How much poverty is reduced by State income transfers?

Newly developed poverty data based on the CPS show that the impact of income transfer policies on poverty varies widely among States

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Analyses of interstate poverty and antipoverty policies are scarce. One reason, of course, is the meager data on State poverty. Another reason is that antipoverty policy proposals tend to focus on national approaches to the poverty problem.[1] The major source of State poverty data, the 1980 Census, provides information on income for 1979. However, this information has become badly outdated by the economic changes of the 1980's.

This article presents State poverty data for the mid-1980's and uses them to derive and compare the impact of income transfer policies on poverty among the States. The article first describes how the data were developed. It explains the three alternative poverty measures used in the analysis and the different types of information they yield.[2] Then, the poverty indexes and the impact of income transfer policies on poverty are presented.

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Data and methods

The basis for this analysis is the Current Population Survey (CPS), conducted monthly by the Bureau of the Census. Supplemental questions to the March CPS provide national and regional earnings data from which poverty data are derived. The information obtained is from the previous calendar year. However, one drawback is the fact that CPS samples at the State level are relatively small, with fewer than 1,000 households interviewed in most States. As a result, the estimated State poverty rates for any single year may be subject to significant sampling error.

To develop the estimates, I pooled the March CPS data tapes for 1985, 1986, and 1987. These tapes provide income data for calendar years 1984, 1985, and 1986. The advantage of pooling is that it doubles the effective sample size, leading to more reliable estimates.[3] The disadvantage of pooling is that it does not provide separate poverty data for each year. Instead, it gives the average level of poverty during the middle years of the 1980's.

During the mid-1980's, the Nation's economy steadily expanded, real per capita income grew, the unemployment rate declined, and inflation moderated. The national poverty rate declined from 14.4 percent in 1984, to 14.0 in 1985, and to 13.6 in 1986. It is likely, then, that for most States, year-to-year changes in poverty were also gradual and moderate. On balance, the improvement in precision from the larger pooled sample more than compensates for the lack of year-specific poverty rates.

The poverty measures used here are based on the official lines provided by the Bureau of the Census. Poverty lines vary by family size, the number of related children, and the age of the household head. In 1985, the poverty lines ranged from $5,156 for an elderly person living alone to $22,083 for a family of nine or more with at least one child under age 18. The poverty line for a family of four was $10,989. The lines increase each year to match the rate of inflation as measured by the Consumer Price Index.

Poverty rates are estimated by comparing the income of a family (or unrelated individual, a one-person family) to its corresponding poverty line. If the income is below the poverty line, then all persons in that family are counted poor. The base for the rates reported here is the total number of persons—not family units—in a State.

To obtain three alternative measures of poverty, this article uses the official lines, but varies the definition of income. The first measure uses the official Bureau of the Census definition of money income and, therefore, is simply the familiar official measure of poverty. "Money income" includes all cash income from labor market earnings, dividends, interest, rent, pensions, government income support programs, and any other periodic income source. Capital gains and noncash income such as fringe benefits or government benefits from food stamps or Medicare are not included, nor are taxes deducted.[4]

The official poverty measure does not separate market and private transfer income sources from government sources. As such, it does not separate the market economy's antipoverty performance from the performance of the entire society, including government transfer programs.

Suppose, for example, one wanted to know the impact of a State's public assistance programs. By itself, the official measure could not provide this information. To obtain it, one must examine prewelfare poverty. Prewelfare poverty shows the percentage of people who are poor before welfare is added to their other sources of income (private sources as well as any social insurance benefits). The prewelfare poor need welfare to escape poverty. Only by comparing the level of prewelfare poverty with the official level can one measure the effect of the cash welfare programs on poverty.[5] Because the States are responsible for setting benefits levels and, within Federal guidelines, eligibility rules of their welfare programs, this provides a useful way to compare the effects of State welfare systems.

If one examines changes in the level of poverty, improvements in the economic situation of the poor will not be recorded.

