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STATEMENT BY ROBERT GREENSTEIN ON ADMINISTRATION MISCHARACTERIZATIONS REGARDING THE ECONOMY AND NEW DATA ON POVERTY, INCOME, AND HEALTH INSURANCE

Yesterday, the Census Bureau released data that showing that in 2004 — the third full year of the economic recovery — poverty increased, the earnings of full-time workers fell, the income of the typical non-elderly household also fell, and the number of Americans lacking health insurance rose. In the past 24 hours, the Administration has made several statements on the new Census poverty and income data that incorrectly claim or suggest that performance on these measures in 2004 was par for the course for this point in an economic recovery.

"The poverty rate seems to be the last lonely lagging indicator of the business cycle," E.R. Anderson, a senior Commerce Department official, is quoted as saying in today's *Washington Post* and *New York Times*. This is accurate, however, only if one does *not* consider the earnings of full-time workers, the median income of working-age households, and employer-provided health insurance coverage rates to be important indicators of the nation's economic health.

Similarly, the Census Bureau stated in materials released to the media that, "Past experience tells us that it is not uncommon to have several years of rising poverty following a recession." This statement is not correct.

- In no prior recession dating back to 1960 (when poverty data began to be collected) did poverty *increase* between the second and third years of the economic recovery. Between 2003 and 2004, by contrast, poverty *rose.*

- In all previous recessions, with the sole exception of the recession of the early 1990s, the poverty rate was, by the third year of the recovery, at or below its level at the end of the recession. In 2004, in contrast, the poverty rate is a full percentage point *higher* than it was in the recession year, 2001.

Some previous downturns did produce larger increases in poverty than have occurred since 2000. But in no other recovery in the last 45 years did poverty increase in the third full year of economic growth following the recession. The movement in the wrong direction at this stage of the recovery represents a break from the past.

Moreover, this recovery is unusual not only for its rising poverty but also for its failure to lift the incomes of middle-income Americans. It is the only recovery of the past 45 years in which the income of the typical (or median) household did not grow between the second and third years of the recovery.

The Census data released yesterday thus paint a disappointing picture. Three years of economic growth following the 2001 recession have not improved the economic circumstances of low- and middle-income Americans, who have seen increases in poverty, declines in income, and increases in the ranks of the uninsured. The economy's performance in 2004 stands in contrast to prior economic recoveries. Statements by the Administration counseling that all is well in the economy cannot mask the unfortunate reality that the current recovery continues to leave millions of Americans behind.