

Toward a New Measurement of Living Standards

Author(s): Leopold Kohr

Source: *The American Journal of Economics and Sociology*, Vol. 15, No. 1 (Oct., 1955), pp. 93-104

Published by: American Journal of Economics and Sociology, Inc.

Stable URL: <https://www.jstor.org/stable/3484553>

Accessed: 18-02-2022 01:56 UTC

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



JSTOR

American Journal of Economics and Sociology, Inc. is collaborating with JSTOR to digitize, preserve and extend access to *The American Journal of Economics and Sociology*

Toward a New Measurement of Living Standards

By LEOPOLD KOHR

THERE ARE TWO WAYS in which living standard changes are usually expressed. One is through changes of *money* income brought into proper perspective by correlating it to changes in the price level of consumer goods. Hence the importance of price indices in wage negotiations and the experiment of creating in the so-called escalator clause an automatic living standard adjuster which provides for automatic wage changes whenever the consumer price level changes. The other is through measuring changes of *real* income as expressed in the ability to acquire goods or, since *producer* goods do not add to one's immediate enjoyment, in the ability to acquire *consumer* goods. Both measurements, expressing the same concept on different scales, must necessarily lead to identical conclusions. If either registers a per-capita increase, we are inclined to say that the level of the living standard has risen.¹

Yet, somehow the picture presented by such measurements seems misleading. There is no doubt that money income as well as the production of consumer goods on which it can be spent has experienced a tremendous increase as compared with the earlier decades of our century. Statistically, this generation enjoys the best life of any that ever lived, and everything indicates that not only our advance but even the rate of our advance may continue to increase with every year. But opposed to the evidence of statistics is frequently the more telling evidence of our experience indicating seemingly an opposite trend.

How many rich men, for example, had to follow Mr. du Pont in exchanging their palatial residences for houses, and how many middle-class house owners had to give up their homes for apartments? We have multiplied our offices and the number of our skyscrapers, but have we increased the *space* available to the individual executive? We have shortened our working hours, but how many must now spend more time in commuting than they have gained by working less? We all have cars, but their very

¹ Provided that the increase has not been caused by a mere transfer of production. In this respect, statistics are often biased because a good part of the increase in consumer goods offered for sale and thus included in the statistics represents only a shifting of activities from the home to the factory. Whereas mother used to bake pies at home, now she works in a pie factory and buys the factory-made pies with her wages. On the other hand, there are improvements which do not show up in statistics. Some of the military expenditures which are not held to bear on the standard of living are actually made for improving the health and welfare of military personnel. Aside from these considerations, however, living standard changes are usually considered as being properly reflected by quantity changes in consumer goods.

abundance exerts such pressure on available parking space that, as someone has said, in New York it is as impossible to keep a car as it is to keep a cow. In the midst of our rising production, we often seem to be driven into giving up things which, for some reason or other, we could afford when we had less.² And yet, we buy more consumer goods than ever before.

This indicates that a rise in income or consumer spending made possible by a rise in production and productivity does not necessarily entail a rise in living standard, and that changes in living standard levels could be better appraised if we were to use as the starting point of comparison not our price-adjusted money income or the quantity of consumer goods we were able to buy with it at a given base period, but our relative position to the *level of subsistence*. For only to the extent that we are able to improve this position, and increase not our money or total real income but that portion of it which is over and above the subsistence level, can we talk of an actual improvement of our standards.

I

HOW CAN WE MEASURE the changes of this position? As any other economic magnitude of relevance, it, too, must in its final analysis be expressed in terms of consumer goods, but of consumer goods of a restricted nature. Assuming that the zero, or subsistence, level of measurement, below which no standard can decline, is represented by the possession of those consumer goods which are essential for survival, a *rise* in living standard would have to be indicated by a rise of the margin of consumer goods available to the various groups of the economic community *in excess* of these essentials. In other words, a rise in living standard can not be measured in terms of the increased availability of just any consumer goods but in terms of the increased availability of a special kind of consumer goods—the non-essentials, the *luxuries*. Only to the extent that the margin of luxuries is becoming larger by pulling away from its base, the subsistence level, does it seem possible to speak of a genuine improvement of our economic position.

