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**A REVIEW OF PAPERS ON
NATIONAL STATISTICAL INITIATIVES FOR SERVICES:
MORE AND BETTER, BUT ENOUGH?**

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This is a review of three papers on the national statistical initiatives for services:

(1) Improvements in U.S. International Services Statistics under the "Boskin Initiative" by J. Steven Landefeld and Christopher L. Bach of the Bureau of Economic Analysis, U.S. Department of Commerce;

(2) Recent Improvements to Service Industry Data Coverage at the U.S. Bureau of the Census by Laurie Torene, U.S. Bureau of the Census; and

(3) Improving Measurement of Employment, Hours, and Earnings in the Service Sector by Thomas J. Plewes, Bureau of Labor Statistics, U.S. Department of Labor.

Summary

The papers are coherent, comprehensive and readable. They succinctly and efficiently describe individual agency efforts to develop better statistics on services. They provide descriptions of progress prior to the Initiative, recent improvements, new surveys undertaken and new data series being planned. In short, these papers fulfill the need of explaining what is being done, how it is to be done, and when it will be done. In this regard, they meet my minimum expectations.

They exceed expectations in certain respects, but fall short of impressing the reader with the importance of the data and how it can be used by the private sector and government agencies. Only one of the three papers is specifically devoted to international services data, an important point since this is a conference of an international group. Even though that paper is an excellent one, it does not address what data are available in other countries and what work is being done to develop needed data. Also, the paper may leave the impression that nearly all data needs are being fulfilled.

Thus, two questions are posed for panel discussion:

(1) Are international transactions and foreign affiliate sales receiving sufficient attention as compared to domestic data development?; and

(2) In view of the array of new international services developed in recent years, is the U.S. statistical system effectively measuring services trade of the 1990s, or is it focused mainly on services that existed in the 1950s?

Beyond Expectations

To exceed my minimum expectations-- that is, for extra credit -- I looked for the papers to do the following:

- 1) identify problems and obstacles involved in collection of the data;
- 2) show how much data are being collected and how much remains to be collected? (Is it enough?);
- 3) indicate who uses the data and how (Is this obvious? Should it be taken for granted?);
- 4) explain why this information is needed (What business decisions depend on it? What government policies are affected? Why is it important?); and
- 5) discuss international availability and comparability of data.

This may seem like a tall order, considering that the papers are intended basically to describe the elements of the "Boskin Initiative", but it is not unreasonable. To some extent, the papers do meet these criteria.

Let's examine the "extra credit" criteria one-by-one.

First, what problems and obstacles are identified?

The BLS paper mentions some difficulties (sheer number of units, small size, volatility of establishments, classification problems, newness of activities, budget, need for receipt of information by first closing).

The Census paper mentions some problems (conceptual issues, reporting units with physically separated functions that don't necessarily receive revenues at each location, industry classification problems, rapidly changing industries).

The BEA paper quotes the subgroup on services statistics ("...data collection for international trade in services has not kept pace with the rapid rate of growth and innovation in the services traded") and also notes that funds to conduct a study of financial services have not been approved by Congress for the last three years.

Second, on the amount of services data being collected--

The BLS paper indicates employment, hours, and earnings data are being collected for 105 industries at 3-digit SIC level, and 53 industries at 4-digit level, which amounts to 54% of 3-digit and 14% of 4-digit service-producing industries, compared to 81% and

foreign affiliates.

Fourth, with respect to why the data are needed and, particularly, what business decisions and government policies may depend on it--

The BLS paper states that the government publishes more goods-producing statistics than service-producing and that the current programs will redress the information imbalance between the goods and services sectors. The paper also states that more accurate data are needed to monitor the economy and the accuracy of the national accounts, but it does not get more specific.

The Census paper also states the increased demand for services data, but without explaining the importance of such information.

