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To the Office of the Chief Statistician:

We appreciate the opportunity to provide comments on the interim report of the Interagency Technical Working Group on Evaluating Alternative Measures of Poverty[1] and thank the Working Group for their hard work and thoughtful deliberations. We want to stress six important points:

1) **The public comment period on this notice and interim report should be extended until after the current National Emergency is over.** The COVID-19 pandemic is drastically disrupting our universities and communities and necessitating that policy experts and scholars attend foremost to the safety and needs of students, colleagues, and families. Many university-based researchers must swiftly redesign their current and next-semester classes for distance learning. Many have been obliged to respond to the outbreak in other ways, such as contributing to the design of community, state, or federal policy responses. In this environment, it is impossible to give the public notice adequate attention. President Trump declared the National Emergency concerning the COVID-19 outbreak on March 13, just 28 days after publication of the interim report in the *Federal Register*. We urge OMB to extend the deadline for comment until at least 30 days after the National Emergency declared by the President has ended.

2) **The measurement of poverty has profound implications for Americans' lives.** The task of counting the number of poor Americans has real-world implications for millions of Americans. We use poverty measures to understand the numbers of Americans who are struggling to make ends meet and which Americans those are. We use these measures to understand how society and public policies have succeeded and failed at helping those counted as in poverty. And we use these measures to guide where resources should be devoted and whom to target these resources to. Therefore, we urge you to approach the creation of alternative measures of poverty with caution and deliberation. This caution and deliberation should include an active role for the scientific community, which has studied poverty measure issues intensively over decades.

3) **Developing a consumption poverty measure is a reasonable goal but should not supplant measures of income poverty.** The interim report thoughtfully reviews many of the tradeoffs between income poverty measures and consumption poverty measures. It is evident from this review that both types of measures have strengths and shortcomings, both conceptually and because of the practical limitations of existing survey data. Accordingly, we believe that both

[1] https://www.federalregister.gov/documents/2020/02/14/2020-02858/request-for-comment-on-considerations-for-additional-measures-of-poverty

types of measures merit scrutiny and development. There is no need to choose between consumption and income.

If a consumption measure is adopted, it should be with an understanding that it is an interim or exploratory measure, and that a better source of consumption data will be needed – capable of yielding reliable state-by-state poverty estimates and estimates for a variety of demographic subgroups - and a commitment must be made to fund this. As discussed below, a final consumption measure should be devised with close involvement by the NAS.

4) **Poverty thresholds must match the definition of resources.** A key principle of the landmark 1995 NAS report on poverty measurement was that there should be correspondence between the definition of a family's resources and the definition of its minimum needs. That is, every poverty threshold implicitly or explicitly represents a set of basic needs, and only those resources that a family could use to meet those needs should be counted and compared against that poverty threshold in determining a family's poverty status.[2] We urge OMB to follow this principle.

   This principle should be applied to decisions about how to value health insurance in a poverty measure. Clearly, all can agree that health insurance has a value to individuals and families. And there may be appropriate ways to calculate that value monetarily. Any attempt to value health insurance in a poverty measure must, however, account for this value on both the resources *and* the needs side of any poverty measure. If the value of health insurance is included in the definition of resources, this must be balanced by a definition of the cost of that insurance in the poverty threshold. This key principle of the 1995 CNSTAT report must be maintained. The Health Inclusive Poverty Measure produced by Dahlia Remler, Sanders Korenman, and their colleagues meets this standard. It identifies a family's need for a basic level of health care and counts only the value of health care spending that goes to meet this need. This measure has received extensive academic and expert vetting and broad support. Proposals described in the interim report that would count the value of health care as a resource broadly available to meet all of a family's needs appear not to meet this standard and should be rejected.[3] The danger of counting health benefits in the ways contemplated by the interim report is that, if the real value of health benefits increases sufficiently, a family could be considered non-poor even if it were entirely without the cash income required to meet needs such as transportation, diapers, child

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[2] Constance F. Citro and Robert T. Michael, eds., *Measuring Poverty: A New Approach* (Washington, DC: National Research Council of the National Academy of Sciences, 1995), https://www.nap.edu/catalog/4759/measuring-poverty-a-new-approach.

[3] The 1995 CNSTAT poverty measurement report explained that, "to add the value of health insurance benefits to income (in whole or in part) but not to add any amount to the poverty threshold—to allow either for medical care needs or for higher out-of-pocket expenses— is to ignore completely the increased costs of medical care and to assume the fungibility of medical care benefits. This approach is perverse. ...Poverty estimates of this type are inappropriate" (Citro and Michael, *Measuring Poverty*, 231).

care, repairing a refrigerator or stove, or other basics.[4]

Similarly, proposals in the report to count other forms of resources such as home ownership, without a corresponding discussion of how this added resource should be reflected in the measure of needs, also appear to fail to meet this standard. Inconsistency in the definition of resources versus needs is illogical and incorrect, and has the potential to be highly misleading for consumers of poverty statistics.

5) **Available evidence does not justify using lower inflation measures to lower the poverty line.** The report leaves open the method to be used for adjusting new poverty thresholds over time, deferring to forthcoming recommendations from a separate federal working group. That group has floated proposals to adopt lower inflation measures and, thus, to substantially lower the poverty rate over time. Those proposals, we believe, are ill-advised. They fail to acknowledge the considerable research that has emerged in recent years suggesting average measures of inflation may understate inflation faced by poor families purchasing basic goods.[5] This important evidence must be taken into account when considering adopting different measures of inflation.

