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# Special panel suggests changes in BLS Family Budget Program

*Committee proposes four budget levels applicable to six different types of families, and based on median expenditures, rather than detailed commodity lists*

HAROLD W. WATTS

The Bureau of Labor Statistics' Family Budget Program produces one of the most popular and widely publicized series in the repertoire of labor statistics. It provides annual estimates of the cost of purchasing hypothetical "market baskets" of goods that represent "lower," "intermediate," and "higher" standards of living. The budgets are styled for the traditional four-person family, and for a retired couple. For the worker's family, they estimate a corresponding total income, which provides for taxes and expenses consistent with the three consumption expenditure levels. These budgets are replicated for major cities and for regional averages. They provide the only available basis for inter-area comparisons of living costs or "real" income levels.<sup>1</sup>

In 1978, the Bureau of Labor Statistics contracted with the Wisconsin Institute for Research on Poverty to recommend revisions in the Family Budget Program. The Institute appointed the Expert Committee on Family Budget Revisions, which embodied a wide range of experience related both to methods of developing budget standards and to uses of the standards. The Bureau used similar outside expertise when it reviewed the budgets in 1948 and 1967. The committee and staff, which included members of the Poverty Institute, reviewed the existing program in detail, analyzed new evidence on

spending patterns based on the 1972–73 Consumer Expenditure Surveys, and assessed the enlarged possibilities provided by the projected continuous Consumer Expenditure Survey. The panel heard testimony from government experts familiar with the development of the current budgets and commissioned several papers by other experts.

The committee recommended that four American Family Budget Standards be developed in place of the current three budgets. The revised standards have been designed to take advantage of the new information on family behavior collected in the new Consumer Expenditure Surveys. These recommendations have been submitted in the committee's report to the Commissioner of Labor Statistics and are now being considered.

This article explains the basic recommendations and the reasoning behind them. Although the proposed new standards are based on methods that diverge from past practices, they will yield budget totals that are very much in line with the existing series. But a more important continuity—the aim to express normative and quantitative standards that can be used to evaluate relative levels of living among groups, between times and across regions—has been maintained. Because such comparisons yield valuable insights and are widely used in the design and implementation of policy, it is important that they be based on clear and understandable principles. The committee, with only one dissenting vote, believes this report proposes a sound and improved basis

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for such comparisons and unanimously recommends a program to study the direct estimation of standards from household attitude surveys. Refinement and validation of the direct methods hold the promise of still further improvements in the Family Budget Program.

### Principal recommendations

**Budget levels.** The committee recommends four levels to replace the existing three budgets:

- Prevailing Family Standard
- Social Minimum Standard
- Lower Living Standard
- Social Abundance Standard

The Prevailing Family Standard, designed to reflect the level of living achieved by the typical family, is set at the median expenditure of two-parent families with two children. In the judgment of the committee, this standard affords a family full opportunity to participate in contemporary society, and to enjoy the basic options it offers. This level is the conceptual descendant of the intermediate budget, but it is also closely related to the traditional "modest but adequate" level of living or the "prevailing standards" of ordinary moderate living.

The other three levels are determined in fixed proportion to this basic standard; standards for other family sizes or types are also expressed relative to the archetypical four-person family. The Lower Living Standard,

**Table 1. Recommended equivalence scale and updated values of American family expenditure standards for 1979**

Number of persons	Equivalence scale	Social Minimum Standard	Lower Living Standard	Prevailing Family Standard	Social Abundance Standard
1 aged .....	.50	\$ 4,032	\$ 5,376	\$ 8,064	\$12,096
1 nonaged .....	.54	4,355	5,806	8,710	13,064
2 aged .....	.61	4,919	6,559	9,839	14,758
2 nonaged .....	.67	5,403	7,204	10,806	16,210
3 .....	.80	6,452	8,602	12,903	19,355
4 .....	1.00	8,064	10,753	16,129	24,193
5 .....	1.20	9,677	12,903	19,355	29,032
6 .....	1.39	11,210	14,946	22,419	33,629
7 .....	1.57	12,661	16,882	25,323	37,984
8 .....	1.74	14,032	18,710	28,064	42,097
9 .....	1.90	15,322	20,430	30,645	45,968
10 .....	2.05	16,532	22,043	33,064	49,597
11 .....	2.19	17,661	23,548	35,323	52,984
12 .....	2.32	18,710	24,946	37,419	56,129
13+ .....	2.32+	18,710+	24,946+	37,419+	56,129+
	.12 for each over 12	967 for each over 12	1,290 for each over 12	1,935 for each over 12	2,903 for each over 12

