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MEMORANDUM

October 18, 2004

To: Seminar Members, "Reconsidering the Federal Poverty Measure"

From: Douglas Besharov and Gordon Green

Subject: Summary of Session #2: Measuring the Material Well-Being of Poor Children

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The second seminar on "Reconsidering the Federal Poverty Measure" was held at the American Enterprise Institute on September 14, 2004. The seminar focused on a paper by Christopher Jencks, Professor, John F. Kennedy School of Government, Harvard University, and his coauthors, Susan Mayer, Irving B. Harris Graduate School of Public Policy Studies, University of Chicago, and Joseph Swingle, Department of Sociology, Wellesley College. Jencks was introduced by Douglas Besharov, and started off the session with a discussion of his paper, "Can We Fix the Federal Poverty Measure so it Provides Reliable Information about Changes in Children's Living Conditions?" Jencks's presentation was followed by a discussion among the members of the seminar series, and then by specific responses on the paper from Rebecca Blank, Dean, University of Michigan School of Public Policy, and Nicholas Eberstadt, Scholar, American Enterprise Institute.

Christopher Jencks Presentation

Jencks noted that he started working on poverty-related issues back in the 1980s when he was looking at income and consumption data in the Statistical Abstract issued by the Census Bureau. His assessment is that we have done a lot to improve federal statistics in general, but not the poverty measure. Many people are unhappy with the measure, but for different reasons. There is now more consensus on a few aspects of the poverty measure, but still much division on most aspects. Jencks noted that the poverty measure is a political statistic that is used for three purposes: allocating money to jurisdictions, comparing groups, and evaluating historical changes. His paper only deals with the last purpose, in that he seeks ways to produce a more accurate historical time series. In his view, the methods used for statistical work need not be locked into the allocation of funds. There are difficult problems in improving the measure to facilitate better comparisons between groups, which brings up a discussion of equivalence scales. There probably would be consensus on smoothing out the equivalence scales developed by Mollie Orshansky, but anything beyond that would likely bring controversy.

Jencks assumed that everyone had read his paper, and proceeded to summarize his major arguments. The official poverty rate for children rises and then falls between 1973 and 1999, but on balance it is higher in 1999, leading to the conclusion that child poverty has risen. In contrast, several measures of material well-being show an improvement over this time period. For example, housing problems, such as maintenance problems, crowding, no air conditioning, no telephone, and design problems, show a downward trend over this time period. Several other indicators of need are down as well, such as lack of a vehicle or children not having seen a doctor during the past year; the only thing that is not down is low spending on food. Jencks argued that when there is so much agreement between these various measures, we begin to worry about what the poverty measure is showing. In addressing these issues, he said that he made his best effort to use data that the federal government has collected over the past thirty years to provide a balanced and representative picture of trends.

As Jencks discusses in his paper, there are several flaws with the existing poverty measure. First, the thresholds are not consistent, largely because of the treatment of farms. Second, there is the issue of whether to treat the family as the economic unit for counting income, or the household. Jencks argued that most things we measure are household decisions, and that his treatment of cohabitors is preferable to the existing poverty measure. Third, the shift from the CPI-U to the CPI-U-RS+X1 as a price deflator, and its consistent use over time, makes a difference in the estimate of child poverty obtained. And fourth, the adjustment for some noncash benefits, and the implementation of the adjustments retroactively, has a big effect on the estimate of child poverty. After these adjustments are implemented, the trend in child poverty rates starts moving in the same direction as the other indicators noted. Jencks said that his adjustments are similar to those made by Wendell Primus and Richard Bavier in their studies. He acknowledged that the trend in child poverty need not follow the trends in the other indicators precisely, but he would at least expect some concordance in the direction of the trend. Jencks was confident that he got the overall trends right in his study, but whether the study made all the appropriate adjustments was another matter.

