

EconoFact Chats: The Cost of Politicizing Economic Statistics

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Michael Klein:

I'm Michael Klein, executive editor of EconoFact, a non-partisan 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:

In the first days of August 2025, the New York Times, the Wall Street Journal, the Washington Post, and London's Financial Times all had the same story on their front page. This might not strike you as unusual, but for the fact that the story involved the removal of a government bureaucrat – President Trump's firing of the Commissioner of the Bureau of Labor Statistics, Erika McEntarfer. In a long social media post announcing her removal, he claimed without evidence that the Bureau of Labor Statistics' (the BLS) report of weak hiring statistics for July of that year were, in his words, "rigged". This became front page news because of the importance of the reliability of economic statistics for businesses, the government, and individuals, and the threat to the economy if these statistics became politicized. How big is that threat? A recent research paper estimates that the firing of Commissioner McEntarfer reduced GDP by almost \$20 billion, and reduced payroll employment by over 30,000 jobs. To discuss these results, and the threat of the politicization of economic statistics, I am pleased to welcome back to EconoFact Chats two of the co-authors of that research, Erica Groshen and Michael Strain. Erica served as the Commissioner of the US Bureau of Labor Statistics from 2013 to 2017. Before that, she was Vice President in the Research and Statistics Group of the Federal Reserve Bank of New York. She 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. Michael is the Director of Economic Policy Studies, and the Arthur F. Burns Scholar in Political Economy at the American Enterprise Institute, where he oversees the institute's work in economic policy, financial markets, international trade and finance, tax and budget policy, welfare economics, healthcare policy, and related areas. Erica and Michael, welcome back to EconoFact Chats, and thanks for joining me today.

Erica Groshen:

It's good to be back, Michael.

Michael Strain:

Yes, thanks for having me back, great to be here.

Michael Klein:

So, let's start off with a discussion of President Trump's decision to fire Commissioner McEntarfer, and it's centered on the jobs numbers. This statistic, along with the monthly inflation statistic, are among the most closely watched numbers that the government issues. But, the BLS and other federal agencies issue lots of other numbers as well. What are some of those?

Erica Groshen:

Well, the federal statistical system releases many millions of statistics on a regular basis, so in addition to the employment situation, the BLS alone has over 20 other programs covering inflation, prices, pay, benefits, occupational requirements, workplace injuries, illnesses, and fatalities, productivity, spending and time use. And then, there is the Census, which is even larger, covers population demographics and business activity. The BEA produces GDP and other national income product accounts, and there are 11 other principal statistical agencies, and over 100 other statistical units. So, this is just the tip of the iceberg.

Michael Klein:

So, I would guess that there are, you know, literally thousands of people who are working in this capacity in the government, and the President said that the numbers were rigged. That would imply that, either that there is someone who can change the numbers, or there is a vast conspiracy to do so. In fact, how are statistics like the job numbers and inflation estimated and calculated, and how does this avoid the politicization of those statistics?

Erica Groshen:

So, the jobs numbers and inflation are estimated from data that the BLS staff gather and process, and they follow a very strict, highly automated process. So these are both monthly series for all of the steps—the collection, the processing, the releases—have been set up with lots of testing to occur just within a few days. So, it's really highly choreographed. It's also highly decentralized until the very last steps, so that groups focus on one industry or another, one area or another. All the components aren't brought together until the last couple days, so nobody even knows what the top line numbers' looking like until right before publication. It's also transparent in the sense that the methodology and the computer programs, calculations, are published in advance in the BLS handbook methods, and they don't change very often. Finally, the underlying microdata, that is the responses from the people and the businesses, are protected from being disclosed.

Michael Klein:

So, that makes it sound like it would actually be hard to rig the numbers, wouldn't it?

Erica Groshen:

It would be. So, I was commissioner, right? I didn't ever see any numbers before it was final. In fact, the only role that I had in putting out the employment situation was, I did see the numbers before they were released to the public, but they were already final, and I could make suggestions to the narrative that accompanies the numbers. But, I had no input to the numbers themselves, nor did I have access to the microdata or to the programs that produced them. So, the commissioner alone couldn't do that.

