Both options provide creative approaches for addressing the concerns which underlie the redesign.

- Major undertaking in a short period of time

- My discussion is in my role as an academic researcher who is an end user of the CE data.

- I will confine my comments to a very limited set of issues.
Economic Research Using the CE Data

- Research topics using the CE include (but are not limited to)
  - Estimation of demand systems
  - Measuring inequality using consumption rather than income
  - Distributions of expenditures
    - by demographics
    - by program participation
  - Alternative methods of computing trends in prices
  - Testing the Life-cycle/Permanent Income Hypothesis

- Proposed redesigns affect elements of the survey that have common implications across these topics
  - However, will focus on the last topic for this discussion
The Life-cycle/Permanent Income Hypothesis (LCPIH)

• This theoretical framework has a few important assumptions.
  • Consumers are forward-looking: expectations of future income as well as current income and assets affect decisions today
  • Consumers care about their future circumstances: they equally enjoy consumption today and (discounted) in the future.
  • Consumers have rational expectations.

• A variety of implications emerge:
  • Expected vs. unexpected income changes
  • Transitory vs. permanent income changes
  • Consumption is a preferred measure of well-being over income.
Testing the LCPIIH with the CE Data

- Using the CE Quarterly Interview Survey
  - The impact of tax refunds on household consumption
  - The impact of social security taxes on household consumption
  - The impact of tax rebates on household consumption

- Using the CE Diary Survey
  - The impact of social security checks on household consumption
Both redesigns maintain the panel feature of the data

1. Two quarterly expenditure observations one year apart
2. Three monthly expenditure observations six months apart

Affects examination of short-run changes using a panel

- Response to tax rebates requires observations closer together.
- Perhaps implement a repeated cross-sectional data design.

Synthetic cohorts provide an panel alternative in the UK

- Cannot exploit idiosyncratic variation with cohort aggregates.

Research continues but questions and methods evolve.
Features of the Redesigns: Collecting All Expenditures

- Both redesigns retain the feature of collecting all expenditure categories from all households
  1. Maintains format of both an interview and a diary survey
  2. An integrated interview format with feature of both
- Theoretical framework aligns with non-durable consumption
  - Durable consumption presents empirical challenges.
  - Cannot rely on $Y - S = C$
- Much research does not distinguish bananas vs. fruit vs. food
  - Little discussion of using global expenditure categories which might address non-response issues
- Tests of LCPIH need all expenditures from everyone
  - Imputing expenditures using income artificially violates LCPIH
Features of the Redesigns: Labor Force/Income Data

- Neither redesign addresses labor force and income data
  - Currently collected in the second and fifth interviews
  - Corresponds to the year prior to the survey
  - Does not match period of expenditure collection

- Collection period differences influence research topics
  - Cannot study how labor market events such as unemployment and retirement affect within-household consumption
  - Consumption in lowest decile is over twice as large as income
  - Cannot apply balance edit methods in field

- Tests of LCPIH require alternate information to construct income changes since such data is lacking
  - E.g., create income change due to Social Security tax change based on total earnings
  - Added module on timing of tax rebate receipt
Features of the Redesigns: Addressing Non-Response

• Current participation rate in both CE surveys is roughly 75%.
  • Triggers non-response bias analysis under OMB guidelines
  • Participation rate is lower in Canada, 62%, and UK, 51%
    • Redesign 1 similar to Canada; Redesign 2 similar to UK
• Neither fully addresses survey participation implications
  • Both advocate to collect, scan, mail, e-mail, etc. receipts
  • Both advocate use of financial records
  • Both advocate maintaining a panel component
  • Impact on participation rate is still unknown
• Use of these technologies is to reduce item non-response
  • Human component affecting diaries now still will matter
• Research typically ignores participation and item non-response
  • Need to address in estimation may increase with redesign
• Both teams should be commended for their efforts.
• Redesign raises a number of issues for researchers.
• Research methods may need to adapt.
  • Trade-offs in questions that can and cannot be asked.
  • Development and/or implementation of different methodologies may be required relative to prior CE studies.
• Changes to the collection of non-expenditure items may broaden the research topics that can be investigated.