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Creating an Integrated System of Data and Statistics on Household Income, Consumption, and Wealth

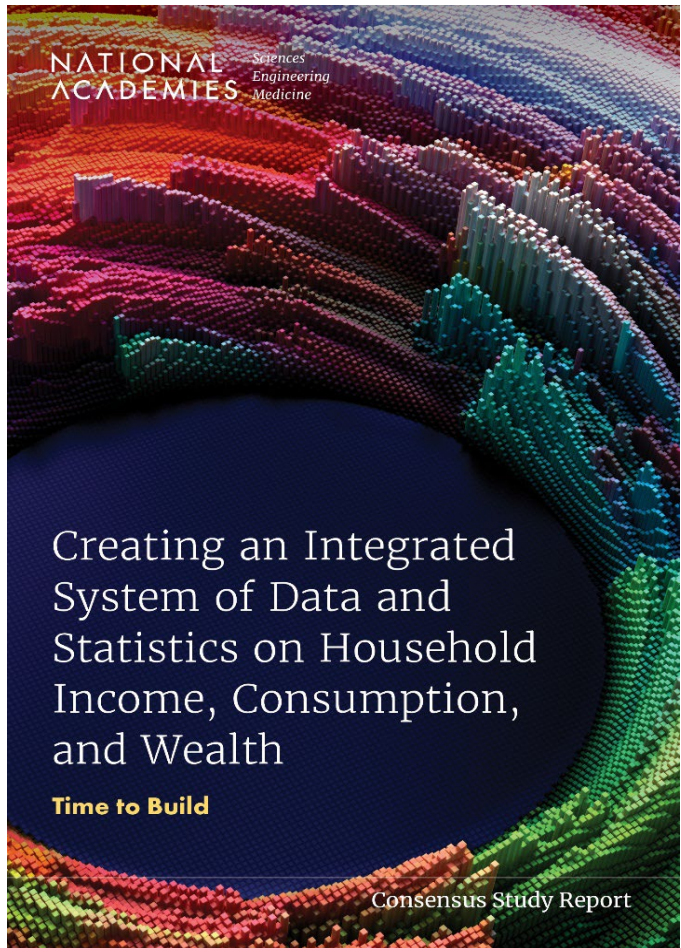
Time to Build

Timothy Smeeding, Panel Chair

David Johnson, Study Director

SOI Consultants Panel July 26, 2024





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Consensus Study Report

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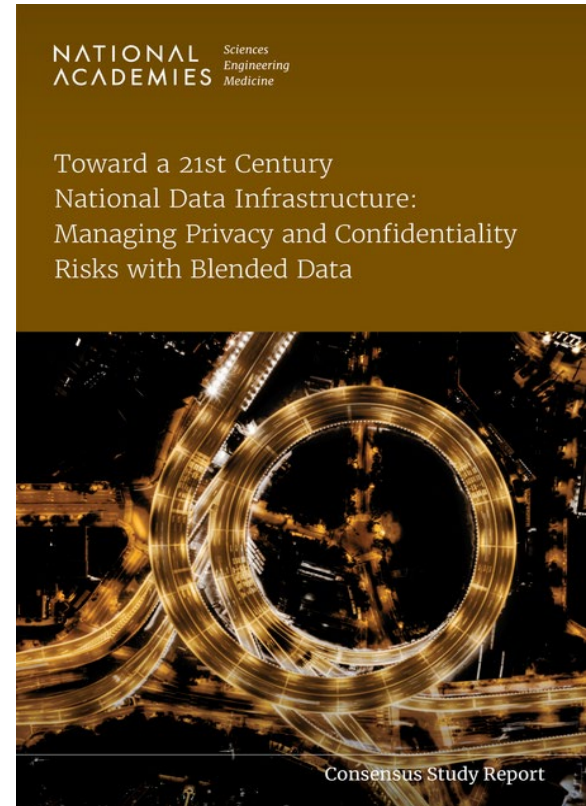
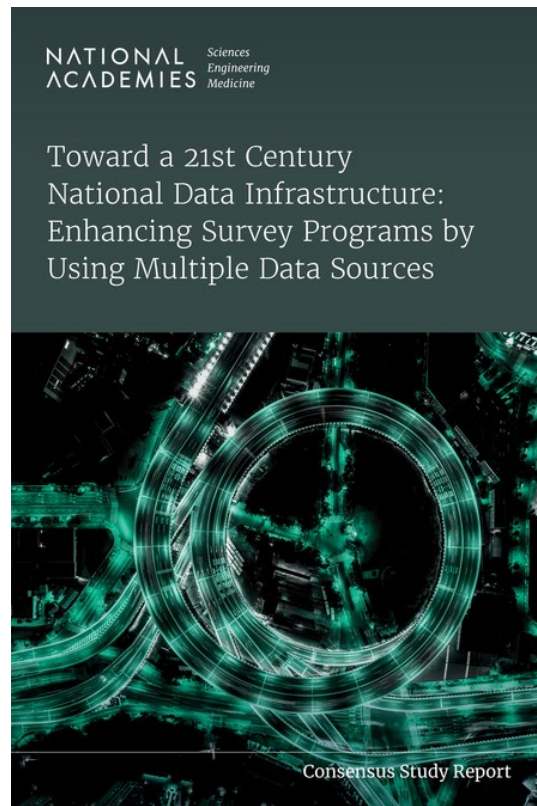
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Builds upon recent 21st Century reports stressing the importance of blended data