General Discussion

Besharov then opened up the floor for discussion by the group. Charles Murray noted that when he goes back to Iowa, he sees low-income people who are living much better there than low-income people in large cities, and he questioned whether Jencks addressed this in his study. Jencks acknowledged that the poverty line represents a much higher standard of living in Iowa than in the Bronx. However, if we want to measure the standard of living across areas, we need a rent adjustment, and, in Jencks's view, this would be a controversial issue. Besharov inquired if Murray was addressing the issue of whether an income or consumption measure was more appropriate to address these issues. Murray said that he was thinking of rent adjustments and cost-of-living differentials in large cities and towns, and that it would preferable if a revised poverty measure reflected such differentials. Jencks added that looking at housing measures, one might conclude that people in urban areas are living better than people in rural areas, because housing units in urban areas are mandated to include certain amenities, such as central heat and flush toilets.

Blank averred that the data we need to make geographical cost-of-living adjustments is just not available at the present time. Kathleen Utgoff noted that the Bureau of Labor Statistics (BLS) does not measure price differences across areas. What it can do is say whether something is more expensive than last year in a given area. Besharov inquired about what it would take to make such adjustments; he noted that during a recent NAS meeting, someone showed a table indicating that the effect of such adjustments might raise the poverty rate in California from 13 to 19 percent. Dan Weinberg noted that the NAS proposed using rent as an adjustment factor, and that the Census Bureau has looked at fair market rents for this purpose. Steve Landefeld noted that trying to make adjustments for cost-of-living differences across areas would be risky, although the Bureau of Economic Analysis (BEA) would find such estimates extremely useful. He noted that some work has been done in this area, using rent and scanner data, and that work had also been done by Dale Jorgenson and Daniel Slesnick, and that data had been made available by local chambers of commerce. He thought that it was an important issue for the long run. Kathleen Cooper said that the discussion has to do with the political ramifications of such action, and that if we could separate statistical issues from eligibility issues, the subject might be less sensitive.

Jorgenson noted that BLS has produced comparisons across specific geographical areas using price information available in the CPI, but they are not available to people outside of BLS. His point was the data are there to make the calculations. David Johnson noted that there is a joint project between BLS and BEA to update the 1988 study that Jorgenson referred to. The project will collect prices on about 85 percent of the total bundle of expenditures for 44 urban areas but not states, and it should be available in about a year or so. Johnson also noted that the local chambers of commerce tried to collect price data for identical goods, which BLS does not attempt.

John Weicher noted that adjusting for geographical cost of living would not be an easy task. The Department of Housing and Urban Development (HUD) calculates rents across areas and use the information for program purposes. He noted that it is very difficult to separate the statistical data from eligibility criteria. HUD has used regressions of hedonic indexes to calculate costs, but it is very difficult to make these adjustments. Weicher also noted that HUD focuses on prices within a given market. In the home mortgage market, mortgage limits are set based on relative costs. The object is to serve the bottom half of the market, subject to a ceiling. For policy purposes, the estimates have to be updated endlessly. Weicher said that the BLS approach of looking at costs for the same house over time is a good approach, but there are other factors to consider, such as depreciation and modifications to the home.

Besharov asked Jencks if he would make adjustments for the geographical cost of housing if there was no link between poverty and programs. Jencks said that he would definitely make the adjustment, but it would not be among his top priorities; he would look at consumption data first. Robert Greenstein said that if we do not account for regional variation in the cost of housing, then we need a different way to value housing subsidies. The Census Bureau methodology uses data on market rents to estimate what people would pay for housing. People in different areas are being assigned huge difference in income for identical housing. Greenstein said that when income is freed up by counting the value of the housing vouchers.,we could get huge geographical distortions in poverty. Jencks agreed that housing subsidy calculations can cause geographical distortions, but he said that they did not have much effect on his estimates.

Weinberg shifted the discussion to a consideration of whether poverty should be based on family or household income, which counts the income of cohabitors, and whether it was important to move from one concept to the other. Jencks noted that we have better data on who lives in a household than who is related to whom. Whether we count the income of cohabitors would also depend on what we could find out about income sharing practices. His sense was that we do not have good data on cohabitors. Jencks asked if two cohabitors say they do not share anything, should we treat them as separate unrelated individuals? If so, then their income would have to be higher to not be counted as poor than if they were relatives. Jencks said that the issues about income sharing also relate to equivalence scales. Should the equivalence scale be used to capture income sharing or economies of scale? It is very difficult to determine what is a common good and what is not, but there definitely needs to be more research on this issue.

