Welcome. You are listening to a UC Davis Center for Poverty Research Conference podcast. I'm the Center's Deputy Director, Marianne Page. In January 2014, the center hosted the war on poverty conference. Conference featured top poverty experts from across the country. Discussed the US safety net on the 50 year anniversary on the war on poverty.

In this presentation, Decia Garner discusses James Sullivan's paper, Winning the War, Poverty from the Great Society to the Great Recession. Garner is the senior research economist in the division of price and index number research with the Bureau of Labor Statistics where she has served since 1984. I'd like to begin by applauding the the people who work at state level here in California, in Wisconsin, in Virgina, In New York and particularly in New York City for moving forward our measure and our knowledge about poverty.

We know that the official poverty measure is flawed. It's seriously flawed. James, and Jim, and Bruce have highlighted some of these issues. They had to use some standard to look at changes over time, but the point is, we can't use the official measure to really give us a measure of effectiveness of poverty reduction, or as a measure of economic well-being.

It's just not sufficient. So, it's important to look at where we are today and it's important to look at where we've been and how we got to where we are today. The purpose of the paper that I'm like providing comments on, is to look at where, where we've been and how we got to where we are today.

As I said, it's important to look at better measures as well. Now I have to start with a disclaimer. I work for the US government. What I say here today, they're solely my views and my views alone. They don't reflect the views of people of the Bureau of Labor Statistics or the Bureau of Labor Statistics itself.

However, I have had conversations with people within the bureau, I'm going to relay some of those conversations, as well as some conversations and work that I'm doing with Cathy Short primarily at the census bureau. That I added this, this picture after the, the first session this morning. This is a reluctant mother in price management.

Price, not price management, excuse me. Poverty management. Poverty management is important. Measurement is important. We can talk about all the programs in the world, but if they don't know how to measure, well we're talking about, then we can't have the next discussion of where do we go from here.

We have to have good measures. Now I say Molly was a reluctant mother in conversations that I had with Gordon Fisher who's considered a historian of poverty measurement for United States. He said he had many discussions with Molly. She didn't really care about poverty measurement. She really only cared about the well-being of children.

It just so happened she was working on the well-being of children, at what was, of what became the Social Security Administration. She was asked in 1960's to, to provide testimony before Congress. What would it cost a retired couple to live? When they, so she did some research on that using some family budgets.

In 1965, the Office of Economic Opportunity developed the thresholds that she came up with in the resource measure, to produce information for statistical and poverty measurement. There was no agreed upon poverty measure in the United States, for the war on poverty. The reluctant mother, her child was adopted by the Johnson administration, as the measure on poverty.

The threshold, the original threshold, was based on the fact that one third of after tax money income was for food spending at home. For home. All right? Well, at the time of the war on poverty, we didn't have a good measure of after tax money income. The best we had was before tax, and so that's why the official measure is based on before tax money income.

But my idea 1955 food consumption survey data and garbage relationship between food spending for home and income after tax. She also looked at the 60-61 consumer expenditure survey with the before tax money income and found that the, the share would actually be one fourth if you did it before.

So she looked at these different multipliers, ended up with a third, even though the resource measure that she started with was after tax and the one used by the census bureau eventually, for official poverty statistics, started in 1967 was before tax. Okay, the question, and this a question that we all ask, it's come up in this paper.

What is the purpose and meaning of poverty? In many discussions that I had with Lou Rainwater, years and years ago when I first started, invol, got involved in all this. He said, poverty is a societal concept. And it reflects where we are today, not where we were 50 years ago.

We need this measures to say how well off and we've done, but it's where we are today. Can people function in society? But, are we talking about some material well-being, or consumption, or this permanent life cycle? I agree with Jim. My personal opinion, we want an economic well-being measure that does that.

And consumption is a very good measure for that. However, there are many people out there who say, you know, that's all fine and good, but I need to know how much money I need, or how, what are the resources I need to buy the things and meet my spending needs of my family.

So many people in our country, many of our practitioners are really interested in measuring short term economic distress. The National Academy of Sciences panel came down more on this side that Jim is talking about, this permanent life cycle income approach consumption. But because of data concerns they went with an income resource type measure.

