# ENERGY REFORMS
## TO CUT UTILITY BILLS AND ENABLE GROWTH AND INNOVATION

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Because energy policy is the sort of subject that is usually discussed in national or even international terms, it is not always easy to connect it to daily life. But during his 2008 presidential campaign, President Obama captured the point perfectly:

> In the struggle with higher energy prices low-income families are suffering the most and receiving the least attention. Across the nation, poor families this winter will increasingly face the choice between heating and eating as prices for natural gas, heating oil, propane and electricity skyrocket.[1]

And that goes not just for heating homes, but also fueling cars, as he more recently explained:

> If you're someone who works in a relatively low-wage job and you've got to commute to work, it takes up a big chunk of your income. You may not be able to buy as many groceries. You may have to cut back on medicines in order to fill up the gas tank. So this is something that everybody is affected by.[2]

Yet in recent years middle-class and low-income Americans have needed to spend more and more of their income on energy, according to Bureau of Labor Statistics data. In 2000, the lowest-income 20 percent of American households spent 3.2 percent of their income on natural gas, electricity, and fuel oil; in 2011, they spent 6 percent. In 2000, they spent 4.7 percent of their income on gasoline or public transportation; in 2011, they spent 6.4 percent.[3]

The trend is similar for the middle 20 percent: in 2000, they spent 3.6 percent of their income on natural gas, electricity, and fuel oil; in 2011, they spent 4.6 percent. In 2000, they spent 4.7 percent of their income on gasoline or public transportation; in 2011, they spent 7.3 percent.

There are several possible policy responses to these problems, of varying degrees of hospitability to middle-class interests and preferences. But the most promising

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opportunity, especially in the short run, appears to be the nation's newly abundant supply of natural gas: "Recent innovations have given us the opportunity to tap large reserves—perhaps a century's worth of reserves, a hundred years worth of reserves—in the shale under our feet," President Obama explained in 2011. The "potential for natural gas is enormous."[4] For that reason, there is strong bipartisan support for developing our natural gas resources, at least among the broad majority of Americans who recognize (in White House adviser John Podesta's words) that "if you oppose all fossil fuels and you want to turn that switch off tomorrow, that is a completely impractical way of moving toward a clean-energy future."[5]

In utilizing these new resources, of course, we must be ever mindful of important questions of risk and regulation, property rights, and the public interest, which are inherent in energy infrastructure policymaking. The middle class will be the ones most affected by those considerations, and thus they must be allowed a real voice in striking those balances—something they have lacked in recent years.

**The Shale Gale**

It is difficult to overstate how dramatically the nation's energy fortunes have changed in the span of just a few years. A decade ago, when the nation's demand for natural gas far exceeded its own plausible domestic supply, Energy Secretary Spencer Abraham had good reason to urge that the nation would need to attract well over $100 billion in investment to develop import facilities capable of receiving 15 billion cubic feet of liquefied natural gas (LNG) from tanker ships every single day. "North America is moving to a period in its history in which it will no longer be self-reliant in meeting its growing natural gas needs," he warned; "production from traditional U.S. and Canadian basins has plateaued." Hence the pressing need to import vast quantities of gas from overseas.[6]

But in the decade that followed, our fortunes turned 180 degrees. Where the Energy Information Administration predicted in 2005 that America's natural gas imports in 2025 would be nearly 18 billion cubic feet per day (Bcf/d),[7] it now expects us to export nearly 10 Bcf/d by 2029.[8] (To put this in perspective, the nation consumed roughly 70 Bcf/d of natural gas in 2012.)[9]

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The source of this sudden supply is by now well known: advances in hydraulic fracturing, coupled with advances in horizontal drilling, have unlocked vast stores of shale gas (and its petroleum equivalent, "tight oil") long thought inaccessible or uneconomical.[10] Daniel Yergin, the nation's most prominent energy analyst, calls this the "Shale Gale," the single most transformative energy moment of a generation: Estimates

of the entire natural-gas resource base, taking shale gas into account, are now as high as 2,500 trillion cubic feet, with a further 500 trillion cubic feet in Canada. That amounts to a more than 100-year supply of natural gas, which is used for everything from home heating and cooking to electric generation, industrial processes and petrochemical feedstocks.[11]

