U.S. Census Bureau *the Official Statistics*

The Economic Census '97—

Two Moments of Truth: 1954 and 1997

EC97X-TMTrv

Economic Census of 1954

ECONOMIC CENSUS 1997

U.S. Department of Commerce
Economics and Statistics Administration
BUREAU OF THE CENSUS

We are in the midst of great technological revolution which is accelerating change, hastening obsolescence, creating new industries and transforming old ones, remaking the industrial map of the country, and bringing within the range of the feasible great heights of production, productivity, and well-being...The need for the benchmark statistics provided by the Bureau of the Census is greater today than ever before, and promises to grow in intensity.

—Watkins Commission Report, 1953

The Economic Census is indispensable to understanding America's economy. It assures the accuracy of the statistics we rely on for sound economic policy and for successful business planning.

—Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, 1997

The Economic Census

Introduction: Who Needs the Economic Census?

This question came up almost 45 years ago. The Eisenhower Administration had failed to provide funding for the 1953 Economic Census.

The Secretary of Commerce wanted to know if the Economic Census was indeed necessary. To answer his question, in October 1953, he appointed Dr. Ralph J. Watkins, then Director of Research for Dun and Bradstreet, Inc., to form an Intensive Review Committee to study the issue. The Committee made its report, "Appraisal of Census Programs," in February 1954.

Thereafter known as the "Watkins Commission Report," its series of unreserved testimonials—from the business, financial, professional, and governmental groups represented on the Committee—led to the recommendation to reinstate the Economic Census for 1954.

The ***1954 Economic Census*** was the first to fully integrate the earlier economic censuses (for manufactures, mining, commerce, and the like), and to provide comparable census data across economic sectors. This census used consistent time periods, concepts, definitions, classifications, and reporting units.

The **1997 Economic Census** standardized the economic data product line to more closely achieve sector by sector uniformity in the presentation of results, including consistent units of measure, geographic and industry displays, and other table and data presentations. These recent improvements have effectively moved toward completion of the process begun in 1954.

The 1997 census also will be the first to use the North American Industry Classification System (NAICS)—a new, integrated framework of concepts, definitions, and industry classifications—to collect, tabulate, and report its economic data.

The 1954 census integrated data presented for U.S. economic sectors. In a similar vein, the 1997 census will enhance comparability of the data products and its use of NAICS will make U.S. economic data comparable to those of Canada and Mexico from this point onward.

As a communications first, the 1954 effort involved the first economic censuses to be taken entirely by mail. In turn, the results of the 1997 Economic Census are the first that will be completely disseminated on the World Wide Web (Internet).

These are significant "firsts" in an era when the U.S. economy is:

- Bigger than ever
- More intricate than ever
- More tightly tied to the global economy than ever
- A larger factor in the life of every American than ever

NAICS Introduces Benchmarks for New Industries

To keep the Economic Census as valuable a measure of the Nation's economic activity as the Watkins Commission observed in 1953, the Census must meet this challenge: it must accurately capture data resulting from "the creating of new industries and the transforming of old ones." To accomplish this, the new North American Industry Classification System (NAICS) has been adopted to measure our dynamic economy:

- In 1953, the U.S. economy was driven by ***manufacturing*** industries.

- In 1997, the American economy is increasingly dominated by the ***service*** sector, and in particularly, by information industries.

The new NAICS structure captures these vital changes in economic activity by making it possible to collect first-time benchmark statistics for hundreds of new or transformed industries.

Here is where the value of NAICS as an Economic Census measurement tool is paramount.

NAICS identifies and defines 361 industries not previously recognized separately.

It also revises the scope of 333 existing industries, while leaving 480 industries substantially unchanged. It increases the classification of U.S. industries from 1,004 to 1,174. In so doing, NAICS replaces the Standard Industrial Classification System (SIC), which had been in use in the U.S. since the 1930s.

Data on new economic activity had been collected under the SIC system, which underwent its last revision in 1987. However, the benchmark quality of the data was obscured by the limits of SIC as a classification system for a fast-breaking, technologically driven, service-oriented, and increasingly international economy.

In systematically accounting for dynamic industrial activity, and in unifying the classification of economic activity across North America, NAICS and the 1997 Economic Census echo and expand the central themes of the pivotal Economic Census of 1954:

- Benchmark data are indispensable.

