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ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE MEETING

November 17, 1976  
8:30 a.m.  
Roosevelt Room

AGENDA

1. Report of Subcommittee on Economic  
Statistics

Malkiel

2. Small Dollar Coin

Treasury



PROBLEMS WITH THE FEDERAL ECONOMIC STATISTICAL SYSTEM AND  
SOME ALTERNATIVES FOR IMPROVEMENT

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## I. Introduction

The U.S. Federal statistical system for economics is an excellent one, perhaps the best in the world. It is staffed by highly-professional, competent and objective statisticians and economists. It is important at the outset to say this because the organizational structure of the Federal statistical system, like any other organizational structure, is no more than a shell. No matter how well designed the shell it is no substitute for good contents. Ultimately, it is the impartiality and professional competence of the staff and the system's ability to attract and retain creative and outstanding personnel that determines the excellence of the system. By any objective analysis, the statistical system has maintained that excellence. Nevertheless, this paper will argue that changes in the organizational structure of the statistical system may produce important benefits that would better allow the system to cope with the problems it is likely to face in the future.

It is probably true that a number of organizational structures may be consistent with the maintenance of an effective statistical system. Nevertheless, the structure itself is not unimportant. Shells can be a necessary condition for the growth and survival of the organization. They can attract superior personnel and repel undesirable political pressures. Different organizational structures may also enhance or impede the ability of the statistical system to enjoy optimal coordination. As

I will argue in this paper, the present organizational structure of the Federal statistical system is far from optimal. Some of the most important parts of the structure grew by happenstance not by design. It is important to examine possible improvements in the organizational structure that could have the multiple benefits of enhancing coordination, fundamentally improving the quality of our statistical data base, eliminating duplication, easing reporting burdens and insuring continued objectivity and independence.

In analyzing the Federal statistical system for economics three distinct questions may be asked: 1) Who should decide what statistics are going to be collected? 2) Out of which agency's budget should payment come for the collection of the statistics? 3) Who should collect the statistics? It is important at the outset to indicate that this paper contemplates no changes in current procedures with respect to the answer to the first question. One of the best features of the present decentralized system is that the principle/individual policy making departments retain the responsibility for determining their own data needs in response to changing circumstances. Moreover, through the operation of the Economic Policy Board's Subcommittee on Economic Statistics, general policy makers at the highest level have an input into the planning of changes and improvements in the statistical system. Adherence to this principle helps make the system responsive to the needs of policy makers. None of alternatives for reorganizing the statistical system contemplated here would involve changes in that basic principle.

The question of how payment should be provided is more controversial. I shall discuss below some of the benefits from and difficulties with the present system of having the individual agencies continue to provide the funds for the collection of statistics in their particular fields of interest. It should be stressed, however, that any of the alternatives discussed below could proceed with no change being made in the present system of funding.

This paper is primarily addressed to the third question: Who should collect the data? Even if the decision-making and funding for the collection of individual statistics is widely decentralized the benefits from centralizing significant parts of the collection process must be considered. The arguments for and against such a centralization of statistical collection procedures is the major focus of the discussion below.

This paper will argue that the present Federal statistical system is beset by four general problems. (1) There is a lack of synchronization of <sup>some of</sup> the transactions reported by the system. Hence, different pieces of statistical information are often incompatible with one another. (2) Because statistical data are increasingly used to direct money flows, the present statistical gathering system, spread out among different agencies of the Executive Branch, may become increasingly subject to political interference. (3) The present system of funding for the statistical system may in the future fail to meet the legitimate needs of policy makers and outside analysts. (4) The fragmentation of the statistical gathering system may present a serious obstacle to continued improvement in the quality of our economic statistics.

