

Perspectives on the LCS proposal

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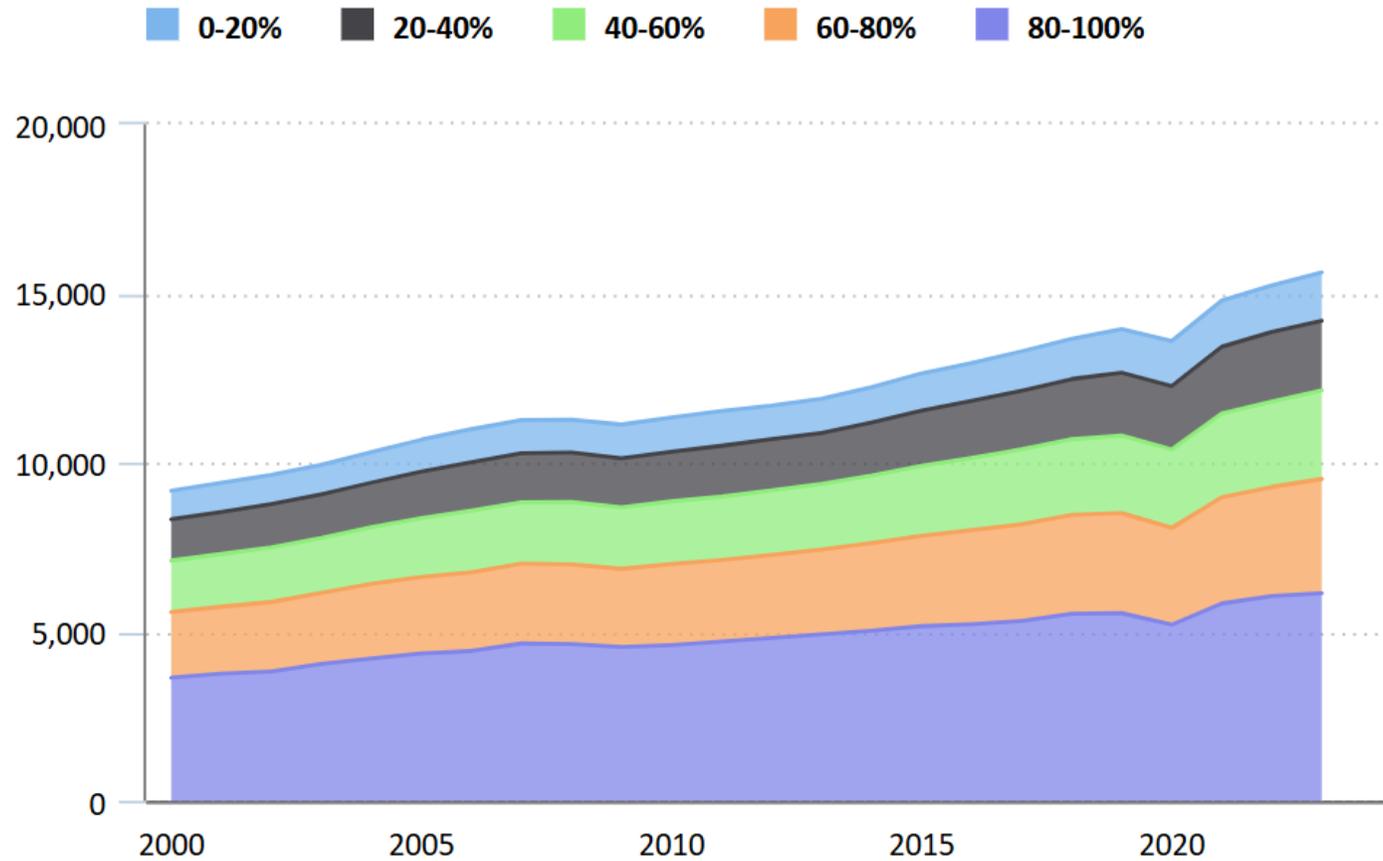
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Distribution of PCE

- Personal consumption expenditures (PCE): the primary measure of consumer spending on goods and services in the U.S. national accounts.
- Distributional estimates produced by Bureau of Labor Statistics (BLS), with support from the Bureau of Economic Analysis (BEA)
- Data sources (partial list)
 - Consumer Expenditure Surveys (CE) – primary
 - National Income and Product Accounts (NIPA) Table 2.4.5U - primary
 - Medical Expenditure Panel Survey
 - National Health Expenditures
 - Congressional reports

Real PCE by Quintile of Eq. PCE (bill. 2017 \$)



