Welcome. You are listening to a UC Davis Center For Poverty Research Conference podcast. I am the Center's Deputy Director, Marianne Page. In January, 2014. The Center hosted the War on Poverty Conference. The conference hosted top poverty experts from across the country, to discuss the U.S. safety net on the 50 year anniversary of the War on Poverty.

In this presentation, James Sullivan discusses the successes of U.S. safety net programs from President Lyndon Johnson's Great Society Program of the 1960s, to the most recent economic recession. Sullivan is an associate professor of economics at the University of Notre Dame, and a research affiliate of the National Poverty Center at the University of Michigan.

>> Thanks for conference organizers for putting this together. I and I should note that this is joint work with Bruce Meyer from the University of Chicago, I thought I might start by sharing with you the evolution of the title of this paper. Because, some of you might know it from its, from its well-known aliases, so it had a prior name of Five Decades of Consumption and Income Poverty.

And this a title that, it's gonna mirror inconsistent with, with what Bruce and I had to do. It kind of sells what we do, but it doesn't tell a, tell you what we find necessarily. And this is exactly what we do, I'm gonna show you poverty rates measured by income and consumption over, over five decades.

An editor didn't like this so much, and so he said, do you think you could. Get a little more attention grabbing I think was the word. And so Bruce and I struggled for days, like how are we going to make this more attention grabbing? And we finally came up with dimensions of progress, poverty from the great society to the great recession.

And you might notice the obvious hedge here in, in, in what we find, and the editor kind of pushed back again and said, you know, can you make it a little punchier. Which then got us to winning the war. The poverty from the Great Society or the Great Recession.

So, when does our reluctance. When I show you our results, I think we come down quite confidently and strongly, that poverty has fallen dramatically in the U.S. over the past five decades. and, does that mean we've won the war? I would argue, yes. That means, or, not won the war, but we're winning the War on Poverty.

So why, why equivocate on that? well, we want to talk about what that means in terms of the direct effect of the set of programs that started off with Lyndon Johnson, and has progressed and evolved into many other programs. I'm gonna show you evidence today that clearly those programs helped.

And the progress turns on War on Poverty. But it's not gonna, we can't attribute all the success necessarily to to these programs. so, let me start by telling you a little bit about what I, what we're gonna do here. I'm gonna present evidence on how poverty has changed over the past five decades, using several different measures of poverty.

Many different measures of income poverty being compared to, to measure of consumption poverty and then we are going to examine the potential causes. Both with the changes over time and why we might see differences, between income and consumption based poverty. Just some administrative details, cuz I'm not gonna talk about data.

The specifics of the data after this slide. So all of the income results I'm gonna present for you today. Eh, are from the current population survey. That is the source of Income Data for Official Inequality and Poverty Statistics. We're gonna give you data, showing you data from 1963 to 2012.

I will have spent a lot of time focusing on the sub-period from 80 to 2012. Because that's when benefit, imputed benefits for non-cash transfers like food stamps, housing subsidies, school like and the, school lunch and the like are available in the CPS. So that's why we narrow the time period.

For consumption where in use, the most comprehensive source of expenditure data in the U.S. the consumer expenditure interview survey. and, I'm not gonna show you every year, because it wasn't available in the past annually. But it's been available actually quarterly since 1980. And I won't go into the details of what I mean when I say consumptual.

Though, I'm happy to answer questions about that. Um,but know that we, we, follow kind of a standard approach of converting expenditures to consumption so. We use the rental equivalent of the home. We impute the value of owning a car based on the make, model, year of the car.

We exclude health, health expenditures, out-of-pocket health expenditures when we do this, do this analysis including them as well. So, okay. Enough with administrative data. It's kind of silly to ask this question at a conference like this, but I still think it's kind of important to motivate this, is, why should we care about poverty?

Maybe, more specifically, this question is, why should we care about poverty measurement this official measure of poverty, and, and what that statistic means? And the truth is that this statistic informs a lot about what we think about what's going on at the bottom of the distribution. It is clearly the most cited statistic about what's happening with the worst off.

