

## **Reshaping the Historical Record with a Comprehensive Measure of Poverty**

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### I. INTRODUCTION

Each fall, the Census Bureau publicly releases official estimates of the number of persons and families who were poor in the previous year. The Bureau's annual report tracks the nation's progress in fighting poverty as well as changes in the composition of the poverty population. One of the more significant trends emerging from 30 years of estimates is the reversal of fortunes of children and the elderly. The incidence of poverty among children grew steadily from 16.6 percent in 1967 to 21.9 percent in 1992. Coincidentally, the poverty rate of the elderly fell dramatically from 29.5 in 1967 to 12.9 percent in 1992 and now lies below the rate for the general population. Consequently, some observers believe that sufficient progress has been made for the elderly and that attention should now be directed toward children who are seen as more needy than the old.

In this paper, we investigate how the way we measure poverty in the United States influences our understanding of the relative plight of children and the elderly. We employ a methodology suggested by Sen (1981), who noted that poverty measurement could be conceived of as having two components. The first component is a definition of poverty that identifies the poor. The second is an index that gauges the extent and depth of poverty within the population as well as between subgroups of the population. Our results show that both components of poverty measurement are important to our view of relative poverty between children and the elderly. Adopting the recent National Research Council (NRC) panel's recommendations for a new poverty definition and choosing an index that reflects not only a group's

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poverty risk but also a measure of the depth of poverty, we find that poverty among the elderly is significantly higher than current Census Bureau statistics indicate. Further, we find that elderly poverty rose between 1979 and 1994 in contrast to the downward trend traced by the Census Bureau's statistics. Employing the same comprehensive poverty measure, the picture of child poverty is not significantly altered. Children continue to suffer from poverty more than the average individual in the population., and over the 15-year period between 1979 and 1994, poverty among children has grown. Combining the two trends, we find that the gap between child and elderly poverty has not grown as in the Census Bureau's statistics but has significantly narrowed since 1983.

Why does adopting a more comprehensive measure of poverty alter our view of the relative poverty status of children and the elderly? We offer two explanations. The first is based on an examination of the individual and interaction effects of the NRC panel's recommendations. We find that the increasing rate of elderly poverty and the narrowing of the gap between child and elderly poverty are largely attributable to the rising cost of medical care that must be paid out of the elderly's resources. Less important but significant are the declining values of in-kind transfers and rates of homeownership since 1983.

The second explanation for the change in the trends in child and elderly poverty focuses on the role that government plays in fighting poverty. A central criticism of the Census Bureau's poverty definition is that it does not count many of the government tax and transfer programs that affect both the extent and depth of poverty. By comparing pre-government resources with three different definitions of post-government resources, we find that the current poverty measure understates the effectiveness of government programs in reducing child poverty and overstates their effectiveness in reducing poverty among the elderly. Further, we show that the Census statistics indicate that the gap between child and elderly poverty is growing because the ability of government to reduce child poverty relative to elderly poverty is falling. When a more comprehensive poverty measure is employed, we find that the relative

effectiveness of government programs in reducing child poverty has actually increased since 1983 and hence the relative poverty gap has narrowed.

## II. MEASURING POVERTY

### Defining Who Is Poor

Although the concept of economic poverty is simple to state—a family living in poverty lacks goods and services considered essential to human well-being—devising an operational definition of poverty that accurately reflects a family’s ability to meet its consumption needs has proven difficult. In official poverty definitions dating back to 1959, families and individuals are classified as poor if their annual before-tax money income falls below official poverty thresholds. Growing concerns over the accuracy of the current definition led Congress to fund an independent scientific review of this methodology. An NRC panel of the National Academy of Sciences undertook that review and called for a new approach to poverty measurement.<sup>2</sup> The NRC panel concluded that the current poverty definition is inadequate because it does not reflect important economic trends or policies designed to alleviate the condition it attempts to measure—economic poverty. Specifically, the NRC panel noted that the Census Bureau definition of income ignores

- the growing importance of noncash government transfer programs such as food stamps, school lunch and public housing subsidies, and the Earned Income Tax Credit (EITC) as major sources of income for the low-income population;
- the trend toward higher taxation of low-income families at both the federal and state levels; and
- the rapid rise in health care and work-related expenditures directly financed by families.<sup>3</sup>

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<sup>2</sup>For a complete description of the panel’s recommendations, see Citro and Michael (1995). David Betson was a member of the NRC Panel on Poverty and Family Assistance.

<sup>3</sup>See Acs and Sablehaus (1995).

To remedy these problems, the panel recommended modifying the definition of family resources by adding the value of noncash government transfer programs and subtracting taxes, medical out-of-pocket spending,<sup>4</sup> and a limited amount of child care as well as other work-related expenses from the family's available resources.

The NRC panel also identified three problems with the current specification of the poverty thresholds:

- The current thresholds display an erratic pattern of implicit equivalence scales.
- The current thresholds ignore geographic differences in the cost of living.
- There has been no real adjustment in the threshold levels since the poverty measure was first introduced in the United States, despite a nearly 30 percent increase in median after-tax real incomes of four-person families.

The NRC panel recommended revising the poverty thresholds to embody an explicit set of scales that capture the relative needs of families. It also endorsed revisions to reflect differences in the cost of living between regions of the country and different population densities and to account for increases over time in spending on necessities such as food, clothing, and housing changes.

Although the NRC panel's poverty definition deviates substantially from the current Census Bureau definition by reformulating both the resources definition and thresholds, in this paper we focus exclusively on a comparison between the current Census Bureau's definition and the NRC panel's definition of resources. All of our poverty determinations utilize the current set of poverty thresholds. We will employ three alternative definitions of family resources in determining which families are poor. The

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<sup>4</sup>See Betson (1998) for a detail rationale of the NRC panel's treatment of health care.

first employs Census Money Income, the official definition of family resources.<sup>5</sup> The second set of estimates uses the NRC panel's family resources definition, which is

- Census Money Income (Census Bureau definition of resources)
- + market value of in-kind programs<sup>6</sup>
- + EITC<sup>7</sup>
- income and payroll taxes<sup>8</sup>
- work-related expenses and a limited amount of child care<sup>9</sup>
- medical out-of-pocket (MOOP) expenditures

Although the NRC panel's definition of family resources includes the value of housing subsidies received by the family, it does not include the potential value to a family of owning a home instead of renting. It remains unsettled whether the value of homeownership to families should reflect the net rental income they receive or the potential reduction in out-of-pocket expenditures to meet their housing needs.

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<sup>5</sup>Census Money Income is the sum of a family's before-tax cash income from work; ownership of capital other than their own residence; receipt of income from private and public insurance for retirement, unemployment, and disability; child support and alimony received; and cash income from welfare programs such as Aid to Families with Dependent Children (now Temporary Assistance for Needy Families) and Supplement Security Income (SSI).

<sup>6</sup>The panel proposed adding the value of any in-kind benefit provided to a family if it would directly contribute to meeting the family's needed consumption on food, clothing, and shelter.

