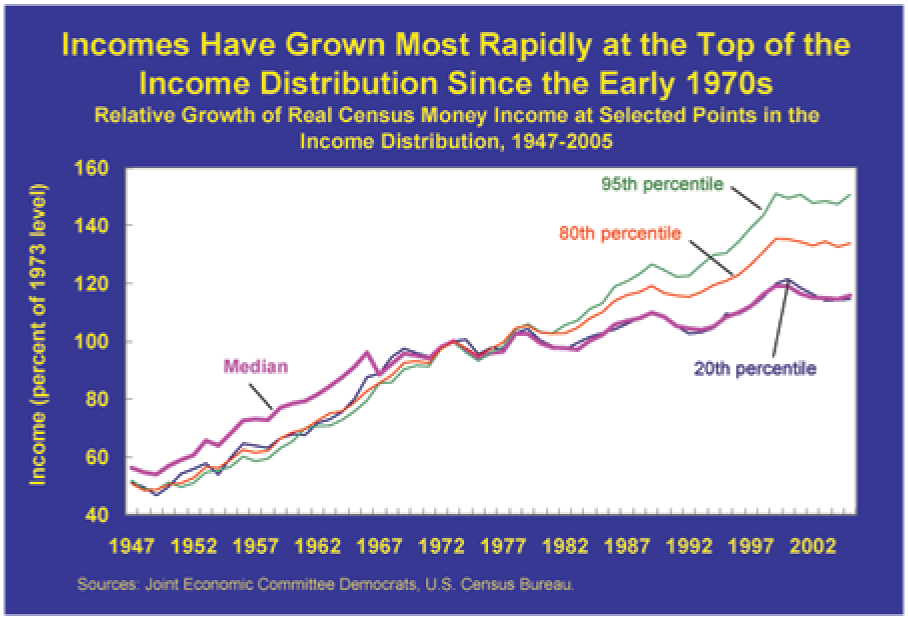
Joint Economic Committee Democrats

Income Charts

Chart 1.1
Last updated 9/5/06



Until the early 1970s, real (inflation-adjusted) pre-tax money income rose rapidly and nearly uniformly across all income groups, according to data from the U.S. Census Bureau. Since the early 1970s, however, income inequality has increased substantially as real household income has grown much more slowly in the middle and bottom of the distribution than it has at the top.

Median household income increased by about 15 percent between 1973 and 2005 after adjusting for inflation, as did income at the 20th percentile of the distribution. (Half of all households have income larger than the median, and half have income smaller than the median. The poorest fifth of all households have incomes that are smaller than the income at the 20th percentile.)

In contrast, real income at the 95th percentile increased by 51 percent over the same time period. (Only 5 percent of households have incomes greater than or equal to the income at the 95th percentile.)

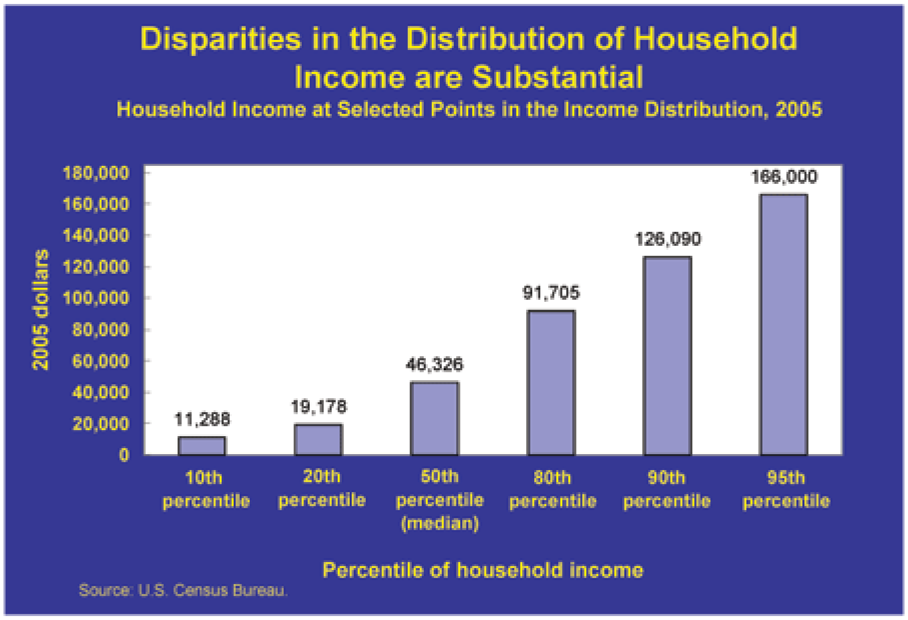
Median income and income at the 20th percentile grew at an average annual rate of about 0.5 percent from 1973 to 2005, after adjusting for inflation, while real income at the 95th percentile increased at an average annual rate of 1.3 percent.

Source: Joint Economic Committee, based on U.S. Census Bureau historical data on family income for 1947-1967 and household income for years after 1967.

Joint Economic Committee Democrats

Income Charts

Chart 1.2
Last updated 9/5/06



Median household income was about $46,000 in 2005—half of all households had more income than this amount and half had less.

Income at the 95th percentile was about $166,000—3.6 times higher than the median. In 1973, income at the 95th percentile was only 2.8 times higher than the median. (Only 5 percent of households have income equal to or greater than the income at the 95th percentile.)

