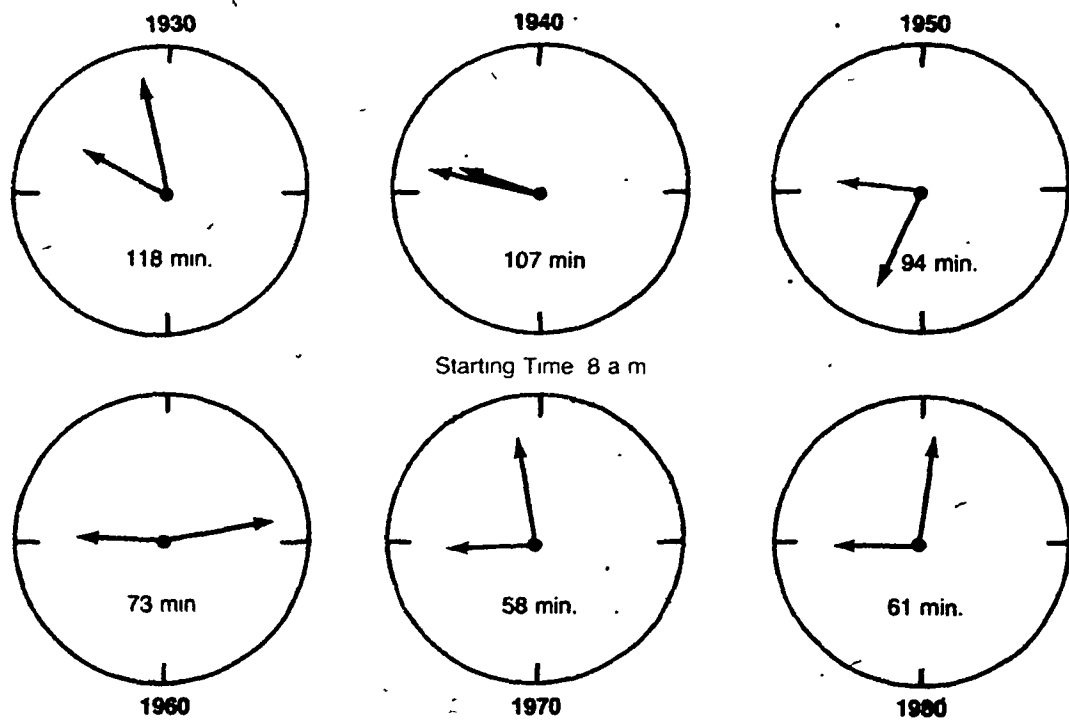


**The Average Wage Earner of 1930 Worked Nearly Twice as Long to Buy the Same Amount of Food<sup>1</sup>**



<sup>1</sup>Based on average annual income and the cost for a comparable "basket" of foods representing average quantities purchased by urban wage earners in 1967 from 1 hour's work.

# Measuring food costs

LANCASTER — The nickel beer, quarter-a-loaf bread, and dollar-a-pound steak may sound like reminders of the "good old days," but the fact is that food is a much better bargain today.

While retail food prices are more than four times higher than a half century ago, the average worker's paycheck is more than 11 times higher.

As a result, the typical wage-earner worked only 61 minutes in 1980 to buy the same basket of foods that required almost 2 hours work in 1929, says USDA economist Lloyd Teigen.

These figures don't mean that food is getting "cheaper" every year — even in terms of hours worked. That same food basket that took 61 minutes of work in 1980 required a minute less in 1967. The reason: grocery store prices rose 155 percent, while hourly wages rose only 151 percent.

But economists say that food price rises have been relatively modest compared with other prices in the economy. For example, food prices more than doubled during the 1970's, while fuel prices more than tripled,

based on the consumer price index (CPI).

A better way to measure the "real cost" of food to consumers, Teigen says, is to take into account the growth in after-tax income of each breadwinner (personal disposable income).

To do this, Teigen devised an index which compares food prices to disposable personal income per member of the labor force.

This translates the price of beefsteak into an index of work time, while comparisons based on the CPI can only express the price of beefsteak as so many units of other consumer goods.

Besides adjusting for inflation, Teigen's index separates the growth in family income from the trend in recent years of more family members going to work. In other words, this index prices food in terms of a proportion of working time required, or leisure given up.

**Using the Index**

By this yardstick, food costs fell more than 2.5 percent annually from 1947 to 1972, then shot up 11 percent from 1972 to 1974. Since then, the index has stayed on a plateau which has seen year-to-

year variations of less than 3 percent.

Using the CPI's standard market basket of food — a widely used measure of food price movement — let's examine Teigen's food price indexes for the items in that standard basket (see table).

The index fell from almost 180 points in 1940 to less than 95 points in the early 1970's, just before farm prices boomed. Last year, the index hit 101.2. In other words, food costs were far higher in 1940.

Peeking into the basket, some items are better bargains than others in real price terms.

From 1940 to 1980, food costs fell: About 37.6 percent for all meats. Around 79.5 percent for poultry. 55 percent for dairy products. 64.7 percent for margarine. 55.8 percent for processed fruits and vegetables.

For cereals and baked goods, about 48 percent.

For sugar, 34.2 percent.

What is the likelihood that food prices will stay at such relatively modest levels in future years? The answer depends greatly on the

(Turn to Page B26)

**Today's Food Costs Compare Well With "Good Old Days"**

	1940	1950	1960 <sup>1</sup>	1970	1980
	1967 = 100				
Total food	177.8	156.2	122.4	96.3	101.2
Cereals and bakery products	188.4	139.4	121.1	91.3	98.0
Margarine	281.3	209.6	123.2	88.9	99.3
Sugar and sweets	206.1	158.9	125.3	96.5	135.7
Nonalcoholic beverages	—	181.8	127.3	98.4	157.4
Fresh fruits and vegetables	147.0	146.3	122.8	95.1	100.4
Processed fruits and vegetables	218.2	156.8	139.9	91.1	96.4
Meats	158.6	168.3	121.3	98.6	98.9
Beef and veal	167.7	179.9	128.1	100.2	107.5
Pork	152.5	160.4	113.6	97.1	83.1
Poultry	370.2	297.3	148.7	90.9	75.9
Fish	132.3	153.2	118.2	98.9	131.3
Dairy products	201.0	152.2	122.9	93.7	90.4
Eggs	323.2	248.2	157.4	118.0	67.5

<sup>1</sup>Consumer Price Index relative to after-tax income per member of the labor force.

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