

V. Economic Status

No single indicator can adequately capture all facets of economic status for entire populations, but measures such as median or average annual income are the most often used. The economic status of most individuals, especially children, is better reflected by the pooled resources of family or household members than by their individual earnings or income.

The average income of American families has increased markedly over the past 50 years. Between the mid-1970s and the early 1990s, however, the median family incomes of blacks and Hispanics were stagnant, whereas the median income of non-Hispanic whites generally increased (Economic Status 1). The income of non-Hispanic white and Asian families is nearly twice that of black and Hispanic families. Since the early 1990s, black family income has risen, but Hispanic income fell and only recently began to rise. As a result, the ratio of black to non-Hispanic white median family income is about the same today as it was 30 years ago, whereas the ratio of Hispanic to non-Hispanic white income has fallen markedly since the early 1970s.

The decline in the relative position of Hispanics is due, at least in part, to immigration of Hispanics with relatively low levels of education and income. The lack of relative progress among black families is in part due to the large rise in single parent families among blacks (Population 6). However, even if family structure had not changed since 1967, the gap in average family income between blacks and whites in 1996 would be reduced by only about one-fifth.¹ Other factors contributing to differences in family income include differences in educational attainment, unemployment rates, and wage rates. Median family income of Asians is slightly higher than that of non-Hispanic whites, consistent with Asians' high levels of educational attainment and the higher percentage of Asian families with two or more earners.

Differences in median incomes provide only a partial description of differences in the income distributions of groups. A second indicator is the poverty rate: the proportion who lack the economic resources needed to purchase a minimally acceptable standard of living. There is no scientifically adequate method for determining the minimally acceptable living standard: this will vary from society to society and over time as living standards and social norms change. The poverty rates presented here are based on the Office of Management and Budget's official definition. Alternative measures reveal similar disparities in poverty rates among racial and ethnic groups.²

Despite their higher median income, the rate of poverty among Asians in the United States is more than 50 percent higher than the poverty rate of non-Hispanic whites (Economic Status 2). This reflects the economic and educational diversity of the Asian population. Blacks, Hispanics, and American Indians have much higher rates of poverty than non-Hispanic whites and Asians. The Hispanic poverty rate has generally risen since the 1970s and surpassed the rate for blacks in the early 1990s. Although still very high, the black poverty rate has declined since the early 1990s and reached an all-time low in 1996. According to the 1990 census, in 1989 the poverty rate for American Indians was higher than that of any other group.³

Poverty among children is of particular concern. Child poverty not only reflects current economic problems among poor families with children, but it is also associated with inequality of opportunity, risks to health and child development, and long-term economic disadvantage. Although child poverty rates exceed overall individual poverty rates, differences between racial and ethnic groups in child poverty mirror those in overall poverty. Black, Hispanic, and American Indian children have higher poverty rates than non-Hispanic white and Asian children (Economic Status 3).