Besharov noted that in Europe, the income of everyone in the household is counted, but in the U.S., some are worried that such an approach might legitimize living arrangements. Murray said that the appropriateness of living arrangements has nothing to do with the issue of counting income. The important issue is that we could make a mistake determining whether or not resources are shared. Jencks noted that ethnographic evidence suggests that sharing is more likely if people are living together continuously rather than discontinuously. We also need to determine whether people are showing up on Census Bureau surveys, since some individuals do not show up anywhere. Murray said that we create a large error by not counting people who are contributing. Jencks noted that there is a risk of committing both Type I and Type II statistical errors, and that some people outside the household may be contributing as well. Roberto Suro added that he believes the household income concept is more relevant for Hispanics because they often do not have the same living arrangements as non-Hispanics. Many Hispanic households include extraneous family members and a variety of household structures. If we do not count them, we are missing an important dimension of household sharing. Rebecca Blank agreed with Jencks and Murray because paying boarders are less of a factor now than they were in the past, and she noted that the rise in cohabitation affects the data. Besharov asked Jencks if he would count everyone in the household or conduct additional research, and Jencks replied that he would count everyone in the household because he thinks it is the right thing to do.

Jorgenson noted that the results of Jencks's research are stunning: if we make his adjustments we get a 5.1 percent decline in child poverty between 1969 and 1999 rather than a 2.9

percent increase. Jorgenson speculated that if we used existing data from the Consumer Expenditure Survey (CE), it would change the bottom line further. Jencks agreed that the CE data would probably go in the same direction as his estimates, but he decided not to use the CE because it is such a difficult data source to work with. Nonetheless, he said that it would be worth making similar estimates from the CE from 1972 onward. Jencks speculated that the story for consumption would be similar to his findings, but not as dramatic. He also added that sometimes there is a problem with interpreting housing data, because we can determine if people are paying more for rent, but we do not always know if there was a modification that led to an improvement in the housing unit, which drove up the cost.

Greenstein asked Jencks how his estimates of child poverty would change if he did not count Medicaid. Greenstein noted that the NAS recommended that only the reduction in medical out-of-pocket (MOOP) expenditures should be counted as income. Jencks noted that the Census Bureau only uses the reduction in MOOP in its estimates, not the full insurance value, so the effect of Medicaid on his estimates is relatively small.

Besharov noted that if we make retroactive adjustments, as Jencks had made, we get different results. So why, he asked Katherine Wallman, have we made retroactive adjustments for income but not for poverty? Wallman provided some background on the matter. The poverty measure was not perceived as an historical series—it is issued as an annual series, similar to the CPI. When Directive 14 (which concerns the measurement of poverty) was first issued, there was no relationship with programs, i.e., the thought process was not integral to the procedure. Besharov had previously posed two questions to Wallman, which she addressed at the seminar. Besharov's first question dealt with the failure to correct the poverty thresholds for past overstatements of inflation. Wallman said that there has been official recognition that the poverty thresholds are higher because less accurate data have been used in the past. She said that the research data are out there, and that the Census Bureau will be producing alternative estimates using the CPI-U-RS+X1.

Besharov's second question dealt with the failure to make the 1981 changes in the thresholds retroactive. Wallman provided some background on how the thresholds were modified in 1981. An Interagency Committee recommended the removal of the male/female distinction and the farm/nonfarm distinction and the expansion of the thresholds to include a separate cutoff for families of 9 or more persons. The recommendations were sent to a cabinet-level committee under the Carter administration, and then to OMB and CBO for distribution. Apparently, the process did not receive a separate OMB imprimatur. When the Reagan administration took office, there was a separate cabinet-level review, and the recommendations were approved and published in the *Federal Register.* Wallman noted that this process shows how long it takes to implement even a small change in the poverty thresholds. She said that researchers and policy analysts have created experimental poverty thresholds for 1967 through 1981, without the original male/female and farm/nonfarm distinctions.

Jencks offered that the changes to the poverty thresholds are similar in nature to changes that have been made to the CPI. He asserted that Appendix A in the P-60 volume of the *Current Population Reports* should reflect the changes that have been made historically. He also said that the changes to the poverty thresholds were improvements, and should be implemented retroactively. Wallman said that the improved estimates will be forthcoming this fall.

