WHAT WE WORK FOR NOW:

Changing Household Consumption Patterns in the 20th Century

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COMMON ASSETS SERIES OVERVIEW

OMMON ASSETS ARE THE VALUABLE RESOURCES WE SHARE OR OWN TOGETHER, AND often support through our taxes. They include national forests, urban parks, the purity of air and water, education, the broadcast spectrum, city streets, public safety, and our public health system. Their value rests not in the price they fetch in the market, but in the unpriced benefits we collectively receive from them.

They are fundamental to our existence as biological organisms, and critical to our ability to function as healthy and active social beings, citizens, and community members. Common assets connect us socially, politically, and economically. They are the anchors of our well-being and the basis of our common wealth. Our ability to access their benefits shapes our quality of life.

Common assets cover a wide spectrum of naturally and socially created resources and institutions that are sources of great public benefit, such as:

- Social goods, the products and services that are usually subsidized or produced by government for public benefit. They are usually financed through general tax revenues. Public health, parks, and city streets are examples. The public has a claim on these goods by virtue of having contributed paid taxes for them. However, access to these goods may not be proportionate to the payment contributed, as studies on regional inequities in the distribution of tax dollars have shown.
- Common property resources, those goods provided by nature that are scarce relative to demand. Examples of these include water and forests. Their value lessens through overuse or abuse if access to them is not regulated in some manner. Regulating access helps build their market value. As inhabitants of the earth, the public has a claim on nature's contribution to the value of every product, but not necessarily to the value produced through individual initiative.
- Gift economy, characterized by products of spontaneous social interaction such as a sense of safety in a neighborhood built on trust where all members look out for one another. Or, the great benefits that result from gift-giving and reciprocity. They may exist without anyone consciously deciding to produce them, and yet they provide enormous social value and capital. While these services cannot be legislated, there are planning and policy approaches that would prevent their decline and encourage them to flourish.

Today, our access to common assets is under threat from three primary fronts: privatization without proper compensation for limiting public access; lack of public investment; and neglect because the full benefits of these assets are ignored or devalued. When these threats occur, the costs of deteriorating common assets are shouldered by all

Yet common assets are under threat from two primary fronts: enclosure by privatization, and decay from lack of public investment.

of us. We spend more on private, market-based alternatives like bottled water, private schools, individual transportation, and private security devices to meet our basic needs. At the same time, in our fast-paced society, we have less time to contribute towards rebuilding common assets for the common good.

The depreciation of our common assets' value widens the gap between rich and poor, between inner city and suburb, and between one generation and the next. As our common assets deteriorate, so do our civil society, our social fabric, and our environment. Common assets highlight the fault lines of our political and economic systems.

As a policy framework, common assets address a void in our society and government. Both have been unable to effectively look beyond the market and institutional boundaries for equitable policy solutions to our most pressing issues. How we deal with common assets will determine how equitably current and future generations reap their benefits and how sustainable a future we will have.

In order to combat these trends toward loss of common assets, Redefining Progress aims to show how to transform the economy for the betterment of people and nature. Redefining Progress believes we must craft a common prosperity agenda founded upon reclaiming and rebuilding our common assets in the public interest. This agenda lies beyond "either/or" solutions, beyond left and right, libertarianism and calls for big government, and traditional divisions between social justice and environmental policy.

To lay the foundation for a common prosperity agenda, our series of upcoming policy briefs on common assets will address the following questions: How have our common assets eroded over the past 50 years? How has this erosion disproportionately harmed certain families and communities? How can we sustainably manage our common assets to repair these inequities and rebuild our communities? Addressing these questions is critical for the well-being of current and future generations.

INTRODUCTION

paper series that explores how household consumption patterns and the cost of meeting basic needs have changed during the 20th century. The purpose of these two papers is to chart household trends. A forthcoming policy brief will more directly connect these trends to the health of our common assets and explain why these changes happened.

This paper examines how the composition of household expenditures has changed over the past century. As Jerome Segal, one of this study's authors, explained in a September 3, 2001, *New York Times* op-ed:

"Despite all our concerns with self-fulfillment, most Americans work to earn money, just as their forebears did 100 years ago. The relative costs of necessities have changed, and so has a fair definition of what is necessary. But even with all our economic growth and even with some items much cheaper than they once were, families still spend about four-fifths of their budgets for core needs, just as their counterparts did a century ago."²

A close examination of expenditure patterns demonstrates this trend's impact on households during this period. Between 1900 and 1950, the amount households spent on generally market-provided, non-durable goods (such as food, clothing, and energy) shifted from roughly 62 percent to 41 percent of total expenditures. By 1999, this proportion had dropped to about 25 percent.

Yet from 1900 to 1999, expenditures increased markedly on a bundle of goods and services such as transportation, health care, childcare, education, recreation, charitable giving, and personal insurance and pensions. From 1900 to 1950, household expenditures on these items rose from 20 to 30 percent. By 1999, they had increased to 50 percent.³

While Americans' well-being has improved in many ways over the past century, how much progress we have made is not as clear as sometimes assumed.⁴

People are spending more and more just to get by. The second policy brief in this series, *The Cost of Meeting Household Needs and Policy Implications*, will outline how to identify true core needs. It also will offer concrete recommendations for how to assess accurately the costs of meeting them.

Together, these two papers will help analysts and activists at all levels of government push for real reform and real investment in those commonly held, publicly provided resources that reduce the costs of meeting needs. It is time to claim these common assets, connect them to our everyday lives, and develop policies to manage and rebuild them.

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AT THE BEGINNING OF THE CENTURY⁵

Statistics (BLS) undertook one of its earliest studies of consumer expenditures. Its focus was on the consumption patterns of urban wage earners. A study was made of principal industrial centers in 33 states. Results, displayed by income class, are shown in *Table 1*. The table presents expenditures of "normal families" a term that was used to designate an employed husband; a wife; not more than five children (with none over age 14); and no dependents, border lodgers, or servants.

