REFERENCES FOR THE SCHANZENBACH COMMENT

Anderson, Patricia M., Kristin F. Butcher, Hilary W. Hoynes, and Diane W. Schanzenbach. 2022. "Food Insecurity and the Business Cycle." Working Paper.

Fisher, Gordon M. 1992. "The Development and History of the Poverty Thresholds." *Social Security Bulletin* 55, no. 4: 3–14.

GENERAL DISCUSSION Bruce Meyer argued that the authors' supplemental expenditure poverty measure (SEPM) has not taken recent research into account, including an interagency report and an American Enterprise Institute report.[1] He also claimed that the authors defined "ability to pay" too arbitrarily. He then wondered about the rationale behind the decision to include unused credit lines but exclude other resources that households potentially have access to—like getting a second mortgage or increasing labor supply—and said that consumers' potential consumption does not measure their revealed preferences.

On one hand, Meyer pointed out, the authors' decision to include the ability to borrow may double- or triple-count consumption. For instance, the metric could track a purchase both when a consumer bought something on credit and again when they pay back the loan. On the other hand, Meyer observed, the SEPM excludes much of the first- and second-largest consumption categories: housing and transportation. Meyer's 2012 work with Jim Sullivan found that three-fourths of those considered in poverty by the supplemental poverty measure (SPM) own a car, and around four in ten own a house.[2] He figured that car and home ownership among the poor is likely higher using the authors' measure since it omits the flow of consumption from owned houses and cars.

Rather than recognizing that poverty thresholds are socially constructed, Meyer suggested that the paper recognize thresholds as arbitrary, as did Mollie Orshansky, the economist who developed the official

1. *Final Report of the Interagency Technical Working Group on Evaluating Alternative Measures of Poverty*, 2021, www.bls.gov/cex/itwg-report.pdf; Richard V. Burkhauser, Kevin C. Corinth, Bruce D. Meyer, Angela Rachidi, Matt Weidinger, and Scott Winship, *Addressing the Shortcomings of the Supplemental Poverty Measure*, American Enterprise Institute, July 2, 2021, www.aei.org/research-products/report/addressing-the-shortcomings-of-the-supplemental-poverty-measure/.

2. Bruce D. Meyer and James X. Sullivan, "Identifying the Disadvantaged: Official Poverty, Consumption Poverty, and the New Supplemental Poverty Measure," *Journal of Economic Perspectives* 26, no. 3 (2012): 111–36.

poverty measure (OPM).[3] When the White House initially decided which poverty threshold to use, Meyer said, they targeted a desired poverty rate rather than a specific basket of goods.[4] Meyer figured that the measurement approach would be more meaningful if it were validated by indicators of well-being. Pointing to the American Enterprise Institute report referred to earlier, Meyer also expressed concern about benchmarking the SEPM to the SPM. For instance, he said that the SPM does not align with hardship as well as the official or consumption metrics do.

Robert Moffitt responded in the virtual conferencing chat and argued that Meyer ignored the two criticisms the authors make of consumption poverty: (1) service flows from housing and vehicles are completely illiquid and can't be used to buy food or pay the rent, and (2) a one-period consumption measure ignores the observation that people allocate resources toward consumption differently across different periods.

Katharine Abraham agreed with much of Meyer's commentary. She went on to comment that although the authors are right that a single-year income or expenditure measurement has drawbacks as an indicator of poverty, their solution is inadequate. She offered, as an example, that if a person borrowed on a credit card to pay for something in period one and then paid it back in period two, the expenditure would be counted twice. Instead of looking at income in a single year or double-counting expenditures, Abraham suggested an alternative would be to consider income averaged over a multiyear period, though that would have its own drawbacks and current data are not well equipped to measure income across several years.

Abraham also questioned the utility of comparing poverty rates across measurements. She drew an analogy to comparisons among different measures of unutilized labor supply. The level of a measure that includes involuntary part-timers and marginally attached workers in addition to the unemployed naturally is higher than the level of a measure that includes only the unemployed. Similarly, level differences are only to be expected in poverty measures that are defined differently. While it is meaningful to compare trends, Abraham suggested that level comparisons are unhelpful.

3. Mollie Orshansky, "Counting the Poor: Another Look at the Poverty Profile," *Social Security Bulletin* 28, no. 1 (1965): 3–29.

4. Gordon M. Fisher, "The Development and History of the Poverty Thresholds," *Social Security Bulletin* 55, no. 4 (1992): 3–14.

Abraham further commented that if forced to choose one poverty measure, it makes sense to consider how it relates to indicators of difficulty or hardship at the household level, which the SEPM may not do well.

John Fitzgerald agreed that relating poverty thresholds to material well-being is important. He also acknowledged that the gap between expenditure-based and income-based poverty may point to important aspects of what people must do to earn money. He held that identifying people who are poor in one measure but not in the other may be a useful strategy to identify people in need.

