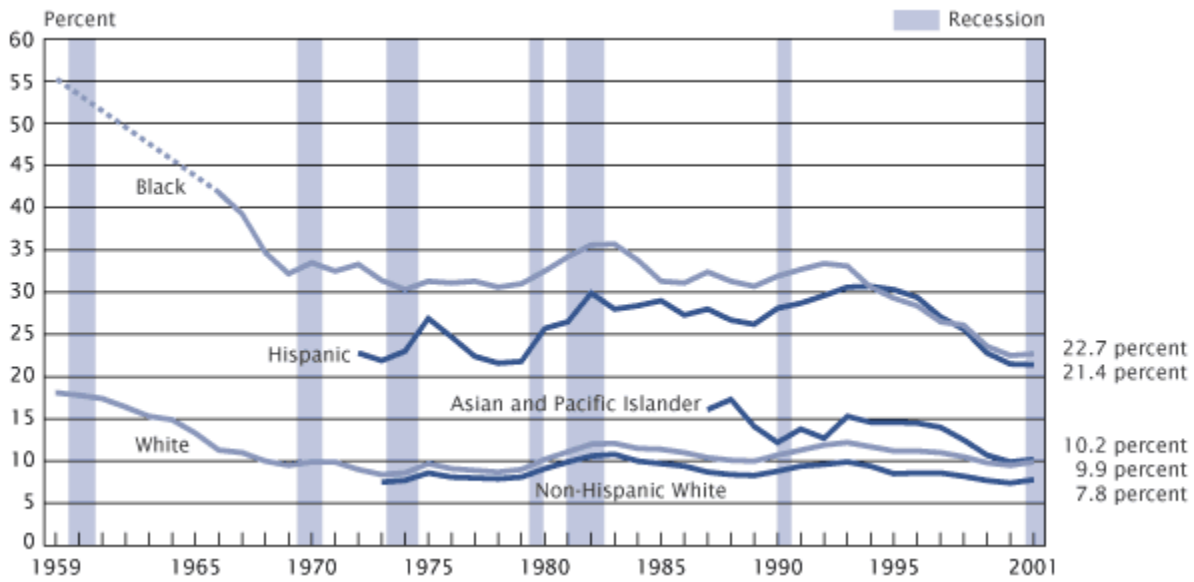


**Poverty Rates by Race and Hispanic Origin: 1959 to 2001**



Question: What percentage of African Americans is poor? Hispanics? Whites?

**The Official Federal Poverty Rate**

The Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is poor. Essentially, they take a basket of food goods for a given family and multiply the value of those food goods by three. The poverty thresholds are updated annually for inflation using the Consumer Price Index (CPI-U). The official poverty definition counts money income before taxes and does not include capital gains and non-cash benefits (such as public housing, Medicaid, and food stamps). Poverty is not defined for people in military barracks, institutional group quarters, or for unrelated individuals under age 15 (such as foster children). They are excluded from the poverty universe--that is, they are considered neither as "poor" nor as "non-poor."

Size of Family	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$9,310	\$11,630	\$10,700
2	12,490	15,610	14,360
3	15,670	19,590	18,020
4	18,850	23,570	21,680
5	22,030	27,550	25,340
6	25,210	31,530	29,000
7	28,390	35,510	32,660
8	31,570	39,490	36,320

Question: What is the poverty threshold for a family of four in the 48 contiguous states?

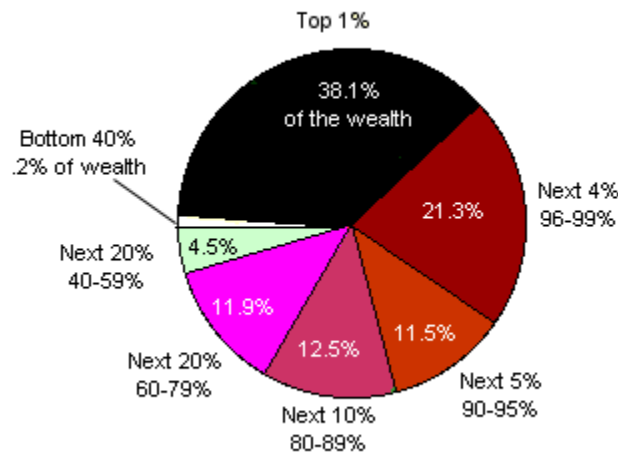
The number of Americans living in poverty grew significantly in 2002, swelling to 34.6 million people - nearly one out of every eight people in the United States. Poverty's rise to 12.1% of the total population represented an additional 1.7 million people falling into need during the last year.

Question: Many Americans believe that it takes about \$35,000 annually to adequately house, clothe and feed a family of four. If the official poverty threshold was raised from \$18,000 to \$35,000 for a family of four, how would that change the number of people officially considered poor? Explain.

