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Measuring Household Spending and Payment Habits
The Role of "Typical" and "Specific" Time Frames in Survey Questions

Marco Angrisani, Arie Kapteyn, and Scott Schuh

15.1 Introduction

The rapid transformation of the US payment system and the increasing availability of new payment instruments have greatly changed household spending habits and use of payment methods. Understanding these trends has important policy implications. First, an assessment of consumers' preferences and financial literacy may help enact regulations, laws, and educational programs to protect and support consumer payment choices. Second, identifying which individual characteristics and personal traits drive such preferences and determine spending attitudes is critical to targeting interventions aimed at reducing households' exposure to consumer debt and boosting lifetime savings.

The Survey of Consumer Payment Choice (SCPC), developed by the Federal Reserve Bank of Boston and administered in the RAND American Life Panel (ALP), offers a unique opportunity to study these questions. While it is seldom done in practice, there seem to be clear potential advantages in allowing the respondent to choose the frequency in reporting behavior in surveys.

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The fundamental reason is that this gives the respondent the flexibility to select a time frame of recall that is best suited to their way of thinking and their habits. The hope is that this will provide more accurate individual results and, thus, more reliable global results. The intuition that certain payments naturally correspond to certain frequencies seems to be verified by the results of the 2010 SCPC. For example, when asked to provide information about cash expenditures in retail, 52.7 percent of respondents chose the weekly frequency, with only 10.8 percent answering on a per annum basis. An even stronger example relates to check usage for bill payments, where 67 percent of respondents answered using the monthly frequency, which might be expected as many bills are due on a monthly basis. However, when adopting such a novel survey approach, it is important to understand the nature of the collected data and how the specifics of the question might influence the response. In the SCPC, those who answered on a weekly basis on average reported 173.3 yearly cash transactions in retail, while those who reported on a monthly basis reported an average of 51.9, and those who reported on an annual basis averaged 11.2. Of course, it might be expected that the choice of reporting frequency is not independent of usage frequency, with those that use a payment type more often finding it easier to think on a weekly basis. However, the differences observed are quite large and it might be that at least part of this is due to bias imposed by the frequency choice.

Measuring the frequency with which people perform regular actions, such as purchasing consumer goods, is not a simple task. The cognitive process used by subjects to answer a frequency question, in fact, may differ substantially depending on the question content and format (Chang and Krosnick 2003). The SCPC asks respondents about their spending and payment behavior during a "usual" or "typical" period (week, month, or year). This type of question may conceivably trigger a rate-based estimation, in which individuals construct an occurrence rule and apply it to the reference time frame. An alternative approach is to elicit behavior frequency within "specific" time periods, such as past day, week, month, or year. In this case, respondents may be more likely to use episode enumeration, in which they recall and count episodes from a well-specified time frame. The reason for the SCPC to choose "typical" is that its aim is to develop aggregate US estimates of payment use that accurately reflect the trend of payment use. A concern with the use of a specific period is that it has at least two components in it—trend and nontrend, where the latter may include seasonal and other deterministic effects, cyclical effects, and idiosyncratic consumer effects. Using "typical" may help respondents focus on the trends and strip away the other sources of volatility.

Individuals tend to balance effort and accuracy in selecting formulation processes and the trade-off is often determined by the accessibility of the information in memory. The answer to a question about a specific recent period entails shorter-term recall than does one about a typical period and may therefore be subject to smaller recall error. On the other hand, it may represent a less accurate description of average behavioral frequencies, especially when sample sizes are not too large. The issue of determining the optimal recall period has a long history of study in several disciplines (for instance, Mahalanobis and Sen 1954; Deaton and Kozel 2005). In the measurement of expenditures, recall periods may vary from one day to a year. Often different periods are chosen for different types of expenditures: long periods for major purchases of durables, for instance, and short periods for small, frequently purchased items. There are various cognitive processes determining the accuracy of retrospective reports including telescoping (events that took place in the past, are reported as more recent than they really were) and straightforward forgetting. The latter is particularly relevant for the measurement of small expenditures. Deaton and Grosh (2000) and Deaton (2001) provide an extensive discussion of the effects of varying recall periods on measured consumption (and its distribution). Assessing the quality and validity of individual reports referring to specific and typical periods of different lengths is an interesting methodological question with important implications for the design of consumer spending surveys and their use for policy analysis.

With this objective in mind, we have designed and fielded an experimental module in the ALP where we ask individuals to report the number of their purchases and the amount spent by debit card, cash, credit card, and check. The experimental design features several stages of randomization. First, three different groups of sample participants are invited every month to answer the survey. Each respondent is randomly assigned to an entry month (July, August, or September 2011) and is interviewed four times during a year, once every quarter (e.g., the respondents entering in July are reinterviewed in October, respondents entering in August are reinterviewed in November, etc.). Second, for each method of payment a sequence of questions elicits spending behavior during a day, week, month, and year. At the time of the first interview, this sequence is randomly assigned to refer to "specific" time spans or to "typical" time spans. In all subsequent interviews, a specific sequence becomes a typical sequence and vice versa. Finally, the order of the time frames (day, week, month, year) within a sequence is randomly determined so as to reduce anchoring or order effects.

This design generates both between- and within-subjects variation for our research purposes. In each quarter, we will have one group of respondents answering about specific periods and another group answering about typical periods. Within these two subsamples, we will compare answers to different reference periods and evaluate the effect of shorter versus longer recall spans. Also, the randomization of the period sequence (day, week, month, year) will allow us to gauge the degree of dependency among answers referring to different time spans. For instance, is the number of payments in a typical week consistent with the number of payments in a typical day or month? At the same time, we will be able to compare, for a given reference period, reported frequencies within a specific time frame and a typical time frame.

Over two subsequent quarters, we will have individual changes from a specific to a typical period and individual changes from a typical to a specific period. By studying the direction of these changes, we will get insights on whether any of the two formats leads to systematic over- or underreporting and on whether the "intensity" of the bias differs depending on the length of the reference period (day, week, month, or year).

Over the four planned waves, we will have changes over time for each specific and typical period. Hence, we can analyze how stable answers are for different question formats. A priori, one would expect reported payment frequencies and spending amounts within typical periods to be less volatile than those within specific periods. Moreover, one would expect such differences to decrease with the length of the reference time frame. Consistency of answers could be treated as an indicator of reliability of the measurements.

An interesting output of this analysis is an assessment of how alternative measures obtained from different question formats correlate with individual characteristics such as education, cognitive ability, and wealth. We will also test the validity of such measures by evaluating their association with criterion variables (i.e., variables with which we expect spending and payment habits to correlate relatively strongly and in a specific way). Possible criterion variables among those already collected by the SCPC are household income, respondents' financial responsibility within the household, individual financial literacy and cognitive capability, and consumers' opinion about the characteristics—security, convenience, acceptance for payment, and cost—of a particular payment instrument.