<sup>7</sup>In this paper, the amount of EITC received by the family is equal to the full value of the credit, not the amount of credit net of the federal income tax liability owed by the family.

<sup>8</sup>We are denoting the amount of taxes owed to be equal to the amount of state and federal income taxes and the amount of payroll taxes. The amount of federal income taxes included in this group is equal to the family's liability net of the EITC.

<sup>9</sup>The work-related expenses exclusive of child care are based on a standard annual amount prorated by the number of weeks each individual works. The total amount of work-related expenses including child care allowed for each worker is limited to his/her earnings. Annual work-related expenses were assumed to be \$792 for a full-year worker in 1994 and were prorated by the number of weeks reported worked by each individual in the family. The annual amount was indexed for changes in the price of transportation and was \$389 in 1979, \$533 in 1983, and \$644 in 1989.

We will present a third resource definition, Modified Panel, which adds the net imputed rental income of a family to the family's available resources as defined by the NRC panel.<sup>10</sup>

### Poverty Indexes<sup>11</sup>

The poverty definitions described in the previous section identify an individual as poor if the resources (Y) deemed available to her family are less than the family's needs as expressed by the poverty threshold, PT. Alternatively, we can classify an individual as poor if the ratio of her family's resources to its poverty threshold, or normalized family resources (NY), is less than 1. Although both formalizations are identical, it will be convenient to adopt the concept of normalized income when comparing individuals living in families of different sizes and composition and hence of different needs.

Studies of the relative risk of poverty for a subgroup of the population usually compare the group's poverty rate—the percentage of the group that is poor—with those of other population subgroups.<sup>12</sup> Let  $N_k$  equal the number of individuals in the  $k$ th group of the population and  $P_k$  the number of the group who are poor. The poverty rate for the  $k$ th group is equal to

$$PK_k = P_k/N_k .$$

This statistic describes the absolute poverty risk faced by the group at a particular point in time. Concern for groups with high poverty rates reflects a sense that poverty, if it must be endured by the society, should be equally shared among its citizens.

When evaluating variation in the relative risk of poverty through time or across different poverty definitions, poverty rates must be normalized by the overall poverty rates for the population. The

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<sup>10</sup>A previous paper (see Betson 1995) argued that the value of homeownership should be limited to the housing portion of a family's needs, which we have assumed to be 30 percent of the family's poverty threshold.

<sup>11</sup>This section is based on the work of Sen (1981).

<sup>12</sup>This index is closely related to the head count.

generalized formulation for the normalized poverty rate, denoted by the index of relative poverty risk ( $RPR_k$ ), is given by

$$RPR_k = PR_k / PR_T$$

where  $PR_T$  is the poverty rate for the total population. If all groups share equally the risk of being poor, then each group's relative poverty risk will be equal to 1.

Both of these poverty indexes count all poor individuals equally.<sup>13</sup> By treating an individual who is \$1 below the poverty threshold the same as an individual who has no resources, they ignore the depth of poverty within a group. To see that this is undesirable, consider a situation in which \$1 is taken from a poor individual and given to someone who is not poor. This form of redistribution increases the depth of poverty in the poor population yet the poverty rate is unaffected by the transfer.

Sen (1981) proposes that a desirable poverty index should reflect the level of need of the poor and not just the number of poor. He denoted this property as the Monotonicity Axiom and suggested that the poverty index be based on the gap or difference between a family's normalized resources and its needs (one). Specifically, the poverty gap of the  $k$ th individual equals

$$gp_i = \begin{cases} 1 - NY_i & \text{if } NY_i < 1.0 \\ 0 & \text{if } NY_i \geq 1.0 \end{cases}$$

and the average poverty gap of the  $k$ th group equals

$$G_k = \sum S_{iek} gp_i / P_k .$$

The average poverty gap reflects the average shortfall in resources within the poor population. For example, an average gap of 60 indicates that on average 60 percent of consumption needs of the family in which the individual resides are not being met.

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<sup>13</sup>Note that no weight in the index is given to nonpoor individuals or how much above the poverty threshold they are. This satisfies what Sen (1981) calls the Focus Axiom, which can be interpreted to mean that an index should be insensitive to the wealth of the nonpoor.

Although the average poverty gap satisfies the Monotonicity Axiom, it does not satisfy another property of desirable poverty indexes, the Weak Transfer Axiom. This axiom holds that a desirable poverty index should reflect not only the average unmet need of the poor but also the distribution of unmet need within the poor population. To illustrate the Weak Transfer Axiom, consider two poor individuals who have the same level of unmet needs. Now transfer resources from one of these individuals to the other. The Weak Transfer Axiom would find that the transfer increased poverty by increasing the depth of the poverty within the population.

Sen demonstrates that the following index meets all the criteria for a desirable index:

$$SI_k = PR_k \times [G_k + (100 - G_k)I_k]/100 = PR_k \times D_k/100$$

where  $I_k$  is the Gini coefficient of the normalized resources of the poor population in the  $k$ th group.<sup>14</sup> We will denote this poverty index as the Sen Index. It is the product of the extent of a group's poverty (the group's poverty rate,  $PR_k$ ) and an index of the depth of poverty within its poor population ( $D_k$ ).<sup>15</sup>

The index of the group's depth of poverty posits a tradeoff between the average level of unmet needs of the poor ( $G_k$ ) and the distribution of resources within the poor population ( $I_k$ ). If all poor individuals have the same level of normalized resources ( $I_k = 0$ ), then the average poverty gap is sufficient to measure the depth of poverty ( $D_k = G_k$ ). But as resources within the poor population become unequally distributed, the Sen Index adds a "poverty penalty" of  $(100 - G_k)I_k$ . For example, consider two poor individuals whose normalized resources are  $1/3$  and  $2/3$ , respectively. The average poverty gap for these individuals is 50 while the Gini coefficient of their normalized resources is equal to  $1/6$ . The index of the depth of poverty would equal  $58.3 (= 50 + (100 - 50)/6)$ , which can be interpreted as the "equivalent depth" average poverty gap for this poverty population. That is, the depth of poverty for

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<sup>14</sup>The desirable properties are the Monotonicity, Focus, and Weak Transfer Axioms.

<sup>15</sup> $D_k/100$  can be shown to be bounded by 0 and 1 by recognizing that the index is a convex combination of 1 and  $I_k$  (which itself ranges from 0 to 1) where the weight is  $G_k/100$ .



these two individuals is equivalent to the depth of poverty found in a poverty population in which all individuals have the same normalized resources but where the average poverty gap is 58.3 and not 50.

### Alternative Poverty Measures

Poverty measures combine a definition of who is poor with a given index to summarize the extent and intensity of poverty within the population. Our current poverty statistics employ the Census Bureau resource definition, Census Money Income, and rely almost exclusively on the use of the poverty rate as their summary index. We compare this poverty measure with five alternative measures that reflect different combinations of resource definition and poverty index. The first alternative (Measure II) combines the Census Bureau resource definition with the Sen Index. The second and third alternatives (Measures III and IV) combine the NRC Panel resource definition with the poverty rate and the Sen Index, respectively. The fourth and fifth alternatives (Measures V and VI) couple the NRC definition of family resources modified to include a value for homeownership with the poverty rate and the Sen Index, respectively.

