Understanding the value of data

Over the last few decades, the pendulum of American politics has swung away from confidence in government to broad distrust. We have privatized and deregulated, often to our benefit.

However, the big pro-market swing has also led us to go too far in some areas, most notably the financial deregulation that unleashed the 2008 financial crisis. When done well, economic policy strikes a balance between government regulation and the free market, between government provision and private-sector production.

Traditionally, government has produced what economists call public goods, which can be thought of in terms of infrastructure assets that enhance the productivity of a wide range of industries and people. The physical infrastructure of roads and bridges and ports obviously qualifies. But the concept also includes education, national defense, and public safety. Some argue that it should include broadband networks.

The key economic insight regarding public goods is that they tend to be underprovided when produced and maintained by the private sector. Private owners are unable to obtain full compensation for their efforts. For these products, government ownership is the simplest way to give society the appropriate level of service.

Information has long been understood to be infrastructural, and from the beginning, the government has had a responsibility to produce information. The framers of the U.S. Constitution mandated a de-centralized census in order to properly apportion taxation and representation.

As government’s responsibilities expanded, so did its production of information. Governments inform us about food quality, the availability of child care and the risks associated with certain financial products. They also produce economic and demographic data. And they do it well. The improvement in data provision was one of the biggest success stories in American governance in the 20th century.

One of the success stories has been the Census Bureau’s American Community Survey, which replaced the “long form” of the Census last seen in 2000. The ACS provides a wealth of insights about how we live, work, commute, use health care, and educate ourselves.

ACS data are valuable to businesses and nonprofit organizations, which would otherwise have to pay private consultants large sums to obtain the same information (much more in the aggregate than the government’s cost of producing the data). Without the ACS, much of its data wouldn’t be generated at all.

ACS data are useful to government itself, which needs good information in order to assess and improve its programs and policies. Data like these are clearly a public good and compelling them is no-brainer.

Until now, this month the House of Representatives voted to eliminate funding for the ACS and the Economic Census. The Senate is expected to vote on the bill sometime after Memorial Day.

I’ll admit that as an intensive user of data, I have a dog in this fight. But this goes beyond inside-baseball wonkery. This is penny-wise and pound-foolish. This is stupid.

Statements by the bill’s sponsor support that view. Republican Florida Congressman Daniel Webster claimed recently that the ACS “is not a scientific survey. It’s a random survey.” Of course, people who understand statistics realize that the randomness is precisely what makes it scientific.

Moreover, Webster appears to believe that a random survey isn’t as cost-effective as a full census. But nothing could be less cost-effective than sampling everyone when a randomly selected subset will do nearly as well.

Good government data are integral to smart public policy and cost-effective business practice. Let’s hope the Senate realizes that and stops the stupidity.

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