

Kudos
The Big Picture
Theory
It's Gotta Be a Panel
Give Something to Get Something
Openness
Success?
Access

Testimony to CNSTAT Panel on CE Redesign

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Keck Center
Washington, DC

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A Good Start

Congratulations: BLS and CNSTAT doing a bang-up job so far

My emphasis:

- Things Not Mentioned
- Things Underemphasized

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Budget Studies

What is the unique purpose of a CE study?

- *Complete* breakdown of HH expenditures
- Not sufficient to focus on easily measured items
 - Housing
- Those are available (easily) elsewhere
- Point of CE
 - Measure things *not* easy to measure (well)

If a HH's X is only $2/3$ of its Y , then:

- Household saved $1/3$ of its income
- We're undermeasuring *some categories* of X (weights wrong!)
- We're overmeasuring Y (unlikely)

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Measuring 'Dark Matter'

Use all the tools at our command – including arithmetic!

Following NIPA's, don't be afraid of 'Theory:'

- 1 Tells you what to look for
- 2 Tells you where to look
- 3 Tells you how to fill in the missing pieces

→ If they spend money on gasoline, probably own a vehicle
→ Ask them about their vehicle-related expenses

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Object of Interest is How Spending *Changes*

Survey methodologists may quail and tremble, but it must be done.

- Can't understand HH decisions without seeing how they *change* with circumstances
- Fundamental principle of psychology
- Failure to have panel data caused the financial crisis!
 - Measuring cross section is measuring the wrong thing
 - If I could have one or the other, I'd pick change

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People *Want to Know* About Their Own Finances

Response rate is low: Tedium and burden, no payback

- At end of survey, give them a breakdown
 - By spending category;
 - or net worth;
 - or a balance sheet –
 - Do focus groups to see what people want

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Extensibility/User Friendliness

Lots of other entities need similar data

- Consumer Financial Protection Bureau
- Office of Financial Stability
- Federal Reserve Board
- Private Sector

⇒ make the survey *methods and procedures* 'open source'

- So others can build on/contribute to the project:

• Define core set of "standardized" data for each firm

• Allow flexibility in matching

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● *Example: Define new set of "high-impact" data for each CFI*

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→ *Example: Data.gov, open access of health-related data for each state*

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• *Example: new use of Survey of Consumer Finances for credit*

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- So others can build on/contribute to the project:
 - Define core set of 'high-reliability' data for each HH
 - Will allow diversity in branching off:
 - CFPB: core+details on interactions with financial firms
 - Private sector: core+details of specific industries
 - Require data-sharing (from others to BLS) in exchange?

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Define Metrics

There should be several; transparency in assessment of quality of data is crucial

- Aggregate retail sales (very well measured)
- Administrative data (Social Security earnings records)
- Flow-of-Funds?
- Survey of Consumer Finances?
- ...

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Access and Usability

Invite collaboration with outside users

Data Center(s)?

- Privacy vs transparency
- Accumulation of expertise
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- Scrutiny

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