THE BROOKINGS INSTITUTION

BROOKINGS WELFARE REFORM & BEYOND PRESS BRIEFING

POVERTY AND INCOME IN 2004:
A Look at the New Census Data and What the Numbers Mean for Children and Families

RON HASKINS, Moderator
DOUG BESHAROV
GARY BURTLESS
KATHLEEN COOPER
JOE JONES

Tuesday, August 30, 2005

[TRANSCRIPT PRODUCED FROM A TAPE RECORDING]

MILLER REPORTING CO., INC.
735 8th STREET, S.E.
WASHINGTON, D.C. 20003-2802
(202) 546-6666

P R O C E E D I N G S

MR. HASKINS: Well, good afternoon. My name is Ron Haskins. I'm a senior fellow here at Brookings and also employed at the Annie E. Casey Foundation in Baltimore. I'd like to welcome you to, I think this is our third or fourth annual rendition of interpreting the Census Bureau data on poverty and income and health insurance coverage. That's what we're here to discuss.

In particular we're going to do two things. First, I'm going to describe the data. I get the easy job of just describing the data and putting it in a slight historical context. And then we've invited four very distinguished panelists to tell us what it all means. And more specifically, to my immediate right--this is the first time that I'm familiar with that Joe has actually been on my right--is Joe Jones, who is the head of the Center for Fathers, Families, and Workforce Development in Baltimore, Maryland. Many of you may know him. Joe is now in the midst, in addition to running a number of training programs for low-income fathers, also Joe is just initiating a project on marriage as part of ACF, the Administration for Children and Families marriage initiative.

Next is Kathleen Cooper, who was recently the number two person at the Commerce Department and was responsible for, among many other things, the U.S. Census Bureau. So it makes some sense that she would be here to day to tell us about what she thinks the Census

Bureau number means. And she'll be especially able to do that because she's left the Census Bureau, so now the overs there cannot tell her what she can say and what she can't say. So we're looking forward to frank remarks from her.

And then, of course, next is Gary Burtless. I believe Gary is the only person other than me who's been here every year that we have done this. We're very thankful to have Gary. He's a labor economist here at the Brookings Institution.

And then finally we have Doug Besharov, on the far right. Doug is the Joseph J. and Violet Jacobs Scholar at the American Enterprise Institute. Many of you probably already know that Doug always has something interesting and slightly off-color to say, so we're looking forward to Doug Besharov's remarks.

Here's our format. I have just begun with a brief introduction of the panelists. Then after I say just a few things about the Census Bureau data, each of the panelists will have 8 minutes to speak, which will be carefully timed, and we'll have physical assaults or something for anybody who goes over 8 minutes. And then I will pose some questions to the panelists and then we'll open it up to the audience so the audience can pose some questions for the panelists. We'll do all that in an hour and a half or less. When we get to the end, we'll stop.

All right, now, let's see. Do I know how to do this? Let's see.

Uh-oh.

There. I did it. That's an achievement on my part. I have the distinction of having the largest electronic pointer in the United States, so I'm not sure I can hold this up during the whole presentation.

These are data for children in poverty and people in poverty. The green line is children, and these are people. As you can see, we had a very substantial decline in the '90s--I see a number of people in the audience who are just itching to say it, so I will say it for them--during the presidency of William Jefferson Clinton.

[Laughter.]

MR. HASKINS: And a magnificent control of the Hill by those wonderful Republicans. So it was a bipartisan explosion in the economy, and very substantial declines in child poverty, even a little bit more among female-headed families. And I would point out to you this is really the first sustained decline in poverty among female-headed families, I believe, than we've ever had--certainly nothing like this--and it's due primarily, in fact exclusively, to earnings and not to government programs, because their income from government programs declined throughout this period.

But now, unfortunately, after 2000--and I will not mention the presidency that's in question now--we have had an increase in poverty every year and now, in Census Bureau data, we've had a fourth-year increase in poverty. So that is certainly not good news. And the poverty increases both among all people and among children.

So it's a very slight increase this year. The increase for children was not significant. But as Gary Burtless pointed out to me, if I'm going to be honest about these numbers, especially in a pattern of year after year after year, it would be kind of foolhardy not to say a .2 percentage point increase in poverty was not significant because it continues the trend. But in any case, the trend is toward increased poverty, and that is certainly not good news.

Now, poverty in female-headed families, I think, is a significant part of the story. Here you can see--just like in the other slide, but here even more so--a very substantial decline during the '90s, much less so for all families, and then again the increase that we saw before--a slight increase but still an increase. So the overall context here was a very substantial decline in poverty during the booming economies of the '90s caused, primarily among children, by the decline among female-headed families. It was not necessarily two-parent families, because their poverty rates are almost always low, but very substantial declines among two-parent families (?).

But now, we have not fully recovered from the recession, evidently, and especially female employment has not equaled its 2000 peak, and so we get these continued modest but still continued increases in overall poverty and in child poverty.

And, roughly speaking, the picture for income will not surprise you, because it's very similar. Very nice increases in income for all of these groups--Hispanics, blacks, and all households--and then declines almost throughout this period. Now, the Census Bureau makes some distinctions this year, that the decrease in income was particularly notable because it was statistically significant for white families but it was not significant for the other groups, and indeed, for Asians it actually went up. So there are some ethnic differences here that might play a little bit against what we've seen in the past, and that is for Hispanics and for black Americans, the decrease in income is not statistically significant comparing 2003 with 2004, but for whites there is a significant decline. So again, it continues the picture of declining income over this period.

Finally, this is a portrayal of the percentage of either children or all people who have health insurance coverage. And as you can see, an explicit intent of our policy is reflected in these numbers--namely, the children have very good coverage and it has actually increased during the recession. So that's something that Bob Reinstein [sp] has emphasized here on several occasions and other people have remarked about, and I have even heard from time to time governors remarking about this, except they were not quite so positive as people in this audience are likely to be.

I would just call your attention to the fact that this continued increase in Medicaid coverage--and the Census Bureau is explicit in pointing out that there was actually a decline in private coverages by health insurance more than made up for by Medicaid coverage, especially for children, so we continue to have very substantial increases in Medicaid coverage of children and other groups as well.

Many of you may have been at previous events here where we have taken a very strong line about the importance of health spending for the future of the federal budget. And although on the face of it this is good news, it does signal yet again that health expenditures and health coverage are a serious problem for both federal and state government.

So that's a very brief overview of the data. And now to tell you what it means and to interpret it for you, I'm very pleased to have this wonderful panel. We will begin with Doug Besharov.

MR. BESHAROV: Ron, thank you very much. I'll save the off-color for this evening at 10 p.m.

MR. HASKINS: I'll call you.

MR. BESHAROV: Okay. Gordon Green is passing out a little handout.

So this is an interesting exercise here. The numbers come out at 10 a.m. The last time I looked, that was 4 hours and 13 minutes ago. I spent about 6-1/2 minutes having lunch. So I am fully versed in all of these numbers and you can ask about any footnote and I will be an expert about it immediately.

I would like to make four points. First, it is typical in this process for us to say someplace along the line the existing poverty measure stinks. And yes, in many respects it does, but especially in long-term comparisons, it is fair to look at trend lines if you keep in mind that there can be other things moving these numbers besides income. I'm going to, in passing, talk about changing household composition and spend a fair amount of time talking about immigration. And that is sort of the visitor to this process that the current measure doesn't exactly capture.

