

## Deconstructing European Poverty Measures: What Relative and Absolute Scales Measure

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The movement toward evidence-based policymaking in the United States owes much to politicians and scholars like Daniel Patrick Moynihan, who once said: “In policy debates everyone is entitled to his own opinion but not his own facts.” But facts do not droppeth as the gentle rain from heaven, but rather are the difficult-to obtain first step in the empirical process that allows policymakers to establish social success indicators for their policies, understand the causal relationships between those policies and social outcomes, and thus more effectively carry out policies that best achieve future social successes.

The United States and the European Union share the common goal of the alleviation of poverty for all their citizens. The papers presented at the Joint Organization for Economic Co-operation and Development (OECD)/University of Maryland International Conference on Measuring Poverty, Income Inequality, and Social Exclusion: Lessons from Europe, demonstrate that European scholars whose business it is to establish the necessary facts to measure poverty, how it changes over time, and what policies best reduce it, share a great deal in common with their American colleagues. This is most especially the case with respect to the decisions they face in their conceptualization of poverty and in how they choose to operationalize these concepts in collecting the data necessary to measure it.

The primary funder—and with rare exceptions the primary institution charged with collecting data on economic well-being for a given country—is that country’s central statistical agency. Within the European Union (EU), each state’s statistical agency has been increasingly asked to coordinate its micro-data gatherings along EU guidelines. The first major success of this effort is the EU-SILC (European Union—Survey of Income and Living Conditions). It offers the only current *ex ante* equivalent data on economic well-being in each of the 27 EU member states.

In doing so, the EU-SILC provides an alternative to the Luxembourg Income Study (LIS), which was previously the main source of micro data on EU countries available to the international network of scholars doing poverty research. LIS was and will continue to be valuable for capturing longer-term trends in economic wellbeing both because it provides at least limited access to difficult to obtain cross-sectional country data for prior years, and because *ex post*, it standardizes that data for cross-country comparative purposes. However, the EU-SILC is likely to be increasingly used both by the EU and the OECD as the source for their official measures of current poverty and by the international research community. (See Burkhauser & Lillard, 2005, for a fuller discussion of data developments in Europe.)<sup>5</sup>

Hence, it is useful to understand the concepts of poverty that these European based data sets were intended to capture. Förster and d’Ercole (2009) provide exactly the kind of information necessary to do so. They outline the dominant method of conceptualization and operationalization of European poverty measures that informed the EU in its development of the questionnaire for the EU-SILC. They do so in the context of their explanation of how the OECD tracks its individual member country poverty rates and trends, including those in the United States, in its latest cross-national comparative study of poverty, *Growing Unequal? Income Distribution and Poverty in OECD Countries* (OECD, 2008). Maquet and Stanton (2009), in their discussion of official EU member state poverty rates using EU-SILC, show that the measurement concepts outlined by Förster and d’Ercole (2009) are, with minor differences, the same as the ones used by the EU in their official poverty statistics.

What is surprising is that, for the most part, the U.S. Census Bureau uses similar data and methods to measure U.S. poverty rates, but with a fundamental difference that has important implications for those interested in cross-national comparisons of poverty and the methods used to alleviate it in the U.S. and the EU. That difference is not the one most commonly associated with European and U.S. poverty line measurement issues—that one is an absolute measure and the other relative. It is more fundamental. The U.S. is 200 years ahead of the EU in recognizing that member states that agree to

share a common economic market in which capital and labor are free to move from one state to another will inevitably share a common set of values and social policies.

Chief among these is that solidarity does not end at a state's border. It is telling that neither Förster and d'Ercole (2009) nor Maquet and Stanton (2009) provide any poverty measure in which relative poverty is based on the economic well-being of the average EU citizen. Instead, all official EU poverty statistics, as well as OECD official measures of poverty within the EU, including those provided in *Growing Unequal?* (OECD, 2008), are provided as if each state was a completely separate social entity. Hence, the economic well-being of an EU citizen in a given state depends on his or her income relative only to those EU citizens who happen to live in that member state.

While such a relative concept makes sense for government entities based on blood or tribal relationships, it is far less appropriate when these government entities have embraced the free movement of capital and labor across their borders and the free market mechanisms that will make such archaic relationships increasingly less important in the day-to-day market activities of their citizens. In contrast, in the United States of America, while we certainly provide official (Census Bureau) information on poverty rates at the state level, it is always in the context of a single poverty concept directly linking the well-being of a given citizen with all other U.S. citizens rather than only to members of their same blood, tribe, or state of residence.