The first wave of this experimental module has now been completed. In this chapter, we describe the experimental design and the characteristics of the sample (section 15.2) and provide some preliminary evidence of the role played by time frames when eliciting spending and payment habits in household surveys (section 15.3).

Our main findings are two. First, when referring to short reference periods, such as a day or a week, respondents tend to report higher number of payments and amounts spent. Differences between answers to monthly and yearly questions are relatively small. Second, the probability of reporting nonzero payments by debit cards, cash, and credit cards, is significantly higher when reporting for typical than for specific periods, while there is no differential effect for checks. At the same time, reported amounts spent are systematically lower for typical than for specific reference periods across the four payment instruments.

15.2 Data and Experimental Design

15.2.1 The Sample

The study is carried out on a sample of individuals participating in the American Life Panel (ALP), an Internet-based survey administered by the

RAND Corporation. Respondents in the ALP either use their own computer to log on to the Internet or they are provided with a small laptop or a WebTV to access the Internet. About twice a month, sample participants receive an e-mail with a request to visit the ALP URL and fill out specific questionnaires. Typically, an interview takes no more than thirty minutes and respondents are paid a monetary incentive proportional to the length of the interview (about seventy cents per minute, or twenty dollars per thirty minutes). Most respondents respond within one week and the vast majority within three weeks. To further increase response rates, reminders are sent each week. For the current study, 97 percent of the sampled individuals completed the survey within one week, 2.5 percent between two to three weeks, and only 0.5 percent took four weeks.

There are currently 5,000 members in the ALP, mainly recruited from survey programs that collect representative samples of US consumers.[1] For this study we rely on a sample of 3,285 individuals, whose characteristics are summarized in table 15.1.

15.2.2 The Experiment

About one-third of the selected sample is invited every month to answer the experimental module. Each participant is interviewed four times during a year, once every quarter. The first wave of the survey was fielded during the summer of 2011. Specifically, respondents were randomly assigned to three different entry dates—July 15th, August 15th, and September 15th—and are scheduled to be reinterviewed every three months since then. For instance, those who started on July 15th, 2011, are asked to take the second wave of the survey on October 15th, 2011, the third wave on January 15th, 2012, and the fourth wave on March 15th, 2012. (See table 15.2.)

The survey features questions about the four most common methods of payment adopted by US consumers in recent years, as documented by Foster et al. (2008, 2009). These are, in order of importance, debit cards, cash, credit cards, and personal checks. For each method of payment, sample participants are asked to report first the number of transactions made and then

1. Until August 2008, most participants were recruited from the pool of individuals age eighteen and older who were respondents to the Monthly Survey (MS) of the University of Michigan's Survey Research Center (SRC). The MS is the leading consumer sentiment survey that incorporates the long-standing Survey of Consumer Attitudes (SCA) and produces, among others, the widely used Index of Consumer Expectations. After August 2008, the ALP did not receive new members from the University of Michigan's MS. A subset of participants (approximately 550) has been recruited through a "snowball" sample. That is, respondents were given the opportunity to suggest friends or acquaintances who might also want to participate in the panel. These were then contacted and asked if they wanted to join the ALP. In the fall of 2009, a new group of respondents (approximately 600) was recruited from the National Survey Project (NSP), an NSF-funded panel of Stanford University and Abt SRBI. More recently, the ALP has begun recruiting from a random mail and telephone sample using the Dillman method, as well as from vulnerable populations so as to increase the representation of minorities and less affluent individuals.

Table 15.1 **Sample characteristics**

Gender/age			Gender/education			Gender/income		
	Freq.	Perc.		Freq.	Perc.		Freq.	Perc.
M, age 18–34	248	7.55	M, high school or less	268	8.16	M, income < 35k	375	11.45
M, age 35–54	507	15.43	M, some college	476	14.49	M, income 35–59k	352	10.75
M, age 55+	578	17.60	M, college+	589	17.93	M, income 60k+	601	18.35
F, age 18–34	475	14.46	F, high school	426	12.97	F, income < 35k	746	22.78
F, age 35–54	774	23.56	F, some college	823	25.05	F, income 35–59k	510	15.57
F, age 55+	703	21.40	F, college +	703	21.40	F, income 60k+	691	21.10
Total	3,285	100.00	Total	3,285	100.00	Total	3,275	100.00

Note: The total number of respondents is different in panel 3 (Gender/income) due to household income being missing for ten respondents.

Table 15.2 **Randomization 1: Entry date**

	Freq.	Perc.
July 15th	1,067	32.48
August 15th	1,079	32.85
September 15th	1,139	34.67
Total	3,285	100.00

Table 15.3 **Randomization 2: "Specific past" and "typical" recall periods**

1st interview		2nd interview		3rd interview		4th interview
Specific past	→	Typical	→	Specific past	→	Typical
Typical	→	Specific past	→	Typical	→	Specific past

the amount spent in four recall periods: a day, a week, a month, and a year. At the time of the first interview, each respondent is randomly assigned to answer about "specific past" recall periods or "typical" recall periods. In all subsequent waves, those who answered about specific past recall periods in the previous interview are asked to answer about typical recall periods and vice versa. Thus, each sample participant faces two possible initial options—specific past and typical recall periods—and two possible paths over the entire survey originating from them as shown in table 15.3.

After the type of recall period (specific or typical) has been assigned, a further stage of randomization determines, at each interview and for each respondent, the order in which the four payment instruments appear in the questionnaire. Moreover, the order of the recall period sequence (day/week/month) is randomly allocated to each method of payment so as to reduce mechanical answers and systematic anchoring or order effects. Questions referring to the year are always asked after the respondent has reported about all other recall periods.[2] Table 15.4 illustrates the random assignments.

Our experiment design does not allow the respondent to choose a particular frequency (as in the SCPC), but each survey participant answers about four possible recall periods. This choice prevents us from studying how the rate of payment use (e.g., very frequent use of cash for daily purchases) induces selection into particular time frames (e.g., choosing day as a reference period when answering about cash payments). On the other hand, it

2. In a pilot test we randomized the whole period sequence (day/week/month/year). Respondents' feedback revealed strong reluctance to answer the "year" question at the beginning of the recall period sequence. We therefore decided to permute only day, week, and month, while keeping the year question at the end of the sequence for each method of payment. We acknowledge that this may cause some anchoring effects. On the other hand, however, it makes it easier for survey participants to approximate the number of payments and the amount spent over a long time span such as one year.

