

---

# Poverty in the United States

Guest Lecture  
Inequality and Social Mobility  
Economics 350  
Winter 2021

---

Bruce D. Meyer

University of Chicago, NBER, AEI and U.S. Census Bureau

Based on work with

James X. Sullivan, Derek Wu and many others

# I. Outline

---

- Who is poor?
  - What common messages about poverty are right? Wrong?
  - Who really is poor and how well do our government programs reach them?
-

# I. Intro

---

- Poverty rate most cited measure of material circumstances of worst off.
  - Used to evaluate success of economy.
  - Used to evaluate government anti-poverty efforts.
-

# I. Poverty Defined: the OPM

---

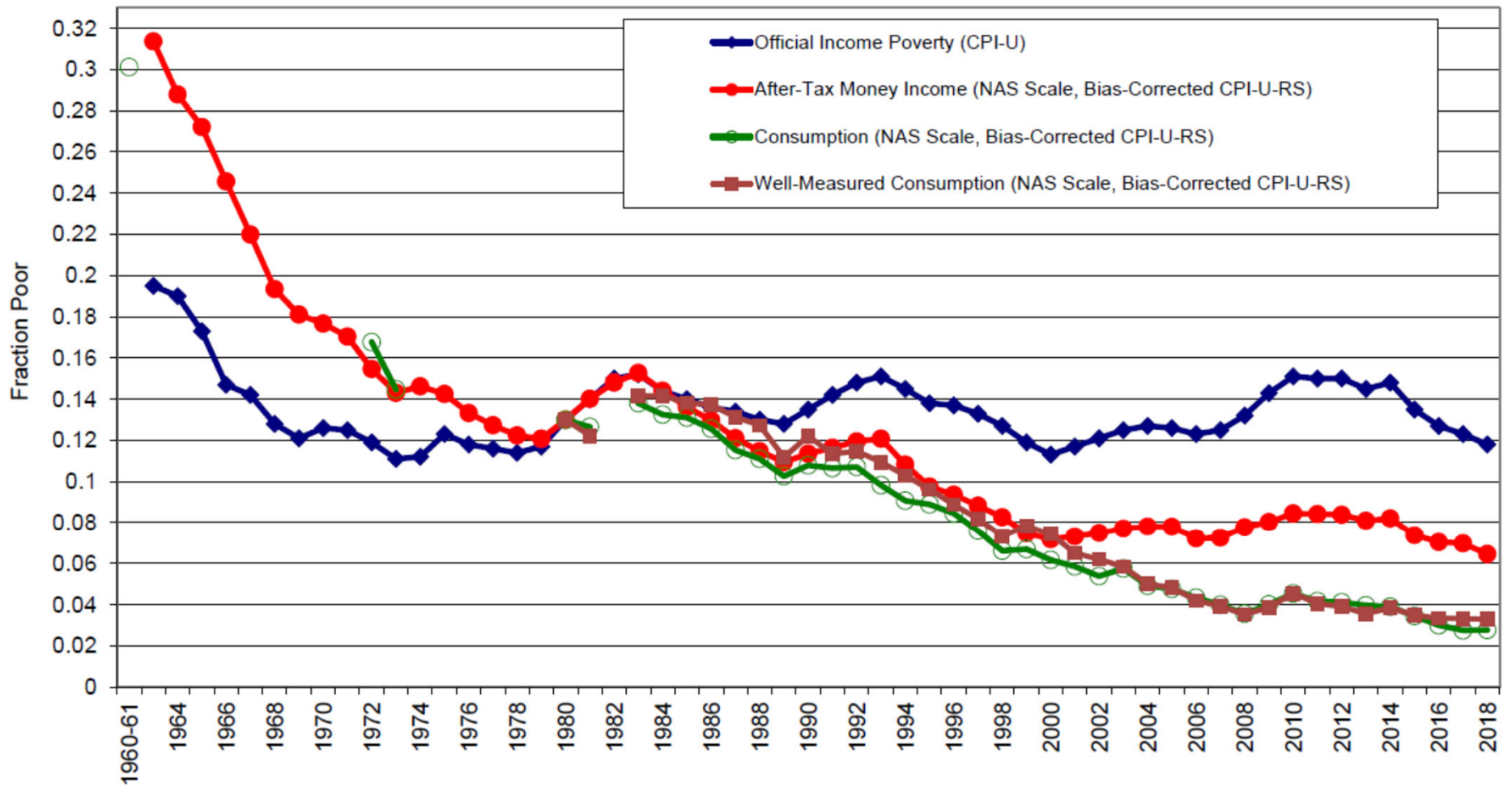
- 2018 rate=11.8%
  - Share of **people** in **families** with **pre-tax money income** below poverty thresholds
  - Thresholds vary by **family size**
  - Thresholds were set in the 1960s and have been adjusted over time using the **CPI-U**
-

# I. Relative v. Absolute Poverty

---

- **Relative Poverty**, e. g. share of people below 60 percent of median income (EU definition)
  - **Absolute Poverty**, share of people below an unchanging cutoff, i. e. share of people below a cutoff only adjusted for inflation
  - U.S. measure is a relative or absolute measure?
  - We will return to the answer later...
-

Figure 1: Consumption and Income Poverty Rates, 1960-2018, Thresholds Anchored in 1980



# I. Poverty over time

---

- The poverty rate has gone up and down with recessions and recoveries, but long run trend flat since 1970
  - 1970 rate=12.6%, 2018 rate=11.8%
  - Suggests little improvement in living conditions at the bottom
  - Used to evaluate anti-poverty efforts.
    - President Reagan: “We fought a war on poverty and poverty won”
-

## II. Problem with OPM: Resources

---

- **Pre-tax money income** excludes
    - Tax cuts, tax credits such as EITC, CTC
    - SNAP (Food Stamps)
    - Housing assistance
    - Medicaid, Medicare
  - i.e. what has been expanded since 1960.
-



## II. Problem with OPM: Inflation

---

- Prices change; a dollar today . . .
  - Price index
  - How the price of a bundle of goods changes over time
  - Sources of bias
    - Substitution, Laspeyres, Paasche
    - New goods, i.e. cell phones
    - Big box stores
    - Quality improvements
-

## II. Inflation cont.

---

- Poverty adjusted by CPI-U which has historically overstated inflation by  $> 1$  percentage point per year
  - With improvements less bias in last twenty years or so, but still overstates inflation by approximately 0.8 percentage points per year
-

## II. We use old measures (even when broken)

---

- Federal statistics emphasize what we can record or measure in a survey even if not quite right
  - Consistency
  - Keys under lamp post
-

## II. Living standards

---

- What are clear observable living standards for those at the bottom today relative to the past?
  - Obesity v. malnutrition
  - Housing is by far a typical household's largest expenditure
-

Figure 3: Mean Number of Rooms in Housing Unit, Adjusted for Household Size, 1960-2017, Decennial Census (1960-1970), and American Housing Survey (1974-2017)