And it's nice to have one succinct measure that tells us, about what's going on at the bottom. Now it's used to evaluate the success of the economy. When the economy grows, does the rising tide lift all boats? People often times refer look at the poverty rates to, to asses that.

And it's been used a lot, and, and in particular in policy discussions, to evaluate the anti-poverty efforts. And many have said that we have lost the War on Poverty. Okay. And conveniently given, given the, the timing of all this other than a lot of news articles in the last few days just this past Sunday's New York Times, I had an article on the War on Poverty and they summarized, the opening sentence.

To many Americans who have largely, the, the, the War on Poverty is largely felt. so, this is a broad perception. What is this broad perception that we've lost the War on Poverty based on? Well, it's based on the official poverty statistics. So this is poverty from 1963 to 2012.

This is the official numbers. You can get this on the census website. Let me walk through. You, you have 50 years ago yesterday President Johnson declared an unconditional War on Poverty. At the time, poverty rates were falling dramatically. And they continued to fall sharply after 1964. But then they're, they're pretty stagnant after that point.

And by 1988, so two and a half decades later, Ronald Reagan says in his last State of the Union address, my friends, some years ago the Federal government declared a War on Poverty and poverty won. What's his evidence for drawing that conclusion? Well, it's that the poverty rate is basically the same.

A little bit higher than it was in 1970. Okay. So, we had, we made some progress between 64 and 70, and not much, not much changes according to official rate after that. How have we done since since Reagan? Well, I'll tell you what 15% according to official measure.

This is the basis for a lot of very strong, phallus conclusions, about what we should do in terms of the structure of anti-poverty program. Let me just pick on a few things. So this is the to Micheal Tanner. Tanner has said well, we've had this, we spend trillions of dollars each year on fighting poverty, and is basically been wasted.

What evidence does he present to say that it's been wasted? He presents the figure that I just showed you, so its the failure to reduce official poverty. Paul Ryan is building an agenda around this. And Mark yesterday we talked, talked about this one. We're hearing a lot of talk about the loss of, that, that we've lost this War on Poverty.

It's not by the way only isolated to the conservative side. Others are settings these high poverty rates on the other side population we should argue that we need. Greater need for government programs, because our poverty rates. are, are so high, and, and, and in that context they say, and worse than in, in three decades.

So I wanna talk a little bit about what the problems, and issues are with the official poverty measure and then we'll talk about other alternative measures. And there are, there, there are a whole slew of issues that people have brought up. I see that, these got measuring poverty which is a book.

that, that in 1985 it summarizes all, all of these issues. A lot of them are not, not as relevant for this discussion, because they're focusing about measuring poverty at a point in time and, and all focuses about changes in poverty over the past five decades. With focusing on changes.

So, I'm not gonna tell you so much about the, the appropriate equivalent scale or the appropriate resource sharing unit. What really matters for get, getting changes in poverty over time correct. And when I say changes in poverty, I'm thinking about an absolute poverty measure. Which is how the official measure is designed, and what it's designed to be.

There are two really important factor that, that mean that the official poverty measure just gets it wrong. The first is that, that is this adjusting for inflation. Okay, there's one more bias in the C, CPI that's used to adjust poverty thresholds that matters a lot for, for what we get for the official poverty measure.

The other is resources the resources that are included in the measure of poverty. Let me take these. These two in turn, because these are critically important. So first adjusting, adjusting for inflation. This is one, the issue by the way that gets much less attention. Although it's starting to get more and more attention nowadays.

Whereas the resources have been getting a lot of attention in the poverty measurement literature. But so, adjusting for inflation. There's a well-known bias in the CPI-U. And the Boskin Commission came out in the, in the mid 90s, concluded that the bias is over a 1% point per year.

the, the Bureau of larg, Labor Statistics, to their credit, has incorporated many changes into the CPI-U. In order to address some of these biases. So what bias am I talking about? There's a substitution bias. There's outlet bias, quality goods bias. And new, the introduction of new goods bias.

And, and how the, the four that are, that are emphasized the most. And other studies suggest that in the 80s, the bias was even, was, is, is as much as 3% points. So Costa and Hamilton, have a paper that, that suggests that much. The BOS now and, and the census now put out a price index that incorporates the new methods of calculating the CPI-U and go backwards.