Table 15.4 **Randomization 3: Recall period sequence and payment methods**

	Specific past period					Typical period				
	Debit	Cash	Credit	Check	Total	Debit	Cash	Credit	Check	Total
Day/week/month	263	257	271	273	1,064	305	267	263	268	1,103
Day/month/week	272	261	243	277	1,053	284	287	274	287	1,132
Week/day/month	230	272	274	275	1,051	265	282	285	278	1,110
Week/month/day	309	277	252	261	1,099	274	276	279	268	1,097
Month/day/week	278	274	287	238	1,077	278	255	295	272	1,100
Month/week/day	277	288	302	305	1,172	250	289	260	283	1,082
Total	1,629	1,629	1,629	1,629		1,656	1,656	1,656	1,656	

enables us to analyze whether reporting behavior exhibits systematic differences for each method of payment across recall periods of different length. It should be noted that blocking questions by payment method and not by recall periods has the advantage of attenuating possible "seam" effects (Rips, Conrad, and Fricker 2003; Ham, Li, and Sheppard 2007; Moore et al. 2009). That is, the tendency of providing relatively similar answers for each recall period within one wave and relatively different answers across waves. This issue may conceivably arise if respondents adopt "constant responding" strategies so as to simplify the reporting task. For instance, when asked about the number of payments in a week, survey participants may be inclined to provide the same answer for all payment instruments in order to minimize the mental effort. Our design should discourage such behaviors and therefore reduce the importance of seam effects in our survey.

Defining "Specific Past" Recall Periods

In this section, we briefly discuss how specific past recall periods are defined in our study. A specific past day is determined by randomly drawing a number from one to seven, which pins down the specific recent day the respondent has to refer to. For example, if the respondent answers the survey on a Tuesday and the random number is five, he or she will have to refer to the previous Thursday when answering questions about a specific past day.

An alternative design would be to ask individuals about payments executed during the day prior to the interview. While this choice would reduce the time of recollection and perhaps increase response accuracy, it has a substantial drawback. Since sample participants are more likely to answer the questionnaire during the first three days after receiving the ALP URL, referring to the day prior to the interview would cluster the reference day on specific days of the week and, hence, reduce its representativeness.[3] For this reason, a design that randomly selects a specific day during the week prior to the interview is to be preferred.

The specific past week is defined as follows: For each interview date, an algorithm goes back seven days and pins down the reference week. Thus, if the respondent answers the interview on July 27th, the specific past week is defined as the time since July 20th. Similarly, the specific past month and specific past year are anchored to the interview date. Thus, if the respondent answers the questionnaire on July 27th, 2011, the specific past month is defined as the time since June 27th, 2011, whereas the specific past year is defined as the time since July 2010.

3. Among those who entered the survey on July 15th, 2011, 41 percent answered the survey during the first three days after receiving the ALP URL and 55 percent during the first five days. Among those who entered the survey on August 15th, 2011, 57 percent answered the survey during the first three days after receiving the ALP URL and 65 percent during the first five days. Among those who entered the survey on September 15th, 2011, 55 percent answered the survey during the first three days after receiving the ALP URL and 65 percent during the first five days.

Table 15.5 **Number of payments**

		Specific past period				Typical period			
		Day	Week	Month	Year	Day	Week	Month	Year
Debit	1st quartile	0	0	0	0	0	0	0	0
	2nd quartile	0	1	3	20	0	2	4	39
	3rd quartile	1	5	12	140	2	5	20	204
	Mean	1	4	13	171	1	5	15	291
	No. of obs.	1,460	1,463	1,464	1,445	1,524	1,527	1,525	1,524
Cash	1st quartile	0	0	0	0	0	0	0	5
	2nd quartile	0	1	4	24	0	2	5	50
	3rd quartile	1	4	10	100	1	5	15	200
	Mean	1	5	15	152	1	4	15	260
	No. of obs.	1,467	1,469	1,464	1,441	1,529	1,529	1,525	1,521
Credit	1st quartile	0	0	0	0	0	0	0	0
	2nd quartile	0	0	2	10	0	0	2	12
	3rd quartile	0	3	10	85	1	3	8	108
	Mean	1	3	12	161	1	3	8	135
	No. of obs.	1,464	1,464	1,467	1,448	1,529	1,529	1,530	1,530
Check	1st quartile	0	0	0	1	0	0	0	4
	2nd quartile	0	0	2	20	0	0	2	24
	3rd quartile	0	2	6	63	0	1	6	60
	Mean	0	2	6	78	0	1	5	105
	No. of obs.	1,468	1,470	1,470	1,454	1,528	1,519	1,534	1,527

Note: Statistics are computed excluding the top 1 percent of the variables' distribution.

This procedure avoids variation across individuals in the difficulty of their recall task. For instance, if we were to define the specific past month as the month prior to the one when the interview took place, we would have two persons, one answering on July 2nd, 2011, and one on July 27th, 2011, referring both to June 2011 while facing substantially different recollection times.

15.3 Results

15.3.1 Descriptive Statistics

Summary statistics reported in tables 15.5 and 15.6 reveal interesting results and, when comparison is possible, confirm the findings by Foster et al. (2008, 2009). Across all instruments, both the median and the average number of reported payments are mostly higher in typical recall periods than in specific ones. Credit cards are somewhat of an exception in that the mean number of credit card payments per year and per month is higher for specific than for typical periods. This reflects a more skewed distribution of the number of payments in specific years and months than in typical ones.

Table 15.6 **Amount spent (in current dollars)**

		Specific past period				Typical period			
		Day	Week	Month	Year	Day	Week	Month	Year
Debit	1st quartile	0	0	0	0	0	0	0	0
	2nd quartile	0	10	150	800	0	35	200	1,200
	3rd quartile	25	200	586	5,000	25	140	600	6,000
	Mean	39	141	430	4,332	17	90	409	4,864
	No. of obs.	1,475	1,475	1,466	1,466	1,542	1,542	1,543	1,543
Cash	1st quartile	0	0	0	0	0	0	0	30
	2nd quartile	0	20	75	500	0	20	100	1,000
	3rd quartile	15	95	300	2,080	10	70	300	3,000
	Mean	21	81	230	1,981	10	52	200	2,295
	No. of obs.	1,472	1,475	1,475	1,475	1,543	1,543	1,543	1,543
Credit	1st quartile	0	0	0	0	0	0	0	0
	2nd quartile	0	0	82	750	0	0	100	882
	3rd quartile	0	160	650	6,000	20	100	500	6,000
	Mean	29	162	605	5,677	15	88	477	5,560
	No. of obs.	1,475	1,473	1,475	1,475	1,539	1,522	1,540	1,542
Check	1st quartile	0	0	0	0	0	0	0	100
	2nd quartile	0	0	240	2,134	0	0	260	2,400
	3rd quartile	0	215	900	9,600	0	100	875	9,000
	Mean	47	252	727	7,282	11	86	634	6,663
	No. of obs.	1,475	1,475	1,474	1,475	1,543	1,543	1,543	1,538

Note: Statistics are computed excluding the top 1 percent of the variables' distribution.