21st Century report conclusions

Conclusion 2-1 from 1st 21st Century Report

- The United States needs a new 21st century data infrastructure that **blends data from multiple sources to improve the quality, timeliness, granularity, and usefulness of national statistics...**

Conclusion 9-3 from Multi-source report.

- **Use of multiple data sources is expected to play a major role in the future production of statistical information in the United States, ...**

Conclusion 3-2 from Privacy report

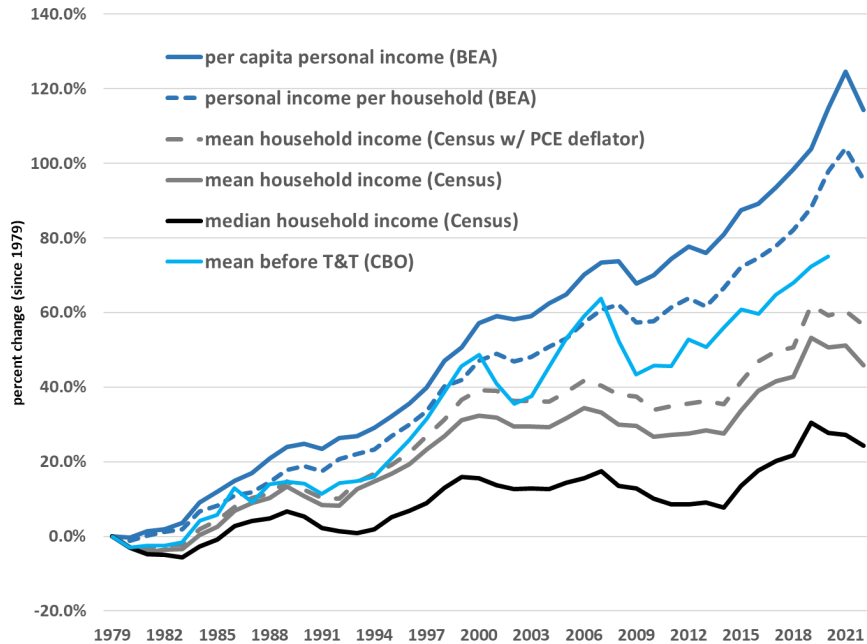
- **Tiered access for data users and agencies is a key component of a dynamic disclosure risk/usefulness framework, to reflect differences in acceptable risks given policy priorities.**

The Issue: Integrated data and statistics on income (I), consumption (C) & wealth (W)

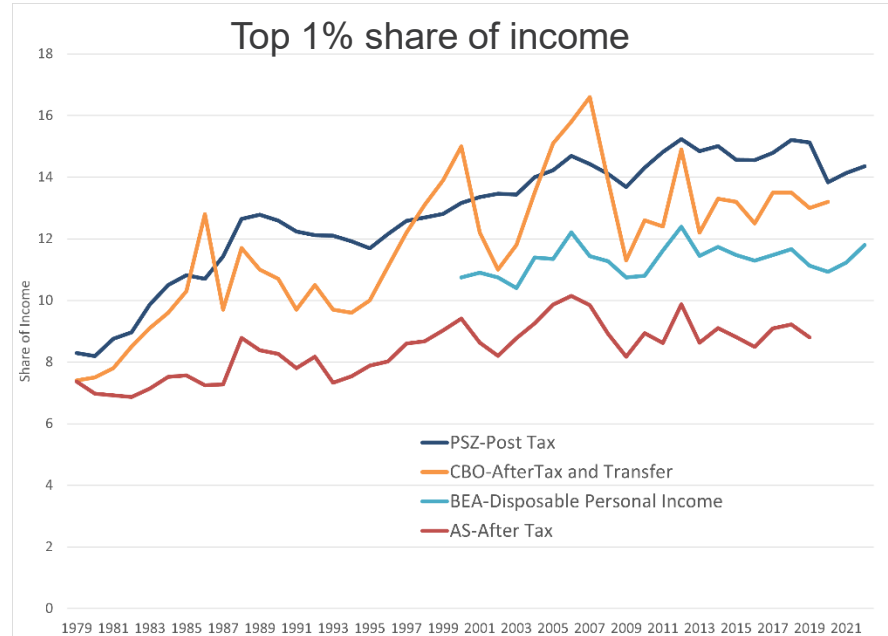
- For decades household and individual economic wellbeing has been measured annually for income (I) only—*and different measures of income give different estimates of means, medians, trends and levels of inequality and poverty*
- There is a need for I, C, W and changes in W (ΔW) to all be well measured from the same high-quality dataset or data construction in a transparent way
- There is a need for high-quality, consistent “official” annual statistics on I, C, W and their joint distributions, as well as access to the full range of data for research purposes
- But this is not possible with current data sources – we need to build better ones

