Poverty Level Discourse

By John Mauldin | December 06, 2025

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But February made me shiver
With every paper I'd deliver
Bad news on the doorstep
I couldn't take one more step

I can't remember if I cried
When I read about his widowed bride
But something touched me deep inside
The day the music died

- Don McLean, American Pie, 1971

Preface: I don't think it's just me. We are all getting overwhelmed with information and seemingly important news. What will the Fed do? Is Trump going to invade Venezuela? What about Israel? Ukraine? Is the economy going into recession? 30-year bonds at an interim high? Societal angst. It goes on and on. The topics we could cover in a letter seem almost endless.

Yet today we are going to start with something that initially seemed like clickbait, but caught on in the media conversation. It offers us a chance to explore a far more meaningful point that deals with a significant societal issue that we will be dealing with as a country and as a world as we go into the coming (Fourth Turning? Geopolitical? Sovereign Debt? Etc.?) crisis. Jumping in:

I suspect almost 100% of my readers live well above the “poverty line.” I also suspect probably 99% of you don’t know exactly where that line is. I didn’t really know the number, either, nor had I thought much about it until I read the article we’ll discuss today.

Nevertheless, we should be able to define poverty because as a nation we want to help those who are below that theoretical line. This turns out to be surprisingly difficult. Most definitions revolve around inability to afford basic living expenses. Yet, as we see in inflation data, there’s vast variation in “living expenses” and more disagreement on which of them are “basic.”

This matters even more for government policy. There are many ways the state can try to minimize the number of people in poverty – not all of which involve “welfare” programs. But whatever the methods, you can’t gauge success without a benchmark.

In the US we call this the poverty line. Recently Michael Green, chief strategist at Simplify Asset Management, wrote a provocative Substack article on this which produced an online frenzy. I will confess: when I first saw his headline calling $140,000 the new poverty line, I quickly dismissed it as at best clickbait, at worst really bad economic analysis. Seven of my eight children would be ecstatic to make $140,000. I had that conversation with them last week at Thanksgiving. Some would think they were in hog heaven. In fact, about 80% of the country would be happy to have their income increased to $140,000.

It’s good people are discussing this important topic, and also good to see it happening organically rather than as part of a well-planned media narrative. I hope it leads to better solutions. I also think Green gets some important parts wrong – and we need to clarify them if anything good is to come out of this frenzy. Getting a grip on this topic is going to be part of the solution as we make it through the coming crisis. It will not be easy.

I rather suspect this will be a topic for at least one more letter. As we head into the holiday season, where theoretically our more generous spirits should appear, I think it is particularly pertinent.

Food Times Three

The Substack post that started all this appeared on November 23. It was called My Life is a Lie: How a Broken Benchmark Quietly Broke America. That was Part 1. He followed up with Part 2: The Door Has Opened on November 30. He promises a Part 3, but it hasn’t yet appeared as of my deadline.

The “broken benchmark” he mentions is the poverty line. Like me, it wasn’t something he had ever really thought about. It was just a sort of unquestioned background assumption until he looked into how the government calculates it.

Let me state up front and very clearly: Green addresses a very serious issue. It is at the heart of the frustration and polarization in the country.

Green explained how the poverty line formula dates back to 1963 when Mollie Orshansky, a Social Security Administration economist, looked for a way to measure "income inadequacy." She noted it's impossible to say how much income is "enough" but easier to say how much, on average, is too *little*.

Orshansky observed that typical families at that time spent roughly one-third of their income on groceries. This implied three times the average food budget should correspond to a minimal income level. Green characterizes it as "…drawing a floor. A line below which families were clearly in crisis." He went on:

> "For 1963, that floor made sense. Housing was relatively cheap. A family could rent a decent apartment or buy a home on a single income, as we've discussed. Healthcare was provided by employers and cost relatively little (Blue Cross coverage averaged $10/month). Childcare didn't really exist as a market—mothers stayed home, family helped, or neighbors (who likely had someone home) watched each other's kids. Cars were affordable, if prone to breakdowns. With few luxury frills, the neighborhood kids in vo-tech could fix most problems when they did. College tuition could be covered with a summer job. Retirement meant a pension income, not a pile of 401(k) assets you had to fund yourself.
>
> "Orshansky's food-times-three formula was crude, but as a **crisis** threshold—a measure of 'too little'—it roughly corresponded to reality. A family spending one-third of its income on food would spend the other two-thirds on everything else, and those proportions more or less worked. Below that line, you were in genuine crisis. Above it, you had a fighting chance."

