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*Dr. Adina Mihăilescu*

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**Keywords:** family budget, consumption model, minimum subsistence level, social categories.

**Author:** Senior Researcher, Research Institute for Quality of Life.

## I. INTRODUCTION

Achieving scientific objectivity involves the conscious effort of the thinker of the scientist, to diminish, as much as possible, the elements of subjectivity presented in the process of economic reflections and to render the objective truth through deepening and knowledge, knowing that no one can discover and instantly render the absolute truth. Knowledge is an imperative of life

that must prove its practical efficiency, overcoming the obstacles and disadvantages it encounters ideological “inclinations” or “preferences”.

Human society moves, develops, progresses and regresses, depending on the contexts in which it manifests itself. The development of society is closely linked to the changes that the economy of society experiences over time; the structures within which it operates - forms of property, classes and social groups, types of households or enterprises etc.; the production, transport and communication techniques it uses; the type of mechanism of operation of the economy - decentralized, centralized; the rules for the distribution and circulation of resources and the results of economic activity; the economic relations between people - individuals, classes, social strata; including the relations between different categories of economic agents and political power (state); as well as the economic relations between peoples and states; the relationship between people's economic activity and the natural environment in which this activity is carried out etc.

The cost of living is expressed by the monetary value of goods that are consumed during a given period of time, for an average family belonging to a given group of the population (1), (2), (3). If we consider the time dimension in estimating the cost of living, we obtain the variations in the monetary values of those purchased goods that, in reality, satisfy consumption requirements at the same level, at different dates, and in different places (4), (5). On the other hand, in normative approaches, the estimation of income, consumption and savings for different social groups are considered (6), (7).

In the practice of many countries, the calculation of the cost of living index is found either considering all social categories of the population (Great Britain), or calculating it on a typical household (Germany, France) (8).

In Eastern European countries, attempts are being made to calculate the consumer price index by socio-economic groups and family types of the population.

## II. A BRIEF HISTORY OF THE COST OF LIVING

Starting from the fact that many people could not satisfy some basic needs, *Simonde de Sismondi* in 1819 (9) considered that economic science should deal with the problem of the well-being of the population and that the solution of this problem should not be left to chance, at the expenses of competition between producers and traders. Adam Smith's economic theory regarding the self-regulation of the market is no longer supported, the state being the one that should actively intervene in this process to remove or at least mitigate the significant discrepancies that exist between needs and supply, between needs and revenue, between the poor and the rich. The increase in revenue has over time determined profound changes in consumption structures.

### 2.1 Great Britain

The well-being of individuals has preoccupied scientists. Among the first initiators in developing a method for calculating the minimum subsistence level, we can mention the British *Seebohn Rowntree* (1901), who in a study entitled "Poverty; A study of Town Life" (10) presented two levels of the minimum subsistence level. The first took into account physical survival and focused on food consumption established by nutrition specialists and the second minimum included several chapters of consumption, having a broader budget of expenses. Later, in 1936, the British improved the concept of the existing minimum, including several groups of expenses, in addition to food products, namely: clothing, fuel and lighting, various household expenses, various personal expenses and housing expenses.

Having as scientific support the material published by Rowntree, another researcher *A.L. Bowley* developed the concept of a minimum living wage starting from estimating the revenue required for a particular family to achieve a minimum level of health and dignity. Thus, the concept is broadened by also discussing the health aspects of the person or family, the possibility of covering some costs related to the participation in society of the individual and his family. Bowley also considered a minimum of toiletries for personal and household maintenance, transportation expenses for employees to travel to work, rent and other housing expenses. We note that both Rowntree and Bowley emphasized only basic consumption and did not consider cultural, educational, and spiritual aspects, which in developed countries have become indispensable components of human existence.

### 2.2 United States of America

Later, based on data from a 1955 study in the U.S., researcher *M. Orshansky* promoted another method, the structural one, more operational and without requiring a significant amount of work, in which for the poor family in the U.S., one third of the average household income was spent on food.

The classic analysis of "primary goods", formulated by *John Rawls* (1971) and developed by *Ronald Inglehart* in the 1970s, stated that: "Western public values have shifted from a massive emphasis on material well-being and physical security to an increasingly sustained emphasis on the quality of life" (11).

