Submissions for the Record on page 56.]

Representative Maloney. I want to thank all the panelists for their statement.

And before we begin, I would like to ask for unanimous consent to include Mr. Barabba's testimony in the record. Due to a medical emergency, he was unable to attend today's hearing. And also the letter from the prior census directors.

[The prepared statement of Hon. Vincent P. Barabba appears in the Submissions for the Record on page 67.]

[Letter dated October 27, 2011, to Hon. Frank Wolf appears in the Submissions for the Record on page 70.]

Representative Maloney. I would first like to question Professor Andrew Reamer of the George Washington Institute of Public Policy.

In your personal testimony, in your prepared testimony on page 9, I would like to quote: "Further and quite importantly, the termination of the ACS would cheer our nation's economic competitors, including China and India, who know full well that without the ACS, U.S.-based businesses would be flying blind," end quote.

Could you elaborate on this? And are you saying that if the Congress did end the ACS or make it voluntary, that we would be helping economic competitors like China and India and others?

Dr. Reamer. Yes.

China is in a difficult place because it has basically funded our deficit for the last decade, so it doesn't want us to do too badly because it needs to get paid back.

U.S. businesses use the American Community Survey to site locations of business operations on the basis of the characteristics of the workforce—educational attainment, languages spoken, age, the type of degree somebody has—and the commute times, the relationship between where people live and where they work. Businesses that compete internationally, whether U.S.-based corporations or international corporations, and are looking to build a plant here, rely on the ACS data for site location and site comparison.

So the ability of the U.S. to attract and keep businesses that are competitive internationally would be harmed by the absence of the ACS.

Representative Maloney. And when the amendment to defund the ACS or make it voluntary was debated, many of my colleagues stated that the ACS was unconstitutional. In your opinion, is that correct?

Dr. Reamer. I am not a constitutional lawyer, but it sounds like the Members of the House who said they are substituting their opinion for that of James Madison, who is known as the father of the Constitution.

Representative Maloney. And Jefferson.

Dr. Reamer. And Jefferson as the father of the Declaration of Independence, who both—from the get-go, you have Congressman

Madison on the floor of the House in February of 1790 saying, we need to go beyond bare enumeration to collect information that can help us understand the needs of the population and economic conditions and so guide public policy.

Representative Maloney. And, also, could you respond to my dear friend and colleague's statement that this should be voluntary? What is your response, Dr. Reamer and Mr. Simonson?

Dr. Reamer. Regarding voluntary, about 10 years ago Congress, I think it was actually the House, asked the Census Bureau to look at what the impacts on cost and data reliability would be if the ACS went from mandatory to voluntary, and it got back results. The results were updated in a memo the Census Bureau published last July. In that it said the response rate would fall by 20 percentage points, and as a result, to get the same level of reliability, the Census Bureau would have to expand the sample significantly and/or do more household nonresponse follow-up.

I know one of the complaints of constituents is that they don't like the Census Bureau calling them and knocking on their door. Well, with a fall in 20 percentage points in response, there would be more of that. And the cost of this extra effort would be millions of dollars.

If nothing is done, then the reliability of the data are destroyed. Essentially, they would be useless. So Congress and taxpayers would have spent billions of dollars over more than a decade on the ACS, and that data would be useless. You could no longer do time series. Unlike the long form, which gives neighborhood data for 1 year, the ACS neighborhood data is 5-year average. If you lose a year, you can't do the averages.

Representative Maloney. Mr. Simonson, would you like to comment?

Mr. Simonson. I agree with everything Dr. Reamer said about that, that making it voluntary would drive up the cost, and even then you would not have the same quality of data. And I think the additional burden on those who are asked to respond would be greater than through the process that we have now.

Representative Maloney. Okay. Thank you.

Mr. Brady.

Representative Brady. Good points.

I think the American Community Survey is important. I think it can be even more accurate. And with a little work, we could remove the objections of compulsory compliance as we do with the Current Population Survey, designed where it receives almost a 93 percent response rate. It is accurate. We use it to rely upon both national and State and from data and the information, as well as critical data for our 12 largest metropolitan areas—all done voluntarily.

So I think, thank goodness the Census Bureau wasn't listening to this advice we hear today, because they actually came together, working with Congress and together, to develop a survey that works for everybody.

I want to follow up a point. Dr. Hall made a great point. Good information creates good decisions. And Mr. Aldonas followed up with that, as well.

My frustration has been that, in this ever-changing world, as hard as they have tried, we have not been able to stay up to date

in the data of this world. My frustration—and Dr. Hall has heard me say before, it is frustrating that we can follow a job created at the local pub but not one created through international trade, which is a huge part of our economy. And Mr. Aldonas has heard me whine that we continue, policymakers continue to get information on whoever shipped the last product to us rather than the global supply chain that created that product, which may have started in a small town in Iowa, you know, moved through several countries, only added value at the last stop, and will come back with 80 percent of U.S. content. U.S. lawmakers and policymakers are in the dark about that.

So I want to follow up with that point. You made the point, 30 percent of our services sector is consistently undercounted. Yet the exports from China—the current trade statistics overestimate the value of manufactured goods from China. You have made the point that the current trade statistics don't capture the shift to date, the global supply chain and the growing share of trade in your immediate goods.

And so I guess my point to you, a broader one, is it looks like we have a lot of work to remedy the outdated and flawed assumptions at the core of some of our economic data. What approach would you take in order to correct these assumptions? What approach would you recommend we take to work with these agencies to come up with the data that actually inform, as Dr. Hall has said, good decisions?

Mr. Aldonas. Thank you very much for the question.

One thing I would like to pick up from what Keith said is that there is a wealth of information that companies do provide to you—tax returns, security filings, and a variety of databases that can be used to develop some of the information asked for in the survey. But the other thing is to actually look harder at how you measure transaction costs, which we don't do well. We don't actually do a very good job of measuring the information barriers that prevent a small business from trying to find a buyer, whether that buyer is a company in the United States that is going to pull them through into global markets or whether it is through an export sale at arm's length. So trying to get a better grasp on what the real barriers are from the perspective of trade would be the most important thing to start out with.

Second, I am surprised by the comments from some of the other folks on the panel, Vice Chairman Brady, about how businesses make decisions. I have to say, honestly, I would prefer to see that there was more information available about the things that actually drive business decisions. Those things are generally price and what the local market is. But, I have advised investors over a lifetime, and the reality is I have never used the ACS, to be honest with you, to advise an investor. I have never had an investor actually use the ACS to determine whether they were going to make an investment. What that says to me is that we are not actually feeding decisions of the economic actors in the market place.

On the international side, if I said we needed to know more about a market, my interest would be to say, what are the points of access into that market? That means trying to find out from American companies what their approach is in terms of their sales.

Is it a sale to, at arm's length? Or is it a sale through—as my great friend Jim Zawacki in Grand Rapids said, he would never export to Japan; he exports to a country called Toyota Land. If that is the route, we need to know more about the barriers to reaching the market through Toyota, not simply counting the stuff that is crossing the border when it comes to customs.

Representative Brady. Good. Thank you.

And, Dr. Hall, would you comment broadly, advice to us to try to more accurately capture the global supply chain in the economic activity?

Dr. Hall. Well, sure. One of the big challenges on services in general—certainly it is with trade—is pricing, trying to price services. And services has particular problems with pricing, the BLS has particular challenges with it. There has been some progress, but there is still a lot of progress that needs to be done.

I can tell you, for example, that import prices that are collected by the Bureau of Labor Statistics, the BLS, in fact, has had reductions in budgets, so in fact the coverage of services has now actually declined over the last number of years, and a lot of detail in that has been lost. I think that is significant. Just pricing even domestically for services I think is a real challenge.

Let me point out another thing, too. This focus on services, it is sort of an unrelated issue, but we are all used to thinking about trade deficits. The U.S. has a trade deficit. In services, the U.S. has a surplus and has had a surplus for years. The U.S. is widely recognized as having a comparative advantage in services. And services remain the most protected worldwide—goods and services—that is where all the future trade globalization comes, is in services, not in goods.

Representative Brady. Thank you, sir.

Madam Chairman.

Representative Maloney. And, Dr. Burgess, nice to see you again.

Representative Burgess. I want to thank our witnesses for being here.

I just have to share with you, I was home in my district last week doing town-halls. Had my obligatory meeting with my county medical society. Of course, you might imagine what they were all exercised about. But one fellow came up to me, stuck the American Community Survey under my nose, and said, how dare you require this type of information from me under penalty of, I guess, fine. Is that right? Somebody gets fined if they don't do this? Do we know what the fine is for not filling this thing out? I am told by staff it is $5,000.

Dr. Reamer. Yes, up to $5,000. And it has not been enforced for half a century. I mean, it has not been—there has not been a case brought to court in half a century.

Mr. Aldonas. Although a misstatement of information on that form is a Federal felony.

Representative Burgess. And a $10,000 fine.

Mr. Aldonas. Yes.

Representative Burgess. So that is a pretty hefty load for someone to carry. And yet you look at the information, I could see why this doctor was upset. I mean, there is a lot of personal infor-

mation. You get name, you got address, you got age, you got birth date, all the family members' or household members' names, ages, and birth dates, telephone number. I mean, a passably good identity thief would be able to construct a fairly good alter ego of this person just with the information that is being disclosed on the government form.

So, I mean, people are nervous about drones looking in their backyard on their cattle herd. I can well understand why someone is concerned about—at the point of government intrusion, having to give up this information.

So I share with Mr. Brady the observation that there may well be a way to get this information, the information may be important. But, certainly, the way we are going about it has got people rocked back on their heels, and they are resisting.

Look, we have an approval rating of 8 percent in the United States Congress. No one trusts us to do anything anyway. Why are they going to trust us with this type of information? And the whole concept of mistrust of government is something that has been obviously generated over some time, but this doesn't help.

Dr. Hall, we just had a big hearing in our Oversight Investigations Subcommittee on Energy and Commerce this morning, all morning long, on green jobs. Can you tell us what a green job is?

Dr. Hall. Sure. I can tell you what the Bureau of Labor Statistics did in defining a green job.

One of the things that BLS encountered is that there are lots and lots of definitions of green jobs, and there is not very much agreement as to what should be green and what should not be green. But the approach that was taken in the Green Goods and Services survey, which identifies output that is green and counts the number of jobs that are associated with it—let me just say, most occupations in those industries are normal occupations. You know, there is nothing special about them. Somebody who works pouring concrete in a windmill and somebody who works pouring concrete in a foundation, that is the same sort of job. There is nothing special about green jobs in that way.

My concern a little bit with green jobs comes with putting my economist hat on. When BLS designed this program, the biggest reservation I had personally, as an economist, was how this data was going to be used. I don't think the data should be used as a count of green jobs. It doesn't really mean much to come up with a definition of green jobs and just count it.

In fact, I have problems with the idea that regulation might be viewed as a jobs program. What is important about green is the output, not the jobs. It is somewhat ridiculous to view it as a jobs program. And if it is worth doing, if green regulation is worth doing, it is because of the output, you are getting an output that is valuable, not because it is a hiring program.

Representative Burgess. If I could just stop you there, we heard testimony this morning from an economist named Dr. Green, ironically, that the tradeoff for green jobs in various economies looked at across the world—in Italy, two jobs were given up, two regular jobs were given up for every green job created—no, I beg your pardon, that was Spain. Italy, it was seven jobs lost for every green job created. In England, I think it was 3½. So there is actu-

ally a toll on jobs by taking the money from the private sector and putting it into these activities.

I mean, you ended up your testimony—I got to admit, you woke me up. You said unemployment is never worse than it is now, but if it were accurately reported it would be 3 percentage points higher? Is that what you said?

Dr. Hall. If we had a better measure of labor supply, I think it would probably be up in that range, yes.

Representative Burgess. I mean, that is pretty startling information. So, part of our activity is killing the very activity that we want to enhance. It makes no sense to continue doing it.

Dr. Hall. Well, that is true. And you have touched upon my other problem with counting green jobs, is that it is only counting half the story.

Representative Maloney. The gentleman's time has expired.

Mr. Mulvaney.

Representative Mulvaney. Thank you, Madam Chair.

I want to explore two different things, things that have been touched on by the previous Members, but I want to explore it a little bit. Because the questions that I wanted to start with have already been asked, which is, why isn't it voluntary?

I don't think anybody is making the argument here today that this is part of our constitutional obligation. The American Community Survey goes beyond what is required of Congress in Article I, section 2.3, where we have to count everybody for purposes of doing representative government. So I think everybody recognizes the fact that this is not part of our constitutional obligation but that we do it because it has a certain value.

And I think, Dr. Reamer, it was you who said that the reason it can't be voluntary is that the response rate would drop 20 percent and that the quality of the data might go down, the cost would go up. And I think that was the result of a congressional inquiry or a congressional study. So, really, what we have it boiled down to is it is not voluntary because it would be more expensive if it were voluntary. Is that fair? And the data might not be as helpful.

And I am just wondering, gentlemen, if you are aware of the ramifications of taking that particular position. And once you start to say, look, we want to make the American people do something because it will be cheaper for us to run the government if we make them do something, then tell me how we are supposed to run the government and have a society like we have had for the last couple years, or last couple centuries? I mean, it would be cheaper for Medicare if we made everybody exercise. It would. It would be cheaper to do national defense if we made everybody serve in the Army or the Navy. It might be cheaper for law enforcement if we made everybody register their guns and their bullets. But we don't do that.

So tell me, Dr. Reamer, why is data so much more important than health? And why is it a felony to lie on this report but not a felony to eat a Big Mac?

Dr. Reamer. Let's see. So, several things. One is that the mandatory nature of the American Community Survey you can directly trace back to the mandatory nature of the census since 1790. Congressman Webster's soundbite regarding his pleasure at the House

vote was that it saved the country $2.4 billion over 10 years. So Mr. Webster was making the case that it was about saving money. He didn't really talk about the uses of the ACS. I am glad that you are. It——

Representative Mulvaney. Well, we will get to that in a second, but I was trying to explore that part of it first.

Dr. Reamer. Sure, sure.

It is certainly up to Congress to make a decision—it is Congress that passed the law and has kept the law for 2 centuries about the mandatory response. Congress can change the law and make it voluntary and be prepared to spend the extra money.

The amount of money involved in economic statistics is so teeny, it is dust on the Federal budget. So we are not talking much money here. But Congress is very reluctant to spend, you know, seven figures for data and is willing to tolerate waste in many, many other areas. So——

Representative Mulvaney. But you are making the argument it is actually cheaper to leave it voluntary. And I am just trying to——

Dr. Reamer. No. No. It is not cheaper——

Representative Mulvaney. Excuse me, that it is cheaper to leave it as mandatory.

Dr. Reamer. The point is that the amount of money involved is so teeny that we are talking nickels here at a Federal level. So it is up to Congress, if it wants to make the survey voluntary and spend the extra hundred million bucks a year, to design a survey that has the same reliability.

Now, I will take issue with the vice chairman's point that because the CPS is voluntary we can make the ACS voluntary. The CPS sample is what, 60,000 households? The American Community Survey sample is 3.5 million a year, okay? Sixty thousand versus 3 million. You can have a lot of leeway with a survey where you are asking 60,000 households around a nation of 314 million people to get data for the Nation and for some big States.

The purpose of the ACS is to produce data at the neighborhood level. And, therefore, to get decent information on the characteristics of the constituents of your district, of your district, you need a large enough sample and reliable data to make that happen.

Representative Mulvaney. I understand how statistics work, and I hope we do get a chance to do a second round. But what I am hearing is that you have no philosophical objection to voluntary participation; it is just a question of cost. But we will return to that in a second round.

