




Measuring Poverty: Income Thresholds and Resource Measures: An Outline for a Conversation

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Measuring Poverty: Outline

- I. A Short History of the US Poverty Line: From Robert Lampman to Molly Orshansky and 2005.
- II. Times Have Changed: But the Threshold and Income Measure Have Not
- III. How Should the Threshold and Resource Measures Change to Reflect Changes in Real Living Standards Over the Past 50 Years, and the Next 50?
- IV. How Do Other Countries and Country Groups Look at the Issue of Poverty Measurement?

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- I. A Short History of the US Poverty Line:
From Robert Lampman to Molly
Orshansky and 2005
 - A. 50 Years Ago – Economic Life and
Surveys Were Simple
 - B. Orshansky as an Improvement on
CEA-Lampman Methodology, with
Same Overall Numerical Result
 - C. The Federal Government Adopts
Molly as “Official”
 - D. Generations of Analysts Recommend
Changes (Including an NAS Panel)

II. Fast Forward: Times Have Changed, But the Threshold and Income Measures Remain the Same

- A. What ought to be Included in the Income Definition that is Consistent with the Current Poverty Definition?
 1. Subtract Direct Taxes
 2. Add Income Transfers Reflecting Goods Included in the Current Threshold: Food Stamps and Public Housing
 3. Should We Count the EITC (see III.B.1. below)?
 4. How about Medical Subsidies?
 5. How about “Imputed Rent” for Owner-occupiers?
- B. But this is an Imperfect Solution – What Else Can or Should Be Done?



III. How Should the Threshold and Resource Measure Change to Reflect Changes in Real Living Standards over the Past 50 Years, and the Next 50?


A. Recalibrate and Update the Current Threshold

1. There is No “Absolute” Poverty Line
2. Relative Well-Being is Important



B. Things to Consider When Changing Thresholds and Income Measures

1. Account for Work Related Costs and Benefits
2. Consider Intra-household Transfers and Scale Economies (Households vs. Families and Unrelated Individuals as Poverty Measurement Unit)
3. Fix the Current Equivalence Scales



C. Set a Threshold Using a More Current Market Basket; Reconsider Every Decade; Price Adjust (Current CPI) In Between

D. Consider Two Relative Poverty Measures:

1. Half the Median Resources in the Current Year

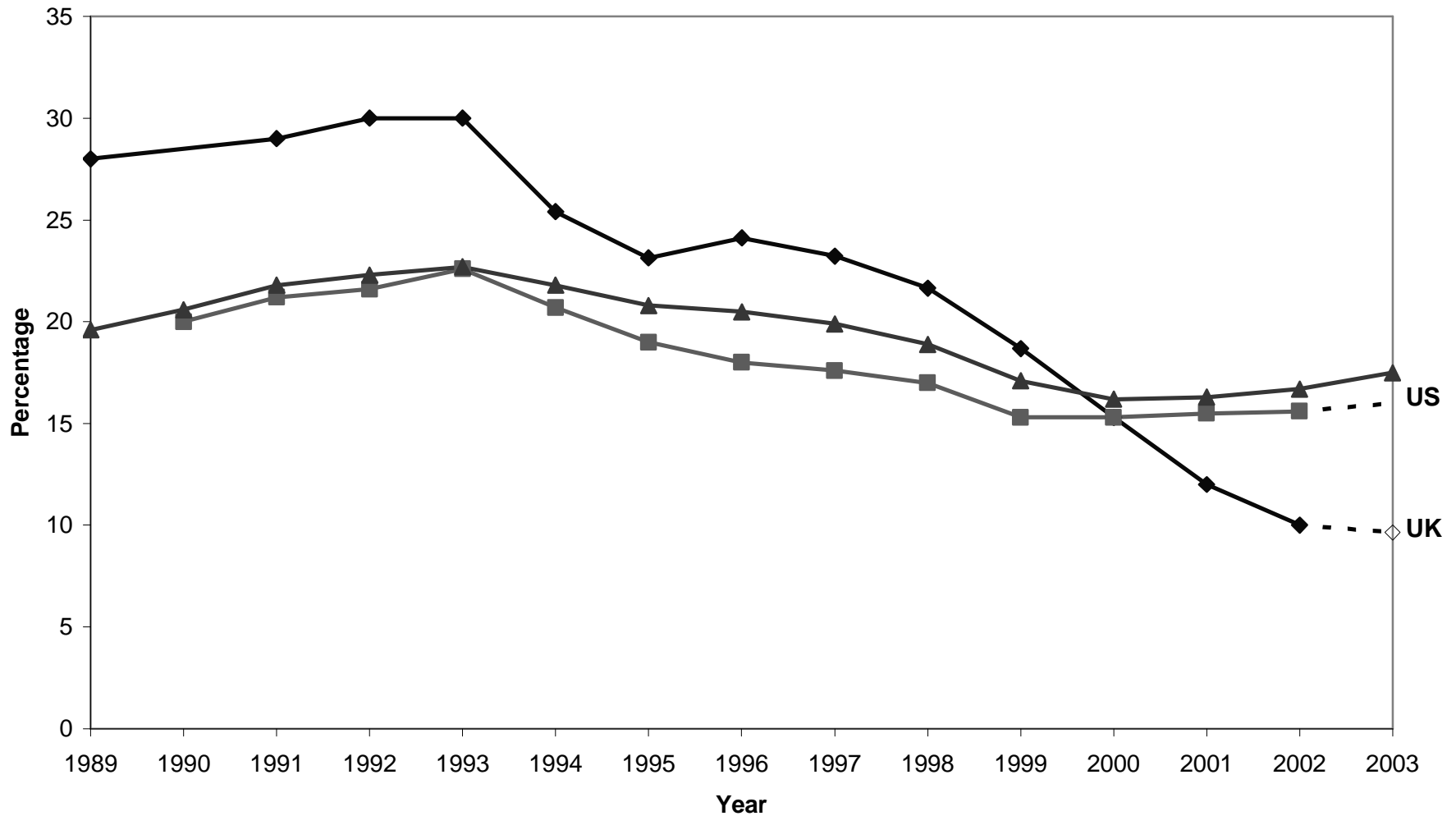
AND

2. Half the Median Resources Ten to Twenty Years Ago (Priced to Current Year)

IV. How do Other Countries and Country Groups Look at the Issue of Poverty Measurement?

- A. Anglo-Saxon Traditions (Rowntree in 1901)
- B. The Anglos: What Goes On in UK, Canada and Australia?
- C. The European Union: 60 (SIXTY!) Percent Median Line
- D. OECD, LIS and Other Bodies: 50 Percent Median Line (and for the USA 40 Percent Median Line)
- E. World Bank: \$1.00; \$1.50 and \$2.00 per Person per Day
- F. UK vs. USA: An Illustration (Figure 1)

Figure 1. Trends in Absolute Child Poverty: UK vs. US, 1989-2003



◆ Percent of UK children below the absolute poverty threshold, 1989-2001 (about 60 percent of median in 1997)
 ■ NAS Measure/Children using US absolute poverty line (about 40 percent of median in 1994)
 ▲ Percent All Persons under 18 years below official US Poverty Line (about 40 percent of median in 1994)
 - - - Forecasts: Smeeding (2004) for unreleased US Census data; Holly Sutherland (2004) for UK using Euromod