The difference in skewness between specific and typical distributions is most pronounced when we consider the amounts spent. For all four payment instruments and for day, week, and month, average amounts are larger when we ask for specific periods than when we ask for typical ones, while median amounts are smaller. The differences between specific and typical periods decrease as the length of the recall period increases. In fact, when the reference period is a year, differences are rather modest. These patterns point to higher variances in the reported specific amounts than in the typical amounts. This is consistent with the notion that specific amounts are noisier, since these include intertemporal variation that gets smoothed out when asking for typical periods.

Across all possible payment instruments we compute that the median (average) consumer conducts twenty-two (thirty-six) transactions in the previous month, spending $1,320 ($1,839). When considering a typical month, we find a median number (average) of payments equal to and twenty-nine (forty) and median (average) spending of $1,300 ($1,599). Respondents rely more heavily on debit cards and cash to make their transactions, while credit cards and personal checks are the third and fourth most common methods of payment, respectively. As for the amount spent, survey participants indicate using mainly personal checks and credit cards for large purchases and debit cards and cash to pay for relatively smaller amounts. Such rankings appear to be robust to variations in the type and length of the recall period.[4]

Given the randomization of the sequence (day/week/month), our experimental design allows us to assess the degree of dependency among answers referring to different recall periods. For instance, is the number of payments in a specific or typical week consistent with the number of payments in a specific or typical month? Also, is the answer to a particular reference period systematically anchored by the one given in the preceding question? We investigate these issues in table 15.7, where, to help the comparison, we express reported values for day, week, and month in yearly equivalents.

Overall, answers to month and year questions are reasonably consistent, while relatively large discrepancies can be observed between spending reports referring to short (day and week) and long (month and year) recall periods. There is also evidence that answers are anchored to those given in the preceding question. Particularly for checks, the total number of payments for both specific and typical reference periods is highest for the sequence D/W/M/Y, followed by W/M/D/Y. For debit cards a somewhat similar pattern seems to emerge, but it is less uniform. Looking across reporting periods, we observe that when day is the first reference period, annualized frequencies of payments tend to be higher when based on daily reports.

The order of the recall period sequence also influences reported values. An interesting contrast emerges when comparing number of payments for checks and the total value of check payments. The annualized values across the different sequences are perfectly negatively correlated with the annualized frequencies. That is, the higher the reported number, the lower the annualized value. For cash, the amount spent tends to be higher for the "increasing" sequence day/week/month than for the "decreasing" sequence month/week/day.[5]

4. The Survey of Consumer Finance (SCF) is perhaps the best source of comparable information for the data collected in this study. The SCF, however, only contains information about the adoption of some noncash payment instruments and the amount spent by credit card. In the 2007 SCF, the percentage of consumers who had adopted debit cards was 67, the percentage of those who had adopted credit cards was 73, and the percentage of those who had adopted checks 89.7. Using answers to typical-year questions, the percentages of ALP respondents reporting a nonzero number of transaction by debit card, credit card, and check are 67, 63, and 77, respectively. In the 2007 SCF the average US household made $850 worth of credit card charges per month. Table 15.6 shows that the average monthly amount spent by ALP respondents in 2011 using credit cards is roughly $500 (in current dollars). Although the information collected in the two surveys is not fully comparable (SCF has household as the unit of measurement, while our analysis is based on individuals), these statistics seem reasonably in line, especially after taking into account that households have significantly decreased the use of credit cards during the recent economic turmoil.

5. For all the other recall period sequences not reported in table 15.7, there are no appreciable differences with respect to the patterns commented above.

Table 15.7 **Mean values in yearly equivalents for different recall period sequences**

		Specific past period				Typical period			
		Day	Week	Month	Year	Day	Week	Month	Year
		(number of payments)							
Debit	D/W/M/Y	612	223	247	175	430	301	225	242
	W/M/D/Y	376	381	198	134	394	275	250	255
	M/W/D/Y	243	118	164	189	272	139	92	145
Cash	D/W/M/Y	226	77	51	53	95	49	111	208
	W/M/D/Y	238	171	130	156	354	235	341	421
	M/W/D/Y	188	202	144	136	391	181	233	238
Credit	D/W/M/Y	197	143	221	136	180	124	88	125
	W/M/D/Y	98	92	239	69	88	52	61	56
	M/W/D/Y	220	172	136	162	240	163	126	156
Check	D/W/M/Y	222	158	112	141	300	242	149	183
	W/M/D/Y	98	123	92	110	153	117	97	106
	M/W/D/Y	80	75	54	64	76	57	52	56
		Amount spent							
Debit	D/W/M/Y	20,765	7,869	5,139	3,935	7,471	4,328	4,264	3,880
	W/M/D/Y	11,065	4,648	2,237	1,776	3,760	2,547	2,263	2,208
	M/W/D/Y	16,837	8,302	6,484	5,317	5,836	4,516	5,350	5,515
Cash	D/W/M/Y	27,917	12,683	8,710	8,645	4,560	3,341	7,126	6,584
	W/M/D/Y	10,649	7,609	5,179	4,153	5,527	5,001	5,848	5,844
	M/W/D/Y	6,136	4,022	2,272	1,805	3,427	2,704	2,469	1,862
Credit	D/W/M/Y	7,872	11,576	7,887	6,151	5,103	4,836	5,428	5,812
	W/M/D/Y	8,652	14,825	10,164	7,520	3,490	4,276	7,110	7,619
	M/W/D/Y	7,700	5,902	5,529	5,040	5,040	3,695	4,724	3,827
Check	D/W/M/Y	4,998	3,372	2,948	1,949	2,360	2,380	2,376	2,449
	W/M/D/Y	5,087	5,437	6,694	4,382	4,875	5,346	6,367	5,592
	M/W/D/Y	7,858	12,834	8,547	7,442	3,755	5,715	7,911	6,456

Notes: Statistics are computed excluding the top 1 percent of the variables' distribution. Reported number of payments and amount spent for day, week, and month are expressed in yearly equivalents.

15.3.2 Regression Analysis

We now turn to the analysis of the experimental data in a regression framework so as to quantify the effect that different type—specific or typical—and length of recall periods have on household spending habits as elicited by our module. Throughout this section, we will focus on two outcomes: the reported number of payments and the amount spent using one of the four payment methods in a particular time frame. As a preliminary step, we express these two variables in yearly equivalents, whenever the recall period is a day, a week, or a month. This transformation will ease the interpretation and help the comparison of estimated coefficients across recall periods of different length.

Given the experimental design described above, we have four individual reports for each method of payment, one per day, one per week, one per month, and one per year. Our strategy is to express these individual reports in yearly equivalents and regress them on question format indicators. We use relatively flexible specifications allowing the length of the reference period to interact with the type of recall frame—specific or typical—and with an indicator for the starting period in the reference period sequence. We control for a set of individual characteristics including gender, age, education, and family income, as well as for survey-specific factors such as the time it took the respondent to complete the questionnaire. In order to account for correlation between observations within each individual unit, we cluster standard errors at the respondent level.