It also required that the family have expenditures for rent, fuel, lighting, food, clothing, and sundries—the latter being a miscellaneous class of all other expendi-

tures. The rent expenditure requirement meant the exclusion of urban homeowners from the analysis.

CONDITIONS AT THE BEGINNING OF THE CENTURY

1. Housing

In 1900 a majority of Americans still lived in rural areas. Yet, this was rapidly changing. In 1850 only 15 percent of the population lived in cities. By 1900 this had increased to 40 percent, and by 1920 urban dwellers became a majority: constituting 51 percent of the population. By 1950 urban residents had risen to 64 percent of the population, growing to 75 percent in the 1990s.

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CONSUMPTION EXPENDITURES OF "NORMAL FAMILIES" IN PRINCIPAL INDUSTRIAL CENTERS IN 33 STATES, BY INCOME LEVEL, AS A PERCENTAGE OF TOTAL EXPENDITURES FOR CURRENT CONSUMPTION IN 1901

	Income Level (by Annual Dollars of Income)												
	Averageof all income classes	\$200 orless	\$200- 300	\$300- 400	\$400- 500	\$500- 600	\$600- 700	\$700- 800	\$800- 900	\$900- 1,000	\$1,000- 1,100	\$1,100- 1,200	\$1,200 and over
Food	43.1%	50.8%	47.3%	48.1%	46.9%	46.2%	43.5%	41.4%	41.4%	39.9%	38.8%	27.7%	36.4%
Rent	18.1	16.9	18.0	18.7	18.6	18.4	18.5	18.2	17.1	17.6	17.5	16.6	17.4
Fuel	4.6	6.7	6.1	6.0	5.5	5.1	4.6	4.1	3.9	3.8	3.8	3.6	3.8
Light	1.1	1.3	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.1	1.2
Clothing	13.0	8.7	8.7	10.0	11.4	12.0	12.9	13.5	13.6	14.4	15.1	14.9	15.7
Sundrie	s 20.1	15.6	18.8	16.1	16.5	17.2	19.4	21.6	23.0	23.2	23.7	26.1	25.4
				SOURCE	: HOW	AMERICAN	BUYING	HABITS	CHANGE,	DEPAR	RTMENT C	OF LABOR,	1959

More dramatic still was the shift in employment out of agriculture. In 1900 41 percent of male workers were still working on farms. By 1950 this ratio had fallen to 15 percent, and by the end of the century to less than 4 percent.

In 1900 workers living in cities suffered from changing housing patterns that emerged in the 19th century. Because of the lack of transportation and the long workday, most workers lived close to factories. This gave rise to extreme overcrowding and the development of tenement housing. Tenements were notorious for their poor living conditions, including lack of air and light. Garbage was often not collected, as sanitation was only slowly being viewed as a municipal responsibility.

The vast difference in living conditions among various income groups was more striking in 1900 than today.

Coal was the dominant fuel, both for heating and cooking. Central heating was rare. Eight to 10 individuals might share a bathroom, often located outside the apartment. Water might be available only from a central tap in the courtyard. There was no electricity and lighting instead came from oil lamps. Clothing was washed by hand. Some families had iceboxes, but there were no electric refrigerators. Air conditioning, of course, was a matter of science fiction.

The vast difference in living conditions among various income groups was more striking in 1900 than today. Even among workers, the better paid lived in conditions that hardly resembled those in the tenements. Approximately 20 percent of workers were homeowners. Better-paid workers might have homes with dining rooms that contained matching dining room sets "of oak or walnut." Upper middle class families were able to employ help for the household tasks of cleaning, cooking, and laundering. This was, however, outside the experience of most workers.

One gets a glimpse of daily life by considering a description that appeared in a national women's magazine in 1901:

"The things absolutely necessary in doing a family washing are tubs, washboard, boiler, clothes-stick, pail, long-handed dipper, clothes lines and pins, irons and ironing board."

2. Food: 1900 to 1950

As hard as it might be to appreciate, the situation in 1900 (when the average worker's family devoted 43 percent of their earnings to food) represented progress from earlier periods. Indeed, 25 years earlier a study of wage earners in Massachusetts indicated that an average 58 percent of income was being devoted to food and kerosene. This average rose to 64 percent for the lowest income group.

By 1950 food had declined as a proportion of expenditures to 30 percent. Yet even with that decline, the general rise in income between 1900-1950 meant that average per person levels of food expenditure had risen by 70 percent (after adjusting for inflation).8

The transition that occurred was a qualitative one. Overall, caloric intake was slightly lower in 1950 than it had been in 1900, though this average might conceal differences in the poorest group.

From the perspective of 1950, this change was described by the U.S. Department of Labor:

"Food eaten by the average worker in the United States today is more varied and more bountiful, than it was at the beginning of the century. Today's family market basket has a little less food in terms of calories and considerably fewer carbohydrates than the 1900 basket, but it contains more proteins, minerals, and vitamins. This comes from the use of fewer potatoes, breads and heavy desserts, and more meat, poultry, eggs, fruits, vegetables and milk."

In 1950 Americans were celebrating the "remarkable institution" of the supermarket, which provided reduced costs and wider variety. Fruits and vegetables were now available, both canned or frozen. Prepared, or partially prepared, food was increasingly available. Coffee, for instance, was ground and cake mixes just needed milk and eggs. Milk was no longer ladled out to customers bringing containers to the store.

During this 50-year period nutrition improved considerably. Using standards from the early part of the century, BLS characterized only 10 percent of families in 1950 as having nutritionally poor diets, whereas estimates of a quarter or a third of families with poor diets had been made during the first part of the century.

