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FAMILY ADJUSTMENTS IN FINANCIAL MANAGEMENT

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The decade of the eighties marks the beginning of an era of critical adjustments in financial management for many U.S. families. The consumer price spiral and the spot shortages of energy have again and again signaled the attention of families. We are ending the 1970's with new perceptions of economic scarcity and a growing awareness that our energy-intensive consumption patterns are too expensive to maintain.

Socialized as American families have been to the belief that there is an endless supply of material and energy supplies, it has been difficult for many to seriously consider values encompassing conservation. However, as the balance between income and expenditures is disturbed and as families face significantly higher fuel bills as well as larger pricetags for other consumer goods, they will find new wisdom in the values of conservation, frugality, and ecoconsciousness, that is, an ecological orientation.

In general, the adjustments that families may make in their financial management include: (1) Rescaling or changing the level of consumption, (2) increasing the efficiency of the resource use, and/or (3) expanding their income. Each of these potential adjustments will be discussed. However, it should be noted that adjustment options will not be feasible in some families. For example, those families experiencing unemployment, divorce, health disabilities, and other crises may have little or no viable alternatives for adjustment in the near future. Also, financial adjustments will be constrained in those families who have already adopted a frugal pattern of consumption and live on a fixed income. Special programs and funds for special needs will continue to be needed for families with little or no options for financial adjustments.

ADJUSTMENT: RESCALING CONSUMPTION PATTERNS

The news releases about jumps in consumer prices have become regular household messages. In August, the Consumer Price Index [CPI] rose about 1 percent for the seventh consecutive month. The double-digit inflation rate, in part, reflects the cost of maintaining our energy-intensive lifestyle.

Over the years, increased energy has been used to fuel the family vehicle(s) and heat and cool the family home(s). These direct uses of energy are very familiar since they are the target of most conservation programs. The increase in the price of utility—piped—gas, fuel oil, electricity, and gasoline has been dramatic. Based on the June 1979 date reported by the Department of Labor—September 1979—the

cost of fuel oil has increased most, followed by utility gas, gasoline, and electricity. Fuel oil was indexed at 406, which meant that it took $406 to purchase fuel oil last June that sold for $100 in 1967; utility gas was indexed at 302, gasoline at 265, and electricity at 224—Table 1.

The cost of fuel varies across the country (table 2). For example, last August utility gas per 100 therms sold for $32.13 in the Minneapolis-St. Paul area and $49.53 in the New York City area. Electricity sold for $9.45 in the Seattle area in contrast to $30.48 in Chicago and $46.72 in the New York City area. Fuel oil is not used as a major heating fuel in some cities and the price differences are relatively minor from one city to another. It should be noted that rural families are more likely to heat with fuel oil, propane gas, and electricity than with the less expensive utility (piped) gas.

While the increases in the price of utility gas, fuel oil, electricity, and gasoline have been sizable, direct energy is a relatively small item in the average consumer budget. The Department of Labor estimated last December that about 4 percent of the average urban consumer's annual expenditures are for fuels to heat-cool the home and another 4 percent of their expenditures are allocated to gasoline for private transportation [see table 1]. It should be noted that during the months of extreme temperatures, and in families with less than average income, the cost of heating or cooling the home is a much higher percent of the families' monthly income. For example, in a study of families in the Twin Cities area, some lower income families were spending about 8 percent of their after-tax income for utility gas; families heating with fuel oil would pay about twice as much from their budget.

Consumers are less aware of the energy that is used to produce the goods they buy, that is, indirect energy. Studies have found that the higher the income, the greater the consumption of indirect energy. For example, energy is required for manufacturing material goods such as microwave ovens, trash compactors, electric burger cookers, electric crepe sets, and stereo equipment. While most household appliances do not require large amounts of energy to operate, they do require a great deal of energy for manufacturing and distribution. Easy care fabrics, convenience foods, and throwaway goods—such as styrofoam cups, paper towels, and disposable diapers—have diminished the amount of human energy (household labor) required. In exchange, we have increased the amount of fossil-fuel-based energy used for producing these timesavers. Indirect energy accounts for over half the energy the average family consumes.

Consumer expenditures for consumer goods have expanded year after year. The motivation for buying the litany of new appliances and household equipment does not appear to be closely linked to increased efficiency in household work but rather to satisfaction attributed to an accumulation of goods.

While automatic washers, clothesdryers, dishwashers, garbage disposals, snowblowers, and other machines could decrease the amount of time and human energy needed for housework, families have offset some of the gains by changing their standards of good living. For example, clothing is laundered more frequently because bathing is more frequent because there are larger water heaters with instant heat

recovery and automatic laundry equipment. Also, we have continued to build larger homes with multiple bathrooms, creating more space to maintain; also these homes have tended to be built in the suburbs so traveltime increases to. The utility bills and gasoline expenditures reflect the change in standards.

