

CELEBRATING THE RELEASE OF THE ELCA

Orazio Attanasio
(UCL & IFS)

Measurement

- Measurement is key to economics
- Measurement is key to policy.
- Measurement is hard
- Measurement tools (in social sciences as in many other sciences) need to be developed
- Measurement and theory need to talk to each other

Longitudinal data and their importance

- Longitudinal data are relatively new.
 - PSID since 1968
 - NLSY
- However they have changed the way research in economics is done.
- They are used by academics, policy makers, practitioners.
- They help bringing theory to data.
- They provide detailed information on individual choices

An important predecessor: the PSID

- Thousands of papers have been published using data from the PSID.
- A distinguishing feature of the data set is the experimentation on different components and module
- These led to important innovations in measurement:
 - For example the unfolding bracket methodology was first experimented by the PSID
 - It is now used in most major surveys of wealth

An important predecessor: the PSID

- Unique and innovative features of the PSID:
 - Family Spinoffs
 - Wealth modules
 - Recent innovations on consumption
 - Special module on child development

Why are `rich' data important?

- Individual decisions do not occur in isolation .
- Individuals make many complex choices that influence each other.
- We therefore need much information to model and understand individual decisions

Why are longitudinal data important?

- One could argue that repeated cross sections are sufficient for many purposes.
- However there are specific dimensions for which observing individuals over time is key
- Many of these decisions are intrinsically dynamic
- We therefore need longitudinal data to analyse them

Example 1: analysis of inequality

- Inequality has received much attention recently.
- Over the last 20 years many measures of inequality have increased in many countries
- The analysis of inequality is particularly salient in Latin America.

Example 1: analysis of inequality

- It is important to understand the nature of inequality.
- Distinction between 'permanent' and 'transitory' inequality
- Repeated cross sections cannot be used for this distinction
- The analysis of mobility is in turn key to understand the nature of inequality and policies to tackle it

Example 2: early childhood development

- We know that the process of human capital formation is a complex one
- There are suggestions that dynamic complementarities are important.
- To identify and quantify such complementarities we need longitudinal data

Challenges for (longitudinal) data

- The perfect data does not exist.
- We need to live with measurement error.
- A key insight is that it might be better to have two or more imprecise measures of something than one less imprecise one, closer to the gold standard.

Challenges for (longitudinal) data

- For longitudinal data attrition should be faced.
- Non random attrition is particularly worrying.
- In designing surveys, in addition to put in place measures to minimize attrition, we could create mechanisms that would ease the subsequent statistical analysis
 - (random incentives)?

Innovations are important

- Measurement tools need to be developed.
- In addition to well established measures it is important to pilot new measures.
- There are many fields in which we need to improve and develop new tools:
 - Child development
 - Consumption
 - Beliefs and attitudes
- Important conceptual and methodological issues:
 - Revealed preferences v hypothetical

Conclusions

- The release of the ELCA is an extremely important event for Colombia and for Latin America
- The survey will constitute an important resource for academic research and for the design of economic and social policy.
- The survey is young and needs to grow.