The first half of the 20th century also showed a sharp decline in home production of food. Gardens were much less common by 1950 and almost no working families in large cities owned livestock or chickens. By 1950, virtually everything came from stores.

There was also an increase in the frequency people dined outside of the home. In the first decade of the century eating out constituted only 3 percent of food costs. Typically workers brought their lunch to work with them. By the mid-1950s, almost 20 percent of food expenditures were outside the home. This was true for all income classes. What was then referred to as "in-plant feeding" was daily providing some 23 million meals.

BLS summed up its 1950 survey of these food-related changes by calling attention to a very basic fact: "Americans are becoming larger." ¹⁰

3. CLOTHING: 1900-1950

In 1901 clothing constituted 13 percent of worker families' spending. In 1950, despite spending twice that of 50 years earlier, the percentage of income spent on clothing was nearly the same, accounting for almost 12 percent of expenditures. At both points, clothing showed a marked increase as a percentage

of expenditures as income rose, varying from 7-8 percent for the lowest income grouping to about 15 percent of expenditures for the highest end of the spectrum.

While the constancy of this pattern was not witnessed in all the intervening studies, it suggests that clothing was an item that one skimped on when incomes were low, with increasingly larger percentages going towards clothing purchases as more money became available.

The period 1900-1950 represented something of a revolution in what clothes Americans wore and in how they were made. From the perspective of 2001, it is particularly interesting to realize that in 1950 the general perception was that dress had increasingly become more and more informal.

The BLS study, in the 1950s, cited a contemporary observer of life in the suburbs who noted that slack and shorts:

"are standard wear for both men and women at all times, including trips to the shopping center. Visiting grandparents invariably are shocked and whisper: "Why nobody dresses around here!" Children regardless of sex, wear dungarees or shorts and a cotton T-shirt until puberty. One mother expressed the attitude of most: "Kids don't wear anything you bother with. It cuts down the time needed for dressing, washing and ironing." 11

Along with major changes in the kinds of clothing worn by Americans, the 1900-1950 period also brought major changes in the nature of textile fibers and materials. This was not only a matter of variety, but also made clothes less expensive. Some of the major changes included:

- "Artificial silk" was introduced in 1911, with rapid production in the 1920s under the term "rayon."
- In the late 1930s nylon was introduced; its use increased sharply after World War II.

The first half of the 20th century also showed a sharp decline in home production of food.

• Rubber soles for shoes emerged during this period.

The increased ability of people to satisfy their needs for clothing is directly related to the changing amount of labor required to manufacture any given article. This continued throughout the 20th century, but the trend was also seen in earlier periods.

Starting in the mid-1800s, with the invention of the sewing machine in 1846, the cost of clothing production declined markedly. For instance, consider the production of overalls. To manufacture a dozen pairs in 1870 required about 60 hours of labor, primarily sewing. Just 25 years later this took only six hours using more advanced technologies.

4. Transportation 1900-1950

Astonishing changes in consumer transportation expenditures began during the first half of the 20th century. In the early 1900s most working families simply walked whenever they went somewhere. Most did not travel outside their cities.

The overwhelming transformative influence during this period was the automobile. It appeared on the scene in 1893, and in 1900 there were only 8,000 cars in the United States. Fifty years later, 60 percent of American families owned cars, and in some areas (such as the suburbs in Western states) ownership was well over 90 percent.

It is important to realize that at the outset, at least, the automobile was liberating. For working families with jobs in the cities, it was the key to escaping: whether to less congested neighborhoods or to the countryside for a Sunday drive. This change, of course, did not happen all at once. At the beginning of the century, automobiles were simply too expensive for the average working family. They cost more than most families' total annual income.

To the extent that workers spent money on transportation, they spent it on electric streetcars. This system was 97 percent in place by 1902; it was the alternative to horse-drawn carriages. Such public transportation amounted to something less that 2 percent of total household expenditures. After World War I motorized buses appeared on the scene as a form of public transportation within cities. Around 1940, bus usage had risen to about the same level as electric streetcars. By 1954, however, buses accounted for six times the amount of city travel conducted by streetcars.

The first half of the 20th century also saw continued expansion of railroad usage, and then its decline. This decline continued through the second half century. By 1900 inter-city railroads were the dominant form of inter-city traffic. The United States had an extensive system of railroads, with 258,000 miles of track in 1900. This was twice the mileage of surfaced roads.

Between 1920 and 1970, the population for the United States more than doubled from roughly 106 million to 203 million. ¹² During this same period, however, the number of railroad passenger train cars declined by 80 percent, while the number of cars registered in the United States increased by over 3,500 percent. ¹³

These trends were caused by the confluence of growing income and declining prices for automobiles. At the outset only the wealthy could afford an automobile. Between 1900 and 1916 the relationship of cost to income was transformed.

In 1900 an automobile cost close to twice as much as the annual wages of a city worker; by 1916 the cost dropped to roughly one-third of a worker's annual wages. By 1917-1919 some 5 percent of families owned cars. This rose to 44 percent by 1934 and 60 percent by 1950.

By 1917-1919 some 5 percent of families owned cars. This rose to 44 percent by 1934 and 60 percent by 1950.

In 1950 widened car ownership was taken as an important symbol of greater equality in the ownership of tangible goods–a symbol of a narrowing gap between the working classes and the rich. In America, everyone could have a car, and in 1950 that idea was a source of national pride. Among the factors accounting for these trends:

- As early as 1920, almost all car dealers offered credit for car purchases and as part of the sale, purchased the "trade in" vehicle.
- Surfaced highways rose to 350,000 miles in 1920; to 694,000 miles in 1930; and to 1,340,000 miles in 1940.
- Cars began to last longer. In 1925 the average car headed for the scrap pile was 6½ years old and had 25,000 miles on it; by 1941 the average car was 10.2 years old and had been driven 85,000 miles.
- By 1950, transportation, which had been a negligible expenditure 50 years before, was now accounting for one out of every seven dollars spent by households. Nearly all of this money was spent on the automobile.