So yeah, we can talk about all the problems with the measure--it doesn't count non-cash income, it's been improperly adjusted for inflation, there's loads of unreported income, and it's not clear how we should handle cohabitation. I could go through this, but that's for a different conference. It is the yardstick we use. It's fair, as long as you watch the caveats, to use the measure from year to year and even over time.

All right, Ron went through the summary. The one thing that I want to emphasize here is that in the detailed tables from the Census Bureau it appears--we can't tell for sure because we don't have the cross-tabs--but it appears as if the increase in poverty reported is coming almost entirely from the Midwest. When the Census Bureau presents the data by region, only the Midwest shows a statistically significant increase, and it shows an increase of about .9 percent. If you're interested, the Northeast increase, which is not statistically significant, is .3, and there's no increase, or decrease, in the South or the West.

So this is a Midwest story. At least, that's how it appears at first glance. And if you have the handout there, the place you should go--because we're so organized--is Table 3. You remember John Kerry in last year's election kept talking about what was happening in the Midwest. And indeed, unemployment rates in the Midwest were higher than most other parts of the country. Table 3 just shows you the unemployment rates in Illinois, Ohio, and the national rate, between January '03 and July '05. And you can see that almost always the unemployment rate in those two states is higher than the national rate. And the happy news--and that's why I'm going to call this story, in large measure, last year's story--the happy news for the people who live in the Midwest is that the unemployment rate in those two states, at least, is going down. And so one would imagine that the poverty rate next year should be down in the Midwest as well. Notice I use the word "imagine." There are loads of other things that affect the poverty rate.

So my second point, this is largely a Midwest story.

My third point--and there I want to go to Table 1--is I want to talk about the positive side of this. You know, there's a fair amount of talk about immigration and the impact of low-income and low-skilled immigrants. Take a look at Table 1 for Race and Hispanic Origin for Hispanics, and you can see a 15-year process even as the number of immigrants has increased, even as the number of foreign-born has increased, a continuing reduction in the poverty rate of Hispanics, even last year. And in fact, if you go down a little further, under Nativity, you'll see that while there was an increase--and that large increase in the poverty rate among native-born, there continues to be--

I'm sorry, not "a large"--a .3 percent increase in the native-born, there continues to be, although not statistically significant, a decline in the poverty rate among foreign-born.

So this is an interesting story. If you buy my first point, which is this is a Midwest story about the increase in poverty, then the second part fits in, which is there's strength in this economy in many places, in the East, in the South, and in the West, and the newcomers to our shores are doing much better than the conventional wisdom. I think that is, in the long term, very good to hear.

The last point on this Table 1 that I want to mention is--and I apologize; the second-to-the-last line: Fem--as in "female"--HLDRNHP. No test on this, but I believe that's the old "female householder, no husband present." The Census Bureau's changed categories and so forth. And since 1990, you can see, there's a 5 percentage point decline in the poverty rate. That's still a good story. Gary and I were talking about the story about the reduction in poverty rates for female-headed households over the last 30 years, and there's been a very sharp decline.

So again, thinking long-term, this looks like an economy that's creating loads of jobs, with a hiccup in the Midwest, and for the better of people at the top or bottom.

In regard to top or bottom, Table 2--happily, we're in order, since it's the last table. This is Gordon's and my rough attempt to describe income inequality as it may or may not have changed over time. We show it to you in two ways. First, we show it as aggregate income by each quintile. Quartile, excuse me. And you can see that since, oh, 2000-2001, the lowest fifth has not changed very much. There just hasn't been that much change, and in fact the Gini index has hardly moved as well. I don't know what to say about income inequality. There are loads of things that push that--the age of the population, compositional factors and so forth. But again, here I don't see a story that says inequality has been growing. It's sort of stuck where it's been for a number of years.

So, to summarize before Haskins has my head, or before I have to do a dance: An increase in measured reported poverty; probably a fair increase, which is to say the yardstick is a legitimate thing to use. Almost all of that increase appears to be the Midwest. That seems to be a story about the Midwest economy. If I knew for sure, I'd say manufacturing. I don't know for sure. For all I know, it's hurricanes or whatever. But overall, even the people at the bottom of our economy, even the newcomers to our country, considering that we're just three years out of September 11th, four years out, doing okay.

MR. HASKINS: Kathleen Cooper?

MS. COOPER: Well, I wanted to thank you for having me here today. It's good to be back in Washington. I've been gone for all of three weeks, so I've been focusing on this for awhile. Thank you, Ron Haskins, for inviting me. I thank Brookings for having this session on a regular basis about the poverty rate.

But I will say that the first thing I learned about the poverty measurement that the Census Bureau does is that it is one of the most disliked and criticized metrics that we produce. And Doug talked about that a little bit, and I'm sure we'll hear more about it. There was an article in the Washington Post a couple of days ago by Jonathan Weisman saying something along those lines. But the number, of course, commands an awful lot of discussion and commentary. Tenths-of-a-percentage-point changes, very small changes, are used to make criticisms or great praise for public policy, whereas the metric really has not changed very much for a long, long time. I mean, if you look back over the period since the mid-1960s, this measure of poverty that we have has always ranged from around 11 to 15 percent.

In some respects the Census Bureau treats the measure similarly to market moving indicators that it produces. But for no other number outside of those market moving indicators do they spend as much time briefing people and Congress on them. And I think the reason for that is very clear. Not that this measure moves markets, but that this measure moves emotions and politics.

I would have to say that the word "poverty," in my view, is a loaded word. I would prefer that the Census Bureau call this report a low-income report. In fact, I should pass on that if you look at the Census Bureau history, what you find out is that back in the late '60s, during the Nixon administration, they tried to change the name of the report to a low-income report. The career staff there indicated that they thought it was a much better description of what they were reporting on, what the measure actually showed us. What's interesting about that, however, I think, is that the Office of Economic Opportunity at the time and its then-chair Donald Rumsfeld vetoed that idea. So it didn't happen. It continues to be called the poverty report.

So today's announcement of a 12.7 percent poverty rate is interesting, but I would have to tell you that, to me, for some of the same reasons that Doug mentioned, it is not a surprise. Over the course of the business cycle the poverty rate tends to lag the unemployment rate by more than a year. I think you have a handout from me that has two basic charts on it--the top one that shows the poverty rate versus the unemployment rate, and the bottom one that shows income, what happened to real income each year relative to the poverty rate. And you can see very clearly a cyclical relationship between the two.

Following the past two recessions, unemployment peaked the year before poverty peaked. For example, as you see in that handout, in 1982 the unemployment rate topped out at 9.7 percent and began to decline in '83. The poverty rate peaked in '83, at 15-plus percent, and began to decline the following year, in '84.

Likewise, following the recession in the early '90s, unemployment peaked at 7.5 percent. Poverty peaked the next year, in '93.

Most recently, unemployment peaked for this cycle in 2003. And strong job creation did not begin until around July of that year. The just-released poverty rate for '04, then, was preceded by only about six months of falling unemployment. We should have expected a small up-tick this year, and of course that is what was reported.

But I think it's important also to keep in mind that the 2004 poverty rate is still lower than all but one year in all of the 1980s and 1990s, and lower than the average for those two decades. And it's likely--I certainly would agree with Doug on this--I think it's likely that we'll see further declines as we go through the next couple of years because of what's happened to the labor market over 2005 and as we move forward.