The six alternative poverty measures are summarized below.

Definition:	Index:	Poverty Rate	Sen Index
Census Bureau Resource Definition		Measure I	Measure II
NRC Panel Resource Definition		Measure III	Measure IV
Modified Panel Resource Definition		Measure V	Measure VI

The data for our calculations come from the March Supplement of the Current Population Survey for calendar years 1979, 1983, 1989, and 1994. Our analysis begins in 1979 because this is the first year that imputations of in-kind benefits and tax liabilities are available on the Census Bureau's public use file. Over the next 15 years, poverty rates were highest in 1983 and 1994 and lowest in 1989. Although

many of the data needed for the poverty calculations are included on the public use files provided by the Census Bureau, data on child care and MOOP spending were imputed to the data file.<sup>16</sup>

### III. POVERTY AMONG CHILDREN AND THE ELDERLY

The poverty rates of the total, child, and elderly populations are reported in the left panel of Table 1 for the three resource definitions. Using the official definition of resources, the child poverty rate follows the poverty rate of the total population, rising between 1979 and 1983, then falling in 1989, and then rising once again in 1994. This pattern suggests a positive correlation between the performance of the economy and the plight of children. During this entire period, the poverty rate of children exceeded that of the total population. The trend in the official poverty rate of the elderly displays quite a different pattern. From 1979 until 1989, the elderly poverty rate fell. Only during the period from 1989 to 1994 did the elderly experience a slight increase in their risk of poverty. The poverty rate of the elderly exceeded that of the total population in 1979. In all other years, the risk of poverty for the elderly was less than for the average person in the country.

The time trends of child poverty rates when employing either the NRC Panel or Modified Panel resource definition follow generally the same pattern as seen in the official series. Child poverty rates rose by 40 to 50 percent between 1979 and 1994. In the intervening years, child poverty rates rose during recessions and fell during recoveries of the economy. Redefining the family's resources has the net effect of placing more children in poverty. The Modified Panel definition identifies fewer children as poor than does the official definition only in 1979. Children continue to have higher poverty rates than the total population.

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<sup>16</sup>Child care expenses were imputed from regression models estimated from the Survey of Income and Program Participation. MOOP spending was based on regression analysis of the 1987 National Medical Expenditure Survey. See Doyle (1997) for an evaluation of the imputation procedure for MOOP spending used in this paper.

**TABLE 1**  
**Historical Trends in Alternative Poverty Measures (1979 to 1994)**

	Poverty Rate				Sen Index			
	1979	1983	1989	1994	1979	1983	1989	1994
Census Bureau	Measure I				Measure II			
Total population	11.7	15.2	12.8	14.6	5.7	7.8	6.6	7.8
Children	16.4	22.3	19.6	21.8	8.2	11.8	10.3	11.9
Elderly	15.2	13.8	11.4	11.7	5.2	4.8	4.0	4.7
NRC Panel	Measure III				Measure IV			
Total population	14.3	19.6	17.0	18.8	6.6	9.3	8.2	9.4
Children	18.2	27.4	23.7	25.3	7.8	12.0	10.4	11.3
Elderly	22.4	20.4	19.4	20.9	11.1	10.6	10.3	12.0
Modified Panel	Measure V				Measure VI			
Total population	11.9	16.5	15.2	17.0	5.6	7.8	7.2	8.4
Children	15.7	23.9	21.9	23.6	6.8	10.3	9.5	10.5
Elderly	16.2	14.6	15.0	16.3	8.2	7.8	7.9	9.4

**Source:** Calculations by the authors.

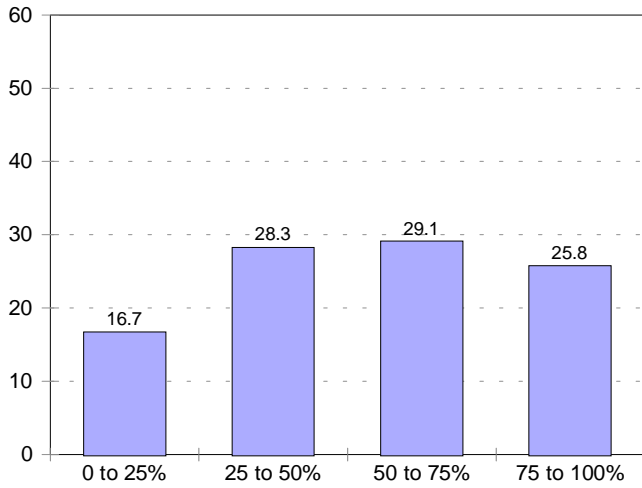
Employing the NRC Panel definition increases the proportion of elderly who are poor such that the elderly are estimated to face a poverty risk greater than the average individual in the population (20.9 versus 18.8 percent in 1994). This conclusion is sensitive to the treatment of homeownership. Adopting the Modified Panel resource definition that includes the value of homeownership reverses this relationship—the elderly continue to face lower poverty risks than the total population in every year except 1979.

Between 1979 and 1994, the official poverty rate of the elderly declined by 23 percent; employing the NRC Panel resource definition, the elderly poverty rate fell by only 6.7 percent. Even if we compare 1979 (peak poverty rate) with 1989 (lowest poverty rate), the official series shows a much greater reduction in elderly poverty than does the NRC Panel series. In contrast, poverty among the elderly does not change substantially over the 15-year period when employing the Modified Panel resource definition.

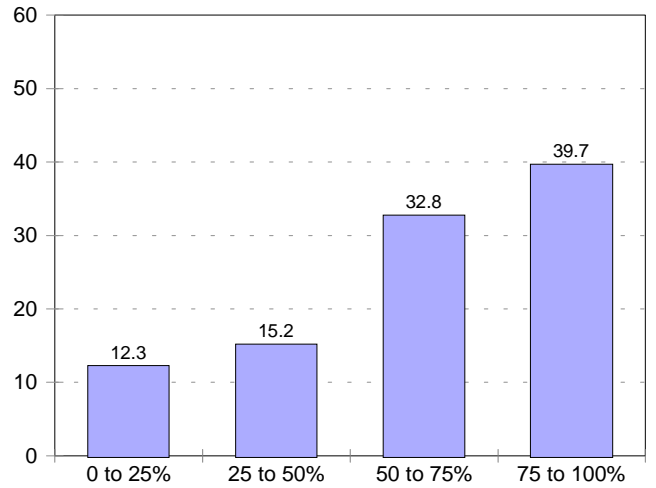
In the previous section we argued that although the poverty rate is an important indicator of the extent of poverty, it does not capture the depth of poverty faced by individuals. Figure 1 reveals the depth of poverty by showing the distribution of normalized resources under two resource definitions, Census Money Income and the NRC Panel definition, for poor children and elderly in 1994. When Census Money Income is the measure of family resources, the distribution of poor children is almost uniform, with 45 percent of children having access to resources less than 50 percent of their needs and 55 percent having access to 50 percent or more. Under the official resource definition, resources of the poor elderly are more closely matched to their needs. Only 21.8 percent have resources less than 50 percent of their needs and 52.2 percent have resource deficits less than 25 percent of their needs. But this picture is drastically altered when the NRC Panel resource definition is adopted. After taking account of many poverty programs not included in Census Money Income, only 27.5 percent of poor children have less than 50 percent of their needs met compared with 45 percent in the official statistics. The picture of the