### 2.3 European Space

Moreover, *K. Marx* in his work "Capital" (12) considered that "the natural needs themselves, food, clothing, heating, housing etc. differ depending on the natural particularities of one country or another. On the one hand, the volume of the so-called needs, as well as the way of satisfying them, are themselves a historical product and therefore depend to a large extent on the degree of civilization....".

The French economist *Bertrand De Jouvenel* (1983) (13) nuanced these aspects related to

human consumption, appreciating that the possibilities offered to the individual by society to carry out his existence in optimal conditions, to dispose of its products and to use its services in accordance with his own desires also depend on the concrete, socio-historical conditions of the respective society.

For the current European area, Eurostat adopted, through the European Council Decision of 19 December 1984, a definition of people who are unable to help themselves, which states: "The poor are individuals, families and groups of people whose resources (material, cultural and social) are so limited that they exclude them from a minimum acceptable standard of living in the countries in which they live" (14).

### 2.4 France

The increase in revenue has led to profound changes in consumption structures over time. There is no precise information about a long-term study, but, from the works of historians, we note that in 1770, bread consumption alone represented half of the expenses of a typical family budget for most of the population of Paris. The other food expenses were: vegetables, bacon and wine 16%, clothing 15%, housing 13%, heating and lighting 6%. By way of comparison, the consumption of all cereal-based products currently represents less than 3% of the expenses of families in France.

Table 1 shows the evolution of the structure of the French family budget. The evolution is continuous and highlights very important structural changes. In thirty years, the share allocated to food has gone from more than 40% of costs in 1950 to a little more than 20% in recent years (which does not mean that food costs have decreased, but only that they have increased much more slowly compared to those for other destinations and compared to the average resources of the population's household). On the other hand, expenses for hygiene and health have increased much faster than the average, going from 6.5% of total expenses in 1950 to 12.3% in 1981, and so on. This is not an average evolution that masks the disparities and inequalities that occur at the same time between families with different income levels.

These changes in household demand are not only related to the increase in real income, to the progressive satisfaction of needs. The emergence of new products changes the very structure of needs. It is true that supply creates demand, in the sense (but only in this sense) that it forms new needs and therefore determines the emergence of substitutions between the various destinations of consumer spending.

Here is how the structure of a family budget in France is presented in various years.

*Table 1:* The structure of a family budget in France between 1959-1986 (%)

Family budget (%)	1959	1970	1981	1986*
Food	36.0	27.1	21.2	20.5
Clothing	10.1	8.6	6.6	7.2
Housing	20.4	24.5	26.3	27.4
Hygiene and Health	6.6	9.8	12.3	9.0
Transportation and Communications	9.3	11.6	13.6	16.4
Culture and Leisure	5.4	6.2	6.5	7.2
Miscellaneous	12.2	12.2	13.0	12.3
Total	100	100	100	100

*Source: Report on national accounts, 1981, 1986*

\* The 1986 budget coefficients, established on the basis of 1980, are not directly comparable with the previous figures. The change in the basis of comparison largely explains the decrease in the figure under the heading “hygiene and health” and the increase in the figure under the heading “transport and telecommunications”.

The level and structure of consumption differ significantly from one socio-professional category to another. From the work of C. Baudelot, R. Establet and J. Toiser (15) and on the basis of official surveys on the living conditions of families, a certain amount of interesting information can be obtained.

Thus, in 1956, the level of total consumption varied in the proportion of 1 to 4.2 between agricultural employees and senior executives. However, they allocated 61% and, respectively, 22% of their budget to food, 5.5% and 15% to the interior design of their home, 1.8% and 7.2% to cultural costs and, finally, 0.4% and 4.8% to vacations. So that the difference between these two categories, which was 1 to 4.2 for total consumption, was only 1 to 1.5 for food, but 1 to 11.3 for costs devoted to the interior of the home and 1 to 54 for vacations.

In 1971, these differences were attenuated, but still remain large: 1 to 2.9 on average, but 1 to 1.4 for food, 1 to 3.6 for the interior of the home and 1 to 11.9 for vacations.