By comparing prewelfare poverty estimates to the official poverty measure, one implicitly assumes that welfare induces no behavioral responses that would cause incomes without welfare to deviate from observed prewelfare incomes. However, it is argued that welfare may induce some decline in work effort, so recipients' net incomes are not increased by the full amount of the transfer benefit they receive.[6] Also, availability of welfare leads some persons (for example young single mothers) to live independently, but in prewelfare poverty when otherwise they might have remained in a larger family that was not prewelfare poor.[7] Measured prewelfare poverty, then, is likely to be greater than the level that really would exist in the absence of welfare. Therefore, the difference between the prewelfare and official poverty estimates provides upper bound estimates of welfare's effect on poverty.[8]

States also control the administration and benefit levels of two important social insurance programs—unemployment insurance and workers' compensation. Suppose one wanted to assess how poverty is affected by all income transfer programs subject to State policy. To do so, one would need information on pre-State transfer poverty. Pre-State transfer income includes all private sources of income plus any fully Federal social insurance income; it excludes unemployment insurance, workers' compensation, and public assistance income. (The major Federal social insurance transfers are Social Security and veterans' disability compensation and pensions.) Pre-State transfer poverty shows how much poverty is left for State transfers programs to relieve after markets distribute incomes and the fully Federal cash transfer programs deliver their benefits. A comparison of the level of pre-State transfer poverty with the official level provides a measure of the effectiveness of a State's income transfer policies on poverty.[9]

Some poor persons receive State income transfers, but not enough to move over the poverty line. If one examines changes in the level of poverty, improvements in the economic situation of the poor will not be recorded. Thus, to supplement measures of the impact of transfers on poverty based on changes in the level of poverty, this article also examines the reduction in the poverty gap due to transfers. The poverty gap shows the dollar amount needed to bring all poor households up to the poverty line. By analogy to the comparisons discussed earlier, one can compare the prewelfare poverty gap to the official poverty gap, or the pre-State transfer poverty gap to the official gap. (The different gaps are based on the income concepts used to measure each corresponding level of poverty.)

Findings

Level of poverty. Table 1 shows the incidence of official, prewelfare, and pre-State transfer poverty by State, including the District of Columbia, arranged by region.[10]

The official poverty rate ranged from 5.6 percent in New Hampshire to 25.6 percent in Mississippi. The median was 13.4 percent. The interquartile range (showing values at the 25th and 75th percentiles) spanned 11.2 to 16.3 percent. Only five States had an official poverty rate less than 10 percent.

Table 1. **Percentage of persons in poverty, by State, mid-1980's**

State	Official poor[1]	Prewelfare poor[2]	Pre-State transfer poor[3]
United States	14.0	14.9	15.8
New England:			
Maine	11.1	12.1	13.3
New Hampshire	5.6	6.1	6.7
Vermont	10.2	11.4	12.1
Massachusetts	8.8	9.9	10.5
Rhode Island	11.2	12.1	12.7
Connecticut	7.2	7.3	7.9
Mid-Atlantic:			
New York	15.2	16.6	17.3
New Jersey	9.5	10.3	10.7
Pennsylvania	12.4	13.5	14.8
East North Central:			
Ohio	12.4	12.9	13.9
Indiana	12.2	12.5	13.1
Illinois	15.0	15.8	16.7
Michigan	14.4	15.6	16.5
Wisconsin	11.8	13.4	13.9
West North Central:			
Minnesota	11.5	12.2	12.7
Iowa	16.5	17.0	18.1
Missouri	14.3	14.8	15.7
North Dakota	14.9	15.3	16.2
South Dakota	16.2	16.5	17.2
Nebraska	14.6	14.7	15.2
Kansas	11.2	12.1	12.8
South Atlantic:			
Delaware	11.3	11.7	11.9
Maryland	8.5	8.8	9.2
District of Columbia	19.2	19.9	20.4
Virginia	10.6	11.3	11.8
West Virginia	22.8	23.7	27.5
North Carolina	14.0	14.9	15.7
South Carolina	17.6	18.3	19.1
Georgia	15.6	16.3	17.3
Florida	13.3	13.9	14.7
East South Central:			
Kentucky	18.5	19.3	21.5
Tennessee	17.8	19.1	20.4
Alabama	21.5	22.0	23.0
Mississippi	25.6	27.3	28.6
West South Central:			
Arkansas	22.4	23.6	25.5
Louisiana	20.8	21.6	23.9
Oklahoma	15.5	16.0	16.9
Texas	16.2	16.7	17.6
Mountain:			
Montana	16.3	16.8	17.9
Idaho	16.4	16.6	17.6
Wyoming	12.3	12.8	14.3
Colorado	10.8	11.1	12.0
New Mexico	20.7	21.4	22.6
Arizona	13.4	13.6	14.1
Utah	11.9	12.4	13.5
Nevada	12.4	12.8	13.5
Pacific:			
Washington	11.7	12.4	13.5
Oregon	12.6	13.2	14.7
California	13.4	15.1	15.7
Alaska	10.4	11.8	12.6
Hawaii	9.9	10.6	11.4

[1] This measure is based on the Bureau of the Census definition of money income. Capital gains and income such as fringe benefits or government benefits from food stamps or medicare are excluded.

