Comments on Fitzgerald and Moffitt
by Bruce Meyer

Given the time constraint I will be direct. This paper takes several steps backward. Last year, two excellent reports on how to improve poverty measurement were released, one from the Statistical Policy Office of OMB was the consensus of 12 federal agencies, a second six AEI scholars produced[1]. We have learned a lot since the report of 25 years ago that Robert emphasized.

The key distinction of the authors' measure is that it is based on the notion of ability to pay. This concept is too arbitrarily defined to be useful. Households have access to all sorts of resources, and it is not clear which should be included. The authors include unused credit card limits. What about: ability to apply for other credit such as a second mortgage or a reverse mortgage? Or for that matter the option to increase labor supply? By what metric do we decide what to include or exclude?

This measure removes economics. A consumption measure is based on the permanent income or lifecycle model. This measure abandons the notion of revealed preference, that we learn from people's choices about what they believe they can afford. On the one hand, including debt service and the ability to borrow also double counts or triple counts resources; Expenditures are counted when you purchase something on credit, and then you pay back the loan.

On the other hand, this measure omits much of the 1st and 3rd largest consumption categories, housing and transportation. Jim Sullivan and I found in our 2012 JEP paper that 75 percent of the SPM poor own a car, 41 percent own a house[2]. The numbers are probably higher for this new measure given the omission of flow of consumption from owned houses and cars.

The paper should recognize that thresholds are arbitrary which is clearer than saying they are socially determined. Even Mollie Orshansky called the thresholds arbitrary.[3] Historically she produced more than one set of thresholds; the ultimate choice by the White House was not based on which basket of goods was better, but on what thresholds gave the poverty rate that the White House desired.

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[1] ITWG. 2021. "Final Report of the Interagency Technical Working Group on Evaluating Alternative Measures to Poverty." https://www.bls.gov/cex/itwg-report.pdf

Burkhauser, Richard, Kevin C. Corinth, Bruce D. Meyer, Angela Rachidi, Matt Weidinger, and Scott Winship. 2021. "Addressing the Shortcomings of the Supplemental Poverty Measure." American Enterprise Institute https://www.aei.org/research-products/report/addressing-the-shortcomings-of-the-supplemental-poverty-measure/

[2] Meyer, Bruce D., and James X. Sullivan. 2012. "Identifying the Disadvantaged: Official Poverty, Consumption Poverty, and the New Supplemental Poverty Measure." *Journal of Economic Perspectives*, 26 (3): 111-36. https://www.aeaweb.org/articles?id=10.1257/jep.26.3.111

[3] In the 1960s while working for the Social Security Administration, Orshansky developed the official poverty thresholds. For more history, see https://usa.ipums.org/usa/volii/fisher_art.shtml

It is completely unclear how this measure relates to well-being. Since the underlying goal of poverty measurement is to assess who is the worst off and how their well-being has changed over time, the approach would be less arbitrary if it validated its measurement choices based on whether the resulting measure was associated with other indicators of well-being.

Lastly, the SPM that is the benchmark here, has many problems as the AEI report mentioned at the start makes clear. These problems include lower association with hardship measures than the OPM or consumption poverty (which does the best out of OPM, SPM and consumption poverty).