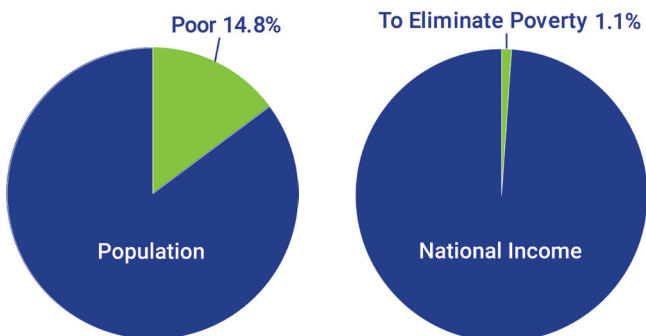


Is the Poverty Rate 1.1 Percent?

Michael Ettlinger and Andrew Schaefer

Poverty in the United States is a multifaceted problem with causes as diverse as the 46.7 million people who live in it and solvable only through a suite of solutions.¹ Those 46.7 million people constituted 14.8 percent of the population of the United States in 2014,² which both shocks the conscience for such a wealthy country and suggests a challenge of intimidating magnitude. On the other hand, while the number of people is daunting, the dollar amount involved is less so.

FIGURE 1. PERCENT POOR OF TOTAL U.S. POPULATION AND PERCENT OF NATIONAL INCOME TO ELIMINATE POVERTY



Source: DeNavas-Walt and Proctor, 2015

Source: Authors' calculations

We estimate that those living in poverty in 2014 in the United States were \$192 billion short of the poverty line. In other words, the sum total it would take to raise all poor families to the poverty line is \$192 billion. That isn't a small sum, of course. But it is only 1.1 percent of our nation's \$17.3 trillion of national income in 2014.³ Thus, while 14.8 percent of the population lives in poverty, to raise them out of poverty would require raising their income by only 1.1 percent of total national income.

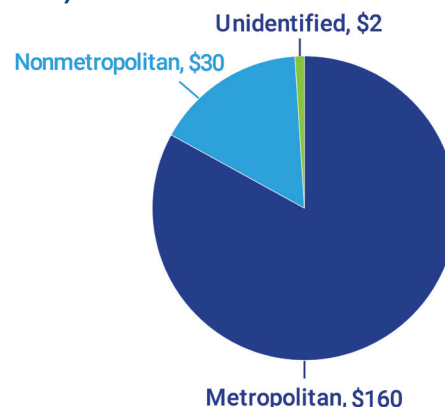
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That's not to say that there's a magic wand to make this happen. Proposals to address poverty have been put forward from many quarters. They all deserve consideration on their merits, but resignation to the inevitability of poverty because of the magnitude of the problem is not a reason for inaction. After all, most other economically advanced countries have lower rates of poverty than the United States.⁴ So poverty in otherwise well-off nations is not a foregone conclusion.

One additional note: of the \$192 billion in income increase that's needed, \$160 billion is needed in metropolitan areas, \$30 billion in rural areas.

FIGURE 2. AMOUNT NEEDED TO RAISE POOR FAMILIES TO THE POVERTY LINE BY METROPOLITAN STATUS (IN BILLIONS)



Note: For anonymity reasons, approximately 1.1 percent of the CPS ASEC families have an unidentifiable metropolitan status.
 Source: CPS ASEC, 2015

Methodology

Data for this project are from the 2015 Annual Social and Economic Supplement (ASEC) of the Current Population Survey (CPS). All income questions in the ASEC refer to 2014, the most recent year for which data are available. The ASEC is conducted every March and is the source of the U.S. Census Bureau's official poverty estimates. The official poverty measure (OPM) is a family-level construct. Total family income is compared to a poverty threshold based on family size and number of children. Families with total incomes below their assigned threshold are considered poor, or in poverty. If a family is categorized as poor, then all people in the family are considered poor.⁵

Endnotes

1. Carmen DeNavas-Walt and Bernadette D. Proctor, "Income and Poverty in the United States: 2014," P60–252, Current Population Reports, U.S. Census Bureau, September 2015.
2. DeNavas-Walt and Proctor.
3. The measure used for national income is Gross Domestic Product as reported by the Bureau of Economic Analysis. <http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&904=2014&903=5&906=a&905=2016&910=x&911=0>.
4. See OECD (2016), Poverty rate (indicator). doi: 10.1787/0fe1315d-en (accessed on 04 May 2016)
5. Note that the OPM has been criticized for both not adequately accounting for all the resources available to families and not correctly calculating their cost of living. To address these issues, the Bureau of the Census has developed an alternative, unofficial measure of poverty:

the "Supplemental Poverty Measure" (SPM). Using the SPM accounting, with its different measures of both income and expenses, results in a total shortfall for the poor of \$178 billion instead of the \$192 billion for the OPM.

Acknowledgements

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