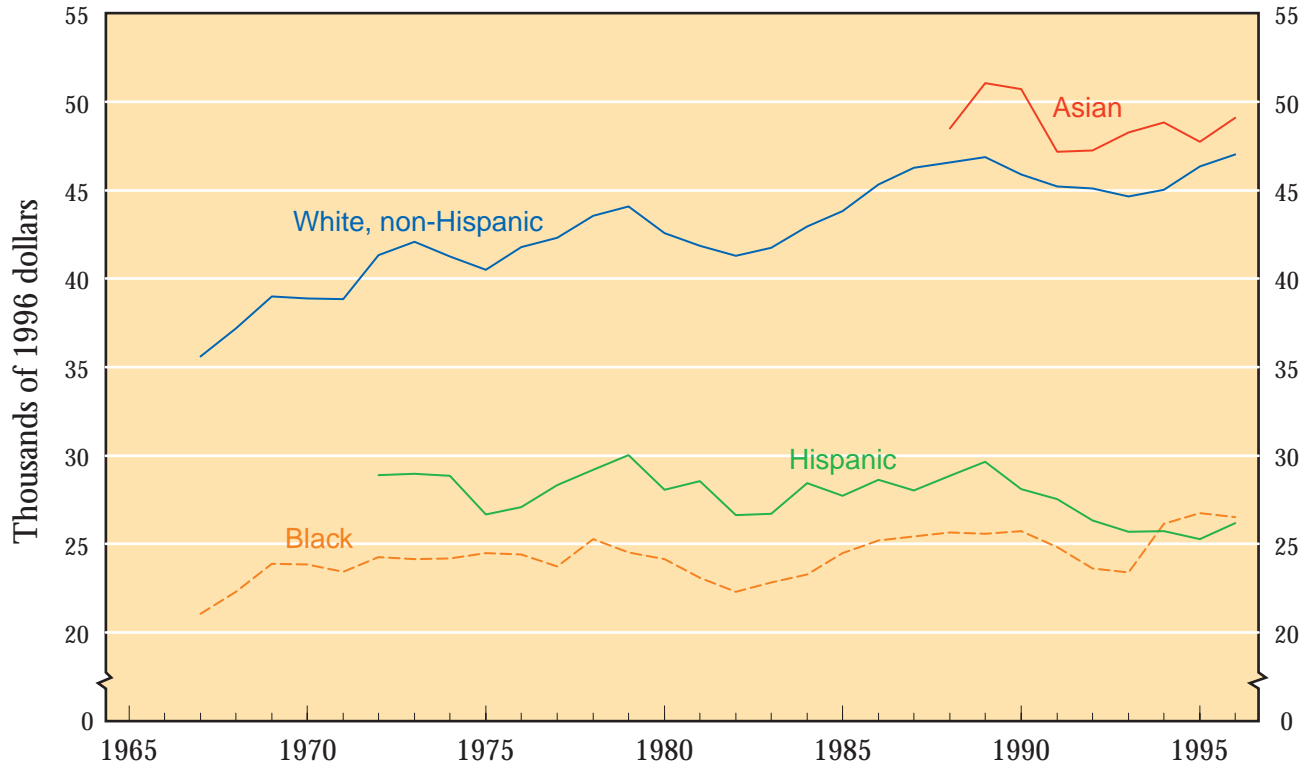
Some of the disparities in poverty rates between racial and ethnic groups can be explained by differences in factors such as age distribution, family structure, and educational attainment. However, substantial differentials between groups exist even among individuals with similar characteristics (Economic Status 4). For example, poverty rates among the elderly are considerably higher among blacks and Hispanics than among whites and Asians. Similarly, although poverty rates are relatively high for all children in single-parent families maintained by women, they are considerably higher for Hispanic and black children than for white children in such families. Among persons aged 25 and over without a high school degree, poverty rates for blacks, Hispanics, and Asians are well above those of whites.

Asset holdings are another important indicator of economic well-being. Greater wealth allows a household to maintain its standard of living when income falls because of job loss, health problems, or family changes such as divorce or widowhood. Wealth also provides resources that can be used to finance education or to start a business. Disparities in asset holdings across racial and ethnic groups are large and exceed disparities in income (Economic Status 5). In 1993, the net worth (assets minus liabilities) of households maintained by whites was about 10 times that of households maintained by blacks or Hispanics. Even among households with similar monthly incomes, net asset holdings are far higher among whites than blacks or Hispanics.⁴

1. Council of Economic Advisers. 1998. *Economic Report of the President*. Washington, DC: U.S. Government Printing Office.
2. Citro, Constance F. and Robert T. Michael, eds. 1995. *Measuring Poverty: A New Approach*. Washington, DC: National Academy Press.
3. U.S. Bureau of the Census. 1993. *1990 Census of Population: Social and Economic Characteristics, United States*. Washington, DC.
4. Eller, T.J. and Wallace Fraser. 1995. *Asset Ownership of Households: 1993*. U.S. Bureau of the Census. Current Population Reports, P70-47. Washington, DC: U.S. Government Printing Office.