Dr. Reamer. Yes. So I am interested in the ends; I am very open to the means. I think this is an issue for oversight rather than appropriations, and that there are ways to reduce the public angst about the ACS other than making it voluntary. And I am happy to discuss those if you want to ask me that question.

Representative Mulvaney. I can't because I am out of time.

Dr. Reamer. Okay. But somebody can.

Representative Maloney. Thank you for your testimony.

And, Dr. Hall, if the ACS and the Economic Census were not funded, would or could the private sector step in to fill the void? What is your opinion?

Dr. Hall. Yes, I think the private sector would have a difficult time stepping in to fill the void. That is true.

Representative Maloney. And would the private sector provide information uniformly across the country, including the rural area of the country? Would businesses and policymakers be able to compare the information in different geographic areas?

Dr. Hall. No, it is certainly true, that is a real value of government statistics, is that you know the government has no agenda——

Representative Maloney. Uh-huh.

Dr. Hall [continuing]. And you know that there is a standard of quality in the government data.

Representative Maloney. I would like to ask all the panel members two questions, with a yes-or-no answer.

Do you think that Congress eliminating the ACS is a good idea?

Mr. Simonson. No.

Dr. Reamer. No.

Dr. Hall. No.

Mr. Aldonas. Yes and no.

Representative Maloney. Okay.

And the second question is, do you believe that the Economic Census should be funded? Yes or no.

Mr. Simonson. Yes.

Dr. Reamer. Yes.

Dr. Hall. Yes.

Mr. Aldonas. Up to a point.

Representative Maloney. And what happens—I would like to ask Dr. Hall, but if anybody else would like to comment, fine—what happens when we eliminate a statistical program? If a program is eliminated, can we make up the lost months and years of data? Or are the investments we have already made in these programs made useless?

Dr. Hall. Yes, destruction of data is a real problem because a lot of the use of data is not just seeing a data point but seeing how it has changed over time.

Representative Maloney. And we are still in the middle of a debate on health care. And do you believe that the data that we have at this moment gives the accurate assessment of the number of un- and under-insured?

Again, Dr. Hall, since you have worked in this area for so many years, and then anyone else who would like to comment.

Dr. Hall. Well, I believe probably the most complete data is through government provision of health insurance. And that is collected, actually, at the Bureau of Labor Statistics.

Representative Maloney. And how does the data collection collected by the ACS help medical research?

Mr. Simonson or Dr. Reamer.

Dr. Reamer. Help medical research, let me think about that one.

Well, it certainly, back to the issue—so I will think about that as I am talking—back to the issue of health insurance, the CPS—again, those data are very high levels of geography. And the value of the ACS is that we can tell how many people in each of your districts do not have health insurance and what kind of health in-

surance they have if they do. So that, I think, is, again, very valuable to understand at a very small geographic level how people are doing in terms of health insurance coverage.

On the question about medical research, there is a question on the ACS that has been there since 1850 in various forms about disability. And so there are, I guess, opportunities for clinical trials—I am making this up because I have no idea if medical researchers do this. But different populations, there are certain concentrations of certain kinds of medical problems in certain locations. And they may be looking for a community that has a certain kind of problem.

Representative Maloney. And how does the information collected by the Economic Census affect statistics on how the economy is faring? And will we have accurate statistics on output if we can't benchmark the economy every 5 years?

Mr. Simonson. No. I think that we have seen many examples of rapid shifts in the economy that the statistical agencies haven't been able to keep up with because there is isn't a benchmark survey. Ideally, we would want the level of detail that is gathered from the Economic Census more frequently than every 5 years. And it would be a big blow to have that go away for a 10-year period or until 2020 or beyond. So I think that is essential.

In terms of whether the government should do this and should it be mandatory, personally I find it much more intrusive to have private surveyors calling me up every week, it seems, and putting emails in front of me asking for information several times a day than a government survey which I know is going out to a fair distribution of the population and will be used objectively and will be made publicly available and not just for the benefit of some client of the callers taking up my time.

So, like jury duty, I think it is an obligation of being a citizen in a democracy or being a business that operates under a system that provides a lot of liberty and protection of property to give something back in this nature.

Representative Maloney. Thank you very much.

Mr. Brady.

Representative Brady. Two quick points. And I know a lot of constitutional history has been cited today, but just fact-check: American Community Survey began in 2005. Unless Thomas Jefferson figured out a way to text us some real key messages, this is not a constitutional issue. It is about how best to actually survey and acquire accurate, timely, reliable data in a way that the public supports.

I think the vote on the House floor did exactly what I think it intended to do, which is jump-start a long-overdue discussion about how we modernize the data so that lawmakers can make better, not just—both private enterprise and government lawmakers and legislative lawmakers have the ability to get the most reliable, accurate data. And I think that is what, frankly, this hearing has been helpful in discussing.

Dr. Hall, from your perspective, what is the most economically significant gap in Federal statistical data? In other words, without having adequate information in a specific area, obviously decision-making suffers. What would that area be, in your view?

Dr. Hall. Yes, there are a number of gaps. I still think it is probably our lack of detail in services.

Representative Brady. On services. Because that is what, 80 percent of our economy, 80 percent of most of the jobs in our congressional districts, average salary these days of almost $60,000 a worker, so these are key. And we are very good at it, when compared to the rest of the world. And your point, that major part of our economy we are not accurately assessing?

Dr. Hall. Yes, it is not nearly measured nearly as well as the goods sector. And I think there is a real element here of—there is an old joke about you lose your contact in the bedroom but you look for it in the living room because the light is better there. It is easier to measure goods. It is harder to measure services. And only in the last 10 years have we started to close the gap and measure services better, but we are not there yet.

Representative Brady. Don't you think that is, sort of, a part of the helpful discussion we are having today, is to raise the profile of the gaps that we need to be closing in our economy and in our economic activity?

Dr. Hall. Absolutely.

Representative Brady. Mr. Aldonas, you talked a bit again about the global supply chain. Can you give some examples of how, the way the economy and business work today, where lawmakers miss the data as they are discussing or making key decisions on trade or other issues?

Mr. Aldonas. Well, sure. And I think you alluded to the largest one, which really is the idea that we don't know where value is created and that the trade data that you see and is reported in our national income accounts doesn't reflect accurately what is being done in the global economy.

So the best examples are a series of studies at UC–Irvine that looked at Apple's supply chain and where the value was created. What those studies reflected, if I pulled out my iPhone, you would see that about 65 percent of the value is made in the United States. Much of it is through manufacturing of the microprocessors, which are the brains behind everything that Apple does, and some of the glass finishes. But it is really the high end of what we manufacture and certainly what they do. Another large share of that remaining 35 percent is done variously in Southeast Asia or north Asia in Japan, Taiwan, Singapore, and Malaysia. And roughly 8 percent comes off the final assembly in China.

And yet, our trade statistics would tell you that my entire phone is going to be counted as a product of China, because the rules of origin dictate that the point where "a new article of commerce" was created is going to be associated with the origin of the country. We keep trade statistics based on the customs rules of origin, but the customs rules of origin make absolutely no sense in the world we live in today.

If you take it one step further, Vice Chairman Brady, if you think about where technology is created today, it doesn't matter whether the engineer is in the United States, or in India. You can't locate where that is being created. So the idea that somehow we are going to have a geographic measure of the final good and we are going to miss the more fundamental point—because, remember,

it is the innovation and the step change in technology and the process improvements on the shop floor that flow from that that drive productivity and drive economic growth.

So if you understand what I am saying, it is that we are not measuring how value is created, which is the most important thing to understand in terms of whether we are gaining productivity. And there is nothing about the trade statistics, particularly the endless debate about a trade deficit, that actually informs your judgment about that.

Representative Brady. Well, I think one of the key benefits would be—most Members of Congress are eager to create jobs. Most of them would prefer it happen in their State or district. When you don't know where that value is being added and you don't have a good idea of where your companies are selling and exporting goods or services in a way that can connect it, we are not going to make good decisions on economic issues.

Mr. Aldonas. And, frankly, even the distinction between manufacturing and services in jobs is something of a fiction. You know, we were at the high-water mark of vertical integration with the Rouge plant in Detroit, where you had coal and iron going in one end and a Model T coming out the other end. That has been gone since the 1930s.

The reality is that when, for example, Motorola decides to turn to FedEx or UPS to handle all of their logistics, all of their customs processing, those jobs that used to be manufacturing jobs when they were in Motorola are now services jobs in the rest of the economy. But the reality is, Motorola as an enterprise became more competitive as a part of the process. And that is really what we need to be measuring. Did they gain their productivity through that? Does that make them more competitive globally?

Representative Brady. Okay. Thank you.

Representative Maloney. Mr. Mulvaney.

Representative Mulvaney. Thank you very much.

Gentlemen, the lady from New York asked you all a question a little bit ago about whether or not you thought the private sector would provide this if the government stopped doing it. And everybody, I think, said no, or at least I think Dr. Hall and Dr. Reamer said no.

I know we are not famous in Congress for actually listening to what you are saying and asking follow-up questions, but I think it probably merits the follow-up question, why not?

Dr. Reamer.

Dr. Reamer. It depends what kinds of data you are talking about.

Representative Mulvaney. I think you can anticipate why I am asking the question. I mean, I used to be in the private sector. If I wanted data, I went out to pay for it. I didn't actually even think to call the government up to see if they had the information that I had needed. I applaud the company that was going to move to Houston that at least knew to call to ask about the number of a particular minority within a certain area, but it never occurred to me to do that. When we built houses, for example, we actually paid a firm to go out and count the number of apartments within a certain area or distance from the project that we were looking at.

Data has value to it. So what is unique about the stuff on the American Community Survey that you think that no one would want to actually get into this business?

Dr. Reamer. Okay, so I am going to start a long answer, and you can cut me off at any time.

Representative Mulvaney. I feel like I have to because you have 3 minutes and 42 seconds.

Dr. Reamer. Okay.

Representative Mulvaney. We are also not famous for asking short questions.

Dr. Reamer. Yeah. So, one thing is that the private sector does not have the capacity to collect the breadth of data in a consistent way over time and space.

Representative Mulvaney. Well, tell me how that could possibly be. You just hosted a symposium on new data points and all the wonderful new technologies that were available within the data-collection business. I know that Apple knows a lot more about me, probably, than the government does. I know that Facebook probably knows more about my wife than the government ever did.

Tell me how it could possibly be, in this day and age, that the private sector doesn't have even better information about us than the government can glean from a survey like the American Community Survey?

Dr. Reamer. The private sector collects slices of data. It is actually quite exciting. Mike Horrigan, at BLS, is in charge of all the price indices. At my data fair was a group called PriceStats. PriceStats scours the globe using the Web to collect price information on everything. I think they have a Big Mac index, you know, with the price of a Big Mac in any country of the world.

BLS has standards of reliability and accountability that the private sector doesn't. At the same time, BLS recognizes that this new spidering technology is allowing the private sector to do things that the public sector can learn about. So the folks at BLS are talking to the folks at PriceStats about how to join forces. And that is a lot of what happened at the—and so I will make one other point.

Representative Mulvaney. Actually, I am going to cut you off because I do want to get to—but the reason you saw that look on my face is that now, in just the last couple minutes, a member of this panel has said that the government has much higher standards and deals in a higher quality than the private sector, which I think is absurd.

And then earlier somebody said that the nice thing about having the government do this, as opposed to the private sector, is that the government has no agenda. I can assure you, gentlemen, we have an agenda. We had—I think Eric Holder was in front of a committee last week and was talking about a statement he made earlier that he was being pursued in a certain fashion because he was pursuing a liberal agenda while at the Department of Justice. I can assure you that we have agendas, and it would surprise me if that did not filter down into the data.

You all send out 3 million of these things. Mr. Simonson mentioned that there are literally thousands of entities that use this data. I need a good answer, gentlemen, because we have a minute before I finish here. Tell me why the private sector is—I am think-

ing about doing this after I am out of Congress. If it is in such great demand, it costs us billions of dollars to send out 3 million of these things, I think I might be able to do it better than we do. Tell me why I am wrong on this.

Mr. Simonson. Well, let me mention very quickly two examples.

The Survey of Residential Alterations and Repairs was discontinued. Nothing has replaced it, and the quality of those estimates has gone down, the GDP estimates also.

The construction spending figures for years have been built in part on data produced by McGraw-Hill, and there is another firm—Reed Construction Data also tries to get information on construction starts. They cover about half of what the government does and leave some sectors completely untouched.

Current Industrial Reports from the Census that have been discontinued have not been replaced by a similar quality from the private sector.

Representative Mulvaney. Thank you, gentlemen. I am out of time.

Representative Maloney. Our time is up for the use of this room, so I would like to thank all of our panelists.

The American Community Survey is an important annual survey which can help us better understand the past and be smart about the future. Let's make sure that policymakers have the information we need to do our jobs. But more importantly, today's panel has made it clear that businesses depend on this survey to plan their operations and that the loss of this information will put the United States at a competitive disadvantage.

I would like to thank all of my colleagues for participating, and the panelists. This hearing is adjourned. Thank you.

[Whereupon, at 3:55 p.m., the committee was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF HON. CAROLYN MALONEY, A U.S. REPRESENTATIVE FROM NEW YORK

I want to thank Chairman Casey for working with me to hold today's hearing.

I wish we were having a hearing on job creation—instead we're having one on why the House voted to strip job creators of the tools they need to grow the nation's economy, expand exports, and hold us in the government accountable for how well the country is doing. Right now there is a concerted effort to cut funds for the Census Bureau and eliminate several of the vital surveys they conduct or weaken them by telling our nation that certain crucially important surveys should not be required of all its citizens.

In studying this issue, I remember reading about what Representative James Madison said when he served in this House, who wrote and I quote:

> "this kind of information all legislatures had wished for, but this kind of information had never been obtained in any country . . .
> if the plan were pursued in taking every future census, it would give [Congress] an opportunity of marking the progress of the society, and distinguishing the growth of every interest."

This is not a fight about if the funds for these surveys are the best return on the taxpayer's investment; because I think we will hear today that it is. It's a fight over ideology. This is a slippery slope, where ideological bullies threaten the trust, confidence, and independence of our nation's most critical statistics. As we continue to compete in a world economy, it's imperative that we know how we're doing relative to other global economies. In our current economic times, it makes no sense to stop collecting such invaluable information that guides economic recovery and growth.

Let me be clear, the surveys that the House voted to eliminate are the best measurement of our nation's progress. The information from the American Community Survey and the Economic Census allow both the private and public sectors of our economy to be more efficient, and because we are more efficient they allow us to better compete globally and maintain our standard of living. It is that simple. Doing away with these surveys or weakening some by making them voluntary hurts the nation and takes away a competitive advantage.

The American Community Survey is unique for its ability to produce annual economic and social data for the nation, down to the smallest geographic areas. Policymakers and federal agencies use census information to distribute more than $450 billion in federal funds to state and local governments, based, in whole or in part, on ACS data. Local governments use ACS information to decide where to build new roads, schools, and hospitals.

But it is not just government that uses this information; the private sector, the business community, the "job creators" use it to make assessments about location, local labor force, new markets, and customer needs.

The Economic Census also is under threat, with funding cuts meaning the 2012 effort would be halted even as the Bureau is ramping up to distribute the survey to thousands of businesses in the coming months. The Economic Census is the fundamental building block of Gross Domestic Product and national income and product accounts, and essential to accurately measuring industrial productivity, changes in price indices, and annual and quarterly indicators of business activity.

In a letter last fall to House and Senate Appropriators, six former Census Bureau directors noted that absent the 2012 Economic Census, public and private decision-makers would have to use a 2007 model of our country's economy until 2022. The former directors—who collectively led the Bureau for four decades, serving six Presidents from both political parties—stated that,

> "going without a 2012 Economic Census in the midst of the worst recession in half a century is akin to turning off the country's economic GPS at the very moment it is critically needed."