Current estimates are confusing and inconsistent

How much has income increased?



How much has income inequality increased?



The Need: Fundamental research questions that could be informed by an integrated ICW system

- Trends and levels of **inequality, poverty, and economic mobility**
- Assessing **financial well-being, hardship, and exposure to risk**—at the business cycle frequency and over the longer-run
- Better understanding of consumer behavior—**propensities to consume, borrow, save, take on risk, response to tax changes**
 - heterogeneity by income/wealth/access to financial opportunities/other characteristics
 - heterogeneity by type of resource shocks (permanent/transitory)
- **Implications of shifts** in demographics, household structure, and the economic environment for the dynamics of the economy
- **Assessing the role of accumulated wealth** is an important source of income and consumption insurance and an increasingly important source of intergenerational transfers

Excerpts from statement of task

- Panel will review the major income, consumption, and wealth statistics currently produced by U.S. statistical agencies, and **provide guidance for modernizing the information to better inform policy and research...**
 - Comprehensively **document similarities and differences** among major series
 - **Examine underlying concepts**, types of income, consumption, or wealth, household and family definitions, data sources, sampling error, non-sampling errors, timeliness of release, and geographic and population specificity.
 - Assess **value of a fully integrated system of income, consumption, and wealth statistics** to provide consistent macro- and micro-level statistics
 - Provide **recommendations regarding the relevance, accuracy, timeliness, geographic and population detail, and consistency of statistics** on income, consumption and wealth, and the need for an integrated system of these statistics.

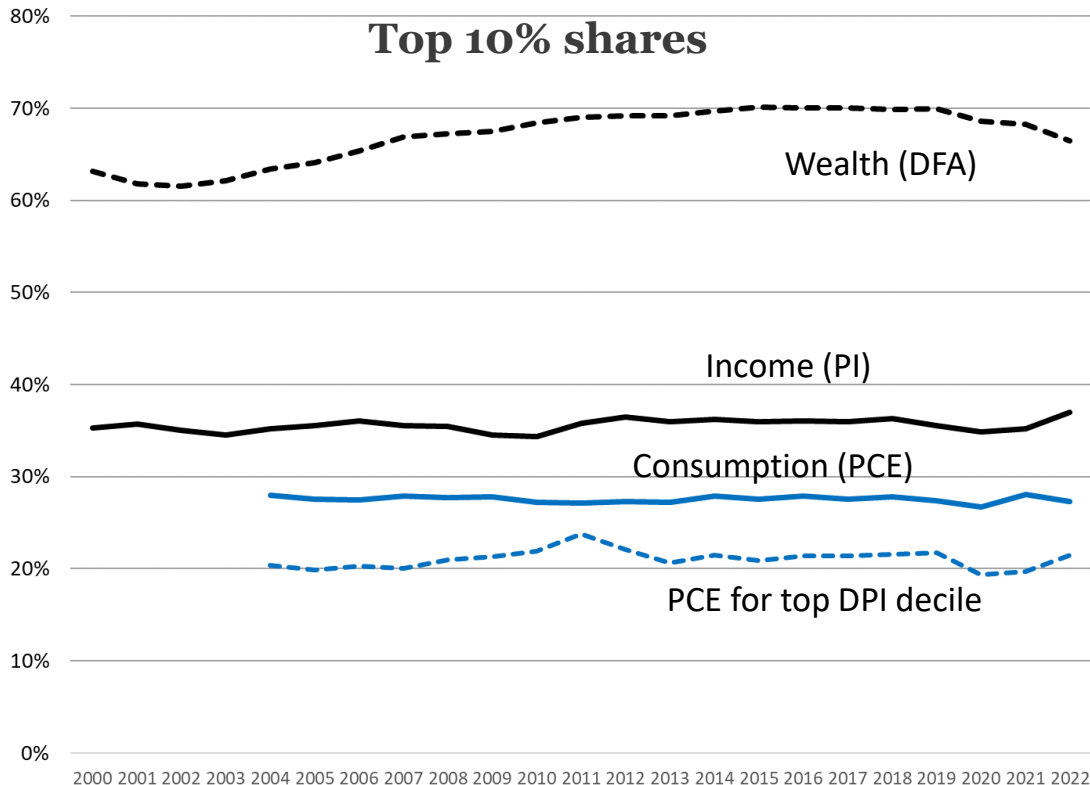
Important for ICW measures to be consistent with budget identity and national accounts

