

**COMMENTS ON "THE FEDERAL STATISTICAL SYSTEM'S  
RESPONSE TO EMERGING DATA NEEDS" BY JACK E. TRIPLETT \***

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**1. Introduction**

The paper by Jack Triplett is the newest entry in the continuing saga of reports on "What's Wrong with the U.S. Statistical System". Other reports have blamed the budget cut backs originating in the late 1970s and accelerated under Reagan, the economics profession, the Office of Management and Budget, the decentralized nature of the U.S. Statistical System, or all of the above. Triplett focuses on the responsibilities of the Statistical Agencies themselves for the current unsatisfactory state of affairs, recognizing that the more commonly cited villains do indeed have some share of responsibility.

As an antidote, Triplett's recommendations are that: agencies need to increase their capacity for research and analysis; there needs to be a better location of budgetary authority relating to incremental data programs to insure that analytically appropriate programs are given a better opportunity to survive; there should be more effective use of professional advisory committees (who should provide advice on series to be discarded as well as those to be initiated); and, there needs to be a better designed set of outreach activities to ensure that agency professionals do not become isolated from academics and in general from researchers in other employments. The general idea seems to be that the power structure for advice giving and accepting within statistical agencies does not give very much clout to analytic users of federal statistical data, who are presumed to be the most likely source of ideas about changes that would improve the quality of the programs.

It is hard to judge the validity of Triplett's principal point – that the behavior of statistical agencies themselves is the principal source of the problems in the U.S. Statistical System. Triplett certainly has a well-informed insider's view of the U.S. statistical system, having been in a variety of positions within that establishment for several decades, and having watched the comings and goings of bureaucrats, academic advisors, commission reports, etc. Still, I do not find the arguments in the paper persuasive, partly because they do not square entirely with my own experience as a largely outsider/partly insider, partly because I think that both Triplett and the others who have tackled this

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problem have failed to realize just how difficult it is to make rational decisions about resource allocation on statistics.

Any criticism of Triplett's paper, or of other efforts to try to understand how to improve the Federal Statistical System, should begin by recognizing that the problem is enormously complicated. We all think of the Statistical System as providing useful information about the economy and the society to policy makers, either directly by providing simple facts or indirectly by way of insights provided by researchers who analyze the data. But if the object of the game is to provide policy makers and the public with accurate information about what is going on in the economy and the society, and about what would happen if current policies were to change, the databases that would have to be available are literally mindboggling: Macrodatabases like the NIPA, with appropriate corrections for underground economic activity, for non-market activities that can be valued at market prices, and for appropriate price deflators on products and services of constantly changing quality, are just the tip of the iceberg. We surely need detailed information on international commodity trade and service flows, as well as on international capital flows, including those that individuals or society would prefer to keep hidden or at least disguised; and it would be nice to have data on domestic savings flows that mapped into data on income, consumption, and wealth.

And all that says nothing whatever about the essential microdata, both cross-sectional and longitudinal, needed to understand labor markets, poverty and dependency, retirement decisions, income distribution, work, leisure and consumption decisions, and decisions about non-market work activity, along with the data needed to provide an impact assessment of programs designed to change behavior. Not to put too fine a point on it, it would be clear to any serious empirical researcher in economics that the data needed to provide rigorous tests of prevailing theories of behavior, or to reformulate theories to make them more consistent with actual behavior, are well below acceptable threshold levels in a great many areas of inquiry, and it is not easy to see how the Federal statistical establishment can be reorganized or financed to get data quality up to the standards required to verify theory and inform policy.

Altogether, there are far more questions in this area than there are answers: How do we decide if it is more important to collect detailed information on international capital flows or detailed information on productivity in the health care industry? Should the sample sizes for a study of consumer expenditures be 20,000 each year or 60,000 each year? How much is it worth to produce a valid measure of the distribution of wealth among U.S. households? How often should the U.S. collect information on the allocation of time among households, including time spent on market work, unpaid work, and leisure activities? Who should decide what are the most important variables to measure in a study of retirement decisions — the Census Bureau, the National Institutes on Aging, a survey research organization selected by the National Institutes on Aging, or academics who work on studies of aging? If academics, which ones?