We already are beginning to benefit from these natural gas supplies: The American Enterprise Institute's Mark Perry reviewed data produced by the Energy Information Administration and found that households spent 14 percent less (in dollar terms) on natural gas in 2012 than in the year before—and 37 percent less than in 2008.[12]

Americans may reap immense benefits from these new natural gas reserves. First and foremost, they will reduce the cost of electricity. The EIA estimates that new supplies of shale gas will help allow the nation to rely on natural gas for 35 percent of its electricity by 2040 (up from 30 percent in 2012). Furthermore, the availability of natural gas co-located with renewable power generation could help to facilitate renewable sources producing 16 percent of our electricity (up from 12 percent in 2012). Coal, meanwhile, will fall to 32 percent of our power generation by 2040 (down from 37 percent today).[13] Even in the short term, natural gas will be substantially more important: For 2020, EIA today expects natural gas to supply 7 percent more electricity than EIA expected for 2020 a year ago.[14]

The increased use of natural gas will save Americans a lot of money. IHS CERA, the respected energy research firm founded by Yergin, finds that "combined-cycle gas turbines" produce electricity costing $75 per megawatt-hour, much cheaper than coal-fired power plants (which IHS CERA estimates at $100/mWh or more).[15] The EIA, too, projects that electricity produced from natural gas will be much cheaper than electricity produced from coal, both in 2020 and 2040.[16]

Increased supplies of natural gas also will substantially lower the cost of heating homes.[17] In 2010, the cost of heating a home with gas was one-third the cost of heating it with electricity (and half the cost of heating it with oil); by 2035, heating with gas may cost just one-quarter the cost of heating it with electricity (and still half the cost of heating it with oil).[18]

As noted at the outset, home heating and electricity aren't the only energy costs that Americans bear—transportation is another substantial part of household budgets. And natural gas can help substantially here, too, according to Resources for the Future, a think tank focusing on energy and natural resources. Natural gas can be used to fuel cars with compressed natural gas (CNG), liquefied petroleum gas (LPG), methanol, and even ethanol, each of which could offer substantial cost advantages over current fuels.[19] Even if the absence of widespread fueling infrastructure limits CNG and LPG primarily to centrally fueled fleets of heavy-duty trucks in the short run, the reduced demand for conventional gasoline would lower its price for other drivers.

Finally, the new natural gas supplies offer advantages not just to households, but to the economy at large. IHS CERA finds that

lower gas prices "are currently providing a short term economic stimulus to disposable income, GDP and employment," and that in the longer term it may increase real GDP from 2.0 percent to 3.2 percent annually (or $500–$600 billion), and may increase real disposable household income by $2,000 in 2015 and more than $3,500 by 2025, thanks to lower home heating costs, lower costs of consumer goods and electricity, and higher manufacturing wages.[20]

Recent events in Ukraine have highlighted the national-security benefits of shale gas. Russia's vast reserves of conventional natural gas have long given it substantial geopolitical leverage over not just the former Soviet republics, but also Eastern and Western Europe. If the U.S. begins to export some of its new surplus natural gas reserves to those regions, in the form of liquefied natural gas (LNG), then the U.S. may succeed in substantially weakening Russia's strategic grip on the region.[21] Furthermore, new U.S. capacity to export substantial volumes of LNG would provide us another useful point of leverage in free-trade negotiations generally.[22] But it is important to stress that this is a long-term opportunity, not a short-term one. The development of this infrastructure will take a substantial amount of time. EIA expects that the U.S. will not become a net exporter of LNG until 2016, or of natural gas until 2018.[23] Also, some analysts indicate that the demand side of this international equation may not mature for some time, as other nations' import infrastructure is not fully formed.[24] Still, LNG exports remain an important long-term opportunity.

But the "Shale Gale" will not bear fruit if the gas cannot be produced at the wellhead and transported by pipelines to the market. And to achieve this requires important policy reforms throughout the supply chain: at the source; at the "midstream" (that is pipelines); and, for purposes of exports, at the end of the pipeline.

