

Consumption and the Cost of Meeting Household Needs

Jerome M. Segal

“Clothing sufficient for warmth, of a sufficiently good quality to be economical, but with no further regard for appearance and style than is necessary to permit the family members to appear in public and within their rather narrow social circle without slovenliness or loss of self-respect . . .” This is how the Bureau of Labor Statistics, in a 1920 report entitled *Minimum Quantity Budget Necessary to Maintain a Worker’s Family of Five in Health and Decency*, described the category of clothing in establishing the quantity of items a typical government worker would need to purchase to maintain a decent standard of living.

Since its earliest days, the study and establishment of needs budgets is a topic fraught with ambiguities and assumptions—and none more so than the understanding of what constitutes a need. What *are* needs? Economists tend to talk about desires or preferences, and they view expenditures as expressing preferences that emerge from desires. But they generally view the concept of need with suspicion, considering it too subjective to use in empirical study. But these misgivings aside, the concept of need continually reasserts itself. The question, “How much do we really need?” has a resilience that suggests that it may make more sense to try to develop acceptable methodologies for answering it, than simply to turn our backs on the question. This article first examines several aspects of need and describes briefly the history of research into the cost of meeting needs in America. Based on these considerations, I suggest some approaches that may be useful in researching the cost of meeting needs, and I apply these considerations to two examples: food and shelter.

The Cost of Meeting Core Needs: Two Distinctions

Desire vs. Need. Although people tend to know their desires, they may be completely unaware of their needs. This is certainly the case in the area of nutrition. Long before scientists discovered vitamin C, humans have needed the vitamin and suffer in its absence. While no one *desires* vitamin C, everyone is *harmed* in

its absence. In ascertaining a person’s needs, it is often the case that other people have greater knowledge than the person himself. For knowledge of needs—in this case, nutritional needs—one cannot rely on introspection, but instead must rely on expert information.

Human beings have all sorts of needs, ranging from needs for minimal clothing and shelter, to needs for self-fulfillment and love. Moreover, all of these needs, even the most esoteric, directly or indirectly are connected to the economic sphere. Vast amounts of consumer spending are motivated by beliefs (often encouraged by advertising) that link deep-seated psychological needs to the purchase of specific goods and

Since its earliest days, the study and establishment of needs budgets is a topic fraught with ambiguities and assumptions—and none more so than the understanding of what constitutes a need.

services. In the discussion that follows, however, I focus only on rather prosaic needs, those that are tied to physical well-being and commonplace notions of social decency.

Cost vs. Spending. Before considering the cost of meeting needs, it is important to bear in mind the distinction between cost and spending. Determining the cost of meeting basic needs differs from ascertaining the amount actually spent on basic needs. Cost figures reveal how much someone *would have to spend* to satisfy a need; the consumer expenditure numbers, collected in great detail by the Bureau of Labor Statistics, reveal only how much people *actually spend*. And although these expenditures are categorized in what may sound like “need categories” (e.g., Food, Clothing, Shelter, Health), it is a mistake to assume that actual expenditures in any of these categories can be translated into the cost of meeting the associated need. Rich people may spend far more on food than they actually need, and poor people may spend far less.

Table 1

Consumption expenditures of “normal” families in principle industrial center in 33 states, as a percentage of total expenditures, 1901

Food	43.1%
Rent	18.1%
Fuel	4.6%
Light	1.1%
Clothing	13.0%
Sundries (which include household supplies and equipment, transportation, health care, entertainment, personal care items and services, education, contributions, and insurance)	20.1%

Source: *How American Buying Habits Change*, Department of Labor, 1959

What Do Americans Spend Their Money On? A Quick Snapshot

For over a hundred years, researchers have gathered information on American spending habits. In 1901 the U.S. Bureau of Labor Statistics undertook a major study of consumer expenditures. Looking at the consumption patterns of urban wage earners in thirty-three states, the study outlined the spending patterns of “normal” families, defined as an employed husband, a wife, and no more than five children (none of whom were over the age of fourteen), with no dependents, lodgers, or servants. Table 1 summarizes (as a percentage) the findings on how these families spent their incomes.