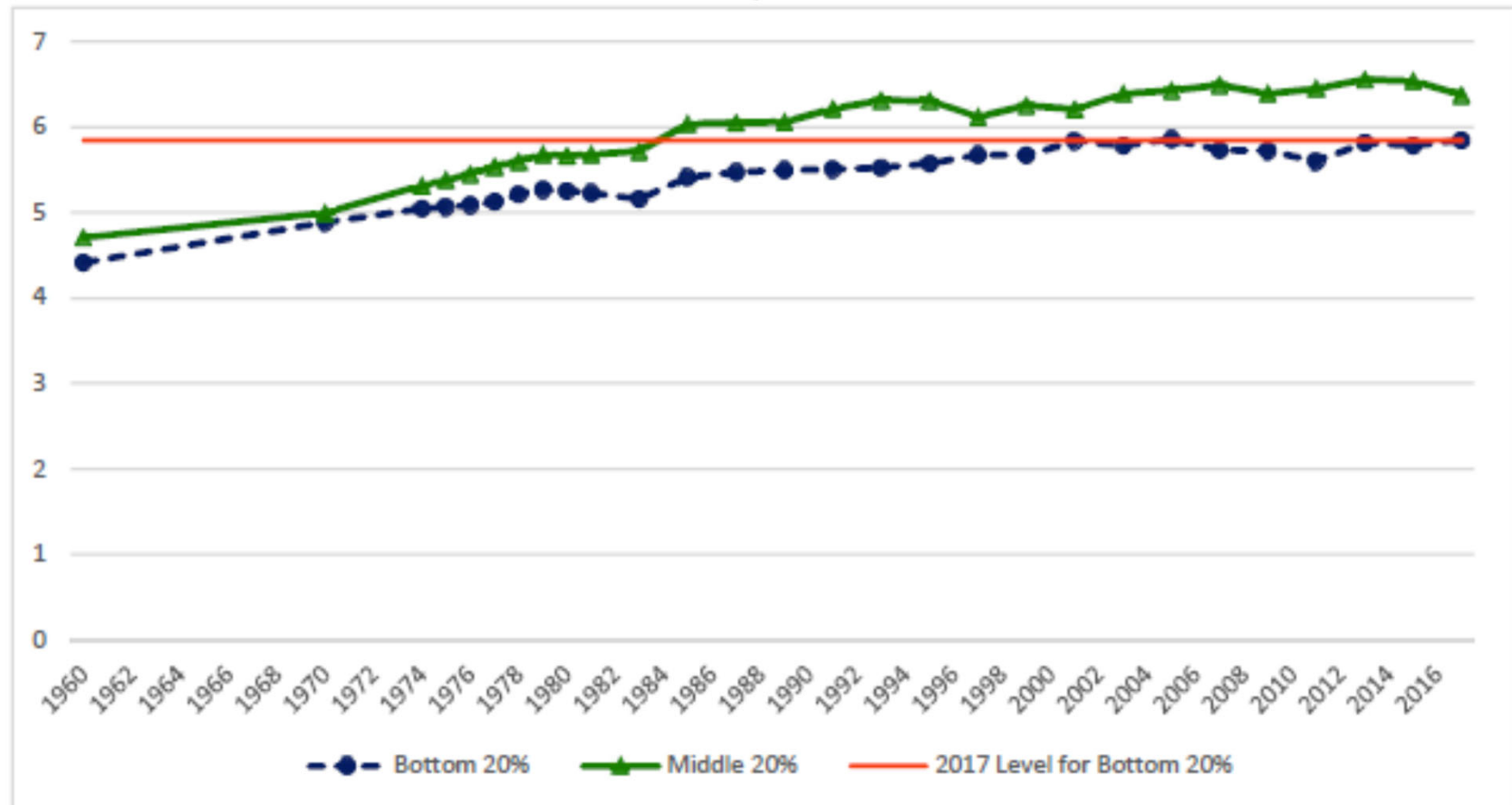


Figure 9: Proportion of Housing Units with Central Air Conditioning, 1960-2017, Decennial Census (1960-1970), and American Housing Survey (1974-2017)

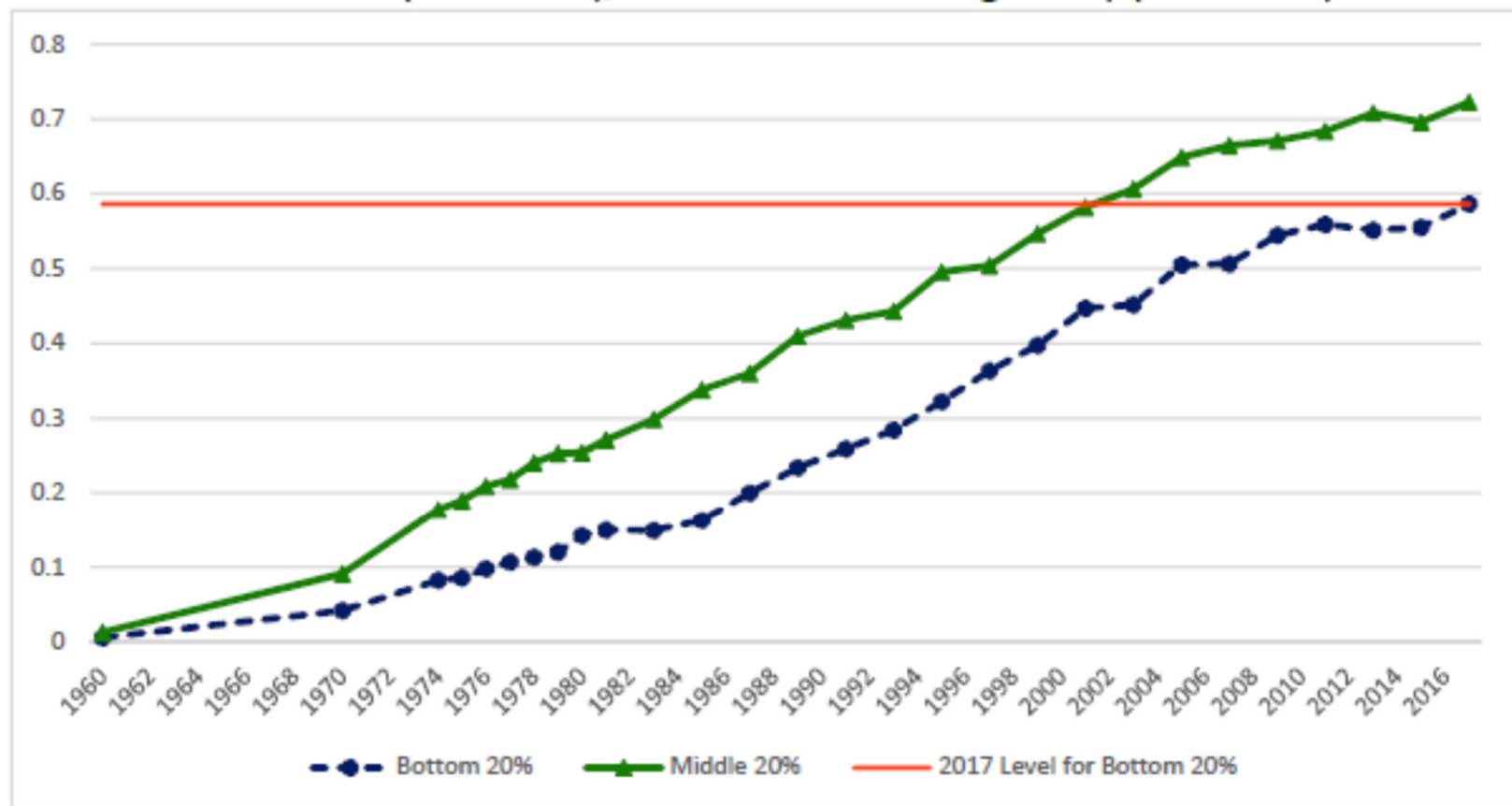


Figure 10: Proportion of Housing Units with Dishwasher, 1970-2017, Decennial Census (1970), and American Housing Survey (1974-2017)

