THE BROOKINGS INSTITUTION

IMPROVING THE MEASUREMENT OF POVERTY

Washington, D.C.

Tuesday, December 9, 2008

PARTICIPANTS:

Welcome:

ROGER C. ALTMAN
Chairman, Evercore Partners

Roundtable Discussion:

Moderator:

DOUG ELMENDORF
Senior Fellow and Director, The Hamilton Project

Discussants:

REBECCA M. BLANK
Robert S. Kerr Senior Fellow, Economic Studies, The Brookings Institution

MARK H. GREENBERG
Executive Director, Georgetown Center on Poverty, Inequality & Public Policy

DOUGLAS J. BESHAROV
Joseph J. & Violet Scholar in Social Welfare Studies, The American Enterprise Institute

LINDA I. GIBBS
Deputy Mayor for Health and Human Services, New York City

NICHOLAS GWYN
Staff Director, Income Security and Family Support Subcommittee, House Ways & Means Committee

SHARON PARROTT
Director of Welfare Reform and Income Support Division, Center on Budget and Policy Priorities

P R O C E E D I N G S

MR. ALTMAN: Good morning, ladies and gentlemen. On behalf of all of my colleagues at the Hamilton Project, I'd like to welcome you here this morning to what I hope will be a very invigorating and what I believe will be a very important discussion on improving the measurement of poverty. I'm Roger Altman, a member of the Advisory Council of the Hamilton Project and this is probably our fifteenth forum of this type at least in round numbers since the Hamilton Project was founded a little less than 3 years ago, and I'd like to say a word about the project before we get into today's subject.

The Hamilton Project was founded reflecting a judgment that long-term prosperity is best achieved through what I would call inclusive growth or broad-based growth, unlike the type of growth which we have seen in this country over recent years. Now we're not seeing any growth of course at the moment, but unlike the type of growth we saw for say the first 6 or 7 years of this decade which was very disproportionate and skewed toward of course high-income earners.

Among the principles that have guided the Hamilton Project in addition to broad-based inclusive growth has been the goals of enhancing individual economic security and embracing a role for effective government. And those who were involved in the founding of the project and have been involved in guiding it have been motivated by those goals because they are so strikingly different from the economic goals which have guided our policy as I said in recent years.

The Hamilton Project has produced I think a wonderful body of work since its inception, and I might add has been blessed with some extraordinarily wonderful people. At our inaugural event in March 2006 our very first speaker was then-Senator Barack Obama. Our first Executive Director was Peter Orszag who is now Budget Director-designate. And our successor Executive Director was Jason Furman who has been of course the senior economic adviser during the campaign to Senator Obama and surely will play an important role in this administration. And now we are desperately clinging to our current Executive Director, the very, very talented and very skillful Doug

Elmendorf who is now wearing one of those electronic bracelets so that we know where he is at all times.

But we have really been blessed with enormous talent in producing all of the work which the Hamilton Project has produced, most of which of course has been commissioned for us by authors like the talented duo who have produced the paper you have with you this morning and will discuss it in just a moment, Becky Blank and Mark Greenberg.

It seems to me that this topic, and you'll certainly conclude this if you read the paper or have concluded it if you have read the paper, is an extraordinarily important one especially at this moment. It's extraordinarily important because as the authors so convincingly say, the way we determine poverty in this country, the way we calculate the poverty rate, is not only obsolete, extraordinarily obsolete, but it is way behind what other developed nations do in the way they have evolved in the way they handle this. It's extraordinarily important because we all in this room today would agree there is far too much poverty in the United States and for the world's wealthiest country it's a blot. In addition, the stakes associated with how we measure poverty are just enormous not just for our society but for so many individuals and individual families in this country because the way the poverty rate is calculated determines a great deal about the way programs which address poverty are assessed and whether they're continued or not continued, are we succeeding in our efforts to lower poverty or are we not succeeding and that has such a lot to do with the poverty rate and the way it's determined, and of course with actual levels of assistance itself. So it's enormously important as a societal matter and it's also enormously important to millions of Americans and when you hear the discussion this morning and you see that we haven't changed the way we calculate the poverty rate since 1963, 55 years, you see that it's high time that we actually enacted a proposal of the type that Becky Blank and Mark Greenberg have made and which I'm happy to say has been introduced on both sides of the Congress and hopefully will see its way into actual legislation.

So with that as a backdrop -- 45 years, by the way, not 55 -- I'd like to introduce our authors and our panelists today. It's Becky and Mark's paper so I'm going to introduce them first. Becky has been the Kerr Senior Fellow at Brookings since July of this year, and prior to coming here she was Dean of the Ford School of Public Policy at the University of Michigan and Co-director of the National Poverty Center. And she served as a member of the President's Council of Economic Advisers, the CEA, from 1997 to 1999. She has been professor of economics at Northwestern and Director of the Northwestern

University/University of Chicago Joint Center for Poverty Research. In fact I just noticed that Becky and Mark are both professors at the only two schools of higher education which were willing to accept me so I'm really very impressed in their company because I am a graduate of the University of Chicago and also Georgetown.

In any event, Mark directs the Georgetown Center on Poverty, Inequality and Public Policy, a joint initiative of Georgetown Law and the Georgetown Public Policy Institute. He is also a Senior Fellow at CAP, the Center for American Progress, where he previously served as the Executive Director of CAP's Task Force in Poverty. He also is a Senior Fellow at the Center for Law and Social Policy where he previously served as Director of Policy. And Mark has written extensively on federal and state low-income issues including welfare reform, workforce policy, child care, early education, tax policy, and others.

After Becky and Mark present a summary of their paper, there will then be a panel discussion attacking the paper. No, no, discussing the paper. Doug Elmendorf will moderate that. Doug is a Senior Fellow in the Economics Studies Program at Brookings and he is Director of the Hamilton Project as I said. He is also the Edward M. Bernstein Scholar and Co-editor of the Brookings Papers on Economic Activity. And Doug previously served at CBO, at CEA, at Treasury, and the Federal Reserve Board, so I guess the only place left for him to go terrifyingly is the White House.

Then our discussants. Nicholas Gwyn. Nick is the Staff Director for the Ways and Means Subcommittee on Income Security and Family Support. The chairman of that subcommittee, Congressman Jim McDermott, is the author of the House legislation which would implement the recommendations of Becky's and Mark's work. So we're very happy to have Nick here today. Prior to joining that committee about 10 years ago, Nick was a senior legislative assistant for Congresswoman Barbara Canali, and before that legislative director for Congressman Gary Ackerman.

Douglas Besharov is a professor at the University of Maryland School of Public Policy and a scholar in social welfare studies at the American Enterprise Institute here. From 1989 through 1990 he served as administrative of the AEI White House Working Seminar on Integrated Services for Children and Families, and over the 1975 through 1979 period he was the first Director of the U.S. National Center on Child Abuse and Neglect. He is currently President of the Association for Public Policy Analysis and Management.

Linda Gibbs. For anybody us from New York, Linda is extremely well known. Other than Mayor Bloomberg, I'm not sure anybody else is more important in New York. If I wasn't afraid that Bloomberg would hear that, I might have phrased it a little differently. Linda was appointed Deputy Mayor for Health and Human Services by Mayor Bloomberg in January 2006. That's an enormously important position in New York. She also oversees the New York City Center for Economic Opportunity established by the mayor in December 2006 to find new and innovative ways of addressing poverty in New York City. I might add that New York City is using a close version of the proposal which Becky and Mark have put forward in its own internal and citywide policy. And prior to that appointment, Linda served as Commissioner of the New York City Department of Homeless Services and she did an extraordinarily good job I might say in that position which is an extremely difficult one and challenging one in New York. So I'm particularly happen to have Linda with us this morning.

Sharon Parrott is the Director of the Welfare Reform and Income Support Division of the Center on Budget and Policy Priorities and I think all of us know what wonderful work that center led by Bob Greenstein has done for many years, and on subjects like the one we're going to be addressing this morning for quite a few years it was rather a beacon in the wilderness. She joined the center in 1993, and in 1999 and

2000 she was detailed to the District of Columbia where she served as Senior Policy Adviser on food stamp and Medicaid issues.

So we are blessed with not only extraordinarily talented and accomplished co-authors but also a terrific panel. I know you're going to enjoy this this morning. I think it's a very important topic and a very timely topic both given what's happening in this country economically and what will be happening on poverty, and also give the advent of the Obama administration for which we all have such great hope. So on that note I'm going to turn it over to Doug Elmendorf, and Doug it's in your hands.

MR. ELMENDORF: Thank you very much, Roger. Just one technical announcement. The noise that we hear vibrating through the sound system apparently is coming from somebody's Blackberry. So to the extent that people feel they can emotionally disconnect for a little while and you could turn those down or off, I think that would make a big difference.

Let's get right to it. Becky, do you want to start us off and talk about the paper and then Mark will talk and then we'll turn it over to the panel?

MS. BLANK: This is a long paper and I'm going to take you through the first part of it just hitting the highlights relatively quickly.