Rescaling consumption patterns with a focus on reducing the consumer demand for energy is not easy. Energy-related decisions are present in just about everything we do. Family decisions to conserve energy directly include: The temperature of their home, the payoff for retrofitting (insulating, caulking, storm windows, etc.), automobile use, cleanliness standards for laundry and bathing, cooking style and efficient use of appliances. Indirect decisions include: The choice of housing (size, location, single or multiple-attached dwelling, etc.), the choice of automobile (number, size, options, energy efficiency), the life-cycle cost of appliances, type of clothing, choice of foods, vacations and recreation equipment, and gifts.

Readjusting consumption patterns are easier for some U.S. families, especially those who started implementing conservation behavior as a response to rising energy prices and found it a satisfying challenge. In the Twin Cities year-long study of how families were adjusting to rising energy prices, families in both lower and upper income groups exhibited this attitude.[1] However, there was also a minority of families who were resisting conservation and were blaming Government and industry for a "contrived" scarcity. Some families believed that the shortages were short term and were trying out conservation behavior to cope with escalating prices and shortages. Still another type of behavior exhibited was that of verbalizing conservation while attempting to buy their way out of the situation by "adding-on" commodities such as microwave ovens or a small car.

The issues involved in changing consumption patterns will be debated more fully in the coming years. The ever-increasing consumption of energy and material goods has been viewed as a measure of success by some families, as a right of being an American by others. Is there a difference between "wants" marketed by our economic system and "wants" taught by parents, teachers, and clergy? Are family wants for consumer goods insatiable? Can we distinguish between needs and wants? Can we improve the quality of living by scaling down the consumption of selected consumer goods? How will the market respond to changing consumer demand? How much family members rescale their consumption and how they choose to substitute human skills for fossil fuel energy are strategic choices in the decade of the eighties.

ADJUSTMENT: RESOURCE EFFICIENCY AND INTERDEPENDENCE

Increasing the efficiency of resource use can include repairing rather than replacing consumer goods, comparison shopping to buy goods,

[1] The study is of 40 families, equal numbers in lower and upper income levels; they were matched for family composition and age of dwelling. Data was collected in 1977–78. Refer to the University of Minnesota, Agricultural Experiment Station, Minnesota Science, vol. 34, winter 1979, pp. 4–6.

and reducing the amount of waste. Reduction of waste is an adjustment that most U.S. families could implement with a financial payoff.

A study of Tucson, Arizona families garbage by Harrison, and others, (1975) revealed 9,500 tons of edible food was thrown out annually. Among those 9,500 tons of garbage were $570,000 worth of beef, $1,326,000 worth of vegetables, and $570,000 worth of pastries. Families may find that they can make better food shopping decisions if they are committed to minimizing the edible food wasted.

Growth in self-reliance can also contribute to resource efficiency. In a study of how families were coping with inflation and recession in 1976, Caplovitz (1979) reported that about half were repairing goods that they used to throw away and about 40 percent had discovered unused talent that they did not know they had, like fixing things themselves. Only 28 percent of the approximately 2,000 respondents showed no sign of increased self-reliance.

The adjustment of consumption patterns in the family, in part, rests upon a consensus of values. While the family does not have one unified set of attitudes that commits each of its members to think and act alike, a network of common values will be necessary for adjustment plans to be successful. For example, conflict may be brought about by rising gasoline prices and the curtailment of some family member's use of the automobile. Decisions about changing the thermostat as utility bills mandate a larger share of the family's income may also create tension, especially if family members have strong temperature preferences. The allocation of money for insulation versus high utility bills may also be a difficult decision for families who are also considering a move in the near future. Finally, the issue of which family members will increase their labor in the household as a substitute for energy-intensive activities will be on the agenda of some families.

Sharing of resources requires mediating family differences; diverse values may result in conflict, active dissent or opposition. To minimize the need to share, some families have worked toward independent consumption patterns. They have multiple cars, television sets, hair dryers, and other durable goods and homes with multiple bathrooms. To shift to an interdependent consumption pattern, one with increased sharing of resources, will require a basic change in values. Perhaps the most difficult adjustment that some family members have is the sharing of scarce resources with other family members.

Sharing resources within the family, with neighbors, and with others can take the form of car pooling, old-fashioned social activities, or using the school to organize classes in parenting skills. Are the happiest, healthiest, and best adjusted persons likely to be living in families and communities that consume the most or share the most? In the United States we use double the energy that is consumed in most European countries. Are we twice as happy?

ADJUSTMENT: EXPANDING FAMILY INCOME

It is expected that as the cost of living increases, families will attempt to increase their income. In the Caplovitz study (1979), respondents were asked if they were combating rising prices by

increasing income through the following strategies: the chief wage earner had taken a second job, had worked more overtime, and whether an additional member of the family was in the labor force. Only 4 percent held two jobs, 26 percent worked more overtime, and 16 percent reported having an additional member of the family enter the labor force. In sum, 38 percent were engaged in expanding income using one of the three strategies; conversely, 62 percent were not engaged in this type of income expansion.

The two-earner family trend will likely continue in the decade of the eighties. According to 1978 labor market reports, both spouses were earners in half of all husband-wife families (Johnson, 1979). The rate of employment among wives who have children under 18 has grown during the seventies, from 40 percent in 1970 to 50 percent in 1978.

