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POLLSTERS REPORT ON AMERICAN CONSUMERS
AND BUSINESSMEN

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HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE

CONGRESS OF THE UNITED STATES

NINETY-FOURTH CONGRESS

FIRST SESSION

PART 2

OCTOBER 30, 1975

Printed for the use of the Joint Economic Committee

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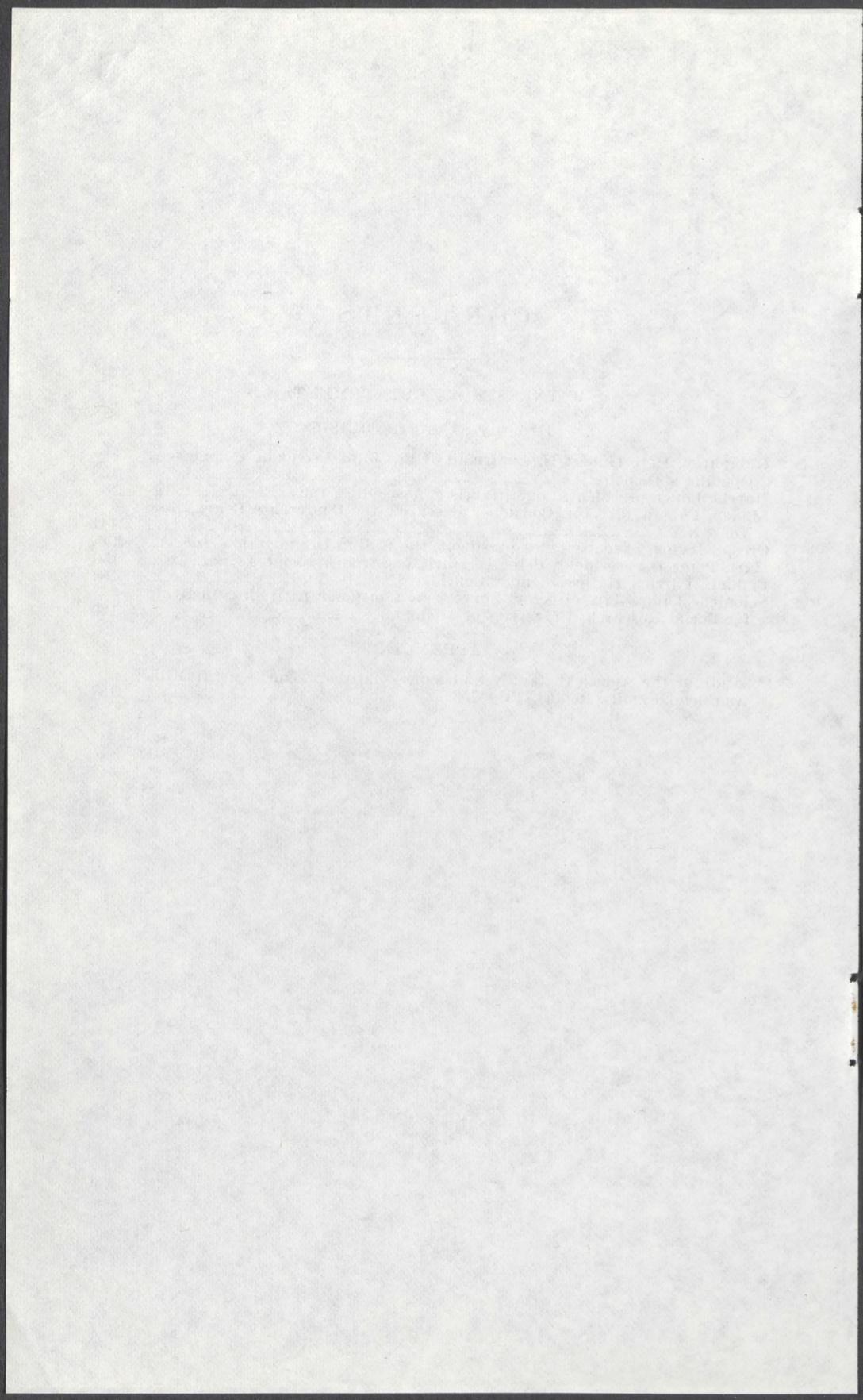
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POLLSTERS REPORT ON AMERICAN CONSUMERS AND BUSINESSMEN

THURSDAY, OCTOBER 30, 1975

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met, pursuant to notice, at 10:15 a.m., in room 4200, Dirksen Senate Office Building, Hon. Hubert H. Humphrey (chairman of the committee) presiding.

Present: Senator Humphrey; and Representatives Hamilton, Long, and Heckler.

Also present: John R. Stark, executive director; Robert D. Hamrin, George R. Tyler, and Larry Yuspeh, professional staff members; George D. Krumbhaar, Jr., minority counsel; and M. Catherine Miller, minority economist.

OPENING STATEMENT OF CHAIRMAN HUMPHREY

Chairman HUMPHREY. May I ask the following gentlemen to come forward: Mr. Harris, Mr. Linden, Mr. Crespi, Mr. Hart, Mr. Caddell, and Mr. Schmiedeskamp. We will introduce you individually as you testify.

Gentlemen, this is a continuation of the hearings of the Joint Economic Committee relating to an overall review of our economy. We spend a great deal of our time on what we call specialists of economic models. We get a variety of comments of different opinions and persuasions to appear before us. We have had representatives of the finance community, of State and local governmental units, of agriculture, of labor, the manufacturing sector of our economy, and we have had many domestic counselors. We are trying to get a picture of the American economy and the economic structure as it is. And indeed we even are looking forward as to what it might be. We have held a series of hearings and we will continue to hear them on what we call future gross or the limits of gross or the relationship of the development to our capital needs or the capital needs as they relate to the development.

As you know, this committee is essentially an advisory committee to the committees of Congress. I want to make it a committee of information for education for the American public. It is my judgment that much of the information that we get has one flaw; namely, what does the public think about economy; what are the attitudes of the consumer and of the investor and of the would-be stock purchaser? I wonder what are the attitudes not only of selected people in manage-

ment and finance but of the broad spectrum of that community? And we don't generally get that unless we look to the new methods of public opinion testing and survey.

Each of you in your way and in your own companies and organizations have developed a reputation and earned a reputation for forecasting, for public opinion analysis. I'm sure you would be the first to admit that it is not without limitation and it has its flaws; but we definitely need to hear from you.

Now I have just a brief statement that I would like to use to supplement these oral remarks. It is clear that the American public is beset with uncertainty. We are certain of that. And it is highly critical of Government and I might add not only of Government but it is critical of most established institutions but it is especially true of the Nation's economy and of the Government's economic policies. Traditional concepts and theories don't seem to work or at least many people don't feel they work. They don't tell us how to deal with high inflation together with continuing unemployment, continuing high unemployment and recession. Restrictive fiscal and monetary policies have not been very effective thus far in reducing inflation in oil or food prices and maybe they can't. They have increased unemployment to the highest level in 35 years.

Economic forecasters are inaccurate because they fail to consider the variable of consumer behavior in their models, which is what I was saying to you earlier. They try to devise policies for fine-tuning economy but miscalculation of the American people's economic behavior inevitably results in the inadequacy of policies.

As a nation, we are much more vulnerable to international forces than ever before. I am confident that too little attention is being paid to that in much of our economic policymaking. The devaluation of the dollar, the action of the oil cartel very sharply have increased our rate of inflation over the last year as has high interest rates and high prices, which has forced many of our citizens out of the housing market. And on-and-off national policy has confused people particularly since none of these policies apparently work very well.

I think it is particularly important then that at this time for this committee, the Joint Economic Committee, to find out a little bit more about what people are thinking and what they expect from their Federal Government or what disappointments they see in their Government. Obviously there have been changes in public attitudes about our economy. And that is why we have invited you gentlemen to meet with us today and consult with us in this matter. How have the expectations about the economy changed in the past 2, 3, or 4 years? Are people less optimistic about our economy? What would they like to see the Government do if they had any specifics in mind? We have some definite ideas among our membership here I can assure you, but I think the important thing is to hear what you find people are saying. What do they think is the proper role of the Federal Government in the U.S. economy? I'm told, for example, that many people feel strongly that the Government should do a much better job of planning and coordinating economic policies but then I am told that that is not true at all. What do you find? What do you think Government ought to do about rising prices? I know at home people say, "well get them down," but after that the dialog stops. What about unemployment? Should we

have a substantial public service employment program or a public works or an emergency works job program? Most people, however, are very critical of spending even though they may want programs. Even though they may want the programs, but still they are critical of spending. What is your experience? How do they feel about the economy in this Government? Where would they propose reductions in spending to begin with? Would they propose reductions in the military, in welfare programs, in public works, or where? In the face of both unemployment and inflation are people inclined to save more or are they inclined to save less? Now these are some of the questions, and there are a host of them, that we asked in the letter to you to show your thoughts on them. So to help us on these questions, and I hope many more, we ask you to give your attention to them. We have asked six of our country's most respected pollsters in here today to testify and guide us.

We will start out with you, Mr. Harris, Mr. Louis Harris, president, Louis Harris & Associates, to be followed by you, Mr. Fabian Linden, director of Consumer Research of the Conference Board. I will introduce the rest as we go down the line.

Might I say to my colleagues, if it is agreeable, should we just listen to all of you and then, after we have heard from you, and if you don't mind, why then we would like to kind of pick at you for a while.

Mr. Harris, please proceed.

STATEMENT OF LOUIS HARRIS, PRESIDENT, LOUIS HARRIS & ASSOCIATES, INC.¹

Mr. HARRIS. Mr. Chairman, let me say it is a singular privilege to appear here this morning before this distinguished committee. I would like to pick up, if I might, right at the outset with a reference you made in your introductory remarks. I would like to say I can speak on behalf of my colleagues when I say that we come here as admittedly as petitioners of a fallible art but it may be the best you have. And if so, I would hope that you would bear with us in listening to us.

I would say, having admitted all of that. I would say for too long now, the consumer has been viewed by economists and economic policy makers as a veritable automaton: Put money in his pockets and he will spend it. To put it another way, if you prime the pump, the consumer out there will do his part by a generous measure of spending.

Well over the past 3 years during which we have taken monthly in-depth readings of the consumer needs as part of the "Harris Perspective"—and that is a private service for forty leading corporations who finance this and I have their permission to release much of theirs for the first time here today—we have found an increasingly selective, more sophisticated, and less materialistic consumer than I think anyone ever imagined existed before. Simply because Presidents of the United States have said that a recession was over, for example, that that inflation's back was broken, where that new consumer demand was inevitably going to be strong did not mean by any stretch of the imagination, much as a flock of sheep, that the American people would take the word from on high and behave accordingly.

¹ For Mr. Harris' prepared statement, see part 1, p. 1, this series.

Now, it has been a fascinating journey, Mr. Chairman, over these past years, month by month and observing consumer attitudes, expectations, and behavior. I think I can prove that the days when anyone can assume that the public out there is going to behave in some rota fashion are over.

Let me get directly in the short time I have available to some key facts as we have found them.

First and foremost, for almost 3 months now, just about every economist and Government spokesman has proclaimed that the recession is over. Well, Mr. Chairman, it seems that almost no one out there has yet to get the word. As of 10 days ago, 81 percent of the American people were convinced that the country was still in a recession. This is up from 79 percent who felt that way in September, and is well above the 69 percent who felt that way a year ago last October. To be sure, it is below the record high of 88 percent who were convinced we were in a recession just last April, but it is well above the 39 percent who felt we were in a recession in the fall of 1973, and 38 percent who felt that way back in the fall of 1972, the 4 percent who said we were in a recession back in 1971, or the 58 percent who thought we were in a recession back in 1970, when indeed the economists back then also admitted we were.

So a first and important fact is that people still think we are in a recession and the intensity of that feeling has not slackened appreciably since last November, almost a year ago. To most people, when we ask them, a recession means hard times, trouble making ends meet, financial insecurity, a worry that incomes and prices are not keeping pace, a quickened sense of insecurity over jobs.

Now, when we have asked people every month about their expectations about the economy 12 months ahead—we find today as of 10 days ago that 56 percent of the public thinks we will still be in a recession a year from now and only a small 24 percent are convinced we'll be out of it. This is up 2 points in expectations of a continued recession from September, although it is 8 points lower than it was a year ago. But it should be noted that for the past year and a half, with rare exception, majorities of well over 50 percent of the people have expressed a pessimistic view that the economy would be in a recession in the succeeding 12 months.

What has been so painful about the recent economic experience of the American people is that they have had to suffer through both inflation and high unemployment at the same time. This was a condition, the late Lord Keynes had told us, could not happen. But it has, and it has been more than double trouble for our people. Now, on inflation, make no mistake about it; people are well aware of the fact that we are no longer in double digit rises in prices. Only a year ago, a nearly unanimous 88 percent of the public felt that the prices it was paying were rising higher than a year ago and an additional 9 percent, or 97 percent, reported they were rising as rapidly. Today, this has dropped to 49 percent who think prices are rising more rapidly and another 23 percent who say as rapidly as a year ago. That is quite a drop, but then it is true that the rise in inflation has slowed down. When we asked people every month what they anticipate the trend on prices will be a year hence, no more than 25 percent say it will be at a more rapid rate than today's rises and 28 percent say it will be as

rapid. Again, it would appear from a surface reading that the public thinks that the price spiral at long last is slowing down.

But this is only a superficial look at the numbers. Analyzing it only a bit further makes them more revealing. Back in April of this year, the Consumer Price Index indeed had come down to under 6 percent—and I believe I am correct in this—and the public reflected it directly. Then, only 37 percent thought prices would be rising more rapidly in a year—12 points below today's levels. In other words, over the past 6 months the American consuming public feels that inflation is creeping up on it again, and not so slowly at that. But the most revealing numbers arise in consumer expectations. Back in March of this year, before the official proclamation of a big slowdown in inflation had been announced, a 52-38 percent majority of the public felt that prices in the next 12 months would be rising at a rate below the then current levels. In April, a 51-35 percent majority still felt the same. But then by August, hopes began to slump again. By 52-38 percent, a majority reported that they believed that in the next 12 months prices would be rising as fast or faster again. By September a 52-33 percent majority felt that way, and our latest October reading 10 days ago shows a 53-32 percent majority think the back of inflation simply has not been broken.

So there is a deep suspicion abroad across this land that inflation is making a comeback, that current measures to stem inflation may just not be working, and that even double digit inflation is not so remote.

Let us look at the other side of this blade of economic trouble we have been living through: Joblessness. A year ago, 43 percent of the public felt that unemployment around where they live in their community was increasing and only 7 percent said it was decreasing. Now, a year later, 55 percent feel that unemployment is still going up where they live, a rise of 12 points. To be sure, this current 55 percent is well below the record 83 percent who reported joblessness increasing back in March; the 76 percent who felt it was going up in May; or the 67 percent who felt that way in August of this year. So there has been some fall-off in apprehension over unemployment, but not of a major magnitude.

Now when we get to people's expectations about unemployment, back a year ago, 43 percent were convinced it would be rising in the next 12 months and only 11 percent thought it would be decreasing. By April, when the public felt that recovery was setting in, only 25 percent thought unemployment would increase but a higher 27 percent thought it would decrease, a significant turnaround in the optimistic side. This situation remained about the same—a kind of moderate optimism about unemployment—until September, last month, when 26 percent reported expectation of rising unemployment and no more than 21 percent could say it was going to go down. Now, this month, it is widening by another point. Twenty-seven percent think it is going to be higher and 20 percent think it is going to be lower and large part of the rest, I might say Mr. Chairman, think it is going to remain the same in 1976.

By any measure, Mr. Chairman, this is not a happy nor optimistic mood out there about the economy. It is further reflected in the ratings the public accords President Ford on his handling of the economy. On keeping the economy healthy, he stands at 68-27 percent negative, on

handling inflation at 77-18 percent negative, and one that is very human in its dimension, Mr. Chairman, on really caring what happens to the unemployed his standing is 58-34 percent negative. These I might add are not alltime lows for Mr. Ford, but they are close to it. What it does add up to is not even a wait and see, skeptical public. It is a people who are close to voting no confidence in this administration on economic measures it has taken. What perhaps more directly, Mr. Chairman, the economic measures it has not taken. On the President's overall economic program, his rating comes up at 68-23 percent negative.

Now despite this low confidence and pessimism, we have also observed another phenomenon, a consumer propensity to buy products and services people need ever since last March. On a key question we ask every month, we have been able to raise the extent to which people want to put money away in savings—or they call it “For a rainy day”—the extent to which they want to invest their money; and, the degree to which they are disposed to purchase goods and services they need. The big slump in consumer buying intentions we found came in late 1973 and throughout every single month of 1974. Then, with the tax rebate and the braking of double digit inflation, potential buying of goods and services shot up from 20 to 30 percent from November of 1974 to March 1975. This went up to 36 percent in April, and has essentially remained in the 30 percentile range ever since.

This has been reflected in the past month in turn in some rising expectations of what people intend to purchase in the next 6 months. Each month, for some 45 key consumer items, we find out what people expect to buy in the next 6 months. Our results show that we have a remarkably accurate forecast in the aggregate of consumer demand in the next 3 months, even though people say it is for the next 6 months. In other words they ask 3 months faster than they say they will.

During the period of the heaviest fall-off of consumer demand, we found that the number of people who said they were putting money away for a rainy day rose from 41 percent in May 1974, to 52 percent by October of that year, to 55 percent by November, and stayed at the 50 percent mark through March of this year. Then it dropped to 40 percent where it remained on an even keel until this past September and again this month when it went up to 45 percent. This is worrisome, for it means that in a period when we are expecting great things of consumer demand, the public's propensity to be wary and cautious and not to spend is pulling hard against them again. Of course, despite this, we do find that what the auto people are finding the demand for autos is firming up; what the clothing people are finding which is some comeback there; the appliance people are finding some comeback; the new home people are finding for the first time in 3 years that there is a surge of specific buying plans—well ahead of last year at this time. The reason, further—and we probed this just within the past 2 weeks—we asked people why have you changed and why do you now tend to buy products where you didn't before, and the reason came back with an overwhelming predominant number—the number given was 59 percent on the average for these products. They tended to buy them now because they fear the next time at this time prices will be even higher. So, Mr. Chairman, we are getting a certain amount of panic buying again. This is giving the economy a shot in the arm, but I think it

should be called for what it is. It is not necessarily consumer demand returning en masse—it is people saying that I better do it now or that new car will be much higher next year or that new TV set or whatever will be higher or whatever.

Now what we are witnessing is a strange period of the American economic history. We have the consuming public in a buying mood, but with not really strong conviction behind it. This would indicate that it would be entirely necessary to keep the tax rebate passed for this year to stimulate consumer demand, a measure that public favors by 63-21 percent margin. My reading of the situation is that we will need to keep stimulation going more rather than less. Of course, the risk is and always been that inflation will get out of hand again, in which case, this next time a 48-40 percent plurality—and this in our October survey tells us that they would not hesitate to opt that for instituting wage and price controls again. But we are not quite at that point yet.

If I might, I would like to dwell in the few remaining minutes on some other and far more radical observations about economic behavior we had been finding over the past year or so and I would feel remiss, having this chance not to report on it today:

We find that a significant majority of 67 percent of public criticizes the leadership of the country for “not understanding that the people do not want more quantity of nearly anything, but want better quality of just about everything they possess.” This matter of quality is a crucial one. A majority of 53 percent of the public feels that the quality of most of the products and services it consumes has deteriorated in the past 10 years, as, indeed, has the quality of life, in the minds of the people themselves.

This matter of quality rather than quantity is important for it signals the important impact that the energy crunch has had on the American people. For the first time, we have been coming face to face with the reality that the raw materials of this world are finite, that many critical ones such as oil are actually running out. Given this basic fact, we find the American people remarkably willing to undergo some substantial cuts in their expectations of just what physical goods they hope to own. Make no mistake about it, the public is prepared to cut back on a whole host of physical goods which we have automatically assumed everyone wanted in greater and greater quantity. The fact that as 6 percent of the world's population we consume an estimated 40 percent of the world's raw materials is beginning to dawn on the American people. I am prepared to say that in the next 5 years you are going to see a flattening out of absolute demand in this country for the vast majority of physical goods that we have come to depend on for our economic livelihood.

And I might add, Mr. Chairman, most economists count on this as a basis for economic growth. This would include such items as washing machines, cars, TV sets, appliances of all kinds, and even housing. We have done a study among the aging, Mr. Chairman, which I can get into and I think there is some real implications about where housing in the future is going to go because we find people over 65 don't want to live in sunshine villages surrogated away from the mainstream. They want to live nearby the mainstream of society of all ages. This has had tremendous implications. I could go down quite a long list on this subject. And if our national leadership would ask people

to cut back on short-supply items the public would respond beyond anything, anyone in this town would dare imagine. Let me give you some examples: A cutback on not eating meat once a week—91 percent they would do that; doing away with annual spiraling changes in clothing—90 percent would do that although I have to say it is a smaller 82 percent of women but nonetheless it is a high number; sharply reducing the amount of paper towels, tissues, bags, napkins, and other disposables to save energy and curb pollution—92 percent would do that; stop feeding all-beef products to pet animals—78 percent say they would do that. The point is not to have people stop consumption to make the economy slump even more. The point is we live in a service society where an estimated 51 percent of the labor force work in service trade, not in production of physical goods.

This means that our people in the future are going to want to spend their money in a highly selective way, not to buy more physical goods, but to buy more services. And that also makes good sense to them. For the most reasonable resource we have is our people themselves. People may get exhausted, but they can come back again, when it is a service they are rendering. But physical resources are finite and can disappear. This has tremendous implications for our economic planners. It means that American aspirations and values are changing. It means that the old American dream of heaping upon your table higher and higher mounds of material possessions is now going straight out the window. The three-car and three-bathtub syndrome is dying fast if indeed it is not already dead.

It also means that what is important to people is not any longer going to be material acquisition. It means that when people work in a post-industrial society, as we surely are in, they are not working simply to earn bread alone. For the vast majority, they are striving for a better quality life, and Mr. Chairman, believe me that is what they are striving for and working hard for these days. Yet, ironically, nearly every measure we have in our kitbag of economic facts deals with physical output. We do not have any measures that I know of—and maybe some of my colleagues or some other people know about it—but I have asked about it and not found it—of any consequence of productivity, for instance, in service trades, where a majority of our people work these days. We are absorbed with employment statistics in the giant physical goods industries, but we overlook consistently the opportunities to grow in the areas of the future—those of rendering service from one human being to his fellow human beings. And, people will pay for this, even more than they will for physical goods that are suspect for quality, if indeed, say a majority, they do not poison, maim, or kill you. Believe me this product safety problem is a main one in terms of physical goods.

The final point, Mr. Chairman, I would like to emphasize is that our people are far more prepared to change their ways of consumption, to cut down on waste in wholesale quantities, and to be generous with one of the few commodities we are a surplus producer of these days—food. We asked people recently if they would be willing to go without meat once a week to see that grain went to countries where people were starving. A 76 to 21 percent majority said they would make this sacrifice. Or take the matter of giving up fertilizer on their front lawn—and I know, as one who has tramped his way all

over this country—lawns are very important to people—and this is a precious part of America by any standard. The public would be willing to do this in order to ship fertilizers to countries with hunger problems by a 62 to 31 percent margin. The only part of government to go up during the year of 1974 in prestige in this country were those Governors who had the guts to put in odd-even rationing systems. The public is sick and tired of politicians who promise the world to people in the physical good benefits. First, they don't think they will deliver, and second, if they do, they think they will pay for it 5 or 6 times over in higher taxes. The people want to live a highly selective, pluralistic existence, where quality is more important than quantity and where a sense of community prevails over predatory, greedy, parochial interest.

I realize that these are quite radical findings I report here today. They are most radical of all, because they do not fit the left-right dialog that so much of our leadership is caught up in these days. Especially in economic area.

Well, Mr. Chairman, the public is fed up with that kind of left-right division as well. They want new solutions to new problems and they don't want the solutions spoon-fed to them, either. Rather, they want to participate in making them—are unafraid to receive tough, hard truths and bad news. They do not want to be treated as 12-year-old's, nor will they behave in the future as 12-year-old consumers. There is a whole crisis in the selling area, both in business and in—I might add—politics. The hard sell, the easy handout, the easy appeal to fear—all these are perishing. In these new days, people are going to insist on economic solutions, arrived at out in the open, and will be willing to share in the sacrifices of the upside benefits of a better quality existence—offered to all people everywhere in this land. The issue is not the division of the spoils, but rather how to desperately find ways to stop spoiling life on this planet. That is a proposition, Mr. Chairman, which both the economics and the politics of the future are going to be all about.

Thank you, Mr. Chairman.

Chairman HUMPHREY. Thank you very much, Mr. Harris, for a well-documented and well-productive statement.

Our next witness, or rather I should say our next educator, because that is what we are receiving here today—is Mr. Fabian Linden, director of Consumer Research of the Conference Board.

Please proceed, Mr. Linden.

**STATEMENT OF FABIAN LINDEN, DIRECTOR, CONSUMER RESEARCH,
THE CONFERENCE BOARD, NEW YORK, N.Y. ¹**

Mr. LINDEN. Mr. Chairman. I am going to limit my observations to "The Conference Board's Bimonthly Survey of Consumer Attitudes and Its Buying Plans." It is a probe we have had since 1967 in which we ask the consumer a set group of questions which we hold constant over time—thus we are able to track the changes in responses to similarly phrased queries.

Very briefly, the questionnaire requests respondents to indicate whether they consider current business and employment conditions to

¹ For Mr. Linden's prepared statement, see part 1, p. 11, this series.

be better, worse, or the same as compared with 6 months earlier, and perhaps even more importantly, to indicate further whether they believe conditions will change in the 6 months ahead. And finally, how they expect their own personal fortunes to fair.

The second section of the questionnaire concerns intentions to buy cars, homes, major appliances, and vacation plans.

The response to all attitudinal questions concerning business and employment are summed up in the "Board's Consumer Confidence Index." Similarly, intentions to purchase are combined in developing the "Buying Plans Index." All of the background material on this program will be submitted to your staff.

So much for my preamble. I think my most useful contribution here would be a quick summary of our recent findings.

I brought along a number of graphs in which one line demonstrates the "Consumer Confidence" while the other line traces the "Buying Plans."² This is tracked over the period of 1968 through our most current reading, which was in August of this year.

As indicated, consumer confidence has improved markedly since the beginning of this year.

Chairman HUMPHREY. I just wanted to be sure you know when you say "graphs"—graphs to me are very interesting when you have a chance to focus on them and study them carefully—but just assume for this chairman's sake—I won't speak for my colleagues—but please explain as you go, exactly what is going on. Will you do that?

Mr. LINDEN. Yes, of course. My comments will relate to what has been happening on each particular graph as we proceed.

Chairman HUMPHREY. Fine. Of course, all the prepared statements will be incorporated in the body of the hearing record.

Mr. LINDEN. Anyway, there has been a marked improvement since the beginning of this year in consumer confidence.

Chairman HUMPHREY. What does that show on that graph?

Mr. LINDEN. We have the oil crisis in late 1973 where consumer confidence dropped very markedly, but when gas was again available at the pumps, consumers were more confident. Then there was a sharp drop in confidence when inflation gained momentum. But since the beginning of this year, confidence has, as you can see, Senator, moved up quite sharply: From roughly January through our last probe, which was in August. Buying plans have similarly dropped during the recent period of recession, but they also improved quite markedly since the beginning of the year.

Chairman HUMPHREY. When you speak of consumer confidence and buying plans, are you limiting that to certain categories which you said earlier?

Mr. LINDEN. Yes, sir. Confidence is based on the question: What do you think of current business trends and employment conditions? What do you think these conditions will be like 6 months from now?

Chairman HUMPHREY. Good.

Mr. LINDEN. We combined the answers to these various queries into a system of arithmetic whereby we came up with an index—the details are presented in the technical paper.

² See graph on p. 16, part 1, this series.

Buying plans, too, are a lot stronger than they were late last year. At this point they seem to be almost as strong as they were prior to the 1970 turndown.

So according to our latest reading I must add that our latest reading is for the month of August there has been a considerable improvement over the record low and dreary attitudes picked up during 1974.

In the current business recession both the "Confidence" and the "Buying Plans Indexes" foreshadowed the actual turndown in the economic activity as defined by the "National Bureau." Actually we got poor readings from the consumer both in buying plans and attitudes some 4 to 6 months before the business cycle turned down.

Our experience of course is still limited, but on the evidence on hand it would seem that the U.S. consumer is very quick to sense a change in the Nation's economic tempo. This is hardly an unexpected finding, for as wage earner the consumer obviously gets the message loud and clear rather early. For example, through a reduction in overtime as compared to prior weeks, or more importantly, though a contraction in the size of the plant's work force. So that in a sense the consumer in his role as wage earner is on the firing line of the economy and is able to pick up the subtle changes much more quickly than the Department of Commerce, for example, can compile freight car loadings and put them into an index of economic activity.

We also have clearcut evidence that as confidence declines, the consumer grows a bit more reluctant to spend. In other words, as we track our confidence series with actual consumer expenditures, particularly durable goods, there is a very close and convincing correlation.

At this time, as was observed earlier, consumer sentiment, while a lot better than it was last year, is still not completely reassuring. The graph¹ merely unscrambles the "Confidence Index" into its two components. One line tracks the consumer's appraisal of the current situation—business and employment conditions. The second line tracks the consumer's view of the immediate future—his expectations for the next 6-month period. In appraising the current economic condition the American people would certainly seem to have a very good hold on reality. Although we hear reports that the economy is turning up, and indeed most of our economic indicators indicate we are better off than we were 6 or 8 months ago. Still, the consumer regards the current situation with considerable apprehension and pessimism.

However, in looking ahead, the consumer does seem to be a good deal more optimistic as to what the future might bring.

So, Senator, the graph referred to marks a turnup in the expectations for the future.

So, at this particular juncture, we can say that while consumers are distinctly pessimistic about current business conditions, and while they still give the current scene a rather bad rating, there is a marked improvement in what they believe the future holds.

Now let's look a little bit more closely at some of the numbers that go behind this particular little exercise. According to our latest readings, about 31 percent of those contacted consider current business

¹ See graph on p. 17, part 1, this series.

conditions to be bad. They classify the current situation negatively. The figure is a bit better than the 40 percent picked up last December, but it is still disconcertingly higher than the 7 percent that registered prior to the 1970 turndown when consumer confidence was at an all-time high in late 1969. In other words, when the economy was running along at very satisfactory levels, only a small fraction of the American public had negative things to report in evaluating the economic scene. Currently over 31 percent give the present situation a negative rating.

Further, some 46 percent of those contacted most recently complained that jobs were hard to get. There has only been a marginal improvement in this reading since December, when it was 48 percent, a difference of very slim statistical significance.

In the spring of 1969, on the other hand, only 13 percent complained about the job situation.

But as I have already suggested, confidence in the future has improved considerably. Late last year about 35 percent of all those contacted believed that economic conditions would worsen in the months to come, but this August the figure had dropped to less than 10 percent. Conversely, in the same time interval the number of those that believed business conditions would improve rose from 10 percent to over 27 percent. Twenty-seven percent is still not an awesomely high figure, but it is of course a good deal better than the 10 percent pickup in the dreary days of last winter.

Similarly, over 40 percent of all respondents last winter expressed a fear that the employment situation would deteriorate further in the coming months. That ratio has dropped to only 17 percent. In fact, one out of every four Americans now believe it will be somewhat easier to find jobs in the near future, as compared to only 8 percent last winter. Consumers are also more optimistic in appraising their own personal situation. Last winter less than 20 percent of all those interviewed expected their earnings to increase in the 6 months ahead. Now about 28 percent hold that view. The latter figure compares rather favorably with the 32-percent pickup in the spring of 1969.

The final graph ¹ which correlates consumer expectations and stock prices: Consumer expectations as reported in the board's survey with Standard & Poors 500 Stock Index. I must confess to some uncertainty as to whether I bring this particular piece of evidence as an economist or as an observer of the human condition. In any event, as will be observed, there is an extraordinary correlation between the sentiments of Main street and Wall street, at least in the expectation of what lies ahead for the U.S. economy. But I must sadly say there is no clear-cut and consistent time lead-lag relation between the two series.