In tables 15.8 and 15.9 we focus on the number of payments. Specifically, we first present ordinary least squares (OLS) estimates and then test hypotheses across various question formats.[6] The regression results confirm the patterns of the descriptive analysis in the previous section. Respondents report a substantially higher number of payments when referring to short time spans, such as a day or a week, than when referring to longer spans, such as a month or a year. For instance, the marginal effects (shown in table 15.10) implied by the regressions in table 15.8 reveal that individuals report fifty-one more debit card payments when referring to a week than to a month, thirty more cash payments, thirty-three more credit card payments, and twelve more check payments. These differences more than double if we compare reports referring to a day with those referring to a month. On the other hand, there are relatively small discrepancies between frequencies elicited using month and year as reference periods. Comparing typical and specific reference periods, we see that asking for the number of payments with debit cards or cash yields frequencies that are about 48 transactions higher when referring to typical periods than when we use specific periods; on the other hand, for credit cards and checks, typical periods yield respectively 18 and 24 fewer reports per annum than when asking for frequencies in specific periods. The hypothesis tests in panel A of table 15.9 show that these differences are highly significant.

Given the mixture of observations with zero and positive values for spending amounts and its different balance across the various methods of payment, we estimate a hurdle model for the reported amount spent. Compared to OLS, this approach allows us to relax the assumption that zero payments

6. Zero payments could reflect either nonadoption of the payment instrument by the respondent or spending inactivity by the respondent; the latter could occur even if the respondent adopted the instrument. Count data models for the number of payments give very similar results to the OLS estimates presented here. Specifically, allowing for unobserved heterogeneity, which would imply overdispersion in the number of reported transactions, we estimate a negative binomial model with quadratic variance. Moreover, in order to deal with the large number of reported zeros for short recall periods and/or for less common payment instruments (e.g., personal checks), we consider a zero-inflated negative binomial model (Cameron and Trivedi 1998), for which the process generating zero observations differs from the one producing positive values. The results of these regressions are available upon request.

Table 15.8 **OLS regressions for number of payments**

Recall period	Version	Sequence starting period	Debit	Cash	Credit	Check
Day	Specific	D	262.2***	216.5***	131.7***	170.7***
			(41.5)	(43.4)	(28.8)	(26.2)
		W	105.7***	77.6*	112.3***	47.7**
			(30.6)	(42.1)	(28.5)	(19.4)
		M	133.5***	82.7**	53.4**	22.0
			(32.0)	(40.8)	(21.3)	(14.9)
Day	Typical	D	306.4***	186.8***	121.5***	39.8***
			(33.1)	(35.9)	(22.0)	(13.9)
		W	203.9***	160.0***	80.6***	19.6
			(30.1)	(38.2)	(19.1)	(12.9)
		M	160.9***	132.8***	79.2***	17.5*
			(22.6)	(31.3)	(14.2)	(9.8)
Week	Specific	D	50.8*	2.9	19.3	14.1
			(26.5)	(34.8)	(18.5)	(11.2)
		W	46.2*	8.5	58.3***	55.0***
			(24.3)	(33.9)	(20.6)	(13.8)
		M	9.8	39.9	34.1	14.7
			(24.4)	(40.4)	(21.3)	(9.3)
Week	Typical	D	132.2***	66.8*	28.1*	–10.6
			(28.2)	(34.8)	(17.0)	(7.9)
		W	75.4***	35.1	15.1	–9.4
			(24.2)	(34.9)	(15.2)	(7.8)
		M	46.9**	71.6**	15.2	–6.0
			(20.8)	(33.1)	(9.8)	(6.3)
Month	Specific	D	–8.1	35.7	–22.1	–14.8**
			(26.7)	(42.1)	(15.8)	(7.4)

		W	–13.4	0.3	12.3	10.5
			(23.8)	(41.4)	(18.6)	(13.1)
		M	–8.9	–49.0	22.4	1.2
			(26.1)	(34.3)	(22.2)	(10.5)
Month	Typical	D	73.5***	37.6	–7.0	–8.6
			(25.7)	(34.7)	(14.9)	(7.7)
		W	48.9*	28.3	–16.9	1.2
			(27.5)	(37.2)	(13.7)	(8.6)
		M	–32.6**	–4.4	–19.2**	–6.2
			(13.2)	(24.8)	(8.6)	(6.3)
Year	Specific	D	34.3	–34.5	15.2	–5.0
			(30.1)	(35.6)	(25.2)	(10.1)
		W	–12.3	–36.2	81.7**	2.9
			(23.7)	(34.1)	(32.9)	(10.7)
		M	28.4	–50.2	4.3	2.4
			(30.5)	(33.2)	(21.6)	(10.4)
Year	Typical	D	108.5***	74.1*	2.1	–2.6
			(31.4)	(41.2)	(15.9)	(8.8)
		W	73.6**	66.8*	–4.8	0.2
			(30.0)	(40.6)	(15.3)	(9.5)
Number of observations			11,905	11,918	11,932	11,941

Notes: Dependent variable: number of payments in yearly equivalents. Regressions include controls for gender, age, education, family income, and survey time. Standard errors are clustered at the individual level. The omitted category is *Year* × *Typical* × *M*.

***Significant at the 1 percent level.

**Significant at the 5 percent level.

*Significant at the 10 percent level.

Table 15.9 OLS regressions for number of payments: Testing differences across time frames

A.		Debit	Cash	Credit	Check
Specific	H_0: Day = week	***	***	***	***
Specific	H_0: Day = month	***	***	***	***
Specific	H_0: Day = year	***	***	***	***
Specific	H_0: Week = month	***	**	***	***
Specific	H_0: Week = year	**	***	°	***
Specific	H_0: Month = year	°	°	**	°
Typical	H_0: Day = week	***	***	***	***
Typical	H_0: Day = month	***	***	***	***
Typical	H_0: Day = year	***	***	***	***
Typical	H_0: Week = month	***	*	***	°
Typical	H_0: Week = year	°	°	**	°
Typical	H_0: Month = year	**	°	**	°
B.					
Day	H_0: Specific = typical	**	°	°	***
Week	H_0: Specific = typical	**	°	°	***
Month	H_0: Specific = typical	***	°	*	°
Year	H_0: Specific = typical	***	***	*	°
C.					
Day-specific	H_0: Starting D = starting W	***	***	°	***
	H_0: Starting D = starting M	***	***	**	***
	H_0: Starting W = starting M	°	°	*	°
Day-typical	H_0: Starting D = starting W	***	°	*	°
	H_0: Starting D = starting M	***	°	*	°
	H_0: Starting W = starting M	°	°	°	°
Week-specific	H_0: Starting D = starting W	°	°	*	***
	H_0: Starting D = starting M	°	°	°	°
	H_0: Starting W = starting M	°	°	°	***
Week-typical	H_0: Starting D = starting W	*	°	°	°
	H_0: Starting D = starting M	***	°	°	°
	H_0: Starting W = starting M	°	°	°	°
Month-specific	H_0: Starting D = starting W	°	°	*	**
	H_0: Starting D = starting M	°	**	**	*
	H_0: Starting W = starting M	°	°	°	°
Month-typical	H_0: Starting D = starting W	°	°	°	°
	H_0: Starting D = starting M	***	°	°	°
	H_0: Starting W = starting M	***	°	°	°
Year-specific	H_0: Starting D = starting W	°	°	*	°
	H_0: Starting D = starting M	°	°	°	°
	H_0: Starting W = starting M	°	°	**	°
Year-typical	H_0: Starting D = starting W	°	°	°	°
	H_0: Starting D = starting M	***	*	°	°
	H_0: Starting W = starting M	**	*	°	°

Notes: Tests use estimates from OLS regressions in table 15.8. The reference distribution in panels A and B is χ^2_3; the reference distribution in panel C is $N(0,1)$.

