THE BROOKINGS INSTITUTION
WEBINAR

TIME TO CHANGE HOW WE MEASURE PROVERTY?
EVALUATING ALTERNATE POVERTY MEASURES

Washington, D.C.
Wednesday, June 9, 2021

MODERATOR: RICHARD REEVES
Senior Fellow and Director, Future of the Middle Class Initiative, The Brookings Institution

BRUCE D. MEYER
McCormick Foundation Professor, University of Chicago Harris School of Public Policy

REBECCA BLANK
Chancellor, University of Wisconsin-Madison

GARY BURTLESS
Senior FelloW, Economic Studies, The Brookings Institution

SCOTT WINSHIP
Resident Scholar and Director of Poverty Studies, American Enterprise Institute

MODERATOR: ISABEL SAWHILL
Senior Fellow, Economic Studies, The Brookings Institution

JEFF LARRIMORE
The Federal Reserve

ROBERT RECTOR
The Heritage Foundation

JANET CURRIE
Princeton School of Public and International Affairs

DAVID JOHNSON
Ford School at University of Michigan

JAMES X. SULLIVAN
University of Notre Dame

CHRIS WIMER
Center on Poverty and Social Policy at Columbia University

MARIANNE BITLER
University of California at Davis

RICH BURKHAUSER
Cornell College of Human Ecology

* * * * *

P R O C E E D I N G S

MR. REEVES: Hello and welcomed to this joint Brookings and American Enterprise Institute event today on the vitally important and timely topic of how to measure poverty. My name is Richard Reeves. I'm a senior fellow at Brookings, and I'm director of the Future of the Middle Class Initiative and the Center on Children and Families here at Brookings.

Many decades ago, John F. Kennedy said that if a free society cannot help the many who are poor, it cannot save the few who are rich. It's a noble sentiment, but of course it means we know to know who is poor and who is not and what has helped or what is helping.

Of course, public fears are much in the news right now especially following a radical shift in public policy and the shape of the expanded child tax credit. There have been many analyses of what impact that will have on poverty especially child poverty.

But today we're not here to here to talk about poverty as a political matter or really even as a moral matter, but more as a technical matter. How can we draw a poverty line at all? On what basis should such a line be determined and by whom? Although, of course all measurements contain normative judgments, moral judgments of one kind or another so I don't want to draw the distinction to sharply.

But today we're going to be focusing in on the question of how to measure poverty is. It's a question that's animated two years of painstaking work by the interagency technical working group on evaluating alternative measures to poverty which issued its finally report in January.

And you'll hear quite a bit more about the report in just a moment. But to suffice it just for me to say that this is clearly an important moment and an important report. And I would argue a long overdue one in discussions of how best to measure poverty in the U.S., which is an area where as a nation we've lag behind.

So just to give you a quick sense of what's in store ahead of you. First, you're going to hear presentation from Bruce Meyer who served on the group and is both a professor at the University of Chicago, Harris School of Public Policy and a visiting scholar at the American Enterprise Institute.

You'll then hear from three distinguished discussants who I will introduce once you've heard from Bruce. And then you will hear from a galaxy of gurus in a roundtable or whatever the Zoom equivalent is, a Zoom table moderated by my colleague, Isabel Sawhill.

So thank you to all of our participants for joining us and thank you to you for tuning in and listening to us. And with that I'll hand the virtual mic over to Bruce. Welcome.

MR. MEYER: Thank you, Richard, for the compelling introduction. Let me share my screen. Hopefully, people can see it now.

You might wonder why a University of Chicago professor is going to tell you about a federal committee that he cochaired? For three years, I was a part-time census employee to further an internal research project on poverty measurement and other topics. I had served on the evidence-based policy making commission along with Nancy Potok. She --

MR. REEVES: Sorry, Bruce. I'm very sorry to interrupt but this version we're seeing shows you notes as well. I don't know if that's intentional or not?

MR. MEYER: I'm sorry. Let me --

MR. REEVES: It's okay. I think you want to go to --

MR. MEYER: Don't share and reshare.

MR. REEVES: In slide -- whatever the mode is. Slide show mode or --

MR. MEYER: I appreciate you letting me know. So it looks right now?

MR. REEVES: Yes.

MR. MEYER: She was on the commission, Nancy Potok because she was appointed as chief statistician in the Obama administration. I met with her and suggested that we could measure poverty better. I should have been careful of what I wished for because I soon ended up as cochair of an interagency technical working group.

The report that I'm going to describe represents the work of over 25 people on the working group spread across 11 agencies. We met 46 times for at least two hours. Fortunately, the result was a report where there's an expectation that the recommendations will be implemented as the parties including the BLS and census agree to them.

This follows the same process that led to the production of the Supplemental Poverty Measure or SPM by the BLS and Census.

One of the main motivations for the creation of the working group and something we emphasized is the misreporting of many income sources and surrogates. The misreports most commonly are under reports. There was also a realization that administrative data could reduce this problem and that our methods, data availability and experience in linking such data had improved over time.

One way of seeing the understatement of some income sources is to compare the weighed totals in surveys to what the government reports it paid out in aggregate. This figure here shows for four programs and three surveys such comparisons recast is the proportional understatement or bias in the survey. Here we compare weighed total dollars reported in the survey to total dollars paid out adjusting for the intended coverage of the surveys.

The CPS, the source of official poverty numbers is in pink here. The ACS is in gray. What we report is a net figure, so it reflects underreporting of the recipients and overreporting by nonrecipients. Even though it includes overreporting by nonrecipients, the figure indicates that the current population survey misses half of TANF. Forty-two percent of SNAP and 33 percent of unemployment insurance.

The patterns from this last slide have been verified by linking individual survey records to individual payment records. And it’s not just social insurance and welfare benefits that are underreported. It is also earnings and pension income, interest, dividends, capital gains and other sources. You might say, the poor don’t have a capital gains, but that is in fact the point here.

If you don't include a key source of income, people who aren’t poor can look poor. Importantly, the problem is getting worse. There is also research that this misreporting has substandard effects. The share below poverty cutoffs is substantially lower and the poverty reduction of antipoverty programs is much greater than officially reported.

This figure shows the share of the population below official poverty cutoffs using excessively more inclusive measures of income and it does so for two surveys, the CPS and the SIPP. The SIPP is thought to be our best survey for measuring income.

The maroon bars are serving income and the gray incorporated administrative data. The gaps between the maroon and the gray are substantial and I believe the true gaps are greater. These old numbers using worse methods and incomplete administrative data than we have now. As we refine our methods and incorporate more administrative data, we tend to find the gaps between the maroon and gray or between the survey only and the combination of survey and administrative data rises.

This figure reports static estimates of the poverty reduction of different programs. It compares numbers in maroon from the supplemental poverty annual report which uses only survey data.

And it compares those estimates to a combined survey and administrative data set of estimates. The maroon and gray estimates are again very different. Without SNAP, poverty would be 25.3 percent higher, but the survey data alone say 10.6 percent. Only about 40 percent of that number from the combined data.

Another group of themes for the working group involved consumption poverty measurement. The working group recognized that there's little or less, I really should say, underreporting of consumption at the bottom of the distribution. That some individuals with little or no current income are well off such as many elderly Americans who are homeowners and have substantial assets.

We also emphasize the validation of alternative measures through comparisons, to other indicators of material deprivation. Though that is not the only criteria we emphasize. Consumption poverty measures, it turns out, tend to do a better job of selecting those who are deprived as they more closely accord with other deprivation indicators.

