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Randy F. Hamilton

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CAUTION: Excessive Use of Government Statistics May Be Injurious to the Health of the Body Politic

Randy F. Hamilton

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CAUTION: Excessive Use of Government Statistics May be Injurious to the Health of the Body Politic

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There's an old story about an inveterate, compulsive gambler who, when informed that the roulette wheel he was playing was crooked, replied, "Yeah, I know. But, it's the only wheel in town and I just gotta play." Similarly, for the most part Government statistics are the only wheel in town and there is no choice but to use them. "We are making forecasts with bad numbers, but the bad numbers are all we've got."[1]

Unfortunately, many of the statistical wheels of the national government on which we rely as a basis for public policy decisions are spinning out inaccurate numbers, tilted, biased or based on incomplete data and/or analysis. Many public policy decision flow from "triggering" mechanisms in the various indices that are less reflective of reality than they purport to be. Billions of dollars in transfer and grant dollars ride on the numbers that come up. The stock exchange rises or falls by them. Politicians and business-persons make decisions on them. Reliance on supposedly accurate figures may start the movement of glacier-like public programs which continue indefinitely in the governmental equivalent of geologic epochs. There is no doubt that Government statistics are nuclear to an information-based

society. Yet, "The deterioration of Government statistics is a matter of increasing concern among members of the academic and professional communities."[2] The Government's system of gathering economic statistics ... is badly in disrepair."[3]

The matter is not just one for dry debate because Government statistics affect the lives of all Americans. For example, social security payments and some wages are tied to the official inflation rate. For the nearly 40 million recipients of social security benefits and another 25 million wage-earners, the cost of living adjustments (COLAS) that all federal agencies use is the CPI-W, based on the spending patterns of households which derive most of their income from clerical or wage occupations. It is relevant to only 32 percent of the U.S. population. Unused for COLAS is a broader based index called CPI-U which covers professional employees, the self-employed, the poor, the unemployed and retired persons, which is relevant to about 80 percent of the U.S. population; and, consequently, is a much more accurate indication of "cost of living."

The numbers used in public policy making should be valid and reliable. This paper questions whether some of the most important used for decision-making truly tell the story they purport to. The burden of the argument is: "Caution: Excessive Use of Government Statistics May be Injurious to the Health of the Body Politic." Both the legislative and executive branches of the central government have recently

come to that conclusion. In September, 1989, the nonpartisan Congressional Office of Technology Assessment, issued a 40 page report highly critical of the Government's data-gathering and statistical conclusions--an opinion shared by the Chairman of the President's Council or Economic Advisers, Michael J. Boskin, who agreed that "The problem is one that is now well recognized and we're working to correct it."[4]

"Paradoxically, at the very moment new information technologies are transforming the U.S. economy, we are forced to rely on data that are often outmoded and outright misleading. "Our ability to form a realistic picture ... is getting worse rather than better. And this is making it more difficult to make good public policies and business decisions. ... The ability of government statistics to tell us what we most need to know has become more questionable than ever."[5]

If you believe official Government statistics, you would conclude that Loving County, Texas, is the richest in the U.S. with a per-capita income of $34,173, according to the U.S. Bureau of the Census. In the county seat, Mentone, there is one gas station and general store. The only cafe serving mostly beer and hamburgers closed three years ago for lack of customers. Only a dozen people live in Mentone and about 100 in the county. There are no Gucci loafers, just mudcaked boots. No Beamers, just a few rusty pickup trucks. No hot tubs. Drinking water has to be carried to individual

houses in buckets, filled from the newly installed 500 gallon tank affixed to the single community well. They county closed its school district nearly twenty years ago when there were only 2 children of school age. The county has two employees--a husband and wife team. The husband is the sheriff, the wife the tax assessor/collector. Not a single county road is paved. There are a couple of oil wells and every adult is employed, therefore: its per-capita income is nearly 50% higher than "the second highest place on the list, the town of Falls Church, Virginia, with an average income of $20,699 in 1988."[6]

> If the industry of Washington is government, its chief product may well be statistics. Hundreds of Washington offices and thousands of bureaucrats generate millions of numbers a year to describe everything from general purpose fiscal assistance and deflators of the gross national product to imports and exports. Hardly a political speech is made anywhere in the country that is not larded with figures fresh from one of the capital's teeming statistical factories. Yet many experts worry about these numbers, fearing misrepresentation, which could skew a policy formation process that depends on quality statistics.[7]

There are more than five dozen government agencies that have major statistics gathering-analyzing-publishing responsibilities. Like the wheel of our gambler friend many of them spin not true, sometimes because the resources allocated for the purpose is minuscule. Excluding the decennial census of population, the largest of the statistical spinners, the Bureau of the Census, has only about $90 million for all its

other statistical operations--about equal to the 1988 agricultural subsidy for honey bees.[8]

This paper concentrates on a few of the supposedly valid statistical publications: uniform crime reports (UCR); some of the most important economic statistics including gross national product (GNP); unemployment statistics and oddments of "others".

(1) UNIFORM CRIME REPORTS

Uniform Crime Reports are routinely used as the basis for law enforcement policies, programs, projects and priorities. Published quarterly in all major newspapers and good for a typical 20 second soundbite on the evening news, they are neither "uniform," reflective of "crime," nor "reports" in any generally accepted definition. Truth to tell, we have no reliable national statistics about crime, arrests, prosecutions, sentences, prison time served (as compared to time sentence) or other important aspects of the criminal justice "system." The F.B.I.'s annual report Crime in the United States, is mainly a compilation of serious crimes known to police, submitted to the Bureau by about 65 percent of the law enforcement agencies in the country in a completely voluntary reporting scheme.