Besharov noted that Jencks's measure of low food spending did not show a decline over time, so he asked Greenstein to comment on this finding. Greenstein said that the National Household Food Consumption Survey had serious problems during the 1980s, so Jencks is basically left to compare the late 1960s with the late 1970s, which does show a narrowing of the gap in food consumption between low-income people and high-income people. Greenstein said the problems with the surveys in the 1980s are related to an unrepresentative sample of counties and improper handling of data on food stamps; the narrowing of the gap between the 1960s and 1970s is consistent with other studies.

Don Winstead said that there were problems with the health data on many different levels. He questioned whether the number of doctor visits is a good measure. Winstead also thought that there were problems with how Medicaid is valued and how comparisons are made over time. Statistical data at the end of 1996 are very significant because of welfare reform, SCHIP, and changes to Medicaid. Virtually all children below 200 percent of poverty now have health care coverage, theoretically. Winstead was concerned that the treatment of medical care in Jencks's study may not tell us much about the current health situation. Jencks said that he agreed with everything that Winstead said, and that other data series need to be updated as well. Besharov noted that Eberstadt looked at health outcomes and found that people were healthier today than in the past. Jencks said that he did not use health outcomes in his study because they could change for a variety of reasons not associated with material improvements for the poor. For example, perhaps people have better health outcomes because doctors are doing a better job.

Besharov asked Weicher to comment on the housing conditions that Jencks examined in his study. Weicher said that Jencks's measures of housing conditions may not be the most useful way to look at housing in the lower end of the income distribution. He said that one could look at a composite measure of whether the housing is in acceptable condition or dilapidated, using the old Census Bureau definition. The issue is whether the housing needs to be fixed up, torn down, or is basically okay. Weicher said that he looked at a measure out of the Annual Housing Survey (AHS), and that between 1987 and 2001, not many low-income children were living in inadequate housing (perhaps only 2-3 percent), with no real trend, and only about 4-6 percent were living in housing that was moderately inadequate. These results were based on large sample sizes (about 1 in every 2,000 households). There are small variations and blips in the data from changes to questions, but they are not major. Weicher said that overcrowding was a straightforward measure, and that he was surprised to see the high estimates in Jencks's study for earlier years. According to Weicher, the AHS has shown overcrowding in the 7-9 percent range recently for low-income families with children, compared to about 11 percent earlier, but there is no significant trend. He also said that overcrowding is not an issue with low-income families without children. Weicher said that something strange is going on, because Jencks's numbers change significantly more than what he found. He noted that measures of affordability show some improvement at the lower end of the distribution. Weicher's overall assessment was that low-income children are living in housing that was about as good as it was 10 years ago.

Greenstein said that he would be interested in what a similar study would show for a broader segment of the population. He said that if we get beyond children to single adults without children, then we find more homelessness. Greenstein noted that in earlier times there were other options and means of support, such as institutionalization, living arrangements in small quarters, and various kinds of cash support. He suggested that we would see different trends for different segments of the population.

Jencks noted that when we focus on the lower end of the poverty distribution (say, those below 50 percent of the poverty thresholds), we do not see much progress. The point is that the poverty gap has widened, and this has not just happened to children. There has not been a lot of progress for people at the very bottom of the income distribution. On the other hand, Jencks expressed some concern about the quality of data for the bottom 5 percent of the distribution. He does not know what to make of the information we get from people at the very bottom, and views it as a big "black box" based on the households that the Census Bureau is able to find in this range.

Wade Horn noted that reporters at *The Washington Post* wanted to know why the poverty rate for children increased during 2003 while the number of people on Temporary Assistance to Needy Families (TANF) went down. One explanation is that TANF is insensitive, but others concluded that TANF was effective. Jencks offered that, historically, there has been a connection between the two series. However, the more turbulence there is in living arrangements, the more the numbers could change, possibly resulting in higher poverty rates. Jencks also noted that the March Current Population Survey (CPS), from which the poverty estimates are derived, is based on living arrangements in March and income in the previous calendar year, which could cause some volatility in the numbers. Horn noted that if people lost a job and got unemployment compensation, then they could qualify for TANF. If the unemployment effect is smaller in magnitude, this could lead to a decrease in the number of TANF recipients during a time when the poverty rate is going up.

