**Comments and Discussion**

**COMMENT BY HILARY W. HOYNES** This paper by Bruce Meyer and James Sullivan provides a comprehensive and informative analysis of poverty in the United States. Their analysis compares alternative measures of poverty over the more than five decades that poverty has been measured in this country. They compare official (“money income”) poverty with alternative income-based measures as well as with consumption-based poverty measures. The focus in the paper is on the trend in poverty, motivated by whether one can conclude that the war on poverty has been won or lost. Meyer and Sullivan conclude that their preferred, consumption-based poverty measure shows significant improvement since the mid-1980s while income-based poverty shows little improvement. They argue that consumption-based poverty measures are preferred over income-based measures because the latter are biased by the underreporting of government transfers, which appears to have worsened over time. Additionally, they argue that consumption is preferable because it is closer to permanent income, and those classified as being consumption-poor appear more disadvantaged than those classified as income-poor.

As can be expected from these authors, the paper provides a detailed and serious analysis of a centrally important national statistic. The paper makes two central contributions. First, although consumption poverty is a well-identified alternative to income poverty, in practice consumption poverty measures have been used mainly in the developing-country setting. Meyer and Sullivan, here and in earlier work, have applied these principles to the United States. Additionally, many European countries include expenditure data—the basis for consumption poverty measurement—as part of their standard labor force surveys. In the United States the best source for expenditure data is the Current Expenditure (CE) Survey, which
uses a much smaller sample than its labor survey counterpart the Current Population Survey. Notably, the public-use CE data do not allow for the identification of state of residence. Meyer and Sullivan’s work is drawing more attention to data needs in this area.

Second, throughout the more than 50 years of poverty measurement in the United States, tremendous attention has been given to the official poverty measure and its problems. The National Academy of Sciences (NAS) panel on poverty measurement recommended several alternatives (Citro and Michael 1995). Central in their recommendations were moving away from a money income measure and incorporating taxes and noncash benefits in the family resource measure. My figure 1, which updates figure 5 in my Brookings Paper with Marianne Bitler (Bitler and Hoynes 2010), illustrates the potential importance of this change. The figure plots real expenditure per capita from 1980 to 2012 for the three main cash or near-cash programs for low-income families: the earned income tax credit (EITC), Temporary Assistance for Needy Families (TANF, the successor to Aid to Families with Dependent Children, AIDC), and food stamps (now called

**Figure 1.** Real Expenditure per Capita on Cash and Near-Cash Safety Net Programs, 1980–2011

Constant (2009) dollars

Source: Bitler and Hoynes (2010, p. 96), with updates for 2010 and 2011.

a. Shading indicates years of labor market contraction. See the appendix to Bitler and Hoynes (2010) for details.
the Supplemental Nutrition Assistance Program). During this period the combination of welfare reform, the expansion of the EITC, and the recent growth of the food stamp program have led to a dramatic change in the sources of government assistance for lower-income families. Because the official poverty measure counts only cash income, additional spending on tax-based assistance (through the EITC) or near-cash government assistance (through food stamps) has no effect on measured poverty.

In response to the NAS report, the Census Bureau implemented several “experimental” poverty measures, which are available for 1999 through 2010. More recently, the Census Bureau announced the Supplemental Poverty Measure (SPM) based on the NAS recommendations (Short 2011). Subject to funding, the bureau has committed to release the SPM each year. Many studies have followed and analyzed these changes (and many others not discussed here). Thus, much is known about the validity of different measures and how they perform over time. Meyer and Sullivan make a significant contribution by presenting additional poverty measures and (as no one had done previously) estimating a consistent series back to 1960.

The lens that the authors use to compare the alternative measures is the change in poverty over the entire 50-year period of poverty measurement, as well as over particular decades of interest. This is important for (at least) two reasons. First, it is important to analyze whether poverty has evolved alongside the gains in economic growth that took place during this period. Second, it is important to evaluate what influence government tax and spending policies have had on the trends in poverty. The authors conclude that “changes in tax policy explain a substantial part of the decline in poverty; Social Security has also been important, but other transfer programs have played a small role.”

A related but distinct question of interest is how the government safety net affects poverty. In particular, if one or more tax or transfer programs were eliminated, how many persons or families would become poor? This is a central issue for evaluating the efficacy of government policies, yet it is not addressed in this paper. More important, it is not one that can be analyzed in a straightforward way with a consumption-based poverty measure. In the remainder of my comment, I discuss this issue.

1. We constructed an annual series for contractions based on the official monthly dates, augmented by examination of the peaks and troughs in the national unemployment rate. See Bitler and Hoynes (2010) for more information on the annual dating.