He then notes, correctly, that today food doesn't cost anywhere near one-third of any family's income. But many other expenses like housing, childcare and healthcare are proportionately much higher now.

The current poverty level – inflation adjusted from that 1963 base – is $31,200 for a family of four. I think we can all agree that maintaining a household of four at that income (without other assistance) would be difficult almost anywhere in the US and impossible in high-cost areas.

Four of my eight children have serious medical issues. $31,000 just doesn't cut it. Childcare? Transportation? More? I get those issues on a very personal level.

At the same time, *median* household income is around $80,000. So, unless you want to say the median American family is impoverished (I don't), a realistic poverty level must be somewhere between $31,200 and $80,000, again for a family of four.

Green looks at it differently, and here I part company with him. But to be fair, let me quote exactly what he says.

> "I wanted to see what would happen if I ignored the official stats and simply calculated the cost of existing. I built a Basic Needs budget for a family of four (two earners, two kids). No vacations, no Netflix, no luxury. Just the 'Participation Tickets' required to hold a job and raise kids in 2024.
>
> "Using conservative, national-average data:
>
> - Childcare: $32,773
> - Housing: $23,267
> - Food: $14,717
> - Transportation: $14,828
> - Healthcare: $10,567
> - Other essentials: $21,857
> - Required net income: $118,009
>
> "Add federal, state, and FICA taxes of roughly $18,500, and you arrive at a required gross income of $136,500.
>
> "This is Orshansky's 'too little' threshold, updated honestly. This is the floor."

That was the provocative idea that made Green's post go viral. He claims a family of four with gross income below (rounding) $140,000 is in poverty.

Now, I will concede that raising a family at even $80,000 doesn't leave a lot of room for luxuries. But calling it "poverty" defies common sense.

"Riddled With Errors"

As you would expect, others – including many economists – quickly pointed out the absurdity of this idea. I recommend Tyler Cowen's response, The Myth of the $140,000 Poverty Line. It does a good job outlining the flawed assumptions and selective evidence behind Green's assertion.

To start, Cowen notes that adjusting the 1963 figure for CPI inflation has, over time, largely incorporated the other expenses Green says have been ignored.

> "In 1969, Orshansky's reasoning was indeed used to create the official U.S. Census Bureau poverty measure. But beginning that same year, the government began to update the poverty line annually for inflation using the Consumer Price Index, which tracks the cost of a basket of day-to-day expenses, including food, housing, transportation, and more. This isn't a perfect method of calculation in every case, but it does mean that current measures of poverty are already picking up the additional factors that Green pretends to introduce as some kind of revisionist treatment.
>
> "Further, when measured properly, poverty in America has been falling for many decades. In 2023, researchers from the University of Notre Dame, the University of Chicago, and Baylor University measured poverty using consumption—what people are actually able to buy—rather than income, which can fluctuate due to a variety of factors unrelated to well-being. They found that since 1980, poverty has fallen by more than 27 percentage points. This was a byproduct of tax cuts, government benefits, and overall economic growth."

He also calls out Green for a pretty basic math error (as did many others).

> "How, then, did Green arrive at his conclusions? The culprit is a series of methodological errors. First, he compares apples and oranges. Noting that the median household income is 'roughly $80,000,' he writes that most people assume 'a family earning $80,000 is doing fine.' But based on the current cost of living, if using Orshansky's methodology, that $80,000 family would be living in deep poverty. He tries to prove his point by calculating the basic cost of living for a family in New Jersey with two earners and two kids—which he said falls at about $136,500 per year.
>
> "Here's the problem: For families with two earners, the median household income is *not* $80,000, but in fact, slightly over $140,000. Green allows the expenses to rise in his hypothetical, but not the corresponding incomes."

Cowen sees Green's figures as mostly anecdotal – and as we all know, anecdotes aren't data.

> "The bottom line is that Green's essay is anecdotal rather than systematic, omits evidence of qualitative improvements in standard of living, and is riddled with errors of logic, data selection, and interpretation.

