CHAPTER 2

Methods of Measuring Poverty

The current official poverty measure, devised in 1965 and adopted by the federal government in 1969, has lived a ripe old age. Some would assert too ripe an age, especially given changing living standards over the last half century. Unlike in the 1960s, most women today work, and many of these families need child care. Health care costs have surged, and housing takes up a larger share of a family's budget than it used to. People of all political stripes say the poverty measure is hopelessly outdated, and, as a consequence, new efforts have cropped up to provide a more accurate portrait of poverty in the United States.¹

So if there is bipartisan support for changing the official measure, why hasn’t a new one been adopted yet? The short answer is that although there are elements of the official poverty measure that all agree need to be changed (such as the measure of people’s income, which is clearly flawed), there are some fundamental differences in opinion on what a “poverty” measure should, well, measure.

Consider the following stark assertion about the meaning of poverty, written in 1904: “Whether it be directly through starvation, or indirectly through sickness brought on by insufficient nourishment, poverty must necessarily lead to the extinction of the physical life.”² Most would agree that equating poverty with starvation and death is too severe an approach. There are many people who are struggling to make ends meet, some even homeless, but who are not at death’s door. But should poverty refer to a severe state of material deprivation? Or are notions of
poverty inextricably linked to social standards of living, as alluded to in the previous chapter?

The debate continues today. A 2011 report by a conservative think tank in Washington, D.C., argued, “Most of the persons whom the government defines as ‘in poverty’ are not poor in the ordinary sense of the term,” as the majority of the poor have amenities like air-conditioning, cable TV, a refrigerator, an oven and stove, a microwave, and a clothes washer and dryer. The report further asserts that “the major dietary problem facing poor Americans is eating too much” and that “most poor families stated that they had had sufficient funds during the past year to meet all essential needs.”

Stephen Colbert, a comedian and faux conservative political commentator on his show, *The Colbert Report*, provided a retort to this report. “A refrigerator and a microwave?” asked Colbert. “They can preserve and heat food? Oolala! I guess the poor are too good for mold and trichinosis.” Colbert’s subsequent discussion with Peter Edelman, a former aid to Robert Kennedy who was a guest on his show that day, focused on how government programs have been instrumental in alleviating much of the severest of poverty that once plagued a significant proportion of the U.S. population. The underlying theme was that poverty is perhaps not as severe as it once was, but that does not mean that many people are not struggling to meet what are widely considered basic needs.

This chapter focuses on these issues by reviewing the basic types of poverty measures, discussing their advantages and disadvantages, and describing a poverty measure recommended by a National Academy of Sciences panel that is a strong contender to replace the current official one.

**WHAT IS POVERTY?**

*Poverty*, as defined and applied in this book, essentially refers to economic, or income, deprivation. Two basic types of poverty measures are *absolute* measures and *relative* measures. Absolute measures, such as the current U.S. official measure, typically attempt to define a truly basic—absolute—needs standard and therefore remain constant over time. Relative measures, which are more commonly used by researchers and policy makers in Europe though used less in the United States, define poverty as a condition of comparative disadvantage, to be assessed against some relative, shifting, or evolving standard of living. The key distinction between the measures is not necessarily in the
specific monetary value of the respective poverty thresholds (though absolute thresholds are usually lower), but rather in how these thresholds are updated over time. Absolute poverty lines remain constant, while relative ones rise as standards of living rise.\textsuperscript{5}

In the 1990s, a U.S. National Academy of Sciences research panel devised a \textit{quasi-relative} measure, which combines elements of absolute and relative measures.\textsuperscript{6} Since that time, additional research has resulted in additional adjustments and refinements to the panel’s recommended measure. This quasi-relative measure has certain qualities that, in my view, make it conceptually and practically the most viable and useful type of general poverty measure in the United States, even though different types of measure can be informative when trying to understand different social and economic conditions.