Chairman HUMPHREY. It sort of proves you don't have to be an expert on Wall Street. Just go on out and talk to the folks. I have always sort of believed in that too.

Mr. LINDEN. There is a lot of other proof too.

Chairman HUMPHREY. Yes, thank you. We appreciate your very thoughtful testimony and the documentation which you have presented to us.

Mr. LINDEN. Thank you, very much.

¹ See graph on p. 18, part 1, this series.

Our next witness is Mr. Irving Crespi, executive vice president, Gallup Organization.

**STATEMENT OF IRVING CRESPI, EXECUTIVE VICE PRESIDENT,
THE GALLUP ORGANIZATION, INC.¹**

Mr. CRESPI. Mr. Chairman, for reasons of perhaps brevity and perhaps comprehension, I reserve most of my statistics to tables in my prepared statement.¹

Chairman HUMPHREY. Don't worry about the clock. There isn't anything going on around this town today that is very important. I am going to school every day when I get you people up here and this is my free education. Even though they want to eliminate them in New York City, they are not eliminating them up here in our hearings. They are paying me to have this free education.

Mr. CRESPI. Right, sir.

The fact of the state of the national economy has been a top priority concern of Americans for the past year is hardly surprising. However, it is important to appreciate the fact that this concern is not merely a reaction to the sharp downturn the economy took in 1974. The fact is that Americans had been worried about the direction in which the economy was moving for some time prior to that downturn.

The long-term focus of worry has been on inflation, with unemployment a secondary concern in those segments of the population that have been hard hit in the past year. No one can escape the precipitous rise in living costs that has occurred in the past 8 years. No matter who you are, when you go to the supermarket you see those prices going up. This is the rise that the Gallup poll has chartered by asking the public its estimate of the minimum weekly amount needed by a family of four to make ends meet. I might just mention that is different, and perhaps in some ways we would like to think better—than the Consumer Price Index because we are asking people not how much did you pay for this or that but how much did you really need to get along? Now, from 1967 to 1975 this estimate has risen—

Chairman HUMPHREY. Give me that date again.

Mr. CRESPI. From 1967 to 1975—this is a trend we have going back to the 1930's—but just within this recent period from 1967 to 1975—when we asked people what they needed to make ends meet—the average estimate made of how much they needed to get along has gone up 60 percent; from \$101 to \$161 a week. Now there are a lot of people who make less than that.

Unemployment, on the other hand—and I will document this later—has hit only certain segments of the population very hard, while leaving most relatively unscathed so far. As of now the combined impact of double-digit inflation and increased unemployment is having a corrosive effect on American confidence that our economy can continue to provide the good life. I will be going into that a little bit later also. A further note is that the public is sorely divided as to what the Nation's priorities should be: Either combating inflation or unemployment. It seems to me that this is a Hobson's choice that few people can make easily. Between the Charybdis of inflation and the Scylla of unemployment there is little to choose.

¹ For Mr. Crespi's prepared statement, see part 1, p. 23, this series.

What I would like to do is review the trend in public concerns. A brief review of the trend in public concerns over the past few years helps put the character of public concerns about the economy in focus.

To go back only as far as the fall and winter of 1971-72, at that time public concern over inflation was already high and rising. During the 3-month period from October 1971 to January 1972 the proportion anticipating higher prices rose from 63 percent to 75 percent. Many were also concerned about unemployment at that time but this concern was less widespread and was not then on the increase. In January 1972, 41 percent were anticipating an increase in unemployment, compared with 45 percent in the previous October.

All during 1972, inflation was in a virtual tie with Vietnam in the public's thinking as the most important problem facing the Nation. Vietnam was there and you couldn't get away from it. Some mentioned that, but inflation was right up there with it. We had a little over one-fourth naming each as the most important problem all through 1972. By the end of the year—and we take a survey at the end of each year—by the end of 1972; 47 percent anticipated that the coming year of 1973 would be a year of economic difficulty. The public very often is quite ahead as to what things are going to be like and sometimes do a better job than our economists. Few at that time named unemployment as the Nation's most important problem. I think it was 3 to 5 percent or something in that area. However, the concern that the economy was heading for a difficult time was reflected in a nagging fear that this would inevitably lead to unemployment. Thus, at the end of 1972, 43 percent anticipated that 1973 would be a year characterized by rising unemployment.

In fact we found that during 1973—and we measured public opinion during that period—we found that 1973 was characterized by an increasingly widespread belief that inflation was one of the Nation's top problems, so that by September 1973 it was one of the top two national concerns of almost all Americans. We asked people what was the most important problem and what was the next important problem. Almost everybody named inflation. And I want to emphasize this was in September 1973 and that was before the Arab oil embargo and its inflationary impact.

On the other hand, as we know, the employment level held up during 1973, so that saliency of unemployment as a national concern waned as the year wore on. The percentage of people concerned about unemployment did drop during that year. Nonetheless, by the year's end—perhaps as a result of the energy shortage of that winter—almost everyone anticipated that 1974 would be characterized by rising unemployment. In a similar vein, the virtually unanimous fear was that 1974 would be a year of economy difficulty.

Now despite the universal expectations that 1974 would be a difficult year economically, it was not until midyear that as much as half referred to the economy when asked to name the Nation's one most important problem. Of course there was concern about certain other problems at that time also. By year's end, 8 out of every 10 Americans were convinced that the top priority concern facing the Nation was its economy. And just about everybody expected 1975 would be the year of rising prices, with the proportion expecting increased unemployment almost as high.

Let's go back a bit. Pessimism about economic trends was at high point all through the last half of 1974. However, by February of 1975 there was some upturn in public optimism with about one-third expecting that the next 6 months would see an improvement in the economic conditions. Even then, half of the Americans were still expecting a further worsening. And by the summer's end, August 1975, opinion was evenly split as to whether the next 6 months would see a bettering or worsening of the economy. There was a downturn that hit its bottom at the end of 1974; by February things were picking up. They picked up more by May, but there seemed to be a plateau during the summer. Things were evenly balanced, as if the public was sort of waiting for which way we were going to go.

I would like to point out one thing. Although concern over economic conditions was widespread all through the winter, the public's assessment of the state of the economy in midwinter 1975 was balanced. Alarmist theories of a serious depression were not common. The public didn't go off halfcocked. At the same time, a clear majority felt that the country was in real difficulty, either a serious recession or mild depression.

It is important to note that there was a sharp difference by family income as to how the state of the economy was described. This is indicative of the selective way in which the economic dislocation was affecting different segments of the population.

At higher income levels the overwhelming majority described the economy as being in a recession—by that I mean 3 out of 4. In contrast, half of those in the lowest income said we were in a depression. How much money you were making very much influenced your perspective.

The selective nature in which information was affected by last winter's economic downturn is very evident in other attitudes we have investigated. For example, manual worker households were hit harder by the 1975 midwinter recession than were business and professional households, as testified to by the fact that the former, that is manual worker households, were the more likely describe business conditions negatively. Nonetheless, equivalent majorities of both manual worker and professional households were pessimistic about the 6-month forecast.

I would like to talk a little bit about inflation and unemployment. Since 1973, concern over unemployment has lagged behind concern over inflation. Initially, inflation had undisputed saliency over unemployment as the Nation's most important problem. Not until the winter of 1975 did a sizable proportion name unemployment as the Nation's one most important problem. It got up to about 20 percent. And, as unemployment became the Nation's top priority for about one-fifth of Americans, the proportion for whom inflation was the top priority concern receded from a high of 81 percent in 1974, down to 51 percent in July 1975.

Direct personal concern of the likelihood of losing one's job—we asked people how likely it was that they would lose their jobs—even in the winter of 1975, direct personal concern was experienced by only a minority of 1 in 7 of those with jobs. There were just the pockets that were hard hit. And, by spring of this year the extent of such concern had eased off somewhat.

Personal fear of unemployment in April was largely confined to certain pockets of the labor force particularly in the northeast and on the west coast, also in the Nation's larger cities and in the low-middle and low-income brackets. Comparing April with January, concern had abated, had eased off somewhat in the upper-middle income brackets and in the smaller communities and in the Midwest. Things seemed to be improving in those sectors whereas in the northeast and the west coast and the larger cities and lower-income brackets things were still economically bad.

In a just-compiled survey the overwhelming majority of employed adults feel that their jobs are safe. However, concern over losing one's job persists in sizeable pockets of the labor force, particularly among lower-income households and among manual workers. I think it is very interesting to note that half of those who are now fearful of losing their jobs expect that, if this happens, they will have difficulty in finding a new job.

And even among those who are confident about their current jobs and don't think they are going to lose their job, when we asked them what would happen if you do lose their jobs, a sizeable proportion of them are pessimistic about their prospects if the unexpected were to occur.

Turning to a question about preferred Government policies, which is a question you raised, Mr. Chairman, even though inflation has remained the most salient concern, there appears to be a persistent underlying fear that unemployment may not remain confined to a few pockets of the economy. This would explain why the public has been evenly divided and its judgment as to which, whether inflation or unemployment should have a higher priority in the development of economic policies.

For example, as the recession deepened in mid-winter of 1975, opinion was divided as to whether inflation or unemployment should receive greater governmental concern. The tendency was for those of higher socioeconomic status to be somewhat more concerned about inflation, while those of lower status were more concerned about unemployment.

As the summer ended there was still a sharp cleavage of opinion as to whether economic policy should aim at balancing the budget or stimulating the economy. This might be of interest to your committee. In a recent survey, almost equal proportions would vote for a candidate who favors a policy of stimulating the economy, as compared with one favoring a balanced budget.

Chairman HUMPHREY. That shows you have got to get quite a ticket.

Mr. CRESPI. That is right. It is pertinent to note there are differences by family income on this issue—differences that parallel concern over the likelihood that one may lose his job. The higher one's income the more likely he is to favor a policy of balancing that budget. The lower one's income, the more likely he is to favor a policy of stimulating the economy.

I would like to add a few statements here to my prepared statement. Although the American public is divided as to which should have priority, inflation or unemployment, there is a long-term pattern of support for concerted Government action at a time of economic crisis provided that such action does not lead to unfair burdens being imposed

upon selected segments of the public. As a case in point, in 1972 when wage and price controls were in effect, the only criticisms that occurred with any frequency were that these controls were not stressed enough and were not fairly imposed. But there was only limited opposition to controls as such. In fact, long before controls were imposed we consistently found the majority in favor of combined wage-price controls.

Another thing with respect to spending, in August of 1972 we found only 9 percent were in favor of increased defense spending while 40 percent felt that the level should be kept where it was, 37 percent felt that it should be reduced, and another 5 percent felt that defense spending should be ended altogether. So there is a very clear pattern here of people wanting defense spending cuts.

Furthermore, in a survey we conducted in 1973, in January of 1973, we asked the question: During the coming months President Nixon says he will try to hold down Government spending and taxes. Many Congressmen on the other hand say Congress should pass social programs that give more money to the poor, the aged, and the schools and the like. Which position do you agree with more? Do you agree more with holding down spending and taxes or spending money for social programs? Fifty-four percent opted for a holding down spending and 39 percent opted for more money for social programs. The point here is that heavy tax burdens in a period of inflation places great pressure on the public, who come to feel that Government spending has to be kept under control.

In conclusion, the economic difficulties that the Nation has been undergoing during the past 2 years appear to have contributed to a decline in the confidence of Americans that their personal lives will improve.

As we all know, the late 1960's and early 1970's were characterized by an erosion of confidence in the Nation's major institutions, including but not restricted to all three branches of the Federal Government—and in fact, the future of the Nation itself. Nonetheless, throughout this period there was no erosion in how Americans rated the quality of their personal lives, nor in their tendency to believe that the future would lead to an improvement in their personal lives on a personal level. Despite an institutional lack of confidence, people felt confident about themselves personally, as to where they were and where they were going.

However, in a study we have just completed that you have seen in Sunday's and Monday's New York Times we find for the first time in a series of measurements that were started back in 1959, a series of measurements that recorded the hopes and fears of the American people as to the state of the Nation, we find for the first time a significant decline in the way Americans rate the quality of their own lives and in their expectations of their future. If this trend persists, it is within the realm of possibility that the United States will in the near future will experience its greatest crisis in confidence since 1933.

Chairman HUMPHREY. Mr. Crespi, just quickly. You gave us the figures for spending social programs as opposed to cutting and holding down Government expenditures and taxes for 1973. Did you have any similar figures for 1974-75?

Mr. CRESPI. No, I do not, which is why I did not record those.

Chairman HUMPHREY. Because those are the years when the pressures were on more and more people.

Mr. CRESPI. I think we need to update those trends.

Chairman HUMPHREY. We thank you very much for this information. Boy, are we going to have some when we get into the questioning.

Mr. CRESPI. Thank you, Mr. Chairman.

Chairman HUMPHREY. Our next witness is Peter D. Hart, president of Peter D. Hart Research Associates, Inc. Mr. Hart, we welcome your observations.

**STATEMENT OF PETER D. HART, PRESIDENT, PETER D. HART
RESEARCH ASSOCIATES, INC.¹**

Mr. HART. Thank you very much, Mr. Chairman. As I listen to the testimony of my colleagues that have preceded me and as I can see the testimony of those who follow me, it is clear in my mind that we are never going to be labeled the joy boys.

Quite frankly this morning I would like to address myself to three questions of historic importance for this committee, the Congress, and most certainly the American people.

First: What are the public's attitudes toward the performance of the American economy and how the Government and the private sector interact?

Second: What are the underlying economic forces which provide the impetus for those attitudes, and what tack are they likely to take in the months ahead?

Third and most significant, what kinds of institutional change do the American people support in order to get our economy moving?

**ATTITUDES TOWARD THE PERFORMANCE AND INSTITUTIONAL BASIS OF THE
AMERICAN ECONOMY**

In July of this year, our firm conducted a national survey of public attitudes toward the performance and institutional basis of the economy. This study was conducted on behalf of the Peoples Bicentennial Commission, and it surveyed by telephone the opinions of a cross section of 1,237 adult respondents across the Nation.

To summarize our findings on the first key question I have posed here, public attitudes concerning the economy, I would say to you simply that the American public is deeply dissatisfied with the current performance of the economy; that there is a widespread disbelief in the ability of the "fine-tuning" approach which currently dominates official policy to produce a real and viable recovery; and, most important, that the public has come to doubt and mistrust the basic institutional arrangement between the Government and the private sector which has shaped the face of our economic system for the last 40 years. Having said this, let me briefly recapitulate for the committee the highlights of our findings.

When asked to rate the health of the American economy, fully 55 percent of the public rated the performance of the economy as below average or poor, while a scant 10 percent evaluated the economy's present performance as either above average or excellent. Significantly,

¹ For Mr. Hart's prepared statement, see part 1, p. 39, this series.

this negativism was not confined to lower income citizens. Indeed, individuals coming from the highest income groups were no more likely to give the economy a clean bill of health than were those from the lowest stratum.

Even more critical is the fact that the public does not expect any substantial improvement in economic conditions in the foreseeable future. We have consistently found—typically by margins of 5 to 3—that most people feel that the country's worst economic times lie ahead of us and not behind us. Thus, despite the so-called objective indicators which the administration so cheerfully cites as evidence that this "Great Recession" has bottomed out, the public believes that the current respite from the severe difficulties of a year ago is nothing more than the calm before the storm.

All of the President's statistics and all of the President's men cannot put confidence back in the economy again. To expect some spontaneous turnabout in public attitudes without a fundamental shift in who decides economic policy and who benefits from it is to seriously misunderstand the mood of the Nation.

This lack of confidence regarding the prospects for a full recovery stems from the public's fundamental convictions that neither the close relationship between the Federal Government and the Nation's big corporations, nor the leadership of the Government and corporations, any longer works to protect the economic interests of the average person. Again, let me cite just a few figures which demonstrate these observations.

Fully 58 percent of the public feel that "public officials in Washington are dominated by the country's big corporations."

Antitrust laws, a major weapon in the public's arsenal against the imperfections in the private sector, are regarded by almost two-thirds of the people as doing an inadequate job. Less than a third feel that antitrust laws will be even somewhat effective in dealing with the practices in the future.

By a margin of 57 to 35 percent, a majority of the public feels that "both the Democratic and the Republican parties are more in favor of big business than the average worker."

Thus, both government and the political parties are more than a little suspect; and this suspicion, we find, is even more pronounced when we turn to an examination of public attitudes toward the leadership being put forth by the private sector. Here we find:

By a margin of 72 to 24 percent, 3 to 1, the public feels that "profits are the major goal of business even if it means unemployment and inflation."

Sixty-one percent of our citizens are of the opinion that "there is a conspiracy among big corporations to set prices as high as possible."

Just one American in four gives business a positive mark insofar as "really caring about the individual" is concerned.

By a margin of 54 to 31 percent, the public believes that an American multinational corporation, given the choice to sign a contract with a foreign country which would be profitable for the corporation but harmful to the interests of the United States, would sign such a contract.

Chairman HUMPHREY. May I interrupt to say these are the only statistics I have heard so far that give any reason for a man in public life

to stay here in public life rather than go into public business. Every so often we feel we ought to get out of this rat race, but surely this would be jumping from the frying pan into the fire to go into the private sector. But go ahead. I just couldn't resist making that comment.

Mr. HART. I think you are absolutely right.

Chairman HUMPHREY. You are destroying my hopes. [Laughter.]

Mr. HART. How then, are we to explain these attitudes? Here, let us turn to just a few figures which indicate that the effect of the economic policies of the recent past has been on the American people.

(1) We note that between 10 and 11 million Americans have lost their jobs since the present recession began. (2) In the past 2 years alone, real spendable income has declined by close to 10 percent. (3) The rate of inflation has soared to the point where the average American family is no better off than it was a decade ago.

Given these hard facts, can we fail to understand how and why we have come to this unprecedented low in public confidence and support for the present relationship between government and business? I think not.

The economic forces which have produced these deeply negative and suspicious feelings, are, like the attitudes they have spawned, both long term and deep seated.

Chairman HUMPHREY. Excuse me, but I'm going to have to go for a vote. Congressman Long will preside but I will be reading your statement as I take the little bus going over there. I will be back here as soon as possible. This is a highly organized Congress that we have. It permits us to deliberate even while on our way to a vote.

Mr. HART. If I can, Congressman Long, I will continue.

Representative LONG [presiding]. Would you please.

Mr. HART. Figures provided by the Federal Reserve Board reveal that no appreciable progress has been made in the last 30 years in providing a more equitable distribution of either wealth or income in this country. Thus, when the absolute short-term deterioration in the economic security of America's families is coupled with the long-term inability of the present close relationship between government and business to broaden the base of meaningful economic participation, can there be any wonder at the fact that a plurality of our citizens are now calling for major changes in the relationships which have dominated our economic life for 25 years or more? I think not.

The American people are willing to go a lot farther than any of their leaders have been willing to take them. When asked whether they favored "keeping the economic system as it is and allowing it to straighten itself out," "making a minor adjustment to correct for current problems," or "making a major adjustment to try things which have not been tried before," we find a 41 percent, a plurality of Americans said they favored "making major adjustments to try things which have not been tried before," while just 37 percent said they favored the "minor adjustments" approach and only 17 percent expressed the opinion that the system ought to be allowed to straighten itself out. Clearly, this is not a ringing endorsement for the piecemeal tinkering which has passed for comprehensive economic policy in recent years. The sentiment for a major new initiative is most clearly present. Even more important, the public has a clear idea of about what it wants.

PUBLIC ATTITUDES TOWARD INSTITUTIONAL CHANGE

Perhaps the most significant finding of our July survey was that some 66 percent of the American public feel that a program in which employees would own a majority of the stock in the companies for which they work do more good than harm, while just 25 percent feel that such a program would do more harm than good.

Indeed, two-thirds of the American people said that, given the choice, they would prefer working in a "company in which the majority of the stock is owned by the employees, who appoint their own management to run the company's operations." Only 8 percent of the public say they would want to work for a company "owned and managed by the Government," while just 20 percent, if given the choice, would choose to work for the now-dominant form of economic organization in our society, the investor-owned and managed corporation.

Significantly, half of the people—50 percent—feel that a program of employee ownership and self-management would act to improve economic conditions in general, while just 14 percent of them feel that the institution of such a program would worsen the condition of the economy.

Even more striking is the finding that, when asked how they would react to a Presidential candidate who advocated employee ownership and control of major American businesses, a working majority—some 56 percent—said they would definitely or probably support such a candidate, while 26 percent said they would probably or definitely not support a candidate taking that position.

Other institutional changes regarded as basically positive by the public include:

Instituting a plan whereby consumers in local communities are represented on the boards of companies operating in their regions. Here, 74 percent felt that this proposal would do more good than harm, while just 17 percent said such a plan would do more harm than good.

Instituting a plan in which employees determine broad company policy, for which 52 percent predicted more good than harm and 38 percent anticipated more harm than good.

Equally important is what the public feels would not be beneficial:

Fully 81 percent see as more harmful than beneficial the idea of "government ownership of all major companies."

Some 59 percent feel that limiting all inheritances to \$100,000 would do more harm than good. Less than half that proportion—27 percent—feel that such a proposal would do more good than harm.

To summarize these key findings, I believe the evidence overwhelmingly supports the conclusions that the American people are prepared to accept new initiatives much more fundamental and bold than those currently being advocated by most of the Nation's political and business leadership.

Indeed, it seems clear that, unless new leadership is forthcoming, the American people are collectively ready to force the necessary changes themselves. As I have already noted, a 57 to 35 percent majority already agrees that both major political parties are more in favor of big business than the average working family; but moreover, almost half—49 percent—feel that "developing a new political move-

ment to challenge the influence of big business" would do more good than harm.

In considering this legislation, I urge the members of this committee to reject the illusion that the American people must be dealt with cautiously, that they are not ready to be introduced too quickly to anything new or innovative representing a fundamental departure from the policies of the past. The question is not, "how much change are the American people willing to tolerate?" but rather, "does America's political leadership have the courage and determination to make the changes which the public demands of it?"

Clearly, the willingness to accept fundamentally new approaches toward the goal of restoring equity in the Nations economic life exists. And, I submit, so does the willingness to sacrifice in the interests of the Nation as a whole, as well as the fortitude to stand behind those with the courage to put to work in the economic sector the democratic political values which have made this Nation great. As you consider the Balanced Growth and Economic Planning Act of 1975, I urge you to give the public's views on these issues the weight which they so clearly deserve.

Representative LONG. Thank you very much. Mr. Hart, for your very comprehensive and enlightening statement. I think a particular point should be made that it was put in a manner that we, who think politically, can generally perceive. I particularly appreciate your doing that in that manner.

We are pleased also to have with us today and next on our list of what Senator Humphrey called educators, and I think that is what you all are, the president of Cambridge Reports, Inc., Mr. Patrick Caddell. Patrick, we are happy to welcome you here. You may proceed.

STATEMENT OF PATRICK H. CADDELL, PRESIDENT, CAMBRIDGE REPORTS, INC.¹

Mr. CADDELL. Thank you, Representative Long; I will be referring to my prepared statement¹ from time to time.

Every 90 days, Cambridge Reports, Inc., interviews 2,000 people nationwide to assess their views on the American economy, as well as to explore their opinions and attitudes on numerous political, social, and cultural issues.

Each interview consists of 500 or more questions, and generally lasts 2 hours. From this enormous amount of data, we are able to accurately compute and accurately track American public opinion.

At the outset, let me say, that America is now reaping the harvest of a decade of psychological trauma.

As a Nation, and as a people, we have undergone experiences which have not only been arduous, but far more importantly, which have undermined many of our basic beliefs concerning our country and our institutions.

But most importantly, the overall attitude of American optimism is changing.

As a people we have always believed that today was better than yesterday, and that tomorrow would be even better. That belief is currently shifting.

¹ For Mr. Caddell's prepared statement, see part 1, p. 49, this series.

To the people who once believed themselves a special people with a special mission, has come uncertainty.

To a Nation that once believed there was nothing it could not accomplish, that events could be bent to its will, has come doubt.

So, if we attempt to explore and examine the attitudes of Americans on the economy, or any other specific subject, we must first recognize and understand the impact that events of the past decade have had on our national psyche and on the basic attitude structures of the American people.

EXPERIENCE CHANGES EACH OF US

And in America, in the past decade, experience has brought forth a different voter, and a different consumer.

Confidence in all institutions has declined, and it is no wonder. If you look at one question we ask people to agree or disagree with, namely: "Over the past 10 years, American leaders have consistently lied to the American people" you will see that 68 percent of the people have agreed with that statement and only 26 percent disagree.

Ideology, as we have come to define it, has little relevance to the American people. On question after question, no matter how "liberal" or "conservative" the question, the differences in opinions of those who call themselves liberals or conservatives rarely differ more than 10 percent. Indeed there appear to be two main impulses running throughout the country.

On the one hand, a desire for real and substantial changes in the society—born more out of a pragmatic reaction that things aren't working well—than of any ideology. On the other hand, there is a strong instinct for preservation and restoration of those basic values which Americans believe were the essence of our national greatness. Throughout our data, in every area, we find the flow of those two themes.

When we explore long-term framework attitudes, the way Americans view progress whether as individuals or a Nation, or its economic structure, we find a perception of decline with only a cautious belief in future recovery. On our national "ladder scales" developed by Lloyd Free and the late Hadley Cantril, we find that a large majority of Americans believe that the country has declined in position from 5 years ago to the present and that 31 percent—almost 1 out of every 3 people—believe that not only has the country declined but that it will decline further in the next 5 years. Only 21 percent—1 out of 5—believe the country has improved over the last 5 years and will continue to improve in the next 5 years.

While Americans see their own lives in somewhat better terms than the country, the unfounded optimism about individual progress has been tempered. Less than half the people believe their own personal situation has improved over the past 5 years, and that it will continue to improve over the next 5 years.

Approximately 1 out of every 4 Americans believe that their own lives have declined over the past 5 years, and that in 5 years it will be even worse. These long-term attitudes are important as we look at the more immediate specific economic questions, for they suggest the dynamics of more short-term pessimism.

Such long-term pessimism has and still hampers the efficiency of any short-term recovery in consumer confidence in spending.

Since the inception of "The Cambridge Report" program, we have determined that the importance of various signals on shaping consumer confidence has correlated most closely to the perception of inflation, particularly food prices, and to the perception of income keeping pace with inflation. The greater the perception of food price inflation, the lower the degree of confidence. In the spring we reinterviewed 500 respondents that we had surveyed only 3 months earlier in an effort to not only measure distribution change—that is, the change in overall numbers—but also why individual respondents had changed their attitudes. We compared the actual confidence changes between winter and spring with changes in perceptions of general inflation, food price inflation, interest rates and unemployment rates. Through regression analysis we found that those whose confidence increased were influenced most by the perception that food prices were declining or stabilizing. We found that the next most important factors on effective changes in confidence were general perception, perception of changing interest rates, and finally, perception of changing unemployment rates. Conversely, those who perceived food prices as continuing to rise, exhibit increased unconfident attitudes about the economy, with a far greater impact than that of any other factor. Our August figures, where the rise of confidence slowed as perceptions of inflation increased, would tend to support these conclusions.

Our research had indicated from last winter on, that the impact of double digit inflation—particularly for frequently purchased items such as food and fuel—coupled with longer-term pessimism was likely to make a consumer recovery slow and difficult. As a result of new experiences, caution has become the byword. The caution seems great enough and the inflation scars deep enough that a sustained period of "good news" will be required before consumers will venture forth to make large purchases. Our research has indicated that Americans tend to react conservatively when they see prices moving up. Rather than spending to hedge against future prices that might go even higher, they cut back their purchases to accumulate reserves against future troubles that may be even worse.

After two quarters of declining consumer confidence, we found a turning of confidence in a more positive direction in the spring. When we looked at the questions that comprise the consumer confidence scale we found that the question which dealt with how satisfied the respondent is with his economic situation had declined somewhat, compared to a year ago and even from the very low figures we had seen in the winter quarter. However, expectations were up. Respondents felt they would be financially better off in a year, and that business conditions would improve. Thus, in the spring, "levels" of satisfaction were down but future expectations were up. The turning in attitudes was reflected in declining estimated rates of inflation, particularly, as I have stated, in food prices.

In our summer survey, taken in the first week of August, we found that consumer confidence had not continued its rapid rise. Indeed, the overall figures were similar to the spring, with 43 percent of the population categorized as confident, an increase of only 1 percent. There was a 4-percent decline in those who were unconfident and a 3-percent

rise in the middle or neutral category. However, in most categories we found stable or declining intentions to purchase. In the summer survey the data showed that Americans felt that they had made progress over the past quarter, reversing three straight quarters of decline. The public however, had anticipated this progress in the spring. Now when they looked ahead, they expected a little future improvement either in personal financial life or in overall business conditions.

A close analysis of the data shows that the change of mood we saw in the summer was directly related to perceptions of inflation—particularly food and fuel inflation. Last spring many Americans saw food prices fall or stabilize, and some even saw prices in general stabilize. Over the summer, however, people quite correctly perceived an upward turn in prices. We found almost total unanimity among consumers that the prices they were paying were going up, particularly in the grocery store. Thus, for the first time in three quarters, we found the estimate of the inflation rate rising. Not only this, but we saw evidence that consumers are beginning to give up hope of a halt in inflation. Larger numbers than ever before agree with the idea that we may have to “learn to live with inflation. These perceptions of inflation dampened confidence, caused curtailed spending, and fueled even more consumer anger.

It has been suggested that the inflation increase, particularly in food was only a temporary aberration. If the public has perceived some stabilization in inflation, particularly in the food sector, confidence should again begin to increase and increases in spending will follow. However, in order to have a real consumer recovery the news of decreasing or stabilized prices must be constant and sustained. Signals of inflation one day rising and one day falling will do nothing but reinforce consumer caution. I should also point out that over half of the population believes that the worst economic times are still to come and that 62 percent of the American people currently disagree with the idea that the recession is over.

Over the past year, we have reported a steady desire to save and a real hesitation to spend, particularly on large items such as autos, housing or large durables. The summer statistics now show some evidence that the intended desire to save is abating, but no great desire to spend has emerged. Because of the harsh experiences people have had with inflation and their cautious feelings about the future, we expect saving levels to remain fairly high for some time to come. In absolute terms, the proportion of people willing to buy large items has barely reached the levels we saw in the fall of 1974 as the recession began.

Auto purchase intentions have remained almost constant since last spring. While this would be bad enough in terms of the industry's long-term outlook, a number of factors indicate the market is even softer than it appears. First, we find that the potential impact of price increases on automobile sales is quite great. When we looked into the relationship between the energy crisis and auto purchase plans, we found that many people who had planned to replace automobiles held back specifically because of high gasoline prices. Indeed, in what are only preliminary results we found that there has been a 3-percent decline in the number of people owning two cars a year ago. This decline, coupled with the finding that almost 46 percent of the adult population says they will buy cars less frequently in the future than they

have in the past, cuts directly into the replacement rate and thus threatens the long-term health of that industry.

Another indication of the softness of the automobile market is the continuing shift to smaller or medium-size cars and foreign cars. Higher income and better educated respondents—the ones most likely to be able to buy the car they want—are most inclined to purchase smaller cars and foreign cars. Younger people also fall into this category. On the other hand, lower income and less educated respondents, who lack the means to make a purchase for the most part, are inclined to buy larger, domestic automobiles. This indicates that sales of larger cars will increase only if the recovery catches on strongly and lower income people begin purchasing again. It also points however to the durability of the long-term trend toward smaller cars. In short, it appears that the American automobile industry is going to be sick for some time, caught between economic pressures and changing consumer tastes.

The desire to purchase new housing and large household durables has been slack as well. Even those who feel that now may be a good time to purchase and are most confident are in no rush to buy.

There is a caution born of experience and the lack of consistently good economic signals, particularly as regards food prices. I think that it is sufficient to say that a consumer recovery will not be led by autos, large durables or housing.

One area we have seen increased desire to spend money has been in the leisure and entertainment field, particularly among younger, better educated, upwardly mobile consumers. Indeed, we are exploring the possibility that there are some—I said possibly—secular changes in the economy—that at least some consumers are willing to “trade up” in leisure goods, while at the same time trading down, trading even or deferring purchases of durable items. If such changes continue—a topic we are watching closely—then we may well find some alteration in the importance or status assigned to large material goods and in the end, perhaps important and significant changes in consumer spending habits.