"Uniform crime reports possess limited utility ... . They are marred by the failure of victims to report crimes and by the failure of officers to record crime accurately.

The reporting system itself ... invites further statistical error."[9] Prisons are overcrowded? Are there fiscal and political pressures to reduce prison populations? The answer is simple, the UCR reflects those facts (not crime) simply by reporting charges reduced from felonies to misdemeanors (bearing in mind that the same crime can be reported in various ways). This means the guilty person serves time in a county jail rather than in a jampacked state prison--having nothing to do with crime as measured by the UCR.

Seedman and Cozens have documented that police departments show evidence of rising or falling crime rates based on the political pressures they are experiencing. The UCR being a summation of a series of local responses to partisan issues" ... are highly misleading of what they are said to measure ... . The UCR system is useless as a tool for evaluation of social policy."[10] If a police chief or mayor senses that it is impolitic to show a rise in drug-related homicides, they are simply reported as being for "unknown causes." If the reverse is true and a law enforcement agency senses that drugs are a "hot" budget button, more homicides are reported as "drug-related."

The UCR concentrates on eight major crimes (Part I crimes): homicide, rape, robbery (personal and commercial), aggravated assault, burglary (personal and commercial), larceny-theft, automobile theft, and since 1978, arson. The reported numbers concerning those crimes represent <u>only</u> those

occasions when a citizen has chosen to tell the police that she/he has been victimized and when the police, in turn, have chosen to relay this information to the F.B.I. The UCR, consequently, is seriously distorted by underreporting. Both the UCR and the National Crime Survey (NCS) "... concentrate on measuring a limited number of crimes. They do not cover all possible criminal events. Both sources use commonly understood definitions, "rather than legal definitions of crime."[11] "It has long been known that many crimes escape the attention of police but it was only with victimization surveys that systematic data were collected on crimes not reported--the so-called 'dark figure of crime.'"[12]

We've known about this for years, but the UCR and NCS are the only wheels in town. In 1987 (the last year for which we have information)" ...only 37% of all crimes were reported to police ... less than half of all violent crimes ... 28% of personal theft victimization and ... 41% of household crimes were reported to police."[13] Because the quality of the UCR and NCS are entirely dependent on voluntary reporting the validity and reliability obviously is dependent on the quality of the reports. A crime wave may merely be a reporting wave based on a series of new police chiefs who choose to report and who report well. "...Some specialists say the FBI's calculations are suspect because local law offices don't always forward full or accurate information to Washington."[14] The UCR tells us that Califor-

nia's total crime index is five times higher than Mississippi's. I argue that the index is totally unrelated to reality. It is not a measure of what it purports to be -- crime in the two states -- but is a measure of the excellence and regular reporting from a highly professional, well-trained police service in California.

As noted, the statistics all relate to "offenses known to police," and reported by them if they choose to do so. Nobody really knows the percentage of total crime committed that is unreported either by victims or police. Crime may be unreported in any or all jurisdictions because of the complainant's degree of deference toward the officer and/or the complainant's socio-economic status. According to the cited Criminal Victimization in the United States, 1987, (tables 104 through 108) the most frequently mentioned reasons for not reporting crime to police are: the stolen object was recovered (never-the-less a crime did take place), it was not important to report, it was considered a personal or private matter, it was reported to someone other than police, the victim was unaware of the crime until very late after its occurrence (shoplifting), lack of proof, fear of reprisal, didn't want to bother the police, felt the police would be ineffective or insensitive, too inconvenient, too time-consuming.

Surprisingly, the UCR does not routinely compile statistics on white-collar crime. There are no usable data

on embezzlement, fraud, insider trading, computer crimes or S&L scams. "Pillars of the community," committing such crimes are often not reported or prosecuted because of their "respectability," and/or other resources for settlement, either administratively or civilly. Simon and Shara concluded that women now commit 29.7% of forgeries, 34.7% of embezzlements, 32.5% of reported larcenies--perhaps a reflection of changing demographics of the workforce and the workplace.[15]

When reporting to the F.B.I., some departments report the crime for which the person was arrested, some the charge under which she/he was brought to trail, some the charge after plea-bargaining, and some the charge under which the arrestee was actually found guilty in a trial.[16]

Public policy maker, Andrew Stein, President of the New York City Council, early in 1990, lamented the sorry state of crime statistics using the present UCR system as he attempted to suggest policies for controlling crimes committed by groups of hoodlums preying on the public:[17]

> After the Central Park attack, violent incidents continued to occur with depressing regularity. ... Recently, I attempted to gather data on these violent crimes. I was amazed to discover that the statistics do not even exist. One reason cited by police and criminal justice officials is the absence of any specific charge for group assault. ... an individual arrested for participating in assault with 10 or 20 or 30 others is charged no differently than someone who acts alone. Since arrest figures are compiled on the basis of the charge made in court, the police say they are unable to track wilder or wolfpack crimes.

> But you can't fight a crime problem if the crime fighters cannot even track the problem.

Councilman Stein joins a long list of legislators and public-police makers who have thrown up their hands in bafflement over the way the UCR wheel spins out its numbers.

The UCR wheel has not, to date, reported "hate crimes," an expanding category for which the Department of Justice, in compliance with 1990 Congressional legislation, is currently preparing regulations and guidelines, to collect statistics on crimes motivated by prejudice based on race, ethnic background, religion or sexual orientation.

Perhaps the most serious and fundamental flaw in the UCR is the answer to the question "when is a crime reported as solved?"