Appearing on the scene, but still a very minor item, was air travel. In 1940, 1.2 billion passenger miles had been flown. Ten years later this had increased to 10.2 billion passenger miles.

Astonishing changes in consumer transportation expenditures began during the first half of the 20th century.

THE SECOND HALF OF THE CENTURY

The changing levels of median income of Americans with income, aged 15 or over, between 1950 and 1997. The figures are in 1997 CPI-U adjusted dollars. These are the changes in the prices paid by urban consumers for a representative basket of goods and services from one year to the next. This adjustment is one of the best ways to gauge the magnitude of the change in consumer prices over time.

For all persons, the table shows a significant rise in real median income. During the period it increased by 55 percent. The increase is significantly more pronounced among women than men. For men during this period median income rose by 60 percent, whereas for women it rose by 135 percent. The median income for both sexes rose less than either sex alone because there was a significant increase in the proportion of women among those with income during this period. In 1950, women constituted 34 percent of those with income; but in 1999 they constituted 51 percent.

The gradual rise in women joining the workforce and the significant change in women's income contributed to a distinct differentiation in the pattern of family income growth among different types of families. This is clearly visible in *Table 3*.

Between 1950 and 1997, the median family income rose by 119 percent. Much of this was driven by the 147 percent rise in income of married couple families in

which the wife was in the labor force. By contrast, families in which the wife was not in the labor force showed a rise in median income of 77 percent. The contrast in median income between a

TABLE 2
MEDIAN INCOME OF AMERICANS WITH INCOME,
1950-1997, (1997 CPI-U ADJUSTED DOLLARS)14

Year	Both Sexes	Both Sexes	Male	Male	Female	Female
	Number	Median	Number	Median	Number	Median
	(millions)	Income	(millions)	Income	(millions)	Income
1997	191.6	\$18,756	94.2	\$25,212	97.5	\$13,703
1990	180.5	17,662	88.2	24,920	92.3	12,366
1980	159.5	15,490	78.7	24,436	80.8	9,595
1970	116.7	16,237	65.0	25,921	51.7	8,693
1960	91.7	13,154	55.2	20,337	36.5	6,285
1950	72.2	12,074	47.6 SOURCE	15,744 : U.S. BUR	24.7 PEAU OF TH	5,838 IE CENSUS

TABLE 3

MEDIAN FAMILY INCOME BY TYPE OF FAMILY AND WIFE'S LABOR FORCE STATUS¹⁵ (1997 CPI-U ADJUSTED DOLLARS)

Year	All Families	Married Couple Families	Male House- holder, No Wife Present	Female House- holder No Husband Present	Total Wife In Paid Labor Force	Wife Not In Paid Labor Force
1997	\$44,568	\$51,591	\$60,669	\$36,027	\$32,960	\$21,023
1990	43,414	48,991	57,442	37,166	35,669	20,793
1980	40,999	45,129	52,419	36,999	34,165	20,297
1970	38,345	40,867	47,707	36,157	35,022	19,792
1960	28,013	29,274	34,393	27,514	24,225	14,794
1950	20,332	21,110	24,522	20,308	19,082	11,774
			SOUR	CE: U.S. BUR	EAU OF TH	IE CENSUS

1950 married couple family with the wife not in the paid labor force and a 1997

SHARE OF AGGREGATE INCOME RECEIVED

BY EACH QUINTILE AND TOP 5 PERCENT OF FAMILIES¹⁷

	Lowest	Share of Second	Aggregat Third	te Income Fourth	Highest	Top 5
Year	fifth	fifth	fifth	fifth	fifth	Percent
1997	4.2	9.9	15.7	23.0	47.2	20.7
1990	4.6	10.8	16.6	23.8	44.3	17.4
1980	5.3	11.6	17.6	24.4	41.1	14.6
1970	5.4	12.2	17.6	23.8	40.9	15.6
1960	4.8	12.2	17.8	24.0	41.3	15.9
1950	4.5	12.0	17.4	23.4	42.7	17.3
			SOURCE	E: U.S. BUR	PEAU OF TH	E CENSUS

SHARES OF CURRENT DOLLAR PERSONAL
CONSUMER EXPENDITURE BY PRODUCT TYPE18

	1950	2000
Personal Consumption Expenditures	100%	100%
Durable Goods	16	12
Motor Vehicles and parts	7	5
Furniture and household equip	7	5
Consumer Electronics	1	1.6
Computers	0	.4
Nondurable goods	51	30
Food	28	14
Meals eaten out	6	6
Clothing and shoes	10	5
Gasoline, fuel oil and other energy	5	3
Gasoline and oil	3	2.4
Fuel oil and coal	2	.3
Other	8	8
Services	33	58
housing	11	14
Household Operation	5	6
Electricity and gas	2	2
Transportation	3	4
Medical Care	4	15
Recreation Other (personal care, financial services, legal services, funerals,	2	4
education, religious activities, travel)	8	16

SOURCES: 1950 CALCULATED FROM NATIONAL INCOME DATA; 2000 CALCULATED FROM TRENDS IN CONSUMER SPENDING

family in which the wife was in the labor force is stark. The 1997 family had a median income that was almost three times higher after adjusting for inflation.

The significance of women's market labor to family income can also be seen by contrasting, at the beginning and end of the time period, married couple families with the wife in the labor force with those in which she was not.