Turning to Government policy we find few clear signals from the public. It is safe to say they want deficits reduced and spending increased. In ideological terms, the public wants any economic policy that works. While they see unemployment and inflation as almost equally important issues they oppose by a 53 percent to 19 percent margin large deficit spending to curb unemployment if it means the prospect of increased inflation. The public wants the economy to move, but their apprehension about increased prices, particularly food prices, makes them quite nervous about large deficits. One specific cure is favored—73 percent of the American public favors a guaranteed Federal job program. We find that 40 percent of the public favors “Complete Government control of wages and prices if it would be successful at holding down inflation,” yet we find only 20 percent favor the statement “Complete Government control of wages and prices,” without the inclusion of the phrase “If it would be successful.”

Although the public opposes larger deficits, of the 60 percent who are aware of President Ford’s vetoes, they oppose those vetoes by a 40-percent to 37-percent margin. When we ask the public which of 27 programs they favor increased spending on, and which they favor cuts on, we find an interesting list of priorities. Health care is the first

choice of the public for an increase, favored by 46 percent. Second is aid to the elderly, favored by 43 percent.

It is also interesting to note that when we ask respondents to choose from a list of health care alternatives only 13 percent favor keeping things as they are today, 23 percent favor a catastrophic illness plan that would guarantee health care for the poor and protect everyone from catastrophic illness, 35 percent favor a system that guarantees everyone as much health care as he or she needs, and 23 percent favor a plan where the Government not only guarantees everyone as much health care as he or she needs, but where the Government also would nationalize the health care system, taking over hospitals, regulating doctors and setting prices, et cetera.

Turning to the area of cuts in spending the first choice of the American people was military spending, mentioned by 34 percent, followed by foreign aid and space exploration. When we added first, second and third choices for cuts, foreign aid and space exploration actually exceed the total for military spending, 51 percent, but at the moment neither of these represents a large enough share of the budget to make cutting it a real factor.

As Lou Harris has repeatedly shown, confidence in almost all institutions has declined dramatically and our figures support his. The only Government or economic institution that receives over a 30 percent confidence rating in our surveys are banks with 46 percent.

When we explore the question of Government involvement in the economy, we can start with the finding that business, particularly big business, is quite unpopular. On the other hand, Government does not fare much better. Not only is the Government, in general, seen as inefficient and ineffective, but when we measure job performance we see that both President Ford and the Congress, specifically, receive only fair or poor ratings. Although many noneconomic factors contribute to these ratings, the principal cause is clearly the perception that neither is taking sufficiently strong and active steps to deal with the Nation's economic problems—inflation and unemployment—or its energy problems, supply and price.

Furthermore, when we explore questions about the Government's role in the economy, we find that Americans are at least as skeptical about the ability of Government to manage as they are mistrustful of business: They may be uncomfortable in the frying pan but they are wary of jumping into the fire. While the public supports short-term changes in the Government's role in the economy and some restructuring of the economy, we find that the public resists Government management or any move that violates basic values they hold about the economy.

For example, when we asked people whether they felt a free market economy was a necessary condition for personal liberty and democracy we found 54 percent who said that it was essential to freedom while only 19 percent felt it was not. Twenty-seven percent were undecided. When we tested the proposition that "Experience has taught us that the unseen magic of the so-called free market does not work," only 27 percent agreed and 44 percent disagreed.

An example of this phenomenon can be seen in regard to profits. We find that 54 percent of the public felt business profits were too high, 29 percent felt they were about right, and 7 percent too low. We also found that the public estimated that 25 to 30 cents out of

every dollar of business sales was pure profit. But when we asked whether respondents would favor or oppose Government controls on how much profit a company can make, we found only 33 percent favored controls and 55 percent opposed them. Yet, 61 percent agreed that the way business is behaving, we need the Government to keep an eye on them, while only 28 percent disagreed.

When we asked Americans about the key question facing this committee—Government planning and/or management of the economy—we found mixed opinions. A majority of Americans, 58 percent, favored a Government planning council that would set generalized goals for the economy and 24 percent opposed. An equally large majority opposed a government management council that would take active roles in the management of firms. And—as a side issue—a majority of Americans worried that the planning council might turn into the management council if it was ever actually established.

Thus the committee, in bringing its proposals to the American people, is confronted with the most difficult of situations. The American people are deeply troubled and disturbed by the economy; they are crying out for action; but their suspicion of Government makes them wary of most of the proposed forms of change and reluctant to take the risks that many of the proposals require.

Thank you.

Representative LONG. Thank you very much.

Our next witness is director of Surveys of Consumer Attitudes and a specialist in this field. Go ahead Mr. Schmiedeskamp.

STATEMENT OF JAY SCHMIEDESKAMP, DIRECTOR, SURVEYS OF CONSUMER ATTITUDES, INSTITUTE FOR SOCIAL RESEARCH, UNIVERSITY OF MICHIGAN¹

Mr. SCHMIEDESKAMP. Thank you very much. I would like to say at the outset that I am not only a surveyor but also an economist. I guess that puts me in two fallible fields. My hope, however, is that by combining the two one gets a powerful combination.

It is an important objective of my life and of our surveys to try to make economics more nearly what it should be; namely, a behavioral science, a study of how and why people change their behavior.

There are two essential purposes of the "survey of Consumer Attitudes," which have been conducted at the University of Michigan since World War II, quarterly since 1960:

One: And probably the best known is to develop a general summary measure of consumer confidence which is a leading indicator of changes in consumer spending behavior. The "index of Consumer Sentiment" is available back to 1951 and chart 1² shows this index.

Two: And in my opinion more important, is to investigate why and how consumers change their attitudes and expectations, and therefore, their spending and saving behavior in response to changes in the economy, the society, and Government policy. How do people react, under changing circumstances, to inflation, high interest rates, income tax changes, loss of confidence in Government economic policy, et cetera?

It is our central thesis that attitudes are facts which can be quanti-

¹ For Mr. Schmiedeskamp's prepared statement, see part 1, p. 117, this series.

² See chart 1 on p. 127, part 1, this series.

tatively measured, and used in conjunction with more traditional economic indicators to improve economic forecasting.

In my opinion, one of the main problems with economics these days is that it has been carried away by numbers. Econometrics necessarily is the art of searching through the entrails of the past looking for stable relationships; in other words, explicitly focusing on what is unchanged during some past period, at a time when our economy is facing future shock. What is really interesting these days is what is new and different and changed.

There are times, for example the late summer of 1974, when it is terribly important to pay attention to changes in general measures of consumer confidence. In August-September 1974, our survey showed that the great majority of the American people expected bad times ahead, with perhaps one-third expecting a serious recession or even a depression. At that time, most economists expected rather good times, as evidenced by, for example, the testimony at the President's Economic Summit Conference in late September 1974.

My point is this: Under these circumstances, with the great majority of Americans expecting bad times, the economists who expect good times may be right, but they are probably wrong, because the people have the ability to make their forecast come true, by cutting down on their spending.

By the end of 1974, consumers were in utter despair because: (1) they were very much aware of the fast fall in the economy, which they had anticipated; (2) most consumers still expected a high rate of inflation to continue or, in other words, they expected the worst of both worlds with both recession and inflation; and (3) there was a great upset with the Government for not doing anything about the recession. At that time, you will remember, the latest word from Government was talk about a tax increase, let alone a tax cut.

This brief period has to be recognized for what it was: A very unusual period when a number of factors combined to produce a level of consumer attitudes and of consumer spending which was substantially lower than justified by the underlying economic circumstances. In part, I believe that some of the recovery we have witnessed thus far is simply a rebound from those unusually low levels of consumer confidence and spending.

I personally believe that the level of confidence we measured last December was lower than I ever would have anticipated outside a major depression. It was caused by the confluence of a number of events which happened at the same time and reinforced each other. There is a good psychological theory which says that if this happens and this happens and this happens, it is not $1 + 1 + 1 = 3$; rather, it is $1 + 1 + 1 = \text{more like } 12$.

During the first 9 months of 1975, we have measured a rather strong recovery in consumer confidence—to a very low level. Only in the latest survey, in August-September, did our index of consumer sentiment manage to climb back above the level which had been the previous record low prior to the current recession.

The primary reason for the recovery in sentiment is good news about a recovery in the economy. The latest survey found 35 percent of respondents saying that the recovery had already begun, with a

clear majority saying either that or expecting the recovery to begin within a few months.

In August–September, for the first time since 1972, there were more respondents mentioning having heard good news about the economy than bad news. Best of all, there was a nice increase in the proportion saying that they had not heard any news about the economy. The economy is, to a certain extent, moving off the front page, and that is good.

At the same time, the latest survey showed some evidence of an increase in inflationary expectations, although these attitudes remained much less intense than they had been in 1973 and 1974.

Incidentally, we have a number of times over the years asked a specific question of consumers about which they considered to be the more important problem: Inflation or unemployment. Our findings differ from the findings of the Gallup organization, perhaps because the Gallup question did not mention either one of those two words, but rather was a more general question asking about what are the important problems? When you ask a specific question—inflation won the contest back in 1973 and the first half of 1974. During the first half of 1975, unemployment won that contest hands down. Now it is more a tie.

Representative LONG. Now it is what?

Mr. SCHMIEDESKAMP. Now it is close to a tie, mainly because worries about unemployment have decreased a good deal.

There are three reasons for the increase in inflationary expectations:

First, consumers experienced several months of double-digit inflation during the summer. That is an obvious reason.

Second, last May, we found the majority of respondents expected the recession to continue, and many said that because of the recession one could get good buys as businessmen tried to reduce their inventories. In August–September, the majority anticipated recovery, and so fewer mentioned the recession as a reason for expecting inflation to be restrained. But that is good news rather than bad news.

Third, and I personally find this quite interesting, Mr. Chairman, consumer expectations about interest rates have changed dramatically this year, and that is one reason why inflationary expectations have increased.

Early in 1975, the majority expected interest rates to go down, because of the recession. In the latest survey, 38 percent expected rates to go up while only 15 percent expected them to go down. This was not only because people saw rates rising, but also because numerous statements from Washington said that this would have to happen.

What is interesting, though, is that survey data has consistently shown a significant relationship between expectations about interest rates and expectations about general inflation. Looked at purely from the consumer's viewpoint, an increase in the price of credit is inflation, in the same way that an increase in the price of any other consumer expenditure is inflation.

Chairman HUMPHREY. May I just amend that by saying looking at it from the point of view of anybody, it is inflation.

Mr. SCHMIEDESKAMP. Bond traders on Wall Street look at it the other way, but I personally tend to agree with the consumers.

Chairman HUMPHREY. Well, they are just plain wrong. They just do not understand arithmetic on Wall Street. But go ahead.

Mr. SCHMIEDESKAMP. In any event, my point is that the marked shift toward expecting higher interest rates has contributed to increased expectation of inflation.

Consistently, during the first three quarters of this year, the survey data have indicated four reasons why the recovery in consumer spending is somewhat slower than it might otherwise have been:

First, many consumers are simply in a financial hole. Last February, there were 32 percent of consumers who said they were worse off financially than they were 5 years earlier. There were 44 percent who said that they were worse off than they were 1 year earlier. In both respects, these figures are about 10 points worse than at the depths of the 1958 recession. And incidentally, that is perhaps the best single measure of the fact that indeed this is the worst recession we have had since World War II. I can't think of a better measure.

Just as a businessman wants to get his balance sheet back into shape before resuming normal spending, so it is with consumers. It takes time to heal the wounds of recession which we are now going through.

Second, people tell us this year that it is terribly important for them to try to add to their savings. One of my charts, chart 4,¹ bears on this point. It is not so much that consumers are especially dissatisfied with their savings; in fact, many have had considerable success in adding to savings recently. Rather, the shock and trauma of several years of inflation and recession have left many people in a financially conservative mood; namely, trying to save. Altogether, in August-September, 64 percent of consumers could be classified as "saving-minded," compared to 38 percent in late 1972.

Third, very few Americans have confidence in their Government's economic policy. In the latest survey, only 8 percent said that the Government is doing a "good job" in this respect; up from 5 percent early this year. This is shown in chart 5.² These attitudes have been, and still are, strongly related to pessimistic expectations about whether we will have good or bad times during the next 5 years. In other words, relatively few people believe that the Government's economic policy will improve, and this contributes to general pessimism about the economy, and incidentally, to pessimism about inflation.

Fourth, there are a number of factors adversely influencing the demand for houses and cars, and this has suggested that these two industries will not make as strong a contribution to recovery in consumer spending as is usually the case coming out of a deep recession. These industries will probably continue to recover rather slowly as the economy recovers.

While the outlook has been for a rather slow recovery in consumer demand this year, there are several reasons for expecting a somewhat faster recovery next year: First, past experience suggests that as the recovery matures, more and more consumers will become more and more convinced that the recovery is taking place and has amounted to something. The point is, even a tortoise eventually gets somewhere. This will improve confidence and spending, and the recovery should gain momentum.

Second, surveys conducted since World War II have consistently shown an increase in the first quarter of election years in the propor-

¹ See chart 4 on p. 130, part 1, this series.

² See chart 5 on p. 131, part 1, this series.

tion of people saying that we will have good times simply because it is an election year, and the Government will take steps to improve the economy in order to have good times before the election.

Chairman HUMPHREY. People are pretty smart, aren't they?

Mr. SCHMIEDESKAMP. I yield to your judgment in that matter, Senator.

Chairman HUMPHREY. I yield to your statement.

Mr. SCHMIEDESKAMP. In my opinion, both the recovery itself and the recovery in consumer attitudes now have sufficient momentum that it is rather unlikely that the upward trend will be soon reversed. However, that would not be impossible. Never underestimate the power of government. The combination of higher income tax rates, fast rises in some prices—especially fuel and utilities which are closely watched by consumers—high and rising interest rates, pessimistic statements about all these things coming out of Washington, and New York City going bankrupt might do it.

I believe, however, that the most important question now is how to prolong the period of prosperity after recovery is achieved.

There are a number of reasons why, as things now stand, the most likely outlook is for renewed inflation followed by recession.

My reasons for expecting renewed inflation have little to do with survey findings, so I will not dwell on it except to say that I believe our long-term problem with inflation is made much worse by a lack of productivity gains and a too-low rate of business investment. There are, in my opinion, a number of reasons why we can expect real growth in our economy to be considerably lower in the next 10 years than they were, for example, in the 1960 decade, we had the greatest spread of affluence in this country than probably any other place or time in the history of the world. The list of reasons for lower real growth is long and obvious:

(1) The increased real cost of energy. (2) The commodity inflation—we used to be able to get things at a low price around the world with just a thank you, but now these countries want more money—we are exporting part of our standard of living abroad. (3) Productivity gains are considerably lower now because of a low rate of business investment, and the fact that a good deal of the business investment we have is diverted to other things like clean air, clean water, and so on, which do not increase productivity or output as classically defined.

Another thing which is important to keep in mind is that a fair amount of business investment these days goes simply to make things in a different way. If raw materials prices change rapidly, you have to make it this way instead of that way, and in a sense business investment for that purpose is not productive.

In any event, I think all of these factors practically guarantee that the total pie of real product in this country will not grow the way it has. And if each group in our society tries to maintain the same sized piece of pie or even a growing piece, that works its way out in inflation.

Put the matter this way: In a labor negotiation with George Meany, it would not do much good for management to say: "Well, look, your workers should accept lower wage increases because the air is cleaner,

the water is cleaner, the Arabs are living better, because we have to get oil from Alaska, and so forth." In all of those respects, George Meany would think you had changed the subject.

Two survey findings that bear on that same point are the considerable redistribution of income and spending power toward elderly people and toward working women. Both of those are laudable and nice, but they do tend to lower the average real income of average working men, and one has the sense that those are the people which George Meany has in mind in his labor negotiations.

If all of this is true, or even close to the mark, Mr. Chairman, the lack of real growth of real income to the average American worker tends to be an engine of inflation in itself. I suggest that it is folly, therefore, to try to fight that kind of inflation with recession, because recession lessens both productivity gains and business investment, in both the short and long term. The best thing we can do to increase both is to have a healthy economy.

All of the proposals to stimulate business investment I think pale into insignificance compared with just simply getting the show back on the road. We need a period of time when the economy is healthy, neither overheated as it was in early 1973, nor in recession as has been too often the case in recent years.

Lack of confidence in government makes both inflation and recession more likely. In 1974, for example, most people believed that the Government would not be successful in reducing the rate of inflation. When we asked why, there were more people talking about problems of the Government than about problems of inflation or the economy. In other words, lack of confidence in government heightened inflationary expectations, which in fact made it more difficult to solve the problem of inflation.

Similarly, when people lack confidence in the Government's ability to prevent recession, that heightens people's expectations of recession which in turn makes the decline in confidence going into a recession more rapid, which in turn makes the recession more severe. Clearly, this process contributed to the fast decline in the economy in 1974.

In this context, I earnestly believe that it should be a top priority of government to rebuild consumer confidence. Just as it has been proposed that there should be an "impact study" to determine the effect of each government action on inflation, so I believe there should be an impact study to determine the impact of government actions on consumer confidence.

It is a strange thing that such vast amounts of money are spent on marketing research in this country to find out what kinds of products will cause what kinds of changes in consumer buying behavior—General Motors would not think of turning out a new Chevette without hundreds of thousands of dollars of marketing research to find out how to tailor that car to meet the public's approval and how to present that car to the American people so that it would change their behavior in the desired way—but in contrast there is pitifully little research to find out what kinds of government policies will cause what kinds of changes in consumer attitudes and in consumer spending and saving behavior. I'm now referring particularly to changes in taxes and changes in interest rates.

There are a number of reasons for expecting recession to follow closely on the heels of recovery, if that recovery includes a resurgence of inflation:

First: A glance at chart 1¹ indicates clearly that consumer attitudes have become more volatile in recent years. It is not that sentiment changes are more frequent; that would be an odd conclusion to reach after the longest sentiment decline since World War II. Rather, swings in confidence tend to have greater amplitude.

Second: Consumers have increasingly sophistication, and have been trained by dramatic economic events to pay close attention to economic matters, especially inflation.

Third: Recent history suggests that if we again have prosperity with inflation, we will try to fight that inflation with recession.

An additional reason for concern about recession is the seeming inability of economists to forecast accurately at times when the economy heads downward. Government policies designed to slow the economy, without sufficient attention paid to the effect of the policies on consumer and business confidence, are likely to succeed all too well. In 1969, the Government aimed to slow the economy gradually. A recession resulted. In 1973 and 1974, the Government aimed at a mild recession. A serious recession resulted.

A second top priority of government should be to improve economic forecasting. One ingredient of that improvement should surely be greater attention to the attitudes and expectations of the American people.

I believe personally it is a very serious problem when economists can't forecast. I'm a little bit upset with the conclusion many experts have reached these days that the economy cannot be fine tuned, nor even grossly tuned, with tools of monetary and fiscal policy. I submit to you that monetary and fiscal policy have not been tested in recent years. If a car goes off the road because you can't see the road, you should not blame the steering mechanism. That is not to say whether the steering mechanism would have worked if you had been able to see the road; my point is that monetary and fiscal policy just simply has not been tested in recent years.

I do not believe that the American dream is dead. Most Americans still have a great deal of confidence in their ability to improve their standard of living over the long run. What is lacking is confidence in the Government's ability to achieve a healthy economy.

Thank you.

Chairman HUMPHREY. Well gentlemen, we thank you very much. Mr. Caddell, I regret I had to be away when your testimony was given, however, I believe I have had an opportunity to read some of it before and listen to you on another occasion, so I am familiar with some of your observations. This may be one of the most interesting hearings we had. I regret the congressional process does not seem to make it possible for the kind of attendance that ought to be here. Part of the problem of Government today is exactly what you see here, namely that we are so fragmented, that we are so all over the lot we simply do not find the time to concentrate on where we ought to be putting our effort.

¹ See chart 1 on p. 127, part 1, this series.

My initial reaction to what you have had to say is do you, gentlemen, in your organizations report these findings, either by request or by insistence, to the agencies of our Government? For example, do you report to the Council of Economic Advisers, the Office of Management and Budget, the Department of Labor, the Department of Commerce, or the Treasury Department, or the Wage-Price Stability Council? I have listened to testimony now for many, many months all during this year as chairman, and in other years as a member of this committee, and I have yet to have heard very many of our witnesses, particularly from Government, ever talk to us about whether anyone ever really likes their policy.

What they are really talking about is that they like their policy. It is sort of like an automobile manufacturer building a car and saying "I like it." Now whether you like it or not, he says, makes little difference because we like it and we proclaim it is the best.

There is a general thread that runs through your testimony. No. 1, of a lack of confidence in the economic policies that are being pursued. Let me put the question this way. Does the Government or do Government agencies utilize your services on a regular basis? Mr. Harris?

Mr. HARRIS. Mr. Chairman, I would say, I would put it this way, that they do quite rarely and selectively. I find at this point, and I'm being very blunt about it, I think perhaps it is because the person who holds the Secretary of Labor's job is much more sensitive than other departments. As to the Department of the Treasury, if I had to categorize, I would say they are less sensitive. The White House—it is mixed to the degree that some individuals there do and others apparently do not. As to OMB, not too good. As to the other agencies like the Council of Economic Advisers, they do only during periods I can recall of extreme duress.

I don't mind saying this—and I have, I think, reasonably good relations with all these people—but they fall into the pattern that so many people in the Government and the Senate and the House are not immune to—that is, of selective perception. In other words, when the news is presumably going to be good, they dote on hearing the news. When the news is bad, they wish it would go away and so they plug up their ears.

I think one of the requisites that ought to be required of all men who serve in public life, whether elected or appointed, ought to be that they ought to be forced to go on a steady diet of hearing the facts the way they are, whether they are good or bad, and especially when they are bad. I am sorry to say that I think this is not the propensity of our public people at this time.

Chairman HUMPHREY. Mr. Linden, do you have comments not only on the basis of whether or not the governmental agencies utilize your services or ask for them?

Mr. LINDEN. Well, I would say only randomly. There is no systematic evidence of their following our surveys, though they are very available. Unlike some other survey programs, ours is available without any specific charge. It is in the public domain.

Chairman HUMPHREY. Let's just run down the line quickly. Mr. Crespi?

Mr. CRESPI. On any systematic basis, I would say that there is no real utilization in terms of what I think there should be. We have this little

"Gallup Opinion Index," which is available at \$30 a year, and it reports all of the data I have talked about. It is not subscribed to by many governmental agencies. But more importantly, there is a hell of a lot of governmental survey research going on these days sponsored by HEW and so forth. But a lot of it is evaluation research; that is, the Congress has seen fit to require evaluation research when a program is put into effect. But there is very little research done on what programs should be put into effect at the planning stages. That is when the real research should be done and that is when tapping public opinion would be most productive. That is when it is not done.

Chairman HUMPHREY. Mr. Hart.

Mr. HART. Simply put, Mr. Chairman, obviously most of our work is done privately and so it is not available. The survey which we did for the People's Bicentennial Commission was made available to all Members of Congress as well as to members of the executive branch. I noted that there was very little interest out of the executive branch until we got a great wave of publicity and then we received requests from OMB and the Treasury, but until that time there was none.

Chairman HUMPHREY. Mr. Caddell.

Mr. CADDELL. No, Senator, most of our data is private, but even that which is public, there is no systematic requests for it. I think part of the problem in the economic area is something you touched on and was touched on by others and that is the problem in these departments of self-perception, but particularly in terms of the economy, in terms of the econometric model. You have just this great desire to play with numbers and try to build theoretical models and make them work, and this has been going on and on for many years. And because consumer attitudes really don't fit in very well, they tend not to be included in the model.

Chairman HUMPHREY. Mr. Schmiedeskamp.

Mr. SCHMIEDESKAMP. I made the decision several years ago to send the results of our surveys to anyone in the Government who asked for it in spite of the fact that we get no support from the Government for these surveys. As far as the extent to which the results are used, I very much agree with the comment earlier that there is a selective perception; in other words, people look for things that support their views and reject the things that do not support their views.

On a number of occasions in the recent past, particularly in 1974, Mr. Chairman, I was terribly upset about our Government's policies and the direction our economy was heading, and in both the spring and fall of 1974 I made efforts to bring our survey findings to the attention of the Government. I did so with some success I think, but apparently with very little result.

One extra comment I would like to make though concerns a more general problem, and that is that there are very few people in Government who have any perception of the importance of the impact of the Government's economic policy on consumer attitudes, and, even more important, the difference it makes the consumer confidence how that policy is presented to the American people. My all-time favorite example of a lack of perception of that kind is when the President announced over TV one night that he was going to sign the bill reducing taxes. He had me on the edge of my chair for a full 5 minutes before I knew whether he was going to sign the bill or not. He talked

about disadvantages of the tax cut for 5 minutes, and then he said: "But even so, I am going to sign it" for such and such reasons. This was equivalent to General Motors presenting the new small Chevette by talking for 5 minutes about the disadvantages of it and then saying: "Even so, you should buy this nice automobile." That would be idiocy.

Chairman HUMPHREY. I want to be respectful so I will just say amen.

There seems to be out of the testimony I heard today—and you correct me if I am misinterpreting your testimony—a feeling that the consumer, that the general public had a perception of trouble in the economy far before it was translated into any official rhetoric or policy. Is that correct?

Mr. CRESPI. Absolutely.

Chairman HUMPHREY. And that perception was as early as late 1973 and early 1974?

Mr. CRESPI. Fairly earlier.

Mr. LINDEN. Fairly early, yes.

Chairman HUMPHREY. It was mighty clear in 1974?

Mr. LINDEN. Not only that, but it was a historical pattern. I mean this was not a one-time phenomena. The history of surveys have demonstrated this foreshadowing quality historically.

Mr. HARRIS. Mr. Chairman, I would say this. That is what I find disturbing about our September-October results during the last 2 months. You see we get simultaneously an increase in specific consumer demand like automobiles—and we find automobiles are now going up as Detroit reports—but simultaneously to that you are also getting a greater desire to save and greater worry, particularly about inflation. Now I could be wrong or the people could be wrong, but I sense here from all the experience that we have had over the past 3 or 4 years in charting this on a monthly basis, I sense that the people may well be right that we are going to see rises in inflation. If that is so, I can flatfootedly predict this will have a very dampening effect on this material consumer demand and with it the recovery we hope for.

And why we can't get people in Government, who after all have a primary responsibility here to be sensitive to this sort of thing, interested—well, it just bewilders me.

Chairman HUMPHREY. I think it should be noted in the September summit there were some of us who were pointing out that there was a double problem and a serious one of inflation and recession. I had a chance to summarize in part for the Democratic side, and there was also the Republican side, and there were speakers there that did bring to our attention this fact. And we introduced legislation here in this Congress in May of 1974 for a tax reduction. It was modest. It was only about a \$10 billion tax reduction. And later on in September, I introduced legislation for a \$16 billion tax reduction. Subsequently it went considerably higher because we saw the recession dipping and the necessity for stimulating economic policy.

There are so many questions that I want to ask, but I want to turn to Congressman Long—

Mr. HARRIS. Mr. Chairman, may I add one more point? I don't want to talk too much, but it just seems to me the only time I get any attention on these certain matters is when I strongly imply that this

may cost you a lot of votes. And it seems to me that the average—

Chairman HUMPHREY. That is a normal reaction.

Mr. HARRIS. That the average politician who is in Government, and I will put it that way, is far, far more responsive to his losing votes than he is in the economic well-being of the rank and file of the people of this country.

Chairman HUMPHREY. Let me just say this in reference to your observation, Mr. Harris, that I go home to my constituents quite regularly. But when you go home, it depends on who you see—

Mr. HARRIS. Certainly.

Chairman HUMPHREY [continuing]. Because as your testimony indicated here, in certain economic brackets, for example, inflation is the major problem but other people see recession as the major problem, and someone else in the rural community may see it a different way. Our friends up in the Northeast have peculiar and very difficult problems, as the testimony today showed, on energy costs, food costs, and unemployment problems. So it is different. It is scattered throughout the country. But most of us, I think, well at least speaking for myself, I haven't found very much in your testimony today that I had not personally perceived by talking and visiting and being with the people. They pretty well tell you this.

I had a letter the other day that is a beaut. It reads something like this—and many of my constituents don't call me "Dear Senator"; they just say "Dear Hubert" or "Dear Humphrey" or something like that—this letter came in and said: "Dear Hubert: Why is it that when the doctors get more money—and this man had some clippings that he attached to the letter—and the lawyers make more money—and then he had some companies that were making more money—but why is it when all of this happens, they call it recovery. But when I get a wage increase, they call it inflation? Please reply." [Laughter.]

Now this is the kind of thing that, you know, is not simple in the sense of being simple-minded, but it is a very direct and profound question. Because this was a wage-earner in one of our plants who was struggling with the very facts that you brought out here today and he said: "Look, I have been on a treadmill." He said: "We are worse off right now than we were 5 years ago." He didn't say 10 years ago, but he went on to point out that he was worse off then he was 5 years ago, and then he pointed out why he was worse off. And you get a lot of the information. You don't really need an economist to come in here and tell us that health care has gone up. The people know it. I mean anybody who takes their bid to a doctor, anybody knows that the price has gone up. And the people ask simple questions like "Why do a pair of children's shoes cost as much as they do today?"

For example, a farmer in my State will ask the question: "Why do I have to pay \$20.00 for a pair of children's shoes when I get only \$2.00 to \$4.00 for a cow hide?" And that is a hard question to answer, isn't it? It is hard particularly when he used to get \$6.00 per cow hide and paid half the price for the shoes. And it goes right on down the line. You get all kinds of good solid economic questions and good commonsense from just ordinary people.

I saw something in the paper here the other day that said it was more difficult to get the people to answer questions for polls than it was previously. Is that true?

Mr. CRESPI. If I may answer that, Senator, since I was quoted in that story?

Chairman HUMPHREY. Yes indeed you were.

Mr. CRESPI. A major problem we face in the polling industry is that it is hard to find people at home. We also have a problem of what we call completion rates. And it is true our completion rates are dropping.

In terms of actually getting answers to questions though, it depends very much on what you are surveying about, upon the questions you ask. Some of our surveys hit the things that are really concerning people. When you hit the things that are really concerning people, you don't have any problems of getting an answer. People are over-surveyed, however, these days on things that are of trivial concern to them. Now that is a serious problem. There is so much surveying going on that is of a trivial content, and that is a problem. But when we do a survey on something that really hits their concerns, they just open up. I am pretty sure that is generally true.

Mr. HARRIS. Mr. Chairman.

Chairman HUMPHREY. Now I have got to tell you something about your industry that comes to us so often so that you may know there isn't any doubt that politicians aren't the only ones held in disrepute. You indicated today in some of these reports that the business community is not doing too well. If you ask about the educators, they don't think they are doing too well either. If you ask about car repairers, the people don't think they are doing too well or give them too high rating. Repairmen don't have too high rating. Most people think that doctors are getting too much, and hospital care is costing too much. And do you know what they say about your industry? They say: "I have never been interviewed. I don't believe that stuff at all. I think that something is going on."

So you see you have people convinced that these surveys mean nothing. They say: "I have lived in this town 30 years—I mean I was talking to a fellow just yesterday who said this very same thing. We were talking about a particular survey that was made. He said: "I have lived in this town—this is a moderate-sized town"—and he said: "I know about everybody in this town and there has never been anybody around here that asked me what my opinion was nor have I met anybody else who ever said they were asked what their opinion was."

Now don't misunderstand me. I know that you spend many hours and days and months trying to perfect the scientific approach to your surveys, but lest you think you are off the hook, you, too, are suspect. Now might I add that maybe one of the reasons for this is that everything that is said and printed today is suspected. The truth is that everybody has a weakness, and the truth is that we have got so much information coming out that is half-information that it tends to feed on itself to promote doubt, suspicion and cynicism. It really does. I mean you can practically go to anybody about anything and if you are just with them long enough, you can get them to doubt that it is really diamond or that it is really gold or that it is really anything. They look at a big sack of grain and you say to them, "Well, that is wheat." And 200 people confirm it is wheat. But they will say: "Don't tell me it is wheat. I think it is a plastic thing. I know they made it look like wheat on the outside, but it has sawdust on the inside."

So there is something that has happened to us. I am sure that we all contributed to it in terms of our conduct, but you know what I mean.

I think the constant exposure to half-truths has made it more difficult to get anybody to believe in anything.