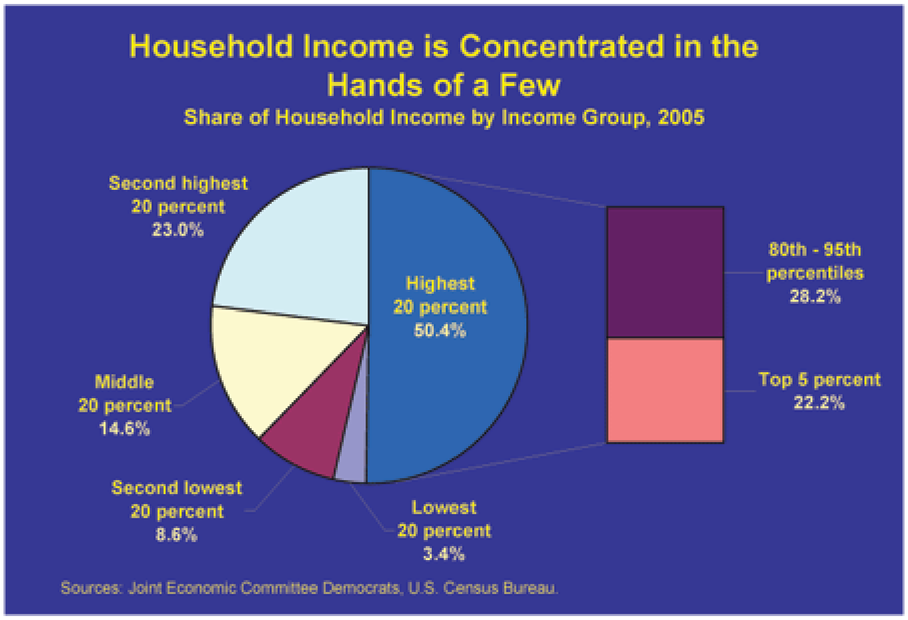
Income at the 95th percentile was 8.7 times higher than income at the 20th percentile in 2005. In 1973, income at the 95th percentile was only 6.6 times higher than income at the 20th percentile.

Sources: U.S. Census Bureau, Current Population Survey. 2006. Income, Poverty, and Health Insurance Coverage in the United States: 2005, Table A-3.

Joint Economic Committee Democrats

Income Charts

Chart 1.3
Last updated 9/5/06



In 2005, the 20 percent of households with the highest incomes received over half of aggregate income—the largest share on record in data going back to 1967.

The share of aggregate income going to the 20 percent of households with the highest incomes in 2005 was almost twice as large as that of the bottom 60 percent of households (27 percent).

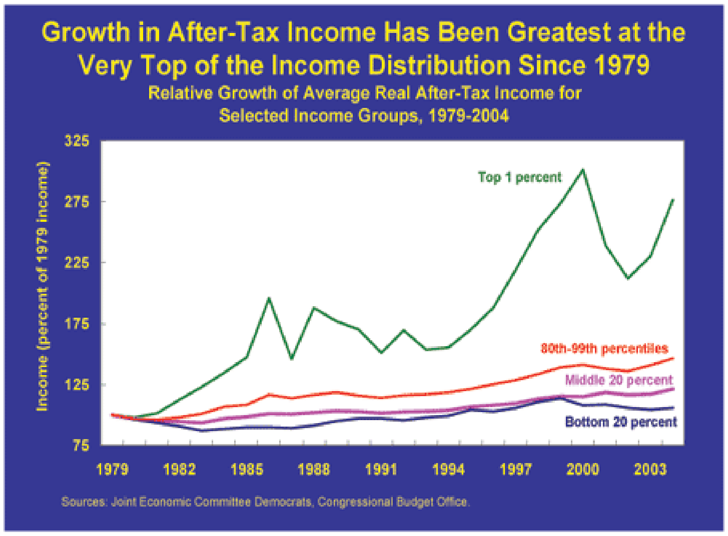
The top 5 percent of households received 22 percent of aggregate income in 2005.

Sources: Joint Economic Committee Democrats, based on U.S. Census Bureau, Current Population Survey. 2006. Income, Poverty, and Health Insurance Coverage in the United States: 2005, Table A-3. U.S. Census Bureau, Historical Income Tables, Table H-2.

Joint Economic Committee Democrats

Income Charts

Chart 1.4
Last updated 1/11/07



The distribution of after-tax income has become more unequal since 1979, according to data from the Congressional Budget Office.

The average real after-tax income of the bottom 20 percent of households was 6 percent higher in 2004 than it was in 1979, after adjusting for inflation. The real after-tax income of the middle 20 percent of households was 21 percent higher.

The real after-tax income of the richest 20 percent of households grew even faster over this period, with by far the largest gains at the very top of the distribution.

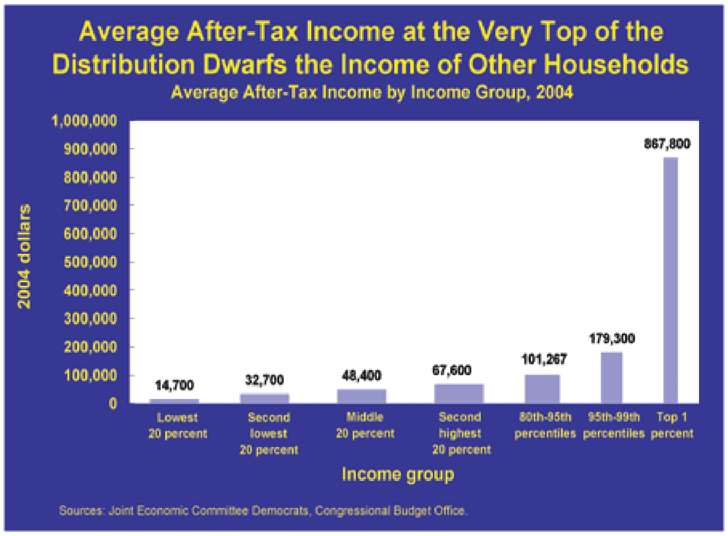
The real after-tax income of the richest 1 percent of households was almost 180 percent higher in 2004 than it was in 1979. The real after-tax income of the next-richest 19 percent of households increased by 46 percent over the same period, but that is less than a third of the increase for the top 1 percent.

Source: Joint Economic Committee Democrats, based on Congressional Budget Office, “Historical Effective Tax Rates: 1979 to 2004,” December 2006, Table 1C.