In comparing spending habits, most striking is the change in the percentage of total expenditures devoted to food—in 1901 families devoted 43% of their expenditures to food. Today, American families devote

Studying what people spend their money on is quite different from studying how much money they actually need.

approximately 14% of their expenditures to food, and of that, 40% is for food consumed out of the home. While food has declined markedly as a spending category, there has been an astonishing increase in another area: Transportation. At the beginning of the twentieth century, transportation amounted to only 1 or 2% of total spending. It didn’t even rate a separate category.

By the end of the century, American families were spending far more on transportation than on food, and for many transportation had become a larger spending area than shelter. (Table 2 shows the transition from 1950 to 2000.)

How Much Money Do Americans Need? A Brief History of the Search for an Answer

As noted above, studying *what* people spend their money on is quite different from studying *how much* money they actually need. Investigations of this second question also go back to the beginning of the twentieth century. Often these inquiries were motivated by an effort to set fair or reasonable wages. Thus, just after World War I, Congress directed the

Living wage studies address some of the inadequacies of an official “poverty line,” and they help identify a wage that would allow families to be “self-sufficient.”

Labor Department to determine how much it costs to live at a decent standard in Washington, D.C.—Congress was interested in finding a basis for setting the salaries of its own employees.

Over time, the Bureau of Labor Statistics (BLS) formalized this kind of inquiry. Starting in 1946 the BLS undertook a series of family budget studies that determined cost levels for attaining “health and decency.” These studies, as with earlier BLS work, supplied a

Table 2
Allocation of Total Consumer Expenditures, 1950–2000

	1950	1960	1970	1980	1990	2000
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Food	27.0%	22.0%	17.8%	18.8%	15.1%	13.5%
Food at home		17.6%	13.9%	14.1%	8.8%	7.8%
Food away from home		4.4%	3.8%	4.7%	6.4%	5.7%
Alcoholic beverages	1.5%	1.4%	0.9%	1.6%	1.0%	1.1%
Housing	24.8%	26.0%	28.0%	29.5%	30.7%	31.1%
Shelter	10.2%	12.2%	16.0%	16.5%	17.0%	17.7%
Utilities, fuels and public services	3.8%	4.4%	6.2%	7.4%	6.7%	6.2%
Household operations	4.3%	5.1%	1.5%	1.5%	1.6%	1.8%
Housekeeping supplies					1.4%	1.4%
House furnishings 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%	5.0%
Transportation	12.5%	13.7%	18.7%	20.2%	18.0%	18.8%
Vehicle purchases (net outlay)			7.5%	6.9%	7.5%	8.6%
Gasoline and motor oil			4.3%	6.9%	3.7%	3.3%
Other vehicle expenses			5.7%	5.1%	5.8%	5.8%
Public transportation	1.5%	1.4%	1.2%	1.3%	1.1%	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%	4.9%
Personal care products/services	2.1%	2.6%	1.1%	0.9%	1.3%	1.5%
Reading	0.8%	0.7%	0.5%	0.7%	0.5%	0.4%
Education	0.5%	.9%	1.3%	1.2%	1.4%	1.6%
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%	2.1%
Cash contributions	3.8%	5.0%	3.9%	2.9%	2.9%	3.3%
Personal insurance and pensions	4.2%	5.3%	8.7%	7.4%	9.1%	10.7%
Life and other personal insurance			3.9%	1.6%	1.2%	1.1%
Pensions and Social Security			4.8%	5.8%	7.9%	9.7%

Note: 1950 was for all households in areas of 2,500 and up. 1960 was for all urban and rural. 1970 was for urban. 1980 was for urban (less students). 1990 and 2000 was for all households.