I think the classic example was the live TV coverage of the real world. Do you realize what would have happened in World War II if we had had no censorship and live TV of the real world when our own Air Force was bombing our own troops by mistake or when we were bombing open cities? We didn't find out all about this until after the war. As Vice President of the United States, I had women write to me, mothers write to me—and I have those letters, and they are really historical documents—saying: "I saw my boy, Mr. Vice President, killed last night on CBS television. I want to find out about it. I haven't heard from the Government. I know it was my boy." And there was not just one letter like that but many letters like that. Imagine the unbelievable horror of war being projected not with John Wayne being a hero but with just the boys out there in the field in a rotten, miserable war situation, projected right into the living room when the mother is looking at her boy and writing to the Vice President about it—and I am sure the President must have heard from these women many more times. And those letters, I will tell you this, I never knew how to answer them. And this is the same thing that happens today on every single thing.

A product comes out in which there is some fallibility, and that is immediately projected. Therefore, people don't believe in anything at all. It is like the side effects of drugs. You know, I am a pharmacist, and of course there are bad side effects. But you always have to ask yourself the question: Are there more cures than there are side effects? How can you minimize the side effects? And you know you will never be able to minimize all the side effects.

As a matter of fact, there is a side effect in this glass of water here [indicating]. This glass of water has chlorine in it and for some people, that is a poison. Are you going to say to people therefore, don't drink any water?

It is like cancer. You don't dare kiss your mother today for fear you are going to get cancer because every time you pick up a paper, you read something more about cancer.

Representative HECKLER. That was very dramatic.

Chairman HUMPHREY. I know it was a very dramatic example. [Laughter.]

But let me be very frank about it. Every single food product, unless it is organic and even those sometimes are infested, brings you some kind of disease: Heart trouble, arthritis, cancer, and so on. And I can venture to say that you have more scares going out about food today and its impurities and about what its adverse effect is on the human body than at any time in the history of mankind. Yet food today is undoubtedly cleaner, more nutritious and better than at any time in human history. What do we do about it? Think about it as we go on here.

I mean this comes in all the time. There is absolutely nothing you can point at today that somebody can't find something wrong with it, and the minute you find something wrong with it, it is in bold, big letters, right up front. Saying today, for instance, they found out in Spearmint chewing gum, there is something in there that causes throat

cancer; that is, causes throat cancer if enough rats eat it over 4,000 years and enough monkeys eat it over 2,000 years. [Laughter.]

Mr. Long, you have been waiting a long time.

Representative LONG. Thank you very much, Mr. Chairman. You are a hard act to follow.

Chairman HUMPHREY. I am just telling you the truth.

Representative LONG. Mr. Schmiedeskamp, Mr. Harris described the current economic upswings, to use the administration's term, as perhaps even panic buying. It is occurring right at the present time. If you measure this out over a period of 3 months or 6 months as far as the attitudes of the American people, then perhaps it is nothing but panic buying, as Mr. Harris suggests. What are your findings on that?

You treated around that subject, but you didn't treat the specific point that Mr. Harris made which interested me greatly.

Mr. SCHMIEDESKAMP. That is something we have studied very carefully over the last couple of years. I don't like to call it panic buying because I don't think it is quite that. There are two kinds of inflationary psychology: One is the kind where you buy something you need or want now because you worry it will cost more next year. And the second is the runaway inflationary psychology where you try to get rid of your dollars by spending them on anything because you are afraid the dollars are losing their value. One measure of the mettle of the American people is that in spite of the double-digit inflation, we have not had that second kind of runaway psychology. We have had, on the other hand, a good deal of the first, with people saying: "If you need to buy something, you had better buy it now before it goes up in price." That is not loss in confidence in the currency; that is just good sense at a time when people are trying to save money.

We found that to be a very strong factor in 1973 and the first half of 1974. But in the second half of 1975, it was swamped in a wave of pessimism.

Representative LONG. And may I ask—

Mr. SCHMIEDESKAMP. The argument that you should buy now instead of next year loses a great deal of its thrust if you decide you are not interested in buying either now or next year; and that is what happened in the fall of 1974 and the first half of 1975. Now, we have found in our most recent survey in August and September, some resurgence of that buy-in-advance psychology, but by no means as strong as it was in 1973 and the first half of 1974. And indeed, I personally think that it will not persist simply because what that "buy-in-advance" psychology requires to keep it alive is fear of future inflation being stronger than the worries about immediate past inflation. While that pattern is what we found this fall, it will probably, in my judgment, not persist.

The buy-in-advance psychology could come back very strongly in 1976 or 1977 if the recovery brings with it a resurgence of inflationary expectations. That would be the classic kind of response we would expect to get.

Representative LONG. Would anyone else like to comment on that?

Mr. LINDEN. I would say, Mr. Long, that there is no evidence at this juncture that there is anticipatory inflationary induced buying. The arithmetic of the improvement in demand has indeed been very very

modest. The improvement in the car situation at best can be described as moderate. The improvement in hard-goods buying generally has been moderate. And given the pent-up demand that was built up, particularly since the end of 1973 and throughout 1974, as well as in the early months of this year, I think the small improvement that we have had to date does not suggest an inflationary anticipatory type of purchasing at this moment.

Mr. HARRIS. May I just make one comment?

Representative LONG. Please.

Mr. HARRIS. I agreed with both of the previous speakers up until October when we got our results. I think I am sitting here probably with the latest results of anyone at the table. And in October for the first time, we get quite a sharp rise, a precipitous rise in specific demand accompanied by an even greater rise in anticipation of inflation and a feeling that prices will be rising. So you put the two together, and you do have the makings of this previous situation that was described, that is, inflationary induced buying. And I would read it that way after looking at the results of our October survey. I believe you gentlemen have the results of the August and September surveys.

Representative LONG. Mr. Linden, just another point. You say in the beginning of your statement that in each approach, a representative sample of 10,000 households are contacted?

Mr. LINDEN. That is correct.

Representative LONG. A sample of 10,000?

Mr. LINDEN. Yes; we use National Family Opinion, Inc. They have a large network of panels. We contact 10,000 households in each bi-monthly probe.

Representative LONG. Mr. Hart, there is one particular paragraph in your prepared statement¹ that is very interesting to me. You say: "The American people are willing to go a lot farther than any of their leaders have been willing to take them."

As I said at the conclusion of your remarks, I particularly appreciated them because of the political context in which they were presented.

Have you, or any of you other gentlemen, in the surveys that you have been making in this past year or 2 years—well have you been able to come up with anything that would appear to you to be a concrete suggestion in that regard? One we discussed here today has been the stock ownership of corporations by the employees. But if we look at the rest of it, we really haven't discussed any other—and I think this would fit into your definition, Mr. Hart—any radical departure from the established norm in the handling of the economic problems facing this country. Have you been able to come up with anything that appears to be of any substance or have you done any polling in that regard, in trying to find something that might be material?

If I may say one other thing? That is that, as Senator Humphrey knows, I have sat next to him, and I really worked at this for about 9 months now. And not only have worked at this here in the United States but in other parts of the world, looking for some type of really what I would consider a concrete, good suggestion, no matter how radical it is or no matter what it is. And no matter whether it comes from talking to people behind the Iron Curtain or what it is. And I have

¹ See p. 43, part 1, this series.

found everybody just sort of floundering. I have found everybody just in the same sort of disarray, I guess is the best word, with no one with any really concrete suggestion and, perhaps even worse than that, with most not even having the ability to get a hand on the problem, much less come up with a remedy to it.

But would you comment on that?

Mr. HART. Let me just make a couple of quick comments. First, obviously our survey was aimed at this one idea of testing the currency and validity of it. And as you know, obviously the American people are willing to go along with this idea. And the fact that you and other Members of Congress have begun to consider employee stock ownership, indicates that we are moving along in that vein.

We did not test a whole series of ideas in this poll, but we did test these two other ideas which the public also bought as doing more good than harm, and those ideas I mentioned, were that 74 percent thought that local communities ought to be on the boards of companies operating in their regions. Again, that is something that is not done now and that is something that the public would support.

Finally, we have the idea of not only ownership in terms of employee ownership but also in terms of a certain voice in management of company policy. Again, I have read about five companies, I think, in the United States that are currently doing this, and I gather they are operating very well. And I think that this is one idea or one area that could be considered.

I just think, again, that if we tested a whole range of ideas, we would find that the American people are really up there, and they are ready to go ahead and try some new ideas.

Representative LONG. Does anyone else want to comment? Has anyone else discovered anything in the surveys they made that might be a radical departure from the established system—an idea that might be worthy of our consideration?

Mr. HARRIS. At the risk of talking too much, we have found—well, I will put it two ways: one, contrary to Mr. Hart's study, we do not find a great thrust for government takeover of anything. The reason is that as unpopular as business may be, government is equally unpopular. The people don't trust either. But we do find, though, a very significant thing. People talk about the post Keynesian period and what it will be like, but I would like to throw out one thing that has come out very strongly and that is this—and we have done this at least four times and I would be glad to submit to the committee the results—and that is this notion that people are really beset these days with not how to get greater quantities of physical goods. They are very beset with the quality of life thing. It is very practical. It isn't just water pollution, Mr. Long. It is the product safety that Senator Humphrey talked about; it is employee safety; it is, and you get a high score on this, the people want to see employment of minorities and other people who have had less privilege. So you get a whole host of these things that impact on industry. Energy conservation is a new one.

Now what we have done is this. We have asked people the degree to which they would be willing to see the Federal Government both punish companies and businesses for not meeting the quality of life standards, but to reverse that as well; that is, if they meet them or exceed

them, they should get a reward for this. In other words, taking air and water pollution as a simple example, if a company says: "Look, I'm going to take my chances on really polluting here," then the American people—and I think I am stating this accurately—would like to see that company punished up to the point of even being confiscated and put out of business. On the other hand, if somebody meets those standards or exceeds them, they would like to see them get some actual tax rewards for that. And I wouldn't be at all surprised—and I would like for this committee to very seriously entertain this—to see us going into an era in our history in which people will force our Government and our private sector to jointly plan what the objectives of the society and what are those things that are of value to us.

I would like to see us lay these out and lay them out not in a vicarious way of always putting fires out and changing our standards here, but instead setting them for 6 years or some such things as that, or maybe 10 or 20 years, and saying: "Look, we are going to live by these ground rules. We are telling you this now. And above all, the hell is going to be punished out of you if you don't abide by them. But you are going to get rewarded if you abide by them."

Now I tried this out with businessmen and the fascinating thing is I have yet to meet a businessman who doesn't like this. He says: "Whenever he hears anything from Washington, it is bad news, it is only punishment." So what do they do? Business has a policy—and I think this is a fair way to describe it—of studied avoidance, of staying away, of not getting involved, of going about his own business and trying to make as much money as he can just staying out of it. But I think the great mistake has been made by not cutting business into all this and saying to them: "Look, we will put you out of business if you don't meet the objectives of the society. But boy, if you do, you will really be rewarded."

In other words, it is making the private sector, it seems to me, work for the public interest.

Representative LONG. I think that is an interesting suggestion. I think it has a fair deal of merit, Mr. Harris, and I will say it is worthy of serious study, but I agree in view of your saying that what happens is everybody feels everytime something comes from Washington, it is bad and so it gets shelved somewhere and nothing ever happens to it.

Does anyone have a comment on this?

Mr. CRESPI. I would like to make a general statement.

Representative LONG. Do you have any idea you picked up somewhere that could help us? I go back to the very distant relative of mine, Huey Long's share-the-wealth movement of 1931 and how it caught on. And the cynicism that we find today I think perhaps existed to a great extent during those days. Maybe we do need something radical; maybe we do really need a basic change. But the people I have been able to talk to haven't really been able to come up with something. I am still searching.

Mr. CRESPI. I don't have anything that concrete to tell you, but I would like to make a few general comments. First of all, this point about the public being ahead of Government is something that is true and has been true ever since public opinion polling got started. Congress, as well as the Executive, have over the years, however, lagged

behind the public on issue after issue, whether you are dealing with the economy, Government control, or whatever it is.

Representative LONG. You know why that is? It is because of the fact that if we go out and announce these new things and new ideas, we get the hell beat out of us.

Mr. CRESPI. Well, you get the hell beat out of you from certain sectors and not from—

Representative LONG. But you get the hell beat out of you from the sectors which in the past have been important, which are the ones that can finance the campaigns and the special interest groups and the ones that go and vote. And you are talking to a case in point in spades.

Mr. CRESPI. Right; and one of the problems is the question Senator Humphrey asked before about Government utilization of these surveys. To a very large degree, public opinion polls are not listened to. We are just talking out into the vacant air. And there should be a lot more listening to the public if we believe in the democratic form of government.

But getting a little more precise on the area of economy, in various surveys we have done over the years, we have found that there is a suspicion of business. People really don't want government interference except they feel that somebody has to do something about the abuses of business. And there is the feeling that if you could somehow rely more on competition—I mean to say, there is still a basic confidence by most Americans in the market economy, in the traditional sense of that; namely, the free open market economy. But there is a belief that that isn't really working these days and that if it were working, things would be a hell of a lot better.

So I think there is that kind of an attitude. And I also feel that you should be going to the public for its ideas as to what to do. I think this would be a wonderful thing that the committee could perhaps instigate—using the public opinion polling mechanism not only to find out how much confidence has been lost but rather to find out what should we be doing to get your confidence again and what can we do to restore your confidence in us. If we asked the public those kinds of questions, I think you would find that if you do give the public that lead, that it will earn your respect. The public is a hell of a lot smarter than a lot of people give them credit for.

Representative LONG. Thank you gentlemen. I am sorry to say that my time is up.

Chairman HUMPHREY. Mrs. Heckler.

Representative HECKLER. Thank you, Mr. Chairman, I want to thank the witness and apologize for my late arrival. I had a conflict in committee meetings. The markup of a very important bill delayed my being here.

I came to collect your testimony and will read it and review it thoughtfully at some more leisurely moment, and I am delighted to find you all are still here.

I have had a chance to briefly scan your statements, and I do think that it is important that our distinguished chairman has enlisted your insights for today's hearing. I think that we in the Government should place greater stock in the measurement of public attitudes, but I have to also say that I oppose government by the press. Nothing would frighten me more than a government by the pollsters. It would be,

in my judgment, the mark of a great insecurity of a leader if he had to constantly count heads and have surveys, as important and intriguing as they are. If that were to be the sole measure of policy, then we would certainly be in trouble.

I do think you do collect important basic data, but from what I heard in the period I have been with you, nothing revolutionary has come out of this session that I didn't know from being in my district. But I must say they give me very clear signals, as, of course, your polls do. Perhaps in different areas of the country, the messages are not as clearcut. And I do think that this testimony has been extremely valuable. It doesn't come as a great shock to learn, for instance, that you have found people lack confidence in the Government. I would have to say that quite frankly I don't have as much confidence in government as I once did. My own confidence has been somewhat diminished by having voted for a number of pieces of legislation that didn't quite accomplish their goals, by having the bureaucracy at times interpret congressional policy in a way that contradicted our intent, and so forth.

Now, I am very interested in your testimony, Mr. Caddell, because I see some conflicting trends. For example, although you and the others seem to agree on the lack of confidence in America as being a basic American attitude at this time, which I certainly have discovered in my district and have for some time. But in your prepared statement,¹ Mr. Caddell, you comment on the question of health care alternatives and suggest that the public favors having the Government take over health care alternatives and protect the citizens on questions of health care. You say a small percentage would favor nationalization of health care, but there seems to be more acceptance by the public of the role of government in this field than elsewhere. Now can you explain that? Is that a contradiction?

MR. CADDELL. Well, I think that you have oftentimes a number of attitudes, you know, which often seem to be in conflict. I think health care is an issue that may be in the public's mind as the last great social program that they are concerned about. There is a great fear about being able to afford or handle a health crisis in their families. We have been watching the growth of this issue in this light for 4 or 5 years, and there is no question that it has risen, both in terms of priorities and the kinds of action that people want. That is, they are willing to see efforts made by the Government in this area because of their concern and their inability, really, to control those health care costs.

I think what you see in that statement is a great resentment for the kinds of problems they are having to deal with in the delivery and the cost of health care. I think I should also point out not only is it the No. 1 priority for increased spending, but when we asked people if they would be willing to have their taxes raised to support such a system, we found well over a majority saying they would like to have their taxes raised. I can find no other issue in which they are willing to have their taxes raised. I think it is a priority that has come to their attention and is something they want something done about and are willing to pay for it. I think that has to be the bottom line, you know, what the public is willing to pay for. I think that is an area where they are willing to pay and yet they see not much happening.

¹ For Mr. Caddell's prepared statement, see part 1, p. 49, this series.

If I can use this question to respond a little bit to what Congressman Long said about the specific problems in terms of the economy. I think health care is a general area of concern. We find also two things are important. The first one is that as we study and try to look at what impacts on consumer confidence and what the mood of the public is, I think it is important to say that double-digit inflation is a new experience by and large to the people, and it affected them greatly. It is something they could not control, particularly in food prices where they saw inflation in food running at 30 percent or more. And they had a great concern about that very basic need, which is providing food and buying quality food for their family. And we have seen, and I think you will see as you go through the data and as the staff goes through the data, that the relationship of those perceptions on food prices are very critical in terms of changing confidence. Although I am not an economist, I think if you look at the figures and correlate that, I think a change in that perception affects people's confidence and thus ultimately spending. Yet, when we talk about the economy, we talk about inflation and unemployment. We talk about things to such an extent that in many cases, I think, the public is tuning out public discussion about the economy because our discussions do not relate to specifics such as food.

And I am not an economist or agricultural expert, but I think if I were to be asked what specifically I would do to alter the economy both in terms of building confidence in the Government and the Government's ability to respond to people, I would recommend some mechanism, some way of at least assuring or holding down or stabilizing those food prices for a period of time so that these people have some sense that that major area, which they perceive and deal with every day, has some stability, that there is some control. I think that that is very important.

The second question was in terms of some of the secular things—and this is something Mr. Harris talked about—that may be changing. We have in the society a large number of people who have begun to question whether or not we should continue to grow in terms of economic growth at the expense of the quality of life.

That issue is going to be a very divisive issue in this society because there are people who do not think they have an adequate share of the pie and whose well-being depends on economic growth. But yet, there are people who are willing in many ways to give up or level off further economic growth in order to preserve the quality of life. That is going to be an issue that we have to address very quickly. It is an issue that has a dynamic side to it that could be very divisive to society in terms of pitting people against each other, in terms of who does have a fair share of the pie and who does not. I think we are going to have to come to terms with that.

We have a significant number of people in this country who are moving away from material desires as their top priority and toward the question of wanting to see priorities put in other places. And in some ways, I do not believe they sense that the Government really responds or the business community really responds to those concerns.

People's attitudes about automobiles are changing both in terms of the importance of the automobile and their willingness to buy frequently and the kinds of cars they are willing to buy—and I think the

foreign car market says something about the desire of particularly upward mobile people to buy more automobiles, which says something about the confidence people have in Detroit—and if we have an economy that constantly bases its health on selling 10 million automobiles a year, then we are in trouble. It is a question, I think, of where we put priorities in terms of the public. If the public is not going to buy those automobiles, then I think an economy based on that kind of expectation is going to have problems.

Representative HECKLER. I think you are quite right. I also see this growing debate and the growing tension between the growth versus non-growth priorities. And yet while many people in the society, I think, are casting aside what have been the material goals and materialistic attitudes, but at the same time—of course I represent a city of 100,000 people with a 15-percent unemployment rate—I feel that the pressure of unemployment is another important area to consider. I think we do have to have a compromise though. I think the point you made is extremely well taken.

I think, frankly speaking, that the value of what you are doing and your assessment, is to focus and air or bring to the surface some of the underlying questions that should be brought into the debate sometimes which are often overlooked in the race to resolve, even, the question of unemployment. So I realize the issues are not simplistic.

But nonetheless, I am very deeply troubled because I don't see clear-cut answers in terms of the economy. I think that most members of Congress would really feel extremely supportive of what they saw as a master plan for the economy. I was asked by a constituent had one witness before the Joint Economic Committee given me the answer on the economy. I was asked: "Is there one person who could spell it all out and resolve the difficulties?" And I said: "I am waiting to hear that person." And I am. And I am seeking to get some answers. If we could only have that kind of a clear view, it would be helpful.

But, of course, there isn't just one person with the clear perspective on this. So we are trying to put it all together from different areas.

Now, I am concerned as I said. And I hear from business a great deal, but I do not take a doctrinaire stand. My search is for answers in really the purest sense. And I feel, as Gillis Long has said, that I am ready to listen to anybody and am not concerned with the idea of a label, that it might be a "radical" solution. I am just looking for some solutions.

I think the criticism of the Congress leveled by the very practical businessman in that the Congress and the public do not understand the economy and we do not understand the free enterprise system and that the solutions that are being proposed will stifle the system rather than invigorate it. Now, having visited both the Soviet Union and the People's Republic of China, which are two controlled societies and which have failed to be able to meet their own needs—of course the Chinese experience is far more impressive than the Soviet, yet that society is largely agrarian where they can assign anyone to rural farm districts to harvest a crop, which we cannot do here, but nonetheless, they must still import a certain percentage of their agricultural commodities—and seeing those two controlled societies—and of course, the Soviet Union's recent grain deal proves the total inadequacy of their planning to satisfy their own domestic food needs. Now seeing

these two controlled societies, has given me pause. If we had the power and did try to fine-tune this economy with all of its diversity and dynamic elements, would we really be able to achieve our goals more effectively than we are under the present circumstances or with a change in policy.

So I think that what has happened is that we are undereducating the public. And I think that in-depth polls have the ability to raise questions that are so thought-provoking that they provide new insights on the part of the Congress and for the public, and in that sense, they are very good. But do we in general, educate the public and raise sophisticated, complex issues, which the public can absorb on the issues of business so as to provide a balanced debate on the issues?

Of course, before this committee we have many witnesses who testify that under the present system, we will never form the capital needed to undertake new exploration and to solve our energy needs. In government we seem to respond to crisis. We look to business for innovation. Business has provided a measure of innovation to the society, and in fact, that is one of the strengths of the American system. Yet, at the same time, we have weaknesses in terms of the lack of competition and monopolistic trends that are not curtailed by the Government and so on. But business says their side is never brought out fairly.

My question is do you gentlemen, do you ever see this as one of the weaknesses of a system in which you ask one segment of the population about their point of view, as important as they are in a democracy, but without bringing in the sophisticated arguments from the providers of goods and services? Is there a weakness in terms of our balance in looking at questions or is business totally false and self-protective in their accusations about public debate and so forth?

Now, I have never considered raising the question with you, but I do feel your insights will be of value on this. Since some of you have addressed the question of fine-tuning the economy and so forth, do you feel the business point of view should be brought out in your polling and also sophisticated business questions. And also, would they be important contributions toward the equation of problem-solving?

Mr. Harris.

Mr. HARRIS. Thank you, Representative Heckler, I will give you an example, and I don't think he would mind being quoted, but one of our clients—and we have a whole roster of major companies amongst others who are our clients—and I remember very well Henry Ford saying: "Well, the cross I bear and will all my life is this business of profits. People think they are dirty and not right, but yet if a business doesn't make profits, it won't stay in business."

We have done some major studies of profits for major companies and I would like to in a minute and a half tell you what they found. It was very significant. What we found was that Wall Street had really sold a whole generation or maybe two generations of chief executives in this country right down the river. And the reason they had done that was because they convinced them that the way they were going to be immortalized in business is that incremental increase in the bottom line of earnings after tax each year. They told them if you can produce that, you are a hero. And by doing that, they made businessmen, top businessmen in this country, say that is the end-all. Why?

Because then your stock will go up because the multiple price-earnings ratio, you see, will go up as the incremental increase in earnings goes up.

We found this to be absolutely nonsense in terms of ever trying to sell the American people. What we did find is that people have a great appreciation of profits, not as an end-all, not as the end of the line at all, not at all, but rather when we put profits in terms of giving business the capital to expand and to provide more jobs and to do better research and to provide better quality products and safer products and better working conditions for the people who work there, you can sell the American people. But you get the majority, believe it or not, who think it is good to use profits to pay executives more money and even bigger bonuses in order to attract the most qualified people to run the businesses. Profits as a vehicle to do all of the good economic works of society, they are highly justifiable. Profits as an end in themselves, you know what people think? They think the executives are lining their pockets at their expense.

So business has been totally wrong—and I preach this to my business clients all the time—you are totally wrong to be misled by the notion that you are going to be immortalized by bottom line and this incremental increase per year. Because that is the classic case of where American business has been misled or deceived.

Representative HECKLER. Would anyone else care to comment?

Mr. SCHMIEDESKAMP. I would like to comment on something else, Congresswoman Heckler, or rather a couple of things. The first is about the proper use of surveys. Certainly, American consumers are not a panel of experts on what should be done about the economy. Therefore, the idea of governing by pollster is, I think, an idea that would be repugnant to everyone at this table. The point is rather something different, and that is using polls and surveys as a tool so that at least those people who make policy can know what the results of those policies are going to be so that they can make intelligent decisions. That is really the essential use of the polls.

Another comment I would like to make along the same line is that in my view, it is simply not possible to find anyone with all the answers. That is true in part because the answers are not simple. Senator Humphrey, among others, has many times expressed the idea that the only way to make progress in a free society is by working like hell at it. In other words, progress is made not by seeking global answers for all times, but rather by working to understand the institutions of our society in order to bring about change.

I think that one of the main problems with economics these days—and I'm speaking now as an economist, not as a surveyor—is that there are too many people in economics who are looking for one solution. There are too many people who believe if you look at the money supply, you can forget practically everything else; or if you change taxes, you can forget about everything else.

One develops a very good sense from reading interviews, Congresswoman, that our society is terribly complex. I think that is awfully important to keep in mind.

Representative HECKLER. I would like to say that I do agree with both of your points, and do not think there is a simple answer either. I do feel that the public has got to be brought into the debate. I do

think the consumer point of view is terribly important but I think we underestimate the intelligence of the consumer sometimes in simplifying a question and failing to bring in all the ranges of alternatives and gearing our questions and our statements on television to a sixth grade mentality and 30-second instant opinion, and oversimplifying questions, when the average person is perfectly capable, regardless of academic background, of absorbing conceptual ideas in terms of the range of options, business consequences, and so on.

So I would opt to use the full scope of concerns and issues related to a specific question, to air the question and then to help the respondent form an opinion that is really in fact valid and in fact reflective of the whole picture. I think that is my great concern. And I think that these surveys can be valuable for all of us.

Thank you.

MR. SCHMIEDESKAMP. I think that it is a terribly important thing to realize that very often, survey findings are the creature of the questions asked. In other words, if you present people an alternative of *a*, *b*, *c*, or *d*, or if you present them with a question that is answered by yes or no, you run a considerable risk of getting a false impression of the people's opinion.

My most favorite cartoon is one that appeared in *Look* magazine about 10 years ago, which showed a very bored looking woman being interviewed by a polltaker and the caption underneath, showing the polltaker saying: "Just yes or no, madam; there is no I don't give a damn question."

Chairman HUMPHREY. Well, we are going to have to conclude this exciting hearing. Let me tell you what I have in mind. No. 1, I will, during my time, at least, as chairman of this committee, see to it that we have a periodic review such as we have had here today. I think this is one of the best hearings that we have had. We are indebted to you, believe me, beyond mere words of appreciation.

No. 2, I am going to propose to the joint leadership of the Congress that come the beginning of the next session, that there be what I call an open Congress, an open forum, where men of your quality can talk to all of us. And those who want to come, and we will encourage them to come into an auditorium, can come and listen to a panel such as we have here. I am going to ask this of our leadership. I am going to speak to Senator Mansfield and Senator Scott and speak to Mr. O'Neill and to Congressman Rhodes and the Speaker, and see if we cannot do this.

It just dawned on me as we were here. I think we could do it under the auspices of the Joint Economic Committee, because we are the one major committee that covers both the House and the Senate.

And third—and I hope that you will hold yourself available for that forum, and we will give you plenty of advanced time notice because I am sure this needs to be done—but finally, I want to instruct the staff director of this committee—and I have talked to him already quietly and privately here—to publish the testimony that you have given today as a committee document. I want this to be in the hands of more people. It is pathetic that we do not get more of this information out. And my colleagues, and all our colleagues will be interested. Make no mistake about that, because by just utilizing the question that we put to you, that will attract their attention.

We will have no editorializing. I do not believe in that, because this is too controversial a committee, and too controversial a matter. But anyway, we will publish the prepared statements as is, and just on the basis of your testimony. And if you wish to in any way add to that testimony, I wish you would let us know, because we want a timeliness to it. I do not want this to be one of those publications that come out months later, John. I believe in making history, and not trying to read ancient history.

Well, I am sorry we did not get a chance to ask you more about the planning bill that you had, Mr. Caddell. You know, that is another project we have here—our “Balanced Growth and Planning Act”.

Very candidly, I know it is wide open for controversy. And quite honestly, if I had to do it all over again, I would write it differently than we did. I think after a few months, I found out how inadequate it really is. But at least we got some people fighting with each other and discussing things and talking about it. And we do need your help on that.

Well, that is about all.

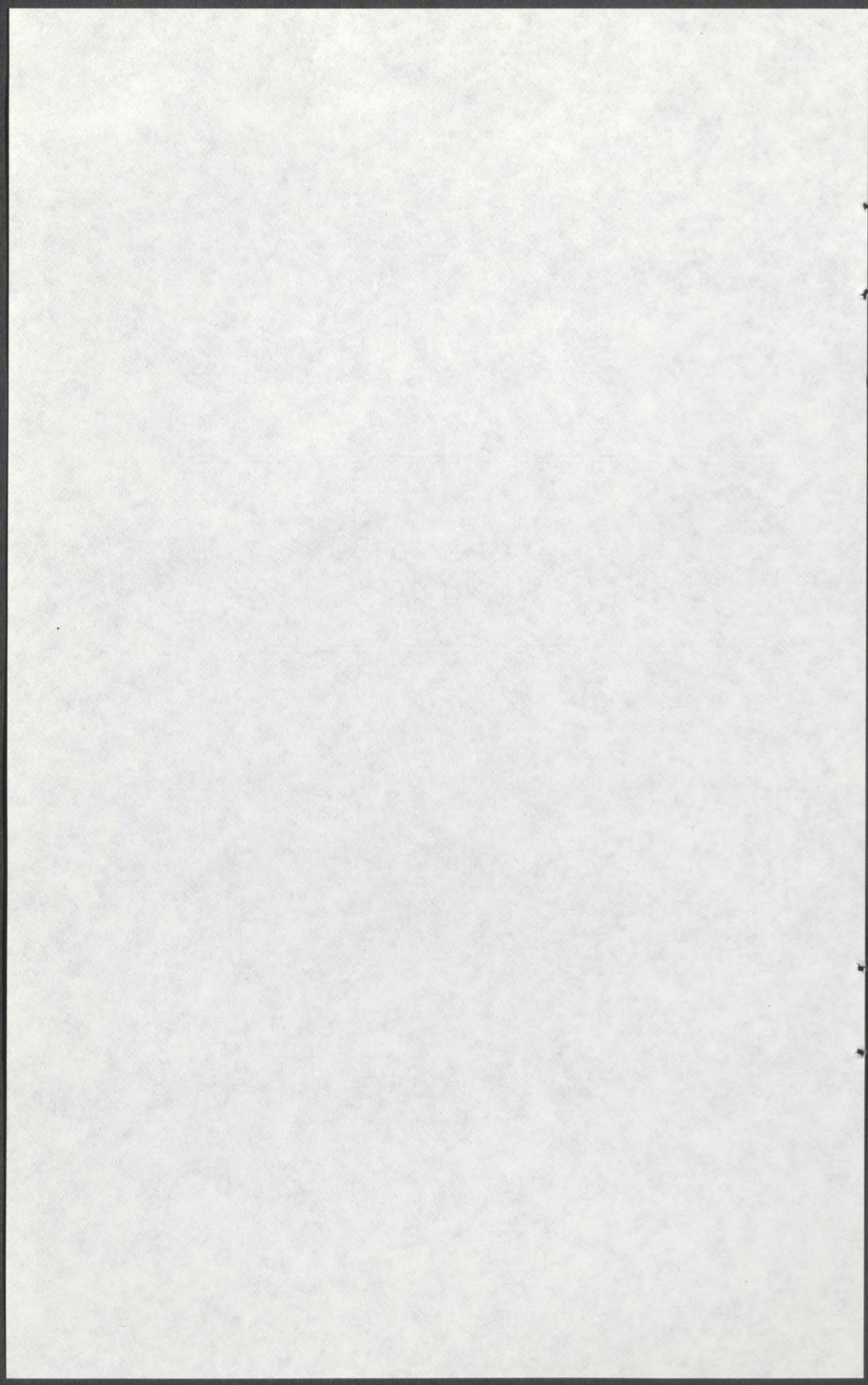
This hearing has been so good. It has been just one of the best things that we have had. We thank each and every one of you and appreciate your coming.