There has been substantial debate over how best to regulate drilling for shale gas (or "fracking"). This is a matter traditionally committed to state and local regulators, and law professors Tom Merrill and David Schizer offer compelling reasons to keep that status quo, at least so long as it proves workable.[25] Merrill and Schizer also have summarized the studies and experience indicating that shale gas fracking does not yet appear actually to pose a substantial threat to groundwater.[26] States are capable of taking primary responsibility for ensuring that the cement casing surrounding wells at the groundwater level are sufficiently strong.[27] There also have been concerns raised about methane leaks from natural gas infrastructure, but studies indicate that this problem, too, is quite manageable.[28]

At the midstream, the rise of shale gas production will require a substantial development of new interstate and intrastate natural gas pipeline infras tructure. According to ICF International, the nation may need 16,400 miles of new interstate "transmission" pipeline capacity by 2020, and 35,600 miles of transmission capacity by 2035, in addition to hundreds of thousands of intrastate "gathering" lines.[29] Even setting aside the intrastate pipelines, the new interstate pipelines will require approval by federal and state regulators—not just the Federal Energy Regulatory Commission, which administers the Natural Gas

Act, but also the myriad other federal and state agencies administering other relevant federal statutes (such as the Clean Water Act), as well as federal statutes giving the other agencies strong participatory roles in FERC's environmental review (such as the National Environmental Policy Act).

In the Energy Policy Act of 2005, Congress and the President attempted to reform and streamline the framework of overlapping statutes and regulations governing new interstate gas pipelines, by requiring agencies to collaborate, by setting schedules and deadlines for approvals, and by expediting judicial review of permit denials.[30] But nearly a decade later, it is highly questionable whether those reforms actually have had their intended effect. According to one recent study commissioned by the Interstate Natural Gas Association of America, interstate pipeline projects continue to be delayed by federal regulators (even in violation of plainly stated statutory deadlines for agency action) as well as by state regulators administering federal permit statutes (such as the Clean Water Act).[31]

In light of these problems (and other non-gas examples, most notably the President's slow review of the Keystone XL international oil pipeline), members of Congress have proposed further reforms to improve the federal permitting process, such as the Federal Permitting Improvement Act (S. 1397), which would do a great deal to alleviate problems caused by slow or recalcitrant regulators.

But experience counsels that legislation can only do so much. Even when Congress passes plainly worded statutes, the amount of discretion and practical leverage retained by regulators makes it very difficult for either permit applicants or Congress to force agencies to act. This, too, has been illustrated best by the case of the Keystone XL oil pipeline: When Congress finally attempted to force the President to make a good-faith decision on the longstanding pipeline application, the President effectively used the threat of a permit denial to start the application process all over again.[32] Simply put, in matters of natural gas infrastructure permitting, personnel is policy. Thus, to reform the permitting process will require not just legislation, but also persistently strong oversight of the regulators by Congress.

At the end of the pipeline is the choice between consuming natural gas at home and exporting it abroad as LNG. There currently is a fierce debate among those who favor exporting LNG, and those who would strictly limit LNG exports in order to promote manufacturing and other industries and consumer uses here at home.[33] NERA Economic Consulting recently issued a study, commissioned by the Energy Department, concluding that LNG exports would not harm domestic manufacturing;[34] similarly, the Deloitte Center for Energy Solutions found that LNG exports would not substantially increase natural gas prices at home.[35] But others, such as PIRA Energy Research, say that LNG exports would effectively tie the domestic price to volatile global prices, with negative repercussions at home.[36] At this point, the NERA and Deloitte studies appear compelling, but as LNG exports increase policymakers will need to continue to monitor the situation.

**Risk, Private Property, and the Public Interest**

While the middle class stands to benefit greatly from America's new bounty of energy supplies, it also stands to bear the risks and costs of energy policy.

The myriad federal environmental statutes serve important purposes, but at a cost. The National Environmental Policy Act, in particular, requires FERC and other agencies to consider the environmental effects that may result from new energy projects and policies. As noted above, these statutes are often exploited by regulators and interest groups who are interested less in seeing projects go forward safely than in blocking disfavored projects or policies altogether. For that reason, there occasionally are calls to radically reduce the power of such statutes, either for given projects or in general.