- Only the Economic Census can provide them.

In making it possible to gather such data with far greater precision, NAICS becomes a great enhancer of the Economic Census.

Selected Examples of New NAICS Industries

- Semiconductor machinery manufacturing
- Fiber optic cable manufacturing
- Reproduction of computer software
- Manufacture of compact discs except software
- Convenience stores
- Gas stations with convenience food
- Warehouse clubs
- Food/health supplement stores
- Pet supply stores
- Pet care stores
- Cable networks
- Satellite communications
- Paging
- Cellular and other wireless communications
- Telecommunication resellers
- Credit card issuing
- Temporary help supply
- Telemarketing bureaus
- Hazardous waste collection
- HMO medical centers
- Continuing care retirement communities
- Casino hotels
- Casinos
- Other gambling industries
- Bed and breakfast inns
- Limited service restaurants
- Automotive oil change and lubrication shops
- Diet and weight reducing centers

Statistical Benchmarks—Milestones for Measuring a Dynamic Economy

By providing invaluable statistical benchmarks, the Economic Census has gained increasing—not decreasing—importance over the years.

Statistical benchmarks are firm and reliable reference points from which an economy can measure both the volume and direction of its change over time.

Statistics collected in an Economic Census form the cornerstone for the collection and interpretation of statistics gathered between the censuses.

The 1953 Watkins Commission Report shows an understanding of the importance of benchmarks. Moreover, the Commission observed the inextricable relationship between benchmark statistics and the highly visible economic indicators that are issued on a more frequent basis between censuses.

Direct quotes from the report are in blue italics throughout this work.

The fact-gathering program of the Bureau is not one of assembling statistics for statistics' sake. Rather, it is a purposive program authorized by the Congress for the periodic measurement of the condition of the country. These measures serve in themselves as a basis for innumerable decisions and actions, throughout our national life.

Census measures serve also as the foundation for the great structure of current economic indicators maintained by Federal, state, and local governmental agencies and by nongovernmental institutions and agencies and business concerns and organizations. These economic indicators in turn serve as indispensable guides to action by all agencies of government and by the many millions of separate units composing our society, and not least by our 4 million business concerns.

Without these census records, it would not be possible to construct or interpret this system of economic indicators. Business executives, farmers, labor leaders, professional men, scholars, scientists, government officials, and administrators in all phases of our society are dependent on census records or on economic indicators based on census records. . .

[The] comprehensive system of economic indicators. . .based on relatively low-cost sampling studies and representative indexes . . .rests in one way or another on the benchmark statistics provided by the Bureau of the Census.

The Watkins Commission: Review Panel Recommendations

The Watkins Commission had established separate review panels to assess various census programs.

Following are excerpted findings of the panels on manufactures, business (wholesale, retail, and services), governments, mineral industries, housing and construction, and foreign trade.

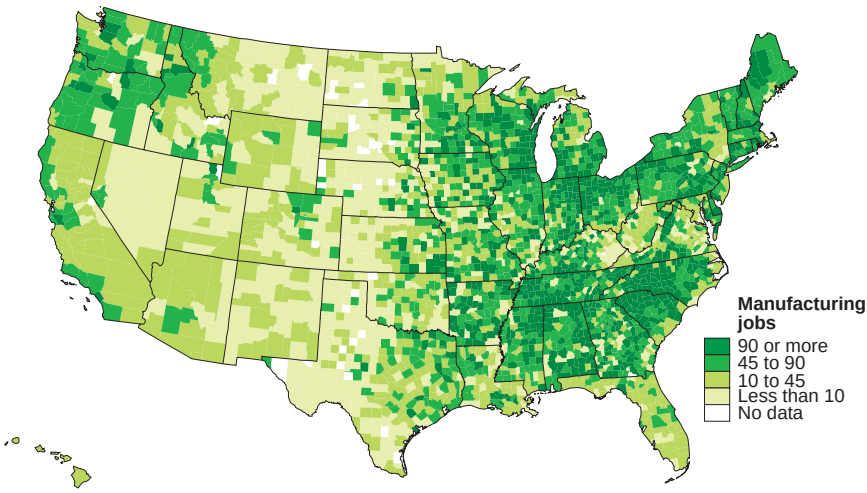
These excerpts—timeless in their insights—are reinforced by data from economic censuses, surveys, and related programs of the 1990s.

