

COMMENTS ON STATISTICAL REFORM PROPOSALS

William A. Allen.

I am employed as an economic adviser by a hedge fund (Brevan Howard Asset Management LLP), but I am making these comments in a purely personal capacity.

I think that the task of producing economic statistics is a much harder one than is widely recognised and that both the importance and the performance of the ONS are generally undervalued. I support the idea of making the ONS more independent, partly, but not only, to dispel the false impression that it is improperly influenced by the government. However, I think there is one important respect in which the proposals are deficient.

The government has statutory powers to require companies and individuals to provide information (micro-statistics), which are the raw material which the ONS uses in producing macro-statistics. The ONS presumably is also able to require other government departments to provide it with information. In other words, the government's statistical agency has the power to impose costs on the economy (both private and public sectors) in order to get information. There is an issue about how much statistical information it is optimal to have, taking account of the costs of collecting and processing the necessary micro-statistics. Somewhere in the structure, there needs to be a means of resolving this issue in individual cases; that is, there needs to be a procedure for determining whether the benefits of producing particular statistics are sufficient to justify the costs involved, including both the costs to the providers of micro-statistics and the processing costs to the ONS.

The references to costs in the published proposals don't adequately acknowledge this issue, or suggest any way of dealing with it. Among the objectives of the proposed board (# 4.17) is 'to maintain an overview of the broad coverage of the statistical system, which should meet key user needs'. A further objective is 'to operate efficiently, providing value for money whilst minimising the regulatory burden on business and other respondents'.

This implies that 'key user needs' are paramount, and that it is the job of the statistical system to meet them. It is true that 'needs' are required to be met at minimum cost, but there is no procedure for comparing the benefit which accrues from the 'needs' being met with the minimum cost of meeting them.

In this respect, the proposals represent a step backwards from where we are now. In the present structure, there is a minister responsible for the ONS who can be challenged in Parliament about the ONS' use of its powers. Anyone who thinks that she/he is being subjected to excessive costs by the ONS can ask their MP to raise the matter in Parliament. In the proposed new structure, as I understand it, no minister would be responsible for the ONS. Therefore, this check on the ability of the ONS to impose costs on the economy would be removed.

As already indicated, I support the idea of making the ONS more independent. I think that the failure to incorporate any procedure for comparing the costs and benefits of collecting statistics is a crucial omission from the current proposals. However, I believe that it should be possible to refine the proposals to make them satisfactory in this important respect.

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