THE MISSING DATA IN THE CENSUS BUREAU POVERTY REPORT

The United States Census Bureau yesterday released its official statistics on poverty and family income for 1989. There was some good news.. Real median family income climbed in 1989, representing increases in six of the past seven years. Black households had a real income increase of 5.1 percent in 1989. Despite the recorded strong growth in median family income, however, press attention will focus inevitably on the poverty data and those ostensibly "left behind" during the economic recovery of the 1980s. The report's figures show 31.5 million persons in "poverty," a number unchanged from the previous year but greater than in 1965, when the War on Poverty began. The trouble is that the Census data overstate the number of persons in poverty and understate the living standards of low-income Americans.

The Census Bureau's data seriously mislead policy makers and American taxpayers, who are spending about $180 billion a year to fight "poverty," because it tells little about the real poverty in America. Missing from yesterday's report are the facts that:

- 38 percent of the persons whom the Census Bureau identifies as "poor" own their own homes with a median value of $39,200;
- Over 100,000 "poor" persons own homes with a value in excess of $200,000;
- 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;
- Nationwide, over 22,000 "poor" households have heated swimming pools or hot tubs.

These facts underscore a large conceptual gap between the "poor" as defined by the Census Bureau and what most Americans consider as poor. In reality, numerous government reports based on data collected by the Census Bureau, indicate that most "poor" Americans today are better housed, better fed, and own more personal property than did the average U.S. citizen throughout most of this century. In 1988, for example, after adjusting for inflation, the per capita expenditures of the lowest income fifth of the U.S. population exceeded the per capita income of the median American household in 1955.

Better Off Than Europeans. International comparisons of living standards are similarly revealing concerning the material well-being of America's "poor." The average "poor" American lives in a larger house or apartment than does the average West European (this is the average West European, not poor West Europeans). U.S. and European census data indicate that poor Americans eat far more meat, are more likely to own cars and dishwashers, and are more likely to have basic modern amenities such as indoor toilets than do West Europeans in general.

The Census 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 Bureau's own data show that low-income householders spend $1.94 for every $1.00 in "income" reported. This anomaly is possible because of the seriously flawed methodology employed in compiling the official Census data. In counting the number of "poor," the Census Bureau ignores all assets owned by the poor and nearly all welfare received by the poor. As such, calculations of the living standards of low-income households disregard billions of dollars in non-cash assistance provided to the poor. 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 counts only $27 billion as income for low-income persons. The great majority of the welfare system is excluded, including entire programs that provide in-kind aid to the needy, like food stamps, public housing, and Medicaid. The missing welfare spending that is excluded from the official data on poverty totals $158 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 persons would be shown to be only a small fraction of today's estimated 31.5 million.

Creating Dependence, Destroying Families. The material well-being of America's "poor" should not be viewed as the success of a 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, 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 major consequence of welfare is the destruction of families. In 1989, the poverty rate for married-couple families was 5.6 percent; by contrast, the poverty rate for female-headed families was 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, just 28 percent of poor families with children were headed by women; last year, over 60 percent of poor families with children were female-headed.

The 1989 Census data, though seriously flawed, show steady improvement for the great majority of American families. If the methodology used by the Bureau were improved, to measure accurately the assets, cash income, and welfare benefits of low-income households, the figures would show far fewer persons in poverty than the official data claim.

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For further information:

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

Robert Rector and Kate Walsh O'Beirne, "Dispelling the Myths of Income Inequality," Heritage Foundation *Backgrounder* No. 710, June 6, 1989.