## II. Lack of Compatibility in the Data Collected

One of the problems of our statistical system is that it does not always produce compatible and synchronized data. The underlying problem is that the way in which Federal agencies collect information is not linked to the way in which the economic system generates these data. A business firm, for example, is engaged in an interrelated set of activities -- producing goods, buying material, employing personnel and making profits. In the data collection process, however, these interrelated relationships are all served. To a considerable extent business itself creates the problem by keeping different sets of production and financial records. If businesses themselves do not keep consistent records no Federal statistical system will be able to do so either. But even where an individual business keeps consistent records a problem can be created by the data collection process itself. Employment, shipments, price and profit data are collected by separate agencies. The different pieces of information are usually not fully comparable with information collected by other agencies. While there can sometimes be advantages to having independent estimates of the same economic indicators -- such as the establishment and household surveys of employment -- putting inconsistent series together to produce a third series, such as a time/series of real magnitudes, cannot help but create confusion. Wassily Leontiff went so far as to say in his address to the American Economic Association in 1970 "incompatible data are useless data".

The lack of compatibility is especially evident in our measures of GNP. An important shortcoming of our national income accounts is the lack of full synchronization of the transactions reflected therein. There are many examples, one of which -- the lack of synchronization between shipment and price data -- can be used to illustrate the problem.

Under current procedures data on prices and shipments are collected independently by different agencies. Shipments are collected by the Bureau of the Census in the Commerce Department while price data are collected by the Bureau of Labor Statistics (BLS) in the Labor Department. The price data are used to deflate the shipments data in order to arrive at estimates of real magnitudes. The problem is that the incompatibility of the data may lead to very poor estimates of the real sales data that are used in the GNP accounts. This may be true for two reasons:

(1) Comparability of units of observation

The timing of the collection of the price data may not always correspond to the timing of the collection of the shipments data. Coordination among different agencies regarding the timing of collection activities is not always easy. Moreover, the problem is compounded by a lack of correspondence in the sampling frames used by different agencies. Indeed, the Census Bureau cannot legally share its sampling frame because the names of the respondents to its surveys must be kept confidential under

Title 13 of the U. S. Code. As a result, the two different data series are not comparable. It would appear highly desirable that price and shipments figures be collected from the same respondents at the same time by the same agency.

(2) Comparability of Concepts

More fundamentally, the price series collected to give a picture of current movements in commodity prices are not necessarily the appropriate ones to deflate the shipments series. It has long been recognized that the posted prices collected by BLS may not correspond to current transactions prices net of discounts. But even if BLS collected the prices at which current transactions were being made the problem would not be solved. Since shipments at the manufacturing level are often made at prices contracted at an earlier time, series of current prices may not be relevant for deflating shipments. What is really needed is a separate price series to deflate shipments. Under present procedures our data on real shipments are undoubtedly faulty. There exists no integration of sales and price data in either the manufacturers or the retail level. If data on shipments and the prices at which those shipments were made were calculated at the same time for the same respondent, estimates of real sales could be substantially improved. Of course, the correction of any one problem might make only a marginal impact on the improvement in GNP statistics. But this is only illustrative of the kinds of problems that exist.

There are other important examples of a lack of synchronization in our basic statistical data. There is, for example no integration of the collection of data in the income and product sides of the GNP accounts. Sales and shipments data collected by Census are not now consistent with financial reports collected by the Federal Trade Commission (FTC), which are currently



used in estimating profits data. Thus, for example, inventory numbers published in the GNP accounts are not consistent with the inventory numbers published in the financial statements from which the profit estimates are derived. Production and inventory data collected by Census are inconsistent with profit data derived from FTC surveys. No attempt is made to reconcile financial reports with nonfinancial production reports. Such lack of synchronization may have been especially evident in 1975 and 1976 when large discrepancies arose between the income and product sides of the GNP accounts. Another example of lack of compatibility of data is provided by current practices with sample data on retailing. The Census Bureau collects data on retail sales from one sample of retail stores while the Bureau of Labor Statistics collects data on prices, employment, wages and hours from other samples. As a result there are doubts about the comparability of these input and output data. If both input and output data were collected by the same agency on the same report form, such differences on comparability would tend to be eliminated.