### What is Wealth and How is it Different from Income?

Wealth is private assets (such as savings and property) minus debts. It is what you own minus what you owe. In other words, it is net assets. Income, on the other hand, refers to wages, salary, interest that you earn, Social Security benefits, etc.

### Distribution of Net Worth, 1998



Question: What percentage of net worth is held by the top 1% of the population? What percentage of net worth is held by the bottom 40% of the population?

**Facts:** The top 10% own 71% of all private wealth. The top 1% now own more than the bottom 90%. Among the industrialized nations, the U.S. has the highest concentration of individual wealth -- roughly 3 times that of the No. 2 nation, Germany. (Source: UN Human Development Report, 1998)

### Net Worth and Changes in Wealth Ownership

Household Net Worth, 1998		
Population	Threshold	Average Net Worth
Top 1%	\$3,352,100	\$10,204,000
Next 4%		\$1,441,000
Next 5%	\$475,600	\$623,500
Next 10%	\$257,700	\$344,900
Fourth 20%		\$161,300
Middle 20%		\$61,000
Bottom 40%	(Negative)	\$1,100

Activity: Write a short paragraph based on the chart above that explains the differences in household net worth.

Changes in Wealth Ownership					
	1983	1989	1992	1995	1998
Top 1%	33.8%	37.4%	37.2%	38.5%	38.1%
Next 4%	22.3	21.6	22.8	21.8	21.3
Next 5%	12.1	11.6	11.8	11.5	11.5
Next 10%	13.1	13.0	12.0	12.1	12.5
Next 20%	12.6	12.3	11.5	11.4	11.9
Middle 20%	5.2	4.8	4.4	4.5	4.5
Bottom 40%	0.9	-0.7	0.4	0.2	0.2

Activity: Write a short paragraph that explains changes in wealth ownership from 1983 to 1998.

How Does Wealth Vary According to Race? Racial Wealth Gap, 1983-98					
Median Net Worth	1983	1989	1992	1995	1998
White	\$71,500	\$84,900	\$71,300	\$65,200	\$81,700
African-American	\$4,800	\$2,200	\$12,000	\$7,900	\$10,000
Hispanic	\$2,800	\$1,800	\$4,300	\$5,300	\$3,000
<p>Since most wealth for African-American and Hispanic families is held in the form of housing, the racial wealth gap is much worse when housing is excluded from the calculations and only "financial wealth" is considered.</p>					
Median Financial Wealth					
White	\$19,900	\$26,900	\$21,900	\$19,300	\$37,600
African-American	\$0	\$0	\$200	\$200	\$1,200
Hispanic	\$0	\$0	\$0	\$0	\$0
<p><b>Note:</b> Financial Wealth is Net Worth minus the value of owner-occupied housing.</p> <p>Source: Edward N. Wolff, "Recent Trends in Wealth Ownership, 1983-1998," April 2000.  <a href="http://www.levy.org/docs/wrkpap/papers/300.html">http://www.levy.org/docs/wrkpap/papers/300.html</a></p>					

Question: What is the difference in median (average) net worth between Whites and African Americans in 1998? Has the gap in median net worth between Whites and African Americans

increased or decreased from 1983 to 1998? Explain.

### The Wealthiest Americans

Number of Millionaires in the U.S.				
1997	1998	1999	2000	2001
1,800,000	2,060,000	2,480,000	2,180,000	2,220,000

Sources: Merrill Lynch / Gemini Consulting, World Wealth Report 2000, Figure 3, and Merrill Lynch / Cap Gemini Ernst & Young, World Wealth Report 2001

### How many billionaires?

Number of Billionaires in the U.S.						
1996	1997	1998	1999	2000	2001	2003
179	220	239	307	298	266	228

Source: Forbes 400 website: <http://www.forbes.com/2002/09/13/rich400land.html>

Question: What trend is indicated in the two charts above? Explain.

Richest Individuals and Families in the U.S., 2002		
Name	Net Worth	Source
Bill Gates	\$43 billion	Microsoft
Warren Buffett	\$36 billion	Berkshire Hathaway
Paul Allen	\$21 billion	Microsoft
Alice Walton	\$19 billion	Inheritance: Wal-Mart
Helen Walton	\$19 billion	Inheritance: Wal-Mart
Jim Walton	\$19 billion	Inheritance: Wal-Mart
John Walton	\$19 billion	Inheritance: Wal-Mart
S. Robson Walton	\$19 billion	Inheritance: Wal-Mart
Lawrence Ellison	\$15 billion	Oracle Corp.
Steven Ballmer	\$12 billion	Microsoft
Michael Dell	\$11 billion	Dell Computer

John Werner Kluge	\$10 billion	Metromedia
Forrest E. Mars	\$10 billion	Inheritance: Mars Candy
Jacqueline Mars	\$10 billion	Inheritance: Mars Candy
John Franklyn Mars	\$10 billion	Inheritance: Mars Candy

**Bill Gates alone has as much wealth as the bottom 40% of U.S. households.**