This is deja vu all over again. We had this debate when we were a new nation and Madison and Jefferson strongly urged Congresses to put questions about age, gender, citizenship, occupation, manufacturing, and industry on census forms two centuries ago. We had it again during the Eisenhower Administration when Congress failed to fund the Economic Census and the outcry gave us the 1954 act that mandated an Economic Census every five years. We had it again on the eve of 1970 census when Senator Ervin held three days of hearings about the long form. Each time Congresses came to their senses and turned to the Census experts to professionally design the surveys and questions needed by the nation in a manner that put the least burden on the public.

This time is different, as the House has effectively defunded both the ACS and the Economic Census without so much as a witness, let alone a hearing or meaningful debate. This Congress should not be the first in history to deny itself, the executive, state and local governments, and the nation's business community information that the Founders and every Congress since have judged essential for a growing, prosperous nation. Today we are trying to remedy that by hearing from some experts on the impacts of this stunning decision. My hope is that this hearing causes the Congress to reconsider its impulsive decision, and that we act quickly to fully restore funding to these programs and give the job creators the tools we promised them, and that we have provided as a nation for two centuries.

PREPARED STATEMENT OF REPRESENTATIVE KEVIN BRADY, VICE CHAIRMAN, JOINT ECONOMIC COMMITTEE

I thank the witnesses for appearing at today's hearing.

The Joint Economic Committee has a long history of interest in the accuracy, relevance, and timeliness of U.S. economic statistics. Washington relies upon these statistics to make policy decisions, and American job creators use these statistics to make employment and investment decisions.

I wish this hearing had been called to make a broad inquiry into the accuracy, relevance, and timeliness of all U.S. economic statistics instead of focusing narrowly on the American Community Survey. Since this Committee is unlikely to have another opportunity during this Congress to explore how to rectify deficiencies in U.S. economic statistics, the Republican Members of this Committee will not confine our inquiry to the American Community Survey. Instead, the witnesses invited by the Republican side of the aisle, Mr. Grant Aldonas and Dr. Keith Hall, will broadly explore how Congress and U.S. statistical agencies can work together to improve the quality of economic statistics for the benefit of the American people.

Frankly, this hearing is being held because the House of Representatives agreed to two amendments in the appropriations bill for fiscal year 2013 that covers the Census Bureau. One would prevent the Census Bureau from using funds to compel Americans to fill out the American Community Survey; the other would defund it altogether.

Compulsory participation in the American Community Survey is the number one objection that I hear over and over from my constituents. In my opinion, this objection swayed the majority of the House on these two amendments concerning the Census Bureau.

Recognizing the importance of the statistics generated by the American Community Survey to economic decision-making by both governmental and private entities, I believe that there is a way forward. As former Commissioner Hall will testify, participation in the monthly Current Population Survey that generates the unemployment rate and other employment statistics is voluntary. The Bureau of Labor Statistics and the Census Bureau jointly design the Current Population Survey in such a way as to generate accurate statistics on a voluntary basis.

If the Census Bureau were to make participation in the American Community Survey voluntary rather than compulsory, most public opposition would disappear. The Bureau of Labor Statistics and the Census Bureau can jointly use a voluntary survey to obtain the necessary data from the Current Population Survey to generate accurate employment statistics, so why can't the able statisticians at the Census Bureau design a voluntary survey for the American Community Survey that would generate accurate statistics?

Now, let me turn to other issues. I have long been concerned about the quality of our statistics measuring international trade and investment flows and the output of the services sectors. For example, we cannot accurately count the number of jobs created by exports of American goods and services. Moreover, we rely on outdated rules of origin that ignore global supply chains and attribute, for example, all of the value of an i-phone assembled in China as a Chinese export even though final assembly accounts for only 8% of an i-phone's total value. From his experience as both Under Secretary for International Trade at the Department of Commerce and Chief International Trade Counsel at the Senate Finance Committee, Mr. Aldonas will outline what steps Congress and the statistical agencies should take together to improve the quality of U.S. international trade and investment statistics.

Many statistical issues involve the price indices that are used to deflate gross service revenues into real services output. As a former Commissioner of the Bureau of Labor Statistics, Dr. Hall will offer his suggestions on how to improve not only the quality of labor statistics, but also the quality of price indices affecting the

measurement of international trade and the real output of the services sector as well.

U.S. statistical agencies have a proud tradition of reporting economic data objectively regardless of the political ramifications for the incumbent administration. In the Green Jobs Act, however, the Democratic leadership in Congress inserted an ill-defined and ill-conceived mandate for the Bureau of Labor Statistics to count "green jobs."

This "green jobs" mandate, which is a thinly disguised attempt to create a metric to support a policy agenda, reeks of politics. Something is not quite right when, as I understand it, "green jobs" include EPA bureaucrats and attorneys that are suing to block the construction of the Keystone pipeline—a project that would create up to 20,000 jobs and reduce our nation's dependence on unfriendly oil sources in the Middle East and Venezuela. Is there any economically meaningful definition of a "green job?" As the official formerly charged with executing this mandate, Dr. Hall, I would like to hear your opinion.

I look forward to the testimony of today's witnesses.

Statement of

Kenneth D. Simonson
Chief Economist, Associated General Contractors of America
2011-12 Vice President, National Association for Business Economics

Before the

Joint Economic Committee

Hearing on
"The Economic Impact of Ending or Reducing Funding
for the American Community Survey and other Government Statistics"

Tuesday, June 19, 2012, at 2:30 pm

210 Cannon House Office Building

Thank you for the opportunity to testify on this vital topic. I appear today as Vice President and member of the Statistics Committee of the National Association for Business Economics (NABE), the professional organization for individuals who use economic information in their work. NABE's more than 2500 members work in a wide variety of companies, financial institutions, and consulting firms; trade associations and business organizations; state, federal and foreign government and organizations; colleges, university-affiliated and independent research centers. Many of them have contacted NABE in the past month to express their deep concern and offer examples of how they use the American Community Survey (ACS), the Economic Census (EC) and other Census products that are imperiled by the House votes to slash funding and make responses voluntary. I will provide a few of those examples to illustrate the broad range of ways in which these statistical series are valuable and their loss would be harmful to the U.S. economy.

In addition to my volunteer role with NABE, I have been a user of Census information throughout my 40-year career with business groups, government agencies and a consulting firm, especially in the position I have held for the last 11 years as Chief Economist for the Associated General Contractors of America (AGC), the leading national construction trade association. AGC's 28,000 members, linked through a network of 95 chapters in every state, include every type of construction other than single-family homebuilding, as well as suppliers of construction materials, equipment and services. I will also briefly discuss the importance of the EC and other series to AGC and the construction industry.

The ACS has been fully available for less than a decade, yet it has already provided a wealth of timely, detailed information that businesses, policy makers and researchers find invaluable. Eliminating it—or making participation voluntary, which would destroy its comprehensiveness, accuracy and timeliness—would be a blow to the U.S. economy.

Before the ACS, the Census Bureau collected some of the same information only once a decade, as part of the decennial census of population. That data took much longer to process than the ACS and was often out of date by the time it was publicly available, given rapid population movements and economic changes in the U.S.

Because the ACS is a much smaller but continuous sample of households, the data can be processed, checked for accuracy and disseminated much more quickly. The full-time, professional staff for the ACS maintains a level of expertise not possible with the temporary decennial census hires. Continuous sampling also allows for continuous improvements in statistical methods, processing and choice of timely, relevant questions. Over the course of a decade, the ACS is far cheaper, more efficient and useful than the long-form census questionnaire it replaced.

The ACS improves U.S. competitiveness. There are over 5,000 local economic development agencies in the United States. They use the ACS to recruit businesses from abroad that are deciding whether to locate here or in other countries. For instance, as Patrick Jankowski of the Greater Houston Partnership testified in March:

> When a Japanese company considers opening a plant in our region, they always want to know something about the size of Houston's Asian community. Why? They need assurance that any expat workers they assign to Houston will be comfortable there. When a European company wants to open a research and development facility in Houston, they ask about the number of engineers and scientists that live in the region. Why? They need assurance that they can find the technical talent they need to develop their new products....Where do we get all this information? From the American Community Survey. The ACS is one of the most important tools in our kit.[1]

The ACS is used by businesses directly and by consultants and research centers to evaluate the economic profile and health of communities over time and in comparison to one another. For example, "We use the median family and household income reported by ACS to generate our housing affordability index for Orange County, LA County, Inland Empire and California," reported Esmael Adibi, Ph.D., Director, A. Gary Anderson Center for Economic Research, Chapman University, Orange, California.[2] John Knox, an independent socio-economic research consultant in Hawaii, wrote:

> Almost every project I do has utilized data from the American Community Survey and/or the Economic Census. In the last few years, these have included:
> • Economic development: Socio-economic impact study for two new commercial projects in Waikīkī (profiles of changing residential and consumer groups).
> • Evaluation report to federal government (NSF) on success of University of Hawai'i science research programs in recruiting student or other personnel from under-represented minority groups in Hawai'i (use of ACS for overall population percentages of Native Hawaiians, Filipinos, and others as comparison base).

[1] Patrick Jankowski, Vice President, Research, Greater Houston Partnership, Testimony before the House Subcommittee on Health Care, District of Columbia, Census and the National Archives, March 6, 2012.
[2] Email forwarded to Kenneth Simonson, June 13, 2012.

> • Housing needs analysis and economic development activity on the Hawaiian islands of Moloka'i and Lāna'i, for County community plan update.
> • Entitlement study for mixed housing-commercial development on the Island of Hawai'i (social analysis of effective housing outcomes for various ethnic groups).
> Not to have solid and fairly up-to-date data on the income, housing, and social characteristics would greatly hobble good decision-making by both private-sector investors and public-sector policy makers. For local governments or private industrial associations to attempt to gather similar information would be far more costly – and would likely generate less public cooperation, leading to much less reliable information – than the current national system.[3]

Another association uses ACS and EC data for a series of reports on the largest metro economies in the United States:

> We developed these reports a few years ago in order to provide localized data for our 255,000 members around the world. Along with data we generate, the reports provide members – many of whom are CEOs, legal executives, HR executives and recruiters – with solid working knowledge of their local economies.
> ...We hope that the reports may, for instance, give a CEO insight on where to expand his business; maybe they provide a recruiter with the right information on where to find the best job candidates for a particular sector of the economy.
> ...Without the ACS and EC data, the private sector – and the public – will lose valuable tools for understanding our economy and, more importantly, knowing where it needs to be improved.[4]

Many Representatives and Senators use ACS data on their websites, in speeches and in assisting constituents. "The ACS is virtually the only source of data that can be used to provide housing and demographic data for individual Congressional districts," the National Association of Home Builders (NAHB) wrote recently. "Recent examples of ACS-based studies published by NAHB include the following:

- Latest Snapshot of Local Housing Markets (March 2012)
- Metro Area House Prices: The 'Priced Out' Effect (February 2012)
- Property Tax Rates by County and City (August 2011)
- Housing Opportunity Index by Race/Ethnicity in 2010 (May 2011)
- Property Tax Rates After the Housing Downturn (April 2011)"[5]

For trade associations such as The Aluminum Association, "the Economic Census is critical for developing impact studies....I don't know how we could explain the impact of the industry within a State or Congressional District without the Census as a starting point."[6]

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[3] Email to Kenneth Simonson, June 14, 2012.
[4] Email to Kenneth Simonson, June 14, 2012.
[5] Letter from James W. Tobin III, Senior Vice President & Chief Lobbyist, NAHB, to Senator Barbara A. Mikulski, Chairwoman, Senate Committee on Appropriations, Subcommittee on Commerce, Justice, Science, and Related Agencies, May 15, 2012.
[6] Email to Kenneth Simonson from Nick Adams, V.P., Business Information & Member Services, The Aluminum Association, June 12, 2012.

Similarly, AGC relies on employment-size and other information from the Economic Census for fact sheets, like those attached to this testimony, that provide state-specific information on the role of the construction industry in each state's economy. (A full set of AGC's state fact sheets is at www.agc.org/factsheet.) Among its uses, the Economic Census underlies the input-output tables from the Bureau of Economic Analysis that AGC and many other organizations use to determine the direct and indirect employment effects of investment in an industry, product or community.

The Census Bureau has already had to absorb substantial cuts in resources, with negative effects on products that are important to a variety of industries. Two examples are the termination of the Survey of Residential Additions and Remodeling (SORAR) and Current Industrial Reports.

AGC and numerous other NABE members have commented on the loss of accuracy in estimates of construction spending and gross domestic product (GDP) from the termination of SORAR. As Bernard M. Markstein III, U.S. Chief Economist, Market Intelligence, Reed Construction Data, explained:

> The loss of data from the [SORAR] has reduced the accuracy of the construction spending data for residential improvements produced by the Census Bureau. Reed Construction Data and its customers use these numbers along with data that Reed collects to gauge the strength of the remodeling market. The loss of SORAR has meant that residential improvements data cannot be trusted, making understanding what is happening in the remodeling market more difficult. It also has degraded the ability of some of our customers to forecast demand for their products and thus their ability to make plans for investment in plant and equipment and to project their hiring needs. Private sourced data, even Reed's extensive data base, are not sufficient to fill in the gaps created by the loss of SORAR. Also, since the data from SORAR were used as inputs by the Bureau of Economic Analysis (BEA) to produce their estimates of residential investment in the [GDP] accounts, the accuracy of those numbers has been reduced, and consequently, the accuracy of the GDP numbers has been marginally reduced.[7]

A variety of industries and government agencies formerly relied on the Current Industrial Reports, for which there is no equivalent. As stated in a letter from five associations to the Commerce Department in 2011:

> This important economic statistical series is very important to American manufacturing competitiveness and is especially significant, as we indicated, to those small and medium enterprises with less capacity to replicate this vital information were it no longer collected by the Census Bureau.
>
> Not only do the Current Industrial Reports support American manufacturing competitiveness, but this economic series supports the important work of a variety of other stakeholders, such as the Small Business Administration, the Department of

[7] Email to Kenneth Simonson, June 15, 2012.

Defense, the Bureau of Labor Statistics, the Federal Reserve, the Bureau of Economic Analysis, the Department of Agriculture, the Food and Drug Administration, and others.[8]

In summary, both the American Community Survey and the Economic Census are vital tools for attracting, retaining and strengthening businesses as well as for efficiently allocating and evaluating a range of government programs. Eliminating, delaying or weakening the statistical validity of these products would be a serious, self-inflicted and unnecessary blow to U.S. competitiveness and economic growth. These steps would compound the harm already imposed by previous budget cuts that forced elimination of other import Census products.

[8] Letter from American Bearing Manufacturers Association, American Coatings Association, National Oilseed Processors Association, The Fertilizer Institute and The Chlorine Institute, Inc. to Nicole Y. Lamb-Hale, Assistant Secretary for Manufacturing and Services, U.S. Department of Commerce, May 23, 2011.

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The Economic Impact of Construction in the United States and New York

Economic Impact of Investment in Nonresidential Construction:

- An additional $1 billion invested in nonresidential construction would add $3.4 billion to Gross Domestic Product (GDP), $1.1 billion to personal earnings and create or sustain 28,500 jobs.
  - About one-third (9,700) of these jobs would be on-site construction jobs.
  - About one-sixth (4,600) of the jobs would be indirect jobs from supplying construction materials and services. Most jobs would be in-state, depending on the project and the mix of in-state suppliers.
  - About half (14,300) of the jobs would be induced jobs created when the construction and supplier workers and owners spend their additional incomes. These jobs would be a mix of in-state and out-of-state jobs. Conversely, investments elsewhere would support some indirect and induced jobs in the state.

