

OF

1966 SURVEY OF CONSUMER FINANCES

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PREFACE

THIS is the seventh annual volume of the series of monographs entitled Survey of Consumer Finances. Information on changes in the distribution of consumers' income and major transactions as well as on consumers' perceptions of changes in their environment and their attitudes is presented in these monographs. Such data should be analyzed and used not only by those who collect the data, but also by broader groups of scholars, by business managers, and by public officials. In publishing these monographs, emphasis is placed on making the data available in the shortest possible time after the changes have occurred in order to facilitate the use of the findings. The Survey Research Center also devotes time and effort to the analysis of the long-range implications of the findings and to theoretical studies, but these studies are excluded from the monographs.

The monographs contain two kinds of findings. The first part presents information on financial variables--income, debt, major transactions--and the second part on considerations directly relevant for the business cycle, such as consumers' response to new information received and changes in their expectations.

This division is in accord with the two basic purposes of survey research in economic studies. One of these stems from the fact that aggregate economic statistics as compiled by government agencies cannot provide information on a variety of relevant considerations, first of all on the distribution of income, assets, debts, and major purchases among different population groups. For example, information on the proportion of families whose income increased or decreased from one year to the next, and on the characteristics of these families, cannot be derived from data on the change in total

personal income; it can be obtained only from surveys of representative samples of the population. The survey method makes it possible to interrelate financial variables--for instance, assets or debts with income--among individuals, and also to relate financial variables to demographic ones (e.g., debt to age or the stage in the life cycle).

Information is obtained in the same survey not only regarding consumer finances, but also regarding changes in consumer motives, attitudes, and expectations. The second major purpose of survey research in the economic area consists, therefore, of the measurement of change in socio-psychological predispositions to economic behavior and of the analysis of their relation to change in income, assets, debts, and major transactions.

For the past twenty years the Survey Research Center has conducted continuous studies in both areas. Its research program was instituted because of the beliefs, amply supported by recent developments, (a) that the consumer sector exerts a great and growing influence on business cycles and on the rate of growth of the economy, and (b) that with increased discretion in action of broad groups of consumers, the role of psychological factors in accelerating or retarding discretionary consumer expenditures represents an important part of economic research.

In 1966, as in the past few years, four surveys were conducted with representative samples of consumers selected by probability methods. The February survey, with a sample of 2400 family units, was the source of statistical data reported in Part One of this monograph and of attitudinal data in Chapter 8 of the second part. In May 1966 approximately 1400 respondents, previously interviewed face-to-face, were reinterviewed by telephone. In August 1966 and in November 1966 personal interviews were conducted with two newly drawn samples, each of which consisted of approximately 1300 respondents. The last three surveys were concerned with consumer attitudes and with selected aspects of economic behavior. The findings of these surveys are reported in Chapters 9, 10, and 11. Although, shortly after the completion of the surveys, brief press releases were issued summarizing a few of the major findings, this monograph represents the first publication of the detailed survey findings.

The Survey Research Center conducts a variety of economic studies beyond those whose findings are reported in this series of monographs. A bibliographical note at the end of this book informs the reader about what is, or will shortly be, available either on theoretical studies or special studies which are designed to explore specific economic problems.

The continuous programmatic activities reported here have been financed primarily by private business. Smaller amounts of funds were also obtained from foundations and agencies of the federal government.

The Economic Behavior Program of the Survey Research Center is directed by George Katona in association with James N. Morgan, John B. Lansing, and Eva Mueller. John A. Sonquist had the major responsibility for the financial survey conducted early in 1966. Jay Schmiedeskamp carried a major responsibility for the Periodic Surveys. Frank Stafford was primarily responsible for the work week data presented in Chapter 6. Development of the information on retired people, Chapter 7, was a task conducted by Ismael Sirageldin.

The following assistants also participated in the surveys and contributed greatly to the planning and analysis of the data: William and Barbara Dunkelberg, Alice Pruss, Judith Hybels, and Doris Thackrey. Editor of this volume was William V. Haney.

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PART ONE

FINANCIAL DATA

THE DISTRIBUTION OF FAMILY INCOME

IN recent years there has been a strong upward trend in American family income. This trend continued in 1965. The average income before taxes of American families increased in 1965 by about \$250 (almost 3 percent) and reached an amount of almost \$8000.¹ Some 27 percent of family units had incomes of \$10,000 or over. Yet 11 percent or 6.4 million families had incomes of less than \$2000. Despite the continued income increases, the distribution of income dollars among the rich and the poor has not become more lopsided during the past 10 years.

More than half of the families interviewed reported income increases in 1965. These were not spread evenly over all families, but tended to be reported more frequently among younger families, among those in which the head had a college education, and among families in which the chief wage-earner had a white-collar (especially professional or technical) occupation. These families tended to

¹ It is estimated that early in 1966 there were about 59.1 million family units in the continental U.S. (not including those living in institutional housing, transient hotels, or on military reservations). A family unit includes all persons residing together in the same dwelling unit who are related by blood, marriage, or adoption. They include one-person units as well as those consisting of two or more persons. In some dwelling units there were two or more family units.

Income data were obtained on the basis of a series of questionnaire items which included separate questions about income received by the head of the family and also by other family members. Data on income from wages, business, salaries, farming, professional practice, rent, interest, dividends, social security, pensions, and from other forms of transfer payments were obtained for the head and his wife separately. Further questions elicited information about the incomes of other family members.

report increased pay rates most frequently as the reason for their increased affluence; and they expected further increases next year. Family heads in white-collar occupations also tended to perceive their pay as increasing more rapidly than that of their colleagues.

In 1965 there were almost 20 million working wives. Among many families, especially those with incomes of \$10,000 or more, the working wife contributed a third or more of the income. Most frequently working wives had white-collar occupations. In addition, working wives were not the only source of an increased income. One out of every seven family heads held two jobs simultaneously during at least part of the year.

During the last 10 years there was a significant improvement in the incomes of Negro families as compared to those of white families. Nevertheless, the average family income for whites in 1965 was 1.6 times that for Negro families and four out of every ten Negro families had an income of less than \$3000.

Income Distribution in 1965

Family unit income continued a strong upward trend in 1965, as more than one in four families (27 percent) had an income before taxes of \$10,000 in 1965 (see Table 1-1). Median family income rose from \$6320 in 1964 to \$6670 in 1965. Mean income increased from \$7680 to \$7940. The income increase from 1964 to 1965 is not as great as that from 1963 to 1964. Nevertheless, when viewed in a 5-year perspective, the 1965 data show continuation of an impressive upward trend in the income level of American families.

However, not all families have reached a state of affluence. In 1965 about one out of every nine had an income of less than \$2000.

Income increases during the past year were accompanied by an increase in the share of aggregate dollars received by families with incomes of \$10,000 or over. For the first time in history more than one-half of the dollars received by American families in personal income went to families with incomes of \$10,000 or over. These families received 53 percent of the consumer income dollars in 1965. Increased shares were obtained both by families in the \$10,000 to \$14,999 bracket and also by families earning \$15,000 and over.

Federal income taxes were estimated for each family unit and subtracted to obtain an estimate of disposable income. Finally, one-fifth of American families had after-tax incomes of \$10,000 or more. As in past years, the proportion of units with a disposable income of below \$2000 was virtually the same as the proportion of families

with incomes before taxes at that level.

The 11 percent of the family units at the bottom of the income scale (income less than \$2000) received 2 percent of the 1965 disposable income dollars. The top 20 percent received slightly more than 40 percent of the disposable income dollars (see Table 1-2).

Family income decile points were determined. The average income of families in the top decile was \$22,320. Families in this decile received some 28 percent of the cash income before taxes (see Table 1-3). The lowest income of families in this top decile was \$14,680, an increase of 32 percent over 1960. The second, third, and fourth decile points increased by only 25 percent, 14 percent, and 16 percent, respectively.

Despite the heavy concentration of income in the top income groups, there does not appear to be an increasing concentration of income dollars among high income families in the United States. An examination of Table 1-3 reveals that the share of income dollars received by each income decile has not changed substantially since 1960.

The Lorenz curve provides a convenient tool for presenting the size distribution of income (see Chart 1-1). Income recipients are placed in ascending order on the horizontal axis, while income is cumulated on the vertical axis. The diagonal line signifies "perfect equality." The area between the curve and the line, if expressed as a proportion of the lower triangle, results in a useful statistic, R , the concentration ratio. Zero represents complete equality; 1.0 represents the concentration of all income in the hands of one unit. The total family income data from the 1966 Survey of Consumer Finances, presented in Chart 1-1 have a concentration ratio $R = .40$. This value has not changed appreciably for U.S. families in the last 10 years. The Lorenz curves plotted separately for families in urban, suburban, and rural areas were almost identical.

Income Components

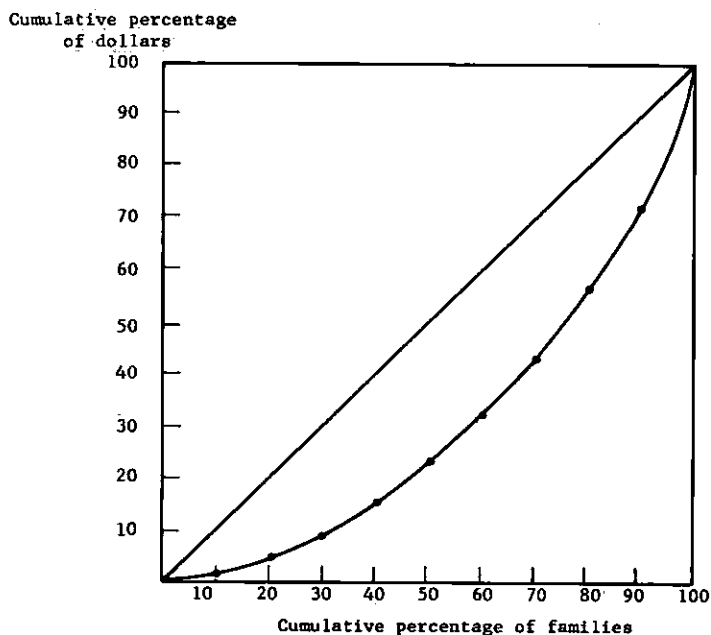
American families have a wide variety of sources of income. For most families the major share of their income comes from money earned by the head of the family in the form of wages and salaries. In some families the wife or other family members also receive wage and salary income. Capital income, including rent, interest, dividends, and money from trust funds, is received by some families. Some receive transfer payments such as social security, unemployment compensation, public welfare, or veterans' pensions. Still others receive income from farming, have

1966 SURVEY OF CONSUMER FINANCES

CHART 1-1

TOTAL FAMILY INCOME, 1965

(Lorenz Curve)



unincorporated businesses, or rent out rooms and take in boarders. Table 1-4 reveals that these different forms of income are not distributed among the various income deciles in the same way. About a quarter of the dollars earned by family heads in 1965 went to families in the highest income decile; 28 percent of the dollars earned by wives and secondary family members went to families in the highest decile. On the other hand, 53 percent of the capital income but only 8 percent of the transfer payments went to families in the highest decile. Families in the lowest three deciles received about half of the transfer payment dollars. Income from farms and businesses was heavily concentrated, as was capital income, among the families falling in the top income decile.

Table 1-5 indicates the composition of the income received by families in each income decile. Twenty-four out of every hundred dollars received by families in the lowest decile came from wage and salary income received by working family members. Sixty-nine out of every hundred dollars came from transfer payments. This pattern is different from that exhibited by high income families. Among the top 10 percent, seventy-one out of every hundred dollars received by families in this income group were earned by the head, wife, or others, thirteen came from capital investments of one kind or another, and two were received in the form of transfer payments of one kind or another.

Income Among Population Groups

Table 1-6 documents the distribution of 1965 family income within various types of population groupings, showing what proportion of families with different ages, educations, or occupations received incomes of various levels in 1965. The median income of each population group is also shown.

There were wide variations in the incomes received by families in which the heads had differing degrees of education, (see Table 1-6, Part A). Median incomes ranged from \$2730 among families in which the heads' education was five grades or less to almost \$13,000 among families in which the head had an advanced or professional college degree. Among the latter, almost seven out of every ten families had incomes of \$10,000 or more. Either college or noncollege training past high school for the head appears to have an influence on the total family income. Among families where the head completed high school, the median income was just short of \$7300 as compared with almost \$8100 for families with the head having noncollege training and slightly over \$8300 for families in

which the head had at least some college training. Half of the families headed by someone with an advanced or professional degree had incomes greater than \$12,860.

Likewise, the differences are pronounced among the occupation groups shown in Table 1-6, Part B. Median family incomes ranged from \$2810 among families in which the head was retired to well over \$11,000 among families in which the head had a professional, technical, or managerial type of position.

That there are urban-rural differences in the distribution of family incomes is well known. Part C of Table 1-6 indicates that though each type of area contains families of varying income levels, there was some concentration of high income families in suburban areas especially those surrounding the 12 largest Standard Metropolitan Statistical Areas (SMSA). The median income ranged from \$4820 in outlying areas to \$9330 in the suburban areas surrounding the largest cities.

Part D of Table 1-6 indicates that despite some improvements in job opportunities occurring in recent years, the median family income for Negroes (\$4060) was only slightly larger than half that for whites (\$7020). Almost 40 percent of the Negro families interviewed had incomes of less than \$3000 in 1965.

Income differences between families living in various parts of the country are presented in Part E of Table 1-6. The Northeast contained the smallest proportion of low-income families and the largest proportion of high-income families, while the North Central and West were intermediate in distribution of low and high-income families. The South tended to contain a somewhat larger proportion of low-income families. Median incomes ranged from \$7680 in the Northeast to \$5560 in the South.

Part F of Table 1-6 reveals that 31 percent of the families headed by someone aged 18 to 24 received total family income of \$3000 or less. Among these families the median income was \$4300. Among families headed by someone aged 35 to 44, 5 percent had incomes under \$3000; the median income was \$8800. Among families headed by someone aged 65 or over, slightly more than half had incomes under \$3000 and the median income among these families was \$2870.

Family units vary considerably in composition. In some families with children, the youngest child is not yet in school, making the decision of the wife to return to work a difficult one. Among older families there may or may not be children at home; the head may still be working or may be retired. Moreover, not all families consist of husband and wife units. Consequently an income of \$3000 to \$5000, for example, means quite different things to different types

of families. To accommodate for such differences, the family life cycle concept was developed in the postwar period.²

While there are some high-income and some low-income units at every life cycle stage, the preponderance of high incomes was among the married units in which the head was still in the labor force. The largest fraction of low incomes was among the single units in families in which the head was retired (Part G of Table 1-6). The median income was lowest among family units in which the head of the family was 45 years of age or older, retired, and unmarried. It was highest among younger families in which the head was under 45 years of age, and married, with the youngest child 6 years of age or older.

Income Changes

Following determination of their 1965 income, survey respondents were asked to compare that income with their income in 1964. These data are presented in Table 1-7. Some 55 percent of the families interviewed reported that their income was larger in 1965. One out of every six reported that their income had gone up "a lot." These data, compared with the two previous years, indicate an increasing proportion of families reporting income gains.

Table 1-8 presents data on increases in income reported by families in various population groups. In Part A of the table, it can be seen that, as in previous years, reports of income increases were much more frequent among younger people than among older people. Part B of Table 1-8 reveals that these reports were also related to education. Income increases were most frequent among families with a college education and least frequent among those with eight grades or less of education. In Part C the frequency of income increases is tabulated by occupation. Families in which the head was employed in a professional or technical capacity reported income increases more frequently than did those in any other group, 78 percent reporting that their income was higher in 1965 than in 1964. Income increases were reported least frequently by farmers and farm managers and by retired persons. With these two exceptions, reports of income increases are up about 10 percent in all occupation groups when compared with data for the preceding year.

² See John B. Lansing and James N. Morgan. "Consumer Finances Over the Life Cycle," in *Consumer Behavior*, Lincoln Clark (ed.), Volume II, New York, New York University Press, 1955.

Reasons for Income Increases

Families reporting increases in income were asked about the reasons for these increases (Table 1-9). Fifty-five percent of those reporting income increases attributed their increased receipts to a better pay rate for the family head. Thirty percent reported that they had had more work or more business. One out of every six families gave as a reason the fact that one or more family members had entered the labor force during the previous year. Mentioned only infrequently were other reasons, such as increased contributions from outside the family due to social security increases, etc., or increased income from assets or property.

Among professional and technical workers, managers and operators, and sales people, almost three out of every four who received income increases reported better pay rates as a reason for the increase. Better pay rates were reported less frequently by blue-collar workers. On the other hand, more work was reported with a relatively increased frequency by craftsmen, operators, and laborers.

The entry of other family members into the labor force was reported as a reason for income increases by about one out of every five or six families receiving an income increase. Ten percent of the retired families reported a family member entering the labor force in 1965. As might be expected, the most frequent reason for income increases among retired persons was increased contributions from outside the family.

Expected Income Change

Consumption patterns are dependent not only upon the level of family income and upon recent changes in that level, but also upon expected continuation of income level. Family heads were asked whether they expected their 1966 income to be higher, the same, or lower than their 1965 income. Table 1-10 presents data on expectations of income change by families in various age, education, income, and occupation groups.

Forty-five percent of American families reported that they expected their 1966 income to be larger than their 1965 income. Eight percent expected income decreases.

Income increases were expected most frequently by younger heads of families (Part A, Table 1-10). Almost 70 percent of those under 25 expected a higher income in 1966 than they had in 1965. These expectations were slightly less frequent among middle-aged

family heads and were considerably less frequent among those over age 55. Expectations of increased income were reported by only one out of every six families among those 65 and over.

Part B of Table 1-10 reveals that optimism about the likelihood of income increases was most frequent among families in which the head had a college degree. The higher the education of the family head, the more likely the expectation of an income increase in 1966. Fewer than 30 percent of those with a fifth grade education or less reported that they expected their income to go up in 1966.

The expectation of income increases is more frequent among high-income families than among low-income families (Part C, Table 1-10). Almost six out of ten high-income families (\$15,000 and over) expected income increases in 1966.

In Part D of Table 1-10, data are presented on the expectations of families in various occupation groups. Almost seven out of every ten families in professional or technical occupations expected income increases during 1966. These expectations were least frequent among farmers and among retired people.

Perceived Change Relative to Others

Family heads interviewed in 1966 were asked whether they felt that their incomes were increasing at the same rate as others who were in a similar line of work. Some 23 percent felt that their pay was increasing faster than that of others (Table 1-11). More than six out of every ten felt that their income had increased about the same as others. Fifteen percent reported that their income had gone down or that it had increased less than others in a similar line of work.

The data on the evaluation of pay increases relative to those received by others are also presented for the various occupational groups. Heads of families who were in white-collar occupations were more likely than those in blue-collar occupations to believe that their income had increased more rapidly than that of their colleagues.

Working Wives

About 73 percent of all American families contain both a husband and a wife (other adult family members may or may not be present). The working wife has come to be a significant factor in the

economy. Four out of every ten wives worked at some time during 1965.³

Table 1-12 presents data on families with less than \$10,000 income and a working wife present in the family. A conclusion that the role of the working wife as an earner is a relatively minor one in the families, is suggested by the data that in about half of the cases she contributed one-fifth or less of the family income. Among high-income families, on the other hand, working wives were somewhat more likely to be major contributors to the family budget. Almost half of these working-wife families received a third or more of their income from the wife's efforts.

Although not shown in a separate table, wives under age 25 and between 35 and 44 years of age were more likely than were others to be working. Wives aged 25 to 35 and 65 or over were less likely to be working. Working wives tended to be concentrated in four occupational groups: clerical, laborer, operator, and professional. Four out of every ten working wives were in clerical or sales occupations. Twenty-three percent were in labor or service occupations. The proportion of working wives having professional or clerical occupations was highest among families in which the husband had a white-collar occupation and lowest among blue-collar families. The proportion of wives in blue-collar occupations was highest for families in which the husband had a blue-collar occupation. There was no tendency for working wives to work either all of the year or only a short time. The number of weeks worked by the wife was not related to the number of weeks worked by her husband.

Simultaneous Job Holding

The 1966 Survey of Consumer Finances also asked respondents whether, at any time during the year, they had held more than one job simultaneously. Fourteen percent of all family heads reported that there had been some time during 1965 at which they had held two jobs simultaneously. One out of every four farmers reported that in addition to farming he had performed some other type of work. Simultaneous job holding was more frequent among blue-collar workers than among white-collar workers with the exception of those in professional and technical occupations; they reported

³ The questions posed to the head were: "Did your wife do any work for money last year? What kind of work did she do?"