Below I use the expositional model of Förster and d'Ercole (2009) to more systematically compare and contrast EU and U.S. poverty measurement methods and the implications they have for understanding the fundamental differences between us.

## **THE NUTS AND BOLTS OF POVERTY MEASUREMENT**

### **Income Rather Than Consumption**

Although economics-based conceptualizations of individual economic well-being focus on those things that individuals consume—goods, services, and leisure—data collection issues have forced European and American researchers to focus instead on income. Income consists of both private and government transfer cash income—that is, on the ability of individuals to purchase goods and services. Income includes wages and salaries, self-employment income, property income (such as interest, dividends, and net rental income), and government cash transfers. It excludes capital gains, imputed rent, and in-kind government (foods stamps, Medicare, Medicaid, etc.) or private benefits (employer health insurance, etc.). And it takes no account of the time and energy—work or reduction in leisure—required to earn it.

The limits of such measures are well understood in the literature. While alternative overall consumption measures have been proposed as well as measures of material deprivation or social exclusion, all official OECD, EU, and U.S. poverty measures now are cash income-based. The major difference between European and U.S. income measures is that the Europeans explicitly remove income tax and social security contributions from gross cash income and make all comparisons within and across states using the resultant disposable cash income measure. Disposable income is clearly a more accurate measure of one's ability to purchase goods and services in the market and is superior to the gross cash income measure currently used in official U.S. poverty measures.

### **Counting People Rather Than Households**

The EU-SILC, like other European and American data sets, collects information on the income of all household members. Households can contain families (those related by blood or marriage) and those families contain individuals. European poverty measures assume all household income is shared equally among its members and that there are some economies of scale in its use, so that they can focus on

poverty at the individual level. Official U.S. poverty statistics make the same assumptions, but at the family level, and their economies of scale assumptions are somewhat different.

While the choices of sharing unit and scale economies can have substantial impacts on the characteristics of those who are found to be in poverty—for example, the greater the economies of scale, the more likely that those in smaller households (widows, older persons) will be counted as poor—these choices do not appear to seriously impact trends in poverty within or across countries. (See Burkhauser, Smeeding, & Merz, 1996, for a discussion of the sensitivity of crossnational poverty comparisons to choice of equivalence scale.)

### **Static versus Dynamic**

The EU-SILC, like the U.S. Survey of Income and Program Participation, is a short panel design that allows for some more dynamic analysis of poverty movements. For some OECD countries, much longer panels are available. These panels are vital for understanding persistent poverty and its causes. But until recently, only a few OECD countries (for example, the U.S., Canada, Germany, and Great Britain) had either a short- or a long-term panel. Hence, official poverty statistics in both Europe and the U.S. are based on cross-sectional data. So there is not much difference here. (See Burkhauser, 2001, for a discussion of the value added of panel data for policymakers.)

### **Relative versus Absolute**

The single most discussed difference between European and American poverty measures is that Europeans use a relative poverty scale and the U.S. uses an absolute scale. What becomes clearer once these two scales are more carefully considered is that they both address two fundamental issues with respect to poverty measurement: (1) What is the initial level of poverty that best represents the social minimum level of access to resources for a given society? (2) How should this social minimum level change over time? It is in how our two poverty scales relate to these two fundamental issues that our differences are best seen.

Europeans have historically shown a great deal more interest in the reduction of overall income inequality as one of their major social success goals. Hence, it is not surprising that the intellectual underpinnings of their concept of poverty rests entirely on income distribution grounds—poverty is defined as having income below some percentage of median income. (The OECD uses a 50 percent cutoff point, while the EU uses a 60 percent cutoff point.) Furthermore, this is made explicit in some European-style models of economic well-being, in which a person's individual wellbeing is considered not only a positive function of his or her own consumption, but is also positively associated with his or her place in the distribution—see Ravallion and Chen (2009) in this volume for an example of such modeling.

Such a concept of poverty resolves not only the first fundamental issue but also the second, since as median income rises over time (both because of increases in inflation and because of real productivity gains) so will the poverty line. Doing so in principle commits governments that use this type of relative poverty line as their poverty goal to guarantee sufficient additional revenue to lower income groups each year not only to keep them above a constant real social minimum level of economic well-being over time but to increase that minimum level with economic growth so that they do not fall behind the rest of the population in their purchasing power. Under such scoring rules, all persons in the population could improve their economic well-being but poverty rates could still rise— income distribution goals could trump improvement in personal consumption goals. Such social success scales do not recognize success in reducing poverty unless economic growth increases poor people's income faster than that of the median person's income.