NOTE: Assumes no real growth in median income from 1978 value for four-person household.

set at two-thirds of the Prevailing Family Standard, is a successor to the current lower budget. It represents a level that the committee regards as requiring frugal and careful management, leaving little room for choice in achieving what Americans regard as an acceptable standard of living. The Social Minimum Standard is set at half of the Prevailing Family Standard and lies, in the committee's judgment, in a boundary zone below which issues of deficiency and deprivation are appropriate matters of social concern. The Social Abundance Standard, set 50 percent higher than the Prevailing Family Standard (or three times the Social Minimum Standard), rounds out the set by providing a balancing view of a higher living standard. The committee regards this standard as marking the beginning of the expenditure range that increasingly affords choices in the luxury categories of consumption.

**The interfamily equivalence scales.** To allow for different family sizes, the expenditure standards for the four-person household are varied using an equivalence scale. The scale recommended has been adapted from the updated "poverty cut-offs" developed by Mollie Orshansky and Carol Fendler, which rely in turn on the relative cost of the "Thrifty Food Plans" provided by the U.S. Department of Agriculture.<sup>2</sup> The proposed scale sets the current expenditure levels for an aged single-person household at 50 percent of the four-person reference standard. A non-aged couple's standard is set at 67 percent of a four-person standard, and that of a family of eight at 174 percent. Table 1 shows the equivalence scale and the full set of levels evaluated for 1979.

The following estimates, based on the 1972-73 Consumer Expenditure Survey, give some idea of the distribution of the population relative to the proposed standards. More than two-thirds of the population lives

### The committee members

Harold W. Watts (Chairperson)	Columbia University Department of Economics
Anne Draper	American Federation of Labor and Congress of Industrial Organizations, Department of Economic Research; and member, Labor Research Advisory Council, Bureau of Labor Statistics
Lawrence Gibson	General Mills, Marketing Research; and member, Business Research Advisory Council, Bureau of Labor Statistics
James E. Jones, Jr.	University of Wisconsin Law School
Bette Silver Mahoney	System Development Corporation Human Systems Division
Lee Rainwater	Harvard University Department of Sociology
Eugene Smolensky	University of Wisconsin Department of Economics
Barbara Starfield	The Johns Hopkins University School of Hygiene and Public Health

between the Social Minimum Standard and the Social Abundance Standard; 13 percent are below the Social Minimum Standard, and 18 percent are above the Social Abundance Standard; more than one in four persons live below the Lower Living Standard. The all-too-familiar finding of lower incomes for black persons shows here as a rate of 36.1 percent below the Social Minimum Standard, in contrast to only 10.4 percent for nonblack persons. Children and older persons also show distinctly higher likelihood of living below the minimum and lower chances of living in abundance.

*Methods of annual updating.* A major objective in developing the recommendations was to provide continuous updating of the standards, based on current information and relatively free of discretionary choices. The recent BLS decision to conduct Consumer Expenditure Surveys on a continuous basis provides a way to keep the budgets up to date that has not existed in the past. The committee recommends that the median expenditures for the reference family type be estimated directly from the annual waves of survey data (using adjacent size groups if needed to enhance precision). For the interim until the survey estimates are available, an estimated expenditure can be obtained by adjusting annual income medians from the Current Population Survey.

Linking the structure of expenditure standards to the median level of the four-person reference family assures that the standards will not be made obsolete by changing economic conditions. Short-run variations in median expenditure levels should not, however, be reflected in norms or standards that gain much of their usefulness from their stability. Consequently, the committee recommends that the expenditure standards be maintained at their previous peak in real terms until a higher real median level is observed. This feature is called a “ratchet.” The Consumer Price Index would be used for making the required estimates of real expenditure, thus preventing any decline in the real level of the various standards. During periods of constant or declining real median expenditures the nominal standards would continue to rise in tandem with the general price level, thus staying constant in “real” terms.