I think probably everyone in this room agrees that if you have an economic statistic it should tell you something about the phenomenon that it is trying to measure and the main point of this paper is there is widespread agreement that the U.S. poverty measure does not currently do a very appropriate job of measuring the phenomenon which it is designed to measure, namely, who is poor, what are the trends over time in poverty, and what is the extent to which our changing economy, changing lifestyles, and changing policies affect that count and those needs. So the main point of this paper is to recommend that the United States adopt an improved measure of poverty. For those of you who know me know that this has been something I've been working on for I think more than 20 years but I'm delighted to say that I think we're actually at a point where there's a real possibility that this could happen in part thanks to the work that's been happening on the Hill in both the House and the Senate and so I'm delighted to talk about some of the specifics here of where we might be going. For those of you who haven't been in this conversation for the last 20 years, let me just take a few minutes to describe what we're talking about.

A poverty line has two components. It's got a threshold which is the line above or which below people are poor, and then it has a resource measure which is what you measure inside families to count against that line, and the poverty rate is essentially the percentage of people who live in families whose family resources are below that poverty line. That's the way in which we measure poverty. The current poverty line was defined in 1963 within the Social Security Administration. It is essentially three times a subsistence food budget that was then produced by the USDA. Why three? Because in the 1955 expenditure data it turns out that the average family of our spent approximately one-third of their income on food. So if one-third of your income goes to food and you want to get to a full threshold and you have a food budget, you multiply by 3. Other family thresholds were determined with an equivalent scale. That's technical speak for basically trying to produce an equivalent amount of money for families of other sizes that make them equally well-off. There have been some minor changes as some people in this room know, but it has essentially been updated by the consumer price index in the years since. So we essentially have a measure here that was calculated in the early 1960s based on 1955 data. The resources measure is very simple. It's simply pretax cash income. Whatever you have in pretax income as a family counts against the poverty line and you decide if you're poor or not if your total family resources, your total pretax cash income, is below that threshold.

I'm not going to spend much time talking about the problems with this, but let me just say there is no other statistic that we use regularly in this country that is based on 1955 data and a methodology produced in the early 1960s. It's simply out of date. Expenditure patterns have changed dramatically. There is no adjustment for geographic cost-of-living differences. I know that Linda is going to talk about what the effect of this is if you live in New York City. The equivalent scales are wrong in a variety of ways. And the resources are just wrong. It doesn't take account of taxes. It doesn't take account of the huge expansion of in-kind benefits that we've had since the early 1960s. In fact, the majority of our programs for the poor have not come as cash income but have come through either the tax or the in-kind benefits system and it just doesn't show up in our system.

So why should we change? The reasons for change fall right out of that last slide. We actually want to measure the effects of the programs we institute in this country to fight poverty. That means including measures of taxes, including measures of noncash benefit programs that operate close to tax such as food stamps or housing assistance. It also doesn't affect other changes that affect working poor families. With women, working with changes in the health care landscape, there are a variety of things to which this measure is just not very sensitive.

One might ask why haven't we changed in the last 40 whatever it is years and there's a long answer to that. I've written a paper on that not very long ago. But in essence, this measurement became embedded for all sorts of good reasons in an executive order out of the Office of Management and Budget. I have many friends from Management and Budget sitting here in this audience. This is not any wrap on them. But unfortunately, things that have to be changed by executive order with OMB have to go through the Executive Office of the President and we don't have any other economic statistics where if we want to improve them, update them, use more recent data, we need to go through the Executive Office of the President. There is a reason why we put our statistical agencies with some degree of protection from current politics and it's been exactly that political interaction that has kept poverty from being updated over time.

This isn't just a national concern. It's also a state and local concern. And again, Linda is going to say more about this. But an increasing number of states want a benchmark of how one should measure how well they are going in their programs as they fight poverty and they also are looking to develop new and improved measures and it would be much, much easier for states to move forward on this once we have a federal template that states can hook onto and work with. And this is exactly one reason why I'm delighted that New York City actually moved forward with the resources and the expertise to develop their own measure and that has become indeed a template that I think is now being used not only at the federal level but at state and local levels.

So our recommendation is to take essentially the concept that was put out in 1995 by a panel of the National Academies of Sciences, and I served on that. This panel laid out a variety of choices and set out ranges and said you should do something sort like this in this range and if you can do it try this. And what we're trying to do in this paper is specify how do you make the final decisions to actually move this forward and to reach a measure of poverty. I'm going to go through this quickly. Those of you who want the details, they're in there in the paper in great detail.

The proposal is to take the thirty-third percentile of the distribution of expenditures not just on food but on food, shelter, utilities, and clothing. That's well below total income. I'm not talking about the thirty-third percent of the income distribution. I'm talking about the thirty-third percentile of the distribution of expenditures on necessities. Multiply that up a little because people actually spend things on more than just food, shelter, utilities, and clothing, and make that your threshold. Use updated equivalent scales. The Census Bureau has some that they've been using that are reasonably widely accepted and adjust for cost-of-living differences based on housing cost differences which are the main cost differences out there across geographic regions.

In addition, we ought to be including cohabitors, not just all related individuals as we define the family unit. And you ought to do this calculation on a regular basis. Don't just set a threshold and then let it sit there forever with simply a CPI update. We've got the data on a regular basis to update this threshold over time and we should use at least 3 years of data to roll those threshold forward as new expenditure data comes out. Actually, we could use four or five if you want to make those changes into thresholds occur a little bit more slowly.

On the recourse side of course you start with cash income. You take account of taxes. You include the value of near cash in-kind benefits that help you purchase the items in the threshold. What's in the threshold? Food, shelter, utilities, and clothing, so food stamps, housing assistance, energy assistance, that's what belongs in terms of the near cash items that you're including in the resources available to families. Subtract from that some things that people have to pay and that shouldn't be counted when you're looking at what do they have available to spend on necessities. Subtract child support payments. Subtract work expenses. That includes child care for women who work and need to pay child care. And subtract out-of-pocket medical expenses. These items vary greatly across families. Some families have these expenses, some families don't. So this is why we subtract it from resources rather than embed it into the thresholds. I know we're likely to come back and talk about that.

What are the advantages of this? It bases the poverty line on a measure that's linked to current expenditure patterns and not 1955 patterns. It adjusts for real differences in living expenses. It uses a better equivalent scale for different family sizes. And it's a much more complete measure for resources in terms of the resources available to low-income families that they can bring to bear to buy food, shelter, and clothing.

The practical advantages as well as the substantive advantages I think are very important and the process here matters. For any statistic, how you get there and where it comes from matters, and this particular approach comes out of a process that started with an export nonpolitical panel and that's particularly important in a statistic that's going to get out there in a whole lot of political ways. It's been discussed. It's been worked on. There is quite a bit of background work in census and elsewhere asking exactly how do you do the details of this one. That gives us a real base and advantage to work on. I think Mark and I believe that any other approach is going to require starting a very lengthy process of debate and delay and that we have an approach here that has some very wide acceptance and that will move us much more forward from where we are right now in terms of a better measure of poverty. Mark, I will turn it to you.

MR. GREENBERG: Thank you. For the reasons Becky indicates, we believe that there are a number of significant advantages of going in this approach. At the same time, we called our paper "Improving the Measure of Poverty." We did not call it perfecting it. And we did that because we recognize there are some significant issues and questions around it.

Some of them are ones which can be addressed over time by improving data. Some of them are just difficult tradeoffs and choices that have to be made I moving toward a new measure of poverty. Let me highlight several of them, and I'm sure in the following conversation there's going to be discussion of these and additional ones.

First, Becky indicated what was in the thresholds. They can readily be criticized that this is a narrow set of needs, a focus on food, clothing, shelter, utilities. Particularly when we think about the needs for children for healthy development there is a very strong argument that can be made that this is simply too narrow a view of basic needs. Second, the use of the thirty-third percentile as the threshold. Any individual percentile can be criticized as arbitrary. The basic idea to set a threshold in relation to a percentile is potentially subject to that criticism.

Becky noted that we would treat work expenses and medical costs as exclusions from resources rather than building them into the threshold. In a lot of ways we think that makes sense overall, but it does make it a more difficult to understand number because instead of simply saying you need this amount of income to be out of poverty, instead one has to say you need this amount of income after adjusting or after subtracting for medical expenses and child care and other work-related expenses. That's a more difficult concept. It's subject to being misunderstood. It also means since we're only making adjustments for out-of-pocket expenses when people don't have out-of-pocket expenses because they can't afford to, we're not recognizing it in this process. We recognize that's a problem. We also believe that ultimately there is a need for other measures in addition to the poverty measure to pick up things that can't be fully reflected here.

Then finally, as I think we'll be talking about more, this requires collection of some data that doesn't currently exist. Some of it could more readily exist with additional questions added on the census.

Others, there are just going to be difficulties over time. Having said that, nevertheless we think it's the best among the alternatives.

We recognize that in a number of European nations and in international comparisons often people make use of the relative measure of poverty, 60 percent of median income, 50 percent, something along that line. We think that that's a useful approach but not a substitute for something which is explicitly measuring capacity to meet basic needs. A number of groups have made use of some kind of a family budget concept. Again we think that those can be extremely useful but that a particular virtue of the NAS approach is that it explicitly focuses on what families actually spend rather than us trying to make judgments about what they need.

A number of people emphasize the virtues of looking at consumption and again we think there are significant advantages to looking at consumption, but in a measure of poverty we are concerned that measuring consumption can be driven by borrowing, by exhausting resources, by elicit activities, and better to focus on the resources coming in to families.

In terms of implementation, we think this could be done either by legislation or administrative action. As noted, Representative McDermott and Senator Dodd have proposed legislation. As to Senator

Obama, our evidence here is that at one point this summer a staffer told a blogger and it was reported on the CQ blog that Senator Obama supported making a change in the poverty measure though we certainly don't know the specifics of what's envisioned. So there are opposing concepts that we will talk about to either proceeding with legislation or administrative action. Both are potential says of getting here.