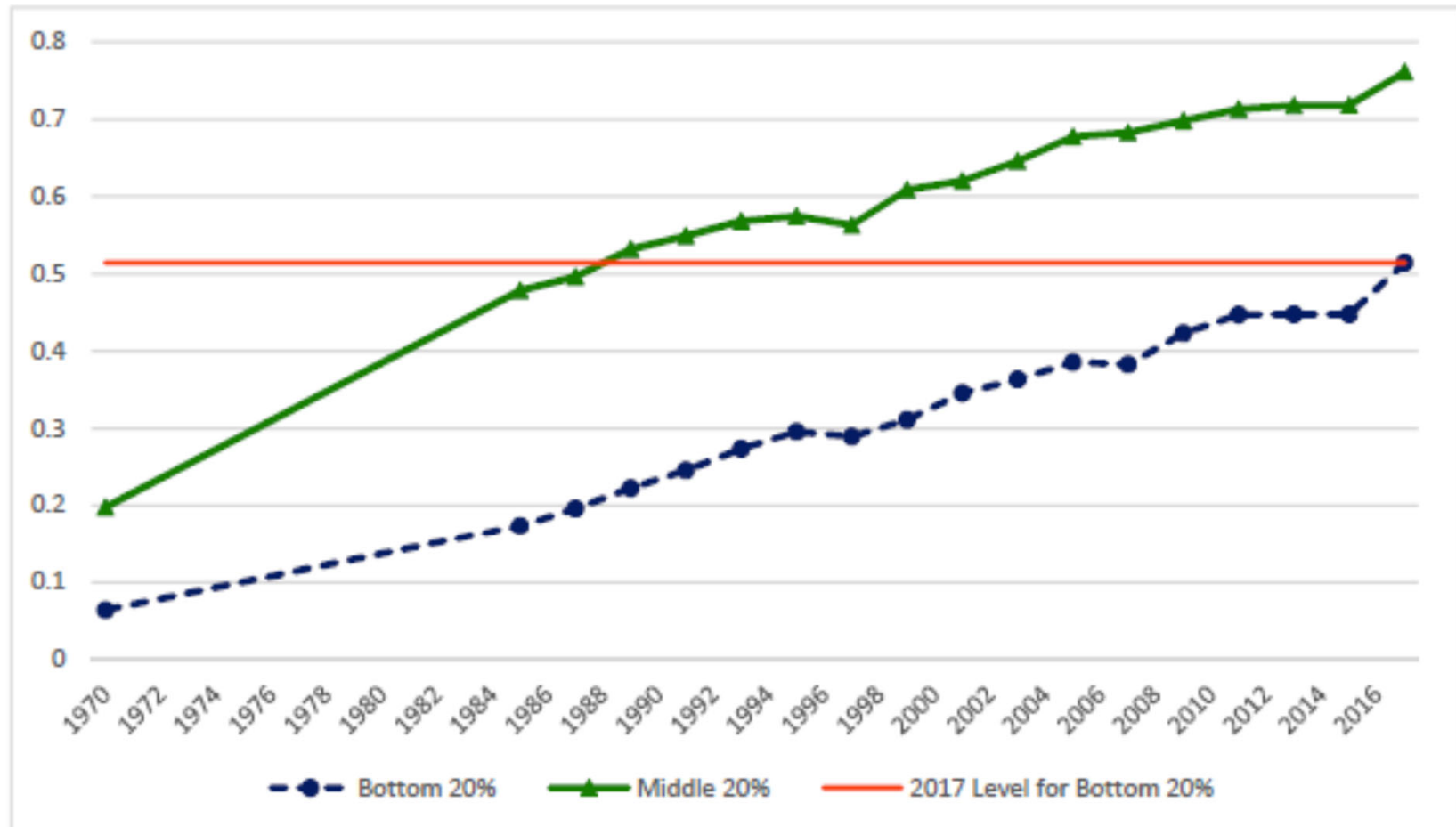
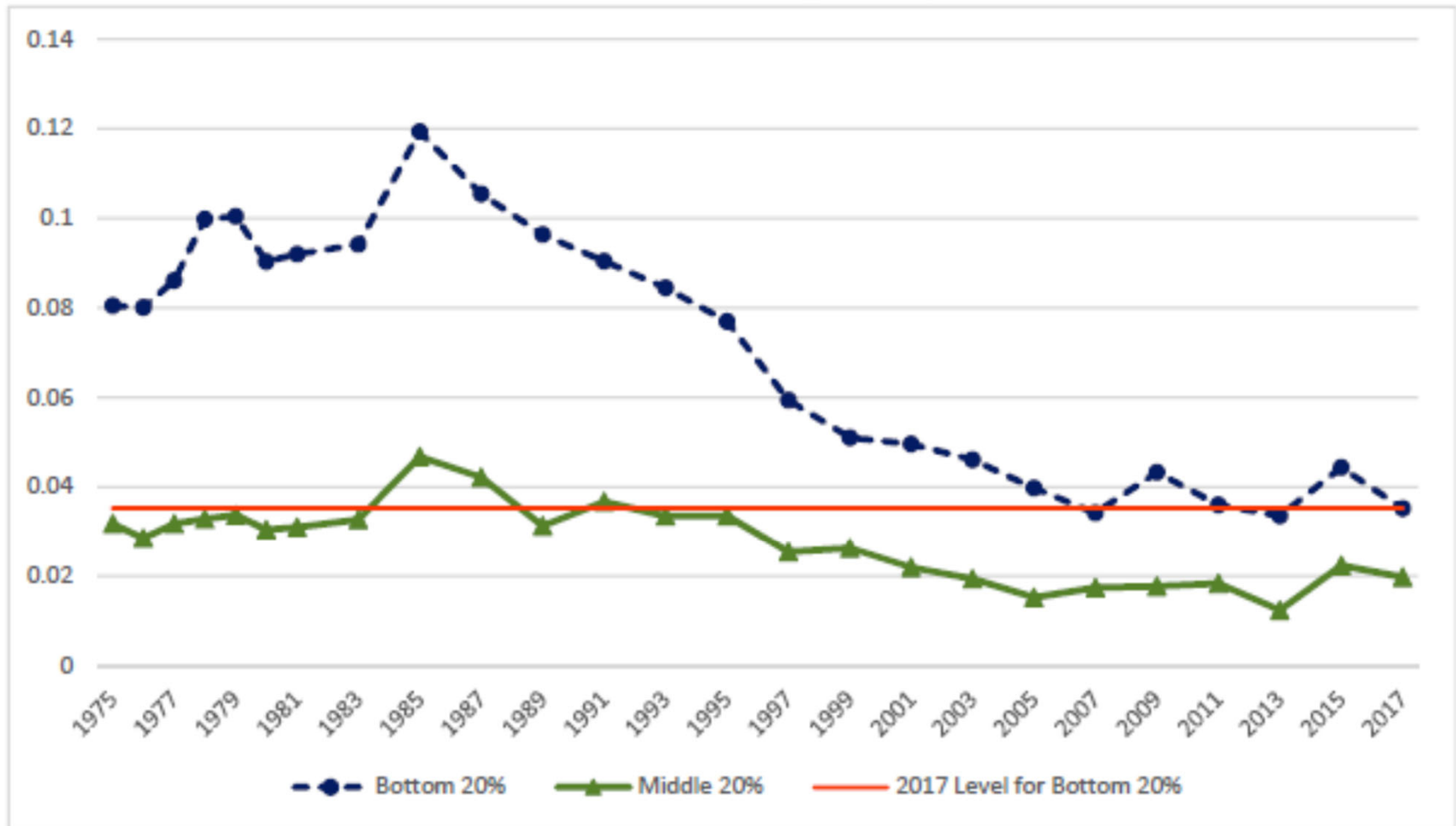


Figure 14: Proportion of Units that have peeling paint over 1 square foot, 1975-2017, American Housing Survey





Mean Housing Characteristics for Households in the Bottom Twenty Percent of the Income Distribution, 1981-2015

	1981	1989	1999	2009	2013	2015
Housing Characteristics (American Housing Survey)						
Number of rooms (adjusted for household size)	5.230	5.496	5.670	5.723	5.816	5.754
Square footage (adjusted for household size)	.	1,439	1,645	1,695	1,680	.
Square footage class (per 2015 Codebook)	.	4.025	4.155	4.162	4.158	4.126
Water leak from inside in last 6 months	.	0.175	0.132	0.107	0.089	0.120
Water leak from outside in last 6 months	.	0.187	0.127	0.120	0.099	0.123
Unit has central or room air conditioning	0.410	0.542	0.716	0.831	0.855	0.860
Unit has central air conditioning	0.150	0.234	0.398	0.544	0.551	0.556
Unit has a dishwasher	.	0.223	0.311	0.423	0.447	0.444
Unit has a clothes dryer	.	0.481	0.568	0.679	0.690	0.670
Unit has a clothes washer	.	0.652	0.672	0.739	0.738	0.711
Unit has had a long toilet breakdown in last 3 months	0.040	0.070	0.036	0.028	0.023	0.028
Unit has peeling paint over 1 square ft.	0.092	0.096	0.051	0.043	0.034	0.045

Mean Housing Characteristics for Households in the Middle Twenty Percent of the Income Distribution, 1981-2015

	1981	1989	1999	2009	2013	2015
Housing Characteristics (American Housing Survey)						
Number of rooms (adjusted for household size)	5.679	6.061	6.254	6.390	6.558	6.518
Square footage (adjusted for household size)	.	1,735	1,934	2,088	2,036	.
Square footage class (per 2015 Codebook)	.	4.864	4.920	5.041	4.981	4.968
Water leak from inside in last 6 months	.	0.127	0.101	0.091	0.070	0.097
Water leak from outside in last 6 months	.	0.194	0.132	0.105	0.085	0.106
Unit has central or room air conditioning	0.583	0.717	0.817	0.882	0.901	0.903
Unit has central air conditioning	0.271	0.410	0.547	0.671	0.708	0.697
Unit has a dishwasher	.	0.531	0.608	0.698	0.718	0.722
Unit has a clothes dryer	.	0.794	0.825	0.882	0.876	0.879
Unit has a clothes washer	.	0.847	0.854	0.898	0.891	0.890
Unit has had a long toilet breakdown in last 3 months	0.018	0.033	0.014	0.013	0.012	0.012
Unit has peeling paint over 1 square ft.	0.031	0.031	0.026	0.018	0.012	0.023

### III. Alternatives to the Official Measure

---

- Why not just try to fix official income measure?
  - Supplemental Poverty Measure
-

# III. Income v. Consumption: Conceptual

---

- Conceptual issues favor consumption.
    - Permanent income
    - Income can be temporarily low (or high) and your living standard may not change much
    - Stocks v. flows
    - Housing and vehicles
-

# III. Where do the data come from?

---

- Where do the data for the OPM come from?
  - A survey called the Current Population Survey
    - 60,000 households are interviewed early in the year (February through April)
    - Detailed questions about income during the previous year
  - Unfortunately, cooperation with surveys has been steadily declining over time
-