"moonlighting" more frequently than any other occupational group except farmers. One out of every five family heads engaged in professional and technical work reported holding two jobs simultaneously.⁴

Negro-White Income Differentials

Chart 1-2 presents a comparison of total incomes received by white and Negro families in 1956, 1961, and 1965, together with the associated means and medians. During this 10-year period the mean and median income for both whites and Negroes increased by about \$2000 to \$2500. The increases for both whites and Negroes were larger between 1961 and 1965 than during the earlier period.

Among white families there was a drop in the proportion of families receiving less than \$5000 and a considerable increase in the proportion receiving \$10,000 or more. Among Negro families the most dramatic change was in the proportion of families earning less than \$3000, which fell from over 60 percent in 1956 to about 40 percent in 1965. The proportion of Negro families earning \$7500 or more increased to over 20 percent during the 10-year period.

In 1956 the mean income for whites was about 2.3 times that for Negroes. This ratio dropped to 1.9 in 1961 and to 1.6 in 1965. Similarly the ratio of the median income of whites to the median income of Negroes was 2.5 in 1956, 2.0 in 1961, and 1.7 in 1965.

Use of either means or medians as a basis for comparison leads to the conclusion that there has been some improvement in the income of Negro families as compared with those of white families, though considerable differences remain.

⁴The percentages reported are percentages of family heads who were working at the time of the interview in early 1966.

1966 SURVEY OF CONSUMER FINANCES

CHART 1-2
TOTAL FAMILY INCOME BY RACE, 1956, 1961, 1965

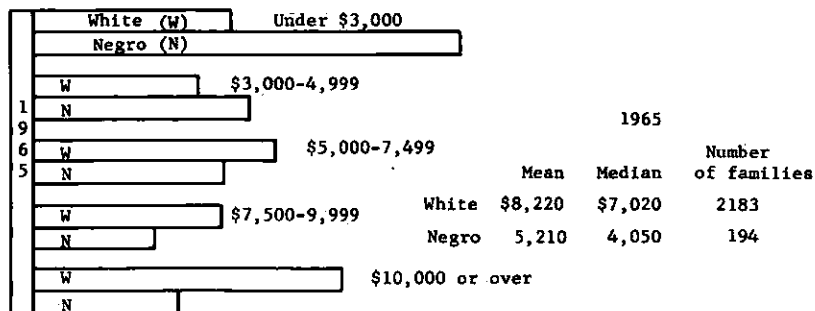
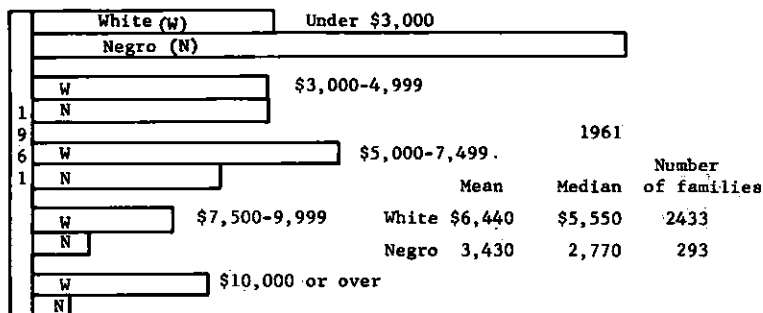
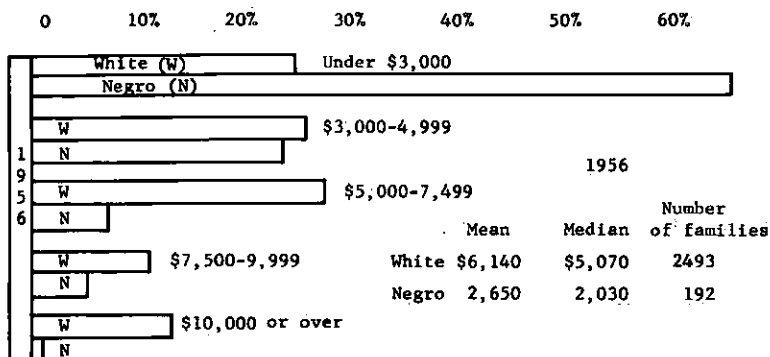


TABLE 1-1

DISTRIBUTION OF FAMILIES AND DISTRIBUTION OF TOTAL
MONEY INCOME, BY INCOME GROUPS, 1961-1965
(Percentage distribution of family units)

Income groups	Family units ^a					Share of total income				
	1961	1962	1963	1964	1965	1961	1962	1963	1964	1965
Under \$1,000	6	4	4	4	3	1	*	*	*	*
\$1,000-1,999	10	9	10	9	8	2	2	2	2	1
\$2,000-2,999	9	9	9	8	9	4	3	3	3	3
\$3,000-3,999	9	8	8	8	8	5	4	4	4	3
\$4,000-4,999	10	10	9	8	7	7	6	6	4	4
\$5,000-5,999	12	12	10	9	8	10	10	8	7	6
\$6,000-7,499	14	14	16	14	13	14	14	16	12	11
\$7,500-9,999	14	16	15	17	17	19	20	20	19	19
\$10,000-14,999	11	12	14	15	17	19	22	24	23	26
\$15,000 or more	5	6	5	8	10	19	19	17	26	27
Total	100	100	100	100	100	100	100	100	100	100
Mean family income ^b	\$6,480	6,800	6,710	7,680	7,940					
Median family income	\$5,310	5,820	5,900	6,320	6,670					

*Less than 0.5 percent.

^aFamily units include (a) single person unrelated to other occupants in the dwelling unit; (b) a person living alone; and (c) two or more people living in the same dwelling unit related by blood, marriage, or adoption.

^bMean income is obtained by dividing aggregate money income by the number of family units.

TABLE 1-2

DISTRIBUTION OF FAMILIES AND DISTRIBUTION OF DISPOSABLE
INCOME BY DISPOSABLE INCOME GROUPS, 1961-1965
(Percentage distribution of family units)

Disposable income groups ^a	Family units					Share of disposable income				
	1961	1962	1963	1964	1965	1961	1962	1963	1964	1965
Less than \$1,000	6	4	4	4	3	1	*	*	*	*
\$1,000-1,999	10	9	11	9	8	3	3	3	2	2
\$2,000-2,999	10	10	10	9	9	5	4	4	3	3
\$3,000-3,999	11	10	9	9	9	7	6	6	5	5
\$4,000-4,999	14	13	12	10	9	11	10	9	7	6
\$5,000-5,999	12	13	13	11	10	12	12	12	9	8
\$6,000-7,499	13	16	14	14	14	16	18	16	14	13
\$7,500-9,999	13	13	16	17	18	20	19	23	22	21
\$10,000-14,999	8	9	8	12	14	15	17	17	20	24
\$15,000 or more	3	3	3	5	6	10	11	10	18	18
Total	100	100	100	100	100	100	100	100	100	100

* Less than 0.5 percent.

^a Federal income taxes are estimated for each family unit and subtracted from total income to obtain disposable income.

TABLE 1-3

SHARE OF TOTAL INCOME, MEAN INCOME, AND LOWEST INCOME WITHIN
EACH INCOME DECILE, 1960, 1962, 1964, 1965
(Percentage distribution of family units)

Decile	Mean income in 1965	Share of total income				Lowest income in dollars			
		1960	1962	1964	1965	1960	1962	1964	1965
Lowest tenth	\$1,200	1	1	1	1	a	a	a	a
Second	2,440	3	3	3	3	\$1,500	1,650	1,600	1,870
Third	3,630	5	5	4	5	2,640	2,800	2,850	3,000
Fourth	4,930	7	7	6	6	3,700	4,000	4,050	4,290
Fifth	6,110	8	8	8	8	4,600	5,000	5,200	5,500
Sixth	7,310	9	9	9	9	5,540	5,820	6,320	6,670
Seventh	8,590	11	11	11	11	6,270	6,800	7,500	8,000
Eighth	10,200	13	13	13	13	7,200	8,000	8,860	9,220
Ninth	12,710	16	16	15	16	8,590	9,500	10,670	11,200
Highest tenth	22,320	27	27	30	28	11,090	12,190	13,700	14,680
Total	7,940	100	100	100	100				

^aIncludes a few cases with negative incomes.

TABLE 1-4
 SHARE OF VARIOUS TYPES OF INCOME RECEIVED
 BY FAMILIES IN EACH INCOME DECILE, 1965
 (Percentage distribution of dollars)

Decile	Wage and salary income ^a			Capital ^b income	Transfer ^c payments	Other ^d income
	Total family	Head	Wife and others			
Lowest tenth	*	*	*	1	14	*
Second	1	1	1	4	20	2
Third	4	4	3	5	17	4
Fourth	6	7	4	4	10	5
Fifth	8	8	7	5	9	5
Sixth	10	11	7	6	6	5
Seventh	12	13	11	6	6	7
Eighth	15	14	16	6	5	11
Ninth	18	17	23	10	5	15
Highest tenth	26	25	28	53	8	46
Total	100	100	100	100	100	100

* Less than 0.5 percent.

^a Includes income from a profession, trade, or odd job.

^b Includes income from rent, interest, dividends, and trust funds.

^c Includes social security, unemployment compensation, public welfare, veteran's benefits, pensions, and other transfer income.

^d Includes farm income of farmers and nonfarmers, unincorporated business, and income from roomers and boarders.

TABLE 1-5

SOURCES OF INCOME RECEIVED BY FAMILIES IN EACH INCOME DECILE, 1965
(Percentage distribution of dollars)

Decile	Total	Wage & salary income ^a				
		Total family		Capital ^b income	Transfer payments	Other ^d income
		Head	Wife and others			
Lowest tenth	100	21	3	6	69	1
Second	100	31	4	9	49	7
Third	100	50	8	7	27	8
Fourth	100	67	9	4	13	7
Fifth	100	67	13	5	9	6
Sixth	100	76	11	4	5	4
Seventh	100	72	15	3	4	6
Eighth	100	70	17	3	3	7
Ninth	100	65	21	4	2	8
Highest tenth	100	57	14	13	2	14
All families	100	63	14	7	7	9

* Less than 0.5 percent.

^a Includes income from a profession, trade, or odd job.

^b Includes income from rent, interest, dividends, and trust funds.

^c Includes social security, unemployment compensation, public welfare, veteran's benefits, pensions, and other transfer income.

^d Includes farm income of farmers and nonfarmers, unincorporated business, and income from roomers and boarders.

TABLE 1-6

TOTAL FAMILY INCOME BRACKET AND MEDIAN INCOME BY EDUCATION,
OCCUPATION, BELT, RACE, REGION, AGE, AND LIFE CYCLE
(Percentage distribution of family units)

PART A									
<u>Education^a</u>	<u>Total</u>	<u>Less than \$3,000</u>	<u>\$3,000 -4,999</u>	<u>\$5,000 -7,499</u>	<u>\$7,500 -9,999</u>	<u>\$10,000 -14,999</u>	<u>\$15,000 or more</u>	<u>Number of cases</u>	<u>Median</u>
0-5 grades	100	55	17	18	5	3	2	188	\$2,730
6-8 grades	100	30	22	22	13	9	4	520	4,760
9-11 grades, some high school plus noncollege	100	17	17	23	21	16	6	423	6,760
12 grades, completed high school	100	10	16	26	21	20	7	381	7,270
Completed high school plus other noncollege	100	5	11	29	23	23	9	257	8,060
College, no degree	100	14	13	16	22	21	14	334	8,310
College, bachelor's degree	100	10	9	18	11	28	24	175	10,200
College, advanced or professional degree	100	5	8	8	12	29	38	119	12,860

^a A few cases in which education was not ascertained are omitted.

TABLE 1-6 (Continued)

TOTAL FAMILY INCOME BRACKET AND MEDIAN INCOME BY EDUCATION,
OCCUPATION, BELT, RACE, REGION, AGE, AND LIFE CYCLE
(Percentage distribution of family units)

PART B									
<u>Occupation</u>	<u>Total</u>	<u>Less than \$3,000</u>	<u>\$3,000 -4,999</u>	<u>\$5,000 -7,499</u>	<u>\$7,500 -9,999</u>	<u>\$10,000 -14,999</u>	<u>\$15,000 or more</u>	<u>Number of cases</u>	<u>Median</u>
Professional, technical	100	2	8	16	16	34	24	258	\$11,200
Managers, officials	100	2	4	14	20	33	27	144	11,770
Self-employed businessmen, artisans	100	5	9	14	19	24	29	169	10,500
Clerical, sales	100	5	13	30	21	23	8	230	7,630
Craftsmen, foremen	100	2	6	32	31	23	6	338	8,110
Operatives	100	8	20	29	24	16	3	339	6,970
Laborers, service workers	100	27	26	24	14	7	2	234	4,750
Farmers	100	24	34	26	7	2	7	74	4,500
Miscellaneous groups	100	40	29	14	10	5	2	141	3,540
Retired	100	54	18	13	6	5	4	492	2,810

TABLE 1-6 (Continued)
 TOTAL FAMILY INCOME BRACKET AND MEDIAN INCOME BY EDUCATION,
 OCCUPATION, BELT, RACE, REGION, AGE AND LIFE CYCLE
 (Percentage distribution of family units)

PART C									
<u>Belt</u>	<u>Total</u>	<u>Less than \$3,000</u>	<u>\$3,000 -4,999</u>	<u>\$5,000 -7,499</u>	<u>\$7,500 -9,999</u>	<u>\$10,000 -14,999</u>	<u>\$15,000 or more</u>	<u>Number of cases</u>	<u>Median</u>
<u>Central cities</u>									
of 12 largest SMSA's	100	19	14	20	18	20	9	324	\$7,130
of other SMSA's	100	18	17	23	16	18	8	401	6,670
<u>Suburban areas</u>									
of 12 largest SMSA's	100	10	12	17	15	29	17	371	9,330
of other SMSA's	100	12	10	22	21	20	15	355	7,920
Adjacent areas	100	20	18	28	17	11	6	447	5,880
Outlying areas	100	31	20	19	16	9	5	521	4,820
PART D									
<u>Race^a</u>									
White	100	18	15	22	17	18	10	2183	7,020
Negro	100	39	20	17	11	12	1	194	4,060
Puerto Rican, Mexican, Cuban, other South American	100	26	36	19	16	*	3	31	4,330
PART E									
<u>Region</u>									
Northeast	100	12	15	21	17	22	13	569	7,680
North Central	100	18	13	21	18	19	11	709	7,310
South	100	27	18	22	15	12	6	708	5,560
West	100	19	16	23	18	16	8	433	6,730

* No cases recorded.

^a"Oriental" and "other" categories are omitted, N for both = 11.

TABLE 1-6 (Continued)
TOTAL FAMILY INCOME BRACKET AND MEDIAN INCOME BY EDUCATION,
OCCUPATION, BELT, RACE, REGION, AGE AND LIFE CYCLE
(Percentage distribution of family units)

PART F									
Age of head	Total	Less than \$3,000	\$3,000 -4,999	\$5,000- 7,499	\$7,500 -9,999	\$10,000 -14,999	\$15,000 or more	Number of cases	Median
Under age 25	100	31	32	23	7	5	2	168	\$4,300
25-34	100	8	13	31	25	18	5	437	7,390
35-44	100	5	12	20	26	24	13	463	8,800
45-54	100	8	12	22	18	23	17	481	8,590
55-64	100	20	18	20	14	18	10	423	6,360
65 or older	100	53	18	14	5	5	5	447	2,870
PART G									
Life cycle									
Under age 45									
Unmarried, no children	100	36	24	23	6	8	3	133	3,950
Married, no children	100	6	19	20	23	24	8	134	7,990
Married, youngest child under age 6	100	6	14	29	27	18	6	484	7,580
Married, youngest child age 6 or over	100	2	5	20	28	29	16	242	9,530
Age 45 or older									
Married, has children	100	7	11	18	19	27	18	326	9,440
Married, no children, head in labor force	100	6	11	24	21	21	17	336	8,680
Married, no children, head retired	100	38	24	19	6	7	6	234	3,710
Unmarried, no children, head in labor force	100	28	27	20	8	11	6	171	4,650
Unmarried, no children, head retired	100	71	13	10	2	3	1	230	1,940
Any age									
Unmarried, has children	100	31	27	23	8	8	3	129	4,030
All families	100	20	15	21	17	17	10	2419	6,670

TABLE 1-7

PERCEIVED INCOME CHANGE, 1963-1965
(Percentage distribution of family units)

<u>Family income</u>	<u>Change in family income</u>		
	<u>1963 vs. 1962</u>	<u>1964 vs. 1963</u>	<u>1965 vs. 1964</u>
Went up:			
A lot	40	15	16
A little		32	39
Stayed about the same	43	36	28
Went down	17	17	17
Total	100	100	100
Number of families	1540	3563	2419

TABLE 1-8.

INCOME CHANGE BY AGE, EDUCATION, AND OCCUPATION
(Percentage distribution of family units)

	<u>Total</u>	<u>Number of families</u>	<u>Direction of income change</u>		
			<u>Up</u>	<u>Same</u>	<u>Down</u>
All families	100	2419	55	28	17
PART A					
<u>Age</u>					
Under age 25	100	168	78	12	10
25-34	100	437	68	15	17
35-44	100	463	63	21	16
45-54	100	481	58	24	18
55-64	100	423	47	33	20
65 or older	100	447	30	57	13
PART B					
<u>Education</u>					
0-5 grades	100	188	27	56	17
6-8 grades	100	520	43	40	17
9-11 grades	100	423	53	28	19
High school	100	381	59	25	16
High school plus other noncollege	100	257	67	16	17
College, no degree	100	334	65	19	16
College, bachelors degree	100	175	71	17	12
College, advanced or professional degree	100	119	69	22	9

TABLE 1-8 (Continued)

INCOME CHANGE BY AGE, EDUCATION, AND OCCUPATION

(Percentage distribution of family units)

PART C		Direction of income change			
<u>Occupation^a</u>	<u>Total</u>	<u>Number of families</u>	<u>Up</u>	<u>Same</u>	<u>Down</u>
Professional, technical	100	258	78	12	10
Managers, officials	100	144	72	17	11
Self-employed businessmen, artisans	100	169	50	31	19
Clerical, sales	100	230	66	17	17
Craftsmen, foremen	100	338	68	16	16
Operatives	100	339	64	21	15
Laborers, service workers	100	234	50	30	20
Farmers, farm managers	100	74	34	40	26
Miscellaneous	100	141	55	27	18
Retired	100	492	27	57	16

^a Unemployed classified according to job when working.

TABLE 1-9

REASONS GIVEN FOR INCREASING INCOME FROM 1964 to 1965, BY OCCUPATION^a
 (Percentage distribution of families reporting income increases)

Reasons for income ^c increases	All family units	Pro- fessional, technical	Managers, Self- officials employed	Clerical, Sales	Crafts- men, foremen	Opera- tives	Laborers, service workers	Farmers ^b	Miscel- laneous ^b	Unem- ployed ^b	Retired ^b
Better pay rate	55	70	77	16	73	62	67	53			
More work, more business or income	30	23	9	75	23	38	32	29			
Other family unit members entered labor force	16	18	17	13	16	15	19	23			
Increased income from assets or property	3	4	5	4	3	1	*	1			
Increased contri- butions from out- side family unit	9	1	2	*	1	1	2	3			
Other	3	2	3	4	1	3	2	6			
Percent receiving an increase	55	77	73	51	66	70	65	52	34	53	29
Number of families	2419	257	140	166	224	315	328	209	74	141	73
											26
											492

* No cases reported.

^a Unemployed separate.

^b The number of farmers, miscellaneous occupations, unemployed workers, and retired people reporting increases in the sample was too small to permit tabulation of the reasons; however, they are included in the "All families" column.

^c Adds to more than 100 percent because some respondents mentioned several reasons.

TABLE 1-10

EXPECTED INCOME CHANGE BY AGE, EDUCATION, INCOME, AND OCCUPATION
(Percentage distribution of family units)

<u>Group characteristic</u>	<u>Total</u>	<u>Number of families</u>	<u>Expected level of 1966 income compared to 1965 income</u>		
			<u>Higher</u>	<u>Same</u>	<u>Lower</u>
All families	100	2419	45	47	8
PART A					
<u>Age of family head</u>					
Under age 25	100	168	68	23	9
25-34	100	437	65	28	7
35-44	100	463	53	42	5
45-54	100	481	50	41	9
55-64	100	423	33	57	10
65 or older	100	447	16	74	10
PART B					
<u>Education of head^a</u>					
0-5 grades	100	188	27	66	7
6-8 grades	100	520	31	60	9
9-11 grades plus noncollege	100	423	43	50	7
High school	100	381	46	47	7
High school plus noncollege	100	257	55	35	10
College, no degree	100	334	57	34	9
College, B.A. degree	100	175	61	31	8
College, advanced degree	100	119	62	30	8

^a A few cases in which education was not ascertained were omitted.

