US poverty rose sharply in 2001

Kate Randall
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The proportion of Americans living in poverty rose sharply in 2001, according to a report issued by the US Census Bureau on September 24. In percentage terms, the poverty rate increased to 11.7 percent from 11.3 percent in 2000, the first such yearly rise in eight years. The number of poor Americans swelled to 32.9 million, a rise of 1.3 million.

Income inequality also grew. The wealthiest fifth of the population took in half of all household income last year, a 5 percent rise over 1985. The poorest fifth received only 3.5 percent of total household income, down 4 percent from 1985.

There were 6.8 million poor families last year, an increase of more than 6 percent over the 6.4 million in 2000. The Census Bureau classified a family of four as poor if its cash income was less than $18,104. The poverty threshold for a family of three was $14,128; for a married couple, $11,569; and for an individual, $9,039.

The number of "severely poor"—those with family incomes less than half the official poverty level—also shot up, increasing by almost 6 percent to 13.4 million from 12.6 million in 2000.

While poverty has risen, the very rich have continued to add to their fortunes. The income of one of the nation's richest individuals illustrates the obscene levels of wealth that have been concentrated in the hands of a tiny minority at the top of American society. Jack Welch, former chairman and CEO of General Electric Corporation, was given a retirement package that included a $9 million annual pension. In addition to various perks—including sports and opera box seats, country club memberships and a luxury apartment in Manhattan—Welch's deal guaranteed him $17,307 *per day* for "consulting"—more than a family of three at the poverty level can expect to earn in an entire year!

The Census report drastically underestimates the real scale of poverty in the US, because the official poverty thresholds are absurdly low. A more realistic cut-off point would be close to double the official figures, in the area of $30,000 for a family of four. A more accurate estimate of the US poverty rate is 30 percent.

One of the main reasons for the low official threshold is the fact that eligibility for social benefits such as food stamps, Medicaid, and rent and heating subsidies is pegged to the government's poverty criteria. Excluding millions of poor people from the official poverty rolls enables the government to continue its policy of slashing social welfare expenditures.

Included in America's 32.9 million poor were 11.7 children under the age of 18. According to the Census Bureau, 16.3 percent of children in 2001 were poor, a rate virtually unchanged since 2000. Again, the actual child poverty rate is much higher. But even if one accepts the Census Bureau's standards, a 16.3 percent rate means that more than one-sixth of US children live in poverty.

A major contributing factor to child poverty is the number of poor families headed by a single female. In 2001 there were close to 3.5 million such families, up by about 1 percent from 2000. Many of these women have been forced off welfare and into poverty-wage jobs.

Median household income fell to $42,228 in 2001, a drop of $934, or 2.2 percent, from the previous year.

The most significant increase in poverty was among non-Hispanic whites, where the rate rose to 7.8 percent from 7.4 percent in 2000.

Median household income for blacks fell last year by $1,025, or 3.4 percent, to $29,470, while median income for Hispanics remained steady, at $33,565. The median income of $53,635 for Asian Americans represented a drop of 6.4 percent.

Areas showing the largest increases in poverty included the suburbs and the country's South. The number of poor people in suburban areas rose to 12 million, up by 700,000 from the year before. The South's poverty rate rose to 13.5 percent, from 12.8 percent in 2000, and accounted for more than 50 percent of the national increase in the number of poor.

Income declined in every region of the country except the Northeast, where it remained flat. The Midwest showed the biggest decline, 3.7 percent, reflecting the impact of downsizing and layoffs in the manufacturing sector.

The Census Bureau report was the first to reflect the impact on household income of last year's surge in layoffs and corporate downsizing, which began in hi-tech and telecommunications and spread to virtually every sector of the economy. It is an indication of the depth of the current economic downturn, which began in March 2001.

Last year, US corporations eliminated nearly 2 million jobs (1,956,876, according to outplacement firm Challenger, Gray & Christmas), 1.3 million more than in 2001. Those sectors carrying out the most severe job-cutting included:

* Telecommunications, 327,777
* Computer industry, 168,395
* Industrial goods, 153,952
* Electronics, 153,432
* Automotive, 133,686
* Transportation, 133,017

Many of these discarded workers are still unemployed, or have been forced into lower-paying, temporary or part-time jobs. For those unable to find new work, the ability to collect unemployment insurance (UI) benefits has been sharply curtailed. Whereas in the 1950s more than half of workers qualified for UI benefits, only one in three qualifies today.

One measure of the impact of last year's jobs cuts on poverty is the fact that the increase in the number of poor in America—1.3 million—was equal to the increase in job cuts from 2000 to 2001.

The figures on poverty show that whatever economic benefits trickled down to the majority of working families during the stock market boom of the 1990s, any increases in their living standards were nominal and only temporary. Rather, this boom—based on speculation, inflation of stock values and rampant corporate corruption and fraud—overwhelmingly benefited the wealthiest layers of society. It did nothing in any fundamental or permanent way to alter the general trajectory of declining living standards for working people—which have been under continuous attack for more than two decades.

With the bursting of the stock market bubble, the price for the orgy of speculation and corporate plundering is to be paid by the broad masses of working families and the poor—in the form of unemployment, loss of income and poverty.

The Census Bureau's poverty report provides only a glimpse of the rising levels of social distress among broad layers in America, under conditions where no section of the political establishment—Democrats and Republicans alike—addresses the crisis facing working families. While the Bush administration and the Republican Party advocate more tax cuts and other windfalls for the rich, the Democrats offer at most token measures that do not begin to confront what is a deep-going and worsening social crisis.