“quantity budget,” which provided a detailed list of the specific goods and services that would need to be purchased. The quantity budget was very specific, specifying even the number of undergarments for each member of the household. Using the quantity budget, an actual cost budget was calculated using pricing studies for cities around the country.

The BLS continued these studies until 1982, when the program was abandoned, both because the Reagan Administration had little interest in such research, but also because the BLS methodology came under serious

attack. However, shortly after its demise, localities began to undertake similar studies, and economists developed a “needs-based poverty line,” which essentially followed the BLS approach. This in turn gave rise to the “living wage” or “self-sufficiency wage” studies prevalent in recent years.

Increasingly refined forms of living wage or “self-sufficiency” studies are conducted today not just by government agencies but to a large extent by non-profit organizations, with support from foundations and labor unions. These studies are of considerable

interest to government departments and other organizations concerned with welfare reform, public assistance, and poverty alleviation. Living wage studies address some of the inadequacies of an official “poverty line,” and they help identify a wage that would allow families to be “self-sufficient” (that is, able to meet core needs without public assistance).

It is useful to briefly note some of the methodological difficulties the BLS and others encountered when trying to determine how much money a family needs. Some of these difficulties are apparent when one considers the food sector. In many ways, food seemed the most objective of the various need categories, with much data from scientists and nutritional experts. Thus, food budgets specified, in great detail, the quantities and varieties of meat, fish, cheese, milk, grain, fruits, and vegetables necessary to maintain a family in health. And as nutritional information about calories, vitamins, and minerals expanded, these food budgets were modified. More than any other area, food budgets were seen as “experts’ budgets.”

But, as a 1980 Advisory Committee charged with examining the BLS studies pointed out, there were deep problems with these food budgets. It turned out that it was possible to come up with nutritionally sound diets across a very wide range of cost levels, including costs well below those generally identified as low income or “thrifty.” The BLS family budgets relied upon food budgets developed by the Department of Agriculture—but rather than starting with nutritional need and then solving for least cost figures, these budgets started with specified income ranges and then developed nutritional budgets for specific income levels. Thus, using these budgets to ascertain how much was needed to meet nutritional needs seemed eminently circular. While the charge of circularity wasn’t totally fair to the BLS researchers—they were trying to ascertain costs within some cultural constraints on eating habits—the approach was quite problematic. In theory, the problem could be avoided by identifying a food budget for the absolutely cheapest way to achieve nutritional adequacy, but hardly any American family actually eats that way. And what good would it do to point out that if poor American families suffering malnutrition adopted the eating habits of the peasantry in other societies, malnutrition could be avoided?



*From: Trades and Occupations,
edited by Carol Belanger Grafton
(Dover Publications, Inc., 1990).*

One way of understanding what the BLS was trying to do is to say (though the BLS didn’t) that there exists some other, ill-defined need, something more than mere nutritional adequacy that requires the specified spending levels. Failure to specify such implicit factors made the studies seem arbitrary. (Paradoxically, although the BLS ended studies of this type, this same food budget continues to be used as the basis of the Federal poverty line—defined as three times the cost of the “Thrifty” food plan. Further, even today’s living wage budgets, which reject the idea of using a multiple of the food budget, utilize a seemingly arbitrary U.S. Department of Agriculture budget to specify the cost of the food component of the overall budget.)

Four Methodological Keys

Four considerations are useful in searching for an adequate methodology for pricing the cost of meeting needs.

1. Examine the expenditure levels at which basic needs problems emerge. Over the years, most of the work in ascertaining the cost of meeting needs consisted of specifying needs, translating these into commodities that are needed and then pricing the commodities and summing to reach an overall income requirement. An alternative approach, one found at the beginning of the twentieth century, focused on specific behaviors or conditions that showed that needs were not being met (e.g., malnutrition, wearing ragged clothing,

illiteracy). The prevalence of these conditions was examined in relation to actual income and spending patterns. This allowed one to reach rough and ready conclusions (e.g., when family income in 1908 reached \$1,200 it was generally the case the problems that arise when needs are unmet disappeared). Closer inspection showed that different kinds of problems disappeared at different income or spending levels. This kind of approach can be usefully employed to link *actual* expenditure levels to those required to *truly* meet needs (e.g., \$800, the median amount actually spent by a family of four for shelter in the year 2000, is an amount clearly insufficient to live in a safe neighborhood in many parts of the U.S.)