On data, there are some immediate steps that are essential that we talk about in the paper, longer-term improvements over time. We do recommend continued reporting of both the old and the new measure. Once this moves forward, we actually recommend that there not be any automatic effects on existing benefit programs, existing programs that determine eligibility, in some way based upon the poverty measure. The reason for that is that with a new measure, if for example an existing program uses 130 percent of poverty or 200 percent of poverty, they might want to use the same percentage, they might want to use a different one. They should be able to make that judgment when it comes up for reauthorization or at whatever point they want to address it. Similarly, definitions of resources that make sense for statistical purposes may not make sense for program eligibility or benefit purposes and programs should be able to look at that on a case-by-case basis.

As to how this is all going to affect the poverty rates, that's actually going to depend on a bunch of issues that still need resolution and some improved data. So we're actually hesitant to say and we reject saying this would -- one percentage point or 1.2 percentage point adjustment or something to that effect.

We do anticipate broadly it results in elderly poverty going up, extreme poverty going down, immigrant poverty going up, increases in higher costs, decreases in lower-cost areas, and it's actually quite unclear what the net effect will be on child poverty.

In conclusion, we emphasize in this process we think this is a better measure of poverty and we think any single measure can't accomplish everything, so we have a set of recommendations. Some of these are actually reflected in the McDermott-Dodd legislation. There ought to be the development of a decent living standard measure, something that is higher than the poverty measure, that reflects the amount families need to get and to make ends meet is something higher, and that the NAS should put this in place, should develop a process for developing one.

We also recommend regular reporting of a set of other areas around medical risk, around relative poverty, and around improving asset measures. So our emphasis here as indicated is we can make progress on poverty measurement. At the same time we need to recognize one single number simply can't answer all the concerns we have. It very much militates in favor of multiple measures. Thanks.

MR. ELMENDORF: Thank you very much to Mark and Becky for that excellent paper and presentation. What we're going to do to start the panel discussion, I will just turn to each of the panelists in turn to say a few minutes of their views on this paper or proposal or on this topic and each person has had a chance to make his opening remarks, then we'll have a more general discussion up here, and after that we will open the floor to include you all in the discussion. Let me begin with Sharon Parrott from the Center on Budget and Policy Priorities. Sharon, what's your take?

MS. PARROTT: I'm going to make four brief points. We'll see if I can do this in under 3 minutes. The first is I just want to echo that I do think the NAS measure is the right measure, is the right next measure to have in the poverty arena as the primary gauge of poverty in the United States and I want to underscore I think the timing issue. It's really important, some of these technical issues and the data issues that Mark and Becky lay out in their paper that we get to work on solving those. It's not as if there hasn't been worked on, census has done a lot of work in those areas, and we really need to step up the pace but also not wait for the perfect before we put in place a good measure. But the politics I think are also worth noting. I think this is easier to do at the beginning of an administration when there's energy and a lot is going on, and I just think it's an easier time to start a process.

I also think, and I don't mean to say that this is somehow some positive in light of our retaliation condition, but I think actually starting this when poverty and need is rising and when there's a lot of interest in getting it right and understanding what need is is actually not a bad time to do this either so that I think the let's get to it message is important.

The second thing I would say is that I think it is really clear that there is some technical work that needs to be done before this measure is final or entirely stable. So I think we shouldn't think that we're going to put in a new measure and we're not going to make any changes in the methodology or the data collection going forward. Obviously that leads to some difficulty in making comparisons over time. I don't think those are insurmountable. But I think it's just the reality of some of the technical issues that are facing us.

The third thing I want to say is that the NAS measure, one of the things that makes it such a good measure is that it's consistent. It's sort of an internally consistent measure, and Becky touched on this, the notion that we're going to compare what people have to spend on basic needs to the cost of those basic needs is consistent. Our current poverty measure isn't consistent. We don't really measure what people have to spend on basic needs and we don't compare it to what basic needs really costs and that concept of this internal consistency seemingly may be obvious and of course we should do it that way, but there have been in the past other efforts to change the poverty measure that didn't necessarily meet that internal consistency standard.

When I talk about this further data work, I would like to highlight three area where I think there are going to be needs for more data work. How do deal with the homeownership issue and the very real differences in housing costs among people who own their home outright or have very small mortgages and people who have much higher housing costs. Can we improve our data collection around child care and medical expenses? And I think this question of how to best account for health care costs continues to be a sticky one.

The fourth think I would say is that I think it's really important to be serious about these alternative measures and one of the reasons I think it's so important to be serious about them is because I think we have to take some pressure off of this one measure. If we have one measure and everybody wants it to be the thing that measures everything, it collapses under its own weight. It can't measure the cost of meeting basic needs, measure the income that people need to fully participate in society, and measure whether people can actually afford health care. One measure is very unlikely to do that. So part of what happens when we only have one measure that people focus on is that it can't be all things to all people and the controversy I think actually escalates. So we have to be careful because if you have 600 measures, it's not clear what you have and it's not clear what the public can understand. On the other hand, if all we have is one measure or it has so much primacy, I think we'll miss a lot of other statistics that are very important for policymaking. So I think this concept of a low-income measure is important, I think this concept of medical risk -- one of the things I thought about is when we look at people who have worst-case housing needs in HUD jargon, we don't just look at people who are homeless, we don't just look at people who have very inadequate or substandard housing, we also look at people who have housing but that it takes a very large share of their income. I think those kinds of concepts, people who lack health insurance, who lack access to needed health care, or who have access but pay far too much of their income for health care, those concepts really need to be a part of that.

The last thing I'll say is program eligibility. I can't underscore enough how different managing a program to provide assistance to low-income families, how different that process is than a statistical process that looks back over the course of the year and asks the question did this person have the resources needed to meet basic needs. They're just very different processes. What an eligibility worker can really use to determine eligibility without the system being much, much too complicated is just different than what you can measure statistically and so keeping that in mind and not again overburdening this one measure as it's going to do everything in every context I think is important.

MR. ELMENDORF: Excellent. Thank you very much, Sharon. Let's just keep moving right along. Nick Gwyn from the House Ways and Means Committee?

MR. GWYN: Thank you. As both Becky and Mark mentioned, Congressman McDermott introduced legislation to provide for an alternative poverty measure that essentially reflects the NAS recommendations and is therefore very consistent with Mark and Becky's paper. His interest in this issue was driven by a more basic desire to begin work on the issue of poverty, to figure out goals for reducing poverty, and he quickly came to the conclusion that the current poverty measure is not a reliable or realistic indication of deprivation, nor is it a reliable indicator or reference to reduce deprivation, and he was drawn to the NAS recommendations because 12 years later they have withstood the test of time, there's been quite a bit of scrutiny, and there remains a fair amount of consensus behind these recommendations, not complete consensus, I'm sure we'll hear some dissenting views today, but they reflect a nonpartisan effort to come up with an alternative measure that is much more up to date and relevant than the current measure.

It goes without saying that any effort to provide for an alternative measure is going to be met with certain questions or concerns. The first will be doesn't this measure have its own set of limitations, and I think the answer to that is yes. But the onus on those proposing change is not to come up as Mark said with a perfect measure, it's to come up with a measure that's significantly better than the current standard and that has the highest possible degree of consensus behind it and I think the NAS recommendations meet that threshold.

Secondly, the issue of what's the effect on eligibility for federal programs, and Congressman McDermott's bill which I should have mentioned was introduced in the Senate side by Senator Dodd, meets this issue head on. It says that the current law definition of poverty will stay in place, will continue to be calculated in the future, and any references to the poverty rate in current law will remain connected to the current poverty definition. So this new alternative definition or measurement will not have any immediate effect on program eligibility or the distribution of federal funds.

Perhaps the most obvious issue that will come up is what is the effect that a new poverty measure will have on the number of Americans who are considered to be poor. We could spend the better part of today or maybe a few days discussing this issue. I think the basic issue is it's perhaps not as important as where we start as to where we end up. This measure is designed to illustrate if we're making progress in dealing with the basic issue of deprivation so if we come to agreement on a conceptually sound basis for measuring poverty, ultimately the issue we care about is are we making progress in reducing poverty against that standard.

Finally, there's the issue of how would a new poverty measure change the distribution of poverty on the basis of age or race or geography or other factors, and again there are a lot of issues to discuss related to that topic. On the issue of age I will just say that as Mark has indicated, there are a number of issues that might have affect particularly child poverty how that's impacted by an alternative poverty definition. I have seen preliminary estimates related to Congressman McDermott's bill that would suggest that not only would elderly poverty go up, but child poverty would go up as well. But there's I think a more basic issue which is the rates are only part of the question here or only part of the issue. I think one of the benefits of an alternative measure will be that it will clearly show the impact of government assistance on poverty in general and for certain groups and that we will see that the effect of government assistance has a much greater impact for the elderly than it does for children in terms of the pre- and posttransfer of poverty rates that will be illustrated by this alternative definition. So I think the take-away message will be we've got a lot more work to do related to both the elderly and child poverty and I think this new measurement will reflect that.

This is not an easy issue to deal with. If it were, we wouldn't have waited 45 years, but I don't think any of these issues are insurmountable and I do sense that for the first time in quite a bit of time there is some real momentum behind trying to address this issue.

