

## Characteristics and Spending Patterns of the Poor and Nonpoor

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The current U.S. poverty measure compares a set of thresholds adjusted for family composition to family before-tax annual income. Use of this measure presents a practical problem: consumer income can be more volatile than expenditures and consumers can be unable or unwilling to provide a complete and accurate report of income (Paulin and Ferraro, 1994; Rogers and Gray, 1994).

Total expenditure has been used in conjunction with income in studies of poverty (Lino 1996). However inclusion of the purchase price of large durables in total expenditures can also be problematic. Rogers and Gray (1994) propose use of an alternative total outlays measure.

This study uses the 1994 Consumer Expenditure Survey to examine the characteristics and spending behavior of families classified as poor using three increasingly restrictive measures of poverty: the current income based measure (classifies 15% of sample as poor); a measure based on total expenditures applied in conjunction with the current income based measure (classifies 7.4% of sample as poor); a measure based on total outlays applied in conjunction with the previous two measures (classifies 7.2 of sample as poor).

Findings indicate that, compared to the nonpoor, the poor by any measure were younger, had more children under age 18, fewer vehicles and wage earners were more likely to have a high school education, be Black, be single, and rent or reside in government housing. Using the most restrictive measure of poverty, significant spending differences between the poor and nonpoor were found for food at home, housing, health, transportation, an other expenses.

Comparing both income and expenditure levels with the official poverty thresholds offsets the limitations of using income or expenditures alone to identify the poor and minimize the risk of misclassifying those who underreport income or who choose to spend little. The resulting poverty measure is quite restrictive. If researchers or policy makers wish to identify those families in greatest need, this restrictive approach to identifying the poor may be helpful.

### References

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### Endnotes

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