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Volume Title: Annals of Economic and Social Measurement, Volume 2, number 2

Volume Author/Editor: NBER

Volume Publisher:

Volume URL: <http://www.nber.org/books/aesm73-2>

Publication Date: April 1973

Chapter Title: New Perspectives in Government Data Distribution the Current Population Survey

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Chapter URL: <http://www.nber.org/chapters/c9886>

Chapter pages in book: (p. 131 - 139)

NEW PERSPECTIVES IN GOVERNMENT DATA DISTRIBUTION: THE CURRENT POPULATION SURVEY

BY JAMES D. SMITH

This article examines four areas where substantive changes in the content of the CPS may be desirable: (1) the measurement of capital gains, dividends and interest incomes; (2) the collection of data on asset holdings, such as corporate stock, real estate, and savings accounts; (3) the collection of information on consumer satisfaction with the market place; (4) the measurement of consumer satisfaction with government operations. Some of the conclusions are not uncontroversial.

Although the CPS is our major continuous source of information on the nation's population, it is not well understood and is grossly under-utilized in terms of analytical applications. The two conditions follow from the fact that the CPS has been the private data preserve of government agencies: and even within government, its use has been seriously hampered by restrictions placed upon it by the Bureau of the Census and the Department of Labor, so that most agencies have not made significant use of the files.¹

In the decades of the 30's, 40's and 50's a great deal of the intellectual resources of the economics profession went into the estimation and understanding of macro relationships. As a result of that effort, Keynesian and post-Keynesian models were fitted and improved upon until they became the "new economics" of the 60's, a policy tool which gave government the ability to more or less attain broad economic goals. Unfortunately, aggregate measures of national performance which mark the attainment of national goals mask economically and socially important problems: national unemployment levels of 4.5 percent, for instance, may exist at a time when 12 percent of young black males are out of work; a mean family income of \$7,500 does not preclude one family in five from being below the poverty line. For these and other reasons, economists and policy makers have been steadily turning their attention to microdata.

Researchers and policy makers in and out of government have used tabulations from the CPS on income distribution, labor market activity and social characteristics of the population. The Census Bureau has tried to meet their increasing needs by expanding its CPS tabulations, but it has failed. Failure was inevitable; research and policy uses of data are too diverse: producers of statistical data cannot anticipate the forms in which it will be needed. The Bureau's tabulations do not even meet the needs of its own research staff. The only satisfactory means of addressing the wide needs of users of an extensive data set, such as the

¹ It is also the case that processing the CPS involves extremely complex operations, and documentation of the process was for some parts nonexistent a few years ago. Few persons in the Census Bureau close to the CPS had a working knowledge of the processing; at one point several years ago, it was believed that one or possibly two people in the Bureau knew in detail how the CPS was processed. It is understood that the situation is substantially improved today; that adequate documentation exists and the Bureau's management is taking pains to insure a continuity of documentation as processing routines are modified to meet the demands of changing hardware and survey modifications, such as changes in sample design and treatment of missing data.

CPS. is to make the microdata available on tapes or other electronically readable media and let users process the files in ways which suit their needs.

The release of custom-made CPS files to researchers working on the President's Commission on Income Maintenance was an important step toward making the CPS a publically usable file. As will be seen in the papers by McClung and by Allen, it was only a first step, and the cost in dollars and researcher time required to make those first tapes usable was substantial. They are still barely usable outside The Urban Institute, which inherited much of the staff of the President's Commission.²

The remainder of this paper stresses the need for some substantive changes in the content of the CPS, namely:

1. The measurement of capital gains, dividends and interest incomes.
2. The collection of asset holdings in the form of corporate stock, residential real estate, and checking and savings accounts.
3. The collection of information on consumer satisfaction with the market place.
4. The measurement of consumer satisfaction with government operations.

THE MEASUREMENT OF CAPITAL GAINS, DIVIDENDS AND INTEREST

The CPS grew out of a need to gauge public welfare and public policy. In its infancy, it focused on unemployment and a narrow set of related variables, but with age it has broadened its purview of economic conditions. The number of questions asked respondents about specific types of income has steadily increased, and the CPS has become the basic source of income distribution data. However, the structure of income flows has changed over time. For instance, the preferential tax treatment accorded capital gains has encouraged individuals to convert ordinary income flows into capital gains to take advantage of the lower rates. Since federal tax statutes provide increasingly greater differentials between the capital gains rate and the ordinary rate with increasing income, the incentive to convert from ordinary to capital gains income increases with income level.³

The selection of income types to be measured separately in the CPS must take into account the incidence of such receipts in the population. Some income types which were once narrowly received, and, consequently, measured in a bundle with other low incidence types, are now more widely received than some formerly asked about separately.⁴ In Table 1 the current CPS income types (plus capital gains) are shown along with the number of tax returns which reported the income type in 1965. It will be noted that the number of returns reporting farm income were fewer than those reporting dividends, interest, and capital gains.