So the bottom line, in terms of the way I look at the poverty rate, is that it's a much better cyclical indicator than it is an objective measure of poverty.

So who are the poor in America? Doug has talked a bit about this. I just want to look at it from my point of view. What do we know about them? Those below the poverty line as we look through these numbers are, of course, more likely to be families headed by a single mom, more likely to be black or Hispanic, more likely to be young, more likely to be foreign-born non-citizens--again, as Doug mentioned--and much more likely to be high school dropouts and much less likely to have any college education.

So there is clearly a pattern here--single moms, minorities, recent immigrants, the less educated, and young people starting out. But it's a pattern that can be broken. Half of poverty spells are over in four months or less. And 80 percent of poverty spells are over within a year.

A recent Commerce Department study shows that low-income individuals were more than twice as likely to have experienced a rise in income, rather than decline, between 2001 and 2002. Indeed, some 57 percent of people with family income below the poverty line experienced an increase of some 10 percent in their income between 2001 and 2002. These are SIP data. That's the most recent information we have. But clearly, that was not a very strong period for the U.S. economy. So 57 percent of people below poverty experienced a 10 percent increase, but only 26 percent of people at the higher end experienced a similar increase.

So we're seeing some mobility there. Immigration, as Doug said, is an important part of the poverty story. It's a story similar to that of our forbears a century or so ago. Immigrants come to this country--certainly mine did--and start out at the bottom of the economic ladder. But hard work, citizenship, and successive generations yield improving situations. We know that between '99 and 2003, about 20 percent of first-generation immigrants earned $50,000 or more, while one-third of their children did. We know that naturalized citizens earn 40 percent more than non-citizens. And, as Doug mentioned, poverty in the Hispanic community has been cut in half. He didn't say those words, but it has been cut in half over the last decade, just as the unemployment rate for Hispanic Americans has been cut in half over the last decade.

All of this sounds encouraging. I would add, though, that none of us--I'm sure no one in this room, certainly I am not satisfied with the poverty rate that was announced today. First of all, I'm not satisfied with the measurement itself. It is a relic, a relic that is embedded in a myriad of federal and state assistance programs. Those funding formulas and politics make it nearly impossible in this town to change to a reliable measure. So the Census Bureau will have to continue to live with this criticism that they have. Nor can we be satisfied with the level of poverty at 12.7 percent. I think we will, however, see in the coming years that this poverty calculation again lags the business cycle by a year or so as it falls further.

Moreover, if taxes, transfers, and an appropriate inflation indexation method were used, and if income were completely counted, it would be clear that poverty is indeed much lower than this measure purports. Since 2004, the period covered by today's report, we know that the nation's unemployment rate has continued to fall and that the job situation has improved a great deal. Indeed, the economy has generated 1.3 million jobs alone, on a net basis, for this year alone, and unemployment is now down to 5 percent.

So strong economic growth and job creation indicate to me that further improvements of tenths of a percent here and there are on the horizon. But I would not expect to see drastic declines in this measure over the next few years, for two reasons: First, because the rate remains low by historic standards and moves marginally over time; and second, because the measure, as put together, is insensitive to all that has been done by government to help the poor.

Thank you.

MR. HASKINS: Gary Burtless?

MR. BURTLESS: It's my turn. I'm not sure I would use the word "encouraging" anywhere within 10 miles of this report. The money income and poverty statistics published today show, surprisingly, that incomes of Americans fell last year compared with the year before. It's true the decline was only .2 of a percentage point. But reading the business pages of the newspapers over the preceding year, you should be stunned by that number. It contrasts with all of the quarterly personal income reports that we have seen from the National Income and Product Accounts. Those numbers showed strong improvement in real incomes in the United States last year.

Let me numb you with a couple of statistics. According to the incomes reported in the Census Bureau's Current Population Survey, which is what we heard reported today, the average American saw his or her income fall .2 of a percentage point last year. I'm going to turn to the income distribution statistics in a minute. Now compare that change between 2003 and 2004 with the per capita personal income reported by the Department of Commerce in its NIPA statistics. According to those statistics, per capita personal income rose 2.2 percent instead of falling .2 of a point.

Even if we make adjustments in the National Income and Product Accounts to make that income concept correspond with the income concept of money income, as used by the Census Bureau, per capita income in the United States rose 1.6 percent last year. So why does the Census Bureau's household survey uncover so much less income improvement than the national economic statistics that I just mentioned?

By the way, this doesn't always happen. You can go back over the last 25 years and there isn't usually a huge discrepancy. This is a very big discrepancy. Perhaps a future revision in the Department of Commerce's income statistics will bring those income gains down closer to what the CPS numbers show, but I don't think that's going to explain the entire difference. I think that the money income report that we received today might point toward a partial explanation of what's happening.

The basic findings in the census report today that I want to highlight are the following: Per capita income in the United States fell for the fourth successive year, although the drop this year was not big enough so that we could say incomes differed by a statistically significant amount from the year before. Since 2000, the real per capita income of Americans on the money income report has dropped 3 percent in total, according to this survey. In contrast, the National Income and Product Accounts--these are the aggregate statistics about income--show that personal incomes increased almost 1 percent over that period, from 2000 to 2004. Using an income concept that is close to the Census Bureau's money income concept, average incomes have fallen about 3.8 percent since the year 2000. That's why I wonder why anyone would describe the statistics in this report as encouraging, compared with the National Income and Product Accounts statistics, they're very discouraging.

Many people would prefer to measure living standards by disposable income or by households' consumption expenditures instead of by the money income concept used here. Since the year 2000, disposable income in the United States per person has risen 5.5 percent. The amount that Americans consume, on average, has increased 6.8 percent. So these are huge differences from what this money income report is telling us.

I don't want to turn this into a statistics tutorial, but let's think about two big differences between the different measures of living standard improvement in the United States. First of all, the aggregate statistics include government and employer payments for health insurance in their measure of income, and those insurance contributions are not reflected in the Census Bureau's money income reports. Second, when calculating disposable personal income, which has grown very smartly over the last three years, the Department of Commerce subtracts all the income tax payments we make. As many of you know, we've had three rounds of tax cuts in the United States that have improved disposable income in comparison to income pre-tax.

Okay, I've given you a partial explanation for the slow growth of income in the Census Bureau numbers compared with the numbers that we read every quarter in the business pages when personal income numbers are reported to us. What else do these money income numbers show us? They show that inequality got worse in 2004. I don't understand people seeing no trend in inequality. Inequality got worse in these numbers. Even though the income share of the bottom two-fifths of the income distribution didn't change very much, the real average income of the middle three fifths of the income distribution, the real incomes fell. In fact, it seems that Americans whose incomes are between the

20th and the 95th percentiles saw a decline in their money incomes in 2004.

In fact, the only income increases that we see in this report are in the top 5 percent of the U.S. income distribution. The fact that incomes near the bottom of the distribution are relatively constant helps explain the poverty statistics.

She's just holding up a card that says, "What you're saying is so interesting, you can speak as long as you wish."

[Laughter.]

MR. HASKINS: Oh, no, you don't know how to read, Gary.

MR. BURTLESS: Among age groups, the poverty rate among the elderly reached an all-time low last year, below even the rate attained in the year 2000, but that was offset by increases in the child poverty rate and especially in the prime-age adult poverty rate. Why did prime-age males, adults and children see their poverty rates go up? Mainly, it's a job-market story. Employment rates rose in the third full year of an economic recovery, but yearly earnings fell. The drop in real earnings exactly offset the employment gains, so there's no change in the contribution of earnings to people's well being, according to this report., The number of full-time workers increased 2.2 percent among males, increased 1 percent among females, but the real earnings of these two groups fell 2.3 percent and 1 percent, respectively.