1. Median Family Income

Source: Bureau of the Census

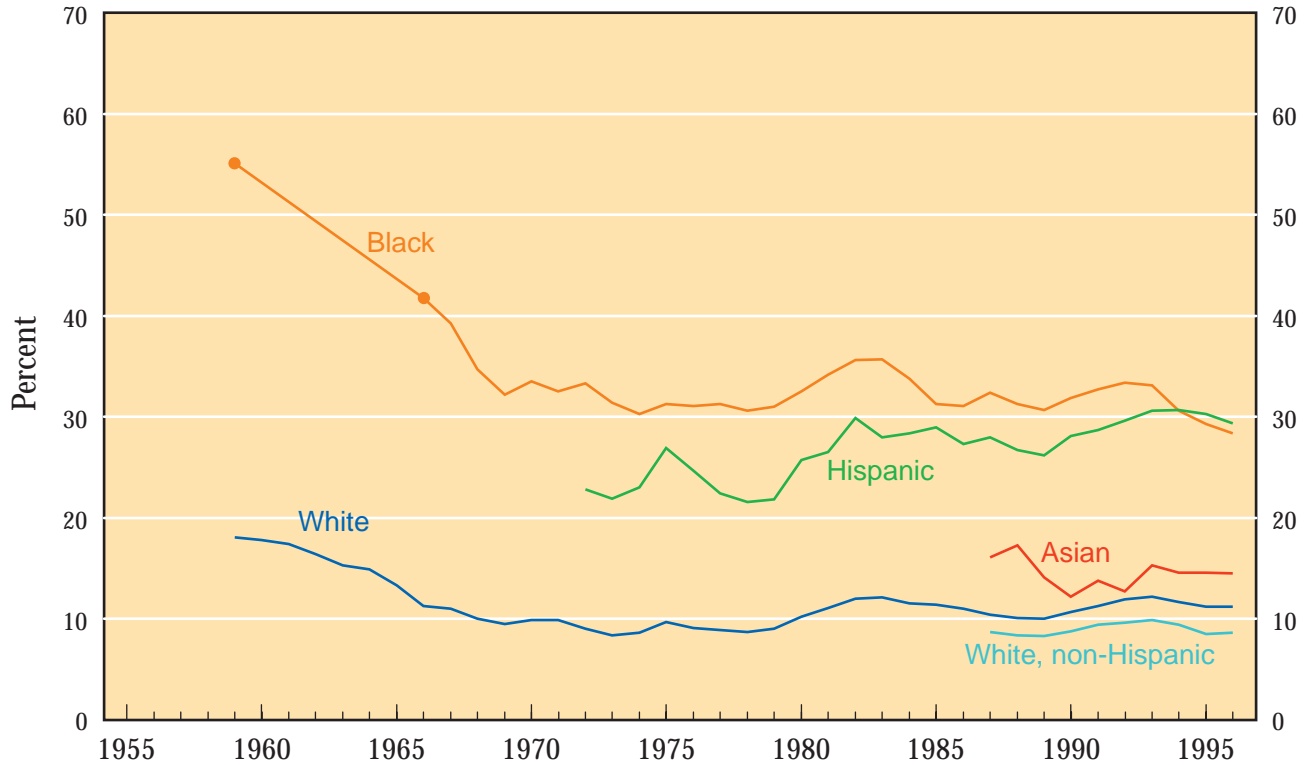


- Median annual family income is a commonly used indicator of current family economic status.
- Asian and non-Hispanic white families have much higher median incomes than black or Hispanic families. The median income of black families as a percentage of non-Hispanic white median family income was about the same in 1997 as in 1967, at less than 60 percent. Hispanic median family income has fallen in absolute terms (and relative to that of non-Hispanic whites) since 1972, in part due to the increasing representation of immigrants in the Hispanic population.
- There are great differences in income among Asian subgroups. For example, according to the 1990 census, the median family income of Japanese Americans exceeded that of non-Hispanic white families, whereas the income of Cambodian American families was lower than that of black families.
- According to the 1990 census, the median family income of American Indians (not shown in chart) was lower than that of blacks.

Note: Prior to 1972, data for whites include Hispanic whites.