\textbf{Absolute Measures}

Absolute poverty measures have thresholds, or poverty lines, that remain constant over time. These measures are descended from the work on standard budgets and poverty lines described in the previous chapter. The assumption underlying most absolute measures is that there is a subsistence level of income or consumption below which people should be deemed economically disadvantaged or deprived. Early advocates of the poor who developed standard budgets typically attempted to come up with a dollar figure representing the amount of income below which a family or person risked being without adequate shelter, clothes, or food. Although absolute thresholds do not necessarily represent a severe measure of deprivation, it is nevertheless implicit that they are developed by “experts” with reference to basic physiological needs.\textsuperscript{7}

The official U.S. poverty measure is an excellent example of an absolute measure that achieved a wide degree of support and consensus. The current official poverty measure has two components: poverty thresholds and the definition of family income that is compared to these thresholds. Mollie Orshansky of the Social Security Administration constructed poverty thresholds by using the “Economy Food Plan” (the lowest-cost food plan) prepared and priced by the U.S. Department of Agriculture. She described her poverty thresholds as a “relatively absolute” measure of poverty, inasmuch as they were developed from calculations that made use of the consumption patterns (at a particular point in time) of the U.S. population as a whole. Nevertheless, the measure is
considered an absolute one because it does not change as standards of living change. The plan was designed for “temporary or emergency use when funds are low.” It allowed for no eating at restaurants, called for careful management of food storage and preparation, and was designed to provide a nutritious but monotonous diet.  

To get from the food plan cost to an overall poverty threshold figure, Orshansky used information from the 1955 Household Food Consumption Survey, which indicated that families of three or more people spent about one-third of their after-tax income on food in that year. She therefore multiplied the costs of the food plan for different family sizes by three to come up with thresholds for those families. Thresholds have been updated yearly for inflation using the Consumer Price Index (CPI). The definition of family resources used to compare to the thresholds is the Census Bureau’s definition of income, which consists of gross annual cash income from all sources, such as earnings, pensions, interest income, rental income, and cash welfare. A family and its members are considered poor if their income falls below the poverty threshold for a family of that size and composition.

The main advantage of absolute poverty measures is that they are conceptually easy to understand and intuitively appealing. There is, after all, an “absolutist core” in the idea of poverty. For example, if there is starvation and hunger, then there is clearly poverty—regardless of how high or low the overall standard of living. Furthermore, the history of research on standard budgets exemplifies the widely held belief that there is some amount of money we need to survive, and that people making less than that amount face substantial economic hardship.

The main disadvantage of absolute poverty measures is that as standards of living change, generally so do people’s perceptions of what poverty means. Fisher describes how poverty lines and minimum subsistence budgets before World War I were, in constant dollars, generally between 43 and 54 percent of Mollie Orshansky’s poverty threshold for 1965. A U.S. Works Progress Administration “emergency” budget for 1935 was equal to 65 percent of Orshansky’s poverty threshold, and Robert Lampman’s low-income line for 1957 was 88 percent of that threshold.

Economists describe this phenomenon as the income elasticity of the poverty line—the tendency of successive poverty lines to rise in real terms as the real income of the general population rises. Reviewing a number of studies on the issue, Fisher estimates that the amount of money people think it takes to “get along” rises between 0.6 and
1.0 percent for every 1.0 percent increase in the income of the general population. He finds similar general patterns in Britain, Canada, and Australia. Thus, it could be argued that poverty measures are useful only to the extent that they tell us something meaningful about the conditions in a particular society. Poverty is by its nature at least somewhat relative; people are poor when others think of them as poor.

The official U.S. poverty measure has some advantages and disadvantages unrelated to the fact that it is an absolute poverty measure. On the positive side, it has achieved a level of consensus that no other poverty measure in the United States can claim. As an analytic tool, it has provided much useful information about trends in economic well-being. First among its many problems is that the definition of money income used is flawed: gross cash income inadequately captures the amount of money people have at their disposal to meet economic needs. Second, the thresholds are not very refined and have become outdated. There are also other, less central, technical criticisms, such as the unit of analysis (the family) and the source of data used for official poverty statistics. These shortcomings are now discussed in turn.