Now let me return to the puzzle I started with. Why did average money income fall even though personal income in the National Income and Product Accounts rose so much? I think the answer has to be a rise in inequality, particularly in the part of the income distribution where incomes are very poorly measured in this household survey, namely, people in the top 1 or 2 percent of the income distribution saw large gains in their personal income that do not get captured by this household survey. Their income gains show up in the aggregate statistics about how much total personal incomes are rising, but they don't show up when we have many well-to-do people not sitting around at their phone waiting for the census taker to call and who are not giving complete enumeration of all of their labor incomes and capital incomes, which are very, very difficult to measure for people who have very complex income flows.

Thank you.

MR. HASKINS: Joe Jones?

MR. JONES: Great. First of all, let me say thank you, Ron, for the invitation to be with this distinguished panel and yourself again.

But first, my thoughts are with the American families in the Gulf Coast of our country who have been devastatingly impacted by Hurricane Katrina. I think about those very impoverished families that I've had a chance to meet and eat with in the State of Louisiana and some of the poorest parishes, and other poor families, whether it's in Des

Moines, Iowa, or Washington, D.C., New York, Colorado, and other places around the country.

I'm not a researcher nor a statistician, but I will say that to have the richest country in the world to have a 12.7 percent poverty rate--which equates to approximately 37 million people--is just absurd given the resources that this country has. But as it relates to this particular issue, I want to focus on something that's very, very dear to me, and that is child poverty, and child poverty particularly as it relates to the men who happen to be 50 percent of the conceiving partnership that bring these children into the world, particularly poor minority men.

MR. HASKINS: Do you have research on that?

[Laughter.]

MR. JONES: Not really, but unless the skin comes off I think I can talk about it a little bit.

[Laughter.]

MR. JONES: We have a really structural flaw in the way in which we approach helping poor families come out of poverty. I want to go back to the 1996 welfare reform legislation, where we did what I think some would argue was a good thing--some may say it was not as good as it is purported to be--where we asked poor women to find a way to go from welfare and go to work. The structural flaw that I talk about has to do with the men who were associated with those women who helped bring those babies into the world, where we asked the women to go from welfare, come up and go to work, and we said to their partners, Fend for yourself. We basically did very little to support the men to simultaneously move up the wage and earning scales with their partners.

Now, that's analogous to us creating commercial aircraft with no runway. So you've got huge aircraft that can transport people anywhere around the world, but unless you have runways and an airport that will allow these planes to take off, you have no movement. But among these poor minority males, many of whom don't have the influence of their fathers to help structure their ethics, their beliefs, their value systems, then what you have are aircraft--you may have runways, but then you have no air traffic controllers to control the traffic.

We leave these young minority men out there to fend for themselves, and that, I think, is a structural flaw, particularly within our social welfare system, where our expenditures are almost totally--and rightfully so--almost totally spent on women and children. Now, we've got to address the issues of poverty among women and children, but we cannot have a system within our country where the men who happen to be 50 percent of the conceiving partnership don't have access to services that will allow them to contribute to their families--where there is work, there is opportunity, there's the potential to understand that the traditional educational system and financial literacy are key ingredients to families being able to move forward and that home ownership at the end of that equation is the way in which we should be challenging ourselves to make sure that a significant percentage of our poor families eventually get to.

Now, having said that, let's think about where we've come from as a country as it relates to this particular issue. During the early 1990s, many of our largest national philanthropic entities or foundations began to invest in the work to support men/fathers to be able to move into the family equation in a substantial way. That work continued to the point where they began to collaborate with our federal government and this issue became a national issue. The issue of fatherlessness in America became a national issue as it relates to child poverty.

We then got most of the Congress engaged in the conversation and we had legislation introduced that would have, for the first time in this country, created public funding that would have supported men who happened to be fathers to move through a system into work, similar to what we did under welfare reform. During the 2000 presidential campaign, both presidential candidates, Bush and Gore, had as part of their platform the issue of fatherlessness, on their presidential platforms.

If you talk to anyone in this country, male, female, black, white, on any side of the ideological spectrum, people will say, yes, fatherlessness in this country is an issue as it relates to child poverty. However, you tell me, if that's the case, how come when we get legislation introduced into Congress and everybody agrees it's a national crisis, we've never had any significant legislation to pass that would allow us to address this issue of fatherlessness? Because we also recognize that in fatherlessness we have indicators of child poverty as it relates to school dropout rate, as it relates to crime and violence, drug use, teen pregnancy, and homicide and suicide. So if that's the case, why can't we, as the richest country in the world, make a commitment when we have a structural flaw? Right?

If my good friend and colleague Dr. Ron Mentzig [ph] were here, he would tell us that the only public funding domains primarily available to men in our country, to men in general in our country as it relates to social welfare support, is the criminal justice system and the child support system. And if that's the case, I can tell you we are playing around the margins as it relates to reducing child poverty and we won't get any further significant reductions until we find a way to include men in the formula as it relates to family services.

Now, I know I'm getting close to the end of my 8 minutes, but she hasn't held up the stop sign yet, so I want to make this last point. As a public policy, we in this country have committed to looking at family formation as it relates to the promotion of healthy relationships and marriage as a public policy. And I think we're onto something. However, again, think about the structural flaw that I spoke about. If you want to engage men and women in a dialogue where you teach them relationship skills and education and provide them with tools so that they learn how to make decisions as it relates to forming a family, where, if we don't have a social welfare system to have access points for men, will we be able to fully engage both men and women in that particular process?

I'll end with that particular comment.

Thank you.

MR. HASKINS: Thank you, Joe.

Let me see if we have a little bit more agreement than might have been indicated during the comments.

Does anybody disagree that the overall picture here--and there are some positive things that Doug mentioned and then Kathleen mentioned--but generally speaking, for the last four years, since 2000, the pictures, especially for low-income families, has been negative. That is, their incomes have declined every year, their poverty rates have increased every year. And that is not a good story, right? There's a problem.

Well, Doug is cogitating, so he's going to resist. Go ahead.

MR. BESHAROV: Well, this goes to the question that Kathy mentioned about what the poverty measure and what our income measures measure. I'd feel a lot better if you said people's health was declining, the quality of their housing was declining--their schools probably are declining. The income, as measured by the Census Bureau, is a proxy for how well people are doing. So in some respects, I don't want to play on that turf.

Now, if you ask the question is it true that income as collected by the Census Bureau is not doing what we wish it was doing, then the answer is yes. But do I want to--how do I value what you reported on, which is the increase in health care insurance for children? Somebody's paying for that, and that is the rest of us. How do I value what looks like a very good story about immigrants? How do I deal--and here I turn to Gary--with fact that I know the CPS under-counts income across the board, from the bottom decile to the top decile. And there are people who make very persuasive claims, right, that if you put those numbers in, the picture changes--a little, not entirely.

So, Ron, yeah, I do want to dissent. I don't think the question is fairly put. It is the case that we'd all like to see earnings go up, but that's not all that characterizes the well being of American people.