Comparing the budgets of the various categories, we find the major trends that characterized the temporal evolution of the budgetary quotas according to the overall income of the families. It is clear that other criteria also work: rural or urban life, manual or intellectual work, salaried or self-employed.

Thus, in 1971, small traders and craftsmen, on the one hand, and employees, on the other, had reached similar levels of consumption. The former, however, devoted significantly higher amounts to housing, while the latter preferred to spend on cultural purposes or holidays. The overall level of consumption of senior executives in 1951 was reached in 1956 by middle executives, in 1966 by skilled workers, and in 1971 by unskilled workers and farmers. The structures of these different budgets, however, show important differences. Not only because of the evolution of lifestyles over time, but also because of the specific needs of the various categories (table 2), (16).

*Table 2:* The budget of several social categories at an equivalent consumption level between 1951-1971

At 1971 prices	Senior management 1951	Middle management 1956	Skilled worker 1966	Unskilled worker 1971	Farmer 1971
Food	3,491	3,186	3,520	3,711	3,891
Housing	1,377	1,503	1,288	1,341	1,366
Interior	764	1,010	1,029	1,223	966
Clothing	1,526	1,456	1,100	1,374	1,067
Health	273	650	569	632	556
Transportation	629	842	974	1,103	1,069
Outings	1,852	1,208	582	664	272
Culture	686	452	230	230	182
Vacations	-	380	302	203	68
Miscellaneous	303	337	475	507	643
Total	10,901	11,024	10,069	10,987	10,081

Source: C. Baudelot, R. Establet, J. Toiser, *op. I.N.S.E.E., Crisis of the productive system, December 1981, p.141 (16)*

## 2.5 Romania

Almost 100 years ago, in Romania, the first "cost of living indices", as they were called, were calculated out of the need to know the trends of the increase in the cost of living after the First World War. Starting with 1910, in our country, statistics calculated the evolution of prices for "items commonly used in any household". The basis for determining the "cost of living index" was a family budget. This family was composed of a husband, wife and a child, also having a fixed monthly income - "the large class of civil servants and workers with monthly salaries was considered" (17).

The cost of living index was calculated for 40 cities, establishing for each one, both the cost of living and the amount that a family would have needed for its living each year compared to the year 1914, taken as a base.

Starting with 1927, the price index appeared under a new name: the cost of living index. It was calculated for 50 cities and for a middle-class family of 5 members. The list of representative goods consisted of 55 items.

In 1928, the number of cities was increased to 71 and partial indices were calculated for items classified for the first time in three groups: 1) animal foods; 2) plant foods; 3) clothing, footwear, lighting and heating.

In 1933, the method of collecting data from the field was also changed, this being carried out by direct observation, at retail stores, between the 10th and 20th of each month, recording the most frequent price. The basket of goods and services was enriched with up to 68 items: 27 plant-based foods; 20 animal-based foods; 12 clothing and footwear; fuel and lighting 30 items; miscellaneous 4 items. In addition to the price of the 68 items, prices were also collected for other products that were part of a family's consumption, such as: fruit, the making of a men's suit and a dress, public transportation, shows, a cubic meter of water, a kW of electricity, rent etc. However, in calculating the cost of living, at that time, the costs related to rail transport, taxes, school fees, books, medicines, tobacco were not considered.

Also, in 1933, a survey was started on the basis of which a budget for a family of 5 people with an average revenue was established, which was used to calculate the cost of living index for the following year, expanding the basket to 73 items. The indices were calculated by historical provinces and cities of these provinces.

Starting with 1939, official statistics published two indices in parallel: that of retail prices and that of the cost of living. The first was calculated considering only 33 items, and the second 81 products and services.

Later, N. Georgescu-Roegen (1943) (18) calculated the cost of living index for 5 regions of the country: Vechiul Regat, Transilvania, Moldova, Basarabia and Bucovina, highlighting the causes of the differences between these regions and within them in urban/rural environments. The author explains the differences in the cost of living by the different degree of urbanism, regional characteristics, the grouping of costs and the evolution of the cost of living over time. The alternation of these various factors led the author to conclude that, at that time, rent, "rent" as the author calls it, was the most elastic component of the cost of living. Food was the least burdensome cost of living for Romanian families, creating the "illusion" of cheapness of life in Romanian cities, an illusion shattered by the special weight of other expenses of a more rigid and burdensome nature: rent, electricity and fuel.