Regarding the definition of income, a family is considered poor if its gross cash income falls below the family’s designated poverty threshold. Cash income includes earnings and other items mentioned earlier. Yet many argue that in-kind or near-money government benefits that can be used to meet basic needs—such as food assistance cards, housing subsidies, and the Earned Income Tax Credit (EITC)—should also be counted as resources. The omission of these items from the official definition of resources has become increasingly serious in recent years because government policies designed to aid low-income families have progressively been concentrated in these noncash programs.

Furthermore, some argue that the current income definition does not take into account variation in expenses that are necessary to hold a job and to earn income—expenses that reduce disposable income. These expenses include taxes paid, transportation costs for getting to work, and the cost of child care for working parents with children. Child care expenses in particular have risen significantly since the time when the poverty measure was originally devised. At that time, women were much more likely to stay home and care for their children than they are today, when a majority of mothers work to help their families make ends meet. All of these expenses are taken into account in the resources definition of an experimental poverty measure described in more detail below, but they are not in the current official income definition.
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Official poverty thresholds are also seriously flawed. First, they are constructed rather crudely, and thus they have become outdated. Although the thresholds were originally constructed based on the cost of a food budget, which was then multiplied by three, more recent data indicate that food comprises closer to one-eighth—not one-third—of families’ expenses. A more refined threshold could price out the cost not only of food but also of other necessities, like shelter and clothing. Some argue that thresholds should also be adjusted for geographic differences in the cost of living, since families in, say, New York City have greater income needs than families in rural Mississippi. The official measure does not take these differences into account.

Among other issues, the official poverty measure uses the family as the basic unit. That is, a person is considered poor if his or her family income falls below the poverty threshold for a family of that size and composition. A problem with this definition is that cohabiting couples are treated as separate units, as if they did not pool resources at all. The rapid growth in the number of cohabiting couples and people living in nontraditional housing arrangements has magnified the effect of this issue in recent years. A more detailed discussion of the official measure, its problems, and potential alternatives is contained in the volume authored by the National Academy of Sciences Panel on Poverty and Family Assistance, Measuring Poverty: A New Approach, and in more recent research on how to best implement the panel’s recommendations.

Relative Measures

Relative poverty can be defined as comparative economic deprivation. It is based on the notion that poverty is relative to a society’s existing level of economic, social, and cultural development. Implicit is the assumption that people are social beings who operate within relationships. Those whose resources are significantly below the resources of others, even if they are physically able to survive, may not be able to participate adequately in social organizations and relationships, and are thus incapable of fully participating in society. Adam Smith argued that to be poor was to lack what was needed to be a “creditable” member of society. In the Wealth of Nations (1776), he noted, “A linen shirt, for example, is, strictly speaking, not a necessity of life. The Greeks and the Romans lived, I suppose, very comfortably though they had no linen. But in the present times, through the greater part of Europe, a creditable day-labourer would be ashamed to appear in public without a linen shirt.”
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Relative measures can take different forms. The most common method is setting a threshold at a percentage of the median household income. The European Union currently uses 60 percent of median income as its standard calculation, which they refer to as an “at-risk of poverty rate.”24 Analysts comparing poverty across countries in the developed world have often specified a poverty threshold at half the median income, and of course other relative methods are also possible, such as 70 percent or 40 percent of median income.25

Relative measures have advantages and disadvantages. Proponents of the measure argue that the relative notion underlying these measures fits with both the historical record and changing views of poverty as described above. Furthermore, sometimes real needs do indeed rise in richer countries. For example, although a car may be a luxury in some countries, in a society in which most families own cars and where public transportation is scant, a car is often needed to find a job and commute to work. Furthermore, once someone owns a car, he or she is required to purchase car insurance. In her book Nickel and Dimed: On (Not) Getting By in America, Barbara Ehrenreich describes how the lack of affordable housing drives up housing prices for the poor. For example, she reports that a trailer park in Key West convenient to hotel jobs was charging $862 a month for a half-size trailer (in 2011 dollars), forcing lower-wage workers to search for housing further away in less fashionable areas. She argues, “Insofar as the poor have to work near the dwellings of the rich—as in the case of so many service and retail jobs—they are stuck with lengthy commutes or dauntingly expensive housing.”26

