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Overreaching on Poverty Policy

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In 1965, Mollie Orshansky developed the Official Poverty Measure (OPM). To do so, she identified a model for a nutritionally adequate diet, as well as the cost of purchasing that diet. She then noted that food was roughly a third of American families' budget, so she multiplied the cost of the diet by three and voila! She had the federal poverty level (FPL), which identifies the basic needs of a family. To determine poverty, you compare needs to income. The logic is that if you have an income higher than the poverty line, you could buy the adequate diet and more. If you were below the poverty level, you could not afford your basic needs and were in poverty.

The OPM was remarkably crude, but lives to this day. It has been adjusted for inflation and the size of a household, but the same foundation remains. There is the cost of a bundle (the adequate diet) and a multiplier (three) to get the FPL. Congress uses the FPL as the foundation of eligibility for myriad federal benefits, ranging from food stamps to Obamacare.

Of course, the OPM is completely outdated. Food is no longer one-third of the typical budget, and one can argue that shelter, medical care, and other items should be included in the bundle identified as basic needs. A recent study by the National Academy of Sciences (NAS) proposed a dramatic revision of both the bundle and the multiplier used to identify basic needs and the measure of income used to determine poverty. The former now varies by state and includes better measures of health insurance, child care, and shelter. The latter includes transfers such as tax credits and the stimulus checks that were previously omitted.

As it turns out, this isn't the first time this kind of effort has been undertaken. In 1995, the Census developed the Supplemental Poverty Measure (SPM), which it regularly publishes along with the OPM. This effort is essentially fine-tuning the SPM. What is different this time is that the NAS panel included as its top recommendation:

> *Due to its vital role in tracking the effects of public policies and programs on the size and composition of the population living in or near poverty, and its resulting status as the preferred measure of many researchers and policy makers, the Supplemental Poverty Measure should be elevated to the nation's headline poverty statistic and renamed accordingly (e.g., to the Principal Poverty Measure).*

That's right. The panel wants the Census to unilaterally replace the OPM with its new PPM. One estimate is that this would add millions to the poverty rolls and cost the federal government an additional $124 billion over the next 10 years.

It is also a massive overstep in two ways. First, the Constitution gives Congress the power of the purse and thus, this kind of decision should only be made by Congress. The poverty line and generosity of poverty programs are a value judgment that only elected officials should make. It is revealing in this regard that the SPM has been around since 1995, but Congress has not chosen to replace the OPM with it.

In addition, the NAS panel subtly changes the concept of poverty from absolute deprivation to relative deprivation. That is, under its new system, a poor person's income could rise every year and they would never escape poverty if it rose less quickly than the middle class. Again, turning the notion of relative deprivation into a foundation of social safety net policy is above the NAS panel's pay grade.

Measuring poverty is a tricky business and it is good for technocrats to illuminate the technical issues. But it should stop there. Policy decisions belong to Congress.