[2] The percentage of people who are poor before welfare is added to their other sources of income. Persons in this group need welfare to escape poverty.

[3] The percentage of persons who are poor after markets distribute private incomes and the fully Federal transfer programs deliver their benefits, but before State transfer programs are counted in income.

SOURCE: Computations from the March 1985, 1986, and 1987 Current Population Survey computer tapes.

By construction, the other poverty measures are larger in each State. Prewelfare poverty ranged from 6.1 percent in New Hampshire to 27.3 percent in Mississippi around a median of 13.9 percent. Pre-State transfer poverty ranged from 6.7 percent to 28.6 percent, around a median of 14.8 percent.

New Hampshire had the lowest value of all three measures, and Mississippi had the highest. The simple correlations among the poverty measures all exceed 0.99.

Seventeen States scored below 90 percent of the average on all three measures. They are New Hampshire, Vermont, Massachusetts, Connecticut, New Jersey, Indiana, Minnesota, Kansas, Delaware, Maryland, Virginia, Colorado, Utah, Nevada, Washington, Alaska, and Hawaii. The 12 States that scored above 110 percent of the average on all three measures include the District of Columbia, West Virginia, South Carolina, Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Montana, Idaho, and New Mexico.

Impact of transfers. Table 2 presents the impact of State income transfers on the level of poverty. Column one shows the effect of cash welfare as the percentage difference between a State's prewelfare and official poverty rates. Column three shows the effect of all cash transfers under control by State government as the percentage difference between the pre-State transfer and official poverty rates. To facilitate comparisons, the figures in columns two and four show the index for each State's impact as a percentage of the median State's impact. Thus, values greater (less) than 100 indicate an impact above (below) the median.

In the median State (Kentucky), welfare reduced poverty by 4.1 percent. The impact of

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welfare varies substantially between States. The maximum impact is 11.9 percent (Alaska and Wisconsin); the minimum is merely 0.7 percent (Nebraska). The interquartile range covers 3.1 percent to 7.4 percent. The five States in which welfare had the largest impact on poverty are Alaska, Wisconsin (tied for best), California, Massachusetts, and Vermont. The five with the smallest effects are Nebraska, Idaho, Connecticut, Arizona, and South Dakota.

All State controlled cash transfers reduce poverty by 10.5 percent in the median State (Mississippi). Again, the range of the impact is wide. The maximum is 17.5 percent (Alaska); the minimum is 3.9 (Nebraska). The interquartile range covers 8.2 percent to 13.3 percent. Thus, the five States with the largest reductions in poverty are Alaska (again top), Maine, New Hampshire, Massachusetts, and Pennsylvania. The smallest reductions are in Nebraska (again on the bottom), Arizona, Delaware, South Dakota, and the District of Columbia. Not surprisingly, the correlation between the impact of welfare and of all State transfers on poverty is positive with a value of 0.78.

Taken alone, the figures in table 2 may be deceptive because they examine changes in the extent of poverty but not its degree. Table 3, therefore, provides an alternative measure of the degree of poverty reduced by transfers based on the percentage reduction in the poverty gap. Column one shows the effect of cash welfare on poverty as the percentage difference between a State's prewelfare and official poverty gaps. Column three shows the effect of all State cash transfers on poverty as the percentage difference between the pre-State transfer and official poverty gaps. As in table 2, figures in columns two and four provide easy comparative information.

While the impact of welfare benefits on poverty appeared very minor in most States according to table 2, when based on changes in the poverty gap, the impact of welfare looks much larger. The median reduction in the prewelfare gap is 20.2 percent, versus a median of just 4.1 percent for the reduction in the rate of poverty. The maxium here is 42.0 percent (Wisconsin), versus the maximum of 11.9 percent in table 2. The minimum is 10.7 percent (Nevada), versus the minimum of 0.7 percent in table 2. The interquartile range spans 15.2 percent to 30.1 percent. Wisconsin, New York, Rhode Island, Massachusetts, and California have the five largest reductions, while Nevada, North Dakota, Idaho, South Dakota, and Texas have the five smallest.

