



Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies

June 21, 2019

The American Statistical Association (ASA) is pleased to respond to OMB's [Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies](#), as invited in the *Federal Register* of May 7, 2019 (84 FR 19961).

The request asks for input on many important items:

- (1) the strengths and weaknesses of the indexes for different applications or uses;
- (2) the strengths and weaknesses of the use of the CPI-U to make annual adjustments to the OPM, as established in OMB's Statistical Policy Directive #14, and discussion of potential alternative indexes;
- (3) the strengths and weaknesses of the different indexes for making annual adjustments to the historical income figures produced by the Census Bureau;
- (4) the need for and feasibility of guidance from OMB or other Federal source explaining the differences between indexes and best practices for their use;
- (5) recommendations for the use of the PCEPI and C-CPI-U for the production of official statistics, considering that both measures are revised after initial release.

We first comment specifically on item (2) on the Official Poverty Measure (OPM).

With the measure of inflation being one input to the OPM, it is prudent to have as full an understanding as possible of the effects such a change would have on the OPM before making a change. A change in a statistical series is likely to have both anticipated and unanticipated effects. Furthermore, any changes to the inputs of the OPM should be congruent with the broader federal efforts to improve the measurement of poverty. The Census Bureau has been reporting the OPM since 1964. In 2010, the Census Bureau was asked to develop a new poverty measure, which it did drawing on the recommendations of a 1995 National Research Council report. The Supplemental Poverty Measure (SPM) has been reported along with the OPM since that time. The parallel computation of the two measures has allowed the scientific and policy community to obtain a better understanding about how the two measures compare and of their strengths and weaknesses.

More generally, for the possible changing of inflation measures used in the production of official statistics, we believe there is value in a federal statistical system that consistently and effectively coordinates its measurement efforts. The Consumer Price Index (CPI) is indeed an input to many measures produced by the federal statistical system. However, just as the ramifications for changing of the inflation measure in the OPM should be carefully studied and analyzed, so should such changes in other official statistics be assessed.

We appreciate OMB's sensitivity to the consideration of the use of the PCEPI and C-CPI-U for the production of official statistics through the content of the request and the seeking of public input. As noted above, there could be anticipated and unanticipated effects of changes of the inflation measure in other applications that may not be revealed through public comment. Therefore, a prudent next step would be to request comprehensive study by an expert panel, such as one from the National Academies, to ensure the effects of changes in the measurement of inflation are fully understood and considered.

In summary, we thank OMB for seeking public comment on these important points and urge further consideration—with the input of a broad expert panel – before proceeding with any changes to which inflation measures are used for the OPM and other statistical measures.

Thank you for your consideration.

Questions on this document can be directed to the ASA Director of Science Policy Steve Pierson, pierson@amstat.org.