The point of the above commentary is not to suggest that no progress can be made in tackling what is a very difficult and possibly intractable problem, but simply to illustrate the range of issues that would have to be resolved if a rational allocation of resources toward the collection of statistics is to be obtained. Perhaps the principal insight that economists can provide is the recognition that the statistical system is a public good without any well-defined set of uses or users. It is easy enough to figure out how much wheat the U.S. economy should produce – that's what we have markets for. But the market is not going to tell us very much that is helpful about how much statistics to produce, or who should produce them, or who should decide what to produce, or what to discontinue at the margin or add at the margin. And if the market won't tell us, then the bureaucracy has to, whether it be the Federal Statistical Agency bureaucracy, the academic bureaucracy (broadly defined to include the research community), or the OMB bureaucracy.

Having suggested that the problem is close to being insoluble, let me comment on some solutions that are reflected in the Triplett paper and in some of the other reports on this important but difficult topic. These comments are addressed to the role of OMB in decision making on Federal statistics, to the role of the Federal statistical agencies in decision making, and to the division of responsibility between the public and private sectors in the provision of economic statistics.

## **2. OMB's Role**

Most reports dealing with the Federal Statistical System assign a major role to OMB in resource allocation decisions within the statistical establishment, and attribute at least part of the present state of affairs to the weakened influence of OMB on resource allocation decisions. Triplett is skeptical of the importance of OMB, in part because of his view that even a strong OMB would be ineffective in the absence of adequate professional staff and strong research orientations within the statistical agencies themselves.

One can agree with Triplett that a weakened OMB role is only part of the problem, while disagreeing with the implicit judgment that a better staff coordination function within OMB would not make much difference unless the agencies themselves change some of their priorities, their staffing patterns, and their interactions with the user community. Prior to the substantial downsizing of staff and the cutting away of function within OMB that occurred largely during the 1980s, it is my general impression that OMB staff served a major clearinghouse and coordination function for the Federal statistical establishment. OMB was not just a set of potential budget cutters subjecting agency heads to a severe review of their budget and performance. Rather, OMB was staffed with sophisticated users and former producers of Federal Statistics, to whom agency heads with well thought out strategies for enhancing Federal

Statistics could go and expect to get a good deal of support in the annual budget battles.

In short, the function of OMB staff in the budgeting process was to serve as informed advocates for important statistical programs, and to ensure that those programs received adequate support in the budget infighting. Thus much of the knowledge and sophistication that Triplett finds lacking in the statistical agencies could often be found within OMB prior to their downsizing. It is of course true that whether the OMB statistical staff played a positive or negative role in statistical priority setting is importantly influenced by who is at OMB. As with all centralized functions, an ineffective or poorly informed head of a statistical staff could do a great deal of damage, while an effective and well-informed head could do a great deal of good. Thus centralizing priority-setting functions in OMB contains some risk, but it also seems to me to increase the potential for better decisions as well as for worse ones.

### **3. Statistical Agency Personnel and Policy**

Much of the Triplett paper is devoted to a careful look at the role played by statistical agencies themselves in the process of setting statistical priorities. His conclusions are that the agencies give too little weight to research as an important statistical function, have too few staff with too little power who represent the user interest as opposed to the producer interest, and that the agencies themselves are in large part responsible for the current state of affairs.

I have little if any disagreement with Triplett's description of the shortcomings of Federal statistical agencies — their lack of sufficient analytical staff to create strong interfaces with users, the lack of organizational clout of the research component of the agencies, and their preoccupation with macroeconomic indicators as the centerpiece of agency output. But two things can be said about that range of problems. First, they are generic to federal agencies generally, who at the policy level will always be more concerned with quick solutions to short term problems rather than with laying the groundwork for better formulated solutions to longer-term problems — such is the price of operating in a democracy where the President wants to get re-elected. Thus administrators who work for the President will pay more attention to this year's problems than to those of the next generation. But second, however, an important part of the problem is not necessarily the lack of interface with users, but the simple fact that statistical agencies cannot make sensible plans to organize the collection of statistics unless the analytical community (including people within the agencies) has a consensus view about what statistics to collect.

