Executive actions to modernize federal data collection and improve measurements of U.S. economic inequality

Executive Action AGENDA

March 2023 Equitable Growth

Relevant federal agencies:

- U.S. Census Bureau
- U.S. Bureau of Economic Analysis, U.S. Department of Commerce
- U.S. Bureau of Labor Statistics, U.S. Department of Labor

Relevant federal laws:

- Internal Revenue Code 26 USC § 6103
- Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government (Executive Order #13985)

Overview

Timely and accurate data are critical for diagnosing and responding to a wide variety of policy problems facing the United States, as well as improving the efficiency and effectiveness of the U.S. government. National statistics and the agencies that collect and distribute them—most notably, the U.S. Census Bureau, the U.S. Commerce Department's Bureau of Economic Analysis, and the U.S. Department of Labor's Bureau of Labor Statistics—are a critical public good because they provide policymakers, media, researchers, and the public with a common understanding of how the U.S. economy is faring.

Bolstering U.S. national statistical agencies and ensuring they're able to do their job is of paramount importance. Cultivating and maintaining a strong federal data infrastructure is necessary to inform economic debates and accurately reflect an increasingly complex and data-driven policymaking world. Yet these agencies must be able to not only perform their core functions but also adapt to fit the current U.S. economy and the needs of policymakers.

A changing economy requires new tools. The Bureau of Economic Analysis, for example, is experimenting with disaggregating economic growth as a response to rising inequality in the U.S. economy. This data disaggregation provides deeper insight into economic disparities, furthering the conversation around how to close these divides and exposing vulnerabilities in the social and economic systems designed around a single-minded focus on growing Gross Domestic Product at all costs.

This is just one example of how more granular economic data can inform public policy. More can be done to update the statistics that federal statistical agencies produce and distribute to better understand structural changes in U.S. society. Below are other actions the Biden administration can take to support these agencies, all of which would help them produce relevant, timely data that informs conversations around the U.S economy and society as a whole.

Invest in improving the timeliness and granularity of data

Improving the level of data disaggregation and the timeliness of data reporting is crucial to the Biden administration's goal of promoting equity through data. There are myriad ways this could be accomplished, some of which the administration is already pursuing. For example, the president's proposed fiscal year 2024 budget for the U.S. Department of Labor calls for doubling the sample size of the Job Openings and Labor Turnover survey, which collects data on hiring, firing, and other U.S. labor market flows. This would allow for more finely disaggregated results by geography and other characteristics.

The Biden administration should consider other investments to help federal statistical agencies improve timeliness and disaggregated reporting of their economic statistics. Adding massive private datasets to the federal statistical system requires both time and money, but it could give agencies the ability to supplement official statistics and report results both faster and with more detail.

Further changes to existing survey infrastructure should also be considered. The Census Bureau's American Community Survey is the largest annual economic survey in the United States and as such is unmatched in its ability to obtain economic data about small populations and geographies. Yet these data are only released in 1-year increments on an annual basis. The Biden administration should investigate whether it is feasible to release these data on a quarterly, rather than annual, basis.

Because the ACS survey is an input to other data products, a more frequent release schedule could have cascading effects on the availability and timeliness of other federal economic statistics. With the largest sample size of any federal economic household survey, the administration also could support the more timely release and analysis of economic statistics disaggregated by race, level of education, age, geographic location, and other demographics.

Increase funding for national statistical agencies

The U.S. federal statistical system is at a critical inflection point. Agencies need resources to manage the transition from a largely survey-based system to new infrastructure that uses private and government administrative data, new methods for maintaining privacy and linking data, and more. Improvements to this infrastructure also are necessary to give policymakers the tools they need to monitor supply chains, make place-based investments, and implement the kind of industrial policies that are required by the Inflation Reduction Act.

Despite these critical needs, many statistical agencies find themselves strapped for cash. Their budgets are measured in millions of dollars—a drop in the bucket compared to other government programs that account for billions of dollars in annual government spending. Despite these relatively paltry funding levels, national statistical agencies are often one of the first on the chopping block when it comes to budget cuts. Spending allocated to the Bureau of Labor Statistics, for instance, has declined by almost 6 percent since 2016 (adjusted for inflation), while Bureau of Economic Analysis spending is down by 5 percent over the same period.

The budgets of past administrations have often been too timid, requesting increases for these agencies that are often paltry, if they even ask for an increase at all, while the U.S. Congress has been all too eager to cut funding for these agencies. Presidential administrations must recognize the value of these data and instead request ambitious funding levels to support this important work and prevent any further decline in data quality.

Adequately funding national statistical agencies is a relatively low-cost way to ensure we have objective, widely trusted data on the state of the U.S. economy. This will keep more U.S. workers employed, shorten recessions, and support an efficient and equitable economy. The Biden administration should engage with the National Academy of Sciences' recent report on creating a 21st century national data infrastructure and make appropriate plans to meet the panel's recommendations.

Advocate for data synchronization

One small change that would have an outsized impact on U.S. economic statistics is adjusting the tax code to allow the Bureau of Labor Statistics and Bureau of Economic Analysis to work with a limited amount of federal tax data from the IRS that they currently are not allowed to access. The agencies' inability to use tax data has degraded U.S. national economic statistics in a number of ways. Perhaps most critically, it results in the Bureau of Labor Statistics and the U.S. Census Bureau, which does have access to tax data, maintaining two conflicting registers of U.S. businesses. These dueling registers disagree not only about how many business establishments there are in the U.S. economy, but also on trends within those sectors.

Take semiconductor manufacturing. The Census Bureau says there are about 3,700 U.S. businesses in "semiconductor and other electronic component manufacturing." Data from the Bureau of Labor Statistics, however, say there are 6,000 U.S. businesses in that category nationwide. Meanwhile, the Census Bureau finds that there are fewer such businesses now, compared to 2012, while the Bureau of Labor Statistics says there has been about a 5 percent increase over that same time period.

This proposal to facilitate BEA and BLS access to tax data, known as data synchronization, can't be carried out by the Biden administration—only Congress can fully implement it—but the administration should forcefully advocate for breaking down this data silo within the executive branch of the U.S. government. The U.S. Department of the Treasury, which houses the IRS, has already approved the proposal in the FY2024 edition of its "Green Book" of revenue proposals. The Treasury Department, the Department of Labor, and the Department of Commerce must coordinate to communicate this need to Congress and work with the U.S. House Ways and Means Committee and the U.S. Senate Finance Committee to advance this important data infrastructure fix.

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