In 1950, families in which the wife was in the labor force had an income that was 21 percent higher than those in which she was not. In 1997, families in which the wife was in the labor force had an income that was 68 percent higher than those in which she was not.

GROWING INCOME INEQUALITY

The second half of the 20^{TH} century was a period of growing income inequality. A larger and larger share of aggregate income was flowing to families at the top end of the income spectrum. ¹⁶ Table 4 highlights this trend.

The figures show that the increase in inequality was not linear. Rather, in the third quarter of the century there was a tendency towards greater equality of income, followed in the century's fourth quarter by a marked reversal. This resulted in a concentration of income that was significantly greater than in 1950.

WHAT AMERICANS BUY

The second half of the century brought with it quite significant changes in what Americans buy. When we think of these changes, we typically think of the vast array of products that simply did not exist in 1950, like computers and video cameras. Many people sense that much of the growth in American income went to pay for such items.

This assumption is wrong.

Comprehensive data on consumer expenditures comes from the National

Income and Product Accounts compiled by the Bureau of Economic Analysis and from the Consumer Expenditure Survey data collected by the Bureau of Labor Statistics.

It should be noted that the data from these two sources is not strictly comparable. They employ different consumption definitions, they are derived from different sampling efforts, and they employ different measures of inflation.

Using the National Income and Product data we can see the composition of consumer expenditures at the end of the 20th century. We can also learn how significantly this composition has changed from the pattern seen in 1950.

Table 5 (on page 14) is particularly interesting because it shows that "the stuff" that we collect—our cars, furniture, TV, camcorders, compact disc players, computers, and so forth—occupy a limited portion of overall consumption.

This is not a new fact. Today durable goods (homes are not included) constitute only 12 percent of consumer expenditures. But in 1950 they constituted a slightly higher 16 percent of consumer expenditures.

Of particular interest is the category of consumer electronics, including computers. In 2000 this category of spending came to over \$100 billion. In relation to an economy with \$6.8 trillion of consumption expenditures, however, even \$100 billion is not a significant proportion (only 1.4 percent of consumer expenditures).

The big transition between 1950 and 2000 was the decline in the percentage of expenditures going for non-durable goods (food, clothing, energy) from over half of expenditures to less than a third. In particular, food and clothing both fell by half in their share of total expenditures. The great increase was in services, with increases most sharply in medical care and in personal insurance services, but

with growth also in housing, household operation, transportation and recreation.

CHANGING TRENDS IN HOUSEHOLD EXPENDITURES

During the second half of the 20th century there were major changes in how Americans spent their money. This is shown in *Table 6* (on page 16), based on BLS survey data.¹⁹

With respect to FOOD, *Table 6* continues the major story of the first half of the century: food as a percentage of overall expenditures continued to decline. By the end of the century (1999) it had fallen to 13.6 percent of total expenditures, a figure in startling contrast to the situation at the beginning of the century (when 43 percent of the budget went for food). Between 1950 and 1999 food, as a percentage of household expenditures, fell by half.

The transformation in our consumption of food emerges as an even more pronounced trend when we realize that as a percentage of overall expenditure, food eaten away from home was expanding during the period. The decline in food eaten at home is striking.

Between 1960 (the first year for which we have the at-home/away-from-home breakdown) and 1999, food eaten at home declined from 17.6 percent of total expenditures to 7.9 percent. As virtually all food consumption was at home at the beginning of the century, we can assume a decline from 43 percent to about 8 percent between 1990 and 1999.

We should not think that this phenomenon applies only to the rich. Food has always accounted for a larger share of expenditures for low-income than for high-income groups.

In 1999, however, even for those households in the lowest income quintile, food at home constituted only 10.9 percent of household expenditures. For those in the highest quintile, this percent-

Between 1950 and 1999 food, as a percentage of household expenditures, fell by half.

age was astonishingly low, accounting for only 5.7 percent of household expenditures.

Another perspective on the changing share of expenditures for food can be seen in *Table 7 (on page 17)*, which shows for each income quintile how the food expenditure share declined over the last three decades.

Table 7 shows that the decline in relative food expenditures was substantial

for all income groups. At the end of the period, even those in the lowest quintile were devoting only 16.2 percent of their expenditures to food: a level experienced only by those in the highest quintile 19 years earlier.

Housing costs, which had been second in magnitude in 1950, increased markedly. By the end of the century housing had risen to 32.6 percent of total expenditures. Most of this rise was from the increase in relative share going to

	1950	1960	1970	1980	1990	1999
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Food at home Food away from home	27.0%	22.0% 17.6% 4.4%	17.8% 13.9% 3.8%	18.8% 14.1% 4.7%	15.1% 8.8% 6.4%	13.6% 7.9% 5.7%
Alcoholic beverages	1.5%	1.4%	0.9%	1.6%	1.0%	0.9%
Housing Shelter Utilities, fuels and	24.8% 10.2%	26.0% 12.2%	28.0% 16.0%	29.5% 16.5%	30.7% 17.0%	32.6% 19.0%
public services Household operations Housekeeping supplies House furnishings	3.8% 4.3%	4.4% 5.1%	6.2% 1.5%	7.4% 1.5%	6.7% 1.6% 1.4%	6.4% 1.8% 1.3%
and equipment	6.5%	4.7%	4.4%	4.2%	4.0%	4.1%
Apparel and related services	10.6%	9.2%	7.8%	5.4%	5.7%	4.7%
Transportation Vehicle purchases (net outlay) Gasoline and motor oil Other vehicle expenses Public transportation	12.5% 1.5%	13.7% 1.4%	18.7% 7.5% 4.3% 5.7% 1.2%	20.2% 6.9% 6.9% 5.1% 1.3%	18.0% 7.5% 3.7% 5.8% 1.1%	19.0% 8.9% 2.9% 6.1% 1.1%
Health care	4.8%	6.0%	4.6%	4.4%	5.2%	5.3%
Entertainment	4.1%	3.6%	4.1%	4.4%	5.0%	5.1%
Personal care products/services	2.1%	2.6%	1.1%	0.9%	1.3%	1.1%
Reading	0.8%	.7%	0.5%	0.7%	0.5%	0.4%
Education	0.5%	.9%	1.3%	1.2%	1.4%	1.7%
Tobacco products and supplies	1.7%	1.6%	1.4%	1.0%	1.0%	0.8%
Miscellaneous	1.3%	2.0%	1.1%	1.5%	3.0%	2.3%
Cash contributions	3.8%	5.0%	3.9%	2.9%	2.9%	3.2%
Personal insurance and pensions Life, other personal insurance Pensions and Social Security	4.2%	5.3%	8.7% 3.9% 4.8%	7.4% 1.6% 5.8%	9.1% 1.2% 7.9%	9.3% 1.1% 8.2%