Nonresidential Construction Spending:

- Nonresidential spending in the U.S. in 2011 totaled $544 billion ($283 billion public, $269 billion private).
- Private nonresidential spending in New York totaled $14.0 billion in 2010. (Public spending is not available by state.)
- Nonresidential starts in New York totaled $16.5 billion in 2010 and $19.4 billion in 2011, according to Reed Construction Data.

Construction Employment (Seasonally Adjusted):

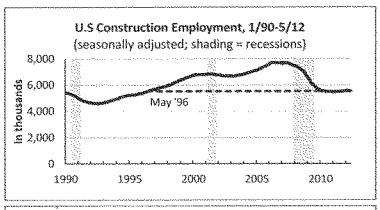
- Construction (residential + nonresidential) employed 5.5 million workers in May 2012, an increase of 18,000 (0.3%) from May 2011 and a decrease of 2.2 million (29%) from April 2006 when U.S. construction employment peaked.
- Construction employment in New York in May totaled 294,400, a decrease of 3.9% from May 2011 and a decrease of 19% from the state's peak in March 2008.

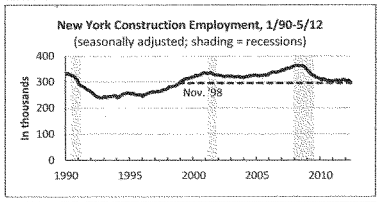
Construction Industry Pay:

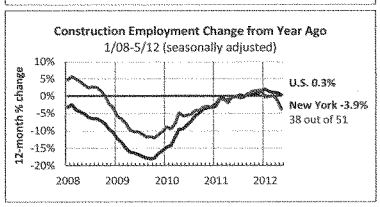
- In 2010, annual pay of all construction workers in the United States averaged $49,588, 7% more than the average for all private sector employees.
- Construction workers' pay in New York averaged $60,272, 2% less than all private sector employees in the state.

Small Business:

- The United States had 713,000 construction firms in 2009, of which 92% employed fewer than 20 workers.
- New York had 45,900 construction firms in 2009, of which 93% were small (<20 employees).







Empl. Change by Metro (not seasonally adjusted)		Rank
Metro area or division	5/11-5/12	(out of 337)
Statewide (Construction only)	-3%	
Statewide* (Const/mining/logging)	-3%	
Albany-Schenectady-Troy*	11%	17
Binghamton*	-2%	187
Buffalo-Niagara Falls*	14%	8
Glens Falls*	-4%	218
Kingston*	0%	127
Nassau-Suffolk Div.*	-8%	282
New York City*	-5%	242
Poughkeepsie-Newburgh-Middletown*	-8%	282
Putnam-Rockland-Westchester*	-6%	256
Rochester	-3%	196
Syracuse*	-6%	256
Utica-Rome*	-3%	196

**The Bureau of Labor Statistics reports employment for construction, mining and logging combined for metro areas in which mining and logging have few employers. To allow comparisons between states and their metros, the table shows combined employment change for these metros. Not seasonally adjusted statewide data is shown for both construction only and combined employment change.*

Source: Ken Simonson, Chief Economist, AGC of America, simonsonk@agc.org, from Prof. Stephen Fuller, George Mason University (investment); Census Bureau (spending); Reed Construction Data (starts); Bureau of Labor Statistics (jobs, pay); Small Business Administration (small business)

June 18, 2012

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The Economic Impact of Construction in the United States and Texas

Economic Impact of Investment in Nonresidential Construction:

- An additional $1 billion invested in nonresidential construction would add $3.4 billion to Gross Domestic Product (GDP), $1.1 billion to personal earnings and create or sustain 28,500 jobs.
  - About one-third (9,700) of these jobs would be on-site construction jobs.
  - About one-sixth (4,600) of the jobs would be indirect jobs from supplying construction materials and services. Most jobs would be in-state, depending on the project and the mix of in-state suppliers.
  - About half (14,300) of the jobs would be induced jobs created when the construction and supplier workers and owners spend their additional incomes. These jobs would be a mix of in-state and out-of-state jobs. Conversely, investments elsewhere would support some indirect and induced jobs in the state.

Nonresidential Construction Spending:

- Nonresidential spending in the U.S. in 2011 totaled $544 billion ($283 billion public, $269 billion private).
- Private nonresidential spending in Texas totaled $16.7 billion in 2010. (Public spending is not available by state.)
- Nonresidential starts in Texas totaled $25.1 billion in 2010 and $26.3 billion in 2011, according to Reed Construction Data.

Construction Employment (Seasonally Adjusted):

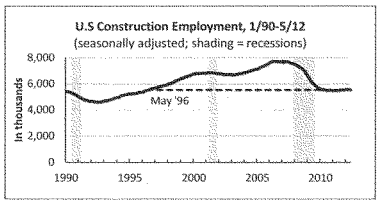
- Construction (residential + nonresidential) employed 5.5 million workers in May 2012, an increase of 18,000 (0.3%) from May 2011 and a decrease of 2.2 million (29%) from April 2006 when U.S. construction employment peaked.
- Construction employment in Texas in April totaled 575,300, an increase of 2.8% from May 2011 and a decrease of 15% from the state's peak in April 2008.

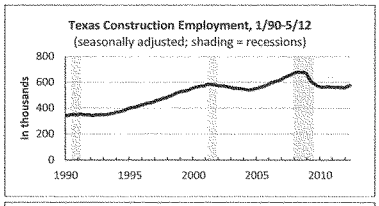
Construction Industry Pay:

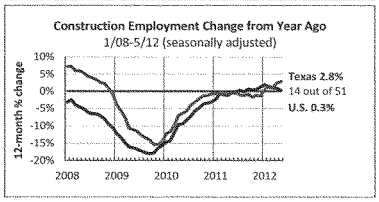
- In 2010, annual pay of all construction workers in the United States averaged $49,588, 7% more than the average for all private sector employees.
- Construction workers' pay in Texas averaged $49,241, 3% more than all private sector employees in the state.

Small Business:

- The United States had 713,000 construction firms in 2009, of which 92% employed fewer than 20 workers.
- Texas had 40,500 construction firms in 2009, of which 87% were small (<20 employees).







Empl. Change by Metro (not seasonally adjusted)		Rank
Metro area or division	5/11-5/12	(out of 337)
Statewide (Construction only)	2%	
Statewide* (Const/mining/logging)	5%	
Austin-Round Rock-San Marcos*	5%	51
Beaumont-Port Arthur*	6%	37
Corpus Christi*	6%	37
Dallas-Plano-Irving, Div.*	-1%	177
El Paso*	1%	116
Fort Worth-Arlington, Div.*	5%	51
Houston-Sugar Land-Baytown	1%	116
Longview*	1%	116
McAllen-Edinburg-Mission*	2%	103
Midland*	8%	26
Odessa*	9%	24
San Antonio-New Braunfels	5%	51

**The Bureau of Labor Statistics reports employment for construction, mining and logging combined for metro areas in which mining and logging have few employers. To allow comparisons between states and their metros, the table shows combined employment change for these metros. Not seasonally adjusted statewide data is shown for both construction-only and combined employment change.*

Source: Ken Simonson, Chief Economist, AGC of America, simonsonk@agc.org, from Prof. Stephen Fuller, George Mason University (investment); Census Bureau (spending); Reed Construction Data (starts); Bureau of Labor Statistics (jobs, pay); Small Business Administration (small business)

June 18, 2012

The Economic Impact of Ending or Reducing Funding for the American Community Survey and Other Government Statistics

Testimony of Andrew Reamer, Research Professor, George Washington Institute of Public Policy, George Washington University to the Joint Economic Committee, U.S. Congress

June 19, 2012

Congresswoman Maloney, Vice Chairman Brady, and distinguished Members of the Committee: I appreciate the opportunity to speak to you today about the economic impacts of not implementing the American Community Survey and the 2012 Economic Census.

Market Failure, Economic Development, and Job Creation

By way of background, in the first 20 years of my professional career I founded and managed two economic development consulting firms. We worked with public and private sector leaders in cities and states across the U.S. to help them understand their economies' competitiveness strengths and weaknesses and develop collaborative strategies to boost their area's competitive position. I'm pleased to say that the landscape is dotted with the fruits of my firms' efforts, including in nearly every state represented on this committee.

A remarkable aspect of this work was that leadership's attitudes and approaches could not be distinguished by political party. For many decades, the Federal government has let states and regions recover from economic volatility and loss and improve global competitiveness without providing much guidance or assistance. Governors, mayors, and chamber of commerce leaders sought ideas that would work, they didn't really care where they came from.

My firms had the opportunity to help clients because of extensive market failure. Regional economic competitiveness is very much a function of relationships, trust, access to current, comprehensive economic information, and creating a common vision, elements that business markets do not provide on their own. Regional economic clusters, a very old idea made new by Harvard business professor Michael Porter, are key to regional competitiveness and grow on the basis of these characteristics.

The Essential Federal Role in Providing Economic Statistics

Current, accurate statistics are critical to economic development and job creation in each of the states and districts represented on this Committee. As economic development consultants, we relied on public and private datasets to describe regional trends in economic performance, structure, and resources. From 30 years of experience, I know that the Federal government is an essential, irreplaceable provider of such statistics. I'll tell you why.

Last month, I hosted a two-day conference at George Washington University, "Innovative Data Sources for Regional Economic Analysis." The conference took an unusual form, a "data fair" with 50 exhibitors from the Federal, for-profit, non-profit, and academic organizations (including Standard & Poor's, Moody's, Amazon, and Microsoft) and over 200 participants, including Congressional staff. "Innovative" was defined as using advanced information technology or advanced statistical methodology to produce datasets in a manner not possible just a few years

ago. Big Data efforts, the analysis of huge volumes of records, were represented by a number Federal and for-profit organizations. Feedback from participants, including the exhibitors, indicated that the event enabled people to see a large number of new datasets and make a series of personal connections across sectors and cultures. A number of Federal statistical agencies, including the Census Bureau, the Bureau of Labor Statistics, the Bureau of Economic Analysis, and the National Science Foundation, and a number of private organizations, including S&P, Moody's, Google, and Microsoft, are pursuing collaborative efforts as a result.

In conversations, non-Federal organizations readily admit that they could not, and do not want to, collect the data that the Federal government does. Rather, they see opportunities to add value to Federal data; sell their unique data to the Federal government, which can combine it with other data it has on individual firms, confidentially held; and enhance access to Federal data through web-based data platforms, such as Microsoft's Azure Marketplace.

The Federal government has an essential role to play in the production of statistics that lead to better decisions related to the economy and competitiveness.

- Microeconomic theory says that economic actors' access to complete information is essential to efficient markets.

- However, data are a classic "public good," resulting in substantial underinvestment by the private sector. Consequently, the tendency is for markets to lack access to the information necessary to be efficient.

- Only the Federal government has the fiscal resources, authority, and motivation to produce data that are objective, reliable, and relevant to policy needs, consistent over space and time, and freely accessible to multiple users. Free access provides substantial benefits to society, including improved public and private decision-making and economic outcomes. Better economic outcomes in turn result in increased government tax revenues, paying for the Federal investment many times over.

- Federal data are a highly efficient public good, accessible over and over to an infinite number of users.

- Objective, reliable, current Federal economic data are essential if Congress is to provide proper oversight of Executive Branch policies and programs.

- National, state, and local Federal economic data are essential for the public to hold the President, Senators, and Representatives accountable for their actions.

- Consequently, the nation's economic return on taxpayer investment in Federal statistics is orders or magnitude greater than the cost. The entire annual cost of the economic statistical system to inform and guide the workings of a $15.5 trillion economy is less than $2 billion, a figure equal to the cost of four F-22 jet fighters or four days of recent U.S. efforts in Iraq and Afghanistan.

- Only the Federal government has the capacity to guarantee strict confidentiality of sensitive data over the long term.

- Dramatic changes in information technology over the past 15 years allow the Federal government to analyze enormous volumes of data at very low cost and provide millions of users with direct, on-line, customized access to these data in formats that are easily manipulated. In the pre-Internet age, it was difficult to readily provide substantial volumes of data to anyone other than a small number of Federal customers.

- A number of Federal statistical agencies are developing innovative tools that allow analysts to look at the dynamics of the economy (such as the paths people take through the education system and job markets) in ways not before possible. Analysis of the dynamics of education and employment, for instance, will allow education and training institutions to better meet business needs for skilled workers.

- Dramatic, and complex, changes in the nature of interfirm buyer-supplier relations, as described in the well-publicized 2012 New York Times series on the iEconomy of the Apple iPhone, requires new methods of measuring international trade flows that only the Federal government has the capacity to untangle. The Bureau of Labor Statistics is talking with scholars to ascertain how this might be done.

- The government's options for providing researcher access to large databases of individual records, while fully protecting confidentiality, have greatly expanded. Greater researcher access to microdata means that understanding of the factors that lead to economic growth and competitiveness can increase.

The Federal economic statistical system, then, provides an effective, adaptable, mechanism for addressing information market failures, at very low cost and with economic and fiscal returns orders of magnitude greater than taxpayer investment. The private sector does not have the capacity to produce data of similar reliability, usefulness, objectivity, accessibility, and consistency over space and time.

The Impacts of Unreliable Economic Data: Two Stories

Before talking about the economic impacts of losing the American Community Survey and Economic Census, I want to lay the groundwork by telling two current stories about the consequences of unreliable Federal economic data.

Eleven days before President Obama took office, Christina Romer and Jared Bernstein released "The Job Impact of the American Recovery and Reinvestment Plan," with the now famous and incorrect prediction that a $775+ billion stimulus would result in the unemployment rate peaking at less than 8 percent in 2009.

Less than two weeks before the report's publication, the Bureau of Economic Analysis (BEA) issued its final estimate of change in Gross Domestic Product for the third quarter of 2008, a

decline of 0.5 percent on an annual basis. For the first and second quarters of 2008, BEA's estimate of the annual rate of GDP change was, respectively, up 1.0 percent and up 2.8 percent. This was the state of the U.S. economy as Romer and Bernstein understood it on January 9.

On January 30, BEA gave the advance number for the fourth quarter of 2008, down 3.8 percent, not so good. The final 4Q08 number came out two months later, revised downward significantly, minus 6.3 percent.

Every summer, BEA takes the new and improved data it gets over the year and revises its quarterly GDP estimates going back in time. Revised quarterly estimates came out in the July 2009, 2010, and 2011. Each time revisions were released, the numbers for 1Q08-4Q08 tended to get worse. The July 2011 revision revealed the numbers for the four 2008 quarters, respectively, were -1.8 percent, +1.3 percent, -3.7 percent, and -8.9 percent. The 1Q09 number was only slightly highly than that estimated two years earlier, -6.7 percent.

Conclusion: In the second half of 2008, the economy had fallen off a cliff and Romer and Bernstein, and most economists, did not know it.

So the GDP data were not reliable. To make matters more interesting, in BEA's last three congressional budget justifications, it has made the following statement:

> The federal economic statistical system – charged with providing key actionable intelligence on the status, trends, and dynamics of the American economy – fell short in providing the advanced warning signs of a building economic crisis. In no small part, this shortcoming was due to an inability to see, both at the detailed and aggregate levels, warning signs of systematic risk. This was not a result of a lack of attention, competence, or focus, but rather the exceptional tempo of change and evolution occurring in the economy and the existing statistical system's inability to keep pace.