- Conclusion 2-1: Conceptual definitions of household income, consumption, and wealth **are most useful when they are constructed to satisfy the budget identity, Consumption = Income – Saving...** A fundamental principle in specifying an integrated data system is that decisions about what to count as income have direct implications for what to count as consumption and wealth.
- Conclusion 2-3: **Multiple definitions** of household income, consumption, and wealth are needed **to examine different policy and research...**
- Conclusion 2-4: Definitions **embedded in systems of national accounts** provide a well-established starting point for the variety of ICW concepts envisioned for the dataset recommended in this report.

The Recommendations: Improved statistics and a report from federal statistical agencies

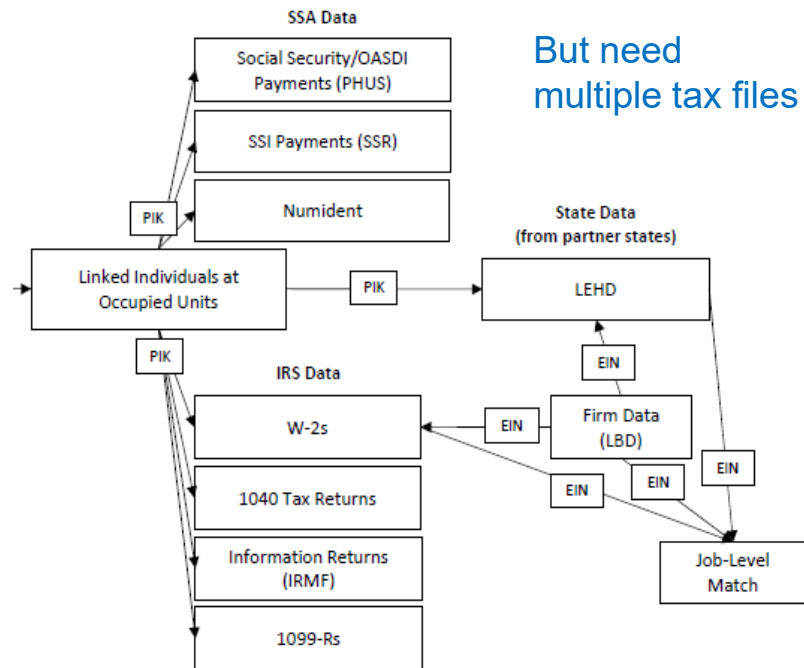
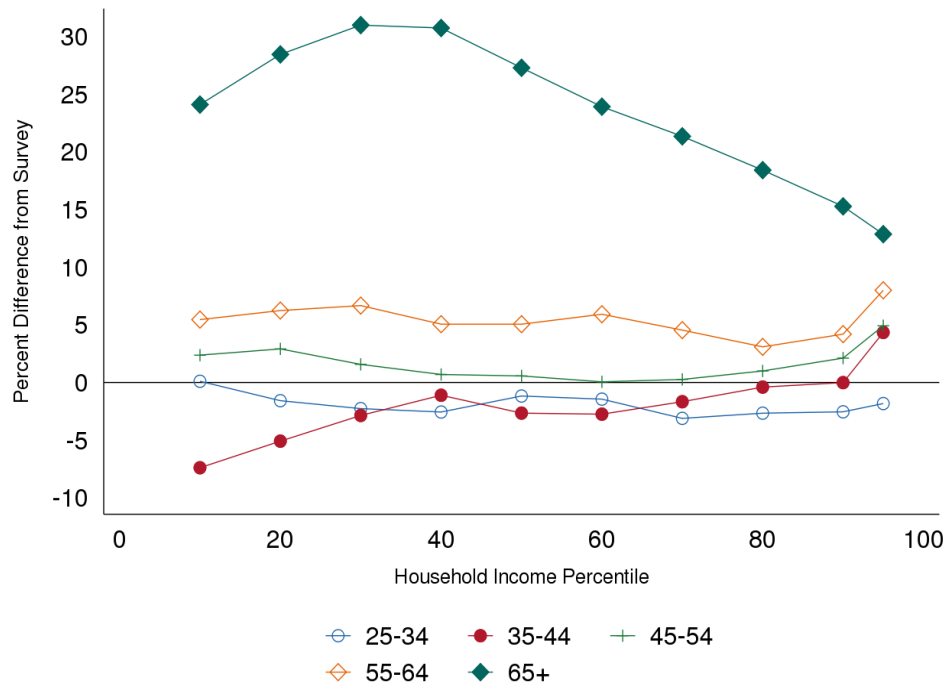
- Conclusion 3-1: The initiatives by [the federal agencies] are laudable. These initiatives deserve support to become established series as soon as practicable.
- Recommendation 3-1: ...**statistical agencies should build on their current initiatives** to publish improved statistics of household income, consumption, and wealth.
 - **BEA** should make its distributional household personal income (PI) estimates more useful by adding estimates for: (1) disposable (after-tax) PI that excludes nonprofit institutions serving households; and (2) disposable PI (excluding NPISH)...
 - The **Census Bureau's** household income estimates should include pre- and post-tax-and-transfer series...
 - The **BLS**...should expand and accelerate its program to publish annual estimates of household consumption...
- Recommendation 3-2: Relevant statistical agencies should **collaboratively publish a major report every three years** that compares levels and trends among the household income, consumption, expenditure, and wealth statistical series...