² Similar efforts to make the CPS files usable have been successfully carried out at the RAND Corporation and at the University of Michigan. There is a great deal of duplication of effort in the three enterprises, and given the special focus of each project and the differences in timing the only way to have avoided the duplication is to have had the release of the CPS March Supplement tapes in standard format three years ago. The CPS tapes have been available in custom-made formats for some time, but their cost is very high (\$5,000) for the March supplement for a single year. Further it is necessary for each purchaser to negotiate individually with the Census Bureau over the contents of each tape because of the Bureau's confidentiality requirements.

³ In 1965, 78% of net capital gains were reported on 16% of all returns with adjusted gross income of \$10,000 or more. See *Statistics of Income, Individual Income Tax Returns, 1965*.

⁴ Also, the CPS sample has grown to an N of 50,000 which increases its efficiency in the measurement of lower incidence items.

TABLE 1
INCIDENCE OF INCOME REPORTED ON TAX RETURNS IN 1965 BY CPS INCOME
CATEGORIES IN 1970

Income Types Grouped by CPS Categories	Millions of Personal Income Tax Returns Reported
Wages and Salaries	59.8
Nonfarm Business and Professional Practice	6.0
Farm Self-Employment	3.1
Social Security	--
Public Assistance or Welfare	--
Unemployment Compensation	--
Government Pensions	--
Veterans' Payments or Workman's Compensation	--
Private Pensions, Annuities, Alimony, Regular Contributions from Persons not in the Household	--
Dividends	5.9
Interest	23.7
Rents and Royalties	6.7
Income from Estate and Trusts [Capital Gains]	7.7

Farm income is asked about separately in the CPS, but interest and dividends are grouped together with rents and income from trusts and estates. Capital gains are not asked about, even as part of a broader category, but the incidence of capital gains was two and one-half times that of farm income.

Although they are not reported on tax returns, public assistance and welfare receipts were asked about and reported by 4.4 million families and unrelated individuals in the 1970 CPS. Private pensions, annuities and alimony were reported by 6.4 million families and unrelated individuals in the same CPS. Both welfare and the combined incidence of pensions, annuities and alimony are lower than capital gains.

The most detailed question asked about income appeared in the March 1969 CPS. In addition to the usual question on wages, salaries, professional, business and farm income, the following five blocks were included.⁵

1. Social Security or Railroad retirement checks from the U.S. Government?

Yes _____ No _____

How much altogether? \$ _____

2. a. Dividends? Yes _____ No _____

- b. Interest from savings accounts or banks?

Yes _____ No _____

- c. Net rental income or income from estates or trusts?

Yes _____ No _____

How much altogether? \$ _____

⁵ Bureau of the Budget, Household Survey Manual, 1969, p. 31.

3. Welfare payments or public assistance?
Yes _____ No _____

How much altogether? \$ _____

4. a. Unemployment compensation?
Yes _____ No _____

b. Workmen's compensation?
Yes _____ No _____

c. Government employee pensions?
Yes _____ No _____

d. Veteran's payments?
Yes _____ No _____

How much altogether? \$ _____

5. a. Private pensions or annuities?
Yes _____ No _____

b. Alimony? Yes _____ No _____

c. Regular contributions from persons not living in this household?
Yes _____ No _____

d. Anything else? Yes _____ No _____

How much altogether? \$ _____

It is claimed that asking whether one has specific types of income even without asking the amounts of such income decreases underreporting in global categories in which the specific types are components. The claim is not disputed. However, when the interviewer and respondent have gone to the point of determining a "yes" or "no" to the question, "Did you have any income from dividends?"; they have done nearly all of the work required to get the value of such income down on paper. In cases where dividend income has been unsteady due to portfolio rearrangements, the respondent will most likely be required to expend additional mental energy to arrive at estimates of his family's dividends, but this is basically the same response problem which confronts welfare recipients whose benefits have varied because of changing circumstances.

Further, it is easy to exaggerate the unsteadiness of dividend income. It should be remembered that:

a. The majority of stockholders own relatively few shares, and

b. Corporation policies appear to favor a steady dividend rate, retained earnings serving as a buffer between earnings and declared dividends.

For the great majority of dividend recipients it is believed that the mental processes set into motion by the question, "Did you have any dividend income?", generate quantitative rather than qualitative results and the respondent is equipped at that moment to provide an estimate of dividends.

On the other hand, the yes or no responses provide meager amounts of analytical grist. Changing the question to, "About how much did your family receive last year from dividends?" would require very little increase in effort by the majority of dividend receivers, and substantially increase the usefulness of the income information in the CPS.