Now what is happening to this margin of luxuries? According to the experience of an increasing number of people, it does not seem to become larger but narrower, and all this while our production and consumption on both an overall as well as on a per capita basis are reaching new record heights. This situation seems paradoxical. It can be explained only on the

² The *London Times* of Sept. 5, 1953, commenting on a similarly deceptive output of euphoria in Great Britain, tries to explain the paradoxical discrepancy between statistics and experience by stating: "The proportions which different groups could take out of the pool [of consumer goods] could be varied, but the pool was smaller. . . . There are no easy times ahead." This in spite of the fact that at the same time the pool in general (defense goods, producer goods, and even a certain type of consumer goods—the *density* commodities referred to later in this article) had actually risen.

assumption that, along with the increase of our economic activities resulting from our improved technology and the requirements of our swelling populations, our subsistence level, floating on an unprecedented mass of new *essentials*, has been rising at a disproportionately faster rate.

Though statistical data are still lacking in this respect, the assumption seems a permissible one. For, the same iron principle from which Ricardo derived his rent theory and Malthus his concept of population limits, indicates that, once our life becomes too crowded and complex, a seemingly geometrically rising proportion of our output and consumption increase must be diverted from pleasurable enjoyment to the necessary but sterile task of helping us untangle the difficulties that have come to us as a result of our social, technical, and economic overdevelopment. This is why, at the end of every production period, we find that, instead of having a few additional luxuries, many above-subsistence-level commodities of yesterday have become the necessities of today, deceptively increasing our pool of goods and raising our level of subsistence while simultaneously decreasing our margin of luxuries and lowering the level of our standard of living.

Like the principles of the Ricardian and Malthusian theories, this rather pessimistic living standard theory is nothing but a variation of the law of diminishing productivity as applied to social growth. As a society expands, the increased coordination of its productive forces, now both possible and necessary as a result of specialization, at first benefits its individual members so that a greater output automatically means a greater share in essential as well as non-essential consumer goods for each. But then something similar happens as to a building that is becoming too tall. Here too, each new floor, along with the increasing operating space required for servicing the rising structure, enlarges at first also its pay space. But beyond a certain height, while the total space of the structure continues to increase, its consumable or pay part begins to shrink until, as architects tell us, at the height of 400 floors, its entire hulk rising from the area of a city block would have to consist of nothing but elevators to transport the people who could theoretically live in the structure if the necessary cost space had not deprived it of all pay space.

And so it is when social expansion exceeds certain limits. As the history of most of today's great powers, struggling not for a better life but for meeting their bare survival expenses, indicates, the more powerful a society becomes after that, the more of its increasing product seems to be consumed by the task of coping with the problems caused by the rise of its very power. The more it gains in density, the more seems to go into meeting the problems caused by its increasing density. The more it advances, the

more seems to be devoured by problems created by that very process.³

II

EXAMPLES OF THE FIRST CATEGORY of such *growth* commodities which swell the figures of national income without ever adding to the material welfare of those producing it, might be called *power commodities* such as tanks, bombs, or the increase in government services required to administer increased power. In the United States, the production increase accomplished between 1950 and 1951 in this field alone, as expressed in government expenditures, amounted to no less than 18 billion dollars, or 72 per cent of the much-advertised 25-billion dollar increase of our total national product of the period. Thus nearly three-fourths of the fruit of our production increase was consumed by the unparalleled needs of our power.

The question may be raised whether these expenditures will not level off once a certain degree of security has been insured, freeing again a larger share of the national product for personal consumption.⁴ However, while

³ Before the point of diminishing productivity is reached, social expansion and its resulting increase in both government and private investment will always result in a corresponding increase in consumption spending and consumer enjoyment, indicating that up to this point social and personal welfare are complementary. More guns will also furnish more butter. Beyond that point, however, the two become mutually exclusive. Then it is a question of either guns or butter, of increasing either national or personal welfare. Since an overgrowing society cannot afford to forgo the former, it must necessarily sacrifice the latter, causing thereby a gradual and inevitable decline in *personal* living standards in spite of increasing production for *social* consumption. Most great powers have already passed that point. The question is whether the United States has passed it too. The as yet all too incomplete figures seem to indicate that, if we have not passed it, we seem to be closely pressing against it. Analyzing changes in total consumption in relation to changes in gross national product between 1939 and 1951, it is interesting to see that relative to the increasing rate of increasing national product the rate of consumption increase was declining and that, since 1944, the two have actually begun to move inversely, showing increasing total consumption only when national product, as a result of attempted reduction of national power, was temporarily reduced through curtailment of government spending. To obtain an objective picture, more years will have to be compared so that temporary trends may be separated from long-term development. Yet, even a comparison of only the past two decades puts the years 1944-1945 into such a peculiar relief that the possibility cannot be ruled out that these two years represent indeed the dividing line at which the United States reached the point of diminishing productivity, sometimes going beyond, sometimes falling below, but always hovering so close that, considering the general social and political forces influencing economic development, a significant reverse trend seems unlikely. For more detailed figures see appended table.