2. Given that the Census Bureau has adopted the SPM as “the” alternative poverty measure, it would be useful for Meyer and Sullivan in future work to discuss how their alternative income-based poverty measures differ from the SPM, and either include the SPM in their analysis or explain its omission.
To begin, first consider how an income-based poverty measure is used to determine poverty status or the poverty gap. The basic approach consists of four steps. First, the “family unit” is defined. Second, family resources are calculated, summing all cash income sources plus the value of noncash government assistance, less taxes owed. Third, poverty thresholds are constructed, which should vary with family size. Finally, a family (and everyone in it) is then deemed poor if its resources are below the threshold. The poverty gap for that family is the difference between the threshold and the family’s resources.

Within this approach, to evaluate the antipoverty effectiveness of a given policy, one simply zeroes out its contribution to income and recalculates the number of poor families. This can be done one policy at a time (for example, the EITC), or one can group policies together (for example, all federal taxes). To illustrate, my figure 2 presents data based on work by

**Figure 2. Effect of Excluding Tax Provisions and Noncash Government Transfers on Poverty Using the Supplemental Poverty Measure, 2009**

Source: Author’s calculations using data from Short (2011, table 3b).

a. SNAP = Supplemental Nutrition Assistance Program; WIC = Women, Infants, and Children program; LIHEAP = Low Income Home Energy Assistance Program; FICA = Federal Insurance Contributions Act (payroll tax).
Kathleen Short (2011) using the SPM. The figure shows the changes in 2009 poverty rates that result, for all persons and for children only, from excluding each of several important government tax and noncash transfer policies one at a time. (The figure does not address government cash transfer policies, the most important of which is Social Security old-age and survivors insurance.) What emerges is that two of the most important antipoverty programs are the EITC and food stamps. For example, food stamps reduce poverty by 3 percentage points for children and 1.9 percentage points for all persons. This translates into raising 5.2 million persons or 2.2 million children from poverty.

If, as figure 2 indicates, food stamps are so effective against poverty, how is it that Meyer and Sullivan find the program has a minimal role (“the roles of other transfer programs have been small”)? The answer is that they focus only on trends in poverty. Although important, this misses the counterfactual calculation of interest: how does combined spending on all tax and transfer programs affect poverty? How much does this spending reduce the incidence of poverty or the poverty gap? I chose food stamps in particular to illustrate this point. Unlike the EITC and cash welfare (TANF and its predecessor, AFDC), the food stamp program has not been the object of reform or expansion in the past 20 years. Thus, a focus on explaining the trends in poverty will find the food stamp program not to be very important, even though the program clearly is a central component of U.S. antipoverty policy. Meyer and Sullivan understand this difference, but it is likely that the casual reader of the paper will not.

It is important to point out that the calculation just described is a static one: it simply zeroes out the government tax or transfer without taking into account any behavioral adjustment. If food stamps were eliminated, for example, families might adjust by increasing earnings. This represents the standard trade-off central to redistribution programs: protection versus distortion. In this setting the major behavioral adjustment is to labor supply. If desired, one can adjust the poverty calculation by taking into account the responsiveness of labor supply, a parameter that has been the object of much attention over the past decades. Yonatan Ben-Shalom, Robert Moffitt, and John Karl Scholz (2011) conclude that ignoring the behavioral adjustment does not substantially change the conclusions about the antipoverty effectiveness of U.S. policies.

Now suppose one wants to prepare a similar calculation for consumption poverty. It is not clear how to proceed. Importantly, there is no way to “zero out” income with the consumption measure. Meyer and Sullivan do not discuss this. In fact, although they present poverty rates with and
without cash transfers in figure 5, this is done for income poverty only and not consumption poverty. There are certainly ways one could approach this problem. One alternative is to subtract the value of the tax or transfer from expenditure (rather than income). This approach is static as well: it assumes a dollar-for-dollar reduction in consumption, with no behavioral change. Yet much less is known about how household expenditure might change in this context than about how labor supply responds to a change in policy.

Given the evidence and arguments raised in Meyer and Sullivan’s paper, and given the discussion here, what is the agenda going forward? Should the standard income-based measures of poverty be replaced with consumption-based measures? Should the statistical agencies continue to invest in measuring income-based poverty? Consumption poverty is a useful concept and may better approximate permanent income. But income poverty is also valuable and in my view is the measure better suited to analyzing the antipoverty effectiveness of government policies.

REFERENCES FOR THE HOYNES COMMENT


COMMENT BY

ERIK HURST This paper is part of a very mature research agenda by Bruce Meyer and James Sullivan, who have written a dozen or so papers over the last decade addressing similar themes. The goal of these papers is to assess the measurement of well-being for certain subpopulations within the economy. In this paper their focus is on the poor, whereas in some of their older papers it was on the elderly and on single mothers. My comments are designed to provide some perspective on this broad research agenda.