The committee is adjourned.

[Whereupon, at 1:30 p.m., the committee adjourned, subject to the call of the Chair.]

APPENDIX

(185)



THE GENERAL MILLS AMERICAN FAMILY REPORT 1974-75

A STUDY OF THE AMERICAN FAMILY AND MONEY

Conducted by:
Yankelovich, Skelly and White, Inc.

(187)

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INTRODUCTION

This is a report about America's 55 million families and their money — its impact on their lives, their values, their hopes and fears at a time of serious national economic stress.

Conducted by Yankelovich, Skelly and White, Inc. and funded by General Mills, Inc., this study is the first in a projected series of research reports on the American Family, sponsored by General Mills, Inc. because of its continuing commitment to the well-being of the nation's consumers.

The study was conducted in three stages: an intensive exploratory phase based on 10 focused group discussions in different areas of the country; interviews with over 150 experts who deal with the American family in many areas of their lives and a final quantitative phase.

The results in this report are based on a national probability sample of 1,247 families and a total of 2,194 interviews, including interviews with second family members in 947 of the households surveyed.

The study is designed to provide statistically reliable information and insights into both the immediate and longer-term impact of money and economics on major aspects of American life, including:

- Family structure
- Intra-family relationships
- The value system
- Money management
- Money—hopes and pleasures
- Money problems
- Relationships to institutions
- Health and well-being
- Life-style
- Outlook and goals

The General Mills American Family Report seeks to provide the general public, scholars and concerned professionals with information which they can use in the troubled period ahead.

In a special effort to make this study relevant to the needs of the professional community, we consulted with a special advisory panel of experts, and with more than 150 additional experts who were interviewed in the initial phases of the research. Members of the advisory panel included:

Elizabeth Fowler, Personal Finance Editor, The New York Times

Fred Hechinger, Member Editorial Board, The New York Times

Dr. Robert Heilbroner, Norman Thomas Professor of Economics, New School for Social Research

M. R. Hellie, President, Credit Union National Association

Dr. Herbert Holden, President, The American Academy of Family Physicians

Dr. John Knowles, President, Rockefeller Foundation

Max Lerner, Visiting Professor of Politics, Pomona College

Dr. Ernst Wynder, President, American Health Foundation

Mrs. Whitney Young, Chairman, Whitney Young, Jr. Memorial Foundation

We would like to express special appreciation to the members of the panel for their advice and assistance.


Daniel Yankelovich, President


Ruth Clark, Vice President

Yankelovich, Skelly and White, Inc.

SUMMARY

Confronted by economic uncertainty, inflation and unemployment, America's families are trying to cope. Some succeed; some do not. Today's family is troubled, but it is also strong and resilient.

That families feel a deep and pervasive sense of economic insecurity comes as no surprise — and this study documents the spread of that insecurity. And that many families question the moral direction of this country and the quality of its leadership also is no surprise: it has been reported in countless surveys and media reports, and is documented in this study as well. But what does emerge as heartening news in the present study is a picture of the great strengths and adaptive capabilities of the American family — the flexibility, sturdiness and vitality of the family in meeting economic uncertainty and strain.

On balance, individual family members express confidence in the health and well-being of their own families, their ability to work and sacrifice together. But many are no longer certain that this will be enough to get them through the worsening recession or economic depression which most feel is likely to come.

For most families, uncertainty and concern have not fostered a sense of "live only for today." Rather they wonder how to cope with today, how to prepare for tomorrow while worrying about their nation and its leaders. In short, difficult times have served to strengthen family members' commitment to many values—family, financial security, savings and thrift—but they have also eroded family confidence in the future.

In this study we have focused on those areas of family life in which the nation's experts, concerned citizens and parents may be able to provide concrete help and guidance for the difficult days ahead.

More than 150 experts who deal with the American family directly or indirectly in the areas of money concerns were interviewed in connection with this Study. Overall, the results of the Study helped to document many of their major hypotheses. At the same time, the findings should help to assuage some of their apprehensions about the ability of Americans to cope with difficulty.

Experts offered the following views about the impact of the present economy on the American family:

Problems of Adjusting to a New Economic Situation

According to many experts, the United States has become so accustomed to affluence and economic growth that many families may be unprepared, and even unwilling, to face up to the threat of austerity and sacrifice presented by today's uncertain economy. This might be especially true for the post-World War II generation, for whom the Great Depression is no more than a remote and unfamiliar piece of history. Moreover, this faith in an ever-prosperous economy was thought by many experts to be diminishing traditional American concern with thrift and with planning for the future—a dangerous trend which would leave many families exposed and vulnerable to hard times.

Signs of Trouble

Many experts identified worrisome trends—increased levels of borrowing, greater reliance on credit buying and late payment of bills—resulting from stresses created by current economic problems.

But, in general, the experts were divided in their evaluation of how seriously inflation and related problems have hurt American families so far. A majority, though, felt most families would still be able to cope by making some day-to-day adjustments in the way they live.

End of the American Dream

Many less affluent families, suggested the experts, may be losing faith in the American dream of an abundant future. Simply meeting today's problem may be undercutting the hopes and plans of many who were looking forward to owning a home, to college for their children and to a financially secure retirement.

Lack of Economic Know-how

While many families have begun to adjust to the economic pinch, it is feared that their choices of where to cut back and how to budget might be either unwise or ineffective. There have been reports, for example, that some families have decided to postpone medical and dental checkups as a means of saving money. And other families were said to be using up their savings in order to maintain their present standard of living.

According to the experts, part of the problem lies in the need for improved money management skills. Additional consumer education in the school curriculum—to help teach young people how to budget, to conserve and extend resources and to plan and save for the future—is one often mentioned solution.

Money and Family Relationships

There was little doubt in the minds of the experts that money can be a major source of stress and breakdown in families. But, most took the view that economic adversity was more likely to exacerbate the preexisting strains and tensions.

Some experts thought hard times and austerity might help Americans rediscover a simpler, more basic life-style and value system. Others worried that intensified economic strains would lead to increased skepticism and alienation from American social and political institutions.

Such were the perspectives of the experts.

Now for the actual views and experiences of the American family.

I: THE FAMILY BALANCE SHEET

Overall, here is how individuals assess the state of their own family and the state of their nation.

A majority or more report they are:

- Feeling the effects of inflation but still managing to cope
- Enjoying the same or a slightly better standard of living than a year ago
- No further in debt than a year ago
- Still optimistic about the current year

Less optimistically, however:

- Most people are worried about the state of the country, the economy and the lack of leadership
- One out of two fears the United States is heading for a depression
- A third of all families *are* feeling the full impact of inflation and recession
- Over half are worried about their own future financial well-being and security
- Almost one out of two families no longer feels a sense of self-sufficiency. Instead, it is convinced that its future well-being will be determined not by its own actions, but rather by what happens to the country
- And money is a source of argument in more than half of the families

For most families, then, this is a time of watching, waiting, trying and accommodating to a new situation; but for some it is already a period of serious economic distress.

II: FAMILY CONSENSUS

What does not appear on the preceding balance sheet and what must be considered for a fully rounded picture is the high degree of family consensus on money matters. Two interviews in the same family—with the husband, wife or teen-ager—found substantial agreement within families about the economy and its impact on family life. This consensus apparently exists whether or not the family members are “savers” or “spenders,” whether or not the family has a “budget” and whether or not the family argues often about money.

If there was any breakdown in this family consensus, it came in families which tried to shield their children from money worries. As a result, teen-agers in those families were somewhat less aware of changes in their living standards. But even this lack of consensus was found in only a minority of homes.

III: NEW VALUES; OLD VALUES

An implicit part of today's problem is that American families are, at least in part, psychologically ill-prepared for hard times. Two decades of relative economic stability and rising affluence have created an environment in which many things once considered luxuries are now taken for granted. For a majority of families, color television sets, two cars, dining out, going to the movies, entertaining at home are basics — not luxuries. Among families hardest hit by the economy, the distinction between luxuries and basics is beginning to change but only gradually.

Even more important, however, is the fact that the previous period of rising living standards has created an attitude among half (50%) of all American families that the government has the obligation to provide each family with work and a good standard of living.

Another parallel theme expressed by a majority of families, too, is a continuing belief that each year things will improve for them financially. Today, fewer than one of two families is willing to admit that it may not be better off economically in the future. Even among this group, however, more than half still feel they have "the right" to an improved standard of living each year. The contradiction between acceptance of reality and the commitment to a new "social right" presents a pressing dilemma to many families today.

In facing the present economy and the economic problems which lie ahead, the American family has many resources — both tangible and intangible — upon which to draw:

- Among the tangible assets are savings, investments, insurance; medical plans, cars, homes and a host of appliances
- Among the equally important but less tangible assets are a strong commitment to family and a thriving sense of satisfaction with how the family members are working together and facing up to common problems
- Moreover, people are still having fun and pleasure despite their retrenchment efforts
- Many Americans express the strong belief that some good will come out of the present troubles, and that people will end up being smarter, more resourceful and understanding than before

IV: FAMILY CONCERNS

For the first time in many years, family anxieties over economic issues far outweigh their recent concern with crime, safety in the streets, urban blight and the quality of education. These new worries focus on the reality or fear of unemployment (28%); savings diminishing in value as a result of inflation (35%); debt (16%); the need to draw on savings to meet current expenses (22%), and a general discontent about not being as well off as expected (32%). For families whose standard of living has already deteriorated, these are immediate and urgent concerns. For the majority, these concerns reflect present fears as well as serious apprehensions about the future.

V: LONGER-RANGE IMPLICATIONS

No one can be certain about the longer-range and more enduring implications of the present situation—how American families will live in the future and what will be their aspirations, hopes and outlook. There are, however, indications that families' confidence in their future and in their own ability to cope has been eroded, at least temporarily. At present, families are evenly divided—with one out of two still feeling that it can work out all of its problems on its own, including financial ones, and the remaining half feeling that the economic situation is no longer within their own control but dependent on what happens in the country.

Most at risk for the families is that all-important American goal of a secure and steadily improving financial future. Today, a majority of all families face tomorrow with a sense of insecurity about their future financial status. This sense of insecurity is just beginning to make itself felt in the way families think, plan and live.

VI: COPING WITH INFLATION

The economy of 1974-75 has already caused many families to make adjustments — some major, some minor — in the way they live. These changes touch many aspects of family life:

Leisure Time

For families seriously hurt by the economic downturn, the first step is to cut back on the "nice things of life"—eating out in restaurants (37%); entertaining friends for dinner (17%); certain hobbies and sports which cost money (21%). Overall, one out of two families reports it now spends most of its free time at home rather than "going out."

Vacations

Families are not necessarily giving up vacations but they now regard them differently. Annual vacations today are considered a luxury by more than half of all families. Among families with a lowered standard of living, almost two out of three look upon a vacation as a "real luxury."

Use of Electricity

Most families are caught in a losing battle with their utility bills. Two out of three indicate they are cutting back on use of electricity, but the same percentage report that, despite their efforts, they are paying more for utilities than they did a year ago.

Food and Eating Patterns

Many of the changes in eating patterns reflect family efforts to hold the line on food costs—again with not much reported success. One out of four families is trying to cut back on its use of prepared and frozen foods; one out of five is not serving meat regularly; a small number of families is eliminating "seconds." A change is also indicated on items such as cookies and candies, with 45% of the families reporting that they are spending less this year on sweets and only 22% spending more.

Shopping Patterns

An integral part of beating inflation is bargain hunting, especially among the 45% of families who report serious money problems. Many consumers now assume that inflation will get worse, not better, and that it is smarter to buy now, especially when items are on sale. Again, this presents a real conflict to families who are trying to cut back, but who are also worried about rising prices and having enough money later on. Use of credit cards makes it especially tempting to buy now.

Health

Unfortunately, preventive health care is one area in which people are also trying to save money. Among the families surveyed, 18% indicated they are already postponing regular medical and dental checkups; among families most impacted by the economy, 28% are putting off checkups.

Another method of coping with inflation may also have health implications; in 16% of the families, someone, usually the male head, is moonlighting or trying to.

Reading Habits

Some families are considering cutting back on magazine and newspaper subscriptions as they try to pare down their expenses. This may mean a public less well-informed and less exposed to badly needed money management help.

Gifts and Charitable Contributions

Gift giving is also a problem these days. Now almost one out of two families gives fewer gifts. In addition, 16% of families are economizing by reducing their charitable contributions.

Making Do

Families are also learning that many objects in their homes are repairable, and that it is possible to do with less. Almost half say that they are wearing what clothes they have, rather than buying new ones, and 34% are repairing things they would normally have thrown out. Among families whose standard of living is worse this year than last, over half are making fewer clothing purchases, and almost half are repairing rather than replacing home appliances and equipment.

Car Repairs

Car maintenance presents a special budget problem to most people. Repair costs are much higher than a year ago and credit is not usually available. Most people meet these higher costs by trimming other expenses. But 10% have put off repairs until it is too late, and end up either with an accident or a permanently disabled car.

Working Wives

Two incomes in the family are more and more common as a way of dealing with the family's finances. Among wives, 41% now work either full or part time, primarily to supplement the family budget. Working, however, presents its own problems: frustration rises as additional income does not produce major financial improvement; working wives lack time for bargain shopping, preparing meals, baking, preserving, canning and getting things fixed; anger and bitterness grow as some men oppose their wives taking jobs. (Sixteen percent of the working women indicate that their husbands resent their working.)

VII: MONEY MANAGEMENT

Nine out of ten families report they are doing a "pretty good job" of money management. For some, this is clearly the case; others handle their money far less well than they were willing to admit. Good money management is part of prevailing social norms, and this undoubtedly makes it difficult for families who need help to ask for it.

Here is what we found out about current family money practices:

Saving

American families continue to have a deep commitment to the philosophy of saving and they reject overwhelmingly any notion that inflation negates the rationale for saving. They are, however, worried that their savings are losing value as a result of inflation.

Putting their beliefs into action, 56% of U.S. families say they managed to put some money in the bank last year. About half (26%) of these saved on a regular basis, either weekly, semi-monthly or monthly; the rest made deposits "whenever they could."

For some families, however, banking has been a two-way street, for 24% indicate they have had to dig into savings—originally planned as insurance for times of emergency and future security — as a means of meeting current expenses. Of all money "mistakes," this one worries families the most.

"Savers" and "Spenders"

There are two kinds of families—those who classify themselves as "Savers" and those who describe themselves as "Spenders." Except for low income families, the division between "Savers" and "Spenders" is primarily one of family composition and value systems. The Spenders are more likely to have children and to be less bound by traditional Protestant Ethic values (duty, hard work, sacrifice) than the Savers. The Spenders are also less likely to operate with family budgets or to save systematically.

Budgets

One out of two families says it has some kind of a budget, but only 12% actually draw up any kind of formal or structured budget. Even informal budgeting appears to help in controlling family spending on nonessentials, though. Budgeting makes very little difference, however, when it comes to the basics of family spending — utilities, gasoline, most food items.

And there is a real question as to how many families will continue to struggle with a budget in the current economy. At present, one out of two of the budgeters feels that inflation is making it impossible to keep within its planned purchasing limits.

Investments

In addition to savings, some families, particularly the more affluent, also have other financial resources on which to fall back. One out of five has stocks; 29% have government bonds. Others own real estate and valuable jewelry. In many cases, however, some of these investments are not providing families with the desired sense of security. For example, one out of every two owners of stocks and mutual funds indicates considerable anxiety about its holdings.

Medical Insurance

In spite of their many concerns and anxieties, American families have "guarantees" unknown to previous generations, including medical insurance. Our survey found that eight out of ten families have health insurance. This medical insurance paid for a major portion of expenses incurred as a result of serious family illness and accidents in the last year, relieving many families of one more possible anxiety and drain on their incomes.

Credit

Two thirds of American families use credit to pay for many day-to-day expenses, including gasoline, household goods, clothing, drugs, and in 7% of families, even food. Still, charge accounts, credit cards and deferred payment plans are considered a mixed blessing. On the one hand, families regard them as a convenience, which frees them from having to carry large amounts of money. On the other hand, 42% of adult family members also recognize that credit cards often tempt them to buy things they can't afford.

Another potential problem is interest charges of credit purchases. But most families ignore finance charges or simply are not aware of them. One in four, however, says it is trying to cut back on credit cards and plans because of high interest charges.

Debt

Most American families place great stock in being free of debt. Personal values and social norms make the acknowledgement of debt difficult. Yet debt is an unwelcome reality to families who are already feeling the money squeeze. Among those families whose standard of living has fallen, 27% admit they are often late in paying bills, and 36% owe more money now than a year ago.

Debts, how to handle them, how to avoid them, when to borrow, from where to borrow—are all unhappily very real questions on the minds of these American families today.

VIII: MONEY AND FAMILY RELATIONSHIPS

One of the significant and stabilizing influences operating in American society today is an abiding belief in the importance of family (92%) and in confidence that one's own family is doing well (83%). Indeed, one of the most significant findings of this study is the extent to which there is a consensus among family members of values, outlook and even the condition of the family's finances.

Yet, for all of this, money difficulties and pressures remain a major source of stress. No other subject causes as many family arguments as money. Families quarrel frequently about overspending, poor money management and their inability to keep better track of where the money goes. Over half of the families interviewed (54%) can be classified as "argue-a-lot-about-money" households. Moreover, in families where money problems are most pressing, the percentage of arguing families increases to 64%.

Declining income, difficulty in meeting inflation, disappointment about the family's present status are, of course, inherent parts of the money arguments, but there are other factors as well:

Communicating About Money

In one out of every two families which argue about money, the adults interviewed acknowledged their inability to communicate frankly and freely with other family members about family finance. A third say they talk too much about money, while the others feel it is inadequately discussed in their families.

In addition, there is the all-important question of how to tell your children about money. Most of parents (73%) reject the idea that children should be spared money worries but there is considerable disagreement as to how much children should be told. For example, one out of two of the teen-agers living in households where parents feel their standard of living is worse today than a year ago is not aware of this decline. The right balance is undoubtedly a difficult one for parents to reach, but our survey found that there is less argument about money in families who are candid with their children than among those who are not.

Decision Making

There is considerably less argument—both about money and in general—in families where both husbands and wives share in making financial decisions. Conversely, there is more argument in households where just one family member, usually the husband, is the prime decision maker. At present, though, only a minority of husbands and wives (41%) share equally in money decisions.

In this connection, it is interesting to note that money pressures may set back women's pressure for equal status at home. Among all families surveyed, 39% believe strongly that it is up to the man to be the main provider and decision maker. Among money-pressed families, however, support for this view increases to 46%.

IX: LOOKING AHEAD

What about the future? Pressured by daily money problems and concerned about the country, many families see only a bleak time ahead. Yet, as we have noted before, there is an underlying strength to the American family that points to a more optimistic outlook. Many families feel that they will come through the present difficulties smarter and better off than they were before.

They feel that economic hardship may make them less wasteful (59%), better shoppers and managers (70%), satisfied with less (42%), more sympathetic to the poor (45%) and bring them back to basic values (33%). Of considerable importance, most (82%) have not given up their hopes and dreams. The spirit is there—but families are going to also need help and guidance in the period ahead.

X: HELP NEEDED

The findings of this study suggest many of the different ways in which the American family needs help. They include:

- **Budgets:** help in setting up and sticking to realistic budgets
- **Savings:** when to draw on savings—and when not
- **Credit:** use of credit and the impact of carrying charges
- **Repairs:** how to repair products and how to stretch the life of clothing, furniture, household goods and automobiles
- **Entertainment:** finding fun things for the family to do that do not cost money; cost-free sports and hobbies; vacationing at home—or low cost vacations away from home
- **Communication:** how to talk about money with the family and children, sharing and allocating financial decision making
- **Debts:** how to meet—and avoid—debts
- **Health:** the “cost” of putting off medical and dental checkups
- **Education:** free and low cost educational opportunities for family members; libraries and what they have to offer
- **Housework:** time-savers for working wives; budgeting and assigning family chores and responsibilities
- **Counseling:** when family counseling is needed and how to get it; handling the “side effects of unemployment” on the family and family relationships; obtaining help, information and ideas

Of course, information, counseling and services are not substitutes for more jobs, a curb on inflation or insurance against depression. But they can make a substantial difference as the American family attempts to deal with its money and money problems.

THE DETAILS

I: THE BALANCE SHEET: AMERICAN FAMILIES, INFLATION AND RECESSION

The midwinter of 1974-75 represented a crossroads for many American families. Behind them were more than two decades of relative economic stability during which the income of the average American family doubled from its 1950 level of \$5,600 per year to \$12,000 by 1970. (All figures are in 1970 dollars.) But at the present time there are pressing problems of mounting inflation and recession, the fear of depression, and national uncertainty. At this crossroads, America's mood—the mood of its families—is mixed.

Most Americans express a strong positive feeling about the solidarity and stability of their own families. But they also say they are deeply concerned about their country. Their outlook, problems and hopes reflect this attitude dilemma:

- A sizable majority of American families (62%) indicate they are still managing to cope with inflation and recession by making some adjustments in their day-to-day life-styles.
- A sizable minority, however,—more than one out of three (37%)—are already feeling real economic stress. They report that their standard of living is lower than a year ago and their previous way of life is in jeopardy.
- Even among those who are still managing to cope, though, there is a prevailing sense of insecurity about the future. First, many fear a depression, and almost half the people interviewed believe that their family's own future is tied closely with that of the nation's future. This sense of interdependence appears to be a new feeling for many who formerly believed themselves to be solely in charge of their destinies.
- Many family members, too, are struggling to accommodate themselves to the idea that, at least financially, each year may not necessarily be better than the preceding one. This notion comes hard following the continued affluence and rising living standards of the 1950's and the 1960's, a period which gave substance to the American dream of ever-increasing material well-being.

THE BALANCE SHEET

(Chart 1)

| | |
|--|--|
| 83% of families doing very/fairly well personally. | 17% of families doing badly personally. |
| 73% don't owe more money than a year ago. | 27% do owe more money than a year ago. |
| 71% optimistic about achieving own goals next year. | 28% not optimistic about achieving own goals next year. |
| 62% have better/same standard of living as a year ago. | 37% have worse standard of living than a year ago. |
| 46% feel that families can work out own problems. | 45% believe solving their own problems depends on what happens to the country. |
| 46% don't argue about money. | 54% argue about money. |
| 45% have begun to accept the idea that each year may not be better financially. | 53% believe that they have <i>the right</i> to a better standard of living each year. |
| 44% feel secure about own long-range economic future. | 56% feel insecure about own long-range economic future. |
| 34% say inflation is not having an impact on their family. | 65% say inflation is having a very/fairly serious impact on their family. |
| 28% say country is not heading for a depression. | 52% say country is heading for a depression. |

Now for some details from the balance sheet:

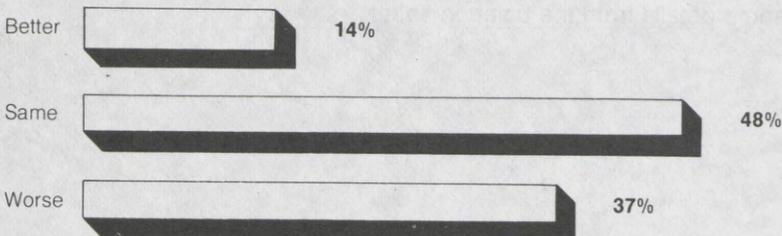
Standard of Living

Asked about their own standard of living compared to a year ago, 14% of family members reported "better"; 48% "the same"; 37% "worse" and 1% "not sure." While the weakened economy has particularly hurt less well educated and less affluent families, its effect has not been limited solely to these groups. Among those reporting lowered standards of living are both young and older families. Twenty-seven percent of families with adults under 35 years old and 28% of families with members over 55 years of age report lowered living standards.

One out of every two families with incomes of under \$10,000, and 21% of families with incomes of \$15,000 or more also say they have suffered a decline. A majority of income-impacted families (59%) have children 18 years of age or younger living at home; the remaining 41% have either no children or grown children.

What is happening is that the money squeeze is being felt most strongly by those families who are ordinarily most pressured by financial problems, but the money crunch has also begun to be felt among families who just a year or two ago were "making it." In analyzing the results of this study, we have paid particular attention to the reactions, problems and methods of handling the situation reported by the 37% who said that their standard of living is worse than a year ago.

STANDARD OF LIVING COMPARED TO A YEAR AGO
(Chart 2)



NOTE: 1% not sure.

WHO IS NOT MAKING OUT

(Chart 3)

| | Total | Standard of Living Worse Than a Year Ago |
|---|-------|--|
| Total | 100% | 37% |
| Age | | |
| 18-24 years old | 9 | 7 |
| 25-34 years old | 24 | 20 |
| 35-44 years old | 23 | 26 |
| 45-54 years old | 18 | 20 |
| 55-64 years old | 15 | 16 |
| 65 and over | 11 | 12 |
| Education | | |
| Less than high school graduate | 28 | 38 |
| High school graduate | 40 | 37 |
| Some college | 19 | 19 |
| College graduate | 8 | 4 |
| Postgraduate | 5 | 2 |
| Occupation of Household Head* | | |
| White collar/professional | 47 | 37 |
| Blue collar | 53 | 63 |
| Wife Employed Full/Part Time | | |
| | 41 | 38 |
| Income** | | |
| Under \$10,000 | 41 | 50 |
| \$10,000-14,999 | 29 | 29 |
| \$15,000-19,999 | 16 | 14 |
| \$20,000 and over | 14 | 7 |
| Type of Area | | |
| Central city | 32 | 31 |
| Suburb | 27 | 28 |
| Small town | 15 | 12 |
| Rural | 27 | 30 |
| Geography | | |
| Northeast | 25 | 25 |
| Midwest | 26 | 22 |
| South | 32 | 37 |
| West | 17 | 16 |
| Race | | |
| White | 88 | 87 |
| Nonwhite | 12 | 13 |
| Family Status | | |
| Have children 18 years of age or younger | 57 | 59 |
| Have no children 18 years of age or younger | 43 | 41 |

*Based on employed heads of households.

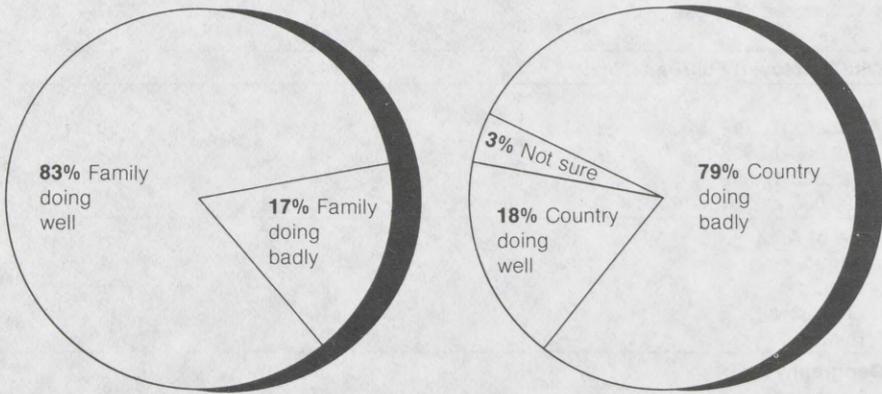
**Based on people who answered.

The State of the Family Versus the State of the Country

Despite national economic and financial stress, the large majority of men and women report that their *own* families are still doing well. A remarkable 83% report that their families are in good shape, but an equal number (79%) feel that things are going badly in the country. Undoubtedly this sense of family well-being is an important ballast in these times of uncertainty, and fortunately, this sense of family prevails among diverse income and age groups, and is shared by other family members as well.

FAMILY STATUS VERSUS STATE OF THE COUNTRY

(Chart 4)



IS THE COUNTRY HEADING TOWARDS A DEPRESSION?

(Chart 5)

| | % |
|----------|----|
| Yes | 52 |
| No | 28 |
| Not sure | 20 |

Concerns About the Country

A large part of the family member's concerns for the country focus directly on the economy:

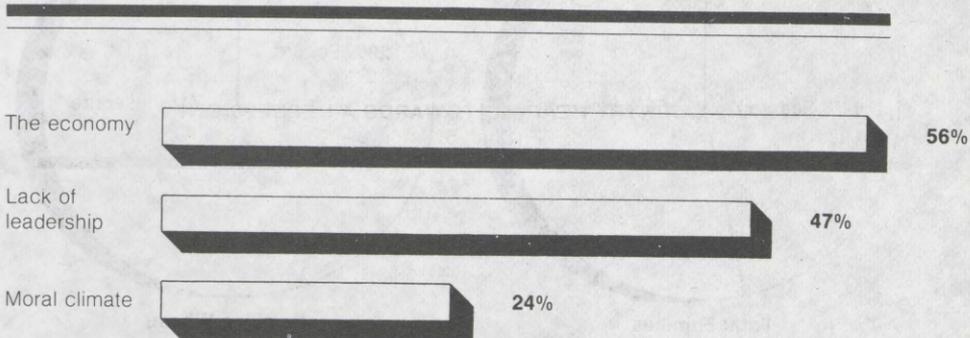
First, there are the effects of inflation itself, with two out of three (65%) reporting that inflation is already having a very serious or fairly serious impact on their own families.

Then, there is the fear of depression, with over half of the people interviewed (52%) believing that the country is heading for a depression, and only a small minority (23%) believing it is not (20% are not sure). The inevitability of depression particularly disturbs those families whose standard of living has already been set back (63%).

Along with concern over the economy, many people are troubled by what they see as a lack of national leadership. Indeed, almost as many family members see this leadership gap as the prime problem (47%) as mention the economy (56%).

MAJOR CONCERNS ABOUT THE COUNTRY*

(Chart 6)



*Asked of those who are fairly/very pessimistic about the country.

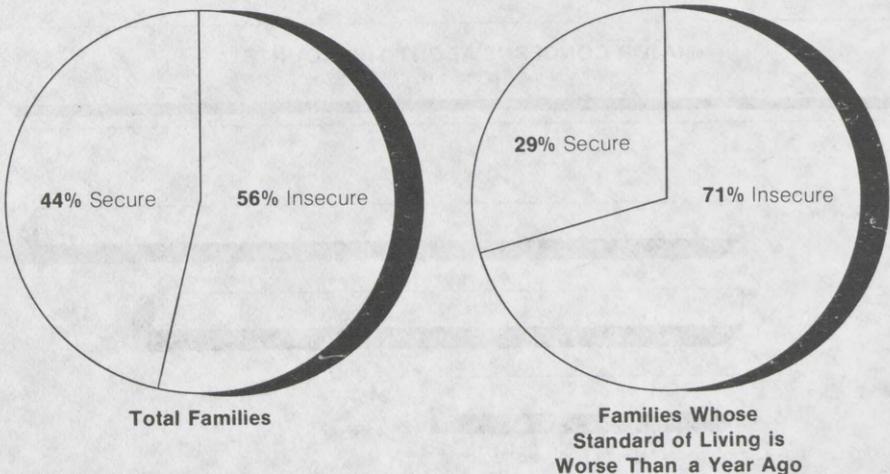
Interdependence and Insecurity

The net result of family anxiety about the economy and the country is a pervasive sense of personal insecurity and lack of personal control over the future of one's own family. This is a difficult and troublesome prospect for people raised with a strong belief in self-reliance and possessing a basic optimism. Today, a majority (56%) feel insecure about their own financial future. A similar sense of insecurity is found among family members from all walks of life, but it is particularly strong among women, parents of large families and families earning \$15,000 or less a year.

Perhaps even more upsetting for some families is the gnawing feeling of no longer being self-sufficient, of finding one's own financial well-being and future inextricably linked to what happens to the country. Asked directly, 46% of family members interviewed felt they and their families *can work* out their own problems, even financial ones; but 45% believe that it all depends on what happens to the country. (In the remainder of this report, we will refer to these two groups as the "Self-sufficient" and the "Interdependent.")