Manufactures

Statistics on manufacturing in the United States constitute one of our most important sources of economic and business information . . .the foundation of the industrial statistics program. . . An example of the use of census data as a benchmark is. . .the use of census of manufactures data to determine what industries should be included in current indexes of indicators of production, and what weights or values should be assigned to the several industry indexes in combining them in a general index of production.

The single most comprehensive indicator is the edifice of figures making up the Gross National Product. . . That edifice, representing one of the great advances in the history of economic measurement and analysis, could never have been constructed without the benchmark figures secured from census enumerations.

Manufacturing Jobs per 1,000 Population, by County: 1992



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Census data are widely used by NAM [National Association of Manufacturers] members for market research, economic forecasting, sales development, and market identification, as well as the more basic applications determining industry and company importance in the economy. The censuses of manufactures and business probably have equally intensive use in industry, as the starting point for analytical studies, to establish sales yard-sticks, relative size of regional markets, and measurement of growth trends. . . Members of NAM utilize, in varying degree, all the census data.

— Fred C. Foy, Chairman
NAM Distribution Committee, 1953

Business

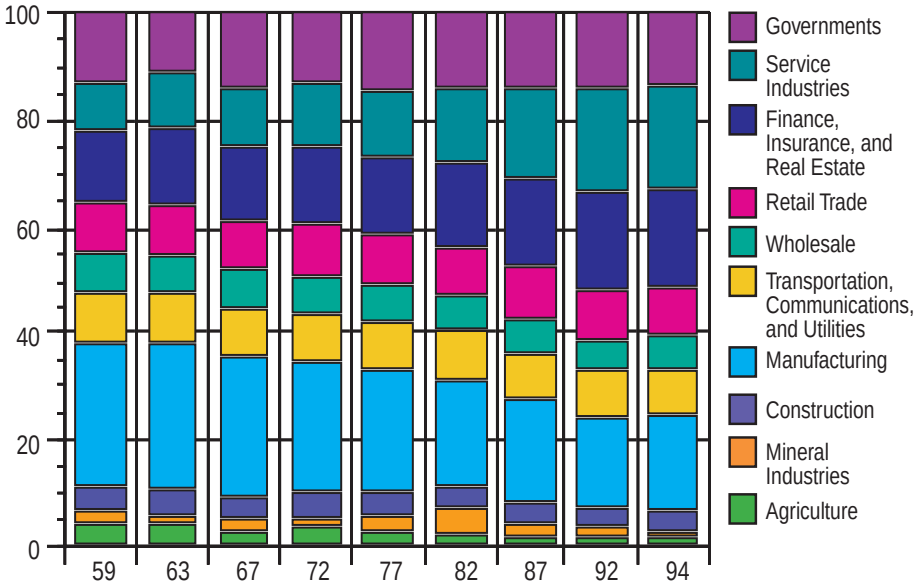
The Census of Business is necessary to the most efficient management of business affairs. . .[and] fills an essential place in the marketing, planning, and execution of 1953 business.

In almost every case, the basic data supplied by the Bureau of the Census is utilized as a starting point by some business organization to arrive at the answers to specific questions. . . The individual components of industry are able to better perform their function within the total economy by the basic knowledge that is provided to them.