TABLE 1-10 (Continued)
 EXPECTED INCOME CHANGE BY AGE, EDUCATION, INCOME, AND OCCUPATION
 (Percentage distribution of family units)

<u>Group characteristic</u>		<u>Number of families</u>	<u>Expected level of 1966 income compared to 1965 income</u>		
<u>PART C</u>			<u>Higher</u>	<u>Same</u>	<u>Lower</u>
<u>Total family income</u>	<u>Total</u>				
Less than \$1,000	100	70	36	53	11
\$1,000-1,999	100	193	19	74	7
\$2,000-2,999	100	205	31	60	9
\$3,000-3,999	100	197	32	59	9
\$4,000-4,999	100	180	44	53	3
\$5,000-5,999	100	197	48	43	9
\$6,000-7,499	100	322	52	41	7
\$7,500-9,999	100	412	54	38	8
\$10,000-14,999	100	413	49	41	10
\$15,000 or more	100	230	58	33	9
<u>PART D</u>					
<u>Occupation^a</u>					
Professional, technical	100	258	69	25	6
Managers, officials	100	144	60	34	6
Self-employed businessmen	100	169	47	49	4
Clerical, sales	100	230	54	38	8
Craftsmen, foremen	100	338	51	40	9
Operatives	100	339	55	38	7
Laborers, service workers	100	234	42	51	7
Farmers, farm managers	100	74	32	61	7
Miscellaneous	100	141	43	40	17
Retired	100	492	16	73	11

^aUnemployed classified according to job when working.

TABLE 1-11

PERCEIVED RATE OF PAY INCREASE RELATIVE TO OTHERS BY OCCUPATION
(Percentage distribution of working family heads)^a

<u>Pay increase relative to others^b</u>	<u>All family units^c</u>	<u>Pro- fessional, technical</u>	<u>Managers, officials</u>	<u>Self- employed</u>	<u>Clerical, sales</u>	<u>Crafts- men, foremen</u>	<u>Opera- tives</u>	<u>Laborers, service workers</u>	<u>Farmers</u>	<u>Unem- ployed</u>
Pay increased more than others	23	30	36	27	26	22	18	14	14	11
Same as others	62	54	57	54	57	62	71	69	68	64
Pay increased less than others or went down	15	16	7	19	17	16	11	17	18	25
Total	100	100	100	100	100	100	100	100	100	100
Number of family units	1590	232	123	136	187	282	294	175	66	52

^aExcludes family unit heads not in the labor force or who were "not ascertained" or "don't know" on relative pay increases.

^bThe question was: "Comparing yourself with people who are in a similar line of work, would you say that during the last few years your income has increased in the same way as theirs, or did it increase less than theirs?"

^cThe totals include 17 family heads who are classified as "retired", but who are working and 26 family heads in miscellaneous occupations not otherwise classifiable.

TABLE 1-12

PROPORTION OF TOTAL FAMILY INCOME RECEIVED BY WIVES
(Percentage distribution of husband-wife family units)

<u>Proportion of family unit income received by wife^a</u>	<u>All husband-wife family units</u>	<u>All</u>	<u>Wife works</u>		<u>Wife does not work</u>
			<u>Total family unit income less than \$10,000</u>	<u>Total family unit income \$10,000 or more</u>	
None	52	2	1	3	89
1 - 9	10	21	25	14	3
10 - 19	10	18	20	15	3
20 - 29	9	19	17	23	2
30 - 49	15	32	26	40	2
50 or more	4	8	11	5	1
Total	100	100	100	100	100
Number of family units	1,754	739	440	299	1,015

^aIncome received by wife can include money from self-employment, farm, interest, and dividends.

TABLE 1-13

OCCUPATION BY RACE
(Percentage distribution of family units)

<u>Occupation^b</u>	<u>All families^a</u>	<u>1966</u>	
		<u>White</u>	<u>Negro</u>
Professional, technical	11	11	7
Managers, officials	6	6	1
Self-employed businessmen	7	8	1
Clerical, sales	9	10	6
Craftsmen, foremen	14	15	6
Operatives	14	13	21
Laborers, service workers	10	7	35
Farmers, farm managers	3	3	1
Miscellaneous	6	6	6
Retired	20	21	16
Total	100	100	100
Number of cases	2419	2183	194

^a"Oriental, Puerto Rican," included in all families, but not in detail.

^bUnemployed classified according to job when working.

2

INSTALLMENT DEBT

IN each of the years 1963, 1964, and 1965, total outstanding installment debt increased by more than 10 percent. According to the compilations by the Federal Reserve Board, the amount of debt extended in 1965 was 75-1/2 billion dollars and the amount of debt repaid 67-1/2 billion dollars. Outstanding debt rose by 8 billion to 68-1/2 billion dollars. The increase was substantial not only for automobile debt but also for debt on other consumer goods and debt arising from personal loans.

Data from the Surveys of Consumer Finances show that an increase in the number of debtors, a factor which greatly contributed to the increase in total debt in 1964, was of relatively small significance in 1965; the number of American family units grew by slightly more than 1 percent and the proportion of family units owing debt rose negligibly. (The data, subject to sampling and reporting errors, indicate that early in 1966 49.3 percent and early in 1965 48.8 percent of the nearly 60 million American family units owed installment debt.)

The amount of debt owed per family continued to increase. The best available statistic is the median amount of debt (arrived at by ranking all family units with debt and determining the middle-most unit). It was \$850 early in 1966, as compared with \$780 early in 1965. The mean amount of debt rose from \$1090 early in 1965 to \$1230 early in 1966. These survey figures represent underestimations, but the bias consisting of failure to report certain kinds of debt appears to be fairly constant, so that some reliance can be placed on the difference between measured amounts of debt in two consecutive years.¹ The increase in debt in 1965 did not greatly

¹The difference between aggregate statistics on total debt and survey data results both from underreporting in the surveys and the inclusion of dealers' debt in the aggregate statistics.

exceed the increase in personal incomes. The ratio of aggregate debt repayments to disposable personal income, which had moved up to 14 percent by 1964, reached only 14-1/2 percent early in 1966.

The major new finding of the 1966 Survey of Consumer Finances is that families with relatively high income incurred substantial amounts of installment debt in 1965. It will be shown in this volume that early in 1965 the proportion of families with debt was highest in the income groups from \$5000 to \$15,000, and substantially lower among those with incomes of \$15,000 or more. At that time only 32 percent of families with \$15,000 or more in income owed debt and only 11 percent of the members of that income group owed debt exceeding \$2000. However, early in 1966, 47 percent of this top income group owed debt and 19 percent owed debt exceeding \$2000. No doubt, families with very high incomes continue to abstain from incurring installment debt. (No statistics are presented for such families because the survey data relating to families with more than \$25,000 or \$30,000 income are based on a very small number of cases and are unreliable.) Yet the upper income boundary of families who make use of installment credit moved up during the last year. Thus, the major explanation for the increase in installment debt in 1965 appears to be a change in behavior on the part of the people who can best afford to repay their debt.

Incidence of Debt

In Table 2-1 certain summary measures are presented for the years 1964, 1965, and 1966. The upper part of the table shows the changes in the incidence of installment debt during the 3-year period. The proportion of family units with relatively large amounts of debt increased greatly from 1964 to 1966. This, however, was not the case when the ratio of annual debt payments to disposable income is tabulated. About 10 percent of all family units made debt payments exceeding 20 percent of their disposable income in each of the last three years.

In Table 2-2 the distribution of income among American family units presented in Chapter 1 is compared with the distribution of income of those with and those without installment debt. Thirty percent of all debtors had an income exceeding \$10,000 early in 1966 as against 20 percent early in 1964. The proportion of all family units falling in these income groups likewise rose substantially. On the average, families with debt have a much higher income than those without debt.

Installment debt outstanding in the various income, age, and life cycle groups is shown in Table 2-3. The proportion of debtors was higher in 1965 than in 1966 among those with less than \$3000 income. It was higher in 1966 than in 1965 among those with more than \$10,000 income and especially among those with more than \$15,000 income. This increase in the top income group is particularly striking since the proportion owing debt exceeding \$2000 also has risen.

As in the previous years, the use of installment credit was most frequent among young families and infrequent among older units. Younger families (head under 45 years of age) with children are the most frequent debtors.

Table 2-4 examines group differences in the ratio of annual debt payments to disposable income. The differences between most population groups in 1965 and 1966 were small. They were largest in those life cycle groups which are based on a small number of cases and therefore may not be entirely reliable (e.g., "single, children," a group which consists primarily of widows or widowers and single divorced people with children).

The sizes of the monthly debt payments are shown in Table 2-5. From 1965 to 1966 there was some increase in the proportion of families that made debt payments exceeding \$100 per month. These families are most frequent in the top income groups.

While the first five tables deal with the total amount of installment debt outstanding, Table 2-6 shows debt separately on automobiles, other durables, additions and repairs, and debt resulting from personal loans. The differences in the incidence of the four types of debt among income, age, and life cycle groups are relatively small. Families with an annual income of more than \$15,000 owed debt primarily on automobiles.

Table 2-7 relates installment debt, and the ratio of installment debt payments to income, to financial expectations. Among families who expressed the opinion that their financial situation would improve during the next 12 months, 63 percent were found to owe installment debt. Among families who did not express such an optimistic view, the proportion was close to 40 percent. It appears, therefore, as has been shown repeatedly in previous years, that optimism regarding personal financial trends is closely related to borrowing (and also to purchasing automobiles and other durable goods.) Some optimistic families devote a fairly large proportion of their income to debt payments, possibly basing their payments on expected rather than actual income.

Incurrence of Installment Debt in 1965

In the 1966 Survey of Consumer Finances, inquiry was made about the time of debt incurrence. In this volume, for the first time, debt outstanding at the beginning of the year can be related to debt incurred either during the previous calendar year or to years prior to that. (Debt incurred is viewed as a part of debt outstanding at the time of the interview; no information is therefore available on debt incurred in 1965 if it was repaid in the same year.) It can be seen from Table 2-8 that of the 49 percent of family units who owed debt early in 1966, 10 percent made payments on debt incurred in 1964 or earlier and 25 percent made payments on debt they had incurred in 1965. In addition, 14 percent of all family units made payments on debts incurred in both time periods. The majority of debtors do not incur new installment debt when they owe money, but there is a significant minority who do.

Detailed data on the characteristics of families who incurred debt in 1965 and on those who incurred debt earlier are presented in Table 2-9. (In both cases only those families who still owed debt early in 1966 are taken into account.) In addition, the table presents the mean amounts of debt owed early in 1966 and incurred in the two periods.

The higher the income, the larger is the average amount of debt outstanding. College-educated people and people who received substantial income increases likewise owe above-average amounts of debt, probably due to the relatively high incomes of these groups. However, income differences do not explain the findings that the proportion of debtors among Negroes and among those who *expect* income increases are much higher than the average proportion of debtors.

Both in the 1965 and the 1966 surveys, respondents were asked whether they made their payments on installment debt as scheduled, whether they got behind in their payments, or whether their payments were larger or more frequent than scheduled. As shown in Table 2-10, getting behind in payments was most frequent among low-income groups. Making accelerated debt repayments was much more frequent than getting behind in payments in all groups. The proportion who accelerated debt repayments was somewhat higher in 1965 than in 1964.

In Table 2-11, data are presented on a relationship which has been explored repeatedly in the past. It appears from the table that among those who had installment debt, a much larger proportion planned to buy automobiles and other durable goods than among those who were free of debt. Purchasing intentions were most

frequent among those who owed relatively small amounts. Clearly, the fact that a family owes debt does not stimulate the family to purchase automobiles and other durable goods. The relationship shown in Table 2-11 is to be explained by the fact that the people who incur debt are those who need and desire durable goods. Nevertheless, the data in the table indicate that debt, especially in small amounts, does not restrict buying plans. This may be explained partly by the fact that many people intend to proceed with further durable goods purchases immediately after their outstanding debt has been repaid.

Length of the Debt Commitment

The concept of "debt burden" is thought of mainly in terms of the proportion of income that must be paid out over a period of time to meet any obligations that have been incurred. A second aspect of the "debt burden" also has an important effect on consumer behavior: the length of the debt commitment.

Family units paying out a high proportion of their incomes in the form of debt payments do not tend to be committed to lengthy debt contracts (Table 2-12). While relatively large debt payments are most frequent among family units whose incomes are below \$7500 (as shown in Table 2-4), long debt commitments are most common among families with incomes above this level (Table 2-13).

Young married couples and single units have the largest burden on income from debt payments, and long-term commitments are also concentrated among the young married families. Single units, however, are less likely to be committed far into the future (Table 2-14).

Finally, Table 2-15 examines the relation of the length of the debt commitment to making the payments exactly as scheduled. As was shown in Table 2-10, families paying out large parts of their income in the form of debt payments fell behind much more frequently than the others. The length of the debt commitment, however, had no apparent effect on the family's ability to make payments as scheduled.

TABLE 2-1

TRENDS IN INSTALLMENT DEBT, 1964, 1965, 1966
(Percentage distribution of families)

<u>Debt characteristic</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
<u>Amount of installment debt outstanding</u>			
None	53	51	51
\$1 - 199	10	10	8
\$200 - 499	10	9	9
\$500 - 999	9	9	10
\$1000 - 1999	12	12	12
\$2000 or more	6	9	10
Total	100	100	100
Median debt ^a	\$655	\$780	\$850
<u>Ratio of annual installment debt payment to previous year's disposable income</u>			
None	53	51	51
.1 - 4 percent	8	8	7
5 - 9 percent	11	11	13
10 - 19 percent	16	17	18
20 - 39 percent	8	9	8
40 percent or more ^b	2	1	1
Not ascertained	2	3	2
Total	100	100	100
<u>Proportion of families with specific type of installment debt</u>			
Automobiles	26	28	28
Other durables	20	20	19
Additions and repairs	5	5	6
Other (primarily personal loans)	22	23	23

^a Interpolated median for those with debt.

^b Includes families with zero or negative disposable income.

TABLE 2-2

DISTRIBUTION OF FAMILY INCOME AMONG THOSE WITH INSTALLMENT
DEBT AND THOSE WITHOUT INSTALLMENT DEBT

(Percentage distribution of families)

Annual family income	All family units			Have installment debt			Have no installment debt		
	1963	1964	1965	Early 1964	Early 1965	Early 1966	Early 1964	Early 1965	Early 1966
Less than \$3000	23	21	19	13	12	9	33	30	29
\$3000 - 4999	17	16	16	16	14	14	17	18	17
\$6000 - 7499	26	24	21	32	29	26	20	18	17
\$7500 - 9999	15	16	17	19	22	21	12	11	14
\$10,000-14,999	14	15	17	16	18	21	12	13	13
\$15,000 or more	5	8	10	4	5	9	6	10	10
Total	100	100	100	100	100	100	100	100	100
Median income	5900	6430	6780	6650	7000	7560	5000	5250	5520

TABLE 2-3

AMOUNT OF INSTALLMENT DEBT OUTSTANDING WITHIN
INCOME, AGE, AND LIFE CYCLE GROUPS

(Percentage distribution of families)

Group characteristic	Amount of installment debt								
	N	Any debt	Early 1966					Early 1965	
			\$1-199	\$200-499	\$500-999	\$1000-1999	\$2000 or more	Any debt	\$2000 or more
All families	2419	49	8	9	10	12	10	49	9
Total family income									
Less than \$3000	468	23	10	6	5	1	1	28	*
\$3000 - 4999	377	45	11	12	11	7	4	43	5
\$5000 - 7499	519	61	9	10	15	15	12	60	9
\$7500 - 9999	412	59	8	12	11	17	11	66	16
\$10,000 - 14,999	413	61	5	9	12	19	16	57	15
\$15,000 or more	230	47	3	5	8	12	19	32	11
Age of family head									
18 - 24	168	58	10	10	11	10	17	69	10
25 - 34	437	74	11	13	16	19	15	69	13
35 - 44	463	66	9	11	15	17	14	60	11
45 - 54	481	53	8	10	11	14	10	51	12
55 - 64	423	37	8	8	9	7	5	38	5
65 or older	447	12	4	3	2	2	1	12	1
Stage in family life cycle ^a									
Under age 45									
Single, no children	133	45	6	13	9	7	10	37	7
Married, no children	134	67	7	11	13	16	21	68	20
Married, children									
Youngest under age 6	484	75	8	13	18	19	14	73	12
Youngest age 6 or older	242	70	11	10	14	19	19	65	11
Age 45 or older									
Married, children	326	56	9	10	12	15	10	58	15
Married, no children									
Head in labor force	336	43	5	8	10	11	9	38	7
Head retired	234	17	6	3	4	3	1	15	*
Single, no children									
Head in labor force	171	27	8	6	6	5	2	33	3
Head retired	230	10	4	3	1	1	1	6	1
Any age									
Single, children	129	55	17	13	6	14	5	58	3

* Less than 0.5 percent.

^aNo children means no children under 18 years of age living at home.

TABLE 2-4

RATIO OF ANNUAL INSTALLMENT DEBT PAYMENT RATE TO PREVIOUS YEAR'S
DISPOSABLE INCOME WITHIN INCOME, AGE, AND LIFE CYCLE GROUPS
(Percentage distribution of families)

Group characteristic	Ratio of annual installment debt payment rate to previous year's disposable income, in percent							
	Early 1966						Early 1965	
	No debt	Under 5	5- 9	10- 19	20- 39	49 or more ^b	N.A.	20 or more
All families	51	7	13	18	8	1	2	10
Total family income								
Less than \$3000	77	2	5	6	6	3	1	12
\$3000 - 4999	55	6	9	13	14	2	1	16
\$5000 - 7499	39	9	12	26	12	*	2	12
\$7500 - 9999	41	11	14	26	5	*	3	9
\$10,000 - 14,999	40	7	23	24	3	*	3	5
\$15,000 or more	53	9	18	17	2	*	1	1
Age of family head								
18 - 24	42	4	10	20	19	4	1	21
25 - 34	26	11	17	31	13	*	2	17
35 - 44	34	11	19	25	8	1	2	13
45 - 54	47	8	17	19	6	1	2	7
55 - 64	63	6	10	13	5	1	2	6
65 or older	88	2	3	4	2	1	*	3
Stage in family life cycle ^a								
Under age 45								
Single, no children	55	1	9	18	13	2	2	15
Married, no children	33	10	15	22	15	2	3	27
Married, children								
Youngest under age 6	25	12	19	29	12	1	2	14
Youngest age 6 or older	30	10	17	32	7	2	2	11
Age 45 or older								
Married, children	44	10	16	20	5	1	4	9
Married, no children								
Head in labor force	56	6	13	17	5	1	2	4
Head retired	83	2	3	5	5	1	1	3
Single, no children								
Head in labor force	73	3	10	7	5	1	1	5
Head retired	90	2	3	3	2	*	*	3
Any age								
Single, children	46	8	19	17	8	2	*	17

* Less than 0.5 percent.

^a No children means no children under 18 years of age living at home.

^b Includes cases of zero or negative income.

TABLE 2-5

MONTHLY INSTALLMENT DEBT PAYMENTS WITHIN INCOME,
AGE, AND LIFE CYCLE GROUPS

(Percentage distribution of families)

Group characteristic	Amount of monthly debt payments							
	Early 1966							Early 1965
	None	\$1- 24	\$25 -49	\$50 -74	\$75 -99	\$100 and over	N.A.	\$100 and over
All families, early 1966	51	8	10	10	7	12	2	9
All families, early 1965	51	11	9	9	8	9	3	—
Total family income								
Less than \$3000	77	10	7	3	*	1	2	*
\$3000 - 4999	55	13	12	9	5	5	1	6
\$5000 - 7499	39	10	12	15	10	12	2	8
\$7500 - 9999	41	7	12	13	11	13	3	17
\$10,000 - 14,999	40	4	7	13	11	22	3	18
\$15,000 or more	53	2	5	7	6	26	1	11
Age of family head								
18 - 24	42	10	7	17	6	17	1	10
25 - 34	26	11	14	16	12	19	2	18
35 - 44	34	11	10	14	13	16	2	13
45 - 54	47	8	11	9	8	15	2	10
55 - 64	63	8	9	8	4	6	2	4
65 or older	88	4	4	2	1	1	*	1
Stage in family life cycle ^a								
Under age 45								
Single, no children	55	6	8	13	5	11	2	8
Married, no children	33	11	8	15	11	19	3	18
Married, children								
Youngest under age 6	25	12	15	18	11	17	2	16
Youngest age 6 or older	30	8	10	13	15	22	2	16
Age 45 or older								
Married, children	44	8	12	9	8	15	4	12
Married, no children								
Head in labor force	57	6	8	11	7	10	1	5
Head retired	83	3	7	3	1	2	1	*
Single, no children								
Head in labor force	73	8	9	4	3	2	1	3
Head retired	90	5	3	1	1	*	*	1
Any age								
Single, children	46	21	9	7	7	10	*	4

* Less than 0.5 percent.