HOW FAMILY MEMBERS FEEL ABOUT THEIR ECONOMIC FUTURE

(Chart 7)



**HOW FAMILY MEMBERS FEEL ABOUT THEIR
FUTURE FINANCIAL SECURITY**

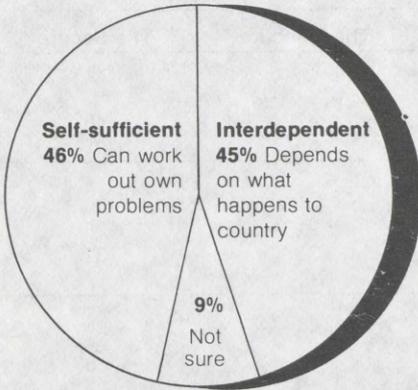
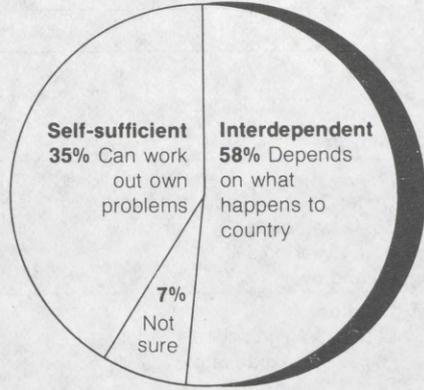
(Chart 8)

| | The Insecure | The Secure |
|--|--------------|------------|
| | % | % |
| Sex | | |
| Male | 42 | 48 |
| Female | 58 | 52 |
| Age | | |
| Under 35 years old | 35 | 30 |
| 35-44 years old | 21 | 25 |
| 45-64 years old | 33 | 32 |
| 65 and over | 11 | 12 |
| Education | | |
| Less than high school graduate | 32 | 23 |
| High school graduate | 42 | 38 |
| Some college | 18 | 19 |
| College/postgraduate | 8 | 19 |
| Income* | | |
| Under \$10,000 | 42 | 40 |
| \$10,000-14,999 | 32 | 26 |
| \$15,000-19,999 | 15 | 18 |
| \$20,000 and over | 12 | 16 |
| Family Status | | |
| Have children 18 years of age or younger | 58 | 55 |
| Have no children 18 years of age or younger | 42 | 45 |
| Race | | |
| White | 86 | 91 |
| Nonwhite | 14 | 9 |
| Standard of Living Compared to a Year Ago | | |
| Better | 11 | 16 |
| Same | 40 | 59 |
| Worse | 47 | 24 |

*Income based on those who answered.

ABILITY TO SOLVE OWN PROBLEMS

(Chart 9)

**Total Sample****Standard of Living
is Worse Than
a Year Ago**

The Psychology of Entitlement

There is nothing new about the American dream of having family finances improve each year, year after year. Indeed, spectacular advances in family income in the preceding two decades have made the dream seem a reality. Yet something new apparently has happened, for that dream has been converted into a social right for many American families. Today, one out of two (50%) of family members agrees "strongly" or "partially" with the idea that it is up to the government to see to it that everyone has a good job and a good standard of living.

In sum, what was once the responsibility of the individual is now believed by one of two respondents to be a right just like unemployment insurance and social security. This new orientation does not make it easy to adapt to the realities of the present, and the evidence suggests that many American families are psychologically unprepared for a period of scarcity or declining gross national product.

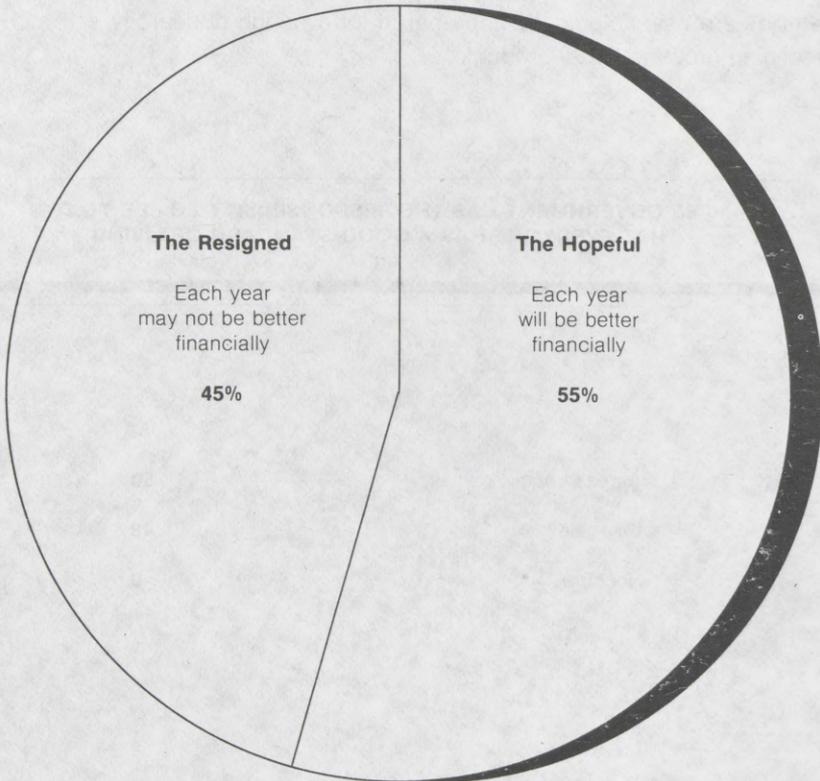
THE GOVERNMENT HAS THE RESPONSIBILITY TO SEE TO IT THAT EVERYONE HAS A GOOD STANDARD OF LIVING

(Chart 10)

| | % |
|--------------------------|----|
| Agree strongly/partially | 50 |
| Disagree | 48 |
| Not sure | 2 |

Somewhat less than half of the family members surveyed (45%) said they now believe that each succeeding year may not be marked by financial improvement; but 55% do not. In the analysis which follows, we will refer to the first group as "the Resigned" and the second as "the Hopeful." As the name suggests, the Resigned are primarily those individuals who have had to face the realities of a declining standard of living, low income, racial barriers and old age. Among the Hopeful, those who cling most fervently to the continued belief in each year being better, are the parents of young children.

BELIEF THAT EACH YEAR MAY BE BETTER(Chart 11)



**NEXT YEAR WILL/WILL NOT BE
BETTER FINANCIALLY**

(Chart 12)

| | The Resigned | The Hopeful |
|---|--------------|-------------|
| | % | % |
| Sex | | |
| Male | 46 | 44 |
| Female | 54 | 56 |
| Age | | |
| Under 35 years old | 26 | 39 |
| 35-44 years old | 22 | 23 |
| 45-54 years old | 17 | 19 |
| 55-64 years old | 20 | 10 |
| 65 and over | 14 | 9 |
| Income* | | |
| Under \$10,000 | 46 | 35 |
| \$10,000-14,999 | 28 | 30 |
| \$15,000-19,999 | 11 | 20 |
| \$20,000 and over | 14 | 14 |
| Family Status | | |
| Have children 18 years of age or younger | 53 | 60 |
| Have no children 18 years of age or younger | 47 | 40 |
| Race | | |
| White | 86 | 91 |
| Nonwhite | 14 | 9 |
| Family Standard of Living Compared to a Year Ago | | |
| Better | 9 | 17 |
| Same | 45 | 51 |
| Worse | 45 | 30 |
| Outlook | | |
| Secure | 38 | 48 |
| Insecure | 61 | 52 |
| Autonomy | | |
| Self-sufficient | 40 | 51 |
| Interdependent | 52 | 38 |

*Income based on those who answered.

Money and Family Arguments

Families divide into two groups—those who argue about money (54%) and those who don't (46%). Without trend data, it is impossible to know whether the proportion of "Arguers" has increased in today's economy, but there is some evidence that this is the case.

Arguments about money often cover many topics, although current quarrels focus more narrowly on the need to economize, to stop wasting money, to meet unpaid bills and on the failure to keep track of where the money goes.

Families most likely to argue about money include those who are least well off economically or those whose standard of living is lower today than a year ago. Almost half of the Arguers come from this latter group, compared to only 29% of the Nonarguers. Other characteristics of typical Arguers include:

- Families with children
- Low income men and women
- Households with working wives, particularly those who work just for the money
- Renters rather than homeowners
- Young families where the head of the household is less than 35 years old

Arguments about money are also closely related to the family member's outlook. Money fights are more likely when there is lack of confidence in the family's future financial security or when there is a sense of uncontrollable link between the family's future and that of the total society.

**MONEY,
A SOURCE OF ARGUMENT IN SOME FAMILIES**
(Chart 13)

| | The Arguers | Nonarguers |
|--|-------------|------------|
| Sex | % | % |
| Male | 41 | 49 |
| Female | 59 | 51 |
| Age | | |
| Under 35 years old | 39 | 26 |
| 35-44 years old | 27 | 18 |
| 45-54 years old | 18 | 18 |
| 55-64 years old | 12 | 17 |
| 65 and over | 4 | 20 |
| Income* | | |
| Under \$10,000 | 45 | 37 |
| \$10,000-14,999 | 27 | 32 |
| \$15,000-19,999 | 16 | 16 |
| \$20,000 and over | 14 | 14 |
| Education | | |
| Less than high school graduate | 28 | 28 |
| High school graduate | 42 | 37 |
| Some college | 18 | 19 |
| College graduate/postgraduate | 11 | 16 |
| Family Status | | |
| Have children 18 years of age or younger | | |
| 1 or 2 children | 36 | 46 |
| 3 or more children | 30 | 19 |
| Have no children 18 years of age or younger | 34 | 54 |
| Race | | |
| White | 88 | 89 |
| Nonwhite | 12 | 11 |
| Working Women | 43 | 38 |
| Working solely for the money | 24 | 14 |
| Family Standard of Living | | |
| Better | 14 | 13 |
| Same | 41 | 57 |
| Worse | 45 | 29 |
| Future Financial Security | | |
| Secure | 38 | 50 |
| Insecure | 62 | 50 |
| Outlook | | |
| Resigned | 48 | 42 |
| Hopeful | 52 | 58 |
| Autonomy | | |
| Self-sufficient | 40 | 52 |
| Interdependent | 51 | 37 |

*Income based on those who answered.

ARGUMENT ABOUT MONEY*(Chart 14)

| Subject | % |
|-----------------------------------|----------|
| Money in general | 59 |
| Need for family to economize | 47 |
| Wasting money | 42 |
| Unpaid bills | 38 |
| Keeping track of where money goes | 33 |
| Saving for future | 25 |
| Borrowing money | 17 |
| Bad investment | 10 |
| Lending money | 8 |

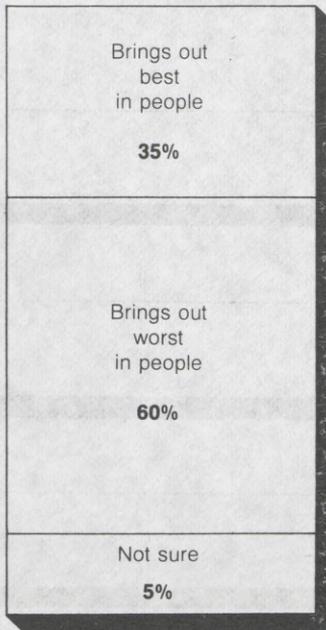
*Based on those who say they argue about money.

Fear of Adversity

American families fear adversity, for they have no illusions that adversity brings out the best in people. Indeed, 60% say that bad times bring out the *worst* in people and only 35% believe adversity generates the best. (Five percent are not sure.)

IMPACT OF BAD TIMES

(Chart 15)



Family Consensus

America's families are in remarkable agreement about the state of their family's finances, but many parents apparently do try to spare their teen-age children from financial worries. While 37% of adult members feel the family standard of living is worse than a year ago, only 18% of the teen-agers in these same families share their parents' concerns.

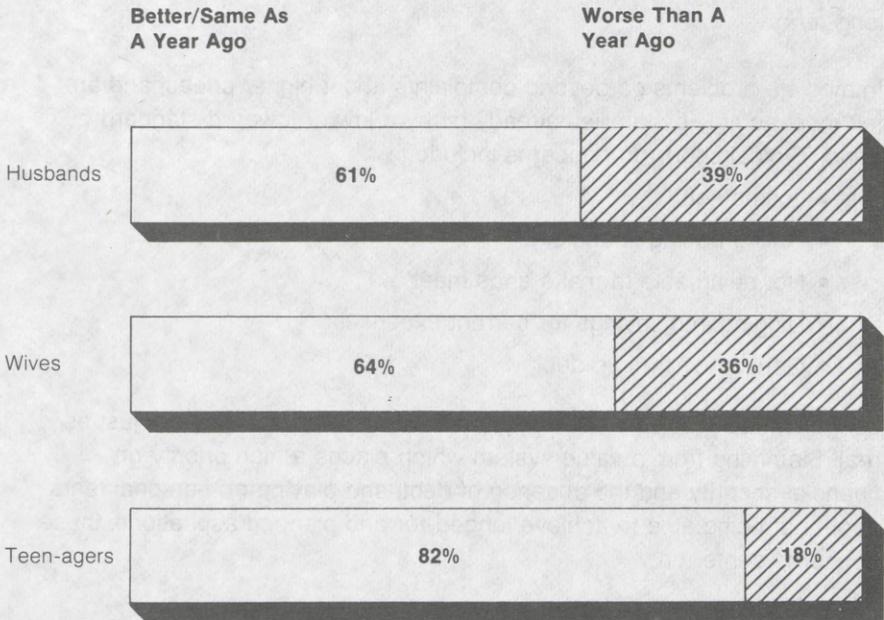
FAMILY CONSENSUS

(Chart 16)

Both Family Members Agree On:



**FAMILY MEMBERS' VIEWS OF
STANDARD OF LIVING COMPARED TO A YEAR AGO**(Chart 17)



II: THE NATURE OF THE MONEY PROBLEM

American families face two kinds of money problems — immediate and long-term.

Immediate problems go beyond complaints about higher prices, and are felt most acutely by families already hit by a low or lowered standard of living. Typical short-run concerns include:

- Loss of job
- Falling behind financially
- Not being able to make ends meet
- Digging into savings for current expenses
- Getting too far into debt

Longer-range problems obviously are less pressing, but they are just as real. Stemming from a value system which places a high priority on financial security and the absence of debt, and playing on personal fears about not being able to achieve longed-for and planned aspirations, these concerns center on:

- Financial security
- Financial independence
- Savings for emergencies
- Secure retirement
- Ability to travel
- Educating one's children

Major Problems of Concern

The full nature of the money problem comes into focus when family members describe their major personal hopes and fears for the future and the barriers to achieving these goals.

Money problems dominate the worries of most adult family members, outweighing even such serious problems as fear of crime, deteriorating neighborhoods and personal difficulties in the family. Generally, the financial problem mentioned most often is an uneasiness that savings will lose their value under the impact of inflation. But for those families already suffering a lowered standard of living, there are other even more immediate problems, including an inability to make ends meet and a fear of losing one's job. For one out of two families in this group, there is the additional frustration of not being as well off at this time as it had expected it would be. The economy has gotten in the way.

Money problems become particularly acute when there are children in the home, for it is these families who are particularly worried about their present financial status. By contrast, families without children are more concerned about the diminished value of their savings and the fear of ill health.

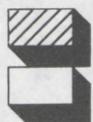
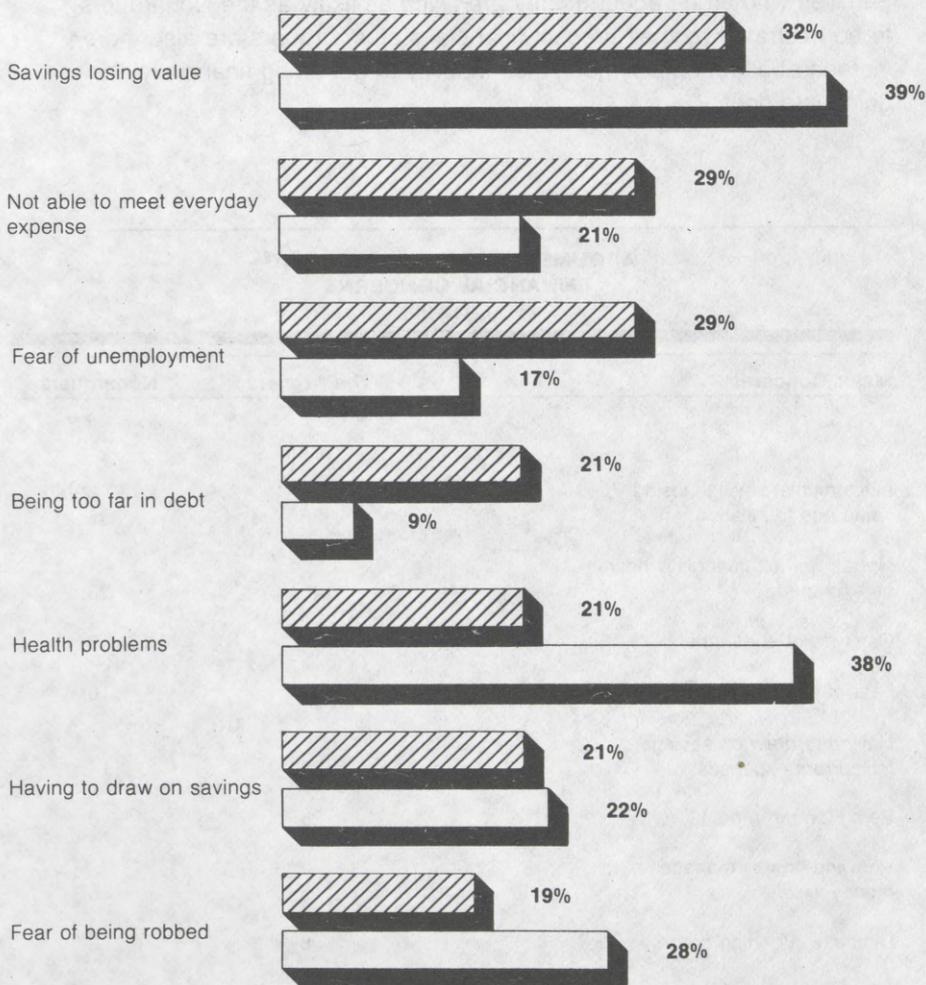
MAIN PROBLEMS FAMILIES ARE FACING

(Chart 18)

| | Standard of Living Compared to a Year Ago | | | |
|---|--|-----------|------|-----------|
| | Total | Better | Same | Worse |
| | % | % | % | % |
| Investments/savings losing value due to inflation | 35 | 26 | 34 | 40 |
| Not as well off financially now as expected | 32 | 15 | 23 | 51 |
| Health problems | 28 | 25 | 29 | 29 |
| Fear of unemployment | 28 | 21 | 17 | 43 |
| Can't make ends meet | 26 | 19 | 14 | 44 |
| Fear of being robbed/mugged | 23 | 22 | 21 | 27 |
| Having to draw on savings for current expenses | 22 | 10 | 17 | 32 |
| Not enough time with family | 20 | 27 | 20 | 18 |
| Sense of personal stress/anxiety | 17 | 16 | 14 | 22 |
| Being too far in debt | 16 | 17 | 9 | 26 |
| Seeing neighborhood deteriorate | 11 | 5 | 11 | 13 |
| Not knowing how to manage money wisely | 10 | 13 | 7 | 13 |
| Family problems—husband/wife/children | 9 | 10 | 9 | 8 |
| Difficulty in getting credit | 5 | 3 | 4 | 8 |

MAIN KINDS OF PROBLEMS BY FAMILY STATUS

(Chart 19)



Have children 18 years of age or younger

Do not have children 18 years of age or younger

The Impact of Financial Worries

Money stress and arguments about money clearly go hand in hand. Families who argue about money are twice as likely as the Nonarguers to be frustrated by their present financial status. Arguers are also more worried about unemployment, their inability to get along financially, their going into debt.

ARGUMENTS ABOUT MONEY AND FINANCIAL CONCERNS

(Chart 20)

| Major Concerns | The Arguers | Nonarguers |
|---|-------------|------------|
| | % | % |
| Investments/savings losing value due to inflation | 35 | 35 |
| Not as well off financially now as expected | 41 | 23 |
| Can't make ends meet | 37 | 13 |
| Fear of unemployment | 31 | 16 |
| Having to draw on savings for current expenses | 28 | 14 |
| Being too far in debt | 25 | 6 |
| Knowing how to manage money wisely | 15 | 5 |
| Difficulty in getting credit | 8 | 2 |

Fear of Unemployment

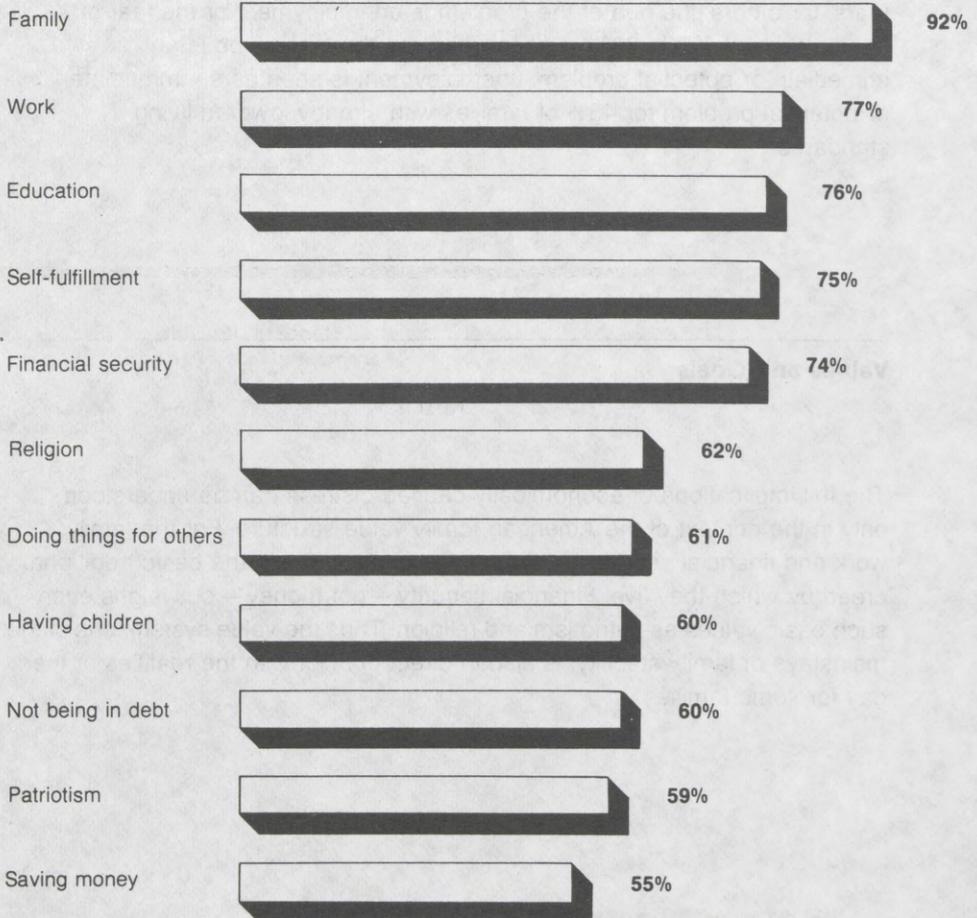
While some families are more concerned with longer-range economic fears, for others, the nub of the problem is unemployment or the fear of unemployment. While 28% of *all* families say the loss of job is an immediate or potential problem, unemployment is seen as an immediate or potential problem for 43% of families with already lowered living standards.

Values and Goals

The full implications of economically caused distress can be understood only in the context of the American family value structure. For the family, work and financial security have top priority positions in the basic traditional creed by which they live. Financial security — not money — outweighs even such basic values as patriotism and religion. Thus the value system, one of the mainstays of family stability, is also in direct conflict with the realities of the day for some families.

MOST IMPORTANT PERSONAL VALUES

(Chart 21)



Family aspirations are closely tied to cherished family values. High on the list of desired futures are a secure retirement, independence and freedom from debt.

Future aspirations are determined to some extent by present financial status, for security means even more when you have already experienced some financial distress, and when dreams such as travel or a college education for the children grow increasingly out of reach.

ASPIRATIONS
(Chart 22)

| | Standard of Living Compared to a Year Ago | | | |
|-------------------------------------|--|-----------|------|-----------|
| | Total | Better | Same | Worse |
| | % | % | % | % |
| Having a secure retirement | 55 | 52 | 54 | 59 |
| Not having to depend on others | 53 | 52 | 46 | 62 |
| Raising children to be moral people | 50 | 59 | 48 | 49 |
| Being able to help others | 47 | 48 | 43 | 53 |
| Being completely out of debt | 45 | 51 | 37 | 55 |
| College education for children | 45 | 53 | 43 | 46 |
| Being able to travel | 45 | 61 | 46 | 37 |
| Being respected/admired by others | 38 | 45 | 33 | 42 |
| Getting ahead each year | 36 | 39 | 29 | 45 |
| Doing work really want to do | 34 | 44 | 29 | 36 |
| Living in good neighborhood | 30 | 36 | 24 | 36 |
| Chance to express talents/abilities | 23 | 38 | 18 | 23 |
| Continue own education | 19 | 30 | 16 | 19 |

Main Barriers

Regardless of age, income, race, standard of living or outlook, American family members uniformly agree that the two major barriers to their future goals are continued inflation and the likelihood of an economic depression. Parents, higher income families and working wives are particularly worried about the effects of continued inflation. Lower income families worry as much about depression as they do about continued inflation.

MAIN BARRIERS TO FUTURE GOALS

(Chart 23)

| | Standard of Living Compared to a Year Ago | | | |
|--------------------------|--|--------|------|-------|
| | Total | Better | Same | Worse |
| | % | % | % | % |
| Continued inflation | 57 | 57 | 54 | 61 |
| Likelihood of depression | 46 | 42 | 43 | 52 |
| My age | 15 | 8 | 16 | 18 |
| Educational background | 15 | 16 | 12 | 19 |
| Lack of training | 12 | 13 | 8 | 17 |
| Desire to live well now | 9 | 10 | 8 | 11 |
| Line of work we're in | 9 | 12 | 8 | 9 |
| Frequent bad luck | 5 | 4 | 3 | 8 |
| Size of my family | 5 | 4 | 3 | 8 |

**INFLATION AND THE LIKELIHOOD OF DEPRESSION
AS BARRIERS TO FUTURE GOALS**

(Chart 24)

| | Continued Inflation a Major Barrier | Likelihood of Depression a Major Barrier |
|---------------------|--|--|
| | % | % |
| Total | 57 | 46 |
| Sex | | |
| Male | 52 | 46 |
| Female | 60 | 47 |
| Income | | |
| Under \$10,000 | 48 | 45 |
| \$10,000 - 14,999 | 60 | 46 |
| \$15,000 - 19,999 | 66 | 50 |
| \$20,000 and over | 65 | 44 |
| Senior citizen | 39 | 34 |
| Working women | 64 | 48 |
| Nonwhite | 47 | 41 |
| Secure | 49 | 36 |
| Insecure | 63 | 54 |
| Arguers | 62 | 53 |
| Nonarguers | 51 | 39 |
| Self-sufficient | 50 | 39 |
| Interdependent | 67 | 58 |
| Have children | 60 | 47 |
| Don't have children | 53 | 45 |

Money, A Nagging Problem

Family members are in considerable accord on the extent to which money is discussed in their households. For some families, however, money is a divisive presence and they have difficulty knowing how to handle it and talk about it with other family members.

This is an area in which people clearly need help. For among the Arguers, who comprise more than half of the families, over half (55%) report too much or too little talk about money.

According to family adults, the basic question is not whether money should be discussed with children, but rather how and to what extent. For while the large majority of adult family members—including parents of teen-age children—see no need to spare their children from talking about money, the teen-age children themselves are generally less concerned than their parents about family finances. Still, like their parents, teen-agers do worry about unemployment.

MONEY, A NAGGING PROBLEM

(Chart 25)

| | Total | Arguers | Nonarguers |
|---|-------|---------|------------|
| | % | % | % |
| Family Worries a Lot About Money | 21 | 33 | 8 |
| Current bills | 12 | 17 | 5 |
| Back debts | 3 | 5 | 1 |
| Not being able to save money | 7 | 13 | 2 |

TALK ABOUT MONEY*

(Chart 26)

| | Total | Arguers | Nonarguers |
|--------------|-------|-----------|------------|
| | % | % | % |
| Too much | 23 | 32 | 14 |
| Too little | 18 | 23 | 12 |
| Right amount | 57 | 44 | 71 |
| Not sure | 2 | 1 | 3 |

*91% of the husbands and wives, and 81% of the teen-agers agree about how money is discussed in their families.

CHILDREN AND MONEY

(Chart 27)

| | Try to Spare Children Concern About Money | Don't Try to Spare Children Concern About Money |
|---|--|--|
| | % | % |
| Total Families with Children 18 Years Old or Younger | 27 | 73 |
| Child under 5 years of age | 31 | 69 |
| Child 5 to 11 years of age | 28 | 72 |
| Child 12 to 18 years of age | 24 | 76 |

TEEN-AGERS' VERSUS PARENTS' MONEY CONCERNS

(Chart 28)

| | Parents of Teen-agers | Teen-agers Who Agree |
|--|--------------------------|-------------------------|
| Concerns | % | % |
| Fear of unemployment | 28 | 20 |
| Not being able to meet day-to-day expenses | 29 | 16 |
| Being in debt | 19 | 6 |
| Not managing money wisely | 11 | 4 |
| Approach | | |
| Finances not discussed in front of children | 28 | 7 |

III: COPING WITH INFLATION AND RECESSION

American families have found that there is more than one way to deal with inflation and unemployment. A minority of families have made major changes in the way they live and do things. But for most, it has been a trying period of accommodation and adjustment to a new and changing situation.

Many of the patterns of change are still in flux, as families experiment with new approaches to keeping some control over family purse strings.

Some patterns, however, are discernible:

- Three out of four families continue to save money, with the importance of saving still a dominant belief
- Most Americans still take the good things in life for granted, but for those most hard hit by the economy, things like vacations, new cars and eating out are now classified as luxuries
- One out of two families tries to operate within the framework of a budget; of those, about half manage to do a good job of sticking to the budget
- In four out of ten households, husbands and wives share in making family decisions; in the remaining families, the husband is twice as likely as the wife to be the main decision maker
- When families are under financial stress, the role of the husband in the family is more, rather than less, dominant
- A significant part of the "coping process" is wives going to work, not so much out of career interests as out of economic necessity
- True or not, a large majority of families *feel* they are doing a good job of managing their present funds. Half of them, however, classify themselves as "Spenders"; the other half, as "Savers"
- Even when they try to hold the line, families still spend more money than they did a year ago on many food products, gasoline, car upkeep, insurance and utilities. Families have been able to hold the line on entertainment, gifts, going out, hobbies and adult clothing
- Credit cards and charge accounts also help families to manage, but a large number of families (42%) recognizes that credit buying offers an implicit temptation to spend. About one out of four families says it is trying to cut back on the use of credit because of high interest charges

Money Management

Most Americans like to think that they are doing a good job of money management, even those for whom this is not altogether the case. This belief makes the job of providing financial guidance a delicate and sensitive matter. A nearly unanimous 91% of adult family members felt that, compared to most people in their income bracket, they did an average or better job of managing their finances. Among families who reported a lower standard of living this year, 87% felt they did a good job of managing financially.

