



Fur Flies Over Lost Mink Census as Cuts Hit U.S. Economic Data

By Lorraine Woellert - Sep 6, 2013

The mink industry in the U.S. is a mom-and-pop business that has gone global, making 80 percent of its sales to status-conscious Chinese fashionistas who find the fur chic. Sapphire and black pelts are in vogue this season.

Or so American breeders are left to believe from anecdotal evidence after U.S. budget cuts eliminated the mink census this year. To save \$60,000, the Department of Agriculture halted the annual survey that helped inform decisions on breeding and color, along with reports on commodities such as flowers, hops, catfish and rice costing \$8.4 million to compile. Without the data, farmers have to guess about what's selling.

“Given the amount of revenue we’re bringing into the [U.S. economy](#), I think the USDA could spend \$60,000 on our reports,” said Michael Whelan, executive director of [Fur Commission USA](#) in Medford, [Oregon](#). “We all want to bring home American dollars from [China](#). It’s huge for the rural economy.” The 2012 mink crop brought in \$350 million at auction, mostly from foreign buyers, Whelan said.

The effects of this year’s across-the-board budget cuts, known as sequestration, are rippling through the nation’s 14 [economic statistics agencies](#) as they eliminate or delay dozens of reports on topics ranging from income and energy use to labor costs overseas. Now Congress is considering more reductions that economists say may affect even the economic census, which gathers data from almost 30 million businesses and is the backbone of indicators such as retail sales.

Yankees Payroll

“Congress really does not understand the value of statistics,” said Andrew Reamer, a professor at George [Washington](#) University’s Institute of Public Policy in Washington and a member of the advisory committee to the [Bureau of Economic Analysis](#). “The return on taxpayer investment is almost infinity.”

The BEA tracks the \$16.7 trillion U.S. economy with fewer than 500 employees and a \$90 million budget -- less than half the [New York Yankees’](#) \$203.4 million [payroll](#). The report on gross domestic product relies on data from the Bureau of Labor Statistics, Energy Information Administration, [National Agricultural Statistics Service](#) and others, all coping with cuts. Combined, the agencies cost taxpayers less than \$3.8 billion this year out of a [federal budget](#) of \$3.5 trillion.

Sub-Prime Collapse

Barry Bosworth, a senior fellow at the [Brookings Institution](#) in Washington, said better data might have provided an early warning on the collapse of the sub-prime mortgage market before the last recession. In 2003, Congress turned down a funding request from the Census Bureau to survey financial and real estate companies. In 2008, failed mortgage-backed securities brought down Lehman Brothers Holdings Inc., turning the recession that began in December 2007 into the worst in the post-World War II era. In March 2009, lawmakers changed their minds and ponied up \$8.1 million for a quarterly survey.

Before and after the collapse, central bankers and Congress were making decisions without a full understanding of what was happening in the economy, said Bosworth, director of President [Jimmy Carter](#)’s Council on Wage and [Price Stability](#).

“We just went through a terrible recession caused in good part because we didn’t know what the hell was going on out there,” Bosworth said. “These are such small items in the budget it doesn’t make any sense.”

Conference Board

At the Fur Commission, Whelan’s two-person office is trying to piece together its own mink survey this year. They’re not the only ones attempting to bridge the statistical breach. The Conference Board, a not-for-profit group whose members include multinational corporations, insurers and unions, will try to replicate the

International Labor Comparisons Program, which the BLS cut to save \$2 million. The survey matches up data on pay, productivity, unemployment and other measures of the workforce on a global basis.

“We didn’t want that knowledge base to be lost into thin air,” said [Ataman Ozyildirim](#), a Conference Board economist. “Right now, the big question is how do we create more jobs in the U.S. economy. Without putting the labor markets under the microscope, it’s very difficult to tell.”

It’s not the first time government data sets have migrated into private hands. In 1996, the Conference Board took over the Commerce Department’s index of leading indicators partly because of government cost-cutting.

While some government reports, such as the census, serve the public good, others are giveaways to industry, said Chris Edwards, an economist at the [Cato Institute](#), a Washington-based research group dedicated to free-market principles.

Special Interests

“It’s not black and white,” Edwards said. “Congress mandates a huge amount of data collection and report production by statistical agencies that frankly are special-interest driven.”

He cited some USDA surveys as an example of “the type of information the farm industry should be collecting for itself. We should look at what government statistical activities could be moved to the private sector.”

That prospect makes some uneasy.

“The problem is the private-sector firms are engaged by someone and that someone may very well have an agenda,” said Maurine Haver, who serves on the BEA committee and owns one such firm, Haver Analytics in [New York](#). “You get estimates that may be too positive or too negative.”

Haver Analytics competes with Bloomberg LP in providing economic data to financial institutions.

Appropriations Bills

The Appropriations Committee in the Republican-controlled [House of Representatives](#) approved bills for next year that would make further cuts in statistics budgets, including those for the departments of Agriculture, Labor and Energy. The bills now are before the full chamber for consideration.

Cutting budgets for information gathering can exact a cost in credibility, as [Wisconsin](#) state officials learned last year. Workforce Development Secretary Reggie Newson was visiting recent college graduates to talk up employment opportunities in the state. He was thrown when students told him they were looking for work elsewhere.

“They said, ‘I read the papers and I see the reports that the state is losing jobs,’” Newson said. “Something was wrong.”

Something was wrong, but not in Wisconsin. Halfway across the country, the BLS was cutting \$5 million from its budget, standardizing the way state-level employment figures were calculated and moving to a new computer system. Together, the changes threw payroll figures out of whack, especially in states with small populations.

There were national implications. The 2012 campaign for the White House was in full swing, and Wisconsin Governor [Scott Walker](#), who had promised to create 250,000 jobs, was facing a recall campaign that was being watched as a referendum on Republican economic policy.

Walker Recall

Going into the June vote, BLS released data showing employment decreasing in Wisconsin, giving ammunition to Democrats and labor unions seeking to oust Walker. In March, a [BLS report](#) showed the state lost 12,500 jobs in 2011, the largest year-over-year drop of any state in percentage terms. Walker survived the recall vote, and [revised BLS data](#) later showed Wisconsin had, in fact, added about 18,000 jobs in 2011.

“It could very well have affected who won the race because the data was so unstable,” said Ken Poole, chief executive officer for the non-profit Center for Regional Economic Competitiveness in Arlington, Virginia. “It’s the reason you can’t make quick changes in the system.”

Agencies warn that budget restraints could begin affecting more data. At a November meeting, BEA Director Steve Landefeld handed his advisory committee of economists a menu of potential cuts. It ranged from reducing paper use to eliminating the monthly report on personal income and spending. That raised some eyebrows.

Doing Without

“They said here are the possible programs, what could we possibly live without?” said Haver, recalling the meeting. “I realized if I didn’t vote, others on the committee were voting and might do in the ones I thought were most valuable.”

Industries are pushing to keep their favorite indicators. Next month, Agriculture will resume a quarterly milk report after lobbying by the \$300 billion [dairy industry](#). This year’s flower survey will be sacrificed to help cover the \$2 million cost.

“It’s really an incredible bargain and yet it’s never seen that way,” Reamer said of the government’s data-gathering function. “It’s always seen as providing statistics for woolly-headed, mushroom-brained professors.”