

March 6, 2018

The Honorable Tom Cole
The Honorable Rosa DeLauro
Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services,
Education and Related Agencies of the House Appropriations Committee

The Honorable Roy Blunt
The Honorable Patty Murray
Chairman and Ranking Member of the Subcommittee on the Departments of Labor, Health and
Human Services, Education, and Related Agencies of the Senate Appropriations Committee

Dear Chairman Cole, Ranking Member DeLauro, Chairman Blunt, and Ranking Member
Murray:

We write in support of increased funding for the Bureau of Labor Statistics (BLS). Simply put, BLS needs more support. The Bureau provides enormous value to the U.S. economy, including for small businesses and large businesses alike, and for policymakers. Its funding has been flat in nominal terms since 2009, so every year its resources have actually fallen in real terms. This decline in funding puts at risk its ability to serve American businesses, Congress, and the public. Tangible consequences of this problem have already occurred.

Businesses across the country rely on BLS data. Here are a few examples:

- Data on local labor markets help businesses decide whether to expand.
- Information on the demographic characteristics of local areas help prospective entrepreneurs decide where to locate their new businesses.
- Retailers use BLS data to decide where to locate stores, warehouses, and distribution centers. They use BLS data on local demographics to decide how to stock their shelves.
- Businesses use BLS data to benchmark wages and prices against the broader economy.
- Most multi-year contracts adjust payments based on BLS price indexes for consumers, producers, imports, exports or employment costs.

Economic statistics are not just for the benefit of the government. Businesses rely on data collected by government, and the decisions informed by these data matter for all Americans. It is in our best interest to have high quality information on the U.S. economy – and this requires adequate funding for the statistical agencies.

Economic statistics are important for government. One example of many: the consumer price index (CPI) calculated and published by the BLS determines cost of living adjustments for Social Security benefits. If inadequate funding leads the BLS to mismeasure prices by even a small amount (say by 1/10th of one percentage point), government spending on Social Security benefits could be significantly higher than it should be (by \$1 billion), or people depending on Social Security could be shortchanged (by \$1 billion). Getting these numbers right matters—and is a worthwhile area for government spending.

BLS data are vital for the Federal Reserve, and therefore for the broader economy. The Fed relies on inflation and labor market statistics produced by the BLS. If mismeasurement of either leads the Fed to increase interest rates prematurely, the cost of borrowing that households and businesses face goes up, and the economy slows. If the Fed acts too late because inflation is undermeasured, this too would have meaningful consequences. Accurate measures of economic activity such as inflation has significant impact not only on business and household decisions, but also on peoples' lives.

It is becoming harder to accurately measure price changes because inflation figures are affected by rapid changes in product quality. Computers and cell phones are natural examples, but other products are affected as well. There is a sense in which cars now are akin to computers on wheels. Improvements in the quality of anti-lock brakes and collision avoidance sensors mean that car buyers are getting more for the same money – that car prices are lower than in the past. Such developments are difficult to measure when product quality is changing rapidly and in subtle ways. BLS needs more resources to meet these challenges. A flat budget in nominal terms makes it difficult for the BLS to fulfill its mission.

Statistics are an essential part of government; they form the backbone of effective policymaking. Congress needs to know what is happening in the economy to design policies. Providing inadequate resources for the Bureau of Labor Statistics is like asking people to drive a car at night while putting on darker and darker sunglasses.

Adequate resources for the BLS would allow the agency to stabilize and modernize existing programs, which will benefit Congress, other policymakers such as the Federal Reserve, and American businesses and households, and would allow the BLS to meet the challenges to come.

Sincerely,



Michael Strain

John G. Searle Scholar and director of economic policy studies at the American Enterprise Institute*



Phillip Swagel

Professor at the University of Maryland and visiting scholar at the American Enterprise Institute*

* Affiliations listed for identification purposes only; we sign as individuals. AEI does not hold institutional positions on any policy issues.