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Review of *Consumption and Social Welfare: Living Standards and Their Distribution in the United States.* Daniel T. Slesnick. Reviewed by Sondra G. Beverly.

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Daniel T. Slesnick, *Consumption and Social Welfare: Living Standards and Their Distribution in the United States*. New York: Cambridge University Press, 2001. $54.95 hardcover.

How should individual and family well-being be measured? This enduring question has taken on a new sense of urgency in recent years, as policy-makers and academics attempt to evaluate the effects of the 1996 welfare reform law. Working within and across disciplines, sociologists, social workers, psychologists, and others have begun to seek consensus on the dimensions of well-being and on appropriate measures of well-being. As Slesnick's research shows, our choices regarding measures of well-being can have a substantial effect on findings regarding relative well-being across groups and trends in well-being. Thus, these choices can affect conclusions about the effects of social and economic policy.

In *Consumption and Social Welfare*, Slesnick challenges widely-accepted "facts" regarding trends in economic well-being over the past three decades. Estimates from the U.S. Census Bureau—which are based on family income—suggest that standard of living has changed little, that inequality has increased, and that poverty has remained high (at least through the mid-1990s). Slesnick argues that consumption is a better measure of economic well-being than income, largely because people can smooth consumption by saving when income exceeds consumption needs and wants and by dissaving or borrowing when income falls below consumption needs and wants.

In the first few chapters, Slesnick carefully explains and defends his measure of consumption. (The book is accessible to non-economists, although a basic understanding of consumer theory is helpful.) In short, consumption is defined as out-of-pocket expenditures by consumers (data come from the Consumer Expenditure Survey), with spending on owner-occupied housing and consumer durables replaced by rental equivalents. To examine changes over time, a cost-of-living index is needed, and Slesnick rejects the Consumer Price Index in favor of a social cost-of-living index (the ratio of the minimum expenditure needed to attain a given level of welfare at one set of prices to the minimum expenditure needed to attain the same level of welfare at a different set of prices). To adjust for differences in household need based on household size, Slesnick uses three equivalence scales and considers the sensitivity of his conclusions to alternative scales.

In Chapters 5, 6, and 7, Slesnick uses consumption measures to assess trends in standard of living, inequality, and poverty. In each case, the evidence contradicts conclusions derived from Census Bureau estimates based on family income. Unlike median family income, per equivalent consumption increased steadily between 1947 and 1995. Inequality in the distribution of per equivalent consumption has remained fairly constant since the mid-1970s. And poverty rates based on consumption were consistently lower than income-poverty rates, particularly in the 1980s and early 1990s.

Slesnick also considers differences in economic well-being between groups. Findings related to older adults are particularly interesting. Slesnick finds that the elderly have a higher standard of living than the non-elderly when standard of living is based on consumption rather than income. This finding is relevant to recent debates among sociologists regarding economic hardship across the life course.

In several related articles, Slesnick and fellow-economist Dale Jorgenson have noted the relevance of this line of research to conclusions regarding the success of the War on Poverty. While not proclaiming victory over poverty, they do argue that the perception of the War on Poverty as an utter failure needs to be re-examined. It is appropriate to consider the implications of this type of research on assessments of anti-poverty programs because the ultimate goal of research on poverty should be to improve well-being.

Like Slesnick, I hesitate to use findings from *Consumption and Social Welfare* to proclaim victory in the war on poverty. First, a measurement concern: Data from the Consumer Expenditure Survey capture out-of-pocket expenditures on health care. For insured individuals, expenditures on health care may be a poor proxy for health care consumption. In addition, health care consumption (or expenditure) is a poor proxy for well-being because greater consumption often reflects a greater need for health care. These issues complicate conclusions regarding standard of living and inequality, especially if these outcomes are conceptualized somewhat broadly.

Second, recent research on material hardship suggests that many people—even those with above-poverty-level incomes—lack adequate food, housing, and health care. Finally, what if we chose to evaluate the War on Poverty (or welfare reform) with other standards of success, such as social inclusion and opportunities for development? A quick drive through many inner-city neighborhoods and some rural communities would remind us that all too many youth and adults are excluded from opportunities others take for granted and are oppressed by relative poverty, if not absolute poverty.

In the end, Slesnick achieves what he sets out to do. He carefully documents trends in one form of well-being—consumption. As Slesnick notes, this research is descriptive, and many of the most interesting and important questions remain to be answered: What explains the trends in standard of living, inequality, and poverty? How much of the decrease in consumption-poverty is attributable to economic growth and how much to public policy? To what extent can public policy reduce inequality and poverty? Still, rigorous descriptive research is a necessary step toward research that enables us to evaluate and improve social and economic policy. *Consumption and Social Welfare* reminds us to carefully choose measures of well-being and poverty and to supplement traditional income-based measures with a wide array of well-being measures.

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