

EconoFact Chats: The Vital Importance of Good Economic Statistics
Erica Groshen, Cornell University
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Michael Klein

I'm Michael Klein, executive editor of EconoFact, a nonpartisan, web-based publication of The Fletcher School at Tufts University. At EconoFact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at www.econofact.org.

Michael Klein

The captain and crew of a ship need accurate, reliable, and timely information to keep on course, to avoid running aground on a shoal, to avoid storms, and to steer clear of other ships. Likewise, a government needs accurate, reliable, and timely information to keep its country's economy on course and to avoid financial and economic crises. For this reason, governments devote resources to collecting and disseminating economic data on prices, employment, output, trade, and many other variables. But the analogy isn't perfect. Some governments may see an advantage in suppressing or altering data to make it seem like the economy is doing better than is actually the case. This can go on for only so long, however, and eventually reality hits and a country's economy will flounder due to the economic shoals its government has been hiding. The quality and accuracy of American economic data has been a professional focus of my guest today, Erica Groshen. Erica served as the Commissioner of the U.S. Bureau of Labor Statistics from 2013 to 2017. The BLS is the principal federal agency responsible for measuring labor market activity, working conditions, and inflation. Before that, Erica was Vice President in the Research and Statistics Group of the Federal Reserve Bank of New York. In 2017, the Labor and Employment Relations Association gave her their Susan C. Eaton Outstanding Scholar-Practitioner Award, in recognition of outstanding research, teaching, and practice, emphasizing the value of bringing together the academic and practitioner communities. Erica is currently Senior Economics Advisor at the Cornell University School of Industrial and Labor Relations, and a Research Fellow at the Upjohn Institute for Employment Research. Erica, welcome to EconoFact Chats.

Erica Groshen

Thanks, Michael, happy to be here.

Michael Klein

So I'd like to begin by asking you about the Bureau of Labor Statistics. It was established in 1884, and you were the 14th Commissioner. Some of your predecessors were Catherine Abraham and Janet Norwood, two very prominent and well-known economists. Can you talk a little bit about the BLS and its history?

Erica Groshen

Sure, the BLS was the first independent statistical agency to be established in the U.S., and the official history of the BLS actually says it was created in an era of ferment and demand for reform, right? So with the growth of industrial employment, labor organizations and policymakers needed trustworthy information to understand the impact of things like immigration- that may sound familiar—tariffs, unemployment, working conditions, wages, right? And so the goals of establishing the BLS included aiding reform efforts and helping to quell unrest in the land, with the idea that a common set of facts would advance all the

negotiations surrounding the labor market. And along those lines, why did I emphasize independent? Well, if you have two opposing sides, then it helps for them to be working from a common set of facts that both of those sides accept. So BLS was created to address fraught issues from the very beginning. And the first commissioner of the BLS, whose name was Carroll Wright, but was not a woman, was a man, said that the BLS would be devoted to, quote, ‘The fearless publication of the facts, without regard to the influence those facts may have upon any party's position or any partisan views.’

Michael Klein

That’s a great introduction to the BLS, and it also makes the point that the issues when it was founded are continuing to this day. So, what are some of the data that the BLS regularly collects and disseminates?

Erica Groshen

Well, the BLS has about 25 programs that produce statistical products on a regular basis. And these fall into four buckets. There's a set that are about employment and unemployment. So, like that suggests, the unemployment rate, job growth, occupational wages and employment, but also the Occupational Outlook Handbook, which is a very interesting product. The next bucket is prices, and these mostly measure inflation. So consumer prices, producer prices, import and export prices. So how are prices rising in those realms? The third group is compensation and working conditions. So this includes measures of compensation increases, the ECI and benefits changes, and also occupational illnesses, injuries, and fatalities, and occupational requirements. And then finally, a very important thing that the BLS produces is our national productivity measures—local and total factor productivity, both overall and by sector.

Michael Klein

How do these ranges of statistics help people in government decide on what policies to pursue and what to focus on in terms of the government's approach to the economy?

Erica Groshen

Well, one of the key and totally unanticipated purposes of BLS data is actually monetary policy. So when the BLS was created, we were using the gold standard.

Michael Klein

And there was no central bank at that time.

Erica Groshen

There was no central bank, right. But now BLS supplies the key information for the dual mandate of the Federal Reserve, which is stable prices—so inflation—and maximum sustainable employment. In fact, during the 2013 government shutdown, when I was Commissioner of BLS, Ben Bernanke, then Chair of the Fed, called me up and asked if the Fed could fund the BLS to continue producing the statistics while the government was shut down.