Robert Rector made a comment about households at the bottom of the income distribution. Based on the National Income and Product Accounts (NIPAs), there appears to be about $400 billion in gray market activity that is hidden from the government. BEA adjusts for this to get an estimate of total economic activity. Rector asserted that there is a huge number of low-skilled people (handymen, beauticians, etc.) doing work for which no income is reported to the government, and this has an enormous effect on poverty estimates. With welfare reform, people rely on themselves or cohabitors more than the government, and, as a result, the income is hidden. Besharov noted that the Census Bureau has ways to adjust for underreported income, and Weinberg added that this will be a topic for discussion at the next meeting of the seminar group. Winstead said that they have been looking at unemployment compensation for families with a female householder (with no husband present), and have noted increased utilization of such payments during a recession. Greenstein added that this approach is consistent with data on small businesses in the Internal Revenue Service (IRS). Rector noted that one of the ways that BEA came up with the estimate of $400 billion is to ask people what they are paying for in cash to low-skilled people who are not in major businesses. Landefeld said that the information comes from the Taxpayer Compliance Measurement Program (TCMP) at the IRS.

Rebecca Blank's Comments

Besharov introduced Blank, who commented on the paper presented by Jencks. Blank noted that she started working on the subject of poverty in 1989, when she wrote a memorandum to Michael Boskin about problems with the poverty measure. She argued that we need a good metric to measure economic progress and to address various policy concerns. Blank said that the poverty measure is forty years old and wrong. She did not have a problem with the data that Jencks used in his study, but took issue with the context in which they were used. She argued that we cannot look at single measures of well-being. When addressing the issue of why Jencks used certain measures in his study, she said that we tend select what is available. Concerning the data on housing and visits to the doctor, she said there was more of an emphasis on usage than consumption.

Blank noted that while physical problems with housing have declined, cost burdens have gone up by a lot. People are paying an increasing proportion of their income for housing, but they are getting better housing—so are they better off or worse off? She argued that we need a more comprehensive measure of well-being, and that we are missing the price shift. The price of food has plummeted, and we are spending a smaller proportion of our income on food, but we are spending proportionately more on other items. She said that we need more comprehensive measures to estimate deprivation.

Blank also argued that there is an implication in Jencks's paper that we need only to adjust the income side of the equation. She argued that we cannot just adjust the income side; we also need to consider a reasonable poverty threshold to be consistent with the income measure. Blank said that the current poverty thresholds do not have credibility because they are very old and do not measure current needs. She argued that we need to look at income measures and threshold simultaneously; if we change one side of the poverty measurement equation without changing the other side we may make the estimates worse. As an example, Blank said that if we add noncash benefits and not taxes, we get a bad estimate because more people are paying taxes. We need to do as many things together as possible, so we will have more statistical cover. She also said that if only a few changes are made, this would weaken the coalition needed to make additional changes.

Concerning changes to the measurement of poverty that could and should be done, Blank had several recommendations. On the threshold side, she said we should get a better threshold measure that should be consistent with the income definition, and for this purpose, she thought that the NAS recommendations were broadly acceptable. She said that we should also improve the household size adjustments in the thresholds. On the income side, Blank said that we should include in-kind income and imputed income. She also said that we should measure disposable income, taking into account the effect of taxes and work-related expenses such as child care.

In summary, Blank made three major points. First, don't try to force one measure to do too much, which she translated to mean: find another way to measure access to health care. Second, almost surely we will need a usable measure that provides a program eligibility benchmark, and one that is much simpler than a national statistical measure of poverty. And third, don't try to do things where the data are not yet good enough. It is better to have an acceptable measure with good data than an elegant measure with poor data. In this regard, Blank believes that the consumption data are not yet good enough to use for poverty measurement.