⁴ As to the argument that the period of 1950-1951 represents an exceptional rise in government expenditures due to exceptional defense outlays, it would seem that, in spite of the present insignificant though overemphasized reduction, high and increasing defense expenditures will in future not be exceptional but normal considering that the danger of war resulting from the uneasy balance maintained by the two overgrown political entities of East and West will henceforth be the normal and not the exceptional condition dominating the world. To judge from all similar historic two-power constellations, it would seem more plausible to consider as exceptional the optimistic illusion (prevailing between 1945 and 1950 as a result of peace hopes, and in 1954 as a result of our perhaps excessive reliance on the economy of atomic defense) that the apparently temporary reductions in defense spending could be maintained for any length of time.

fluctuations from year to year are quite possible, the long-run upward trend seems nonetheless unlikely to change in the present two-power division of the world in which neither the United States nor Russia can ever afford to fall behind the other. The very improvement of their defense equipment does not, as might be believed, reduce their cost. It increases it, and increases it more than proportionately to the increase of security accomplished by it. This can be seen from the fact that, for example, an anti-aircraft gun, costing \$10,000 in 1945, cost \$275,000, or 27 times as much, in 1950, in order to match the improvement achieved during the same period by aircraft which, in turn, had to be further improved to match the increased deadliness of the improved anti-aircraft gun.⁵ As Sir Basil Zaharoff, the famous munitions magnate of the earlier part of the twentieth century, has so well said, armaments seem to be the only commodity defying the law of diminishing utility. The more one has of them, the more one wants. And the better they are, the better they must be. There seems no end to this spiral.

However, *power commodities* are of minor significance in a study of personal living standards. They are mentioned here primarily because the increasing need for them explains why less than an otherwise possible share of our increasing national product can be channeled into personal consumption, although this does not in itself preclude the possibility of a simultaneous and perhaps even more than proportional rise in the availability of additional consumer goods. But here the complexity sets in. For, in an *expanding* society, an increasing part of these *additional* consumer goods falls eventually under the second category of growth products, the *density commodities*, which have become necessary as a result of population and production increases but are no more capable of adding to an individual's happiness than bombs. From a living-standard point of view, these are of infinitely greater significance than power commodities since, unlike the latter, they swell not only the figures of our national production but also of our national consumption, and not only on an overall but also on a per-capita basis, giving the illusion of increasing welfare while actually reflecting increasing misery.

Typical density commodities include such goods as signal lights on cars, first-aid equipment, subway and commuter services, a major proportion of privately purchased legal and medical services (the latter alone amounting in 1953 to \$10,200,000,000⁶) or replacement goods for wear or losses such

⁵ Other items which could be mentioned here would include the cost of increasingly distant airports becoming necessary as a result of the rising power of both Russia and the U. S. According to the Senate Preparedness subcommittee, American workers taken to Greenland to build the airbase at Thule were paid \$3,000,000 in wages before they even reached the site. *Time*, March 3, 1952.

⁶ *New York Times*, Jan. 24, 1954.

as would never have occurred in less harassed smaller societies.⁷ Replacements rendered necessary in 1950 as a result of fire losses in the United States as a whole amounted to almost \$700,000,000,⁸ and those caused by the nine million casualties of the same year—of which 35,000 were fatal car accidents, more than the loss of life incurred in many a major war—to \$7,700,000,000.⁹

Finally, growth products of the third category, which one might call *progress commodities*, are those unwanted tie-in products we must acquire with the *desired* fruit of progress, such as license plates or parking space with cars, repair work with television sets, or idle stand-by orchestras with phonograph records. A characteristic example of such a commodity is the *bogus* printer's type which newspapers must set in order to use duplicated casts from papier-maché matrices or molds. This means that, in order to

