

Report of the AEA Exploratory Committee on Economic Statistics

Charge of the Exploratory Committee

In January 2001, the Executive Committee of the American Economic Association appointed an exploratory committee to consider establishing a Committee on Economic Statistics of the American Economic Association. The exploratory committee, composed of William Nordhaus (Chair), Ernst Berndt, Charles Hulten, and Ariel Pakes, considered the purposes, composition, and activities of a committee on statistics as well as mechanisms to ensure the professional, nonpartisan, and nonpolitical focus of such a committee. We conducted several interviews with knowledgeable economists and statisticians, met as a committee on July 28, 2001 to discuss our findings, and presented a preliminary report to the AEA Executive Committee on January 3, 2002. On the basis of our review and deliberations as well as comments from the Executive Committee, we submit the following final report.

Summary Recommendation

The mission of the American Economic Association includes the “encouragement of economic research, especially the historical and statistical study of actual conditions of industrial life.” As such, members of the AEA share an interest in producing reliable, high-quality economic and social statistics.

Much of the empirical research in economics today relies on raw data and analytical statistics produced by statistical agencies and private researchers. Additionally, economic data form the basis for decisions made by the private sector as well as by all levels of government. Statistical agencies and others producing economic data can benefit from the ideas, perspectives, and expertise of AEA members concerning the production, improvement, and interpretation of economic statistics. Strengthening efforts to conduct and support research on economic statistics would constitute an important enhancement of our economic infrastructure. An AEA committee could help to improve communica-

tion among statistical agencies, decision-makers who use their products, and the economics profession.

An AEA committee would represent the interests of the economics profession concerning the major priorities in economic statistics as well as respond to the statistical agencies when they seek professional advice from economists about economic statistics. Such a committee could encourage high levels of professional competence in the production of economic statistics and help statistical agencies and their primary consumers take advantage of advances in economic methodology that are relevant to economic statistics.

The exploratory committee recommends the establishment of an AEA Committee on Economic Statistics which would represent the interests of the economics profession concerning the major priorities in economic statistics as well as respond to statistical agencies when they seek professional advice from economists about economic statistics.

Canvas of Views

In considering the issues raised by the establishment of a Committee on Economic Statistics (or “StatAEA” for short), we conducted a wide range of interviews with past and present members and leaders of the AEA along with several present and former statisticians and policy-makers in the government.¹ A summary of

¹ The interviews were conducted by William Nordhaus and Dan Melnick, who served as a consultant to the committee. Persons interviewed included Katharine Abraham, Commissioner of the Bureau of Labor Statistics; Bill Barron, Acting Director, Census Bureau and formerly the Deputy Commissioner of the Bureau of Labor Statistics (BLS); Michael Boskin, former Chair of the Council of Economic Advisers (CEA); Barry Bosworth, Senior Staff, Brookings Institution; Steve Braun, Senior Staff, CEA; Nancy Gordon, Associate Director for Demographic Fields, Census Bureau, and formerly senior official of the Congressional Budget Office; Glenn Hubbard, Chairman, CEA; Tom Juster, chair of the AEA Committee on Statistics, circa 1986; Fred Knickerbocker, Associate Director for Economic Fields,

these interviews is available from the Association's headquarters as an appendix to this report.

Those who were interviewed were virtually unanimous in their support, and often great enthusiasm, for the establishment of a statistical committee of the AEA. Interviewees stated that the AEA can make major contributions in bringing current economic research and methodology on economic statistics to improve the practices of statistical agencies and other data collectors, increase understanding of their work, improve professionalism in statistical agencies, and promote more informed decisions regarding the resources they need.

On the basis of our interviews and discussions, we found the following:

- (i) The staff and management of statistical agencies, policymakers, and professional association leaders we interviewed stated that the AEA has an important role to play in encouraging high-quality and innovative economic statistics.
- (ii) They emphasized how economic statistics have been improved in recent years through the research and involvement of professional economists.
- (iii) They pointed to the need for involvement of professional economists both inside and outside the government to call attention to the importance of using the best practice in economic statistics.