Addressing Meyer's comment, Fitzgerald reflected that the ideal poverty measure, whether it be consumption- or income-based, depends on its purpose. He defended the idea that it is useful for policymakers to know who is still unable to afford a basic bundle even if they do everything in their power, including maxing out their credit cards and spending their bank account balances. Considering Meyer's critique of the available resources included in the proposed poverty measure, Fitzgerald said that the liquidity of available resources depends on the length of the measurement period. He concluded that the proposed SEPM is a step in the right direction toward identifying whose well-being is compromised in a policy-relevant period.

Moffitt agreed with Abraham's concerns about double-counting expenditures and underscored the difficulty of measuring income in a single year. He also pointed out that many policy analysts think measuring poverty annually is too infrequent, since many people experience short-term crises. He wondered about measuring over different time periods or multiple time periods but concluded that measurement is imperfect regardless.

Diane Schanzenbach clarified that the majority of the analysis conducted does not include potential spending; most of the analysis is closely aligned with the approach taken by Meyer and Sullivan.

Caroline Hoxby questioned household construction. She pointed out that poverty is often measured at the household level, but as Kathryn Edin noted in her discussion, significant household spending happens within a network. Given that these networks are especially complicated for low-income families, Hoxby emphasized the importance of carefully crafting household definitions. A single mom, for example, may spend money from her children's father, who may not live with them.

Edin seconded Hoxby's comment; household compositions are fluid, and people may or may not share resources, regardless of where they physically live. She also wondered about how people are faring and remarked that minimum resource bundles are not generous enough.

Robert Hall mentioned the creation of a new panel administered by the National Academies, which will focus on improving inputs to measurement like those for measuring poverty.[5] He then critiqued the notion that consumption properly measures well-being. Since it is necessary to account for transitory consumption, Hall reflected, consumption cannot be a perfect index.

Henry Aaron remarked that including unused credit card balances in measuring poverty is ineffective because it does not reflect a household's ability to sustain a given level of consumption. He added that poverty measurements are meant to inform population-level trends rather than the status of an individual. To measure population-level poverty, Aaron argued that measuring credit card borrowing is a mistake because it must be repaid. He also noted that this line of reasoning may apply to other measures, like increasing labor supply.

Aaron also commented in the chat that much of the controversy over poverty measures arises because poverty lines are used for eligibility for individual benefits (e.g., Affordable Care Act refundable tax credits) and for the distribution of federal funds among states and other political entities. He argued that it is important to show how alternative poverty measures affect different demographic groups and various geographic entities.

Responding to Aaron, Moffitt affirmed what Hall said; consumption is transitory, which impacts the cross-sectional distribution of poverty. He also recognized that some people borrow and others do not, but drawing the line is difficult. Acknowledging that there are no silver bullet solutions, he concluded that the current treatments are unacceptable. He also responded in the chat to Aaron's comment about differential impacts across demographics, pointing out that more work is needed but that the paper does present one table with such results.

Focusing on linguistics, Justin Wolfers questioned how scholars define and discuss poverty. To Wolfers, the discussion seemed to take a prescriptive approach to defining poverty. He wondered if those participating in the conference are the best people to prescribe what poverty means, since attendees are upper-middle-class, and few have spent much time in poverty. Policymakers or voters holding policymakers accountable, Wolfer continued, may be more relevant consumers of data on poverty than the

5. National Academies of Sciences, Engineering, and Medicine, "An Integrated System of US Household Income, Wealth, and Consumption Data and Statistics for Policy and Research," https://www.nationalacademies.org/our-work/an-integrated-system-of-us-household-income-wealth-and-consumption-statistics-to-inform-policy-and-research.

conference attendees. Addressing the panel, he asked that researchers consider pursuing a more descriptive approach to poverty by considering what people want to know when they ask about poverty.

Luke Shaefer agreed with Wolfers's commentary and reported that his students say they would set the poverty threshold higher than the current thresholds. To Moffitt's point, Shaefer underscored how important shocks are at different positions in the income distribution; a person who is just above the poverty threshold may have a tougher time recovering from a short bout of instability than someone in a different place in the income distribution. He also expressed interest in how the population would set the poverty threshold.

Meyer then said that he doesn't believe a consumption poverty measurement is ideal and that he is in favor of using several measures and cutoffs. He then emphasized an advantage of consumption: it captures revealed preference, which indicates what people feel they can afford.

Fitzgerald argued that some trends are long-term, and some constraints are short-term, so choosing any time frame will be imperfect. Nevertheless, he continued, you must decide how to proceed, and trying different measures is a way of starting that process.

Schanzenbach highlighted that many of the comments were about the challenges to measuring the flow value of durable goods. She proposed being transparent and considering complicated questions, like the household question Hoxby raised. Family size adjustments are also often wrong.