MR. HASKINS: A major part of what you just said--and let's clarify this for the audience because there may be a number of people here who have not read about this or may not know about it--is that if you look at consumption, the picture does look somewhat different. We've recently done work on that here at Brookings and we're about to publish a policy brief that is either out now or it will be soon that, especially at the bottom distribution, if you look at consumption, it does look quite different. And you have an indication of this if you look at the Census Bureau data with all the various poverty measures, and the official measure, of course, leaves out a lot of not just in-kind benefits but all the earned income tax range. So if you look at the bottom, it does look a little bit different.

Kathleen--

MS. COOPER: Yes, I did want to add to that, and it gets back to what Gary said as well, which is that he referred to the different behavior of, say, disposal income and other measures of income, and that has a lot to do with the fact that this measure which the census uses to put together their proxy for poverty in fact doesn't take those things into account. There have, as he mentioned, been some changes in tax rates over this period at all levels. A lot of people were taken off the tax rolls at the low end altogether, many, many people taken off the tax rolls altogether at the lower end. So we cannot take that--the way the measure is put together, that does not come into play, so we can't fix that.

And in addition, as Doug mentioned, this under-counting question is very, very important. The National Income and Product Accounts--

MR. BESHAROV: Under-counting of income.

MS. COOPER: Of income, yes. National Income and Product Accounts, the people that do those--BEA--enhance the numbers on a regular basis. They know they have to because they know how much under-counting there is in this very survey. Have we figured out a way to fix it yet? No. We continue to look--Census continues to look--when I say "we," sometimes I'm talking BEA, sometimes I'm talking Census. Pardon me. Four years of working with both organizations. But certainly it's clear that it would be a better measure and we would all have a better sense of what's going on in terms of poverty if in fact we had a better measure of income to begin with.

MR. HASKINS: Gary, do you want to--

MR. BURTLESS: I think you have to distinguish between general assessments of the income statistics as published by the Census Bureau and a consideration of what the year-to-year *change* in those statistics means. Many things that represent shortcomings of each individual statistical series have always been present. You still are allowed, I think, to draw conclusions about what short-run and longer-run trends in the statistics show, bearing in mind that the statistics have shortcomings. I would agree that it is preferable to measure the well being of American families through their consumption And it's probably especially true that it would be preferable to measure well being through the consumption in particular of lower-income people.

But having said that, you still have to make the case that these money income statistics are somehow giving you the wrong story about what's happening to the distribution. I have given one reason and I have repeated this ever since the tax cuts became an important dimension of what's going on. The reduction in taxes probably has an influence on families' well being that is not being captured by these money income statistics.

But having said that, it's not so clear that those changes make the situation of low-income Americans better or better relative to high-income Americans'. On the contrary, many tax simulation models show that the biggest changes in net income, measured as a percentage of people's income, have been enjoyed by people who are high up in the income distribution, not by those who are low down in the income distribution. We have not made the earned income credit, which is the main part of the tax system affecting low-income people, any more generous in recent years. We have not lowered payroll taxes that are withheld from low-income wage earners' salaries.

So nothing in the change in the tax system has probably changed the picture about income inequality, although I think it has had an influence on the conclusion that you would draw on the trend in resources that Americans have available to spend for Americans right in the middle of the income distribution.

MR. BESHAROV: I want to minimize the disagreement, because either I misspoke or you overheard. So it would be wonderful if everybody's incomes went up. Some people's did, some people's didn't. The differences are relatively small and, given the way we measure them, yeah, I do kind of scratch my head sometimes.

My point was not about the year-to-year when I was say "an encouraging story." Let me try it again in 10 seconds or whatever.

Just look in my handout for Hispanics, right? As recently as 1995--that's only 10 years ago--they had a 30 percent poverty rate. They're still coming into this country, as our friends on the south border keep complaining. And their poverty rate now is 50 percent lower--I'm sorry, it's a third lower. It's only 22 percent. That's one heck of a story. If this were a meeting about immigrants or if this were a Latino group, we'd all be going Hosanna. That part is a nice story. Now, maybe not between 2001 and 2004, but that's a nice 10-year story. I like that story. And I think you do, too, right?

Right?

MR. BURTLESS: Yeah.

MR. BESHAROV: That's what I found encouraging, not the year-to-year. What I found encouraging is what's gone on in this country over the last 15 years. And it's not just Bill Clinton. It's staying. It's a good story. It could be a lot better. But we shouldn't walk away from here saying these numbers tell us America's going to hell in a handbasket. They could be a lot better. We'd all feel better with them. But the 20-year trend, not just the last 10-year trend, for female head of households, who used to have--if I remember correctly, it was a 50 percent poverty rate for single mothers back in the '60s and '70s. Have I got that right?

MR. HASKINS: Yes.

MR. BESHAROV: Okay, thank you. Look at what it is now. So, yeah, we can all shake our heads and worry about a 1 or 2 percent increase or decrease, and yes, it's gone up--although not very much in the last four years--and I don't want that. And if you look long-term, there's a reason why people reasonably, you know, look at some of these numbers--not all of them--and, I'll use my word again, I'm encouraged for America.

[MR. HASKINS : Even so, from the perspective of a grumpy analyst who's worried about the bottom, and seizing on your idea that we ought to look at the patterns year after year after year, if you look, as I implied at the beginning, at the pattern for female-headed households, the reason we made progress against poverty, almost the whole story is among female-headed families. And almost the whole story there is earnings. It's not government programs. Their income from government programs declined throughout the period and their income from earnings increased throughout the period, and net they were better off at the bottom. All female-headed families below around $20,000, they were better off by almost 30 percent in constant dollars. Okay?

Now comes 2001 and it turns around a little bit. 2002, it turns around a little more. 2003, it turns around a little more. And 2004, it turns around again. So this very nice positive story, in some ways akin to the Hispanic story, just falls apart. And so as a result, we--it doesn't completely fall apart because the poverty rates are still almost 20 percent lower than they were when all this nice--it started in '93, so there's still some good news here. But for those of us who are grumpy, we're disconcerted that this trend continues to go the wrong way.

And my question is, what could we do about it? Is there anything public policy can do to reignite the fire and more and more mothers in the labor force earning money, getting to the ITC and so forth, that will continue the decline in child poverty? Is there anything that we should be doing in public policy?

MS. COOPER: Well, maybe I'll just reiterate the point I wanted to make, which is the best solution is to have the economy strong. And it is getting stronger. When I look at these numbers for the last four years, I think that the main driver driving the poverty rate higher has been, yes, a slow-growth economy, a recession in there, and then slow job growth for the first couple of years of recovery. But that has changed. Job growth is strong now. Everybody has their own definition of how many thousand jobs a month that has to be to call it strong, but it's a good robust growth rate, and jobs. And when that occurs and as it spreads through the economy, that is going to help and is helping an awful lot of people.

And I think during this four-year period, when there has been weakness with regard to the job market--which there clearly has been--these programs that are in place have played their role. I must admit, Gary and Ron, I don't know the numbers myself about how much earned income tax credit money flowed out, how much food stamp money flowed out and so forth, but I certainly know that tax cuts did allow people to have more money than they otherwise would have had. My sense is that these safety net programs that we've put into place, these automatic stabilizers that we have already in policy, did play a role in alleviating some of the real difficulties that people had.

MR. JONES: Ron, let me--

MR. HASKINS: Yeah.

MR. JONES: There's a couple of things. One, I think you're absolutely right that we do need a strong economy to be able to absorb the number of people who need to get into the labor force and increase their wages over time so they can, you know, realistically take care of themselves and their families. However, for the poorest of the poor, particularly minority men, even when you have a robust economy there are barriers that prevent them from getting into the labor force. And even when they can get into the labor force, there are other factors that prevent them from participating in mainstream activities.