Michael Klein

If the Fed was going to do that, could you also get a bonus or anything?

Erica Groshen

I had to turn him down because that would have been subverting the will of Congress. Congress decided to shut us down, and we couldn't decide to go around that.

Michael Klein

I imagine that these data also help families in deciding, sort of, how to make their plans.

Erica Groshen

Oh, absolutely. So, on the BLS website, which is a very big website with a lot of information about all these programs, the most heavily trafficked website is the Occupational Outlook Handbook, because people from all parts of the economy go there—job seekers, career advisors, companies that are thinking of hiring people in various occupations. They all look at that. So households use this information to make a lot of career decisions, and then also BLS information informs investment decisions that families make - inflation, things like that. So that's how policymakers are affected, and also their wages may be indexed to inflation or not.

Michael Klein

And so it must also be very important for businesses to have the kind of information that the BLS produces.

Erica Groshen

Yeah, there's a 2019 article in the *Journal of Economic Perspectives* that talks all about the value of U.S. government data to U.S. business decisions. And they found that the data are used by a really wide range of companies, from auto producers to digital platform companies, and the purposes include production and investment decisions, indexing multi-year contracts so that they don't have to renegotiate them every year, marketing and investment management, long-range planning, forecasting. And even assessing the health of banks and the overall stability of the financial system.

Michael Klein

So a lot rides on these data being accurate, being timely, and being reliable.

Erica Groshen

Yeah. When I was on the train heading up for my first interview for the job of BLS Commissioner, I was sitting there thinking about how was I going to remember all of the characteristics of good data. And I came up with a shorthand way of remembering it that I still use. So the acronym is AORTA. What is good data? It is accurate. It's good because it can help you make a good decision, right? So what do you need for a good decision? Well, the data has to be accurate. You got to get it right. It's got to be objective. You have to trust that nobody is trying to manipulate it. It's got to be relevant—the information you need. It's got to be timely—get to you in time for you to use it. And it's got to be accessible, both literally and figuratively.

Michael Klein

So I guess that's a good mnemonic because data are the lifeblood of the economy.

Erica Groshen

Absolutely. And I also used to say lousy data gets you lousy decisions.

Michael Klein

So let's think a little bit about the way the data are collected. People might think that inflation statistics are based on the change of the prices of all goods and services. And also, there might be a perception that the monthly unemployment report actually counts the whole population of the unemployed, but that's not the case in either of these examples, right? It's not the universe, but a sample, as statisticians would say.

Erica Groshen

Right. Yeah. So let's start with inflation. Really, the BLS can't look at every price in the whole economy every day, all the time, right? So it uses statistical methods to choose prices that it's going to look at. And in particular, it chooses very specific products and looks at what happens to those specific products over time, and it chooses those products to be representative of whole groups. So they want to compare apples to apples, but it's not just as simple as apples to apples. It's three-pound bags of organic Fuji apples from Brand X over multiple months and years, right? And then they take all of these changes together, and they weight them, and they say, how much does each one of them represent in the market basket that a consumer buys?

Michael Klein

And so people might think, well, apples aren't all food or all fruits or even all apples, but you have to do something like this to make it practical. And statisticians have gotten very good results from doing what is, in fact, feasible and using statistical methods to make sure that it's accurate, right?

Erica Groshen

That's right. And these days, with the burgeoning big data available in many places, then the BLS is increasingly tapping into those sources to provide the information, rather than going directly to outlets. So it's a combination, and it's really the future of statistics—this blended data approach. Surveys when you need them, and other resources when they're available.

Michael Klein

What about the ways in which the unemployment statistics are calculated?

Erica Groshen

So the monthly jobs report, which comes out usually the first Friday of the month, relies on two very separate statistics...surveys really. One is of households, and that's capturing the supply side of the labor market—how people are participating in the labor market. And that's called the Current [Population Survey]. It's 60,000 households every month, so it's a big survey. And that one gives you information on unemployment and labor force participation—so what the households are doing. And then, on the demand side, BLS talks to employers about how many people they employed during the pay period that contains the 15th of the month, right? That's an even bigger survey. It accounts for about a third of all jobs in the U.S.

Michael Klein

Are there times when the results from these two surveys seem to diverge, or do they almost always move together?

Erica Groshen

Over the long run, they tell the same story, but on a month-to-month basis, they can often diverge, and particularly this can be before revisions of various kinds. And some of this is totally expected, and so BLS actually publishes a comparison...tries to get as close to apples and apples as possible. The main thing that they measure that's the same is the number of jobs. But for households, what they're counting is how many people are employed. And for firms, they're counting how many people are on payrolls. And that can be different because of people holding multiple jobs. It can also be different because of turnover, where you have both the incumbent and the new hire being on the payroll for the same pay period.

