Abstract for "Cross-national Comparisons of Changes in Expenditure Patterns Over Time"

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Equivalence scales are an important part of any comparison of economic well-being across families of different sizes and types. While there is much theoretical work on appropriate methods of calculating such scales, in practice statistical agencies tend to pick a particular scale and then stick to it over time. If patterns of consumption change over time, however, a fixed scale can fail to reflect actual changes in well-being for some types of families. For example, in the US the very rapid increase in out-of-pocket medical expenditures during the early 2000's meant that expenditure patterns for the elderly, in particular, shifted considerably, with the result that the official US poverty measure, which assumes that the elderly need less than the non-elderly, became increasingly outdated. Similarly, there is some tendency in the literature to use a standardized equivalence scale for cross-national comparisons across time, but that may also be problematic if consumption patterns change at different rates in different countries.

The goal of this paper is to examine these issues empirically for a variety of countries. This paper uses data from expenditure surveys conducted in 2000 and 2005 (or as close to those years as possible, given data limitations) to examine shifts in the composition of expenditures both within and across countries between those two years. Survey data from the United States, Canada, France, Hungary, Israel, Mexico, Switzerland and Poland are included. The paper compares patterns of expenditure (e.g., shares for major categories such as food, housing and medical) across demographic groups within each country in both years, and estimates cross-year changes by demographic group and family size categories. Significant differences in expenditure changes across groups are identified for each country, and are compared cross-nationally. Simple equivalence scales by year, country, and demographic group will also be estimated and compared.