PS1 for 11/17/88#POVERTY -- A MISUNDERSTOOD LABEL

Working, taxpaying Americans spend vast sums of money every year in a tremendously generous effort to lift other Americans out of poverty. These multi-billion federal programs are based on official statistics about how many families are below an officially designated threshold of poverty.

How reliable are those statistics? How accurate a picture do they give us of the number of families in poverty and whether or not we are progressing or regressing in our attempt to reduce that number?

A recent report by the Heritage Foundation calls into question the widely-accepted government figures on family income and poverty. The Heritage research demonstrates that the Census Bureau figures obscure the real causes of poverty because they are too simplistic, and that the figures significantly exaggerate the number of Americans who are living in poverty.

The official figures show that there has been a steady reduction in the proportion of Americans living below the ""official poverty line.'' In 1982, 15 percent of Americans were in poverty, while in 1986 (the latest year for which figures are available) only 13.6% were categorized as poor.

In order to tackle the question of how to lift this 13.6 percent out of poverty, one must examine what's behind the statistics. When we do, we find that poverty is primarily a factor of family status.

In 1986, only 8 percent of married couples with children were below the poverty line, while 46 percent of single mothers with children were in poverty. Facing such a wide differential in family status, how can one talk about the ""average family''?

When you look at black families, the chasm between intact families and broken families is even more striking. Among married couple black families, only 10 percent were below the poverty level, while 50

percent of ""female householder'' black families were in poverty.

More and more, it is clear that poverty is a social problem, not an economic one. Vast sums of money poured out to subsidize broken families have only increased their numbers, not led them out of dependency. We must address the underlying cause of broken families and encourage families to form and stay together.

The Heritage report also shows that the official poverty figures do not give an accurate picture of the well-being of the people who are listed as in ""poverty.'' The statistics ignore in-kind benefits which have increased from 11 percent of personal income in 1980 to 18 percent in 1984, and which significantly raise people's standard of living.

About 70 percent of all families designated as poor receive at least one of the following in-kind benefits: food stamps, Medicaid, public housing, or school lunches. It is estimated that the market value of these benefits in 1986 was $59 billion, yet not a cent is counted in determining poverty status.

Even if a family with a cash income of $1 below the poverty line receives $5,000 worth of housing and food assistance, the family is still counted as living in poverty. The result is that the figures reveal very little about the economic well-being of ""poverty'' families.

The average food benefit received by an eligible family has an estimated market value of $1,400 per year, medical benefits a market value of $2,890, and housing assistance a market value of $1,780. If these benefits were counted as income, 11 million fewer Americans would have been called poor in 1986, reducing the official poverty rate from 13.6 percent to 9 percent.

Second, federal income figures are deficient because they ignore unreported income. It is well known in statistical circles that the

family income reported by the Census Bureau is only 90 percent of independent official estimates of income, and that does not even account for the non-reporting of income from the underground economy.

Third, federal income figures give a faulty picture because they ignore regional living costs. Even though it is obvious that living costs are very different in Manhattan and in Appalachia, the official threshold takes no account of this difference.

Fourth, the Census Bureau has long used the Labor Department's Consumer Price Index to measure the cost of living even though the CPI has been widely criticized as defective. For example, before 1983 the CPI considerably overestimated the cost of housing, thereby causing about 4 million people to be erroneously labeled as poor.

Fifth, in defining poverty, the Census Bureau only measures cash income. It does not use assets, such as savings accounts, stocks or bonds.

If the Federal Government undertakes to provide figures on ""poverty,'' those reports should give us the full picture of how poverty is affected by family status and by in-kind benefits.