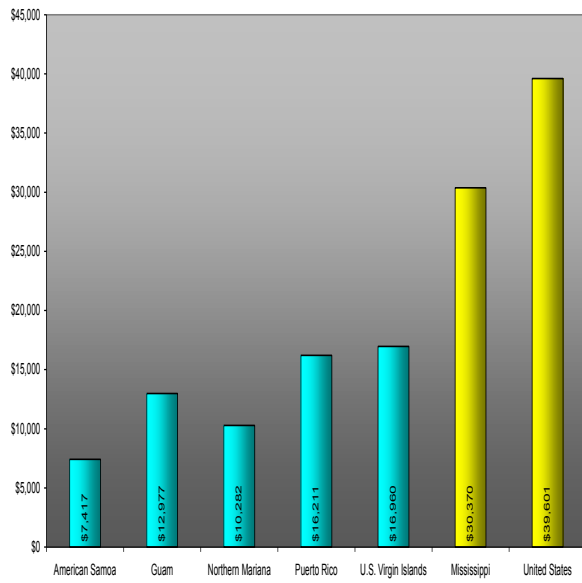


## The U.S. Territories: A Shameful Situation

- **The 4.1 million people in the U.S. territories are treated unfairly.** These territories are normally called possessions, and, in fact, they receive colonial treatment. The result: low income levels, high poverty rates, and poor to terrible economic growth.
- **People living in American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands can carry U.S. passports. All but those in American Samoa are U.S. citizens. Yet none of them are able to vote in U.S. elections,** and they have no voting representation in Washington.
- **Per capita income in each of the territories is far lower than in the states.** Even the highest income territories have per capita income levels only about half of the level in Mississippi, the lowest income state. **Poverty rates are much higher than in the states,** with on average more than half the people in the territories in poverty. (see charts on back)
- **During the last decade, economic growth in the territories has been abysmal.** The best case was that of the Virgin Islands, where GDP was less than 1% higher in 2009 than in 2002. Each of the other territories saw GDP decline in this period. (see charts on back)
- **Economic conditions in the territories could be significantly improved** were the federal government to treat them fairly, placing them on a level playing field with the states by:
  - *Extending the federal Earned Income Tax Credit and the Child Tax Credit to the territories.* This would provide a major stimulus, increasing territorial output by as much as 3%. It would also greatly alleviate poverty, raising the after-federal-tax income of many low-income families by several thousand dollars, over 25%.
  - *Raising federal expenditures in the territories towards levels commensurate with those in the states.* Opportunities exist for increasing federal procurement and grants (directed, for example, towards physical and social infrastructure, including support of information technology infrastructure). An overall increase of federal spending in the territories amounting to three one-hundredths of the federal budget could increase territorial output by 3%.
  - *Removing the cap on Medicare spending in the territories.* Medicare payments in the territories should be handled the same in the manner in the territories as in the states.
  - *Applying all poverty alleviation programs for the states to the territories as well.* As with each of these steps to create a level playing field, much can be done for the territories without developing special “territorial programs.”
- **The territories themselves have zero power in U.S. affairs,** and thus are impotent to make any change. **Action must come from the Congress and the President.** They must put the territories on a level playing field with the states. Indeed, inaction, could lead to a worsening of economic conditions, which, in turn, could generate social conflict and political instability.
- **Sadly, the condition of the territories is a problem that nobody wants to touch.**

Figure 1: Personal Income Per Capita in the US Territories, Mississippi, and the United States, 2009



\* A very crude, rough estimate

Figure 2: Poverty Rates in the U.S. Territories, Mississippi, and the United States, 1999

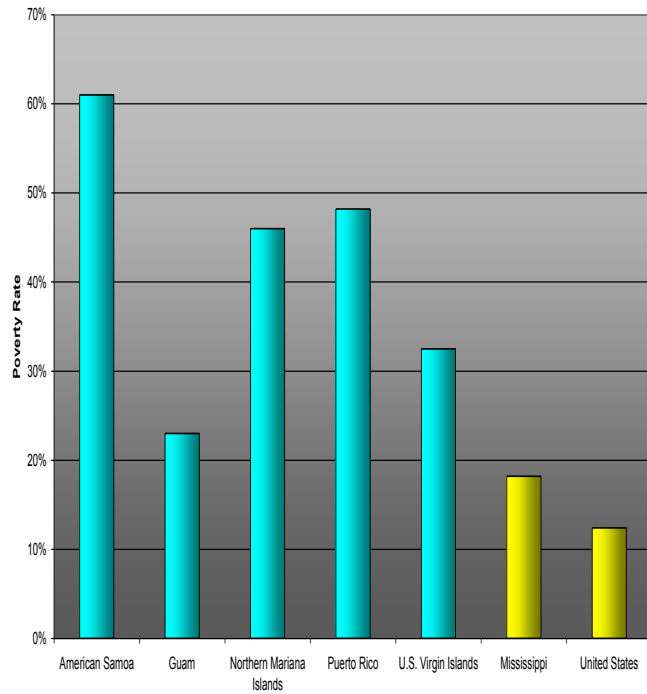


Figure 3: Index of Real GDP Per Capita in Each of the U.S. Territories and the United States, 2002 to 2009 (2002 = 100)

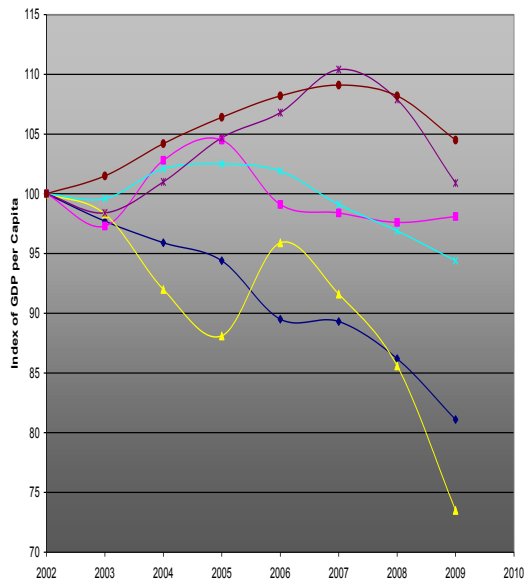


Figure 4: Federal Expenditures Per Capita to the U.S. Territories, Selected States, and Overall, 2010