During World War II, the indices were calculated only for Bucharest. The last cost of living indices were published in 1948, their series referring by year to the period 1937-1945, for 1946 and until July 1947, monthly indices were presented.

### III. THE MINIMUM DECENT LIVING AND SUBSISTENCE LEVEL CALCULATED BY THE NORMATIVE METHOD IN THE RESEARCH INSTITUTE FOR QUALITY OF LIFE (RIQL)

The normative method establishes amounts that do not depend on the consumption levels recorded at a given time, but are based on systematic, rigorous norms appreciated in

specialist studies (19), (20), that concern the development and manifestation of the individual in everyday life, in the family space, as well as outside it in society. Subsequently, the consumption basket (21) of the population was reassessed for the decent standard of living and the subsistence level. The minimum corresponding to a decent standard of living can be defined, in the case of a family, as the necessary resources for current consumption (food, clothing, footwear, housing, services), to which is added the education and professional training that favours the affirmation of the person and the social status that allows the development and participation of the individual and his family in society. The subsistence minimum has in mind aspects related to the survival of a person.

The typologies followed in the consumption research in 2001 included from the urban environment (22): a couple of employees with two dependent children and a couple of pensioners. From the rural environment (23): a family of two farmers active with two dependent children, as well as a family of two elderly inactive people possibly former farmers, self-employed workers of the land or former employees in state structures, an option that was considered to be interesting and justified in the analysis of the typologies in our country, considering the large number of older people who populate Romanian villages.

Food consumption is based on the consumption norms established by the nutritionists at the Institute of Hygiene and Public Health in Bucharest (24), (25). These consumption norms for an adult and professionally active person, who works in average conditions of physical and intellectual effort fall between 2,700 and 3,200 calories per day. In our work, we opted to define the subsistence minimum, with a necessary food consumption of 2,700 calories per day the minimum established by nutritionists.

The amounts of consumption start from the active adult. To establish the monthly consumption for an adult family with children we consider the preferred food items, but also recommended by specialists, for the man, the woman and the child(ren). Using the equivalence scale for

consumption is granted the value 1 for the head of household, male, employee, 0.9 for the female, employee, 0.7 for the first child in the household and 0.5 for the second child in the household, leading us to a total value of 3.1.

In the case of the pensioner family the consumption of the first pensioner, male, head of household was estimated to be 1, (equivalent to 0.8 of the consumption of the adult, male, active) and for the second elderly person, pensioner female 0.9 of the consumption of the adult pensioner was taken into account. The total value for the pensioner family is 1.9.

As necessary products are meat and meat derivatives. Milk and milk derivatives were established to preferences. Were added the oil necessary for food preparation and vegetables that come to complete the necessary nutritional components for the optimal functioning of the human body.

Next option in the food needs of families is the potato consumed in large quantities in our country. Also, beans, a vegetable often found in our country and in winter and summer, dry or green, depending on the season; apples from the fruit category which also have the widest distribution area in the country and which are found in all seasons. Sugar and sweets and coffee were added but in small quantities.

A separate analysis is the evaluation of self-consumption in rural areas. Income from self-consumption represented 16% of the total household income. From the calculation of the decent living minimum, by the normative method, in rural areas, self-consumption has a value of 38.6%.

Among the products that in rural areas are consumed within the household mention: cow's milk, sheep's and cow's cheese, yogurt, butter, in terms of dairy products, as well as other products prepared from milk; pork, beef and chicken, lard and eggs that come from animals and birds raised in their own households. Carrots, onions, garlic, greens, potatoes, green and dried beans are obtained and consumed throughout the year by the peasant families.