Michael Klein:

Well, the President's complaints about the reliability of statistics didn't start in the summer of 2025. Back in 2016, during the campaign, candidate Trump called into question the integrity of the BLS' numbers, and these complaints were not confined to Trump. In October 2012, Jack Welch, who was then backing candidate Romney against President Obama, tweeted: "Unbelievable jobs numbers..these Chicago guys will do anything..can't debate so change numbers." Welch later admitted he had no evidence behind his

accusation. How damaging are these types of statements to the reputation of the BLS, and the public's trust in its reports?

Michael Strain:

Well, that's the question we tried to get at, Michael, on this paper. And, I think intuitively they can be quite damaging. We live in a very partisan, politicized time, when people are willing or prone to believe in conspiracy theories and to believe in somewhat outlandish things. And, people take it really seriously when a president, or a presidential candidate, or successful business leaders make accusations about political interference in the construction of the data. You know, economists tend to have a very kneejerk, negative reaction to this, but I think if you put yourself in the shoes of the American voter who doesn't do this for a living, you can see how they might believe a statement like that by a senior political leader. These agencies are part of the executive branch, they are led by political appointees. The data are revised as part of the production process by design, and those revisions can be misunderstood as correcting errors. And so, you know, if you're a person out there in the world reading the newspaper and listening to this, and a president who you trust, or a business leader who you trust says that the data are rigged, you say, "well yeah, why are these revisions so large? What's going on here?...Well sure, you know, the secretary of commerce or the secretary of labor is trying to get the boss reelected." And so that's why I think it's just so important that the fact that these data are non-political, non-partisan, produced by professionals...the fact that there hasn't been a shred of evidence presented by President Trump or anybody else that the data were rigged or that the data were in any way manipulated, needs to be part of the public conversation, and why it's so important for leaders like President Trump, and members of Congress, and members of the business community to not try and engender mistrust.

Erica Groshen:

I was just going to say that one cost is that, to discourage use of statistics, because if people don't trust them as Michael was saying, then they're going to use something else, and their decisions are going to be worse off if the quality of that information or their gut instinct isn't as good. And then, secondly, it undermines the trust that people need to actually participate in the surveys conducted by the agencies. So then, you get an even further decline in participation in these, which you can see already.

Michael Klein:

So, you're both suggesting that this is very corrosive. And the two of you come from somewhat different sides of the political spectrum. Do complaints about the reliability and bias of statistics come from both Democrats and Republicans equally?

Michael Strain:

I think Republicans have been worse on this than Democrats. Certainly, over the last 15 years or so, I think that's been true. I don't think it's exclusively a republican issue. When President Trump came back into office and there was some good economic data, Paul Krugman, the progressive economist and the columnist kind of, with a wink and a nod, said there is no evidence that we have seen *yet* to suggest that the data had been manipulated. And, you know, I think you hear some rank and file Democrats in Congress call into question some numbers from time to time. But, President Obama and President Biden were very good on this, President Trump has been very bad on this. And so, I think at the highest levels of each party, the Republicans have been worse in recent years.

Michael Klein:

Are there examples of countries where the statistics are in fact politicized?

Michael Strain:

Well, there have been. I mean, you know, Argentina is a great example, in an effort to hide the hyper inflation from a few decades ago. The Soviet Union is another example from history. And so these are not countries that the U.S. should wish to join when it comes to the reliability of official statistics.

Erica Groshen:

Other examples include Greece, which has actually been prosecuting the head of their statistical agency for correctly reporting GDP numbers, and certainly, I hear often that the statistics from China have not been ones that people felt...that international investors felt—they could trust for information on risks in China.

Michael Klein:

So Erica, you mentioned how the fall in peoples' perception of the reliability of statistics could be very damaging to the economy. How are statistics published by the BLS and other federal agencies used by people in the private sector, and also in government?

Erica Groshen:

So the private sector uses them in a lot of different ways. For instance, indexing long-term contracts. If you have a long term relationship with a supplier, and you want it to last more than a year, you probably don't want to renegotiate it every time, but inflation can happen, right? So, putting in a measure that you both trust to properly measure inflation is the main way that that's handled. So, it's a key element in long-term contracts, and that includes leases. It's also...the statistics you use for business location decisions – where are your customers, where are your employees, what are rents in the area, for setting compensation for workers, for investigating investment opportunities, and due diligence of various kinds. People make a lot of their occupational and training choices based on information provided by this statistical agency, BLS in particular, on what's going on with occupations and projections for them. And then, companies use federal statistics all the time for benchmarking, and for weights when they do their internal analytics. So, the business sector uses them for many things. The government uses them also for indexing numbers, particularly benefits like social security. I used to tell people that if the BLS makes a one-tenth of a percentage point mistake in the CPI, the federal government will overpay or underpay beneficiaries by a billion dollars. They also use BLS data for triggering extension of UI benefits by states...the federal reserve uses BLS measures of employment and inflation for setting monetary policy, and a lot of aid to distressed communities is based on these kinds of measures.

