
THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

April 27, 2015

Mr. Paul Bugg
Office of Management and Budget
10201 New Executive Office Building
Washington, DC 20006

Via: Paul_Bugg@omb.eop.gov

Re: 2014-16 Company Organization Survey (OMB Control No. 0607-0444)

Dear Mr. Bugg,

I am pleased to respond to the *Federal Register* notice of February 12, 2015 concerning the Census Bureau's request to conduct the Company Organization Survey (COS) for 2014-2016. As a research professor at the George Washington Institute of Public Policy, I focus on policies that promote U.S. economic competitiveness. I believe the COS is particularly important to the creation of effective economic policies:

- The COS is the foundation for the Census Bureau's Business Register,
 - which in turn provides the sampling frame for Census business surveys and
 - enables the Longitudinal Business Database, a premier research resource for understanding the dynamics of U.S. businesses over time.
- The COS provides data critical to the Census Bureau's new Enterprise Statistics Program.
- The COS serves as the basis for the Census Bureau's annual County Business Patterns publication.
- The COS is a valuable means for ascertaining the prevalence of new value chain arrangements (such as "factoryless goods producers").

In my view, then, the comprehensive collection of reliable business organization data through the COS is essential to the production of a large proportion of federal economic indicators and data series and to the assessment of the nation's economic base and industrial activity.

In addition, the COS is important to contemplated federal efforts to describe global value chains (GVCs), measure international trade in value-added (TiVA), and comprehensively classify U.S. business activity by function (e.g., production, R&D, transportation and logistics, sales and marketing, customer service, information technology). Gaining the capacity to map value chains and measure TiVA by function is highly attractive because it will enable federal agencies, corporations, and regional developers to make investment and market decisions that better promote U.S. economic competitiveness.

At present, federal trade statistics are provided only in gross terms (the total value of goods and services imported and exported, by nation of last origin or first destination); TiVA statistics would allow analysts to see distinct national roles in individual value chains and so far better

understand the U.S. competitive strengths and weaknesses. As one interesting dimension of possible analysis, TiVA data could indicate the foreign content of U.S. exports and the U.S. content of U.S. imports. In addition, properly organized, GVC and TiVA statistics could provide better information on the use of contract manufacturing services.

Regarding methodology for generating GVC and TiVA statistics, the emerging consensus is to create multi-regional input-output tables through a modeling effort that first integrates national input-output tables and bilateral trade flow data (“top-down”) and then improves model accuracy using microdata gathered from business surveys and the linkage of national business registers and trade transaction records (“bottom-up”). As the foundation for the multi-purpose Census Business Register, the COS is a particularly valuable resource in the prospective development of GVC and TiVA statistics.

Questions, then, are:

- What COS design would best facilitate collection and publication of GVC and TiVA statistics useful to decision-makers? Currently, the COS includes a seemingly disparate set of questions on value chains, business functions, and trade, including domestic/foreign ownership/control, foreign affiliation, R&D, foreign subsidiaries, intrafirm international sales, and contract manufacturing.
- To facilitate GVC and TiVA data development, how can the COS design best be aligned with other Census and Bureau of Economic Analysis (BEA) collections of trade and organization data?
- How might a new COS design help address the methodological and political difficulties that preceded the cancellation of a planned “factoryless goods producer” (FGP) classification?

For the Census Bureau to answer these questions fully and well, I suggest it take into account several contextual elements:

- Recent multinational efforts to create the methodological and accounting framework for GVC and TiVA statistics:
 - Tim Sturgeon, [“Global Value Chains and Economic Globalization - Towards a New Measurement Framework,”](#) report to Eurostat (May 2013)
 - The [International Conference on Measurement of Trade and Economic Globalization](#) hosted by the UN Statistics Division, Eurostat, the World Trade Organization, and the OECD (Mexico, September-October 2014)
 - [Final report](#) of the UN Statistical Commission’s [Friends of the Chair Group on International Trade and Economic Globalization](#) (December 2014) and the Statistical Commission’s [decision for implementation](#) (March 2015, decision 7, pp. 14-15)
 - [“Guide to Measuring Global Production”](#) prepared by the UN Economic Commission of Europe’s [Task Force on Global Production](#) (March 2015)

- Recent GVC and TiVA modeling, data collection, and research, including:
 - TiVA modeling (“top-down”)
 - [Measuring Trade in Value Added: An OECD-WTO joint initiative](#)
 - Eurostat, [World Input-Output Database](#)
 - [Eora MRIO Database](#)
 - Business function surveys
 - Eurostat, [“International Sourcing of Business Functions”](#) (June 2013)
 - Clair Brown and Tim Sturgeon, [“National Organizations Survey, 2010: Examining the Relationships Between Job Quality and the Domestic and International Sourcing of Business Functions by United States Organizations”](#) (December 2013, funded by the National Science Foundation)
 - Research and analysis
 - Robert Koopman, Zhi Wang, Shang-Jin Wei, [“Tracing Value-Added and Double Counting in Gross Exports”](#) (November 2012)
 - U.S. International Trade Commission, [“The Value of Value Added: Measuring Global Engagement with Gross and Value-added Trade”](#) (November 2012)
 - Nielsen, Statistics Denmark, and Sturgeon, MIT Industrial Performance Center, [“Using Business Functions to Measure International Trade and Economic Globalization”](#) plus [annex](#) (September 2014)
 - [Duke Global Summit: Governance and Development in Value Chain World](#) (October-November 2014)
- Current and prospective interest by federal program agencies and their constituents for GVC and TiVA statistics (see attached list of prospective data users)
- Current and prospective efforts of federal statistical agencies that would support development of GVC and TiVA statistics consistent with international guidelines:
 - BEA, [“Update on BEA efforts to measure the economic impacts of Global Value Chains”](#) (November 2014)
 - Census Bureau, [Longitudinal Foreign Trade Transaction Database](#)
- The array of Census and Bureau of Economic Analysis (BEA) programs, including the COS, that gather information on trade and the distribution of business functions, but not in a coordinated, consistent, or complete fashion at present:
 - Census Bureau—Company Organization Survey, 2017 Economic Census, Annual Survey of Manufactures, Business R&D and Innovation Survey, Survey of Business Owners, Management and Organizational Practices Survey
 - BEA—U.S. Direct Investment Abroad, Foreign Direct Investment in the U.S., U.S. International Services Transactions

That the Census Bureau’s information collection request (ICR) for the COS asks to maintain the survey’s 2013 design for 2014-2016 suggests that the agency has not examined the implications of the various contexts above for COS design.

I perceive that using the current COS design through the 2016 data collection will lead the federal government to miss two important related opportunities:

- laying the groundwork for GVC and TiVA statistics valuable for public and private decision-making and
- finding a workable, useful approach for classifying a plethora of arrangements for the organization of production, including but not limited to FGPs.

Consequently, I ask OMB to approve the Census COS ICR with a condition—that within one year the Census Bureau submit to OMB a revised ICR for the COS that is clearly responsive to the various contexts noted above. I also suggest that OMB encourage the Census Bureau to prepare a more comprehensive plan—one that identifies the nature of public and private demand for GVC and TiVA data and ways that the Census Bureau could help meet that demand in an integrated, coordinated fashion through its various data programs.

I appreciate the opportunity to comment on the proposed COS for 2014-2016, hope that my observations and request are useful, and look forward to your decision.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Reamer". The signature is fluid and cursive, with the first name "Andrew" being more prominent than the last name "Reamer".

Andrew Reamer
Research Professor