More broadly, what is wrong with the existing poverty measures? The Official Poverty Measure or OPM has widely recognized flaws that were highlighted 25 years ago, by the National Academy of Sciences measuring poverty report and by a lot of other work. That report was an important advance at the time, but it is overdue to rethink that ain't the issues.

Measuring poverty, the report led to the SPM which made key improvements but has important drawbacks. The thresholds are complicated and hard to understand. They have many arbitrary elements but are clothed in scientific language. The ad hoc elements include the treatment of housing status which assumes that no systematic differences between households, between households that own or rent. In other words, it takes the same percentiles for those households that own and those that rent.

Health insurance and medical costs are mostly ignored, but partially included in ways that could be counterproductive. Specifically, the SPM implicitly says someone who gains health insurance but pays any positive cost is worse off than someone who doesn't have health insurance.

Having given this background, let me lay out the role of the working group. Its role was to consider whether alternative measures should be produced and what those should be. The understanding was that any proposed alternatives would supplement and not replace existing measures.

The working group was established by the chief statistician of the U.S. Its members were subject matter experts from 11 agencies. Its membership included no political appointees. The cochairs were Jerry Leslie of the Statistical Policy Office in OIRA (phonetic) and myself. We met 46 times as I mentioned earlier.

We issued an interaction-report in February 2020, which requested comments. We received almost 20,000 of them. The final consensus report was issued in January 2021 with 36 recommendations agreed to by all agencies.

Before summarizing a few of our 36 recommendations, let me get some poverty measurement basic. A poverty measure has two key components, the resource measure and thresholds. The resource measure is usually income or consumption. The thresholds are the cutoffs below which you are poor under a head count measure. We recommended an income measure combining survey and administrative data. We recommended a consumption resource measure based on expenditures from the consumer expenditure survey and incorporating the flow value of resources for loaned houses and cars.

The report has little detail on thresholds but discusses our process to fill in the details that we did not lay out. It then finishes with a discussion of issues for future groups to address.

In terms of process and timing, we felt we already knew enough that a new measure based on existing knowledge would have sufficient merit to be published immediately as it a research measure with revisions and new methods added. We felt that it was important that the annual releases of the new measure be timely. Currently, we take about six months between fielding the CPS ASEC and the September release of the poverty report. If the time was lengthened to 12 months, it would allow the incorporation of key administrative data.

At some junctures, we didn't think we had sufficient evidence or couldn't reach consensus on details, so we recommended future deliberations and research. In constructing an income resource measure, we recommended accounting for income and payroll taxes because disposable income is closer to what generates well-being. You can't spend what is taxed away and the EITC and TCT are major anti-poverty efforts for which we should account.

We also recommended and including income benefits as they are one of the country's main ways of reducing poverty. One of our most consequential recommendations is that the income measures should incorporate administrative data. How should the administrative data be used? Well, replacement of mismeasured survey reports is the most desirable when research supports it, but in some cases, one needs combine survey and administrative data. Administrative data for (inaudible) and some other benefits are likely to be incomplete. In particular, not cover all 50 states and will need to be imputed in some cases. That problem could be largely solved by greater data sharing across government agencies which would have collateral research and evaluation benefits.

For a consumption resource measure, the consumer expenditure survey is really the only choice. We recommended additional BOS funding for this purpose to produce a measure at the state level, we would need to increase the sample size.

We recommended that administrative data be incorporated where appropriate. There is less opportunity to use administrative data with consumption than income but housing benefits are one example reoccur.

Several of our recommendations supplied to both income and consumption resource measures. We recognized that health insurance is a valuable in-kind benefit, but its exact value is hard to pin down. Thus, we recommended one measure that would include a value such as the market value and another without health insurance, essentially an evaluation of zero. We recommended -- we include the value of insurance rather than expenditures on healthcare. We wanted to avoid saying that someone who is sick and receives a lot of healthcare is well off.

We also recommended a cap on the value of health insurance as a shared of total resources. We did that because of the literature that indicates that there's -- that those with low incomes do not value medicated cost. In practice, though a cap on the value of health insurance set equal to 50 percent of total resources would very rarely be binding.

To complete a positive measure, you need thresholds. We had a lot of difficulty reaching unanimity on thresholds. Thresholds are inherently less scientific than resources. They more heavily rely on moral and political judgments. Many have just called the exact level of the cutoffs arbitrary including Bali (phonetic) or Shankski (phonetic), Pat Ruggles and Ivan Fellegi who is Canada's long-time, chief statistician and a pioneer in linkage methods. We largely left the thresholds for others.

In terms of future research, there was much sympathy in the working group for a multidimensional poverty measure. We noted also that those experiencing homelessness are largely omitted in standard surveys. Research should be conducted on this over the population. We discussed how lags in poverty measurement are a problem. Official poverty numbers for the period of the pandemic will not be available until September. That's for last year's poverty rate. Having official timely measures would be valued.

My hope and expectation and this is more commentary on the report is that the use of link survey and administrative data in poverty measurement will make clear the value of administrative data and linkage and be a catalyst for census and other agencies to negotiate sharing of additional data and sharing on a more timely and regular basis.

An expansion of the consumer expenditures survey would also have broader benefits. For example, it would allow more targeted price indices. As to thresholds, let me offer my personal views here. Thresholds should be simple, transparent and we should acknowledge that the exact level of thresholds is ultimately arbitrary.

I am not an advocate for any new poverty rate being higher or lower than the current official rate. I would prefer that any new rate be anchored with rates chosen so that the new rate is the same nationally as the OPM, but it would evolve differently over time and classify different people as the most deprived people in the country.

It is clear that incomes are higher at the bottom than reported, but where you want to draw the poverty line is a political not a scientific decision. Thank you.

MR. REEVES: Thank you, Bruce. That was an excellent summary of a highly detailed and impressive report. So thank you for bringing that to us. I should say that there are, of course, links to the full report on the event page and I encourage everyone to go and look at it and look at the work that the group has done.

You have already set up the next session really well, I think, Bruce, by setting out some of your own views about next steps.

And so, we're next going to hear from three discussants who are going to respond to Bruce's presentation and to the report. First, you're going to hear from Rebecca Blank who is Chancellor at the University of Wisconsin-Madison and I will add a former Brookings scholar.

Gary Burtless who is a current Brookings scholar, Senior Fellow in Economic Studies and an expert in poverty measurement himself. And then lastly, from Scott Winship who is the Director of Poverty Studies at the American Enterprise Institute, but also a former Brookings scholar, just to underline that point. So thanks, Bruce. And with that -- and then they're going to hand to each other and the Scott at the end if you can hand to Bell? Chancellor Blank.

MS. BLANK: Thank you very much, Richard. I am delighted to be here and I went out of this discussion for a little bit doing some other things and I'm happy to jump back into it.

I want to make four points here. My first point is that policy needs around measurement and data are different than resource needs. And from a policy perspective if you want to measure, you want a measure that usually has simply one prominent measure that you use, not multiple measures. And you want one that is easy to interpret if it's quite clear as to what it means.

And indeed, if you look at all the data, it's very rare to put out five and six. You know, if you do put out multiple measures, they're very much minor relative to the main one that gets published.

Research needs are very different. Where you want to really explore an issue in depth, right? And many aspects of this report are much more aimed towards research needs than policy needs in the following sense. There are multiple sort of measures that are proposed here. And a large number of recommended expert studies by mine measure 14 recommendations recommend additional research on a topic. And there's two major in data development recommendations in all of this.