However the supplemental poverty measure, which the interagency technical group came up with guidelines in winter of 2010 was actually really more focused on short term economic stress. Now, why do I know that? I know that because we have the thresholds by housing tenure. There's a different threshold for owners with mortgages, owners without mortgages, and renters.

The reason is because this, once you have a mortgage, you have to pay that mortgage or you lose your home. So, in the short term, the interest is on spending. But, the way the Interagency Technical Working Group, and actually I was a member of that, the way it was set up is that the Bureau of Labor Statistics and the Census Bureau and many of the people in this room will continue to do the research and improve our measure.

Unlike the National Academy of Sciences. Pale who said you know this measure should replace official poverty, the supplemental poverty measure is to be a supplement, is not designed to be replacement and the interagency technical working groups said we don't have all the answers now, let's keep working on this.

So the, the framework is set up to do that. Currently, the Census Bureau produces supplemental party measure statistics. It's an inconsist, inconsistent measure of consistency. And the thresholds and resources was very important for the National Academy of Sciences. And it's a point I'm gonna talk about in a few minutes.

But currently, the supplemental poverty measure threshold is based on out of pocket spending including the implicit amount that's spent on food stamps, food and pay. While the resource includes income, cash and non cash income, as well as value for income transfers. 'Kay, the purpose of this study today, he added two more years.

He told me he probably would, but I didn't have that paper, so my comments are focusing on 1960 to 2010. The main goals, as Jimmy said, is to assess the material disadvantage at the bottom of the distribution. The focus on taxes and transfers. Look overall. Look at the impact on different demographic groups.

Again, the focus here because the interest is in changes over time, they adopted an absolute poverty measure. It's the official poverty measure. As Jim very, very well explained in the presentation, they still use the official measurement for the alternatives. But they anchored in the 1980, to the 1980 poverty rate.

Well being measures you said before, tax money income, income augmented and they look at power ratios and consumption and what they call this core consumption. The expenditures categories where, expenditure, expenditure consumption categories that are best reported in the Consumer Expenditure Survey. As compared to the personal consumption expenditures from the national accounts.

They provide also in the study, which Tim didn't talk about, relative poverty rates as a robust check which, I thought was a very, very nice addition to this paper. And it also fits it into the international literature where ma, many other countries, the Luxemburg income study, being a leader in this field of relative poverty.

She talked about the ACS and then they use imputations from that and the expenditure survey. Now, what I consider one of the probably the major contribution of this study and the series of studies that Bruce and Jim have been involved in over the years, their very careful development and analysis of consumption and how to come up with that measure.

The consumer expenditure survey is not a consumption survey. It's an expenditure survey that is designed to meet the needs of the Consumer Price Index. What people spend. Not what is the value of what people consume? It's a different measure. Personal consumption expenditures is not what people, households spend.

It's what households and institutions spend on behalf of households. So as Jim mentioned, the purposes are different and so our relative relationships of these are going to be different. Key findings, price adjustments have had large impact, but a measure of poverty, when you account for the taxes and transfers, income as well as cash transfers decline poverty over time, which go to consumptions even farther there is like 46% reduction overall if we use a consumption measure shoot.

All right. They examined the differences in consumption and expenditure patterns over time and conclude as Jim said, we're winning the war, I think we are winning the war, it's not everybody's not better off. But a lot more people are better off than they have been in the past.

I have five comments. One that deals with consistency in the sample, over time. This is really a technical issue. I'm from a agency. I deal with economic statistical measurement. And so I'm gonna be doing some, some of these little tiny issues, which are important when looking at changes over time.

Second is the issue of the price index adjustment. Third is the updating to underline what underlies the threshold. And fourth is what I consider the fundamental question, income versus consumption and what implication that might have for poverty measurement. And what I have identified as what, you know, some challenges for the future.

First, many people aren't very aware of this. The 1972, 73 data that we released to the public, what we, what was released that, the data had to have full accounting for the four quarters of expenditures. The release, such a release has biases, any kind of analysis. If you would make a comparison with the 72, 73 to the 80 forward, because when you restrict the data to consumer units where there are four complete interviews, it's got more homeowners.

You've got more families with their two children. And the Midwest is over represented, all right? People in Midwest, are very good reporters to the survey. For some reason, they are. That's true. Yeah. It's going outside. You know, they're going to talk to you a lot of time. You know, sit down and let's have a cup of coffee or a cup of tea.