What's been going on? For years, BEA has said that it lacks sufficiently accurate annual and quarterly Census Bureau data on the key components of the services sector, such as finance and insurance. While the Census Bureau for decades had collected a comprehensive set of data of U.S. manufacturing sectors on a regular basis, it required nine requests to Congress between 1992 and 2008 before it received a Congressional appropriation of $8.1 million to collect annual and quarterly data on the entire services sector. The original request followed recommendations of the commission led by CEA Chair Michael Boskin and chartered by President George H.W. Bush. Presidents Bill Clinton and George W. Bush also tried, to no avail, until the last Bush Administration budget request, for FY 2009, was approved by the 111th Congress. In the meantime, BEA did the best it could, relying in part on private data, but clearly the results at key economic turning points were off the mark.

Once the Census Bureau finally received the $8.1 million, it quickly put the surveys in the field, all were out by 2010. Though too late for Romer and Bernstein, BEA now had access to frequent, reliable services industry data to improve its overall GDP estimates. However, what it did not have was the funding to use the new data to produce a new set of numbers, quarterly GDP-by-industry, that would provide "advanced warning signs of a building economic crisis" that could have been used by the Bush Administration to forestall the loss of $13 trillion in

household net worth before it left office. So in fiscal years 2011, 2012, and 2013, BEA asked for funds to produce these numbers--$500,000 in FY2013. After the agency was turned down the first two years, the House this year again voted to not provide the funds; the Senate Appropriations Committee did approve this initiative. The question now is: Will this Congress agree to provide BEA with the half million dollars it needs to produce quarterly GDP-by-industry so it can help forestall the next economic catastrophe.

Next story. For decades, the Bureau of Labor Statistics (BLS) has managed a series of data programs in collaboration with State Labor Market Information (LMI) agencies. One of these is the Current Employment Statistics (CES) program. Traditionally, the LMI agencies gathered survey data from a sample of in-state businesses and then produced job estimates, by industry. In the latter task, the state agencies had significant latitude to adjust the numbers based on "local knowledge." BLS focused on producing the national numbers released the first Friday of each month.

However, as with BEA, a minority of LMI agencies produced overly optimistic numbers when the recession kicked in—they missed the turning point. Observers believe that the primary reason was inadequate state training of analysts, as state LMI training budgets have been severely cut back as a result of a decade of flat-lining $80 million in annual grants to LMI agencies from BLS.

In any case, one result, as Members of this Committee know, is that the sum-of-the-states job total did not match the national job totals prepared by BLS at the beginning of the recession. Soon after, and in the face of significant budget constraints, BLS asked for and received permission from Congress to centralize the production of the state CES numbers, removing state discretion, and in the process saving $5 million annually.

For the past year, unfortunately, this new approach has yielded more volatile, less reliable, job numbers in some states, with significant political implications. A case in point is in Wisconsin—during the recent recall election, the 2011 CES jobs numbers indicated that the state ranked last in job creation nationally. The purpose of the CES program is to quickly produce relatively reliable estimates while waiting for the more accurate numbers coming from state unemployment insurance program records via the Quarterly Census of Employment and Wages (QCEW), another BLS-State cooperative program. Because the state CES number was so dire (jobs down 33,900 in 2011), Wisconsin's state government rushed the release of its QCEW figures ahead of BLS, showing a gain of 23,321 jobs, to prove that the BLS CES estimate was wrong.

BLS admits that the new approach is having growing pains and is striving to do better. In the meantime, however, the CES numbers are causing political problems and frozen public and private decision-making in a number of states, including Wisconsin, Maine, and Massachusetts. Government and media quotes appended to this testimony demonstrate the issue.

The upshot of these two stories: There are substantial, real-world consequences to inadequate financial support to Federal statistical agencies and their state partners.

The American Community Survey

The American Community Survey (ACS) is the fifth iteration of a series of questions that every household in the U.S. has been required to answer, under penalty of law, since the First Census in 1790. From the Nation's beginnings, Congress, for the purposes of public policy, has consistently used the decennial census framework to collect information beyond that needed for "bare enumeration."

Article 1, Section 2, Clause 3 of the Constitution requires the decennial enumeration of the population by state for the purposes of apportioning seats in the House of Representatives and for the collection of direct taxes from the states. This section was the outcome of long discussions and intricate compromise among numerous participants in the Constitutional Convention, as was most of the other content of the Nation's founding document.

> Representatives and direct Taxes shall be apportioned among the several States which may be included within this Union, according to their respective Numbers, which shall be determined by adding to the whole Number of free Persons, including those bound to Service for a Term of Years, and excluding Indians not taxed, three fifths of all other Persons. The actual Enumeration shall be made within three Years after the first Meeting of the Congress of the United States, and within every subsequent Term of ten Years, in such Manner as they shall by Law direct. The Number of Representatives shall not exceed one for every thirty Thousand, but each State shall have at Least one Representative . . . .

The foundation for employing the decennial census to gather socioeconomic data was provided by James Madison, called the "Father of the Constitution" by his Constitutional Convention colleagues. As the House of Representatives considered the Census Act of 1790, Representative Madison said to Members of the House that

> they had now an opportunity of obtaining the most useful information for those who should hereafter be called upon to legislate for their country if this bill was extended so as to embrace some other objects besides the bare enumeration of the inhabitants; it would enable them to adapt the public measures to the particular circumstances of the community. In order to know the various interests of the United States, it was necessary that the description of the several classes into which the community was divided, should be accurately known; on this knowledge the legislature might proceed to make a proper provision for the agricultural, commercial and manufacturing interests, but without it they could never make their provisions in due proportion.
>
> This kind of information, he observed, all legislatures had wished for; but this kind of information had never been obtained in any country. He wished, therefore, to avail himself of the present opportunity of accomplishing so valuable a purpose. If the plan was pursued in taking every future census, it would give them an opportunity of marking the progress of the society, and distinguishing the growth of every interest.

Congress approved all but one of Madison's recommendations for additional questions.

In 1800, Vice President Thomas Jefferson, "Father of the Declaration of Independence," continued this tradition by asking Congress to further enlarge the census questions to include

citizenship and immigration status, occupation, and greater detail on age. Congress complied with the latter request.

Over succeeding censuses, Congress has consistently mandated the collecting census data for the purposes of public policy. At times Congress acted on requests of presidents, from John Quincy Adams to Franklin Roosevelt and George W. Bush. More often, particularly in the early part of the Nation's history, data collection initiatives came from Members of Congress themselves. For many decades, Congress wrote the census questions. And for a number of decades now, Congress by law gets to review every census question two years before the conduct of the decennial effort. Every question must have a Federal purpose.

The census process first developed a sound statistical basis in 1850. From that year through 1930, the census asked every household a large number of socioeconomic questions. In the 1940 and 1950 censuses, a subset of the population was asked a supplementary set of questions. Respondent burden was further reduced by the development of the "long form" in 1960 (received one-quarter of households) and its use through 2000 (received by one-sixth of households).

For decades, the use of "long form" data—on the Nation as a whole down to neighborhoods—was embedded in the functioning of the public and private sectors throughout the U.S. The problem was that the data were out of date by the middle of the decade. This issue was first discussed by President U.S. Grant in 1872, who called for a mid-decade census because "The interval at present established between the Federal census is so long that the information obtained at the decennial period as to the material condition, wants, and resources of the nation is of little practical value after the expiration of the first half of that period." However, more frequent data was not collected until the advent of the American Community Survey, fully implemented at the request of President Bush and the direction of Congress in 2005. Six times between 2001 and 2007, the report of the House Appropriations Committee indicated "steadfast" support for the ACS as a replacement for the decennial "long form."

Rather than gather data twice a decade, as desired by President Grant, the ACS produces statistics every year. Data are current, annually released less than a year after being collected. In 2010, for the first time, the ACS was able to produce data down to the neighborhood level. Seven questions on the current ACS can be traced back to the first statistically scientific census in 1850. The ACS has continued a Census Bureau tradition of innovation that has made that agency first among nations from the 18th through the 21st centuries.

In addition to being current, objective, reliable, and consistent over space and time, the ACS, and the "long form" before it, have an important asset that cannot be replicated by private sector data collections. The breadth of ACS data, in terms of topic and geographic level, and the flexibility of the dataset to produce nearly unlimited cross tabulations (such as male Hispanic military veterans over 35 with advanced degrees) allow the public, decision-makers, and researchers to use the data for a multitude purposes.

- Building blocks for important Federal data. A number of Federal statistics and classifications widely used by public and private sectors at all geographic levels are constructed on the basis of ACS data. Examples include
    - intercensal population estimates for the Nation, states, and areas
    - state and local total and per capita personal income

  - metropolitan statistical area boundaries
  - occupational employment projections
- State budgets. In 23 states, constitutional or statutory limits on state government revenue and spending are determined on the basis of one or two ACS-reliant measures: state personal income and annual state population growth. Also, a majority of the states use BEA's quarterly estimates of state personal income to project tax collections.
- Legislative redistricting. ACS data are used in the drawing of all new legislative districts based on the 2010 Census.
- Regional economic development. State and local economic development organizations rely heavily on ACS data for assessing economic strengths and weaknesses (such as educational attainment) and for business attraction, including foreign direct investment.
- Criminal justice. State and local police departments use ACS data for crime mapping and forecasting, to determine the effective allocation of a fixed number of personnel.
- Disaster planning and recovery. Many ACS data elements are used to shape disaster plan details, assess impacts (including outmigration), and guide recovery operations.
- Transportation planning. State and local transportation planners use ACS data to guide investments in transportation infrastructure.
- Education planning. Local school officials use the ACS to determine investment in buildings and allocation of children by neighborhood among schools.
- Business decision-making. The ACS is critical to job creation. Businesses use ACS household and individual data to determine whether and where to open establishments and how to best meet customer needs. For site location, for instance comparing potential U.S. sites to ones overseas, businesses rely on ACS workforce, transportation, and demographic data.
- Research. Academic and think tank researchers use the ACS to identify social and economic dynamics that can guide public policy.
- Federal policy. Congress and Executive Branch officials use ACS data to assess conditions in realms including housing, education, employment and workforce, transportation, poverty, insurance coverage, and life after military discharge.
- Political accountability. In providing data on socioeconomic conditions by state and Congressional District, the ACS enables voters to hold their elected politicians accountable.
- Geographic distribution of Federal domestic assistance. ACS data are used, directly or indirectly, by 184 Federal programs to distribute over $450 billion annually to states and areas.
  - The Medicaid reimbursement formula by state depends on the ACS. The formula is a function of state per capita income, which is state personal income divided by population, both ACS-dependent measures. Federal Medicaid expenditures in FY2010 were $285.6 billion.
  - The second largest use of the ACS is in the distribution of Federal funds is for the allocation of highway construction assistance to States.

Since the Nation's founding, Congress has regularly discussed the appropriateness of asking questions beyond "bare enumeration" and requiring answers to those questions. Together,

Congress and the courts have made clear that a mandatory ACS is both constitutional and legal, (per "Legal Authority for American Community Survey," U.S. General Accounting Office, April 2002).

The above list of uses makes clear that the termination of the ACS would cause severe economic disruption and job loss, misapplication of scarce community assets and services, and significantly increased waste, fraud, and abuse of government funds. Put another way, the end of the ACS would cause chaos throughout the public and private sectors. As recent issues with BEA and BLS statistics demonstrate, unreliable or unavailable numbers result in bad or frozen decision-making, with costs that greatly exceed the small amounts of monies saved.

Further, and quite importantly, the termination of the ACS would cheer our Nation's economic competitors, including China and India, who know full well that without the ACS, U.S.-based businesses would fly blind.

Moreover, termination of the ACS would dislodge over two centuries of a tradition of civic duty and nationwide collaboration in providing information to collectively understand ourselves and our Nation. As columnist E.J. Dionne notes, successful nationhood requires a creative balance between responsibilities to community and self. This Nation has succeeded in no small part because of the willingness nearly every household, over 222 years, to carry out its civic duty, follow the law, and provide information that, bit by bit, is aggregated and then disaggregated to provide ourselves with a picture of ourselves, up close and from sea to shining sea.

Finally, termination of the ACS would result in the wasting of billions of dollars of prior taxpayer investments in census data.

Changing the ACS to a voluntary survey is not a viable alternative. Census Bureau research carried in 2003 at the direction of Congress on the impacts of a voluntary ACS to data cost and reliability, and updated last year, make clear that a voluntary ACS will substantially raise costs by requiring a larger sample size or greater household follow-up and significantly reduce data reliability and so make effective public and private decision-making more difficult. If Congress chooses to make the ACS voluntary and does not provide additional millions to address the impacts, the ACS would not be worth carrying out.

The House, I believe, is confusing the baby with the bathwater and so is poised to plunge the Nation into statistical darkness, a profoundly un-American act. Rather, it and the Nation would be better served by providing significantly greater oversight of and direction to the Census Bureau's management of the ACS in three realms. First, the Census Bureau needs to provide a much fuller explanation to each ACS recipient about the benefits a reliable ACS has for their community. Modern IT allows customization of this message by city and county. If the Census Bureau will clearly describe the benefits, ACS response should improve and complaints to Congress and program costs decline.

Second, the Census Bureau needs to seriously examine the practices of its field staff in nonresponse follow-up to ensure that nonrespondents are not mistreated. If nonrespondents are well treated, again participation should increase.

Finally, the Census Bureau should regularly educate Members of Congress about the uses and benefits of the ACS. It does far too little of that at present.

I would like to believe that House Members voted to prohibit spending on the ACS out of a lack of information about the Nation's reliance, historical antecedents, and constitutional and legal authority. If so, improved communications between the Census Bureau and Congress would go a long way to prevent this degree of animus towards to the ACS from recurring.

Economic Census

The Economic Census is the business equivalent of the decennial census. The Census Bureau conducts the Economic Census once every five years, for years ending in "2" and "7." For some time, the Census Bureau has been in the process of readying the 2012 Economic Census for implementation—surveys are to go to businesses in nearly every sector of the U.S. economy in early 2013.

The roots of the Economic Census are almost as old as census questions beyond "bare enumeration." In 1810, President Madison signed into law an amendment to the Census Act of 1810 requiring census takers also to "take, under the direction of the Secretary of the Treasury, and according to such instructions as he shall give, an account of the several manufacturing establishments and manufactures within their several districts, territories and divisions."

From that time through the early 20th century, with one exception in 1830, the decennial census process was used to collect comprehensive data on various sectors of the burgeoning U.S. economy. In 1850, for instance, Congress required the collection of "such information as to mines, agriculture, commerce, manufactures, education, and other topics as would exhibit a full view of the pursuits, industry, education, and resources of the country." In 1900, President McKinley said to Congress that "the Twelfth Census is progressing favorably. This national undertaking, ordered by the Congress each decade, has finally resulted in the collection of an aggregation of statistical facts to determine the industrial growth of the country, its manufacturing and mechanical resources, its richness in mines and forests, the number of its agriculturists, their farms and products . . . ."

In the early 20th century, Congress mandated taking a census of manufactures every two years and other business censuses with the decennial. Then in 1948, Congress directed that a census of manufactures and other key sectors be carried out every five years. In 1953, Congress failed to provide funding for the Economic Census. The resulting outcry, and the work of the Watkins Commission, led Congress to provide funding for a 1954 Economic Census. This effort has been conducted on a regular basis ever since. In the 1960s and 70s, surveys of minority- and women-owned businesses were added. In the early 1990s, at the prodding of the Boskin Commission, Congress approved funding for the 1992 Economic Census to include over 95 new industries and a new survey of business owners, increasing coverage to about 98% of economic activity from 75% for 1987.

For 200 years, in order to ensure an accurate economic accounting, Congress has required that businesses respond to the Economic Census or face a penalty.

Through indirect and direct uses, the Economic Census is highly critical to informed public and private decision-making, as with the ACS.

