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Living standards improve, despite tough economy

By [Dennis Cauchon](#), USA TODAY

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When Richard Steckel was a kid, he had friends whose family put their refrigerator in the living room. So great was the status of a new, electrified icebox that it had to be displayed for all to see.

"Who doesn't have a refrigerator today?" asks Steckel, 66, an Ohio State University economist. "People grossly underestimate our progress over time because of technology."

The nation is recovering from its worst recession in decades and the unemployment rate is above 9%. Yet the nation's standard of living by almost any standard is better than ever, or close to it.

A USA TODAY/Gallup Poll found only 31% of Americans thought they could live comfortably for less than \$50,000 a year. One-fourth thought it would take \$100,000 or more to make them comfortable.

That's roughly the same result as when Americans were asked the same question in 1987, after adjusting for inflation. What's different today what stretches the ordinary imagination is how much richer we've become than at any time in the past.

USA TODAY compared life today to 1980 to show how life has changed since Ronald Reagan was elected president and during the adulthood of Baby Boomers, the 77 million born from 1946 through 1964.

The average annual income was \$24,079 per person in 1980 in inflation-adjusted dollars, according to Bureau of Economic Analysis data. Last year, it was \$40,454 per person.

Not only has income grown, what's less obvious is how much better a lifestyle can be bought for the same amount of money whether it's \$25,000 or \$100,000.

In 1980, 2.5 gigabytes of computer power cost \$214,000 and consumed a room. Today, that capacity sells for \$7 in a pinky-sized flash drive at Best Buy.

The wealth of the computer era and other innovations have made this generation so prosperous that it's hard to remember what life was like not long ago.

A typical new house today has 2,400 square feet and fewer people in it than the typical 1,700-square-foot new home of 1980. Today, Americans fly twice as many miles as in 1980 and own more vehicles than the nation has drivers.

**A new frugality**

Yet the recession has changed our attitudes and expectations so many Americans don't feel as rich as they were several years ago or when they grew up.

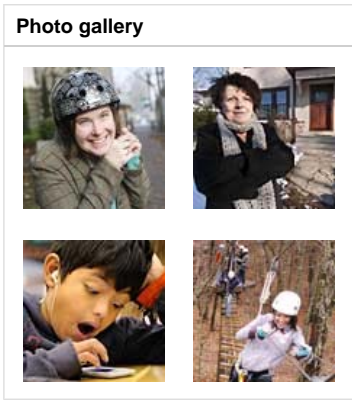
"People earning \$200,000 a year are feeling and behaving like those with half that income," says Scott Spiker, chief executive of First Command Financial Services, an investment adviser that surveys consumer attitudes.

Americans appear to have made a permanent adjustment toward frugality, Spiker says. "People are making a standard of living change, saying they don't have to live so far on the edge anymore," he says.

**Automakers see the change.**

Buyers are purchasing smaller cars to save money, then spending more on safety upgrades, entertainment systems and global positioning satellite systems, says Jeff Schuster, forecasting director for J.D. Power and Associates, an automotive research firm.

"People are taking some of the savings from downsizing and luxury-ing up the vehicles," he says. "The buyer is saying, 'Maybe I don't need all the space, but I want the amenities.' "



The shift to luxuries which soon become everyday items has been helped by a decline in the cost of food and clothing, partly the result of cheaper production overseas and discount retailers such as Wal-Mart. High unemployment and increased inequality has led to the perception that living standards aren't progressing as they should, Steckel says. "It doesn't mean much that you can buy a \$10 shirt at Wal-Mart if you don't have a job," he says. Still, the average person spends about \$1,000 a year on clothes today, the same as in 1980, even though incomes are higher and shirts cheaper.

With basic items inexpensive, consumers have turned the flow of money to their quality of life: housing, health care and recreation. Americans spent \$5,438 per person on health care last year, up from \$1,796 in 1980, after adjusting for inflation. The spending has paid off.

A 50-year-old can expect to live three years longer than a person of that age in 1980. The chance of surviving cancer is way up, pollution is way down. Crime has fallen by two-thirds.

Steckel, the economist, says our living standard has improved far more than economic numbers reveal. "Imagine what people would have once paid for aspirin? An enormous sum. Today, it's super-cheap, as are so many products," he says. Every year, Steckel asks his students how many expect to have a standard of living equal to their parents. Many students predict they'll be worse off.

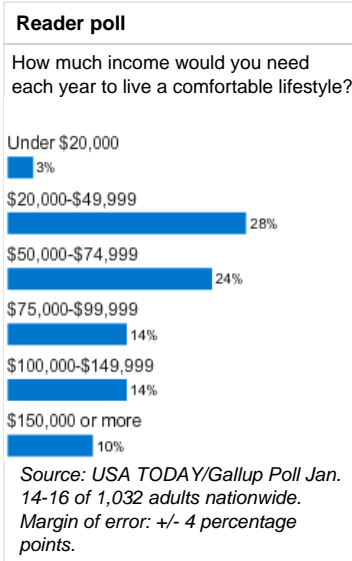
To imagine what living standards were not long ago here and are in much of the world, Steckel suggests they turn off their electricity. To really understand, he says, shut off the plumbing.

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