***The null H_0 is rejected at the 1% level.

**The null H_0 is rejected at the 5% level.

*The null H_0 is rejected at the 10% level.

°The null H_0 is not rejected.

Table 15.10 **OLS regressions for number of payments: Marginal effects**

	Debit	Cash	Credit	Check
Week	–135.8***	–104.1***	–67.3***	–43.4***
	(11.6)	(14.0)	(7.1)	(6.4)
Month	–186.1***	–134.4***	–100.3***	–55.5***
	(12.1)	(15.2)	(8.3)	(6.4)
Year	–157.1***	–137.8***	–79.9***	–53.0***
	(13.2)	(15.0)	(9.9)	(6.7)
Typical	47.8***	47.5***	–18.8*	–23.9***
	(13.6)	(15.5)	(10.0)	(5.2)
Starting W	–54.0***	5.9	–27.3**	2.2
	(16.8)	(18.8)	(11.9)	(6.2)
Starting M	–78.5***	–5.1	–5.8	2.7
	(16.7)	(19.0)	(12.8)	(6.2)

Notes: Marginal effects after the OLS regressions in table 10.8. Omitted categories are: "Day," for the length of the reference period; "Specific," for the type of reference period; "Starting D," for the reference period sequence starting with day. Standard errors are clustered at the individual level.

***Significant at the 1 percent level.

**Significant at the 5 percent level.

*Significant at the 10 percent level.

and positive amounts spent are produced by the same data-generating process.[7] Specifically, indicating with y_1 the number of payments and with y_2 the amount spent, we model the conditional probability of a nonzero payment as a probit:

$$\Pr[y_1 > 0 \mid \mathbf{x}] = \Phi(\mathbf{x}'\beta), \tag{1}$$

and the expected value of a positive reported amount as a linear function

$$E_{y_2>0}[y_2 \mid y_1 > 0, \mathbf{x}] = \mathbf{x}'\gamma. \tag{2}$$

The unconditional mean for the amount spent is therefore:

$$E[y_2 \mid \mathbf{x}] = \Phi(\mathbf{x}'\beta) \times \mathbf{x}'\gamma. \tag{3}$$

We separately estimate equations (1) and (2) and compute the combined marginal effects for a discrete explanatory variable x_j using

$$E[y_2 \mid \mathbf{x}]_{x_j=1} - E[y_2 \mid \mathbf{x}]_{x_j=0} = [\Phi(\mathbf{x}'\beta) \times \mathbf{x}'\gamma]_{x_j=1} - [\Phi(\mathbf{x}'\beta) \times \mathbf{x}'\gamma]_{x_j=0}. \tag{4}$$

7. Model specifications addressing these issues are discussed, among others, by Deaton and Irish (1984), Blundell and Meghir (1987), Chesher and Irish (1987), and Robin (1993). The literature on consumer payment choice addresses the zero payment problem using a Heckman two-step selection model by estimating adoption of a payment instrument (e.g., getting a credit card) in the first step and estimating payment use for adopters only in the second step (but without controlling for zero payments by adopters). For example, see Schuh and Stavins (2010) and references therein.

In tables 15.11 and 15.13 we report average partial effects defined as:

$$(5) \qquad \frac{1}{n}\sum_{i=1}^{n}\{[\Phi(\mathbf{x}_i'\hat{\beta}) \times \mathbf{x}_i'\hat{\gamma}]_{x_{i,j}=1} - [\Phi(\mathbf{x}_i'\hat{\beta}) \times \mathbf{x}_i'\hat{\gamma}]_{x_{i,j}=0}\},$$

with i indicating the i^{th} observation from a sample of size n.[8]

The estimated coefficients of the hurdle model provide some insights on the mechanisms driving reporting behaviors. First, as one would expect, the probability of reporting a positive number of payments increases with the length of the reference period. However, the extent to which this happens varies substantially across payment methods. The likelihood of reporting positive purchases by debit card when referring to a week, month, and year is, respectively, 16, 23, and 27 percentage points higher than when referring to a day. For transactions using checks, differences are on the order of 30, 55, and 60 percentage points. Within a typical framework, the probability of reporting positive purchases increases by 9 percentage points for debit cards and cash and by 4 percentage points for credit card. On the other hand, there is no differential effect for personal checks.

Second, conditional on nonzero payments, answering about short recall periods significantly increases the reported amount in yearly equivalents. After computing the marginal effects implied by the estimates in table 15.11, we find that, when they refer to a week, respondents report about \$2,500 more spent by debit card and cash, \$3,000 more spent by credit card, and \$6,000 spent by check than when they refer to a month. These differences are much more pronounced when answers to questions about the day are compared to those about the month. On the other hand, less marked discrepancies are observed between answers to a month and to a year, ranging from \$1,000 for debit cards to \$2,000 for checks.

Third, with the exception of checks, a typical framework increases the probability of reporting nonzero payments by 8–9 percentage points. At the same time, it lowers the reported amount spent, conditional on it being positive. Specifically, individuals who conduct a nonzero number of transactions report \$9,000 less spent by check, \$6,500 less spent by debit and credit card, and \$3,000 less spent in cash when they are asked to refer to a typical rather than to a specific past period (comparison of average partial effects for specific and typical periods computed taking all interactions into account).

The combination of these mechanisms produces the results in table 15.12. Panel A shows that the length of the reference period greatly affects household reporting behavior. Answers to shorter time spans are systematically different from those to longer ones. Within either a specific or a typical framework, this is true across all four payment instruments. Discrepancies between answers to monthly and yearly questions tend to be economically

8. Estimated coefficients for the probit model in equation (1) and the OLS regression in equation (2) are available upon request.

less sizable and not statistically significant when respondents are asked to refer to typical periods.