⁷ The progressively rising cost of increasing density and urbanization may be illustrated against the background of a variety of other items. According to Professors Shultz and Harriss, an analysis of data collected in 1942 showed that, after a certain expansion, per capita cost of state and local government seems to increase with increasing density. Aside from the very sparsely settled states, the highest per capita costs were found in very densely populated regions though, on a state level, no clear consistency could be established. City expenditures, however, which are considerably more significant as they reflect the cost of utilities and other personal consumer items, were found to be "directly and closely related to population, increasing steadily with the size of the population. Cities over one million people spent per capita over six times as much as cities under 2500 . . ." (Shultz and Harriss, *American Public Finance*, New York, Prentice-Hall, 1949, p. 34). As reasons for this are mentioned not only the higher cost of services in cities but the fact that "increasing density of urban and suburban population also necessitates special 'remedial' public functions. City crowding breeds problems of sanitation, crime, social welfare, and traffic which are less pressing in the countryside. . . . Some of the cost of city government results from 'remedial' functions that ward off the social disadvantages of urban growth rather than confer added social benefits" (*ibid.*, p. 31). The rate of progression of government costs resulting from increasing populations is well illustrated by the following police figures taken from the Municipal Yearbook of 1951: North Plainfield, N. J., with a population of 12,760, requires a police force of 15; Plainfield, N. J., with a population of 42,212: 78; Elizabeth, N. J., with a population of 112,675: 257; Buffalo, N. Y., with a population of 577,394: 1,398; Chicago, Ill., with a population of 3,606,439: 7,518; and New York City, with a population of 7,835,099: 19,521. In each case the growth of the necessary police force is more than proportionate to the growth of population.

⁸ *Facts & Trends*, National Board of Fire Underwriters, Vol. VIII, No. 4.

⁹ *National Safety Council Report*, 1950. The connection between the size of a country's population and the loss in health and life seems to emerge with particular clarity also from a survey conducted in 1951, showing that in the United States the "death rate as a whole is one of the world's lowest, but after the age of 45, Americans cannot expect to live as long as their contemporaries in many other countries, e.g., England, Canada, the Netherlands, and especially Denmark and Norway. . . . A dig into the records shows that American men have more fatal accidents and more heart disease. American women have more accidents, more diabetes." (*Time*, Dec. 3, 1951). Though the survey does not stress the point, it is highly revealing that the order in which the countries are mentioned, as relatively better off in this respect, "especially Denmark and Norway," coincides with their decreasing populations: United States (155,000,000), Great Britain (57,000,000), Canada (14,000,000), the Netherlands (9,000,000), Denmark (4,000,000), and Norway (2,500,000).

make use of technological advance in reproducing type matter it must employ a number of its own printers to set, proofread, and correct forms of type which, when completed are thrown away without ever being used.

III

THOUGH MOST OF THESE three categories of goods are more in the nature of a tax on, rather than an addition to, our personal enjoyment, aside from the power commodities they are nevertheless in their great majority regularly included in living standard computations based on undifferentiated consumption expenditures. This produces a picture of wealth and improvement that may have significance for society as a whole but seems to be extremely doubtful if seen from the viewpoint of the individual citizen. The question arises, therefore, whether a more realistic measurement of living standards should not only adjust our changing *money* income in the light of concurrent *price-level* changes which leave us with less purchasing power while simultaneously showering us with more currency; but whether it should not also adjust our *real* income in the light of what one might call inflationary *subsistence-level* changes which leave us with less satisfactions while actually showering us with more goods. For many of these goods are, like additional currency in inflation (or additional escalators in growing buildings), not used up in the creation of new satisfactions but in an effort to help us meet previously nonexistent difficulties. As a result, their true significance could be better understood if, instead of being added to our consumable enjoyment, as they are now, they would be recognized as inflation goods and subtracted from it since, seen in their proper light, they would seem to be part not of the *standard* but of the *cost* of life.

This means that a realistic living standard measurement, just as it should discount increases in money income obtained to make up for increased prices, should discount also increases in consumption expenditures incurred to meet an increase in necessities. For a worker who gets a rise in his real income enabling him to acquire two pairs of shoes per year instead of one can obviously not be considered as being better off if society has changed his living habits in such manner that he must now walk twice as far to his factory. Yet, his increased consumption, though caused not by a new enjoyment but by a new necessity, creates in the present computation of figures the illusion of an improvement rather than of a worsening of his condition since the only thing we see is not the longer road he must go but his ability to negotiate it in twice as many pairs of shoes. And as his second pair of shoes must be excluded from consideration, so must his commuter services, his license plates, some of his food, many of his vitamin and

aspirin tablets, and all of those goods he is forced to consume simply to make up for the greater wear and tear of modern living.