This is also a considerable amount of duplication in the information collected by the system. Examples are easy to find. The Federal Trade Commission in its quarterly financial report asks for data available in quarterly filings with the SEC. Currently, there are three duplicate mortgage interest surveys. The Federal Energy Administration (FEA) and BLS both collect data on petroleum prices. The Federal Power Commission (FPC), FEA and BLS all collect data on gas prices. Similar duplications exist in the collection of data on energy use. There is no consistency among the different data sources nor between energy-usage data and information in other government accounts.

### III. Politicization of the Statistical System

It is an undeniable fact of recent economic life that many of the numbers produced by the Federal statistical system have a use that extends well beyond their original purpose of monitoring the economy. Statistics are also increasingly used to direct payment flows to individuals and to political units. This creates a powerful interest on the part of many groups to shape the way in which statistics are defined and collected. The best example of how individual statistics influence money flows is the consumer price index.

In 1948 the United Auto Workers and General Motors made a precedent-setting wage agreement whereby wage rates would be escalated with movements of the CPI. The original agreement provided that for each rise of 1.14 points in the CPI, the hourly wage rates of GM workers would increase by one cent. Similarly, for each fall of 1.14 CPI points, hourly wage rates would decrease one cent subject to the limitation that the total decrease could not exceed 5 cents. Since then many other labor management agreements have adopted similar kinds of escalation clauses. Today more than 6 million workers are covered by labor contracts where wage rates are indexed to movements in the consumer price index. Of course it may well be true that ultimately wages will tend to reflect the true inflation rate. Nevertheless, the particular index used and its method of computation may not be irrelevant to the final equilibrium achieved in the economy.

Nor are wage bargains the only private contracts influenced by changes in consumer price index. At the present time a large number of private agreements ranging from rental contracts to alimony settlements provide that payments will move with changes in the CPI. Moreover, many business agreements are influenced by movements in the wholesale price index.

Major Federal programs are also automatically indexed to a price index or components thereof. These include social security; supplemental security income; retirement programs for civil service employees, the military, and for railroad and TVA workers; disability payments to coal miners; food stamps; and child nutrition programs. It has been estimated that a 1 percent rise in the CPI can ultimately trigger more than a \$1 billion increase in Federal spending on automatically indexed programs. In addition, Federal expenditures may also rise because of non-mandatory payment adjustments for increases in the CPI in state-run programs such as Aid to Families with Dependent Children and Unemployment Compensation.

Of course the importance of the price indexes in directing money flows has led to pressures concerning how the numbers are defined and collected. Examples are easy to find. Some organized labor groups have brought pressures to bear on the Bureau of Labor Statistics to defer a decision regarding changing the method of including owner-occupied housing in the CPI.

The preliminary proposals of BLS would change the current treatment of owner-occupied housing to the more conceptually correct "user-cost method." Organized labor objected to the proposal because it would have produced in the past lower reported inflation rates, and hence, lower wage payments under indexed contracts. To its credit the Bureau has resisted these pressures and is continuing to pursue the recommended change. Nevertheless, the existence of such political pressures are undeniable. To be sure, interest groups have every right to make their views known and the collection of statistical data should be responsive to their needs. But the imposition of procedures or definitions that may be biased to produce a particular statistical results does not constitute appropriate pressure and the statistical system must be able to resist those pressures to preserve the usefulness of the data it produces.

Similar pressures arose when BLS proposed replacing the current "urban wage earners' CPI" with a new and improved "all urban household CPI." Organized labor insisted on keeping the old urban wage earners' CPI and thus two consumer price indices will be published beginning in fiscal year 1977. Here was a situation where pressure was, in fact,

effective in determining what statistics would be published as Congress mandated the publication of two indexes. There have been reports that some unions have considered writing new escalated wage contracts indexed to whichever of the two CPI's goes up the most. To be sure, the point should not be overemphasized since eventually the market wage-setting process may well respond to the "true" inflation rate. Nevertheless, at least in the short run, the price indexes themselves do make a difference and the possibility of statistical biases contributing to a wage price spiral cannot be ignored.