2. Poverty Rates for Individuals

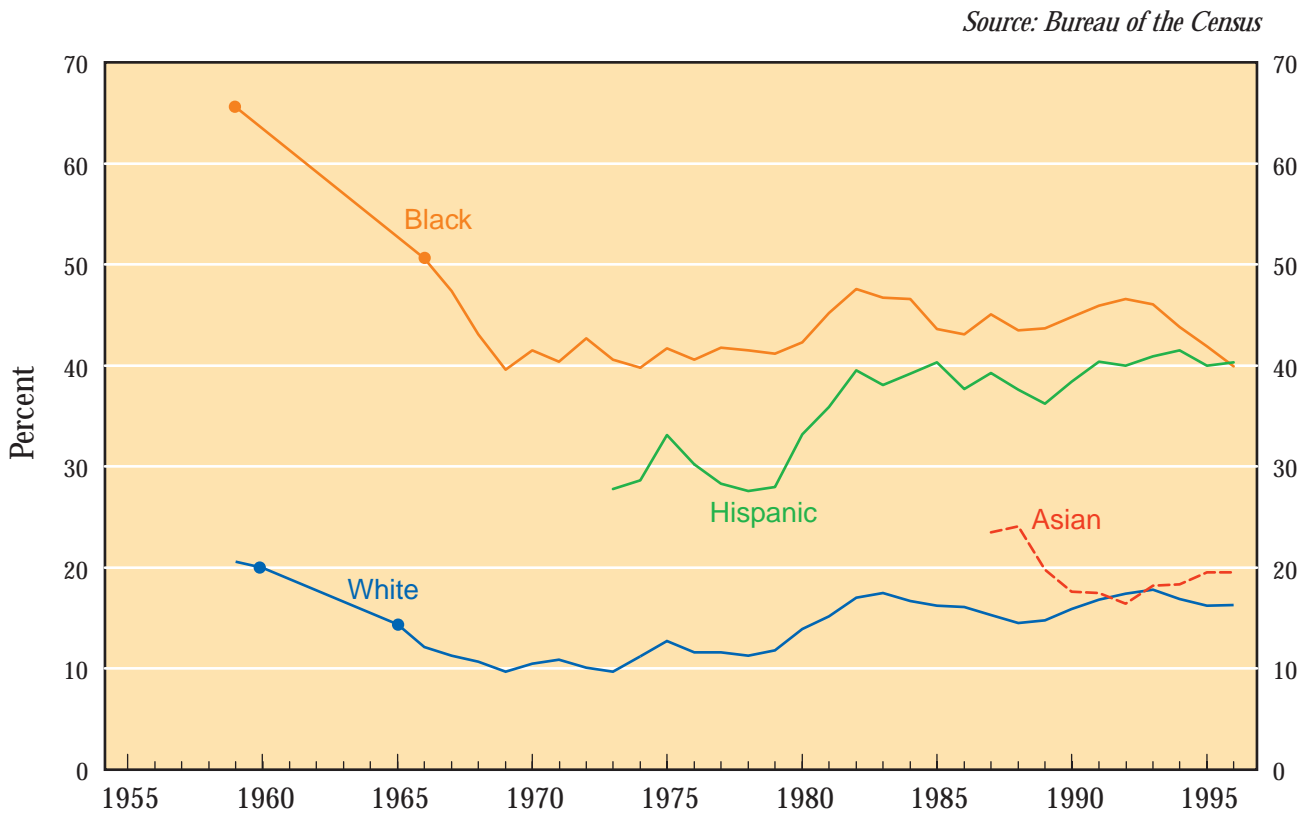
Source: Bureau of the Census



- The poverty rate—a widely used indicator of economic disadvantage—measures the proportion of a population whose cash income is below the official poverty line. The poverty line is adjusted for family size. In 1996 the poverty line for a family of four was \$16,036.
- Poverty rates for all racial and ethnic groups fell over the 1960s and early 1970s but improved little over the next 20 years. Poverty rates have fallen since 1993, however, particularly among blacks.
- The poverty rate for non-Hispanic whites remains well below that of Asians, blacks, and Hispanics. According to the 1990 census, the poverty rate for American Indians was the highest among the five racial and ethnic groups. The poverty rate for Hispanics increased from the 1970s until the early 1990s, and it has been above the rate for blacks since 1994. The increase in Hispanic poverty is partly the result of the lower educational and economic attainment of many Hispanic immigrants.
- Although their median family income exceeds that of non-Hispanic whites, Asians are more likely than non-Hispanic whites to be poor. This combination of relatively high poverty and high median income reflects the great economic diversity of the U.S. Asian population.

Note: Straight line between dots indicates data are not available for intervening years.