> Law enforcement agencies measure solved cases by counting clearances, that is, the number of cases in which a <u>known</u> crime (emphasis added) had resulted in the arrest, citation, or summoning of a person in connection with the offense or in which a criminal offense has been 'resolved' (location and identity of suspect known) but an arrest is not possible because of exceptional circumstances such as the death of the suspect or the refusal of the victim to prosecute.[18]

Consequently, in UCR data, "arrest," "citation," "summons" or we the police think we know whodunit and consequently is "known," bears the same statistical value in the reporting system as "guilty as charged" does to court records. In the UCR system a crime is solved by an arrest,

etc. In the UCR system there is no presumption of innocence beyond a reasonable doubt. The wheel spins out a "crime solved" number when an arrest is made. Law enforcement agencies measure solved cases by counting "clearances." A crime is unsolved until someone is charged with it. So, by arresting a suspect and charging him/her with a known crime the warped wheel spins out something like "innocent until charged." The interpretation of clearance statistics must be approached with extreme caution, lest the body politics be misled. A number of offenses may also be reported as "cleared" when a single suspect has been apprehended (but not found guilty in a court of law). Additionally, the offense may be designated as "cleared" by the arrest of the first suspect indicating that the criminal investigation is closed whereas, in the real world not reflected in UCR statistics, the investigation may be on-going and other suspects sought. Additionally, a case in the UCR system is, as has been noted, "cleared" (solved) even though the arrestee may not be processed for that offense and is released, or is later absolved of wrong-doing upon trial.

What the UCR does best is grab the attention of policy makers. For purposes of mass media impact, the UCR relies heavily on gimmicky crime clocks, crime calendars and crime counts without the requisite cross-references or needed tie-ins to population increases or other statistical controls. Wolfgang has called this a prime example of how tricky

alliteration replaces statistical validity, as part of the statistical carnival wheel.[19] Based on the false assumption that each person in the United States has the capacity to commit a crime, the data tends to highlight the absolute number of "reported crimes" (see above) while, in fact, a true crime rate (the number of crimes divided by the population, minus infants and babes in arms, minus a percentage of the 50 million Americans under age 6, minus those in mental institutions, nursing homes, prisons, etc.) cannot be computed accurately without such an equation.

Obviously, if one is intending to build bigger criminal justice system budgets, one presents a "clock" telling us there is a murder committed every 25 minutes -- a rather startling figure. This does not tell us that the leading cause of death for black males under 34 is homicide, nor does it tell us that the great majority of murders are between friends and/or family members. A person's chances of being murdered in the U.S. on any given day are about one in seven million--pretty good odds but much less dramatic than the crime clock approach (see Figure I). If the purpose of the clock is to frighten citizens it probably succeeds because it is reproduced in most newspapers and read by millions including those who appropriate money for law enforcement. But, better documentation should be used for public policy decisions, not supposedly reliable and responsible publications that disseminate official statistics for use by

government officials, social scientists and policy-makers. Crime clocks should be used with great care, lest they be considered useful. Being the most aggregate of representation of UCR data, they are designed to convey the annual reported crime experience by showing the relative frequency of occurrence of the eight crimes noted above. Despite what the body politic might think, this mode of display does not imply a regularity in the commission of these offenses; rather it represents the annual ratio of crime to fixed time intervals.

The UCR does not provide any measure of the seriousness of crime. Legal definitions vary by state. A $10 bum check in one state may be a misdemeanor, a felony in another. The same possession for a personal use of marijuana in California that results in the equivalent of a traffic citation, can put you in jail for 20 years in another state. Damage to an avocado plant in California is a felony, not even on the books in North Carolina. Chicken stealing is a felony in Alabama, a misdemeanor in California. Because the FBI counts any theft over $10 as larceny, larceny is "larceny" is "larceny" whether the amount taken was $50 or $5 million. A punch-in-the-nose may be treated as an assault, aggravated assault, assault with intent to commit murder or what-have-you, depending on the police officer's discretion.

The UCR format makes it impossible to analyze or compare relationships about "crime." The numbers that spin off the

wheel show "offenses known to police," (for the 8 Part I crimes); "offenses cleared by arrest;" "persons charged;" "persons found guilty." One cannot make cross comparisons because the population bases are not held constant nor, indeed, are the reports based on the same population units. It simply is not possible to draw any valid conclusions comparing, for example, offenses known to police with offenders.

What we have in the UCR is a national statistical carnival wheel throwing off numbers in a system designed in November, 1929, and first operable in January, 1930, to complement the authoritarian model of policing that emerged in the U.S. in the late 19th and early 20th century. Consequently, the principal use of UCR is as a tool in the hands of the law enforcement and criminal justice fraternities to impress public policy-makers with statistics and numbers--however invalid and unreliable. In short, "ya can't get that dime if ga ain't got the crime." The UCR can be and is used to "get that dime."

(2) GROSS NATIONAL PRODUCT

As the central government's statistical wheel is presently calibrated, three major events occurred in 1989 that added about $5 billion to the gross national product (GNP)--the Exxon Valdez oil spill, Hurricane Hugo and the October 17th Loma Prieta earthquake in California. Expendi-

tures to overcome their effects are counted as part of the GNP. Ostensibly, GNP measures the market value of all final goods and services over a period of time. We're supposed to be better off if the GNP grows, so the more oil slicks we have and the more money spent to clean them up the greater the GNP, as it currently records the dollar amount of goods and services produced in the economy.

