Relative or Absolute Poverty in the US and EU?

The Battle of the Rates

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Abstract

US poverty is much higher than poverty in Europe when a relative poverty measure is used. Using an absolute poverty measurement method, the picture looks different: poverty in some European countries is higher. This paper estimates poverty rates for all the countries of the (old) EU and the USA applying the official measurement methods of the United States (absolute) and the European Union (relative) to all the countries. The differences in poverty levels, both in time and between the 16 countries are analysed, identifying the various sources for the variance in the figures. Using annual data of the EU and the US from 1994 to 2001, we illustrate how some differences in poverty levels are inherent to the choice for an absolute or a relative approach, while other differences are related to aspects common to both absolute and relative poverty measurement but working out differently depending on the estimation method used. The results of our analysis point out that using a single figure is often misleading.

Keywords: poverty, absolute, relative, United States, European Union

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