

CE Data from the Perspectives of Researchers and Survey Managers

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*The view presented here are those of the authors and do not necessarily represent those of the Federal Reserve Board or its staff.

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Experience Using the CE data

- We have been using the CE quarterly interview public use micro data for the past 10 years
- We use the CE both as inputs in our research and as the subject of the research

Issues we have examined with CE

- Do households smooth large anticipated increases in advance?
 - Yes. *Coulibaly and Li, 2006, ReStat*
- Does the debt service ratio help identify liquidity constrained households?
 - Yes. *Johnson and Li, forthcoming, JMCB*
- Are ARM borrowers less able to smooth consumption?
 - Yes. *Johnson and Li, 2010*

Issues we have examined with CE (2)

- Do self-employed consumers tend to under report their income to surveys?
 - Yes. *Hurst, Li and Pugsley, 2010*
- Do gambling cost crowd out savings or alternative expenditures?
 - Savings. *Li, 2010*
- CE's liability data compare favorably to the SCF data
 - *Johnson and Li, 2009, MLR*
- PSID's new expenditure data compare with the CE data favorably
 - *Li, Schoeni, Danziger and Charles, 2010, MLR*

Proposed Enhancements to CE

- More/better data on determinants of expenditures
 - Health, employment/job loss, income, income expectations
- Substantial longitudinal component
- Richer balance sheet information
 - Better income and asset data
- Improved fidelity and consistency in imputation
 - Interest rates of ARM contracts and refinancing activities
- Better coverage of smaller expenditure categories
 - E.g., gambling and games of chance

Can one survey meet all objectives?

- Primary objective of the CE
 - to provide the basis for revising the weights and associated pricing samples for the CPI
- Secondary objectives
 - timely and detailed information on the spending patterns of different types of families
 - support investigation of wide-ranging set of scientific and policy research questions

Design features necessary to achieve secondary objectives but not the primary objective

- Longitudinal survey following individuals and families for many years
- Measures in numerous additional domains
 - Income and program participation
 - Employment and job loss/changes
 - Wealth
 - Health
 - Demographics
 - Contextual/neighborhood factors
 - Expectations
- Directed by academic and policy researchers to ensure that content & design evolves to meet changing needs of scientific community

Design features that CE has but are not necessary to achieve *many* of the secondary objectives

- Quaterly interviewing
- Detailed expenditure categories

Options to consider

- Do not design one survey to meet all needs
 - Focus on achieving the primary objective with the CE
- While a focused CE can help answer some scientific and policy questions, invest in other resources to meet the secondary objectives

Options to consider (2)

1. Create a new longitudinal survey focused specifically on consumption-related issues that would be led by the scientific and policy community
 - Challenge: expensive, & unclear who would fund
2. Supplement existing surveys with required consumption expenditure data
 - Advantages:
 - relatively modest costs that could be funded in part by savings achieved from CE that is scaled back to focus on primary objective
 - Could be led by scientific and policy community with input from funder (e.g., cooperative agreement)
 - Surveys that could be supplemented:
 - CPS, SIPP, NHIS, NLS, PSID, HRS