Nicholas Eberstadt's Comments

Following Blank's remarks, Eberstadt commented on Jencks's paper. Eberstadt noted that while several of the indicators in Jencks's paper showed improvements for children at the low end of the income scale, there are several other indicators that suggest some dimensions have worsened. He pointed to indicators such as youth homicide, suicide, crime, and illegitimacy, all of which indicate a worsening situation for youth. But that is not the issue here—the issue is to address material deprivation using data related to consumption. Eberstadt argued that a poverty measure is supposed to gauge a constant, absolute situation. He referred to a quote by Sheldon Danziger suggesting that economic improvement is not reaching the poor. Perhaps we are not measuring the right thing. Jencks's paper shows a discrepancy in child poverty measures based on income and consumption. These distinctions can be reduced, but not eliminated. Jencks's results are very similar to those found by Rector.

Eberstadt then posed the question of how we explain the apparent contradictions between different data series. Perhaps there were large changes in the relative prices of some goods, such as food or computers, but this does not explain the contradictions because Jencks's paper has a much broader scope than these limited items. Possibly there is a mismatch between annual income and consumption. Slesnick's work has shown a reduction in the correlation of the two series over time. Eberstadt noted that work by Jacob Hucker has shown an increase in income variation from the Panel Study of Income Dynamics (PSID). With more income volatility, and an attempt to smooth things through consumption, there will be an increasing mismatch between income and consumption statistics.

Eberstadt noted that there are good reasons for going further with work on the poverty thresholds, but that issue does not relate here because this is not a labor negotiation. We should fix each problem that we can when there is a legitimate solution, and not adopt an all-or-nothing stance. As far as the question of relative poverty, Eberstadt said that expectations may have changed, but that does not relate here either. The poverty measure that we have is an absolute measure, and we need to think about adjustments to the income side.

General Discussion

Besharov noted that the roadmap for future seminars will be sessions on income, the poverty thresholds, consumption, and a decoupling of statistical measures from program eligibility. He said the issues that Blank and Eberstadt raised will come up repeatedly in the ensuing discussions.

Blank noted that she does not agree that poverty should be set absolutely over the long run, and pointed to the European approach as an example of a relative measure. She maintained that, over the long run, there needs to be a re-benchmarking of the poverty measure.

At this juncture, Jencks made four main points. First, we cannot change the current estimate of the number of poor people, but we can change the historical number. Second, there is no acceptable way to deal with medical costs within the framework we have been discussing. Third, the correlation between income and consumption has fallen since 1960. It is interesting to note that people were asked to reconcile the relationship between income and consumption in the Consumer Expenditure Survey up until 1960, but the practice was discontinued thereafter. And fourth, the distribution of income has become more unequal over time and there is now more volatility in income. There is a lot of change in income from year to year, but we do not know how this works out at the bottom of the income distribution.

Jorgenson argued that we need a more comprehensive measure of consumption if we are going to move in the direction that Jencks has indicated. Mollie Orshansky started with a food consumption scale for the poverty thresholds, and used a multiplier of three to account for total consumption. The Consumer Expenditure Surveys were done only once every 10 years before 1980, but thereafter it changed to the current configuration. Jorgenson argued that to remove the contradiction between income and consumption, we need to compare consumption against the poverty scale that was based on consumption. Blank argued that we cannot currently use consumption to measure poverty because there are some serious measurement issues such as the small size of the CE sample. She also raised a question about who fills out the diaries in the survey—probably not the poor. Blank said that we can fix these problems, but it will take a large investment and time.

Rector noted that we have been talking about three different types of measures: income, consumption, and actual living conditions. Measures of income and consumption can be misleading, because consumption is underreported even more than income. To improve the measurement of income, we need to change the Current Population Survey (CPS), and validate its estimates with other administrative sources of information, such as IRS data. Even if we do this, we will still face the problem of counting people as poor when their living conditions do not agree with this assessment. Rector said that the closer we get to actual living conditions, the closer we will be to an accurate measure of poverty.

Besharov noted that Jencks looked at the bottom 20 percent of the distribution in his analysis. Besharov asked Rector what group he would look at for his analysis. Rector said that we could look either at people below the poverty line or the bottom fifth of the distribution for the analysis he was proposing. The important thing is to look at the most deprived group of households by income, rank them by their assets, and move into a deprivation scale. Rector argued that this will give us a more informed picture than what we have now.