2. Specify needs in functional rather than physical terms. Need-based budgets, with their detailed lists of goods and services and with efforts to identify accurate prices, tend to push the needs themselves into the

**Graceful Simplicity: Toward a
Philosophy and Politics of
Simple Living**

Jerome M. Segal

In *Graceful Simplicity*, Jerome M. Segal expands and deepens the contemporary discourse on how to achieve a simpler, less harried way of life. He articulates a powerful conception of simple living—rooted in beauty, peace of mind, appreciativeness, and generosity of spirit. At the same time, he criticizes much of the “simple living movement” for believing that we can realize this conception as isolated individuals if only we free ourselves from overconsumption. Segal argues that, unfortunately, we have created a society in which human needs can be adequately met only at high levels of income. Instead of individual renunciation, he calls for a politics of simplicity that would put the facilitation of simple living at the heart of our approach to social and economic policy.

“*Graceful Simplicity* is a marvelously textured analysis of the elusive ideal of simple living. For those eager to find a way to get off the “more is better” treadmill, Jerome Segal offers insight and hope. Drawing upon philosophy, history, economics, sociology, and psychology, he explains why simplicity is not a simple concept and reveals why it retains its perennial allure. A must read.”

—David Shi, president of Furman University and author of *The Simple Life: Plain Living and High Thinking in American Culture*

“In simple, graceful prose, Jerome Segal explains why less elaborate modes of living would make us happier.”

—Robert H. Frank, Cornell University, author of *Luxury Fever*

263 pages
\$26.00 (cloth)

Henry Holt and Company LLC.
Available at bookstores or directly
from the publisher:
Tel.: 888.330.8477
FAX: 800.672.2054

To request examination copies
or inquire about classroom use, write to
academic@hholt.com

background. Indeed, sometimes virtually no effort is made to articulate the needs in question; instead, various commodities are simply organized under general spending rubrics such as “food,” “shelter,” and “clothing.” Inevitably over time and as the culture changed, the *list* of goods and services required to satisfy a given need also changed. This led many to conclude that the *needs* also changed, and it seemed impossible to develop consistent time-series data of the cost of meeting needs. Moreover, when one has examined a variety of different quantity budgets, each particular one begins to look increasingly arbitrary.

Characterizing needs in functional terms leads to greater conceptual surefootedness. Thus, rather than providing either broad general characterizations of needs (e.g., food, clothing) or detailed commodity specifications (that a family needs an automobile, or a house of a certain size), one would try to identify the underlying functions to be served by such commodities. The functional approach reveals, for instance, that within the category “transportation” there has existed a constant need “to be able to get around between the familiar loci of everyday life”—between home and workplace and school and friends and marketplace. Such functional needs have been relatively constant, and emerge in very diverse societies. But the commodities required to enable one to get around—whether on foot, via bicycle, bus, or personal car—may change substantially. It should be noted that this way of speaking about needs moves us into the “capability” language espoused in recent years by Nobel laureate economist Amartya Sen, and centuries earlier by Adam Smith (e.g., clothing commodities are needed because they give rise to specific capabilities such as the ability to appear in public without shame).