So that's called the CPI-URS or research series. And a point that Bush and I make is that, that addresses some, but not all of the bias. When we're looking at year to year changes in, in, in dollar amounts this isn't gonna matter so much. When you're looking over five, five decades this matters a tremendous amount.

So, I want to be clear exactly what we do, cuz some of you might say why are their numbers a lot more positive than other things that I've seen out there, that I do what I thought were similar things. Well this is the reason why. And I wanna be very clear, and I wanna defend it.

So we could use, we could adjust the poverty thresholds using the CPI-URS. But the point is that, that doesn't doesn't go far enough given the best estimates in the broad consensus in the, in the CPSI, CPI bias literature. So what we do is we incorporate the what, what we think is a, is a reasonable midpoint in the, in the estimates of, of the additional bias that the, that aren't addressed by the CPI-URS.

And add that in each, incorporate that each year. So it's an additional 0.8% points per year, to get to kind of what the Boskin Commission was recommending. So when I say inflation adjusted here, that's what I mean, I'm incorporating not jus, not just the bias that's addressed by the CPI-URS, but, but the additional 0.8% points.

And you'll see, everything I show is gonna be inflation adjusted, this is gonna matter when I compare the official to other measures. But once I start comparing the same measures, they're all gonna be using the same price index, so. So then this, this issue won't be relevant. So that's the adjusting inflation.

Then there's the, the resources concern. And I think this is pretty well known in, in this room. But just to review, the official measure excludes a lot of programs that have been key tools in fighting poverty. The Food Stamp Program, these are basically non-cash programs. For example and the Earned Income Tax Credit or other tax credits, housing and citizens Medicaid Medicare ect.

It seems kind of foolish to use as your metric for gauging the, the success of the War on Poverty a metric that doesn't include the arsenal that you are using to fight the war so. So I, I think that, we're not the, by no means we're the first ones to argue this, but and to point this out.

But this, but we're gonna emphasize, I think it's been under-emphasized in the past, that this is critically important for changes over time. Okay. For some programs versus others, and we wanna think about that. You should know that these are the programs that have been expanding the most and actually I was going to email Hillary to ask her for that nice figure that she had put up in a second slide.

It shows your AFDC ten if the values had declining while EITC food stamps and other programs have been, have been expanding so, so we're missing that in the official poverty measure. Okay, so let's start thinking about what happens when you incorporate these into, into a, a understanding of poverty?

So here is the change in poverty between 1963 and 2012 you looking at the official measure. So this is the decline in 4% points, most of that, it happens in the, in the second half of the 60s and then it's been kind of fluctuating back and forth with little, little clear, clear progress.

Now what I'm gonna do is, let me go to 1980 thresh, poverty threshold, and adjust them forward and backwards using the, the correct inflation adjustment, as opposed to what the official poverty measure does, which is adjust those thresholds forwards and backwards. Using the CPI-U. And if you do that, this is the pattern you find.

That's the only change I've made here is that, is just a change the, the price index that adjusts the thresholds. And what you find is between that period you, you, the poverty rate has gone, gone down by 19% points. Okay, so this already, I could pretty much end here, right?

In terms of, of addressing the issues that I talked about. In terms of what's my response to Michael Tanner and to Paul Ryan. It's we haven't lost to Ronald Reagan. We haven't lost the War on Poverty based on the evidence that your presenting, okay. You can give me other evidence maybe, but based on the evidence that you're presenting.

We actually interviewed correctly. The evidence we're gonna support success in the War on Poverty. So this, this is just making that, that, that one, that one simple change. You get this decline of, of 19% points. then, if, I wanna then look at. What happens when you add non-cash benefits, okay?

So, what I've done I've kind of, I'm in the war room with Wolf Blitzer. I've, I've focused in on the, the 1980 to 2012 period. That's, this is just the exact same figure I just had, but, but just cutting off the first couple decades. And so,since 1980 when you adjust for inflation you get a 3% point decline, what is the official measure to suggest that poverty's gone, poverty's gone up?