Joint Economic Committee Democrats

Income Charts

Chart 1.5
Last updated 1/11/07



The average after-tax income of households in the middle 20 percent of the income distribution was just over $48,000 in 2004.

The average after-tax income of the top one percent of households was about $870,000 in 2004, almost 18 times higher than that of households in the middle of the distribution. The gap between average after-tax income at the top and in the middle of the distribution has increased substantially over time. Twenty-five years earlier, the average income of the top one percent of households was 7.9 times higher than average income in the middle.

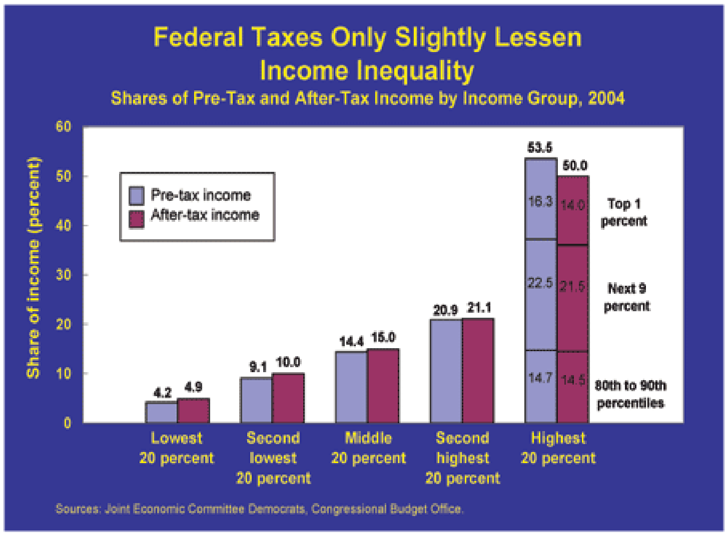
In 2004, the average after-tax income of the top one percent of households was almost 60 times higher than that of the bottom 20 percent of households. That ratio is more than double what it was 25 years earlier.

Source: Joint Economic Committee Democrats, based on Congressional Budget Office, “Historical Effective Tax Rates: 1979 to 2004,” December 2006, Table 1C. The Congressional Budget Office measures income differently from the Census Bureau and the two measures are not directly comparable.

Joint Economic Committee Democrats

Income Charts

Chart 1.6
Last updated 1/11/07



After-tax income is slightly less unequally distributed than pre-tax income due to the progressivity of the federal income tax, according to data from the Congressional Budget Office. When the income distribution is divided into fifths, the share of aggregate after-tax income is larger than the share of aggregate pre-tax income for each income group except the top 20 percent.

Although their share of after-tax income was lower than their share of pre-tax income, the 20 percent of households with the highest incomes still received half of aggregate after-tax income in 2004.

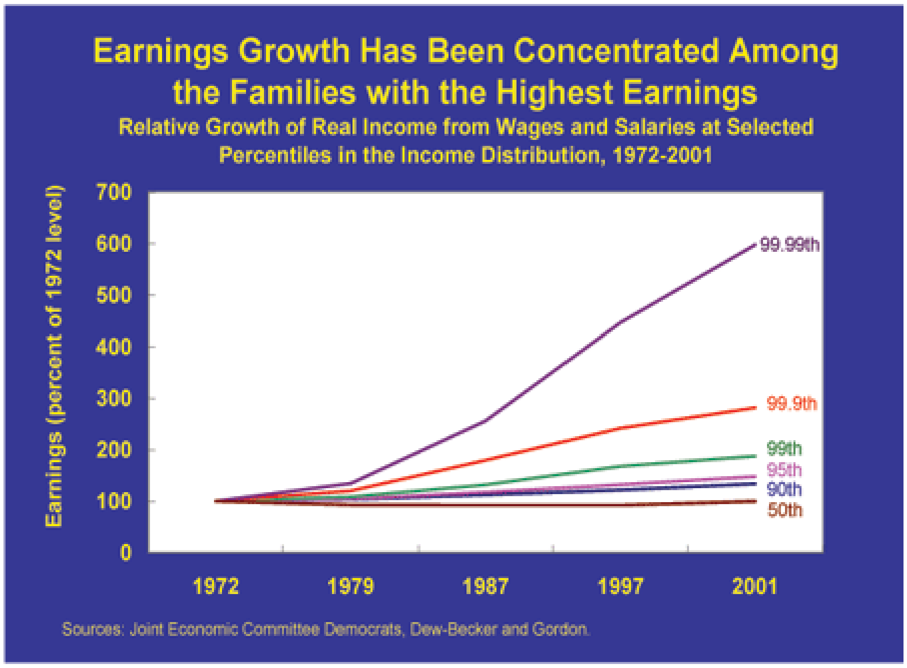
In 2004, the top 10 percent of households received more after-tax income than the bottom 60 percent of households combined—36 percent for the top 10 percent of households, compared with 30 percent for the bottom 60 percent.

Source: Joint Economic Committee Democrats, based on Congressional Budget Office, "Historical Effective Tax Rates: 1979 to 2004," December 2006, Table 1C.

Joint Economic Committee Democrats

Income Charts

Chart 1.7
Last updated 6/1/06



The real (inflation-adjusted) wage and salary income of the top 10 percent of filing units increased by almost 34 percent between 1972 and 2001, according to Internal Revenue Service data. However, the real wage and salary income of the top 0.01 percent was almost 6 times greater in 2001 than it was in 1972.