In striking that balance between promoting energy development and guarding against the risk of harm, we must take care not to err too far in either direction—and on the "risk" side of the ledger, we must be careful not to breeze too swiftly past small risks of immense harm. We recall energy projects that have caused catastrophic harms that were later characterized as "practically unthinkable" for the project's original planners: the 2010 Gulf of Mexico oil spill, and the 2011 tsunami that destroyed Japan's Fukushima Daiichi nuclear plant, to name two prominent examples.[37] The point is not to allow the "precautionary principle" to become the "paralyzing principle,"[38] but rather to remember that energy infrastructure can never be one hundred percent risk-free for surrounding communities. As conservative philosopher Roger Scruton writes, the key is not to "dismiss the anxieties to which the Precautionary Principle is proposed as a solution," but rather, to "make a clear effort to identify those anxieties, to state them precisely, and to see whether regulation of any kind could be an effective response to them."[39] When energy development—including both shale gas drilling and pipelines—is so close to middle-class communities, including the water supplies on which they rely, policymakers must take care not to give such concerns either too little weight or too much weight. This requires prudential judgment exercised in good faith.

Second, energy infrastructure policy raises substantial questions of the use of "eminent domain"—the forced (if compensated) taking of private property for public uses. Eminent domain has always been an important part of energy infrastructure development, because it is difficult, if not impossible, to build a hundred- or thousand-mile pipeline or power line if any single landowner can block the project by refusing to sell the project the land or easements necessary for the route. Thus, not long after Congress enacted the Natural Gas Act of 1938 to facilitate the development of interstate gas pipelines, it amended the Act to give federally approved pipelines the power of eminent domain over the route. Similarly, federal law has long given eminent domain powers to certain hydropower projects and oil pipelines; and in 2005, the Energy Policy Act gave eminent domain power to certain "national interest electric transmission corridors."[40]

But to grant private companies a power of eminent domain is now a politically fraught choice in the aftermath of *Kelo* v.

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*City of New London,* in which the Supreme Court allowed a Connecticut town to use eminent domain to take property from homeowners and give it to commercial developers.[41] The issue is more political than strictly legal: even though pipelines and power lines are well-established "public uses" within the meaning of the Constitution's "Takings Clause,"[42] the public's newly heightened concern about the use of eminent domain by private companies has created an important new debate around energy infrastructure. Local landowners opposed to the Keystone XL project have fought back in state court,[43] even winning the first round of litigation over whether Nebraska's grant of eminent domain power to the pipeline violated the state's constitution.[44] As with the discussion of risk, the point here is not that private property rights necessarily ought to prevail over energy infrastructure, or vice versa; rather, this is an issue that policymakers and the public must keep in mind, particularly when those most affected by new oil and natural gas pipeline routes may well be the middle class that stands also to benefit from the pipelines.

Ultimately, these are balances that the middle class can and should strike. Americans can benefit immensely from the new energy future, but they must be allowed to help chart that future. In recent years, middle-class households have had an energy policy imposed upon them by regulators and ideologues.[45] It is well past time for the middle class have a meaningful voice is deciding what our energy policy should be.

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## The Problem: The anxieties and worries of Middle America PETER WEHNER

1. Allstate/*National Journal* Heartland Monitor Poll XVI, conducted April 5–9, 2013.
2. James Carville and Stan Greenberg, *It's the Middle Class, Stupid* (New York: Plume, 2012), 34.
3. "Being In the Middle Class Means Worrying About Falling Behind," *National Journal*, April 25, 2013.
4. Pew Research Center, "The Middle Class: Key Data Points from Pew Research," January 27, 2014.
5. Eduardo Porter, "America's Sinking Middle Class." *New York Times,* September 18, 2013, B1.
6. Carville and Greenberg, 49.
7. Jim Tankersley, "Economic mobility hasn't changed in a half-century in America, economists declare." *Washington Post,* January 22, 2014, A1.
8. It is worth noting the party and ideological self-identification of these respondents: Thirty-four percent identified themselves as Democrat, 25 percent Republican, and 35 percent independent, but 39 percent said they were conservative, 22 percent liberal, and 35 percent moderate.