As things are, present living-standard analyses are still too much concerned with price-level statistics and *undifferentiated* consumption figures to convey a picture of our actual welfare. Before social expansion reaches the point of diminishing productivity, such figures are not quite as misleading since increased production then tends to raise the living-standard level at a faster rate than the subsistence level, just as in a rising structure additional floors at first increase pay space and revenues by a greater percentage than elevator space and costs. Under present conditions, however, our failure to distinguish between consumption for enjoyment, which for many¹⁰ appears to have started on a decline, and consumption out of necessity, which for most has begun to rise, produces a statistical picture that seems bound to come increasingly in conflict with experience as our power, population density, and progress advance.

To eliminate this apparent pitfall of computation, living-standard changes must be measured in the constantly changing margin of only those consumer goods which are available to us *above* the level of subsistence, since the true indicator of the changing nature of our economic position is not the varying availability of consumer goods as such but of luxury goods.¹¹

¹⁰ University professors, for example, were, according to a study of Local 1024 of the American Federation of Teachers, making less real wages in 1952 than 12 years earlier, indicating a worsening of their condition even without taking into consideration the breakdown between consumption for enjoyment and out of necessity. On the basis of personal inquiry, a similar development seems to have been experienced by secretaries, doctors, actors, government officials, few of whom were found to have increased their enjoyment spending during the last ten years in spite of their increased age, salaries, and rank. On the contrary, quite a few have found it necessary to take on extra work, or to encourage their wives to work, simply to maintain past standards. Harvard and Yale, two of the nation's richest universities had, according to items in *Time* of Oct. 15 and Nov. 5, 1951, to declare themselves unable to continue the traditional maid and porter service for their students, a luxury which in earlier periods could be afforded without apparent difficulty. More dramatic than in the United States is the similar development in England where the luxury margin has almost entirely disappeared where it formerly existed, without being added to those layers of society where formerly it was not known.

¹¹ It may be said that living standard appraisals must take account not only of improvements above but also within the subsistence level, that the acquisition of an electric stove or a vacuum cleaner, even though they may now be considered essentials, has nevertheless left the housewife in a position of greater comfort. At first this is undoubtedly true, but as long as it is true such goods qualify as luxuries and are located *above* the subsistence level. But modern life has a tendency to find soon a substitute burden the moment an improvement has reduced the burden in another area, insensibly translating thereby the previous luxury into a now indispensable necessity so that, once the cycle of improvement is completed, the person concerned is often just as deep in chores as before. What he has gained in working less in the improved field, he has lost by having increased the number of work fields. Two housewives, Jane Whitbread and Vivian Cadden, have, in a humorous way, well described the doubtful blessing of working just as hard, but on a higher level, when they write in *The Intelligent Man's Guide to Women*, (New York, Schuman, 1951) that "every labor-saving device of the past

To this end, it might be helpful to create a measure somewhat similar to a thermometer and, as temperature changes are expressed in degrees of Centigrade or Fahrenheit, to express living-standard changes not in percentage changes of price levels or consumer spending but in degrees of *Lux* (each *Lux* representing a specified change in the availability of luxury goods). This could at last solve one of the seemingly most baffling paradoxes of our time by revealing, for instance, that, while consumer good purchases may have risen over a given period by 20 per cent, the standard of living may actually have declined by 2 *Luxes*.

A measurement of this nature might not only be of considerable significance in areas such as the negotiation of new wage scales. In this connection already men such as Marx or Pigou have pointed out that a rising wage does not necessarily raise a worker above the subsistence level if at the same time the subsistence level is pushed upwards as a result of changes in location, outlook, technology, civilization or other conditioning factors.¹² Its particular significance would be that it would cast new light on the important though largely neglected aspect of the law of diminishing productivity as applied to the growth of social organisms such as cities or nations.

The only difficulty in the way of elaborating what might be called the *Lux scale of measurement*, lies in the ever-changing nature of the subsistence level which, though representing always the zero level, is itself continuously raised by both the internal creation of new necessities and the constant influx of luxuries which social growth has turned into essentials.