Michael Klein:

So this is what economists call public goods – something provided by the government that has widespread advantages for the economy. In your research paper, which is co-authored with Nick Bloom of Stanford and Duncan Hobbs, who's your colleague at AEI Michael, you focus on the ways in which uncertainty contributes to adverse economic outcomes. Nick has been on this podcast to discuss the effects of uncertainty, Michael can you explain why greater uncertainty hurts the economy?

Michael Strain:

Well, greater uncertainty I think hurts the economy in a variety of ways. You want businesses making decisions with the best information that they can. If businesses aren't sure about economic conditions, that might delay decision making. If businesses aren't sure about what's happening in the economy because they don't trust the reliability of data or they question the reliability of the data, that could lead them to cancel investment projects altogether. Investment projects have long time horizons, and businesses need to be comfortable with their understanding of economic conditions in order to move forward with them, and when you intentionally cloud the picture that they're trying to paint of current economic conditions and future economic conditions, then you get a pull back in investment activity.

Michael Klein:

So, can you explain in an intuitive way how you estimated the spike in uncertainty due to the firing of Commissioner McEntarfer?

Erica Groshen:

It's actually quite simple. We looked at...we followed what Bloom and his co-authors had done before, which was we looked at 10 major newspapers and counted the number of articles that mentioned uncertainty in them. We also saw how many of them mentioned either the BLS or McEntarfer in the articles, and we said, well, how many more times were those...did you see appearances of those terms? We tracked it over time, and looked for a jump. So, it was very much dependent on the newspaper reporting...the authors of the newspaper sensing what it is that the people that they're interviewing for their articles reported to them.

Michael Klein:

I imagine Rebecca (sic) McEntarfer didn't appear much in the newspapers before the firing. She wasn't sort of a common household name

Erica Groshen:

As a matter of fact, we show that in the paper. There was zero mention of her up until the point she was fired.

Michael Klein:

I hope that doesn't make her feel bad.

Erica Groshen:

I think she was fine.

Michael Strain:

It should make her feel good!

Erica Groshen:

Yes!

Michael Klein:

Yeah, I guess that's true, you don't want to be mentioned. I know that Nick has used this quite a bit, in fact we've used it...myself and my colleague Charles Collyns have used his uncertainty index, and it's a pretty robust measure and works quite well in explaining a number of things. So, how did you go from the estimate of the spike in uncertainty, to what I mentioned in the introduction – a reduction in national income of \$20 billion, and a reduction in payroll employment by about 30,000 jobs.

Michael Strain:

Well sure, we used some of Nick's previous research that maps increases in policy uncertainty into economic aggregates like investment and employment. And so, it was an issue of really trying to do a good job at providing a conservative, defensible estimate of the spike in uncertainty, and then extrapolating from that what the investment response would be.

Michael Klein:

Erica, you warned about this type of problem of elected officials interfering in the estimating and reporting of economic statistics in an EconoFact Chats episode that we posted in March 2025, four months before the firing of Commissioner McEntarfer. Just after the firing, you were quoted in the New York Times article saying it set a terrible precedent, and also you said that it undermines the integrity of our statistical system and really all government data and science. That was almost a year ago. Has this in fact been a precedent? Do you see things having evolved one way or the other since then?