To illustrate the problem, there is a virtually unanimous opinion in studies of the Federal Statistical System that service industry statistics are woefully inadequate: Triplett notes, correctly, that this is a long-standing problem and cannot be attributed to budget constraints arising during the 1980s. But the

inadequacies of service sector data cannot be laid at the door of statistical agency negligence either, since there is little agreement among researchers as to how one would remedy the widely acknowledged shortcoming of service sector data. In the case of commodities, there is general agreement as to what a unit of output means, and how the deflator should be defined and computed. But that is not true of the service sector, and it is not clear to me who is at fault — is it the federal agencies, who know quite a lot about the problem and possibly have some ideas as to how it might be fixed, is it the academics who know a lot about the problem conceptually but have had little input into what might be done and how it might be done, or is it simply the general state of knowledge in the economics profession as a whole, which does not seem to me to have much in the way of suggestions about how to fix the problem that would be helpful to the federal agencies. If the basic difficulty is that the economics profession does not understand how to provide operational and valid measures of service sector output, one can hardly blame the statistical agencies.

#### **4. Who Should Collect Statistics, and Who Should Decide What to Collect?**

One of the developments in recent decades in the U.S. Statistical System is the increased importance of private sector data collection activity, usually with the aid of contract or grant funds from federal agencies that have a mandate to support basic research. The situation is quite different elsewhere, where central statistical bureaus design and collect virtually all economic data. Moreover, there is some reason to believe that statistical information designed primarily for research uses rather than for its direct application to public policy is increasing likely to be a private sector activity in the U.S. rather than a public sector activity.

The best illustration of this tendency in the U.S. is probably in the area of statistics relating to labor supply. Two of the most widely used sources of data on labor supply come from the private sector rather than from the public sector. These are the National Longitudinal Surveys of Young Men and Women, and the Panel Study of Income Dynamics. The NLS surveys are designed by the Ohio State Research Foundation and NORC, under overall direction from the Bureau of Labor Statistics (which provides the funds for the program) and the data are collected by NORC; the PSID is designed by an NSF Board of Overseers and the data are collected by SRC. Other important economic data collections are also located in the private sector. The ones I know best are the Surveys of Time Allocation Among American Households, the Surveys of Consumer Finances, and the forthcoming Health and Retirement Survey, all designed by a combination of SRC staff at the University of Michigan in conjunction with Advisory Committees, Oversight Committees or staff from agencies like the Federal Reserve Board and the National Institutes on Aging. Major surveys on health care, the utilization of health services, and job market experimental programs are also conducted in the private sector, by organizations

like NORC, RTI, Westat and Mathematica.

Although there are many reasons why some major U.S. data collections are carried out in the private sector in contrast to the practice elsewhere in the developed world, important factors are the different dynamics involved in the survey design process for private sector surveys, and the substantially lower obstacles involved in record linkages for surveys conducted in the private sector.

The differences in design dynamics are easy to understand. Statistical agency staff make all the design decisions about any survey conducted in the public sector, with some (typically modest) input from outsiders. But for private sector surveys, the arrangements typically involve the active participation of staff from federal agencies, from survey research specialists in the organization doing the survey, and from formally organized collections of academics who serve as oversight committees or advisory committees. The difference is that input from academic researchers who are prospective users of the data is guaranteed in the case of surveys designed in the private sector, but academic researcher input is a very chancy business for surveys conducted in the public sector.

On record linkages, the problem is that surveys conducted under Title 13 by the Census Bureau cannot, by current OMB interpretation of the rules, be linked to administrative records with the resulting merged dataset becoming a public-use file. Merging of records and subsequent release of a public-use file is substantially more feasible if a private sector organization is responsible for the study. And for reasons having to do with measurement errors in surveys, linkage of survey databases to administrative records is increasingly thought to be important by researchers.