# Surveys underestimate income from government programs

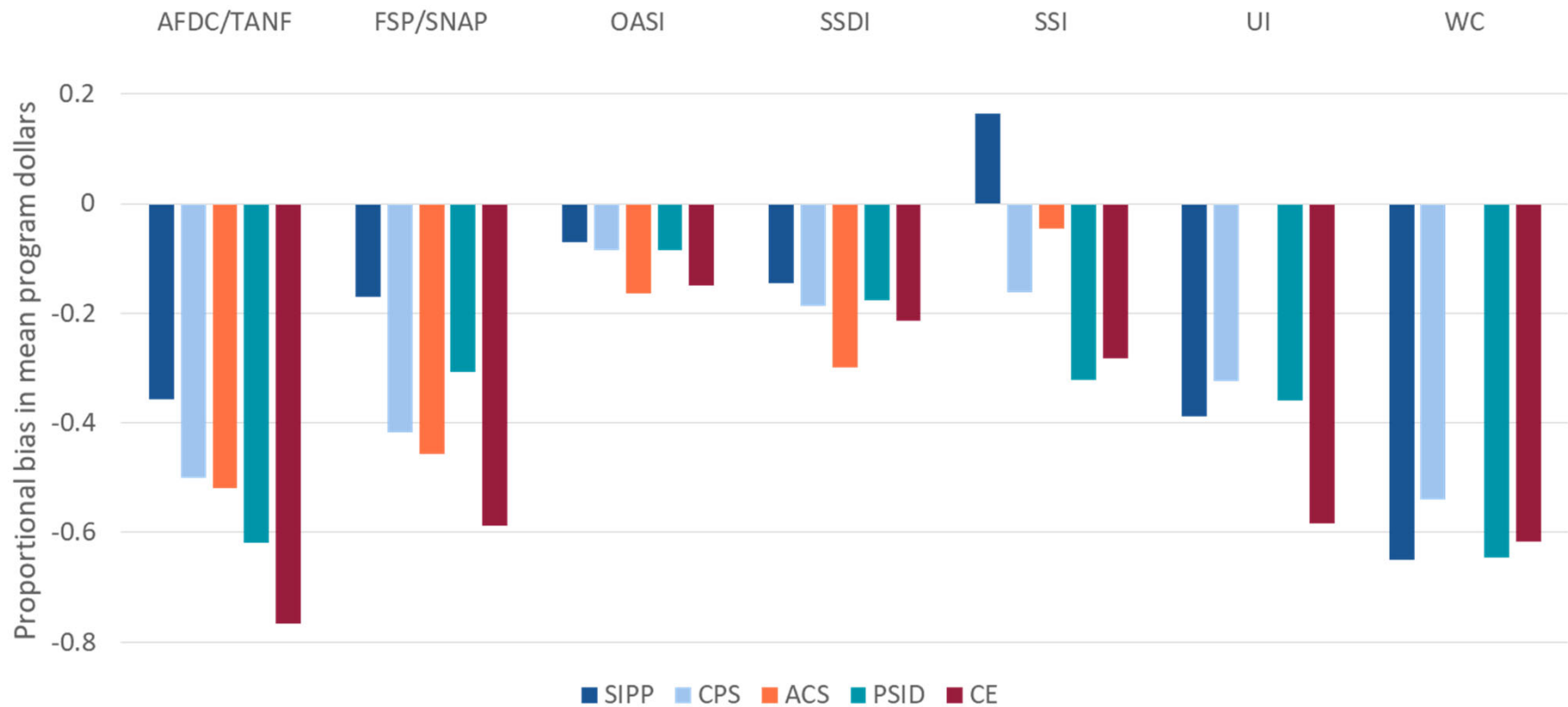


Table 2

**Trend in Proportional Bias in Mean Dollars Reported in Survey (Including Those Imputed), by Program and Survey**

	<i>AFDC/TANF</i>	<i>FSP/SNAP</i>	<i>Social Security</i>				<i>WC</i>
			<i>OASI</i>	<i>SSDI</i>	<i>SSI</i>	<i>UI</i>	
ACS	-0.96 (0.87) 12		0.08 (0.07) 12	-0.68 (0.11)*** 12	3.50 (1.11)** 12		
CE	-1.87 (0.43)*** 33	-1.1 (0.43)** 33	0.07 (0.23) 33	-0.51 (0.23)** 33	0.05 (0.27) 33	-0.74 (0.19)*** 33	-2.33 (0.38)*** 33
CPS	-0.71 (0.20)*** 37	-0.59 (0.09)*** 34	0.20 (0.02)*** 45	-0.61 (0.08)*** 45	0.41 (0.12)*** 38	-0.39 (0.19)* 26	-0.71 (0.16)*** 25
PSID	-1.04 (0.12)*** 36	-0.93 (0.27)*** 38	0.40 (0.10)*** 36	-0.62 (0.23)** 36	-0.04 (0.26) 34	-0.47 (0.16)*** 30	-0.46 (0.12)*** 30
SIPP	-0.46 (0.34) 29	-0.06 (0.15) 30	0.05 (0.18) 30	-0.33 (0.49) 30	1.52 (0.37)*** 30	-0.45 (0.22)* 30	-0.50 (0.10)*** 29

Source: Meyer, Mok and Sullivan JEP (2015)

# III. Data Quality: Income v. Consumption

---

- Reporting issues are split between income and consumption.
    - Ease of reporting v. sensitive topics
    - Nonresponse
    - Under-reporting
  - Low percentiles of expenditures greatly exceed low percentiles of income.
  - Consumption is more strongly associated with other measures of well-being.
-

Figure 1: Consumption and Income Poverty Rates, 1960-2018, Thresholds Anchored in 1980

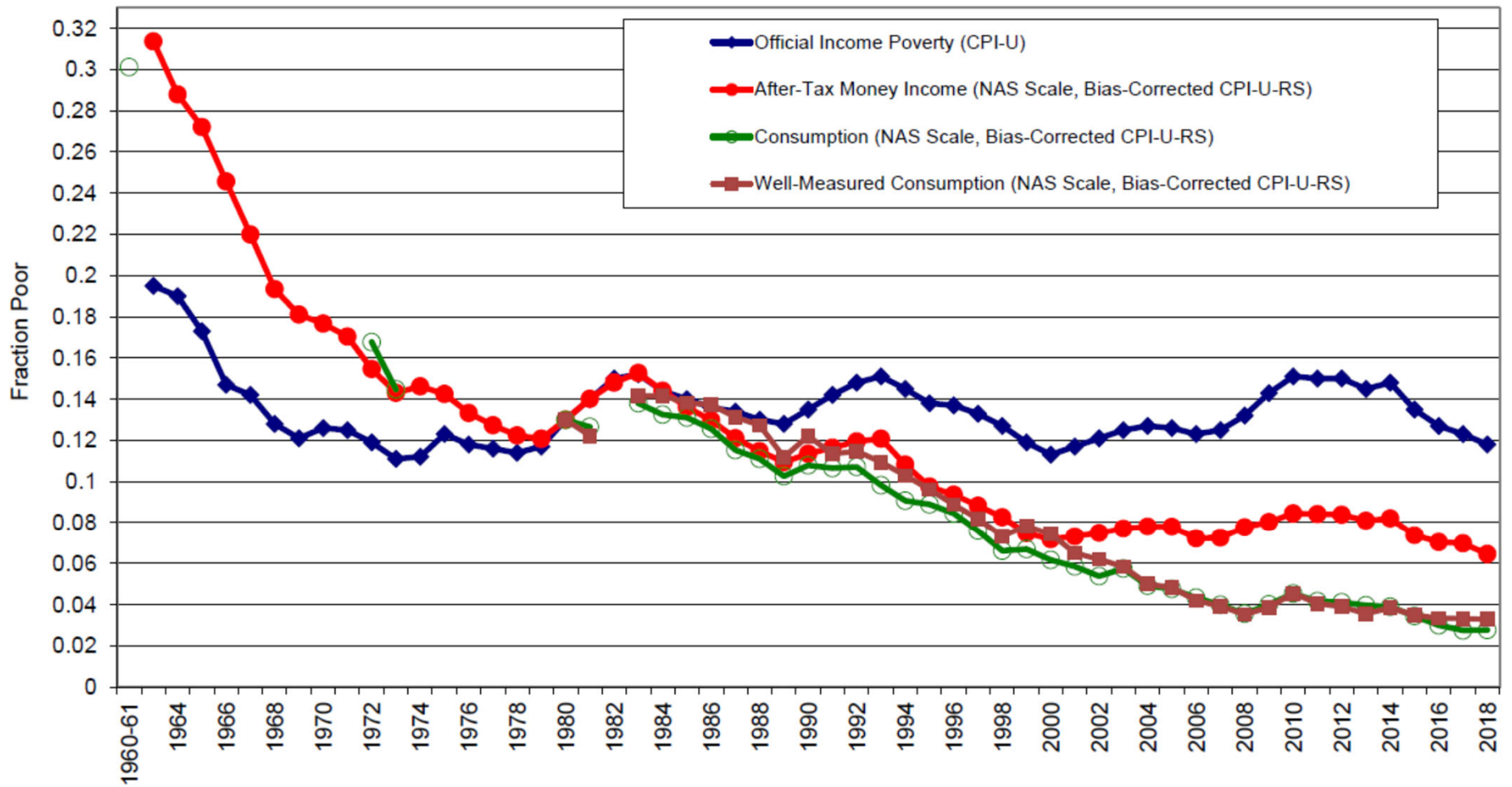
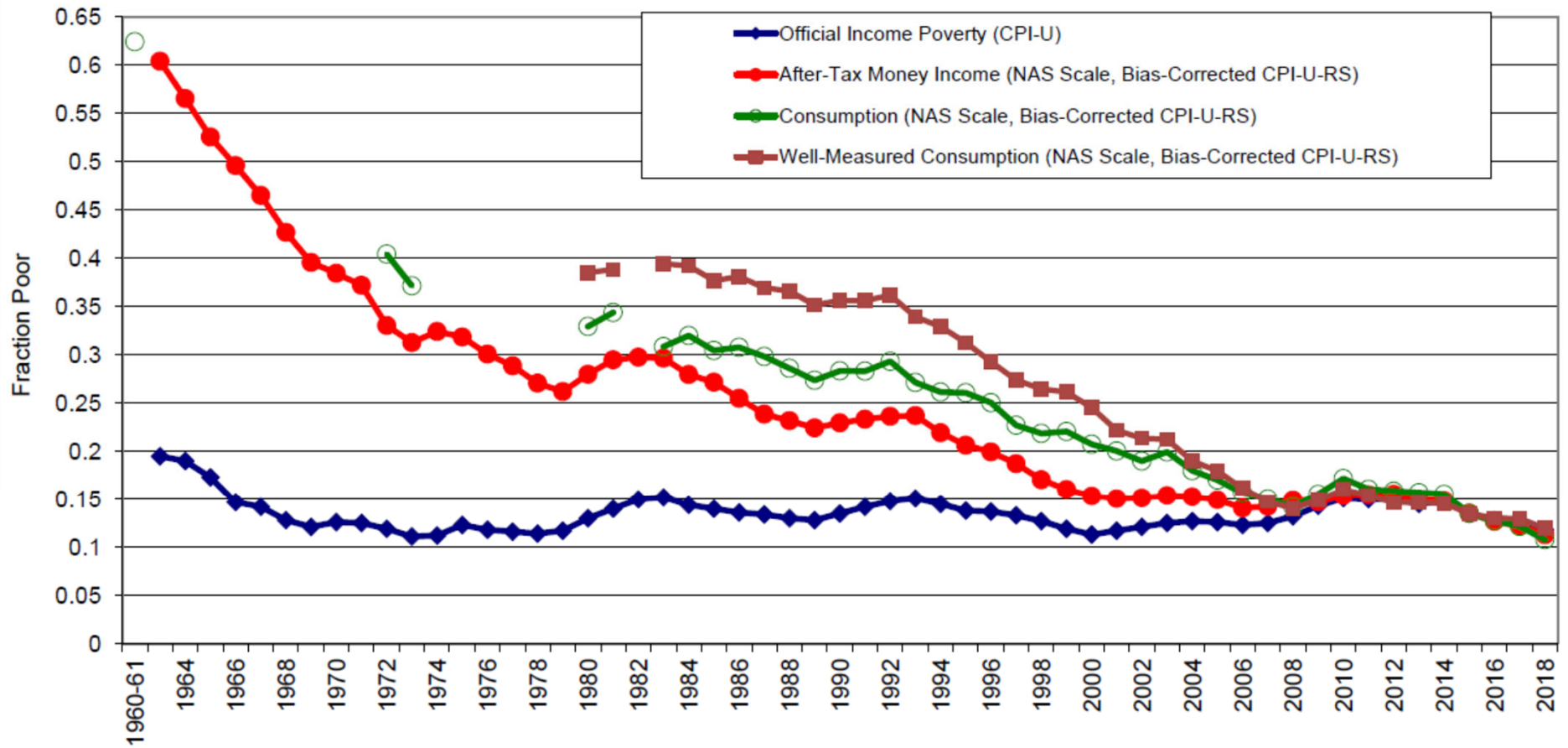