That's all very useful and I actually don't disagree with many of those recommendations, but it's very different from the question of what shall we do tomorrow to measure poverty? If someone says, what's the poverty measurement I should look at?

So my second comment is that the SPM, the Supplemental Poverty Measure, I admit I remain rather fond of as the answer to the question what should you look at tomorrow? And indeed, much in this report supports the SPM and what the work on that did. The same treatment as in, yes, SPM has proposed for income dollars for owner occupied housing, for taxes and transfers, for child support, for childcare expenses and largely for geographical price differences as well.

Now, there's a number of proposals about how improve measurement of that which I fully agree with. We should always be deepening our understanding of the underlying aspects of these sorts of data measures and improve them as time goes by and as we learn more. But the SPM is gained a lot of use and a lot of credibility and that is worth quite a bit. And I would prioritize that and say, let's improve it. Let's improve underlying measures and then add additional things as, you know, sort of additional ways to look at poverty, but prioritized at a slightly lower level.

My third comment, of course, is to talk about health insurance because one of the alternatives here that's looked at is with and without health insurance. And I've had a lot to say on this issue in the past and I haven't changed my mind about it, I have to admit. Two comments here. Health insurance and economic well-being -- and health well-being and economic well-being are two fundamentally different concepts. I can be quite rich economically and have poor health. And I can be quite poor and have quite good health. And it's very hard to combine health status and economic well-being.

My second comment is that health insurance per se is not like any other government transfer. Most government transfers up to a point are fundable with other forms of income. And health insurance by in large is not. Not entirely but by in large is not. It does not free up other money. And, you know, particularly for people with very low-income levels, you know, you can see this because they've done health insurance pretty low level. They much rather pay their rent and buy food than buy health insurance. So, you know, very, very few low-income people voluntarily purchase health insurance or even participate in free health insurance programs. And I'll come back to that in a minute.

You know, and if I only have health insurance and nothing else, there is, you know, I'm in deep trouble because I can't buy food and I can't buy rent. And so, adding health insurance dollars in with other dollars has always struck me as quite troubling. You know, we can all worry about how to calculate and value health insurance. That's a question in itself, but assuming we had a perfect evaluation even then your combining apples and oranges in a way that I think produces some real conceptual problems.

Now, the report says we're going to separate health status from the value of health insurance. And have a health insurance measure independent of health stats and I would like to claim that can't be done. And it can't be done for the following reason. Who has health insurance is very highly related to their health stats even Medicaid, a free healthcare program. It should be automatically available to large numbers of people who are low income. It's taken up by people only when they have health problems and often dropped.

And, you know, so they stop responding when they no longer have health problems. You know, it's far from 100 percent take up. And so, as soon as you value health insurance those with health insurance have a different health status than those without. And you cannot do that separation very easily. Again, leading me back to the conclusion that there's no good way to add health insurance into an economic evaluation of well-being.

To go back the Supplement Poverty Measure, you know, it's far from a perfect (inaudible). We can all criticize this, but I have to say among a set of choices, the choice to basically exclude your expenditures on healthcare. Say, let's do an economic well-being measure that puts healthcare aside and looks at all the other resources that are relatively more fundable with each other. It is, I think, still the best choice.

Now, there's key recommendations here that has to come along with that which is not in this report. They recommend value in health insurance as part of economic well-being. I think the right recommendation is we need to create a separate measure of health status and maybe there's biological health status and access to medical resources.

Those are key different things. Maybe they can be combined in a single measure as a measure of health well-being. Maybe they can't, but I'd really like to see a lot more research which hasn't happened on a measure of health and health status and health well-being that stands beside and is independent of measures of economic well-being.

And my fourth comment, let me talk a little bit about income and consumption because the other multiple measures are income-based measures versus consumption-based measures. Both are interesting approaches. Both will work conceptually. Both, I might note, have some serious measurement issues. And the report discusses at length the measurement issues around income and transfers. It doesn't say as much about some of the measurement issue on consumption where recall of consumption is very short-term and you sort of have to do either multiple surveys or intraplate things in ways to get annual measures given we sort of use to use annual measures of poverty.

So, you know, why do I think income at the end of the day is the option that I would probably go for between these two? One is because we use income for almost all of our policy-based discussions and programs and other things. You know, again if you want to policy measure that fits in with a lot of other things we do, you take income over consumption.

But, you know, number two, there is the problem that we simply don't have adequate consumption data right now. The report makes this point, the main consumption survey measures about 13,000 households. The main income survey measures about 90,000. And if you're going to do a poverty measure that looks at a wide range of people across different geographic regions and different demographics, you need 90 and not 13.

So while the report recommends expanding the consumption measures, I have to say, you know, money is limited. And money for additional data work, I know how hard it is to get that out of the legislature. If we're going to get additional money, I would much more focus on improving our income issues, and I completely agree with this report. I have long been an advocate that we need to combine our survey measures with our administrative data and that will give us better data particularly on the income front.

I would much rather see any additional money going into improving income which can be used far more broadly than consumption can. Then the very expensive process, and it is expensive to do consumptions surveys because of the nature of what you have to do to try to, you know, basically go from 13 to 90 to 100,000 datapoints on the consumption survey. So, you know, I would definitely prioritize the income over consumption.

Let me end with one final comment. Both Richard and Bruce mentioned the fact that, you know, all parts of poverty measurement involve some value judgments. But to misquote *Animal Farm*, some decisions are more arbitrary than other decisions. And the threshold decisions are particularly arbitrary. There is no question about that. If there is anything that I would -- and the report doesn’t focus much on thresholds.

If there’s anything I would do to create multiple measures more than anything else, I’d create a scalable set of thresholds then you can look at -- and, you know, you can decide whether you want to look at more extreme poverty or less extreme poverty.

You know, I personally would do at least relative poverty measures and percent of medium income. But the thresholds in particular are arbitrary. I’ve never liked matching them against the current Official Poverty Measures because that’s so bad. It’s what we did with the SPM. It’s what is proposed here for any additional measures. Those are the most arbitrary and difficult decisions we make and they do affect the measure that comes out. So let me stop there. Thank you. I’m supposed to turn it over to Gary Burtless who’s our next discussant.

MR. BURTLESS: Hello. I’d like to begin by thanking members of the inner agency technical working group for their efforts under extremely challenging conditions. You saw the dates that it met. Those were not easy dates that reach some agreement and make a report. And they ended up giving the public a comprehensive, wide ranging and I think very interesting report. And I also thank Bruce Meyer for summarizing that report and its highlights so ably and lucidly.

I'll speak briefly and without any slides about just three of the issues raised in the working group's report. Let's begin with one of the toughest issues raised by the report namely the appropriate treatment of health insurance coverage and healthcare needs in an income-based poverty measure.

The Official Poverty Measure or OPM takes no special notice that either a family's healthcare needs or is coverage by a health insurance plan. A family's plan might cover none, some or all of healthcare needs in the OPM. It makes no difference. The family's needs are captured by the poverty thresholds but the coverage of those needs by the family's health plan is essentially ignored. Almost everyone who's thought about the issue for longer than 15 minutes thinks the OPM approach to this set of issues is holy unsatisfactory.

The Supplemental Poverty Measure subtracts from family resources in an amount that reflects the family's out-of-pocket medical expenditures including health insurance premiums. The SPM then prepares the family's remaining accountable income to the relative poverty threshold.