Lewellyn H. Rockwell, provides the following example describing the way the GNP is currently calculated:

> Imagine that the economy consisted of two small, productive towns. The government decides to destroy one of them (a hotbed of tax resistance and center for flag-burning). It does so by aerial bombardment, and it taxes the other town to pay for the clean-up. After a year, the destroyed town is restored. Calculating the net effect of the process, the Commerce Department would say that the GNP of the two-town economy grew by 50%. GNP records the money spent on goods and services, not the wealth destroyed by bombs taxation and regulation... . So GNP would act as if a third town had been added to the economy, when in fact one had been deducted.[20]

When the GNP is misunderstood, society's view of the economic world in which it lives is distorted. "In giving birth to the GNP, the statistical wonder of the economics profession and the single most publicized indicator of the economy, economists have created the illusion that is befuddling laymen and many of the economists for whose edification it was intended."[21] This is not surprising when one considers that the whole thing is jerry built from a variety of sources, reliable and otherwise, and concocted in

a witch's brew of statistical manipulation. In fact, as will be shown later, no number purporting to measure the GNP is ever final. IN 1976 GNP figures were revised back to 1958. In 1977 they were re-jiggered back to 1929 when the series began.

> A second major consideration for users of [GNP] data is that the various series are frequently revised. IN fact, they changed both continuously and at regular intervals. In addition, different series are revised in vary degrees and according to diverse schedules. [Anyone] who is confused by these changes is in very good company. The types and timing of revisions can indeed by difficult to keep up with, even for experienced economy watchers.[22]

The Quarterly Reports of the GNP often used in public policymaking are actually the first of several professionally derived guesses with the bureaucratic rear well-covered because they are officially labeled "projections" by the Bureau of Economic Analysis (BEA) in the Department of Commerce. While the well-known syndrome is satisfied, it hardly gives us the factual basis on which, unfortunately, mammoth public and private decision-making is based.[23] The figures are constantly revised. Although the real GNP, for example, declined for five consecutive quarters (all of 1974 and the first quarter of 1975) "...it was late in 1975 before the National Bureau of Economic Research (a private organization on which the central government depends to determine when there is a recession) declared a recession. In the late summer of 1974, government economists were still predicting

that the economy in the last half of the year would snap back from the "energy spasm" of the first half.[24]

Ten years later, there was no improvement in the reliability of the GNP's Quarterly Reports. On July 24, 1987, "The Commerce Department announced that the 1984 through 1986 GNP growth numbers were all revised substantially upward to 6.8% from 6.4% for 1984, to 3% from 2.7% for 1985, and to 2.9% from 2.5% for 1986."[25]

The revisions are lost in the shuffle as the next quarter's "projections" come out. Only the green eyeshade and celluloid cuff crowd follow the five basic types of data revision:

- Ongoing changes based on late-received reports or surveys for certain economic indicators
- New seasonal factors which usually result in revisions at the beginning of a data year
- New sources of information, which are also typically incorporated at the beginning of a data year
- New benchmarks, or the infrequent (every 5 to 10 years) resetting of data to a new base year.

The heroic attempt of the central government to sum up in a single number the GNP four times a year has about as much chance for accuracy as the wheel played by our compulsive gambler friend. GNP figures are spasmodically concocted and continuously massaged. The numbers on consumer spending come from the Census Bureau's monthly survey of retail stores and a tabulation of motor vehicle sales from the privately

owned and operated Motor Vehicle Manufacturer's Association. Auto sales data are contained in two basic, separately released series for auto purchases: unite sales and current sales volume. If for a given month, the current dollar volume of auto sales declines slightly while sales in units are unchanged, it would seem that dealers had reduced prices that month or consumers purchased lower priced cars than in the previous period. "In fact, neither interpretation can be properly attributed to the data because the two data series are from different sources that employ divergent methodologies ... a meaningful comparison cannot be made between these two data series."[26]

GNP figures on government purchases are taken from the Monthly Treasury Statement which is notoriously weak on firm data about state and local governments. The GNP number for farm income is based on estimates by the Department of Agriculture. Unfortunately, these are not published in sequential time for BEA's Quarterly GNP estimates. Consequently, BEA constantly updates its figures as estimates and more incomplete data come into its possession.

"The government is incapable of telling us what the last quarter's GNP growth was with any precision; final figures are not issued until three years after the quarter's close and vary widely from initial reports... ."[27]

By definition, illegal activities are not recorded in government statistics, including the GNP. A decade ago,

Peter Gutman, writing in The Financial Analyst Journal startled the nation by concluding that at $200 billion, the off-books economy totaled roughly 10% of GNP. (This was, of course, before the growth of the present-day drug-related economy (estimated at between $100 and $150 million). "The Internal Revenue Service felt compelled to set up a task force to refute him."[28] Their final report stated that the underground economy in 1980 was roughly $100 billion, "only" 5% of GNP.[29] "Other estimates can be found suggesting that the parallel economy is much larger, but even 8 percent suggests that over $300 billion of U.S. economy occurs in the nether regions."[30] "Major studies by government and private economists peg the size of the undeclared economy at between ten and twenty percent of the entire gross national product."[31] Because the covert economy operates in the statistical dark, economists' estimates of its dimension vary widely. "BUt most who follow its tracks agree that the sector's size is significant and it has grown rapidly in recent years ... it distorts the statistics used to guide economic policy decisions."[32]

Regardless of what estimate one uses, even one conjured by a ouija board, it will be more accurate than the one the BEA uses to compute the GNP because the figure used by BEA is "zero." It is perfectly obvious that two untoward results obtain: First, when off-the-books income is undeclared and unmeasured, gross national product ... is understated. The

market economy is thus stronger and better greased than the official numbers indicate. But it drives the bean counters batty and leads to mistakes in ... government planning."[33]

Secondly, the tax evasion by those in what the British call The Black Economy, is significant. IN fact, if taxes were paid on the estimated $300 billion in the nether regions, the receipts would be sufficient to retire approximately 30% of the current budget deficit.