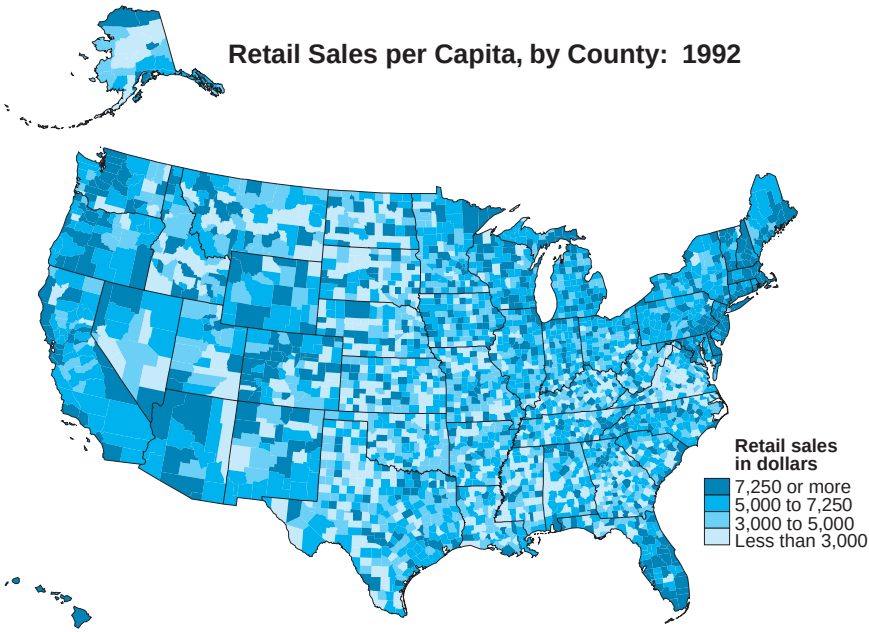
If business has a better basis from which to initiate its own research and can as a consequence effect economies and efficiencies which result in lower prices to the public, then the public (if they were to know this chain of events) would evidence a real interest and exert a real pressure in behalf of these census reports.

All good management is dependent on good records, on accurate, timely, and relevant information. Essential . . .are. . . good . . .statistics—on markets served and on the markets from which are secured materials, equipment, labor, and capital . . .

Gross Domestic Product
Percent of Total by Sector, 1959-94



Retail Sales per Capita, by County: 1992



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Governments

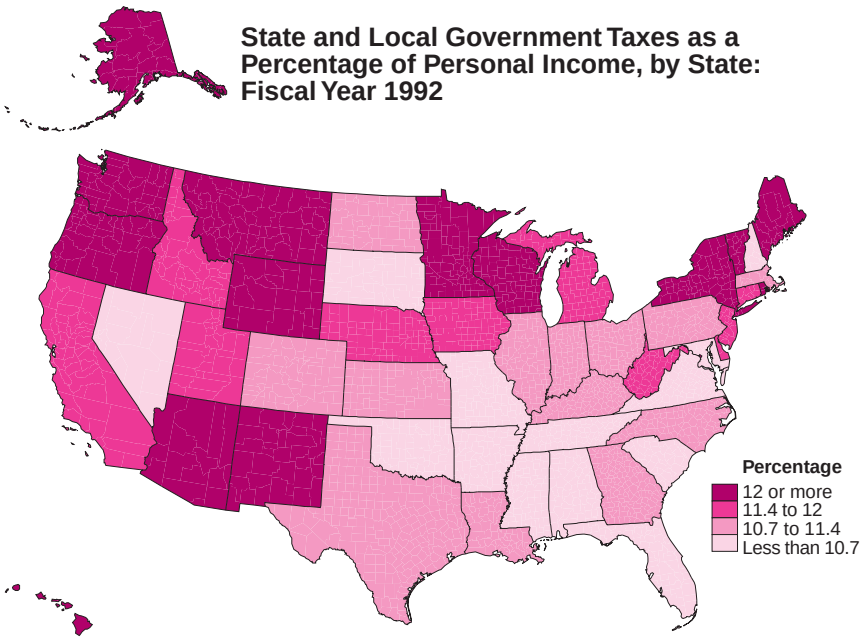
[This] information [is] vital for sound government policies affecting intergovernmental relations, state and local finances, public employment, and to provide a basis for allocating funds among the states and within the states to subordinate units.

The Bureau of the Census is the primary source for figures on governments in the United States, through a program that has been carried on since 1850. The program merges together statistics concerning the Federal Government, the 48 State governments, and approximately 115,000 local governmental units to provide information on taxation and other governmental revenues, governmental costs, debt, employment, and other subjects.

Local governments and private business, particularly in the finance and investment fields, find these facts indispensable in evaluating the credit standing of particular governments and to keep abreast of developments in state and local taxation and other financial trends.

Wide use also is made of these data in education and research . . . For all practical purposes any analysis of the fiscal and operational statistics of state and local government on a comparative basis must depend primarily on Bureau of the Census figures as a starting point.