Another example of a statistic that affects money flows is the unemployment rate. National and area unemployment rates are being used increasingly to allocate Federal funds for various programs. Federal Supplemental Benefits (FSB) provide up to 26 weeks of additional Federally funded unemployment compensation beyond the 39 weeks possible under the state and Federal-State extended benefit programs. Eligibility for FSB

funds depend on a state's unemployment rate. Supplemental Unemployment Assistance (SUA) is triggered by the national unemployment rate or by an area rate if the national rate is not operative. State and area unemployment rates are also used as part of the allocation formula for training funds under the Comprehensive Manpower and Training Act (CETA). Moreover, CETA allocations of funds for public service jobs depend on small area unemployment rates. Thus, definitional changes concerning who should be counted as being unemployed or changes in the unemployment rate used in the legislation can have substantial influence on the allocation of Federal funds among different regions of the country.

Perhaps the most pernicious form of politicization concerns the possibility of control by the executive branch of the release of information which might appear to be politically damaging. There is also always the danger of pressures on statistical agencies to analyze data in a partisan way. While the Ford Administration has scrupulously avoided the exertion of any<sup>such</sup> pressure, instances of such politicization have not been absent in our history and the danger of future problems must not be ignored.

Thus far, the Federal statistical system has been remarkably successful in resisting outside pressures and in maintaining its objectivity and independence. Nevertheless, it is inevitable that pressures to politicize the statistical system will intensify as the amounts of funds influenced by statistical data continue to grow. Such a danger was recognized over 15 years ago when the Stigler Commission (1961) argued that "there is a growing threat to the maintenance of the scientific quality of the (price) indexes arising out of their use in private contracts and public policy." Were the impartiality of the statistical system compromised, the usefulness of our published statistics for monitoring and analysis of current economic conditions could ultimately be destroyed. The increased use of statistics for directing money flows underscores the crucial importance of preserving the independence of the Federal statistical system and insulating it from the pressures of

private interest groups. The question that must be faced is whether such pressures are likely to be greater when the responsibility for collecting individual statistics is housed in a department of the executive branch with a strong constituency group influencing its policies.

#### IV. The Problem of Funding

A third problem concerns the adequacy of funding for the overall statistical effort. Under the present system, funding is always available to gather special-purpose statistics that seem responsive to urgent national priorities. Thus, in recent years funds have readily been forthcoming for the collection of minutely detailed statistics on energy prices and usage, much of which is duplicative as observed above. Nine different agencies now collect energy statistics. It has sometimes been harder to obtain funding for more fundamental research designed to improve the basic statistics that go into the GNP accounts and other major economic and demographic series.

For some years the Census Bureau has recommended the establishment of a Methods Test Panel. The objective of the project was to provide an independent vehicle for testing the feasibility of new approaches and concepts in the Current Population Survey, from which we derive unemployment and other important economic and demographic data. The proposed panel would be used to evaluate all facets of data collection such as interviewing techniques, sampling procedures and modifications to improve quality control. While the project has been deemed

extremely valuable by independent statistical experts, it has yet to receive any funding. Hence, expenditures for much needed conceptual and methodological work are often delayed, while special-purpose projects related to more current political concerns tend to be readily funded.

There are many areas, such as the collection of inventory statistics, where additional funding could promise significantly to improve our statistical data base. Moreover, the distribution of funding has undoubtedly been far from optimal. Departmental budgeting procedures often operate so that needed increases in funds for statistical programs do not receive the appropriate priority. Currently statistical programs compete for funds directly with action programs of each department. As the Commissioner of Labor Statistics recently said, "When the Secretary of Labor has to choose in his budget between a program of long-run data improvement and funds for black-lung disease, you can be sure that the statistical program will come out second." Of course it may well be that black-lung disease should have a prior claim over funds for a long-run data improvement program. But perhaps projects such as a consumer test panel ought to take priority over programs for collecting detailed mining statistics. These kind of trade-offs are very difficult to make under the current system. Thus, in a real sense, the organization of the statistical system may have interfered with an optimal allocation of funds for data improvement.