*Detailed budgets and total income estimates.* The new standards have been defined and expressed in terms of expenditure totals. But for many kinds of comparisons and to communicate the meaning of the standards more clearly, further detail is needed. An allocation of expenditures among major categories can be derived from the Consumer Expenditure Surveys. Average allocation patterns can be estimated for each of several types of families at each of the expenditure standards. It must be noted that for any level of total expenditure apparently

identical families spend their money differently. These differences are surely due in part to different, but unobserved, circumstances, but there are also differences in tastes and preferences that lead a household to favor one line of consumption over another. Such differences have no apparent ill effect on the interests of the general public and are evidently preferred by the individuals concerned; consequently, the committee feels that to invest the average, or any other allocation, with normative or prescriptive significance is unjustified. The average patterns recommended show plausible allocations because they are based on observed behavior. However, equally plausible allocations can be obtained by trading some expenditures for others, and within a wide range there is no basis for authoritative judgment that one is better than another.

The committee proposes that detailed allocations be developed and displayed for six different types of families:

- Two parents and two children (the reference family)
- An aged couple 65 and over
- A non-aged single person
- A one-parent, two-child family
- A two-parent, five-child family
- An aged single person

The budgets would be shown in detail for all four standards, except that the Social Abundance Standard should be omitted for the last three types. There are too few families of those kinds at that level to permit reliable estimation of allocation patterns.

For the non-aged family types, it is also necessary to estimate the level of gross income that will enable a worker's family to spend the amount specified for a given standard. Several adjustments apply here, but income and payroll tax adjustments are the most important and vary from State to State. The committee proposes that calculations based on current Federal and State laws be carried out to determine the tax adjustments needed to arrive at the appropriate equivalent gross income for each State.

*Interarea differentials.* The committee recommends the introduction of an interarea price index program based on fixed-weight or market-basket procedures. This program should provide price comparisons among all city and regional aggregates for which sufficient price data are regularly collected. While basic price comparisons are useful for many purposes, they do not show the cost of achieving equivalent living levels in different places. This second problem, the “true cost of living” question, cannot be directly resolved by reference to price data or to observed expenditure patterns. The committee urges continuing research on this problem, but for the imme-

### One committee member dissents

The present BLS Family Budgets are based on detailed cost estimates of items necessary for a worker's family to maintain or achieve specified living standards. Under the proposal of the majority of the Expert Committee on Family Budget Revisions, these would be replaced by a set of declaratory judgments by the committee as to levels of total expenditure, tied to median consumption, that are designated as representing particular living standards.

Even the committee appears rather uncomfortable with this. It produces an ultimate proposal for surveys, that would ascertain public opinion on what is needed to maintain various living standards. Such a project has many useful possibilities as an adjunct to family budget research, and I support it. However, I do not believe it can substitute for systematic budget cost calculations from customary statistical data. In any case the results of such explorations lie far in the future. The immediate question is whether to adopt the committee's specific proposals, based on its judgments.

Why should we accept the committee's judgments? Its answer, in effect, is that the present budgets are equally based on judgments, although less obviously. Thus is discarded a history of Bureau budget-making and evolutionary development that spans more than 70 years. Has the Congress, in commissioning, accepting, and using such budgets, been fooled all this time?

The committee majority objects to the present budgets for their commodity lists, their use of scientific standards and expert opinion, and their elements of relativism. This fails to recognize the purpose of budget-making: estimating costs and making their nature explicit in terms of specific items of purchase, quantity, and price. Necessary costs for a given standard of living are not a mirror image of expenditures taken from a Consumer Expenditure Survey.

The Bureau's work in budget-making, in accordance with Congressional directives, has been skilled and honest.

I would have interpreted the mandate of the committee as that of recommending improvements in the methodologies for selecting goods and services to be priced for the worker budgets, not that of overturning the bases of the present budgets in their entirety.

It would be difficult to describe the committee's declaratory judgments on expenditure totals as "methodology." The judgments were not, however, picked out of thin air. Essentially, they were arrived at by consulting the results of other people's judgments, including those of the rejected BLS budget-makers, and converting them to percentage relationships with median consumption figures. It was felt to be important not to have the dollar results diverge markedly from existing numbers that have already been accepted. With acceptable "number" results, the methodology, or lack of it, would not matter.