State and Local Government Taxes as a Percentage of Personal Income, by State: Fiscal Year 1992



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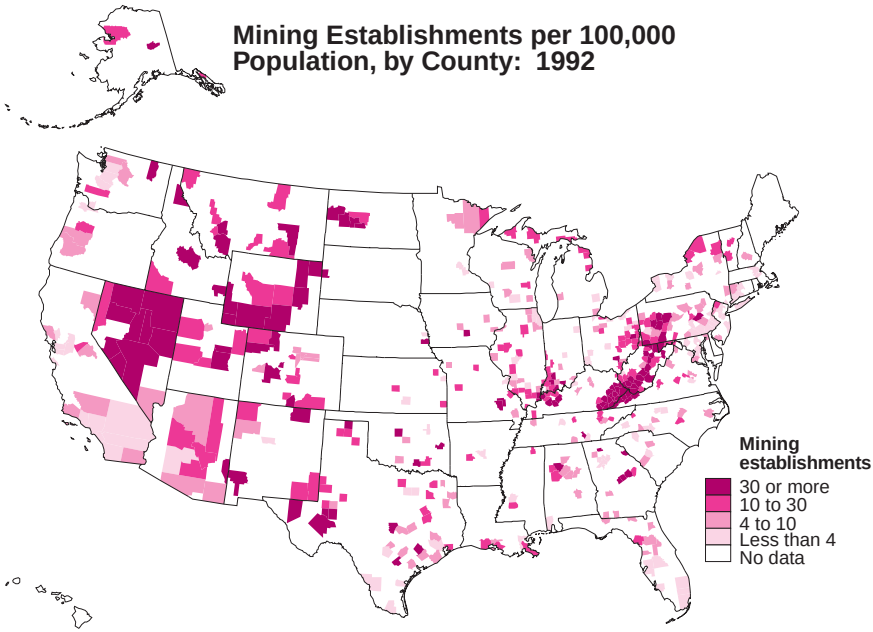
Mineral Industries

The Census of Mineral Industries is an invaluable tool. . . it provides a basis for comparison from which our industry can be appraised in relation to the Mineral Industry as a whole. . .When integrated with the fuel consumption data in the Census of Manufactures, it is probably the only complete analysis we can make of our participation in the industrial and commercial fuel markets. It would be impossible to list the uses to which we apply census data, but I think it only fair to state that without census data, one of the most useful segments of our analytical work would collapse.

— Island Creek Coal Sales Company (Huntington, WV), 1953

Census statistics provide benchmark data in mining. . . for use by the Bureau of Labor Statistics, Social Security Board, Federal Reserve Board, U.S. Tariff Commission, Department of Commerce (national income figures), and the Bureau of Internal Revenue. . . Census provides a uniform story by industries and by classifications not available from individual industry reports by government bureaus.



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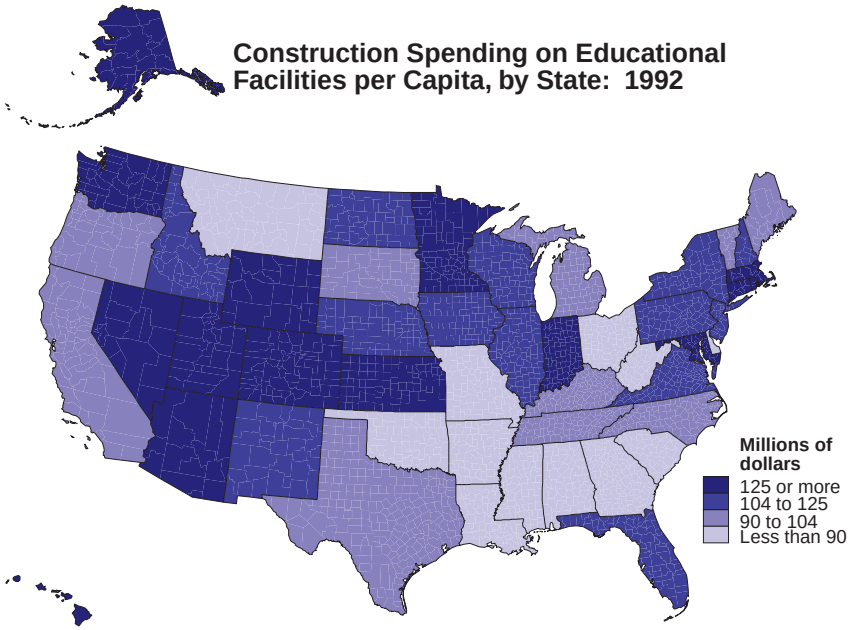
Housing and Construction

