

How Much Worse Off Are We?

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"...millions of low wage American workers are earning less in real, inflation-accounted for dollars today than they earned in the 1970s."

– Vermont Congressman Bernie Sanders

Today, there are two Americas. One America agrees with Congressman Sanders and Senator John Edwards that life is getting harder for working Americans, that things have been going down hill for thirty years, and that our only hope is bigger government. The other America realizes that it is nonsense to suggest that the middle class is disappearing and that the standard of living is eroding for working Americans.

This essay consists mostly of a deluge of statistics. But before I get to that, let me just ask you to consider what you can see with your own eyes. Is your family worse off than it was in the 1970's? Are many of the families that you know worse off? Do the people that you see in shopping malls, on vacation, on the highway, or in restaurants look like they are worse off than they were thirty years ago?

In the 1970's, ordinary working people drove Vegas and Pintos. They did not eat out much. They rarely traveled by airplane. Many of their jobs were dangerous. Do you really think that there are many working Americans today who would trade places with their 1970's counterparts?

The Disappearing Lower Class

What disappeared between 1970 and today was not the middle class but the lower class. The table below shows the percentage of households without certain basic middle-class necessities in 1970 vs. today.

| Item | Percent Lacking in 1970 ¹ | Percent Lacking Now ^{2,3} |
|-------------------|--------------------------------------|------------------------------------|
| telephone | 13.0 % | 2.4 % |
| complete plumbing | 6.9 % | 0.6 % |
| refrigerator | 17 % | 0.1 % |
| Stove | 13 % | 0.3 % |
| color television | 66.0 % | 1.1 % |
| Vehicle | 20.4 % | 10.3 % |

Today, 68.6 percent of households own their own homes. This is an all-time record, four percentage points higher than in the 1970's.

Next, consider some items that would have been viewed as luxuries in 1970. The table below compares the prevalence of these goods in the *average household* in 1970 with their prevalence in 2001 in households with incomes *less than \$15,000*.

| Item | Percent of <i>All</i> Households Owning in 1970 ¹ | Percent of <i>Poor</i> Households Owning in 2001 ³ |
|------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------|
| Dishwasher | 26 % | 18 % |
| Clothes Washer | 62 % | 57 % |
| Clothes Dryer | 45 % | 45 % |
| Cell Phone | 0 % | 23 % |
| Large-screen TV | 0 % | 25 % |
| Answering Machine | 0 % | 37 % |
| Cable or Satellite TV hookup | 0 % | 64 % |
| VCR | 0 % | 74 % |
| Microwave Oven | 0 % | 75 % |

Economic historian and Nobel Laureate Robert Fogel considers statistics like these and concludes⁴ (p.71):

“Indeed, we have become so rich that we are approaching saturation in the consumption not only of necessities, but also of goods recently thought to be luxuries...Virtually everyone who is old enough and well enough to drive a car has one. In the case of television, there are 0.8 sets per person (2.2 per household)...The level of saturation for many consumer durables is so high that even the poorest fifth of households are well endowed with them.”

Given these statistics, what explains the fact that, adjusted for inflation, the pay of the lowest-wage workers has not increased much over the past thirty years? There are a number of factors involved, but I suspect that the largest component of the explanation is a shift in the composition of the low-wage work force. In the 1970's, many of the people at the bottom of the wage scale were heads of households. Today, many low-wage workers are providing second or third incomes to families.

The important point to bear in mind is that “the bottom fifth of the wage distribution” does not represent some permanent group of people. Instead, it signifies the earnings of workers who *at that time* have the lowest levels of skills and experience. My college-age daughters, doing temporary clerical work, are in the bottom fifth. But even if the income of the bottom fifth were to stagnate over the next twenty years, my daughters will earn higher incomes as they acquire valuable knowledge.

The Long View

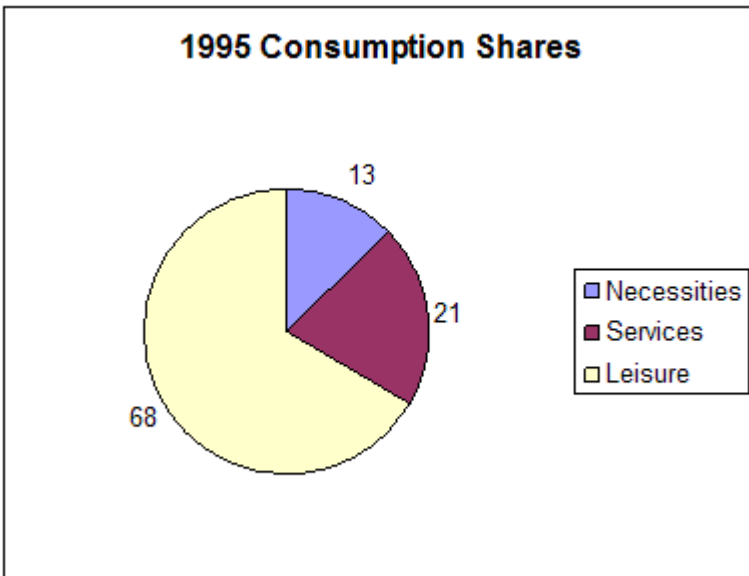
Fogel tracks economic progress over long periods. One of the most important trends of the past century is the reduction in the average work week. Contrary to another popular myth, Americans are working *much less* than they used to. Fogel writes⁴ (p. 66):

