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Killing the American Community Survey Blinds Business

By Matthew Philips on May 10, 2012

Last week we wrote about how funding for economic data-gathering agencies such as the U.S. Census Bureau [was under threat](#) from House Republicans looking for ways to cut spending. Apparently, they mean business.

On May 9 the House voted to kill the [American Community Survey](#), which collects data on some 3 million households each year and is the largest survey next to the decennial census. The ACS—which has a long bipartisan history, including its funding in the mid-1990s and full implementation in 2005—provides data that help determine how more than \$400 billion in federal and state funds are spent annually. Businesses also rely heavily on it to do such things as decide where to build new stores, hire new employees, and get valuable insights on consumer spending habits. Check out this [video](#) of Target ([TGT](#)) executives talking about how much they use ACS data.

Initially, it looked like the House might simply [repeal](#) the survey's mandatory requirement, something the Census Bureau has said would just make it more expensive since they'd have to send more agents into the field to collect the data manually, rather than being able to legally require people who receive the survey to fill it out. Representative Daniel Webster (R-Fla.) went a step further, leading the charge to dismantle the ACS entirely on the grounds that it's unconstitutional.

Webster gained his seat as part of the 2010 Tea Party revolution that won Republicans control of the House. [A press release](#) on his

website criticizes the ACS for invading people's privacy by requiring them to answer questions such as what time they leave for work, how long their commute is, and whether they need help going shopping. Those who receive a survey and fail to respond are subject to fines of as much as \$5,000.

The fight over cutting funds for data-gathering agencies has opened up a rift in the deficit-hawk crowd. A handful of organizations that generally support big fiscal spending cuts have voiced their support for fully funding the three main data-gathering agencies: Census, the Bureau of Labor Statistics, and the Bureau of Economic Analysis.

The Chamber of Commerce, for example, strongly advocates funding them, since its members rely so much on the information they provide on basic things such as household spending, per capita income, and population estimates. The ACS is of particular value to them, says Martin Regalia, Commerce's chief economist. "It is especially important to some of our bigger members for trying to understand geographic distinctions and other granularity in the economy."

Tom Beers, executive director of the National Association of Business Economists, says that without good economic data, businesses would be "flying blind." He adds: "You end up in a guessing game about what's going on in the economy. The types of losses that result are far worse than what you end up spending to fund these surveys."

Webster says ending the ACS could save \$2.5 billion over the next decade. Asked to respond to concerns from the business community over the impact of stopping the ACS, Webster's communications staff referred me to his [comments](#) on the House floor, which don't address those concerns.

Proponents of the ACS argue that the survey is particularly important since it forms the basis of so much other data. “The loss of the American Community Survey will cause chaos and inefficiency in the operations of business and government in the U.S.,” says Andrew Reamer, a research professor at the George Washington University Institute of Public Policy. In 2010, Reamer published a [report](#) for the Brookings Institution measuring the overall impact of the ACS.

In a statement released on May 10, the Census Bureau said eliminating the ACS would “mark the first time in the country’s history that we would not collect and share vital economic and demographic measures of the country. These cuts would also keep us from conducting the 2012 economic census. Eliminating the American Community Survey would make it extremely difficult if not impossible to contain the costs of the 2020 census.”

Contacted last week, economists at conservative think tanks Cato Institute, American Enterprise Institute, and the Heritage Foundation all expressed support for the data-gathering agencies since all three rely heavily on the statistics they produce to study the economy. “Those agencies are essential,” says Phillip Swagel, an economist and nonresident scholar at AEI. “The data they provide really tell us what’s going on in the economy. This shouldn’t be a political issue.”