Finally, the funding problem is related to the problem of politicization discussed above. If we could find a way to provide an adequate independent source of funding for the statistical system, as for example might be provided by an agency such as the Federal Reserve, which is itself independent, the potential for inappropriate pressures on the method by which statistics are defined and collected may be reduced.

#### V. Fragmentation and the Quality of the Statistical System

As was mentioned above, the general quality of the U. S. economic statistical system must be judged to be very high by any objective standard. Nevertheless, the growing importance of accurate statistics for economic decision-making makes it essential that we avoid complacency and examine changes in organizational structures that may promise to improve the general quality of our statistics. The fragmentation of our statistical system -- over 100 separate agencies are engaged in the collection of statistics -- presents a serious obstacle to continued improvement.

There exist great disparities in the quality of the data produced by different agencies. Many agencies produce statistics of very high quality. But wide differences exist among agencies in the quality of personnel trained in survey techniques and statistical analysis. Moreover, the agencies differ in their access to computers, relevant computer programs, and expert programmers. As a consequence there are considerable differences in the quality of the data produced by different agencies. Since the Bureau of Economic Analysis use inputs from several different agencies in its estimates of the national income accounts, such quality difference have an important impact on the quality of data available to economic policy makers. Moreover, considerable inflexibility is built into the system intensifying the difficulties of meeting new data requirements without a further fragmentation of the system. While equal access to skilled personnel would not guarantee a solution to the problem -- differences in the quality of data occur even within agencies -- examples are plentiful where easy access to individuals with specialized statistical skills in larger agencies could improve current procedures substantially.

Recognition of these problems has not escaped those directly involved in the Federal Statistical system. Paul McCracken, a former Chairman of the Council of Economic Advisers noted "we are trying to navigate a jet age economy with horse and buggy statistical instruments." Julius Shiskin, who has spent a lifetime in a variety of positions within the statistical system made a particularly stinging criticism of the system when he testified on October 27, 1971 before the Joint Economic Committee on the issue of reorganization of Federal Statistical Activities. He indicated that the "statistical system has not kept up with the ever rising requirements for better data to serve as the basis for economic and social policy formulation..... We must correct the deficiencies so that the statistical system will be fully responsive to the informational needs of our present-day economy and society. Further increases in funds, a greater number of skilled technicians, better managers, and a major reorganization of our statistical system are all required to achieve this goal. Thus, although reorganization by itself would not settle all issues, it could at least provide a manageable structure within which solutions could be reached."

The problems of poor data quality in some instances or of inconsistent statistical estimates are not unimportant. It is easy to find examples where better economic information would have led to better macro-economic policy decision-making.

For example, in later revisions to the historical records it was realized that during 1965 real output grew at a considerably faster rate than had been thought at the time (a revision of 2 percentage points was later reported).

Had policymakers realized during 1965 how fast the slack in the economy was being reduced, policy might earlier have been shifted to one of restraint and inflationary pressures could have been reduced. Similar problems arose in 1972 and 1973 when very poor estimates of economic capacity misled policymakers to overly stimulative monetary and fiscal policies.

Another important example concerns our inventory statistics.

During the last half of 1974 our inventory statistics for 1973 and early 1974 were sharply revised upwards. More accurate inventory statistics early in 1974 would have helped economic policymakers (and businessmen) see more clearly the unsustainability of the economic expansion and economic policies (as well as business policies) might have been restructured accordingly.

