Comments on Improving Consumption Measurement

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We Have A Serious Problem

Figure 3: Comparison between per-capita averages in CEX and NIPA: various definitions of consumption
CE vs NIPA for Canada

Figure 2: Mean Nominal Non-Durable Consumption

- The SCF had unusually small samples in 1977, 1979, 1981 and 1984, which explains the anomalies prior to 1990.
- The post 1990 discrepancies can be explained by the 2003 historical revision of the weights discussed in the previous section. As a result of this revision, which was applied retroactively to 1990, higher weights were assigned to low/no earnings individuals as well as high earnings individuals and had the effect of increasing substantially the fraction of the population not in the labor force. This is reflected in Figure 3 as a low employment to population ratio.

11 Survey years 1977 and 1979, which contain data pertaining to 1976 and 1978, have other problems—in particular hours worked is missing—so we dropped these years for the rest of the analysis.

12 This is confirmed by a similar figure (not shown) constructed using weights available prior to the revision, which shows essentially no discrepancy between the SCF and LFS numbers over the 1990's.
CE vs NIPA for Germany

Per Capita Disposable Income from NIPA, EVS & GSOEP

- EVS
- GSOEP
- NIPA

Year:
- 1985
- 1990
- 1995
- 2000
- 2005

Per Capita Income in Euros, Prices of 2000

1.1
1.2
1.3
1.4
1.5
1.6
1.7
1.8
$10^4$
CE vs NIPA for Italy

Figure 1: Average per-capita total consumption in the SHIW and in the National Accounts

Figure 2: Average per-capita non-durable consumption in the SHIW and in the National Accounts
CE vs NIPA for Russia

B. Consumption per capita

Notes:
For comparability purposes, the following RLMS measures are selected: \( y_D \) in panel A, \( c_D \) in panel B, \( c_F \) + consumption of home-grown food in panel C, \( c_D - c_F \) in panel D. The RLMS sample is unrestricted. All RLMS measures are deflated using monthly CPI and the date of interview. All NIPA and HBS measures are deflated using annual average CPI. RLMS income and consumption for 1997 are imputed using the lagged RLMS value multiplied by the 1997 growth rate from NIPA.
CE vs NIPA for Sweden

Note: The figure shows mean consumption per capita in current prices. NIPA data are household consumption expenditure, excluding non-profit organizations, based on national accounts data produced by the National Institute of Economic Research.
In order to try to understand what may be behind the declining performance of the expenditure data, it is worth looking at some of the components behind the total. Figure 2.7 shows the percentage coverage of certain items included in our consumption basket. Expenditure on food, clothing and catering matched the national accounts extremely well, both in levels and in dynamics until the late 1980s (and before the beginning of our sample period). Coverage for these items rarely fell below 90%. On the other hand, alcohol and tobacco have always had low coverage, but this is common for items that carry a social stigma. 1988 saw a sudden collapse in the coverage of catering, which suggests that there was a sudden change in measurement for this category in one of the datasets. However, for all other categories there has been no sudden shift, but a gradual decline in coverage, approximately since 1993. Therefore the decline in coverage of the aggregate since 1993 is not confined to certain items but seems to be a broad trend across many expenditure categories. The case of food expenditure is puzzling since the national accounts data for this item are formed mainly from the FES data. It may therefore be sensible to use the FES food coverage as a basis for comparison.
Commonalities

- In Many Countries, Coverage Has Declined Seriously
- In Some, Deterioration Is Accelerating
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- In Some, Deterioration Is Accelerating
Differences:

- In Person Vs Phone Interviews
- Diary Vs Recall
- Incentives To Participate
- Quality of Interviewers
- Quality of Survey (Focus Groups!)
- Use Of Budget Constraint
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Biggest Problem: Increased Reluctance to Participate

- Differential Sample Selection: Richer $\Rightarrow$ Less Willing
- Second Biggest: Changes In Technology (Automated Payment, Etc)
  - If You Asked Me These Questions, I'd Have No Idea!
- I’m Concerned You’re Drilling A Drying Up Hole
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Nielsen Data

Credit Card Data

Personal Finance Online
  - QuickenOnline
  - iBank
  - Big Advantage: People Get Something Valuable At the End

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Comparison of CEX Data With Other Sources Should Be *Routinized*

* Every CE Report Should Show Comparisons With Other Sources, Say:  
  - NIPA  
  - Nielsen  
  - CPS  

* Biannual Review Report Should Contain Broader Comparisons  
  - SCF, Labor Market, SOI Tax Income, and "special topics"  
  - Explain What It Should/Should Not Be Used For  

* Occasional *External* Reviews, Not Just Internal
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Openness, Transparency, Accountability

How Do These Buzzwords Apply?

- Unfolding Brackets of Complexity Of Data Use
- Very Easy To Get Top Level Data
- Clear Path to “Drill Down” to Deeper and Deeper Levels
- A Lot Of Researchers Have Been Defeated By Complexity
- Experiment, e.g., With HRS or PSID Instrument On CE Sample
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Encourage Researchers With Setup Like Census Data Centers
A Golden Age!

- CE Should Be A Part Of It, Not A Drowning Polar Bear