



Some Consequences of Eliminating the US Economic Census in FY2012

The U.S. has collected statistics about its economic activity for more than 200 years. The need to measure economic output sprung from the industrial revolution taking place in the early 19th century. The Eisenhower Administration failed to provide funding for the 1953 Economic Census. In response to complaints from business, financial, professional, and governmental groups, the Secretary of Commerce appointed Dr. Ralph J. Watkins, then Director of Research for Dun and Bradstreet, Inc., to form an Intensive Review Committee to study the issue. The strong recommendation of this group was adopted within months and the Congress reinstated the Economic Census. In 1954, Congress passed Title 13 of the U.S. Code and required an Economic Census every five years. Economic censuses were conducted for years 1954, 1957 and 1963. Since 1967 the U.S. has conducted an economic census in years ending in 2 and 7.

The Bureau of Census believes that inadequate funding would result in the cancellation of the FY2012 Census. This would adversely impact in a major way the annual, quarterly and monthly surveys of business and financial activity for the next several years given that the Economic Census is used as a critical component of the sample frame for virtually all business surveys by Census. Census would be drawing a frame for 2013-2017 based on what was learned from the 2007 Economic Census rather than the 2012 Census. Coverage of industries, regions and the like would be adversely impacted. So we would get worse data not only for one year but for five years at least.

The effects of eliminating the 2012 Economic Census would also include:

1. **Industry Economic Accounts:** Loss of the Economic Census data would halt the creation of the benchmark input-output accounts. This would have a major ripple effect to every other economic account within the Bureau of Economic Analysis (BEA). The data would not be available that are needed to provide the most comprehensive information on the flows of goods and services to industries for use in their production processes and to final users in the economy.
2. **National Economic Accounts:** The National Accounts would not have (direct and indirect) Economic Census data available for use in their Comprehensive Revisions (scheduled every five years) updating the gross domestic product, government receipts and expenditures, fixed investment and capital stock with benchmark data.

The Economic Census is also the benchmark for key annual, quarterly and monthly indicators of the U.S. economic performance on sectors such as Retail Trade, Construction, Transportation and Manufacturing. Without the Economic Census, it would be difficult for the Census Bureau and other federal agencies to provide timely and accurate information on

the health and strength of the U.S. economy. This, in turn, would reduce the ability of both public policy makers and private business firms to respond effectively and appropriately to changes in the economic environment.

3. **Regional Economic Accounts:** The Regional Accounts would not have the sub-regional data needed to provide the framework for analyzing the contributions of regions and states to U.S. economic activity, especially GDP-by-state. Businesses use these statistics for site location, industry and market analysis, to make investment and production decisions, to gauge competitiveness, and to identify entrepreneurial opportunities. Detailed industry information for small geographic areas permits state and local agencies to forecast economic conditions, plan economic development, transportation, and social services. Using the regional economic statistics, national and local news media report back to investors and the general public their personal evaluations of how well the economy is doing and how our society is changing.
4. **International Economic Accounts:** The International Accounts would not have the information needed to improve their sampling frame for foreign direct investment in the United States. In addition, information would not be available for a joint project with the Census Bureau, where BEA periodically publishes detailed industry data on foreign-owned establishments (plants) in the United States.
5. The complete loss of Economic Census data would severely impair research to improve estimation and modeling techniques, as well as methodologies for computing various estimates and their underlying detail.

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