> ... there are more than 70 ... federal agencies that spend more than $500,000 apiece each year to record information ... to monitor and measure characteristics of the U.S. ... economy ... such as the gross national product, the country's collective output of goods and services. ... So much is expressed by this statistic, which wields considerable influence in policy circles, that no one, including the economists who compile it, has any idea how accurate it really is.
>
> 'There is no official statistical error associated with the GNP.' says Barbara A. Bailar, executive director of the American Statistical Association. 'The number is so complicated that no one can come up with a way to measure the error precisely. Yet, what's even more amazing to me is that lots of people think the GNP is real, that it represents some real dollar amount. It doesn't. It's simply an estimate, an indicator. The formula is full of arbitrary choices and guesses. When data aren't available for some variable they often have to make it up.'[34]

"I think the biggest problem ... is its inability to keep pace with changes in social and economic phenomena," says Janet L. Norwood, commissioner of the Bureau of Labor Statistics. "Among other things, we're not doing enough to measure services which is a large and rapidly expanding

sector of the economy. Today, more than seven of 10 people work in service-producing industries."[35]

"The constant upward revision of preliminary government economic statistics in recent years reflects a weakening statistical system and a chronic tendency to underestimate services and the basic economic strength of the U.S. system."[36] The spate of revisions almost makes a mockery of trying to interpret what's going on;" Gary Ciminero, Chief Economist, Fleet/Northstar Financial Group, told The Wall Street Journal in a page 1 article, August 31, 1989.

The deep-seated problem is that the quality of the data could well be getting worse. The GNP is slowly losing its relevance. It is better designed to measure the output of goods and services of a generation ago, when manufacturing was king. The service sector -- banking, retailing, insurance services, advertising, legal services and the like -- now make up about 75% of the economy. But, much of the service economy is small, and new businesses are often missed. And, many businesses that used to provide data voluntarily have stopped as a way to reduce costs. The CPI does not have an adequate measure of medical costs which now make up about 12% of GNP. Janet Norwood, quoted in the New York Times "Rusty Statistical Compass for U.S. Policy Matters," October 30, 1989, p. C4 opined "We have to have the resources to keep up with the changes. Because these are tight times we don't. And that's what is scary."

The same article, based on a survey of 113 business economists attending the 1989 annual meeting of the National Association of Business Economists in an evaluation of government statistics concluded that 72% of those queried were "not satisfied with the quality of government economic statistics."

Speaking to the same issue in a page one Wall Street Journal article on April 31, 1989, headed "Shaky Numbers," Michael Boskin, Chairman of the Council of Economic Advisors discussing how the government calculates output in the service sector (which now employs seven of every ten American workers), is quoted as saying "Getting it right is critical for gauging the GNP but there are conceptual problems. Do you just add up the number of software programs? You just can't put them together like tons of steel."

In sum, one can only be wryly amused as we watch our public policy makers "fine-tuning the economy" by using the rubber micrometers of the wheel spinning off GNP figures.

UNEMPLOYMENT
(3) HOMELESS, AND POVERTY STATISTICS

(A) Homeless

We have recently witnessed an extraordinary effort during the 1990 Census, partially in response to an outcry generated by constant articles and stories about the homeless, to count them as a separate population entity for the first time in our nation's history. The counting is not

without precedent. The first systematic nationwide study took place in 1983, by the Department of Housing and Urban Development, which estimated the number at between 250,000 and 300,000.[37] Responding to what was said to be suspect because of the conservative Reagan Adminstration, a follow-on study was conducted by the National Bureau of Economic Research which revised the number upward to between 343,000 and 363,000.[38] The most recent study we have is from the Urban Institute which, under contract from the Department of Agriculture, put the number at between 567,000 and 800,000.[39] All three studies show fewer than one million homeless. The daily press, TV news-commentary-talk shows continue to trumpet seven figure estimates, some as high as 4,000,000 in "reporting" on the "national problem of the homeless in our cities across the nation." Most often, they feature homeless activist Mitch Snyder, who bombards us with a statistic hovering around the three million mark. When pressed by Congress to validate his constant repetition of upwards of 2,000,000 to 3,000,000 he confessed that "these numbers are in fact meaningless." When asked why he uses "meaningless" numbers, Snyder told a Congressional Committee that he was "trying to satisfy your gnawing curiosity for a number."[40]

Despite the "meaningless" number, it continues to pervade political discourse. In his keynote address to the annual conference of the American Society for Public Administration in Los Angeles on April 8, 1990, Ed Asner, lamented

that public administrators seem unable to deal "... with the nation's 3,000,000 homeless." The next day, in her address to the plenary session of ASPA, Congresswoman Barbara Boxer said that "...there are 4,000,000 homeless in our supposedly prosperous country." Senator Robert Dole was quoted in the Oakland Tribune of April 16, (p. A12) as saying he could not support a loan to Israel to build houses there for refugees from the U.S.S.R., "when we have 3 million homeless in America and no program for them."