Possible new Report: Current estimates on ICW inequality and benefits of tax data



- Federal Reserve Board estimates quarterly distributional financial accounts (DFA) for wealth (SCF uses tax data)
- BEA estimates annual distributions of personal income (PI) and disposable personal income (DPI) (uses SOI tabulations)
- BLS estimates annual distributions of Personal Consumption Expenditures (PCE)
- Joint distribution of DPI and PCE (from BEA and BLS)

Blending CPS and multiple tax files show increased income, especially for 65+ ; NEWS Relative to Survey by Age, 2018



Need new and improved statistics on disparities by sociodemographic groups and geographic areas

- Conclusion 3-6: To summarize levels and trends in household economic wellbeing, agencies that publish improved estimates of household income, consumption, expenditures, and wealth need to display them with categories that illuminate the entire distribution....**collaborate on publishing a comparable set of inequality measures along with distributional breakdowns by sociodemographic groups.**
- Recommendation 3-3: To provide **additional geographic detail** for new and improved estimates of household income, consumption, and wealth, relevant statistical agencies should move toward implementation...

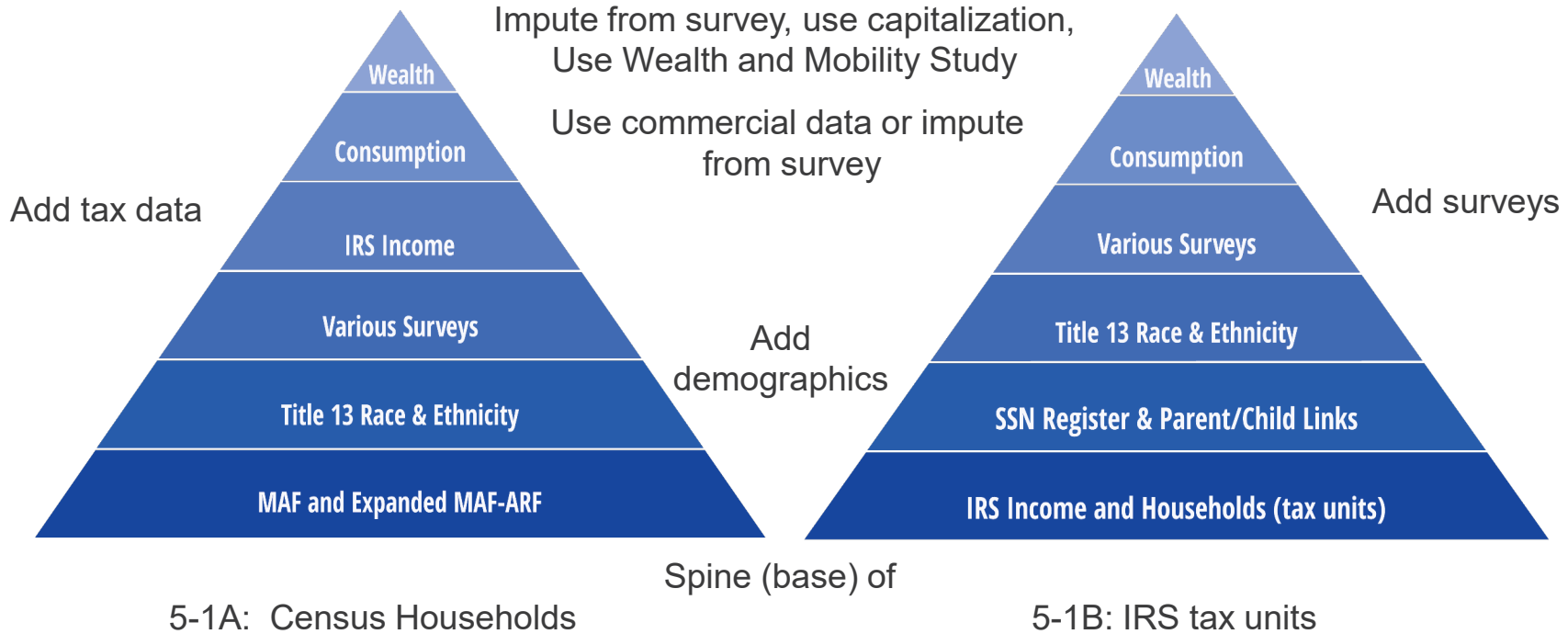
The data need to be assessed for quality

