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Why you can't trust the American poverty statistics [1]

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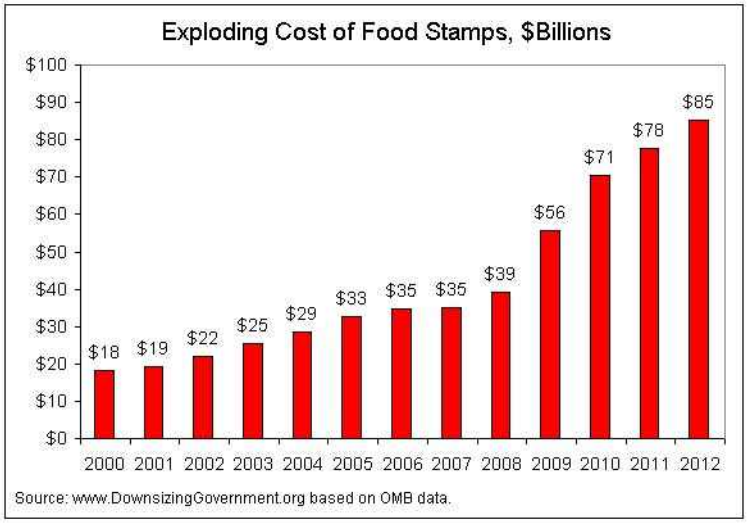
A nice little chart here at Cato showing how spending on food stamps has risen over the past decade [3].



We can see that expenditure on this anti-poverty programme has risen considerably over 12 years. In fact, if we assume away inflation and GDP growth (not quite right but close enough in this past 12 years, especially with respect to food prices) then expenditure on this programme has risen from 0.12% of US GDP to 0.56% of GDP. Call it, allowing for the uncertainty over the GDP and inflation numbers, a fourfold increase in real terms.

Now, I think it should be obvious to everyone that giving poor people a means to purchase food means that poor people are less poor. We would also assume that some who were poor before this distribution are not poor after it.

But here's the interesting question. Fully 0.5% of GDP is being given to the poor in just this one redistribution programme. What difference does this make to the number of poor in the US?

The answer is, distressingly, absolutely not one iota. By the official statistics this redistribution does not lift one solitary person up out of poverty: in fact, does not even alleviate poverty in any way recorded by the official statistics. Further, this is true of all of the major US poverty alleviation programmes. Their Section 8 housing vouchers (roughly, housing benefit), Medicaid (health care for the poor), the EITC (working tax credits). Adding these together the US spends a good 4% or more of GDP on poverty alleviation. Yet apparently it alleviates no poverty at all.

The reason being that the US, uniquely, does not count benefits in kind, nor benefits through the tax system, when calculating who is poor. They could double spending on the poor and there would be exactly the same number of poor people as when they started. In fact, in recent decades they *have* doubled spending on the poor. And they've still got the same number of poor people.

Just a little warning should anyone ever brandish US poverty figures at you. They're very strange indeed

and absolutely cannot be taken at face value.

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