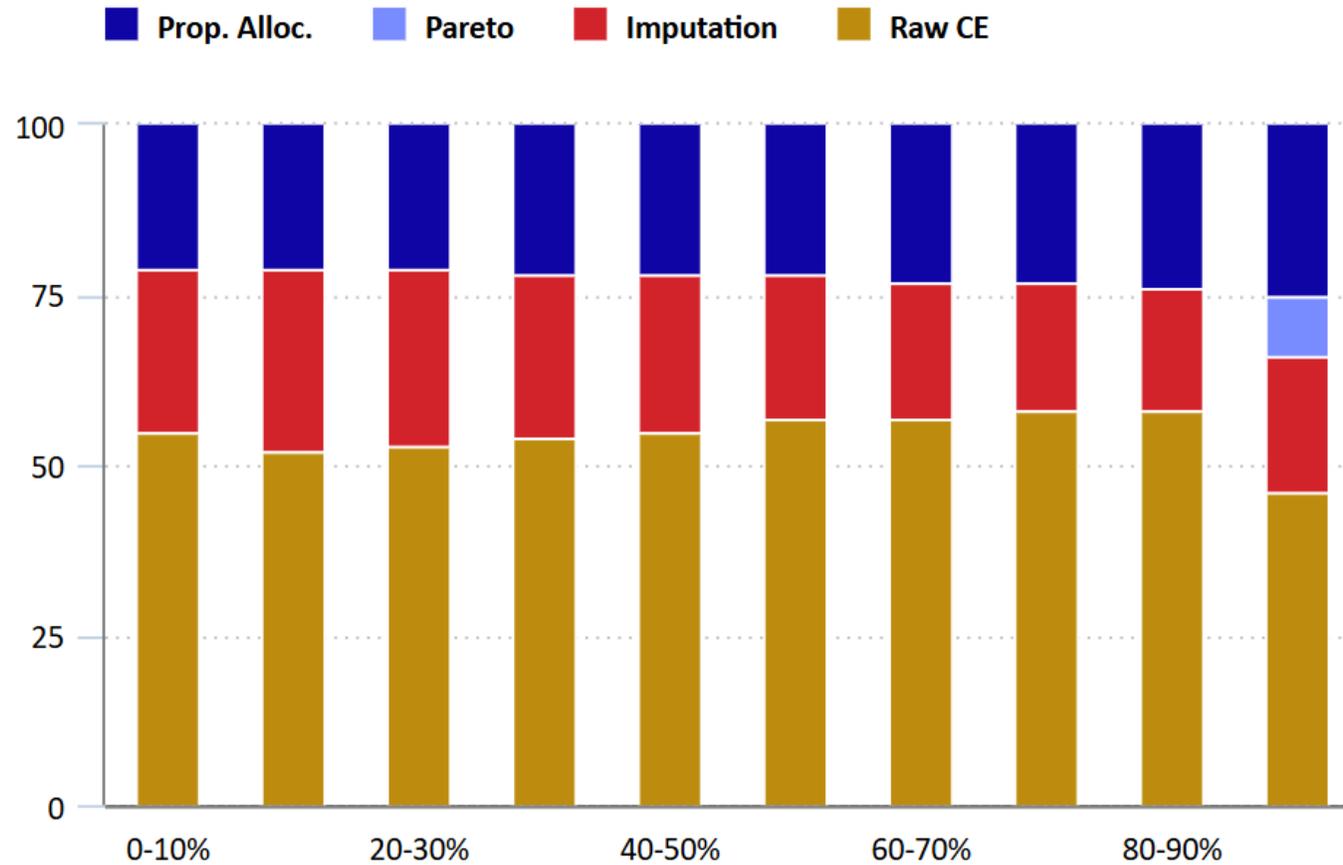
PCE vs. comprehensive consumption

- PCE includes...
 - Expenditures on nondurable goods and services
 - Rental equivalence for owned housing
 - Full purchase values of non-housing durables
 - Out-of-pocket and third-party expenditures (matters a lot for health)
 - Spending by nonprofit institutions serving households (NPISH)
- PCE excludes...
 - Most home-produced goods and services
 - Some in-kind transfers
- See <https://www.bls.gov/cex/pce-ce-distribution-methods.htm>

Overview of methodology

1. Map CE to PCE product categories
2. Match CE Diary to Interview (link and re-cal. weight for unique households)
3. Impute expenditures to the CE for some categories
4. Upper tail adjustment
5. Scale CE estimates to match PCE
6. Equivalize and compute statistics

Source Composition by Decile of PCE



Advantages and disadvantages: D-PCE

- Advantages
 - Integration with national accounts
 - Rental equivalence
 - Expansive in terms of economic transactions
- Disadvantages
 - Differences from SNA and OECD definitions
 - Missing part of STIK
 - Missing most of home production
 - Some concepts difficult to link with households

Lessons learned

- Benefits of multiple data sources
 - Hard-to-survey categories like alcohol and gambling
- Challenges with multiple datasets & frequencies
 - Statistical matching (e.g., CE Interview and Diary) is superior
 - Use cell means when you have to
- Forced to confront potential limitations in the microdata
 - Luxuries tend to be more underreported than necessities
 - Higher income households may underreport more and be underrepresented...solution difficult

Additional comments for LCS

- Clarify theoretical rather than just practical boundaries
- For comparability, eligible items (whether purchased, produced, or transferred) should be included
- Scaling to annualize may be coarse for infrequent/seasonal items
- PPP-adjusted estimates would be valuable

Questions and thank you!

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