**FIGURE 1**  
**Distribution of Poor Children—1994**

**Census Definition**

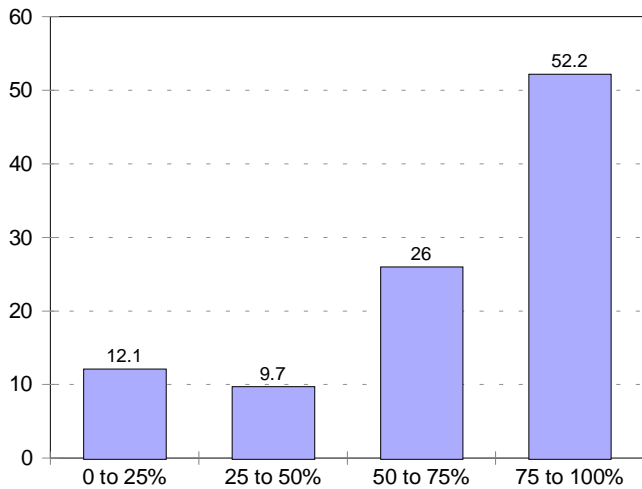


**NRC Panel Definition**

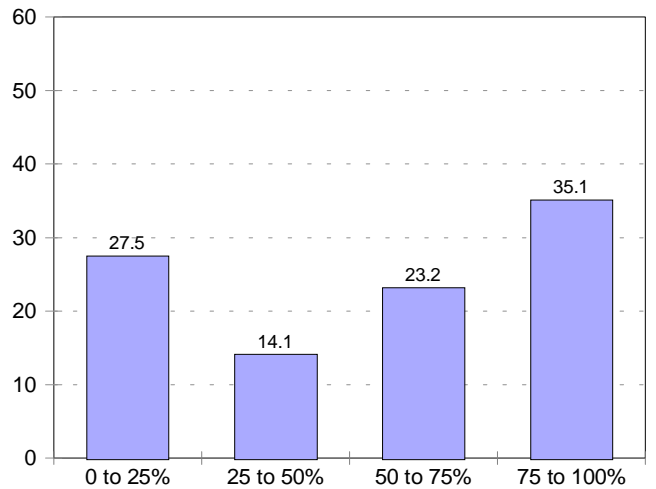


**Distribution of Poor Elderly—1994**

**Census Definition**



**NRC Panel Definition**



poor elderly moves in the opposite direction. The percentage of the elderly with less than 50 percent of their needs rises to 41.6 percent compared with 21.8 percent in the current statistics.

To account for changes in both the poverty rate and the depth of poverty within a group, we computed the Sen Index, which is reported in the right panel of Table 1. The Sen Index is equal to the poverty rate times an index of the depth of poverty. The upper bound of the Sen Index is the poverty rate and the lower bound is zero.

The trends traced by the Sen Index incorporating the Census Bureau's definition of resources (Measure II) mirror those of the official poverty statistics. Poverty among children follows the same sawtooth pattern as the total population and exceeds the poverty experienced by the average individual. Poverty among the elderly is less than in the total population in all years. It declines from 1979 to 1989 but returns to its 1983 level in 1994. But over the entire 15-year period, poverty for this group falls.

We have shown that adoption of the NRC Panel resource definition (Measure III) increases the poverty rates of both children and the elderly and dramatically alters the distribution of resources within the poor populations of each group. The net effect of these changes is an increase in the Sen Index (Measure IV) for the elderly in every year and for children in 1983 and 1989. The Sen Index is lower for children at the two endpoints of our data, 1979 and 1994. Although the official statistics indicate that poverty among the elderly is lower than for the total population and is declining, Measure IV suggests that elderly poverty exceeds that of the total population and has risen over the 15-year period. The large differences in poverty among children and the elderly found in the official statistics are almost nonexistent in this series. In 1994, the child poverty rate (NRC Panel definition) exceeds the poverty rate of the elderly by 4.4 percentage points. Yet the greater depth of poverty among the poor elderly is sufficient to produce Sen Indexes that indicate poverty is greater among the elderly than it is among children (12.0 versus 11.3).

Use of the Modified Panel resource definition produces a Sen Index (Measure VI) of poverty for children which is lower than all other measures. Poverty in the elderly population is higher than when employing the Census Bureau's resource definition but lower than produced by the NRC Panel definition. In the Modified Panel series, poverty among children and the elderly increases over the 15-year period.

To facilitate the comparison of child to elderly poverty, we compute relative poverty measures in Table 2. In this table, we present both groups' poverty measures normalized by the poverty of the total population, and the ratio of child to elderly poverty for each of the six poverty measures. Any entry greater than 1 indicates an above-average poverty burden.

Using the official resource definition, we see that the plight of children over the 15-year period has worsened but not as dramatically as implied by the nonnormalized measures. The relative poverty risk for children rises from 1.40 to 1.50 while the normalized Sen Index increases from 1.45 to 1.54. The difference between the relative poverty rate (Measure I) and the corresponding normalized Sen Index (Measure II) is the depth of poverty relative to the total population. Since the relative poverty risk of children is less than the normalized Sen Index, we can infer that the depth of poverty for children exceeds the depth of poverty in the total population.

Normalizing the elderly's poverty measures by the total population enhances the impression that the fortunes of the elderly have greatly improved. The relative risk of poverty for the elderly falls from 1.30 to .81 over the 15-year period while the normalized Sen Index declines from .92 to .61. The depth of poverty in the elderly poor population is a significantly less than in the total population. Combining the trends for children and the elderly leads to the overriding conclusion that child poverty is significantly greater problem than poverty among the elderly. The ratio of child poverty to elderly poverty rises from 1.08 on 1979 to 1.86 in 1994. Similarly, the corresponding ratio of Sen Indexes rises from 1.58 in 1979 to 2.52 in 1994.