It is no surprise, then, that relative measures tend to be popular in wealthy industrialized countries. The Organization for Economic Co-operation and Development (OECD) notes that, since very extreme hardship such as starvation is very uncommon in advanced industrialized societies, absolute subsistence poverty lines have little meaning.27 Some researchers argue that poverty should be thought about in terms of exclusion from standards of living generally available to others in the same society. Social exclusion has therefore become a common theme in discussions about poverty in Europe. At a 2000 meeting of European Union countries, for example, the leaders declared, “The number of people living below the poverty line and in social exclusion in the Union is unacceptable.”28

The notion that poverty has an important social component cannot be overstated, as it applies to poverty in the developing world as well. For example, in 2010 it was reported that India’s mobile phone
subscribers totaled around 564 million (or close to half of the country's population of 1.2 billion). At the same time, only 366 million people had access to proper sanitation. However, just because an individual has a popular consumer good (a cell phone) that was not widely available, say, twenty years ago, does that mean he or she is not poor. Given both current standards of living and the social context, it can be argued that a cell phone, although usually not needed to avoid starvation, is a very useful social and economic tool. In many countries with lousy landline infrastructure, cell phones have become a substitute. In addition to meeting entertainment needs, they are often used in the developing world as a tool to find jobs, sell goods, transfer remittances, and conduct other kinds of monetary exchanges. In short, a cell phone is now seen as a necessity by many people even in developing countries.

Detractors point out a few disadvantages of relative poverty measures. Some find these measures conceptually unappealing, believing that poverty should reflect a very low, subsistence level of well-being. That is, they believe that only people who are deeply deprived of very basic goods—like food and shelter—should be considered poor. Value judgments about what are necessities (beyond the most basic of goods) should play no role in determining who is poor. Second, relative measures can behave in deceptive ways over time, such as during periods of rapid economic growth and recession. In particular, relative thresholds often decline in bad times as median incomes fall. This could result in a decline in measured poverty rates, even though low-income people are faring worse. Some empirical work in the United States, however, suggests that this is often not the case; relative poverty rates do tend to rise during recessions.

Yet there are notable examples of relative poverty reacting counter to the business cycle. For example, in the late 1990s, when the Irish economy grew at an annual rate of 7 or 8 percent, unemployment fell, and wages rose, the relative poverty rate, as measured by the numbers living below 50 or 60 percent of average income, rose. This produced skepticism among politicians and the public about the meaningfulness of reported relative poverty rates there. Similarly, in the Czech Republic, Hungary, and Poland all went through serious recessions in the 1990s, but relative child poverty rates, which used a poverty line based on a fixed percentage of average income, did not. The UNICEF Innocenti Research Centre has noted that relative poverty is really about inequality, with a focus on the bottom end of the income distribution; its premise is that what constitutes an acceptable quality of life changes over
time and that falling behind the average by more than a certain amount means effective exclusion from the normal life of society.\textsuperscript{36}

Another set of arguments occasionally levied against relative poverty lines is that they are often too much of a moving target to be addressed by policy because they change over time or that relative poverty cannot be eliminated.\textsuperscript{37} However, relative poverty, using the measures described above, can theoretically be eliminated if there is very little economic inequality. It is therefore more accurate to say that absolute and relative poverty measures provide different yardsticks for measuring the success of social programs. Absolute poverty tends to be more responsive to economic growth, which raises average living standards. Meanwhile, relative poverty is more responsive to income inequality, which reflects the distribution of resources in society. Which measure one deems of greater importance from a policy standpoint could influence one’s choice.

An additional challenge, though not necessarily a drawback, of relative measures is that consideration has to be given to the reference group. That is, should relative poverty be measured in relation to the average standards of living for the country, subnational, or perhaps community level? Most relative measures use the nation as the reference point, but standards of living often vary across states, provinces, and communities in most nations.\textsuperscript{38}

Other Poverty Measures

Researchers have devised numerous other measures, some of which are variations of either absolute or relative measures, depending on how they are implemented. The goal here is not to provide an exhaustive list but merely to mention that many other measures of poverty are possible and can be informative.