3. Poverty Rates for Children

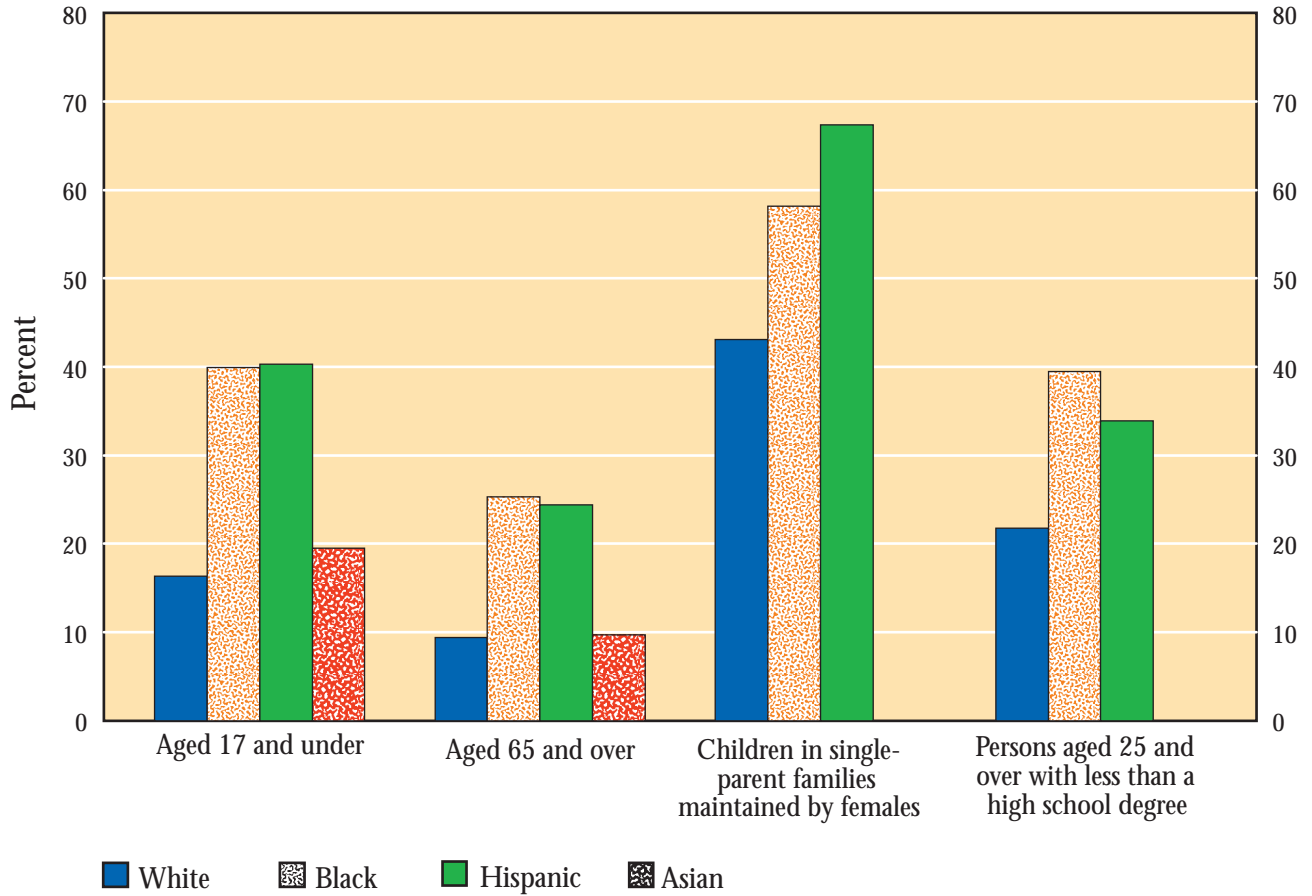


- Child poverty measures current economic hardship among families with children. Poverty in childhood is also associated with higher risk for poor child health, delayed cognitive development, and poverty in adulthood. As such, it is an indicator of inequality of opportunity and a predictor of long-term economic disadvantage.
- Child poverty rates for all groups declined sharply in the 1960s. Since then, child poverty rates have fluctuated with the economy and edged up for whites, blacks, and Hispanics over the 1970s and 1980s. Child poverty has fallen since the early 1990s for blacks and whites.
- The poverty rate for Hispanic children has increased more rapidly than for other groups and is currently about equal to that of black children. According to the 1990 census, American Indian children (not shown in chart) had a poverty rate second only to that of black children.

Note: Straight line between dots indicates data are not available for intervening years. Prior to 1974 for whites and blacks, and prior to 1976 for Hispanics, poverty rates are for related children in families.

