

Expert Meeting on Adjusting Historical Income and Earnings Estimates Inflation: Selecting the Optimal Inflation Index

March 22, 2022

Agenda

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| 2:00 | Welcome and Introductions

Trudi Renwick, Assistant Division Chief for Economic Characteristics, Social, Economic and Housing Statistics Division, U.S. Census Bureau |
| 2:05 – 2:25 | Suggestions of the Interagency Technical Working Group on Consumer Inflation Measures.

Rob Cage, Assistant Commissioner for Consumer Prices and Price Indices, Bureau of Labor Statistics

Greg Kurtzon, Research Economist, Bureau of Labor Statistics |
| 2:25 – 2:45 | Impact of inflation index choices on income and earnings estimates and operational challenges.

Charles Hokayem, Chief, Income Statistics Branch, U.S. Census Bureau

Matthew Unrath, Economist, U.S. Census Bureau |
| 2:45- 3:30 | Facilitated Discussion

Robert Sivinsky, Office of Management and Budget. Co-Chair of Interagency Technical Working Group on Consumer Inflation Measures. |

Invitees/Participants

Invitations were sent to approximately 250 individuals outside the Census Bureau. These included researchers from other federal statistical agencies, academia and various research institutes/think tanks. Invitees were encouraged to share the invite with others inside and outside their organizations. All the members of the OMB interagency technical working groups on consumer inflation, alternative poverty and the Supplemental Poverty Measure were invited as well as the members of the CNSTAT panel on improving the Supplemental Poverty Measure.

There were 174 participants registered for the webinar and 136 attendees. Organizations (in addition to OMB, Census and BLS) represented by the attendees included: American Enterprise Institute, Baruch College City University of New York, Bureau of Economic Analysis, Bowdoin College, Center on Budget and Policy Priorities, Center for American Progress, Center for Economic Policy and Research, CNSTAT, Columbia University, Congressional Budget Office,

Decision Demographics, Energy Information Administration, Environmental Protection Agency, Federal Reserve Board, Groundwork Collaborative, The Heritage Foundation, Health and Human Services, Housing and Urban Development, Internal Revenue Service, Joint Committee on Taxation, Joint Economic Committee, Lehman College, National Women’s Law Center, NYC Mayor’s Office for Economic Opportunity, NYC Opportunity, The Urban Institute, Treasury Department, U.S. Department of Labor, U.S. Department of Education, University of Michigan, University of Minnesota, and the Washington Center for Equitable Growth.

Background Materials

[Report to the Office of Management and Budget – Consumer Inflation Measures, June 16, 2021.](#)

[Income and Poverty in the United States: 2020. Appendix D. Historical Income Alternative Inflation Series. Pp. 77-79.](#)

Presentation Slides

Intro

BLS

Census

Summary of Facilitated Discussion

Participants were given the opportunity to ask questions and or provide comments either verbally or using the chat feature of the webinar. Several participants expressed the need for further input from data uses and the public before implementing this change. Specifically, Arloc Sherman from the Center on Budget and Policy Priorities proposed that CNSTAT be involved in the decision. Shawn Fremstad from CEPR urged that there be a more formal notice and comment opportunity. Connie Citro from CNSTAT expressed her view that given the technical work already done by the ITWG and the limited choices available for a pre-2000 index that a full CNSTAT panel would probably not be warranted. She did suggest that given the political consequences of a change, a more formal CNSTAT workshop might be appropriate and that there should be some mechanism to gather further comments.

Much of the rest of the discussion focused on concerns about the appropriateness of the use of the PCEPI to estimate price changes for the pre-2000 period since the C-CPI-U only exists for the year 2000 and forward. These concerns were that the scope of the index (contents of the market basket) and the weights used in the PCE are different than those used for the C-CPI-U. The discussion noted that for the period for which comparisons are possible, the PCEPI and the C-CPI-U move together very closely. BLS pointed out that there is a trade-off – use of an index that has a similar correction for upper level substitution or an index that has a similar scope and weighting-base.

Nick Buffie, Center for American Progress, commented that because the treatment of medical expenditures is a major difference between the C-CPI-U and the PCEPI, the similar trends in the two measures when going looking at 2000 to the present might not hold up in the 1980’s and 1990’s when health insurance prices were going up rapidly. BLS responded that they do not currently have a chained index for the pre-2000 period but that this could be on their research agenda. They also noted that the

unavailability of digitized data prior to 1980 would make it a challenge to go back to 1959 and they do not currently have funding to do this. One participant urged BLS to do the back casting.

There was a brief discussion on why the ITWG suggested the use of the C-CPI-U for median household income but not for the official poverty thresholds. BLS explained that the ITWG found that the poverty thresholds should be adjusted using an index based on the expenditures and prices faced by households with incomes around the poverty thresholds but did not reach consensus on how these household should be defined. The report suggests that BLS resolve this technical issue in developing the new index.

There was also a brief discussion about the reliability of the Consumer Expenditure (CE) Survey data. BLS reported that their research has found that more of the variance of the C-CPI-U is from the price estimates than the variance associated with the weights from the CE, which is significant but tolerable. In general, they find the CE data reliable for establishing the weights.

David Johnson, University of Michigan, suggested that the Census Bureau produce comparisons of year-to-year changes in median household income using the preliminary C-CPI-U that would be available at the time of publication of the annual report and the year-to-year changes using the final C-CPI-U that would be used for these estimates in future reports.

David Johnson asked if the BLS had plans to expand the coverage of the CPI-U from urban to the total US. BLS explained that while CE has a sample drawn to represent the total population, they would need to expand the collection of pricing and rent to include rural areas, which would require a budget boost. They did note that the current BLS definition of urban covers approximately 95% of the total population.

Shawn Fremstad brought up a couple of issues outside the focus of the webinar: the need for the Census Bureau to publish an official disposable income series and a relative low-income measure that would not rely on inflation adjustment. Census responded that users could create either of these measures using the micro data files that include the necessary components and noted that the issue of the relative poverty measure was the subject of the other ITWG on Alternative Poverty Measures.