In the SPM, the threshold reflects spending needs for food, clothing, shelter and a little bit extra for all other nonmedical necessities. The implicit idea here is that every dollar spent out-of-pocket for medical care including on health insurance is so essentially to family well-being that it simply isn't available to pay for any other essential family purchase.

It's my impression that this approach to treating healthcare and health insurance was the most controversial recommendation of the NRC's 1995 Poverty Management Panel. This doesn't mean the critics had anything better to suggest. A polarity though perhaps not a majority of poverty experts may have favored the NRC panel's recommendation over any other approach to including healthcare and health insurance in the measurement of poverty. And the preference was based on the fact that all the alternatives looked even worse.

The working group's recommendations that we are considering today don't contain any proposals that are going to resolve the health needs, the health insurance controversy. The group simply recommends that the Census Bureau develop an income-based resource measure that, A, includes a measure of the value of health insurance. And a second one that, B, excludes any measure of the value of insurance.

At the same time, the working group recommends that the BLS ought to develop consumption-based measures that, A, include and, B, that exclude the value of a family's health insurance. I certainly think these research efforts could be worthwhile, though they're not likely to be decisive in helping us determine how healthcare needs and health insurance coverage can be used to determine which people are poor and which are nonpoor.

Even though the 1995 NRC panel's recommendations were controversial at least they gave census and BLS analysts very clear guidance about how to distinguish at the end of the day between people who are poor and people who were nonpoor.

Now, let me link the discussion of health insurance and that of another topic that's surprisingly took up a lot of space in the working group's report, namely family spending on educational investments. Let's think specifically about family expenditures on K through 12 education.

Like a comprehensive health plan, K through 12 schooling is nowadays thought to be a crucial contributor to American's personal well-being. In the case of K through 12 education, attendance is a key determinant of any youngster's future economic success. Here's the thing, though, public K through 12 education is provided everywhere in the United States for free. Yes, there are incidental expenses connected with schooling that cost family's modest sums. And yes, some parents prefer to send their kids to nonpublic schools where they maybe charged hefty annual fees, but so what?

Their youngsters need more K through 12 education can be obtained a trifling or no cost in a local public school. If the parents of 10 percent of the nation's youngsters prefer instead to send their kids to more costly nonpublic schools, I see little reason to classify the families as poor if their tuition payments once subtracted from the accountable resources leave them with a net income that's a bit below the poverty threshold.

Similarly, if the United States offered each American a guaranteed manageably affordable and comprehensive health insurance plan, it would be straightforward to include an income-based poverty thresholds, a reasonable allotment for the annual spending we need to obtain insurance plus a modest amount to pay for other necessary out-of-pocket medical expenses.

Our problem, however, is that the U.S. has guaranteed public insurance for some of the population under some circumstances. We also have unfortunately tens of thousands of privately provided and distinct insurance plans for much of the rest of the population with varying premiums, co-pays, covered procedures and so forth.

We have little or no insurance provision for 10 to 12 percent of Americans. Making the measurement problem worse, many of these uninsured could become insured if they chose to enroll and they, many will become insured if their potential medical bills turn out to be large, the empirical evidence suggests that American's out-of-pocket medical expenditures vary enormously even among people who are similarly situated with respect to age, annual money income, beginning of year health status and insurance coverage.

The U.S. deals with the necessity for K through 12 schooling through the offer of guaranteed three public provision. Most other rich countries deal with the necessity for comprehensive health insurance through a guarantee of affordable and nearly universal provision. In either case, it's straightforward to calculate the likely bill for remaining medical costs for which a family might be responsible.

Our insurance arrangements make it vastly harder to determine how much lower- and middle-income families have to spend to assure themselves of adequate care in the event of some kind serious illness, health emergency or what have you.

Finally, with regard to income misreporting. A fatal shortcoming of the Official Poverty Measure is the incompleteness of its definition of family resources. Most, though not all, money income items are included, but every noncash income item is excluded from the resource measure. This exclusion is particularly objectionable in the case of noncash income items like food stamps and housing assistance that are specifically aimed at reducing deprivation and in particular in the things that we identify as necessities.

A huge problem for both the OPM and the Supplemental Measure is that so many of the income items that are counted are measured pretty badly. This is especially true of transfers targeted on the poor, but it's also true of many income items we see by middle- and high-income families including the payouts of workplace retirement plans.

What is especially worrying as Bruce pointed out is that in many cases income misreporting has gotten worse over time meaning that there's a trend effect on the change in poverty over time that is affected by this misreporting problem. The working group rightly devotes a huge amount of attention to the underreporting problem and to potential solutions. The best solution, it seems to me, is to supplement household survey responses with better data. In many cases, this means we should substitute information from reliable administrative sources for inaccurate responses for the same income item obtained in household survey.

Unfortunately, it takes a lot of time and effort to access administrative tags and income files. And even when the administrative files are final the procedures for substituting accurate administrative reports for less accurate respondent reports can be painfully time consuming.

So let me offer two suggestions. At this time, the annual household survey base income and poverty reports are issued the Census Bureau ought to publish a straightforward comparison of the income aggregates as reported in the household survey with income aggregates reported in government administrative weapons. For example, Social Security Administration files, IRS files. And where these are not yet available, the most up to date estimates of the relevant income items from the BEA's National Income and Product accounts.

Census Bureau analysts have made and published these kinds of comparisons in the past. The reports should be done annually and published at the same time as the release of the Census Bureau's poverty and income reports and this will make a difference because in some past years there's been discontinuous changes in the quality of the survey responses on a number of items that are crucial for determining family well-beings. For example, the value of unemployment insurance benefits received by people who suffered unemployment are in the past year.

My second suggestion is that the contents of administrative data files are not fixed forever. The data in them change as later and more complete information becomes available, but the aggregate income data comparisons and the household responses should be updated at least once usually with a lag of one to three years to reflect the best and latest information in the administrative data files.

The working group's report contains a very good discussion of the relative advantages of an income-based versus a consumption-based measure of poverty. The report is especially strong, in my view, in considering the strengths and weaknesses of the data available to measure poverty under the two different approaches.

My instinct is that consumption-based poverty measure is conceptually more reliable than an income-base measure. However, the challenges of obtaining reliable consumption expenditure data and where necessary consumption flow data have always seemed too daunting to rely on consumption-based measures for annual timely poverty reports for practical data collection reasons as well as for data checking reasons an income-based measure seems to me to have a considerable edge over consumption-base measures. And nothing in this report, although it added a great deal to my knowledge about the strengths and weaknesses of the different sources of knowledge, has changed my mind on this basic conclusion, which I think is similar to the 1995 NRC panel's conclusion too.

And with that that's my conclusion. And now, Scott Winship, a sociologist and the director of poverty studies at AEI is going to speak next.

MR. WINSHIP: Great. Thanks a lot, Gary. And on behalf of AEI, AEI's side of this I want to thank everyone who is participating in this panel and our expert panel coming after this just the incredible group.

I also I want congratulate Bruce and his cochair and applaud the working group report. In particular, it's emphasis on incorporating administrative data into poverty measure and its call for consumption-base measures.

It's clear that if we care about measuring income as accurately as possible, we can't rely on survey data alone. The scholarly data alone community long ago accepted that conclusion in the context of measuring income concentration at the top, but it's no less true for measuring the incomes of poor Americans even if the reasons are often different.

I'll say, I'd hope that if there's any liberalization of access to administrative data that that would include access to data with intergenerational linkages and that is a separately important topic from most what we've been talking about today.