shelter itself (rent or mortgage payments) and secondarily to an increase in utilities. Shelter now accounts for some 19 percent of household expenditures, whereas in 1950 it was approximately 10 percent. The portion of income spent on furniture and all household technology items (like dishwashers, washing machines, dryers, and microwaves) remained relatively steady since 1960, and showed a significant decline since 1950.

CLOTHING EXPENDITURES, like food, evidenced a relatively steady decline during the period. In 1950 \$10.60 out of every \$100 spent went for clothing. By 1999 only \$4.70 out of every \$100 spent was going to clothing, becoming a relatively minor portion of the household budget.

The largest expanding item continued to be TRANSPORTATION, spending that was dominated by automobile-associated costs. Public transportation spending, even in 1950, was almost negligible, constituting 1.5 percent of expenditures. It declined further to 1.1 percent by the end of century. But overall, transportation spending went from 12.5 percent of the budget to 19 percent of the budget. (A figure equal to the percentage spent on shelter.)

This remarkable rise was driven by the increased presence of the automobile. Back in the 1950s, as noted earlier, 60 percent of American households had cars. By 1999 the average household had 1.9 cars, with those in the lowest quintile averaging one car per household, and those in the highest fifth averaging 2.8 cars per household.

Viewed from a National Income Accounts perspective, expenditures for HEALTH CARE mushroomed during the second half of the 20th century, going from 4 to 15 percent. The national accounts, however, include all spending for health care, whether paid for by the government or by an employer covering part or all of the cost of health insurance.

TABLE 7
RELATIVE EXPENDITURE SHARE DEVOTED TO FOOD,
BY INCOME QUINTILE OF CONSUMER UNITS, 1972-1999²¹

Year	First	Second	Third	Fourth	Fifth
	Quintile	Quintile	Quintile	Quintile	Quintile
1972-73	21.3	19.9	18.3	17.7	15.8
1980-81	23.1	21.2	19.2	18.0	16.2
1990	17.4	17.4	15.1	14.4	12.2
1999	16.2	15.2	14.5	13.5	11.4
		SOURCE: BLS,	CONSUMER	EXPENDITURE	SURVEY

When we consider only household expenditures, whether out-of-pocket or for insurance, we find almost no change in the percentage of expenditures going for medical care. It was 4.8 percent in 1950, and it was 5.3 percent in 1999.

Interestingly, spending for ENTERTAINMENT also does not occupy a very different position in the household budget at the end of the century than it did at midcentury. In 1950 it was 4.1 percent; in 1999 it was 5.1 percent.

EDUCATION has always constituted a relatively minor percentage of the household budget. In part this is because of public schools, and more fundamentally, because we are dealing in averages. Families with school age children constitute only a fraction of the population at any given time. These expenses, however, can be acute for those that have them, especially for parents with children in college or private schools. Overall education expenses remained small, though they did more than triple in percentage terms, going from 0.5 percent in 1950 to 1.7 percent in 1999.

Coming to occupy a significant part of the overall budget is the category of PERSONAL INSURANCE AND PENSIONS. This includes payments to Social Security, which increased significantly as a percentage of income. Overall, personal insurance and pensions more than doubled from 4.2 percent of income in 1950 to 9.3 percent in 1999.

The big picture is that the fundamental categories of food, clothing, housing, transportation, health care, and economic security (pensions and Social Security) still occupy most of the household budget. In 1950 these categories accounted for 84 percent of the budget; in 1999 they accounted for 85 percent of the budget. The big change was that food and clothing declined significantly, while housing, transportation, and economic security increased significantly.

