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COMMENTARY

# Hardly Anyone Wants to Admit America Is Beating Poverty

The White House tells the truth, but partisans on both sides are wedded to the idea of failure.



Job seekers at a career fair in Los Angeles, March 8. PHOTO: PATRICK T. FALLON/BLOOMBERG NEWS

By *Bruce D. Meyer and James X. Sullivan*

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‘Based on historical standards of material well-being and the terms of engagement, our War on Poverty is largely over and a success.’ This statement—from a recent report of the White House Council of Economic Advisers, advocating work requirements to benefits for some able-bodied, working-age adults receiving economic assistance—has attracted much media attention. Unfortunately, most commentators have focused on the “largely over” phrase, neglecting the CEA’s important insight about the success of U.S. welfare programs.

As authors of much of the research on which the CEA statement was based, we are not surprised by this reaction. Most liberal pundits argue that poverty is still a huge problem and that current programs are insufficient. Their conclusion: We shouldn’t change our welfare programs, except possibly to expand them. Those on the right, meanwhile, have argued that the U.S. has spent trillions to no effect.

In fact, poverty has declined significantly over the past 50 years, but neither side has recognized the major progress that has been made. So it is heartening to see that the White House, through the CEA, has taken the step of recognizing that progress—and recommending that the existing safety net be adapted and improved in light of it.

Why has this progress been ignored for so long? A key reason is that our main measuring stick for assessing the effect of government programs, the “official poverty measure,” indicates very little improvement since the early 1970s. But this measure is misleading for three reasons.

First, the official income measure does not count in-kind benefits, like the Supplemental Nutrition Assistance Program (food stamps) and housing benefits, or tax benefits, like the earned-income tax credit, which allocated \$65 billion to low income workers last year. Over the past 40 years America's safety net has shifted substantially toward programs such as these and away from traditional cash-transfer ones. Excluding them misses the impact of some of the most successful antipoverty tools.

Second, the official poverty measure relies on incomplete survey data. Americans are less willing today to take the time to respond accurately to government interviewers, probably for the same reasons that fewer than 1 in 10 answers opinion pollsters. In recent years the official poverty survey registered only half of the cash welfare the government paid out.

Third, the official measure accounts for inflation using the Consumer Price Index for all Urban Consumers, or CPI-U, a benchmark that does not accurately reflect the influence of new consumer products, changes in the quality of goods, or the shift to low-cost stores. While such errors in accounting for inflation have only a small effect on changes from one year to the next, they accumulate over decades and substantially alter long-term trends.

Instead of focusing on reported incomes, our work measures poverty based on consumption: what food, housing, transportation and other goods and services people are able to purchase. This approach, which captures the effect of noncash programs and accounts for the known bias in the CPI-U, demonstrates clearly that there is much less material deprivation than there was decades ago.

Other indicators support this finding. According to the American Housing Survey, the poorest 20% of Americans live as the middle class did a generation ago as measured by the square footage of their homes, the number of rooms per person, and the presence of air conditioning, dishwashers and other amenities. In terms of housing problems like peeling paint, leaks and plumbing issues, today's poor haven't quite matched the living standards of the 1980s middle class, but they are getting close.

Fighting poverty requires knowing its extent and among whom it is most severe. Modern antipoverty efforts should promote self-sufficiency. This can be accomplished through work requirements, as well as by helping low-skilled individuals find jobs, offering public employment in targeted cases and helping low-income parents secure child care.

At the same time, the safety net should ensure that those who are unable to work have access to sufficient resources to meet their basic needs. Encouraging self-sufficiency used to be a bipartisan issue; it can be again.

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