Supplemental Expenditure Poverty Measure: Discussion

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Measurement matters!

- Need accurate measure of poverty
  - How many poor?
  - Who are the poor?
  - How poverty changed over time?
- Bonus: how effective are our programs, and for whom?
<table>
<thead>
<tr>
<th></th>
<th>Official Poverty Measure (OPM)</th>
<th>Supp. Inc. Poverty Measure (SIPM)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td>Cash Income</td>
<td>Cash income</td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td>X</td>
<td>Less taxes (+/-)</td>
</tr>
<tr>
<td><strong>In-kind</strong></td>
<td>X</td>
<td>SNAP, housing, Meals, WIC</td>
</tr>
<tr>
<td><strong>Exclusions</strong></td>
<td>X</td>
<td>MOOP, work, childcare</td>
</tr>
<tr>
<td><strong>Threshold</strong></td>
<td>3x Thrifty ‘63</td>
<td>FCSU+ move avg</td>
</tr>
<tr>
<td><strong>CPI</strong></td>
<td>CPI-U</td>
<td>Geographic in-yr</td>
</tr>
</tbody>
</table>
SPM changes level (a little), not trend
Consumption Poverty looks a lot different

Consumption probably a better measure of permanent income

Even more so with income underreporting in CPS

How much of difference due to consumption vs. other decisions?
Distribution of spending shifted relative to income

Fewer w/very low spending relative to very low income

Figure 2: Distribution of Gross CE Spending and Gross Adjusted CPS Income, 2019

Notes: Gross CE Spending is total household spending on all items in the year. Gross Adjusted CPS Income is total income in the year after-tax and with SNAP benefits added. Dashed line denotes average threshold.
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</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Cash Income</td>
<td>Cash income</td>
<td>Spend + flow</td>
<td>Spend + potential</td>
</tr>
<tr>
<td>Taxes</td>
<td>X</td>
<td>Less taxes (+/-)</td>
<td>(Implicit)</td>
<td>(Implicit)</td>
</tr>
<tr>
<td>In-kind</td>
<td>X</td>
<td>SNAP, housing, Meals, WIC</td>
<td>SNAP (in spend)</td>
<td>SNAP, housing, Meals, WIC</td>
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<tr>
<td>Threshold</td>
<td>3x Thrifty ‘63</td>
<td>FCSU+ move avg</td>
<td>Anchored</td>
<td>FCSU+ move avg</td>
</tr>
<tr>
<td>CPI</td>
<td>CPI-U</td>
<td>Geographic in-yr</td>
<td>CPI-U-RS – 0.8</td>
<td>Geographic in-yr</td>
</tr>
</tbody>
</table>
SEPM and SIPM don’t look that different

Levels similar

Different behavior during great recession

(hands above table: also without the adjustments for excluded resources – makes somewhat harder to follow)
Depth & distribution of poverty look more different by Expenditures, Income.
Similar % change across race/ethnic groups

larger PPT increase for Blacks, Hispanics
Should we incorporate liquidity?

- Good insight to think about “potential” spending
  - Less from savings, more from unused credit cards
- Not the primary insight of this paper
  - Data not up to the task
  - Doesn’t change results much anyway
Laundry list of remaining concerns

- Measuring flow value of durable goods deserves more discussion/consideration
  - Car with downpayment and loan
  - Refrigerator bought last year on credit cards
- Add poverty status of children
- Why not net match SPM published data?
- Remaining challenges with SPM approach
  - Family definition
  - Time period (Month? Quarter? Year?)
  - Family size adjustments