**TABLE 2**  
**Historical Trends in Alternative Measures of Relative Poverty (1979 to 1994)**

	Relative Poverty Rates				Ratio of Sen Index			
	1979	1983	1989	1994	1979	1983	1989	1994
Census Bureau	Measure I				Measure II			
Children/Total	1.40	1.46	1.54	1.50	1.45	1.51	1.58	1.54
Elderly/Total	1.30	.90	.89	.81	.92	.61	.61	.61
Children/Elderly	1.08	1.62	1.72	1.86	1.58	2.49	2.60	2.52
NRC Panel	Measure III				Measure IV			
Children/Total	1.28	1.40	1.39	1.34	1.18	1.29	1.28	1.21
Elderly/Total	1.57	1.04	1.14	1.11	1.87	1.13	1.27	1.28
Children/Elderly	.81	1.34	1.22	1.21	.70	1.14	1.01	.94
Modified Panel	Measure V				Measure VI			
Children/Total	1.32	1.44	1.44	1.39	1.21	1.31	1.32	1.25
Elderly/Total	1.37	.88	.99	.96	1.46	1.00	1.10	1.12
Children/Elderly	.97	1.63	1.46	1.45	.83	1.31	1.20	1.11

**Source:** Calculations by the authors.



Is this picture dependent on the resource definition we employ? Not in the case of children. Although child poverty appears to be overstated by the official statistics, measures incorporating the alternative resource definitions indicate that child poverty is greater than in the total population. Further, this result does not depend on whether we employ the poverty rate or the more comprehensive Sen Index as our indicator of poverty.

In contrast, employing the NRC Panel resource measure produces a different picture of the elderly. Poverty among the elderly exceeds that of the total population in each year during the 15-year period according to both Measure III and Measure IV. Equally significant is the reversal in the trend in the child/elderly poverty gap. This gap has been declining since 1983 rather than growing as suggested by the measures based on Census Money Income. Perhaps the starkest contrast occurs when comparing the Sen Indexes for 1994. Employing Census Money Income, child poverty is 152 percent higher than elderly poverty, but employing the NRC Panel resource definition, child poverty is 6 percent lower.

The NRC Panel resource definition does not account for the potential income (or reduced housing needs) benefitting homeowners. Given the higher proportion of elderly who own their homes, this omission could bias the comparison between children and the elderly by relatively overstating the poverty of the elderly. Accounting for a family's homeownership has the net effect of increasing the relative poverty risk of children (see Measure V) as well as its Sen Index of poverty (Measure VI) relative to the total population.<sup>17</sup> Although the impact is small, it is consistent over time. As expected, imputing a value to homeownership has a greater impact on the elderly population, lowering both their relative poverty risk and the normalized Sen Index. The major difference from the NRC Panel resource measure lies in the relative poverty risks of the elderly. In 1983 and after, the poverty risk of the elderly falls below that of the average person in the population. Yet the time trend in elderly poverty remains

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<sup>17</sup>Note that adding the value of homeownership lowers the poverty rate of children as well as of the total population. The increase in the relative poverty risk of children after accounting for homeownership results from the poverty rate in the total population falling proportionally more than the poverty rate of children.

unchanged, falling from 1979 to 1983 and rising thereafter. Examining the ratio of child to elderly poverty rates, we see that poverty among the elderly was at least as great as poverty in children in 1979, but by 1983, poverty among children exceeded that of the elderly. This change is due partly to a rise in poverty of children but in greater part to the reduction in relative poverty of the elderly. Between 1983 and 1989, the ratio declined as child poverty held constant and poverty among the elderly increased. By 1994, the child/elderly poverty gap continued to narrow, this time the result of declining child poverty and constant elderly poverty.

#### IV. HOW HAVE SPECIFIC RECOMMENDATIONS OF THE NRC PANEL AFFECTED POVERTY TRENDS?

We next examine how each of the NRC panel's recommendations and the treatment of homeownership contribute individually to altering our view of poverty. We begin by asking how the extent and depth of poverty would change if we implement the recommendations one by one. We denote the change in poverty as the direct effect of the recommendation. To determine how the recommendations interact with one another, we group them on the basis of whether they add (in-kind transfers, EITC, and treatment of homeownership) or subtract (tax liability, work-related expenses, and MOOP spending) resources from Census Money Income. We compute two interaction effects that represent the additional impact of implementing all the recommendations within the group. The first interaction effect, denoted the Within Addition effect, represents the total change in poverty resulting from adding in-kind transfers, the EITC, and the value of homeownership to Census Money Income minus the direct effects of these three recommendations. The second, or Within Subtractions, interaction effect is the difference between the sum of the individual subtraction recommendations and their total impact when taken together. We also estimate a third interaction effect that reflects the additional impact of simultaneously implementing both groups of recommendation. Note that the summation of all the

direct and interaction effects will equal the total difference between the poverty rates found in the Modified Panel resource definition and Census Money Income. The results of this exercise are presented in Tables 3 and 4 for the child and elderly populations, respectively.

Table 3 demonstrates that no one single recommendation accounts for the difference in child poverty created by the alternative resource definitions. The differences we do observe are the net effect of recommendations, some of which raise poverty and others of which lower the extent and depth of poverty in the child population. The addition of in-kind transfers to Census Money Income significantly reduces both the extent and depth of child poverty. This change has the largest (1979) and second largest (1989) absolute impact on child poverty rates. Interestingly, after 1979 it works in the opposite direction of the combined effect of all six recommendations, which is to increase the number of children in poverty. In all years studied, this recommendation is responsible for the greatest reduction of the depth of child poverty.

The other two recommendations that add resources to Census Money Income reduce child poverty rates more than the depth of poverty. Table 3 documents the growing impact of the EITC, and the declining importance of homeownership, on reducing child poverty rates. The reduction in poverty from including the EITC rises from 4.3 percent in 1979 to 9.3 percent in 1994, reflecting the program's growth over this period. Given that eligibility is conditional on employment, it is not surprising to see that the antipoverty effectiveness of the EITC fluctuates with the business cycle. The within-group interaction effects on poverty rates and depth of poverty show no pattern over time, suggesting that the additional effect of the combination of all three of these recommendations is small.

The remaining three recommendations subtract resources from Census Money Income and hence increase poverty within the child population. All three recommendations are found to have a larger impact on poverty rates than on the depth of poverty. Income and payroll taxes increase the number of children who are poor but reduce the depth of their poverty. This latter impact at first may seem

**TABLE 3**  
**Effect of Resource Redefinition on Child Poverty (1979 to 1994)**

	Percentage Difference in Poverty Rate				Percentage Difference in Depth of Poverty (D <sub>k</sub> )			
	1979	1983	1989	1994	1979	1983	1989	1994
<b>Total difference</b>	-4.2	6.9	11.7	8.1	-13.4	-18.9	-17.9	-18.8
<b>Direct effects</b>								
<i>Additions to resources</i>								
In-kind transfers	-18.8	-10.4	-13.3	-13.6	-16.3	-21.6	-22.1	-23.4
EITC	-4.3	-1.4	-4.6	-9.3	.1	-.9	-.3	-.8
Home ownership	-9.6	-10.5	-5.7	-4.6	.9	-.1	-1.2	-.9
<i>Subtractions to resources</i>								
Taxes	8.4	8.8	9.7	9.2	-2.4	-2.3	-2.3	-2.2
Work-related expenses	7.6	7.2	8.8	8.6	.2	.1	.9	.6
MOOP	10.3	11.3	12.2	14.4	5.1	4.3	5.7	6.1
Sum of direct effects	-6.4	5.0	6.8	4.8	-12.5	-20.5	-19.3	-20.5
<b>Interaction effects</b>								
Within Additions	.5	-1.5	-.6	-.3	1.3	.3	-.4	-.2
Within Subtractions	6.4	6.1	5.0	4.1	-.2	.3	1.1	2.1
Additions * Subtractions	-4.6	-2.7	.5	-.4	-2.0	1.1	.7	-.2
Sum of interactions	2.2	1.9	4.9	3.3	-.9	1.7	1.4	1.7

**Source:** Calculations by Authors.

perplexing but it reflects the fact that children slipping into poverty by this subtraction have a smaller poverty gap than children who are poor when employing Census Money Income. The impact of subtracting work-related expenses has a slightly smaller effect than taxes on children's poverty rates, but as with taxes, it increases modestly through time.

