

The Executive Memorandum

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WHY THE NEW CENSUS REPORT WILL OVERSTATE POVERTY

The United States Census Bureau on September 26 will release its official report on poverty and family income for 1990. And once again, this annual report will present a misleading picture because of serious deficiencies in the way the Bureau measures income and defines poverty.

According to Census Bureau figures for recent years there are still over thirty million Americans living in "poverty." This is a number larger than that recorded in the mid-1960s, when the War on Poverty was launched. To be sure, such figures raise legitimate concerns about the persistence of poverty in an otherwise prosperous society. This unremitting poverty is more perplexing because total welfare spending, even after adjusting for inflation, rose throughout the 1970s and 1980s and is now at an all-time high.

Why does the Census Bureau's poverty level remain unchanged even while welfare spending increases? The answer is that once again the Census Bureau's poverty figures are inaccurate. The Census Bureau's report seriously misleads policy makers and American taxpayers, who are spending over \$180 billion a year to fight "poverty." In other words, the Census Bureau is dramatically overstating the number of persons in poverty and understating the living standards of low-income Americans. Key facts missing from Census report are that:

- ◆ 38 percent of the persons whom the Census Bureau identifies as "poor" own their own homes. The median value of homes owned by poor persons in 1987 was \$39,200 or 58 percent of the median value of all homes owned by Americans in that year.
- ◆ Nearly a half million "poor" persons own homes worth over \$100,000; 36,000 "poor" persons own homes worth over \$300,000;
- ◆ 62 percent of "poor" households own a car; 14 percent own two or more cars;
- ◆ Nearly half of all "poor" households have air conditioning;
- ◆ 31 percent of all "poor" households have microwave ovens;
- ◆ Poor persons on average consume that same level of vitamins, minerals, and protein as do middle class persons; poor children actually eat more meat and protein than do middle class children.
- ◆ The poor are not hungry and undernourished; in fact poor adults are more likely to be overweight than are middle-class persons.

These facts are taken from unpublicized surveys gathered by the Census Bureau and other government agencies. But they are ignored by the Census Bureau's official poverty report. They underscore the large conceptual gap between the "poor" as defined by the Census Bureau and what most ordinary Americans consider to be poverty. In reality, numerous other government reports indicate that most "poor" Americans today are better housed, better fed, and own more personal property than average U.S. citizens throughout most of this century. In 1988, for example, and after adjusting for inflation, the per capita expenditures of the lowest income one-fifth of the U.S. population exceeded the per capita income of the median American household in 1955.

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Better Off Than Europeans. International comparisons of living standards also reveal much about the material well-being of those deemed by the Census Bureau to be America's "poor." The average "poor" American lives in a larger house or apartment than does the average West European. America's poor have twice as much living space per capita as the average Japanese and four times as much living space as the average citizen in what was the Soviet Union. Further U.S. and European census data indicate that "poor" Americans eat far more meat than do West Europeans in general, are more likely to own cars and dishwashers, and are more likely to have basic modern amenities such as indoor toilets.

The Census Bureau's measurement of poverty seriously understates the resources of Americans. The Bureau counts as "poor" any household with a cash income less than the official poverty threshold of \$12,675 for a family of four in 1989. Yet the government's own data show that low-income householders spend \$1.94 for every \$1.00 of income actually reported. This anomaly arises because of the flawed methodology used in compiling official Census income data. In counting the number of "poor" people the Census Bureau ignores all assets owned by households and nearly all government welfare benefits they receive. As such, calculations of the living standards of low-income households disregard billions of dollars in non-cash assistance. All levels of government in America spent \$184 billion on welfare programs in 1988, the latest year for which comprehensive data are available. But the Census Bureau counted only \$27 billion of this aid as income for low-income households. Excluded in the Census Bureau reports are entire programs that provide in-kind aid to the needy, such as food stamps, public housing, and Medicaid. To the Bureau, such programs do not exist and have no impact on poverty. But the missing welfare spending excluded from the official data on poverty totals \$157 billion, or over \$11,120 for every "poor" household. A new survey that counts income and assets accurately should be adopted to replace the Census Bureau's flawed methodology. With accurate counting, the number of poor Americans would be shown to be only a small fraction of the current estimate of over 30 million.

Creating Dependence, Destroying Families. But the material well-being of lower-income Americans should not be viewed as a victory in the War on Poverty. Studies reveal that the largest effect of welfare spending is not to raise income but merely to replace self-sufficiency with dependence. In the 1950s, before the War on Poverty programs were launched, nearly one-third of poor families were headed by adults who worked full-time throughout the year. In 1989, only 16.2 percent of poor families had full-time working heads of households. Over half of poor families are headed by persons who do not work at all.

A second consequence of welfare has been the destruction of families. In 1989, the poverty rate for married-couple families was just 5.6 percent, even using the Census Bureau's erroneous methodology; by contrast, the poverty rate female-headed families was a staggering 32.2 percent. The number of female-headed families below the poverty level has increased dramatically since the start of the War on Poverty. In 1959, 28 percent of poor families with children were headed by women. Last year, over 60 percent of poor families with children were headed by single mothers. Similarly, in the 1960s the black illegitimate birth rate was 25 percent, while today nearly two out of three black children are born out of wedlock.

If the Census Bureau's methods were corrected to measure accurately the assets, cash income, and welfare benefits of low-income households, the results would show far fewer persons in material poverty than claimed by current official statistics. But even the corrected figures still would conceal the real tragedy of America's welfare system: millions of children who grow up without fathers, millions of parents lacking the work ethic and dignity, and entire generations robbed of real dreams and hopes for the future.

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For further information:

Robert Rector, Kate Walsh O'Beirne, Michael McLaughlin, "How 'Poor' Are America's Poor?" Heritage Foundation *Backgrounder* No. 791, September 21, 1990.

Robert Rector, "Hunger and Malnutrition Among American Children," Heritage Foundation *Backgrounder* No. 843, August 2, 1991.