^a No children means no children under 18 years of age living at home.

TABLE 2-6

INSTALLMENT DEBT ON AUTOMOBILES, ADDITIONS AND REPAIRS, HOUSEHOLD DURABLES AND OTHER; WITHIN INCOME, AGE, AND LIFE CYCLE GROUPS

(Percentage of families in each group)

Group characteristic	Proportion of families with specific type of debt				
	Early 1966				Early 1965
	Automobiles	Other durables	Additions and repairs	Other	Automobiles
All families	28	19	6	23	28
Total family income					
Less than \$3000	6	10	2	11	8
\$3000 - 4999	20	20	4	23	21
\$5000 - 7499	37	25	6	30	36
\$7500 - 9999	33	23	8	29	40
\$10,000 - 14,999	43	20	9	25	38
\$15,000 or more	33	11	10	16	24
Age of family head					
18 - 24	37	27	3	33	36
25 - 34	45	33	7	40	44
35 - 44	38	28	9	30	33
45 - 54	31	16	10	22	31
55 - 64	20	12	6	14	20
65 or older	4	3	2	4	5
Stage in family life cycle ^a					
Under age 45					
Single, no children	21	18	1	26	23
Married, no children	44	31	3	32	38
Married, children					
Youngest under age 6	45	35	9	38	43
Youngest age 6 or older	44	26	10	34	40
Age 45 or older					
Married, children	32	17	13	22	35
Married, no children					
Head in labor force	28	10	6	17	24
Head retired	6	6	3	8	4
Single, no children					
Head in labor force	12	10	4	8	14
Head retired	4	3	*	4	4
Any age					
Single, children	24	22	3	29	21

* Less than 0.5 percent.

^a No children means no children under 18 years of age living at home.

TABLE 2-7

RATIO OF ANNUAL INSTALLMENT DEBT PAYMENTS TO DISPOSABLE INCOME
RELATED TO EXPECTED CHANGE IN FINANCIAL SITUATION

(Percentage distribution of families)

	Whether will be better or worse off financially ^a			
	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Uncertain</u>
No installment debt	37	59	59	63
Have debt	63	41	41	37
<u>Ratio of annual payment to disposable income</u>				
.1 to 4 percent	7	7	8	5
5 to 9 percent	16	12	9	11
10 to 14 percent	16	9	10	7
15 to 19 percent	11	5	5	5
20 to 39 percent	10	6	7	4
40 percent or more	1	*	1	2
Not ascertained	2	2	1	3
Total	100	100	100	100

* Less than 0.5 percent.

^a The question was: "Now looking ahead, do you think a year from now you people will be better off financially, or worse off, or just about the same?"

TABLE 2-8

INSTALLMENT DEBT OWED EARLY IN 1966, BY TIME OF INCURRENCE
(Percentage distribution of families)

Debt incurred prior to 1965 ^a	Debt incurred in 1965 ^a						All
	None	Less than \$200	\$200 -499	\$500 -999	\$1000 -1999	\$2000 or more	
None	51	5	5	5	5	5	76
Less than \$200	2	1	1	*	1	*	5
\$200 - 499	2	1	1	*	1	1	6
\$500 - 999	3	1	1	1	*	*	6
\$1000 - 1999	2	1	1	1	*	*	5
\$2000 or more	1	*	*	*	*	1	2
All families	61	9	9	7	7	7	100

Summary - Distribution of families with installment debt early in 1966:

Incurred debt before 1965 but not in 1965	10 percent
Incurred debt in 1965 but not before 1965	25 percent
Incurred debt before 1965 and also in 1965	14 percent
Families with debt early in 1966	49 percent

* Less than 0.5 percent.

^a And still outstanding in 1966.

TABLE 2-9

MEANS AND DISTRIBUTIONS OF INSTALLMENT DEBT OWED BY TIME OF INCURRENCE
(Percentage distribution of families)

	Debt incurred prior to 1965 ^a		Debt incurred in 1965 ^a		Total installment debt, early 1966 ^a	
	Percent with debt	Mean ^b	Percent with debt	Mean ^b	Percent with debt	Mean ^b
All families 1966	25	\$860	39	\$1030	49.3	\$1230
All families 1965	*	*	*	*	48.8	1090
<u>Total family income</u>						
Less than \$3000	8	310	18	390	23	430
\$3000 - 4999	22	640	35	700	45	850
\$5000 - 7499	30	940	49	960	61	1230
\$7500 - 9999	31	890	46	970	59	1220
\$10,000 - 14,999	32	940	47	1270	61	1470
\$15,000 or more	26	1120	36	1960	47	2120
<u>Race</u>						
White	24	880	37	1050	48	1250
Negro	28	740	53	920	61	1130
<u>Education</u>						
High school or less	24	830	39	970	49	1160
College degree	24	1050	35	1280	46	1530

* Not ascertained.

^a And had debt early in 1966.

^b Mean for those families with debt, rounded to the nearest \$10.

TABLE 2-9 (Continued)
 MEANS AND DISTRIBUTIONS OF INSTALLMENT DEBT OWED, BY TIME OF INCURRENCE
 (Percentage distribution of families)

	Debt incurred prior to 1965 ^a		Debt incurred in 1965 ^a		Total installment debt, early 1966 ^a	
	Percent with debt	Mean ^b	Percent with debt	Mean ^b	Percent with debt	Mean ^b
<u>Past income changes</u>						
1965 a lot higher	35	\$990	50	\$1200	63	\$1500
1965 a little higher	29	820	42	1060	55	1230
1965 the same	14	800	28	790	34	980
1965 a little lower	19	880	39	1060	49	1210
1965 a lot lower	27	750	40	1000	50	1220
<u>Future income change</u>						
1966 higher	31	860	50	1080	62	1300
1966 the same	19	840	30	910	39	1100
1966 lower	21	860	28	1090	40	1230

^aAnd had debt early in 1966.

^bMean for those families with debt, rounded to the nearest \$10.

TABLE 2-10

FREQUENCY OF ACCELERATED OR DELAYED PAYMENTS
ON INSTALLMENT DEBT

(Percentage distribution of families with installment debt)

Group characteristic	Debt payments in 1965 ^a				1964
	Faster or larger	Slower or smaller	As scheduled ^b	Not ascertained	Faster or larger
All families with installment debt	16	9	71	4	13
Total installment debt		-			
\$1 - 199	18	7	71	4	17
\$200 - 499	16	8	72	4	12
\$500 - 999	19	13	65	3	14
\$1000 - 1999	14	10	69	7	11
\$2000 or more	13	7	77	3	12
Ratio of installment debt payments to disposable income					
Under 5 percent	19	4	76	1	15
5 - 9 percent	20	7	69	4	17
10 - 19 percent	15	8	73	4	11
20 percent or more	12	18	66	4	11
Total family income					
Less than \$3000	9	19	66	6	c
\$3000 - 4999	12	16	67	5	c
\$5000 - 7499	15	10	70	5	c
\$7500 - 9999	18	7	73	4	c
\$10,000 - 14,999	18	5	73	4	c
\$15,000 or more	19	1	79	1	c
Age of family head					
18 - 24	16	11	66	7	c
25 - 34	21	12	64	3	c
35 - 44	16	9	72	3	c
45 - 54	12	9	74	5	c
55 - 64	13	2	78	7	c
65 or older	13	8	73	6	c

^aThe question asked was: "In making payments on your debts in 1964, did you make the payments in the way they were scheduled, did you get behind, or did you make payments that were larger or more frequent than scheduled?"

^bRespondents who said that some time during the year they got behind while at other times they made larger or accelerated payments were included in the "As scheduled" column.

^cNot available in comparable form.

TABLE 2-11

RELATION OF INSTALLMENT DEBT TO BUYING INTENTIONS

(Percentage distribution of families)

	Intend to <u>buy a car</u> ^a	Intend to buy <u>other durable goods</u> ^a
<u>Buying intentions of:</u>		
All families	19	27
Families with no debt	16	22
Families with debt	21	32
<u>Among families with ratio of annual debt payment to disposable income</u>		
.1 to 4 percent	29	38
5 to 9 percent	22	33
10 to 19 percent	18	31
20 percent or more	17	31

^aIncludes all families who say they "will" or "probably will" and one-half of those who may buy during the next 12 months. Intentions expressed early in 1966.

1966 SURVEY OF CONSUMER FINANCES

TABLE 2-12

RELATION BETWEEN THE INCOME BURDEN OF
DEBT AND THE TIME LEFT TO PAY

(Percentage distribution of families with debt)

Ratio of debt to debt payment (months left to pay) ^b	All ^c	Ratio of annual installment debt payment to disposable income ^a					40 percent or more
		Less than 5 percent	5-9 percent	10-14 percent	15-19 percent	20-39 percent	
1 - 5	14	20	19	10	12	8	8
6 - 11	26	32	28	20	24	23	29
12 - 17	24	19	20	30	26	25	38
18 - 23	17	16	13	19	21	20	9
24 - 29	10	7	8	13	9	13	8
30 - 35	5	2	6	6	5	4	4
36 or more	4	4	6	2	3	7	4
Total	100	100	100	100	100	100	100
Number of cases	1143	172	317	268	178	184	24
Proportion with 24 or more months to pay	19	13	20	21	17	24	16

^a Annual debt payment ratio based on payments as of January 1966 and disposable income for 1965.

^b Total remaining installment debt owed as of January 1966, divided by total monthly payments.

^c A few cases are not shown where the amount of debt was not ascertained.

TABLE 2-13
RATIO OF DEBT TO DEBT PAYMENTS (DEBT HORIZON), BY INCOME GROUPS
(Percentage distribution of families)

Ratio of debt to debt payment ^a (months to pay)	Family income										
	Less than 1000	1000- 1999	2000- 2999	3000- 3999	4000- 4999	5000- 5999	6000- 7499	7500- 9999	10000- 14999	15000 or more	All
No debt payments.	89	81	70	56	54	44	37	41	40	53	51
1 - 5	6	4	5	6	5	10	6	8	9	5	7
6 - 11	1	6	9	12	12	16	11	15	15	10	12
12 - 17	3	6	6	13	14	9	14	12	15	12	11
18 - 23	*	2	5	7	5	10	15	11	7	8	8
24 - 29	*	1	1	5	4	5	8	5	6	5	5
30 - 35	*	*	1	*	1	1	5	4	3	3	2
36 or more	*	*	1	*	3	3	3	2	2	3	2
Not ascertained	1	*	2	1	2	2	1	2	3	1	2
Total	100	100	100	100	100	100	100	100	100	100	100
Number of cases	70	193	205	197	180	197	322	412	413	230	2419
Proportion with 24 or more months to pay	*	1	3	5	8	9	16	11	11	11	9

* Less than 0.5 percent.

^a Total remaining installment debt divided by the total monthly payment. An estimate of the number of months left to pay before the family will be free of installment debt owed as of January 1966.

TABLE 2-14
RATIO OF DEBT TO DEBT PAYMENT, BY FAMILY LIFE CYCLE
(Percentage distribution of families)

	Family life cycle group									
	Under age 45				Age 45 or older					
		Married			Single		Married			
			Youngest child under age 6	Youngest child over age 6				No children		
Ratio of debt to debt payment ^a (months to pay)	Single	No children			Head working	Head retired	Has children	Head working	Head retired	Any age, unmarried with children
No debt payments	55	33	25	31	73	90	45	56	83	51
1 - 5	10	7	10	7	4	2	9	5	3	7
6 - 11	10	16	18	17	7	3	13	11	4	12
12 - 17	9	13	16	19	9	2	11	10	5	11
18 - 23	7	13	13	12	4	1	8	7	2	8
24 - 29	5	7	8	7	1	*	5	5	1	5
30 - 35	1	5	4	2	1	1	3	2	*	2
36 or more	1	3	4	3	*	*	2	2	1	2
Not ascertained	2	3	2	2	1	1	4	2	1	2
Total	100	100	100	100	100	100	100	100	100	100
Number of cases	133	134	484	242	171	230	326	336	234	129
Proportion with 24 or more months to pay	7	15	16	12	2	1	10	9	2	9

* Less than 0.5 percent.

^aTotal remaining installment debt divided by the total monthly payment. An estimate of the number of months left to pay before the family will be free of installment debt owed as of January 1966.

TABLE 2-15

FREQUENCY OF ACCELERATED OR DELAYED PAYMENTS BY MONTHS LEFT TO PAY

(Percentage distribution of families with debt)

<u>Ratio of remaining installment debt to monthly debt payment (months left to pay)</u>	<u>Slower or smaller</u>	<u>Faster or larger</u>	<u>As scheduled</u>	<u>N.A.</u>	<u>All</u>	<u>Number of cases</u>
1 - 5	19	12	63	6	100	161
6 - 11	18	6	74	2	100	288
12 - 17	18	11	66	5	100	277
18 - 23	14	8	74	4	100	197
24 - 29	10	10	77	3	100	115
30 or more	15	8	74	3	100	105
All families	16	9	71	4	100	1143

* Less than 0.5 percent.

3

HOUSING

OVER the last few years house values and rents increased to a much larger extent than wages or prices. The average amount of mortgage debt also continued to increase at a high rate. Yet the increased obligations and costs have been assumed, for the most part, by families with relatively high income who can better afford them than can lower income families.

Home ownership continued to rise at a slow, steady pace among the families constituting the bulk of the population. The exceptions are the young, the old, the unskilled, the retired, and the nonwhite.

Recent Trends in Nonfarm Housing Transactions

Aggregate statistics indicate that expenditures for private residential construction increased by about 15 percent between 1961 and 1963 and then leveled off. On the other hand, house values and rent continued to increase during the last 5 years. The median house value reported by families interviewed in the Survey of Consumer Finances increased by 38 percent, from slightly over \$11,000 in 1961 to over \$15,000 in 1966 (see Table 3-1). At the same time median monthly rent increased by 19 percent and reached \$70 in early 1966. Yet the proportion of nonfarm families owning their own home increased at a much lower rate, from 58 percent in 1960, to 61 percent in 1963, and 62 percent in 1966. The proportion of nonfarm families renting has also dropped slowly and steadily since 1949; it reached about 30 percent in 1965 and 1966.

The percent of nonfarm home-owners having a mortgage has remained substantially the same since 1960, declining only from 60 percent in 1960 to 58 percent in 1966. At the same time, the median mortgage debt on mortgaged homes increased by 40 percent from

\$6400 in 1960 to almost \$9000 in 1966. The rising debt per house is, no doubt, related to rising prices and especially to higher construction costs.

In each of the past few years 5 or 6 percent of the nonfarm families bought a home. The ratio of used homes to new homes purchased was about two-to-one. It remained constant during the period from 1959 to 1965. During this time the median purchase price rose from \$12,900 to \$14,830.

The proportion of nonfarm buyers incurring mortgages has declined since 1959. This has been paralleled by slight declines since 1960 in applications for FHA mortgage insurance and requests for VA appraisals. At the same time the median mortgage debt incurred by purchasers has increased 25 percent from about \$10,700 in 1959 to over \$13,000 in 1966.

The proportion of families making additions and repairs has remained constant since 1959, varying between 37 and 42 percent. The mean amount spent on additions and repairs remained constant at about \$540 from 1959 through 1964 and then took an upturn in 1965, to \$620.

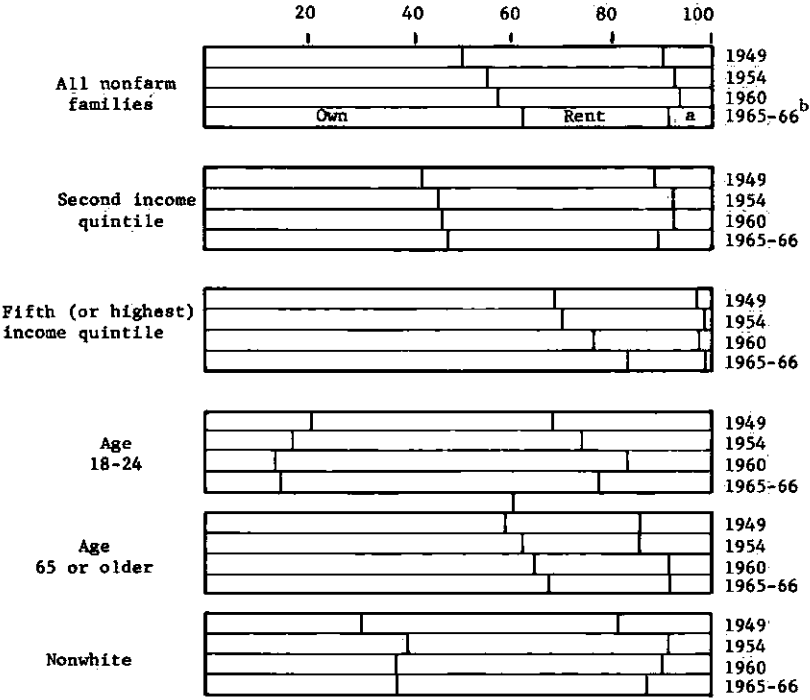
Home Ownership

Ownership of a house is most frequent among families with the head aged 35 to 64 and is least frequent among younger families (Table 3-2). When families are grouped according to income, it is more frequent among high-income families than among middle or lower-income groups. More than half of the families with incomes of \$5000 or more own their own homes. The proportion rises to six out of seven among the families with incomes of \$15,000 and over. When the data are broken down into groups according to family life cycle, it can be seen that home ownership is most frequent among married families in which the head is 45 years of age or more.

The 1966 data confirm some trends noticeable in earlier years, but also indicate some changes. The trend in home ownership has not leveled off; for all families, taken together, it is upward, modest, and continuous. The overall proportion of nonfarm families owning homes is increasing at a rate of 3 percent every 5 years (Chart 3-1).

Yet some changes have taken place, and not all groups are increasing their ownership at the same rate. When year-to-year fluctuations are averaged out, it appears that among families comprising the bottom 40 percent of the income scale, the rate of increase is only about half that of all families taken together. Among very young families (head under 25 years of age), the proportion

CHART 3-1
HOUSING STATUS OF SELECTED GROUPS, 1949, 1954, 1960, AND 1965-66 AVERAGE
(Nonfarm families only)



^aIncludes families that rent part of another family's dwelling, who live in a trailer, or who receive housing as part of their compensation.

^bAverage of 1965-66 data, weighted by total sample sizes.

owning homes has been dropping rather than rising, but seems to have leveled off between 1960 and 1966 at about 15 percent (see Chart 3-1 and Table 3-3).

With minor year-to-year fluctuations, all occupation groups except unskilled laborers and service workers have been increasing their rate of ownership of homes since 1949. Only since 1960 have the latter increased their rate. The 1966 data showed a downturn in the ownership rates of retired people (see Table 3-3).

The ownership rate of nonwhites went up between 1949 and 1954, but remained steady at about 40 percent since then.

The proportion of families renting their dwellings dropped about 2 percent every 5 years between 1949 and 1960. The 5-year drop increased to about 6 or 7 percent between 1960 and 1965. This drop in the proportion of renters continued in 1966.

The proportion of low-income families renting has not undergone a major change since 1949, but among medium and high-income families the proportion of renters has dropped steadily. However, it has remained the same since 1949 among nonwhites and unskilled workers--two groups with considerable overlap. It appears to have remained the same for retired people, when year-to-year fluctuations are averaged out.

Until 1960 the proportion of young families (aged 18 to 24) who rented their dwellings had been increasing. The years around 1960 marked a turning point in this trend, and the 1965 data showed the proportion in this group renting to be 63 percent as compared with 70 percent in 1960. The 1966 data (62 percent) indicate the leveling in renting among families in this group.

Mortgage Payments and Rent

Monthly outlays for mortgage payments and for rent are presented in Table 3-4. Rent payments were tabulated for all nonfarm renters, excluding those who rent part of another family unit (boarders, etc.). Among all nonfarm home-owning families the median mortgage payment was \$90. It was larger for high-income families than for those with small incomes, yet it is notable that 50 percent of the families with incomes of \$15,000 and over had monthly mortgage payments of \$120 or less.

The median rent paid was \$70. Rents paid by families in various income groups ranged from \$50 among the lowest income group to \$90 among families in the income bracket between \$10,000 and \$15,000.

Table 3-5 presents data showing trends in rent payments since

1949. In 1949 some 40 percent of the rent-paying nonfarm families made monthly payments of less than \$30. One out of every five paid less than \$20 for their dwelling unit. The median rent paid was about \$35, as compared with \$70 for the 1966 data. Between 1962 and 1966 the proportion of rent-paying families whose monthly outlays exceeded \$75 increased from 35 percent to 47 percent.