On consumption, I'm more a supporter of than a cheerleader for consumption of poverty measures. And that's just because I believe that when measured consumption and income-based measures of poverty generally tell the same story. That's what I found in the 2016 paper of Poverty After Welfare Reform when I compared my own income-based poverty rates for children and female-headed families to Bruce's, and Jim Sullivan's consumption-based poverty rates for single parent families.

Needless to say, if income and consumption-based poverty rates proved to tell the same story that will increase confidence that both are telling the right story. My sense is that a lot of critics of consumption-based measures do not really grapple with the strength of the evidence in their favor that Bruce and Jim have marshalled over the years, which I summarized in appendices three and four of that report I mentioned earlier.

I want to turn quickly to the topic of health benefits, which Becky and Gary obviously identified as being key ones. Here, I think the only defensible view is that health benefits should be valued as income setting aside the important question of how they should be valued. But I also think it's clear that the way the SPM values health benefits is deeply flawed. And I do wish the working group had taken a stronger position in ruling out certain ways of value that.

Briefly, health benefits are valuable to people for three reasons. They free up funds that can be spent on other needs and wants. They allow people to consume more on healthcare than they other would be able to. And there's an insurance value, a peace of mind that insurance brings -- of any form of insurance, the health insurance being no different.

The way the SPM addresses health benefits, they can only reduce poverty by eliminating out-of-pocket costs that would have been incurred in the absence of health benefits. But if health insurance increases healthcare utilization as we certainly hope it would then the SPM approach understates the benefits of coverage.

Indeed, if for example, insurance leads a family to get dental care for the children whose teeth would otherwise have rotted. And they incur a nominal co-pay that family will look for it despite having avoided the kids have rotten teeth.

In fact, it turns out that empirically the SPM values health insurance as practically worthless. The recent National Academy of Science's report road mapped to reducing child poverty, assessed the poverty reduction impact of different resources. And I'm quoting from page 114.

The Medicaid program with expenditures of nearly $90 billion directed at children is the federal program that spends the most on children. Despite the crucial importance of healthcare spending for the future development of poor children, this spending has virtually no impact on SPM-based poverty because of the ways in which SPM-based poverty is defined.

I guess I feel like it's a challenge. The question how to value health insurance, but I think it's a surmountable one. In my report from 2016, I cite evidence from Tim Snyding (phonetic) back in the early 1980s as well as evidence in the last decade showing separate estimates of the four-value health insurance at about 30 percent of its market value. So I think there are ways that we can do this.

Since my report came out, Foreman and Remler (phonetic) and Heisin (phonetic) have developed a promising health inclusive poverty measure that would improve on the SPM.

Next, I want to say a few things about adjusting thresholds for inflation. The report devotes some time to that. There will, of course, be disagreement around the value of absolute poverty measures versus relative poverty measures. It's a big reason why the SPM is always going to be controversial, I think. But in my view and in discussions of absolute poverty measures but there shouldn't be if any disagreement about the best measure of inflation to use when adjusting poverty lines over time.

The CPU today reflects decades of refinement as economists come to better understand conceptual issues. And as techniques and data have improved for measurement, the Bureau of Labor Statistics has regularly created alternative historical price indices to try to retroactively layer improvements onto older CPI U.S. estimates. And today no researcher who knows anything about income trend analyses would use the CPU to look at long-term trends in income or poverty except that the Census Bureau is constrained by OMB directives to look at trends using poverty lines updated by the CPIU. Even in annual reports that show income trends updated by the better, but still flawed CPIURS.

In particular, the CPIU now addresses consumer substitution far better than it use to, though incompletely. The measure that does a better job accounting for substitution is the Chained CPI, which has been around since 2002. There's just no reason today that we ought to be using anything other than the Chained CPI moving forward to update poverty thresholds for inflation.

There are two issues regarding price indices that are worthy of greater consideration, which the working group mentions. Very briefly, the first uses whether low-income families face higher inflation than the typical family does as some research suggests?

And the second is how homeowners experience an increase in shelter prices, which increases their home values after all. And so, that issue calls for including the service flow from owner occupied housing as income, I think. And I agree with the working group's call to evaluate methods to do that.

Lastly, the working group rightly notes that alternative poverty measures should be validated. It mentions studies that look at the point in time association between hardship and various poverty measures. Another way to validate competing measures, I think, is to compare trends with other hardship measures.

To my mind, one of the most important set of those indicators available for trend analyses comes from the Food Security Supplement to the current population survey. Since 1995, the Food Security Supplement has consistently asked, people do different things when they are running out of money for food in order to make their food or their food money go further.

In the last 12 months, did you ever run short of money and try to make your food or your food money go further? The question was asked in April of 1995, ’97, ’99 and 20001. And it’s been asked in December and every year since 2001. And when you look at that data, the share of single mother families experiencing food hardship fell from 57 percent to 46 percent from April 1995 to April 2001. And it fell from 48 percent to 42 percent from December of 2001 to December of 2019 all based on that question.

In my 2016 report, I used a comprehensive measure of income and I found the poverty rate for kids of single mothers fell from 31 percent in 1995 to 21 percent in 2001 and then fell to 18 percent by 2014. So I estimate updating that to 2019, putting something like 15 percent. Basically, these two trends tell the same story.

Now, a caveat there is that -- and also, by the way, the official poverty rate for female headed families with kids fell only 10 percent each points total over that period. So it doesn’t match the food security trends over the long run.

On the other hand, cyclical fluctuations of stronger looking at food security data than looking at the kind of comprehensive income measures or consumption measures preferred by Bruce and preferred by me. So that’s another matter for future investigation.

I will stop there so we can get to our panel. And I want to introduce Isabel Sawhill of Brookings who will start off the conversation with the rest of the panel.

MS. SAWHILL: Thank you, Scott. And thanks to this terrific lineup of experts on poverty and to a great conversation about that.

We are very lucky to have a number of other experts who have agreed to make some comment on what they’ve heard so far. There are, by my count, eight of them potentially and we only have a limited time so I’m just going to ask them to make a very short comment or ask a question and then we’ll move on.

They are Jeff Larrimore, Robert Rector, Janet Currie, David Johnson, Jim Sullivan, Chris Wimer, Marianne Bitler and Rich Burkhauser if I got the list right. And so, please raise your hand and the chat or in the participant list or if you can't do that turn it over to -- or wave at me. Let me start with Janet Currie because I see her hand.

MS. CURRIE: Hi. Thanks, Isabel. And thanks to all the panelists. It's been a great discussion so far.

I just wanted to make three quick comments. One is that I was surprised that the report didn't say more about growing problem of survey nonresponse because it seems to me that if less and less people respond to the survey because less and less people even have phones, landlines that's a problem that we're going to have to find different ways to measure things. And so, the use of administrative data seems like a really good idea in that context.

That said, I also was a little bit disturbed by this sort of tone in the report that administrative data is somehow the gold standard. Asked somebody who has worked for many years with administrative data, I know it's full of errors. And the kinds of comments that, you know, Becky was making about turning on and off programs, for example.

You know, that the rate at which people at which people are on Medicaid is going to depend for kids on whether you're measuring them in the summer or whether you're measuring them in the fall. It's going to be different.

And then the third thing, again about health insurance. A number of people have mentioned that poor families don't value health insurance at its full cost. And one reason for that is because implicitly they have health insurance through charity care. You know, if you arrive in an ambulance at the hospital most of the time you will receive some kind of care whether or not you're enrolled and you can be enrolled up to 90-day exposed.