Historically, the United States has not focused as much official attention on overall income inequality issues, but rather has concentrated on providing some minimum level of income for the lower

end of the income distribution. Hence, it is no accident that the intellectual underpinning of our concept of poverty does not rest explicitly on income distribution grounds but rather on the amount of income necessary to purchase some social minimum basket of goods and services. Unlike some percent of the median, it is much more difficult to determine what should be included in that basket of goods and its cost. Originally the U.S. social minimum was based solely on the cost of a healthy diet for a family of three. Later, economies of scale values were introduced again based on food consumption.

That takes care of the first fundamental question; but not the second. In fact, our poverty line is increased each year by the inflation rate alone. Governments, like the U.S., that use the guarantee of income necessary to purchase a fixed basket of goods and services as their poverty alleviation goal will only have to transfer sufficient revenues to lower income groups each year to maintain their original level of consumption. Under such scoring rules, poverty rates could fall to zero with no change or possibly even an increase in income inequality. That is, economic growth would reduce poverty as long as poor people received at least some share of that growth.

In reality, the initial official poverty line set by European or American policymakers was more a political than a scientific one, as is the degree that the poverty thresholds should be sensitive to average real growth. It would have been possible, for instance, for Europeans to have chosen a social minimum based on a basket of goods that ended up equaling 50 or 60 percent of the income of the median person and then argued that this basket should grow with real median income, and the result would have been the same.

And it is likely that when President Lyndon Johnson accepted our initial social minimum based on food consumption, he was more interested in the percentage of poor Americans such an initial standard captured—not so few as to suggest that poverty was not a serious problem in the U.S., but not so many as to make doing anything about it too daunting—than in the scientific justification for such a standard.

The limitations of using data on a healthy diet as a measure of the social minimum basket of goods and services and of holding that level constant in real terms for very long time periods have been discussed in detail in Citro and Michael (1995), as have many other problems with the current U.S. poverty scale—for example, using disposable income, using a household rather than a family as the sharing unit, and more consistent scale economies—that would make it closer in design to European-style measures. But as Lerman (2009) points out, the unwillingness of U.S. government officials to make any of these changes in the official poverty scales over the last decade and a half since the Citro and Michael (1995) report may have more to do with the fact that many federal programs use the official state poverty rate to allocate funds to that state rather than because of their ignorance of the scientific arguments for doing so. Hence, any reforms in our flawed poverty measure will have immediate implications for the size and distribution of those federal funds to the states. Furthermore, the initial unwillingness of President Johnson to commit the U.S. to a poverty scale that automatically increases with economic growth may also have been based on the pragmatic argument that future federal government officials might not want to automatically ensure that such funds be committed to low-income transfers but rather that it be left to future generations of citizens to explicitly decide how to distribute the fruit of additional growth, and hence to explicitly decide when the real social minimum level should be raised.

In contrast with the very close relationship between changes in our official poverty rate and in the level and distribution of federal expenditures to the states, there appears to be no direct relationship between the relative poverty line detailed by Förster and d'Ercole (2009) and Maquet and Stanton (2009) and actual EU social policies or the policies of its member states. So, while the European measure of the social minimum rises with real growth in each state, there is no requirement that funds from those states or the EU be allocated based on this increase. Hence, the real stakes of such a poverty scale are somewhat lower in terms of its social commitment than would be the case in the U.S.

Förster and d'Ercole (2009) mention current issues in poverty measurement that are also of interest in the United States, most especially the importance of taking into consideration non-cash

transfers from government and non-cash benefits from employers as additional sources of income. (See Sutherland, 2009, and Frick & Grabka, 2009, for examples of the value of including non-cash government transfers, and Gilbert, 2009, for an example of the value of including private non-wage compensation, in measures of income.) In the United States, the failure to take into account the value of in-kind government transfers that are primarily targeted to low-income people in our official poverty calculations understates the resources available to them. But it also understates the degree that, for instance, the \$35 billion in government expenditures spent on an in-kind transfer program like food stamps or the \$116 billion spent on Medicaid improved the economic well-being of low-income people. (Figures are for 2008 for food stamps and 2006 for Medicaid. See Burkhauser & Daly, 2009.)