Figure 2: Consumption and Income Poverty Rates, 1960-2018, Thresholds Anchored in 2015



# IV. Politics

---

- Republican talking points
  - Democratic talking points
  - Alternative facts
  - Disagreement among economists and other social scientists
-

# V. Key Lessons

---

- Official Poverty Measure definition
  - Criticisms: almost no one likes it
  - Disagreement on alternative
  - Living standards disagree with trend in official rate
  - Consumption my preferred alternative
  - Consumption poverty shows substantial improvement over time
-

# VI. Possible Critiques

---

- Why focus on the consumption data?



# VI. Overconsuming?

---

- What about people spending beyond their means?
    - If people overspend, you want to measure it
    - If people sharply cut their consumption, you want to capture that as well
    - Income would miss both
-

# Poverty in the United States Using the Comprehensive Income Dataset

**Bruce D. Meyer**, University of Chicago, NBER, AEI, and U.S. Census Bureau

**Derek Wu**, University of Chicago

**Carla Medalia**, U.S. Census Bureau

*[DRAFT – Do not cite or circulate]*

Disclaimer: Any conclusions expressed herein are those of the author(s) and do not necessarily represent the views of the U.S. Census Bureau. All results were approved for release by the Census Bureau's Disclosure Review Board, authorization number CBDRB-FY20-019.

# Comprehensive Income Dataset (CID)

---

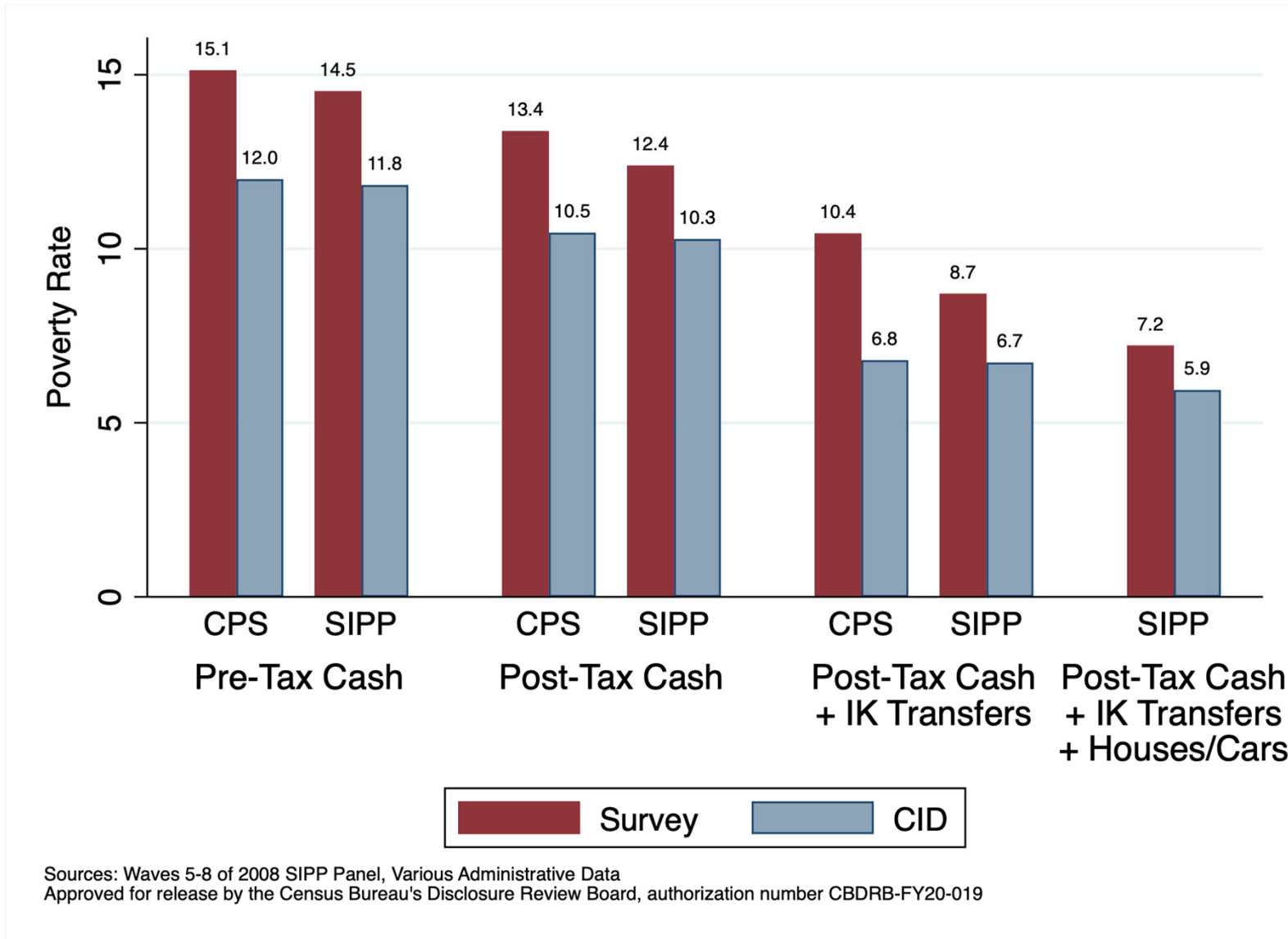
- Breakthrough project that links survey data to tax and transfer program data
    - Data linked at individual level
    - Done at Census Bureau by those with security clearance
    - Results screened to insure individual information not disclosed
-

