

AMERICAN

January 16, 1960



SIZING UP CONSUMER ATTITUDES

A REPRINT

The Saturday Evening
POST

Where
Your Money
Will Go

THE GOVERNMENT'S ECONOMIC PSYCHOLOGISTS
SEARCH FOR A KEY TO A GREAT FUTURE
WHEN AND HOW YOU WILL SPEND YOUR MONEY
HERE'S WHAT THEY HAVE FOUND OUT



Psychologist George Katzev, one of the government's economic psychologists, is shown here.

The New York Times

**Dr. Buy Q Says Recession
Still Dogs Some Consumers**

AN APPROPRIATE ATTEMPT TO BRING THE RECENT
OF BUYING PATTERNS AT THE RECENT RECESS

More Spending Nation's Business

Consumers' Ability to Buy Boosted



**Now's Good Time to Buy,
More Consumers Agree**

THESE
**CONSUMER
ATTITUDES**
ARE KEY
TO OUTLOOK

Top survey specialist explains
findings, tells what to expect

THE WALL STREET JOURNAL

**Consumers Raising Their Spending Plans,
But 'Spurge' Not Likely, Survey Indicates**

**BUSINESS
WEEK**



More Spending—But No Spree

Detroit News
**Buyers Still Cautious,
U. of M. Survey Shows**

Detroit Times

BUSINESS TODAY

**Big Increase in Buying
Forecast in U. M. Survey**

U-M CONSUMER SURVEY results are displayed prominently in leading U.S. newspapers and magazines.

Consumer Psychology Comes Of Age

¶ What psychological effect did the 1959 steel strike have on American consumer attitudes?

¶ How well did prospective buyers accept the U.S.-made compact automobiles introduced last year?

ECONOMISTS who used to regard such timely business questions as purely speculative have found they now can get meaningful answers for them.

The vagaries of American consumer behavior no longer are mysterious and incomprehensible, thanks to refinements in the methods of diagnosing business trends through public opinion research.

These studies have been pioneered and developed over the last 15 years by the University's Survey Research Center.

Using scientific random-sample interviewing techniques, the U-M unit has earned a wide reputation for accurately determining and charting consumer attitudes and forecasting their impact on the nation's economic climate.

This week the SRC released the results of its latest probe into consumer thinking and furnished answers to the questions posed

above while interpreting current economic trends—the steel strike has arrested the improvement in consumer sentiment; public reaction to compact cars is decidedly favorable.

Despite the experimental nature of its early efforts, the SRC has recorded some impressive accomplishments:

In 1951 it presaged the end of the Korean War boom.

In 1954 it foresaw the dramatic upturn in business.

In 1957 it anticipated the recession which came about six months later.

These findings, as illustrated in the chart on p. 154, are the more remarkable because the survey samples consisted of interviews with spokesmen from 1,800 to 3,000 consumer units out of a national total of more than 55,000,000.

One patent value of the surveys is to show what is ahead on the economic horizon, allowing leaders in government and private industry to prepare for future prosperity or take steps to counteract incipient downward trends.

Every year, two or three sur-

veys are conducted by the SRC staff, which includes about 200 specially-trained interviewers living in various parts of the United States.

The data they collect are funneled back to Ann Arbor for processing through the huge IBM 704 electronic computer at the University's Computer Center.

When completed, the results are expressed in an Index of Consumer Attitudes and Buying Intentions which can be compared with figures from earlier studies to reflect the degree of change in optimism or pessimism over a period of time.

Armed with this information, the SRC staff is in a position to supply information about the direction in which the economy will be moving three to nine months ahead.

Population samples are selected by scientific methods developed at the University. After an area has been chosen at random, the focus shifts to the selection by probability methods of specific persons—heads of families—at designated addresses. The interviewees live in cities and towns and villages and on farms and

ranches scattered from coast to coast.

If the person pinpointed for interview is not at home, the SRC interviewer often must return several times to obtain the information. Experience has shown this is the only way to insure a true representative sample. Substitution of respondents may contribute to significant errors and jeopardize the precision of the sample.

The interviewers talk with the head of the family in each instance. Since many crucial buying decisions are now a woman's province, interviewing is alternated between husbands and wives at the addresses picked for the surveys.