## **WHAT CAN WE LEARN FROM THE EUROPEAN APPROACH TO POVERTY MEASUREMENT?**

Certain aspects of the European style of poverty measurement should be seriously considered as we think about reforms in our official poverty measures. Several are non-controversial. Disposable income is a better measure of purchasing power and is more consistent with the income-based measure of poverty we both use. Including the effect of government tax policies will account for the degree that taxes reduce personal consumption and, in the United States, would also take account of the degree that tax credits like the federal Earned Income Tax Credit and the state tax credit programs that supplement it, increase the effective wages and disposable income of workers in low income households.<sup>6</sup> Counting families without considering the number of people within them, which is still done in some Census Bureau official statistics, fails to take into account the number of mouths that a given family's income must support and should also be more uniformly done here. And we should look to Europe for a more sensible way of controlling for economies of scale.

More controversially, using a household rather than a family sharing unit may make sense given the number of non-married, non-blood relatives that are now sharing resources but who under current rules are counted as not doing so. Even more controversially, it may be time to reevaluate the appropriateness of the current implicit goal embedded in our poverty line measures. Because we have only adjusted our poverty line for inflation over the nearly half century since President Johnson first established our social minimum level, it is still set at the same real 1960s War on Poverty income level. Given the considerable economic growth we have experienced as a country since then, it now may be time to explicitly raise our social minimum. But in doing so, it is far less clear that we should use a European-style approach.

There are some aspects of current European-style poverty lines that make much less sense for the United States and, I would argue, even for the European Union itself. Chief among them is the official OECD and EU choice of solidarity reference group in measuring member state poverty. Table 1 is cobbled together by me based on Figures 3 and 8 from Tóth and Medgyesi (2009). Apparently, this European team of researchers did not get the memo that one should never provide alternative measures of relative poverty for EU countries in the same paper, even if you never connect the dots. By doing so, these figures provide a nice example of the dramatic difference in member state-measured poverty rates made by one's choice of solidarity reference group, and more broadly, why it is important to make explicit the social goal toward which the success indicator is being used to measure progress.

In their figures, Tóth and Medgyesi (2009) first use the EU's standard of 60 percent of that state's household size-adjusted median income as their poverty line to calculate the percentage of persons in that state who are poor. They do so based on data from the first (income year 2005) wave of EU-SILC data. Column 1 reports the poverty rates of each EU member state using the OECD2 equivalent income scale to account for differences in household size. These resulting state poverty rates are very close to those reported by Maquet and Stanton (2009) based on official EU measures for income year 2006 in their Table 2 (not shown here).

**Table 1.** European poverty rates by member state using alternative solidarity group medians.

Member State	Alternative Solidarity Group Poverty Rates	
	0.6 of Median Income of Member State <sup>a</sup>	0.5 of Median Income of EU Population <sup>b</sup>
Lithuania	20	68
Latvia	23	63
Poland	18	58
Estonia	18	52
Slovakia	12	50
Hungary	16	50
Portugal	18	28
Czech Republic	10	22
Greece	20	25
Spain	20	12
Italy	19	7
Slovenia	12	5
United Kingdom	19	4
Germany	12	3
Sweden	12	3
France	13	3
Ireland	18	3
Cyprus	16	3
Belgium	15	2
Denmark	11	2
Austria	13	2
Netherlands	9	2
Finland	12	2
Luxembourg	13	1
EU Average	16	20

Source: Adapted from Tóth and Medgyesi (2009) Figures 3 and 8.

<sup>a</sup> 0.6 of the household size adjusted income of the median person in that state using the OECD2 equivalence scale.

<sup>b</sup> 0.5 of the household size-adjusted income of the median person in the EU using a per capita equivalence scale.

What is the message from using this social success indicator for EU member states? Poverty remains a significant problem in all EU member states, with a group bunched at the extreme low end (around 10 to 13 percent) (the Netherlands, Czech Republic, Denmark, Germany, Slovenia, Spain, Finland, Luxembourg, and Austria), several more in the middle, and another set of member states bunched around the extreme high of around 20 percent (the United Kingdom, Italy, Greece, Spain, Lithuania, and Latvia).

But somewhat surprisingly, column 1 suggests that there is not all that much difference in the risk of poverty across EU member states including comparisons of old and new member states. But the numbers are quite different when we change the social success indicator by extending the solidarity reference group from the median person in the state to the median person in the EU. In Table 1, EU member states are arrayed in descending order of their poverty rates using an EU-wide solidarity group measure.