Mortgage Debt Outstanding

The total mortgage debt outstanding for both first and subsequent mortgages was obtained for all nonfarm home-owning families (Table 3-6). The average remaining debt for those with such debt increased 35 percent, from \$6800 in 1960 to almost \$9200 in 1966. The proportion with mortgage debt declined insignificantly from 60 percent in 1960 to 58 percent in 1966. When the statistics for individual income and age groups are examined separately, it can be seen that among families with incomes under \$3000 the proportion of families with mortgage debt dropped from 24 percent in 1960 to 18 percent in 1966. Some decrease also occurred in the middle-income groups. The proportion of families with mortgage debt among higher-income groups has been fairly steady during the past 6 years, but the mean amount owed by debtors has increased in almost every income group. The largest burden of mortgage debt tends to be concentrated among families with high incomes. A measure of the share of debt held by each income group is presented in Table 3-6. The share of debt held by families with incomes under \$5000 (6 percent) was much lower in 1966 than the proportion of families in that group (35 percent).

Value of Houses Owned, Mortgage Debt, and Equity in Houses

Table 3-7 presents data on house value (as estimated by respondents and mortgage debt. There is a considerable differential in the value of houses owned when families are separated according to their income. Median house value ranges from \$8700 among families with incomes of under \$3000 to \$25,000 among families with incomes of \$15,000 and over.

Among all nonfarm home-owning families, slightly over 40 percent owned their homes mortgage-free early in 1966. The proportion of families without mortgage debt ranges from 82 percent among families with incomes under \$3000 to one of every three families among those with incomes of \$15,000 and over. The median

mortgage debt for those with such debt ranges from \$3700 for the low income families to \$10,700 for families in the highest income bracket.

Table 3-8 presents data on the equity¹ held in their home by nonfarm home-owning families. Among all nonfarm home-owning families almost half had an equity of \$10,000 or more in their home. The proportion with an equity of at least this amount varies considerably with the age of the head of the family. Among home owners of 35 years of age or less, only one of every seven had an equity of \$10,000 or more. The proportion is highest among families headed by someone aged 65 or over. In this group 58 percent had an equity of \$10,000 or over. At the other end of the scale, about half of the home-owners under 35 years of age had an equity of less than \$5000. One-sixth of the home-owning families aged 65 or over had a net equity of less than \$5000.

Considerable variation in equity is displayed when families are divided according to their total family income. In 1966 among families with incomes of \$3000 or less, almost one in three had an equity of less than \$5000, another third had an equity of between \$5000 and \$10,000, and the remaining third had an equity of \$10,000 or more. Among families with incomes of \$15,000 and over only 5 percent had an equity of less than \$5000 and three out of every four had an equity of \$10,000 or more.

Table 3-9 presents data on the value of owner-occupied, non-farm houses as reported over the last 15 years. The value of the house was reported by the respondents at the beginning of the year indicated, with the exception of those purchased during the preceding year which were valued at their reported purchase price.

The average house value increased 68 percent, from \$9100 in 1949 to \$15,000 in 1966. During the same period average mortgage debt on houses with such debt increased to \$8900, almost two and one-half times the average debt in 1949. The proportion of houses valued at \$15,000 or over ranged from 13 percent in 1949 to slightly more than 50 percent in 1966. At the same time the proportion of houses free of mortgages decreased from 55 percent in 1949 to 37 percent in 1962 and then rose to 42 percent in 1966. The proportion of houses with mortgages of \$10,000 or more increased from 1 percent in 1949 to 26 percent in 1966.

¹ Net equity is computed by subtracting the outstanding mortgage on the property from its estimated market value.

Purchases of Houses in 1965

Six percent of the nonfarm families entered the housing market in 1965 and purchased either a new or used house (Table 3-10). Two out of every three houses purchased were not newly built. These housing transactions were heavily concentrated among families with incomes of \$5000 or more, though those in the \$3000 to \$5000 bracket did some purchasing. There was a slight tendency for preferences for used houses to be confined to younger families, whereas older families purchased about as many used houses as new ones. Purchasing rates were highest among married families under 45 years of age.

Expenditures for Additions and Repairs

Table 3-11 presents data on expenditures for additions and repairs according to the income of the respondent. The proportion of nonfarm owner families making expenditures for additions or repairs ranged from 44 percent among families with an income of \$2000 or less to almost 60 percent among the very high income families. The mean expenditure for those families incurring expenditures ranged from about \$350 to over \$1000 for the highest income group. Families with incomes of \$10,000 or more accounted for over half of the dollars spent on additions and repairs to owner-occupied houses.

One out of every eight nonfarm renter families made an expenditure for additions or repairs on their rented dwelling unit. The proportion making such expenditures ranged from only 5 percent among low income families to 25 percent among families with incomes of \$7500 or more. On the renter-occupied units, the mean expenditure was \$220 with slightly larger amounts being spent by low and high-income families and slightly smaller amounts being spent by middle-income families. Families with incomes over \$7500 accounted for almost two-thirds of the dollars spent by renters on additions and repairs.

TABLE 3-1

HOME OWNERSHIP,^a MORTGAGE DEBT, AND HOUSING TRANSACTIONS OF
NONFARM FAMILIES, 1960-1966

<u>Housing status</u>	<u>Early</u>				
	<u>1960</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Percent of nonfarm families who own	58	61	63	63	62
Median house value in dollars ^b	\$11,100	\$12,900	\$13,300	\$14,600	\$15,320
Percent of nonfarm families who rent	37	32	31	31	30
Median monthly rent in dollars ^b	\$59	\$63	\$66	\$65	\$70
<u>Mortgage debt outstanding</u>					
Percent of nonfarm home owners with mortgage	60	59	57	58	58
Median mortgage debt for mortgaged homes ^b	\$6,400	\$7,200	\$7,100	\$7,970	\$8,950
<u>Housing transactions</u>	<u>Transaction year</u>				
	<u>1959</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Percent of nonfarm families buying homes	5.0	5.4	4.7	6.1	6.3
Percent buying new homes	1.8	1.9	1.5	1.5	1.8
Percent buying used homes	3.2	3.5	3.2	4.6	3.9
Median purchase price in dollars ^b	\$12,900	\$11,150	\$11,870	\$14,470	\$14,830
Percent of nonfarm buyers incurring mortgages	91	75	82	81	75
Median mortgage debt incurred by purchasers ^b	\$10,690	\$10,830	\$10,380	\$11,250	\$13,330
<u>Additions and repairs transactions</u>					
Percent of nonfarm families making additions and repairs	40	40	39	37	42
Mean amount spent	\$540	\$530	\$550	\$550	\$620

^a Home-ownership: owner-occupied one-family house.^b Medians were estimated by interpolation.

TABLE 3-2

HOUSING STATUS OF NONFARM FAMILIES IN 1966, BY AGE, LIFE CYCLE AND INCOME
(Percentage distribution of nonfarm families)

Group characteristic	Total	Housing status, 1966 ^a			Number of cases
		Own	Rent	Other ^b	
All nonfarm families	100	62	30	8	2343
<u>Age of family head</u>					
18-24	100	9	62	29	167
25-34	100	48	42	10	427
35-44	100	70	27	3	446
45-54	100	75	21	4	462
55-64	100	72	23	5	403
65 or older	100	63	26	11	438
<u>Life cycle stage of family head</u>					
Under age 45					
Single	100	9	59	32	133
Married, no children ^c	100	35	57	8	130
Married, children					
Youngest under age 6	100	57	35	8	467
Youngest age 6 or older	100	77	19	4	235
Age 45 or older					
Married, children	100	79	17	4	314
Married, no children ^c					
Head in labor force	100	79	17	4	314
Head retired	100	74	16	10	234
Single					
Head in labor force	100	52	38	10	162
Head retired	100	55	34	11	230
<u>Income of family in 1965</u>					
Less than \$1,000	100	49	25	26	68
\$1,000-1,999	100	43	39	18	186
\$2,000-2,999	100	46	39	15	194
\$3,000-3,999	100	47	41	12	184
\$4,000-4,999	100	45	45	10	168
\$5,000-5,999	100	55	35	10	183
\$6,000-7,499	100	57	36	7	317
\$7,500-9,999	100	71	25	4	407
\$10,000-14,999	100	78	20	2	411
\$15,000 or more	100	85	11	4	225

^aAs of time of interview, January-February, 1966. Data for previous years may be found in the 1960-1965 Survey of Consumer Finances.

^bIncludes trailer owners, families that rent part of another family's dwelling, and families that neither own nor rent.

^cIncludes families whose children are 18 years of age and over, and families who have no children living at home.

TABLE 3-3
CHANGE IN HOUSING STATUS OF VARIOUS GROUPS SINCE 1960
(Percentage distribution of nonfarm families)

Group characteristic	Housing status								
	Own			Rent ^a			Other ^b		
	1960	1965	1966	1960	1965	1966	1960	1965	1966
<u>All nonfarm families</u>	58	63	62	36	29	30	6	8	8
<u>Nonfarm family income quintiles</u>									
Lowest quintile	42	46	45	42	36	37	16	18	18
Second quintile	47	47	49	46	42	41	7	11	10
Third quintile	55	64	58	41	32	35	4	4	7
Fourth quintile	68	74	74	28	23	23	4	3	3
Highest quintile	77	86	81	21	13	16	2	1	3
<u>Age of family head</u>									
18-24	14	19	9	70	63	62	16	18	29
25-34	44	47	48	50	45	42	6	8	10
35-44	64	69	70	33	25	27	3	6	3
45-54	69	75	75	27	19	21	4	6	4
55-64	62	71	72	29	23	23	9	6	5
65 or older	65	71	63	27	22	26	8	7	11
<u>Occupation of family head</u>									
Professional	58	67	62	37	27	31	5	6	7
Managerial, self-employed	75	75	78	22	21	17	3	4	5
Clerical and sales	59	64	62	37	32	32	4	4	6
Skilled, semiskilled	60	65	62	37	29	34	3	6	4
Unskilled and service	39	40	46	46	42	39	15	18	15
Retired	65	70	66	28	24	24	7	6	10
<u>Race</u>									
White	61	67	64	34	26	28	5	7	8
Nonwhite	38	37	40	53	50	50	9	13	10

^aExcludes families that rent part of another family's dwelling.

^bIncludes families that rent part of another family's dwelling or receive housing as part of compensation.

TABLE 3-4

MONTHLY MORTGAGE PAYMENTS AND MONTHLY RENT PAID BY NONFARM FAMILIES,
BY INCOME GROUPS, EARLY 1966(Percentage distribution of nonfarm homeowners families
and rent-paying families)

Monthly mortgage payment	1965 income						
	Nonfarm homeowners families						
	All	Under \$3,000	\$3,000 -4,999	\$5,000 -7,499	\$7,500 -9,999	\$10,000 -14,999	\$15,000 or more
<u>Mortgage debt</u>	<u>58</u>	<u>18</u>	<u>38</u>	<u>61</u>	<u>73</u>	<u>72</u>	<u>68</u>
\$1-24	1	2	3	2	1	*	1
25-49	5	3	8	10	6	1	2
50-74	13	9	12	19	16	9	7
75-99	15	2	10	18	26	18	9
100-124	12	1	3	8	12	26	18
125-149	6	1	1	2	8	10	9
150 or more	6	*	1	2	4	8	22
<u>No mortgage debt</u>	<u>42</u>	<u>82</u>	<u>62</u>	<u>39</u>	<u>27</u>	<u>28</u>	<u>32</u>
Total	100	100	100	100	100	100	100
Median payments ^b	\$90	c	\$70	\$70	\$90	\$110	\$120

Monthly rent ^a	Nonfarm rent-paying families						
	All	Under \$3,000	\$3,000 -4,999	\$5,000 -7,499	\$7,500 -9,999	\$10,000 -14,999	\$15,000 or more
\$1-24	6	11	6	6	2	*	*
25-49	18	36	24	12	9	5	*
50-74	33	35	39	35	31	23	12
75-99	24	12	19	32	35	29	8
100-124	10	3	8	11	15	18	12
125-149	4	1	3	2	6	13	4
150 or more	5	2	1	2	2	12	64
Total	100	100	100	100	100	100	100
Median rent	\$70	\$50	\$60	\$70	\$80	\$90	c

* Less than 0.5 percent.

^a Rents are tabulated for all nonfarm renters, excluding those who rent part of another family unit's dwelling (boarders, etc.).^b Median amounts rounded to nearest \$10.^c Too few cases to estimate median.

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TABLE 3-5

MONTHLY RENT OF NONFARM FAMILIES^a
 (Percentage distribution of nonfarm rent-paying families)

<u>Monthly rent</u>	<u>1949</u>	<u>1954</u>	<u>1959</u>	<u>1960</u>	<u>1962</u>	<u>1966</u>
\$1-19	19	10	6	5	5	5
20-29	21	14	9	10	9	7
30-39	23	18	11	10	9	8
40-49	15	16	16	12	9	8
50-74	16	26	33	33	33	31
75-99	3	10	17	18	17	23
100 or more	2	5	8	11	15	18
Not ascertained	1	1	*	1	3	*
Total	100	100	100	100	100	100

* Less than 0.5 percent.

^a All renters, including those who rent part of another family's dwelling; data are as of date of interview, early in each year.

TABLE 3-6

MORTGAGE DEBT OUTSTANDING, 1960, 1963, 1966, BY INCOME AND AGE GROUPS

(Nonfarm homeowners families)

Income and age groups	Percentage distribution			Proportion with mortgage debt			Mean mortgage debt for those with debt			Percentage share of debt		
	1960	1963	1966	1960	1963	1966	1960	1963	1966	1960	1963	1966
<u>Previous year's income before taxes</u>												
Less than \$3,000	18	14	20	24	25	18	\$3,740	\$4,130	a	4	3	2
\$3,000-4,999	18	16	15	54	45	38	5,200	5,930	\$5,540	12	9	4
\$5,000-5,999	12	11	8	66	59	57	6,070	5,940	6,860	12	8	5
\$6,000-7,499	17	16	13	72	74	63	6,520	7,170	7,360	19	18	11
\$7,500-9,999	16	19	17	70	72	73	7,500	8,340	8,670	20	24	24
\$10,000-14,999	13	17	17	78	70	73	7,840	9,920	10,860	21	25	33
\$15,000 or more	6	7	10	68	72	68	11,550	12,450	12,580	12	13	21
<u>Age of family head</u>												
Under 35	18	17	25	85	84	94	8,040	9,020	10,640	30	27	28
35-44	25	25	19	81	79	84	7,470	8,710	10,380	37	36	35
45-54	26	22	20	62	65	69	5,900	8,260	8,310	23	26	26
55-64	15	17	18	36	43	37	5,040	5,330	6,780	7	8	9
65 or older	16	19	18	17	18	11	3,790	4,310	a	3	3	2
All nonfarm home- owning families	100	100	100	60	59	58	6,810	8,000	9,180	100	100	100

^aToo few cases to estimate mean.

TABLE 3-7
 VALUE OF HOUSES OWNED AND MORTGAGE DEBT BY NONFARM FAMILIES BY
 INCOME GROUPS, EARLY 1966
 (Percentage distribution of nonfarm homeowners families)

House value ^a	All nonfarm homeowning families	Income					
		Less than \$3,000	\$3,000 -4,999	\$5,000 -7,499	\$7,500 -9,999	\$10,000 -14,999	\$15,000 or more
Less than \$5,000	7	25	12	6	2	1	*
\$5,000-7,499	7	14	18	11	5	1	1
\$7,500-9,999	11	23	16	12	9	5	3
\$10,000-12,499	15	13	20	25	16	10	4
\$12,500-14,999	9	4	9	11	15	10	3
\$15,000-19,999	21	11	15	22	28	28	17
\$20,000-24,999	12	5	2	8	14	19	16
\$25,000 or more	18	5	8	5	11	26	56
Total	100	100	100	100	100	100	100
Median in \$1,000	\$15.3	\$8.7	\$10.5	\$12.1	\$15.6	\$19.2	\$25.0
Amount of mortgage debt ^a							
None	42	82	62	39	27	27	32
\$1-2,499	8	8	12	12	7	3	7
\$2,500-4,999	7	3	7	9	9	9	4
\$5,000-7,499	9	3	7	11	14	11	5
\$7,500-9,999	8	2	5	11	13	8	9
\$10,000-12,499	11	1	4	13	14	14	13
\$12,000-14,999	5	1	1	1	7	11	4
\$15,000 or more	10	*	2	4	9	17	26
Total	100	100	100	100	100	100	100
Median in \$1,000	\$8.9	\$3.7	\$5.0	\$7.2	\$8.7	\$11.0	\$10.7

*Less than 0.5 percent.

^aAs of time of interview, January-February 1966; house value estimated by respondents. For early 1965 data, see Table 3-4 in 1965 Survey of Consumer Finances.

TABLE 3-8

NET EQUITY IN HOMES, BY INCOME AND AGE GROUPS
(Percentage distribution of nonfarm homeownership families)

Net equity	All nonfarm homeowning families	Age				
		18-34	35-44	45-54	55-64	65 or older
Less than \$500	3	8	4	3	1	1
\$500-999	1	4	1	1	*	1
\$1,000-4,999	20	39	22	17	12	14
\$5,000-9,999	29	35	32	28	26	26
\$10,000-24,999	39	13	38	41	48	46
\$25,000 or more	8	1	3	10	13	12
Total	100	100	100	100	100	100

Net equity	All nonfarm homeowning families	Total family income, 1965					
		Less than \$3,000	\$3,000 -4,999	\$5,000 -7,499	\$7,500 -9,999	\$10,000 -14,999	\$15,000 or more
Less than \$500	3	2	2	5	3	3	1
\$500-999	1	3	1	*	2	1	*
\$1,000-4,999	20	26	25	29	20	17	4
\$5,000-9,999	29	36	32	29	34	24	20
\$10,000-24,999	39	29	33	33	36	47	51
\$25,000 or more	8	4	7	4	5	8	24
Total	100	100	100	100	100	100	100

* Less than 0.5 percent.

TABLE 3-9
VALUE AND MORTGAGE DEBT OF NONFARM HOUSES
(Percentage distribution of owner-occupied nonfarm houses)

Amount	Value ^a					Mortgage debt ^b				
	1949	1954	1959	1960	1962	1949	1954	1959	1960	1962
Zero	0	0	0	0	0	55	50	45	40	37
\$1-2,499	8	7	4	4	3	19	14	11	11	10
\$2,500-4,999	17	12	8	8	6	15	13	11	12	10
\$5,000-7,499	21	18	12	9	9	7	12	12	14	11
\$7,500-9,999	17	16	15	13	13	3	7	10	9	10
\$10,000-12,499	18	18	16	20	19	1	3	6	8	12
\$12,500-14,999	6	8	11	11	11	*	1	3	3	4
\$15,000-19,999	7	12	18	20	20	*	*	2	3	6
\$20,000 or more	6	9	16	15	19	*	*	*	3	10
Total	100	100	100	100	100	100	100	100	100	100
Mean (thousands of dollars)	\$9.1	\$10.7	\$12.9	\$13.4	\$14.5	\$3.7 ^c	\$4.8 ^c	\$6.6 ^c	\$6.8 ^c	\$7.9 ^c
										\$8.9 ^c

* No cases reported or less than 0.5 percent.

^a As valued by respondents early in year indicated, except that houses purchased during preceding year were valued at purchase price.

^b Early in year indicated.

^c For mortgaged houses only.

TABLE 3-10

HOUSE PURCHASES, BY INCOME, AGE, AND LIFE CYCLE GROUPS
(Percentage distribution of nonfarm families in each group who purchased)

Group characteristic	Annual house purchases, 1965		
	New or used	New house	Used house
<u>All nonfarm families</u>	6	2	4
<u>Family income</u>			
Less than \$3,000	1	*	1
\$3,000-4,999	4	2	2
\$5,000-7,499	8	2	6
\$7,500-9,999	9	3	6
\$10,000-14,999	9	3	6
\$15,000 or more	8	3	5
<u>Age of head</u>			
18-24	7	3	4
25-34	9	1	8
35-44	8	3	5
45-54	7	2	5
55-64	5	2	3
65 or older	2	1	1
<u>Family life cycle</u>			
Under age 45			
Single, no children	2	*	2
Married, no children	9	2	7
Married, child under age 6	10	3	7
Married, child age 6 or older	8	3	5
Age 45 or older			
Married, children	7	2	5
Married, no children			
Head in labor force	6	2	4
Head retired	5	3	2
Single, no children			
Head in labor force	2	*	2
Head retired	*	*	*
Any age			
Single, children	4	*	4

* Less than 0.5 percent.