In recommending that dividend, interest, and capital gain income be separately measured in the CPS it is recognized that there will be some problems with effi-

ciency and biases in the estimates, but they are not believed to be as great as that presented by the separate measurement of welfare income recently undertaken by the Bureau. Fortunately, much of the methodological work required to look at bias in these income types has been underway for some time in matching of tax returns with Social Security and CPS records.

THE MEASUREMENT OF CORPORATE STOCK, RESIDENTIAL REAL ESTATE AND CHECKING AND SAVINGS ACCOUNTS

Just as the needs for income distribution information have increased, so have they for wealth information. For instance, one of the problems with government poverty lines is their failure to take into account asset holdings. Older families, which are more likely to have assets in the form of house equity or savings accounts, may be considerably better off economically than younger families with the same level of income.

It is generally recognized that the collection of wealth information is more difficult than income information. Nevertheless, it is an area in which the Census has had experience although not in the CPS. Unlike the situation with income, where the concern is with rounding out a major CPS thrust, wealth items are completely overlooked in the CPS.

It is proposed that three areas of wealth be included in the March supplement:

1. Corporate stock
2. Equity in own house or apartment
3. Checking and savings accounts

Corporate stock is the least widely held of the items, but according to the New York Stock Exchange's *Census of Shareholders, 1970*, there were about 7 million shareholders in 1970—more than twice the number of families and unrelated individuals reporting farm income and nearly twice the number of welfare recipients measured by the CPS.

Fifty-seven percent of all families have some equity in their own home or apartment and 59 percent of all families have checking or savings accounts.⁶ From a sampling point of view, the problems would appear quite manageable.

Checking and savings accounts and corporate stock holding may present some response bias, but all of the assets have been measured before by the Census as well as the Survey Research Center in sample surveys. Taken together, these asset types represent about 65 percent of all directly held net worth in the country but at the same time their incidence extends well into the left tail of the wealth distribution. Only by measuring consumer durables could we hope to have better coverage in the lower end of the distribution.

The changes suggested so far all have to do with the March supplement and involve areas where the Bureau of the Census has had experience. We turn now to areas where the Bureau and other government agencies have had only indirect experience.

⁶ Dorothy Projector and Gertrude Weiss, *Survey of Financial Characteristics of Consumers*, Board of Governors, Federal Reserve System, Washington, D.C., 1966, p. 110.

CONSUMER SATISFACTION IN THE MARKET

Most of what is consumed by the public is complicated: automobiles, houses, processed foods, appliances, high-fi sets, photographic equipment, boats and similar items. The technical expertise to wisely select among alternate models of the same basic product is possessed by few individuals. In spite of a certain amount of rhetoric by the young about a return to a simpler life style, it appears unlikely that they or their elders will move in that direction. To the contrary, it appears that consumer products will become more complex and consequently less subject to individual appraisals of quality.

To some extent, private organizations such as Consumers Union have been able to supply information to consumers on the quality of specific products, and even the Bureau of Standards, with some prodding from Ralph Nader and the courts, has provided results on hearing aid tests.

One would hardly expect the Bureau of the Census to become a product testing agency in the Consumers Union or Bureau of Standards sense, but it is not at all difficult to imagine the Bureau measuring consumer satisfaction with general classes of products and services. There are numerous products and services which are consumed in great quantity by the public and about which we have no measure of public satisfaction. In a competitive market, products and services producing relatively little utility per dollar will be replaced with relatively superior ones, but in oligopolistic markets where economic power and knowledge are very unevenly distributed, inferior products may persist for long periods of time. There are a number of products and services which have attracted attention in the popular press as producing inadequate levels of consumer satisfaction. To mention a few:

1. Airline service
2. Automobiles
3. Automobile repair service
4. Medical services
5. Dental services
6. Insurance protection
7. Home repair services
8. Television programming
9. Radio programming
10. Filling station service
11. Telephone service

Some of these are areas where private enterprise functions under public franchise, but all are more or less in the private sector. In either case there is not very much known about the level of consumer satisfaction with them. A simple rating of consumer satisfaction could serve very effectively in guiding both private testing agencies and government regulatory agencies in the disposition of resources. It would also provide a basis for effective corrective action on the part of the industries themselves.

Although the rating may be simple, the interpretation of the rating will not. For instance, dissatisfaction with airline service may mean dissatisfaction with

fares, the quality of meals, discriminatory service offered to airport "club" passengers, grumpiness of stewardesses, or baggage handling.

To be sure there will be an occasional PR man who gets a bit exercised by finding the Bureau reporting an image of consumer satisfaction with his product line which is inconsistent with that depicted in his high-priced TV commercials. The reason, however, for measuring consumer satisfaction is not to make PR men happy, but to improve the quality of goods and services.