# Data for the CID

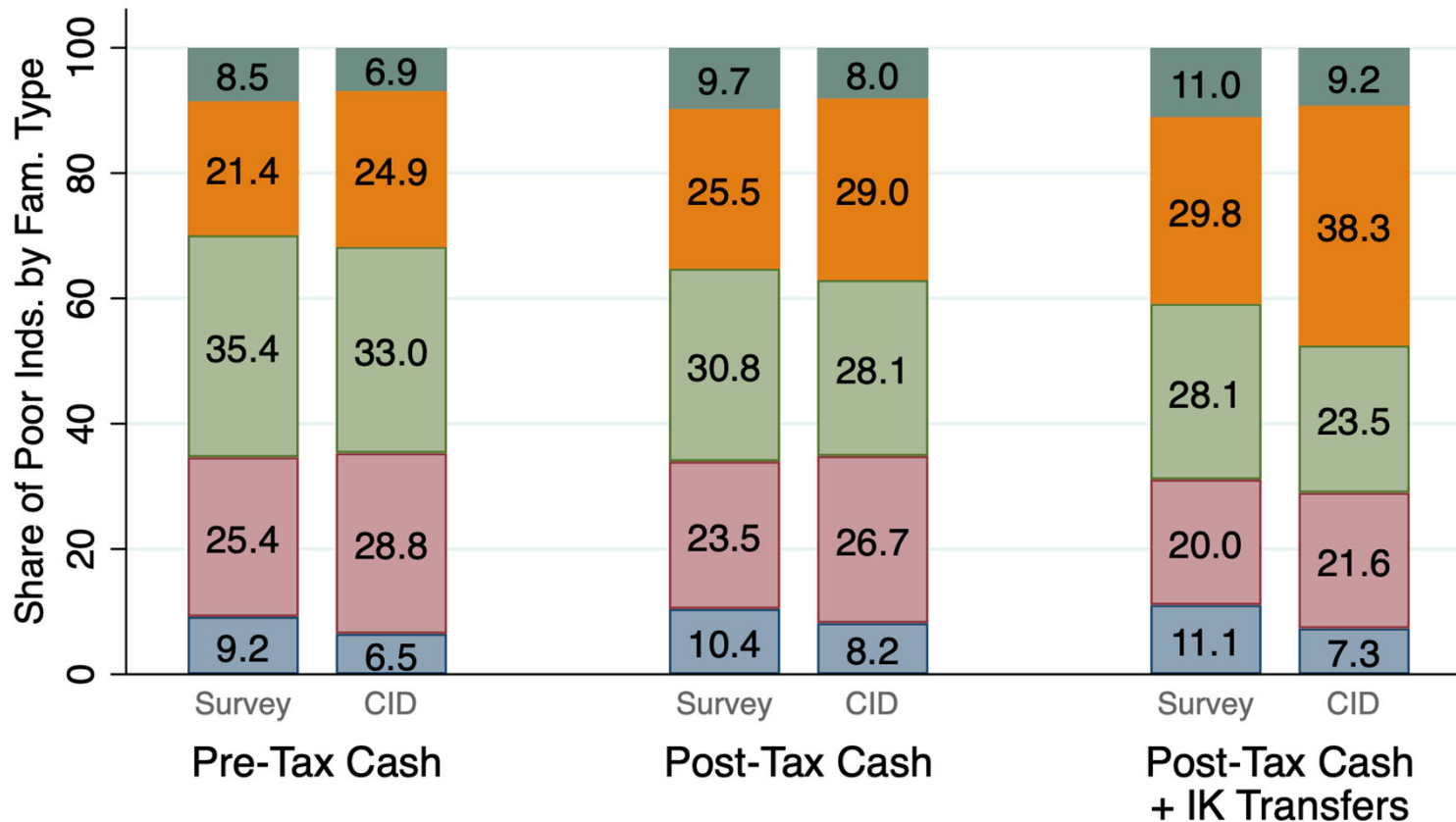
Source type	Phase I	Phase II
Household Surveys	Current Population Survey (CPS) Survey of Income and Program Participation (SIPP) American Community Survey (ACS)	Consumer Expenditure (CE) Survey
Tax Data	Forms 1040, W-2, 1099-R	Better 1040 extracts, more extensive info returns Tax credits (e.g., EITC, CTC) Unemployment Insurance (UI)
Federal Programs	SSA: Social Security and Supplemental Security Income HUD: Federal housing assistance HHS: Medicare and Medicaid enrollment, TANF	VA: Veterans Benefits
State Programs	Public Assistance (e.g., TANF, General Assistance) SNAP, WIC LIHEAP	More Public Assistance, SNAP, WIC, LIHEAP Workers' Compensation Child Support Payments