For example, in a robust economy--

MR. HASKINS: Joe, before you go any further, let me just say something. My next question is going to be precisely this; that clearly fathers could play a much bigger role here if low-income and minority fathers were more employed. So I'd like all the panelists to think about this and see if they have a response to your point, really, which is what should we be doing in public policy so that fathers can work more and could contribute more to family income.

So now, go ahead.

MR. JONES: And if you look at those men who in a strong economy would be eligible and employers would take them, you would find that a significant percentage of them have criminal justice issues, and some not because they're criminals but because of our strong policing policies in urban communities and elsewhere throughout the country.

Then secondly, you look at those who have unmanageable child support orders. Everyone who produces a child has a financial responsibility for their child. However, we have some flaws in the way in which our child support policies and orders are established that lead to a low-income person--and when I talk about low-income, the National Conference of State Legislators, in around 2000, when we looked at on the Responsible Fatherhood Committee of the NCSL, which I happened to be on, we looked at the average annual income of low-income men. It was less than $10,000 for low-income fathers.

So that means that even when they get into the labor force, the potential to have 65 percent of their earned income on a biweekly paycheck would be garnished to pay back the state for child support. Which in effect they do have somewhat of a responsibility to pay, so that's not--I want to make sure I make that point. However, when you think about it, though, realistically and practically speaking, why would someone with those kinds of issues in great number begin to think about opening a bank account, begin to think with their children about opening a bank account? Because practically speaking, it doesn't make sense that if your wages can be garnished for child support and other issues, why in good conscience would I put my money into a financial institution where I know that that income could be taken away? And if I don't put it into some kind of financial institution, then what do I do with it? I keep it in my pocket, I keep it in my pillow, and I spend it as I go. There's no wealth creation and our children continue to live pillar to post.

Now, having said that, the other issue that we have to deal with is making sure that there is domestic spending that will allow us to have programs and services in place so that as these people are challenged to do the right thing in terms of--

MR. JONES: --taking care of their families and their children, there has to be an opportunity for folks to get from Point A to Point B, similar to what we did with welfare reform. I'm not saying give people a handout, but we sure have to give them an opportunity.

MR. HASKINS: Doug, Joe mentioned--

MR. BESHAROV: I'm just going to say, I agree with everything. I'm breaking the rule here. There's nothing that Joe said that I haven't tried to say in the past, so I agree.

Let me just add something to this, since we've gone this route. There are some interesting things about female-headed families in these numbers. My punch line is going to be the following: Joe, you're right. And the first thing the government could do is do a better job counting the men in the lives of these children. Right? So before we spend any big money, let's just do a count.

So let me tell two stories here and then I'll answer whatever question you have, Ron, or you can pass to someone else.

We've had, notwithstanding predictions by even Doug Besharov in the Washington Post, no increase in the welfare caseloads nationwide since the recession. Came the recession, I said, you know, there's going to be an increase in the caseloads because it follows. And none happened. Now, there are sort of some exceptions to that, but the basic story is the national caseloads didn't go up. Another number, though, went up. This is a CPS number. This is why I'm going to hold my nose, Gary. This is the deep poverty number, which is half the poverty line. Basically, those single-parent families who are at half the poverty line and below are eligible for welfare in most states. That number, since the year 2000, went from 1.7 million families to around 2.5 million. Eight hundred thousand more families, according to the CPS, are below one-half the poverty line. That's the people who should be going on welfare. They have not gone on welfare.

So before we talk about increasing the EITC, Ron, I'd ask the question: what's going on? One thing that's going on is the state agencies are mean, nasty people and they're just telling people don't go on welfare, if you do we'll hunt you--you know, whatever.

MR. HASKINS You're being serious about that?

MR. BESHAROV: Oh, I'm sure there's a fair amount of state agencies making it quite difficult for people to go on welfare. No doubt about it. But do I think it's the whole story? No.

MR. HASKINS No, but even if it's only part of the story, would you encourage states to be kinder and gentler?

MR. BESHAROV: That's a long story. Ask me that after my time here is up. I want to go back to Joe's question.

So what's going on here for the mothers who haven't just been browbeaten into--you know, where are they? They're not living on the streets. Part of it is we know cohabitation rates are going up. None of the income of the cohabiters is in these numbers. Zero. Nada. Which means we don't really know. This is an issue partly about the consumption of some of these families--not all, I know. There's a lot of families here. We don't know why these mothers, who it looks as if their numbers have increased and their incomes have gone down, have not gone on welfare. My supposition, you know, as strong a supposition as other ones, is partly we know cohabitation rates are up, we know coresidency rates are up, we know that there's a lot going on there. We don't measure that.

And now let's give Joe the other zinger here. Let's say the guy does the right thing and marries the woman. Not like that poor guy in Mississippi or Alabama, 22, marries the 14-year-old. He does "the right thing," and he's going to jail, and all the guys who run off and don't pay child support, you know, we--

Never mind.

So this couple gets married and her cash income, right, from the--depending on where she is in the income range--her income, her AFDC, her EITC, and whatever go down. So there are two--I don't know how large this effect is, but I want to echo Joe here because I think it's tremendously important from an ethical point of view that we recognize that these numbers do not reflect the guys. And they don't tell us the true condition of family relationships. And that's one of the biggest weaknesses of the poverty measure.

MR. HASKINS: Anybody want to add to that? Joe, do you want to--

MR. JONES: No, I think he's absolutely right. What we don't know--I remember during the mid- to late 1980s, when we were working on some of the fatherhood legislation, and HHS would call over to Labor to run the numbers on the, you know, the prospective number of men who would be out there to receive services. And clearly, we don't know what that population of men is that exists out there in the country that could, if we were to engage them in a certain way, would be able to change behavior and participate in mainstream activities so that their children could less and less fall through the cracks.

The other point I want to make as relates to social welfare system and the lack of engagement of men as it relates to their children, is if you look at our child welfare system, if a mom is incapacitated for whatever reason and temporarily or permanently the child needs to be placed someplace else, the father and the father's family is almost the last place that our child welfare system will look, although we have statutes in place that suggest that's absolutely what you must do. That means that the child is not only cut off from the father, the child is cut off from the father's family and the resources and assets that that family has that could a benefit to the child. That's another huge structural flaw that we have in our social welfare system that we clearly have got to address.

One of the reasons why I would surmise--and ladies, please don't take this the wrong way, because my mother and my wife would slap me if they thought I was saying anything that was gender-biased. Right?

MR. HASKINS: I'm going to tell them, too.

MR. JONES: I'm sure you will. But in our social welfare system, we don't have significant participation of male thinking and involvement to balance and complement what we have in terms of the gender equation. Even in the child support system, most of the managers and caseworkers are female. In the social work system where I come from, what I live, what I eat and breathe, most of the hierarchy, the decision-makers, are female. We've got to change that equation so that we can benefit from the gender complements that we all bring to the table as it relates to dealing with these issues associated with fatherlessness and this impact that men can have as it relates to preventing their children from falling through the cracks.

MR. HASKINS: There will be no follow-up questions on that point.

MR. JONES: I'm sure there won't.