CONSUMER SATISFACTION WITH GOVERNMENT OUTPUT

Information technology has made possible a level of participatory democracy once only possible in a New England town meeting. It is possible for legislative and executive bodies at all levels of government to be informed of the views of citizens and for the latter to know the acts (good or bad) of government. The press and electronic media, in spite of bureaucratic penchants for secrecy, have maintained a relatively steady flow of information about government to the people. The reverse flow leaves much to be desired. It is distorted by the fact that the organization and transmission of information is expensive. Affluent groups with strong interests in influencing government can speak louder than individual citizens, though collectively the latter may overwhelmingly hold positions contrary to those advanced by special interests. It is only on occasion that the impetus to organization and fund raising for the commonweal is sufficiently strong to compete with the well financed lobbies of business and other special interest groups.⁷

The only frequent scientific measurements of public views on important issues are those done by the commercial polling organizations and they tend to be of limited depth. Infrequent, but detailed measurements of public opinion are done by the Survey Research Center of the University of Michigan and by the National Opinion Research Corporation at the University of Chicago. Recognizing the contribution of both the commercial and university based pollsters, it appears that the democratic process could be considerably improved if the vastly greater measuring capacity of the monthly Current Population Survey were harnessed to provide governments with unbiased estimates of public views.

Just what kinds of information are needed by governments? Two classes of information suggest themselves:

1. Public positions on the quality of government goods and services consumed at the individual level.
2. Public positions on issues which affect the public in a collective way.

An increasingly larger chunk of the national income is channeled through governments for the provision of public services. Twenty-nine cents in every dollar of personal income is taxed away by some level of government in exchange for a range of services which run from fighting wars to the maintenance of public parks. Just as consumers and producers have an interest in the operation of the private market, so too do citizens and governments have an interest in the market for public services. However concentrated private production of goods and services may be, government by its nature is a monopolist. A citizen can refuse to

⁷ Some hope for an effective citizens lobby is held out by Common Cause, but the staying power of that organization is yet to be adequately tested.

buy an automobile and use the money instead to pay for taxi service: one can refuse to use government services, but cannot refuse to pay for them. So even more than in the private market, there is a need to measure consumer satisfaction.

Some specific items of government output for which measures of consumer satisfaction would be helpful are listed below. Social scientists in the Bureau and elsewhere will add many more.

1. Police protection—"Law and order" has been so abused in political campaign rhetoric that it has become devoid of any specific meaning, but there are many dimensions of police protection about which it would be worth having some measure of citizen satisfaction. They run to the quantity and the quality of the service.
2. The efficiency with which citizens can conduct their routine business with the state-- In one's day to day life there are numerous occasions to transact business with government agencies. The purchasing of automobile tags, acquiring automobile inspection certificates, paying of federal and state income taxes, getting a building permit or a dog license, filing a complaint about a health hazard, registering a firearm, filing a deed, appealing a property tax assessment, acquiring a birth certificate or a marriage license, registering to vote, getting a visa, purchasing liquor in a state store, probating a will, and paying a traffic ticket are but a few. To the extent that citizens are pleased with the service they get, government is doing a good job, and citizens and government planners ought to know about it.
3. The collection of refuse and maintenance of the environment--One cannot help but be struck by the squalor of many urban areas. The very process of disposing one's own waste is becoming an important cost. We know very little about how the citizen sees his community's collection of his refuse or the job of keeping things tidy.
4. The facilitation of travel--Whether one travels by air, highway, or water, he is subject to certain rules imposed by governments and the monitoring of the rules plus direct government assistance has a lot to do with how quickly, safely, and comfortably individuals can get from house to work as well as from one continent to another. One has to travel only a few miles on an interstate highway leading out of a large city to realize that even some of the newest of highways are choking with traffic. To what extent are consumers satisfied with the allocation of road surface between cars and trucks? The kinds of questions that can be asked run from highway signs to railroad schedules. Americans simply spend a lot of their life getting someplace and governments regulate the process. We simply ought to start finding out how satisfied consumers are with the regulation job.

In addition to the services consumed individually, there are broad policies at the state and national levels which seriously affect the lives of citizens. Legislative and executive bodies ought to have more scientifically gathered information from citizens. There is little question that speculating about what the man on the street thinks is great fun, particularly in an election year, but there is no need to leave to speculation things which are important. As starters take:

1. A national primary
2. The redesign of the federal tax system

3. The nation's involvement in Vietnam.

All of these are complex issues and the skill required to get "good" answers is considerable. I have no doubt that the Census can do it.

There is a certain danger in having the Bureau measure things about which there is legislative debate or strong executive positions. But it is easy to exaggerate the danger. First of all, it is very hard for the Executive or the Congress to covertly force an agency to manufacture or seriously distort measurements. Along with the New York Times, there are too many Jack Andersons and Daniel Ellsbergs for the act to go unrevealed, and the revelation is almost certainly to be more harmful than any measurements an agency might make.

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