3. Get very detailed about needs. As shown in the discussion above concerning food, when need is characterized merely in terms of health concerns, specific food plans took on an arbitrary character (since nutritional goals can be met at lower as well as higher levels of spending). But if such food plans were not arbitrary, but instead responded to some other non-nutritional, but unarticulated needs, then these require identification. A viable approach would involve two moves. First, the investigation could embrace a “least cost” orientation—the one non-arbitrary approach. This however would have to be interpreted contextually and set within specified constraints. Thus, achieving the least cost way of satisfying specific needs sometimes requires considerable information, sometimes considerable search or preparation time, and sometimes considerable willingness to move outside of familiar cultural patterns. One could of course seek absolutely least cost numbers without any constraints, but these would be of little practical value. Rather, the constraints should be detailed, but within them, the

least cost ways of satisfying the needs in question are exactly what one is looking for when one asks the “how much money is required . . . ?” type of question.

Secondly, this kind of “least cost” approach needs to be embedded within a fully articulated set of needs. Human needs are enormously diverse, and it is rarely the case that any commodity is sought merely because it satisfies one particular need. For instance, even in the poorest cultures, there exists an aesthetic dimension to life that enters into the basics of food, clothing and shelter. Thus, no culture treats food as if its sole purpose was to provide nutrition. Enormous amounts of cultural and personal energy are devoted to the discovery, development and transmission of the information and skill that allow food to taste good, and enable even the poorest people to occasionally have a great celebration.

4. *Work with multiple standards.* In considering the question of what needs to consider, or what exactly counts as a necessity, one must realize that there exists no single answer. Just as the Federal Reserve in its statistics on the supply of money provides data in relation to a wide array of alternative definitions of “money”—ranging from currency, to currency-plus-checking-account balances, to both of these plus credit card limits—so too is it possible to develop an array of living standards, each specified in detail, and each subject to investigation into the cost of living at that particular standard.

Core Economic Capabilities of a Middle Class Standard: Two Examples

A middle class standard is just one of many that one might seek to “cost out.” By a “middle class standard” I don’t necessarily mean the life pattern that corresponds to families living on median levels of income, but rather a standard that satisfies the values and expectations of broad segments of the American population. While a full discussion would examine the economic capabilities in the areas of food, shelter, clothing, transportation, education and child care, health, and economic security, let me offer core economic capabilities for two of these: food and shelter.

Food. I suggest that a person lives at a middle class standard if:

A person eats nutritiously, hosts with pride, eats diverse foods of good quality, celebrates holidays, eats produce out of season, purchases lunch in the workplace, and occasionally takes the family out for dinner.

In earlier decades, food was the largest item in the budget. So central was food, that the U.S. poverty line was based on the cost of meeting food needs. But spending levels for food, to some extent then and certainly today, far exceeds the rock bottom cost of securing nutrition, and thus provides little insight into the cost of meeting that particular capability.

Central are such social capabilities as the ability to host with pride. Food consumption is a social act that occurs within cultural definitions of what constitutes food, what is considered palatable, aesthetically acceptable, skillfully cooked, and so on. Among the many psychological and social needs that food addresses, for many, satisfying food needs requires the ability to eat in ways that are typical within one’s society. Put in financial terms, the cost of meeting this richer set of food capabilities in our society will not be too different from the existing level of median food expenditures. This suggests that at least with regard to food, we are in a kind of consumption trap, where we find ourselves needing more elaborate commodities as the general income rises. Individuals may escape this, sometimes by escaping to a particular subculture. But for most of us, we are on something of an escalator. The expenditure level required to satisfy an underlying need does expand as income grows. But given the sharp decline in the percentage of consumption actually devoted to food, it is not a terribly fast moving escalator; over time, smaller percentages of our higher incomes appear to suffice.

Broadly speaking, I think we can say that most American families satisfy the middle class food standard articulated above. If this is so, a quick look at existing expenditure levels gives a sense of what it costs to achieve the middle class standard. In 1999 the average food expenditure level for consumer units composed of “husband and wife with children” was \$7,034. On a per person basis this expenditure was

Food consumption is a social act that occurs within cultural definitions of what constitutes food, what is considered palatable, aesthetically acceptable, skillfully cooked, and so on.