(B) Unemployment

"Only as a measurement of political pressures, is the official employment figure to be taken seriously."[41] Seeking to overcome constant criticism of its former methodology the Bureau of Labor Statistics shifted to a new methodology commencing in January, 1989. Prior to that, the Bureau produced labor force estimates for the nation and for the 11 largest states directly from its Current Population Survey which never asked the 56,000 householders in the Survey whether they considered themselves unemployed, but only "how many hours they worked," in a given week. It then counted anyone who worked as "employed" anyone who worked more than one hour during the week of the Survey for wages or persons working 15 hours a week, paid or unpaid, in family enterprises. And, of course, as previously noted those in the underground economy, inner city folk and illegal immigrants

"... do not trust the friendly Government enumerator."[42] Those in the underground economy have learned that a penny earned "... in the shadow economy is worth more than anything from 50 to 100 percent more than a penny earned after payment of taxes. By definition illegal employment activities are not recorded in government statistics. The indications are that tax evasion is already substantial... ."[43]

Unemployment statistic gathering still suffers from having been devised following the Great Depression, when the labor force was composed mostly of males who were the sole breadwinners and the unemployment of male, head-of-household was what the official figures were designed to measure. The new methodology makes some improvement but is still woefully short as an accurate measure of unemployment/employment. The new method uses variable coefficient regression models developed by BLS and tested by State employment agencies. They do permit use of the CPS, CES and UI data in a more accurate and reliable manner, but by doing so for only eleven states, their reliability and validity is highly questionable, particularly for rural areas. Many farm area people, as noted by Professor Peter F. Korsching of Iowa State University in Congressional testimony, "are customarily hesitant to apply for unemployment compensation," and consequently not in state employment development department computers. If they work, without wages, for 15 hours on the farm, they are counted as "employed," even though the farm

may be going down the tubes.

At the same, July, 1986, Congressional Hearing at which Professor Korsching testified, Janet L. Norwood, Commissioner of Labor Statistics testified that "We know that the unemployment rate by itself does not always reflect adequately the problems ... of unemployment ... of our population."[44]

The Household Survey portion of the statistical brew of apples, oranges and kiwi fruit (59,000 households) is now combined with a survey of 240,000 businesses based on payroll records. But a major discrepancy occurs, because the two series are really not compatible.

To avoid the danger of wandering more into the unemployment statistical maze, I posit for the reader's own answer, three questions to which the government's unemployment statistical answer is "yes:"

1) Should a sixteen year old fulltime high school student looking for a babysitting of lawnmowing job be counted as unemployed?

2) Should any civilian over age 16 who spends two hours a week looking for a job be counted as "unemployed?"

3) As we now have an all-volunteer army should a military aircraft mechanic not be counted as "employed," whereas his civilian counterpart working for a private contractor under contract to repair the same military aircraft engine is?

Perhaps the fatal flaw in unemployment/employment statistics is that many respondents to the household survey lie because they are working for unreported cash income while also collecting unemployment insurance or welfare payments or

because they are working off the books or because they report they are looking for work because those receiving welfare benefits are required to do so, or because they are part of the large number of fulltime students counted as unemployed. To simplify the matter, I posit one additional question for the reader:

> If you recently employed someone to help clean your house, haul trash, clean the yard, or do a minor repair, in the absence of a signed "Independent Contractor's Agreement," did you report the payment on Form 1099 and deduct social security taxes from the payment and pay your percentage of the tax?

(C) Poverty Statistics

Fascinated with the numbers spinning off the statistical wheel, some politicians who for political reasons would prefer to see more rather than less "poverty" because their careers depend on answering "no" to the question: Is the government doing enough for the poor? We are currently told that about 14% of the nation is classified as being below poverty line. In 1988, 21 million peopled aged 15 and over supposedly lived in poverty. But, just how is "poverty" measured? The statistics are based on a survey of 60,000 households by the Census Bureau and they are about the most squishy of all federal statistics. The data-gatherers use what is called a "free answer method," which relies on the memories of those queried, their honesty and who, for various reasons, may be suspected of understating their income, particularly the 26.7% of those below the poverty line who,

according to the Census Bureau worked part-time. Kate Walsh O'Beirne, a former deputy assistant secretary, U.S. Department of Health and Human Services concluded after a year-long study that Census data "systematically underestimate income and give an unduly pessimistic impression of poverty in America."[45]

The "poverty line" was invented in 1964. Working from a 1955 survey of food consumption, statisticians estimated how much money a family would require to meet its basic needs. The amount, adjusted for family size and age, is annually updated for inflation according to the increase in the Consumer Price Index (CPI). For 1990 the Bureau sets the poverty line at $12,700 in cash income. In the first place, this national figure completely ignores sharply different living costs in different regions of this vast and diverse nation. $12,000 in cash income (below the poverty line) may do quite well in a rural midwestern town as compared to the San Francisco Bay Area.

Congressional studies indicate that about 70% of those below the poverty line receive in-kind income such as medical benefits, subsidized housing, food stamps, aid to families with dependent children, county "general relief" in California, subsidized school lunch programs, etc.[46]

And, of course, there is the unreported income noted in my comments about the GNP, above.

When the poverty line was invented back in 1964, in-kind

benefits accounted for 35 percent of welfare. Currently they account for over 76 percent. Not to include in-kind payments has, consequently, skewed the statistical wheel by 100% in 25 years.

By using the CPI market-basket approach, poverty statistics do not take into account the possibilities for consumers to substitute less expensive items when prices rise on some market-basket items.

The poverty line also fails to consider the value of assets. A household with a meager income may own a potentially valuable parcel of land. An individual with little direct cash income may own a fully paid for home and/or other assets. All their situations are greatly different from those of others who truly have no resources, but the official poverty line makes absolutely no distinctions among them. This compounds the previously mentioned (quite properly) voluntary reporting system in the 60,000 households. Many Americans are not only poor but reluctant to give an unknown census-taker detailed information concerning their earnings, gifts, windfalls, assets and so forth. As a result, much income goes unreported, especially in low-income households. This in turn inflates the number of persons below the poverty line which is a faulty notion to begin with because of how it is brewed up.

This is not to say that there are not poor people and families in America, my discussion of the number of homeless

in America is not to say that there are not any. The burden of this paper is that the numbers we use to quantify them are simply not representative of reality.