With more wives in the labor market, the pressure to buy consumer goods and services as a tradeoff for her labor in the household and the pressure on other family members to share the labor at home has increased. Data indicate that employed women have continued to reduce the number of hours they spend in household tasks, from 26 hours in 1965 to 21 hours in 1975 (Robinson, 1977). However, data from the same study indicate that there has not been a reciprocal shift by other family members in household labor. Robinson reported that husbands increased their time used for household work from 9 hours to 10 hours per week over the 10-year period. Although the change in the division of labor is not commensurate with the gap created by the wife's move into the labor market, the trend is in the right direction.

In comparison to dual earner families, single-parent families have little income expanding potential. Most of the single-parent families are headed by females, women have continued to have less earning power (Johnson, 1979). Of the more than 10 million children under 18 who live in single-parent families, 92 percent live in female-headed homes; if you focus on the children under 6 years, 95 percent live in female-headed homes.

SUMMARY

Today's management patterns are increasingly complex. They involve resource conservation, development of new patterns of consumption, more equitable participation of family members in household and labor market work, and a better understanding of the ecological system in which we live. The tradeoffs that families make will involve choices between retrofitting and high utility bills, between using disposable diapers versus increased laundry and between buying another car and riding the bus. Also, they involve choices about fairness in sharing scarce resources.

Families will be challenged to examine the values that underlie their consumption patterns and to develop new solutions for improving their quality of family life. Adjustments in financial management based on sharing and cooperation, a renewed commitment to conservation, and simplicity of lifestyle are recommended.

TABLE 1.—CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS, U.S. CITY AVERAGE
[1967=100]

Group	Relative importance, December 1978 (percent)	June 1978	June 1979
All items	100	195	217
Food and beverages	19	209	229
Food	18	214	235
Food at home	13	214	234
Food away from home	6	218	243
Alcoholic beverages	1	160	172
Housing	44	202	226
Shelter	30	209	237
Rent	6	164	175
Homeownership	24	225	259
Home purchase	10	195	221
Financing, taxes and insurance	10	255	302
Maintenance, repairs	4	232	256
Fuel and other utilities	6	218	239
Fuels	4	250	286
Fuel oil, coal, bottled gas	1	295	391
Fuel oil		293	406
Gas (piped) and electricity	3	237	260
Utility (piped) gas		262	302
Electricity		210	224
Other utilities and public services	2	158	159
Household furnishings and operation	8	178	190
House furnishings	4	154	163
Housekeeping supplies	2	206	222
Housekeeping services	2	226	248
Apparel and upkeep	5	160	166
Transportation	18	186	213
Private transportation	17	185	213
Gasoline	4	194	265
Public transportation	1	187	194
Medical care	5	218	238
Entertainment	4	176	188
Other goods and services	4	181	195
Tobacco products	1	175	186
Personal care	2	181	195
Personal and educational expenses	1	194	209

TABLE 2.—AVERAGE PRICES FOR UTILITY PIPED GAS, ELECTRICITY, AND FUEL OIL NO. 2; AUGUST 1979

	Utility piped gas per 100 thm	Electricity per 500 kWh	Fuel oil No. 2 per gal
U.S. city average [1]	$32.65	$26.37	$0.80
Chicago, Ill.–Northwestern, Ind	33.56	30.48	.79
Detroit, Mich	31.40	28.78	.79
Los Angeles–Long Beach, Anaheim, Calif	26.28	25.03	[3]
New York, N.Y.–Northeastern New Jersey	49.53	46.72	.81
Philadelphia, Pa.–New Jersey	38.47	25.95	.72
Anchorage, Alaska	20.18	20.55	.78
Baltimore, Md	34.78	24.19	.74
Boston, Mass	41.37	27.98	.80
Cincinnati, Ohio–Kentucky–Indiana	28.77	22.39	.80
Denver–Boulder, Colo	28.34	24.66	[3]
Miami, Fla	36.08	27.85	[3]
Milwaukee, Wis	32.92	28.55	.80
Northeast, Pa	37.14	24.29	.77
Portland, Oreg.–Washington	39.74	14.62	.80
St. Louis, Mo.–Illinois	32.06	23.98	[3]
San Diego, Calif	30.94	28.75	[3]
Seattle–Everett, Wash	37.30	9.45	.80
Washington, D.C.–Maryland–Virginia	38.83	26.72	.84
Atlanta, Ga	31.60	21.70	[3]
Buffalo, N.Y	39.92	24.40	.86
Cleveland, Ohio	28.61	31.13	[3]
Dallas–Fort Worth, Tex	26.18	23.71	[3]
Honolulu, Hawaii [2]	106.25	30.58	[3]
Houston, Tex	31.46	24.13	[3]
Kansas City, Mo.–Kans	22.58	32.30	[3]
Minneapolis–St. Paul, Minn.–Wisconsin	32.13	25.22	.80
Pittsburgh, Pa	26.80	26.62	[3]
San Francisco–Oakland, Calif	30.34	18.24	[3]

[1] Honolulu not included for utility (piped) gas.
[2] Prices are for propane only.
[3] Not available.

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