Michael Klein

I had a previous EconoFact Chats episode with the Columbia University statistician Andrew Gelman, and in that, we were talking about polling data, and the shift from the use of phone calls to online questions and the challenges of non-responses or responses from groups that don't represent the population as a whole. So when I get a phone call about a survey, I typically don't want to spend the 15 minutes. Is this an increasing problem with any of the statistics collected by the BLS, where people just aren't responding to surveys?

Erica Groshen

It's huge. It's really huge. So the BLS regularly posts response rates for all of its surveys. I looked up a few of them before we had our conversation. So between October 2014 and October 2024, the CPS response rate fell from 89% to 70%. That's the household response rate. For the payroll survey, the response rate fell from 64% to 43%.

Michael Klein

And I guess the problem isn't that the response rate fell, but it probably fell more among some groups than others. What we would call biases being introduced into the results, is that correct?

Erica Groshen

So that's one of the main concerns, that you're introducing biases. And if you know some of these biases because you're collecting information about who responded and not, you can correct for it. But the lower the response rate is, the more likely that there are to be factors that you don't know about and you can't correct for. The other things that you worry about, though, are larger standard errors, so just more variability that could be in there for random reasons. And it also means that you're less likely to be able to publish information for smaller populations and regions, like smaller demographic groups or smaller regions. And finally, it raises the cost. When you have a lower response rate, you spend more time chasing after people, things like that.

Michael Klein

So Erica, are there alternatives to government data? Private sector data or things like that?

Erica Groshen

Absolutely. More and more, you know, we've digitizing all sorts of transactions now, right? So there's more and more of that information, and private companies are really being very innovative in trying to generate interesting indicators from that information. So ADP, Billion Prices, yeah.

Michael Klein

Right for Billion Prices, Alberto Cavallo, who's a professor at Harvard Business School, has both been on our podcast and also written memos for us about that project, which is a really interesting, innovative, and ambitious project. How reliable do you think these non-governmental data are?

Erica Groshen

Well, I think they can and do provide really great additional detailed information, sometimes more timely, you can extrapolate things from them. So they're a wonderful compliment to the official statistics, but they are not independent of the official statistics. They rely on official statistics for validation, for their weighting, because they're never representative samples. They essentially can't exist without official statistics, and the companies that do this don't have the

incentive...have the resources to provide historical series of comparable data. And they're not as transparent, and they may stop producing this on a dime if their goals change. So they're a very useful complement, but not a substitute.

Michael Klein

So I'd like to shift gears a little bit now and talk about the reliability and the reputation for integrity for the BLS. There are actually two parts to a question that I have. BLS has a well-founded reputation for integrity. Does, in fact, BLS act with integrity—the well-founded part of that question? And is the public's perception, the reputation part of the question, something that we can rely on? Can you address first the well-founded part?

Erica Groshen

Yeah, the well-founded part is key. I mean, I spent four years inside the agency. I was amazed at how much the bottom line for a statistical agency isn't profit, it's trust. And that's just built into everything that the agency does. Trust is mission-critical. Without trust, nobody uses the data, and nobody's willing to participate in surveys, so you just have this downward spiral. So how do you get trust? Well, there's a set of directives from the Office of Management and Budget that's concerned with coordinating the statistical system, and there are these directives that tell the statistical agencies how they need to behave in order to earn this trust. And then there's this great publication called *The Principles and Practices for a Federal Statistical Agency* that's supported by the statistical agencies, but it is created by outside experts to advise the statistical agencies.

Michael Klein

And you found, when you were there, that the employees of the BLS closely followed those regulations and rules?

Erica Groshen

They were all embedded in staff training and in the culture of the agency every step of the way. I don't remember any decision I made while I was at the BLS where a key consideration [wasn't] what impact will this have on the trust of data users and data providers.

Michael Klein

So to the reputation part, there are people who want to call into question statistics they don't like. For example, in October 2012, Jack Welch, who was backing candidate Romney against President Obama, tweeted, "Unbelievable job numbers. Those Chicago guys will do anything. Can't debate, so change numbers." Welch later admitted he had no evidence behind his accusation. And then in the 2016 campaign, Candidate Trump called into question the integrity of BLS's numbers. So how damaging are these types of statements to the reputation of the BLS and the public's trust in its reports?