\$1,804. If we look at single parent households, more than half of which live under the poverty line, we find per person spending at \$1,560. This tells us that actual spending isn’t all over the map. One might with some comfort conclude that the per person cost of meeting the above-articulated food standard falls within the range of the 20th to 80th percentile. This very broad band is actually quite narrow in financial terms, between \$1,715 and \$2,221 per person.

Shelter. Here a middle class standard can be specified as one in which the family:

Lives in a house or apartment with protection from the elements, with sufficient light and ventilation to sustain good health; lives in sanitary and spacial conditions not generally viewed as disgraceful; lives in a neighborhood where children can safely be outside alone; and lives where there is access to good public schools.

Table 3

Homicide rate per 100,000 population, 1950–1999

1950	4.6
1960	5.1
1970	7.9
1980	10.2
1990	9.4
1991	9.8
1992	9.3
1993	9.5
1994	9.0
1995	8.2
1996	7.4
1997	6.8
1998	6.3
1999	5.7

Most studies of progress in meeting our housing-related needs have focused on physical amenities related to health. Such progress has been substantial; greater percentages of the population live in physically adequate housing. For instance, in 1940 20% of dwellings in the U.S. housed more than one person per room, and 45% of dwellings lacked adequate plumbing facilities (e.g., indoor toilets); by 1995, only 2.6% of dwellings housed more than one person per room, and only 2.3% of dwellings lacked complete plumbing facilities. Although these and other indicators show that larger proportions of Americans have met certain housing needs—in fact, many have more opulent housing than they need—the full picture concerning housing needs requires scrutiny of other areas of functioning: those of safe neighborhoods and of access to good public schools.

Access to good neighborhoods and good schools vastly exceeds the cost of access to healthy and decent housing. Until recently, one might have assumed that the most costly of all is the access to safe neighborhoods. But with the decline in crime in the past few years, some might conclude that we are relatively safe from crime. But what does this mean? Certainly there has been recent progress. Data compiled by the Department of Justice (and shown in Table 3) reveal a steady rise in homicides from the 1950s that lasted into the mid-1990s—the lowest year was 1957, with a rate of 4.0 homicides per 100,000. Then, in 1996, after twenty-five years with homicide rates above 8 per 100,000—homicides fell to 7.4 and have fallen every

year since then. The 1999 rate of 5.7 was the lowest rate since 1966, when the rate was 5.6.

These figures mask enormous differences when homicide victimization is considered by income and race. Data from the past twenty-five years reveals that a black person is six times more likely to be a homicide victim than a white person—but *not* if that black person lives in an upper-middle-class neighborhood.

Safety depends in large part on neighborhood, but how safe is safe enough? In *Graceful Simplicity*, I defined a safe neighborhood subjectively, in terms of a “go out and play” standard. Is the neighborhood safe enough to tell our children, as our parents told us, to “go out and play”? Of course, this standard lacks precision, and it may be that parents’ willingness to actually say this varies enormously across the income spectrum. Thus, it might turn out that upper-middle-class parents would never allow any children to “go out and play” in most of the city neighborhoods inhabited by the bottom half of the income spectrum.

Nonetheless, what I have in mind, as a middle class parent with an income around the boundary between the fourth and fifth quintiles (in the year 2000 the upper limit of the 4th quintile was \$91,700) is intuitively clear to me. In my neighborhood, a child under the age of ten would not be allowed outside for more than a few moments without supervision. But I can identify neighborhoods in nearby areas where neither I nor my neighbors would feel this way, and I have a good idea of what houses cost in those neighborhoods. Extrapolating from these admittedly subjective intu-

itions allows me to say with some confidence that in the area in which I live (inside the Washington, D.C. Beltway), most families—surely at least 3/4ths—don't live at the “go out and play” standard of living.