The BEA paper notes, in general, that balance of payments variables are of primary interest for macroeconomic analysis of jobs and output in a country. There is no specific reference to the needs of private industry and government agencies in monitoring international performance of service industries, analyzing foreign market potential, assessing the impact of government-imposed impediments to trade, estimating the value of liberalization offers in trade negotiations, and other practical uses of the data.

While these papers accomplish their purpose without specific reference to ways of using the data, one wonders about statistical agencies' perceptions in determining what information is to be sought. Emphasis on the need to redress the imbalance of data between goods and services without mentioning specific uses, however, could lead to the misimpression that data are being sought merely to equalize the amount of information available in terms of the number of categories of goods and services and that the data needs are purely academic. Practical uses of the data help the reader to visualize how data are used to support business and policy decisions and provide a context for reviewing the adequacy of the resulting data.

Finally, with respect to international availability and comparability of statistics--

The BLS paper is devoted almost exclusively to data on domestic services. The only reference to international data is in the price index program, and the only data available and planned cover one set of services-- air and ocean transportation. There is no reference to data collection by other countries and availability of similar data in other countries.

The Census paper is largely devoted to data on domestic services. It does refer to "a new inquiry on international service transactions (exported services)" added in 1982 for four industry groups, expanded to four additional groups in 1987, and slated for further expansion to cover a group of miscellaneous business

services. This inquiry on exported services essentially is a question appended to domestic surveys of selected service industries, which asks respondents whether they do business with non-residents of the United States and, if so, to estimate the percentage of total sales. It would be useful to know whether Census expects to add this question to all other service industry questionnaires to obtain more complete information on sales by service industries to non-residents.

Also listed as a service data expansion in the Census paper is the Commodity Flow Survey (CFS). This is an important survey, designed to obtain information on interstate movements of commodities, including exports. It is more a goods survey than a services survey, however, and will provide information on the quantity and value of goods, by mode of transportation. It would be useful to know whether it would be possible to expand this survey in the future to cover imports as well as exports and to add a question to obtain the cost of transportation-- a measure of the value of the service (data currently unavailable).

The BEA paper indicates that the agency actually uses data provided by other countries (as, for example, in the travel accounts) and states that it hopes to expand the use of counterparty data from other countries to improve a number of other service categories. Beyond these statements, however, there are no references to types of data available for other countries, or to similar ongoing work in other countries.

Because much of the impetus for services data improvement comes from international trade interests and because this is a conference of an international group, I pose two questions for panel discussion and, perhaps, for audience participation:

(1) Are international transactions and foreign affiliate sales receiving sufficient attention as compared to domestic data development?; and

(2) In view of the array of new international services developed in recent years, is the U.S. statistical system effectively measuring services trade of the 1990s, or is it focused mainly on services that existed in the 1950s?

With respect to the second question, what I have in mind here is whether it will be possible after full implementation of the "Boskin Initiative" to obtain information on the value of services provided to foreigners in such services as computer reservation systems for airlines, hotels, car rentals, etc.; systems integration; charge card transactions; merger and acquisition advice; privatization assessments and advice; foreign exchange conversion; information systems that facilitate round-the-clock, round-the-world trading in securities, futures, options, and swaps; and environmental clean-up services.

For example, foreign exchange trading alone amounts to about \$900 billion per day. At that rate, on the basis of bank charges of one-tenth of one percent of transaction value, annual receipts from international exchange transactions would amount to \$225 billion a year. According to official 1991 U.S. data, total U.S. private service exports amounted to \$152 billion.

Conclusion

The papers meet my minimum expectations and, in some respects, exceed them.

I close with two points.

First, I have the utmost respect for the professional capabilities and the dedication of those in the statistical collection agencies. With limited resources, they have introduced substantial improvements in international services data, particularly the Bureau of Economic Analysis. I commend them.

Second, notwithstanding the existing and planned improvements in data, I believe much more needs to be done to capture the full value of international trade in services through cross-border transactions and through sales by affiliates.

I look forward to reactions to these points and the questions posed for discussion.