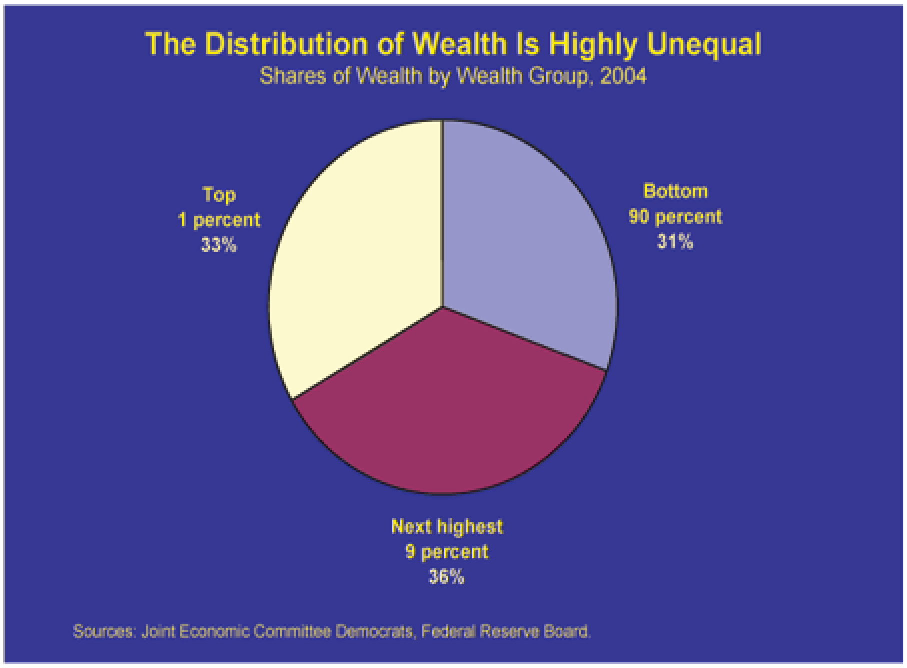
In contrast, real wage and salary income in the middle of the distribution fell during the 1970s, stagnated through the 1980s and much of the 1990s, and regained only its early 1970s level as a result of the strong economy in the late 1990s.

Sources: Joint Economic Committee Democrats, based on data from Ian Dew-Becker and Robert J. Gordon, “Where Did the Productivity Growth Go? Inflation Dynamics and the Distribution of Income,” National Bureau of Economic Research Working Paper 11842, December 2005.

Joint Economic Committee Democrats

Wealth Charts

Chart 2.1
Last updated 6/1/06



The vast majority of net worth (wealth) in the United States is held by a small fraction of households. (Net worth is total household assets minus total household liabilities.)

In 2004, the wealthiest one percent of households held more of the country's total net worth than the bottom 90 percent of households combined.

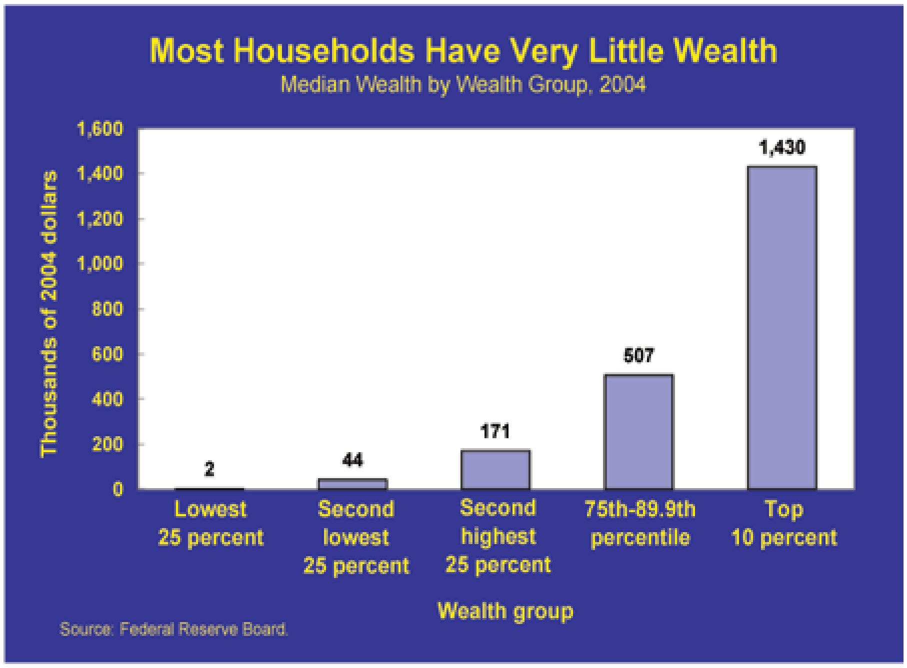
The top one percent, the next 9 percent, and the bottom 90 percent of households each held about one-third of the country's net worth in 2004.

Joint Economic Committee Democrats calculations using data from Federal Reserve Board, Survey of Consumer Finances, 2004.

Joint Economic Committee Democrats

Wealth Charts

Chart 2.2
Last updated 6/1/06



Most American households have very little net worth (wealth), even when the net value of their homes is included. (Net worth is total household assets minus total household liabilities.)

The median net worth of the bottom 25 percent of households was only $2,000 in 2004. For the next 25 percent of households median net worth was less than $50,000.