In every State, the percentage reduction in the prewelfare poverty gap well exceeds the per-

Table 2. Impact of cash transfers on poverty by State, mid-1980's

State	Persons taken out of poverty by welfare[1]		Persons taken out of poverty by all State cash transfers[2]	
	Percent	Index (Kentucky=100)	Percent	Index (Mississippi=100)
United States	6.0	—	11.4	—
New England:				
Maine	8.3	202	16.5	157
New Hampshire	8.2	200	16.4	156
Vermont	10.5	256	15.7	150
Massachusetts	11.1	271	16.2	154
Rhode Island	7.4	180	11.8	112
Connecticut	1.4	34	8.9	85
Mid-Atlantic:				
New York	8.4	205	12.1	115
New Jersey	7.8	190	11.2	107
Pennsylvania	8.1	198	16.2	154
East North Central:				
Ohio	3.4	95	10.8	103
Indiana	2.4	59	6.9	66
Illinois	5.1	124	10.2	97
Michigan	7.7	188	12.7	121
Wisconsin	11.9	290	15.1	144
West North Central:				
Minnesota	5.7	139	9.4	90
Iowa	2.9	71	8.8	84
Missouri	3.4	83	8.9	85
North Dakota	2.6	63	8.0	76
South Dakota	1.8	44	5.8	55
Nebraska	.7	17	3.9	37
Kansas	7.4	180	12.5	119
South Atlantic:				
Delaware	3.4	83	5.0	48
Maryland	3.4	83	7.6	72
District of Columbia	3.5	85	5.9	56
Virginia	6.2	151	10.2	97
West Virginia	3.8	93	17.1	163
North Carolina	6.0	146	10.8	103
South Carolina	3.8	93	7.9	75
Georgia	4.3	105	9.8	93
Florida	4.3	105	9.5	90
East South Central:				
Kentucky	4.1	100	14.0	133
Tennessee	6.8	166	12.7	121
Alabama	2.3	56	6.5	62
Mississippi	6.2	151	10.5	100
West South Central:				
Arkansas	5.1	124	12.2	116
Louisiana	3.7	90	13.0	124
Oklahoma	3.1	75	8.3	79
Texas	3.0	73	8.0	76
Mountain:				
Montana	3.0	73	8.9	85
Idaho	1.2	29	6.8	65
Wyoming	3.9	95	14.0	133
Colorado	2.7	66	10.0	95
New Mexico	3.3	80	8.4	80
Arizona	1.5	37	5.0	48
Utah	4.0	98	11.9	113
Nevada	3.1	76	8.2	77
Pacific:				
Washington	5.7	137	13.3	127
Oregon	4.5	110	14.3	136
California	11.3	276	14.6	139
Alaska	11.9	290	17.5	167
Hawaii	6.6	161	13.2	126

[1] Defined as (prewelfare poor minus official poor)/prewelfare poor.

[2] Defined as (pre-State poor minus official poor)/pre-State poor.

