

# Introduction

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The economic and demographic profile of today's households is quite different from that of households a century earlier. Sweeping changes brought about by technological, educational, and institutional developments have heightened and brightened material lives. Changes in consumer spending, in turn, have altered the U.S. economy.

The clearest indicators of an improved standard of living are income levels and household expenditures. Between 1901 and 2003, the average U.S. household's income increased 67-fold, from \$750 to \$50,302. During the same period, household expenditures increased 53-fold, from \$769 to \$40,748. Equally dramatic is that the \$40,748 would have bought more than \$2,000 worth of goods in 1901 prices, indicating a tripling of purchasing power.

One significant effect of this upsurge was the change to a consumer goods-oriented U.S. economy. Mass consumption, spurred by advertising and consumer credit, has become a distinguishing characteristic of modern society. Today, consumer spending has become the largest component of U.S. gross domestic product.<sup>1</sup>

As a result, household expenditure and income data constitute a valuable resource in assessing the health and vitality of the U.S. economy, as well as those of individual households or fami-

lies.<sup>2</sup> While no two families spend money in exactly the same manner, indicators suggest that families allocate their expenditures with some regularity and predictability. Consumption patterns indicate the priorities that families place on the satisfaction of the following needs: Food, clothing, housing, heating and energy, health, transportation, furniture and appliances, communication, culture and education, and entertainment.<sup>3</sup>

Consumer spending habits are not rigid, shifting sharply from time to time as incomes rise or fall. High-income families spend more for each of the above-referenced items in absolute terms than do low-income families, but they also spend a lower share of their income for food and other necessities.<sup>4</sup> By assessing the proportion of spending that households allocate for specific items, it is possible to judge both national and regional income distributions, as well as a society's overall development level.

In this report, economic and demographic profiles of U.S. households in the aggregate, as well as profiles of households in New York City and Boston, are presented. New York City and Boston are included because they are two of the country's oldest urban areas. The report examines how, over a 100-year period, standards of living

have changed as the U.S. economy has progressed from one based on domestic agriculture to one geared toward providing global services.

The report provides an in-depth assessment of U.S. households at nine points in time, beginning with 1901 and ending with 2002–03. The text highlights changes in family structure and economic conditions and examines factors that have altered and influenced both society and households.

Tracing the spending patterns of households nationwide and particularly in New York City and Boston yields insights into how the social and economic fabric of the country evolved during the 20th century.

Making comparisons like these over long periods of time is difficult. Not only has the geographic coverage changed—the New York and Boston metropolitan areas today are quite different than they were in 1901—but survey methodology has also improved, items have changed (fuel oil versus kerosene and autos versus public transportation), and coverage (including single-person households versus family) will not allow it.

We treat the 1901 Consumer Expenditure Survey numbers as reflective of both cities. Although the region at the time of the survey was the State, most of the surveying was done in New York City and Boston. Moreover, we avoid distortion by comparing gross trends. For these reasons, we do not believe that the overall analysis of expenditure shares is meaningfully affected, but it should be interpreted with caution.

<sup>1</sup> See Valentino Piana, "Consumption," at [www.economics.webinstitute.org/glossary/cons.htm](http://www.economics.webinstitute.org/glossary/cons.htm) (visited February 14, 2005).

<sup>2</sup> The terms "households" and "families" are used interchangeably in this report.

<sup>3</sup> Valentino Piana, "Consumption."

<sup>4</sup> Throughout the report, spending on necessities is defined as spending for food, clothing, and housing.