The principal problem would lie in the determination of workable cri-

century has added to women's work. . . . A man invents a vacuum cleaner and . . . a co-conspirator popularizes Venetian blinds, so there will be something else for the vacuum cleaner to do in a jiffy. A man turns out a simple little mechanism to make melon balls, and it's no longer *comme il faut* to toss a plain hunk of melon into a fruit salad. . . . In the period when beer came in kegs, the man of the house hauled it himself. Now that it comes in handy little cans, even a woman can lug a dozen from the delicatessen. The man who speeds by a woman, stopped by a flat tire, can't be accused of lack of chivalry. He knows that the way they make jacks these days, even a woman can change a tire." This is perhaps an exaggerated picture.

¹² Karl Marx, in *Value, Price and Profit*, Chicago, Kerr, pp. 116-9, and A. C. Pigou, in *The Economics of Welfare*, London, Macmillan, 1938, pp. 758-67. I have made little reference to Marx, Pigou, Heller and others who have dealt with the question of changing subsistence levels or minimum standards as both the basis of my argument and my conclusions are quite different from theirs. The theory advanced in this article tries to analyze the phenomenon of the rising subsistence level primarily against the background of the physical overgrowth of the social unit. As a result, in contrast to that of others, this analysis leads to the conclusion that this rise is due not to the growing demand for additional minimum comforts on the part of workers but to the necessity, resulting from social growth, to furnish additional goods not as comforts but as quite objective new minimum existence requirements. In addition, the theory of this article is concerned with the standard not so much of the working man but of the consumer, not with the component of a productive factor but the member of a society of a given size.

teria by which the change of a product from luxury to necessity can be ascertained under the different conditions prevailing in different regions and at different times. However, there is no reason to believe that, once such criteria have been established and the relevant data collected, changes of this kind should present a greater obstacle to observation and definition than the changing aspects of other variables. The results produced by such a measurement may be quite different from those anticipated by the assumptions underlying this article, but even so they are likely to give us a more realistic picture of our living standard than we are able to obtain with our present devices.

University of Puerto Rico

Notes on Table 1

Columns 3, 4, 5, and 6 show the declining rate of personal consumption expenditures relative to increasing gross national product. Since 1944, the two have actually begun to move inversely, indicating that after that year it was no longer a question of guns and butter, but of guns or butter. Columns 11 and 12 show the cost of society as it becomes both richer and more powerful. The figures include government expenditures plus capital investment but do not include density and progress spending as no measurement has as yet been developed for their appraisal. They show the colossal share society as a whole, not only government, takes from our total product, as well as the increasing rate, even if we discount the war years, at which this share grows with each growth in the national product, indicating that at our level of development, increasing productivity accrues in its benefits primarily to society, not the individual. Columns 7 and 8 show two aspects of the personal standard of living, per capita disposable income and per capita consumption expenditures. The principal trend of the former indicates a declining tendency since 1944, though the latter, showing a rise, seems to disprove the contention of this article (if not our personal experience). However, the figures fail to express what proportion of our additional per capita expenditures was incurred in the purchase not of desired commodities, which alone should count in meaningful living standard evaluations, but of unenjoyed necessities heaped on our shoulders by the increasingly exacting condition of living in great multitudes. Though personally spent, these are, such as density commodities, nevertheless primarily social in character and should, like a tax, not be added but subtracted in living standard computations. Negative expenditures of this kind would include those incurred in the purchase of commuter services, parking facilities, or in the repair of the phenomenally multiplying damages from frictions and accidents caused by conditions of overcrowding. Thus, while we obtain goods and services for all our expenditures, the paramount question is: what is the proportion for which we obtain goods and services which none of us really cares to have? All figures shown are in 1951 prices and, with the exception of percentages, express billions of dollars. Sources are official U. S. government reports.