Table 3. **Impact of cash transfers on the poverty gap by State, mid-1980's**

State	Reduction in prewelfare poverty gap[1]		Reduction in pre-State transfer poverty gap[2]	
	Percent	Index (North Carolina=100)	Percent	Index (Oregon=100)
United States	26.3	—	31.1	—
New England:				
Maine	30.1	149	38.3	146
New Hampshire	16.0	79	29.4	112
Vermont	33.3	165	38.9	148
Massachusetts	38.1	189	41.6	159
Rhode Island	38.5	191	43.4	166
Connecticut	36.2	179	39.4	150
Mid-Atlantic:				
New York	39.2	194	41.5	158
New Jersey	31.5	156	34.2	131
Pennsylvania	32.6	161	38.7	148
East North Central:				
Ohio	26.7	132	32.9	126
Indiana	14.3	71	18.3	70
Illinois	30.1	149	33.7	129
Michigan	35.9	178	39.1	149
Wisconsin	42.0	208	45.0	172
West North Central:				
Minnesota	31.9	158	35.4	135
Iowa	22.7	112	27.7	106
Missouri	19.0	93	24.7	94
North Dakota	11.5	57	16.3	62
South Dakota	12.0	59	16.8	64
Nebraska	15.1	75	21.4	82
Kansas	15.0	74	19.3	74
South Atlantic:				
Delaware	18.1	90	20.8	79
Maryland	25.1	124	27.9	106
District of Columbia	23.3	115	27.1	103
Virginia	22.8	112	26.2	100
West Virginia	21.1	104	32.8	125
North Carolina	20.2	100	25.1	96
South Carolina	20.2	100	24.3	93
Georgia	22.2	110	26.4	101
Florida	15.6	78	21.4	82
East South Central:				
Kentucky	15.2	75	23.5	90
Tennessee	21.6	107	26.8	102
Alabama	17.2	85	23.3	89
Mississippi	19.9	99	25.9	99
West South Central:				
Arkansas	19.3	96	25.2	96
Louisiana	16.5	82	25.8	98
Oklahoma	14.4	71	21.2	81
Texas	12.0	59	17.0	65
Mountain:				
Montana	13.8	68	22.5	86
Idaho	11.5	57	17.6	67
Wyoming	14.7	73	22.3	85
Colorado	18.5	92	27.2	104
New Mexico	16.7	83	23.0	88
Arizona	12.0	59	19.2	73
Utah	16.3	81	21.2	81
Nevada	10.7	53	16.7	64
Pacific:				
Washington	25.8	128	33.9	129
Oregon	16.9	84	26.1	100
California	37.4	185	40.6	155
Alaska	27.4	136	33.3	127
Hawaii	28.2	140	33.0	126

[1] Defined as (prewelfare gap minus official gap)/prewelfare gap.

[2] Defined as (pre-State gap minus official gap)/pre-State gap.

centage reduction in the rate of prewelfare poverty. The median, maximum, and minimum differences between the two reductions are 15.6, 34.9, and 7.5 percentage points. So, while welfare benefits pull few people completely out of poverty, they serve to lessen its severity by noticeably reducing the gap between income and the poverty line.

The contrast between tables 2 and 3 reflects the fact that maximum welfare benefits in every State are less than the poverty threshold. A family whose sole income is from welfare would not receive enough to be lifted above the poverty line. Many low income families with some private sources of income would not receive enough welfare to move above the poverty line, either. While these benefits may not be enough to lift such families out of poverty, they clearly lessen the degree of economic distress.

The effects of welfare on poverty presented in tables 2 and 3 are closely related to the generosity of States' welfare programs. The simple correlation between the maximum monthly benefit from Aid to Families with Dependent Children and the percentage reduction in prewelfare poverty is 0.71. The correlation between the maximum benefit and the reduction in the prewelfare poverty gap is 0.63. A State's willingness to assist its needy does make a difference.

The correlation between the reductions in the level of prewelfare poverty and the prewelfare poverty gap is high (0.71), but not perfect. Note from earlier discussion, for example, that the five States with the greatest (smallest) reduction in the level of poverty due to welfare only partly coincide with the top (bottom) five in terms of reduction in the prewelfare gap. In some States, such as Connecticut, welfare has a relatively large impact on the gap, but a relatively small impact on the level of poverty. Other States, such as New Hampshire and Kansas, show the reverse.

The indexes of State-transfer related data in tables 2 and 3 show similar patterns. While the impact of all State benefits on poverty appeared minor in most States (table 2), when based on changes in the poverty gap, the effect of such benefits seems much larger. The median reduction in the pre-State transfer gap is 26.2 percent (table 3, Virginia), versus a median of just 10.5 percent (table 2, Mississippi) for the reduction in the rate of pre-State transfer poverty. The maximum gap reduction is 45.0 percent (again Wisconsin), versus the maximum rate reduction of only 17.5 percent (Alaska). The minimum gap reduction is North Dakota's 16.3 percent, versus the minimum rate reduction of 3.9 percent for Nebraska.

Again, in all States, the percentage reduction in the pre-State transfer poverty gap well exceeds the percentage reduction in the rate of pre-State poverty. The percentage point differences between the two reductions are 15.9 for the median, 31.6 for the maximum, and 6.8 for the minimum. All State transfer benefits, then, pull few people completely out of poverty, but do serve to significantly mitigate it by reducing the gap between income and the poverty line.