As discussed above, in column 1 the cluster of states with the highest poverty rates had about twice the poverty rates of the states with the lowest poverty rates. As can be seen in column 2, when we

now use the whole of the EU as our solidarity group reference and hence use 0.5 of the median income EU person to set an EU-wide social minimum, in 6 member states—Lithuania, Latvia, Poland, Estonia,

**Table 2.** State child poverty rates in the United States using alternative solidarity group medians.

State	Standard U.S. Method <sup>a</sup>	0.5 Median Income of State <sup>b</sup>
District of Columbia	33	18.8
Mississippi	31	18.9
Louisiana	24	22.8
Texas	23	20.7
Alabama	22	20.3
Kentucky	22	20.5
New Mexico	22	21.6
West Virginia	22	18.5
Arkansas	21	14.1
Georgia	21	18.8
Arizona	20	23.6
New York	20	26.3
North Carolina	20	17.2
Oklahoma	20	17.6
Tennessee	20	18.2
Missouri	19	13.8
South Carolina	19	18.0
California	18	25.7
Kansas	18	13.0
Ohio	18	18.6
Indiana	17	13.8
Michigan	17	19.5
Montana	17	13.9
Florida	16	21.2
Oregon	16	16.2
Pennsylvania	16	18.4
Rhode Island	16	22.7
Illinois	15	21.7
South Dakota	15	12.3
Wisconsin	15	15.1
Colorado	14	13.1
Iowa	14	13.0
Maine	14	13.7
Massachusetts	14	24.2
North Dakota	14	12.3
Delaware	13	18.8
Idaho	13	13.9
Nebraska	13	13.0
Nevada	13	13.1
Virginia	13	18.8
Wyoming	13	13.9
Connecticut	12	22.7
Maryland	12	18.8
Minnesota	12	15.8
Utah	12	13.1
Washington	12	19.0
Alaska	11	16.1

Hawaii	11	16.1
New Jersey	11	21.8
Vermont	9	13.7
New Hampshire	6	13.7

*Sources:* Column 1 based on National Center for Children in Poverty (2009), using CPS survey years 2006–2008. Column 2 based on Rainwater, Smeeding, and Coder (2001, Table 2.4, p. 61), using CPS survey years 1995–1997.

<sup>a</sup> Official U.S poverty measure.

<sup>b</sup> Poverty measure based on OECD guidelines with state as solidarity reference group.

Reproduced with permission from Timothy M. Smeeding and John Coder (2001). “Poverty Across States, Nations, and Continents.” In K. Vleminkx and Timothy M. Smeeding (Eds.), *Child Well-Being, Child Poverty, and Child Policy in Modern Nations: What Do We Know?* Bristol, UK: Policy Press; Toronto, Canada: University of Toronto Press.

Slovakia, and Hungary—the majority of their populations are found to be below the poverty line, while 12 member states have poverty rates below 5 percent. That is, poverty rates in the high-poverty states are now shown to be 10 times those in the low-poverty states. Hence, the take-away message of column 2 is quite different from that of column 1. That message is: There is an enormous difference between the extremely high poverty rates in the mostly new states of the EU and the extremely low poverty rates in most of the original EU member states.<sup>7</sup>

What is driving this dramatic difference in messages? Fundamentally, by focusing solely on a state median, the first measure completely ignores cross-state differences in income levels. Hence, approximately 20 percent of the citizens of Lithuania, Greece, and the United Kingdom are considered to live in poverty even though there are substantial differences in average income in these states and hence in access to the goods and services available to those with only 0.6 of that income across those states. When solidarity is extended across state borders by using a single EU-wide social minimum, this disparity becomes much clearer as these states’ poverty rates change to 68, 25, and 4 percent, respectively.

Following on our Table 1 comparisons, Table 2 shows the differences in state poverty rates in the United States as normally estimated and those same states if we adopted the EU’s solidarity reference group approach. States are arrayed from highest to lowest based on their child poverty rate using Current Population Survey data from 2006 to 2008, as reported on the National Center for Children in Poverty Web site using the standard American social minimum approach. The results in column 1 are unsurprising. Official child poverty is most severe in less wealthy states—the top 10 poverty states include 8 from the South as well as the District of Columbia and New Mexico.

While studies using the European approach to estimate poverty on a state basis are rare in the United States, column 2 of Table 2 provides one such estimate (Rainwater, Smeeding, & Coder, 2001) using the OECD/EU approach—0.5 of the household size-adjusted income of the median income person in the state. The results substantially change the states with the greatest poverty problem. Of the top 10 poverty states under our official measure of poverty, only New Mexico and Louisiana remain. The three states whose children are most likely to be in poverty are New York, California, and Massachusetts.