Savers Versus Spenders

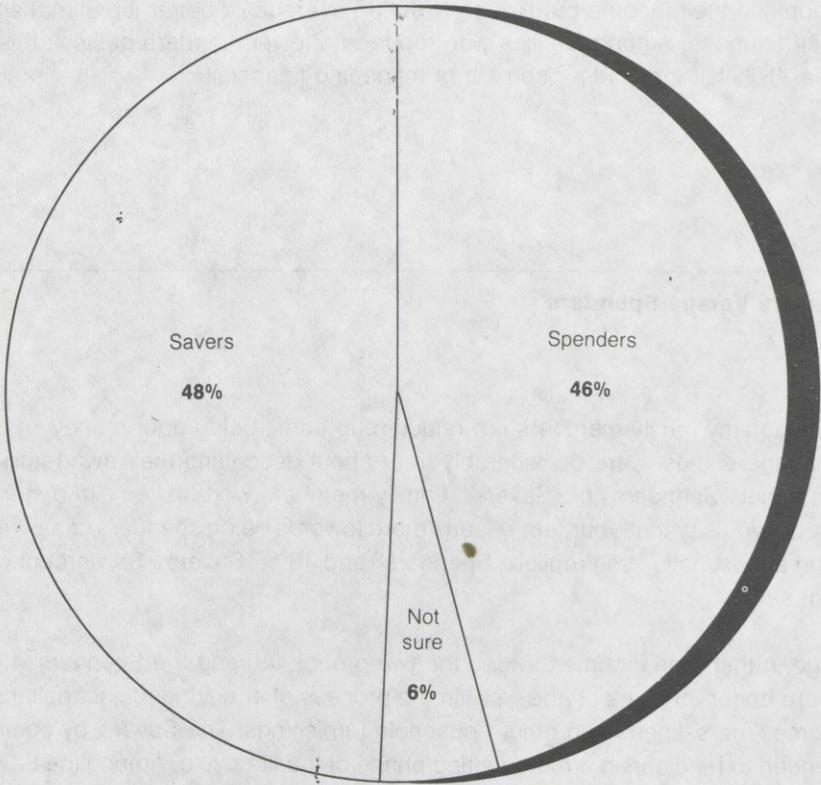
While many family members are reluctant to admit being poor money managers, most were considerably freer about describing their own families as either "Spenders" or "Savers." Family members were asked, "In general, would you say that your family leans more towards being spenders or savers?", and almost half (46%) replied "Spenders" and 48%, "Savers." Six percent were not sure.

Age, rather than income, divided the two groups. Among the Spenders, 43% were under 35 years of age—still in the process of acquiring major appliances, homes, cars, linens and other household furnishings. The Savers, by contrast, tended to be older, in a more settled phase of the life cycle. Among the Savers, 37% were at least 55 years old, while only 26% were less than 35 years old.

Community-of-residence also appears to be a factor, with Spenders more likely to live in big cities and Savers in rural areas. And as might have been expected, the Arguers are more likely to be Spenders (64%) than Savers (45%).

SAVERS VERSUS SPENDERS A SELF-DESCRIPTION

(Chart 29)



**DEMOGRAPHIC DIFFERENCES
SPENDERS VERSUS SAVERS**

(Chart 30)

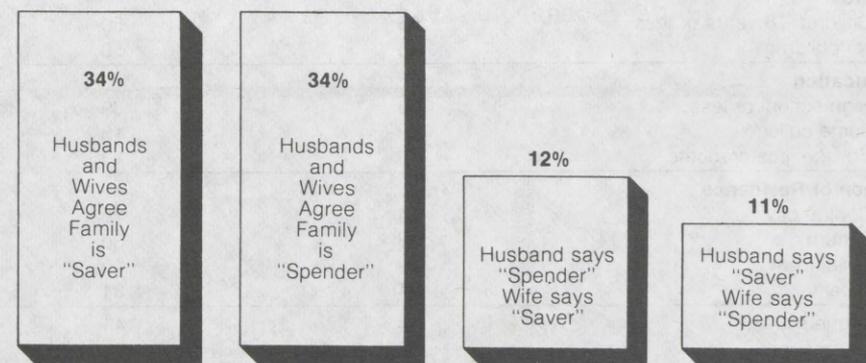
| | Spenders % | Savers % |
|---------------------------|---------------|-------------|
| Age | | |
| Under 35 years old | 43 | 26 |
| 35 - 44 years old | 27 | 19 |
| 45 - 54 years old | 16 | 19 |
| 55 - 65 years old | 9 | 19 |
| Over 65 years old | 5 | 18 |
| Income | | |
| Under \$10,000 | 41 | 40 |
| \$10,000 - 14,999 | 30 | 31 |
| \$15,000 - 19,999 | 16 | 15 |
| \$20,000 and over | 13 | 14 |
| Status | | |
| Children 18 years or less | 65 | 50 |
| No children | 35 | 50 |
| Education | | |
| High school or less | 68 | 69 |
| Some college | 19 | 18 |
| College/postgraduate | 13 | 13 |
| Place of Residence | | |
| Central city | 34 | 29 |
| Suburb | 23 | 30 |
| Small town | 19 | 10 |
| Rural | 24 | 31 |
| Arguers | | |
| Arguers | 64 | 45 |
| Nonarguers | 36 | 55 |

Consensus of Family Classification

In more than two out of three (68%) of the families in which dual interviews were conducted, husbands and wives agreed with their spouse's classification of the family spending-savings pattern. Most teen-agers (63%) too agreed with their parents' description of the family, but 18% discounted the family's classification as Spenders, while 12% disagreed with the description, "Savers."

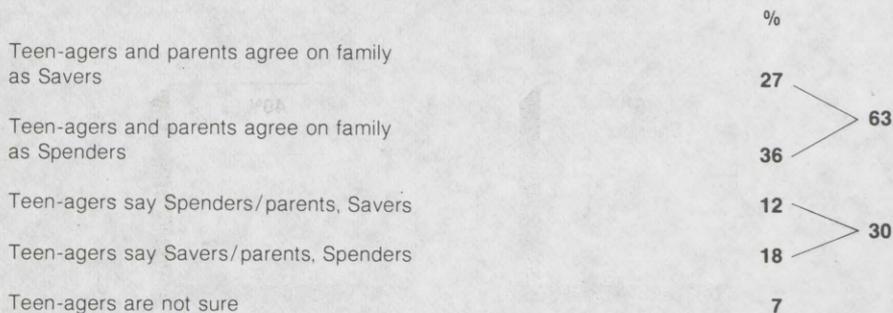
HUSBANDS' AND WIVES' VIEWS OF HOW FAMILY HANDLES MONEY*

(Chart 31)



TEEN-AGERS' AND PARENTS' VIEWS OF HOW FAMILY HANDLES MONEY

(Chart 32)



*Not shown are 9% of the families where either or both members could not make this qualification.

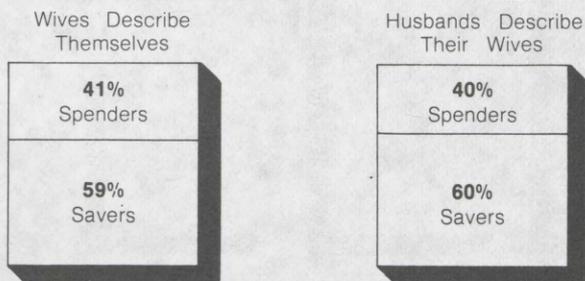
The End of a Stereotype

The results of the study may help put to rest the situation-comedy stereotype of the husband who complains about his wife's excessive spending. Indeed, what we have found is that 60% of husbands describe their wives as Savers, while only 40% consider their wives to be Spenders. One of the most striking findings of the study, then, is how well family members agree about the way the family handles and feels about money, as well as their tendency to be either Savers or Spenders.

SPENDERS AND SAVERS IN THE FAMILY

The Wives

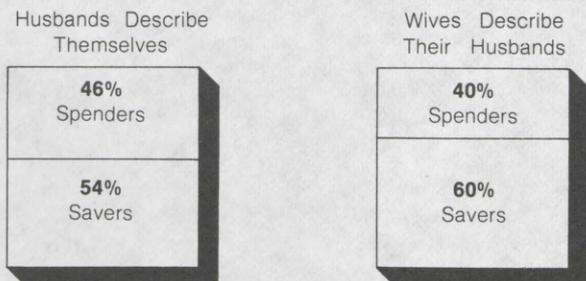
(Chart 33)



SPENDERS AND SAVERS IN THE FAMILY

The Husbands

(Chart 34)

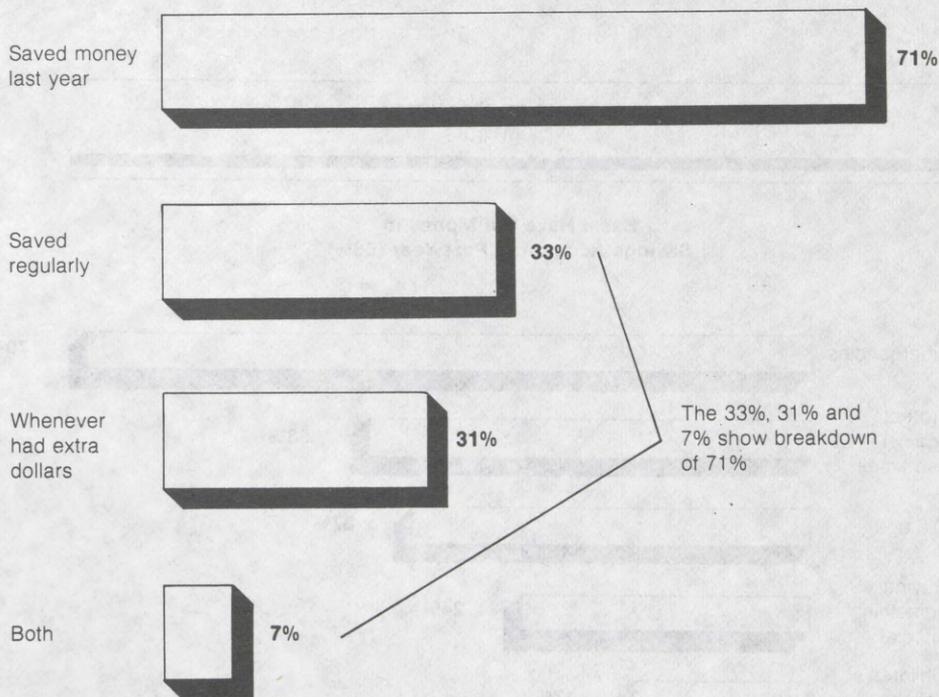


Saving and Thrift

In the midst of a difficult year, with prices continuing to rise, more than one out of every two (56%) American families still managed to put money into savings banks, either by saving regularly (26%), sporadically (25%) or both (5%). Among families with savings accounts to begin with, almost three out of every four (71%) saved money last year. The most consistent regular savers—families who put away money every or every other paycheck—were the households who classified themselves as Savers. Among the Savers, 53% saved regularly compared to 39% of Spenders.

SAVING MONEY

(Chart 35)

**Base: All Respondents
with Savings Accounts
(79% of sample)***

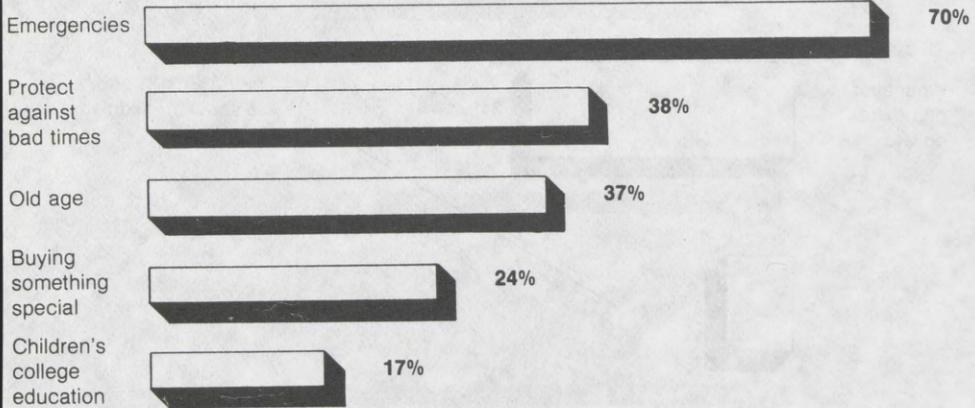
*Includes families with any kind of savings account, ie., family or children's accounts.

Attitudes Toward Savings

Savings are overwhelmingly regarded as a protection against emergencies, hard times and old age. Only one out of four (24%) of those who saved in the past year did so in order to buy something they really wanted.

REASONS FOR SAVING*

(Chart 36)

Base: Have Put Money in Savings Account in Past Year (56%)

*Adds to more than 100% because of multiple responses.

Inflation has not destroyed the individual's commitment to save. Even though there is considerable concern about savings losing their value as a result of inflation (see pages 50-52), adult family members (87%) strikingly reject the idea that, given current economic conditions, there is no longer any point in saving. Almost an equal number (80%) oppose the notion that "it's not important to save for the future these days."

ATTITUDES TOWARDS SAVING

(Chart 37)

Base: Total Respondents

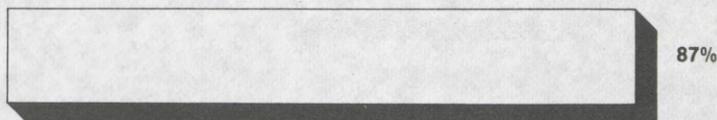
Disagree
that in today's
world, it's
better to live
for today



Believe it is important
to save for
the future these days



Disagree that there is
no point in saving since
inflation makes
dollars worth
less

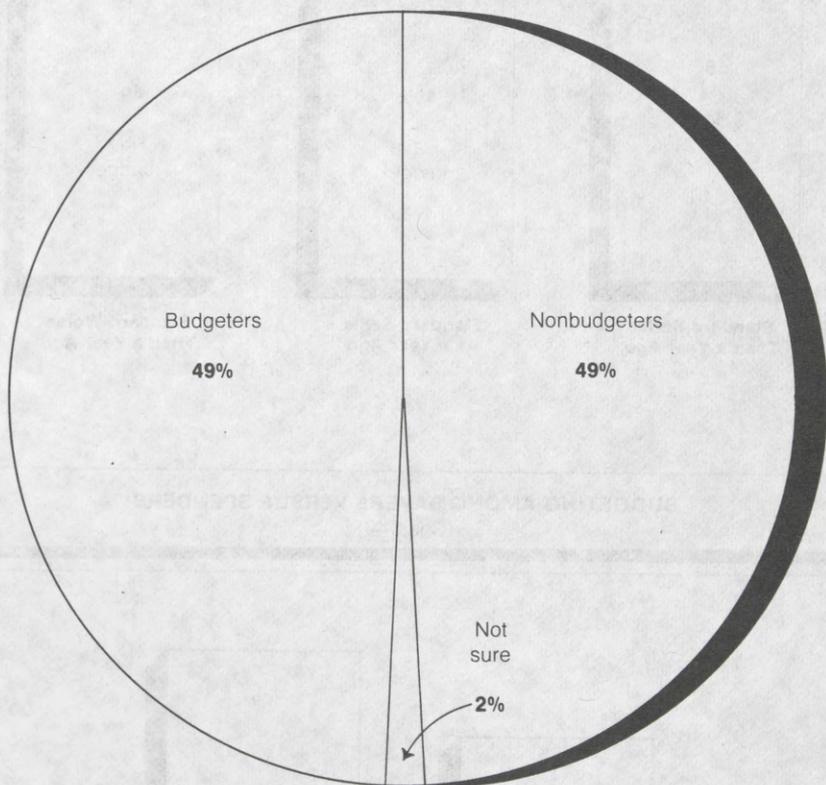


Budgeting

Families are split equally over budgeting: 49% have a budget — either formal (12%) or informal (37%) — while 49% do not have a budget. It is difficult to pinpoint who is likely to budget and who is not. Income apparently is not a major determinant, since budgets are made by both 48% of families earning under \$10,000 and by 52% of those with incomes of \$20,000 or more. Even tendency towards saving or spending does not distinguish budgeting from nonbudgeting households, while 46% of the Spenders have budgets, so do 52% of the Savers. Families *without* children are somewhat more likely not to have budgets.

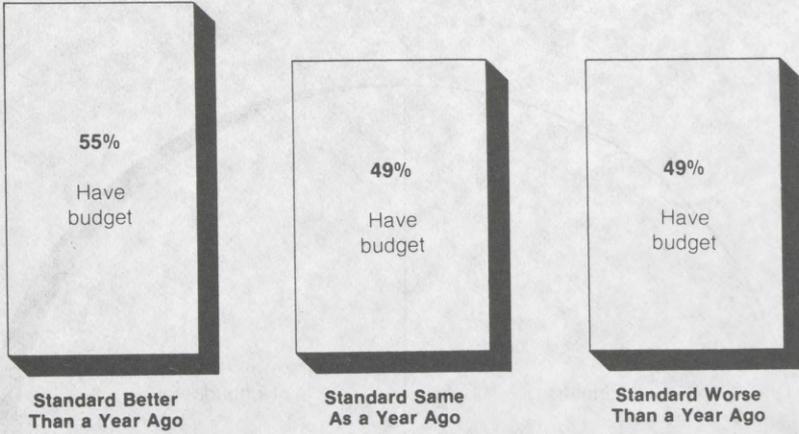
One fact, however, does stand out clearly. Whether cause or effect, people who budget and those who don't hold very different views about the benefits of budgeting. Budgeters see their budget helping them get ahead (42%), keep track of their money (53%), keep from overspending (45%) and save (36%). Nonbudgeters, by contrast, say that a budget doesn't work in emergencies (37%) or that they can do as well without it (37%). Some 20% of Nonbudgeters admit they don't have the willpower. Both Budgeters and Nonbudgeters agree, however, that in these times of inflation, it is getting harder and harder to live on a budget (46% of both Budgeters and Nonbudgeters). Without more information and counseling and with a so-far illusive sense of accomplishment, it seems likely that some of the Budgeters may give up their budgets and that few Nonbudgeters are likely to start now.

BUDGETING
(Chart 38)



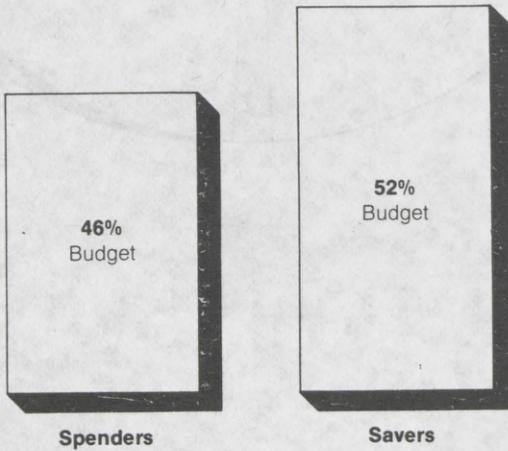
BUDGETING AND STANDARD OF LIVING

(Chart 39)



BUDGETING AMONG SAVERS VERSUS SPENDERS

(Chart 40)



VIEWS OF BUDGETING
 (Chart 41)

| | Budgeters | Nonbudgeters |
|--------------------------------------|------------------|---------------------|
| | % | % |
| Only way to keep track of money | 53 | 18 |
| Inflation makes it impossible | 46 | 46 |
| Keeps me from overspending | 45 | 16 |
| Only way to get ahead financially | 42 | 17 |
| Best way to build up savings account | 36 | 15 |
| Doesn't work in emergencies | 23 | 37 |
| Can do as well without it | 12 | 37 |
| More trouble than it's worth | 10 | 34 |
| Not enough willpower | 9 | 20 |
| Have so little money, won't help | 9 | 17 |
| Creates too many arguments | 5 | 9 |
| Have enough money, not necessary | 3 | 14 |
| Don't know how to keep | 3 | 10 |

Male-Female Roles

We have found some evidence that inflation and recession could slow down, at least temporarily, those changes in male-female family roles which were taking place under the impetus of the Women's Movement.

Our data suggest that when incomes decline, the husband's role as provider and decision maker is reinforced.

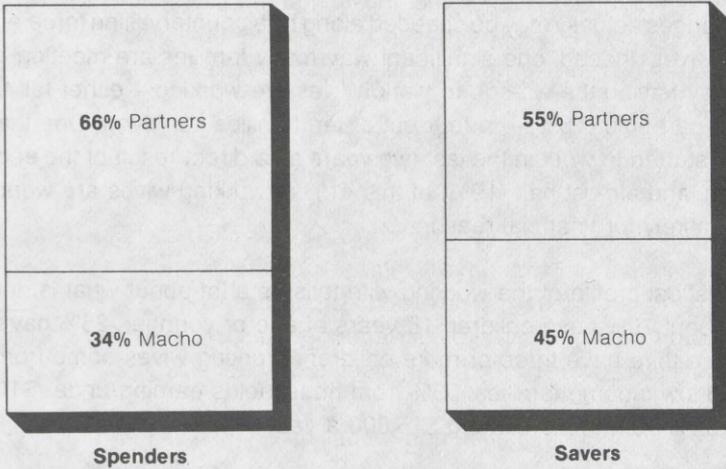
Among our sample of families, 61% could be classified as households in which husbands and wives have a "Partner" relationship. We labelled the remaining 39% as "Macho." The Macho group believes that it is important for the husband to be the main provider and the main decision maker, and that women should not work unless it is absolutely necessary.

The possible impact of inflation and recession on the Partner relationship can be seen by comparing those households whose standard of living is holding up with those in trouble. In the first group, 65% are Partner households, but the percentage of Partner households falls to 54% among the economically troubled. This could be attributed, in part, of course, to income levels as well.

One corollary to this finding: Savers are more likely to be Macho families (45%) than Spenders (34%), but in general, differences between Macho and Partner families are more attitudinal than behavioral. For example, almost equal percentages of both Macho (51%) and Partner families (48%) budget and both do about the same job in sticking to the budget.

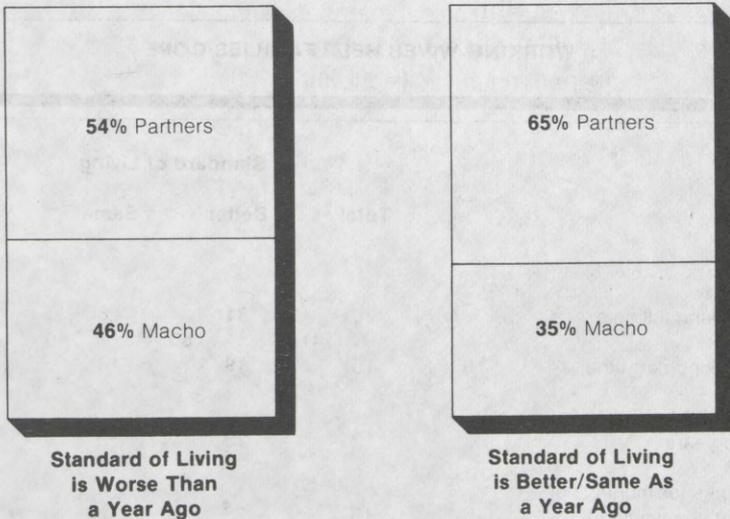
MALE VERSUS FEMALE ROLES: SAVERS VERSUS SPENDERS

(Chart 42)



MALE VERSUS FEMALE ROLES UNDER ECONOMIC STRESS

(Chart 43)



Working Wives

If changes in family sex roles are being slowed by inflation and recession, these same changes actually may be speeded along by a countervailing force — working wives. Indeed, one significant way many families are meeting hard times is by having the wife go to work. Wives are working — either full time (26%) or part time (15%) — in four out of ten families surveyed. One third of this total started to work in the last two years as a direct result of the economic downturn, and almost half (19%) of this 41% of working wives are working almost entirely for financial reasons.

The statistical profile of the working wife tells us a lot about what is going on today. About 70% have children 18 years of age or younger; 25% have small children; a third have three or more children. Working wives come from both high and low income families: 33% from households earning under \$10,000 a year; 32% from those earning \$15,000 a year or more.

In many instances, the lot of the working wife is not an easy one. One out of five (21%) comes from a family in which the husband resents his wife working. Over half (58%) of the employed women themselves believe mothers with small children should not work. And four out of ten (41%) have husbands who claim the right to be the prime family financial decision maker.

WORKING WIVES HELP FAMILIES COPE

(Chart 44)

| | Total | Standard of Living | | |
|--|-------|--------------------|------|-------|
| | | Better | Same | Worse |
| | % | % | % | % |
| Wife working full time | 26 | 31 | 26 | 24 |
| Wife working part time | 15 | 19 | 14 | 14 |
| | 41 | 50 | 40 | 38 |
| Wife started to work in last two years | 12 | 26 | 9 | 11 |
| Wife works for money, not because she wants to | 19 | 23 | 16 | 22 |

Financial Decision Making

When it comes down to day-in, day-out decisions about what the family can or cannot afford, the picture changes slightly from the Macho-Partner division. Men turn out to be the main decision makers in 38% of the Partner households, compared to 49% of Macho families.

In over half the households studied, one person makes the main decisions regarding money, with both men and women saying the family money boss is twice as likely to be the husband as the wife. Teen-agers are less certain of this: 24% claim that the father is the main decision maker; 17% the mother; 45% both, and 14% are not sure.

THE MAIN FINANCIAL DECISION MAKER IN THE FAMILY

(Chart 45)

| | Men Say: | Women Say: |
|----------|----------|------------|
| | % | % |
| Husband | 39 | 38 |
| Wife | 16 | 21 |
| Both | 42 | 39 |
| Not sure | 3 | 2 |

TEEN-AGERS' VIEWS ON FINANCIAL DECISION MAKING

(Chart 46)

| Main Decision Maker: | % |
|----------------------|-----------|
| Mother | 17 |
| Father | 24 |
| Both | 45 |
| Not sure | 14 |

Changes in Spending Patterns

Budgeting, saving, wives working — all are *part* of the effort to deal with inflation. But without a doubt, the most universal strategy is for the family to change its buying and spending patterns and to adjust its life-style. In some instances, this means trying to keep down new spending; in others, it means trying to reduce current expenses.

Despite their efforts, though, family members report they are spending substantially *more* money this year on:

- Insurance
- Utilities
- Car repairs and gasoline
- Meat
- Canned and frozen foods

Savings, when made, result from cutting back on purchases of clothing and the “extras” like movies, gifts, hobbies, entertaining friends, cookies and candies. Families hurt the most by the economy economize along the same lines — but far more drastically.

**CHANGES IN SPENDING PATTERNS
BASED ON STANDARD OF LIVING***

(Chart 47)

| | Total | Standard of Living Worse Than a Year Ago |
|----------------------|--------------|---|
| | % | % |
| Utilities | +56 | +52 |
| Telephone | +36 | +28 |
| Gasoline | +36 | +24 |
| Insurance | +30 | +27 |
| Meat | +24 | +9 |
| Car upkeep | +23 | +14 |
| Canned/frozen foods | +18 | +1 |
| Children's clothing | +12 | +5 |
| Packaged foods | +4 | -9 |
| Adults' clothing | -5 | -16 |
| Hobbies | -12 | -22 |
| Entertaining at home | -17 | -30 |
| Gifts | -19 | -34 |
| Dining out | -22 | -38 |
| Cookies/candies | -23 | -29 |
| Movies/theater | -28 | -35 |

*Net difference: spending more minus spending less.

Spending Patterns and Budgeting

The spending patterns of the Budgeters versus the Nonbudgeters demonstrate the benefits of some sort of budget. For while Budgeters are no more successful than other families in keeping down the costs of items such as gasoline, car upkeep or insurance, budgeting families do seem far more able to control their spending when it comes to the niceties, the extras, the little daily luxuries.

CHANGES IN SPENDING PATTERNS*

(Chart 48)

| | Budgeters | Nonbudgeters |
|----------------------|-----------|--------------|
| | % | % |
| Utilities | +59 | +53 |
| Telephone | +34 | +39 |
| Gasoline | +33 | +38 |
| Insurance | +31 | +30 |
| Car upkeep | +22 | +25 |
| Meat | +21 | +28 |
| Canned/frozen foods | +19 | +18 |
| Children's clothing | +13 | +13 |
| Packaged foods | +2 | +6 |
| Adults' clothing | -10 | — |
| Hobbies | -17 | -5 |
| Entertaining at home | -21 | -11 |
| Dining out | -25 | -18 |
| Gifts | -26 | -11 |
| Cookies/candies | -28 | -19 |
| Movies/theater | -35 | -22 |

*Net difference: spending more minus spending less.

Adjustments in Life-Style

Major changes which families say they are making in the ways they do things these days include:

- Cutting down on electricity
- Staying home more; not eating in restaurants
- Restricting purchases of clothing and gifts
- Repairing things that once would have been thrown out

When people do make purchases, however, they are trying to beat inflation by bargain hunting. More than four out of ten (44%) are shopping more at discount stores, and 38% search the newspapers for sales and "specials."

In addition, some families indicate they are trying to make other changes as a result of inflation and unemployment:

- Cancelling subscriptions to some newspapers and magazines
- Giving up barbershops and beauty parlors
- Cutting down on liquor
- Using fewer prepared foods
- Giving up hobbies and sports
- Having meatless meals

Regrettably, some (18%) are also postponing medical and dental checkups.

Again, the economically stressed of today show what is likely to happen if the economy deteriorates still further. About one out of two of these families has already cut back on clothing, eating out, gifts and throwing out things that can be repaired. A third or more have cancelled subscriptions, reduced their visits to the hairdresser or barbershop and purchase less prepared and frozen foods. More than one out of four has put off medical checkups, and is doing without meat at some meals, has cut back on charities, entertains friends less often and has cut children's allowances.

**ADJUSTMENTS IN LIFE-STYLE
AS A RESULT OF INFLATION**

(Chart 49)

| | Total | Standard of Living Worse Than a Year Ago |
|--|--------------|---|
| | % | % |
| Minimizing use of electricity | 65 | 72 |
| Spending free time at home instead of going out | 54 | 69 |
| Not buying clothes the way we used to | 44 | 56 |
| Shopping more at discount stores | 44 | 54 |
| Cutting back on gifts | 43 | 54 |
| Bargain hunting | 38 | 45 |
| Not eating out in restaurants | 37 | 48 |
| Repairing things normally thrown out | 34 | 47 |
| Cutting back on beauty parlor/ barbershop | 25 | 37 |
| Using less prepared/frozen foods | 24 | 32 |
| Cutting out magazines/newspapers | 21 | 30 |
| Giving up hobbies/sports which cost money | 21 | 29 |
| Buying less liquor/beer | 19 | 26 |
| Doing without meat at some meals | 19 | 28 |
| Postponing medical/dental checkups | 18 | 28 |
| Looking for tips on money managing | 17 | 19 |

**OTHER ADJUSTMENTS MADE PRIMARILY BY
PEOPLE MOST SERIOUSLY IMPACTED
BY THE ECONOMY**

(Chart 50)

| | Standard of Living Same as a Year Ago | Standard of Living Worse Than a Year Ago |
|---------------------------------|--|---|
| | % | % |
| Entertaining less | 12 | 26 |
| Working overtime/moonlighting | 11 | 21 |
| Cutting back on charities | 9 | 27 |
| Wife taking a job | 9 | 16 |
| Not giving children extra money | 8 | 20 |
| Not having seconds at meals | 6 | 7 |
| Letting insurance lapse | 2 | 5 |

The Changing Definition of a Luxury

Despite the need to economize, most American families today still take for granted many things once regarded as luxuries: a second car, color television, cigarettes, liquor, weekend trips, going to the movies. Luxuries are now defined as having a new car *every* year, taking an *annual* vacation, *paying* someone to do the housework.

Because American families have such a narrow definition of "luxuries," and because they have such a long list of "taken-for-granted," many are having a hard time knowing where to cut back. Indeed, even those families struggling most unsuccessfully to make ends meet continue to regard most items as essential and not easy-to-give-up luxuries. Teen-agers, on the whole, share their parents' concepts of what constitutes a necessity rather than a luxury. The young people, however, are less likely to regard a new car each year as a luxury.