MR. HASKINS: One last question before we open it up to the audience. Gary has made a major point of, although he said that the date isn't totally clear on this, that part of this story of declining income is probably at the very top of the income distribution--families over, you know, a million in income or a half a million or something way up at the top. And as we all know, this is one of the biggest bones of contention in this city between Republicans and Democrats.

So the question is, do you agree that these census data show yet again the consequences of the income distribution in this country, and has it or has it not been aggravated by the tax cuts?

Doug is frowning. I assume he has something to say.

MR. BESHAROV: I'm just trying to think. These numbers are pre-tax, pre-transfer, so they don't show the effect.

MR. BURTLESS: No, they're post cash transfer.

MR. BESHAROV: Right, but they're post-tax? They're not post-tax, are they?

MR. BURTLESS: No, they're pre-tax, post cash transfer.

MR. BESHAROV: Right. So they don't show the effect--

MR. BURTLESS: Of the tax cuts.

MR. BESHAROV: --of the tax cuts. That's why I was frowning.

MR.X (inaudible): That's the last part of the question, Doug. The question is, do these data add--can you tell a story here, and would you agree that the story makes sense, that what these numbers show is that there have been big changes at the top so more and more the income is going way up in the income distribution?

MR. BESHAROV: Well, Gary, what's wrong with our Table 3?

MR. BURTLESS: Is this a quiz?

MS. COOPER: Table 2. That's Table 2--

MR. BESHAROV: No, I--I mean, I took this right out of the census report, and I thought that, you know, the two ways that one looked at the CPS data, right, were the Gini index and then the distribution by [inaudible]. And the Gini index--

MR. X (inaudible): You mean Table 2, right?

MR. BESHAROV: Table 2, yes. Sorry. 2001-.466; 2004-.466. Now, there are other ways to measure inequality, but, I mean, take a run at it. I have no--I'm happy to be told I'm wrong.

MR. BURTLESS: My surmise, that one reason that the total income growth that we see in the money income survey is so much slower than the total money income growth that you would infer from the aggregate statistics on income is that income at the top end is being under-reported by a substantial amount.

Now, that may also--

MR. BESHAROV: Well, before you leave that point, let's make this real clear here. What we're saying is these data in a way are irrelevant because they're based on a data set that doesn't get the data at that upper end that you're referring to.

MR. BURTLESS: Yes.

MS. COOPER: Could I just make the point that from talking with people at the Census Bureau, who are obviously the people who gather this information, I do not hear from them that there is less--that the under-counting is tied to the, certainly in percentage terms, is tied to the level of income. So in other words, it wouldn't be distorted, according to what their view is. So they would argue, although this doesn't include all the things that perhaps should be included, some of the benefits that government provides to people through special programs, this would say that there hasn't been much of a change of the last 10 years, this income distribution issue. And this does show married households. And we all know how many more households have two incomes, and that's been a big factor that explains some of the increase in inequality over the last 15 years or so.

MR. BURTLESS: Well, I will report that the income shown in this money income report fell .2 of a point. In the United States, the income received that corresponds to this income definition--so I am excluding the contributions that employers are making to your health care and that the government is paying for your in-kind benefits--rose 1.6 percent. So there's a difference of almost 2 percentage points between the income changes in the last year. That's a very big change. And you have to come up with an explanation, where did all that income disappear? It could be that it disappeared everywhere in the income distribution. That could be right. But it seems to me more plausible is what we're missing is big income gains at the top.

MR. BESHAROV: Actually, I think there is a sense--I think on this one point I know one little bit more, and it's just what Kathy said. There have been some census studies of this, and it's across the board. It's at every level. And there might be more at one level than another, but it is across the board.

MR. BURTLESS: You're making a point that's a simple and a completely accurate one, that there is under-reporting of income everywhere in the income distribution, which I accept and I'm aware of. The question is, of the income improvement that we see in the business pages of the newspaper, from the personal income statistics, at the aggregate level where has almost 2 percentage points of income disappeared?

MR. BESHAROV: But have I got this right that this is just your--there's no data behind your supposition, your supposing that's based on your years of wonderful experience, right? There's no data. I could just as easily say it's all TANF-knocking reporters.

MR. BURTLESS: No, that's not true. There are data. The data are from the Department of Treasury analyses of statistics of income, which are based on income tax return data. And those income tax return data showed a very, very sharp increase in the proportion of income going to top income earners in the tax system relative to what the CPS --

MR. HASKINS: Well, after this scintillating exchange about data, I would like to congratulate the dozen people in the audience who are still awake and have not yawned. And I will reward you by saying would you like to ask some questions. In the back. Margie.

QUESTION: Actually, I just want to make two quick points. One, you spent a lot of time talking about the measure and whether, if we changed what we counted, we would see poverty declining. What we didn't talk about very much, except at the very beginning, was whether, if we change the measure, we might see poverty increase. So the question is, really, are we measuring hardship adequately? I think a lot of people would

argue that since this measure was developed quite a long time ago and society has changed a great deal since then, if we thought about the fact that now households have the expense of child care, the expense of transportation getting to work, significant increases in housing costs compared to income increases, especially in recent years. If we factor all of those things into our measure, we actually might see poverty increasing. So those are things to also consider.

Second point. You also asked about policy that we might consider to improve things, and one thing I would point out is Congress is about the start a big debate on cutting some of the very important income and work supports like Medicaid, food stamps and benefits that are being paid for out of the TANF block grants. All of those things seem to be going in exactly the wrong direction, given the trends of the last four years and today's report.

MR. HASKINS: Would any member of the panel like to comment on that? Kathy?

MS. COOPER: I might say--I guess this is in the right place--and I'll just talk about the first question because I think the policy questions are better for others.

On the measurement issue I know because I know that there's been an awful lot of focus on this, about every 5 to 10 years the Commerce Department and other parts of Washington try to take a run at changing the way we measure poverty because it is so well-criticized, so widely criticized. And there was a National Academy study in the late '90s that made a lot of assumptions and changes, potential changes that would have shown a higher poverty rate. There are other measures that take into account some of the factors that I mentioned, which is taxes, income tax credit, food stamps and others that show much lower poverty rate. The official poverty rate I think people end up leaving along because it's somewhere in the middle.

Clearly, you probably know, many people in this room know that this measure was started by figuring out, what, 40 years ago how much a basket of food costs, and then indexing it to inflation over time. And you mentioned some parts of the basket that have gone up a lot, medical care, health care, housing and so on, child care expenses. But certainly food has gone way, way down, and that is one of the basic necessities, and people who are at the very low end of the income spectrum certainly do have access to health care. I think it's one of the reasons that Doug mentioned that when we look across the spectrum of people, the health of people in poverty and those who are not in poverty, by this lovely official definition that we have, we find no difference in how health they are.

So I think it's important to continue to look at these issues. It's a very important set of issues and questions you've raised, but in the end, my sense is that we have to keep looking at it, and Census will continue to do that, but I'm not sure anything much is going to change in terms of the measure.

In addition to that, there are some very real differences, important differences that we can't take into account, we'll never be able to take into account, that are very real and have been real for 40 years, and that is--

MR. HASKINS: Other comments? Any other comments from the panel?

Next question.

MS. COOPER: And that's geographic differences.

MR. HASKINS: Richard?

QUESTION: I want to dare to get back to Doug and Gary's dispute. I think the story that comes out of the census efforts occasionally to compare aggregate income amounts in the CPS to the National Income and Product Accounts is that the income is mainly under-reported at both ends, at both extremes, so that earnings--they actually do a pretty good job, CPS does. Means-tested transfers tend to be under-reported considerably. Property income tends to be under-reported even more proportionally. And of course, it's a bigger aggregate of income, so the effect on distribution is probably going to be more important for the omission of the property income. Then the realized capital gains are not counted at all in the pretax money income.