As if this were not complicated enough, from program to program of aid to those below the poverty line, measurements of need are further muddled depending on which program one is studying in which department or agency. Income "disregards," that is purchasing power which is by law or regulation not counted in determining eligibility or benefit levels, varies considerably. So when one speaks of the number of those in our society below the poverty level, one may mean only cash, cash and some in-kind benefits, cash and all in-kind benefits and services, or for that matter only a portion of the recipient's money. The best example of an income disregard was legislated by Congress in 1967. It provided that the $30 earned by AFDC recipients and thirty-three cents of every dollar earned thereafter, would not be counted as income in determining their eligibility or benefit levels. The purpose of the law was to give persons receiving AFDC benefits an incentive to work without unduly penalizing them for their industry. The statistical operational reality is, however, a tendency to consistently overstate the number of those below the poverty line.

There is no question that poverty is a problem in the U.S. My argument centers around how it is counted.[47] Counting non-cash benefits, which the Census Bureau does in

some (but not all cases) are measured in two ways. One method measures the market value of a benefit such as the dollar value of food stamps. The other method measures the recipient's perceived value of the benefit. In other words, if someone is willing to trade in $1,500 worth of food stamps for $1420 in cash, the "recipient value" of the benefit is $1420. I use $1420 in my illustration because that is the going street value in Oakland, California, for $1500 worth of food stamps as of the time of this writing (May, 1990). The author is aware that there is a thriving market of this kind in certain sections of every major American city. In street parlance, the market rate is set every "Mother's Day," -- the day welfare checks and food stamps are distributed.

In recognizing the measurement deficiencies, the Census Bureau has, as has been noted, attempted to measure the cash value of the principal federal welfare benefits. In 1986, the Bureau's own calculations showed that including in-kind benefits as income the poverty rate would have been reduced from 13.6 to 11.6 or 9.00 percent, depending on the method used to value in-kind benefits. "This means that from 2.6 million to 11 million Americans were erroneously identified as poor by the official method of determining the poverty rate. The most dramatic effect was on the elderly poor whose poverty rate plummeted from 12.4 percent to a mere 3 percent when a market value was placed on in-kind benefits including medical assistance."[48] If we want a truer statistical

picture from the crooked wheel, poverty reports should count all cash and non-cash income and allow for geographic differentials. "In addition, the Bureau should publish a 'Dependency Index' showing how many families would be poor but for government assistance. This would measure more accurately the rate of welfare dependency among poor families. Only then will policy makers be able to calculate the real effect government programs and policies have on the American family."[49]

The poverty line has become one of those "untouchable" numbers on which federal, state and local officials rely in calculating aid to the poor. The index was developed by Mollie Orshansky, who was then an economist in the Social Security Administration. President Johnson used it as a demonstration for the "War on Poverty." In a recent interview, she said: "I don't want you to think you have an exact number -- that's dumb. But you need something."[50]

What the carnival wheel spins out is indeed "dumb." But, it is "something." and that's all it is -- something minimally useful in a statistical sense, for public policy making.

(4) OTHER STATISTICAL MEASUREMENTS

a) Savings Rate

Popular opinion would have it that we are far below the "savings rate" of other countries, especially Japan. One

must look behind the rhetoric and realize that statistical distortions may, in fact, lead to erroneous conclusions. First off, it is generally true that the "savings rate" of developed countries is below that of other countries which may be growing more rapidly, statistically, but are still far, far behind our economic level. "Rapidly growing nations have to save more, since more capital must be acquired to produce more output."[51] As higher incomes are achieved and growth rates taper off, savings rates decline. This is true for Japan, for example, where the savings rate has fallen nearly ten percent in the last five years.

But, more importantly, the U.S. statistical carnival wheel does not spin on the same axis as other nations. Consequently, our savings rate is badly understated. Almost every country in the world and all the industrial nations except the U.S. follow the format developed by and recommended for use by the United Nations. We don't. So what happens? Other nations, in computing their savings rate, use a system of accounts in which government investment in roads, airports, and bridges water distribution lines, water and sewage treatment plants and the panoply of public infrastructure is classified as "public saving." We deviate from those norms, capriciously. "If we did, our net national savings would have risen by "53 billion in 1988 from 2.95 percent of net national product to 4.17 percent -- an astonishing 41 percent."[52]

A similar perversity occurs in the mirror image of savings," consumer debt." In Federal Reserve Reports, the current $450 billion in home equity loans in the form of second mortgages is not included. Mortgage interest payments on first and second homes, up to $100,000, are generally tax deductible, while the deductibility of interest on personal debt was reduced by 1989 to 20% and for all practical purposes disappear in two more years. So "consumers have been trying to borrow against the value of their houses to make purchases that they would previously have financed by installment debt."[53] Personal consumer credit interest charges are generally higher than home equity interest loans. So, while consumers have used the device to save money, the way we keep our books results in a lower, not higher, savings rate.

(b) Trade Statistics

For years federal agencies have used the merchandise trade data to assess import duties, administer tariffs and quotas and implement export controls for national security and foreign policy purposes, monitor effects of trade policies, and support trade negotiations. The data have also been essential for computing components of the nation's balance of payments account and the gross national product. Among other users, are state and local government agencies, businesses and private analysts. State and local governments monitor trade patterns affecting the economic development of

their jurisdictions. Other analysts review trade performance to identify changes in general economic conditions. Again, a concoction of reports and information within and between the Federal Reserve Board, the Department of Commerce, the Department of Agriculture, the International Trade Commission, the Office of U.S. Trade Representative, the International Trade Administration, etc., results in another witch's brew of numbers which do not represent what they purport to. In its April, 1989, Report, the U.S. General Accounting Office all but concluded that the numbers were meaningless, citing the following major deficiencies:[54]

- The monthly merchandise trade deficits vary widely. Reported levels of imports and exports vary from month to month. Such volatility raises concerns about the data's reliability as indicators of the underlying trade performance of the U.S. economy.