Within the category of subtractions from resources, MOOP spending has the largest impact on child poverty rates and the second largest impact of all the recommendations (additions and subtractions) on the depth of their poverty. Accounting for MOOP spending has an increasing impact on child poverty over the 15-year period. The impact is greater for the extent than for the depth of child poverty. The combined effect on child poverty of simultaneously implementing all three recommendations exceeds the sum of their individual effects.

Table 3 suggests that the proposal to add in-kind transfers to the definition of resources is the major factor in reducing the depth of child poverty. To point to any one proposal as the single most important factor in determining the difference between the official child poverty rates and those found when employing the Modified Panel resource definition is misleading because the Panel recommends their simultaneous adoption. In 1979, the total antipoverty effect of the proposals that add resources to Census Money Income (a reduction of 32.7 percent) is roughly equal to the impact of those proposals that subtract resources (an increase of 26.7 percent). The overall reduction of 4.2 percent reflects the interaction of these two groups of proposals. The net increase in 1983 child poverty rates (6.9 percent) reflects a much-reduced effect of in-kind transfers (from -18.8 to -10.4) and a slightly larger impact of subtractions. After 1983, the direct impact of additions and subtractions on child poverty rates grows. The net effect of the recommendations is greatest in 1989 (11.7 percent) due to the larger growth in the impact of subtractions. The overall impact of the proposed recommendations falls to 8.1 percent between 1989 and 1994, reflecting the expansion of the EITC.

When examining the impact of the proposed resource changes on the elderly population, a simpler story emerges. Table 4 shows that employing the Modified Panel resource definition dramatically increases the percentage of elderly who are poor as well as the depth of their poverty. The poverty rate increases by as much as 40 percent (1994) and the depth of poverty increases by almost 55 percent (1983). Subtracting MOOP from resources is primarily responsible for the large increases in the depth of elderly poverty. Adding the value of in-kind transfers and homeownership to resources moderates MOOP's impact on the poverty rates. In 1979, the three proposals that add resources reduce elderly poverty rates by 42.6 percent. Subtracting taxes, work-related expenses, and MOOP increases elderly poverty rates by 49.2 percent.<sup>18</sup> The overall effect is an increase of 6.4 percent relative to official statistics. The difference between the official statistics and the Modified Panel measure grows over the 15-year period because MOOP spending claims an increasingly higher share of the elderly's available resources.

## V. IMPACT OF GOVERNMENT TAX-TRANSFER PROGRAMS

Social insurance payments and means-tested cash benefits are the only benefits from government programs included in the official definition of family resources. Census Money Income totally ignores both the potentially beneficial as well as negative effects that other government programs can have on families. In this section, we explore how the adoption of a more comprehensive poverty measure might alter our view of the impact of government programs on the relative poverty status of children and the elderly. Specifically, we measure the direct impact of government programs on family resources and subsequently on the extent and depth of poverty. To do so we separate the recommendations that target

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<sup>18</sup>The net effect is the sum of the direct effects of the three proposals that subtract resources, the within-group interaction effect, and the interaction effect of the additions with the subtractions. This net effect is meant to capture the impact on poverty rates of implementing the three proposals that subtract resources after the proposals that add resources have been implemented.

**TABLE 4**  
**Effect of Resource Redefinition on Elderly Poverty (1979 to 1994)**

	Percentage Difference in Poverty Rate				Percentage Difference in Depth of Poverty (D <sub>k</sub> )			
	1979	1983	1989	1994	1979	1983	1989	1994
<b>Total difference</b>	6.4	6.0	31.8	39.1	48.1	54.9	50.6	43.3
<b>Direct effects</b>								
<i>Additions to resources</i>								
In-kind transfers	-11.4	-12.9	-15.6	-16.8	-2.1	-.6	-.5	2.9
EITC	-.1	-.2	-.1	-.3	.1	0.0	-.2	-.1
Home ownership	-31.5	-36.7	-30.1	-26.5	4.4	7.5	-1.2	-2.9
<i>Subtractions to resources</i>								
Taxes	.9	1.1	1.6	.9	-.3	-.2	-.6	0.0
Work-related expenses	1.4	1.0	1.6	.6	.2	.2	-.3	0.0
MOOP	53.0	55.7	78.6	85.9	47.5	51.5	54.6	44.9
Sum of direct effects	12.2	8.0	35.9	43.8	49.8	58.4	51.9	44.9
<b>Interaction effects</b>								
Within Additions	.4	.9	.4	1.4	2.2	3.4	1.4	.6
Within Subtractions	1.2	1.9	.9	4.0	-.2	-.6	1.0	-.7
Additions * Subtractions	-7.4	-4.7	-5.4	-10.1	--3.7	-6.2	-3.7	-1.4
Sum of interactions	-5.8	-2.0	-4.1	-4.7	--1.7	-3.5	-1.3	-1.5

**Source:** Calculations by the authors.

government programs with direct effects on family resources from those that do not. The recommendations to add in-kind benefits and the EITC and to subtract taxes comprise the category of government programs having a direct impact on family resources. Because work-related expenses, MOOP spending, and homeownership are only indirectly determined by government programs, we place the recommendations regarding their valuation in a second category.

### Pre-Government Poverty

To gauge the impact of government programs on poverty, we must first determine the level of a family's resources in the absence of these programs. Our approach is to subtract the value of the government programs from the family's resources. For example, to determine the level of available resources to the family given the current official definition, we subtract the value of social insurance and means-tested cash programs from Census Money Income. We denote this resource concept as Census Pre-Tax Pre-Transfer Income. We acknowledge that this level of resources understates the amount of resources the family would have had in the absence of government. Without these programs the elderly might save more during their working lives for retirement and parents might work more in the current year. To account for these responses is beyond the scope of this paper, however.

To create a measure for the NRC Panel resource definition comparable to our concept of Census Pre-Tax Pre-Transfer Income, we subtract work-related expenses and MOOP expenditures from Census Pre-Tax Pre-Transfer Income. These subtractions are consistent with the NRC panel's belief that these expenditures are nondiscretionary and that their claim on resources reduces the total available for all other expenditures. We denote the resulting resource concept NRC Panel Pre-Government resources. Similarly, to create a comparable resource measure for the Modified Panel resource definition, we add to NRC Panel Pre-Government resources a limited amount of the value of owner-occupied housing. We refer to this resource concept as Modified Panel Pre-Government resources.