# 2010 Poverty Rates (CPS vs. SIPP)

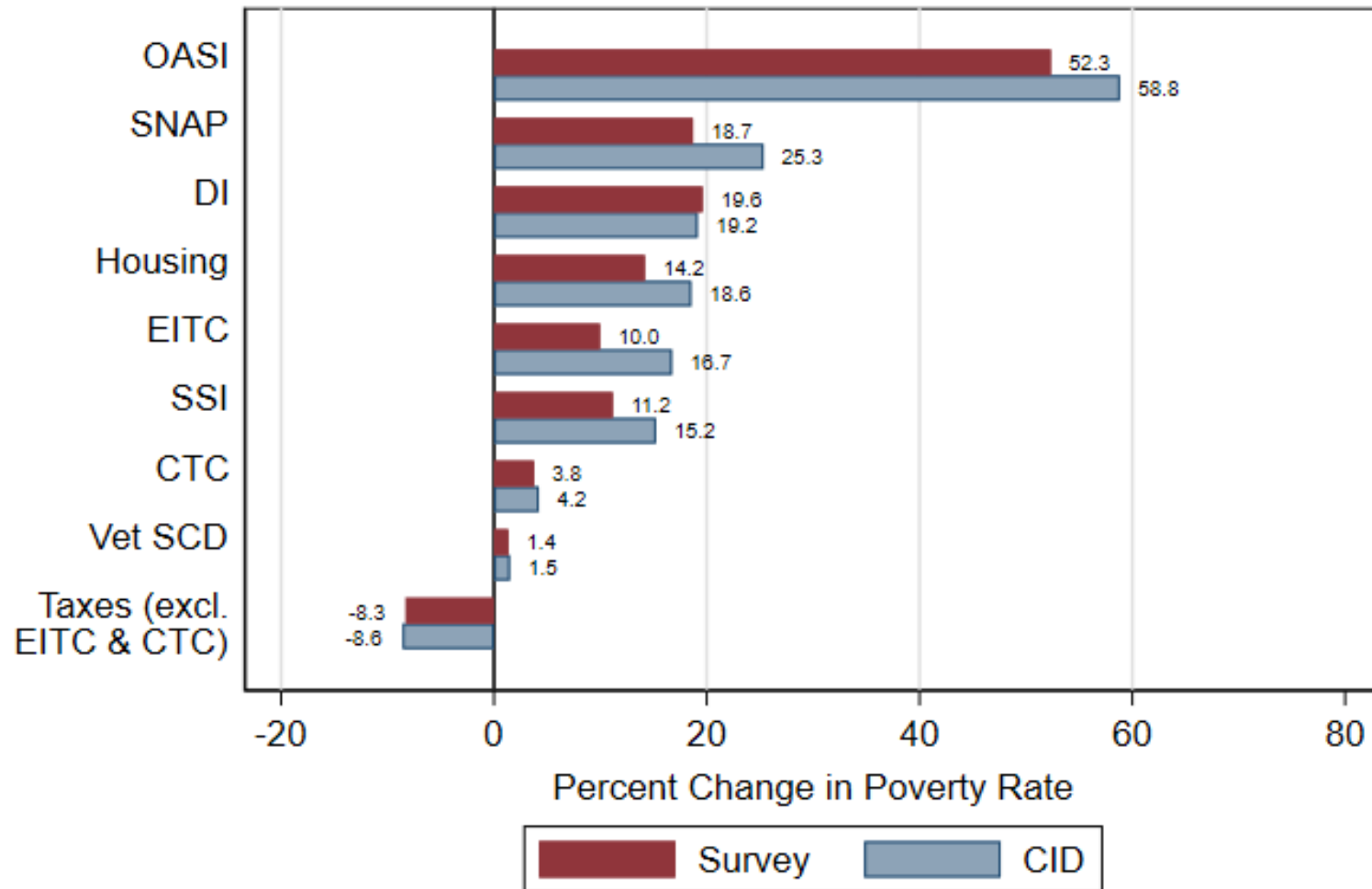


# Distribution of Family Types Among Poor



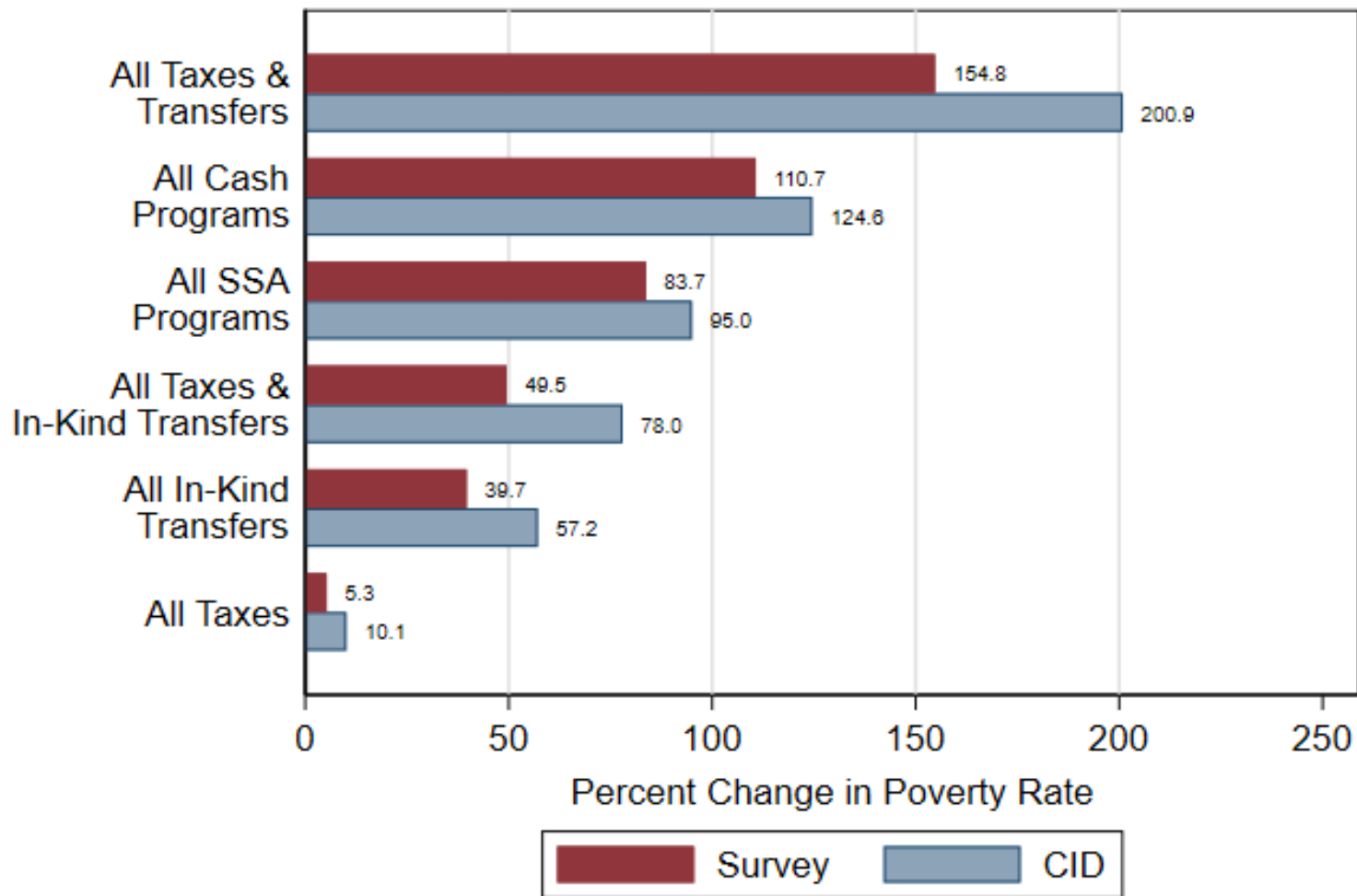
Sources: 2011 CPS ASEC, Various Administrative Data  
 Approved for release by the Census Bureau's Disclosure Review Board, authorization number CBDRB-FY20-019

# What if We Didn't Have a Given Program?



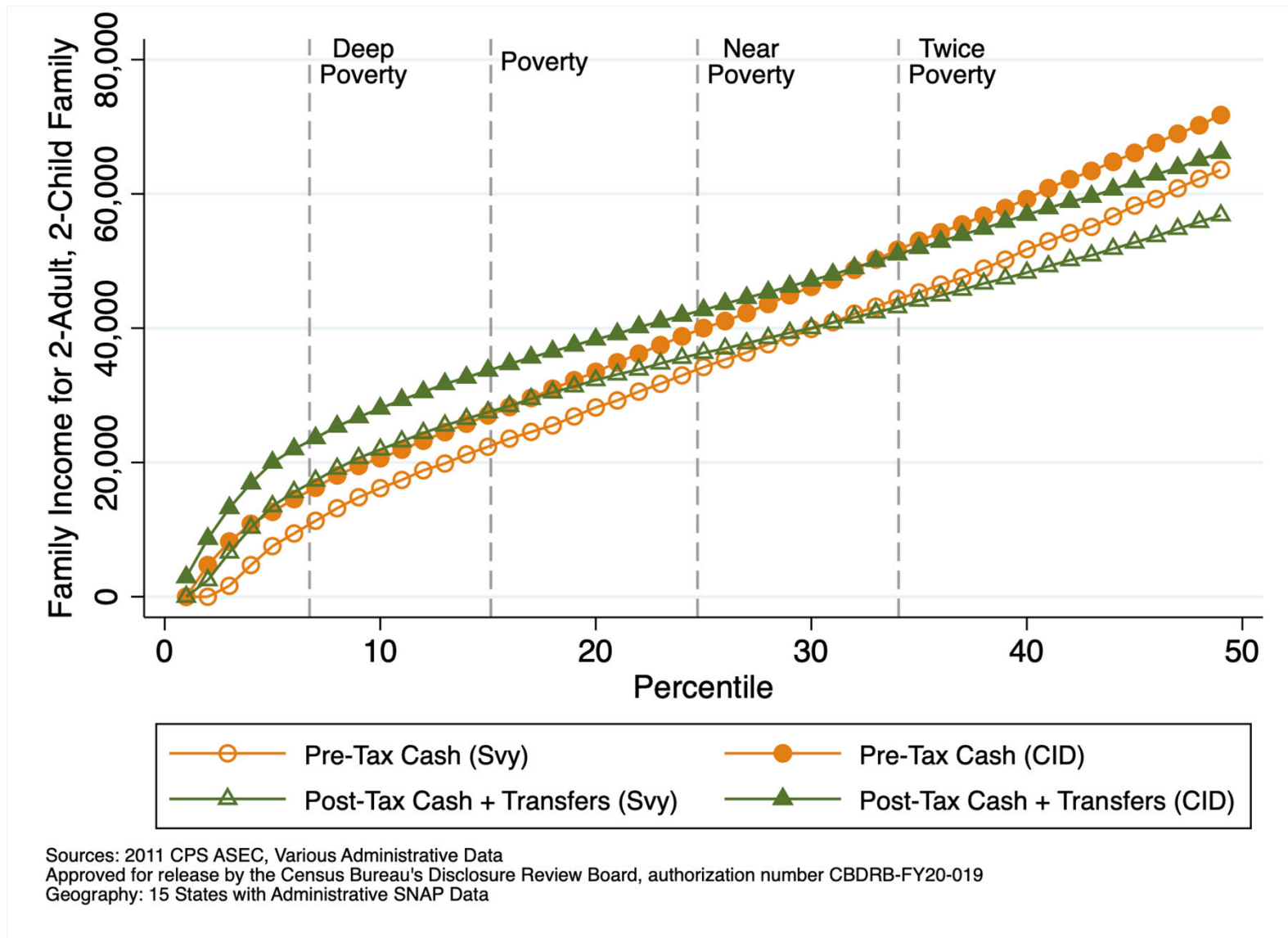
Sources: 2011 CPS ASEC, Various Administrative Data  
Approved for release by the Census Bureau's Disclosure Review Board, authorization number CBDRB-FY20-019  
Geography: 15 States with Administrative SNAP Data

# What if We Didn't Have Combinations of Programs?



Sources: 2011 CPS ASEC, Various Administrative Data  
Approved for release by the Census Bureau's Disclosure Review Board, authorization number CBDRB-FY20-019  
Geography: 15 States with Administrative SNAP Data