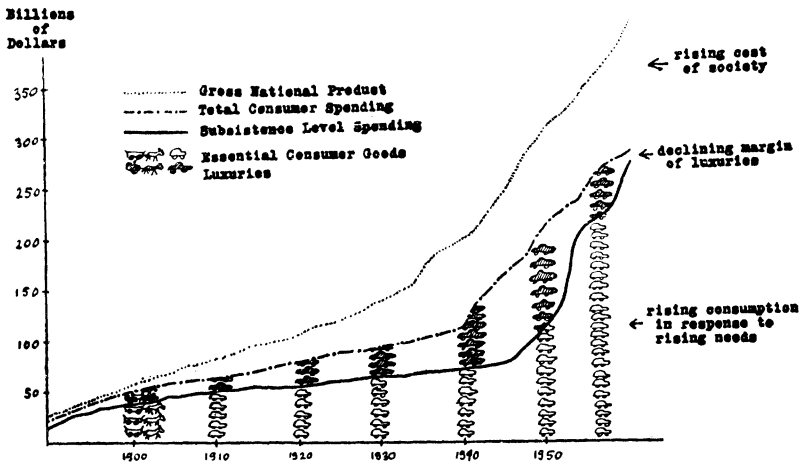
TABLE 1.

Year	Gross Nat. Prod.	Pers. Cons. Exp.	Increase in			Percentage Increase in			Per Capita			Total Govmt. Exp.	Defense Expend.	Cost of Society	Percentage Cost of Society
			Gross Nat. Prod.	Pers. Cons. Exp.	Gross Nat. Prod.	Pers. Cons. Exp.	Disp. Inc.	Cons. Exp.	8	9	10				
1939	179.3	129.4	15.4	7.1	9.3	5.7	1.027	988	28.8	2.7	49.9	27.8			
1940	197.3	137.0	18.3	7.6	10.2	5.8	1.089	1,037	30.5	4.9	60.3	30.5			
1941	229.6	147.6	32.3	10.6	16.6	7.7	1.237	1,106	46.7	25.2	82.0	31.7			
1942	262.4	145.5	32.8	-2.1	14.2	-1.4	1.381	1,079	100.3	81.5	116.9	44.5			
1943	296.6	149.3	34.2	3.8	13.0	2.6	1.413	1,092	143.7	121.1	147.3	49.6			
1944	320.0	155.3	23.4	6.0	7.8	4.0	1.477	1,122	159.5	144.2	164.7	51.4			
1945	309.4	165.6	-10.6	10.3	-3.3	6.6	1.454	1,183	135.2	120.6	143.8	46.4			
1946	272.9	184.1	-36.5	18.5	-11.7	11.1	1.409	1,301	43.4	25.3	88.8	32.5			
1947	271.5	188.6	-1.4	18.5	-0.5	10.0	1.339	1,308	35.5	14.5	82.9	30.5			
1948	280.4	191.9	8.9	3.0	32.7	1.6	1.386	1,309	42.4	18.1	88.5	31.9			
1949	280.1	196.6	-0.3	4.7	-0.1	2.4	1.363	1,318	49.1	21.6	83.5	29.7			
1950	301.2	207.5	21.1	10.9	7.5	5.5	1.444	1,367	45.8	20.4	93.7	31.1			
1951	326.8	204.4	27.0	-3.1	8.9	-1.4	1.443	1,323	63.5	37.8	122.4	37.4			

Chart 1.

The Level of Living Standard as a Differential

This sketch expresses the level of living standard as the differential between total consumption expenditures and subsistence level expenditures (the physically and socially determined cost of life). It seeks to explain the seeming paradox of a declining living standard in the midst of both rising production and consumption. Measured in the margin of luxuries, the living standard is shown as declining after the mid-forties under the combined pressure of rising subsistence spending (resulting from increased crowd living) and rising social spending (the increasing cost of organized society resulting from large scale external and internal political integration). The cost of society (the differential between total production and total consumption) comprises both the cost of producing consumer goods and of maintaining the social apparatus. Unshaded cars symbolize essential consumer goods, shaded cars the luxuries. National product and total consumer goods curves are based on government publications, the subsistence level curve on the assumptions and arguments of the article. Data concerning the latter have yet to be compiled; the slope of the curve is, of course, hypothetical.



The beliefs which we have most warrant for have no safeguard to rest on, but a standing invitation to the whole world to prove them unfounded. If the challenge is not accepted, or is accepted and the attempt fails, we are far enough from certainty still; but we have done the best that the existing state of human reason admits of; we have neglected nothing that could give the truth a chance of reaching us; if the lists are kept open, we may hope that, if there be a better truth, it will be found when the human mind is capable of receiving it; and in the meantime we may rely on having attained such approach to truth as is possible in our own day. This is the amount of certainty attainable by a fallible being, and this the sole way of attaining it.

JOHN STUART MILL