   Moreover, while poverty lines always include an element of judgment, choosing an inflation measure that makes the poverty line grow more slowly is particularly problematic if the level of need embodied in the poverty thresholds starts off too low. The interagency report does an admirable job of summarizing the history of the United States' current system of measuring poverty; included in this discussion were concerns laid out by the official measure's creator, Mollie Orshansky, that the line chosen in the 1960s may very well have been too low at that time. Newer research has shown that levels of material hardship and deprivation remain substantial both below and well above the current poverty thresholds, a sign that the current

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[4] This is the case even under the proposal to count the "fungible value" of health insurance. The "fungible valuable" approach seeks to determine whether that a family has sufficient non-medical resources to meet basic food and housing needs, but not other needs such as diapers and transportation..

[5] Greg Kaplan and Sam Schulhofer-Wohl, "Inflation at the Household Level," *Journal of Monetary Economics*, 2017, https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf; Jonathan Church, "The cost of 'basic necessities' has risen slightly more than inflation over the last 30 years," *Beyond the Numbers: Prices and Spending*, Vol. 4, No. 10, June 2015, https://www.bls.gov/opub/btn/volume-4/the-cost-of-basic-necessities-has-risen-slightly-more-than-inflation-over-the-last-30-years.htm; Benjamin Faber and Thibault Fally, "Firm Heterogeneity in Consumption Baskets: Evidence from Home and Store Scanner Data," National Bureau of Economic Research Working Paper No. 23101, August 2017, https://www.nber.org/papers/w23101.
Xavier Jaravel, "The Unequal Gains from Product Innovations: Evidence from the US Retail Sector," *The Quarterly Journal of Economics*, Vol. 134, Issue 2, May 2019, pp. 715–783, https://academic.oup.com/qje/article-abstract/134/2/715/5230867; The study examined the extent to which the CPI-U might overstate inflation due to "substitution bias" — that is, to the index not taking account of consumers' changes in their spending patterns in response to relative changes in prices. Over the years 1984-1994, the study estimated that substitution bias caused a price index like the CPI-U to overstate inflation by a cumulative total of 1.99 percent for consumers overall. For poor consumers, substitution bias was quite similar (2.01 percent), slightly less (1.75 percent), or considerably less (0.25 percent), depending on how poor households were defined, although it was not possible to determine if these differences were statistically significant. Thesia I. Garner, David S. Johnson, and Mary F. Kokosi, "An Experimental Consumer Price Index for the Poor," *Monthly Labor Review,* September 1996, https://www.bls.gov/opub/mlr/1996/09/art5full.pdf.

official poverty line is hardly too high.[6]

We believe the evidence base concerning inflation for low-income households is evolving rapidly and, at minimum, does not adequately justify adopting a lower inflation adjustment.

6) **We believe that alternative poverty measures should be considered exploratory until they have been independently reviewed. A full consideration of alternative poverty measures necessitates a National Academy of Sciences panel and study.** The breadth of issues and perspectives in the interim report is evidence of the complexity of the challenge of creating one or more new poverty measures. A new NAS panel should be brought together to adjudicate the issues raised by the report. Involvement and review by the scientific community, and the NAS in particular,is consistent with the federal government's procedure in recent decades for creating and modifying measures of poverty.[7] A new NAS panel is the appropriate process for considering revisions to the nation's measure of poverty and economic wellbeing.

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[6] Some 29 percent of households with children with income between 100 percent and 130 percent of the poverty line couldn't consistently afford adequate food in 2017, not far below the 40 percent figure for those below the poverty line, Agriculture Department data show. Calculated from Alisha Coleman-Jensen *et al.,* "Household Food Security in the United States in 2017," Department of Agriculture, 2018.

Over 60 percent of non-elderly adults with income between 100 and 200 percent of the poverty line reported one or more material hardships such as food insecurity, missed payments for utility bills or rent or mortgage, or problems paying family medical bills, a 2017 Urban Institute survey found — not significantly different than for those in poverty. Michael Karpman, Stephen Zuckerman, and Dulce Gonzalez, "Material Hardship among Nonelderly Adults and Their Families in 2017," Urban Institute, 2018, https://www.urban.org/sites/default/files/publication/98918/material_hardship_among_nonelderly_adults_and_their_families_in_2017.pdf.

[7] CNSTAT recommendations formed the foundation of the Supplemental Poverty Measure. ("Observations from the Federal Interagency Technical Working Group on Developing a Supplemental Poverty Measure," March 2010, https://www.bls.gov/pir/spm/spm_twg_observations.pdf .

And recent modifications to the SPM have received input through CNSTAT as well as multiple rounds of guidance from a range of outside scholars, stakeholders, and experts. Liana Fox, "Potential Improvements to the Supplemental Poverty Measure," SEHSD Working Paper #2020-03, NAS Dialog on Measuring and Reducing Child Poverty, March 13, 2020, https://www.census.gov/library/working-papers/2020/demo/SEHSD-WP2020-03.html.