#### VI. Proposed Solutions:

##### A. A Centralized Federal Statistical Agency

The most radical proposal would attack the problems considered above by a centralized agency, independent of the Executive Branch, and making it responsible for the collection and dissemination of all of our major economic statistics

now collected by several disparate agencies. Production, inventory, price and financial reporting could be integrated in one agency. The agency could be headed by a nonpolitical professional whose qualifications and expertise were unquestioned. It would be important to provide the centralized statistical agency with an independent source of financing. The independent agency should be covered by the same confidentiality laws with respect to protection against requests for release of detailed data that are now applicable to the Census Bureau.

#### ADVANTAGES OF A CENTRALIZED STATISTICAL SYSTEM

1. The most important advantage of a centralized statistical system is that it is better able to implement an integrated Federal statistical system. A centralized agency can, for example, collect data on shipments and prices from the same sample of respondents at the same time with uniform standards, definitions and classifications. Similarly, respondents to surveys would find it most convenient to deal with a single agency which would be better geared to eliminate overlap and duplication and better able to ease reporting burdens.

2. A centralized statistical agency might better balance the priorities assigned to different statistical fields more easily recognize and fill in the gaps in our economic intelligence and thus better coordinate the system. Moreover a centralized agency might be able to achieve considerable economies of scale. It is not economical for each small agency to have experts in sample design and statistical analysis whereas larger agencies can more efficiently use such personnel.

3. An autonomous, politically neutral agency, concerned only with statistics would be free from special departmental influences and the interest of the department's natural constitutencies. Thus, a centralized statistical organization might better resist the improper pressures that inevitably are brought to bear and could better preserve its reputation for objectivity.

4. An independent agency with a source of independent financing and relatively free of political influence should be able to attract a distinguished group of statisticians and economists. Indeed, there is every reason to believe personnel procurement would be made even easier and the quality of personnel better under the proposed arrangement.

5. A centralized agency could more easily facilitate the distribution of statistics to ultimate users. A summary file of <sup>data</sup> statistical/could be compiled and access to summary government statistics in machine readable form would be facilitated both to government agencies and to the public at large.\* Of course data on individual persons and families would continue to be strictly confidential.

#### DISADVANTAGES OF A CENTRALIZED STATISTICAL SYSTEM

1. Competition in statistical gathering may be very healthy. Competition may produce a better product not only for shoes but also in the long run for statistics. In many instances it can be useful to have different agencies collecting seemingly similar statistics because different methodologies can produce different answers. For example, both Agriculture and the Bureau of Labor Statistics do food consumption surveys but use different survey techniques and produce different results. Two surveys are also available on employment statistics. The availability of two independent estimates

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\*It is interesting to note that private firms have successfully made profits in collecting the data released by separate government agencies, compiling and organizing them in convenient form and reselling them to the government and other private agencies.

of the same or similar series alerts policymakers not to rely too heavily on a single set of numbers.

2. A centralized independent agency may not be as responsive to the public and is more likely to be secretive. It is likely to reflect the point of view of whatever group gains control, Moreover, protected monopolies tend to become lethargic. With competition for funding, staff, and responsibilities the statistical agencies may be far more responsive and flexible than would a centralized agency.

3. Centralization could destroy an important advantage of the present system; that close coordination is possible between the statistical and administrative units of each agency. Thus the statistical system might not remain centralized for long. Soon various government agencies would attempt to develop their own statistical units to "fill in the gaps." The result may be that eventually we would return to something like the present system.

4. The possibilities for coordinating various statistical programs to make data compatible may be partly illusory. Many "general purpose" statistics may in fact be designed to fill special purpose needs. As was mentioned above the price series relevant to deflating shipments data will not provide an accurate picture of current developments in commodities markets.

5. There are clearly great practical difficulties in making any changes in long-standing bureaucratic procedures. A sweeping rearrangement of the entire Federal statistical bureaucracy could involve enormous costs and problems. Moreover, there are enormous practical difficulties in insuring that the new agency remains truly independent. Suppose, for example, that funding for the agency was provided by the Federal Reserve -- itself an independent agency. How do we insure that it does not become a captive of the Fed, which could be expected to have its own biases and interests?

