U.S. Census Bureau's Report on Income and Poverty Is False

by Paul Gallagher

The U.S. Census Bureau's major report of the year, the annual analysis of "real" incomes, poverty, and health insurance in the U.S. population, was full of more—and more recent—county data than ever before this year (the calendar-year 2005 report); but it measured that data against completely fraudulent standards like the infamous Consumer Price Index (CPI) and the long out-of-date official "poverty line." The result was national and international media "economic" coverage which is simply false—real wages and household incomes are continuing to fall for all but the wealthiest Americans, and household poverty is continuing to mount. (Ironically, in the second week of September strong doubts began to be raised by California local officials about the new city and county population data in the report as well.)

The Census Bureau's "Income, Poverty, and Health Insurance Coverage in the United States, 2005" was presented to the media on the morning of Aug. 29 with three basic conclusions: Americans' median income gained; poverty stopped rising; but more Americans lacked health insurance. The first two conclusions—which dominated much national and international coverage of the report as "an indicator of the U.S. economy"—are false. Furthermore, the same fabrication characterized the report of the Bureau of Labor Statistics (BLS) on August 2006 employment and wages, released three days later on Sept. 1.

"They are lying their heads off" to conceal an ongoing U.S. economic collapse, was Lyndon LaRouche's response to international media coverage of the Census report. LaRouche commented that the people who wrote the public report "had to have been using a Bush League calculator." This annual report is nationally and internationally watched and has political importance. In this case it covers up, just before a major mid-term election, the social impacts of the outsourcing, asset-stripping, and destruction of the United States' formerly industrial economy. This destruction has drastically accelerated since 2001, under Cheney-Bush and the synarchist financial networks they have given *carte blanc* with that economy.

Bent Measuring Rods

The Census Bureau measured its income data against fraudulent standards. The Consumer Price Index (CPI) has been systematically falsified by several decades of applying "quality adjustment factors," "hedonic indices" and "substitution formulae": To reduce its apparent prices of goods, such as automobiles, well below the *actual* prices of those goods; and to remove inflating goods from the CPI calculations altogether, substituting lower-cost supposed "equivalents" for them. Crucially, this falsification has been extended to *housing prices* by the hoax of "imputed rent" rather than actual price. So what Census and the Bureau of Labor Statistics call "real" income changes, are measured by highly *unreal* inflation measures in the price index.

But the Bureau found—even measuring against the CPI—that the "real" median *earned* income of men in the American workforce had fallen in 2005 for the fourth year in a row, by a substantial 1.8%; and that of women, for the third consecutive year, by 1.3%. Real median *household* income was reported to have risen by 1.1%. But Census official David Kilpatrick, in presenting the report, acknowledged that this statistic resulted from more people working per household, and from 2005 being a banner year for *unearned income* such as dividends and capital gains.

More important: This increase was concentrated in the upper 20% of households by income, which in 2005 engrossed a record 51.4% of all national income—it had only been in 2002 that this wealthiest quintile equalled the combined income of the other 80% of households for the first time in U.S. history. Furthermore, the supposed household "real"-income increase was reported entirely among households headed by people over 65; all other households' median income fell by 0.7%; the drop was larger for households headed by 35-44 year-olds, and 45-54 year-olds—the core of the workforce. Over the four years 2001-05, median income of households with at least one parent aged 25-34 fell by 5.9%.

Across the deindustrialized Midwest and Northeast states, local press coverage in response to the Census showed the truth: Outright median wage drops (without regard to inflation) in industrial states from 2004-2005.

For example: In Michigan, the median household income fell from $46,445 in 2004 to $46,038 in 2005, marking the first time industrial Michigan has ever been below the national median household income—the state is losing 20,000 auto jobs a year; the *Saginaw News* reported real median household income in that county has actually declined by $5,336—a huge 15% drop—in six years, and poverty has steadily risen, "reflecting deindustrialization"; in Pennsylvania, average hourly wages for the 41-80th income percentiles fell from $14.55 to $14.21, the third consecutive annual drop for middle-income workers in the state; in Missouri, the median income of households has steadily declined from 2001 through 2005, decreasing by $5,000 overall; Median household income in the eight counties surrounding Cleveland fell by $1,778 over the last five years; while in the city itself, it dropped by $6,294.