TABLE 3-11

EXPENDITURES FOR ADDITIONS AND REPAIRS ON OWNER-OCCUPIED AND
RENTER-OCCUPIED UNITS, BY FAMILY INCOME, 1965^a

<u>Family income</u>	<u>Proportion of non- farm owner families making expenditures</u>	<u>Owned houses</u>		<u>Proportion of non- farm renter families making expenditures</u>	<u>Renter-occupied houses</u>	
		<u>Mean expenditure</u>	<u>Percentage of aggregate expenditure</u>		<u>Mean expenditure</u>	<u>Percentage of expenditure</u>
Less than \$2,000	44	\$360	3	5	\$220	16
\$2,000-2,999	53	380	3			
\$3,000-3,999	53	420	3			
\$4,000-4,999	54	420	3	8	110	6
\$5,000-5,999	47	360	3			
\$6,000-7,499	55	420	8	14	180	15
\$7,500-9,999	62	590	20	25	250	63
\$10,000-14,999	60	920	34			
\$15,000 or more	59	1,060	23			
All families	56	650	100	13	220	100

^aExcludes four homeownership families and one renting family who spent more than \$8,000 for additions and repairs in 1965.

4

AUTOMOBILE OWNERSHIP AND PURCHASES

PURCHASES of cars reached a new high level in 1965 with private consumers buying almost 8 million new cars and 11-1/2 million used cars. The average expenditure on new cars also continued to rise, despite the fact that new car prices remained relatively stable in 1965. Aggregate expenditures on new cars are estimated to have increased by 10 percent in 1965 (see Table 4-1).

The increase in the proportion of family units purchasing new cars occurred at a time when the proportion of families owning no car remained constant at 21 percent. This suggests that the growth of multiple car ownership (25 percent of U.S. family units owned two or more cars in 1965) was at least partly responsible for the high level of automobile purchases in 1965.

Most of the increase in expenditures on automobiles was in the new car market. The proportion of new cars bought for more than \$3000 rose from 51 percent in 1964 to 61 percent in 1965. Similarly, the proportion of purchases involving a net outlay of \$2500 or more rose from 37 percent in 1964 to 42 percent (see Table 4-2). The mean cash outlay dropped slightly, while the average amount borrowed remained constant (see Table 4-3), suggesting that consumers received better trade-in allowances on new car purchases in 1965.

Average expenditures and outlays on used cars were essentially the same in 1964 and 1965 (see Table 4-1), as were the distributions of prices paid (see Table 4-2), the cash outlays, and the amounts borrowed (see Table 4-3). Table 4-4 presents the age distribution of used cars purchased for the years since 1961. There appears to have been no significant change during this period.

Use of Credit

The method of financing new and used car purchases is shown in Table 4-5. The proportion of new cars bought on credit increased somewhat in 1965, while the proportion of used cars bought on credit declined over the last few years.

Three out of every five new car purchases in 1965 involved the use of credit, while less than one-half of the used cars purchased were financed (Table 4-6). Use of credit tends to be highest for new car purchases of the upper middle income group (\$5000-\$10,000 in income) while use of credit for used car purchases declines steadily as the income of the purchaser rises. Credit is used less often on new cars costing over \$4000. However, for used cars purchased, the proportion of cars bought on credit rises with the price of the car from about 20 percent for used cars costing under \$500 to between 70 and 80 percent for used cars priced above \$1500.

Table 4-7 shows that almost 60 percent of the cars purchased by families that replaced their car stock (i.e., traded in a car on each car purchased) involved the use of credit while only 40 percent of the purchases made by families that increased their car stock (purchases exceeded the number of cars traded in) were financed.

Cars Traded In

Nearly 60 percent of all car purchases in 1964 and 1965 involved a trade-in. About 80 percent of the new car purchases were made with a trade-in, while slightly less than 50 percent of used car purchases involved the trade-in or sale of a car (see Table 4-8).

Table 4-8 shows the distribution of the age of cars traded and the length of time the cars traded in were owned. There appear to be no large differences between the length of time that cars traded in on either new or used cars were owned. There is, however, a substantial difference in the proportion of recent model cars traded in. In 1965, nearly one-half of the automobiles traded in on new cars were less than 4 years old. For used car purchases, less than 10 percent of the cars traded in were less than 4 years old, while over 70 percent were over 6 years old.

Table 4-9 examines the purchase patterns of transactions in 1964 and 1965. In about 40 percent of all transactions involving a trade-in, a car that was originally purchased new was traded in on a new car. Similarly, nearly 40 percent of the transactions involved the trade-in of a car bought used on another used car.

Respondents who reported trading in a car in 1965 were asked about the condition of the car they traded in. The results of the inquiry are reported in Tables 4-10 and 4-11. Nearly one-half of all cars traded in were reported to be in good ("like new") condition, while nearly 20 percent were characterized as having "something seriously wrong."

As expected, a large proportion of the recent model cars traded in were reported to be in good condition. The proportion declines steadily with increasing age of the car traded in. About one-half of all cars owned less than 5 years were reported to be "like new" when they were traded in. Only one-third of the cars traded in which were owned more than 6 years were reported in good condition. Families buying new cars were more likely to have a good trade-in, especially if the car traded in had been purchased new. Interestingly, there is no noticeable difference in the condition of cars traded in for families that were characterized by a "new-used" purchasing pattern (bought a new car in 1965, traded in a car bought used) and those who purchased "used-new" (traded in a car bought new on a used car purchased in 1965).

The likelihood of trading in a car that is in good condition increases with the income of the family making the transaction. A similar relationship exists for the age of the head of the family involved. Multiple car-owning families more often trade in a car in good condition than do single car-owning families (see Table 4-11).

Purchases by Income Levels and Life Cycle Groups

Tables 4-12 through 4-15 present data on the purchasing characteristics of various income and life cycle groups. Market shares and purchase rates for new and used car purchases remained fairly stable among income and life cycle groups, with the possible exception of the proportion of used cars purchased by families with incomes over \$10,000 which appears to be rising.

The proportion of all families having more than \$10,000 in income rose to 27 percent in 1965. Thus, for 1964 and 1965, this group has been subdivided to show the families with incomes of \$15,000 or more. This group contains about 10 percent of the population but makes nearly 30 percent of all new car purchases. Purchasing rates (for both new and used cars) for these high-income families remained high but showed little tendency to increase further, as they have in past years.

Car Ownership

Multiple car ownership continued to rise in 1965. One out of every four family units now owns two or more cars. The proportion of nonowners remained steady at 21 percent (see Table 4-16).

Table 4-17 shows the distribution of car ownership within various population subgroups. Ownership rates remained fairly stable in the various groups, with the possible exception of a decline in the proportion of car owners and multiple car owners among the low income families (income under \$4000). There also appears to be an increase in the proportion of multiple car owners among families making \$15,000 or more, among younger married families with children, and among families whose head is between 35 and 44 years old.

Families owning two or more cars in January-February 1966, were asked how long they had been multiple car owners (see Table 4-18). About 40 percent had owned two or more cars for less than 3 years. Twenty percent had been multiple owners over 10 years. Families tend to be multiple owners for longer periods of time; the higher the family income, the more drivers there were in the family, and the older the head of the family.

Sixty-six percent of multiple car-owning families with incomes under \$5000 have been multiple owners for less than 3 years. On the other hand, among families with the highest incomes (\$15,000 or more) over 60 percent have been multiple car owners for more than 7 years.

Car-Buying Intentions

In addition to the traditional inquiries about buying intentions during the next 12 months, families who early in 1966 did not express an intention to purchase in the near future were asked when, if at all, they would buy a car. The results are presented in Table 4-19.

More than 20 percent of all U.S. families expected to buy a car (either new or used) in the 12-month period following January-February 1966, 14 percent with a trade-in, 8 percent without. Twenty-six percent of all families intended to purchase between 1 and 3 years from interview date, 19 percent felt they would not buy for at least 3 years and 21 percent said they would purchase a car only when necessary, or would never buy. Nearly 90 percent of the heads of families in this last group are over 55 years of age and over 60 percent of the group do not own a car at present.

About 10 percent of the families who owned no car at interview time expected to purchase a car within 12 months, with slightly more expecting to buy later, but not for at least a year. Almost 65 percent said they would never buy a car or would buy only when necessary.

Owners of one late model car (1963-1966 model car) were less likely to buy in the first 12-month period than owners of one older car; both groups indicated little tendency to become multiple owners (buy without a trade-in) in the near future.

Purchasing intentions were much higher among multiple car-owning families, with an especially high proportion expecting to buy within the next 3 years (intentions expressed early in 1966). More than one-half of the low-income families (income under \$3000) indicated that they would never buy a car (or would buy only when necessary). This proportion falls rapidly with rising family income, with only 7 or 8 percent of the families with incomes above \$7500 expressing similar intentions.

Table 4-20 shows the distribution of prices that families who early in 1966 intended to buy a new or used car expected to pay. Families who expected to purchase, planned to buy higher-priced cars in 1966 than in 1965, especially those families contemplating the purchase of a used car. Median planned expenditure for new cars rose from \$3070 in 1964 to \$3220 in 1965. For used cars, the median planned expenditure rose from \$810 to \$970, reflecting the increased proportion of families intending to purchase more expensive cars.

TABLE 4-1
FAMILY CAR PURCHASES, 1955-1965

Year of purchase	Cars purchased as a proportion of families ^a (in percent)		Number of cars purchased ^d (in millions)		Average expenditure ^b per car		Estimated total expenditure ^{cd} (in billions)		Average net outlay ^b per car		Estimated total net outlay ^{cd} (in billions)	
	New	Used	New	Used	New	Used	New	Used	New	Used	New	Used
1965	13	19	7.9	11.4	\$3,260	\$910	\$25.4	\$10.0	\$2,320	\$730	\$18.3	\$8.3
1964	12	19	7.2	11.1	3,140	920	22.6	10.2	2,300	720	16.6	8.0
1963	11	20	6.0	11.3	3,130	920	18.8	10.4	2,310	720	13.9	8.1
1962	10	23	5.9	13.0	2,990	840	17.6	10.9	2,180	680	12.9	8.8
1961	8	20	4.6	11.0	2,830	800	13.1	8.8	1,980	630	9.1	6.9
1960	10	20	5.4	11.0	3,010	800	16.4	8.8	2,020	630	11.0	6.9
1959	10	17	5.2	9.1	3,140	980	16.3	8.9	2,060	760	10.7	6.9
1958	8	18	3.9	9.2	3,040	850	11.9	7.8	2,130	650	8.3	6.0
1957	9	18	4.5	9.1	3,220	870	14.5	7.9	2,110	650	9.5	5.9
1956	10	18	5.3	9.2	3,090	770	16.4	7.1	2,030	600	10.7	5.5
1955	12	20	6.2	10.1	2,940	750	18.1	7.5	1,910	580	11.7	5.9

^a Cars purchased during the year and disposed of before interviewing time early in the following year are not included.

^b Excluding cars received as gifts or (partly) paid for by swapping non-automobile items such as boats, trucks, or trailers.

^c Cars received as gifts or for payment in kind are included in aggregate estimates at the mean for the sample.

^d Aggregate data for 1965 based on revised estimates of total number of families in the United States.

TABLE 4-2

PRICES PAID AND NET OUTLAYS FOR NEW AND USED CARS^a
(Percentage distribution of purchases)

Amount	New cars									
	Price					Net outlay ^b				
	1961	1962	1963	1964	1965	1961	1962	1963	1964	1965
Less than \$1,000	*	*	*	*	*	7	6	7	4	5
\$1,000-1,499	*	*	*	*	*	15	11	6	7	9
\$1,500-1,999	13	7 ^r	6	6	5	23	21	20	21	17
\$2,000-2,499	27	20 ^r	20	17	11	33	33	32	31	27
\$2,500-2,999	20	31	24	26	23	16	18	17	21	23
\$3,000-3,499	22	22	21	22	26	6	11	18	16	19
\$3,500 or more	18	20	29	29	35					
Total	100	100	100	100	100	100	100	100	100	100
Mean ^c	\$ 2,830	\$2,990	\$3,130	\$3,140	\$3,260	\$1,980	\$2,180 ^r	\$2,310	\$2,300	\$2,320

* Less than 0.5 percent.

^a This table is based on all cars owned by respondents at the time of interview in January-February 1962, 1963, 1964, 1965, or 1966 that had been purchased during the previous calendar year.

^b After deduction for trade-in or sale of car.

^c Excluding cars received as gifts.

^r Revised; see footnote c concerning means.

TABLE 4-2 (Continued)

PRICES PAID AND NET OUTLAYS FOR NEW AND USED CARS^a

(Percentage distribution of purchases)

Amount	Used cars									
	Price					Net outlay ^b				
	1961	1962	1963	1964	1965	1961	1962	1963	1964	1965
Less than \$500 ^c	44	42	43	44	44	51	49	50	50	49
\$500-999	29	26	20	19	20	27	27	22	22	22
\$1,000-1,499	11	15	15	14	17	13	14	16	14	15
\$1,500-1,999	10	9	12	10	6	6	6	6	8	8
\$2,000 or more	6	8	10	13	13	3	4	6	6	6
Total	100	100	100	100	100	100	100	100	100	100
Mean ^d	\$800 ^r	\$840	\$920	\$920	\$910	\$630	\$680	\$720	\$720	\$730

^aThis table is based on all cars owned by respondents at the time of interview in January-February 1962, 1963, 1964, 1965 or 1966 that had been purchased during the previous calendar year.

^bAfter deduction for trade-in or sale of car.

^cIncludes gifts and payment in kind.

^dExcluding cars received as gifts.

^rRevised; see footnote d concerning means.

TABLE 4-3

CASH OUTLAYS AND AMOUNT BORROWED ON NEW AND USED
CAR PURCHASES IN 1964 AND 1965

(Percentage distribution of purchases)

Amount	Cash outlay				Amount borrowed			
	New cars		Used cars		New cars		Used cars	
	1964	1965	1964	1965	1964	1965	1964	1965
Zero ^a	28	26	27	29	40	38	56	55
\$1-249	8	9	33	31	*	*	5	4
\$250-499	8	7	18	19	*	*	7	8
\$500-999	11	10	12	12	3	4	13	15
\$1,000-1,499	8	12	5	5	9	12	11	10
\$1,500-1,999	8	10	2	2	17	12	4	4
\$2,000-2,499	11	9	1	1	19	16	2	2
\$2,500 or more	17	15	1	*	11	16	1	1
Amount not ascertained	1	2	1	1	1	2	1	1
Total	100	100	100	100	100	100	100	100
Mean cash outlay on purchases involving cash outlay	\$1,570	\$1,490	\$450	\$430				
Mean amount borrowed on purchases involv- ing borrowing					\$1,980	\$1,990	\$880	\$960

* Less than 0.5 percent.

^a Includes cars received as gifts.

TABLE 4-4

AGE DISTRIBUTION OF USED CAR PURCHASES
(Percentage distribution)

<u>Age of car</u> ^a	<u>Year of purchase</u>				
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
1 year or less	12	9	12	13	11
2-4 years	27	28	33	27	29
5-7 years	37	32	24	29	29
8-10 years	15	20	21	19	20
11 or more years	9	11	10	12	11
Total	100	100	100	100	100

^aBased on year model. One year or less for 1965 stands for 1964, 1965, or 1966 model year cars.

TABLE 4-5

METHOD OF FINANCING NEW AND USED CAR PURCHASES
(Percentage distribution)

Method of financing	New car purchases				Used car purchases			
	1962	1963	1964	1965	1962	1963	1964	1965
Cash only	8	7	10	7	31	32	35	36
Cash plus trade-in or sale	30	32	30	30	17	19	18	16
Installment or other borrowing only	*	2	2	2	8	4	6	8
Installment or other borrowing plus trade-in, sale or cash	61	58	58	60	42	40	38	37
Gift	1	1	*	1	2	5	3	3
Total	100	100	100	100	100	100	100	100

* Less than 0.5 percent.

TABLE 4-6

CHARACTERISTICS OF CREDIT PURCHASES IN 1964 AND 1965
(Percentage distribution)

	<u>Car bought new on credit</u>		<u>Car bought used on credit</u>	
	<u>1964</u>	<u>1965</u>	<u>1964</u>	<u>1965</u>
<u>Percent bought on credit</u>	60	62	44	45
<u>Disposable income of purchaser</u>				
Less than \$5,000	55	71	49	48
\$5,000-7,499	67	63	45	49
\$7,500-9,999	72	69	37	40
\$10,000-14,999	56	67	37	42
\$15,000 or more	38	41	22	a
<u>Total price of car</u>				
Less than \$500	*	*	19	22
\$500-999	*	*	55	49
\$1,000-1,499	*	*	67	64
\$1,500-1,999	63	61	66	82
\$2,000-2,499	64	68	a	a
\$2,500-2,999	64	68	a	a
\$3,000-3,499	48	66	a	a
\$3,500-3,999	48	66	a	a
\$4,000 or more	48	50	a	a

* Less than 0.5 percent.

^a Too few cases.

TABLE 4-7

MARKET ACTIVITY AND CREDIT USE ON NEW AND
USED CAR PURCHASES IN 1965

(Percentage distribution)

<u>Car purchased by family that:</u> ^a	<u>Cars</u>		<u>Car bought new</u>		<u>Car bought used</u>	
	<u>Cars</u>	<u>All</u>	<u>on credit</u>	<u>Other</u>	<u>on credit</u>	<u>Other</u>
Replaced car stock	469	100	30	20	28	22
Increased car stock	269	100	15	8	24	53

^aThe few cars purchased by families who decreased their car stock (i.e., had fewer cars early in 1966 than in 1965) are not shown here.

TABLE 4-8

LENGTH OF OWNERSHIP AND AGE OF CARS TRADED IN
ON 1964 AND 1965 CAR PURCHASES

(Percentage distribution of automobiles)

	<u>Car bought new</u>		<u>Car bought usedⁱ</u>	
	<u>1964</u>	<u>1965</u>	<u>1964</u>	<u>1965</u>
<u>No trade-in</u>	22	20	54	58
<u>Trade-in</u>	78	80	46	42
<u>Trade-in owned</u>				
1 year or less ^a	17	25	27	27
2 years	20	20	18	16
3 years	18	16	12	18
4 years	20	13	17	10
5 years	10	10	8	12
6-7 years	9	10	10	9
8 years or more	6	6	8	8
	100	100	100	100
<u>Age of trade-in</u>				
1 year or less ^b	13	16	3	*
2 years	14	17	3	1
3 years	14	17	4	6
4 years	18	13	7	8
5 years	13	15	12	8
6-7 years	15	11	22	18
8 years or more	13	11	49	59
	100	100	100	100

* Less than 0.5 percent.

^aBought in 1963 or 1964 for 1964; bought in 1964 or 1965 for 1965.

^b1963, 1964, 1965 model for 1964; 1964, 1965, 1966 models for 1965.

TABLE 4-9

RELATION OF CAR PURCHASES TO PURCHASES OF CAR TRADED IN
(Percentage distribution of purchases involving a trade-in)

	<u>Percent with trade-in</u>	<u>Trade-in^a bought</u>	
		<u>New</u>	<u>Used</u>
Car bought new in 1965	57	40	17
Car bought used in 1965	43	6	37
	<u>Percent with trade-in</u>	<u>Trade-in^a bought</u>	
		<u>New</u>	<u>Used</u>
Car bought new in 1964	53	37	16
Car bought used in 1964	47	9	38

^aIncludes cars sold in connection with a purchase.

TABLE 4-10.
 CONDITION OF TRADE-IN^a WITHIN AGE OF TRADE-IN, LENGTH OF TIME
 TRADE-IN WAS OWNED, AND PURCHASE PATTERN
 (Percentage distribution of cars traded in)

	Condition of car traded in ^a in 1965				
	Number of cars traded in	All	Good, like new	Fair, needed some work	Something seriously wrong
<u>All cars</u>	454	100	47	34	19
<u>Age of car traded in^a</u>					
1 year or less (1964-65 models)	39	100	85	10	5
2-3 years old	99	100	67	27	6
4-5 years old	104	100	50	34	16
6-8 years old	110	100	23	47	30
9 years or more	102	100	34	37	29
<u>Length of time trade-in^a was owned</u>					
1 year or less (bought 1964 or 1965)	114	100	47	29	24
2-3 years	157	100	48	38	14
4-5 years	108	100	52	31	17
6 years or more	75	100	35	38	27
<u>Purchase pattern of family making a trade-in</u>					
Bought a new car in 1965					
Trade-in bought new	182	100	67	21	12
Trade-in bought used	77	100	44	39	17
Bought a used car in 1965					
Trade-in bought new	25	100	40	40	20
Trade-in bought used	170	100	27	45	28

^aIncludes cars sold in connection with a purchase.