MR. ELMENDORF: Thank you very much, Nick. Linda Gibbs, will tell us what's happening in New York?

MS. GIBBS: Absolutely. Good morning everyone. If you can imagine, I'm the one with the muddy boots on down in the trenches on the local level trying to dig into the issue of poverty in New York City and see if there's something we can do to move it off the really unacceptably high levels that we experience. Under the official federal poverty measure, 18 percent of our population lives in poverty.

When we began this it was at the beginning of the mayor's second term. He wanted to take a look at it and he wanted to hear back from all of his commissioners and program folks what can we do to make a difference. Our city is just too great and has too much opportunity. We just should not accept that 1.5 million people live in poverty. So despite the fact that I had actually worked at that point over 20 years in the social services in New York City, that was the beginning of my understanding of the federal poverty measure. So we started mapping it, what are the demographics of poverty, what's the age of poverty, what does it look like in our various communities, and I started to get exposed to some of the dialogue around the measure. I was like that's an interesting theoretical dialogue that folks in Washington are having and I'm going to keep up with that.

We were putting our strategies together and my boss is kind of a data-driven guy. He likes to know if you're trying to improve something what's your baseline and how are you going to improve and how much is that going to improve it, and I just remembered the crystallizing moment I think in why we knew that we had to change the measure in New York City. We have the wonderful Finance Commissioner and because we tax so much we also have some tax credits and so we have a local earned income tax credit, and as a result of that we have everybody's tax records. Our Finance Commissioner Martha Stark said everybody works really hard. We bring workers and case managers out to the community to advise people on how to do their earned income tax credit and submit it and improve the take-up rate. You know what? I can do it automatically. I have all the income. I can pre-populate the forms. I can stick it in an envelope with a self-addressed stamped return envelope. I can mail it out. All they have to do is sign it and like that we can get them their EITC back, and not just the city's, but the city, state, and federal.

So the mayor is like Martha, you're brilliant. This is great. Linda, how much is that going to change the poverty rate? And I had to look at him and say it's not. And he's like what? There are two things, two important lessons there. Obviously we know from the research on the EITC how it does contribute to poverty reduction, over the long-term how it incentivizes employment and earnings and it reduces poverty. We know it. It's proven. Despite that fact, because we couldn't show the immediate impact of that income in the household income for the purpose of calculating poverty, that enterprise and taking on that initiative sort of got discounted in the thinking about is that what we should do right now. So not only does the current poverty rate not really accurately reflect the face of poverty, it actually can discourage you from doing the right things and might even encourage you to do the wrong things.

If you want to move the poverty measure, the cheapest -- not the cheapest way, it's expensive -- but the quickest way to do it is to buy your way out. Just give people more money. Reverse welfare reform. Increase the cash grants. Get everybody back on welfare and you're going to change the poverty rate, but we know that's the wrong thing to do. So I think it's both about not portraying local folks like me who are trying to really dig in and figure out how to do things different, not portraying an accurate picture that helps you to come up with sort of the best policy directions, but also the fact that it doesn't reflect successes where successes in fact will reduce poverty and might discourage the appropriate paths.

With all of that, then we started searching the world for the best poverty measures. I discovered relative poverty and how they measure relative poverty in Europe. I love material deprivation as a measure which is being used in the U.K. and Ireland. What it does is it ask a short list of questions and it really tries to measure whether the stuff you have in your house indicates whether you're in poverty or not. Simple things like does everybody in the household have two good pair of shoes? Do you have a winter coat? One of my favorites, do the parents get to go at least once a month without the kids? So you really have a sense do you have enough money to not have material deprivation, but it's hard.

So we searched the world and searched the world and searched the world and came back to the conclusion that for the purpose of actually doing an updated measure for New York City to help us measure the result of work that we were going to embrace the NAS standard. It's well known. It has a lot of legitimacy. There's a lot of research behind it. It's more accessible administratively to make happen. There are lots of reasons that we settled on it.

To give you just a quick few results of what came out of that in New York City, this is two adults, two kids, family of four, the current national poverty threshold for that household is $20,444 nationally under the NAS, and used the NAS but I won't say that I actually read the whole book, it's like a big fat book, it keeps my papers down on my desk, it's not actually a prescriptive methodology, it goes through all the segments and it gives you options. It says you can do it from here to here, from 10 to 15, you can pick this or that. It's a range of options not fully executed.

So we made our best judgments, and not wanting to be controversial if there were ever ranges we just went right in the middle. Under that, we calculated the national poverty threshold without regional variations to be $21,818. So one might ask what's the big to-do about?

It's only a $1,400 increase on the threshold. The big to-do when you get to New York City is that when you apply the regional cost-of-living adjustment based on housing, it got the New York City threshold up to $26,138. That's a pretty big jump. It moved our poverty rate from 18.9 to 23.4. So it was a pretty significant increase. It was another time my boss's estimation in my mind always goes up and the day we got through that briefing and he still said go ahead and do it I was like all right, it went up again.

A quick couple of words about the impact. Elderly poverty did go up the most, from 18 percent to 32 percent, mostly driven by medial out-of-pocket costs. Our child poverty was flat, so no higher and no lower than under the official measure. Slightly lower, like a little over a half a percent lower for all kids, but significantly, for children in one-parent households where we know poverty is the highest, the biggest drop albeit from 44 percent down to 41 percent.

Then just a couple of other basic demographics. The geography of poverty changed. If you look at a poverty map under the official threshold, big, intense blobs of poverty in Central Brooklyn, South Bronx, Northern Manhattan. Under the NAS application in New York City, it's much more widely dispersed -- immigrants, working poor, and elderly and so you see the poverty map looks much different in New York City.

The last thing, it's really interesting, for those who are fascinated you can get this report online, the last thing I would say is that why it's important for the federal government to take this on for localities, we have a lot of localities that are very interested in doing this. L.A., San Francisco, up in Seattle, the State of New York, potentially the State of California, Philadelphia, people are really eager. They say great. Send us the disk and we're going to run it and pop it out the other side. And when they sit down and they realize how much time and effort and money we spent on doing it in New York that we're lucky enough to be able to devote to this, they quite frankly just cannot garner the resources particularly at this point in time to make it happen. So there's a lot of interest in places in order to have this tool at their disposal but technically they are having a tough time coming up with strategies to make it happen.

MR. ELMENDORF: Thank you very much, Linda. Finally, Doug Besharov from AEI.

MR. BESHAROV: I guess I'm the token negativist. It's a pretty overwhelming discussion here and with 256 Democrats in the House and 57 or 58 Democrats in the Senate one might think this is going to happen.

A couple of thoughts. First, I want to defend the current measure. It's transparent. It has a minimum of value judgments in it. It has a minimum of statistical assumptions, imputations, and models. Everything we've talked about has a ton of them. And I was struck reading today's "New York Times," lead paragraph, "Since 2000, the number of young children living in parts of Lower Manhattan has nearly doubled. That's account of children, nice and concrete. And the poverty rate declined in all but one New York City neighborhood." Let say that sentence will be impossible or maybe not impossible to repeat in the future, but this number will be so controversial in the future that it won't be that easy to repeat.

I'm struck by the argument here which is we want to measure progress against poverty, and I think there's been a great deal of progress against material hardship, we don't really know what poverty is, so let's count all the income we now provide, but since that might lower the count, we'd better raise the threshold so that although I guess we'll make some progress somehow, it won't show. I think that's a problem underlying this approach which is why in the end I'm going to say I'm in favor of an income inequity measure.

But let me just finish defending the current measure for a second. Since welfare and TANF payments are small and since I think Social Security is almost an earned benefit since I paid into it and not welfare, I kind of like the current measure as almost a measure of market poverty because that's sort of what it is. And we could have a posttransfer measure and be honest about what we're measuring here. But I do want to measure market poverty because I'd like to know how we're doing. In that regard, I sort of liked the results -- not the consequences, but I liked being able to read the reports about the increase in the poverty rate in 2001 and 2002 because it told me a lot about the dot-com bubble in ways that I'm afraid, I don't know because I haven't seen how it's going to be done, in ways that the current proposals will not do and I appreciated even though it was going to be immediately out of date the 2007 report because it told all of us about how the collapse of the housing industry had hit Hispanic Americans very heavily and you could see it there in ways that I think are very important from a policy point of view.

Someone could say we'll measure with some other measure -- I've already done my complaining. I'm worried about the time here. I've already done my complaint about we're going to count more income, financial hardship is down but poverty is up. You figure that one out. I do want to make a sharper contrast about the Europeans and what they do. A few years ago they adopted 60 percent of equivalized median income not as poverty, let me read you the words they used, as the at risk of poverty rate. At risk of poverty. The reason they used that phrase is because like most of us, we're not sure whether you should have one night out on the town or two, whether you should have a right to one coat in the closet or a week's vacation which is all built into some of the other measures.

And that brings me to my third point which is this process is going to be incredibly subjective, maybe three times our basic food plan is oversimple. But I wanted to point out what you've heard almost everyone say here, some people will be poorer as we measure them, some won't be, elder poverty might go up. I was sitting at one of these conferences a few years ago where Nick's predecessor said, I don't want to quote him because he said it in public, he said we don't want a measure that gives us more elder poverty, we want a measure that gives us more child poverty. And I tell you I think as you saw the fact that the results depend on the decisions made, there will be a tremendous temptation to deal with it.