## The Solution: A conservative governing vision to restore America's promise YUVAL LEVIN

1. So, for instance, Paul Krugman can write: "Start with the proposition that there is a legitimate left-right divide in U.S. politics, built around a real issue: how extensive should we make our social safety net, and (hence) how much do we need to raise in taxes? This is ultimately a values issue, with no right answer." Like many on the Left, he takes the essential question of our politics to be exactly how much of the Left's agenda should be adopted. ("The Closing of the Conservative Mind," *New York Times*, May 25, 2013, http://krugman.blogs.nytimes.com/2013/05/25/the-closing-of-the-conservative-mind/.)
2. As former representative Barney Frank put it at the Democratic National Convention in 2012, "There are things that a civilized society needs that we can only do when we do them together, and when we do them together that's called government." Similarly, in his second inaugural address, in 2013, President Obama sought to depict individual action as the only alternative to government action, saying: "No single person can train all the math and science teachers we'll need to equip our children for the future, or build the roads and networks and research labs that will bring new jobs and businesses to our shores. Now, more than ever, we must do these things together, as one nation and one people."
3. Alexander Hamilton, James Madison, and John Jay, *The Federalist Papers,* Clinton Rossiter, ed. (New York: Signet Classics, 2003), 378.
4. Friedrich Hayek, *The Constitution of Liberty* in Collected Works of F.A Hayek Edition, Vol. 17 (Chicago: University of Chicago Press, 2011), 53.

## Health-care reform to lower costs and improve access and quality JAMES C. CAPRETTA

1. See Ricardo Alonso-Zaldivar and Dennis Junius, "Poll: Obama Health Law Fails to Gain Support," *Associated Press,* March 28, 2014, and David Nather, "The Obamacare Enthusiasm Gap," *Politico*, March 31, 2014.
2. "The Budget and Economic Outlook: 2014 to 2024," Congressional Budget Office, February 2014, 117–27.
3. Congressional Budget Office, "Insurance Coverage Provisions of the Affordable Care Act—CBO's February 2014 Baseline," February 2014.

4. “The Patient Choice, Affordability, Responsibility, and Empowerment Act: A Legislative Proposal,” Senators Richard Burr, Tom Coburn, and Orrin Hatch, January 2014, http://www.hatch.senate.gov/public/_cache/files/bf0c9823-29c7-4078-b8af-aa9a12213eca/The%20Patient%20CARE%20Act%20-%20LEGISLATIVE%20PROPOSAL.pdf.
5. “A Winning Alternative to Obamacare,” The 2017 Project, February 2014, http://2017project.org/site/wp-content/uploads/2014/02/An-Obamacare-Alternative-Full-Proposal.pdf.
6. The credits in the Republican Senators’ plan are also income-tested and phase-out altogether for any household with income above 300 percent of the federal poverty line.
7. The Burr-Coburn-Hatch plan leaves the PPACA’s Medicare changes in place, but that should not be construed as an endorsement of those provisions. Senator Coburn, for instance, has backed significant, market-based Medicare reforms in the past that would displace the need for the PPACA provisions. The 2017 Project plan would repeal the PPACA’s Medicare cuts.
8. See “The Patient Choice, Affordability, Responsibility, and Empowerment Act,” Center for Health and Economy, January 2014 (http://healthandeconomy.org/wp-content/uploads/2014/01/2014-01-29-CARE-Act-Score.pdf), for the cost estimate. See also “A Senate GOP Health Reform Proposal: The Burr-Coburn-Hatch Plan,” James C. Capretta and Joseph Antos, *Health Affairs Blog,* February 12, 2014 (http://healthaffairs.org/blog/2014/02/12/a-senate-gop-health-reform-proposal-the-burr-coburn-hatch-plan/) for an explanation of the proposal and the cost estimate.

### Tax reform to strengthen the economy and lighten the burdens families bear ROBERT STEIN

1. Michele Boldrin, Mariacristina De Nardi, and Larry E. Jones, “Fertility and Social Security,” NBER Working Paper no. 11146, February 2005; and Isaac Ehrlich and Jinyoung Kim, “Social Security, Demographic Trends, and Economic Growth: Theory and Evidence from the International Experience,” NBER Working Paper no. 11121, February 2005.

### K–12 Education reform to give the next generation a chance to thrive FREDERICK M. HESS

1. Frederick Hess, “The Missing Half of School Reform.” *National Affairs,* 2013.
2. William J. Bushaw and Shane J. Lopez, “The 2013 PDK/Gallup Poll of the Public’s Attitudes Toward the Public Schools.” *Phi Delta Kappan.*
3. Ibid.
4. American Institutes of Research, School Improvement Grant National Assessment Results Summary, 2014.
5. Education Sector, “Trending Toward Reform,” 2011.
6. Lamar Alexander, “Better Way to Fix No Child Left Behind,” *New York Times,* September 26, 2011.

