MEMORANDUM

TO: Nancy Potok, Chief Statistician, Office of Management and Budget

FROM: The American Economic Association's Committee on Economic Statistics

DATE: June 10, 2019

SUBJECT: Comment in Response to 84 FR 14682 on Statistical Policy Directive No. 3: Compilation, Release, and Evaluation of Principal Federal Economic Indicators. Timing of Public Comments by Employees of the Executive Branch

Statistical Directive #3 prescribes a 60-minute delay between the release of a Federal Principal Economic Indicator (PFEI) and comments on that PFEI by members of the Executive Branch, particularly by political appointees and elected officials. This delay has been critical for the easy distinction by markets and market participants of official, objective indicators vis-à-vis political interpretation and commentary. The American Economic Association's Committee on Economic Statistics believes that this 60-minute delay is just as important, if not more so, in 2019 as it was in 1985. Thus, it should be retained in OMB's Directive #3. Indeed, it may be helpful to be more explicit about the positions covered in the Executive Branch to ensure full understanding of its scope.

Well-functioning, efficient markets for securities, commodities, and goods and services rely on the availability of accurate and objective information. Provision of federal policy-oriented commentary on a PFEI very close in time to a PFEI statistical release can confuse observers about which aspects of information are accurate and objective versus interpretive. An adequate period between release and commentary helps maintain this critical distinction. That distinction, in turn, supports confidence in the integrity of the official statistics.

Advances in information technology exacerbate rather than relieve the potential for confusion. Indeed, researchers have concluded the following with respect to the securities market:

> "..the trends associated with the very technological progress that has democratized securities markets are also increasing the (incentives for) distorting information… information technology has rapidly widened market participation. The marginal investor may be becoming less sophisticated and experienced, and hence more likely to be taken by misleading information. In this setting, the benefits (to those) distorting information are increasing." (D'Avolio, Gene, Efi Gildor, and Andrei Shleifer. 2002. *Technology, Information Production, and Market Efficiency*. Economic Policy for the Information Economy. Federal Reserve Bank of Kansas City, p. 30).

Thus, it is increasingly important to retain mechanisms that clearly separate any distorted information from objective indicators.

The particular number of minutes for a substantial enough embargo may be debatable, but we see no compelling reason to change the time from the 60 minutes specified by Statistical Directive #3.

Thank you for taking our perspective into account.

Sincerely,

John C. Haltiwanger

John C. Haltiwanger, Chair
AEA Committee on Economic Statistics

The following are the members of the AEA Committee on Economic Statistics that endorse this Comment.

Erik Brynjolfsson, Director of the MIT Initiative on the Digital Economy, and Professor at MIT Sloan School.

John Cawley, Professor in the Department of Policy Analysis and Management, and the Department of Economics, at Cornell University, and co-Director of Cornell's Institute on Health Economics, Health Behaviors and Disparities.

Carol Corrado, Senior Advisor and Research Director, Economics Program, The Conference Board, Senior Scholar at Georgetown University McDonough School's Center for Business and Public Policy, and a member of the Technical Advisory Committee of the Bureau of Labor Statistics,

Janice C. Eberly, James R. and Helen D. Russell Professor of Finance, Kellogg School of Management, Northwestern University, and former Assistant Secretary of the Treasury for Economic Policy and Chief Economist of the U.S. Department of the Treasury

Martin Gaynor, EJ Barone University Professor of Economics and Public Policy, Carnegie Mellon University, and former Director of the Bureau of Economics at the U.S. Federal Trade Commission.

Erica Groshen, Visiting Senior Scholar at the ILR School of Cornell University, former Commissioner of the Bureau of Labor Statistics, and former Vice President and economist in the Research and Statistics Group at the Federal Reserve Bank of New York.

John Haltiwanger, Dudley and Louisa Professorship in Economics and Distinguished University Professor, University of Maryland Department of Economics, member of the U.S. Federal Economics Statistics Advisory Committee, member of the Bureau of Labor Statistics Technical Advisory Committee, and former Chief Economist, Bureau of the Census.

Steven Landefeld, Former Director, U.S. Bureau of Economic Analysis and former Chief of Staff for President Reagan's and President Bush's Council of Economic Advisers.

Josh Lerner, Professor of Investment Banking and Unit Head, Entrepreneurial Management, Harvard Business School

Edward B. Montgomery, President, Western Michigan University, and former Deputy Secretary of the Department of Labor

Emi Nakamura, Chancellor's Professor of Economics, University of California, Berkeley, awarded the John Bates Clark Medal and elected to the American Academy of Arts and Sciences in 2019.