4. Poverty Rates by Selected Individual Characteristics, 1996

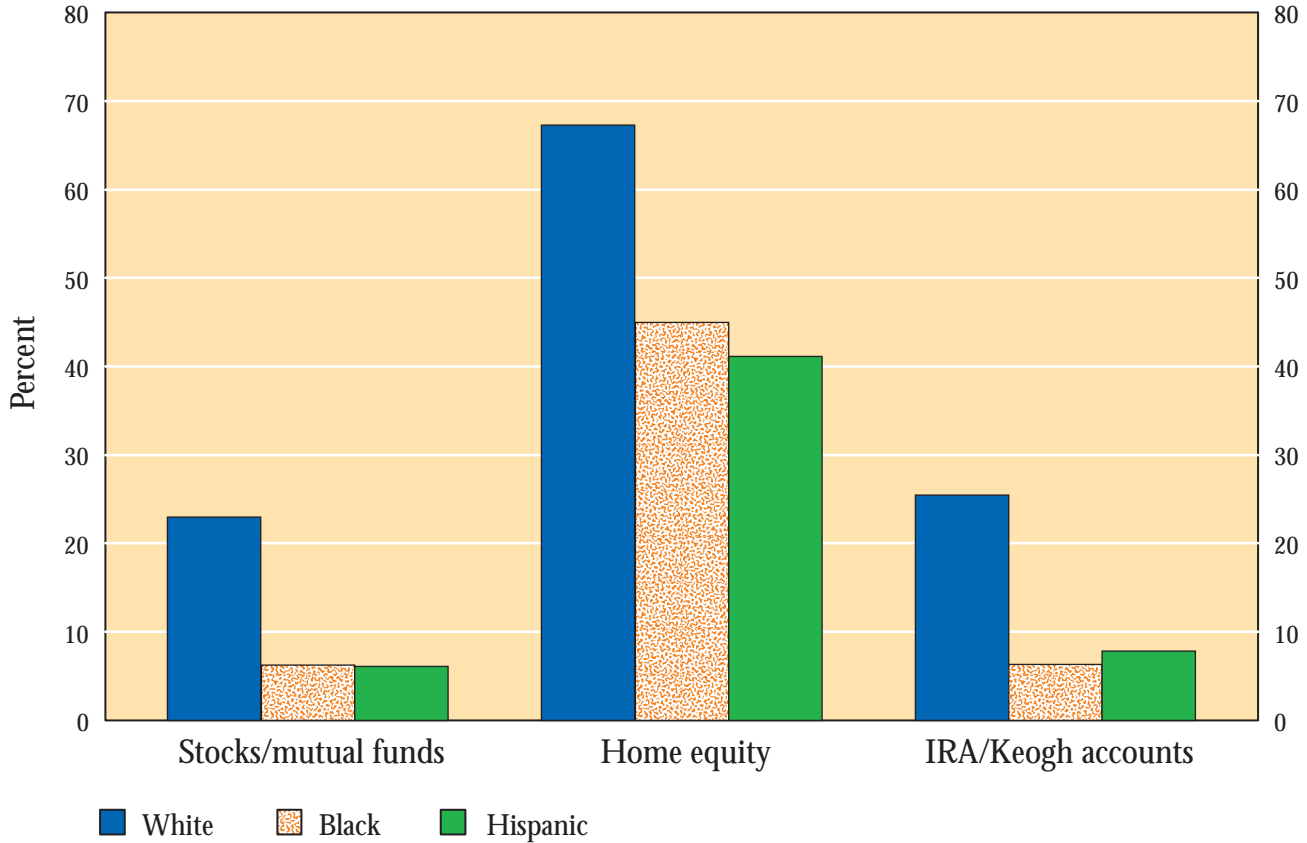
Source: Bureau of the Census



- The higher poverty rates of blacks and Hispanics are in part related to educational attainment, the age distribution, and the prevalence of single-parent families for those groups. However, even among individuals with similar characteristics, poverty rates are higher for blacks and Hispanics than for whites. Lower wages and higher unemployment play a role in these differences.

5. Households Owning Selected Assets, 1993

Source: Bureau of the Census



- Net worth (assets minus liabilities) is a better indicator of permanent economic status than is income in a single year. Such wealth can provide a cushion against temporary economic hardship.
- In 1993, households maintained by whites were more likely than those maintained by blacks or Hispanics to own stocks or mutual funds, have equity in their home, or hold assets in a retirement savings account such as an individual retirement account (IRA) or Keogh account.
- Differences in stock ownership in 1993 are notable because the value of equity shares has increased markedly since that time; for example, the Standard and Poor's 500 Index has more than doubled in value since 1993.
- Among those who own assets of each type shown above, the median value (not shown in chart) of assets held by whites is higher than that of assets owned by blacks and Hispanics. In 1993, the median net worth of households maintained by whites was about 10 times that of households maintained by blacks or Hispanics.