The question asked was "When you traded it in (sold it), was it in good shape, did it need some repairs, or was something seriously wrong with it?"

TABLE 4-11

CONDITION OF TRADE-IN^a WITHIN FAMILY INCOME,
AGE AND MULTIPLE CAR OWNERSHIP

(Percentage distribution of cars traded in)

Characteristic of family making trade-in ^a	Condition of car traded in ^a in 1965				
	Number of cars traded in	All	Good, like new	Fair, needed some work	Something seriously wrong
<u>All cars</u>	454	100	47	34	19
<u>Total family income</u>					
Less than \$5,000	73	100	36	37	27
\$5,000-7,499	114	100	39	44	17
\$7,500-9,999	81	100	48	31	21
\$10,000-14,999	103	100	44	34	22
\$15,000 or more	83	100	67	23	10
<u>Car ownership</u>					
Own one car	265	100	42	38	20
Own two or more cars	189	100	53	29	18
<u>Age of family head</u>					
Under age 34	115	100	34	49	17
35-44	113	100	43	32	25
45-54	105	100	52	31	17
55-64	72	100	53	26	21
65 or older	49	100	63	23	14

^aIncludes cars sold in connection with a purchase.

The question asked was, "When you traded it in (sold it), was it in good shape, did it need some repairs, or was something seriously wrong with it?"

TABLE 4-12

NEW CAR PURCHASES BY FAMILY INCOME GROUPS
(Percentage distribution)

Income	Distribution of all families				Shares of new car purchases				Ratio of new cars purchased to number of families			
	1962	1963	1964	1965	1962	1963	1964	1965	1962	1963	1964	1965
Less than \$3,000	22	23	21	19	6	5	2	3	3	2	1	2
\$3,000-4,999	18	17	16	16	9	7	5	7	5	4	4	6
\$5,000-7,499	26	26	23	21	23	21	16	17	9	9	9	11
\$7,500-9,999	16	15	17	17	18	17	23	19	12	12	16	15
\$10,000-14,999	18	19	15	17	44	50	27	27	26	28	22	21
\$15,000 or more			8	10			27	27			41	37
All families	100	100	100	100	100	100	100	100	10	11	12	13

TABLE 4-13
USED CAR PURCHASES BY FAMILY INCOME GROUPS
(Percentage distribution)

Income	Distribution of all families				Shares of used car purchases				Ratio of used cars purchased to number of families			
	1962	1963	1964	1965	1962	1963	1964	1965	1962	1963	1964	1965
Less than \$3,000	22	23	21	19	13	16	10	10	14	14	9	10
\$3,000-4,999	18	17	16	16	22	16	15	14	27	19	19	18
\$5,000-7,499	26	26	23	21	27	31	31	29	24	24	26	27
\$7,500-9,999	16	15	17	17	18	18	21	18	25	24	23	20
\$10,000-14,999	18	19	15	17	20	19	17	22	26	20	21	25
\$15,000 or more	18	19	8	10	20	19	6	7	26	20	14	13
All families	100	100	100	100	100	100	100	100	23	20	19	19

TABLE 4-14
NEW CAR PURCHASES, BY FAMILY LIFE CYCLE GROUPS
(Percentage distribution)

Life cycle	Distribution of all families				Shares of new car purchases				Ratio of new cars purchased to number of families			
	1962	1963	1964	1965	1962	1963	1964	1965	1962	1963	1964	1965
Under age 45												
Single, no children	5	5	5	5	3	1	5	5	5	3	12	12
Married, no children	6	5	5	6	11	7	6	7	20	13	14	17
Married, children												
Youngest under age 6	22	22	21	20	17	21	20	21	8	11	12	14
Youngest age 6 or older	11	10	10	10	12	14	12	14	12	14	15	18
Age 45 or older												
Married, children	15	14	13	14	21	21	16	17	14	16	15	17
Married, no children												
Head in labor force	14	16	17	14	20	19	25	18	15	13	18	18
Head retired	9	8	8	10	6	6	5	9	7	7	7	12
Single, no children												
Head in labor force	5	7	7	7	4	7	5	4	9	11	9	8
Head retired	8	9	9	9	4	2	3	2	5	3	4	3
Other	5	4	5	5	2	2	3	3	4	4	7	7
All families	100	100	100	100	100	100	100	100	10	11	12	13

TABLE 4-15
USED CAR PURCHASES, BY FAMILY LIFE CYCLE GROUPS
(Percentage distribution)

<u>Life cycle</u>	<u>Distribution of all families</u>				<u>Shares of used car purchases</u>				<u>Ratio of used cars purchased to number of families</u>			
	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Under age 45												
Single, no children	5	5	5	5	5	4	3	2	21	16	12	8
Married, no children	6	5	5	6	7	4	7	7	31	13	26	25
Married, children												
Youngest under age 6	22	22	21	20	33	35	30	30	35	33	27	29
Youngest age 6 or older	11	10	10	10	13	12	16	16	29	24	29	30
Age 45 or older												
Married, children	15	14	13	14	19	19	18	17	28	27	27	25
Married, no children												
Head in labor force	14	16	17	14	12	15	15	13	20	19	18	18
Head retired	9	8	8	10	3	3	4	5	7	7	8	9
Single, no children												
Head in labor force	5	7	7	7	2	2	3	3	8	7	8	9
Head retired	8	9	9	9	2	2	1	2	7	4	2	5
Other	<u>5</u>	<u>4</u>	<u>5</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>5</u>	17	16	13	19
All families	100	100	100	100	100	100	100	100	23	20	19	19

TABLE 4-16
NEW, USED, AND MULTIPLE CAR OWNERSHIP, 1955-1966
(Percentage distribution)

<u>Car ownership</u>	<u>1955</u>	<u>1957</u>	<u>1959</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Own one car bought new	27	28	27	26	24	26	26	27	27
Own one car bought used	33	34	32	32	33	32	30	28	27
Own two or more cars ^a	10	13	15	18	17	22	22	24	25
Do not own	30	25	26	24	26	20	22	21	21
Total	100	100	100	100	100	100	100	100	100
Total number of families in United States (millions)	49.1	51.4	52.5	54.2	54.9	56.5	56.8	58.5	59.1

^aSome bought new, some bought used.

TABLE 4-17

CAR OWNERSHIP WITHIN SELECTED VARIABLES
(Ownership as a percentage of families in specified groups)

Variables	All car owners			Owners of two or more cars		
	1964	1965	1966	1964	1965	1966
<u>Income level</u>						
Less than \$1,000	32	27	24	3	2	3
\$1,000-1,999	33	43	31	2	2	3
\$2,000-2,999	70	56	54	8	6	3
\$3,000-3,999	72	68	67	11	12	6
\$4,000-4,999	72	76	76	12	12	11
\$5,000-5,999	86	82	84	19	17	16
\$6,000-7,499	87	88	89	19	21	21
\$7,500-9,999	94	94	93	34	32	20
\$10,000-14,999	98	97	96	46	47	46
\$15,000 or more	93	94	95	57	57	60
<u>Life cycle stage of family head</u>						
Under age 45						
Single, no children	51	59	53	4	3	5
Married, no children	86	91	91	19	28	17
Married, children						
Youngest under age 6	92	91	93	21	25	27
Youngest age 6 or older	94	93	95	37	37	47
Age 45 or older						
Married, children	89	90	89	38	42	44
Married, no children						
Head in labor force	89	91	91	36	33	35
Head retired	65	71	74	12	14	9
Single, no children						
Head in labor force	63	62	64	8	11	9
Head retired	31	33	31	1	3	4
Any age						
Single, with children	54	52	61	6	8	12

TABLE 4-17 (Continued)

CAR OWNERSHIP WITHIN SELECTED VARIABLES
(Ownership as a percentage of families in specified groups)

Variables	All car owners			Owners of two or more cars		
	1964	1965	1966	1964	1965	1966
<u>Age</u>						
18-24	67	72	72	8	11	7
25-34	87	86	88	20	21	24
35-44	88	88	90	27	32	36
45-54	86	89	86	34	36	36
55-64	78	77	78	24	24	25
65 or older	51	54	53	9	10	8
<u>Education</u>						
0-8 years	65	65	63	14	17	17
9-11 years	79	76	81	22	22	23
12 years	85	85	87	28	26	28
Some college	84	89	85	27	33	30
College degree	89	90	91	28	35	35
<u>Race</u>						
White	80	81	82	23	26	26
Negro	54	55	48	11	9	14
<u>Region</u>						
Northeast	70	74	74	17	23	21
North Central	82	84	84	27	26	29
South	77	75	77	22	22	25
West	80	83	81	22	27	22
<u>Belt</u>						
Central cities of:						
Twelve largest SMSA's	54	57	56	14	10	11
Other SMSA's	80	77	77	24	22	24
Suburbs of:						
Twelve largest SMSA's	83	90	86	25	39	32
Other SMSA's	88	88	92	33	33	37
Adjacent areas	84	83	85	24	26	28
Outlying areas	75	76	75	15	18	18
All families	78	79	79	22	24	25

TABLE 4-18

LENGTH OF TIME OF MULTIPLE CAR OWNERSHIP WITHIN
VARIOUS FAMILY CHARACTERISTIC GROUPS

(Percentage distribution of multiple car-owning families)

Family characteristic	Length of time a multiple owner (in years) ^a						All	Number of cases
	1 or less	2-3	4-6	7-10	Over 10 years	d		
All families	20	19	22	18	20	1	100	596
<u>Family income</u>								
Less than \$5,000	43	22	13	11	9	2	100	45
\$5,000-7,499	35	20	20	10	14	1	100	100
\$7,500-9,999	20	20	26	16	16	2	100	124
\$10,000-14,999	18	22	24	20	16	*	100	188
\$15,000 or over	5	12	22	25	35	1	100	139
<u>Number of major earners^b</u>								
One	22	22	19	18	18	1	100	282
Two	21	17	22	20	20	*	100	233
Three or more	10	14	40	15	20	1	100	67
<u>Number of drivers^c</u>								
One	41	26	12	3	15	3	100	34
Two	23	19	21	17	19	1	100	369
Three or more	11	16	28	22	22	1	100	193
<u>Age of head</u>								
Under age 34	36	28	25	9	1	1	100	115
35-44	17	24	23	19	16	1	100	165
45-54	15	14	23	22	26	*	100	175
55-64	18	12	17	18	31	4	100	104
65 or older	11	11	24	19	35	*	100	37

* Less than 0.5 percent.

^a The question asked was: "How long have you had more than one car in the family?"

^b A few cases of families with no major earners (earns \$600 or more per year) are omitted here.

^c The question asked was: "Altogether, how many people are there in your family living here who can drive?"

^d Don't know or not ascertained.

TABLE 4-19
PURCHASING INTENTIONS WITHIN CAR OWNERSHIP AND FAMILY INCOME GROUPS
(Percentage distribution of families)

	Intentions to buy ^a									
	All		Next 12 months				Between 1 and 3 years	3 or more years	Never, buy when necessary	Not ascertained; don't know
			Will buy		May buy					
			With trade-in	No trade-in	With trade-in	No trade-in				
	N	%								
<u>All families</u>	2419	100	10	5	4	3	26	19	21	12
<u>Car ownership</u>										
Own no car	515	100	*	7	*	3	7	5	64	14
Own one car ^b										
Late model	528	100	6	4	3	3	30	39	7	8
Not late model	780	100	13	6	6	3	28	17	14	13
Own two or more cars										
At least one ^b										
late model	355	100	17	6	5	2	38	17	6	9
No late model	241	100	15	5	7	5	31	15	8	14
<u>Income</u>										
Less than \$3,000	468	100	2	3	2	1	12	9	57	14
\$3,000-4,999	377	100	7	6	3	3	21	20	28	12
\$5,000-7,499	519	100	8	3	4	3	31	24	13	14
\$7,500-9,999	412	100	9	7	6	3	30	26	7	12
\$10,000-14,999	413	100	17	8	5	3	32	19	7	9
\$15,000 or more	230	100	23	7	5	4	32	14	8	7

* Less than 0.5 percent.

^a Intentions expressed early in 1966.

^b Model years 1963 to 1966.

The questions asked were: (1) "Do you expect to buy a car during the next 12 months or so?" "Does anyone else in the family living here expect to buy a car during the next 12 months?" (2) (If "no" to question 1): "How long do you think it will be before you buy a car?"

TABLE 4-20

PURCHASING INTENTIONS FOR NEW AND USED CARS
(Percentage distribution of families intending to buy^a)

Expected price	Intend to buy new ^a		Intend to buy used ^a	
	1965	1966	1965	1966
Less than \$500	*	*	32	23
\$500-999	*	1	19	20
\$1,000-1,499	1	1	17	17
\$1,500-1,999	3	5	9	9
\$2,000-2,499	20	11	5	7
\$2,500-2,999	17	17	1	2
\$3,000-3,999	32	40	3	3
\$4,000 and over	15	14	1	1
Not ascertained; don't know amount	12	11	13	18
All	100	100	100	100
Median amount ^b	\$3,070	\$3,220	\$810	\$970

* Less than 0.5 percent.

^a Intentions to buy in the next 12 months expressed in January-February, 1966.

^b Median amount, rounded to the nearest \$10, for those respondents indicating the dollar amount of the intended purchase.

5

FURNITURE AND HOUSEHOLD APPLIANCES

THE high level of expenditures reached in 1964 on large consumer durables other than cars was surpassed significantly in 1965. The increase in expenditures in 1964 was partly due to an increase in the number and proportion of families purchasing and partly to an increase in the average expenditure per family (see Table 5-1).

When the proportion of families making purchases was computed separately for families in varying income, age, and life cycle groups, the data indicated no major shifts in the distribution of purchasers (see Table 5-2). Purchases were most frequent among high-income families; they were infrequent among older families. Among life cycle groups, young married family units were the most frequent purchasers.

Thirty-seven percent of American families made at least one appliance purchase in 1965. Table 5-3 presents data on the number of appliances purchased in 1965 by families in various income groups. High-income families were more likely to purchase appliances than were families with lower incomes. They also tended to purchase more than one household appliance during the year. Multiple purchases were relatively frequent among young married families (Table 5-4). Almost one out of every four such families without children made two or more purchases in 1965.

Outlays for Furniture and Household Appliances

Table 5-5 indicates that there has been no significant change in the distribution of amounts spent by American families for furniture and household appliances since 1962 despite a slight increase in the average outlay. The amounts spent and the proportion of families

making expenditures are closely related to the income position of the family (see Table 5-6). The proportion making expenditures ranges from 26 percent in the lowest income quintile to 63 percent and 59 percent in the ninth and tenth deciles, respectively. A major difference between the groups of low and high-income families was in the proportion spending large amounts of money. Low-income families who made purchases tended to spend small amounts; but among high-income families few spent less than \$300, while over 20 percent spent amounts exceeding \$750.

In almost all life cycle groups a few families made large purchases (see Table 5-7); however, the young married groups (head under age 45) were characterized by relatively high proportions of families making purchases exceeding \$750.

Table 5-8 presents data on amounts spent on durable goods other than cars by homeowners and renters, classified according to the year in which they moved into their present dwelling. The most frequent purchasers were those homeowners who had moved into their house since 1963. Two out of every three such families made at least one purchase; more than 30 percent made purchases totaling \$500 or more. The average amount spent by buyers in this group was \$620, as compared with only \$380 for renters who had occupied their apartments since 1963.

Income increases also influenced the proportion of families purchasing household durable goods (see Table 5-9). Among low-income families (under \$3000) whose income was stable or decreased between 1964 and 1965, about one in four purchased durable goods. Among families in this income bracket whose income increased, the proportion of families purchasing durable goods was only slightly larger. However, among higher-income families, the effect of an income increase on the proportion buying durable goods was more pronounced. In the \$7500 to \$10,000 groups, over 60 percent of the families receiving an income increase purchased durable goods. The comparable purchase rate for those families not receiving an income increase was only 50 percent. Income increases had maximum impact among families in this income range.

Financing of Durable Good Purchases

Considering all families taken together, there was no significant change in the proportion of purchasers using credit (see Table 5-10). However, among very low-income families, the proportion of credit purchasers declined slightly. It increased somewhat among high-income families.

Table 5-11 presents additional data on the proportion of families using credit for purchases of durable goods, according to the income of the family and the amount of their outlay. Although the number of cases in each cell is too small to permit year-to-year comparisons, the data, when averaged over 3 years, lead to some significant conclusions. Among high-income families (\$10,000 and over), the proportion of purchasers using credit was about 20 to 25 percent for families making only small outlays (under \$300). This rate rose to about 40 percent when the amount of the purchase was \$400 or more. Among middle-income families (\$5000 to \$10,000) making purchases of less than \$100, the proportion of purchasers using credit was about 20 to 25 percent. The proportion was almost the same for low-income families. For both groups the proportion of credit users rose very rapidly with outlays over \$100. About two-thirds of the middle-income families whose purchases totaled \$300 or more reported using credit. Among lower-income families, the proportion of purchasers using credit continued to rise with the size of the outlay to about three out of every four purchasers. Very few lower-income families made purchases totaling more than \$400.

When purchases of specific appliances and of furniture are considered separately (see Table 5-12), it can be seen that the use of credit for individual items increases rapidly with the price paid for the item. In 1965, 15 percent of the transactions involving less than \$100 were credit purchases. Some 40 percent of purchases amounting to more than \$100 involved installment credit. There do not appear to be major differences in the frequency of credit use among the different types of durable goods (except that a very high proportion of television sets in the \$250 to \$400 price range were bought on credit).

Table 5-13 further documents trends in the use of credit and prices paid for specific household goods since 1962. During the last few years there has been a considerable shift in the distribution of prices paid for television sets. The influx of color television sets is reflected in the increasing proportion of sets for which \$500 or more was paid in 1965. The average price paid for TV sets increased from \$240 to \$310 from 1964 to 1965. Outlays for refrigerators, washing machines, and cooking ranges, however, remained substantially the same since 1962. The median outlay for furniture increased. The changes are largely due to decreases in the proportions of small purchases (less than \$100) and a slight increase in the incidence of very large purchases (\$500 or more).

In 1963, over half of the television purchases involved the use of credit. This proportion dropped to 42 percent in 1965 (see Table 5-13). The proportion of purchases of refrigerators involving credit

dropped from 62 percent to 37 percent during the same period. The 1966 data indicate similar decreases in the proportion of purchases of washing machines, cooking ranges, and furniture which involved credit.

Major Expenditures on Cars and Household Durables in 1965

Fifty-six percent of all family units made a major expenditure¹ on consumer durable goods in 1965 (see Table 5-14). The proportion making a major expenditure was highest among families with incomes of \$10,000 to \$15,000. Of families with incomes between \$7500 and \$10,000, two out of every three made a major expenditure. Almost half of the families with incomes of \$15,000 or more made expenditures which involved outlays of \$1000 or more.

Typically, homeowners spend more on cars, furniture, and other items for their homes, than do renters. During 1965 more than three out of every four homeowners who purchased their house since 1963 made a major expenditure. One out of every three made an expenditure of \$1000 or more. On the other hand, only 13 percent of the renters moving into their home before 1963 made an expenditure of that size.

Among life cycle groups, the most frequent purchasers were the young married units and older families with children still living at home. Large expenditures were most frequent among young married families or older married families in which the head was still in the labor force.²

Cars vs. Other Durable Goods

The relationship between the purchasing of cars and other durable goods is of interest. Some families buy a car during one year and buy durable goods at some other time. Others may purchase both cars and appliances during the same year. Table 5-15 shows that about 60 percent of American families purchased either cars or durable goods in a calendar year. One in every four of those purchasers acquired both a car and durable goods. This proportion

¹ A major expenditure is defined as a net outlay of \$100 or more on cars, durable goods, or furniture during the calendar year. Net outlay is the difference between the total price paid and the trade-in allowance.

² Working or unemployed and looking for work.

rose to 35 percent among high-income families in 1965 (see Table 5-15). The table also shows that families who spent money on cars were slightly more likely to have spent money on other durable goods than were those who made no outlay for a car. The proportion spending money for durables ranged from 40 percent among families who did not purchase a car and whose income was under \$10,000 to over 60 percent among high-income car purchasing families.

Buying Intentions

Table 5-16 presents data on buying intentions for the next 12 months for selected household durable goods, as expressed early in 1966. Families were classified according to whether or not they bought selected appliances or furniture in 1965. They were further subdivided according to their income. Intentions to buy television sets and furniture appear to have been influenced by both income and past purchasing activity. Families who made purchases of appliances or furniture in 1965 were somewhat more likely to report plans for buying furniture than were those who had not made such purchases. Plans to purchase refrigerators and washing machines were not significantly different among families with high or low incomes, nor were they related to past purchases. Plans to purchase television sets were most frequent among high-income families who had not bought an appliance during the previous year and among those purchasing furniture.