I used to do some work on the Legal Services Corporation and Aid to the States. Mark has been active in that area as well. The formula for legal services within states used to be based on the state poverty rate. Two years ago, Mark, or three, shifts in the poverty rate meant that some states would lose some of their legal services money while other states would get more. And the Congress did what it always has to do, it held harmless all the states where poverty went down and it raised money in those states where poverty had gone up. Why do I tell this story? Because if we do this either as a congressional process, as Becky mentioned there's a choice here of how we do it, or even if we do it within the administration, with any changes in the formulas there are going to be states that win and states that lose. We had a seminar and people from the Census Bureau presented the actual numbers. I'm not going to burden you now. But if I remember correctly there were about 12 states that saw their poverty rates go up 10 or 15 percent and other states where their poverty rates would go down, and Linda, that was before doing geographic adjustments. I learned something in elementary political science which is to move something through the Senate still for a while you need 60 votes which means states. That means I don't much care what happens in California or New York. That's just two states, four votes. I worry that this will be a deeply politicized process with the measure that we get at the end that will not have transparent face validity.

So I don't want to be too negative. I want to say I think there is a solution sitting there, a partial solution, which I'd recommend and I know will be ignored. First, do a posttransfer measure. Call it that. Use it to measure the impact of transfers. That's cool. Hold our policymakers and our society to the impact of transfers and call it that and have an argument about Social Security and whether it's a transfer or not. And worry about wealth and elderly or others who are living in houses and not paying rent and so forth. And then address what I think is the larger problem that we all worry about more than a simple people with poverty or not poverty, and that's income inequality. And that's what the Europeans are trying to do as well. When they say at risk of poverty, they don't think that someone a dollar or two or a euro or two above that line is doing fine, and they don't think someone a euro or two below is not doing fine. They're reflecting a general sense. And so -- some of you have heard me say this before -- whether you take the bottom deciles or quintile on 20 percent, watch how it's doing, see who's in it -- and by the way, that's my last point I'd make here. I am almost indifferent -- and I think we all should be -- to the actual number of people who end up being labeled as poor, whether it's 13 percent of our population or 18 percent or 23 percent. Since I know the number is sort of gotten by all sorts of means, assuming it's gotten relatively fair and square, I'm much more worried about the distribution within that poverty category. We haven't talked about it. Nick, I think, mentioned about it in passing and so did Mark. Depending on the accounting rules you use, but you know poverty goes up or goes down. Black poverty goes up, goes down. Single-mother poverty goes up, goes down. Those are very tricky and tremendously insensitive issues to be embedded in an obscure formula. And I think what will happen if we go this route -- and I think it may happen -- is that we will then open this process to a continuing debate about what's being counted and why. Keep it simple. Do an alternate measure. Use it for other purposes, and don't try to grow it into a, you know, something more than it can be.

MR. ELMENDORF: Thank you very much, Doug. Okay. So I'll ask a few questions to get things started. Let me ask -- start by asking about I know I'll ask some questions that are more about the substance of the measure and some that are more about the procedure and politics or moving toward that measure. Let me start with health costs and health programs, which you talked a bit here and talk about in the paper. Becky, you had this very eloquent discussion about how a lot of our anti-poverty policy in this country in the last several decades has been focused on in-kind aid and tax changes that aren't captured in the measure. A very important part quantitatively of our in-kind aid loaned to people is through Medicaid and SCHIP. Leaving that out of what's counted seems like we're leaving out a substantial share of this other set of poverty/anti-poverty programs that you're trying to capture. One reason at least you offered in the paper is that it's not clear that poor people value that aid dollar for dollar, that maybe they would -- that if actually given the dollar, they wouldn't spend all that money on healthcare. But that sounds like a fairly damning commentary on our policies because we could take the dollars and give them to poor people instead. So I'm not sure I want to use that as a reason to stay away from this. You talked a bit about -- you and Mark talked a bit about that and if other people have views to weigh in as well?

MS. BLANK: That's right. So the healthcare piece, I think, is the hardest piece around this, and the problem is that healthcare benefits are not near cash benefits. I mean no one -- there is this enormous debate over how do you value healthcare? You can't just value the dollars that are spent on people's health because then very sick people get lots of dollars and, you know, that looks a little strange. Valuing health insurance, you can try that, but, you know, there's a lot of debate on how to do that well. I actually think trying to measure how many people are insured or uninsured, how adequately they are insured, or how well their health status in some sense is maintained or taken care of by the healthcare system is a deeply important question and one that we probably need better measures than the very gross "are you insured or are you uninsured," which is the type of measure we have right now. On the other hand, if you put health on top of income poverty, which is what we're trying to measure, you swing all your results and, you know, the question is -- it's this issue of how much can you put into one measure and still interpret that measure? You know, I am worried about impugning the value of healthcare in such a way that, you know, one-third of your poverty line is all about healthcare. And then depending on how you value your Medicaid, everyone's going to be poor or nobody's going to be poor, and, you know, that's just -- that strikes me as asking too much of a single measure. So I would rather take what is clearly a measure of income poverty and very imperfect in terms of what it says about health adequacy, and have another alternative measure out there -- and this is Mark's and my recommendation -- of healthcare and healthcare adequacy and then look at that matrix of who's poor and who has adequate healthcare and, you know, who's in each of those cells and talk about that and decompose those sorts of cells. And I, you know, it's a second-best choice. But it's a second-best choice because to be honest, I can't think of a way to do this all in one measure and still be able to interpret that measure.

MR. ELMENDORF: Do other people agree, disagree? Is that a point of consensus?

MR. BESHAROV: Well, I think that's the only way to handle the health, the basic health, benefits. I don't know about some of the expenditures and some of the other, you know, some of the out of pocket is used by very high-income elderly to buy wraparound MediGap policies.

MS. BLANK: That's not in our measure. We're not using any high-income elderly to --

Mr. BESHAROV: If you count -- if you count the out of pocket, you just -- and this goes to the question -- if you count the out of pocket, you generate more elder poverty. Now the reason I bring that up, though, is -- this is a bait and switch. You have similar problems with daycare where the benefit, the daycare benefit, can be as large as the Medicaid or Medicare benefit. And how you treat the childcare benefit, and whether you treat it as some kind of income, some kind of benefit, some kind of consumption; it's one thing to say well, if a family needs childcare so that the mother can work or the father, depending on the situation, that's a cross of work and should be subtracted from income. Well, what about the fact that it's a fancier form of childcare that it's Head Start, which is a form of education. Is that a benefit to the family? Not all families get it. I think every time we talk about high-value benefits, whether it's housing -- and some people are in better housing than others -- every time we talk about a high-value benefit, we are going to cross the same bridge that Becky talked about.

MS. PARROTT: I would say that on how -- I mean, the concept of subtracting some of these costs like out-of-pocket medical expenses so that what you're left with is the income people have left to meet these other basic needs has a consistency, and if understood, makes the measure about whether they can afford that set of basic needs.

It makes the measure not about whether people can afford healthcare. Similarly with childcare, if you subtract out-of-pocket childcare expenses so you don't try and value childcare benefits, but instead when people have childcare subsidies, you're subtracting less out-of-pocket childcare costs. Then what you're left with is the income that people have left to buy those other basic needs. And that consistency, I think, works. I think on health, what makes health complicated, is the distribution of out-of-pocket costs vary quite dramatically, right? So some people have really small out-of-pocket costs; some people have high out-of-pocket costs, and many low-income people have low out-of-pocket costs, but high healthcare needs, but they're resource constrained. So I think what you're left with is having this measure be about whether people can afford those other basic needs and not about whether you can afford healthcare. Even if you accept that that's what the measure's going to be, there are choices about how you account for out-of-pocket healthcare costs, and whether you account for the full variation or you assign people more of a median cost. And you have to sort of sort that out. But I think, again, that what -- I think what has to be decided is, is this going to be a measure that creates -- that answers the question, "Do people have enough income to afford this very limited market basket of goods, which is not everything that families need?” And that, I think, gets to this question of why other measures are important.

MR. ELMENDORF: We’ve been asked to all speak up so people in the back of the room can hear more clearly. So I will try to do that, and hopefully we can all try to do that. Mark?

MR. GREENBERG: So I think Sharon’s formulation of it, you know, I think is very fair. I do think what’s important in appreciating then is when we talk about what’s in the threshold, we are really not making a statement that these are the only things that are basic needs. These are the only things that we care about. These are things of a higher level of importance. What we’re seeking to answer here is the question of after paying for healthcare and work expenses, too, do families have the remaining resources to meet the basic needs that are in the threshold? So for that reason then that is why it becomes so crucial to be developing some kind of additional measure or set of measures that are looking at medical risks; that are looking more broadly than just insured/uninsured. I think in much the same way, when we talk about childcare, that what’s being reflected here is just resources remaining after you’ve paid for childcare. It’s not making any statement about the adequacy of childcare, the quality of childcare, whether the family would wish to have additional resources to purchase more. So for all those reasons, it pushes us in the direction of saying we need multiple measures.

MR. ELMENDORF: So let me turn now to a question on implementation. So as you state in the proposal and as Nick commented, this would not immediately change anybody's eligibility for anything. On the other hand, part of the reason you said, if we want to measure poverty better is to tell what programs are working and what aren't, and to guide policy better. So Nick, will you speculate a little bit -- and others could as well -- about how this might affect, overtime, the criteria for eligibility in different programs and the federal support and devotion to certain programs?