Moreover, it is possible that a centralized agency would have less total funds to allocate to economic statistics than would be available under a decentralized system.

B. Partial Centralization through the Reorganization of Statistical Agencies

Proposals for partial centralization would make a substantial start at consolidating the Federal Statistical System. Under one alternative the two major data gathering agencies in the Federal Government would be merged. If the Bureau of Labor Statistics was consolidated under the Bureau of the Census the confidentiality provisions of Title 13 of the U. S. Code would, in effect, be extended to BLS. Perhaps the combined agency could be removed from the Commerce Department and allowed to operate as an independent commission. Alternatively, new agencies could be established along functional lines. For example, one agency could deal with all data collected from households while another could collect all data from establishments including prices, wages, employment, shipments and profits. Once such a partial restructuring was completed successfully, further consolidations could be considered.

ADVANTAGES OF PARTIAL CENTRALIZATION

1. This alternative would produce many of the major advantages of full centralization since it affects the major statistical agencies. A single agency would collect all related statistics.

2. The mergers contemplated above would, in effect, enable the same sampling frames to be used and thus would improve coordination. At the current time, BLS does not have access to Census sampling frames because confidentiality provisions prevent Census from releasing its samples to outside agencies.

#### DISADVANTAGES OF PARTIAL CONSOLIDATION

1. This proposal has some of the same disadvantages as full centralization. While it would not produce a statistical monopoly, even such a partial consolidation would be likely to strongly be resisted by the present agencies.

#### C. Reassign Tasks Among Statistical Agencies and Strengthen the Planning and Coordination Machinery for the Federal Statistical System

This alternative proposes a substantial increase in the number and professional level of personnel devoted to planning, program development, and coordination of the Federal Statistical System. Only limited resources are now devoted to these functions. An expansion of the resources available to the Statistical Policy Division of the Office of Management and Budget has recently been suggested by the Federal Statistics Users Conference. An expanded planning and coordinating agency could then begin the process of reallocating tasks among agencies to reduce duplication of effort and noncomparability of data. Perhaps the number of independent



collection agencies could ultimately be reduced by reassigning the collection activities of smaller agencies to the larger agencies with greater expertise in sampling and statistical processing. Moreover a strengthened coordinating agency could better monitor the adequacy of current statistical programs, reconcile different data series and suggest further reassignments of tasks.

#### ADVANTAGES OF RELYING ON IMPROVED COORDINATION

1. Many of the advantages of full centralization would be achieved. Tasks would be reallocated to reduce duplication of effort and noncomparability of data.

2. By retaining several agencies, a statistical monopoly will not emerge. Competition for funds, and staff would not be less than at present. The system would be less likely to lose touch with the practical needs of users. Moreover, each agency would be staffed with experts with intimate knowledge of the individual fields in which data are collected.

#### DISADVANTAGES OF RELYING ON IMPROVED COORDINATION

1. Whatever interest group pressure in statistical agencies that currently exist in Executive Departments would remain.
2. One may legitimately question whether even a strengthened statistical policy division within the Office of Management and Budget would have sufficient influence to change the current allocation of responsibilities. The pressures to resist change in the Federal statistical system should not be underestimated.
3. A partial approach may be ineffective. The problems facing the statistical system may be so serious that major surgery is necessary.

#### D. Establishment of a Group of Outside Advisers

Whichever of the three alternatives above is chosen -- or even if no changes are made -- the establishment of a board of professional outside advisers would appear desirable.

Presently there is no standing advisory committee whose sole function is to advise on new statistical techniques and on changes in the state of the art with respect to statistical processing. Moreover, the statistical methods and procedures employed by the statistical agencies should regularly be subject to a thorough review by outside recognized experts acting in a consultative role. A review committee could also make recommendations on filling gaps in the data. Such a Committee was recommended in 1971 by the Wallis Commission Report on the Federal Statistical System. The board might be drawn from government, independent governmental agencies, non-governmental groups such as the American Statistical Association and the American Economic Association and other data users. Such a "wise person's" board would be helpful in insuring that the Federal Statistical System is able to resist political pressures and retain its objectivity. An impartial board of outside advisors could also review changes in statistical definitions and procedures and monitor changing data requirements.