Uses of housing and construction data are found among several agencies of the Federal government. . . In the postwar period these data were used extensively by the Federal Housing Administration and other agencies of the Federal government concerned with housing and home financing; by local housing agencies, both government and private; and by many private organizations, such as insurance companies engaged in mortgage financing. They were also used by manufacturers and distributors of building materials and by labor unions.

Foreign Trade

The Foreign Trade panel is convinced that the data gathered by the Census Bureau in the field of foreign trade statistics are of the highest importance and that in its collection and publication of these data, the Department of Commerce renders a signal service. . . It is upon the accuracy of this information that much of the foundation of America's trade policy must rest.



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Top Exported Commodities by State: 1996

State	Top export (1996)	Value 1996 ($mil)	Total exports 1996 ($mil)	Percent of total exports
Alaska	Metallic Ores and Concentrates	216	850	25.3
Alabama	Electrical/Electronic Mach, Eq	820	3702	22.1
Arkansas	Food and Kindred Products	812	1997	40.7
Arizona	Electrical/Electronic Mach, Eq	5429	9938	54.6
California	Electrical/Electronic Mach, Eq	27199	98634	27.6
Colorado	Machinery, Except Electrical	5574	10065	55.4
Connecticut	Chemicals and Allied Products	2934	13052	22.5
District of Columbia	Transportation Equipment	3284	5085	64.6
Delaware	Chemicals and Allied Products	3252	4584	70.9
Florida	Machinery, Except Electrical	4744	19618	24.2
Georgia	Machinery, Except Electrical	1271	8618	14.8
Hawaii	Petroleum Refining and Related	71	295	24.0
Iowa	Machinery, Except Electrical	746	2695	27.7
Idaho	Machinery, Except Electrical	626	1610	38.9
Illinois	Machinery, Except Electrical	8153	32225	25.3
Indiana	Electrical/Electronic Mach, Eq	2582	12119	21.3
Kansas	Agricultural Products	1637	4971	32.9
Kentucky	Transportation Equipment	1134	5824	19.5
Louisiana	Agricultural Products	1993	4731	42.1
Massachusetts	Machinery, Except Electrical	4599	15368	29.9
Maryland	Machinery, Except Electrical	618	3510	17.6
Maine	Electrical/Electronic Mach, Eq	260	1249	20.8
Michigan	Transportation Equipment	23689	38128	62.1
Minnesota	Agricultural Products	4943	13884	35.6
Missouri	Chemicals and Allied Products	1594	6590	24.2
Mississippi	Electrical/Electronic Mach, Eq	163	1222	13.3
Montana	Primary Metal Products	97	341	28.5
North Carolina	Machinery, Except Electrical	2016	11587	17.4
North Dakota	Machinery, Except Electrical	259	576	44.9
Nebraska	Food and Kindred Products	1427	2453	58.2
New Hampshire	Machinery, Except Electrical	550	1745	31.5
New Jersey	Chemicals and Allied Products	4859	18458	26.3
New Mexico	Electrical/Electronic Mach, Eq	686	917	74.8
Nevada	Miscellaneous Manufactured Com	158	692	22.9
New York	Primary Metal Products	6014	44965	13.4
Ohio	Transportation Equipment	5090	22555	22.6
Oklahoma	Machinery, Except Electrical	821	2538	32.3
Oregon	Agricultural Products	3307	8481	39.0
Pennsylvania	Chemicals and Allied Products	3336	17446	19.1
Rhode Island	Machinery, Except Electrical	169	955	17.7
South Carolina	Electrical/Electronic Mach, Eq	904	4925	18.4
South Dakota	Machinery, Except Electrical	145	397	36.4
Tennessee	Agricultural Products	1850	9328	19.8
Texas	Electrical/Electronic Mach, Eq	10661	48252	22.1
Utah	Machinery, Except Electrical	448	2768	16.2
Virginia	Tobacco Manufactures	3647	10926	33.4
Vermont	Electrical/Electronic Mach, Eq	2056	2611	78.7
Washington	Transportation Equipment	13403	25498	52.6
Wisconsin	Machinery, Except Electrical	3167	8410	37.7
West Virginia	Bituminous Coal and Lignite	367	1218	30.2
Wyoming	Chemicals and Allied Products	25	124	19.9