Thus, the choice of median consumption to represent the Prevailing Family Standard rests essentially upon the present Intermediate Family Budget, which the committee observes to have fallen historically "within the middle range of family incomes." The establishment of the Lower Living Standard at two-thirds of median consumption is pegged at the consumption level of the existing Lower Budget, and is further buttressed by Gallup poll opinion data on "how much it takes to get along." The Social Minimum Standard, set at 50 percent of the consumption median, is similar to other estimates for poverty threshold. When nonconsumption items and taxes are included, it will also be about 70 percent of the Lower Living Standard as referenced in the Comprehensive Employment and Training Act. The Social Abundance Standard, at 150 percent of the median, is simply the obverse of the Social Minimum and rests upon no particular observations or other reference data.

The committee's living standard lines essentially are derivative judgments based on existing estimates, rather than

mediate future, it recommends that adjustments in fuel and clothing that can be explicitly related to climate differences be recognized as the only basis for interarea adjustments. It is likely that additional adjustments are warranted, but in the absence of consistent evidence of their direction or size, differentials that are based on conjecture may cause more mischief than no adjustments at all.

*Measuring popular conceptions of norms.* The principles and basic notions that have inspired the new standards suggest the possibility of eliciting normative standards through general public surveys. Recent work in Europe and the United States suggests that people can be asked how much it takes to live comfortably, for example, or to just get along. Their answers can be related to their own income or expenditure levels. From these relationships a consensus can be derived that directly reflects popular views about standard living levels.

Potentially, a measure of this kind could replace the median expenditure standard that forms the basis of the committee's recommendations. All four standards might be estimated separately, for example, and the proportional relationship among them validated or improved. The system of interfamily equivalence scales could also be examined in light of directly expressed requirements of differently composed households. Direct survey questions could also produce independent evidence of interarea differentials.

But at present these approaches need further study and experimental implementation. The committee urges an extensive effort to evaluate these promising new methods. An experimental survey program is practical because the questions required could be added to both the new Consumer Expenditure Survey and other large-scale surveys. The survey program should be carefully designed to identify the best form for the questions. A coordinated analytic program, inside or outside the Bu-

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resting upon independent findings or methodologies developed by the committee.

The percentages arrived at are further mandated to remain indefinitely in the same fixed relationships. The Social Minimum is always to be 50 percent of the current year's median, the Lower Living two-thirds, and so forth.

The postulate that adequacy at prevailing levels of living is always at median consumption, and that other standards remain in fixed percentage relationships to the median, is inherently insupportable. In a very poor society, for example, or even our own at different periods in history, median consumption may be the minimum of needed consumption. At other times, median consumption may be well above such a minimum.

The committee's formula is particularly troublesome to contemplate in what may become an era of falling real living levels. There is no genuine safety net to protect whatever is represented in terms of necessary consumption, particularly at the Lower and Social Minimum levels. For the short term, the committee has devised a "ratchet" mechanism. This would obviate the problem by mandating that the median will always be at the real levels of 1972-73, or any subsequent higher real level, as determined through the Consumer Price Index. Under this specification, the "formula" median can readily exceed the actual median, producing a need for complicated explanations. If real living levels are reduced over a long period, the Bureau of Labor Statistics must drop the ratchet and presumably revise the percentages. No guidance is offered concerning when to drop the ratchet or what to do about the percentages. Quantity-cost budgets would no longer be available for guidance.

Regarding geographical or place-to-place variations for national median consumption, the logic of using expenditure totals instead of calculated costs is questionable. Obviously the committee would not want area median expen-

ditures to be the basis for area variations from the national total. This is a problem the committee has not truly resolved, and on which it urges "continuing research." It has endorsed development of an interarea fixed-weight price index, which would ignore local area usage differences for such items as fuel, transportation, clothing, and food preferences. On a separate track, it suggests "climate adjustments" for home fuel use (and possibly clothing) based on degree days in each State; this to represent "living cost" differences on a State basis. The recommendations are incomplete and ad hoc.

