

MAKING STATISTICS CREDIBLE AND ACCESSIBLE

Commenting on perceptions of official inflation statistics, Enrico Giovannini, chief statistician for the Organization for Economic Cooperation and Development (OECD), is reported in a recent issue of *Time*, as saying that “an economy cannot function if half the people think that inflation is at 100% and the other half think that it’s at 2%.”

Giovanni’s statement, with all its flourish and drama, writes across a clear blue sky two striking messages. First, the usefulness of official statistics is in direct proportion to its credibility. Second, in the realm of economics, perceptions are as important as reality.

One could as well say that perceptions are as much a part of reality as the number of buildings that exist in the Klang Valley. Macroeconomists take perceptions and expectations seriously; and they are not the only ones who do so.

Concern about the credibility of official statistics is not an unfamiliar tune in Malaysia. The non-governmental organizations (NGOs) and public officials have tugged at official statistics in different directions.

Prominent among the sources of dissonance between public and individual perceptions is that on inflation figures. While the official figures clearly indicate that inflation is well under control in recent times, this view is not as enthusiastically shared by the many individuals one is likely to meet on an average day, whether they be businessmen, academics, NGO activists, housewives or taxi drivers.

This schism in perception can be ignored to the peril of the credibility of official statistics; but it is certainly not an efficient way of mustering confidence in the management of official statistics.

A more serious approach would be to educate the public at large in the construction of indices such as the consumer price index (CPI). The methodology that was used in

arriving at the CPI should be laid bare; and all items that are included should be detailed.

Equally, items that are not included should be announced, and justification provided. Debate on the methodology should be encouraged, although one should be acutely aware that definitions and methodologies employed in the compilation of official figures cannot be done on a consensual basis nor can they be altered to fit popular demand.

Maintaining public awareness on statistics is a matter that seems to have fallen into neglect in Malaysia. Transparency coupled with accessibility and public awareness are three important pillars for sound credibility in official figures.

What is necessary for the preservation of the credibility of official statistics is a clear understanding of the processes involved in their compilation and construction. Unless national security is at stake – and one cannot see how it can be – everyone has a right to know and should know what is involved in the creation of and the limitations of statistics. How else can statistics be used effectively for planning, be it for huge corporations or a family's budget?

Among other things, official statistics serve to satisfy the appetites of the intellectually curious. When the curious are denied a peek into the truth of things, mischief and unnecessary speculation could result.

The episode of fiery debates on the question of ethnicity and equity that we witnessed not too long back has a useful lesson on the management of official statistics. In an environment where ethnic considerations weigh heavily on everything from licenses to university admissions and extend right up to the US-Malaysia FTA negotiations, it is only to be expected that figures on equity achievements by ethnicity have special appeal for the curious.

One would expect a greater margin of objectivity and openness on statistics that have an ethnic dimension to them. In fact, it would be prudent to exercise better management on such statistics, given the kind of harm that irresponsible researchers

and politicians could whip up by calculating proxy figures on the basis of questionable criteria. Surprisingly, we have often taken the less suitable path by constraining such information.

Inaccessibility to statistics on pertinent issues breaks the backbone of good management in official statistics. When one has to seek verification from foreign sources (such as UNCTAD) for data on actual foreign direct investment (FDI) in Malaysia (and not applications for FDI or approvals of FDI) or reverse investment, for that matter, tongues wag, questions are raised, and confidence sags.

There is a paucity of official statistics on contingent liabilities. (Contingent liabilities are payments made by the government in the case of events such as disaster relief, to bailout private companies, and to support failed private investments.) Official statistics on contingent liabilities will reveal what the trends are, whether the government is passing on the risk of failed projects to private investors and what kind of fiscal strain is being placed on the government's shoulders.

Statistics are essential for planning, policy making and for analysis, in general. Statistics is instrumental in supporting analysis; but beyond that 'good' statistical datasets have an intrinsic value of their own: they are an indicator of credibility and integrity.

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