## VI. SUMMARY

The Federal statistical system has a well-deserved reputation for excellence. It has acquitted itself very well over the years and has produced a steady improvement in Federal statistics. Nevertheless, this paper identified four problems with the statistical system: 1) The decentralization of the system has led to a lack of synchronization between some of our more important data series and some duplication of effort. Incomparability of data series can lead to serious problems of interpretation by policymakers. 2) Growing use of statistics to direct money flows has led to the potential for political pressures to influence how the statistics are defined and collected. These pressures are likely to intensify in the future. 3) Funding for statistical programs has probably been inadequate in total. Moreover, the distribution of the funds among statistical programs has been far from optimal. 4) Fragmentation of the statistical gathering system has resulted in very uneven quality in much of the data collected.

The paper suggested several alternatives ranging from complete centralization to partial reorganization. Moreover, the establishment of a permanent outside review commission was proposed. It would seem desirable that some organizational changes be considered immediately. They could not only help ameliorate the three problems identified above but will also help insure that the Federal statistical system will continue to improve and meet the challenges ahead.

### VIII. Concluding Comments

Let there be no mistaking the fact that changes in the Federal Statistical System can be accomplished only with great difficulty. Recommendations for consolidating the system to various extents have been made in the past.

Over 25 years ago F. C. Mills and C. D. Long of the National Bureau made a study of The Statistical Agencies of the Federal Government (NBER, New York, 1949) for the Hoover Commission. They pointed to many of the problems discussed above arising from decentralization and inadequate coordination. Their major recommendations included greater centralization and the creation of an Office of Statistical Standards with powers to coordinate and unify those statistical gathering activities that were not centralized. While these recommendations were followed to some extent, the growth of the problem has appeared to outstrip the strength of the remedies applied. In March 1965 a Committee of the Social Science Research Council recommended the creation of a National Data Center in Washington in order to remedy some of the problems inherent in the present statistical system. In October 1966 the Kaysen Committee made a similar recommendation. They suggested that a newly created National Data Center "would be given the responsibility for: (1) assembling in a single facility all large-scale systematic bodies of demographic, economic, and social data generated by the present data-collection or administrative processes of the Federal Government. (2) integrating the data to the maximum

feasible extent, and in such a way as to preserve as much as possible of the original information content of the whole body of records, and (3) providing ready access to the information, within the laws governing disclosure, to all users in the Government and, where appropriate, to qualified users outside the Government on suitably compensatory terms. The Center would be further charged with cooperation with state and local government agencies to assist in providing uniformity in their data bases, and to receive from them, integrate into the federally generated data stock, store, and make accessible, the further information these agencies generate."

In 1971, for example, following the Ash Council recommendations, President Nixon proposed the concentration of the major statistical agencies of the Departments of Agriculture, Commerce, and Labor into one unified agency, which was to be a principal subdivision of the proposed Department of Economic Affairs. The major reasons why this and other proposals were not enacted had little to do with the merits of consolidating our statistical operations.

Thus, we should not underestimate the difficulty on enacting even more modest reorganization plans for the statistical system. There is a very strong built-in resistance to change in any large bureaucracy. Nor should the complexity of reorganization be underestimated. The statistical series in the Federal Statistical System are often intended for very specific purposes rather than for general use. In all likelihood, some duplication of data will continue to

exist in order that most data user's needs are fulfilled. This should not be taken as a case for the status quo however. If advances in the quality of the Federal Statistical System are to be made, the questions posed in this paper must be faced. The ability of the statistical system to respond to the increasingly complex economy of the future is what is at stake.