The extent to which these latter two resource concepts understate the level of family resources in the absence of government may actually be less than in the case of the Census definition. If the family works more in the absence of government support, work-related expenses will rise and offset the increased earnings. If government programs such as Medicare and Medicaid did not exist, the level of MOOP spending would most likely rise. Finally, if owner-occupied housing did not receive tax subsidies, the percentage of families owning their own home might fall.

In Table 5, the poverty rate and depth of poverty index ( $D_i$ ) for each of the three pre-government resource concepts are presented for children and the elderly. In the absence of government, child poverty rates would be roughly one-half those of the elderly. Pre-government poverty rates of children grow over the 15-year period in this study. This conclusion is true for all three resource definitions. Pre-government poverty rates of the elderly fall from 1979 to 1989, but rise in 1994. Using either the Panel or Modified Panel resource definitions, elderly poverty rates rise back to their 1979 levels.

Not only do the elderly experience a greater exposure to the risk of poverty in the absence of government but the depth of their poverty is also greater. Using the Census Pre-Tax Pre-Transfer Income, roughly 73 percent of child needs are not met; in contrast 81 percent of the elderly's needs are unfulfilled. The depth of child poverty prior to government programs creeps upward over time. Increases over time in the depth of elderly poverty are slightly larger when employing either the Panel or Modified Panel pre-government resource concepts. The depth of poverty index for children is quite insensitive to which resource definition is employed, but use of the Panel's resource definition does appear to have a noticeable increasing impact compared with the other two resource concepts.

### Impact of Government

Table 6 examines the impact of government tax and transfer programs on child and elderly poverty by comparing the three pre-government resource definitions with their respective after-tax and after-transfer resource definitions. In the current government poverty statistics, social insurance and

**TABLE 5**  
**Pre-Government Poverty (1979 to 1994)**

	Poverty Rate				Depth of Poverty				Sen Index			
	1979	1983	1989	1994	1979	1983	1989	1994	1979	1983	1989	1994
Census Bureau		Measure I								Measure II		
Children	20.1	25.9	22.3	25.5	72.6	74.3	73.7	73.6	14.6	19.3	16.5	18.7
Elderly	54.2	50.4	47.6	52.0	80.1	81.3	80.0	81.4	43.4	41.0	38.0	42.3
NRC Panel		Measure III								Measure IV		
Children	23.2	30.1	26.6	30.3	72.5	74.2	73.5	74.5	16.9	22.4	19.5	22.6
Elderly	60.3	56.4	54.7	60.3	85.5	86.2	86.2	87.9	51.5	48.6	47.1	53.0
Modified Panel		Measure V								Measure VI		
Children	21.4	27.7	25.1	28.9	72.2	73.2	73.1	74.2	15.4	20.3	18.4	21.4
Elderly	55.2	51.3	50.3	55.9	78.8	80.0	81.4	83.4	43.5	41.0	40.9	46.6

**Source:** Calculations by the authors.

**TABLE 6**  
**Impact of Government Programs on Poverty (1979 to 1994)**

	Percent Change in Poverty Rate				Percent Change in Depth of Poverty ( $D_k$ )				Percent Change in Sen Index			
	1979	1983	1989	1994	1979	1983	1989	1994	1979	1983	1989	1994
Census Bureau	Measure I								Measure II			
Children	-18.7	-13.8	-12.1	-14.3	-31.0	-29.1	-28.6	-25.8	-43.9	-38.9	-37.3	-36.4
Elderly	-71.9	-72.6	-76.1	-77.5	-57.3	-57.6	-56.2	-50.5	-88.0	-88.4	-89.5	-88.8
NRC Panel	Measure III								Measure IV			
Children	-21.6	-9.1	-11.0	-16.7	-41.1	-40.9	-40.0	-39.7	-53.8	-46.3	-46.6	-49.7
Elderly	-62.9	-63.9	-64.5	-65.4	-42.3	-39.8	-38.3	-34.4	-78.5	-78.3	-78.1	-77.3
Modified Panel	Measure V								Measure VI			
Children	-26.6	-13.7	-12.8	-18.3	-39.9	-41.3	-40.9	-40.3	-55.9	-49.4	-48.5	-51.2
Elderly	-70.7	-71.5	-70.2	-70.8	-35.8	-33.2	-35.3	-30.8	-81.2	-81.0	-80.7	-79.8

**Source:** Calculations by the authors.

means-tested benefits programs are the only avenues by which government programs can lift an individual out of poverty. These two programs alone are sufficient to reduce elderly poverty rates by over 70 percent in 1979, and their impact increases with time. Their impact on the number of poor children is much less. In 1979, they lift 18.7 percent of poor children out of poverty, but their antipoverty effectiveness declines throughout the 1980s and by 1989 they reduce child poverty by only 12.1 percent. This percentage rises modestly by 1994 to 14.3 percent. The proportion of elderly who are poor is roughly twice the proportion of children, but the antipoverty effectiveness of these programs as measured by the percentage reduction in poverty rates is nearly five times greater for the elderly.

Employing the poverty rate as the poverty index reduces the measure of success of government programs in moving individuals out of poverty. The clear advantage of the Sen Index is that it recognizes that governments can reduce both the number of people in poverty and the depth of poverty within a population. The second column of Table 6 shows the impact of government programs on the depth of poverty. The third panel displays the effect of government on the Sen Index.

According to the Census Pre-Tax Pre-Transfer resource definition, social insurance and means-tested cash programs reduce the depth of poverty for both children and the elderly. Once again their impact is significantly smaller for children than for the elderly, but it is larger than in the case of child poverty rates. The opposite holds true for the elderly, for whom government programs have their greatest effect on the incidence of poverty. For both groups, the antipoverty effectiveness of these government programs declines steadily over this 15-year period.

The Sen Index, which captures changes in both the incidence and depth of poverty, provides a different picture of government's role in reducing poverty over this 15-year span. Between 1979 and 1994, the impact of government programs on child poverty shows a definite decline while the impact on elderly poverty remains stable. However, the impact of these government programs on elderly poverty

relative to child poverty is greatly reduced. Instead of a five-to-one ratio, the impact on elderly poverty is roughly 2.3 times that on child poverty.

One of the primary reasons for reformulating the resource definition is to include other government programs that affect the poverty status of individuals. In-kind food and housing benefits, the EITC, and income and payroll taxes all affect a family's ability to meet its needs. Although both the NRC Panel and Modified Panel resource definitions include these programs in their resource definition, we focus on the latter in our estimates of their impact on poverty rates and the depth of poverty.

Using the Modified Panel resource definition increases the impact of government programs on child poverty in all years except 1983. The largest reductions in poverty occur in 1979 and 1994, thereby deepening the U-shaped pattern. The impact on elderly poverty is smaller than in the Census numbers. Instead of an increasing impact of government, we find a nearly constant reduction in the number of elderly poor. The magnitude of the impact of government on the elderly relative to children is again roughly five to one.