Erica Groshen:

Well, I have to be the typical economist here, I have to talk about the one hand and the other hand. So, first of all, say that just the spike that we saw in these newspapers and the reaction afterwards...the uproar, shows that many people thought this was a really bad idea, right? And perhaps because of that uproar, happy to say that some of my worst fears just haven't been realized, so that's good. Only one other statistical agency head has been fired, that was Peggy Carr, a former head of the National Center of Education Statistics, and for better or for worse, that wasn't attached to unwelcome news, but just to the dismantling of her department generally. The first nominee for the BLS commissioner was unsuitable, but his name has been withdrawn. The administration has provided the name of another nominee, Brett Matsumoto, and he's a BLS researcher who would be much more suitable for the job. Now, he hasn't been formally nominated yet, and it's been a few months and I don't know why, but at least it's a step in the right direction. Also, it's good news that while DOGE was very active, it never tried to gain access to the confidential data in the statistical system, so that's also good news. And the hiring freezes at the statistical agencies are being relaxed partially, so we're seeing some good things. But, some serious threats persist, I'm just going to mention three of them. One is that there's this thing called 'scheduled policy career,' and it's this pretty wonky thing, but the administration is going to institute this, and what it does is remove the civil service protections from anybody that the President designates as being in a job that is 'policy influencing.' And, there is no carve out written for statistical agencies in scheduled policy career, and that is worrisome because the statistical staff produce numbers that influence policy, but they do not influence policy. And that distinction should be written in. I worry that if this were applied, it could undermine the culture of statistical agencies, diminish trust in them, and also disrupt their ability to hire and retain the best people. So, I worry about that. Some civil servants who've been acting heads of the agencies and in the statistical system have been replaced by political appointees. That hasn't happened at

the BLS, but it's happened at Census, and it's happened to the Chief Statistician of the US. And, the administration is also proposing severe budget cuts for most if not all statistical agencies in the fiscal year 2027, so on the one hand and on the other hand.

Michael Klein:

Is this a bipartisan concern, and a bipartisan issue? And do you think we can rely on some checks on this type of politicization from Congress or from other officials?

Erica Groshen:

I guess the first thing I would say is that Congress has in the past generally not exercised much oversight of the statistical agencies. The only exception was with the Census Bureau, and that's probably because of the Congressional seats being allocated by the decennial Census. However, I would say that Congress does seem to be showing some rising interest. I've had some conversations on the hill. There's nothing tangible yet from that interest, but I'm hopeful. The advent of AI may be an opportunity because I think there's recognition on the Hill that this is something that we need to be able to track, both the advent of AI and also its impact, particularly in the labor market, and that will call for statistics that are able to do that. So, I think I would say that this is something that they, in the past, I'd say in the 20th century...maybe not so much in the 21st century...the statistical system was something that was a bipartisan interest...most of the work that was done in establishing the agencies and maintaining them was bipartisan. That seemed to fall away in the 21st century, and hopefully that will be reversed.

Michael Strain:

You know, I think that this happened. Commissioner McEntarfer was fired, and one of the things I think we've seen from President Trump is a desire to push as far as he can until he gets his hand slapped, and I think he got his hand slapped here, and, I think Congress played a role in that. He fired the commissioner, he tried to put in place her successor and nominated somebody who was perceived to be too close to him...where the risk of further politicization was thought by many to be too high, and he didn't get confirmed, and the White House pulled the nomination. And of course, the Senate played a role in that happening, and of course, Republican senators played a role in that happening. And, as Erica mentioned, we haven't seen other heads of civil agencies under threat of being fired, despite the fact that economic statistics are not looking great for the President. We have high inflation from several different data releases. Affordability concerns are a major issue in the run-up to November's midterm elections. The President is really being damaged politically by headlines about how high prices are, about how rapidly prices are growing, and you're not hearing him talk about firing anybody. And so, I think we should take some hope in that, and we should take, I think, some comfort in that, that the President is feeling pressure not just from the Senate, he also felt a lot of pressure from the business community, from investors, from leaders in the private sector who know the value of official statistics, and who rely on official statistics to make really important and critical business decisions. And so, there was pressure from politics, pressure from Wall Street, pressure from the business community, and the President responded to that pressure. I suspect that his successor will learn from that, and it's conceivable to me that either a Republican or a Democrat President in the future might be tempted to go down this route again, but having observed the amount of pushback President Trump got, you know, that might make him or her think twice about doing this.

Michael Klein:

Well, Erica and Michael, congratulations on your paper that you co-authored with the others. It's had a big impact, and I really appreciate you coming on to EconoFact Chats today to talk about both the paper, and more broadly, why it's so important that we have trust in our statistics, and how the agencies do a good, non-political job of presenting these numbers. So, thanks for joining me today.

Erica Groshen:

You're very welcome, happy to be here.

Michael Strain:

Great to be with you.

Michael Klein:

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