This is important when we're making comparisons over time. It may be that when you look at the publications from the Bureau of Labor Statistics, using the 72, 73 that your demographics are not that different. But basically, that's the, that's the concern that, that I have when you're, you wanna make sure that you're samples are, are comparable over time in terms of how they're analyzed or how they're defined.

Now something that doesn't impact consumption as much as it would expenditures, is the assumption of independent quarters. If you wanna talk to me about that, we can later. Second is the price adjustment. Some people, actually some of these top researchers outside of the US believe that the improvements to reduce BIOS in the CPI but the BOS has done too much.

So to go the additional step that Jim and Bruce meant we at BOS would stand up and say maybe you went a little too far, but I can tell, still encourage research on this. One caution I have is some of the BOS we actually do stand behind.

It's a question of whether consumer pricing should ever have been used for this adjustment.

The point is, the threshold is based on a standard of food. It's a food spending standard. All right? And somebody will stand here. So looking at changes in living standards, bedrooms, etc. But what if we looked at spending today relative to income if we use a thrifty food plan?

What would the thresholds look like? What, we're not going to do this. Okay. We would have thresholds around $16,000. That multiplier actually would be nine instead of three. All right? Got a fundamental question. Income versus consumption. Again, the panel believed conceptually the arguments from both sides but they leaned more toward the consumption side.

However if we do that, quoting the panel, we note that if a consumption based resource measure, research definitions of adopted for poverty measure at some future time. There will still be a need for consistency between the resource definition and the threshold concept. The official poverty threshold is a spending based threshold.

The NAS threshold, the way it was conceived for the publications with the Census Bureau as well as the SPN thus far are spending based thresholds. We need to come up with a consumption based threshold. So, I use a supplemental poverty measure approach. These are the spending-based thresholds currently that we have, 2005 to 2012.

If we just substituted spending on shelter for owners without more wages, you might only need one threshold. We don't need the separation by house and tenure. We would have the green line. That would be our consumption base threshold. And it would actually turn out to be probably higher because I don't have school march, I don't have houses, houses etc.

Okay, the last data challenges. Collection of the data. Are we collecting and can we afford to collect? I think we can afford, but will we, as statistical agencies, be able to do this given our budgets be able to collect that we need for good poverty measurement. We're going through a reorganization, or excuse me, a redesign at the BRS for the Consumer Expansion Survey.

And I am fighting tooth and nail to make sure we have information on the Affordable Care Act that I'm getting information on school lunch. That I'm, I'm getting as much information it, even if it's an indicator variable, that we have not had in the past. Need to account for income transfers, consumption of durables.

We need to spend more time looking at assets and liabilities. This is a question of data quality in the consumer expenditure survey. We look at the consumer expenditure survey in terms of non, excuse me, in terms of financial assets. My abilities were very low compared to the survey of consumer finances.

A non-financial assets are very close. For example, the value of a home were very, very close. So I am still not sure that we have the best measure or the right measures for assets and liabilities. To me, the biggest challenge today foid and a our poly measure is how to account for health care.

The National Academy of Sciences and the supplement polidy in the interagency technical working group say they will subtract out of pocket expenditures. But, one of the major criticisms against such a measure is not portable. How many people are gonna know how much medical care they could subtract to come up with the poliod measure?

Another philosophical reason to deal with this is a different way, is that, many people believe healthcare is a right. It's a basic need like food, clothing, shelter, and utilities. So if that's the case, how would we account for it? One way we've tried to look at this is through spending, just like we do with the other commodities in the bundle.

However, that's questionable whether that's the best way to deal with it. Cutler, Cormin, Jessica Banton and various others obviously said maybe a better way is to include a value of health insurance in the thresholds. Because, half their premiums include an amount for risk reduction and expected medical expenditures.

So, what would set a threshold, some of those thresholds lack. These are just some examples used in the Kaiser Bronze and Silver plans that you can find on the Internet. I'm just gonna end here. I want to thank you for this outstanding paper. If you haven't read Bruce and Jim's work on consumption, I encourage you to do that.

It's outstanding work, and they're very, very careful in the way they go about that. Thank you very much.
>> I'm Ann Stevens, the director of 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 US Department of Health and Human Services. For more information about the center, visit us online at poverty.ucdavis.edu.