The Economic Census has two types of indirect, or foundational, uses. The first is through BEA's creation of an input/output model of the economy. The agency uses this model to benchmark GDP estimates in the census year. Public and private organizations rely on the I/O model to forecast national and state economic activity and federal and state fiscal inflows and outflows. States, local governments, and regional economic developers use state and regional I/O models (based on the national) to estimate the impacts of proposed efforts on jobs, wages, the demand for public services, and tax revenues.

The second foundational use of the Economic Census is increasing the reliability of Federal sample surveys.

- The Economic Census is used to update the Census Bureau's Business Register, a comprehensive listing of nearly every business in the nation. The Business Register allows the Census Bureau to build samples that is truly representative of businesses targeted by particular surveys. A representative survey means more accurate economic estimates.
- Federal data agencies and industry associations adjust their survey estimates to align with numbers generated by the Economic Census, which are much more accurate.
- Federal data agencies adjust their indices of industrial production, productivity, and prices to the industry and product mix (weights) identified by the Economic Census.

Survey-based Federal economic estimates that use the Economic Census in one or more of these ways include 12 monthly and quarterly Principal Federal Economic Indicators (such as GDP and industrial production) and important annual datasets (including GDP, surveys of manufactures and services, R&D expenditures, and commodity flows (transportation).

Regarding direct uses, a multitude of private and public users look up and analyze Economic Census data to inform their decision-making.

- Individual businesses use the Economic Census to compare their operations to industry norms, find markets, and make decisions about operating sites, capital investment, marketing, and product development.
- Industry associations rely on data from the Economic Census to gauge sector organizational structure and product trends and guide their government relations strategy.
- Women- and minority-owned business associations use the Economic Census to assess and educate others about ownership patterns and how they change over time.
- State and local analysts use Economic Census data to conduct analyses of industry structure, competitiveness, demand for skilled labor, and entrepreneurship.
- State and local governments set small business procurement guidelines on the basis of the Economic Census.
- Federal program agencies utilize the Economic Census to assess industry trends and generate policy recommendations. For example, the Small Business Administration and the Minority Business Development Administration analyze the results of the Survey of Business Owners to track trends in entrepreneurship development.

Finally, through the Census Bureau's Center for Economic Studies (under strict confidentiality protections), research economists analyze Economic Census records to understand trends in industry and business development and the implications for public policy. A recent key finding is that new businesses are the primary job creators in the U.S. economy.

The above uses make clear that the elimination of the 2012 Economic Census would have profound negative impacts on the capacity of the U.S. economy to create and sustain jobs, fully recover from the Great Recession, and be competitive internationally. A new Economic Census could not be conducted until 2017. The Nation would have to rely on a 2007 model of the economy until at least 2022, which would throw off GDP estimates; national and state tax and spending projections; production, productivity, and price indices; and economic impact assessments. Monthly, quarterly and annual Federal economic surveys would be less reliable as they would be far less likely to include new firms.

Businesses and business associations would be unable to adequately gauge industry norms, structure, and trends. Government policymakers and program managers would make decisions in the dark. Economic research seeking to understand the dynamics of economic activity, innovation, and entrepreneurship, and the implications for economic and competitiveness policy, would grind to a halt.

And very importantly, the ability of firms to raise funds in financial markets would be greatly damaged as investors could not assess economic conditions.

In summary, Congressional failure to provide sufficient funding to implement the 2012 Economic Census will result in great, and unnecessary, economic difficulties. Moreover, this action would create a break in a two hundred year-old American tradition that has enabled the growth of our economic might and would provide succor to U.S. competitors in China and other developed and developing nations.

Conclusion

Large-scale information market failure cannot be adequately addressed by the private sector. Only the Federal government has the capacity to produce the objective, current, reliable data needed for efficient markets. Over more than two centuries, the census effort has led the way, and the world, in inventing and constructing better and better ways to understand the state of the U.S.A. In recent decades, the Federal economic statistical system has been robbed of critical financial resources, to the great detriment of sound economic policy and household employment, income, and wealth.

Unfortunately, the House action, I believe unwittingly, continues this self-destructive spiral. I hope this testimony has raised understanding of the value of the ACS and Economic Census and the consequences of their termination.

I very much appreciate the opportunity to present my views before the Joint Economic Committee and would be pleased to answer any questions you might have.

Appendix: Select Quotes Regarding BLS Current Employment Statistics Estimates by State

"Report shows Maine job losses worst in nation per capita," Bangor Daily News, February 8, 2012

- "A new analysis by the Maine Center for Economic Policy suggests the state lost more jobs per capita in 2011 than every other state in the nation, shedding 7,200 jobs, but the Maine Department of Labor refuted those numbers, saying they're based on faulty federal data."
- "[Maine Labor Department spokesman] Fisher said the state department brought the issue up with federal labor officials, suggesting that the numbers weren't accurately reflecting the reality in Maine. He provided an email that Glenn Mills, director of economic research at the Department of Labor's Center for Workforce Research & Information, sent to the federal Bureau of Labor Statistics. In it, Mills charges that the federal program that relies on the survey of businesses wasn't producing good data for Maine.
- 'Presenting to users a trend we know to be outside the bounds of reality does a disservice to them as they draw incorrect conclusions, not realizing the data government agencies are providing is of such poor quality,' Mills wrote. 'The volatility and false signals coming from the program are at odds with the very purpose of the Current Employment Statistics program, which was designed to provide the closest to real-time indication of the employment situation. Monthly surges up and down confuse the very people who the program is designed to provide a valuable service for.'"

"DWD Secretary Newson: Actual Jobs Data Reported by Wisconsin Employers Show State Added Over 23,300 Jobs in 2011," Wisconsin Department of Workforce Development, May 16, 2016

- "Wisconsin Department of Workforce Development (DWD) Secretary Reggie Newson today released 2011 Wisconsin actual jobs data based on reports from nearly 160,000 employers, which shows the state added over 23,300 jobs between December 2010 and December 2011."
- "'For the first time, we see Wisconsin's 2011 jobs picture based on what 96 percent of Wisconsin employers reported, not what statistics out of Washington, D.C. estimated based on a survey of 3.5 percent of Wisconsin businesses," Secretary Newson said. "Wisconsin added jobs last year, which not only contradicts the loss in jobs that the federal government estimated for our state, but also lines up with other indicators that show Wisconsin's economy is headed in the right direction.'"
- "'The BLS' monthly job estimates are volatile and not in line with the economic growth we see throughout the state,' Secretary Newson said. 'And, because workforce data is important to job creators as they contemplate key decisions for their businesses, Wisconsin employers – and job seekers – have the most to lose when volatile data is represented as a reliable indicator.'"
- "Secretary Newson urged the BLS to reexamine the process it uses to develop the CES monthly data, given the increased volatility and decrease in reliability of the data

series since the program was gradually centralized by BLS. He cited concerns that the National Association of State Workforce Agencies indicated in writing in 2010 over the trend to centralize the estimation process for CES at the federal government from the states, specifically that 'data quality will continue to degrade and user confidence will be undermined.'"

"Employment debate requires closer look," Milwaukee Journal Sentinel, May 26, 2012

- "Scott Walker has it all figured out. Tom Barrett does too. The rest of us can only duck and cover as the gubernatorial candidates lay down a cross-fire of conflicting economic data and carpet bomb the state with political rhetoric. But at its heart, the Great War of the Jobs Numbers is essentially about this: Has Wisconsin's recent employment performance been abysmal, or merely mediocre?"
- "Since at least 2008, the year-over-year changes in the monthly survey typically have moved in sync with the year-over-year changes in the quarterly census. The average monthly difference has been about 10,000 jobs. But the census and survey drifted apart in the last half of 2011 - by 57,000 jobs as of December - even though the survey numbers had gone through an annual revision using the census numbers in a process the Bureau of Labor Statistics calls benchmarking.
- One possible factor in the recent dramatic deviation of the monthly jobs survey from the quarterly census: The federal bureau took over the responsibility from the states of putting out the monthly numbers, beginning with the March 2011 figures. "That was the last of our opportunity to have any real say in these estimates," said Steve Hine, Minnesota's director of the Labor Market Information.
- "Like officials in Wisconsin and some other states, Hine questions whether the loss of local responsibility for the jobs figures has harmed their accuracy. The monthly employment numbers, he said, show Minnesota roughly 40,000 jobs behind where he knows the state actually is because of the more accurate unemployment-insurance counts. In a statement, federal officials have said that the consolidation of the data collection has saved money and that it should improve accuracy. They said that state agencies can still provide federal officials with information about local events such as plant closings, but also acknowledged that part of reason for the change was to rely "less on individual analyst judgment and more on the use of standard statistical" models."

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TESTIMONY

THE CHALLENGES OF PRODUCING ECONOMIC DATA FOR THE 21st CENTURY

KEITH HALL
Senior Research Fellow

Congresswoman Maloney, Vice Chairman Brady and Members of the Committee: Thank you for the chance to discuss the economic statistics produced by the federal statistical system. In my testimony, I will talk briefly about some of the challenges that the current system is struggling to meet and then mention a handful of specific inadequacies in data coverage.

Federal economic statistics are important for both policymakers and the public, and the economic data that they represent is a huge bargain for the American people. Such data assist policymakers in the monitoring of the economy and in the development of macroeconomic policy. Beyond business cycle concerns, economic statistics can and should be essential to the development and monitoring of policymaking throughout the federal, state, and local governments, guiding hundreds of billions of dollars in federal spending. For example, the Consumer Price Index is used in determining entitlement payouts, like Social Security benefits, and in setting federal income tax brackets; employment and wage data are used in federal allocations in such programs as the State Children's Health Insurance Program and Medicaid; and employment cost indexes are used to determine reimbursements under the Medicare Prospective Payment System. For the public, economic data serves the same role as physical infrastructure. Private businesses use statistics to make sales projections, reach investment decisions, adjust contract payments for inflation, and more. And individuals count on reliable economic information to make all kinds of personal economic decisions. Literally millions of people now visit agency websites every month.

The challenges facing federal statistical agencies are significant and many. Like physical infrastructure, statistical systems become obsolete over time. The economy is consistently changing, new industries emerge while old industries restructure and sometimes decline, business practices change, and households change how they make economic decisions. Keeping up the coverage and quality of economic data has been, and is likely to continue to be, constrained by tight budgets and the complexity of data collection and analysis. It has always been a problem that data users often need new information quickly while it takes agencies a long time to design and produce new, high-quality statistics.

In a sense, I know of no economic statistics program that is fully funded. For example, the Bureau of Labor Statistics, or BLS, does not have the best possible data on payroll jobs under the Current Employment Statistics

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program. Instead, they work to have the best $60 million program possible. With more money, the program could be both improved and expanded, and data users would be thrilled with the result. With less money, agencies need to be free to make sound, professional judgments on how to adjust their programs – for example, which program to cut, whether or not to reduce sample or lower the number of data series, etc. And—as we have seen time and time again—any proposal by a statistical agency to eliminate data causes data users to become upset. Statistical agencies need to be free to discuss the limitations and changing data quality to users. Because survey design, data collection, and data analysis are complex, it is quite easy for data quality to decline without data users' immediate knowledge. For example, budget issues prevented BLS from updating the housing portion of the Consumer Price Index until 2010. This left a full 40 percent of the index woefully out of date, because it was still based on 1990 census data. We will likely never know how much this led to over- or underestimation of inflation and therefore to over- or underpayments to millions of Social Security recipients.

CHANGING ENVIRONMENT FOR DATA COLLECTION, ANALYSIS, AND DISSEMINATION

The nature and scope of economic activities by businesses and households are becoming increasingly complex. The growth of global production chains has sometimes made it hard to categorize companies as either manufacturers or wholesalers. The pace of technological change and product innovation requires constant changes in surveys. As we have just seen in the period running up to the Great Recession, data collectors have had a hard time keeping up with the growth of financial instruments. For households, the greater use of technology in transactions has made it harder for individuals to recall transactions in response to survey questions.

Statistical agencies need to modernize their data collection to better reflect how households and businesses store and use information. Many of the data collection technologies used by federal statistical agencies are outdated and inflexible. For example, far too often data collectors from federal agencies still make personal visits to households and businesses or still collect data by telephone. Not only is this an unnecessary burden to respondents, but it is a very costly mode of data collection. Surveys need to do a better job of accepting electronic records from companies. For example, in the Consumer Price Index program, data collectors still make store visits in which they find and examine products and enter prices in a handheld computer. Instead, there is tremendous potential in collecting this data in electronic form from company headquarters. Once permission is obtained, thousands of transaction prices could be collected at once for sales at hundreds of stores. Research on doing just this is currently underway at BLS. Surveys can also make better use of technology in collecting data in household surveys. Rather than continuing to visit individual households and discuss monthly purchases while sitting in someone's living room, the Consumer Expenditure Survey program at BLS is researching the use of technology that would allow a household to scan cash register receipts.

Statistical agencies need to improve their use of technology and reduce redundancy in information technology systems. For all agencies that I am familiar with, the development of new systems is both slow and expensive. New business models need to be developed for the delivery of IT systems. For example, the large statistical agencies typically have a number of independent programs, each with its own budget and each with its own independent IT system for data collection and processing. This creates a significant amount of redundancy and raises the overhead cost for agencies. Because these business practices have been in place for decades, they are not easily or cheaply fixed. Similar redundancy can be seen when smaller statistical agencies have their own systems and do not share common IT platforms with each other. The solution, I believe, requires very strong leadership—not only within each agency but across agencies—to move to common platforms and even common data collections and processing systems. This has been done, for example, at Statistics Canada and perhaps at statistical agencies in other countries.

Statistical agencies need to modernize their data dissemination. The data collected and analyzed by statistical agencies are paid for by taxpayers, and the output of these agencies belongs to them. Frankly, agencies seem

to sometimes forget that the data are not exclusively for the use of economic policymakers. It is therefore an important part of the mission of each agency to make sure that their information is available to everyone and in an understandable and useable form. This burden has increased in recent years with the decline of newspapers and newspaper coverage of economic data. Fortunately, the Internet has revolutionized data dissemination and analysis, and its potential for data collection is great. However, data users currently have to work much too hard to navigate the statistical system and dozens of independent websites to get information. Agencies need to continue to use the Web and take advantage of new, evolving forms of communication for data dissemination. For example, to my knowledge only the Census Bureau has begun to significantly use the various forms of social media to discuss their agency and their data.

DATA GAPS

The U.S. economy is huge, complex, and ever-changing. As a result, there are many inadequacies in the statistical data available. I will mention just a few of the larger gaps that I am familiar with.

There is a significant gap in the data coverage of services. For decades, the statistical system focused primarily on goods. However, the service sector for many years was larger than the goods sector, and it has also grown faster. This is true for every wealthy economy in the world. In 2007, the service sector was responsible for over 80 percent of total U.S. employment, and it has been responsible for essentially 100 percent of job growth over the past 40 years. There has been significant progress in services coverage, but it is still quite incomplete. The Great Recession was perhaps a good reminder that we need to fix this. In past recessions, job loss was centered on the goods sector of the economy; in fact, the service-sector job loss has often been minimal and occasionally, as with the 2001 recession, there was no service-sector job loss at all. During this recession, for the first time ever, more than half of the job loss has been in services.

There is a significant gap in data coverage of international trade. This particularly centers on trade in services, and this should be a significant concern for the U.S. It is widely recognized that the U.S. has a significant comparative advantage in service activities, particularly relative to developing countries. Yet trade agreements have focused primarily on trade in goods, and there is a strong view held by many trade economists that there are significant untapped markets in developing countries that could be opened up for U.S. services companies. The lack of data on trade in services has almost certainly led to a real lack of research on the potential benefits of liberalizing trade in services. With respect to import prices, budget cuts in recent years have led to lower, rather than higher, coverage of services.