Census Bureau; Steve Landefeld, Director, Bureau of Economic Analysis (BEA); Felice Levine, Executive Director, American Sociological Association; Richard Levinson, M.D., Associate Executive Director, American Public Health Association; Alice Rivlin, former Vice-Chair of the Federal Reserve Board and former AEA President; Fritz Scheuren, Senior Staff, Urban Institute, and former head of the IRS's Statistics of Income Division; Paula Schneider, until recently, Principal Associate Director, Census Bureau; Charles Schultze, former Chairman CEA and former AEA President; Howard Silver, Executive Director, Consortium of Social Science Associations; Amy Smith, Chief Economist, Office of Management and Budget; Ed Spar, Executive Director, Council of Professional Associations on Federal Statistics; Jack Triplett, Brookings Institution, and formerly Chief Economist at BEA and BLS; Ray Waller, Ph.D., Executive Director, American Statistical Association; Katharine Wallman, Chief Statistician of the United States; and Andy White, Executive Director, Committee on National Statistics, National Academy of Sciences.

- (iv) They encouraged the AEA to establish a committee on economic statistics.

Based on these interviews and our own experience, we believe that bringing best practices in economics to the design of economic statistics will improve the overall quality of economic statistics. It will strengthen the agencies' professional efforts and discourage the politicization of the agencies as well as of their data collection and distribution. The AEA's role should focus on strengthening the ties between statistical agencies and the economics community and broadening agency access to the results of the latest economic research. At the same time, AEA interest will signal the importance of economic statistics and the high priority the profession places on high-quality economic statistics. This, in turn, will encourage policymakers to devote the time and resources necessary to improve economic data and will help discourage attempts to introduce or retain poor methodologies.

Methodological Emphasis Recommended

The exploratory committee believes that the long-run success of an AEA committee on economic statistics will depend on its commitment to concentrate on methodological improvements in statistics and avoid partisan or political issues that may arise.

The fundamental ground rules that govern AEA committees are stated in the Association's charter, which states "The Association as such will take no partisan attitude, nor will it commit its members to any position on practical economic questions." An AEA committee on economic statistics should therefore refrain from activities or recommendations that are political in nature or that comment on practical economic policies.

To guard against the AEA becoming involved in political matters, the Exploratory Committee recommends that:

- (i) StatAEA should be composed of AEA members who represent a broad range of professional and policy perspectives, including members from universities, governments, and research organizations.
- (ii) Based on our experience with committees involved with overseeing or producing

economic statistics, we believe that most economic questions arising in the design of economic statistics involve methodological questions that are technical rather than political. The committee should avoid involvement with statistical issues that are framed as distributive (such as whether to adjust the Census using sampling) because political rather than professional considerations tend to dominate these issues.

- (iii) When selecting activities or focusing on areas of concentration, StatAEA should make recommendations and issue any reports by consensus.

Ensuring the Success of StatAEA

We recognize the need to ensure sustained interest and commitment if a committee on statistics is to be established. Two elements are key to ensuring the success of such an enterprise.

First, we recommend that members of the committee be persons who have a demonstrated interest or experience in economic statistics. Such interest and experience would be seen in activities such as membership in oversight committees or in National Academy committees on statistics, in past involvement with statistical agencies, or in research on issues relating to statistical methodology or economic statistics.

Second, in order to enhance both the visibility and the impact of StatAEA, we recommend that the AEA consider setting aside one or two sessions at the annual meetings of the association to consider reports or topics considered by the committee. We return to this recommendation below.

Composition of StatAEA

The exploratory committee makes the following recommendations about the structure of the StatAEA.

We recommend that the committee be initially authorized for six years to ensure that it is functioning usefully and faithfully serves the interests of the AEA. The committee should be composed of 10–12 members. The members should be drawn from different areas of economics and should represent different stages of the professional life cycle so as to cover the

major areas of economic statistics. Persons should be selected for their broad interest in economic statistics so as to minimize lobbying for particular interests. The members should be appointed to staggered three-year terms, with the presumption that terms would be once-renewable. The chair should serve for a three-year term, which would also be once-renewable. We recommend that one member of the AEA Executive Committee concerned with economic statistics be appointed to StatAEA to serve as liaison to the Executive Committee.

Any report issued by StatAEA should be issued on its own behalf and not on behalf of the American Economic Association, and this should be clearly stated on the front of any written report. StatAEA should from time to time report to the AEA Executive Committee on its activities.

Special Niche of the Committee

Some members of the AEA Executive Committee inquired as to what special needs would be served by establishing an AEA committee on statistics. Among the important issues, we mention two in particular.