Consumption measures compare not a family’s income but rather its consumption of goods to a poverty threshold. If the family spends little, this is an indication of actual material deprivation—of insufficient consumption of basic items such as food and shelter. Conceptually, this represents a powerful and appealing measure. Consumption measures can be either absolute or relative, depending on how the threshold is designed and implemented. That is, one can use an unchanging (absolute) threshold or one that changes with standards of living. Proponents of consumption measures argue that such measures are preferable to income poverty because people may be more likely to underreport their income than their consumption.\textsuperscript{39} The main problem with consumption
measures is that few large-scale surveys ask the relevant questions on family consumption patterns needed to construct a consumption poverty measure. In addition, it could be argued that some people consume little by choice. It is thus possible to classify relatively wealthy or high-income individuals as poor if they simply choose to spend little. Conversely, people sometimes meet their consumption needs by going into debt. It is not clear, for example, if someone who has lost their job and is temporarily making ends meet by borrowing money should be considered “poor” or not.

Hardship measures are based on respondents reporting a lack of food, heat, access to health care, or adequate housing, to name a few possible dimensions. Hardship measures tend to be close to absolute measures in spirit, though they can also be defined in terms of hardships relative to a particular society’s norms. One issue with hardship measures is that there is no consensus yet on what exactly they should measure. Some define them in terms of inadequate consumption of basic goods, while others define them in terms of poor physical living conditions. A wide variety of indicators are possible, including those relating to housing, nutrition, medical well-being, and neighborhood quality. Within all these categories there are several possible measures. To combine them into an index is challenging. Hardship measures may also reflect preferences and tastes (for example, some people do not mind not having basic consumer items) rather than involuntary deprivation. Nevertheless, there is still growing interest in hardship measures because they are generally easy to understand and intuitively meaningful.

Social exclusion has traditionally referred to marginalization. Studies of exclusion typically consider the degree to which the economically deprived suffer from multiple forms of social deprivation, including, for example, consumption of goods, employment, political engagement, and social interaction. The government of the United Kingdom has defined social exclusion as “a short-hand term for what can happen when people or areas suffer from a combination of linked problems such as unemployment, poor skills, low income, poor housing, high crime environment, bad health and family breakdown.” Such people are alienated from, and living on the fringes of, mainstream society. In the United States, the term underclass was once popularly used (and is still sometimes used) to describe a segment of the population, mainly African Americans in highly segregated inner cities, that suffered social exclusion.

A.B. Atkinson has identified three elements of social exclusion: 1) relativity—individuals are excluded from a particular reference community
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or society; 2) agency—people are excluded by an act of people or institutions, such as employers, schools, or government service agencies; and 3) dynamics—exclusion is a function not just of current circumstances but also of future prospects. A challenge with measuring social exclusion is that there is as yet little widespread agreement on its precise conceptual definition and how best to operationalize it.

Some have advocated even broader measures of poverty, viewing it as a multidimensional experience. The United Nations, for example, uses a poverty measure defined as a “lack of income and productive resources to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion.”

These views of poverty have been influenced by the work of Amartya Sen (a Nobel Prize winner in Economics), who has argued that conventional income poverty measures overlook the core problem associated with poverty—that of capability deprivation. Capabilities are what allow people to obtain what is intrinsically important to them, such as good health, adequate food and shelter, education, and so on. Sen sees low income as one of the major causes of poverty, since it can be a principal reason for a person’s capability deprivation. But there are other factors that can affect people’s capabilities, such as age, gender, and race in societies that offer unequal opportunities to people based on these kinds of characteristics. To support the use of these measures, the United Nations publishes a large number of social indicators for countries where such data are available.

These indicators provide very valuable tools for understanding patterns and trends in well-being in both developed and developing countries. Nevertheless, this book tends to focus on income poverty rather than on the other, often harder to define and operationalize, measures described above. Income poverty measures offer a straightforward, easy-to-understand approach to gauging the extent to which people may lack the income to meet basic needs.