By, by two, 2% points. And what happens if we add taxes, food stamps, housing subsidies, school lunch? When you do that, you get the following, the following pattern. Let me be clear, by, by the way, what I did here is I take that measure, I and in 1980, I find the point in the distribution that gives me a poverty rate of 13%.

So we anchor the poverty rates in 1980, and then I adjust, whatever that threshold is I adjust it over time using the CPI-U. So these are both using the same price index, the only difference between these two is that this thing, the resources that you compare to the threshold includes those non-cash benefits and taxes.

So you get an additional 2% point decline. When you do that. I'm gonna show you later that, that the bulk of this is taxes. But then I wanna be clear on what that means in terms of the effect of food stamps and, and other things. Okay, so that's, that, that, that's looking at what happens when you address some of the well known issues with official poverty measure.

Now I wanna move, move into, to thinking about consumption. And before I show you results for consumption. Its real worthy to set back and say, so how should we be measuring changes in deprivation or the extent of deprivation in the U.S. population? And what is the right metric to be thinking about?

And I think on conceptual grounds it's pretty clear, that consumption's gonna do a better job of capturing. The economic well-being of a disadvantaged group then, then is income but a lot of this is founded in economic theory. You think about the permanent income hypothesis, but income can vary in ways that do not affect well-being.

I mean, you can think about somebody, who retires and lives off their assets. Their income goes to zero. Their consumption's not gonna go to zero. you, you much prefer to look at their consumption. Then look at their income. And this could have, you know, people. You could take time off.

Even people who become unemployed, if they have assets or, or can borrow they might be able to smooth consumption over. There are incentives to smooth, smooth consumption over variable income. Probably at even more succinctly, consumption's what enters the utility function, not income. And so what we really care about.

is, is consumption. But it even goes beyond that. So beyond doing a better job of capturing non-cash resources, consumption is gonna capture things that income will not, like the, the benefit of pub, access to, to public programs, so you can the insurance value of government programs. So then think about the Affordable Care Act and providing MedicAID to a, to a broader population.

This group that becomes eligible for MedicAid, that frees up resources that used to have to be either saved, for a rainy day or allocated towards health insurance can now be freed, freed up and spent on all kinds of non-medical expenses. So you would see on their consumption behavior, even if their income streams never change.

And so consumption captures these things potentially. Whereas income, income would not. You could make the same kind of arguments about access to credit. You know, if, there's been a lot of talk about this greater access to credit for the greater population so it enables them to consume more.

Maybe it enables them to consumption's move better, then you're going to see that in consumption's, consumption behavior. But not through income behavior. Somebody needed to say, well sure but what about overspending and people then become are facing bankruptcy. Well you'd see that in their consumption behavior as well, I mean story you know, when you're overspending, consuming a lot we see that in your consumption behavior presumably.

Your well being is higher. Then you have to declare bankruptcy and your consumption falls, because of it. We're gonna keep, capture all your consumption behavior. Even if all the while, you never lost your job, and your income stream stayed the same through the whole period. changes in their asset prices.

We're here in the great, great recession. We saw sharp declines in equity prices. Schiller housing prices. Housing prices declined sharply people's we can show you people's consumptions responded to that. Even, even for those people who's, who's never lost their job, their, their, their income didn't change. So we'll see that response in consumption but, but not income.

So I think, on, on conceptual grounds it makes sense, the arguments pretty clear that you'd prefer. All else being equal the look at consumption instead of income to measure one's well being, but then you're probably thinking but isn't income easier to report? After all in a few weeks we're all going to get our W2s, and our W2 is going to have almost all of our income on it.

So in March when the CPS calls you and asks you what's your income? You're gonna be able to tell them with pretty, pretty fair amount of precision, what your income is, because most of your income is from earnings. The problem is that that's not the same story for the poor.

Okay? Much, much of their income is not from W2 income, or W2 earnings. It tends to be more sporadic. And from odds and ends income, and is harder to harder to collect. In fact, we have pretty good, has demographic evidence that people in deep poverty are, do a much better job of reporting their consumption than, than, than their income.

Even delay in making ends meet is, is, is the reference there. So the story where you might think it's for, for somebody at the middle of the distributional bell, it's easier to report their income. For the bottom the reverse is true. And so you might say, say, well, well, how can I possibly remember all the things that I spend money on?

