

DISCUSSION

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The two papers on which I will be commenting deal with very different subjects but are similar in that they are both reporting on innovative work. Thus, the Venezuelan Consumer Price Index has the interesting innovation of incorporating price indices for different income quartiles, something which sounds like a very good idea. At the same time, this must make the development of the price index much more expensive, since it involves not only computing different weights for the index but also sampling of different items and, of course, the collection of different prices for these different items. The question that arises, is, therefore: is it worth the cost? How much difference does it make to have price indices by income quartiles, especially with regard to measuring price change over time? One may further ask whether partitioning the income distribution by quartiles is the optimum approach. Also, is measured income the best variable to use, whether one uses quartiles or something else? Indeed, is income the best variable to use for this purpose, given that income reports are subject to substantial errors?

A second question that comes to mind is related to the fact that different institutions are involved in the estimation of the consumer price index in different cities, using slightly different methodologies. Under the circumstances, what is being done to investigate the effect of the differences in the approach of these four different institutions on the type of results being obtained?

Third, from the description of the survey design, each sample household would have a rather substantial respondent burden, having to report all items of income and expenditures, some expenditure items though only for a day, but others for as long as a year. In addition, income is to be reported both for the past month and for the last 12 months; also, a sample household is to report all types of assets and debts. This approach raises a number of questions:

- a. What is the effect of this respondent burden on response rates? On the extent of information obtained, and of item nonresponse? On the overall quality of the data?
- b. How are the income reports to be combined for the reference month and for the last 12 months? In the latter case, and also for expenditure items, how will the information be combined over different subsamples, since each has a different period of reference?
- c. Since no bounding interview was conducted, it becomes problematical whether the data on durable goods, which are based on one-year recall, do not have substantial telescoping errors. Is this being investigated?

For these reasons, it would be most desirable if information were supplied on the response rates obtained in these surveys, both overall and in terms of the response rate for particular categories of income or expenditures. I would be especially curious whether much information is

obtained on the ownership of different assets, especially tangible information on intangible assets.

Partly for this reason and partly for other reasons, it would be interesting to compare the results obtained from the price data collection procedures for the two countries, the U.S. and Venezuela, in terms of the efficiencies of the sampling procedures for items, for outlets, and for sample maintenance.

Finally, looking to the future, what provision is made for deciding when the weights for the consumer price index may be getting out of date, and a new expenditure survey is needed? In view of the manner in which time can sneak up in such matters, it would seem highly desirable to begin such planning at a very early date.

Turning to the Living Standards Measurement Study, this is a very ambitious program, badly needed, and one that has a great deal of potential. It is especially heartening to hear that plans are being made for experimentation and for the development of better techniques. At the same time, despite what has been said, I have the feeling that this may be done at the expense of overlooking valuable information about the feasibility and validity of different techniques from surveys of this type that have been carried out in these other countries, and also in this country in interviewing in low income areas and slums. Such experience is much better documented than in less developed countries and, from what I observed, the problems involved in getting income or expenditure data in, say, the south side of Chicago or north of Central Park in New York are very similar to those involved in getting similar information in the favelas of Rio or the villas miserias of Buenos Aires. There seems to be little awareness of such studies from scanning the list of references at the end of this paper, though of course scanning is not definitive.

Also, what may get little attention is studies that have been carried out by ECIEL in Latin America, and possibly by other international cooperative efforts elsewhere, that have collected such information and that have experimented with doing so. A thorough study of these data and evaluation of these procedures could save a lot of money and of grief for the World Bank, and make the later field work much better focused and more efficient.

After such a comprehensive review has been carried out, I have no doubt that there will be numerous questions that can only be answered by further experimentation, and I therefore strongly support the plan to carry out field experiments as a prelude to the main data collection operations. The experience in virtually all countries of the world has been that such field experiments have been inadequate because when the need for data of this type are recognized, nobody wants to wait till the experiments have been carried out. Even those in charge of a program don't care to wait, because they get very few brownie points for carrying out experiments, but are in a much better position to be rewarded if they can turn out masses of data for policy use. I hope that

the staff of the LSMS can resist such temptations and are able to plan and carry out what undoubtedly will be badly needed experiments on the most efficient means of collecting such data.

From this point of view, the proposed village level surveys sound quite interesting, and I hope we will be given more information about them at a later time. I would also hope that other innovative approaches are tried, such as that used initially by anthropologists, and more recently by an economist in Peru, of virtually living in a village for a while and obtaining detailed information on living patterns by a variety of techniques.

With regard to these field tests, I should like to emphasize, based on past experience, that while manuals and questionnaires are certainly essential for the type of work that is envisioned, they are no substitute for sending trained people to the field to work with the field force and the field supervisors, to ensure that instructions are carried out and that standards are maintained. The old dictum of "garbage in, garbage out" holds nowhere so much as in these income and expenditure surveys where, given the frequent low quality of government supervisory personnel and limited budgets, there is usually every incentive to shortcut procedures in the field, and there are numerous ways of doing so even with the best of questionnaires and field manuals. It is not clear what steps are being taken to deal with this problem, to pinpoint

errors and inconsistencies while it is still possible to collect further information in the field.

On a more technical point, there is a focus on seeking to obtain group differences rather than individual differences, which definitely seems wise. However, this raises a new question, namely, how these groups will be defined. Such a question becomes especially relevant if any attention is to be given to the rural areas in the less developed countries. Because there is so little communication among many of these rural areas within the same country, living patterns and styles of living can differ drastically among different sets of villages even within a couple of hundred miles of each other, especially so where villages and tribes are separated by differences in climate as well as by distance. Partly for this reason, there is the further question of the extent to which an appropriate definition of a group may serve to mask differences in inequality. As the authors are well aware, groups can easily be defined in such a way that the inequality between groups would be very small relative to the inequality within groups. If therefore the emphasis is only on the inequality between groups, the definition of a group becomes a touchy question.

All things considered, this is certainly a very ambitious program. It will be interesting to see how it will be carried out.