The production of equivalent consumption totals for families of different sizes through use of the Orshanky scales is not necessarily objectionable. But, as the committee itself recognizes, this entails no real advance over existing methodologies, all of which are tied to food consumption. The main defect is the failure to detail what any of the budgets actually contain, in terms of tangible goods and services. In the committee formulations, "detail" consists only of percentages allocated to different categories, such as food, clothing, and housing.

In conclusion, I believe that abandonment of the Bureau's traditional quantity-cost budgets would be a grave loss. The budgets have made an independent and substantial contribution to studies of income adequacy. The explicit lists they provide of the commodities and services that go into the budgets are a crucial part of their value. People can judge for themselves whether the lists are reasonably representative of living standards at specified levels.

— ANNE DRAPER

Department of Economic Research, AFL-CIO,  
and Labor Research Advisory Council,  
Bureau of Labor Statistics

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reau of Labor Statistics, should also be developed in order to explore all possible uses of directly elicited living standard estimates.

*New socioeconomic report.* The final recommendation calls for the design of a new report that can take advantage of the evidence in the continuous Consumer Expenditure Survey, as well as other major Federal surveys, to illuminate the condition of American families and households as consumers. The new budget standards provide a framework in which the population of households and persons can be distributed and the latest information on spending patterns can also be displayed. Such a report would also explicate the annually updated living standards and combine them with revised tax and related adjustments in order to determine the income standards appropriate for each State. In addition to reporting on standard annual series, the report could offer interpretative analytical articles based

on expenditure data and methodological articles on possible improvements to the Family Budget Standards Program.

### Rationale for the changes

To the small and select group of individuals closely familiar with the Family Budgets Program, it will be evident that these recommendations depart sharply from existing practices. For readers who have used and followed the budget series, but are less familiar with the details of the series construction, this section will point out the main contrasts. The reasoning behind the changes is presented for both groups of readers.

*Dollar totals vs. shopping lists.* A major and far-reaching departure is proposed in the basic formulation of the budget. The existing budget total can be regarded as the cost of a specific list of goods and services drawn from a variety of sources to characterize a "modest but ade-



quate" standard of living. The proposed Prevailing Family Standard aims at the same general level, but arrives at it by: (1) examining the living standards of a specified and familiar category of household spending a median number of dollars on current consumption relative to others of that type; and (2) taking that level as typifying the ordinary concept of prevailing living standards. Subtotals of expenditure for categories of consumption such as food, shelter, or clothing can be based upon average patterns observed for households at the median level. Illustrative lists of quantities of goods affordable within those totals can also be compiled on the basis of average price data. The critical difference is that the new procedure abandons the notion of a rigidly fixed list of things that are interpretable as minimum needs in achieving a given level of living.

Because of evidence that different families commanding the same set of choices select rather different commodities without apparent deterioration in health, vitality, or human dignity, the committee found mistaken the belief that there is a best or unique "recipe" for attaining a living standard. More important, careful examination showed that the existing lists of commodities were in fact not based on objective assessment of needs.

The idea that there are experts who can prescribe what is necessary for a working family to live decently is both widespread and attractive. It promises a basis for claims to "just wages" or "fair treatment" that are apparently supported by the absolute authority of science. Such claims are generally regarded as harder to refute than those based on relativistic standards such as the ones proposed by the committee. The committee might have embraced a set of well-authenticated needs that could be translated directly into costs. But no experts could be found who were willing to formulate such requirements. Nutritional experts can combine agreed-upon nutritional requirements (that can, in themselves, be satisfied at very low cost) with palatability limits and evidence related to food preferences to produce any number of need-filling food quantity lists. These lists have differing costs, and most people would prefer a higher cost "food plan" over a lower one. But the nutritional criteria provide no basis for choosing one plan over another, and the actual choice of a plan for the existing budget depends on relativistic measures that are no less arbitrary than the committee's proposal to assign median total expenditure as a standard of comparison.

Physical standards for housing have also been used in forming the budgets but, again, the standards do not determine a unique cost. The selection from among the wide range of values and prices of units that meet the standard is made by applying arbitrary and relativistic standards. Yet food and housing are usually considered the best cases for application of expert or scientifically

sanctioned standards. The same recourse to arbitrary and essentially relative criteria was apparent at all stages of development of the quantity lists currently used for the family budgets.