- The monthly data include not only import entries and export shipments that actually occurred in that month but also transactions that occurred in earlier months but were not process in time to be included ... Sizable carryovers can affect the timeliness of trade data, as well as distort reported patterns of trade flows.

- Errors in trade statistics persist, despite Census' recurring efforts to enhance the quality of the monthly data... . Not all errors detected, however, are listed ... the recent discovery of substantial underreporting of U.S. exports to Canada raises the possibility of similar undercounts of U.S. exports to other countries.

- This statistical framework was constructed in early 1950 when U.S. trade was considerably less extensive and less complex. The rapidly changing trade environment has raised concerns

about the comprehensiveness of the trade data in reflecting the complexity of the nation's trade.

(c) Capacity Utilization Statistics

Each month, the Federal Reserve Board (FRB) compiles figures on the capacity utilization of the nation's manufacturing facilities, expressed as a percentage of 100. They are closely watched for clues about the nation's economic condition with conclusions concerning production bottlenecks, delivery backlogs and looming price increases. "Many economists say they think the numbers ... the Fed has maintained for decades have become outmoded, or at least don't have the same meaning they once did."[55] Computerization and restructuring of manufacturing operations (streamlining) have increased unit output relative to traditional measures of capacity and hence "productivity." The National Association of Manufacturers states flatly that "The traditional ideas of plant size and equipment capacity have been overturned by radical changes in production processes."[56] Years ago to increase capacity manufacturers would build a new plant. New production processes get a bigger bang for the same plant buck than is possible to estimate in way the FRB keeps the statistics. By using new processes manufacturing plants, in many instances, can now run at 90% of capacity without portending bottlenecks, which as the numbers are presently processed forecast them. To arrive at its capacity utilization figures the FRB simply divides its calculation of

industrial production in a given month -- which it uses to estimate the capacity of U.S. production facilities. To calculate capacity the FRB draws a number from several disparate sources, including annual surveys of potential capacity by the U.S. Census Bureau and McGraw Hill, Inc. publishers. It also uses studies by industry associations and estimates by companies which are thought to be sloppily put together. At best, what we have is a very crude estimate of industrial capacity. The definition is very general and the supporting statistics are a hodge-podge. Caution: The Use of Government Statistics may be Injurious to the health of the body policy, a sentiment echoed by Matthew Shapiro professor of economics at Yale who opines "I don't think the capacity utilization figures carry much more information beyond what's in industrial production. I think there are better indicators of what is going on with inflation."[57]

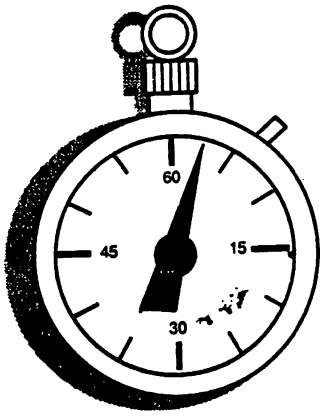
CONCLUSION

My investigation of how various federal statistical indices are derived and the sources of data from which they come leads me to echo Lyle Fitch, then President of the Institute of Public Administration in New York City who in 1967 wrote "... are we nonetheless in the position of those who patronize the crooked roulette wheel because it's the only wheel in town?"[58] I answer, "yes." Use the statistics with extreme caution because blind use based on notions of

validity and reliability can be decidedly injurious to the health of the body politic. It's not that too few statistics are available today, as was the case when the Great Depression struck, when even a basic number as the unemployment rate wasn't compiled regularly. The main difficulty now is that much of the available data, unadjusted for a fast changing economy, is in need of major overhaul. Need more proof? Even the Index of Leading Indicators, one of the newer statistical measurements provided by the federal government is antiquated and should be abandoned. The Commerce Department puts together its monthly series on contracts and orders for plant equipment, one of the key indicators in the Index, solely on orders placed in the United States. U.S. imports of capital goods are currently running at nearly $100 billion a year according to economists at Goldman-Sachs & Co.[59] If the Index of Leading Indicators was adjusted for the real world, rather than the artificial world of federal statistics, the nation would have a far better (and different) picture of its capital goods outlay. Capital spending, of course, creates jobs. Jobs means less unemployment and lower poverty figures, and affect considerations of public welfare policies. In using federal statistics and taking them at face value, public policy makers should understand that "the hip bone is connected to the thigh bone."

FIGURE 1

CRIME CLOCK



one
CRIME INDEX OFFENSE
every 2 seconds

one
VIOLENT CRIME
every 21seconds

one
MURDER
every 25 minutes

one
FORCIBLE RAPE
every 6 minutes

one
ROBBERY
every 58 seconds

one
AGGRAVATED ASSAULT
every 38 seconds

one
PROPERTY CRIME
every 3 seconds

one
BURGLARY
every 10 seconds

one
LARCENY-THEFT
every 4 seconds

one
MOTOR VEHICLE THEFT
every 26 seconds

The crime clock should be viewed with care. Being the most aggregate representation of UCR data, it is designed to convey the annual reported crime experience by showing the relative frequency of occurrence of the Index Offenses. This mode of display should not be taken to imply a regularity in the commission of the Part I Offenses; rather, it represents the annual ratio of crime to fixed time intervals.

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