Remember what's making up your consumption model for the poor. A large fraction, nearly three quarters of your consumption when you get in the bottom, is, is food and housing. And so, when you, if you can say, what's your rent. And how much do you spend in a typical week at a grocery store?

You're getting a long ways in getting consumption correctly, okay? So, so even on these important issues, there's there's evidence that, that we would, should prefer consumption as a measure of our being for the poor than income. And Bruce and I have pieced together another paper as this. A bunch of evidence to support this, okay?

So, so what I think of the most compelling pieces of evidence is just look at people at the very bottom of the distribution. If you look at the bot low percentiles of expenditures it gracely, greatly exceeds low percentage, percentiles of income. If you look at the bottom decile of high school dropouts single mothers, this is really.

Well the probably off family's. You've got they outspend their income by a factor of seven. Okay, if you look at their assets or debts, it cannot be explained by assets or debts. What's going on? We're not capturing all of their income. If you look at the 5th percentile of income and compare it to the 5th percentile of consumption people, the consumption exceeds income by 44%.

Again, Dart, there's no evidence that assets and debts can explain that. So consumption the, it looks like consumption just exceeds income. And we don't think that it's over-reporting of, of consumption. It was also evinced that consumption is also associated with other measures of well being. the, the question there, just think about it this way.

If you were to, if somebody were to come in here and say, I'm gonna reassign you to bottom of the distribution. And you said, what distribution? The consumption or income distribution said, I'll let you pick. You should definitely choose the bottom of the income distribution, because on average, people at the bottom of the income distribution just look better off, than people at the bottom of the consumption distribution.

You name it car ownership, home ownership, whether or not there's air conditioning education. Take up of participation in government programs. You look worse if there's, if you're in the bottom of the consumption distribution. Bottom, then the bottom of the income distribution. There is also this issue of underreporting of means tested transfers.

So when you look go into surveys and here what we've done is we compare the total dollars given out oh I'm sorry, recorded in this CPS for various programs. So you just multiply the population rates to get total AFDC dollars. And compare that to what the government says they're giving out, in AFDC Taniff dollars.

In, in 1975, that was about 78%, duh, by 2004, it's closer to 50%. If you extend these numbers past closer to today, you've got both food stamps and. And welfare dollars below 50%. In other words the CPS is getting less than half of food stamp, and welfare dollars today in those surveys.

And so if you, if, if you met him using those numbers to, to look at the impact of those programs on poverty you're gonna dramatically understate, the impact of those programs if you're, if you're looking at. The reported dollars and the CPSN and the produc- Okay so, but hasn't consumption data gotten worse as well?

And that, that is a broad perception. And it's based off of information looking at aggregates. So if you look at consumption you see total consumption reporting to consumer's survey, compared to the national income accounts and product accounts and, and, and what they say. Air raid expenditures are. It was 80% back in 1984, and it's fallen to about 60% today.

So the, the argument is that these are low and, and have been declining. The problem is that this, this isn't an apples to apples comparison. PCRI, well, has done a lot of work on this and that, are very helpful. And extent and work that we've done. Which you wanna do, a couple, two key points here, what you wanna do is make sure that you're comparing the right numerator denominator line up, which is not the case here.

You also, you don't want to put weight on, on components of consumption that are not as important for the poor. So what's important for the poor? Food, housing, transportation. Let's look at how those line up. What has happened over time. So this is total spending consumers compared to national accounts new motor vehicles and owner occupied housing.

That is the rental equivalent of your own home. That ratio is at one and steady over time. What about rent and utilities? Rent and utilities hovers around one, and it's very stable over time. What about food and home? It's about 0.9 and very stable over time. So the components of consumption that are key for the poor, are actually measured quite well, while the components of income that are essential to those at the bottom of the distribution.

And there's a prorate and it's been declining over time. Okay, so I'm sorry to be a naysayer, because I know all or many of us use that income data including myself in the past. So consumption let, let now let's look at those Consumption Income Poverty Results. So here's, I've showed you this already.