Because federal dollar allocations to the states are directly tied to our official state poverty rates, such a change would have profound effects on this allocation. It is hard to imagine the coalition of American child welfare experts who would argue for a change that would shift federal dollars from the poor children of Alabama, Mississippi, and Kentucky to their higher-income counterparts in New York, California, and Massachusetts because they were relatively more deprived. But why is this so in America and not in the EU? In my view, in 1789 when our 13 states formally agreed on the rules under which they would become the United States of America, there were profound differences among those states, including laws governing slavery that took a civil war to resolve. But over time, an increasing share of Americans began to think of themselves as Americans first and citizens of a state second. Nonetheless, even 200 years later there are significant state and regional, as well as racial and ethnic, differences that come into play in the allocation of federal and state resources, and it is still difficult to convince citizens of

wealthier states to subsidize their poorer state cousins. Hence, we still tolerate some degree of difference in poverty rates across states, as column 1 of Table 2 demonstrates using our standard poverty measures.

Because of our heterogeneity of interests, Americans may be less willing to share individual resources and to provide a higher social minimum for all Americans than is the case for some of the individual states of the EU that are more homogeneous by blood or tribal bonds. Nonetheless, it would be laughable to propose that federal government poverty reduction policy in the United States be based on a state solidarity group measure like that currently used in the OECD or EU to capture poverty across its EU member states. And as a comparison of column 2 of Table 1 and column 1 of Table 2 shows, our cross-state differences in poverty using an Americawide solidarity group poverty measure are much smaller than those in the EU using an EU-wide solidarity group measure.<sup>8</sup>

My guess is that it will become increasingly difficult for the EU to maintain its goal of a fully integrated EU market economy of the type that we have enjoyed in the United States since our inception, while continuing to measure the risk of poverty of fellow EU citizens based solely on poverty scales that implicitly argue that solidarity stops at state borders. That is, how much longer will the dramatic difference in state poverty rates found in column 2 of Table 1 be tolerated before reducing these differences becomes a social goal toward which this type of success indicator measures progress?<sup>9</sup>

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<sup>5</sup> In addition to the problems discussed in Burkhauser and Lillard (2005), cross-national comparisons of national data are also affected by changes in the underlying country data used for such comparisons. Burkhauser and Larrimore (2009) summarize a set of recent papers demonstrating the problem of using uncorrected data from the U.S. Current Population Survey (CPS), the data set used for the U.S. by LIS and the OECD in their cross-national comparisons of income distribution and poverty. For instance, because LIS does not correct for topcoding in the public use CPS, their official Gini income inequality values have a significant jump in the years after 1994 that is in large part due to an increase in topcoding limits and the introduction of cell means in 1995 rather than any real change in the underlying data. Official OECD measures of income inequality are based on the internal CPS data, so topcoding is less of a problem. Nonetheless, because they do not correct for this smaller problem in the internal CPS data, part of the rise in inequality they report in the years after 1992 is caused by changes in topcoding and other changes in data collection methods in 1993.

<sup>6</sup> More controversial but of value in capturing the resources available to households would be including in-kind government transfers and the non-wage compensation paid to workers by firms.

<sup>7</sup> Beblo and Knaus (2001) were the first to conceptualize the EU as a single entity and empirically show when doing so that residents of Italy, Spain, and Portugal made up a disproportionate share of the bottom decile of the overall EU population in 1995.

<sup>8</sup> In a similar vein, Burkhauser and Couch (forthcoming) review the income distribution literature comparing the United States and EU countries and make the point that while income inequality in the United States is greater than income inequality for most of the EU countries individually, when income inequality is measured across all EU citizens, overall income inequality in the EU is much closer to that found in the U.S., as first shown by Brandolini (2007).

<sup>9</sup> A careful reading of Nolan (2009) offers a hint that the problems associated with using a single relative poverty scale, set at state borders, to capture both within-state income inequality and the enormous differences in access to consumption across EU state borders, are becoming clearer to European style poverty experts. Nolan (2009) provides the intellectual justification for a “material deprivation” measure of poverty that is entirely separate from standard income distribution-based European poverty scales. Instead, the intellectual origin of material deprivation poverty scales, at least as formulated from the 17 items taken from questions on the EU-SILC, appear to be coming from the American minimum basket of goods and services tradition of poverty measurement, in which the items in the basket do not vary relative to the average income of the state in which the questions are asked. More generally, this suggests that when a society has more than one social success goal with respect to its lower income populations, it may be necessary to have more than one measure of social program success.

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