That, I think, tends to support Gary's point that if there is a difference between what's showing up in CPS and what's showing up in NIPA, a lot of it is probably at the top.

MR. HASKINS: Thank you.

Doug?

MR. BESHAROV: I only want to say Richard must be one of the few people who didn't see capital losses between 2000 and 2003. The Census Bureau does not count capital losses as well, right? So these numbers miss both of those things. Gary's point would be a little different I think with those losses, but it's a valid point.

MR. BURTLESS: Actually, I agree with that, and I think that in counting capital losses, the year 2000 and the year 2001 would have looked much, much worse for the incomes of high-income people. I agree with that, but let's be honest with ourselves.

MR. BESHAROV: Oh, no, let's not.

[Laughter.]

MR. BURTLESS: Over a 50-year period capital gains greatly exceed capital losses. Otherwise it would be very difficult to account for the wealth of Americans today, which certainly isn't coming because they're saving out of their current incomes.

MR. HASKINS: Not to mention the behavior of the Chinese Government.

Next question.

QUESTION: I'm Connie Citro. I was the Study Director for the National Academy's report on poverty. I'm not the Director of the Committee on National Statistics, and I found all this quite fascinating.

I did though just want to correct the impression that seemed to be left, that the Academy's revised measure of poverty would always and evermore give a higher rate than the current rate. The Academy was looking at what is the situation, what are the sources of resources for basic necessities in our country? And they do include things like the earned income tax credit, food stamps, and the current measure does not include those. The Academy's measure would take account of those additions to income. It would also take account of subtractions from income for things like work expenses that are necessary to earn income, out of pocket medical care expenditures, child support and so on.

What the balance would be in any one year as to whether the Academy's poverty rate, quote, unquote, be higher or lower than the, quote, official rate, really depends on what the combination of the policy and the economic picture is.

I would absolutely agree that over long trends of time the current official measure is a pretty good tracker of the big trends in the economy. It would really be pretty awful if it, you know, if it weren't.

But in terms of a poverty measure that lets you more closely look at is the government's expenditure on the earned income tax credit, or on Medicaid, or on food stamps paying off, or are the costs of work going up or not, that you would like to have a measure that is a little more finely tuned to what's happening in both the policy and the economic world than our current measure to date.

MR. HASKINS: I think in defense of the Census Bureau we ought to mention--I don't know if this was any response you report, I can't remember--but the Census Bureau does publish every year a whole series, I think it's 17 or 18 poverty measures, many of which reflect some of the recommendations in the National Academy of Science's report. So I think that's a notable thing maybe a lot of people--

MR. : They just weren't published today.

[Laughter.]

MR. : No, but they usually put them in this book. I don't know why they don't.

MS. COOPER: No. As of last year we quit putting them in the book so that we could put out the poverty rate in August from the CPS at the same time we put out the ACS measure of poverty that goes down to the city level.

MR. HASKINS: But none of this detracts from the point that the Census Bureau has been very responsive to these criticisms about alternative measures. Another question?

MR. : Yeah.

MR. HASKINS: Go ahead.

MR. : Just to follow up on what Connie said, as Connie knows, there's been a group that's been meeting and talking about all this. And as Kathy--

MR. HASKINS: By "all this" you mean the measurement of poverty.

MR. BESHAROV: The measurement of poverty and what to do about non-cash benefits and unreported income and thresholds, and there are two parts of this as far as I can tell. The first is a discussion about the impact of the economy on the incomes of all people. And the second is the impact of government on the incomes of all people. And for me, the problem with the NAS proposal is it conflates the two.

My own view is we're stuck with the current measure from now forever because there are so many government aid programs tied to, not the measure, but 115 percent of the measure with a slightly different definition of income, or 137 percent or 270 percent of it. We're stuck with that.

What Connie said, and which I think is tremendously valid and would have changed our conversation today a lot, would be to ask, on top of the market income issues, what's the impact of government on the incomes of Americans? And that would be taxation as well as benefits. It's not just benefits. We tend to talk about benefits, but as you've heard today, taxation is a bit story. In fact, we rarely even count state and local taxation, which is a big story.

And then just to be silly about this, there is an argument among the folks I talk to about whether state lotteries should be included as a tax or not. Turns out that the poor spend more on lotteries than they pay in state and local taxes.

It's a very complicated world in trying to figure out the impact of government on incomes, but I think Connie and many people, myself included, think that ought to be a separate measure.

MR. HASKINS: Last question, right over here on your left.

QUESTION: Okay. My question is more relevant to future economic projections, more--

MR. HASKINS: Could you hold the microphone closer to your mouth?

QUESTION: Is this better?

MR. HASKINS: Yes, that's good.

QUESTION: The question I have is more relative to the future economic projections of children and women who are impoverished, more so than what we see with the numbers that we currently have. In my work I do public policy as it related to HIV and advocacy, and I'm looking at the reality that 57 percent of new cases are African-American women, and these women tend to be in their reproductive years, which are also the years in which the bulk of their income is earned. So I'm looking at a future maybe 10 years down the line where we're going to see a large chunk of the black community that is female driven with women who are on death's bed, unable to work, and their children are going to suffer.

So we know what the numbers are. For all of their flaws, we know what they are. What are we going to do with them? That's more what my interest is, what are we going to do with these projections?

MR. JONES: You raise an issue that I would answer in this way. One of the things that we've done here, we've talked a lot about research, statistics, measurements, and I think that's right that research has its place in our discussion. However, when you get to a certain point, you've got to figure out from a sociological and a psychological standpoint how would you convince the poorest of the poor that we've been talking about to some extent, that it's in their best interest to try and achieve in this country, right? Meaning that there are so many people who I come across, across the country within my work that don't believe, that don't have any sense that if they even try educationally, economically, from a workforce attachment standpoint that is in their best interest, that this country will go to bat for us.

Whether or not you believe in the current war, in the associated expenditures, poor people may be poor, but they're not dumb. And so they may look and say, okay, if we can spend $200 billion on a conflict to protect ourselves internationally and to protect people from coming into our country, what percentage of our domestic spending should be earmarked to address issues like you raise?

I don't know if we have been able to communicate to the poorest of the poor in an effective way that says if you really try, and we put forth the support that will allow you to try, that, mom, you will not only try, but you will stand in the face of your child and make your child try. Fathers will say to their young boys and to their young daughters, "You will respect yourself, and you will respect the young lady that you engage so that you don't infect yourself with HIV. Therefore, you can't infect somebody else." Sociologically and psychologically, we have not had a great part of our discussion tailored to that aspect, and I'm going to tell you, when you're poor, it is one of the fewest things that you can do to get high and have unprotected sex, because you have very few other devices in which to escape the reality of your situation. That doesn't mean it's right, but I'm telling you, based on my own personal experience and based on my work, I know that psychologically some people don't believe it's in their best interest to even try. So what percentage of that is actually true? How do we measure it? And what do we do to find a way to get people who don't believe to believe and to achieve?

MR. HASKINS: And on that happy note, we end this analysis of the Census 2005 Report. Please join me in thanking the panelists, and good afternoon.

[Applause.]

[END OF TAPED RECORDING.]

- - -