Panel B in table 15.12 reveals that the question frame matters as long as the length of the reference period is short enough. That is, answers referring to a specific day or week are systematically different from those referring to a typical day or week. On the other hand, answers about month and year are fairly similar independently of the question frame. The tests in panel C confirm that the order of the reference period sequence has very little effect on individual answers. We only find evidence that respondents report higher frequencies and amounts when they are asked about daily payments and the day features as first in the sequence of reference periods. Respondents exhibit a similar behavior when they are asked to recall payments during a specific past week and the sequence of reference periods starts with week instead of month.

Since different question frames affect the propensity with which positive payments are reported, treatment variables in equation (2) could potentially be correlated with unobserved characteristics driving reporting behavior. In other words, if there is selection on unobservables, the estimated coefficients on treatment variables in equation (2) may be biased. A Heckman selection model would allow for selection on unobservables. The absence of plausible exclusion restrictions, however, makes the estimation of such a model entirely dependent on functional form assumptions. Rather than relying on arbitrary exclusion restrictions, we prefer a different approach. As is well-known, if the errors in the probit equation and the amount equation are correlated this leads to the addition of a Mills ratio to equation (2), where its coefficient is the product of the correlation between the error terms and the standard deviation of the error term in the amount equation. We calculate the Mills ratio from the probit equation and add it to equation (2). Next, we vary the size of the correlation coefficient from 0 to 1. We find that although the estimated marginal effects do vary as the size of the correlation coefficient increases, these changes are not dramatic and in no case is the sign of a statistically significant coefficient reverted.[9]

In table 15.13 we report the estimated coefficients for the control variables used in the hurdle model regressions.[10] The coefficients on income and education have the expected sign. Compared to those whose income is less than \$35,000 and accounting for the probability of reporting nonzero payments, individuals with more than \$60,000 spend \$2,000 more by debit card and about \$5,500 more by credit card and check. At the same time they rely

9. For correlation values up to 0.4, estimated marginal effects change very little. For larger values of the correlation parameter, some of the magnitudes change substantially more, but that is only true for a small minority of (typically not statistically significant) coefficients. The results of this exercise are available upon request.

10. The same set of controls was used for the OLS regressions commented above, but the corresponding estimated coefficients were omitted for brevity.

Table 15.11 Hurdle model: Average partial effects

Recall period	Version	Sequence starting period	Debit	Cash	Credit	Check
Day	Specific	D	5.16***	1.68***	1.11	0.92
			(1.26)	(0.58)	(0.99)	(1.31)
		W	0.40	–0.02	–0.30	–3.16***
			(0.92)	(0.46)	(0.88)	(1.03)
		M	0.80	–0.02	–1.43*	–3.27***
			(0.93)	(0.45)	(0.80)	(1.02)
Day	Typical	D	0.08	–0.55**	–1.75***	–6.29***
			(0.56)	(0.27)	(0.54)	(0.41)
		W	–1.32**	–0.80***	–2.30***	–6.56***
			(0.52)	(0.26)	(0.50)	(0.41)
		M	–1.01***	–1.07***	–2.07***	–6.52***
			(0.39)	(0.20)	(0.38)	(0.36)
Week	Specific	D	1.63**	0.41	0.62	–0.57
			(0.81)	(0.40)	(0.79)	(0.90)
		W	2.59***	1.34***	2.76***	3.58***
			(0.82)	(0.44)	(0.87)	(1.18)
		M	0.08	0.01	–0.28	0.10
			(0.68)	(0.33)	(0.66)	(1.02)
Week	Typical	D	–0.48	–0.65***	–1.36***	–5.03***
			(0.48)	(0.24)	(0.50)	(0.43)
		W	–0.63	–0.17	–1.66***	–4.66***
			(0.49)	(0.28)	(0.48)	(0.46)
		M	–0.99***	–0.40**	–0.84***	–4.27***
			(0.29)	(0.16)	(0.32)	(0.36)
Month	Specific	D	–0.27	–0.08	0.33	–0.67
			(0.58)	(0.31)	(0.66)	(0.68)
		W	0.25	–0.44	1.47**	0.92
			(0.60)	(0.29)	(0.71)	(0.88)

		M	1.10*	0.15	1.89**	0.94
			(0.66)	(0.34)	(0.74)	(0.88)
Month	Typical	D	–0.12	–0.41*	0.05	–0.89
			(0.50)	(0.23)	(0.55)	(0.63)
		W	0.14	–0.34	–0.64	–0.13
			(0.52)	(0.25)	(0.51)	(0.69)
		M	–0.11	–0.41***	–0.05	0.03
			(0.24)	(0.13)	(0.24)	(0.35)
Year	Specific	D	–0.48	–0.73***	0.29	0.30
			(0.59)	(0.26)	(0.64)	(0.78)
		W	–0.17	–0.70***	0.84	0.65
			(0.60)	(0.25)	(0.63)	(0.86)
		M	0.47	–0.43	0.24	–0.48
			(0.62)	(0.29)	(0.59)	(0.68)
Year	Typical	D	0.05	–0.16	0.30	–0.45
			(0.51)	(0.25)	(0.58)	(0.65)
		W	0.37	–0.49**	–0.43	0.17
			(0.54)	(0.24)	(0.52)	(0.69)
Number of observations			12,021	12,048	12,043	12,046

Notes: Combined average partial effects from probit and OLS regressions are reported. The dependent variable for probit is an indicator for nonzero number of payments. The dependent variable for OLS is the amount spent in yearly equivalents expressed in 1,000 dollars. Regressions include controls for gender, age, education, family income, and survey time. The omitted category is $Year \times Typical \times M$. Bootstrap standard errors (500 replications) are clustered at the individual level.

***Significant at the 1 percent level.

**Significant at the 5 percent level.

*Significant at the 10 percent level.

Table 15.12 **Testing differences across time frames (hurdle model)**

A.		Debit	Cash	Credit	Check
Specific	H_0: Day = week	***	***	***	***
Specific	H_0: Day = month	***	***	***	***
Specific	H_0: Day = year	***	***	**	***
Specific	H_0: Week = month	***	***	***	**
Specific	H_0: Week = year	***	***	**	**
Specific	H_0: Month = year	°	***	***	**
Typical	H_0: Day = week	**	***	***	***
Typical	H_0: Day = month	***	***	***	***
Typical	H_0: Day = year	***	***	***	***
Typical	H_0: Week = month	***	°	***	***
Typical	H_0: Week = year	***	***	***	***
Typical	H_0: Month = year	°	***	°	°
B.					
Day	H_0: Specific = typical	***	***	***	***
Week	H_0: Specific = typical	***	***	***	***
Month	H_0: Specific = typical	°	°	***	°
Year	H_0: Specific = typical	°	*	°	°
C.					
Day-specific	H_0: Starting D = starting W	***	***	°	***
	H_0: Starting D = starting M	***	***	**	***
	H_0: Starting W = starting M	°	°	°	°
Day-typical	H_0: Starting D = starting W	**	°	°	°
	H_0: Starting D = starting M	*	*	°	°
	H_0: Starting W = starting M	°	°	°	°
Week-specific	H_0: Starting D = starting W	°	*	**	***
	H_0: Starting D = starting M	*	°	°	°
	H_0: Starting W = starting M	***	***	***	***
Week-typical	H_0: Starting D = starting W	°	*	°	°
	H_0: Starting D = starting M	°	°	°	*
	H_0: Starting W = starting M	°	°	°	°
Month-specific	H_0: Starting D = starting W	°	°	°	*
	H_0: Starting D = starting M	**	°	**	*
	H_0: Starting W = starting M	°	°	°	°
Month-typical	H_0: Starting D = starting W	°	°	°	°
	H_0: Starting D = starting M	°	°	°	°
	H_0: Starting W = starting M	°	°	°	°
Year-specific	H_0: Starting D = starting W	°	°	°	°
	H_0: Starting D = starting M	°	°	°	°
	H_0: Starting W = starting M	°	°	°	°
Year-typical	H_0: Starting D = starting W	°	°	°	°
	H_0: Starting D = starting M	°	°	°	°
	H_0: Starting W = starting M	°	**	°	°