- The cost of clothes and footwear was made based on the gender of the person and the season.
  - The dwelling consists of 3 rooms for employees and farmers with children and 1 room (studio) for older families from urban and rural areas. Other expenses related to housing, electrical and household items, sanitary and hygiene items, household textiles, crockery, cutlery, household items, and other household products were established accordingly for four people from urban and rural areas.
  - Transportation includes only two monthly passes, on a means of public transportation, in the case of employees in urban areas, who travel daily to work. For children is not needed, considering that they go to schools near home; four journeys by train, for the family of employees with children, once a year, when travelling on vacation; two discounted journey, by train for older family from urban and rural areas, when traveling, once a year, on vacation or treatment leave.
  - School supplies and other stationery items concern, in particular, the school requirements of children, but also a minimum necessary for adults.
  - Medicines retain only those strictly necessary for the first aid kit and not a long-term treatment, starting from the premise of healthy aging.
  - A quantum of 10% of the final calculation of the decent consumer basket was provided for economies and to cover unexpected costs.
- child boy/girl, opinions and points of view were resulting from:
    - Discussions held on the basis of a questionnaire with the families investigated in 1990-2010, during the field research within the "Diagnosis of the Quality of Life" program (26), on nationally representative samples;
    - Data provided through publications by the National Institute of Statistics;
    - Consultation of specialists who had earlier concerns regarding the population's consumption of goods and services;
  - Services must cover everything related to the interior and exterior of the home, public transport, health, train trips that take place at least once a year, school supplies absolutely necessary for children, etc. being calculated at the level of decency, but within the limit of the minimum consumption.
  - The method offers more transparency in knowing the elements of a material, cultural and health which are intended for a decent living and subsistence minimum.
  - The normative method is more realistic compared to the relative method which consists of establishing the poverty threshold as a proportion 40-60% of the average or median income of households, in which case there is an underestimation of the need in poorer countries (the percentage is calculated at a low average or median of incomes).

#### IV. CURRENT COST OF LIVING CALCULATION MODEL IN THE NATIONAL INSTITUTE OF STATISTICS

The advantages offered by the normative method over other scientific calculation methods are the following:

- It offers objectivity in the calculation because food consumption is based on norms calculated by researchers of the Institute of Hygiene and Public Health. This eliminates the subjective assessments of the population regarding the food requirement at a given time.
- To establishing the clothing/footwear products for the adult man/woman and the

In the following, we will present a model for calculating the cost of living from an objective perspective and its methodology is based on the Family Budget Survey (FBS) carried out by the official statistics agency, the National Institute of Statistics (NIS). These surveys assess the expenditures made by the population to purchase food, non-food products and services on the market (including self-consumption, goods and services produced in households). The values are detailed by total households and by households of employees, farmers and pensioners (table 3).

Total consumption expenditures or the cost of living, in the fourth quarter of 2024 (28), by total households was 2908.2 lei, of which by households:

- By employees 3,725.1 lei;
- By farmers 1,649.8 lei and
- By pensioners 2,326.3 lei
- By unemployed 1,174.8 lei

*Table 3:* Level of total consumption expenditures, by household categories, in urban and rural areas, in Q3 and Q4 2024, by the NIS method -%-

Household categories	NIS				
	Average monthly household expenses (lei)	Total households	Employees	Farmers	Retirees
Q3	2,802.51	3,590.10	1,348.29	2,199.26	1,129.46
Q4	2,908.19	3,725.10	1,649.83	2,326.34	1,174.77

*Source: Press release no. 83/April 7, 2025, NIS, Bucharest, Domain: Income and living conditions, p.5 (28)*

At the end of 2024, a household spent in real terms on food and non-alcoholic drinks 33.0% from budget. In terms of clothing the values are quite close for all types of households and in both environments. The urban population and

especially employees stand out for a higher value of consumption of hotel services, cafes, restaurants, compared to farmers or pensioners (table 4).