Adopting the Modified Panel resource definition profoundly alters our view of the ability of government programs to alleviate the severity or depth of poverty for children and the elderly. Now government programs reduce the depth of child poverty more than elderly poverty (40.3 versus 30.8 percent by 1994). These larger reductions for children produce even larger antipoverty effects in the more comprehensive poverty index—the percentage reductions in the index are two to four times greater than the corresponding changes in the poverty rate. The trend traced by the index over the entire 15-year period has a definite U shape. The impact of government programs on child poverty declines between 1979 and 1989, but increases between 1989 and 1994. Over the same period, the impact of government programs on elderly poverty is less than when using the Census definition of resources, and it declines slightly.

To understand these trends in poverty, we decompose the change in poverty rates and depth of poverty into the direct effects of the five government tax-transfer programs employing the Modified Panel resource definition. These programs are federal and state income taxes, payroll taxes, social insurance, means-tested cash transfers, in-kind benefits, and the EITC. We also compute two interaction effects. The first measures the additional impact of simultaneously implementing all transfer programs, including the EITC. The second interaction effect represents the interaction of transfer programs with taxes (income and payroll taxes). The results are reported in Tables 7 and 8.

Table 7 shows that the ability of government transfer programs to move children out of poverty diminished between 1979 and 1994. The EITC stands as the only program whose antipoverty effectiveness increased. Taxes move almost as many children into poverty as social insurance and means-tested cash programs remove. But as we have already seen, the major impact of transfer programs on child poverty is reducing the depth of poverty. Comparing the first and second panels of Table 7, we see that social insurance programs and the EITC have a larger impact on the extent of child poverty than on the depth of child poverty. Means-tested cash and in-kind transfers have the opposite effect—their impact is much greater on the depth of child poverty. Even so, the ability of means-tested cash programs (AFDC and SSI) to reduce the depth of child poverty diminishes over time as does their ability to reduce the number of poor children. Helping to offset these trends is the increased ability of in-kind transfers to reduce the depth of child poverty, and the increasing importance of the EITC.

Table 8 reveals that social insurance plays the largest role in poverty reduction among the elderly. It accounts for roughly 90 percent of the reduction in the elderly poverty rate and 75 percent of the reduction in the depth of their poverty. As was the case for children, social insurance is much more influential in reducing the number of poor than in reducing the depth of poverty. Given the relative stability of these programs, it is not surprising that the impact of the government on elderly poverty has also been quite stable over these 15 years.

**TABLE 7**  
**Impact of Government on Child Poverty (1979 to 1994)**

	Percentage Change in Poverty Rate				Percentage Change in Depth of Poverty ( $D_k$ )			
	1979	1983	1989	1994	1979	1983	1989	1994
<b>Total impact</b>	-26.6	-13.7	-12.8	-18.3	-39.9	-41.3	-40.9	-40.3
<b>Direct effects</b>								
<i>Transfers</i>								
Social insurance	-11.1	-10.7	-7.3	-7.3	-3.4	-3.7	-4.2	-3.9
Cash welfare	-6.6	-2.3	-3.1	-3.2	-20.7	-19.2	-18.4	-16.9
In-kind transfers	-6.0	-4.1	-3.9	-3.9	-15.5	-15.1	-15.9	-16.6
EITC	-2.5	-.9	-3.0	-6.8	-.4	-.6	-.7	-1.2
<i>Taxes</i>	10.2	11.7	11.2	10.4	-3.5	-3.9	-3.0	-2.4
Sum of direct effects	-16.0	-6.3	-6.0	-10.7	-43.4	-42.5	-42.2	-41.0
<b>Interaction effects</b>								
Within Transfers	-8.1	-6.0	-6.6	-7.1	1.9	-.9	-.2	-.2
Transfers * Taxes	-2.5	-1.4	-.2	-.5	1.6	2.1	1.5	.9
Sum of interactions	-10.6	-7.4	-6.7	-7.5	3.5	1.2	1.3	.6

**Source:** Calculations by the authors.

**TABLE 8**  
**Impact of Government on Elderly Poverty (1979 to 1994)**

	Percentage Change in Poverty Rate				Percentage Change in Depth of Poverty ( $D_k$ )			
	1979	1983	1989	1994	1979	1983	1989	1994
<b>Total change</b>	-70.7	-71.5	-70.2	-70.8	-35.8	-33.2	-35.3	-30.8
<b>Direct effects</b>								
<i>Transfers</i>								
Social insurance	-64.5	-65.2	-64.3	-66.6	-26.5	-26.2	-27.6	-24.8
Cash welfare	-1.4	-1.3	-1.6	-.9	-4.1	-3.6	-3.1	-2.0
In-kind transfers	-.3	-.2	-.2	-.2	-2.2	-2.4	-1.8	-1.4
EITC	-.1	0.0	-.1	-.2	0.0	0.0	0.0	0.0
<i>Taxes</i>	1.4	1.8	2.2	2.2	-.4	-.4	-.6	-.4
Sum of direct effects	-64.8	-64.8	-64.0	-65.7	-33.1	-32.6	-33.0	-28.6
<b>Interaction effects</b>								
Within Transfers	-4.8	-5.2	-4.4	-3.4	-2.9	-.9	-2.7	-2.6
Transfers * Taxes	-1.1	-1.4	-1.7	-1.7	.2	.3	.4	.3
Sum of interactions	-5.8	-6.7	-6.2	-5.1	-2.6	-.6	-2.3	-2.2

**Source:** Calculations by the authors.



## VI. CONCLUSIONS

The official poverty measure employed by the Census Bureau shows that poverty among children exceeded poverty among the elderly by an ever-increasing amount between 1979 to 1994. In this paper, we find that a more comprehensive poverty measure creates a different picture of the relative poverty status of children and the elderly. Employing a poverty measure based on a broader definition of family resources and an index that captures the extent and depth of poverty, we show that the gap between child and elderly poverty is actually narrowing. We find that child poverty is lower and that elderly poverty is higher than when using the Census Bureau's techniques.

We explain these results by analyzing how alternative poverty measures capture the impact of government programs. The resource definitions of the comprehensive poverty measures account for more of the antipoverty programs benefitting children than does Census Money Income. Consequently they show a greater impact of government on child poverty, and a lower rate of child poverty, than the Census statistics. On the other hand, the effectiveness of government programs for the elderly is less than what is found in the current poverty statistics because they ignore the high costs of medical care that the elderly pay out of their own pockets.

We conclude with the following observation. Although we find that child poverty is overstated by current Census Bureau methods, we believe that child poverty is still a critical problem that needs to be addressed. Children face above-average risks of poverty—higher than those of the elderly population and the average American. Even though the current poverty measures understate the impact that government has on child poverty, there is much more that can be done to help children escape poverty. On the other hand, we believe that the war on elderly poverty is far from being won. The current poverty measure masks both the extent and depth of poverty among the elderly. Assuming that the cost of health care continues to rise, we anticipate that more rather than fewer elderly families will fall into poverty in the years to come.

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