MR. GWYN: Some programs are evaluated on an ongoing basis now, so they connect themselves to the poverty rate in various ways. You have food stamps at one level, you have SCHIP at another. They've taken various increments of the current poverty rate because they think that serves the population that they best want to serve with that particular program. It's certainly possible that this alternative rate might affect that decision, but that's -- this effort to provide for an alternative rate is not going to somehow suddenly change any program. All the programs will remain as they are now. And as committees on Capitol Hill begin to look at reauthorizing various programs in the future, they might look to this rate and it might have an effect or it might not. It really depends on the program and it depends on the committee. And it's hard to speculate what the eventual impact will be. I think, you know, probably the more immediate effect would be to establish a baseline from which we can judge ourselves in terms of the aggregate number of things that we are doing to reduce poverty. Are we being successful in that venture or not? And that's ultimately what we're trying to establish.

MR. ELMENDORF: But what about -- let's talk about elderly poverty as an example of this. As Doug noted, people, or some people at least, don't want to find more poor old people. They want to find more poor young people. I think some of us who have not been experts of this area, like me, are surprised to see that measured on a different basis, that elderly poverty would likely to be seen as higher. For example, in New York, how is the discovery that poverty is higher among older people than you all had anticipated or believed beforehand, has that changed policy in New York?

MS. GIBBS: Well, it's interesting because the -- we agreed on the target populations that we wanted to look at. We decided that part of being successful was actually trying to not solve poverty for everybody, but really dig in on some priority populations. So we selected children zero to five, young adults 16-24, and the working poor, three small groups, and did not include the elderly. And later when we redrew the measure based on the NAS standard, we did ask ourselves, "Gee, if we had this at the beginning, would the elderly have been one of our priority populations." So moving forward, we're actually now working on an agenda for the city on making the city a more livable place for an aging population. We know that our aging population is going to grow by 47 percent over the next two decades. And so part of what is informing that and how we're planning on the distribution of resources is using the new CEO measure -- that's our local measure -- and applying the distribution based on the geography of poverty, elderly poverty, based on this new measure. And so it's already helping to inform program and inform distribution of resources. And, you know, I want to say for the half of the audience that maybe is with me on getting a little bit lost on some of this technical argument, I want to sort of both agree and disagree with Doug on a point he made earlier about the measure. Because these aren't -- when you have more than just food times three, but you have six or eight things times 1.2 and whatever, it is more complicated. You've got to count more things, you've got to factor more things, and some of these things that get deducted from resources, it's a little counterintuitive or upside down or inside out, and it's hard -- it is hard to hold onto. And so I would agree with Doug that a price of going to this different measure is a -- I don't -- it's not a lack of transparency because it's extraordinarily transparent to see exactly how you did it, it's just more complicated and it's harder to describe. The flip side, though, is I don't think we should characterize Molly Orshansky's food times three as the intellectually honest way of describing poverty now. If you wanted to keep to something simple like that, you should follow her logic. A third of household income was spent on food in 1955, and so she multiplied by three, completely logically. Take 2008 where a seventh of household income is spent on food, so the consistent way of applying Molly's approach would be food times seven. So just a -- if you wanted something simple, you perhaps could take a look at it that way.

MR. ELMENDORF: Okay. So other people? Comments? Yes, Sharon.

MS. PARROTT: Can I just say a couple of things about the elderly? First of all, I think we really do have to grapple with this issue of the difference based on homeownership, and that a large share of low-income elderly own their home outright or have very small mortgages. And that really is a very different financial situation, and so we sort of have to grapple with that and there are ways to do it. I don't think it's an insurmountable task. But I also want to push back a little bit on this "Oh, my goodness, we're so shocked that elderly poverty is higher." That is, in fact, the reaction I get when I give presentations and I talk about how much higher elderly poverty is under the NAS measure, but we have -- the official census measure has always shown that close to 40 percent, well over a third, of all elderly have cash incomes on the old basis below twice the poverty line, and more than a quarter have incomes below 150 percent of the poverty line on the old basis. We know just because of Medicare premiums let alone other uncovered healthcare expenditures that even low-income seniors have very significant out-of-pocket medical expenses. And we also know that we have actually some public programs designed to reduce their out-of-pocket medical expenses that are very underutilized. So we always knew that there were a very large number of seniors that lived just above the poverty line, and we know that many of them have high healthcare costs that create an affordability crunch for many of those seniors. So this measure, you know, takes that and puts it altogether and it pushes more seniors below a threshold. But it isn't as though the phenomenon itself was completely hidden before and that it should be necessarily so surprising.

And the last thing I would say is so if elderly population goes up, and we know that it's largely driven by out-of-pocket medical expenses, we should have a conversation about what the appropriate level of out-of-pocket medical expenses are for seniors at different income levels. That's an important policy discussion to have. And we'll come up with whatever we come up with, but the measure helps to highlight that that is, in fact, what pushes so many seniors below a threshold. And so it's doing its job of identifying a very real policy issue. But the second thing I would say is that, you know, well will this mean that we will do even less for low-income kids because seniors will have, you know, somehow a greater claim? Well, I don't know, maybe. But I also think that the reason we invest in kids is somewhat different than the reason that we invest in seniors. And both reasons for investment rates that there's a sort of we should have less hardship, we should help people make ends meet, we should have less poverty in a country that's wealthy. There's that set that applies to both. And then for kids there's a sense of making sure that low-income kids or poor kids have opportunity. And that opportunity claim for low-income kids is not going to go away because the measure recognizes that seniors have high out-of-pocket medical expenses. And that ultimately whether one's higher, one's lower, the debate about how to allocate poverty fighting resources should be a debate that we engaged on with the best possible information.

MR. ELMENDORF: First to Doug, then back to you.

MR. BESHAROV: Two points. First on this elderly thing, I think it's really complicated (Interruption) or the mortgage value of the property that's owned. In normal years, doing that reduces elderly poverty by, I think, more than two-thirds, from 9 percent to 3 percent if I remember the numbers correctly. Notice I said normal years because the measure they use is the fed prime rate, which I believe is close to zero now. Which means that from one year to another -- if you do impute the household value -- that the imputed value of the house to the poverty rate -- you'd see elderly poverty triple in one year when there's no difference in cash flow, no difference in cash flow I would say. I did have a question, though, for Becky and Mark. Because you asked the question, Doug, about implementation, and I don't think it's -- this is not meant to be a trick question. One of the great inequities of the current system seems to me, not the measure of the current system, is most means-tested benefits the eligibility for them is determined by cash income. So for food stamps, no one counts your housing benefit. Yet your food stamp is based on the federal definition of income and poverty, which means 135 essentially of cash market income, cash income. Now the amended poverty measure will in different ways include non-cash benefits so that the threshold goes up to reflect all this. Now I -- in some respects doesn't this worsen the inequity of someone who now either does or doesn't have a housing benefit and the threshold now does or does not reflect that benefit. Am I poor or not? Do I get my food stamps? How do we pull out?

MR. ELMENDORF: Okay. I'm actually going to go with Linda first and then Becky to answer --

MS. GIBBS: And so, I actually just wanted to -- back on the elderly medical issues -- it's a quick, I think, perfect policy lesson, which is that when we did our measure, it was pre -- I'm going to get it wrong I think -- Medicaid Part D?

MS. PARROTT: Medicare Part D.

MS. GIBBS: Medicare Part D was a major initiative to cover more medical costs of the elderly around pharmaceuticals. And so we're actually looking forward to January when we update the number for another year's data when the new consumer expenditure data comes out to see whether or not that new federal initiative, in fact, has reduced elderly out-of-pocket medical costs. But it's a perfect example with this more refined measure that you can actually pick up the impacts of those federal programs.

MS. BLANK: Let me just say a couple of things and Mark, I'm sure, will add on to this as well. So I'm just going to start with the fact that this is a complex measure. That is absolutely right. I don't know of any good statistic that measures a major concept out there that isn't a relatively complex measure. I would challenge anyone in this room to describe to me exactly how we collect the national income and product accounts and come up with those numbers. I mean it’s a complex statistical procedure. You know, it’s hard to do, and it takes some complexity to try to get, you know, at an aggregate number you think approximates, you know, something that relates to reality out there. That doesn’t at all deter me from saying we should, you know, part of the problem with the early measure is it’s too simple. You know, it doesn’t measure what we want it to measure. There are a set of research questions one could imagine asking, such as what if we look only at cash income and how wages and salaries are changing, holding everything else constant? What if we look only at changes in housing programs, holding everything else constant? Those are important research questions to answer, but you don’t want a measure that looks just at one of those, i.e., just cash income, and that doesn’t take all of them into account. And the researchers, indeed, can do those sub-simulations if they want. The fact that it’s a complex measure means it almost surely in many cases is not the measure you want to use in determining program eligibility. And Mark said this and I just want to underscore it in response to Doug. There are many measures for which cash income, what did you earn last month, is almost surely the measurable and appropriate determination of whether or not you’re eligible for a benefit. And delinking the more sophisticated aggregate poverty measure from what we do on the ground with programs

I just don't think is a problem at all. We do that all the time. We have an unemployment number, which calculates unemployment, and has nothing to do with how we actually allocate unemployment insurance benefits. Now, we can argue that it's good or bad, but I mean it's quite common to have relatively complex statistics and much simpler program eligibility determination. So, you know, that's -- do you want to say something about home ownership?