So the measured Medicaid caseload doesn't capture very well the insurance that people actually have from Medicaid. And it seems to me that if you're going value that you have to take into account the additional implicit insurance that people have. And I'll stop there.

MS. SAWHILL: Thank you very much, Janet. And let me now call on Chris Wimer and then after that Jeff Larrimore.

MR. WIMER: Sure. Thank you. I just want add two things to the discussion that reference earlier points from the presentation versus on poverty thresholds which is sort of relegated to a discussion in that sort of back half or backend of the report. And, you know, both Bruce and Becky referenced that poverty thresholds are somewhat arbitrary in nature.

I would probably restate that or rephrase that to say that there's a strong element of arbitrariness to any poverty threshold but there are actually elements that are not arbitrary to my mind. And a key one that was emphasized, I think, in the 1995 report is that the definition of needs and the threshold really needs to match the definition of resources that are being used to match that need.

And that has obvious implications for the healthcare discussions that discuss at top (inaudible). You know, you can't just add a value for health insurance without accounting for what does that value being used to meet?

So I would disagree to some extent that thresholds are just, you know, arbitrary. To some extent any line is going to be arbitrary or includes some arbitrariness. But that's a really key principle of poverty measurement. And I don't think you can just create assumption poverty measurement without really deep thought about what the appropriate line is or the appropriate poverty threshold is that links up and matches against that definition of resources.

The second, and the thing that I think the report doesn't really nicely is call for some improvements in investments of data infrastructure focusing, of course, on the collection of consumption data and the use of administrative linkages in administrative data.

But as Becky noted, there's a lot of improvements that could be made to our income reporting infrastructure as well. I'm thinking of we've just been through a COVID crisis where income fluctuations were dramatic and happening, you know, pretty much day to day, month to month. So the census could, you know, invest resources in developing more timely measures of need. Whereas our current poverty infrastructure is always like, you know, at least a year behind.

And then another one I would point to is just that we're quite limited in both consumption and income to the types of groups we can speak to given sample sizes. And also, given just the lack of representation in some of our data sources. So Puerto Rico, for example, and other territories are just not in any of our datasets so we can't speak to the needs and resources that people have in the territories.

And then if we're interested in specific demographic subgroups, you know, indigenous folks in Montana or what have you. You know, even our current population survey is limited in that respect so a call for greater infrastructure, I think is a need aspect to the report.

MS. SAWHILL: Thank you, Chris. And now, I have Jeff. And after Jeff, Marianne Bitler. And by the way, if we have time at the end, I'll let Bruce or anyone else weigh in on some of these comments, but we'll see if we have the time. So, Jeff, over to you.

MR. LARRIMORE: All right. Thank you. And I'll try to be brief so we are able to make sure we get to some time for Bruce at the end as well in order to weigh in.

So I'll start by saying, I agree completely with the comments that others have had especially Janet's comments about both the health insurance as well as about administrative data.

The two thoughts that I had were on related issues. So with health insurance, I think is a really important issue. I think that's evidenced by the fact that a lot of us have opinions and thoughts on that topic. One thing that I would add is we've talked a lot about the flaws of it with respect to Medicaid and Medicare. And there also is a lot of employer-sponsored insurance out there.

And I think one of the places that we actually might be able to make some headway is treating employer sponsored insurance differently than Medicare and Medicaid. I think that a lot of the concerns about people undervaluing health insurance is really focused on Medicaid in particular. And should we be thinking about employer sponsored insurance differently, and basically, saying that is a prior transaction. That being negotiated through firms and during the affordable track discussions, the employer groups and unions fought very hard to preserve high valued health plans and keep the benefits there.

And should we say that's based actually is being valued correctly through these prior transactions recognizes some tax offsets. But then that the Medicare and Medicaid is where we need to be concerned.

The other piece is that I want to touch on was the administrative data side. And I agree that there are limitations to administrative data. I think the one place that I didn't see comments in the report, but I think is important to pay attention to if we're moving more towards using the administrative datasets is what happens when the administrative data change?

And so, to be concerned about having our poverty measurements being relying on administrative data, they're not designed for poverty measurement. We see that with the income concentration literatures that when the tax law changes, it has a big effect on some of these trends. And I think we just need to be cognizant of that component as well as we're thinking about this for a poverty measure as well. So I will stop there and pass it back to you.

MS. SAWHILL: Thank you. Marianne, you're up next and after you I have David Johnson.

MS. BITLER: So I agree with a lot of what was said. In the interest of brevity, I think a real challenge with using some administrative data particularly for the food programs as was noted by Bruce is that not all the states share them.

And this idea that the states get to decide whether federal funded program data is shared, I think is something we need some political movement on and not just us thinking that it is important. Why does this matter?

Well, if you thought about a program like WIC which is a quantity voucher. It’s worth a different amount in different places where prices are different and it might be hard to model that properly.

The second point I wanted to make is about the report. I felt like spent a lot of attention on, you know, how problems with income measurement and not as much about problems with the consumption measurement. For example, the only administrative measure that it proposes using is about housing. But you could use SNAP and WIC reductions to improve some of the consumption measures.

And then increasingly proprietary data can potentially be brought in although there are lots of problems with the proprietary data like standard data as well, but it seems like it could perhaps help in some ways. And I think USDA has done a lot to sort of consider some aspects to this. Thanks.

MS. SAWHILL: Thank you. David Johnson.

MR. JOHNSON: Thanks, Bell. And I just wanted to stand on Becky’s comments about the SPM. I’m obviously a fan of the SPM. And what I don't understand is why the report would focus on creating two new measures of income poverty instead of dedicating those resources to improving the SPM?

As Becky said, the SPM was used throughout. It’s even used by the Poor’s People Campaign, used by the Job Poverty Report and it addresses all the goals in the poverty report of identifying the disadvantaged, the trend and showing the impact of government transfers.

EOS and census have done a lot of work on improving the SPM and, in fact, there’s a new national academy panel, which I serve on, which is going to focus on looking at those issues like healthcare, housing, equivalent scales, childcare, work expenses. All the things that the report talked about. So but much more useful to have specific recommendations of how to improve the SPM instead of creating two new measures.

And so, I'd like to push the panel and to address this. Also, I'd like to put an ad out there so there is a request for comments. So if you Google NASSPM comments, you'll get to this comments page and anybody can put in a comment on the SPM.

And I raise that because Richard brought in the by whom question of who's going to make these decisions? And I have to tell you when I told my son who lives in a small studio in Los Angeles what the poverty threshold was for a single person in L.A. about $14,000. He laughed in my face.

And I said, well, there's a new SPM measure that accounts for $14,000. And then he still laughed and he said, what do you do? Sit around with a bunch of people making hundreds of thousands of dollars trying to come up with a poverty measure? And sheepishly said, well, yeah. I'm actually doing that today.

So I do think one thing we need to do is to go out and ask people who are experiencing poverty to see what they think about some of these measures to try to see how we might best reflect what their disadvantage is. So I do think that's one thing.

The final point is building on the consumption. I think consumption of poverty is important, but I think the key issue only -- it's only important by looking at the people who are in consumption poverty and who are income poverty. So it has to be on the same dataset. So you can look at who are consumption poor and income poor or who are SPM poor and consumption poor. And you can't create one just using the CE versus the CPS. So those are my three comments and I'd love to hear some of Bruce's and the other discussants' responses. Thanks.