"Affordability considerations are indeed real, and there are steps we can take to mitigate costs. I would stress that New Jersey should allow for more high-rise buildings, which would lower housing costs. Childcare could be made cheaper, whether through deregulation or additional government support. The government's over-subsidization of healthcare, perhaps counterintuitively, makes it too expensive and should be pared back.

"But if someone is trying to argue that $140,000 a year is the new poverty line, I would urge them to get some perspective by spending more time in most of the rest of the world, where people earn only a modest fraction of that amount and live under significantly worse conditions. Driving around America could just as easily suffice."

Valley of Death

Having said all that, I want to highlight a part of Green's initial essay ***I think is truly important***.

He describes how our web of "safety net" programs effectively trap people in poverty, making it very difficult to climb out of what he calls "the Valley of Death." This occurs because as a poor household's income rises, benefits disappear faster than wages increase. Obviously, limits are necessary when we have such huge debt. But the way they are structured makes a difference.

Please read and re-read the following section. The bold emphasis is mine.

"This mathematical valley explains the rage we see in the American electorate, specifically the animosity the 'working poor' (the middle class) feel toward the 'actual poor' and immigrants.

"Economists and politicians look at this anger and call it racism, or lack of empathy. They are missing the mechanism.

"Altruism is a function of surplus. It is easy to be charitable when you have excess capacity. ***It is impossible to be charitable when you are fighting for the last bruised banana.***

"The family earning $65,000—the family that just lost their subsidies and is paying $32,000 for daycare and $12,000 for healthcare deductibles—is hyper-aware of the family earning $30,000 and getting subsidized food, rent, childcare, and healthcare.

"They see the neighbor at the grocery store using an EBT card while they put items back on the shelf. They see the immigrant family receiving emergency housing support while they face eviction.

"They are not seeing 'poverty.' They are seeing people getting for free the exact things that they are working 60 hours a week to barely afford…

"The anger isn't about the goods. It's about the breach of contract. The American Deal was that Effort ~ Security. Effort brought your Hope strike closer. But because the real poverty line is $140,000, effort no longer yields security or progress; it brings risk, exhaustion, and debt.

"When you are drowning, and you see the lifeguard throw a life vest to the person treading water next to you—a person who isn't swimming as hard as you are—you don't feel happiness for them. You feel a homicidal rage at the lifeguard.

"We have created a system where the only way to survive is to be destitute enough to qualify for aid, or rich enough to ignore the cost. Everyone in the middle is being cannibalized."

Whatever other errors Green makes, he's right about the way middle-class families feel they are being cannibalized. I suspect this explains why people tell pollsters the economy is terrible even as their spending and wages both rise. If you have to work full-time (and more!) to get the same lifestyle you see others being given free, *of course* you're unhappy. The fact that your lifestyle is still pretty good by most measures doesn't change this.

The sad part is it doesn't have to be this way. We *could* have a safety net that helps those who are truly unable to help themselves without trapping them in poverty. The current formulas produce "benefit cliffs" that disincentivize work. As I always say, incentives matter. If you punish people who try to work their way out of poverty, then more people will stay in poverty.

To make this work, we have to not only tweak (major reform?) the welfare system but also do something about the living costs that are so unaffordable to so many. Housing costs are just one example. An under-noticed one is transportation. We have designed our cities such that depending on public transportation to reach your job just doesn't work; you need a car. A two-earner household probably needs two cars. And even used cars are expensive, not to mention the maintenance, fuel and insurance costs that go with them.

We need to restore the "American Deal" Green mentions – the confidence that thinking ahead and working hard can elevate anyone to a comfortable life. Many in the youngest couple of generations simply don't believe this. Warren Wright offers this (to me very distressing) point.

"If you need a single statistic to understand the emotional pulse of young workers right now, here it is: **40% of Millennial women say they want to permanently leave the United States.** That's the highest number Gallup has ever recorded. This is not a whimsical fantasy about sipping wine in Provence. It's a practical response to a country that feels increasingly unaffordable, unsupportive, and unsustainable for young women trying to build a stable life.

"Dig deeper and the reasons are painfully rational. Housing feels like a moonshot. Everyday expenses — groceries, childcare, transportation — eat into paychecks before they land. And healthcare? It's not just expensive; it's unpredictably expensive, a roulette wheel that too many young women feel they can't afford to spin." (source)

Maybe they're wrong, but it has the same effect. We have to change not only the situation itself but how the situation is perceived.