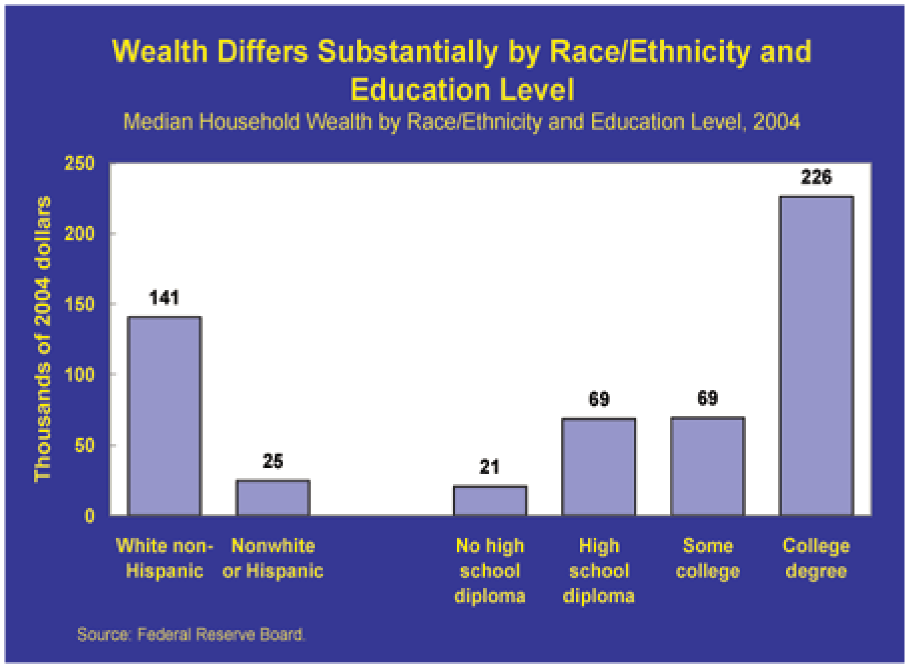
The median net worth of the wealthiest 10 percent of households was $1.4 million in 2004.

Source: Federal Reserve Board, Survey of Consumer Finances, 2004, Table 3.

Joint Economic Committee Democrats

Wealth Charts

Chart 2.3
Last updated 6/1/06



White, non-Hispanic households have more net worth (wealth) than nonwhite or Hispanic households. In 2004, median net worth for white, non-Hispanic households was $141,000, more than five times higher than the $25,000 median net worth of nonwhite or Hispanic households.

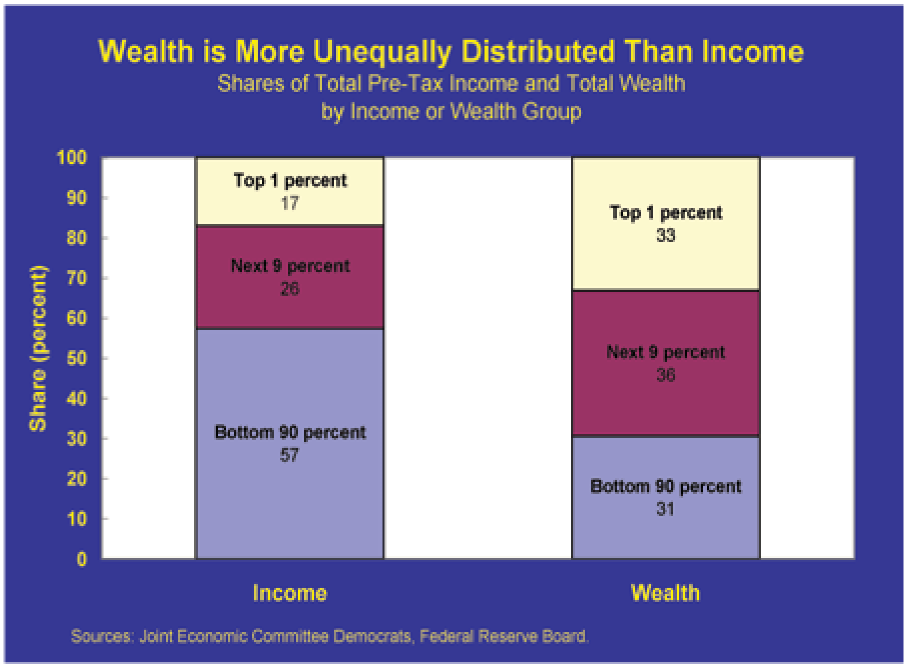
Households headed by someone with a college degree have much more net worth than households headed by someone with less schooling. In 2004, median net worth of households headed by a college graduate was $226,000, more than 10 times higher than the $21,000 median net worth of households headed by someone without a high school diploma.

Source: Federal Reserve Board, Survey of Consumer Finances, 2004, Table 3.

Joint Economic Committee Democrats

Wealth Charts

Chart 2.4
Last updated 6/1/06



Net worth (wealth) in the United States is more concentrated than income.

In 2004, the one percent of households with the highest annual incomes received about 17 percent of total pre-tax income. In contrast, the wealthiest one percent of households held one-third of total net worth in 2004.

The bottom 90 percent of households in the income distribution received 57 percent of total income in 2004. In contrast, the bottom 90 percent of households in the net worth distribution held only 31 percent of total net worth.

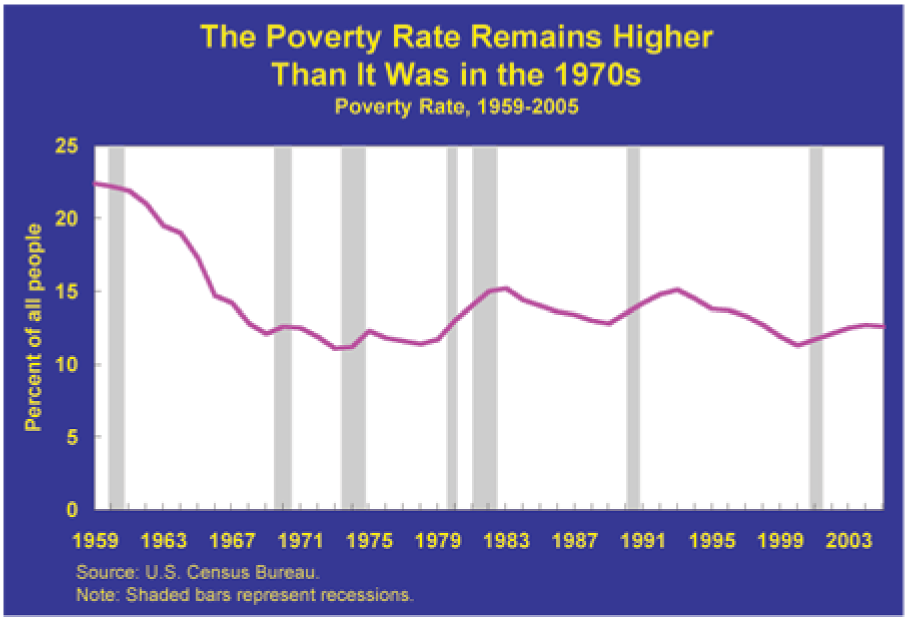
Source: Joint Economic Committee Democrats using data from Federal Reserve Board, Survey of Consumer Finances, 2004.

