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Don't Let Politicians Replace Statistics with Ideology

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June TK (Bloomberg) -- Argentina's government regularly publishes false data on the country's inflation rate. Greece lied about the size of its budget deficit. Believe it or not, the U.S. is headed down a path that could ultimately make similar shenanigans possible in the world's largest economy.

In various parts of the world, politicians are waging war on the economic statistics that help people assess the performance of their leaders. Over the past few years, the Argentinian government has reported inflation rates more than a dozen percentage points below private-sector estimates, and has filed criminal charges against statisticians attempting to publish their own data. Late last year, Greece launched a criminal investigation of the head of its statistical agency for reporting larger budget deficits than the government felt was appropriate (or, as he put it, for "not cooking the books").

If you think such degradation of national statistics couldn't happen in more developed countries, think again.

In the U.S., a battle is brewing in Congress over two of the most valuable gauges of the nation's economic health: the American Community Survey and the Economic Census. The data sets, which the U.S. has maintained in some form since the early 1900's, and which came to resemble their modern form by around 1950, provide researchers and the public with a trove of information on everything from the size of families' mortgage payments in Boise, Idaho to the nation's median monthly income.

The data play a crucial role in calculating the performance of the entire U.S. economy, and in deciding how public funds should be allocated among states. Economists use them to figure out whether government policies are working. Businesses use them to study demographic trends and inform important decisions. The clarity they provide constitutes one of the factors that make the U.S. particularly attractive for foreign investment.

In early May, legislators in the U.S. House of Representatives passed a bill that would eliminate both surveys, on the grounds that they are too intrusive -- even though no information identifying the participants is ever released to the public. Robert Groves, the director of the US Census Bureau, says ending the surveys will "devastate the nation's statistical information." Republican lawmakers have also proposed large cuts to all of the core agencies responsible for data collection.

It's possible that Republicans are using the threat of data chaos as a bargaining chip to extract other concessions. Given

the recent experience of other developed nations, though, there's no good reason for complacency.

Consider what's happening in Canada. In 2010, chief statistician Munir Sheikh resigned in dramatic fashion after the conservative government of Prime Minister Steven Harper decided to make participation in the "long-form" census, the Canadian counterpart to the American Community Survey, voluntary -- a move that would make the survey less reliable. The resignation had an eerie parallel: Back in 2007, the departure of the head of Argentina's national statistics institute presaged that country's descent into data manipulation. A Canadian legislator has since broached the subject of cutting the mandatory short-form census, a move that would render Canada unable even to accurately count the population. In the past month, about half the staff at Statistics Canada have received layoff notices. The agency's budget is set to take a 10 percent hit.

It is hard to believe that the cuts in data gathering are motivated by fiscal prudence alone. Making census-type surveys voluntary -- a potential outcome of the battle in the U.S. as well -- can actually increase costs, because the sample size would need to be increased to offset biased response rates. Beyond that, the cost of data collection is minimal. The entire Statistics Canada budget of \$530 million amounts to only a handful of the fleet of 65 F-35 stealth fighters that the Harper government recently ordered as part of a controversial plan to expand the Canadian military. In the U.S., the statistical agencies that collect most economic data -- the Census Bureau, the Bureau of Economic Analysis and the Bureau of Labor Statistics -- account for less than 0.05 percent of President Barack Obama's \$3.7 trillion proposed budget.

Why, then, are politicians attacking statistics? Perhaps they've become so accustomed to good data that they fail to recognize what life and governance would be like without them. Some, though, have displayed an active disdain. When the Harper government's plans to toughen Canadian crime laws were critiqued using crime statistics showing low and falling crime rates, Canada's justice minister proudly asserted: "We don't govern on the basis of statistics."

It's hard to overstate how dangerous the destruction of high-quality, objective statistical information would be. Policy making would become more subjective, and hence more ideological. Governments would have more leeway to lie to the people about the success of their policies and the state of the economy.

The bill to eliminate the U.S. surveys will come to a Senate vote this summer. If lawmakers fail to kill it, President Obama should use his veto power. Otherwise, the U.S. will take a big step toward becoming the Argentina of the north.