A CLOSER LOOK AT CONSUMPTION INEQUALITY IN 1999

Let us now take a closer look at the different patterns and levels of

TABLE 8							
CATEGORY	SHARES	OF	CONSUMPTION	PER	PERSON,		
BY INCOME QUINTILE, 1999							

BY INCOME QUINTILE, 1999								
	First Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile	Ratio of 5 th to 1 st		
Age of person	51.6	51.6	46,5	44.1	45.9			
Number in unit	1.8	2.2	2.5	2.8	3.1			
Income before taxes	\$7,264	\$18,033	\$31,876	\$52,331	\$110,105	15.16		
Income per Person	4,035	8,197	12,750	18,690	35,518	8.80		
Expenditures	16,750	24,840	33,029	45,998	75,015	4.48		
Expenditures per Person	9,306	11,921	13,212	16,428	24,198	2.60		
Food	2,715	3,773	4,799	6,218	8,568			
Food per Person	1,508	1,715	1,920	2,221	2,763	1.83		
Food at home	1,834	2,472	2,832	3,637	4,273			
Food at Home per Person	1,019	1,124	1,132	1,298	1,378	1.35		
Food Out	882	1,301	1,968	2,580	4,295			
Food Out per Person	490	591	787	921	1,385	2.83		
Food Out as % of Food	32%	34%	41%	41%	50%			
Shelter	3,584	4,720	5,990	7,890	13,110			
Shelter/person	1,991	2,145	2,396	2,818	4,229	2.12		
Clothing	788	1,339	1,760	1,985	3,478			
Clothing/person	478	609	704	709	1,122	2.35		
Transportation	2,790	4,752	6,384	8,998	13,170			
Trans./person	1,550	2,160	2,554	3,213	4,248	2.74		
Entertainment	812	1,083	1,555	2,405	4,030			
Ent./person	451	492	622	859	1,300	2.88		
Personal Insur. & Pension	395	1,126	2,786	5,647	11,788			
PI&P/person	219	519	1,114	2,016	3,803	17.36		
	SOURCE:	BLS, C	CONSUME	R EXPEN	DITURE S	URVEY.		

consumption experienced by Americans at different income levels.

Table 8 reveals a great deal about the difference in consumption across the income spectrum. Before taxes, the average income in the fifth (highest) quintile is over 15 times that of the first (lowest) quintile. However, once we adjust for the average number of persons in those consumer units, the ratio declines to 8.8 times.

These ratios are significantly different from what we find with respect to expenditures. Despite an income 15.2 times higher, households in the highest income quintile spent only 4.5 times more than the lowest quintile.

This tremendous difference emerges from several sources. They include certain forms of welfare, such as end-of-the-year Earned Income Tax Credit payments, expenditures by the elderly from savings, and expenditures of students based on gifts.

Second, there is the decreased expenditure in the fifth (highest) quintile because of tax payments. Third, those in the fifth quintile are able to save a portion of their after tax income since all of it does not go to consumption.

Nonetheless, the picture that emerges from the data is quite surprising. After adjusting for size of consumer unit, those in the fifth quintile are spending only 2.6 times that spent by the lowest quintile on a per person basis.

Given that the pretax income of these better-off households is 15 times that of the least well off, and that even on a per person basis they have almost nine times the pre-tax income, the relatively low rate of per person consumption across the income spectrum is notable.

While this is a general characterization, there are vast differences with respect to equality of consumption level for different kinds of expenditures. Most dramatic of all areas is FOOD. Here we find that households in the fifth (highest) quintile spend 83% more than those in the lowest quintile on a per person basis. When we focus on food consumed at home, this difference becomes considerably smaller. On a per person basis those in the fifth quintile average only 35% more for food consumed at home than those in the lowest quintile. This is so, despite the fact that they spend 2.6 times as much per person overall.

Just how extraordinary these food numbers are can be grasped by looking at the actual dollar amounts. Food consumed at home is low for all groups. Even those in the top quintile spend only \$1,378 a year per person for food. This is only a bit more than 1 percent of their pretax income, per person, and less than 4 percent of pretax income for at-home food for the entire family.

Second, the actual per person amount spent annually for food at home in the top quintile is only \$359 a year more than that spent in the lowest quintile. Between the fourth and fifth quintiles, on a per person basis those in the fifth quintile spend less than \$100 a year more on athome food—despite having more than twice the pre-tax income.

Considering other categories of spending, we find that for SHELTER and for CLOTHING, the ratio of per person expenditures between the fifth (highest) and first (lowest) quintiles is somewhat lower than that of per person expenditures overall. Though in no case is it dramatically different, like it was for food at home.

Alternatively we find that for TRANS-PORTATION and ENTERTAINMENT (as well as food eaten away from home) the ratio between the highest and lowest income quintiles is somewhat higher than that for expenditures overall. Again, however, these are not dramatically different.

The one big exception, however, is with respect to expenditures for PERSONAL

INSURANCE AND PENSIONS. The pensions item includes Social Security payments as well as contributions to pension plans. These account for the bulk of expenditures, and for the category as a whole we find a startling figure. Those in the top quintile have expenditures some 17 times greater than those in the bottom quintile. Indeed, those in the fourth quintile have expenditures almost four times those in the second quintile.

The primary explanation of this is that wealthier households have greater disposable income to spend on personal insurance. Further, those in the lower quintiles have few, if any, out-of-pocket pension plan expenditures at all.²² For those in the fourth and fifth quintiles, however, pension expenditures are an appreciable part of overall expenditures.

Indeed, for those in the fifth (highest) quintile, \$11,788 a year is spent on personal insurance and pensions. Unless one is self-employed, not more than \$5,000 of this goes for Social Security taxes. This means that \$6,788 is going for personal insurance and pension contributions beyond Social Security payroll taxes paid. For the top quintile, this pension/insurance spending beyond Social Security accounts for about 9 percent of total expenditures, more than twice what is spent on clothing and not much less than what is spent on food.

Those in the top quintile have [personal insurance and pensions] expenditures some 17 times greater than those in the bottom quintile. Indeed, those in the fourth quintile have expenditures almost four times those in the second quintile.

CONCLUSION

This paper has charted dramatic shifts in the pattern of household expenditures over the 20th century.

Four types of societal shifts underlie these transformations: where we live and work, how we get around, the entry of women into the workforce, and the education demands of a increasingly competitive world. Together, they indicate that the market is increasingly driving family and personal decisions. This policy brief is the first in a series that will address the questions this paper raises.

The changes in household expenditures to meet basic needs are indicative of a larger story. Households are relying more on expensive privately provided market alternatives to meet their needs; instead of utilizing commonly held, publicly provided resources—our common assets.

Over the past 100 years, it is likely that the decrease in household expenditures on non-durable goods resulted from the enormous technological improvements that enabled mass production while lowering direct costs to households.