Erica Groshen

So let me say from the beginning, as you said, these are just unfounded, right? The only presidential appointment at BLS is the commissioner. As Commissioner, I saw nothing before it was final, so I didn't even have an opportunity to try and change numbers before they got there, right. So this is produced by career civil servants with transparency, and the statistical agencies, as I said, live and die by trust. So there's an analogy to this. Statistics are like a national data infrastructure. They're like bridges. And would you drive on a bridge that was not built by engineers but by politicians? Probably not. Would you use statistics to make key decisions that were generated by politicians? So nobody wants to use untrustworthy statistics or bother

responding to surveys. These attacks then undermine the trust that the agencies need to fulfill their mission, and that's really why they're so damaging.

Michael Klein

A more extreme case than just casting doubt on the numbers is publishing statistics that are not accurate but favor an administration, and there are countries where economic statistics are manipulated by the government. So a prominent case was in Argentina, between 2007 and 2015, when the government produced statistics that attempted to portray inflation as lower than it actually was. How concerned are you that something like that could happen in the United States, given that the new administration is firing people not seen as loyal to the President?

Erica Groshen

I'm really concerned. I think this is a very big issue. It has not been a problem in the past. It's not that other administrations haven't tried it, but they've been turned away when they've tried it. And in this administration, I think that there's more of a threat than I know of in the past. So, it wasn't just Nixon who definitely tried to do this. Eisenhower tried to do this. But the interference with independence could affect the methods, the estimation methods. It could affect the timing of releases. It could affect communication. It could affect pre-release access. Any of these things would be illegal, but it doesn't seem like that is deterring some of the efforts by the current administration. So I'm really worried about this, and then firing and transferring BLS staff would be undermining the culture that I talked about.

Michael Klein

What should we, the public, look for as signs that economic statistics are being manipulated?

Erica Groshen

Schedule delays or alterations, attempts to change the leadership at BLS—so application of Schedule F, resignation of the commissioner, transfers of the senior staff to other agencies, insertion of political appointees at BLS, unexpected changes in methodology. So I understand DOGE showed up at the doorstep of the Department of Labor a couple of weeks ago and asked for, among other things, information on labor market statistics. And it turns out that at this point, they're not asking for access to the confidential data, so that's a good thing. But what they have asked for is the code for estimating things like the unemployment rate and the inflation rate, etc. And I find that quite concerning because are they going to then walk in someday and say, 'no, you use our code and not the code you have been using?' Something like that.

Michael Klein

So that goes back to what we were saying before, that the statistics don't have the universe of observations. It's a sample. And you mentioned that you're weighting the sample in certain ways. So I guess a person or a group could play around with the weights to get the result they wanted, right?

Erica Groshen

They could play around with the weights. They could exclude certain groups of people of some sorts, which is a kind of weighting. They could change, you know, seasonal adjustment factors. I mean, there are many different ways. These are complicated calculations, and right now they are done with transparency, and on the basis of long-term research on what impact these decisions make. These are not changed overnight, so I would worry both about intent and lack of expertise in making these changes.

Michael Klein

So some of our listeners are professional economists, either in the academy or in the private sector. Do you have any suggestions for what they could do to try to keep the integrity of the statistics produced by the BLS?

Erica Groshen

Absolutely. So I have suggestions for everybody and also for the economists. Let's start with the economists. The one thing for the economists, very simple—make sure you cite the actual source of your data, rather than just where you happen to get it. So BLS data are often... appear in other sources, you know, as part of like, say, the FRED service or something like that. Cite your sources properly. Secondly, I would say, make sure that you do research to help improve statistics, so make that part of your process, and not think of those as attacks, but actually helping the agencies. Those are important things. Anybody can do the following. They can join and support the advocacy groups that help the statistical agencies because there are, right now, the statistical agencies—BLS in particular—has no champions on the Hill. And without champions on the Hill, you don't get the attention for funding and for protection that you need. So, there's the Friends of BLS, there's the American Statistical Association, there's COPAFS, APDU—I can give you a list. These educate people and do preparedness. And they also organize letters, right? And then there's a bunch of other things—basically encouraging private sector companies and financial institutions to speak up, talking to journalists, contacting senators, representatives, things like that. There's a lot that actually can be done.

Michael Klein

Well, in closing, I just want to go back to that mnemonic, you had the AORTA, and the AORTA is vital for people's health and continued existence, in fact. And in a similar way, good statistics are really vital for the health and continued well-being of the economy. So Erica, thank you very much for joining me today. It was a really interesting conversation about a topic that many people don't pay enough attention to, but you really illustrated why it is so important.

Erica Groshen

Well, thank you, Michael, I enjoyed the conversation and I thank the listeners for listening for a while, and hope that they get all energized to help our statistical system. Thank you.

Michael Klein

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