Plenty of other evidence was in the Census report, of the decline in real incomes and the increasing impoverishment of American households. Household debt rose in 2005 to 132% of disposable income. In the lower 2/5 of income brackets, 23% of households use more than 40% of their income on debt payments. The average American family pays 19.4% of its entire income for debt service. For the first time since the Depression, the personal savings rate for the nation fell below zero—total national savings were shrinking, being spent. Retirement became more difficult: Some 9% of men over 75 years old work; 21% of men between 70-74, and 12% of women that age, work; between the ages of 65 and 69, a third of men and 23% of women work.

Another key indicator of impoverishment is being seen in auto sales, both falling in numbers and shifting to smaller vehicles as households sink under debt and inflation. A Sept. 7 Global Insight, Inc. webcast was held to report "the U.S. auto sales market downshifted in August [2006]," reaching a very poor and unexpected annual sales rate of 16 million; furthermore, "the pace of sales weakened considerably in the closing weeks of August," and "all production schedules are in jeopardy." The firm now estimates/forecasts a total production cut by *all* automakers in North America of 4.6% in the 3rd quarter, and 6.5% in the fourth quarter.

Across the formerly industrial belt of U.S. states and the Northeast, the Census report's claim of poverty levels having stabilized, was treated, by implication, as a fraud. The *Baltimore Sun* headlined it, "As Affluent Got Richer, Working Class Fell Behind." The *Detroit Free Press* headlne was "Median Income Up in Michigan—So Is Poverty." The *Boston Herald* showed the irony that according to the census, the Northeast had the biggest increase in household income in 2005, and a supposed decline in poverty; yet, in Massachusetts, home foreclosures are up 50%-100%, county by county, for months; in Boston, a third of households are spending more than half their income on housing.

Again on Sept. 1, the BLS reported that average weekly earnings of U.S. employees had dropped by another substantial 1% from July to August 2006, as more industrial jobs disappeared—but media reporting, fastening on a miniscule 0.1% rise in the average *hourly* wage, lied that "Americans' earnings rose."

55-70 Million Actually Poor

The Census report claimed that the major measures of poverty in America were all unchanged from 2004 to 2005, with 37 million people in official poverty. Any real measure of basic household subsistence—after 20 years of rapidly inflating medical-care costs, a decade of skyrocketting housing costs, six years of energy-price spikes, and ballooning household debt—would find the "poverty line" for a family of four not at the official $19,000, but at $35-40,000 annual income; it would find not 37 million, but 55-70 million Americans fallen into poverty. The poorest counties and poorest regions in the country got poorer in 2005—as major newspapers of the former industrial belt, such as the Cleveland *Plain Dealer,* made clear, even amid the lying reports of the Census Bureau's findings. Even officially, the percentage of American families in "deep poverty"—less than half the official "poverty line" income—went up, reaching nearly 6 million.

The U.S. housing bubble, even before it started collapsing in 2006, was rapidly deepening poverty from 2000 through 2005. The official Federal poverty level, or "poverty line," was adopted in 1964, taking the Agriculture Department's 1955, very conservatively estimated "*low-cost food budget* for a family of three or more," and multiplying by three, to estimate a supposed basic household income requirement for the poor; in the decades since then, it has simply been adjusted for inflation (i.e., by the increasingly suppressed CPI), and for more exact household sizes. Thus, aside from what a "conservative" low-cost 1955 food budget would buy in 1964, the inflation adjustment for the poverty line since 1964 has been absurdly low; and more important, the assumption that food costs are one-third of a household budget has been maintained, although today, one-sixth would be a better approximation. In particular, the more medical care costs escalate; the more housing prices and rents hyperinflate; the deeper into poverty goes the household supposedly at or just above the poverty line.

The Brookings Institution has calculated the baseline "family self-sufficiency level," meeting only the most basic needs, at $36,000 for a family of four—double the official poverty level. The median income of all Hispanic households, and all African-American households, was below that $36,000 level in 2005. The National Academy of Sciences (NAS) ten years ago proposed a new poverty measure reflecting how housing costs and medical costs were ballooning in household budgets, but it has not been adopted. Duke University professor David Brady, from these considerations, estimates current U.S. poverty at 18%, or 54 million people; some NAS scholars estimate it to be as high as 70 million, double the Census Bureau's claimed "stabilized" figure.

In poverty-heavy Texas, official poverty rates have not increased much, but in 2005, one-quarter of all workers there were making less than $8.75/hour. A household of four, with two such full-time jobs, is still well below that self-sufficiency level estimated by Brookings. At the other end of the scale, in the second wealthiest county in America—Fairfax, Virginia—the median house costs the median household 54% of its income, and households with incomes of $75,000 and more are rendered poor by their housing, and need county assistance!