MS. SAWHILL: Thank you, David. You all are doing great at keeping your comments short and punchy. So we will have time at the end for some responses. I have Robert Rector next and I don't see hands from Rich Burkhauser or Jim Sullivan, but I assume you all want to get in, and just haven't figured out how to raise your hand on the right-hand panel. But, Robert, over to you.

MR. RECTOR: Hi. This is Robert Rector from the Heritage Foundation. I just wanted to talk about what I consider to be sort of the fundamental problem in poverty measurement.

And that is that the term poverty is morally and emotionally loaded to the average person. It means material deprivation. To the mainstream media whenever you see a poverty report, you're going to immediately see pictures of boarded up roadhouses in South Baltimore or in Detroit. It's clearly a picture, an image of extreme deprivation.

But the 40 to 45 million people that we identify as poor through any of these official measures, whether it's the SPM or the official one, actually have living conditions that are absolutely nothing like that whatsoever.

The typical poor household lives in a house or an apartment that's in perfectly good repair. Is not in a neighborhood where there are any abandoned or bordered up buildings at all. Nine out ten of them have no neighborhood deprivation like that. They have air conditioning. They have a computer with internet access. They have a wide screen TV with streaming or cable TV. They have an automobile. Close to half of them now have two automobiles.

And these measures continue to get better. The material indicators -- when the Census Bureau asks -- the USDA asks them about hunger and food insecurity, 9 out of 10 poor households year after year say that not one person in their house went hungry due to a lack of food during the entire previous year.

All of them have access to medical care generally through Medicaid even though they may not be enrolled. And when you ask them, it's very, very rare that any poor person says, I needed medical attention but was unable to get that.

And when you describe the 45 to 50 million people that are ostensibly poor in those actual concrete terms. And again, 80 to 90 percent of the recipients are responding in the way I just indicated.

Virtually no one in the United States regards those individuals as poor. Yet every year, we can mount and tell them that there are 40 to 50 million poor people and then show the boarded up roadhouses in South Baltimore.

And those boarded up roadhouses are, of course, a huge problem that everyone here is very much concerned with but they have nothing to do with the way -- when we identify poverty in the United States. And in fact, the living conditions of the nominally poor have gotten consistently better for

40 or 50 years for a variety of different reasons.

I do think that using administrative data to get a much better account of income will partially bridge this gap, but you're still going to have a gap where the public presentation of poverty by boarded up roadhouses in Baltimore has absolutely nothing to do with the population of the 40 million people that we're talking about as being poor.

In fact, I've never seen someone who has the actual living conditions of a poor person according to government surveys. The average conditions ever being presented on TV as poor.

Years and years ago, I knew a very prominent news anchor who would go out and do stories about poverty. And she said she would come up with a video and her producer would say, these people don't look poor. Go find me someone that looks poor. And that's the huge discrepancy here between a presentation of extreme deprivation that none of these indicators are currently or even when improved actually is going to capture poverty in that sense of deprivation.

MS. SAWHILL: Okay. Last but not least Rich Burkhauser and Jim Sullivan. I didn't see which one of you got in first, but, Rich, why don't we go with you first? I think you're muted.

MR. BURKHAUSER: Yes. Age before beauty, I guess. So I'm compelled to respond to David's defense of the poverty measure and also to Becky's '95 poverty group did an amazing job.

But the problem is they amazingly forgot what Lyndon Johnson's scientifically arbitrary but policy relevant criteria was for poverty in 1963. And they put together an interesting alternative way to measure thresholds that was not related to what was done by Johnson. And they included an increase in real income to the poverty measures. That is that poverty measures grow automatically with increases in growth.

I'm not saying those are wrong. I'm saying those are like sort of good ideas except that they weren't policy relevant. They weren't like Lyndon Johnson said. They weren't what the CEA established if they didn't provide the distribution that allowed Johnson to know what the thresholds would be to get his 20 percent.

My problem is with folks who are academics and are policy advisors wanting to be policymakers. And my criticism of the Supplemental Poverty Measure is that it was filled with some folks who couldn't tell the difference between the two. And they wouldn't even allow of us to see how their measure changed from one that was related to an absolute poverty measure.

So my general point here and later in my comments is I don't care what you do. What the poverty measures you have decided you're going to be. I just want to see what happens to the history of poverty when you take those measures and go back and start with LBJ's original scientifically arbitrary but policy relevant 19.5 percent. And if you do that it will be great.

I personally would have an absolute measure and a relevant measure based on .55 percent of median income because that's what we estimate it was, in fact, the $3,000 level in our new paper. And I'll talk more about that in my six minutes.

MS. SAWHILL: Well, I'm not sure you're going to get more minutes, but thank you, Rich. Jim Sullivan.

MR. SULLIVAN: Thank you, Bell. I'd like to start by applauding the technical working group for their work on this important issue.

The existing literature on poverty measurement is quite dense. This report does a very nice job of synthesizing this literature, emphasizing the most important issues, advancing the discussion and specifying a path for it.

Now, I'll just make two brief comments. First, the report offers some support for using a combination of survey and administrative data as it has been mentioned. Using administrative data to improve survey-based income estimates, although not perfect, provides perhaps the best hope for addressing income underreporting and increases in underreporting over time.

However, and as this report notes, there is a tradeoff here because administrative data are available with considerable delay, which works against the recommendation that the report makes about measuring poverty in a timely fashion.

So a question I have is whether there's any hope that the consensus can produce on a timely basis poverty estimates that combine survey and administrative data given some of the complexities that have already been mentioned.

My second comment is related to getting in an accurate measure of how poverty has changed over time. So suppose one is interested, as Richard brought up, an absolute poverty measure and wants to know like are there fewer people who fall below an absolute threshold today than say three decades ago or five decades ago?

There are a number of key concerns with using the Official Poverty Measure to address these questions. One concern is how resources are measured. The Official Poverty Measure does not include resources like tax credits and kind transfers that have been key components of the war on poverty.

But another concern that has received less attention that Scott brought up is how we adjust these poverty thresholds over time if we're interested in an absolute measure of poverty. Small biases in price indices can have huge effects on changes in poverty over time.

If you do a simple calculation and change from the Official Poverty Measure to one where resources include tax credits, food stamps and housing subsidies, this adjusted measure falls by 25 percent more than does the Official Poverty Measure between 1980 and 2019.

If you instead move from using the CPI to one that corrects for bias using the best estimates from the literature, perhaps you can test an estimate, consensus estimate, poverty falls at this same period by more than twice the rate of decline for the Official Poverty Measure.

The point is that getting price adjustments right is critically important for understanding long-range changes and for answering questions like have we won the war on poverty?

The report notes much of this. However, it seems to hedge a bit on whether the price index bias is a concern because it says things like, the CPIU may not measure inflation accurately. Or adjusting thresholds by the CPIU could result in moving the gold post over time.

So my question is why hedge? Is it because the group wanted to differ to the other working group before taking a stance on the price index bias? Or was the group unable to reach consensus on what whether or not the CPS bias overstates inflation at all? And I'll stop there.

MS. SAWHILL: Thank you, Jim. While I was skeptical about whether this kind of rapid-fire roundtable could work, but you all were terrific.

And I'm going to now give Bruce about five minutes to make any comments and response that he might like. And then we might still have a little bit of time at the end if there's anyone who feels like they have something more that they really want to say that they couldn't get in earlier or that is a response to someone who came after you. So, Bruce, over to you.

MR. MEYER: Thank you, Bell. Am I showing up?