A Quasi-Relative Poverty Measure

In response to the increasingly apparent weaknesses of the official poverty measure described earlier, the U.S. Congress appropriated funds for an independent scientific study of poverty measures in the
early 1990s. The job fell to the National Research Council of the National Academy of Sciences (NAS) (now called the National Academies), which established the Panel on Poverty and Family Assistance. This panel reviewed several alternative approaches to measuring poverty, noting that the decision to accept or reject any particular one must involve subjective judgment as well as scientific evidence. It did, however, recommend specific changes, some within a range, to the official poverty measure in its 1995 report, *Measuring Poverty: A New Approach*. In subsequent research undertaken by the Census Bureau, a few experimental poverty measures based on variations of the panel’s recommendations were implemented and published.48

Specifically, the NAS-inspired measure, now called the Supplementary Poverty Measure (SPM) by the U.S. Census Bureau, is devised in the following way. First, the SPM poverty thresholds are calculated based on how much people report spending on food, clothing, shelter, and utilities, plus a small additional amount to allow for other needs (such as household supplies, personal care, and non-work-related transportation). Unlike the official U.S. poverty measure, these thresholds are further adjusted for variations in housing costs by state and metropolitan area. Thresholds are updated annually to reflect real growth expenditures on this basic bundle of goods.49

The SPM measure is essentially relative in nature because the thresholds are updated based on changes in real expenditures, which typically rise as the general standard of living rises. The recommended measure is quasi-relative rather than wholly relative because the proposed update would be based on consumption expenditures for only basic categories of goods—food, clothing, housing, utilities—which would be expected to rise less rapidly than total consumption expenditures or median income.

In the SPM measure family resources are defined as the value of cash income from all sources, plus the value of near-money benefits that are available to buy goods covered by the new thresholds, minus “nondiscretionary” expenses. Cash income sources include wages and salaries, interest income, and cash welfare assistance. This element of the SPM resource definition is the same as the current official Census Bureau definition of income. However, the SPM resource definition then also includes near-money benefits such as food assistance cards, housing subsidies, school breakfast and lunch subsidies, and the Earned Income Tax Credit. Nondiscretionary expenses subtracted include taxes, child care and other work-related expenses, out-of-pocket medical costs, and
child support payments to another household. Taxes represent a nondiscretionary expense. Child care and other work-related expenses (such as commuting expenses) are also subtracted because, the NAS panel argued, these costs are often incurred if parents are to work and earn labor market income to meet their basic needs.\textsuperscript{50}

The SPM measure addresses some of the weaknesses of both purely absolute and purely relative measures, though certainly not all of them. One remaining weakness is that it is computationally more complex than the current official measure. Some people will also object to its incorporation of a relative element if they simply dislike relative approaches to measuring poverty.\textsuperscript{51} Nevertheless, the SPM measure is clearly a more refined measure than the current official poverty measure in both the construction of the thresholds and the definition of income used. It also has the advantage of increasing, in real terms, as spending on basic items increase, so that it reflects changes in real standards of living. Yet it is not responsive to changes in consumption patterns of other, more discretionary items—such as luxury goods—that may occur. It is also designed to gauge the impact of government programs on poverty, as both cash and noncash government benefits are taken into account in the measure of family income.

COMPARISONS OF THRESHOLDS AND MEASURES

Figure 1 compares four-person (two adults, two children) poverty thresholds of four common measures for the years 1947–2011: the threshold of the official U.S. poverty measure, the threshold used in the SPM,\textsuperscript{52} a relative threshold based on half the median after-tax family income, and a threshold based on popular opinion of what poverty means (termed here a “subjective” threshold). Specifically, the subjective threshold was calculated by using answers from the question, “People who have income below a certain level can be considered poor. That level is called the ‘poverty line.’ What amount of weekly income would you use as a poverty line for a family of four (husband, wife, and two children) in this community?”\textsuperscript{53} This question was last asked in the General Social Survey in the 1993, so there is no more recent information on it in the figure.