- Recommendation 4-1: The relevant statistical agencies **should ensure that the integrated household-level data on ICW are representative of the national population**; cover individual, family, and household units of analysis; have key components of income, consumption, and wealth that bear on economic wellbeing; and can be used to construct estimates that are consistent with published macro aggregates.
- Recommendation 4-3: Statistical agencies that produce estimates for households about income, consumption and wealth **should regularly consult with expert groups and agency advisory committees** and evaluate their datasets to assess whether the datasets and the estimates derived from them meet quality criteria—**namely relevance, accuracy, timeliness and punctuality, accessibility and clarity, and comparability and coherence.**

Need to consider a wide variety of blended (linked) data sources operating under the oversight of a coordinating entity

- Recommendation 5-1: The Chief Statistician and the National Secure Data Service should work together to create a **coordinating entity to solve administrative, legal, and technical challenges to integrate data from multiple federal entities**...as well as private businesses that collect microdata on individual and household income, consumption, and wealth.
- Recommendation 5-2: ...the coordinating entity should **expand on current efforts and coordinate new pilot studies to blend multiple datasets** that have the key components of income, consumption, and wealth;
- Recommendation 5-4: ...the coordinating entity...should explore the **fusion of relevant publicly accessible datasets**

Blended data begins with a spine

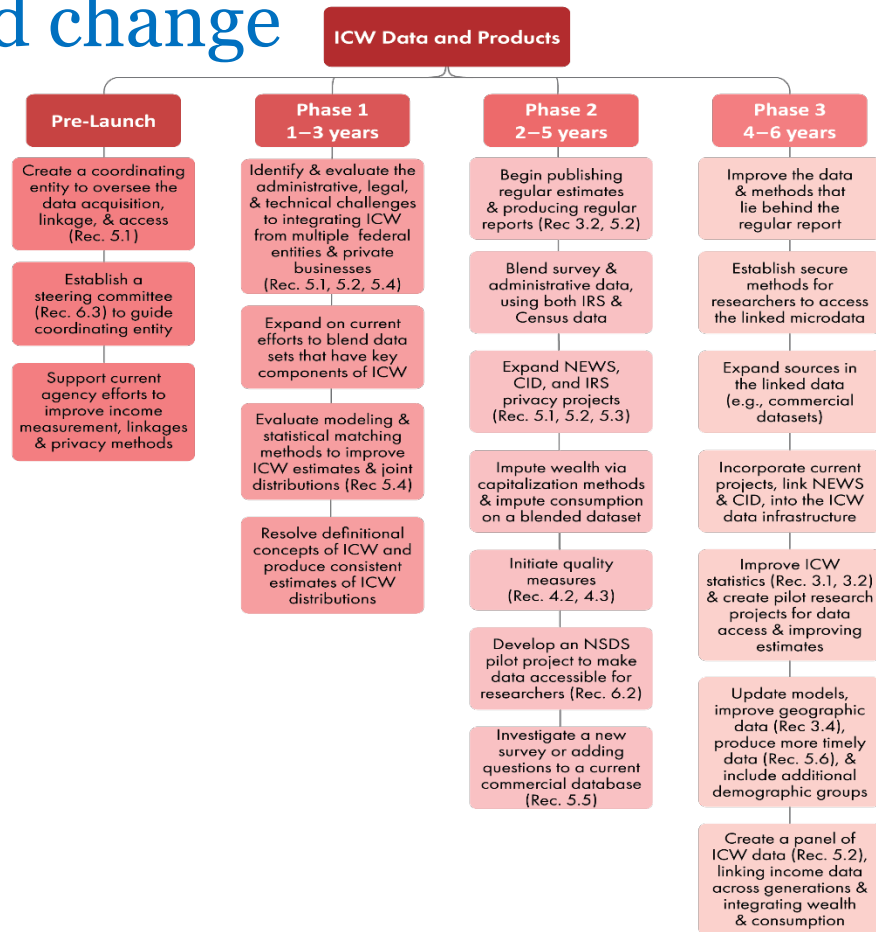


Need to ensure privacy while maintaining accessibility and usefulness

- Recommendation 6-1: ...the coordinating entity, in collaboration with relevant statistical agencies, **should jointly develop a risk-utility framework** and a combination of traditional disclosure limitation strategies and privacy enhancing technologies...
- Recommendation 6-2: The coordinating entity...should **propose options for a National Secure Data Service pilot** to be created through which **approved researchers would be allowed to access** linked microdata...