### Higher-education reform to make college and career training more effective and affordable ANDREW P. KELLY

1. The real delinquency rate is likely even higher, but forbearance provides borrowers with a grace period. See Emily Dai, “Student Loan Delinquencies Surge,” Federal Reserve Bank of St. Louis, Spring 2013, http://www.stlouisfed.org/publications/itv/articles/?id=2348.
2. Jaison Abel, Richard Deitz, and Yaqin Su, “Are Recent College Graduates Finding Good Jobs?” *Current Issues in Economics and Finance* 20, no. 1 (2014): 1–8, http://www.newyorkfed.org/research/current_issues/ci20-1.pdf.
3. See Georgetown Center on Education and the Workforce, “College Is Still the Best Option,” n.d., http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/college%20still%20best%20option.pdf.
4. Pew Project on Economic Mobility, “Pursuing the American Dream: Economic Mobility Across Generations,” July 2012, http://www.pewstates.org/uploadedFiles/PCS_Assets/2012/Pursuing_American_Dream.pdf
5. Congressional Budget Office, “The Federal Pell Grant Program: Recent Growth and Policy Options,” September 2013, http://www.cbo.gov/sites/default/files/cbofiles/attachments/44448_PellGrants_9-5-13.pdf
6. Pew Research Center, “Is College Worth It? College Presidents, Public Assess Value, Quality, and Mission of Higher Education,” May 15, 2011, http://www.pewsocialtrends.org/files/2011/05/higher-ed-report.pdf
7. The state authorization regulation was thrown out by the DC Circuit in June 2012.
8. For an exploration of this idea, see Alex Pollock, “Fixing Student Loans: Let’s Give Colleges Some Skin in the Game,” *The American,* January 26, 2012.
9. Senator Marco Rubio recently proposed “student investment plans” that function like ISAs.

10. For a detailed discussion of policy recommendations, see Miguel Palacios, Tonio DeSorrento, and Andrew P. Kelly, "Investing in Value, Sharing Risk," American Enterprise Institute, February 25, 2014.
11. For a description of this strategy in K-12, see Jal Mehta and Steve Teles, "Jurisdictional Politics: The Emergence of a New Federal Role in Education," in *Carrots, Sticks, and the Bully Pulpit,* eds. Frederick M. Hess and Andrew P. Kelly (Harvard Education Press, 2012).
12. See the wage reports published by CollegeMeasures.org, http://collegemeasures.org/category/Reports.aspx.
13. A 2012 Mathematica evaluation found very positive results for the registered apprenticeship program and a high benefit-cost ratio. See http://wdr.doleta.gov/research/FullText_Documents/ETAOP_2012_10.pdf
14. On the failure of TRIO programs like Upward Bound and Talent Search, see Ron Haskins and Cecilia Rouse, "Time for Change: A New Federal Strategy to Prepare Disadvantaged Students for College," *The Future of Children,* Policy Brief 2013.
15. See Libby Nelson, "Idea Whose Time Has Come?" *Inside Higher Education,* May 13, 2013.

### Safety-Net Reforms to Protect the Vulnerable and Expand the Middle Class SCOTT WINSHIP

1. Quoted in Nicholas Lemann, "The Unfinished War," *The Atlantic* 262(6) (1988): 37–56, http://www.theatlantic.com/past/politics/poverty/lemunf1.htm.
2. U.S. Census Bureau, "Historical Poverty Tables—People, Table 2," 2014, http://www.census.gov/hhes/www/poverty/data/historical/people.html.
3. For one, the poverty line is adjusted upward each year to account for the rise in the cost of living in a way that overstates that increase. Today's poverty line is a better standard of living than those of the 1960s. And the definition of income used in the official poverty rate actually excludes benefits from some of the most important anti-poverty policies expanded or established in the past fifty years. Left out are food stamps, Medicaid, Medicare, school breakfast and lunch subsidies, housing assistance, and tax benefits like the Earned Income Tax Credit.
4. One recent paper shows a decline from 26 percent to 16 percent using a poverty line set in 2012 and adjusted for inflation using the Bureau of Labor Statistics's "CPI-U-RS" price index. The paper also used an income definition that includes a range of noncash benefits and accounts for taxes. See Christopher Wimer, Liana Fox, Irv Garfinkel, Neeraj Kaushal, and January Waldfogel, "Trends in Poverty With an Anchored Supplemental Poverty Measure" (2013), working paper, http://socialwork.columbia.edu/sites/default/files/file_manager/pdfs/News/Anchored%20SPM.December7.pdf.