Since the official threshold is updated solely on the basis of inflation, the threshold dollar amount has remained unchanged (all amounts are given in 2011 dollars). In contrast, subjective and relative thresholds

track each other fairly closely over the period. They are below the official threshold until the late 1950s and early 1960s, after which they surpass the official threshold. By 1993, with the official threshold at $22,811, the subjective threshold was $27,621, and the relative threshold was $27,973. The relative poverty threshold rose rapidly in the strong economy of the late 1990s, reaching $33,026 in 2000. Since then it has hovered at about that amount (in 2008, for example, the relative threshold was $33,418), as family incomes remained stagnant over the 2000s and then declined after the beginning of the Great Recession in late 2007.

Note that the subjective and relative thresholds cross the official threshold in the period just before the official threshold was originally devised. At that time, then, there would have been little difference between poverty rates estimated using any of these three methods. However, since that time there has been an increasing disjunction between these poverty rates. The Census Bureau's SPM measure begins
only in 1999. According to the figure, SPM thresholds are higher than the official one (for example, the SPM threshold was $29,052 in 2009, compared to the official threshold of $22,811 in 2011 dollars).

Figure 2 depicts poverty rates estimated using the official measure, the SPM measure, and a typical relative measure in 2009–11. Note that there are actually many ways a relative poverty measure can be constructed, even after deciding on the particular threshold. The relative measure used here employs a threshold equal to one-half the after-tax family-sized adjusted median family income. The income definition used in this relative measure refers to total disposable household income. Unsurprisingly, results show that poverty rates are lowest when using the official poverty measure (15.0 percent) and highest when using the relative measure (19.5 percent). The SPM measure (16.0 percent) falls between them, though it is considerably closer to the official measure.

THEORETICAL ISSUES REVISITED

Poverty measurement research efforts in the United States are in flux. There is some movement away from absolute methods of measuring poverty toward more relative measures, though there are a few staunch defenders of the former. In the end, the method adopted will likely depend in part on theoretical considerations. Does poverty refer to a
subsistence standard (that is, the amount of money required to survive) or to economic marginalization (deprivation relative to social norms and standards)? Can there be such a thing as a legitimate absolute poverty measure that remains constant over time? As I indicated above, many commentators would contend that defining an absolute standard has serious drawbacks, for the meaning of poverty is grounded in time and place.

The quasi-relative measure provides a compromise between the extreme absolute and relative ways of measuring poverty. Most of all, it addresses the unrealistic assumption behind purely absolute measures—that there can be a single, unchanging absolute standard. Even the current official measure, although nominally absolute, is still partially relative in that it reflects the standards of the time it was constructed. The quasi-relative measure also addresses the conceptually unappealing nature of purely relative measures—the implicit denial that there is such a thing as purely basic needs. For example, if most people in a society have two luxury cars, should we really consider someone with only one to be poor? The quasi-relative measure explicitly accepts the fact that some relativity is inherent in measuring poverty, but it strives to measure deprivation in relation to the acquisition of an absolutely basic set of goods and not luxury goods.

**SUMMARY**

Poverty refers to economic deprivation, but views about what, precisely, constitutes poverty and who the poor are still vary across both time and place. Poverty measurement efforts over the years have shown that as overall standards of living rise, so do the thresholds deemed necessary to sustain a minimum level of living.

The two basic types of poverty measures are absolute measures and relative measures. Absolute measures, such as the current U.S. official measure, typically attempt to define a truly basic needs standard, and they therefore remain constant over time. Relative measures, on the other hand, define poverty in terms of comparative disadvantage, which is assessed against changing standards of living. Each of these measures has different strengths and weaknesses. Yet, if used appropriately, they can also complement each other, as there are a variety of legitimate ways to think about economic deprivation.

In my view, the best general measure of poverty has both absolute and relative components. If people cannot meet basic needs, they are
poor, regardless of overall standards of living. However, poverty is relative in that people’s beliefs about the money needed to get along rises as overall standards of living rise. One way to keep an absolute poverty measure meaningful is simply to revise it by adjusting poverty thresholds every generation or so, or as needed. An alternative is the quasi-relative measure recommended by the National Academy of Sciences Panel on Poverty and Family Assistance, currently termed the Supplemental Poverty Measure by the U.S. Census Bureau. Because of its strengths, this measure is a viable candidate to supplant the current official U.S. poverty measure.