THE DEFINITION OF A LUXURY

(Chart 51)

| Defined as a Luxury | Total % | Standard of Living |
|---------------------------------------|------------|----------------------------|
| | | Worse Than a Year Ago % |
| Having a new car | 72 | 75 |
| Paying someone to do housework | 59 | 58 |
| Taking a vacation each year | 55 | 64 |
| Going out to eat in a nice restaurant | 45 | 54 |
| Having a second car | 33 | 37 |
| Going on weekend trips with family | 31 | 36 |
| Going to a hairdresser regularly | 29 | 32 |
| Belonging to clubs | 26 | 32 |
| Having a color television | 24 | 31 |
| Drinking liquor | 23 | 31 |
| Playing golf/tennis | 21 | 29 |
| Smoking cigarettes | 20 | 25 |
| Going to the movies | 20 | 30 |
| Giving money to charity | 18 | 25 |
| Buying a winter coat | 15 | 22 |
| Having meat with meals | 14 | 23 |
| Subscribing to magazines | 11 | 16 |
| Having company for dinner | 11 | 15 |
| Having a baby-sitter | 10 | 15 |
| Taking a Sunday drive | 8 | 13 |
| Having a telephone | 7 | 11 |

THE DEFINITION OF A LUXURY

(Chart 52)

| | Parents | Teen-Agers |
|---|---------|------------|
| | % | % |
| Having a new car every year | 76 | 59 |
| Taking a vacation each year | 65 | 58 |
| Paying someone to help with housework | 62 | 48 |
| Going to a nice restaurant | 45 | 50 |
| Going on weekend trips | 36 | 30 |
| Going to a barber/hairdresser regularly | 35 | 19 |
| Belonging to clubs | 30 | 21 |
| Drinking liquor | 28 | 19 |
| Having a second car | 27 | 29 |
| Having a color television | 26 | 33 |
| Playing golf/tennis | 26 | 21 |
| Going to the movies | 25 | 27 |
| Smoking cigarettes | 21 | 19 |
| Having meat at most meals | 16 | 25 |
| Buying a new winter coat | 16 | 23 |
| Giving money to charity | 14 | 13 |
| Having a baby-sitter | 14 | 13 |
| Subscribing to magazines | 12 | 13 |
| Having company for dinner | 8 | 12 |
| Having a telephone | 7 | 19 |
| Taking a Sunday drive | 6 | 10 |

Credit Cards and Charge Accounts

Credit cards and charge accounts are both a prop and a temptation to families in today's economy.

Two out of three families (66%) use credit to pay for many everyday expenses: gasoline, clothing, household goods, gifts. Almost one out of five of these credit-using families buys drugs and medicines on time; and 11% of the owners even pay for food this way.

In a third of these American households, Christmas 1974 was paid for on credit or by charge accounts. One out of five families (18%) used credit to pay for vacations. Of course, many families using credit are well-off. But one out of two families in the lowest income category (under \$10,000) also buys on credit as well.

Families use credit cards in different ways: some consider them a convenience; others, as a fallback in case of an emergency; still others, as an informal lending agency when one is short of cash. For four out of ten families, credit cards are a recognized temptation to spend.

Fear of this temptation and the need for economy, especially among those whose standard of living has been impacted, are causing some retrenchment in credit card use. One out of four (24%) cardholders says he is cutting back on credit cards because of the high interest charges.

THINGS CREDIT CARDS ARE USED FOR*
Base: Use Credit Cards (66%)

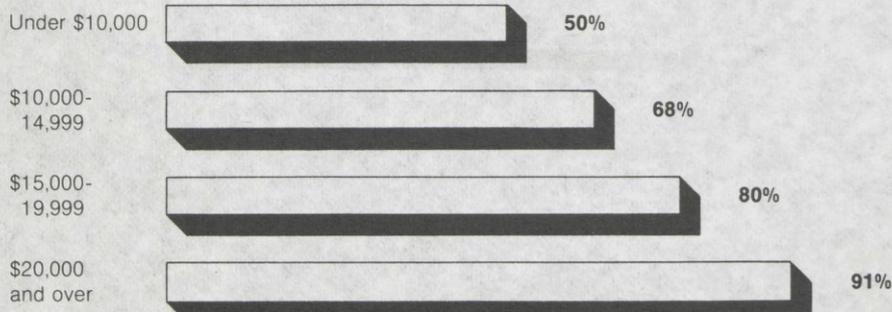
 (Chart 53)

| | % |
|--|----|
| Clothes for adults | 57 |
| Gasoline | 54 |
| Major appliances | 39 |
| Children's clothing | 39 |
| Christmas expenses | 36 |
| Gifts | 29 |
| Household goods | 27 |
| Vacations | 18 |
| Drugs and medicines | 17 |
| Eating out in restaurants for pleasure | 12 |
| Food and groceries | 11 |
| Toys | 8 |

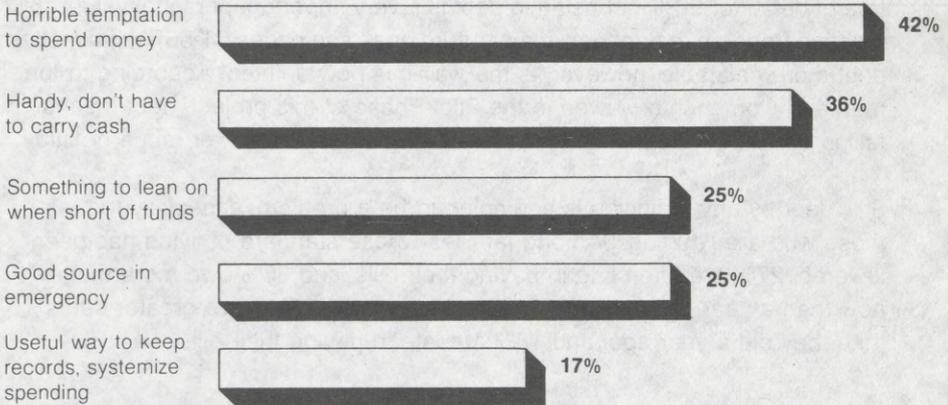
*Adds to more than 100% because of multiple response.

USE OF CREDIT BY INCOME

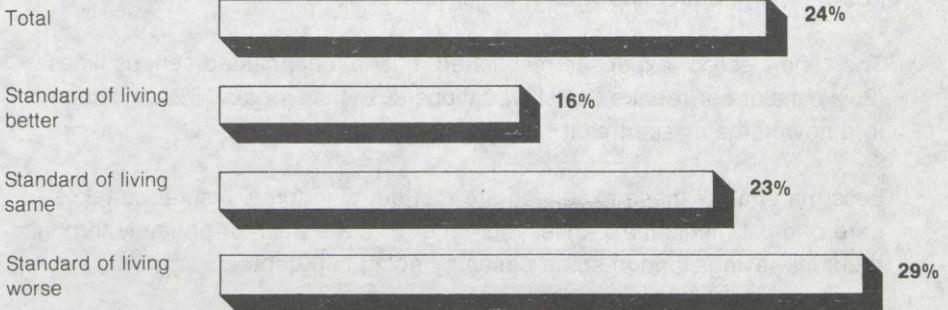
 (Chart 54)



VIEWS OF CREDIT CARDS AND PLANS(Chart 55)



**QUIT USING CREDIT CARDS
BECAUSE OF HIGH INTEREST RATES**(Chart 56)



Debt

As a matter of principle, most American families place great stock in being free of debt. For 60%, not being in debt is a very important personal value; 45% mention freedom of debt as a major future goal (see pages 54-56). What makes debt more palatable, however, is the way it is now defined. According to the men and women interviewed in the Pilot Phase of this project, debt means falling behind in payments, not simply owing money, however much or little.

Still, debt by any definition is beginning to be a problem, especially to those who are "hurting." Among families whose standard of living has been lowered, 27% are often late in paying their bills, and 36% owe more money now than a year ago. Among families as a whole, 27% have greater debts than they did a year ago, and 18% are late in paying their bills.

Emergencies and Unexpected Expenses

Almost all families report they have run into some unexpected expense in the last year—sometimes, happy events such as new babies, weddings, moving to a new home—at other times, emergencies such as illness, car repairs or accident, or the breakdown of a major appliance.

The "unexpected" expenses mentioned most often included serious illness (25%), major car repairs (23%), vacations (23%), new car (18%), moving to a new home or apartment (13%).

Less than half of these expenses are met out of income. Insurance takes care of most medical expenses, but other bills are paid for primarily through credit or savings, and in some cases by going into debt.

**PERCENT OF FAMILIES WHO FACED EMERGENCIES
OR UNEXPECTED EXPENSES LAST YEAR**

(Chart 57)

| | Faced Last Year |
|--------------------------|-----------------|
| | % |
| Serious illness | 25 |
| Major car repairs | 23 |
| Replaced major appliance | 23 |
| Vacations | 23 |
| New car | 18 |
| Moving | 13 |
| Wedding expenses | 6 |
| Divorce | 2 |

**HOW FAMILIES MET
EMERGENCIES AND UNEXPECTED EXPENSES***

(Chart 58)

| | Income | Credit | Savings | Debt | Insurance | Other |
|-------------------------|--------|--------|-----------|-----------|-----------|-------|
| | % | % | % | % | % | % |
| Serious illness | 19 | 6 | 14 | 10 | 65 | 9 |
| Major car repairs | 50 | 15 | 20 | 8 | 6 | 5 |
| Replace major appliance | 34 | 33 | 20 | 7 | 2 | 5 |
| Moving | 53 | 6 | 21 | 15 | — | 13 |
| Vacations | 47 | 12 | 40 | 1 | 1 | 4 |
| New car | 15 | 49 | 24 | 13 | 2 | 3 |
| Wedding expenses | 54 | 3 | 34 | 4 | — | 6 |
| Divorce | 11 | 2 | 42 | 21 | — | 19 |

*Based on those who faced these expenses in last year.

Financial Mistakes

Despite their pride in money management ability, many families (63%) admitted to making some unwise financial decisions in the past year. Mistakes mentioned most often included: using savings too freely to meet current expenses, buying things they couldn't afford, waiting too long to have cars fixed in order to save money, digging into bank accounts for such luxuries as a vacation or a trip, and overdrawing checking accounts.

FINANCIAL MISTAKES MADE IN LAST YEAR*

(Chart 59)

| | Standard of Living Now Compared to a Year Ago | |
|---|--|------------|
| | Total % | Worse % |
| Had to draw on savings or investments to meet current bills | 38 | 44 |
| Overdrew on checking account | 24 | 21 |
| Didn't repair the car until too late | 16 | 15 |
| Ran up too big a bill on credit cards or charge accounts | 14 | 15 |
| Used savings for some kind of luxury or trip | 13 | 11 |
| Got behind in mortgage or rent payments | 8 | 11 |
| Made a major purchase you couldn't afford | 8 | 10 |
| Borrowed more than you can afford to pay back | 6 | 11 |
| Borrowed money from a loan company which charged an unusually high interest rate | 6 | 7 |
| Made a bad loan to someone | 6 | 7 |
| Got cheated by a store/company who overcharged | 6 | 8 |
| Made a bad investment | 5 | 4 |
| Got behind in taxes | 5 | 7 |
| Had to borrow on insurance | 5 | 4 |
| Sold stock or other investments you should have kept | 3 | 3 |
| Took out second mortgage on house | 2 | 3 |

*Based on those making these mistakes.

IV: PRESENT AND FUTURE ASSETS

Family Assets

On the credit side of the ledger, many American families face the future with substantial financial resources, many material goods and cushions of insurance against financial disaster caused by illness or accident:

- 72% have regular adult savings accounts; others have children's accounts
- 82% have health insurance
- 97% have television sets
- 74% are home owners
- 93% have cars; 51% have more than one car
- 21% have stocks; 29%, government bonds

While these resources go hand in hand with income, even lower income families have some of these same resources, although in significantly reduced amounts.

Attitudes towards the future are closely entwined with family assets, for the families which feel most secure about the future are far more likely to have built up a backlog of savings, stocks, bonds and real estate holdings:

- Have a savings account (the Secure, 82%; Insecure, 65%)
- Own stocks (Secure, 27%; Insecure, 17%)
- Have real estate holdings (Secure, 44%; Insecure, 33%)

With regard to tangible assets, there is also a noticeable difference between families who consider themselves Spenders and those who classify themselves as Savers. The latter live up to their name by being more likely to have savings accounts and other financial assets. Moreover, among the Savers, 80% own their own homes, contrasted to 67% of the Spenders.

**WHAT FAMILIES HAVE TO FALL BACK ON:
OWNERSHIP AND CREDIT**

(Chart 60)

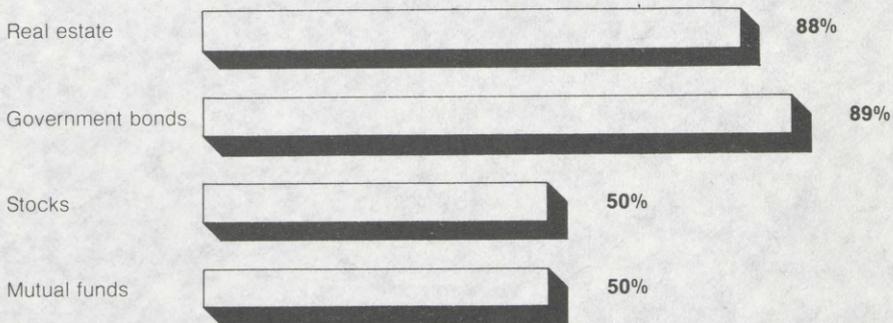
| | Income | | | | |
|-----------------------------|--------|-------------------|---------------------|---------------------|----------------------|
| | Total | Under \$10,000 | \$10,000- 14,999 | \$15,000- 19,999 | \$20,000 And Over |
| | % | % | % | % | % |
| Health insurance | 82 | 70 | 88 | 91 | 96 |
| Own home | 74 | 64 | 76 | 84 | 88 |
| Savings accounts (adult) | 72 | 54 | 79 | 86 | 92 |
| Store charge accounts | 53 | 40 | 54 | 64 | 75 |
| Gasoline credit cards | 41 | 24 | 42 | 49 | 74 |
| Other major credit cards | 39 | 18 | 41 | 52 | 76 |
| Other real estate holdings | 38 | 27 | 36 | 49 | 63 |
| Children's savings accounts | 34 | 18 | 36 | 53 | 55 |
| Government bonds | 29 | 19 | 30 | 34 | 47 |
| Stocks | 21 | 9 | 15 | 31 | 50 |
| Special savings (education) | 11 | 3 | 11 | 18 | 21 |
| Second home | 5 | 4 | 5 | 5 | 12 |

Confidence in Investments

Not all financial assets, however, contribute equally to a sense of financial security, for half of the stock owners feel pretty shaky about their investments these days.

HAVE CONFIDENCE IN INVESTMENTS*

(Chart 61)



*Answers are based on respondents with these kinds of investments.

Commitment to Family

Commitment to family is one of the strong, reinforcing values helping people to face up to current problems. Belief in the family as a personal value is almost universal, and members gain strength from their sense of satisfaction with the way their family is working together these days (78%).

While there is no indication from this study that commitment to family has lessened under the impact of the economy, there are signs, however, that the nature and size of the family may be undergoing change. First, increasing numbers of wives are going to work; second, there are the families in which husbands may lose their jobs and wives continue to work; third, some families have decided for economic reasons to limit the number of children they have. Among families with a child under five years of age, for instance, 17% say they no longer want as large a family as they had originally planned.

SATISFACTION WITH LIFE

(Chart 62)

| | Total |
|--|--------------|
| | % |
| Way I handle problems in my life | 78 |
| Way family works together | 78 |
| Amount of time spent with family | 72 |
| Amount of fun and enjoyment | 69 |
| Getting what I'm entitled to from life | 63 |
| The job generally | 54 |
| Getting ahead/achieving success | 54 |
| Things I can afford for children | 54 |
| Things I do to help others | 53 |
| How secure financially | 49 |
| Pay and fringe benefits on the job | 45 |
| Confidence in future/sense of security | 44 |
| Having enough money for emergencies | 42 |
| Standards/values of society | 19 |

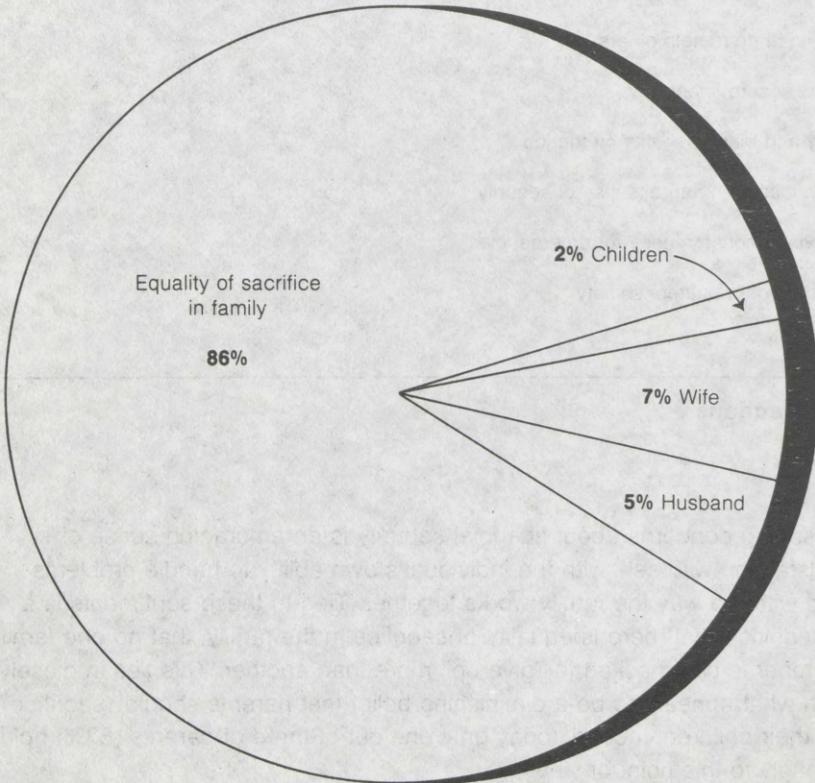
Satisfactions

Offsetting concerns about financial security is an embracing sense of satisfaction with self, with the individual's own ability to handle problems and with the way the family works together. Tied to these sentiments is a recognition that there is equality of sacrifice in the family, that no one family member is being asked to "give up" more than another. This ties in closely with what appears to be a diminishing belief that parents should "sacrifice" for their children. Indeed, today only one out of three of parents (33%) holds strongly to this point of view.

In spite of their problems, people feel pretty good about the fun and enjoyment they get from life. Their daily existence is not totally bleak, even for those whose standard of living has been depressed. Sixty percent of these very families still indicate a high level of satisfaction with the fun they are having, even though they are cutting back on such things as entertainment, going out and spending money on good times.

Indeed, except for their finances and economic security, a majority of family members are satisfied with most aspects of their lives and the standards and values of American society.

SACRIFICE IN THE FAMILY
(Chart 63)



The Protestant Ethic

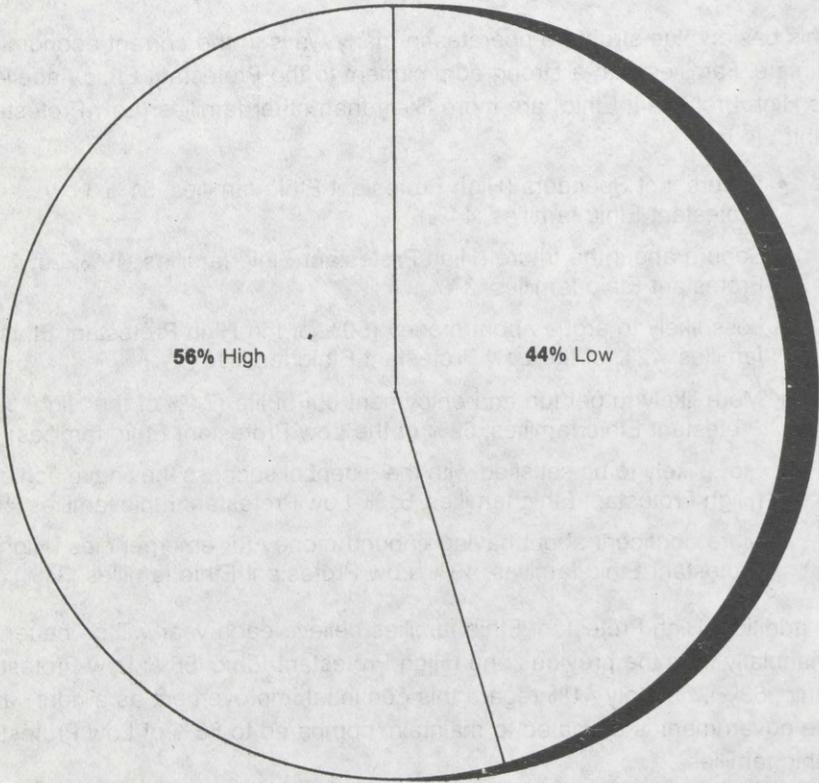
The Protestant Ethic continues to dominate the value structure of the American family. Fifty-six percent of all Americans are strongly committed to such traditional beliefs as "duty before pleasure," "hard work pays off," religion and "saving even if it means sacrifice."

This basic value structure operates in many ways in the current economic climate. Families with a strong commitment to the Protestant Ethic (labelled as High Protestant Ethic) are more likely than other families (Low Protestant Ethic) to be:

- Savers, not Spenders (High Protestant Ethic families, 51%; Low Protestant Ethic families, 44%)
- Secure about the future (High Protestant Ethic families, 49%; Low Protestant Ethic families, 37%)
- Less likely to argue about money (50% of the High Protestant Ethic families; 42% of the Low Protestant Ethic families)
- More likely to get fun and enjoyment out of life (74% of the High Protestant Ethic families; 62% of the Low Protestant Ethic families)
- More likely to be satisfied with the extent of success they have achieved (High Protestant Ethic families, 61%; Low Protestant Ethic families, 46%)
- More confident about having enough money for emergencies (High Protestant Ethic families, 49%; Low Protestant Ethic families, 34%)

In addition, High Protestant Ethic families believe each year will be better financially than the previous one (High Protestant Ethic, 56%; Low Protestant Ethic, 53%), but only 41% regard this continual improvement as a right which the government is obligated to maintain, compared to 63% of Low Protestant Ethic families.

PROTESTANT ETHIC
(Chart 64)



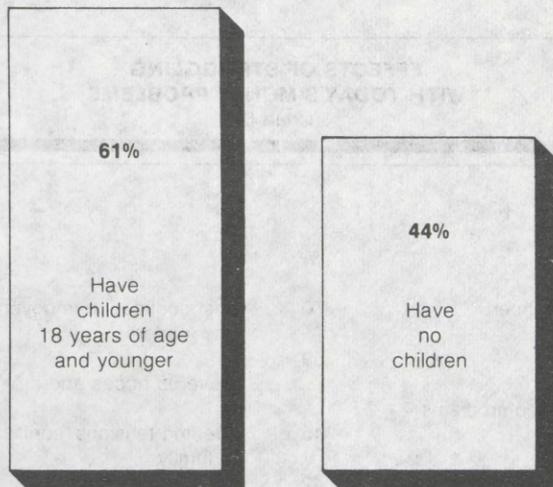
Job Security

For some families, the ultimate asset is a secure job. Fifty-four percent of all families consider security rather than money the criterion that makes a job a good one. This is even more true for families with serious financial pressures (62%) and for households with young children (70%).

VIEWS ABOUT JOB

(Chart 65)

**Better to Have a
Secure Job Than One
That Pays a Lot**



The Uses of Adversity

Recognizing all their problems, many American families still believe that some good things will result from the present bad times. They see themselves becoming:

- Wiser shoppers (70%)
- Less wasteful (59%)
- Satisfied with less (42%)
- More sympathetic and understanding (45%)

It is back to basic values for 33%, a greater sense of neighborliness for 15% and an increase in family togetherness for 25%.

But, on the negative side, there is growing loss of confidence in government leaders (53%), and there is a tragic 18%, mostly people pressed by money problems, who have given up their hopes and dreams.

EFFECTS OF STRUGGLING WITH TODAY'S MONEY PROBLEMS (Chart 66)

| | + | | - | | |
|--------------------------------------|----|---|---|----|--|
| | % | | | % | |
| Became wiser shopper | 70 | Lost confidence in government and leaders | | 53 | |
| Not so wasteful | 59 | Gave up hopes and dreams | | 18 | |
| More sympathetic to problems of poor | 45 | Created tensions/conflicts in family | | 16 | |
| Satisfied with less | 42 | Changed plans about size of family | | 7 | |
| Back to basic values | 33 | | | | |
| Children learned value of money | 29 | | | | |
| Doing more things together as family | 25 | | | | |
| Grown closer to neighbors | 15 | | | | |

Confidence in Sources of Information and Help

Finally, there is the question of available help and confidence in the authorities and experts who can provide the help. This confidence itself could be an important resource for the family in its fight against inflation and recession. And the confidence is there. Families may question the governing ability of the federal government, but they do not doubt its trustworthiness as an important source of information about personal finances and money management. Over half (52%) express confidence in the kind of information they could get from Washington. Even more families feel confident about help and information available from church leaders (67%), banks (62%), home economists (61%), physicians (61%), consumer groups (62%), tax experts (57%) and social service agencies (53%). They are, however, less certain about the quality of help available from local government (43%), media (37%), business (31%) and stock brokers (21%).

This generally high level of confidence in experts and helping institutions presents a unique opportunity and challenge to these individuals and organizations as individual American families confront the present economy.

METHODOLOGY

"Money and the American Family" includes a number of unique features intended to insure the comprehensive nature of the project. These include:

- An In-depth Pilot Phase
- An Advisory Panel
- Interviews with Experts
- The Sample Design
- Dual Interviews

The In-depth Pilot Phase

The purpose of the Pilot Phase was to explore a wide range of topics relating to the effects of money and inflation on the American family. Two types of in-depth interviewing procedures were used. Six "focus" group sessions were held with respondents of varying social and economic backgrounds. In some groups, two members of the same family attended the session in order to provide preliminary explorations of family consensus and differences. In other groups, we interviewed only one member of any given family. Sessions were held in Long Island, New York; Los Angeles, California; Chicago, Illinois and Cincinnati, Ohio.

In addition, 46 individual depth interviews were conducted in nine cities and communities including: Floral Park and Little Neck, New York; Los Angeles, Panorama City and Gardena, California; Oklahoma City, Oklahoma; Chicago, Illinois; Charlotte, North Carolina and Cincinnati, Ohio.

The majority of these depth interviews were conducted with more than one member of a given family. In ten families, we interviewed both the husband and the wife; in another ten families, we interviewed one parent and one teen-age child. In these cases, the dual interviews were conducted separately to insure candidness.

From these interviews, hypotheses were developed about the role of money in the American family, the effect of the present economy on family life, the changes being made by individual families to cope with inflation, the problems with which families appeared to need help and some of the potentially lasting effects of the current situation on family structure and values. These hypotheses, along with the input from the Advisory Panel and the experts, constituted the basis for this quantitative survey of the American Family.

The Advisory Panel

The second step in the development of the overall study was to establish an Advisory Panel of distinguished Americans who are directly or indirectly concerned with the American family. (See Introduction for the listing of individual panel members.) Once the pilot study interviews had been completed, the initial findings of this phase were reported to the Panel Members* who discussed and commented on them and contributed their own ideas and hypotheses for incorporation into the final study.

*Members who were unable to attend the panel meeting were consulted on an individual basis.

The Interviews with the Experts

The third phase of the study involved interviews with more than 150 experts and professionals on almost every aspect of the American family. These experts included:

- Social workers
- Home economists
- Bankers, loan officers and credit managers
- Teachers, principals, guidance counselors
- College professors, placement officers and financial aid advisors
- Doctors, dentists, officials of medical organizations
- Psychiatrists, psychologists
- Heads of government agencies
- Marriage counselors
- Community and religious leaders
- Editors, columnists and commentators

In short, we tried to reach those professionals whose work brings them in close contact with contemporary family life and family problems. Experts —both grass roots practitioners as well as professionals of national standing and prominence— were chosen to insure a wide variety by geography, race, age, sex and scholarly discipline or field of specialization.

The objectives of the survey of experts were twofold:

- To gain insights and hypotheses from these experts about the role of finances in American life, and particularly the current impact of inflation and related economic stress
- To provide an important source of input to the national survey by learning more about the kinds of answers which these professionals would most like to gain from a study of this nature

The Sample Design

Since this study centered on the family unit, the sample was designed to represent families rather than the traditional household or general population replica. The sampling unit in the study was the family and the universe, the total families in the United States, defined by the U.S. Census as "Households with two or more members related by marriage, blood or adoption."

In addition, in designing the sample, special steps were taken to insure that the base of households with children 18 years of age and under would be large enough to provide for detailed analysis by demographic groupings. Thus the total sample for the study is based on a national probability sample of 2,502 families in which interviews were conducted in every household in which there was a child 18 years of age or younger living at home and in every 4th of the remaining households which met the Census requirement as a "family."

In all, 1,247 adult members of families were interviewed as "Primary" respondents in this phase of the project. In analyzing the results, statistical weights were applied to account for this disproportionate sampling of families with children and all results are projectable to the total families of the continental United States.

The Dual Interviews

One of the most striking features of the study is the dual interview, for it provides a unique opportunity to examine the dynamics of family life, to see how money affects the interaction of one family member with another—a dimension lost in a general cross section sample.

In three out of four of the total families surveyed, a second interview was conducted. It covered many of the major questions contained in the original questionnaire and was carried out independently with another member of the same family—either the husband or wife or a teen-age child if there was one living at home. A total of 947 interviews with second family members were obtained, including 256 with husbands, 386 with wives and 288 with teen-agers. The combined number of primary and corroboratory interviews totalled 2,194.*

* Seventeen other interviews were done with other family members such as children over 19 years of age.

The Questionnaires

Two questionnaire forms were used:

The Long Form: The basic questionnaire required about an hour to an hour and a half of the interviewee's time and was administered to the predesignated primary respondent in each family. The questionnaire contained both open-ended and "closed" questions and covered all aspects of money and family life raised in the Pilot Phase, as well as those subjects suggested by the Advisory Panel and the experts interviewed in the earlier stages of the project.

The Short Form: This questionnaire was used with the second family member to be interviewed. It was self-administered since earlier testing had indicated that this approach helped to protect the confidentiality of the second respondent and also to eliminate any bias resulting from one family member influencing the responses of another.

The short form was filled out by the second family member either out of earshot of the primary respondent during his or her initial interview or during a call-back to the household for the special purpose of having this questionnaire completed by the designated household member, again in total privacy.

All interviewing on the national quantitative survey took place during November and December, 1974 and the first week of January, 1975.*

* No interviews were done during the Christmas-to-New Year holiday season in order to avoid the problem of some respondents being interviewed during the holiday season and others not.

The Analysis

Over 50 variables were used in analyzing the results of this study, including both demographic and nondemographic breakdowns. The major data source is the long questionnaire completed with the primary respondent in each household. Special supplementary cross tabulations were done, however, measuring consensus and disagreement among family members on all questions asked in both questionnaires.

The demographic variables used in the study are primarily those associated with stage in life cycle, particularly as determined by the ages of children in the household and the size and income of the family.

MAJOR DEMOGRAPHIC ANALYTICAL GROUPS

| | |
|---|------------|
| Total Sample | 100 |
| Men | 45 |
| Women | 55 |
| FAMILY WITH CHILDREN 18 YEARS OF AGE OR YOUNGER | 57 |
| 1 or 2 children | 32 |
| 3 or more children | 25 |
| Child under 5 years of age* | 22 |
| Child 5 years to 11 years of age* | 32 |
| Child 12 years to 18 years of age* | 33 |
| Family has no child 18 years of age or under | 43 |
| Senior Citizens (65 years of age and older) | 11 |
| INCOME** | |
| Under \$10,000 | 38 |
| \$10,000 to 14,999 | 27 |
| \$15,000 to 19,999 | 15 |
| \$20,000 and over | 13 |
| Nonwhite Families | 12 |
| Working Women (full or part time) | 44 |

* Not mutually exclusive.

** Seven percent refused to give their incomes.

THE SAMPLE

NATIONAL PROBABILITY SAMPLE—2,502



**1,247 FAMILIES (LONG INTERVIEW FORM)
711 WITH CHILDREN 18 YEARS OF
AGE AND YOUNGER
536 WITHOUT CHILDREN**



**947 INTERVIEWS WITH SECOND FAMILY MEMBERS
256 HUSBANDS
386 WIVES
288 TEEN-AGERS
17 OTHER FAMILY MEMBERS**

TOTAL INTERVIEWS—2,194

The views and conclusions expressed in this Study are those of Yankelovich, Skelly and White, Inc.



MEMORANDUM

NATIONAL BUREAU OF STANDARDS

RESEARCH AND STANDARD DIVISION
WASHINGTON, D. C.

REPORT OF THE NATIONAL BUREAU OF STANDARDS
ON THE PROGRESS OF THE WORK DURING THE YEAR
1955

1956

U. S. GOVERNMENT PRINTING OFFICE