This is the disposable income measure of poverty over the past three decades, a decline of 5% points. What happens if I do the same thing, looking at consumption? You have a decline of 9% points. So we see, we see an even greater improvement indicated by, by, by our measure of consumption, and we would argue that you should prefer the measure of consumption for the reasons I just talked about.

If, if it's even worse if you look at deep poverty, and so here you capture deep poverty when you look at poverty gaps. You know, the amount of, of dollars it would take to take everybody below the poverty line and bring them up to the poverty line. That poverty gap for income has been increasing over time.

Which is what you'd expect to see increasing under reporting. While the po, the poverty gap for consumption declined a bit and has been, has been fairly steady or, or no clear trend after that. So they've moved in opposite directions essentially oh, over time. Okay, if you don't like income measure or consumption measure, you don't like the present measures, and I, I don't know what to believe at with all this to do with the data.

Let's just look at independent indicators of well being, and see what's happened to people over time. Let's have another number of, so here let's start with the people in the bottom quintile of, of the income distribution. But I could, it's even. I, I could go back to the 60s and this evidence, the trend continues backwards.

We've seen an increase in the number of rooms. noticeable, noticeable increase in the size of the housing units. We talk about McMansions as happening at the top of distribution, it's happening at the bottom of the distribution as well. Okay, so. So you see that. I'm not, and I'm not gonna say that to a certain degree, but, but it is happening.

Fraction of homes that have air conditioning, that's improved dramatically. If you go back to the 60s it's, it's below 10%. This again is the bottom income quintile. Fraction that own a car. I could give, I could give you figure after figure after figure that, that, that shows these kind of other indicators that suggest improvements.

It will be in the bottom. It's hard to reconcile this with, with a clear statement that we've lost the War on Poverty. okay, so that's the evidence on changes. Let me then now focus on kind of what are the potential explanations for this. And, the first thing we'll consider is a change in demographics.

Well, is it just the, the composition of the population of the U.S. has changed. Marital status has changed. Education has changed, employment. So basically, what we do is we, we define demographic cells that we hold the within cell poverty rates constant. And, and, let demographics change. And, see what happens to poverty.

Hilary and and co-authors and Marianne and Ann right? Have a paper to do this very nicely, J.P paper that looks at the changes in demographic characteristics and its effect on official poverty. So we're doing a similar thing here, blue bars are what actually happened to consumption poverty. If you hold poverty rates within family type employment sales constant and then led family type unemployment change over time, that predicts poverty to change very little, or even lies, which actually I think is consistent with stuff that you find on, on family type in your paper.

So it's going the wrong direction. So family type unemployment don't seem to be to explain the decline in consumption poverty. If you then add to that on education indicators for education, that does explain some of the decline in poverty. But not some but not all the decline in poverty, and consumption poverty, 'kay?

You could do the same. So education clearly played a role here. The fact that, that the bottom distribution's getting more educated over time. If you do the same thing for income you see the same patterns, that education just isn't as, as predictive as it was, as it was for consumption poverty.

So let's think about changes in other policies. I don't know, in particular, any changes in policies, because changes in demographics alone are not gonna explain this changes in poverty. So I'm gonna think about different policies kind of step-by-step and these acknowledge ignore kind of the behavioral effects of the of these programs.

Other people have argued that those behavioral effects are gonna be small relative to the direct effects, but then, but I don't think that people are gonna argue that they are non-existent. So here is. What I've done is just take pre-tax and after-tax income poverty. Okay, same price index, so I don't have to worry about the the price index issue.

This is basically what happens if I start with pre-tax and then I just, I go, I run the whole CPS through taxing. So this is mostly the earned income tax credit, but but I wanna point out that other tax policies are, are evident here. In other words you can see the effect of tax policy, on poverty rates.

Let me kinda step through jus, just a few here. So the Economic Relief Tax Act of 1981 that actually hurt the poor. So that poverty rates are rising faster, when you incorporate that. Wh, you remember that actually that lowered marginal tax rates. But what it did it, it, the standard deduction and personal exemption, were not indexed to inflation till 1984.