Joint Economic Committee Democrats

Poverty Charts

Chart 3.1

Last updated 9/5/06



In 2005 the poverty rate was 12.6 percent, up from 11.3 percent in 2000. An additional 5.4 million American fell into poverty between 2000 and 2005.

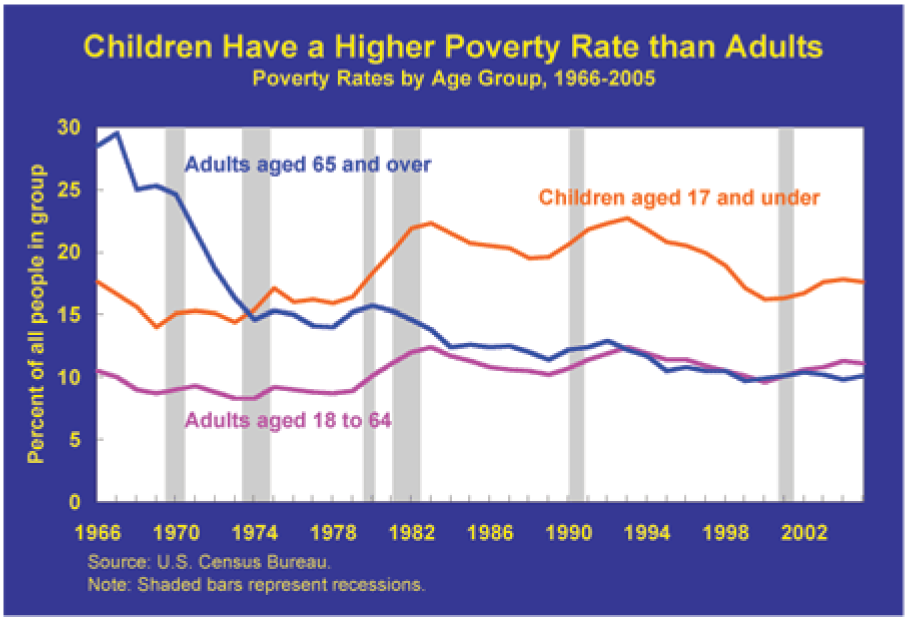
Poverty tends to rise in recessions and decline during economic expansions. Following the end of the 2001 recession, however, the poverty rate rose for three straight years and remained statistically unchanged from 2004 to 2005.

Following a steep decline during the 1990s and subsequent increase during and following the recent recession, the poverty rate in 2005 was 1.5 percentage points higher than it was at its lowest point in 1973.

Joint Economic Committee Democrats

Poverty Charts

Chart 3.2
Last updated 9/5/06



Poverty rates vary significantly by age group. In 2005 the child poverty rate was 17.6 percent, considerably higher than the poverty rates for both non-elderly and elderly adults (11.1 percent and 10.1 percent, respectively).

For all age groups, the poverty rate declined during the expansion of the 1990s. The poverty rate for children fell by 6.5 percentage points.

Poverty rates for all groups rose during and following the 2001 recession. While the elderly poverty rate in 2005 was equal to its 2001 level, the rates for both children and non-elderly adults remained significantly higher than their 2001 levels.

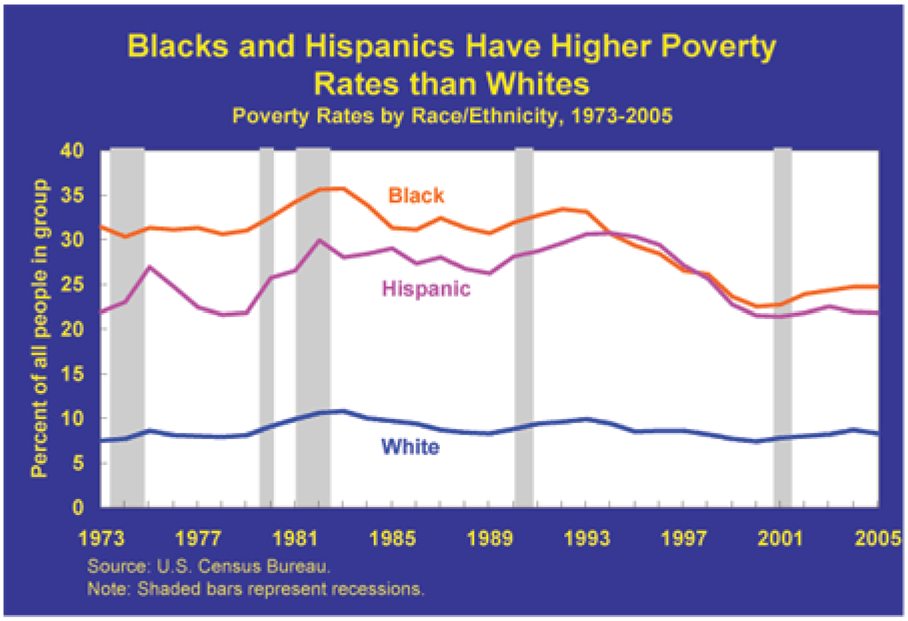
The official poverty threshold for a given family size is lower for the elderly than for the non-elderly.

Joint Economic Committee Democrats

Poverty Charts

Chart 3.3

Last updated 9/5/06



The poverty rates for blacks and Hispanics are significantly higher than the rate for whites. In 2005, the poverty rate was 24.7 percent for blacks, 21.8 percent for Hispanics, and 8.3 percent for whites.