The Roadmap: How to make progress and a steering committee to lead change

Recommendation 6-3: The OMB Chief Statistician, in collaboration with ICSP, should establish an ICW technical steering committee that **includes academic researchers, leadership from statistical agencies, and government researchers...** functions could include determining value propositions and risks; making recommendations about improvements to estimation methods; ensuring that the relevant statistical agencies cooperate to implement the panel's recommended production of statistics; coordinating the release and communication of the new estimates; and working with the coordinating entity...

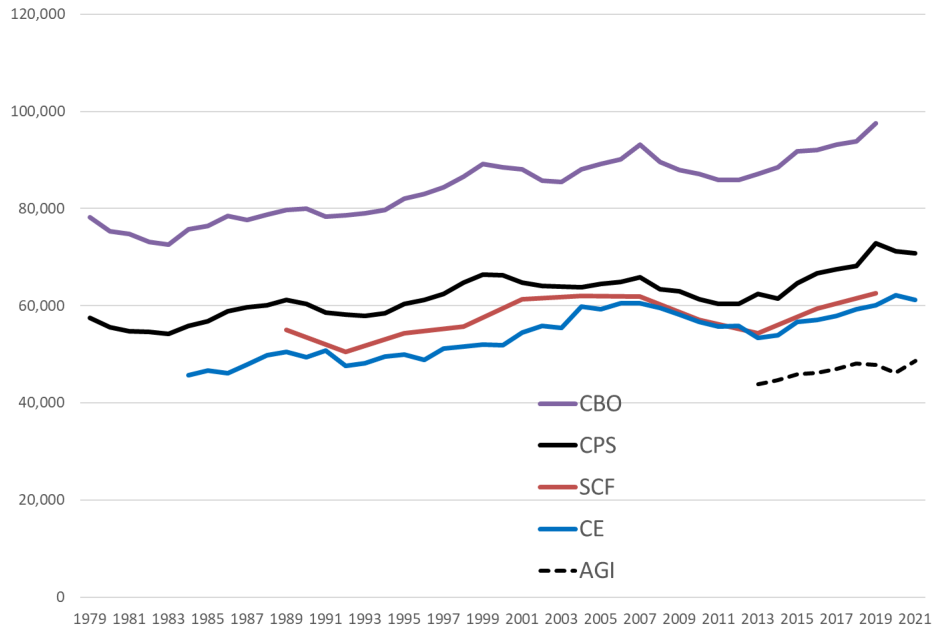


The Next Steps: Dissemination plans

- Presentations for federal agencies (today and agencies meeting, July 9)
- Presentations at professional conferences
 - Society of Government Economists, April
 - Society of Economic Measurement, August
 - International Association for Research on Income and Wealth, August
 - International Population Data Linkage Network, September
 - Federal Committee on Statistical Methodology Conference, October
 - Association for Public Policy Analysis and Management (Nov proposed)
- Presentations at research organizations (e.g., Washington Center for Equitable Growth, Stone Centers on Inequality)
- Planning a Fall CNSTAT Seminar
- Developing interactive webpage
- Create framework for consistent measures of income, consumption and wealth.
- Initiate pilot projects
- Work to create the coordinating entity and steering committee to develop data acquisition, sharing, and access protocols.

The Next Steps: The joint report with consistent statistics

Comparing Medians across surveys/agencies



- Conclusion 2-3: Multiple definitions of household income, consumption, and wealth are needed... **each definition requires specification of accompanying purpose(s)** and a transparent guide to its construction.
- Recommendation 3-2: ...annual reports should compare their estimates to those from other agencies and, to the extent possible, **identify the factors, including differences in definitions, that contribute to differences.**