The majority of the committee concluded that the main claimed advantage of lists of qualities of goods and services—that such lists assure the meeting of authoritatively established needs—was in fact illusory. Any cost total derived from lists of commodities has perforce been based on a myriad of individual judgments. Consequently, the committee majority, recognizing that a judgment based on individual values and not on scientific requirements must be made at some stage whatever the method used, decided to exercise that judgment in the choice of an expenditure total rather than in several hundred item choices.

It must be emphasized that the decision did not involve rejection of scientific or expert-based cost of living criteria. What was rejected was a complex and often obscure set of judgmental choices that has often and mistakenly been confused with scientific or expert-based standards. The theoretical and practical possibility of deriving genuine scientific quantity standards was also explored, but no promising new approach to determining detailed quantity lists was discovered. Finding no alternative to relying on its collective experience and judgment in assigning numerical totals to the more abstract notion of living standards, the committee chose an alternative that makes the exercise of judgment both explicit and "out front." The committee believes that family budgets based on its recommendations will be at least as useful as the current budgets but very much hopes that unsupportable claims will not be made by those who use them.

However, the family budgets do need an explicit conceptual base, and if the authoritative list of needs is abandoned, what is the alternative that informs the recommendations? The alternative is the notion of a popular or democratic consensus about norms or standards of comparison. The committee asserts that there is a general consensus about how much it takes for an ordinary family to "get along"—perhaps not an exact figure, but rather a range or "band" of total expenditure levels that contains what most people would agree is the "get along" amount. Similar consensus may be defined for thresholds for deprivation or abundance, and survey research, both in Europe and the United States, has been able to measure these levels.<sup>3</sup>

Assuming the existence of such norms as social facts, the committee addresses the task of finding acceptable ways of eliciting and expressing them in quantitative detail. The majority of the committee believes the reason the existing practice has been acceptable is that the numbers arrived at are consistent with the popular norms, not that they were derived from expert judg-

ment. If “experts” had decided that everyone must have new shoes every week, for example, resulting budgets would have been widely rejected as outside the consensus for such norms. But it also follows that any method of establishing norms that succeeds in approximating the consensus will be reasonably well-received and found useful.

But this view of norms also suggests that a more direct way to elicit them would be to inquire about them in surveys. For this reason the committee recommends a major effort to evaluate and perfect the survey method so that it eventually may be considered in designing possible alternatives for the methods already recommended in this report.

In short, this report recommends a basic shift toward a more populist or democratic framework—the notion that ordinary people, not experts, know what they need in order to get along or to prosper. Thus, recommendations for new measurement are directed toward the task of finding stable and reproducible estimates of those levels.

*Related differences.* There are several implications of the basic change. First of all, in order to determine the cost of the shopping list, the existing budgets require current price data on the listed items; the process of updating the cost, between list revisions, similarly depends on a continuous flow of appropriate price data. The proposed approach does not require price data to establish a “bottom line” total cost number, but it does require continuous survey data on household expenditure behavior both for the total cost and for the current allocation among different lines of expenditure. Since price data would no longer be needed for the Family Budget Program (except for the “ratchet” computation which prevents reductions in real budget levels), the committee recommends that fixed-weight price index numbers be developed for inter-city and inter-regional comparisons. The existing budgets provide cost differentials that are often used as price differentials. The committee urges that the price data be kept separate from the budgetary norms but recognizes that each has its legitimate use and urges that both be surveyed and published.

Unlike the existing budgets which are shown only for specific cities and for regional aggregates that do not have homogeneous tax laws or climate, the new budget standards would be designed to cover all areas, State by State. In the event that dependable and consistent estimates of differential living costs according to urbanization can be formed, they could be added to the array of variations. But this should be done on a size or type-of-place basis rather than for specific cities. Because price data are collected only for specific cities, the committee recommends that the price comparisons be limited to those same cities.