Even though a fixed questionnaire is used, respondents answer in their own words. In 60 to 90 minutes of conversation, the interviewer gradually assembles the whole pattern of a family's hopes and expectations, fears and attitudes.

During the talks, the interviewer will find out how the subjects feel about spending in general, and for what items they are most likely to spend their money.

"How do you people feel about your situation right now?" he will ask, and "Would you people say that you and your family are better off or worse off, financially, than you were a year ago?"

He will also ask about prices—whether the family spokesman thinks they are too high, or about right—and find out what the family feels it needs most and whether it regards the present as a good time to buy or whether it would be best to wait.

Getting the family to look ahead, he will determine future expectations by asking if they will be better off, financially, or worse off, or just about the same as now, a year later.

DIRECTED by Prof. George Katona, the Economic Behavior Program is the oldest of the research programs conducted by the SRC, one of two major components of the U-M Institute for Social Research.

The Survey Research Center grew out of the Division of Program Surveys of the U. S. De-

partment of Agriculture. This unit was formed in 1939 under the direction of Dr. Rensis Likert, now director of the U-M Institute for Social Research, to conduct sample interview surveys required by the Department of Agriculture.

During World War II the staff of the Division of Program Surveys extended the range and variety of their work to include surveys for a number of governmental agencies on a variety of problems related to the support of the war effort.

After the war the key members of this research organization set for themselves new objectives with an emphasis on the conduct of research oriented towards the solution of more basic scientific problems than could be studied effectively within the framework of governmental administrative service.

The University of Michigan offered its resources and support to the new venture in social science research and the SRC was established on the Ann Arbor campus in 1946. Dr. Likert, Dr. Katona and Dr. Angus Campbell, three of the group's leaders, formed the nucleus of the new organization.

The Institute for Social Re-

search added its other major arm, the Research Center for Group Dynamics, in 1947.

Initial financial support of the Institute consisted of a research contract with a government agency and an understanding that the University would provide housing as well as some compensation for teaching and related services.

Additional support was obtained almost immediately, and resources have been increasingly available ever since to keep the organization intact and productive.

OPINION research is a relatively recent development in the area of economic surveys.

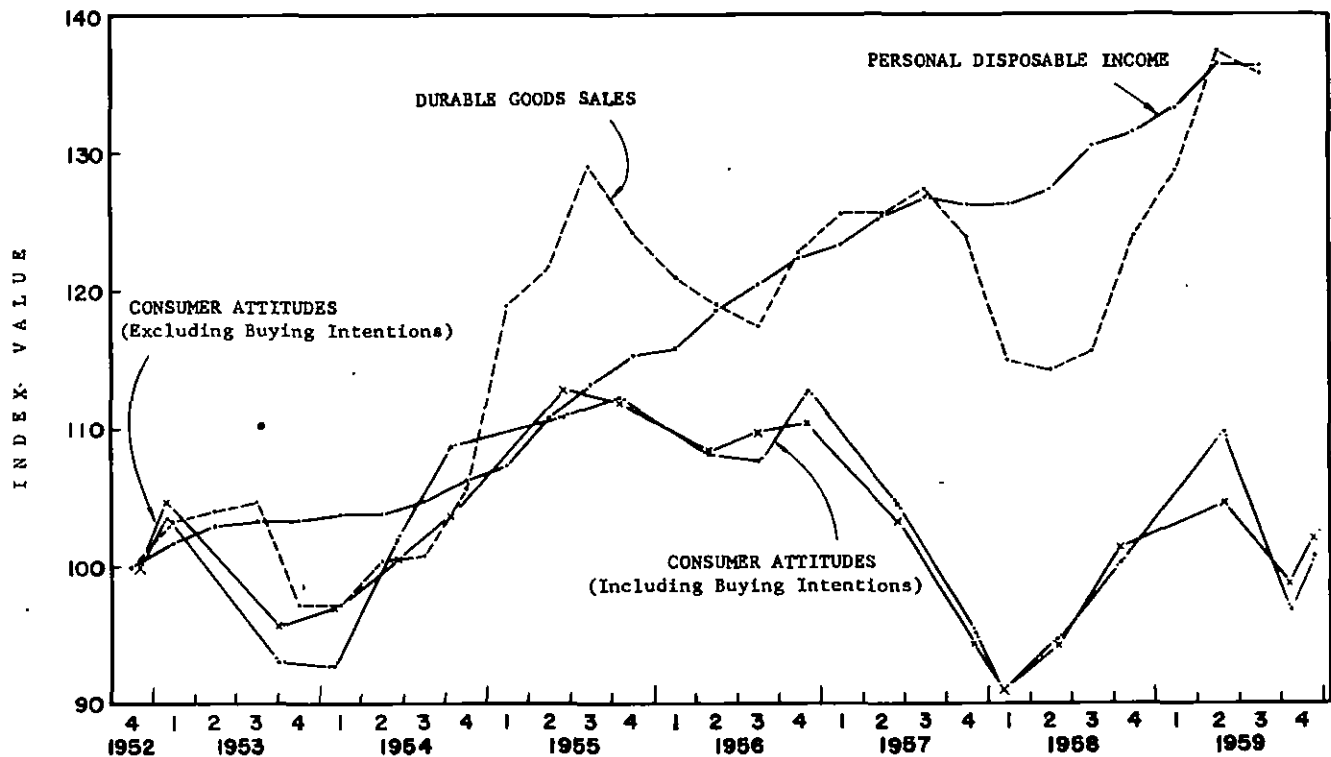
In traditional economics, the principal efforts are directed toward the development of theories, for instance, of business behavior or the fluctuations of prices and spending.