Notes: Tests use estimates from the hurdle model in table 15.11.The reference distribution in panels A and B is χ^2_3; the reference distribution in panel C is $N(0,1)$.

***The null H_0 is rejected at the 1% level.

**The null H_0 is rejected at the 5% level.

*The null H_0 is rejected at the 10% level.

°The null H_0 is not rejected.

Table 15.13 Hurdle model: Individual characteristics

	Debit	Cash	Credit	Check
Female	0.82**	–0.44**	–0.82**	–0.58
	(0.33)	(0.19)	(0.39)	(0.49)
Age 35–54	–0.50	–0.48*	0.11	2.30***
	(0.42)	(0.26)	(0.51)	(0.66)
Age 55+	–3.54***	–1.30***	0.31	5.33***
	(0.37)	(0.26)	(0.49)	(0.74)
Income 35–59k	1.66***	–0.96***	0.73	3.51***
	(0.40)	(0.22)	(0.47)	(0.60)
Income 60k+	2.07***	–0.67***	5.53***	5.92***
	(0.42)	(0.22)	(0.51)	(0.63)
Some college	0.87*	–0.52*	0.07	0.14
	(0.46)	(0.27)	(0.49)	(0.64)
College+	–0.35	0.01	4.35***	1.79***
	(0.46)	(0.27)	(0.52)	(0.67)
ST q2	1.38***	0.68***	2.39***	1.75***
	(0.49)	(0.26)	(0.56)	(0.67)
ST q3	1.00**	1.11***	3.43***	3.12***
	(0.45)	(0.29)	(0.57)	(0.76)
ST q4	1.92***	1.08***	4.37***	6.26***
	(0.51)	(0.32)	(0.67)	(0.94)

Notes: Average partial effects for the control variables used in the hurdle model regression (table 15.11). The $ST\ q(k)$ is an indicator for the kth quartile of the survey time distribution. The omitted categories are Income < 35k, Education ≤ high school, $18 \leq Age < 35$, and the indicator for $SurveyTime \leq q1$. Bootstrap standard errors (500 replications) are clustered at the individual level.

***Significant at the 1 percent level.

**Significant at the 5 percent level.

*Significant at the 10 percent level.

substantially less on cash payments spending, on average, $700 less. Having a college degree appears to have a combined positive effect for credit card and check payments, but it seems to have no impact on the use of debit cards and cash.

The estimated coefficients on age dummies reveal an interesting pattern, too. Relatively older respondents are found to use debit cards and cash less frequently, while relying more on personal checks.[11] Specifically, being in the group of those age fifty-five and over decreases the amount spent by debit card by $3,500, but increases the amount spent using checks by $5,300.

A further interesting result is the effect of survey time on reported payment frequencies and spending habits. As mentioned above, we include in our regression a control for the time taken by the respondent to complete

11. This is consistent with the trends in the use of paper checks documented by Schuh and Stavins (2010).

the questionnaire.[12] We observe a strong, positive relationship between such a variable and both the likelihood of reporting nonzero payments and the amount spent conditional on it being positive. These two effects produce sizable and statistically significant coefficients for the survey time indicators in table 15.13. For instance, passing from the first quartile ($ST\,q1$ corresponding to five minutes) of the survey time distribution to the fourth ($ST\,q4$ corresponding to fourteen minutes) increases the reported amount of debit card charges by \$2,000 and the one of credit card charges by \$4,400. Needless to say, these effects are not necessarily causal. Someone who reports more transactions may need more time to think about the correct number of transactions and the correct total amount than someone whose total number of transactions is lower.

15.4 Conclusion

In this chapter we investigate the role of different time frames (specific or typical recall periods of different length) in survey questions measuring household payment and spending habits. For this purpose, we have designed and fielded an experimental module in the American Life Panel (ALP) where we ask individuals to report the number of their purchases and the amount spent using four common payment instruments, debit cards, cash, credit cards, and personal checks. Three different groups of sample participants are randomly assigned to an entry month (July, August, or September 2011) and interviewed four times during a year, once every quarter. For each method of payment, a sequence of questions elicits spending behavior during a day, week, month, and year. At the time of the first interview, this sequence is randomly assigned to refer to specific time spans or to typical time spans. In all subsequent interviews, a specific sequence becomes a typical sequence and vice versa.

Accounting for all possible payment instruments, we compute that the median (average) consumer makes twenty-two (thirty-six) transactions in the previous month, spending \$1,320 (\$1,839). In comparison, when asked to refer to a typical month, respondents report twenty-nine (forty) transactions, spending \$1,300 (\$1,599). Respondents rely more heavily on debit cards and cash to make their transactions, while credit cards and personal checks are used less frequently to pay for relatively large expenses.

12. We computed that the questionnaire could be completed in five to ten minutes, depending on the number of payment instruments adopted by the respondent. This is confirmed by the data. The median respondent answered in eight minutes, while respondents at the first and third quartile of the survey time distribution answered in five and fourteen minutes, respectively. In our analysis we exclude all those who completed the questionnaire in less than two minutes—forty-eight—and those who did so over multiple days—187 (in the ALP respondents can pause the survey and resume it later as long as the survey is still "open").

Regression analysis shows that, when referring to short reference periods, such as a day or a week, respondents tend to report higher numbers of payments and amounts spent. Differences between answers to monthly and yearly questions are relatively small. Within a typical framework the probability of reporting nonzero payments increases significantly for debit cards, cash, and credit cards, while there is no differential effect for checks. At the same time, reported amounts spent are systematically lower for typical than for specific reference periods across the four payment instruments.

The present analysis is very preliminary as it only uses the data from the first completed wave of our survey. Further evidence will be provided as data from subsequent waves will become available. Notably, given our experimental design, we will exploit in the future both cross-section and within-subject variations to assess the effect of different time frames on individual reporting behavior.

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