Both blacks and Hispanics experienced a sharp decline in poverty during the expansion of the 1990s.

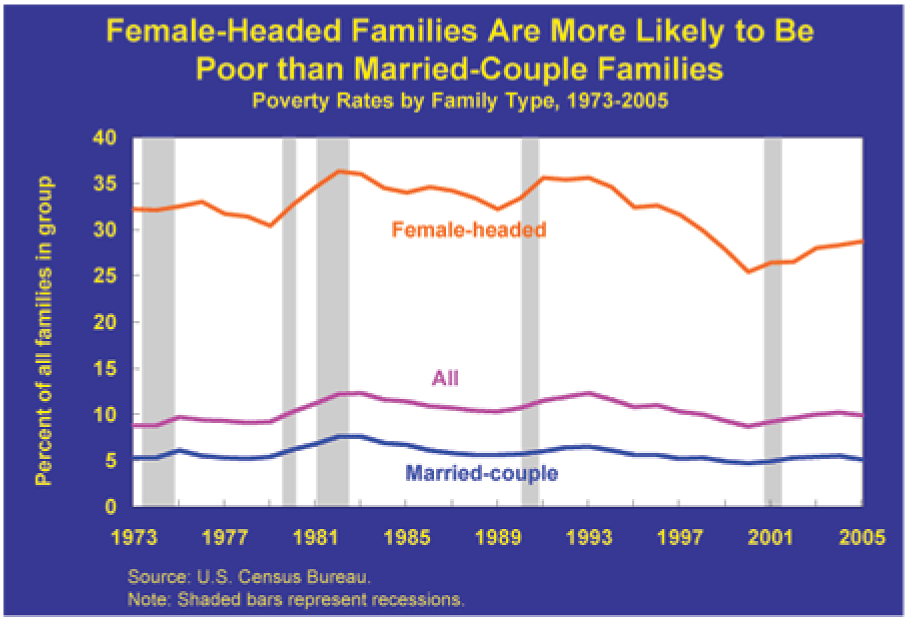
Poverty rates for all three groups have risen since 2000, with the black rate rising the most (2.2 percentage points) and the Hispanic rate rising the least (0.3 percentage point). The white poverty rate increased by 0.9 percentage point.

Joint Economic Committee Democrats

Poverty Charts

Chart 3.4

Last updated 9/5/06



In 2005, the poverty rate for female-headed families was 28.7 percent—over five times the rate for married-couple families (5.1 percent).

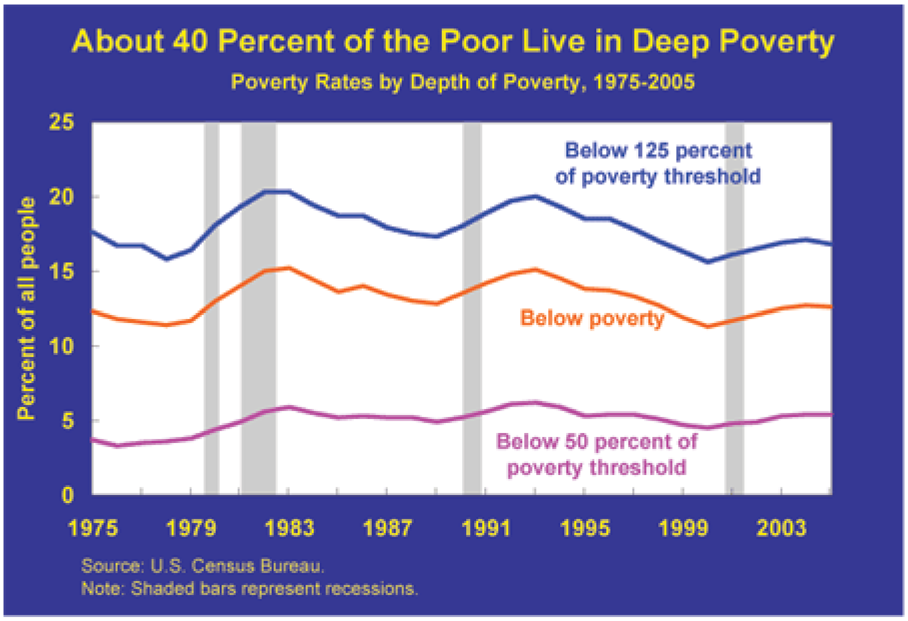
The high poverty rate for female-headed families has contributed to relatively high child poverty rates. While 23 percent of all children lived in female-headed families in 2005, 58 percent of all *poor* children lived in such families.

Joint Economic Committee Democrats

Poverty Charts

Chart 3.5

Last updated 9/5/06



In 2005 5.4 percent of Americans lived in “deep poverty” (below 50 percent of the poverty threshold). Compared to both the overall and poverty populations, children, blacks, and people in female-headed families all account for disproportionate shares of the deep poor.

Despite cyclical movements in both the deep and overall poverty rates, the proportion of poor Americans living in deep poverty has remained around 40 percent since the 1980s.

