



Jeb Bush on Poverty, Economic Growth

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Republican Jeb Bush on Fox News Sunday made economic claims about poverty and growth from tax cuts that don't measure up to the facts:

The former governor of Florida, who is running for president, sought to clarify his controversial remarks about Democrats appealing to black voters with free stuff when he brought up the poverty rate and government spending on poverty programs with Fox News Sunday anchor Chris Wallace.

Bush, Sept. 27: This idea that you can regulate and tax and spend your way to prosperity has failed. We spend a trillion dollars a year on poverty programs. And the net result is the percentage of people in poverty has remained the same.

Bush didn't provide a time frame when he said the poverty rate has remained the same, but his campaign forwarded us a Heritage Foundation report to mark the 50th anniversary of President Lyndon Johnson's war on poverty. The report, dated Sept. 15, 2014, said the 2013 poverty rate, which the Census Bureau was about to release at the time, was expected to be essentially the same rate as in 1967, three years after the War on Poverty was announced. The Bush campaign also said he was comparing the 2013 Census poverty rate with the 1967 rate.

That would be largely correct. The Census Bureau recently released 2014 figures showing the rate was unchanged from 2013 to 2014 at 14.8 percent higher than the 14.2 percent rate in 1967.

But Bush also said the poverty rate has remained the same despite spending \$1 trillion a year on poverty programs, and that is misleading because that \$1 trillion includes billions spent by the federal government on tax credits and noncash benefits that are not a part of Census poverty calculation.

Bush's campaign provided us with an April 2012 report by the Cato Institute that said federal, state and local governments spend nearly \$1 trillion on poverty programs including \$668 billion in federal funds. It itemized the federal spending, such as \$228 billion on Medicaid (the low-income health care program), \$75 billion on the Supplemental Nutrition Assistance Program (food stamps) and \$55 billion on the earned income tax credit program.

But here's the key thing: None of those big-ticket programs could have had an impact on the official poverty rates cited by Bush. The Census Bureau says on its website that the official poverty definition uses money income before taxes and does not include capital gains or noncash benefits (such as public housing, Medicaid, and food stamps).

There is, however, a supplemental poverty measure (SPM) that was developed in 2011 by the Census Bureau that does count all resources, including the noncash benefits and tax credits that are part of the \$1 trillion figure cited by Bush. And there was a report, issued by Columbia University on Dec. 5, 2013, that sought to measure the trends in poverty based on the SPM anchored to 2012 poverty thresholds.

The Columbia report, which is cited in a January 2014 report by the White House Council of Economic Advisers, concluded government policies have played a more important role in reducing poverty than would be suggested by OPM [official poverty measure].

Trends in Poverty with an Anchored Supplemental Poverty Measure, Dec. 5, 2013: While the OPM line displays the familiar pattern with poverty at 14% in 1967 and 15% in 2012 the anchored SPM line tells a very different story with poverty falling from about 26% in 1967 to 16% today.

By this measure, the poverty rate has declined, as illustrated in the chart above from the report.

So, while Bush is correct that the official poverty rate has remained much the same, there is evidence that the government programs do have an impact on reducing poverty.

In discussing Bush's tax plan, Wallace noted that the tax cuts implemented by Presidents Ronald Reagan and George W. Bush added to the deficit. But Jeb Bush said they didn't add to the deficit as much as critics said, and in fact they helped grow the economy.

Bush, Sept. 27: They created a dynamic effect of high growth. And that's what we need. If we think that if people think 2 percent growth is OK, then well have more people living in poverty and disposable income for the middle class will continue to decline.

Well set aside the impact of the Reagan tax cuts, since Reagan also raised taxes, as we have written before. But did Bush's tax cuts create a dynamic effect of high growth?

The phrase high growth is subjective, but the fact is that the nations economy grew at an annual average rate of about 2 percent during Bush's eight years which is exactly what Jeb Bush said would lead to more people living in poverty and less disposable income for the middle class.

According to the Bureau of Economic Analysis, the percentage change in the gross domestic product averaged 2.1 percent from 2001 to 2008 when George W. Bush was president. That's higher than the average annual growth so far under Obama of 1.2 percent through 2014.

But Jeb Bush cant have it both ways, criticizing a 2 percent growth rate as inadequate while praising his brothers tax cuts for creating high growth.