And this was a high inflation period, so more of their income was, was. What, what was counted was taxable for the poor during that period, and that hurt them. And then it started to be indexed by inflation in. And they did better. Then came the Tax Relief Act of 1986 where we started to expand the Earned Income Tax Credit, and you start to see the red line declining or rising less than, than the blue line.

And then you really see it in these three expansions Earned Income Tax Credit where after tax poverty starts to fall more. then, then pretext property. So, over the last three decades, 2% point difference that is the, is the fact of a changes in tax policy on, on poverty rates.

What about changes in government cash transfers? So these are, these are transfers that are included in, in the official poverty measure. Namely, I'm thinking about Social Security, unemployment insurance, you'd also include worker's comp and disability and, and the like. So what is the effect of that program? And the answer is that, that it's quite large over the past three decades it's the difference of about 3.5% points.

What we do here is compare. Money income. So the same, same inflation measure used, inflation adjustment. But, we compare money income to. Now I'm just gonna take away Social Security, unemployment insurance, and the like and see what happens to people's poverty rates. And you see that poverty will fall by 3.5% points more when you include those programs.

I'll tell you most of this is Social Security. And let me also be clear here of what happens when I anchor. When I anchor, I'm wiping away the effect and, at the beginning. So I'm, I'm forcing the poverty rates to be the same. Clearly, Social Security would lower the poverty rate in 1980.

I'm forcing the rate to be the same, and saying what's gonna happen since 1980? So now in order for Social Security to have an effect. It needs to become essentially more generous than it was in 1980. Right, which is actually what has happened because Social Security's index to wages.

Their real value of Social Security benefits has when people start to collected has grown over time. And as a result you see that the, that there's been, there's noticeable effect. I will say it's interesting when you look at the cyclical patterns and focus in on that you really see the effect of unemployment insurance as well.

But, but the most, much of this is due to, due to Social Security. Now you can see this when, in, in a separate paper Bruce and I focus on, on the elderly. And there's probably no greater success story than what's happened to the extent of deprivation amongst those over 65.

In the U.S. the. Here is just, using anchoring the, the thresholds, again, in 1980 for the overall population. And then this is using consumption, and then, and then the same price index adjustment. You see this dramatic 45% point decline in poverty, now. Just people might have thought, well I, I thought Ken said that it, it dropped sharply, and then, and then was fairly stable.

He's right, that's true, it happened to the official poverty measure. That's what happened, but, but what's real, but, but it, it's the official poverty dra, poverty measure dramatically understates improvements in well being that have happened to the elderly in, early on and, and even since, since the 60s.

So this is a clear, clear success story which happened to the elderly. And it's due in no small part to, to Social Security. What about changes in government non-cash transfers? So here the, the, the news based on the evidence I'm gonna show you is not so good. So if we look at measure, these are both after tax, we're including taxes in both, same price adjustment.

One does not include food stamps, housing subsidy, school lunch. One does and you see that the changes are very similar. So, so, the conclusion one would draw using CPS income data, which, which many people have, is that it has very little, it, the, these non-cash benefits have very little impact.

On changes in poverty over time. Now Hillary has pushed us on this a couple of times, and so I'm, I'm gonna be very clear on, on qualifying this. Two qualifications. The one, first was the one that Hillary points out is that, sure, this might be true, but it has a, a dramatic effect at any point in time.

And when we put, when we say these things like it has no effect on changes in poverty when we're talking that might just get obscured. And Hilary showed you results earlier today that showed you that food sta, after Social Security and EITC, food stamps lifts more people out of poverty than any, any of these means-tested transfer programs.

It reduces poverty by 1.6% points at a point in time. But, but what about the chan, the change over time? Okay, so, so, okay, so that's one qualification. I'm getting rid of the effects of these programs in 1980 by, by anchoring them, and then seeing what happened since then.

But then you're probably thinking well, I thought Hillary also shorted us on food stamps, has been, spending has been rising over time. But then a coupled with the figure that I, that's administrative data. We covered the figure I showed you about the CPS. Which shows you that the reporting, that the amount of food stamps that were captured in the CPS over time, has been declining.

And so we're missing a lot of the impact. So if you just use the value of food stamps or housing subsidies. Or like it from the CPS without accounting for this un this underreporting in increase in their reporting. You're gonna, you're gonna miss, as this figure. Shows you're gonna miss the impact of these programs.