MR. GREENBERG: Well, let me just say, I mean, on the whole issue of relationship to benefits, you know, there are two aspects of this. I mean there is on -- historically, I mean, there's frankly been a political aspect of it, of saying we have a large number of programs in which allocation of funds or determination of eligibility or benefits depends in some way on the poverty line. And that if one were to change it all at once, it would result in paralysis, and it would result in many political disputes. Now I think for, you know, for a set of people there's been a hesitance to make changes in the poverty line because of it, so one aspect is just of delinking for those reasons. But really separate and apart from that, I mean, there are these sort of much more basic substantive concerns about why it doesn't make sense to make automatic changes in other programs based upon a change in the poverty line -- in the definition of poverty. That if, for instance, for the SNAP program, formerly food stamps, where there’s a 130 percent gross income eligibility level for it. If one changes the poverty threshold, it’s entirely possible at that point that the people involved in legislation might say “So the appropriate path is 120 percent of the new measure.” I mean, that’s, you know, that’s something which is legitimate for them to do. They made it higher than 100 percent in the first place because of the recognition of the inadequacy of the existing measure. There’s not something that necessarily says it ought to be 130 percent of the new one.

In terms of Doug’s specific question, you know, I think for each program as it develops or modifies its eligibility rules right now federal programs often have lengthy lists of this counts as income, this doesn’t count as income, we give consideration to these or those expenses in ways that don’t correspond to the official measure of poverty now. So in the context of something like SNAP where there is an excess shelter deduction now and works in relation to your shelter costs, I mean, there would -- presumably people would want to go through a process of saying so what makes sense to do as we look at shelter costs in relation to program eligibilities? Specialized issues around something like counting the earned income tax credit, which we think it’s important to include in the statistical measure. At the same time if someone is coming into the program right now in December, the fact that earlier this year they received an EITC just wouldn't be a very helpful thing to take into consideration in deciding what should their SNAP allocation be next month?

MR. ELMENDORF: Great, thank you. Let me ask just one last quick question of the panel. So Linda, you mentioned, sitting with Mayor Bloomberg and saying by the way, we've done all this hard work and the reported poverty rate is about to go up by 4 percent. And you were proud of the fact that he sat there and took that. Have there been repercussions after the fact? Do people say, boy, you're doing a heck of a job there? Your poverty rate's gone up? Are you the deputy mayor for social programs? Are these things Nick should be worried about as he proceeds?

MS. GIBBS: You know, it was about -- it was about accurate measurement and there was a greater value in standing for and a more accurate measure than there was a fear of the increase that it reflected. I think Doug makes a point that's important that is also made in the paper, which is that it's important to keep a history of both. I think as hopefully we, in fact, start a new measure, that we, as we carry that forward, that we continue to use the old measure and continue to show that so that we can see changes over time in both and that we don't lose track of the history and lose track of the knowledge about how the population changes are reflected under the old measure as we shift to the new. I think that's a really important thing just, you know, to have some stability in all of our thinking. But I think it's a -- I think it is a political -- you know, it's an interesting thing because there's -- just to be really blunt about some of the politics here -- the politics of having a front page of the *New York Times* says "Bloomberg says big jump in poverty under his watch." I mean, that's not exactly the kind of headline that a politician wants to see or a program person that cares deeply and is trying to make a difference. And as much as you say "No, no, no, there's now -- you know, there's not suddenly, you know, half a million more people in poverty today compared to yesterday." We're just describing the reality of what's there in a different way. You can do that, but somehow poverty went up. So it's tough and you just -- as much as you get the smart communication people advising you, it's just going to be a reality. I think the real political tension when it gets past the optics is around the winners and losers. And we looked at the winners and losers on a local level, and we thought about oh, now there's more, you know, Queens, our middle-class neighborhood. That's where poverty went up the most. How are they going to feel that they're, you know, so many more poor people living there? And, you know, and how are they going to feel when they know that -- or how would the other Boroughs going to feel when they realize that some of the resources are going to shift toward Queens as we start to adjust to this reality to address it? In the same way resources should logically shift among demographic populations, it should shift among states, and it's -- there are intense politics there. And again, I think Mark and Becky have come up with some really pragmatic advice about how to move forward on this, and delinking it from those funding decisions, both on the individual household level as well as in the distributional level. And approaching those conversations and, you know, everything that we have now is the result of the political process. So it's not as if it's pure where we are until moving to the new one will have tensions, but they're the appropriate tensions in the context of more accurate information.

MR. ELMENDORF: Terrific, thank you. Okay, time for all of you. There will be microphones. Please wait until a microphone comes to you, and then identify yourself and any relevant organizations to which you belong. Hands up. Jim Ziliak, here. Up here, Wally, this way.

MR. ZILIAK: Jim Ziliak, Visiting Fellow at Brookings. So, Doug, I agree that there's some simple beauty to the current measure, and I think one of the reasons that that simplicity that you argue for is because you could use it as an indicator of kind of the macroeconomic business cycle. The evidence that I've seen, you know, of the experiments that the NAS measures suggests as though you're still going to follow the same overall trends and attract the trends in poverty pretty well about capturing business cycles. So it's not clear to me with this updated measure that we're going to lose the poverty measure as an indicator of the business cycle.

Now to Becky and Mark, on that notion of simplicity, I was wondering if you would like to comment on especially the issue of out-of-pocket expenditures for medical and for housing, whether or not, you know, you might contemplate imposing a standard deduction for each of these or choosing the minimum amount of out-of-pocket versus standard deductions? So for example, the food stamp program uses a standard deduction for excess shelter costs, for example, which has some geographic variation.

MR. GREENBERG: Well, for me -- and I don't know if Becky will respond differently, but I'd actually in the long run prefer to go in the opposite direction, which is to have better measures of out-of-pocket costs because it does seem to me that the, you know, the underlying issue here is that people's costs can vary a lot. And so, I mean, the potential of I assume a standard deduction would be that it simplifies it for a large number of people, and then perhaps yet you would still build in some ability to itemize above that? I mean, in any case that'd be a question. But I do think if what we're trying to get a measure of is the resources available to me to the basic needs in the threshold after one has these expenditures, then we want to have as good as possible in the long run, as good as possible a measure of what those out-of-pocket expenditures are.

MR. ELMENDORF: Other questions? This woman up here, up here, Wally.

SPEAKER: Obviously this project and this suggestion that Mark and Becky make is very, very much needed. It's shown by the fact that for example in the present situation, there's almost no discussion of what programs would alleviate poverty because the effects of no programs are currently included in the poverty measure. So obviously this is needed, but I think one has to worry a little bit that you are adopting the almost unvarnished recommendations of the National Academy group, which was about 13 years ago, and since then a lot of good work has been done on thinking about ways to improve it still further.

And I also worry that you are putting out this idea that food, clothing, shelter, utilities, is the poverty line. It's the poverty line for a family that has no out-of-pocket healthcare needs, and no out-of-pocket childcare needs. So I think, obviously, if you put those things in, they are very variable, and that reduces your ability to talk about the poverty line because there are so many. But there are ways to get around that. I think there's a danger to popularizing a poverty line, which is really so denuded of needs that many people have.

MR. ELMENDORF: Do other people want to comment on that? Sharon?

MS. PARROTT: I would just say I do think that that is a very serious problem. I mean food, clothing, and shelter are not the sum and substance of even what you would think of as basic needs. None of us would say well, if I can afford food, clothing, and shelter, then somehow I can adequately -- I can take care of my kids even at a minimal level, right? So I think it's a huge problem, and I'm not quite sure what to do about it. I mean one option, right, is to have a higher threshold that represents a broader set of needs, and maybe you put healthcare and childcare in and you vary it based on family demographics, and I think that is a possible way to go. I think it would -- I think it opens even more, sort of, problems and that's -- and then you get back to this question of how much can one measure do? And so I'm not sure what the right constellation of needs are that the threshold should be set at. I could imagine a somewhat broader set of needs going into that threshold, but I also think it's why we need, you know, something that looks and feels and people have some comfort level does represent sort of a common notion of poverty, but that we also need something like a lower living standard. Something that people would look at and say, yeah, if you don't have that, you really can't fully participate in American society as it is today. But I'm a little concerned about trying to do both in one thing.

MR. GWYN: I think it's important to note, though, that the NAS standard does deal with out-of-pocket medical and childcare expenses. That's why you see elderly poverty potentially going up so much under this alternative definition. The question is whether dealt on the threshold side or the expense side, of course, and, you know, I think there are complications associated with dealing with it on the threshold side in terms of how many thresholds you might have related to both medical and childcare costs. But the -- I think it's useful to look at it in the context of the current measure in which we don't even deal with those expenses. So in terms of progress, we're obviously making progress in addressing the fact that people have out-of-pocket medical expenses and childcare expenses. But there is a broader issue here that many have alluded to, which is there's only so much one measure can do. And I think Congressman McDermott would certainly concede that not only the current poverty standard, but this new alternative poverty measure, doesn't reflect a decent standard of living. They are -- this is the basic, barest level of subsistence, and we need another threshold -- another standard to deal with that decent standard of living. And his legislation proposes bringing together a new panel within the National Academy of Sciences to develop that kind of standard.

MR. ELMENDORF: Linda, did you want to add something?

MS. GIBBS: Yes, same point really. It's really -- it's a poverty measure. It's not a decency measure, it's not a self-sufficiency measure, it's a poverty measure, and I --

SPEAKER: But it's too low.