Jencks noted that it is a mistake to have only one measure: We need to track income, consumption, and material living conditions. On the other hand, this does not tell us what to do about measuring poverty. We need to have a report that tracks a lot of different series, which is the only intellectually honest way to do it. When Orshansky developed the poverty thresholds, her benchmark for food was a USDA budget which took what people in the bottom third of the income distribution were actually spending on food and lowered it by 20 percent. USDA diets were constructed by starting with a budget, and trying to give people the best advice you could on how to live within that budget. The poverty measure has always been based on a series of arbitrary decisions. Why 20 percent lower?—because the welfare office wanted it to be 20 percent lower. Why a multiplier of three?—another arbitrary decision.

There was additional discussion about the arbitrary nature of the poverty thresholds. Murray noted that he looked forward to the discussion about the thresholds, but conceded that no matter what we do, the poverty thresholds (realistically) cannot change. Greenstein noted that food consumption data show that only about 12-15 percent of households get the recommended daily allowance, but people spend more than the minimum level. He said that the food plan that Orshansky used assumed that people would buy raw materials, and cook the food themselves rather than eating prepared foods. Greenstein said that a long time ago, there was a legislative session when the food standards almost changed, but this did not happen. Finally, Greenstein opined that it would be much more difficult to get people to agree to a measure of deprivation than poverty. Gordon Green noted that another arbitrary decision that Orshansky made was to look at the percent of after-tax income spent on food, not the before-tax measure of income that was compared against the poverty thresholds. Louis Kincannon said that Orshansky may have made a lot of arbitrary decisions, but we undoubtedly will have to do the same. He reminded everyone that having plenty of money may not mean that one is getting by, as Orshansky's personal situation indicates.

Rector said that we need to focus on whether we are helping the American public understand what is going on with the information that we put out. As an example, he said that in the 1970s, the concern was about malnutrition. In the 1980s, the concern was about hunger, not malnutrition. Now, the concern is about food insecurity, not hunger.

Closing Comments

Cooper thanked Jencks, whose interesting paper stimulated useful discussion. She said that the Commerce Department was interested in measurement issues, because it measures poverty not only from the CPS, SIPP, and the Decennial Census, but also from the American Community Survey (ACS). Cooper said that the evening had been very useful. Cooper also noted that with respect to poverty, we should fix the things that we can, because if we try to fix everything at once, we may never get anything done.

Horn said that he sees “positioning,” both by poverty maximizers and poverty minimizers. He speculated that there is a near perfect correlation between where one falls on the poverty maximizing/minimizing scale and where one falls on the welfare expanding/contracting scale. He said that if we make changes to the poverty measure and do not change the number of poor, then he is not sure what we will have accomplished. Horn thinks that we need to approach this subject in a dispassionate manner, and make the best decisions we can.

In closing the session, Besharov summed up the major points from the evening’s discussion, as he saw them:

- Everyone agrees that many arbitrary decisions were made when the poverty measure was first formulated, but that does not mean that we should make additional arbitrary changes simply to achieve particular policy goals.

- It seems clear that the official method of measuring poverty, using family income rather than household income, does not adequately consider the resources available to some demographic groups, such as Hispanics, who often have more complex living arrangements than the general population.

- There is more than one definition of money (let alone income), so why should we have only one definition of poverty? For example, why not use a comparison of estimates of pre-tax and pre-transfer poverty with post-tax and post-transfer poverty as a way to illuminate the impact of taxes and transfers on poverty rates (and conditions).

- The Census Bureau has been producing alternative estimates of income and poverty for some time now, and will likely continue to do so in the future, calling them “experimental.” Given their importance, perhaps it is time to give them a more descriptive and accurate name.

- The failure to reflect all sources of income in estimates of poverty understates the progress that has been made by low-income Americans.

- Nick Eberstadt made a very important point: The real condition of low-income children is not great, even though more accurate statistical series show that there have been some improvements in the incidence of poverty. We need a better understanding of the condition of low-income people in general.

- We need to have a substantial discussion about de-linking the poverty measure from program eligibility. It is many times more difficult to have a discussion about the best way to measure poverty without such a separation.