A potential data shortcoming that has received a good deal of attention over the past few years is in the quality of data on import prices. There is legitimate concern that import prices have been underestimated. When U.S. companies switch purchases from a U.S. producer to an imported intermediate product, they often do so for lower prices. If the full decline in prices is not captured by the import price program, then import quantities are underestimated and real GDP, which focuses only on domestic production, will be overestimated. Similarly, productivity in manufacturing will appear higher than it really is. At the moment, the solution appears to be the development of a new survey that focuses on the prices that companies pay for intermediate products from either domestic or foreign companies.

There are a number of shortcomings in the measurement of consumer prices. In fact, the Consumer Price Index as it currently exists is a bare-bones measure of consumer prices. Prices are collected for a single, average bundle of goods and services. This mix is an effort to represent the average for the entire U.S. However, since different groups of people, like the elderly for example, have different consumption patterns than other groups do, this index can be misleading. In the case of the elderly, tens of billions of dollars of Social Security benefits are allocated based on cost of living adjustments that do not necessarily represent the mix of goods and services that older people

consume. Also, data is only collected in urban areas, despite the fact that there can be significant differences in prices in rural areas. And last, there is insufficient data collected for cost of living estimates at the city, state, or regional level. This limitation creates limitations for other economic data. For example, the census measurement of welfare is not adjusted for cost of living differences in different areas of the country.

And, last, I want to mention difficulties with the unemployment rate as a measure of labor market slack. Although the unemployment rate is consistent with an international standard that is followed by most government statistical agencies, it has some long-recognized limitations that have made it one of the most widely criticized economic statistics in the world. Its design follows three basic concepts:

1. People with jobs are employed.
2. People who are currently jobless, actively looking for jobs, and available for work are unemployed.
3. People who are neither employed nor unemployed are not in the labor force.

The labor force statistics are intended as a measure of the current supply of labor, so defining the unemployment rate as the share of the labor force without work gives us, in principle, a measure of how much supply exceeds demand for labor. During a recession, demand for labor declines as economic activity declines, leaving labor market slack. Under these circumstances, there is no real reason for the supply of labor to diminish. In fact, if anything, we would expect an increase in labor supply as incomes fall. Because the labor force is defined as those currently and actively looking for work, when the unemployed become discouraged and decide to stop actively looking for work until the economy improves, the supply of labor appears to decline, reducing the unemployment rate. Similarly, coming out of a recession, when the economic news improves, more jobless become active in their job search, and the labor supply appears to increase. A better measure of labor supply, and therefore of labor slack, would not change through the business cycle.

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The Economic Impact of Ending or Reducing Funding for the American Community Survey and other Government Statistics

Prepared Testimony of The Honorable Grant D. Aldonas Before the Joint Economic Committee of the United States Congress

June 19, 2012

Chairman Casey, Vice Chairman Brady, and Members of the Committee, thank you for the opportunity to appear before the Committee to discuss the American Community Survey, the 2012 Economic Census, and any potential negative consequences that might flow from their elimination or de-funding. In your letter of invitation, you expressly asked for my views on the value of both surveys to business owners, public policy analysts and economic researchers relative to their cost.

By way of background, I have been involved in economic research and statistical methods, either as a practitioner or a consumer, since my first job out of college, in which I worked as a statistician on a project for the Governor's Crime Commission in my home state of Minnesota.

Since that time, I have had the opportunity to become acquainted with each of the major surveys and statistical indices developed by the federal government in my work on economic policy at the State Department and the Office of the United States Trade Representative, as Chief International Trade Counsel on the Senate Finance Committee, and, most recently, as Under Secretary of Commerce for International Trade from 2001-2005.

In that latter capacity, I oversaw the development and publication of the government's statistical work on international trade, investment and competitiveness. That offered me the opportunity to work closely with colleagues in the Commerce Department's Bureaus of Census and Economic Analysis, the Bureau of Labor Statistics at the Department of Labor, and the U.S. Customs Service and Border Protection, which collects much of the raw data that Census and the other Commerce Department agencies publish in the international area.

Since returning to private life, I have continued to be actively involved in economic research as the Scholl Chair and now Senior Adviser to the Center for Security and International Studies (CSIS). Much of my work at CSIS has focused on globalization and its impact on American firms, American workers, and U.S. competitiveness.

Economic research is also one of a suite of services offered by Split Rock International, Inc., the consultancy that I launched in 2006. My work there has included a variety of papers on economic adjustment, economic development, the impact of regulation on investment in particular sectors of the economy, and, most

recently, assessing existing measures of economic integration and their use in the context of development finance.

Those experiences have impressed on me the importance of accurate economic data and statistics to the efficient functioning of the economy and to measuring the success of economic programs enacted by Congress. I have also developed an appreciation of the insights that data collection and analysis can offer to policymakers in tackling the challenges we face at the local, state and federal level.

With that as a preface, let me turn to the questions you asked, Mr. Chairman, in your letter of invitation.

Measuring What Matters Most

In your letter, you asked for our views on the economic impact of ending or reducing funding for the American Community Survey and other government statistics. While I fully intend to address that question, I would like to start from a slightly different perspective.

First, as everyone from Lord Kelvin to Albert Einstein to Bill Hewlett to Tom Peters has said in one way or another, you get what you measure. If you are interested in growth, you should collect data that bear on factors, such as productivity, that drive growth. If you are concerned about job creation, you should collect data that focuses on the economic environment that fosters new businesses, which create the most employment. More broadly, if you are concerned about our progress toward the two most fundamental values we share – individual freedom and equality of opportunity, you should try to examine the barriers that inhibit freedom and limit equality of opportunity.

I want to touch on an area – globalization and U.S. competitiveness – that I know well to illustrate my point. Let me start with the recent figures on our current account deficit, particularly our bilateral deficit with China, both of which are growing once again. Economically, our deficit reflects the difference between our savings and investment, on the one hand, and our consumption on the other. It reflects that we are living beyond our means, more than suggesting anything about our relative competitiveness.

But, the deficit is also a function of the way we keep statistics about our trade. Three examples help explain. First, services make up roughly 75-80 percent of the U.S. economy. Many, like haircuts, are not tradable; many, like oilfield services and telecommunications are. Those that are tradable represent areas of both comparative and competitive advantage for the United States and make up an increasing share of our exports.

Here's the kicker. According to the best estimates I heard, both when I was on the Finance Committee staff and as Under Secretary of Commerce, we are, at best, consistently undercounting our services exports by 30 percent.

In a $15.2 trillion dollar economy in which our exports represent roughly $2.1 trillion or 13 percent of the total, that means we are consistently undercounting the size and strength of the U.S. economy by over $200 billion. That consistent underreporting flows through everything from our national income accounts to measures of productivity to measures of the national debt ceiling and the nation's solvency.

What is true with respect to our current account deficit as a whole is also true for our bilateral deficit with China, although for different reasons. With respect to China, we not only consistently undercount our services exports, we overcount China's exports of manufactured goods to the United States. We do so because of the arcane world of customs rules of origin, which determine the origin of a good for customs purposes so that tariffs can be assessed.

Unfortunately, the customs rules of origin, which have not changed in their essence for the better part of the past century, bear almost no relationship to where the value of the good is produced in a world of global manufacturing and supply chains. My Apple iPhone offers the best example. When it enters the customs territory of the United States, my phone is deemed by the customs rules of origin to be 100 percent of Chinese origin because the final assembly in China creates a "new and different article of commerce" for customs classifications purposes.

But, in reality, over 65 percent of the value of my phone is created in the United States, including the manufacture of the most important feature of the phone, its microprocessors, which drives all of the things that make the iPhone what it is. A significant share of the remaining 35 percent of the value of my phone is created, variously, in Japan, Taiwan, Singapore and/or Malaysia. Only the remaining 8 percent or so that is the cost of final assembly is added in China.

Consider what that means. Because our statistical reporting is based on customs classification rules that belong to a bygone era, we are consistently overstating the value of Chinese exports of manufactured goods to the United States in the single largest categories of Chinese trade with the United States, consumer electronics.

Just as is the case with our services exports, getting the numbers right and providing an accurate picture of our trade with China could profoundly alter our perception of China's economic strength and our own competitiveness. That, in turn, could reshape the trade policy debate by reinforcing the point that we are, in fact, the country that is best placed to take advantage of the opportunities that a globalized, knowledge-driven economy offers.

My last example is an extension of that point. Over the past 30 years, changes in geopolitics, progressive trade and investment liberalization across the globe, and, above all, the revolution in computing, communications, transportation and logistics, have reshaped both the global economy and our own. By dramatically lowering transaction costs, globalization has fundamentally altered industrial organization and the basis of international competition.

Firms that were once vertically integrated and engaged in arm's length sales almost exclusively in their home markets have been flattened and their boundaries softened. What that means in practical terms is that independent suppliers that specialize in those tasks can now perform many of the functions that used to be performed "in house" with greater efficiency and lower cost.

Most of those suppliers are local here in the United States, but globalization has made it possible to tap a broader network of suppliers around the world. As in all things, when global supply chains became possible, they quickly became a competitive necessity, for U.S. firms as well as their competitors.

The growing share of world trade in intermediate goods reflects those changes in how industry is organized. What those statistics do not capture, however, is the profound way in which this has changed the basis of global competition.

For American firms, success in the global economy depends on access to capital, talent and ideas, as much as it does any conventional measure of market share. It also depends on understanding what your firm contributes to the value chain in your industry that ultimately serves a global, rather than strictly local, consumer market. Competitiveness in this environment requires an ability to innovate, both on the shop floor and in creating step changes in technology, which ultimately increases the value your firm contributes and the returns you can generate, both to your investors and to those the enterprise employs.

Each of those factors, taken alone, would suggest the need to focus on gathering data that would illuminate the competitive pressures that American firms and American workers face and adapt our economic policies to provide the optimal domestic economic platform for their success in the global economy. Taken together, they suggest that we should be fundamentally rethinking the way we collect and analyze economic data government-wide in order to ensure that we are offering economic policymakers, in the Congress and the executive branch, an accurate picture of the challenges that we face economically.

The best way I have found to explain the difference between where we are and where we should be in terms of the data we gather on the economy is that our current approach, including the problems I noted above, offers you as Members of Congress a picture of both the American economy and the world that is roughly 30-40 years out of date.

It helps to think about what that means in practical terms. Take the issue of corporate taxation. We have a recurring debate about transfer pricing rules and whether the internal measures used by American companies mirror the "arm's length" sales price that would prevail in the market between two unrelated sellers.

What that reflects is that our tax code incorporates an assumption about the economic environment in which our firms and our workers compete. The basic operating paradigm in the tax code's view is one of high transaction costs that imply vertical integration.

As noted above, however, that is not the competitive reality that American firms and American workers actually confront. Instead, they compete in a world in which low transaction costs, flatter organizations, global value chains and trans-national innovation eco-systems are the norm.

In areas like consumer electronics, for example, it may well be that the "arm's length" price is no longer the relevant benchmark because it no longer reflects a sufficiently sizeable number of transactions to reflect anything other than a spot market price. Given that spot market prices are normally higher (often by wide margins) than the price that would prevail in markets in which arm's length prices were the norm, the arm's length standard would offer a more distorted guide to taxing corporate income than might have been the case 30-40 years ago.

In other words, the assumptions that lie at the core of how we collect data and measure our economy, all of which flow through to economic policy in powerful ways, are, in my view, offering you a fundamentally flawed vision of the world in which your constituents live, earn their income, and provide for their families. By the same token, properly measuring the economy and these competitive dynamics would profoundly alter our approach to economic policy, whether in our approach to taxation, our investments in education, and a number of other equally important areas.

Seen in that light, focusing on the economic impact of eliminating the ACS or reducing the funding for the 2012 Economic Census seems misplaced. My argument is not that we do not benefit from the investment we make in government statistics. It is that trying to salvage the existing surveys, while consistently ignoring the gaps between what we are measuring and the economic reality that American firms and American workers confront is a sure prescription for failure.

As my mother always told me, the surest way to get the wrong answer is to ask the wrong question. It seems to me that, at least with respect to much of what I know about where our data gathering capabilities are focused, we are asking the wrong question. We will get what we measure and, in my view, we are measuring the wrong things in light of the economic challenges we actually face.

What I would strongly urge the Committee to do, given its historic strength as a bipartisan committee producing high quality information about the economy and economic policy, is to use the opportunity that the House appropriations bill provides to launch a process that would rethink our statistical data gathering from the start to ensure that we measure what matters most.

Posing the challenge that way would alter the Committee's approach entirely. If, for example, you asked me what I would measure, I would prefer that the money we now spend on the ACS and the 2012 Economic Census be spent instead on what I would call a "freedom impact statement." Given that individual liberty lies at the core of the American experiment, I would prefer to see that we assessed the impact of any government action on an individual's freedom, much like we now do with environmental impact statements. Because equality of opportunity must always stand in equipoise to individual freedom, I would suggest a counterpart impact statement on any action's effect on equality of opportunity.

Both strike me as measures far more important than measuring changes in the average commuting time of various age groups in vehicles of one ton or more over the past thirty years, which is the sort of measure the ACS currently provides.

Value of the ACS and the 2012 Economic Census Relative to Its Costs

Turning from the issue of focus to the specifics of the ACS and the 2012 Economic Census, what makes the most sense to me is to assess the value of the two surveys, first and most importantly, to economic actors in the marketplace and, second, to you as economic policymakers.

My reasoning is as follows. The choices that economic actors in the private marketplace make ultimately shape our potential for economic growth and job creation, as well as the practical limits of the public programs we can afford. Economic data that feeds their ability to make informed choices could make a difference to the functioning of the economy, particularly to capital markets.

If the role of government is to create an environment in which those actors can shape their own economic future, however, the data that the government publishes must be directly relevant to the decisions they make.

Equally important, the actions you take as economic policymakers can shape the environment in which economic decision makers operate and shape their choices in powerful, often unintended ways. Good data about the actual challenges we face as a country should inform every decision you make as legislators and every decision made by economic policymakers at the other end of Pennsylvania Avenue.

That leaves what I am intentionally excluding from the calculus. Let me admit my bias from the start. In my view, no government data gathering, particularly when it implies bringing the full weight of the federal government and

the potential for prosecution for non-compliance to bear on individual U.S. citizens, should be done for my benefit as an economic researcher and analyst.

Just like my many friends in academia and in think tanks, I depend heavily on the information that the government publishes, although not specifically on the ACS or the 2012 Economic Census. But, I have a very hard time seeing how my stake in any government data outweighs the potential intrusion of the government into the daily lives of my fellow Americans. That moral equation does not add up for me personally.

In my view, when the government acts, even in the data it collects, it should only do so in instances in which individuals and markets are unlikely to produce the goods or services in question (i.e., market failures). Even then, government should act only where its steps will benefit the American public as a whole, as opposed to a specific sector, industry or group of individuals. The collection of data at the taxpayer's expense and at a cost of the respondents to the ACS survey or the 2012 Economic Census to serve the private interests of individuals or specific companies strikes me as the antithesis of market failure – it represents a form of rent-seeking instead.

In assessing the value of the ACS and the 2012 Economic Census to economic actors in the marketplace, the first thing that strikes you is that both surveys suffer from the limitations of any backward looking survey that rolls data up into very broad categories. One limitation from the perspective of a consumer, a home buyer, or a saver making a decision about where to invest the money in their individual retirement account is that the results of the two surveys represent the past, rather than the current economic environment in which the economic choice has to be made. A second limitation involves the samples, which are unlikely to reflect the picture of the specific industry, sector or products that would actually inform current consumer choice. The third limitation relates to the quality of information, which is simply too general to be of much use to any economic actor obliged to make a judgment on price, quality, or any of a range of other factors that would inform their decision.