So I'm not saying that, that food stamps has no effect on reducing poverty rates since 1980. I'm just saying that if you don't account for it in the reporting, it's gonna look that way. Okay, so why do consumption and earned income differ?

And I, and this'll be my, my last point on, on.

The difference is and then, and then I'll conclude. And I've already talked about the measurement area. I really do think that for measurements like the poverty gap that depend heavily on kind of like the depth of poverty they the, the reason for the diversions. Is because of measurement error and income, income is under-reported and has been growing over time.

So, we do think that measurement error is playing a big role, and is probably playing the biggest role. Some may say that you know, we think that income should differ for consumption even without measurement error, because we expect people to consume. Expect people to dis-save or saved depending on their expected streams of future income.

And so what we've done is look at the asset holdings of people here's separated by family type. And looked at how much assets these different groups have in, and I just picked two different decades to do this from. And and if you look at these groups let's focus on single parents.

So, the 95th percentile of total financial assets for single parents, in both the 90s and 2000s under a thousand dollars. And this is, this is like the wealthiest single-parent families, so the 95th percentile, is still under, under a $1,000. And so it provides little resources to maintain consumption when income is low.

If that's, if that's looking at the 95th percentile. You know, some people have said, some people have said. Well, what's really going on is, people are borrowing when they shouldn't be borrowing. That might be true for the middle class. For people at the bottom of the distribution, so I should have said, this is.

When I say this, 95th percentile of single parent families, it's 95th percentile of poor single parent families. People it's not, not,. So they also deplore poor, poor single families don't have a lot of debt. Cuz this isn't an over consumption, and their just borrowing story because they simply don't have a lot of debt.

This is debt, that's clearly ammunition for the other distribution, not for the, not for this group. One exception might be, so let me draw attention to, to those over 65. Here is where measurement arrow might be less important, and assets, in particular, might be particularly important, okay? As you, as you might expect.

So here you start to see substantial assets, even for the, for poor. Families, all with a head over 65. I mean start to see substantial assets you know, even say at at the 75th percentile. So there's, that gives, you know, some room for, for dissaving and saving to play a role in differences between income and consumption.

But this can be isolated to, to just of of, you know, in this case one, one demographic or. Leaving measurement error is probably the, the main story going on for other, other demographic groups. Okay. So, I'm, I'm, I'm gonna, I'm gonna go ahead and conclude. The main point though, I'd like to, to, to, you all to take away here, is that we are winning the war on poverty.

What that means in terms of the success of specific programs is, is, is less clear. I think there's evidence that these program's have helped, and directly led to reductions in poverty. But regardless of, of which programs are effective and which are not, we've seen a dramatic decline in poverty in the U.S. over the past five decades.

And that's evidenced in consumption data, income data, and even other metrics, for economic well being. If I wanna pick a few programs where there's some evidence, clear evidence of success in your hearing, I'm looking at programs that, that are cash or near-cash programs. You know, it's, it's hard to incorporate, say, what the effect of Head Start is, to in terms of.

In this kind of analysis in terms of if it's a fact. But there's, there's clear evidence of a direct factor of the income tax credit in terms of getting to reductions in poverty and expansions of the Social Security program whether that was by design or not. the, the increased generosity of pro, program has led to dramatic reductions in poverty particularly.

For the other way also the consumption poverty falls more than income poverty. And there are reasons why we would prefer consumption poverty, both, both measurement issues and conceptual issues for why, one should prefer to look at consumption poverty instead of income poverty. And see them and unlikely be able to explain much of these differences, with the exception being.

At the top of the distributio. So, and I try to end all of my talks by saying consumption is preferred for measuring the changes of well being of, of, of the worst off and I will, I will leave it at that.
>> I'm Ann Stevens, the director for the Center for Poverty Research at UC Davis, and I want to thank you for listening.

The center is one of three federally designated Poverty Research Centers in the United States. Our mission is to facilitate nonpartisan academic research on domestic poverty, to disseminate this research, and to train the next generation of poverty scholars. Core funding comes from the U.S. Department of Health and Human Services.

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