   The CPI-U-RS shows greater inflation than other indices such as the Bureau of Economic Analysis's "Personal Consumption Expenditures," or PCE, deflator (preferred by the Federal Reserve Board and the Congressional Budget Office) or the "chained CPI" (which, like the PCE, better accounts for consumers' ability to substitute goods and services for one another when relative prices change). To adjust the Wimer et al. poverty rate for 1967, I first compute the odds of being below rather than above the poverty line in 1980 and in 2010 using the Wimer et al. measure, then I compute the ratio of these odds. I do the same using another poverty measure estimated by Bruce Meyer and James Sullivan that relies on a cost-of-living adjustment more similar to the PCE and chained CPI. The odds ratio in the Meyer/Sullivan paper is 1.25 times the odds ratio from the Wimer et al. paper. I then compute the odds ratio for 1967 and 2012 using the Wimer et al. measure, multiply it by 1.25, and multiply that by the odds of being in poverty in 2012 to get the new odds of being in poverty in 1967. Finally, I compute the new percentage from the new odds. See Bruce D. Meyer and James X. Sullivan, "Winning the War: Poverty From the Great Society to the Great Recession," *Brookings Papers on Economic Activity* 45(2) (2012): 133–200.
5. See also Meyer and Sullivan, "Winning the War."
6. Robert Rector, Katherine Bradley, and Rachel Sheffield, "Obama to Spend $10.3 Trillion on Welfare: Uncovering the Full Cost of Means-Tested Welfare or Aid to the Poor" (Washington, DC: Heritage Foundation, 2009), http://s3.amazonaws.com/thf_media/2009/pdf/sr0067.pdf. The total is in 2008 dollars. Here and in the rest of the paragraph, "year" refers to a fiscal year of the federal government.
7. I computed this by multiplying federal spending on such programs by 1.35, roughly the ratio of combined federal and state spending to federal spending in 2002, 2003, and 2004 (1.38, 1.36, and 1.37, respectively). For the 2008 federal total ($563 billion), see Congressional Research Service, "Memorandum: Spending for Federal Benefits and Services for People with Low Income, FY2008–FY2011: An Update of Table B-1 from CRS Report R41625, Modified to Remove Programs for Veterans" (2012), http://www.budget.senate.gov/republican/public/index.cfm/files/serve/?File_id=0f87b42d-f182-4b3d-8ae2-fa8ac8a8edad. For the total-to-federal multipliers, see Karen Spar, "Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2002–FY2004." CRS Report RL33340 (2006), http://wlstorage.net/file/crs/RL33340.pdf.

8. I divided combined federal and state spending by one-fifth of the population, then put the 1968 amount into 2008 dollars using the Bureau of Economic Analysis Personal Consumption Expenditures deflator. The original 1968 amount is from Vee Burke, “Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2000–FY2002,” CRS Report RL 32233 (2003), http://stuff.mit.edu/afs/sipb/contrib/wikileaks-crs/wikileaks-crs-reports/RL32233.pdf. The PCE deflator and population figures are from National Income and Product Account Table 1.1.9, http://www.bea.gov/iTable/index_nipa.cfm.
9. Congressional Research Service (“Memorandum”). Multiplying the $746 billion federal total by 1.35 yields a federal-state total of $1.01 trillion.
10. Council of Economic Advisors, “Chapter 6. The War on Poverty 50 Years Later: A Progress Report,” *Economic Report of the President* (2014), 221–268, http://www.gpo.gov/fdsys/pkg/ERP-2014/pdf/ERP-2014-chapter6.pdf. The report cites Wimer et al. (2013).
11. The figures in the Wimer et al. paper, as noted in note 4, improve on the official poverty rate in various ways. In contrast to the results for child poverty, the paper shows that poverty among the elderly falls much less over time if Social Security benefits are not taken into account. That suggests that Social Security (even ignoring the health benefits provided by Medicare and the long-term care provided by Medicaid), reduced elderly poverty significantly. But in the absence of these programs, it is possible that private pensions and retiree health coverage would have expanded more robustly and that other market solutions would have evolved.
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