Dr. Harvey Risch (who Trump just appointed to Chair the President's Cancer Panel, one of his best appointments) commented in a private group conversation about this topic is that part of the issue is the difference between ***expectations*** and ***accomplishments***.

The expectations of younger generations have significantly changed. Lifestyles that may have been remote at one point (even if we theoretically knew they existed) are now in our faces 24/7, thanks to social media. Why is that person different from me? "I work just as hard or harder and I don't have anywhere close to that lifestyle."

You can tell someone who is struggling to keep food on the table, and shelter and transportation that they are better off than people in Third World countries and it just doesn't resonate. You sound like you are out of touch with their real world.

That 40% of millennial women who want to leave the country? Telling them the grass is always greener on the other side and probably has grass burs in it – that the majority of people in whatever idealized country they are thinking about are struggling just like they are – doesn't square up with what they see on their social media feeds.

I think the trigger for The Fourth Turning crisis or whatever we want to call it will be sovereign debt, not just here but all over the developed world, is going to be far more contentious simply because of these unmet expectations. It makes no difference whether they are realistic or not. They are feelings, and feelings don't always square up with reality.

We are going to have to work through some serious reorganization at a lot of different levels. As I keep repeating, no one is going to be happy about it. It's likely going to require more taxes and lower benefits and on and on. To paraphrase what Don McLean said, when this happens, we will talk about "the day the American Dream died."

As we have done many, many times in the past, we are going to have to redefine the American Dream and once again bring hope to our children.

A tall order? Definitely. But talking about the solution is Step 1 to achieving it.

Personal Thoughts and a New Grandson

I get the irony of talking about poverty and expectations while I personally live an incredible lifestyle. I live in arguably one of the nicest upscale communities in North America surrounded by friends and luxury. But I grew up in West Texas with an alcoholic father. My mother had to work for $300 a month supporting a family of five in a 900 square foot house with no air conditioning. I was working at age 11. You could do that back then. I had no family help for college. I didn't feel poor because that was what all my friends were dealing with. You just put your head down and did it. My kids don't relate.

I started a business out of seminary and remember waking up at 2 AM with a knot in my stomach trying to figure out whether I would put gas in the car, pay my secretary, or the electric bill or buy baby food. I kited checks from Dallas on a bank in North Dakota because it took two weeks to clear (I think the statute of limitations has passed). That's just what you did in the late 1970s.

I have a son with cancer and silver tier Obamacare won't cover the medicines his doctors say he needs to live. Six of my eight kids have medical issues, some very serious. I am not as out of touch as some might think.

That was made clear to me this Thanksgiving, a fabulous time with my family and grandchildren. The next day I was greeted with a full head of hair redheaded grandson named Stetson (my 12th grandchild and was told I have another on the way. I have a lot of shots on goal). Monday night while talking to my wife on the phone as they were driving in North Texas, I heard a loud bang and screaming. Some literal cowboy had lost control of his trailer and sideswiped them, totaling their car. Amazingly, they all walked away without a scratch. I was shaking for two days.

The last two months have been the most stressful in my personal (family) and business life since the 1970s. Go figure. We are working through it and all will be well. Not complaining, and no one should feel sorry for me, just pointing out that for those on social media who think that I was born with a silver spoon and that I don't understand, you might want to walk a few yards in my old shoes.

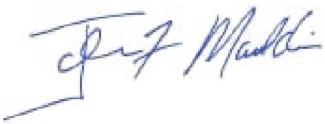
One of the stressful issues was that our website and social media for our longevity company, Lifespan Edge, was hacked and went down and we had to scramble. It is back up. We are doing more and more Therapeutic Plasma Exchange procedures in Dallas, and you really should consider it for your own longevity journey. We all really do need to recognize that health is the greatest wealth.

You can learn more at Lifespan-Edge.com (note the dash). Click on the research button and read the first paper. Then book a discovery call. TPE is increasingly seen by longevity experts as the first step in your longevity and health journey.

And with that, I will hit the send button. I will not post pictures of my grandkids and family and new grandson here, but I will post it late tonight on X so those of you who are interested can see. And if you don’t follow me on X then you should! Have a great week!

Your living a dream life analyst,

John Mauldin



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