While all that seems clear, I am sure the Committee is aware of a number of statements by various industry associations that affirm the relevance of the information collected as part of the ACS to their member companies. Take, for example, the National Retail Federation's ("NRF") statement in a letter to Members of the House regarding the ACS. In the letter, NRF's Senior Vice President for Government Relations, David French, said –

> ACS is vitally important to the retail industry because it allows retailers to better serve their customers . . . Retailers use ACS data to make decisions on a daily basis concerning investment in new facilities, the availability of qualified workers and the need for job

training programs, the characteristics of the communities we serve, and the need for new stores.

Mr. French's statement did not offer anything in the way of facts or much in the way of supporting argument that would allow us to assess the basis of the NRF's position, but a brief thought experiment might help illuminate it. Let us ignore, for the moment, whether the retailers should foot the bill for acquiring that information, rather than imposing that cost on the taxpayer and the survey respondents and focus instead on the NRF's statement in light of the 2010 survey's results and the questions contained in the 2012 questionnaire.

One of the items the Census Bureau highlighted in its press release accompanying the 2010 results was a rise in the mean travel time to work. Since 1980, when Census first collected that information, "average travel time was just under 22 minutes, then increased to about 25 minutes in 2000, where it remained in 2009." It is difficult to say what retailers might glean from a 3 minute increase in the average commute in the two decades between 1980 and 2000, much less the fact that the average commute has remained constant over the past decade.

Much of the retail industry is driven by time to market. Retailers in the fashion market of textiles and apparel industry, for example, turn to U.S. apparel makers or operations located in nearby free trade partners like Honduras that are linked to U.S. yarn producers, rather than Chinese manufacturers, for products that can keep pace with the rapid changes in that market segment from season to season.

From that we know that time is important to the retail industry, but we can also say that the actual information contained in the ACS with respect to the increase in the average American's commute by three minutes over the thirty years since 1980 has no bearing on the actual measure – time to market – that drives productivity and profits in the retail industry.

The extra three minutes of drive time could be relevant to a radio station's pricing of advertising and the retail industry's willingness to pay for drive time radio spots. But, that raises the immediate question whether a one-minute increase in drive time per decade from 1980 to 2009 is likely to alter either the pricing strategy or purchasing decision that the two parties have to make in 2012.

In short, what was discussed above in terms of the general limitations of all surveys seems to apply to the ACS in this instance. The data it provides is unlikely to inform any decision in the market that matters.

That conclusion is worth exploring in some detail with other witnesses and representatives of industry because, in the absence of some far more persuasive showing that the data is relevant to current market choices, you would otherwise logically conclude that the cost of the ACS to taxpayers and respondents vastly

outweighs any benefit to specific economic actors, much less one that benefits the economy and our society as whole.

Let us turn to that question now with another thought experiment. Let us assume, without testing the validity of the statement, that there is great commercial value to the ACS survey to some economic actors if the right questions are asked.

As evidence of that fact, the U.S. Chamber of Commerce sent a letter to the Commerce Department expressly advocating the inclusion of questions regarding Internet sales as part of the 2013 ACS. In his letter, Bruce Josten, the Chamber's Executive Vice President for Government Affairs, stated –

> Chamber members have witnessed the growth in Internet shopping in the retail sector among individuals and businesses, and feel that analyzing these trends down to the local level can help small businesses tailor their marketing to a focused group of customers.

I have a great deal of respect for Bruce and the Chamber, which have worked tirelessly in support of opening new markets for American firms, both large and small, through trade. But, even stipulating that the inclusion of the questions regarding Internet purchases would be helpful to the Chamber's small business members, we are forced to ask (1) whether the information that the Chamber wants could be provided, potentially at a far lower cost, if obtained from a private market research firm and (2) whether the benefits of providing the data that would help the Chamber's members somehow flow to society as a whole and that those benefits outweigh the costs of data collection and compliance?

The reality is that the information that Bruce and the Chamber want for their members is available from a variety of sources for a price. Indeed, an entire industry is currently dedicated to mining information about consumer choice on the Internet. Both Google's and Facebook's business models depend on that fact. Given the relative merits of more specific data that would better inform the Chamber's members' choices and the scale that private data gathering firms bring to their task, it is hard to imagine that the overall cost of the effort would be lower, in economic terms, and that the Chamber's members would be better informed if they opted to move in that direction, rather than relying on the Census Bureau to do the work for them.

That is the catch. It is, of course, in their interest to have Census collect the data and distribute it at zero or marginal cost to any of the Chamber's members because it allows them to avoid the cost that they would otherwise face in acquiring the information from private data firms. Having Census do the collection, particularly with the full force of the U.S. government and the legal penalties that attach to non-compliance reinforcing that effort, allows the cost and burden to be shifted to the taxpayers and respondents.

Interestingly enough, that logic applies with equal force to the 2012 Economic Census, even though the targets of the requests for information are businesses themselves. The likelihood of being a respondent is low for any individual Chamber member. Except in that circumstance, the cost of the individual Chamber member acquiring the data that the Census survey produces is zero, or nearly so, even taking all of the transaction costs into account. Seen in that light, the value proposition of lobbying for the taxpayers and respondents to bear the cost still holds.

What that thought experiment illustrates is that the costs and benefits of the ACS and the 2012 Economic Census depend heavily on how you see the government's role. One pointed way of putting the question is from an individual taxpayer's perspective.

I asked myself how, living in Arlington, Virginia, I would assess the choice my congressman, Representative Jim Moran, and my two senators, Senators Jim Webb and Mark Warner, will be asked to make. Would I tell them to ignore the cost to taxpayers, the relative intrusiveness of the collection methods, and the existence of alternative, less intrusive methods of acquiring the information from private firms, particularly when the benefits of the data collected by Census would flow largely to specific beneficiaries, rather than to the economy and society as a whole? Or, would I ask them to take those factors into account, try to minimize the cost and burden imposed, and try to ensure that the benefits extended to the broadest possible group as practicable?

I would certainly urge them to take the second route. What I would strongly urge the Committee to do is fundamentally rethink both the ACS and 2012 Economic Census from that perspective. First, I would suggest that you explore whether there were alternatives available that would eliminate the need for the surveys, in whole or in part. Given the amount of information currently available from private sources that is likely to prove more current than the surveys, you might find that alternatives to the Census surveys actually improved the quality of the choices economic actors would make in the marketplace and the choices you would make as economic policymakers.

Second, where there is no alternative to the government collecting the data, I would recommend that you explore whether the government could acquire such information by other, less costly and less intrusive means. Here, some examples to help make the point.

Personal Questions 26-28 from the 2012 ACS questionnaire ask whether the respondent has "ever served on active duty in the U.S. Armed Forces, military Reserves, or National Guard," when the respondent served, and whether the respondent has a Veterans Administration ("VA") service-connected disability rating. This is information that the government already has on the rolls at the VA. The question might reasonably be asked why Census must gather this in a survey if

the information could just as easily be requested via an email from the Secretary of Commerce to the Secretary of Veterans Affairs.

Similarly, Personal Question 41 of the ACS asks the respondent to report various categories of income earned over the past 12 months. As it relates to "wages, salary, commissions, bonuses or tips from all jobs," the questionnaire instructs the respondent to "Report amount before deductions for taxes, bonds, dues, or other items." What is particularly interesting about this question is that it expressly acknowledges that the respondent is otherwise obliged to report the information to the Internal Revenue Service ("IRS") and the Census is instructing the respondent to provide what the IRS would call "gross income," rather than "taxable income." One might reasonably ask why, if the government has already compelled the information under penalty of law for failing to file a tax return and for making false statements on a tax return that the Census must separately compel the information from the same respondent and why, if privacy of tax return information is a concern, Congress could not adequately address that concern just as it now does with respect to the information provided separately to the two agencies?

Third, I would definitely suggest that you ask Census to reassess the reasons for asking for certain information with a view to limiting the cost and burden of reporting in those instance in which no alternative to a survey is available from either private or public sources. Again, examples help.

Today, as important as agriculture is to our economy, particularly to individual states and localities, it now makes up less than 1 percent of the U.S. GDP and employs less than 2 percent of all employment. Much of our agriculture sector is made up of large, capital-intensive, highly mechanized farms. In light of those facts, one might reasonably ask what Census is likely to gain from asking, as it does in Housing Question 5, for the respondent to provide "the actual sales of all agricultural products" from the respondent's residential property in the past 12 months?

The point of asking those questions is not to suggest that the ACS and the Economic Census do not produce a wealth of data that may hold value in some form for my many friends in both business and the economics profession. Rather it is to suggest that even the most ardent advocates of the two surveys would have to concede that there are instances in which the cost to the taxpayer of distributing, collecting and analyzing the questionnaires, coupled with the relative intrusiveness of the questions and the cost to respondents of compliance, greatly outweighs the value of the information both surveys provide to our country and our society as a whole.

Thank you.

Testimony of Vincent P. Barabba

Before the Congressional Joint Economic Committee

June 19, 2012

I was asked to testify before this committee because of my fifty years of experience as a provider and user of information in both the public and private sector.

Experience within the public sector has included presidential appointments from Presidents Nixon, Ford, and Carter to be the Director of the Census Bureau for the 1980 Census program and Presidents Reagan and George H.W. Bush to be the U.S. Representative to the Population Commission of the Economic and Social Council of the United Nations.

Experience in the private sector included the creation of a market research firm to support political and public affairs campaigns from City Councils to the Presidency of the United States. I also worked at the Xerox Corporation, Eastman Kodak, and General Motors. Today I am a co-founder and Board Chairman of the Market Insight Corporation; an enterprise that captures "real-time" shopper preferences and transforms them into actionable and timely consumer market intelligence.

It is with that background that I will focus my remarks on the role of information collection and use in the future development of the economic and social well-being of the United States...particularly since we are facing significant and in some way unprecedented competition across the globe.

One of the most compelling concepts that I have learned as both a provider and user of information is not to think of knowledge as a collection of information stored in a data base. My experiences have shown that the true value of knowledge is determined by the extent to which it is used.

Relative to the Census Bureau, users have been making valuable use of Census Data, beyond the reapportionment and redistricting processes, for a long time. A letter, from the Post Master General, written in 1793 serves as an example.

> "If there be any spare copies of the Census of the Inhabitants of the States in the office of the Secretary of State, the Postmaster General requests Mr. Jefferson to

> favor him with one, it being proper to attend to the population of the country in forming an opinion upon applications for new post roads."
>
> General Post Office
>
> December 26, 1793

This example also points to a critical distinction in the history and development of our country. We, as a society, have been less restricted than other countries to consider our future and its possibilities because we were less constrained by existing ways of doing things and restrictive cultural beliefs. We have been a nation that decides, to the extent possible, on what we know about the present and what the future may hold – not solely on what we have done in the past. The ability to maintain access to a continuous flow of reliable, timely and relevant information has provided us a competitive advantage in today's global market place. Lessening our ability in this area would provide an advantage to our competitors.

The Importance of the ACS

In today's more dynamic and complex environment, the future belongs to those countries that anticipate and attempt to create the future they want by recognizing the potential offered by change. Action must therefore be taken now to develop new forms of understanding and insight to anticipate and prepare for forthcoming changes.

The decennial census long form, and the extent to which it was used, was of great value during the evolutionary period of our Country's development. The fact that the long form reports came from a large sample size provided data with a low sampling error. Another error, which is often overlooked, is non-sampling error. Non-sampling error focuses on determining if the respondent provided an accurate response and if the response was recorded and processed accurately.

Because of the number of people who filled out the long form, the resulting information had a relatively small sampling error. To make sure the response error did not overwhelm the sampling error it took up to three years to make the data publicly available due to screening errors and checking the data for accuracy.

Because of for more timely information, the Census Bureau, with Congressional approval established the American Community Survey design so that the interviews are conducted on a continuous basis rather than every 10 years. The interview process is conducted by a permanent, extensively trained, and experienced field force, rather than the hard working temporary employees who were provided training for the conduct of the Decennial Census. More importantly, because the ACS surveys are conducted on a continuous basis, the timing of the responses can be tied to changing conditions

surrounding the responses at the time the questions were answered. Another positive tradeoff is the ability to alter the questions based on changing conditions.

For over 100 years the Congress has developed legislation to allow the Census Bureau the ability to demonstrate that the delicate balance between the right to privacy and the need to understand can be achieved.

The importance of repairing this pending legislation so that this valuable relationship continues reminded me of advice given by Sir Claus Moser, the distinguished head of the United Kingdom's Statistical Service. He once observed to a conference that:

> Statisticians must suffer disasters as a hazard of their profession. But, they should never allow disgraces to occur." He paused at the puzzled expressions of his audience and added, "You know what a disgrace is? It is a disaster that is allowed to continue."

If I could paraphrase from Sir Claus, the Congress has the opportunity and responsibility to keep the proposed legislation and budget restrictions from leading a disaster of our current system. If that responsibility to society is not met, in the mind of this citizen who has experienced both the care with which information about our society is collected, distributed, and protected as well as being able to see first-hand the benefits of this information to the public and private enterprises were I worked -- that would be a disgrace.

The Census Project

October 27, 2011

The Honorable Frank Wolf
Chairman
Appropriations Subcommittee on
Commerce, Justice, and Science
U.S. House of Representatives
Washington, DC 20515

Dear Representative Wolf:

Collectively we have led the Census Bureau across more than four decades, serving six Presidents from both political parties.

Over that time, as required by Congress, every five years the Census Bureau has conducted an Economic Census - the cornerstone of the nation's economic measurements. The Economic Census provides core information on virtually all private, non-farm businesses. It is a fundamental building block of Gross Domestic Product, national income and product accounts, measures of industrial productivity, price indices, and annual and quarterly indicators of business activity – essential tools for intelligent, responsive national economic policy, especially policy relevant to the job-creating results of entrepreneurship. Businesses large and small rely on Economic Census data to guide investment decisions. State and local governments use it for accurate forecasting of revenues and employment of proposed economic development projects. For decades, the Economic Census has been the core metric helping entrepreneurs and government grow the U.S. economy into the world's strongest and most vibrant engine of economic activity.

The origins of the economic census date to the 1810 Decennial Census. The Congresses of the early 1800s were visionary in seeing the necessity of collecting data from all businesses and industries in order to paint a comprehensive portrait of our nation's economy, on the basis of which the Congress has made wise public policy decisions and businesses sound investment decisions.

Today this distinguished record is at risk. The Fiscal Year 2012 budget for the Census Bureau could lead to cancellation of the 2012 Economic Census. The current state of fiscal affairs in the country is daunting, and every agency of government must find efficiencies. However, going without a 2012 Economic Census in the midst of the worst recession in half a century is akin to turning off the country's economic GPS at the very moment it is critically

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needed. Without the Economic Census, public and private decision-makers would have available a 2007 model of our economy until 2022.

As the Appropriations bill for the Census Bureau makes its way through Congress, we strongly urge you and colleagues to ensure the funding needed by the Bureau to carry out a robust and timely 2012 Economic Census.

This Congress should not be the first in history to deny itself, the executive, state and local governments and the nation's business community information that the Founders and every Congress since have judged essential for a growing nation.

Sincerely,

Vincent P. Barabba (1973-1976; 1979–1981)
Barbara Everitt Bryant (1989–1993)
Martha Farnsworth Riche (1994-1998)
Kenneth Prewitt (1998–2001)
Charles Louis Kincannon (2002-2008)
Steven H. Murdock (2008-2009)

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