*Table 4:* Total consumption expenditures by destination, for a household, in Q4 2024, by the NIS method

Consumer spending by destination	Q4, 2024	
	- lei per household-	%
Agri-food products and non-alcoholic drinks	1,474.37	33.0
Alcoholic drinks, tobacco	322.23	7.2
Clothing and footwear	398.67	8.9
Housing, water, electricity, gas and other fuels	689.99	15.5
Furniture, home furnishings and maintenance	302.33	6.8
Health	268.30	6.0
Transport	293.30	6.6
Information and communication	186.33	4.2
Recreation, sports and culture	114.51	2.6
Education	25.31	0.6
Hotels, cafes and restaurants	90.70	2.0
Insurance and financial services	31.40	0.7
Personal care, social protection and various goods and services	264.77	5.9
Total consumption expenditure	4,462.21	100.0

*Source: Press release no. 83/April 7, 2025, NIS, Bucharest, Domain: Income and living conditions, p.5 (28)*

#### 4.1 Food component

One of the basic product foods of Romanians continues to be bread and similar products. In 2021, the average monthly consumption was 7.38 kg/person (29). The average monthly consumption of fresh meat per person was 3.88 kg/person in 2021. Together with meat preparations, this amounts to 5.37 kg/person per month.

According to data provided by the National Institute of Statistics (NIS), there are significant differences between meat consumption in households, depending on the number of people. Thus, households consisting of a single person have the richest meat consumption 7.69 kg/person per month of fresh meat and meat preparations. Compared to developed countries, the consumption of meat and meat preparations was relatively low in Romania.

In 2021, monthly milk consumption was 5.45 liters/person. The most milk was consumed in households of retirees (5.95 litres/person) and the least in those of the unemployed (4.03 litres/person). There is a slight gap in milk consumption depending on the area of residence: 5.445 liters/person in households in villages and 5.448 liters/person in those in cities. The highest milk consumption (7.50 litres/person) was recorded in families composed of one person predominantly made up of older people.

Across households, the average monthly *potato* consumption per person was 3.02 kg. Retirees consumed the most potatoes (3.26 kg/person), and employees the lowest consumption of this food (under 3 kg/person).

The average monthly consumption of vegetables and canned vegetables was 8.46/person in 2021. The highest consumption was recorded in families composed of one person (12.89 kg/person) and in households without children (9.97 kg/person), and the lowest in households with four or more children (5.66 kg/person).

Considerable differences in fruit consumption exist between households consisting of one person, with a monthly consumption of 6.40 kg of

fruit/person and those consisting of six people (2.84 kg of fruit/person).

#### 4.2 International comparisons in Romanian and European households

33% of EU citizens reported in 2019, that they did not consume fruit and vegetables daily. Only 12% of the EU population consumed the recommended five or more portions per day. Romanian people have consumed the least fruit and vegetable, according to data published by the European Statistical Office (Eurostat) (30). On average, over half of the EU population (55%) reported that in 2019, they consumed between one and four portions of fruit and vegetables per day. Among EU Member States, the highest consumption of five or more portions of fruit and vegetables per day was reported in Ireland (33% of the population), the Netherlands (30%), Denmark (23%) and France (20%). On the other side, in Romania only 2% of the population eats at least five portions of fruit and vegetables daily, followed by Bulgaria and Slovenia (both with 5%) and Austria (6%).

## V. CONCLUSIONS

Each scientific method is important because it contributes to the analysis and deepening of knowledge at a given moment or over a wider time horizon.

The normative method used to calculate the minimum threshold for decent and subsistence living shows us that in food consumption, the products necessary for existence are chosen and calculated by nutrition experts so that individuals and their families consume what is healthy, while the average monthly consumption calculated by the NIS reflects what people spend, sometimes without respecting the necessary nutrition and hygiene standards.

During the period 1989-2024, the incomes of various families with children could not keep up with the price increases for products and services on the market. The incomes or expenditures of the population provide that clear and concrete situation on the quality of life of the population and thus help to take measures, through

socio-economic policies oriented towards the benefit of the members of the respective societies. Household incomes and expenditures are extremely sensitive to unfavorable developments in the economy, as well as to the malfunctioning of the national and global market.

The importance of the minimum concept is significant by dimensioning poverty in time and politics that reduce the fall into poverty and support the population in need.

Through the normative method it was desired to know transparently all the products that enter the current consumption and preferences of the population, as well as to respect scientific rigour in order to take into account a healthy, complete, balanced consumption that every person should have: adult or child, employee or pensioner, city dweller or farmer in our country.

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