MS. SAWHILL: Yes, you are.

MR. MEYER: Okay. Great. So I'd like to thank you and Richard and AEI and Brookings for putting this together. I really appreciate this opportunity to have a full discussion of the report.

Let me first respond to some comments about the coverage of the report. And David Johnson wanted us to talk about how we should -- thought the report should have talked about how we should improve the SPM. And we were explicitly told by the Statistical Policy Office that that was not our job. So that was explicitly not something we were supposed to cover and to talk about replacing the SPM.

Our goal or our mission was to provide new poverty measures in addition to the OPM and the SPM. And I realize that pushed us towards a research direction and that's why the report looks that way. So I'm responding to Becky's comment at the same time here.

I would flip the comment of David on its head and say that the NAS committee that is now working on improving the SPM should incorporate much of what is in our report because that is within their purview. Our purview did not include changing the SPM.

One key element of what we did in the working group was we relied on other measures of deprivation as a way of evaluating poverty measures. We can talk about a lot of advantages, our priority for dividing things this way or that way, but one thing we can do empirically to help us make better decisions is look at what definition gives us the most deprived group. The most disadvantaged individuals defined as poor.

And you want to do that holding the share of the population that you call poor fixed. And when you do that even using one quarter, one calendar quarter of information from the Consumer Expenditure survey, you do better than using annual income data.

And we will see down the road when we put together a comprehensive income measure that incorporates administrative data whether that still holds true. That's something that hasn't been examined yet, but I think we should empirically test out the different poverty measures. And we need to have the multiple measures in order to do that.

One reason why Robert Rector may have been able to tick off the lack of disadvantage among those who we classify as poor is we may be misclassifying using income measures who is poor. And that's what the evidence from Jim and my work on consumption versus income poverty measures tends to find.

I also want to emphasize that consumption data are very valuable for other reasons. In this pandemic, we've seen huge differences in trends in income and consumption so that looking at consumption which gives you an important view on well-being and a fairly nuanced view has been very useful in trying to understand. And I think it will be in papers that come out in the next months and in understanding what happened during the pandemic when income often went up and consumption fell.

And I should also emphasize that if you only use one quarter of consumption data, which still beats annual income data then the Consumer Expenditure survey gives you quite a big sample. And the consumption data tends to be less noisy than income data. So a single observation even from a quarter gives you more information, more reliable information than an annual income observation.

So I found many of the comments very helpful and on target. And I appreciate everybody's involvement in this event.

MS. SAWHILL: Okay, Bruce. And thank you for all the work that you've put into this really important report. So let me see if any of the original three panelists want to get back in? Quickly, Becky?

MS. BLANK: Yeah. I just want to make one point that in some sense it's obvious, but it's important that, you know, when you change -- when you match your administrative data to the consumption reporting. That of course, doesn't just change the for the low-income folks.

It substantially changes income among higher income folks as well. And the results is that your whole income distribution changes. And when you got thresholds that are key to a certain percentage of the income distribution as they are that point of the income distribution can change a lot.

It is not very obvious that if you account for transfer in taxes and look at net income and do that to the whole distribution that your poverty measure will go up or whether it will go down. You know, I suspect the advantage of adding transfers, you know, is in effect or will have negative effect on poverty. But you've got to do this across the spectrum.

And too much of our discussion about poverty just focuses on what if you did this for poor people? It will move the number up or down. That, you know, Chris Wimer was absolutely right. It will also change the thresholds.

MS. SAWHILL: Thank you. So I see quite a few people who want to get back in and we have very limited time left, but Marianne.

MS. BITLER: Sorry. I think that there is a challenge with having the timing of an annual measure being compared to a quarterly measure that sort of would obviously make the quarterly measure better than an annual measure of income.

So think about families getting school meals. If you have their consumption of the summer, there are summer feeding programs but they're not used as intensively. And also, you know, an annual measure might include, say, next year's calculated EITC which you might not be able to spend ahead of time. Thanks.

MS. SAWHILL: Jeff, another comment?

MR. LARRIMORE: Yeah. So I think the -- I like Becky's comment about changing things. I think that really -- like Bruce early on said, he liked the idea of anchoring and I agree with that because we're sort of saying to set the poverty being the same this year really helps.

But I actually wanted to just touch on David's point of reaching out and talking to people. And I think that that's actually something we probably don't do enough of. And that's what plugged the CFVV actually has a financial well-being scale now. And they're asking people whether they're deprived?

And one of the things I see with that when I do research using it is the geographic adjustments seem to overcorrect. And the states -- so it actually doesn't match where people have a deprivation. So I think this going out and talking to people actually can really provide some new insights.

MS. SAWHILL: Robert, you're up again.

MR. RECTOR: Yeah. I, you know, what strikes me here is the conversation we have is almost verbatim to conversations I can remember at AEI 25 years ago. Of particularly on how incredibly bad the CPS measurement at either tail was. It's just ridiculous. It's a survey that was created under Truman and it's gotten worse over time.

And you have to have administrative data. Everybody is sort of on right and left agree with that a quarter of a century ago. And then the census went out and did actually the opposite thing. It took incredibly bad data and measured it down at the country level. Hurrah.

Okay. That tells us absolutely nothing. And they put virtually no resources that I can detect into bringing the administrative data in, which is absolutely critical to understanding anything about our society versus anything really changed here?

Because I've heard this conversation really almost back to the Reagan administration and nothing seems to change except your personal work as a scholar. But the institutions, they have been going in another direction for 30 years.

MS. SAWHILL: Okay. Quick comment from Jim, Chris and David and then we are going to end this seminar.

MR. SULLIVAN: Sorry. I just lifted my hand up. So I'll pass.

MS. SAWHILL: Well, I couldn't tell if you were left up from before. You don't have anything to add? We can go to Chris.

MR. WIMER: Yeah. Just real quick on the inflation discussion. To me it relates to the threshold discussion because inflation measures are used to update the thresholds every year. And there's a lot of people who think the thresholds under the Official Measure, even under Supplemental Measure are to -- David mentioned the Poor People's Campaign. You know, every time we produce a statistic at the center at

Columbia, you know, we get an email from Poor People's Campaign asking us to reproduce it for twice populia, which is their preferred line.

So when you take a line that some people think is too low and you adjust it to make it grow more slowly, you kind of compound that problem in the eyes of many.

MS. SAWHILL: Okay. Last person I have is David Johnson and then I think we've gotten everybody in. Thank you all.

MR. JOHNSON: Well, I want to -- again on this threshold issue addressing Becky and Chris. So the beauty of the SPM, it's a consistent threshold. So in other words, the threshold is set and the resources are set for the resources you need to buy the stuff in the threshold.

So that's why updating it over time makes a lot of sense. You update it with that what you put in that threshold and then if the distribution changes on income or you fix the C date on the distribution of consumption that will change that distribution and where those cutoffs are. So that's the beauty of keeping this threshold.

And to, Robert, yes. Census has a whole new program adding administrative data to all the datasets so that's well on its way. Thanks.

MS. SAWHILL: Well, you all were terrific, and this was a wonderful event. A very technical subject and I think we had a tremendous group of experts here. I'm very impressed with everything you all said. And huge thanks to all of you for taking the time to do this.

And on behalf of us working from AEI, I want to thank everyone who helped organize this and making it a success including our tech people and Richard Reeves and our staff and the Center for Children and Families. And to more future debates about poverty and also what we might do about it. Thanks again and hang in there.

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2024