MS. GIBBS: Well --

SPEAKER: It's too low. It's going to be too low. You know, it makes no difference whether you put in the needs or whether you subtract income in terms of how people you count as poor, but the difference is putting out a number that is in people's minds as to what a family needs. And that's too low because that's nothing for medical care or childcare.

MR. ELMENDORF: Okay, other questions? In the back, way in the back, please. Yes.

SPEAKER: (off mike) at the Center of Economic and Policy Research. I am just -- we're getting ready to release a paper on the NAS measure in measuring poverty probably this week, and I've gotten good comments from Becky and Mark and others at the Center on Budget. And essentially where I ended up coming out is much more negative in many ways than I thought I would be on the NAS approach when you really start looking at it. One issue here is I think Sharon mentioned this issue of internal consistency. I think arguably even more important is what might be called external consistency, and by that I mean to what extent is the change in poverty under an NAS approach sort of validated by other measures of hardship in terms of basic need. So for instance, I mean, one of issues we identify with the NAS measure is it actually ends up having less of a linkage or kind of less well correlated with food and security measures when you look at the differences at the state level or the differences among various groups. I think another big issue is -- and some of this has to do with the geographic adjustment, which I think is fairly problematic actually -- you see poverty rates increase in places like New York City, but you actually see the biggest poverty reductions in the Deep South and Appalachia. And I think it’s very questionable whether that actually reflects -- and certainly I don’t think, you know, when you kind of look at other measures of hardship and kind of well being -- it doesn’t reflect -- the NAS ends up getting farther away from that than closer. Now I’m not saying the poverty measure should be perfectly correlated with some sort of index of hardship or well being, but I think that at least at a basic sort of external consistency level a new measure should get you closer to that than farther away. So I think I’m very concerned.

I guess the other question here is just, you know, you need a good measure. And I don't think you want the perfect to be the enemy of the good, but I think the better approach is probably one like was developed in the United Kingdom a few years ago with their child poverty measure, which is a tiered measure. It has absolute, relative, and then a third tier which is both a relative and deprivation index. I mean that's kind of where I ended up coming out in this paper. I should say I'm actually very surprised. I was coming at this from sort of the center left, but I end up coming very much out in a similar place to where Doug comes out in terms of this idea that we need to have something that reflects both inequality and sort of other forms of deprivation, which may mean I should go back and rethink my recommendations, but it also might mean that there's a different kind of consensus that can be gotten here if we actually go to sort of a different approach, so not really a question, but just a general comment.

MR. ELMENDORF: Noticed, but nonetheless, if it were formed as a question, Becky, Mark, you have some response you'd like to offer?

MS. BLANK: Yeah, I mean, this sort of a complex one and obviously there's this long conversation here that can be had. So I would make one comment about some of our hardship measures. We do have a number of hardship measures, such as the food insecurity index for hunger or either the, you know, people who, you know, have really serious health problems. Those tend to measure a much smaller share of the population than our housing measure. I mean, they clearly are picking up an even more basic level of deprivation, and you know, appropriately so. Well, I mean if you look at, you know, how many people actually -- the food insecurity -- it's like 2 percent, so compared to a poverty count, you know -- it depends on which of those measures you use. I mean, the ones that are really, you know, it's food insecure multiple times, you know, which is what most people use as real hunger, is much lower than 13 percent. But the question I think this really raises -- and this again is how do you use such measures is, you know -- if you look at an aggregate poverty count, it's, you know, a larger number of people. It's 12 percent, 14 percent, whatever the number comes out at. If you want to ask, you know, who are the most deprived among the poor, you start looking at 50 percent of poverty, and you start looking at various other measures. And, you know, the 50 percent of poverty count I have never seen with the National Academy measure. It's not something the Census has calculated. I do know a little bit about poverty gaps, and I know, for instance, that the poverty gap could be elderly even though the elderly -- partly because the elderly count goes up so it scoops in a few more people -- is not as great as the child poverty gap under the -- at least some calculations -- of the NAS measure. Now that suggests that extreme hardship is going to be more common among kids because more of them are extremely poor rather than just poor. That's just a statement about how you need to -- you know, again -- one measure's really problematic. You need to look at multiple nuances of all of this if you're really going to understand how different subpopulations are faring and where they are.

MR. GREENBERG: Yeah. Let me just say a word about the relative issue, and I think it also does relate to the decent living standard question. And certainly one thing that has happened in recent years, I mean in part because of the inadequacy of the existing poverty measure, is there have been a lot -- there's been a lot of work done on developing a measure of something broader. And there's work around the country around self-sufficiency standards, family budgets, there's a whole set of polling that is sometimes done about asking questions the effect of "What do you think a family needs to get by in this community?" or "What do you think people need for a reasonably decent life?" All of that generally points to something that is considerably higher than both our existing poverty measure and what we would recommend under NAS. It typically points to something sort of roughly in the range of 200 percent of the existing measure or higher, something that roughly picks up almost a third or more than a third of the population. I think there is real value in us having much clearer reporting and measuring of that at the federal level, and a much better research agenda around it. It's also striking that a lot of those higher measures tend to be or wind up with something roughly in the range of 50 to 60 percent of median income. And that suggests that in the long run, there may, in fact, be some significant relationship between a relative measure and these other kinds of measures of the making ends meet or a decent living standard. So, for all those reasons, we recommend and the -- and some of this is done in the McDermott-Dodd legislation -- it does make sense to advance our understanding and our knowledge of that higher level, but to also recognize that it's something different than what we're seeking to measure with the NAS approach.

MR. ELMENDORF: Thank you very much. Questions? The woman here, right here in the third row.

MS. MOORE: Good morning. My name is Rochelle Moore with Nubian Enterprises. I have a question for the full panel. In terms of the Hamilton Project and the research and the data that you have compounded over the past couple of months and presented to us today, aside from policymakers, who would best benefit from the data, the information, and your conclusions? Who would best benefit -- aside from policymakers -- who else would benefit from the data, the conclusions, and the information you provided us today?

MS. BLANK: So I think it's deeply important to have a measure that tells us something about what the levels of need are in different populations out there in the country. In the short run, I can tell you stories about exactly how that benefits policymakers. But I think it benefits the understanding that we share as a society about who is in need, how they are in need, and therefore, what sort of issues either on the policy front or on the non-profit front, you know, we need to be thinking about in terms of service to those who are most disadvantaged in our society. I mean, I -- this is not going to change programs. It's not going to change dollars. But the understanding of who is poor and how is poverty distributed among different groups, is quite key, I think, as background to then thinking about what are the services that we need to provide as a society either through the public sector or through the non-profit or through personal services.

MR. ELMENDORF: Okay, I'll take just one more question. The gentleman over here, against the wall.

MR. BEVERE: Hi, I'm Richard Bevere, an unaffiliated retiree. Now that the current poverty measure is largely discredited, I'm concerned that if Congress enacts a new measure, it's also easy to criticize. Subsequently, it will be very hard to get the public to have any interest or support for any poverty measure, so critics are going to point out correctly that the poverty threshold in McDermott-Dodd, which is the 33rd -- starts out with the 33rd percentile of spending on food, clothing, and shelter by couples with two children -- is spending by families that have incomes above $50,000, most of whom own their own homes. And so I think one question that's going to come up is what exactly does the 33rd percentile of spending on food, clothing, and shelter have to do with how much people need to spend on food, clothing, and shelter? And could someone try and answer that even Joe the Plumber could understand it?

MS. BLANK: Let me take a first crack at that, and then let others come in. I don't promise anything for Joe. So, you know, the problem here is where do you set lines, and, you know, any range -- you know, it's where the National Academy wanted a range and didn't want to sit down with the number, is, you know, there's a certain arbitrariness to this. But on the other hand, being arbitrary doesn't mean that there's no -- that, you know, that some answers aren't better than others, right? So there was a clear sense and you don't want to set a line based on expenditures among people who are really at the bottom of the income distribution because then you define poverty based on people who are already deprived, right? On the other hand if you get too far up into the income distribution, expenditures start reflecting a whole set of issues that probably aren't appropriate for creating a minimum needs standard. That's where sort of a third, you know, you're above the bottom by quite a bit, but you're not at the median yet. Mollie Orshansky in a 1963 measure actually used the median, and I know the National Academy panel thought that might be too high as a standard of living on which you're going to set expenditures. But, you know, there's some arbitrariness to this, and you know, good people can argue over exactly where it's set. But I do think that, you know, sort of one-third up that distribution gets you in about the right range and, you know, that's what we're trying for.

Let me say one other thing about housing because it's come up and we haven't actually talked about it. One of the things that Mark and I say very clearly in the paper is that if there's some work that needs to be done before this gets released, I think it's very much around the question of who is the reference family, and how do you use reference families because which reference family you select highly relates to what share in that population own homes and what share own homes free and clear. And it turns out, as Richard notes, that two-parent, two-children families own homes at a much higher rate than most other family configurations. That's not true -- the elderly are another group that for whom that's true. And I actually think that one of the things that needs to be done and that we argue for in our paper is some recalculation of what are the alternatives here in terms of selection of reference families that allow you to deal differently with homeownership for different groups of families, and that also relates to equivalence scales. This is one where, you know, I could tell you what the research agenda is over then next six months. It shouldn't delay this by huge -- you know, by large -- but there is some research that needs to be done and there could be some adjustment on that.

MR. ELMENDORF: Great. Thank you. That will have to be the last word. Thanks very much to Mark and Nick and Becky and Sharon and Linda and Doug, and to all of you for coming. Thank you very much.

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