Summary and conclusion

Newly developed data on State poverty rates and the impact of State income support policies on poverty show wide differences among the States. Cash welfare programs reduce poverty by 0.7 percent to 11.9 percent with a median of 4.1 percent if measured in terms of the decline in the level of poverty, and by 10.7 percent to 42.0 percent with a median of 20.2 percent if measured in terms of the reduction in the poverty gap.

All State controlled transfers naturally have a larger impact on poverty. They reduce poverty by 4.0 percent to 17.5 percent with a median of 10.5 percent if measured by the decline in the level of poverty, and by 16.3 to 45.0 percent with a median of 26.2 percent if measured by the reduction in the poverty gap.

These initial findings provide useful information to persons interested in State income transfer policy issues. Moreover, the information in this article provides a factual basis upon which to explore further issues. What are the main sources of the differences among States in their battle against poverty? How will their effectiveness change as States adjust to the new policy environment created by the Family Support Act of 1988, and to other economic and social changes? Further research drawing on the methods and findings of this study can help provide answers. □

Footnotes

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[1] For representative recent studies in this tradition, see Sheldon Danziger, "The Economy, Public Policy and the Poor," in Harrell Rodgers, ed., *Beyond Welfare: New Approaches to the Problem of Poverty in America* (Armonk, NY, M.E. Sharpe, 1988), pp. 3–13; Sheldon Danziger, Robert Haveman, and Robert Plotnick, "Antipoverty Policy: Effects on the Poor and Nonpoor," in Sheldon Danziger and Daniel Weinberg, eds., *Fighting Poverty: What Works and What Doesn't* (Cambridge, MA, Harvard University Press, 1987), pp. 50–77; and Greg Duncan, *Years of Poverty, Years of Plenty: The Changing Economic Fortunes of American Workers and Families* (Ann Arbor, MI, Institute for Social Research, 1984).

[2] See Sheldon Danziger and Christine Ross, "Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Vol. 10, Fall 1987, pp. 1–5. Danziger and Ross used only one poverty measure, the official one.

[3] The sample does not triple because of the nature of the CPS. Each household which enters the CPS sample is interviewed for 4 consecutive months, omitted from interviews for the next 8 months, again interviewed for 4 months, then dropped from the sample. Thus, half of the households interviewed in March 1985 would be in their first 4 months in the CPS and would again be interviewed in March 1986 during the last 4 months. Similarly, half of the households in the March 1987 CPS would have also been interviewed in the March 1986 CPS.

To obtain a data set in which all observations are independent of each other, I eliminated from the March 1985 data all households that would also be in the March 1986 data. I also excluded from the March 1987 data households that already appeared in the March 1986 CPS. As a result, the March 1985 and 1987 CPS's each added half of their samples to the complete middle year CPS.

[4] The Bureau of the Census now publishes national poverty estimates based on an income measure that includes the value of selected noncash transfers. See U.S. Bureau of the Census, *Estimates of Poverty Including the Value of Noncash Benefits 1986* (Washington, Government Printing Office, 1987), Technical Paper 57. Adjustments to CPS data to replicate these estimates at the State level are beyond the scope of this study.

[5] These are Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and General Assistance.

[6] Sheldon Dangizer, Robert Haveman, and Robert Plotnick, "How Income Transfers Affect Work, Savings, and the Income Distribution: A Critical Review," *Journal of Economic Literature*, September 1981, pp. 975–1028.

[7] David Ellwood and Mary Jo Bane, "The Impact of AFDC on Family Structure and Living Arrangements," *Research in Labor Economics*, July 1985, pp. 137–207.

[8] Parallel comments apply to the concept of pre-State transfer discussed later in this article and its use in assessing the antipoverty impact of transfers.

[9] Studies of national poverty (for example, Dangizer, Haveman, and Plotnick, "Antipoverty Policy,") have looked at the antipoverty effect of the entire Federal and State transfer system, using yet another measure—pretransfer poverty. The pretransfer poor do not have enough income from private sources to be above the poverty line. One compares pretransfer poverty with official poverty to gauge the effect of the combined Federal and State income maintenance system on poverty. For assessing the effect of State transfer policy, pre-State transfer poverty is more useful than pretransfer poverty.

[10] For the standard errors of the estimates and information on how they are computed, see Robert Plotnick, "Poverty and Income Transfer Policy at the State Level" (University of Washington, 1988), unpublished paper.