The first issue is whether existing committees can fill the need identified here. There are already several oversight committees and other forums in which statistical issues can be discussed. For example, the Bureau of Economic Analysis, the Bureau of Labor Statistics, and the Census have statistical advisory committees, and the Committee on National Statistics of the National Academy of Sciences often undertakes projects on economic statistics. Our experience with such committees, however, is they largely follow agendas set by the agencies. In the case of the Committee on National Statistics, for example, virtually all studies originate in requests from and are funded by government agencies or Congress. Additionally, some Washington statistical groups are primarily for lobbying, which is inappropriate for an AEA committee. While it is too strong to say that existing committees never undertake projects that originate from the economics community, it is fair to say that this happens relatively infrequently and usually only when it serves the interests of particular agencies. By contrast, StatAEA would undertake projects based upon

the interests, concerns, and expertise of the economics community.

A second niche of an AEA committee reflects the fact that many statistical issues are ones that cross agency boundaries and either fall between the cracks or are not resolved because of differences in agency priorities. A current example will illustrate the point. In recent years, it has taken five years to produce a full input–output (IO) table. By contrast, operating as a unified statistical agency, Statistics Canada produces input–output tables in less than three years. Discussions with agencies led us to conclude that the long lag in the United States arises primarily because of the decentralized nature of the U.S. statistical system. Similar examples of differences in priorities across agencies, including the need to integrate productivity data across agencies, exist throughout the U.S. statistical system. We believe that many issues spanning multiple agencies can be productively studied and guided by an AEA committee such as the one we propose.

Activities of the Committee

The exploratory committee considered the kinds of activities that StatAEA might sponsor and recommends the following.

StatAEA might select one or more areas of particular concern (some concrete suggestions are provided below) and prepare a report on the current status of economic statistics in that area. The report would detail the history in that area, review the shortcomings of current approaches and methodologies, and make recommendations for improvement. Subsequently, in order to get reaction from specialists, to transmit its review, and to stimulate interest, the committee might hold a session at the annual meetings. The session would include both the committee's report and invited responses from specialists. It would be highly desirable if papers and discussion from the session would be published in the May *Papers and Proceedings* issue of the *American Economic Review*.

Additionally, the committee might sponsor a seminar in Washington and invite policymakers and staff from government statistical agencies, other government agencies, and economic agencies such as the Council of Economic Advisers. A key aspect of this activity would be the

involvement of a wide range of views. It is expected that members of the AEA would express different viewpoints and would not necessarily agree on the committee's analysis.

In addition to undertaking a detailed review of one or more specific areas of statistics, StatAEA might undertake periodic reviews of a broad area of economic statistics or might sponsor a "datawatch" review of specific areas of economic statistics. For example, the committee might annually report on new initiatives or developments in economic statistics, with the report to be published in the *Journal of Economic Perspectives*.

Additionally, the committee should seek guidance both from the economics community and from statistical agencies concerning important topics that would be useful subjects for study. The committee should from time to time survey statistical agencies to determine which methodological issues or problems the agencies believe to be major barriers to developing high-quality statistics. The committee could then communicate that information to the profession.

Resources

We believe that only modest monetary resources would be required for the operation of StatAEA. As noted above, the essential resource would be professional recognition for work focused on improving economic statistics. This could be accomplished by including such work in the annual meeting of the association and encouraging publication in its journals.

For those activities beyond the funds available to individual researchers, we suggest that the AEA approach foundations for the modest financial support needed for StatAEA.

Potential Topics for the Committee

We envision that the committee would choose a limited number of topics each year based on its interests and expertise along with the perceived needs of the economics profession and of the statistical agencies. Based on its own views and the interviews, the exploratory committee identified a number of topic areas that might be considered by StatAEA as it starts its deliberations. These include the following:

- (i) Development of complete and integrated wealth and income/product accounts.
- (ii) Improvements in measurement of data on international trade and investment.
- (iii) Improvement of industry data and development of more timely annual input–output tables.
- (iv) Improved measures of national saving and investment with particular attention to the measurement of intangibles such as education and research and development.
- (v) Improved data-sharing between statistical agencies.
- (vi) Increased access to governmental data for economic analysis by individual researchers.
- (vii) Improvements in price measurement, with particular attention to the measurement of quality change and new products.
- (viii) Economic studies related to time use upon completion of the BLS time-use survey.

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