Continuing with the Washington, D.C. Beltway area as an example, I estimate that meeting the “go out and play” standard requires one to live in neighborhoods in which homes cost \$300,000 or more. Thus, the annual shelter cost (e.g., mortgage interest, taxes, insurance, maintenance) of entry into such neighborhoods far exceeds the \$13,100 expenditure level for shelter of the top 1/5 of households.

As this example shows, spending the *least amount necessary* to attain one particular element in the housing standard may result in purchasing goods that are *vastly more expensive* than is necessary to attain other elements. To live in a safe neighborhood with access to good public schools may mean purchasing a \$350,000 home with amenities far beyond anything required to meet health or decency requirements. The home may have fifty percent more floor space or far more bedrooms than one needs. Efforts to set “needs budgets” have often set income needs for housing at an unduly low level—such budgets typically consider the cost of homes with adequate floor space, but ignore access to adequate schools.

The fact that a needs budget might involve costs that exceed the income constraints of most of the population is a rather unsettling outcome. In the over a century-old history of such budgets—whether called “basic needs budgets,” “health and decency budgets” or “living wage budgets”—the cost of meeting needs has fallen somewhere below the level of median income. The reason for this, I believe, lies in an implicit pragmatism. The purpose of these budget exercises was to help set wage levels, or to set policy for welfare programs or to set eligibility standards for various forms of economic subsidies. If the budgets generated figures that were completely out of the question for such purposes, then their own *raison d'être* would be undermined. After all, what good does it do to come up with a “living wage” level of \$50 per hour, or to reach the conclusion that to meet core needs in America a family needs \$150,000, or some other extraordinary sum?

Yet I would argue that there is a value in specifying needs independently of a preconceived sense of the answers. If, as we have seen, the willingness to speak about the cost of living in a safe neighborhood with good public schools leads us to conclude that 80% of American families lack the income to satisfy fairly basic

needs, this suggests that the answer is not to be found in higher incomes. Indeed, it opens the door to the idea that the pursuit of higher levels of individual income to satisfy family needs may be a particularly inefficient way for a society to seek to satisfy needs. In the housing example, even if everyone's income suddenly were raised to \$150,000, the effect would not be that everyone would be able to live in a safe neighborhood with good public schools—rather, the higher incomes would result in bidding up the price of housing in the good neighborhoods to market clearing levels. The problem for each individual might be inadequate effective demand, but the solution for all doesn't lie in increasing everyone's effective demand. It lies in increasing the supply of good schools and safe streets.

Solving this problem is obviously a difficult task. Yet it might help if generally we stopped thinking about basic needs problems as distinctly the problems of low income groups. Indeed, it might help if we stopped assuming that needs problems are essentially income problems. Indeed, it may be that our culture's focus on income is itself part of the problem—it reinforces the notion that the key to overcoming problems is to earn enough to move away from them. Heretically, one might even suggest that what we need to address our problems is less disposable income, and more collective spending. Yes, higher taxes!

Jerome M. Segal
Institute for Philosophy and Public Policy
School of Public Affairs
University of Maryland
js37@umail.umd.edu

Jerome M. Segal is also a Senior Fellow at
Redefining Progress

Sources: Useful data have been derived from the U.S. Department of Labor's 1959 work, *How American Buying Habits Change*; data on housing adequacy are adapted from Tables in *Calvert-Henderson Quality of Life Indicators*, edited by Hazel Henderson, Jon Lickerman, and Patrice Flynn (Calvert Group, 2000); homicide data are from James Alan Fox and Marianne W. Zawitz, “Homicide Trends in the United States,” U.S. Department of Justice, Bureau of Justice Statistics (January 4, 2001), which is available at www.ojp.usdoj.gov/bjs; Jerome M. Segal, *Graceful Simplicity: Toward a Philosophy and Politics of Simple Living* (Henry Holt, 1999). Parts of this article were adapted from a study Dr. Segal did for Redefining Progress, “Consumption and the Cost of Meeting Household Needs in the Twentieth Century.”