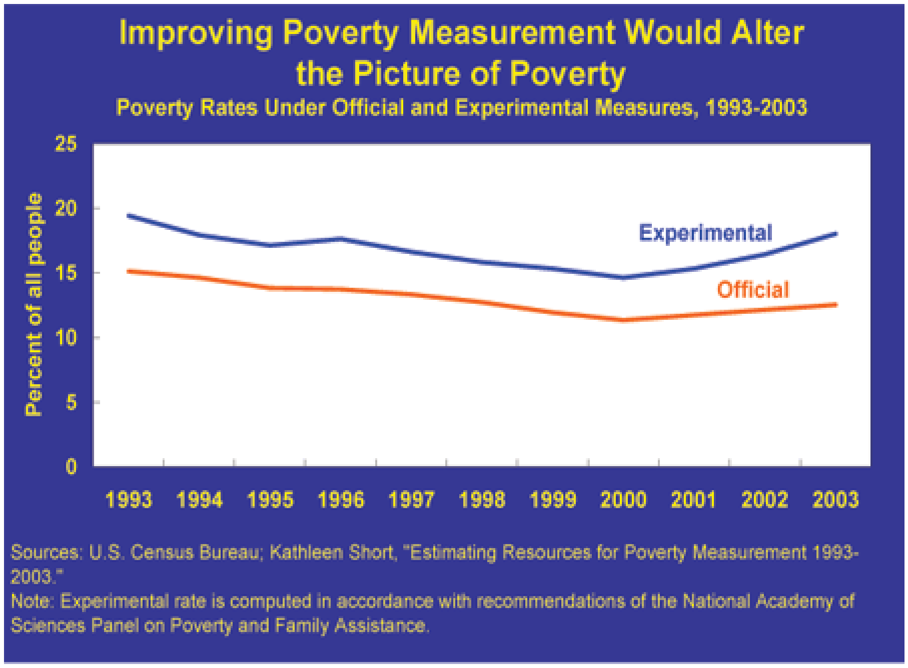
In 2005 4.2 percent of Americans lived in “near poverty” (between 100 percent and 125 percent of the poverty threshold), about the same share as in the late-1990s. That percentage shows less variability than the official or deep poverty rates.

Although they make up only 12 percent of the overall population, the elderly account for 19 percent of the near poor.

Joint Economic Committee Democrats

Poverty Charts

Chart 3.6
Last updated 7/1/06



A 1995 National Academy of Sciences (NAS) panel of experts concluded that the official poverty measure, which was developed in the 1960s, does not accurately reflect either the current needs of the economically disadvantaged or the resources available to meet those needs.

An experimental poverty rate based on many of the NAS recommendations is consistently higher than the official rate over the 1993-2004 period.

The experimental rate declines more than the official rate in the economic expansion of the 1990s (in part because it takes account of the earned income tax credit).

The experimental rate rises more than the official rate during the recent recession and its aftermath (in part because of increases in living costs that are not reflected in the official poverty thresholds).

Joint Economic Committee Democrats

Income Charts

A Description of the Sources of Income Data

Information about the distribution of income in the United States comes from two main sources: the Bureau of the Census Current Population Survey and the Internal Revenue Service Statistics of Income. Each has its strengths and limitations.

The Annual Social and Economic Supplement to the Current Population Survey (CPS) is designed to provide national-level estimates of annual income and poverty levels. About 100,000 households are included in the sample each year. The CPS measures pre-tax money income, including income from such sources as earnings, unemployment compensation, public assistance, interest, and pensions. One limitation of the CPS for obtaining information about income is that its income figures are topcoded, meaning that the actual value is not available for people with incomes above a certain level. This circumstance prevents the calculation of accurate averages at the top of the income distribution.

The Statistics of Income (SOI) reports data collected from income tax returns. The IRS removes all identifying information from data reported in the SOI. Unlike the CPS, the SOI database includes capital gains income and records earnings at all levels. However, it will not capture individuals and families who do not file income tax returns, a situation which may result in low-income families being under-represented.

The Congressional Budget Office (CBO) attempts to address the limitations of the CPS and SOI data by combining the two. The CBO data on income are thus representative of individuals and households at all levels of income. CBO uses a comprehensive definition of income which includes all cash income, taxes paid by businesses, employees' contributions to 401(k) retirement plans, and the value of income received in-kind (such as employer-paid health insurance premiums, Medicare and Medicaid benefits, and food stamps). CBO presents information on both pre-tax and after-tax income. The CBO data on pre-tax income are not directly comparable to the CPS data because of the inclusion of additional sources of income and because CBO adjusts income for household size to rank households in the income distribution.

Joint Economic Committee Democrats

Wealth Charts

A Description of Sources of Wealth Data

These charts about household wealth are based on data from the Survey of Consumer Finances, a survey conducted every three years by the Federal Reserve Board. The survey gathers information about gross assets and liabilities to determine household wealth. It also collects information on pensions, labor force participation, demographic characteristics, and total cash income before taxes. See Brian K. Bucks, Arthur B. Kennickell, and Kevin B. Moore, “Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances,” Federal Reserve Bulletin, vol. 92 (February 2006), pp. A1-A38.

Joint Economic Committee Democrats

Poverty Charts

Measuring Poverty

Each year the Census Bureau publishes the official poverty rate using data from the Annual Social and Economic Supplement to the Current Population Survey. The poverty rate measures the percentage of people living in families with incomes below the poverty threshold (poverty line). The poverty line is different for families of different sizes and types. In 2004 the official poverty threshold for a family of four was $19,307.

The official poverty measure was developed in the 1960s. Since then, the poverty thresholds have been adjusted for inflation but the way poverty is measured has remained largely unchanged.

Most poverty researchers agree that the official measure has become outdated and may distort our understanding of poverty trends and the effectiveness of anti-poverty programs. For example, there is broad consensus that the definition of income used to determine a family's poverty status should be expanded to include the value of near-cash benefits such as food stamps; that it should be adjusted for taxes, including the impact of the earned income tax credit; and that child care and other work-related expenses should be subtracted. Researchers also agree that the current poverty thresholds are based on outdated patterns of consumption; that they do not adjust adequately for differences in family size and composition; and that they incorrectly assume that the spending needs of the elderly are lower than those of non-elderly adults.

After extensive review and analysis, a 1995 National Academy of Sciences (NAS) panel of experts produced a number of recommendations for updating the official poverty measure. Since then, researchers both within and outside the Census Bureau have developed experimental measures that implement various combinations of the NAS recommendations. In addition to point-in-time differences in the overall poverty rate, the distribution of poverty among different population subgroups and the magnitude of changes over time also change under the various experimental measures.