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Congressional Recognition of 1997 Economic Census

The Congressional approval that resulted in the reinstatement of the Economic Census for 1954 was no less evident in 1997. Despite program cuts elsewhere—and initial talk of curtailing Economic Census funding—Congress gave the 1997 Economic Census its unequivocal budget support. The FY 1998 appropriation bills fully fund the Economic Census.

In an era of tight budgets and public scrutiny of Congressional decisions, full funding was the ultimate vote of confidence in the worth of the 1997 Economic Census and the data products that would result from it.

The Census Bureau will not disappoint these high expectations. It is improving the Economic Census along two pioneering pathways:

- Via the introduction of NAICS to the international statistical community, an essential step for measuring today's economy.

- By augmenting its publication program. The Census Bureau will showcase the release of data on NAICS industries in a new report covering all economic sectors. Within this report, statistics on all economic sectors are being issued 2 years earlier than ever before in the Economic Census cycle. Also, the Census Bureau is moving to standardize data presentation formats across the 1997 Economic Census product line.

These improvements will enhance the presentation of the Economic Census as a unified whole, rather than as a collection of individual censuses and reports.

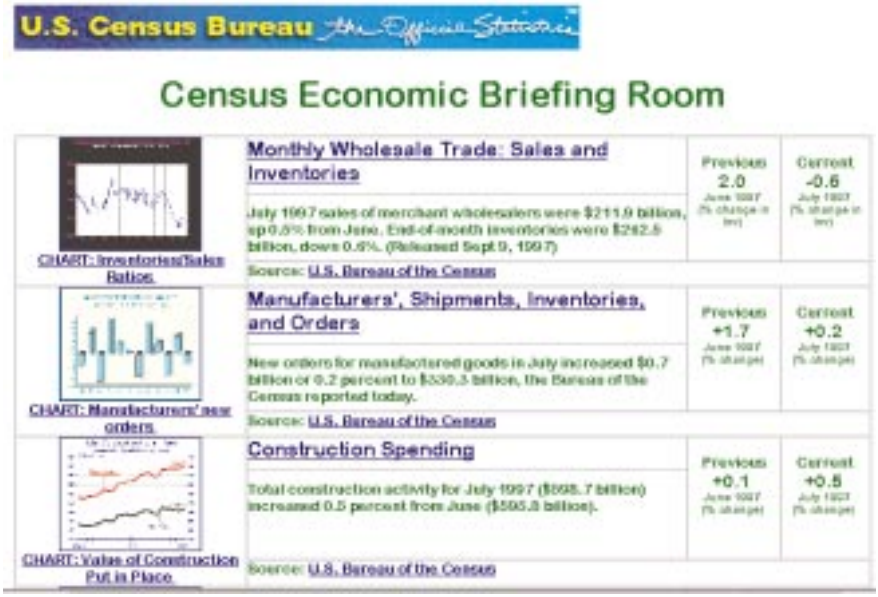
This standardization across the entire product line is critically important today because improved electronic access, which enables users to more easily mix and match data from various sources, calls for consistency in data presentation.

The result: the 1997 Economic Census will be unsurpassed in terms of introducing improvements to the timeliness, usefulness, and relevance of Economic Census data.

Web Sites for Economic Programs

The Bureau's Web site—www.census.gov—includes up-to-the minute access to the latest economic indicator reports. The latest release is highlighted on the economic "clock," and the site provides full tables in text and spreadsheet formats.

Statistics released daily in Washington are instantly available to the millions of Web users worldwide. Census Bureau programs include some of the most time-sensitive and closely watched Federal economic indicators, such as retail sales, housing starts, durable goods orders, and balance of trade statistics. The Bureau also cooperates with other Federal efforts—including the Economic Statistics Briefing Room, FedStats, and Stat-USA—to provide one-stop shopping for Federal statistics.