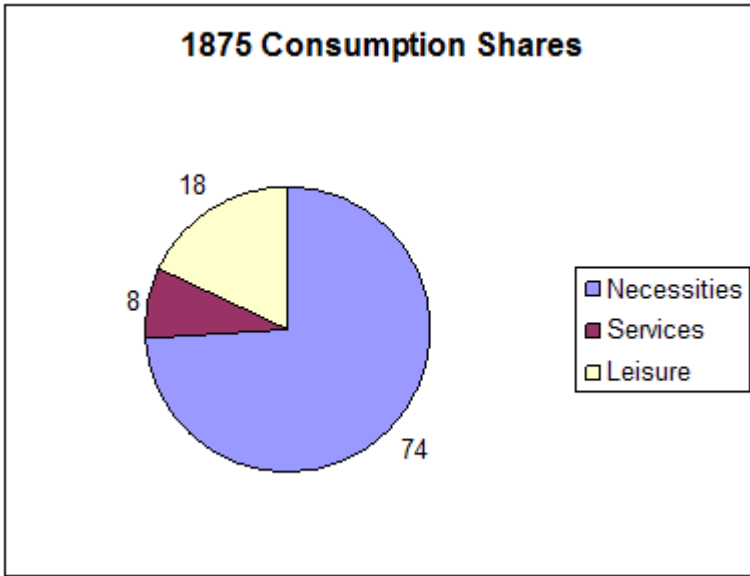
“in 1890, retirement was a rare phenomenon. Virtually all workers died while still in the labor force. Today, half of

those in the labor force, supported by generous pensions, retire in their fifties.”

Furthermore, Americans work many fewer days than they did a century ago. Using as a benchmark a 365 day work-year, Fogel calculates⁴ (p. 68) that in 1880 on average male household head worked 8.5 hours per day, but only 4.7 hours per day in 1995. With less time spent working and somewhat better health, total leisure available has more than tripled, from 1.8 hours per day to 5.8 hours per day.

Fogel's most interesting table⁴ (p. 89) is abbreviated and put into a chart format below. Fogel folds leisure into total consumption and then compares the shares of consumption in 1875 and 1995.





In 1875, roughly 3/4 of consumption was on basic necessities -- food (49 percent), clothing (12 percent) and housing plus consumer durables (12 percent). By 1995, these necessities accounted for only 13 percent of consumption. Able to acquire the basic necessities with less than one-third of the labor formerly required⁴ (p. 72), households have dramatically increased leisure. In addition, the share of consumption of services has gone up, including education (from 1 percent in 1875 to 5 percent in 1995) and health care (from 1 percent to 9 percent).

We Are Healthier

The increased share of spending on health care is often given a negative spin by journalists and politicians. We hear that “health care is too expensive.”

In some ways, my personal experience typifies the trend in expenditures. Our family is spending much more on health care than my parents did thirty years ago.

On the other hand, I am reluctant to conclude that health care has become too expensive. My wife's cancer was detected early and treated effectively. My mother's cancer killed her in 1976, at age 53. If you ask me, the 1970's were no golden age of medical care.

Fogel's data supports the view that our health is improving. Again, taking the long view, he writes⁴ (p. 21):

“technopysio evolution...has enabled *Home Sapiens* to increase its average body size by over 50 percent and its average longevity by more than 100 percent since 1800.”

Quality of life is improving at least as dramatically as longevity. Fogel reports⁴ (p. 91) that the average number of chronic conditions per U.S. male aged 60-64 fell from 5.6 in 1900 to 1.6 in the mid 1990's. This represents an average annual drop of 1.3 percent. The rate of decline reached 1.7 percent per year from 1982-1999, and Fogel notes⁴ (p. 84) that some evidence suggests that even within that timespan the improvement was greatest in the most recent years.

The reality is that neither the rise in health care expenditures nor the standard of living of working Americans represents a problem. The false portrayal of these issues by the Left is more likely to provoke a crisis than to solve one.

Sources

¹ W. Michael Cox and Richard Alm, *Myths of Rich & Poor*.

² [Census Data Sample in 2000](#).

³ [Department of Energy Appliance Survey in 2001](#).

⁴ Robert William Fogel, *The Escape from Hunger and Premature Death, 1700-2100*.

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