The change in concept also implies a shift from an “absolute” to a “relative” standard, at least to the extent that the underlying, popularly conceived norms will be based on what the individuals are experiencing directly and on what they see going on around them. If the underlying norms can be faithfully reflected in the family budgets, they will automatically keep pace with the constantly changing levels and patterns of expenditure that correspond to the different standards. The absolute standards embodied in detailed lists of commodities must be overhauled periodically; only for a very short time do they approximate the patterns and items of actual current spending. (Pedal pushers, for example, are among the anachronistic items in the current budgets.)

*Equivalence scales and family types.* The proposed approach to the family budgets allows for extension of the budget levels and allocations to as many family types as desired. The committee recommends only six, but it would be possible to prepare other budgets of the same type on short notice if needed for special purposes. The equivalence scale provides an adjustment factor for calculating the appropriate budget total for any kind or size of family, and the most recently estimated expenditure allocation system will yield average patterns of spending for each. Finally, the tax and “other expense” categories can be calculated and added to yield a total “gross income” requirement for maintaining the standard for each kind of family. With the existing system a whole new list of goods and services must be specified for each separately budgeted family type. Clearly the size of this task has been an obstacle to providing coverage for a wider variety of family types. While the existing program has its own set of equivalence scales that can be used to adjust the four-person spending totals, they have never been widely used or given prominent attention.

ALTHOUGH THE COMMITTEE recommends substantial changes in the way family budgets are conceived, estimated, and presented, the new standards are very much in line with the traditional ones. The levels that have been chosen provide essential continuity with those that have been developed and found useful in the existing program. Consequently, the typical user will not notice any sharp change in the overall appearance of the budgets despite the sharp change in methodology. If the recommendations are accepted the committee believes that the broader coverage of the budgets, both as to family types and areas, will make the budgets useful for a wider range of users and that the proposed new Report on Household Consumption will add an important dimension to our array of social indicators. □



— FOOTNOTES —

<sup>1</sup> A large part of the estimates were based on analysis of the 1960–61 Survey of Consumer Expenditures. Given the availability of data from the 1972–73 Consumer Expenditure Survey and the mandate of the Comprehensive Employment and Training Act (CETA) of 1973 that “the Secretary (of Labor) shall develop methods to establish and maintain more comprehensive household and budget data at different levels of living, including a level of adequacy, to reflect the differences of household living costs in regions and localities, both urban and rural,” the Bureau of Labor Statistics began to plan for a comprehensive revision of the Family Budget Program.

<sup>2</sup> See Carol Fendler and Mollie Orshansky, “Improving the Poverty Definition” in *Statistical Uses of Administrative Records with Emphasis*

*on Mortality and Disability Research: Selected Papers given at the 1979 Annual Meeting of the American Statistical Association*, Washington, D.C., August 1979. Social Security Administration, Office of Research and Statistics, pp. 161–68.

<sup>3</sup> See Denton Vaughn and S. Lancaster, “Income Levels and Their Impact on Two Subjective Measures of Wellbeing: Some Early Speculation from Work in Progress,” *1979 Proceedings of the Section on Survey Research Methods, American Statistical Association*, Forthcoming; and Frank M. Andrews and Stephen B. Withy, *Social Indicators of Wellbeing: Americans’ Perceptions to Life Quality* (New York, Plenum Press, 1976.)

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**Inflation’s diffused pattern**

Inflation is characterized by a general and widely diffused rise in prices and costs. However, all prices and factors affecting prices do not begin to rise or fall at the same time. In part, this is due to the existence of more or less regular sequences in the movement of different prices. Prices in some markets almost always begin to rise more promptly than in other markets. Similarly, some prices typically begin to fall sooner than others.

Moreover, prices do not all move at the same pace, and in particular, they do not necessarily move at the same pace as wages or costs of production. Prices of some types of assets, such as common stocks or land, rise or fall, while the money price of other assets, such as savings accounts or debt instruments, may not change at all. These differences in price behavior have significant consequences. Real wages—money wages adjusted for price changes—may rise or fall, with vital effects on the wage earner and his family. Profit margins, dependent on the difference between prices and costs, may rise or fall, thereby encouraging or discouraging expansion of production, development of investment plans, or shifts of resources from one activity to another.

—GEOFFREY H. MOORE,  
*Business Cycles, Inflation, and Forecasting* (New York,  
National Bureau of Economic Research, Inc., 1980),  
p. 214.

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