On the other hand, the increase in household expenditures to meet basic needs in transportation, childcare, education, health care, utilities, and personal insurance and pensions was necessary to compensate for a lack of public investment in these areas.

Households are compelled to spend more on market-provided alternatives, thus resulting in a shift from household reliance on publicly provided free or lowcost goods to more expensive private options.

We cannot address concerns about privatization without examining the threats to common assets and how the loss of these assets affects peoples' lives. Redefining Progress' forthcoming policy brief, *Our Common Assets*, will explore what has happened to common assets and how their deterioration affects the well-being of families and communities.

As this household expenditure study has shown, Americans spend as high a percentage of their income today to meet their basic needs as they did 100 years ago. However, this realization does not tell us the minimum costs of meeting individual and family needs.

The forthcoming companion paper to this one, *The Cost of Meeting Household Needs and Policy Implications*, will outline how to identify true core needs. Defining basic needs as a point of departure, the paper will argue for a need-based methodology to determine household budgets in social welfare programs. The paper will offer concrete recommendations for how to accurately assess the costs of meeting needs. This will be of value for analysts and activists to use at the community, regional, and national levels to identify

Households are relying more on expensive privately provided market alternatives to meet their needs; instead of utilizing commonly held, publicly provided resources—our common assets.

the needs of families and to push for policies to help meet them.

FUTURE COMMON ASSETS PUBLICATIONS

Progress' Common Assets program will release a series of publications that will act as a springboard for building a nationwide coalition that will address common assets issues. Through these papers, we aim to invigorate the debate over common assets with a new, expanded range of policy approaches to the issues raised by them. The impacts of the health of common assets on households underlie almost all of our publications. Our publication topics include:

- Asset histories/case studies. These two briefs will focus upon two compelling examples of common assets: public safety and water. The papers will discuss what makes them common assets, what detracts from their "common" nature, and what public policy solutions emerge.
- The value of common assets. Focusing on parks and schools, a series of three policy briefs will illustrate how these assets are undervalued, and what policy tools and approaches would accurately reflect their full range of benefits to communities and society.
- Policy implications. As a complement to a Redefining Progress policy brief published last year (Market-Based Policies For Reducing Sprawl: A Critical Overview), these briefs will examine the most promising placebased approaches to sustainably managing common assets.
- A new policy framework. These briefs will serve as the foundation for our coalition-building and the development of a common prosperity agenda.

Through these papers, we aim to invigorate the debate over common assets with a new, expanded range of policy approaches to the issues raised by them.

All of these publications are geared toward broadening public debate and discussion about common assets as the source of our common wealth and wellbeing. Please consult our Web site (www.RedefiningProgress.org/commonassets/) for the most up-to-date information on when these publications will become available, and how you can become involved in public discussions about common assets.

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ENDNOTES

- ¹ Jerome Segal is a Senior Fellow with Redefining Progress and is a Senior Research Scholar with the Institute for Philosophy and Public Policy at the University of Maryland. Cynthia Pansing is the Director of the Common Assets Program at Redefining Progress, and Brian Parkinson is Research Associate with the Program.
- ² "What We Work for Now," New York Times editorial, Labor Day edition, September 3, 2001.
- ³ Over the years, "energy " and "utilities" have been some of the most variable expenditure categories in the Consumer Expenditure Survey. From about the 1960s onward, utilities also included fuels and public services.
- ⁴ Redefining Progress' annual Genuine Progress Indicator (GPI) report tells a similar story. The GPI is a comprehensive measure of national health expressed in economic terms. The GPI includes the economic contributions of household and volunteer work while subtracting factors like crime, pollution, and family breakdown. These adjustments allow the GPI to provide a more accurate snapshot of our nation's progress than the commonly used Gross Domestic Product.
- ⁵ Although this paper focuses on the second half of the 20th Century, it is of considerable interest to place the changes occurring in the last 50 years within a larger historical context. In considering the period 1900-1950, we have drawn heavily from a unique work, *How American Buying Habits Change*, prepared by the U.S. Department of Labor in 1959. This study of the first half of the 20th century is invaluable both as a source of statistics and information about the early years.
- ⁶ Ibid. p. 87.
- ⁷ Ibid. p. 88.
- ⁸ Ibid, calculated from data in Table 7, p. 49. The inflation adjustment was not specific to the food sector.
- ⁹ Ibid. p. 104.
- ¹⁰ In the *New York Times* article, "US Warning of Death Toll from Obesity," December 14, 2001, obesity is beginning to surpass tobacco as the leading cause of preventable death.
- ¹¹ How American Buying Habits Change, quoted on p. 133.
- ¹² US Bureau of the Census, United States Summary, Population and Housing Unit Counts.
- ¹³ Cars registered in the United States increased from 2.3 million in 1916 to 89.2 million in 1970 (includes automobiles for public and private use). Source: U.S. Department of Transportation, Federal Highway Administration.
- ¹⁴ U.S. Bureau of the Census, Current Population Reports, Measuring 50 Years of Economic Change Using the March Current Population Survey, pp. 60-203, U.S. Government Printing Office, Washington, DC, 1998, Table C-2.
- 15 Ibid. Table C-12.
- ¹⁶ Today we have a widening gap between rich and poor, with 92 percent of the nation's wealth concentrated in the hands of the highest 20 percent income bracket.
- ¹⁷ Ibid. Table C-16.

REDEFINING PROGRESSLarry Moran and Clinton McCully, *Trends in Consumer Spending 1959-2000*, What We W Gruffor Now – 23 Business, March 2001. Year 1950 data calculated by author from National Income data Table 2.2 available on BEA website.

19 Calculated by authors from BLS data.

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Redefining Progress is a nonprofit, nonpartisan organization that develops policies and tools to reorient the economy so it values people and nature first.