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