Traditionally, economists have been concerned with the relationships that exist between changes in supply, demand, prices, incomes, consumption, saving, and investment.

These approaches, says Prof. Katona, "disregard the fact that it is human beings who supply the goods, make prices, strive for in-



AN INTERVIEWER questions a housewife to obtain data for one of the periodic reports of consumer attitudes published by University's Survey Research Center.



THIS CHART shows the upturn of consumer attitudes and expectations in 1954, before sales of durable goods increased; a downturn in mid-1957 which preceded the recession of 1957-1958; and the rapid recovery which continued to the summer of 1959, when the steel strike

brought forth widespread uncertainty. The last point on the index represents measurements between Nov. 9 and Dec. 1, 1959, when work was resumed in the steel mills but unemployment remained large and the strike was not yet settled. (Survey Research Center chart.)

comes, spend, save, and invest money. They leave out of the equation human needs and desires, hopes and fears, opinions, prejudices, and misinformation."

Before surveys were conducted, he adds, "it was known, for instance, how national income changed from one year to the next, but it was not known how many families had an increase and how many a decrease in income, what kinds of families these were or how they reacted to their economic development. Nor were there any data on changes in attitudes and expectations, the frequency of such changes or their causes or effects."

In the SRC studies of consumer behavior, distinctions are made among five sets of variables. "First," Prof. Katona explains, "there are the *enabling conditions* that set the limits to the consumer's discretion: his income, assets, and access to credit.

"Second, his economic behavior is influenced by *precipitating cir-*

cumstances: an increase or decrease in purchasing power, a change in family status, the birth of a child, a move to a new house or locality, the wearing out or breakdown of possessions, and so on.

"Third, there is the important factor of *habit*: the set patterns of behavior that operate, for instance, in such matters as the purchase of groceries.

"Fourth, we have to take into account *contractual obligations*: for example, rent, repayment of debt, life insurance premiums, taxes, dues and the like. Previous actions, such as the purchase of an automobile on installments, make both for contractual obligations (repayment of debt) and for consequent actions (purchase of gasoline).

"Finally, we must deal with the consumer's *psychological state*. Whether a rise in income, a transfer to a new locality, the breakdown of an old refrigerator or any other event will result in important changes in spending depends

on the prevailing motives and attitudes. If the attitude is conducive to spending, one kind of decision will be made; if it is not, another decision."

The Powerful Consumer, a book by Prof. Katona summarizing his studies of consumer psychology, will appear in February. It is being published by McGraw-Hill; New York.

In sum, the classical economists dealt with things that could be weighed or measured or counted 50 or 100 years ago—tons of coal mined, bushels of corn grown, millions of dollars borrowed or spent. They had no accurate gauge to measure the degree of confidence or caution, security or insecurity, among potential buyers.

Advances in mathematical and behavioral sciences since the 1930s permitted the use of relatively small representative samples and allowed the development of conceptual tools and measuring sticks both for mass behavior and underlying attitudes. ▲