Acknowledgments

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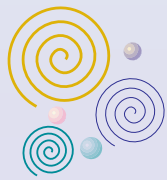
Helpful suggestions were provided by **Dr. Frederick T. Knickerbocker,** Associate Director for Economic Programs and **Paul T. Zeisset,** Economic Planning Staff.

Graphic design and editing were provided, respectively, by **Meshel L. Butler** and **Barbara M. Abbott,** both of Administrative and Customer Services Division.



The Economic Census—
Two Moments of Truth: 1954 and 1997

Funding Reaffirms Importance of the Economic Census

1954

Left unfunded in 1953—followed by reinstatement of the Census of 1954, definitively establishing the importance of the Economic Census (i.e., the comprehensive collection of detailed, benchmark data).

1997

Talk of curtailing Economic Census funding—followed by full funding of the largest, most innovative Economic Census than at any previous time in its history.

Unification and Standardization

1954

Consolidation of the earlier economic census-taking efforts (manufacturing, mining, commerce, etc.) into a unified system providing comparable data across sectors. Use of consistent time periods, concepts, definitions, classifications and reporting units.

1997

First use of the newly designed North American Industry Classification System (NAICS)—an integrated framework of concepts, definitions, and industry classifications—to collect and tabulate data, and to issue data products. More comprehensive coverage of U.S. economic activity and more comparability of data with other nations, particularly Canada and Mexico. Sector-by-sector standardization of data presentation formats—to achieve consistency across the 1997 product line—presenting the Economic Census as a unified whole.

Communications

1954

First use of mailout/mailback data collection.

1997

First-time capability for complete dissemination of results on the World Wide Web.

This brochure is dedicated to

Shirley Kallek

Census Bureau Associate Director for Economic Fields (1974-83)

Shirley Kallek came to the Census Bureau in 1955, just after the 1954 reinstatement of the Economic Census. In her oral history—which was conducted in April 1983—she expressed great concern that the findings of the Watkins Commission Report, and the circumstances that gave rise to it, would be forgotten.

Knowing she was among the last of the Census Bureau staff that carried the "institutional memory" of those events, she was emphatic about the importance of capturing the event in historical accounts: "At [the] time, everybody in the Bureau knew about the Watkins Committee Report . . . It is just as important for us to remember it today as it was in that time." From ***An Oral History—Shirley Kallek,*** U.S. Census Bureau, April 27, 1983.

The Economic Census—Two Moments of Truth: 1954 and 1997 is a publication which we hope fulfills this wish.

The Economic Census is the Irreducible Building Block of Economic Measurement

The farther we get from the solid bricks and stone and timber and steel comprehensive census enumerations, the more fragile and uncertain our working materials become.

—Watkins Commission Report, 1953

The Economic Census affects every American. Businesses make decisions about where they locate and how much to produce based on what they learn in the Census. The data also serve as critical inputs into monetary, fiscal and trade policy. In short, statistics from the Economic Census are vital to the functioning of our market economy.

—Maurine Haver, Past President, National Association of Business Economists

The Economic Census '97

1810—The First Year

Census of Manufactures introduced

1954—The Affirming Year

Congress reinstates the Economic Census—left unfunded in 1953

Various censuses consolidated into one set

First use of mailout/mailback data collection

1997—The Reaffirming Year

Congress fully funds the Economic Census—despite budget-balancing discussions to cut funds

NAICS introduced

Data products standardized

Complete dissemination of results on the World Wide Web

The key to the successful functioning of any human institution is good management, whether that institution is public or private, international or national, State or local, a giant business corporation or a one-man retail shop, a big farm. . . an association . . . or a family.

All good management is dependent on good records. . .good internal accounting records are essential in the evaluation of present and past policies and programs and as guides to future courses of action . . . good external records or statistics—on the markets served and on the markets from which are secured materials, equipment, labor, and capital...[are equally essential].

Decisions there must be—innumerable ones every day and every hour—in the functioning of our economy and in the functioning of our many-sided society. Every one of these decisions must be based on information—good or bad. In the main, they can be no better than the information on which they are based.

— Watkins Commission Report, 1953

Issued June 1998