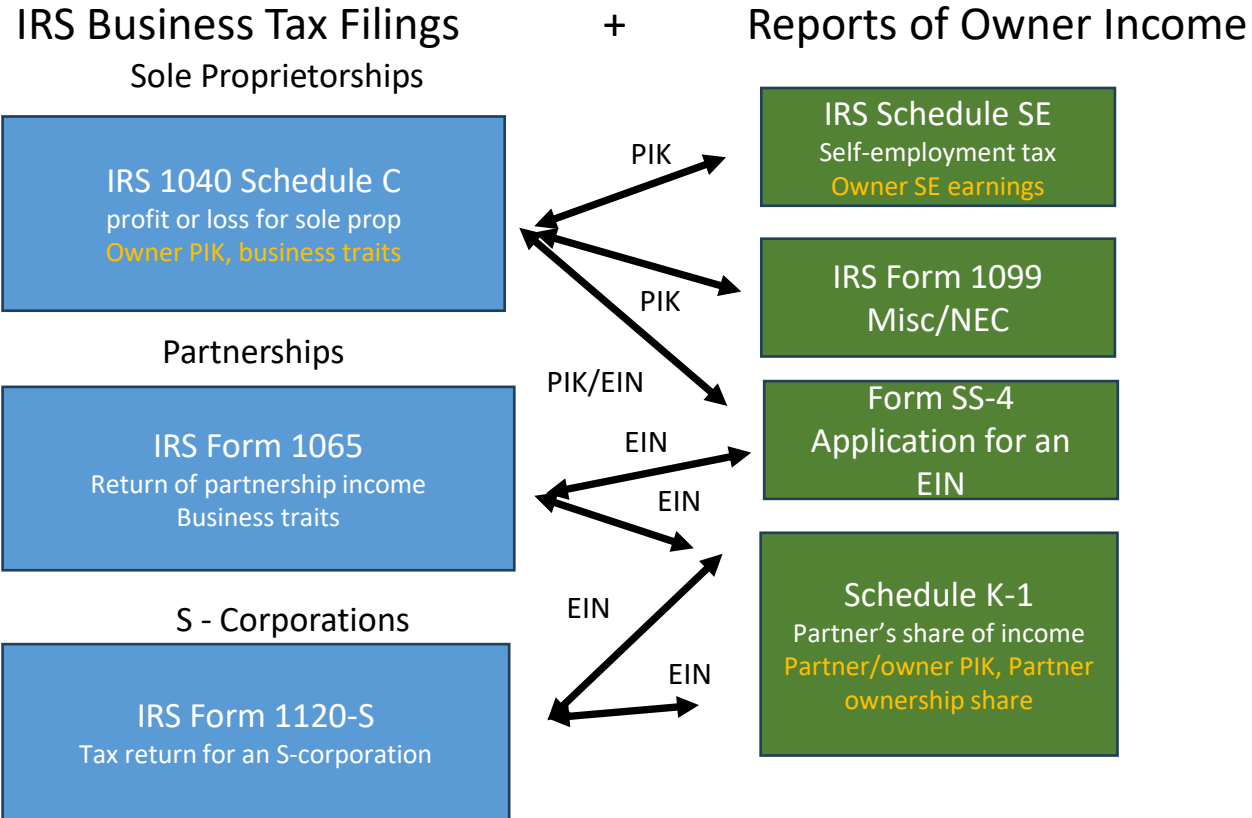
The Next Steps: The Pilot Projects

- Expanding NEWS to include government in-kind transfer programs, health benefits, income taxes, and capital gains (Census)
 - Using CID to examine income components and entire distribution, investigate possibilities to income consumption (Meyer and Wu).
- Evaluating both data constructions in Figure 5-1 to compare the estimates of income and population characteristics, particularly in the tails of the distributions.
 - Using tax data at JCT and Treasury for Figure 5-1b (Treasury and JCT)
- Building on efforts to measure spending in commercial data to improve consumer expenditure data in the CE
 - Possibility of using Affinity data (BLS found no advantage of use)
- A comparison of the consumption (or spending) estimates using the budget identity or actual estimates
 - Evaluate the budget identity and use SCF to create measures of income, wealth and savings to use with the budget identity to estimate consumption (ala Rec 5-4) (Sabelhaus)
 - Using SIPP, CE, or PSID (help from outside researchers)

The Next Steps: How can SOI help?

- Expand internal and joint agency research on improving income measurement and measures of tax credits (e.g., EIPs, EITC, CTC) as in Clark et al. (2024) CES-23-24, NEWS project, EITC take-up rates
- Expand JSRP projects with academic researchers, e.g., CID and WAM
- Expand access to tax data variables and information for Census (NEWS) and evaluation of self-employment, as in FR Notice REG-123376-22.
- Facilitate comparisons and replications of estimates of income distributions (e.g., for Piketty/Saez/Zucman and Auten/Splinter)
- Continue to provide data by geography and comparisons between income data (e.g., AGI and NIPA income)
- Investigate blending tax data and race/ethnicity data (as in Figure 5.1b in pyramid)
- Finally, what can CNSTAT do to facilitate research, access and coordination?

Need multiple tax files to examine nonemployers and self-employment jobs



Read Report, Send Questions, and THANKS



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