# Pre-Tax Cash vs. Post-Tax/Transfer (CPS)



# **The Use and Misuse of Income Data and Extreme Poverty in the United States**

Bruce D. Meyer, University of Chicago, NBER, AEI, and  
U.S. Census Bureau

Derek Wu, University of Chicago

Victoria Mooers, University of Chicago

Carla Medalia, U.S. Census Bureau

January 2019

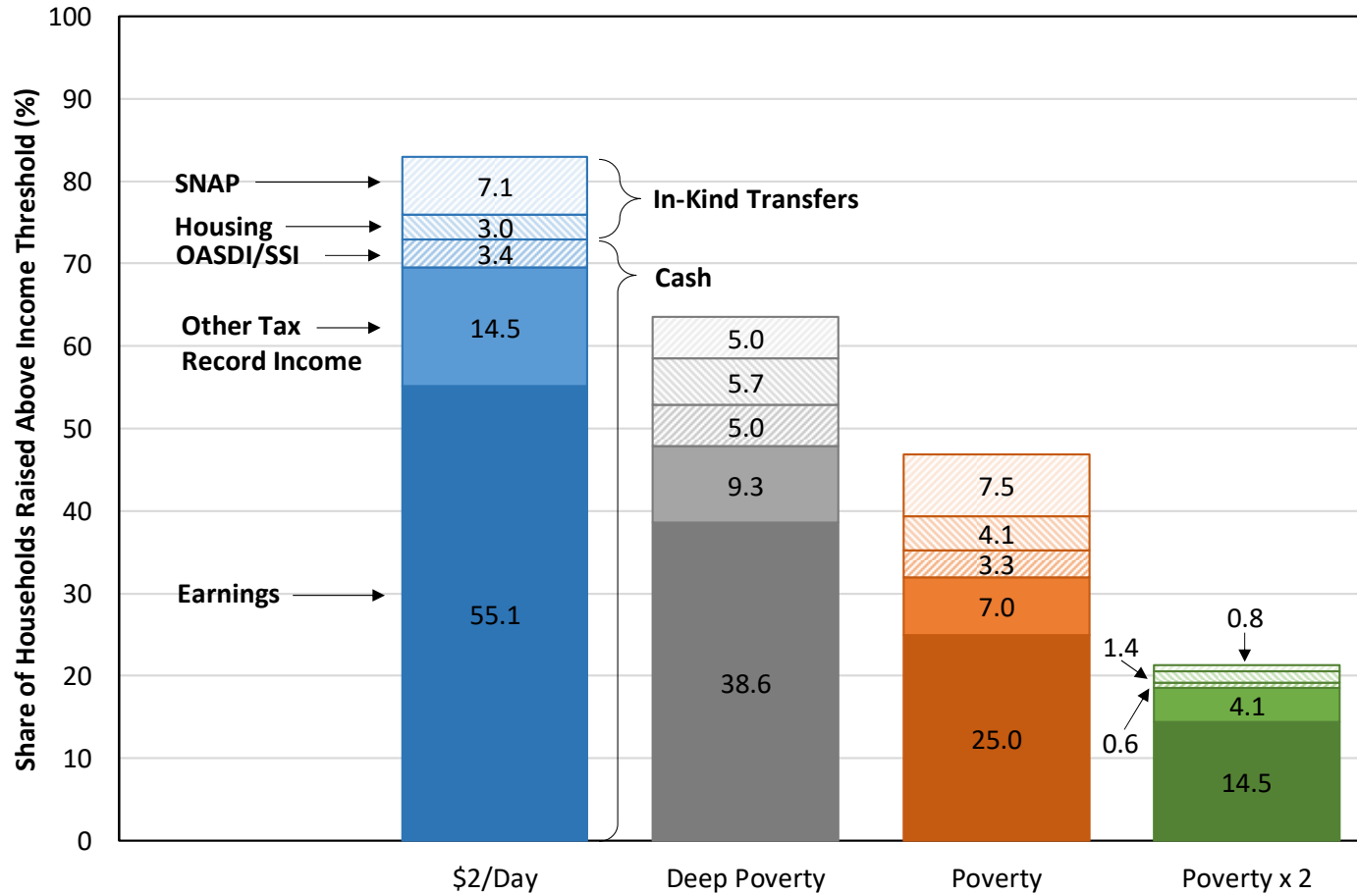
Disclaimer: Any opinions and conclusions expressed herein are those of the author(s) and do not necessarily represent the views of the U.S. Census Bureau. This work meets all of the U.S. Census Bureau's Disclosure Review Board (DRB) standards and has been assigned DRB approval numbers CBDRB-FY18-324 and CBDRB-FY19-173. We would like to thank the Alfred P. Sloan Foundation, the Russell Sage Foundation and the Charles Koch Foundation for their support.

## Percentage of Individuals in Extreme Poverty

Specification	(1) All Households	(2) Elderly	(3) Single Parents	(4) Multiple Parents	(5) Single Childless	(6) Multiple Childless
Survey-Reported Cash	2.60	0.47	9.56	2.11	6.85	1.83
<i>Survey-Only Adjustments</i>						
Add In-Kind Transfers	1.57	0.43	2.65	1.20	5.58	1.50
Correct Wage/Salary Earnings	1.37	0.36	2.53	0.95	5.12	1.33
Correct Self-Emp. Earnings	0.90	0.35	1.93	0.52	4.04	0.75
Account for Assets*	0.57	0.11	1.49	0.28	2.86	0.46
<i>Administrative Data Adjustments</i>						
Correct Earnings	0.24	0.09	0.64	0.10	1.63	0.09
Correct Other Tax Income	0.17	0.06	0.12	0.07	1.29	0.09
Correct OASDI, SSI, Hous. Assist.	0.14	0.01	0.12	0.05	1.18	0.07
Correct SNAP	0.11	0.00	0.00	0.00	1.12	0.07
<i>Population Estimates</i>						
U.S.	305,600,000	45,540,000	18,770,000	138,300,000	22,530,000	80,460,000
SNAP States	88,610,000	13,030,000	5,358,000	39,990,000	6,642,000	23,590,000
<i>Sample Sizes</i>						
U.S.	82,200	14,500	4,500	37,000	5,200	21,000
SNAP States	26,400	4,500	1,400	12,000	1,600	6,700

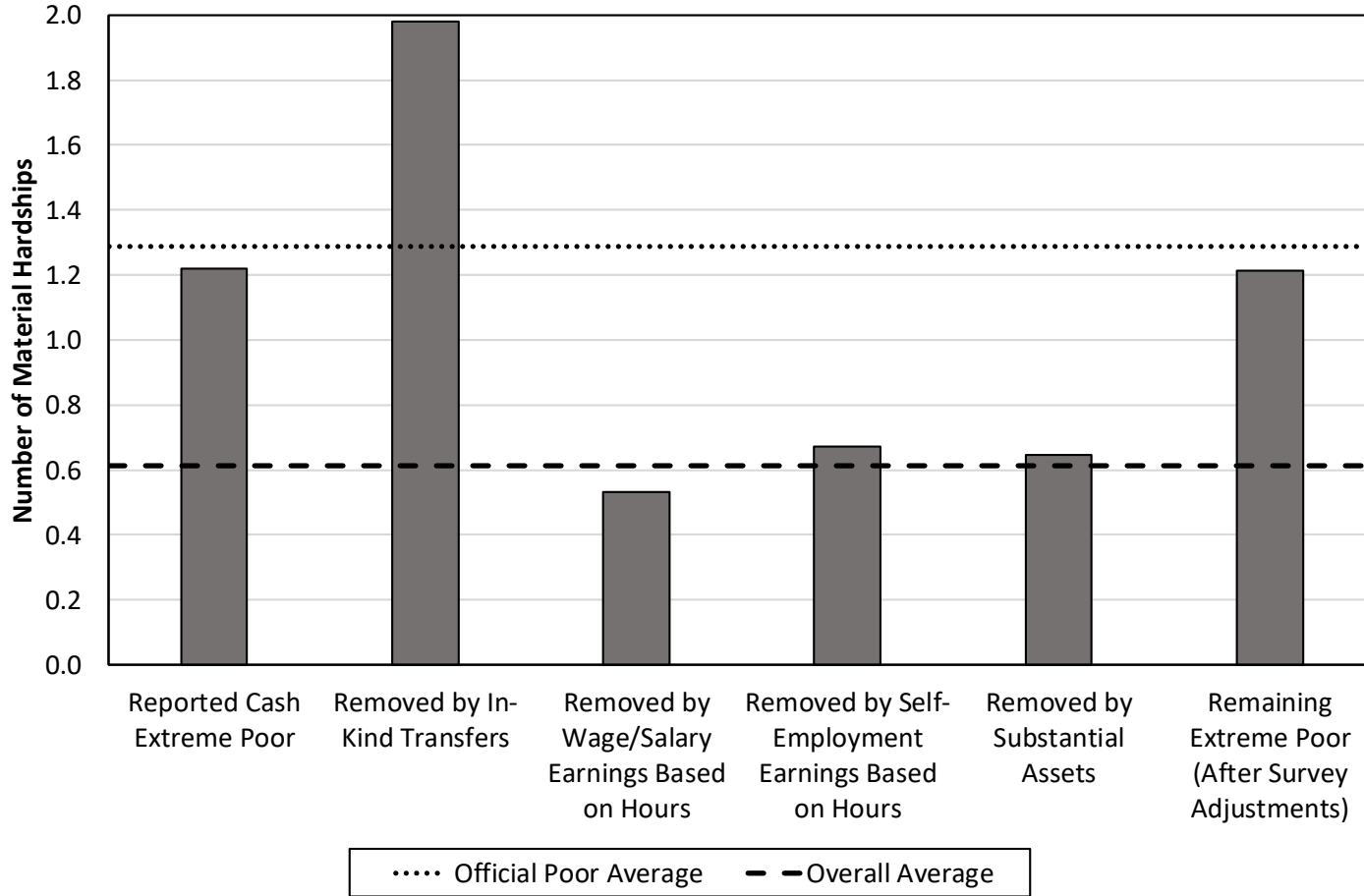
\*Real estate equity > \$25,000, liquid assets > \$5,000, or total net worth > \$50,000.

### Share of Reported Cash Extreme Poor Households Raised Above Income Thresholds by Administrative Data





**Mean Number of Material Hardships of Extreme Poor Subgroups**  
2011 SIPP (Wave 9 of 2008 Panel), Survey Data Only



## VII. What's next?

---

- What do the poor really look like when you improve the income definition and correct as many errors as you can?
  - What is the same and what is different from conventional thinking?
  - How well are our programs targeted?
  - Who is missed?
-