

BEHIND THE CENSUS BUREAU'S GOOD NEWS ON POVERTY

Americans no doubt were relieved to hear last week that, according to the federal government's official poverty estimates, the number of people in poverty went down in 1994. But if the number is to go down further in this and future years, Congress and the American people need to look behind the Census Bureau data to understand what really has been happening and what lessons must be learned.

Broadly, it turns out that the best remedy for poverty is a strong and growing economy, not government "anti-poverty" programs. The lowest rate of poverty in recent years occurred at the end of the Reagan era. The "kinder, gentler" approach of the Bush-Clinton era has not yet managed to get the rate back down to that level. It also turns out that poverty is closely related to family structure: Children in poverty (the largest poverty group) actually means children in broken families. In particular, black poverty is associated with weaker families, while married black America is doing very well, showing the fastest gains among all groups.

Thus, the data show that the best social policy is economic policy that spurs job creation and income growth. If America is to continue reducing the poverty rate, Congress must concentrate on expanding the economy and jobs while reducing the illegitimacy rate. And if it combines this approach with consolidating welfare assistance to the states into block grants, there will be an increase in resources available to those who are still poor.

Specifically, the Census Bureau data show that:

✓ **Jobs reduce poverty.**

During the Reagan era, an unprecedented period of economic growth led to the lowest poverty rate in recent history—despite criticism at the time that welfare programs were being cut. Even this year's good news for families—a drop to 11.6 percent of Americans in poverty—is still above Reagan's legacy of 10.3 percent.

One reason for this is that during the Reagan expansion of 1982-1989, jobs grew at an average rate of 2.25 million new jobs per year. During the business expansion of 1991 to 1994, however, the average rate has been only 1.9 million new jobs per year.

✓ **Children in poverty means children in broken families.**

Of all children under 18, some 21.8 percent are in poverty. The recent Census Bureau report highlights the fact that children are the largest group in poverty, accounting for 40 percent of the total. Digging deeper into the numbers, one finds there are sharp differences in rates among children in different household situations. The vast majority of these children are children in broken families. Some 52.9 percent of all children in female-headed families are in poverty. By contrast, the rate among children in intact married families is just 10.8 percent.

Married family life is the best protection against poverty for children. Single parenthood—the "feminization" of poverty—results from the father and his paycheck being absent.

✓ **Married black Americans have made the most sizable gains.**

Married couples and children in married families tend to benefit most from economic recoveries. In the latest Census release, this is most clearly shown in the numbers for black Americans.

In terms of income and poverty, there are two black Americas, and they are very different. Black married families are the biggest winners in the decline in the poverty rate. For married black Americans with children under 18, the poverty rate dropped from 13.9 percent to 11.4 percent between 1993 and 1994, from 298,000 to 245,000 families (an 18 percent drop in the total number of married families in poverty). But for black American female-headed families, the total number in poverty declined from 1,780,000 families to 1,591,000 families, and the poverty rate fell from 57.7 percent to 53.9 percent (a 10.6 percent drop in the number of female-headed families in poverty).

✓ **Poverty affects “single-parent America,” not “black America.”**

Significantly, the number of poor female-headed families with children in the black community has increased from 949,000 in 1975 to 1,591,000 in 1994, while during this same period the number of married, black families with children has decreased from 349,000 to 245,000. The poverty rate among married black families with children (11.4 percent) is steadily converging with and now close to the poverty rate for similar white families (8.3 percent). It is not that “black America” is in poverty and “white America” is not. It is that “single-parent America” is in poverty and the black community contains more than its share of such households.

Three major policy implications are evident in these numbers:

- ① **The best possible anti-poverty policy is an expanding economy with increased job creation.** Policies which favor the formation of businesses and investment, such as tax reduction and deregulation, however much they seem to favor the business owner, actually do more than anything else to cut poverty.
- ② **Intact married families are the best places for children, not only socially and developmentally, but also economically.** Social policies which favor married life will cut poverty. Social policies which do nothing to discourage the formation of single-parent families—and worse still, which reward out-of-wedlock births—increase the number of poor and place more children in poverty.
- ③ **Under the new welfare proposal being pushed in Congress, converting from an entitlement program to block grants will help those who remain in poverty.** Even in good economic times, the welfare pie will continue to grow as a block grant, but the number of people in poverty actually will shrink, increasing the average per person. Using the discretionary powers left to them under current block grant proposals, the states can use this extra money in more creative ways to cut poverty.

Patrick F. Fagan
William H. G. FitzGerald Senior Fellow in
Family and Cultural Issues