The assumption that purchases of furniture and appliances are not repeated by the same family over a period of 2 years is contradicted. Table 5-17 indicates that families who made outlays of \$100 or more during 1965 were more likely in early 1966 to report plans to purchase furniture than were those who did not incur such expenses. Families without major expenditures in 1965 were as likely to report plans to buy television sets, refrigerators, and washing machines as were those who had made large outlays.

Table 5-18 further documents the high level of planned expenditures for household durable goods as of early 1966. During the past 3 years, planned expenditures have been reported by 25 to 30 percent of American families. About one out of every seven families has reported plans to spend at least \$300. In each income group expenditures under \$300 have been planned by another 10 percent. Higher-income groups contained many families with large planned expenditures.

TABLE 5-1

PURCHASES OF FURNITURE AND LARGE HOUSEHOLD APPLIANCES^a

<u>Units purchasing</u>	Purchases of furniture and household appliances			
	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Percentage	45	42	44	46
Estimated number (in millions)	25.3	23.8	25.7	27.4
<u>Expenditures</u> ^b				
Mean amount (buyers only)	\$420	\$450	\$450	\$480
Estimated total (in billions)	\$10.7	\$10.8	\$11.6	\$13.0

^aIncludes purchases of new and used household appliances.

^bBefore deduction of trade-in; includes amounts borrowed.

TABLE 5-2

PURCHASES OF FURNITURE AND LARGE HOUSEHOLD APPLIANCES, BY
INCOME, AGE, AND LIFE CYCLE

(Percentage distribution of families)

<u>Group characteristic</u>	<u>Proportion that purchases</u>			
	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
<u>Income</u>				
Less than \$3,000	22	23	28	26
\$3,000-4,999	41	33	38	35
\$5,000-7,499	50	49	45	46
\$7,500-9,999	56	52	55	58
\$10,000 or more	58	56	54	60
<u>Age of head</u>				
18-24	46	57	63	47
25-34	57	56	55	62
35-44	53	48	55	56
45-54	48	47	43	48
55-64	37	32	31	37
65 or older	24	19	24	26
<u>Life cycle</u>				
<u>Under age 45</u>				
Single ^a	33	33	35	36
Married				
No children ^b	69	66	67	60
Children	56	55	59	62
<u>Age 45 or older</u>				
Married				
Children ^b	44	49	43	53
No children ^b	39	32	35	41
Single ^a	26	23	20	21
<u>All units</u>	45	42	44	46

^aIncludes persons never married and persons widowed, divorced, or separated.^bNo children under 18 years of age living at home.

TABLE 5-3
 NUMBER OF APPLIANCES^a PURCHASED IN 1965
 (Percentage distribution of families)

<u>Families purchasing</u>	<u>All families</u>	<u>Under \$3,000</u>	<u>\$3,000 -4,999</u>	<u>\$5,000 -7,499</u>	<u>\$7,500 -9,999</u>	<u>\$10,000 -14,999</u>	<u>\$15,000 or more</u>
One item	26	17	21	26	31	32	30
Two or more	11	3	8	11	15	16	19
<u>Did not purchase</u>	<u>63</u>	<u>80</u>	<u>71</u>	<u>63</u>	<u>54</u>	<u>52</u>	<u>51</u>
Total	100	100	100	100	100	100	100
Number of families	2419	468	377	519	412	413	230

^aIncludes TV, refrigerator, washing machine, stove, clothes dryer, dishwasher, air conditioner, sewing machine, radio, record-playing equipment, tape recorder, freezer, humidifier, or dehumidifier.

TABLE 5-4

NUMBER OF APPLIANCES^a PURCHASED IN 1965 BY FAMILY LIFE CYCLE
(Percentage distribution of families)

#families purchasing	All families	Under age 45				Age 45 or over					Includes unmarried with children
		Unmarried	Married			Married	Unmarried			Other	
		No children	No children	Youngest child under age 6	Youngest child age 6 or older	Has children	No children, head in labor force	No children, head retired	No children, head in labor force	No children, head retired	
One item	26	25	25	33	36	27	22	28	18	12	19
Two or more	11	4	24	20	14	12	10	6	3	1	9
Did not purchase	<u>63</u>	<u>71</u>	<u>51</u>	<u>47</u>	<u>50</u>	<u>61</u>	<u>68</u>	<u>66</u>	<u>79</u>	<u>87</u>	<u>72</u>
Total	100	100	100	100	100	100	100	100	100	100	100
Number of families	2419	133	134	484	242	326	336	234	171	230	129

^a Includes TV, refrigerator, washing machine, stove, clothes dryer, dishwasher, air conditioner, sewing machine, radio, record-playing equipment, tape recorder, freezer, humidifier, or dehumidifier.

TABLE 5-5

AMOUNTS SPENT FOR FURNITURE AND HOUSEHOLD APPLIANCES
(Percentage distribution of family units)

<u>Amount spent^a</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Zero	55	58	56	54
\$1-99	4	4	4	4
\$100-199	8	7	9	8
\$200-299	10	9	9	9
\$300-499	10	9	9	10
\$500-749	6	6	6	7
\$750-999	3	3	2	3
\$1,000 or more	3	4	4	5
Amount not ascertained	<u>1</u>	<u>*</u>	<u>1</u>	<u>*</u>
Total	100	100	100	100

* Less than 0.5 percent.

^a Before deduction for trade-in; includes amount borrowed.

TABLE 5-6

AMOUNT SPENT ON HOUSEHOLD DURABLE GOODS IN 1965 WITHIN
FAMILY INCOME QUINTILES

(Percentage distribution of families)

<u>Amount spent</u>	<u>All families</u>	<u>Lowest quintile</u>	<u>Second quintile</u>	<u>Third quintile</u>	<u>Fourth quintile</u>	<u>Ninth decile</u>	<u>Highest decile</u>
<u>Spent nothing</u>	<u>54</u>	<u>74</u>	<u>64</u>	<u>50</u>	<u>41</u>	<u>37</u>	<u>41</u>
<u>Spent</u>	<u>46</u>	<u>26</u>	<u>36</u>	<u>50</u>	<u>59</u>	<u>63</u>	<u>59</u>
Less than \$100	4	7	5	4	4	1	2
\$100-199	8	6	9	9	9	7	6
\$200-299	9	6	7	12	11	10	6
\$300-399	6	2	5	7	6	10	6
\$400-499	5	1	4	6	7	7	5
\$500-749	7	2	4	7	11	9	13
\$750-999	3	1	1	3	5	8	5
\$1,000 or more	4	1	1	2	6	11	16
Amount spent not ascertained	*	*	*	*	*	*	*
Total	100	100	100	100	100	100	100
Number of cases	2419	484	484	484	484	242	241
Percent of sample	100	20	20	20	20	10	10

*Less than 0.5 percent.

TABLE 5-7

AMOUNT SPENT ON HOUSEHOLD DURABLE GOODS IN 1965 WITHIN
FAMILY LIFE CYCLE STAGES
(Percentage distribution of families)

Amount spent	Under age 45					Age 45 or over					Any age
	Unmarried	Married				Married	Unmarried				Other
	All families	No children	No children	Youngest child under age 6	Youngest child age 6 or older	Has children	No children, head in labor force	No children, head retired	No children, head in labor force	No children, head retired	Includes unmarried with children
Spent nothing	54	64	40	36	41	47	60	58	74	83	63
Spent	46	36	60	64	59	53	40	42	26	17	37
Less than											
\$100	4	8	4	5	4	5	2	6	2	2	7
\$100-199	8	8	8	11	7	9	5	9	4	5	9
\$200-299	9	7	7	12	10	11	8	9	6	5	5
\$300-399	5	5	6	6	10	7	5	6	3	1	6
\$400-499	5	2	9	7	5	4	5	5	3	1	2
\$500-749	7	2	9	11	8	8	7	5	5	3	4
\$750-999	3	2	5	5	6	5	4	*	1	*	2
\$1,000 or more	5	2	12	7	9	4	4	2	2	*	2
Amount spent not ascertained	*	*	*	*	*	*	*	*	*	*	*
Total	100	100	100	100	100	100	100	100	100	100	100
Number of cases	2419	133	134	484	242	326	336	234	171	230	129

*Less than 0.5 percent.

TABLE 5-8

AMOUNT SPENT (DISTRIBUTION AND MEANS) ON HOUSEHOLD DURABLE GOODS IN 1965, BY
HOUSING STATUS AND DURATION
(Percentage distribution of families)

Amount spent	All families	Home owner		Renter		Other
		Bought 1963-1966	Bought before 1963	Moved in 1963-1966	Moved in before 1963	
Spent nothing	54	32	55	51	63	73
Spent	46	68	45	49	37	27
Less than \$100	4	3	3	7	4	7
\$100-199	8	9	7	12	7	3
\$200-299	9	11	9	7	11	4
\$300-399	6	7	6	5	4	5
\$400-499	4	7	5	3	3	5
\$500-749	7	12	7	8	6	1
\$750-999	3	6	4	2	*	1
\$1,000 or more	5	13	4	5	2	1
Amount spent not ascertained	*	*	*	*	*	*
Total	100	100	100	100	100	100
Mean amount spent by buyers	\$480	\$620	\$470	\$430	\$380	\$300
Total number of cases	2419	335	1161	460	264	199
Percent of sample	100	14	48	19	11	8

^a Includes families who share part of another's dwelling, those who live in trailers and a few nonfarm families who receive housing as a part of compensation, etc.

TABLE 5-9

PROPORTION OF FAMILIES WHO PURCHASED HOUSEHOLD DURABLE GOODS IN 1965 AND MEAN AMOUNT SPENT,
BY 1964 - 65 INCOME CHANGE AND 1965 INCOME
(Percentage distribution of families)

1964 - 65 income increased	Number of cases ^a	All	Proportion who bought durables	Mean amount spent	Proportion who spent ^a		
					\$0-199	\$200-499	\$500 or more
1965 income: Less than \$3,000	141	100	27	\$240	16	9	2
\$3,000-4,999	168	100	39	290	15	19	5
\$5,000-7,499	290	100	49	370	13	24	12
\$7,500-9,999	279	100	61	430	13	28	20
\$10,000 or more	451	100	62	720	9	22	31
1964 - 65 income stable or decreased							
1965 income: Less than \$3,000	327	100	25	250	13	9	3
\$3,000-4,999	209	100	33	310	14	13	6
\$5,000-7,499	229	100	42	390	12	20	10
\$7,500-9,999	133	100	50	420	11	25	14
\$10,000 or more	192	100	54	670	8	19	27
All families	2419	100	46	480	12	19	15

^aDetailed figures do not always add to totals because of cases for which expenditure or income change was not ascertained.

TABLE 5-10

FINANCING OF FURNITURE AND APPLIANCES PURCHASED IN 1964 AND 1965, BY TOTAL INCOME
(Percentage distribution of families)

Percent of purchasers using	All families		Income											
			Less than \$3,000		\$3,000 -4,999		\$5,000 -7,499		\$7,500 -9,999		\$10,000 -14,999		\$15,000 or more	
	1964	1965	1964	1965	1964	1965	1964	1965	1964	1965	1964	1965	1964	1965
Cash only	53	56	47	61	35	43	43	42	55	55	63	65	92	76
Credit ^a	47	44	53	39	65	57	57	58	45	45	37	35	8	24
Total, all purchases	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Percent purchasing	44	46	28	26	38	35	45	46	55	58	56	60	49	59
Number of families	1349	2419	286	468	219	377	317	519	215	412	206	413	106	230

^aSome buyers who bought one item by paying cash and other item(s) on credit are included.

TABLE 5-11

PROPORTION OF PURCHASERS USING CREDIT IN 1963-1965 FOR PURCHASES OF APPLIANCES AND
FURNITURE, BY INCOME AND AMOUNT OF PURCHASE

(Percentage distribution of families)

Net outlay on all durables purchased by family	All families			Income less than \$5,000			Income \$5,000-9,999			\$10,000 or more		
	1963	1964	1965	1963	1964	1965	1963	1964	1965	1963	1964	1965
\$1-99	21	21	17	17	20	19	25	27	20	22	27	5
\$100-199	44	48	39	55	60	48	50	54	49	25		
\$200-299	47	49	49	54	57	58	55	59	56	35	36	27
\$300-399	49	54	45	70		58	70	78	53	23	24	26
\$400-499	67	37	57		77		68		60	57	38	45
\$500-749	55	55	47	83		68	77	56	58	39	46	33
\$750-999	53	50	55				71		59	37	37	50
\$1,000 and over	54	44	43						52	45		38
All purchasers	47	47	44	54	59	49	58	57	52	36	35	31
Percent of all families who purchased durables	42	44	46	27	33	30	49	45	51	54	54	60
Number of families in income group	1540	1349	2419	623	505	845	394	317	931	523	527	643

TABLE 5-12

PROPORTION OF TRANSACTIONS IN WHICH CREDIT WAS USED, BY
TYPE OF PURCHASE AND MONEY SPENT IN 1965

(Percentage distribution)

<u>Price paid</u>	<u>All purchases</u>	<u>TV</u>	<u>Refrigerator</u>	<u>Washing machine</u>	<u>Range</u>	<u>Furniture</u>	<u>Other^a</u>
\$1-99	15	14	21	22	14	13	28
\$100-199	35	30		41	38	44	
\$200-249	40	47	57	41	46	33	21
\$250-299	46	74	35	51		45	
\$300-399	41		33		45	36	21
\$400-499	51	49	50	48		55	
\$500 or more	43	53				38	
All price levels	38	42	37	41	37	37	25
Number of transactions	1513	376	182	224	118	443	170

^a Dryer, dishwasher, air conditioner.

TABLE 5-13

PURCHASES OF SPECIFIC HOUSEHOLD DURABLE GOODS, PRICES PAID, AND
USE OF CREDIT, BY FAMILIES IN 1962-1965
(Percentage distribution of families)

<u>Total price paid</u>	<u>Television</u>				<u>Refrigerator</u>				<u>Washing machine</u>			
	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
\$1-99	9	12	13	11	18	17	12	11	10	14	8	12
\$100-199	34	35	42	34	16	13	15	10	29	30	29	32
\$200-249	24	16	16	10	13	12	15	16	37	25	39	27
\$250-299	11	14	7	4	19	25	18	24	10	14	14	17
\$300-399	11	7	5	8	19	21	25	28	6	11	7	8
\$400-499	3	5	3	10	7	6	9	8	4	4	2	2
\$500 or more	7	10	13	22	6	6	5	3	2	1	1	2
Not ascertained	1	1	1	1	2	*	1	*	2	1	*	*
Total	100	100	100	100	100	100	100	100	100	100	100	100
Mean total price	\$240	\$249	\$240	\$310	\$250	\$250	\$260	\$260	\$210	\$210	\$210	\$210
Proportion of purchases involving:												
Credit		55		42		62		37		52		41
Cash only	**	45	**	58	**	38	**	63	**	48	**	59
Total		100		100		100		100		100		100
Number of cases	217	193	165	376	151	110	101	182	161	135	122	224
Purchases as a proportion of families	11	13	12	15	8	7	7	7	9	9	9	9

* Less than 0.5 percent.

** Not available.

(Continued)

TABLE 5-13 (Continued)

PURCHASES OF SPECIFIC HOUSEHOLD DURABLE GOODS, PRICES PAID, AND
USE OF CREDIT, BY FAMILIES IN 1962-1965
(Percentage distribution of families)

Total price paid	Cooking range				Furniture ^a				Other major appliances ^b			
	1962	1963	1964	1965	1962	1963	1964	1965	1962	1963	1964	1965
\$1-99	20	29	18	19	16	15	14	12	9	13	6	8
\$100-199	28	25	38	31	17	23	21	19	41	38	51	53
\$200-249	24	28	19	24	12	10	10	12	23	18	22	22
\$250-299	9	8	7	9	4	5	6	7	13	10	7	10
\$300-399	9	8	9	8	15	10	10	12	9	13	7	5
\$400-499	5	1	4	6	8	8	9	7	3	5	4	1
\$500 or more	2	1	5	3	25	28	29	31	*	2	3	1
Not ascertained	3	*	*	*	3	1	1	*	2	1	*	*
Total	100	100	100	100	100	100	100	100	100	100	100	100
Mean total price	\$190	\$170	\$190	\$200	\$410	\$450	\$470	\$500	\$200	\$220	\$200	\$180
Proportion of purchases involving:												
Credit		60		37		56		37				25
Cash only	**	40	**	63	**	44	**	63	**	**		75
Total		100		100		100		100				100
Number of cases	105	92	82	118	351	282	225	443	99	61	82	170
Purchases as a proportion of families	6	6	6	5	19	18	17	18	5	4	6	7

**Not available.

*Less than 0.5 percent.

^aThe referent here is not specific occasions of purchase, but rather all furniture bought during the year.^bClothes dryers, dishwashers, air conditioners.

TABLE 5-14

MAJOR EXPENDITURES ON CARS AND HOUSEHOLD DURABLE GOODS IN 1965
(Percentage distribution of families)

<u>Group characteristic</u>	Proportion that made a major ex- penditure ^a	<u>Amount of expenditure</u>			
		\$100 -299	\$300 -499	\$500 -999	\$1,000 or more
<u>Income</u>					
Less than \$3,000	26	13	4	5	4
\$3,000-4,999	44	15	9	9	11
\$5,000-7,499	62	19	10	10	23
\$7,500-9,999	67	16	12	14	25
\$10,000-14,999	76	12	11	15	38
\$15,000 or more	70	7	7	11	45
<u>Housing status and duration</u>					
<u>Primary owners</u>					
Bought in 1963-1966	77	16	10	18	33
Bought prior to 1963	56	14	9	10	23
<u>Primary renters</u>					
Moved in 1963-1966	56	17	8	11	20
Moved prior to 1963	44	13	10	8	13
<u>Life cycle</u>					
<u>Under age 45</u>					
Unmarried, no children ^b	40	13	7	4	16
Married, two or more adults, no children	72	13	9	15	35
Married, two or more adults, youngest child under age 6	73	17	10	19	27
Married, two or more adults, youngest child age 6 or older	73	16	12	11	34
<u>Age 45 or older</u>					
Married two or more adults, has children	65	16	12	12	25
Married, two or more adults, no children, head in labor force	54	10	8	9	27
Married, two or more adults, head retired, no children	47	17	8	6	16
Unmarried, no children, head in labor force	36	11	9	6	10
Unmarried, no children, head retired	21	10	4	2	5
<u>Other</u>					
Other, any age, children unmarried	45	15	7	8	15
All family units	56	14	9	11	22

^a A major expenditure is defined as a total net outlay (price minus trade-in) of at least \$100 on cars and durables in 1965.

^b No children under 18 years of age living at home.

TABLE 5-15

NET OUTLAY ON SELECTED DURABLES,^a BY NET OUTLAY ON CARS
(Percentage distribution of families)

Net outlay on durables and net outlay on cars	All families		Income			
			Less than \$10,000		\$10,000 or more	
	1964	1965	1964	1965	1964	1965
No outlays	41	40	45	45	29	25
Outlay for durables only	29	31	29	29	30	34
Outlay for cars only	15	14	14	14	17	15
Outlay on both	15	15	12	12	24	26
All families	100	100	100	100	100	100
Number of cases	1349	2419	1037	1776	312	643
Percent of purchasing families buying both a car and selected household durables	25	26	22	21	33	35
Proportion of car buyers who bought durables	50	53	46	46	58	64
Proportion of non- car buyers who bought durables	41	43	39	40	51	57

^a Includes furniture, television, refrigerator, washing machine, clothes dryer, air conditioner, and dishwasher.

TABLE 5-16

PROPORTION OF FAMILIES PLANNING TO BUY SELECTED DURABLE GOODS, BY
INCOME AND 1965 PURCHASES

(Percentage distribution of families)

	Number of cases	Intentions to buy in the next 12 months ^a				Median planned expenditures ^c
		Television	Refrigerator	Washing machine	Furniture	
<u>Income less than \$10,000</u>	<u>1776</u>					
Bought major appliance(s) ^b in 1965	448	4	6	5	15	\$310
Did not buy major appliance(s) in 1965	1328	5	4	4	7	330
Bought furniture in 1965	269	7	7	5	15	330
Did not buy furniture in 1965	1507	5	4	4	8	330
<u>Income \$10,000 or over</u>	<u>643</u>					
Bought major appliance(s) ^b in 1965	236	2	7	5	18	490
Did not buy major appliance(s) in 1965	171	12	6	6	16	530
Bought furniture in 1965	172	12	5	7	20	560
Did not buy furniture in 1965	471	7	7	5	16	510

^a Includes all definite and probable intentions to purchase plus one half of the "undecided" responses.

^b Television, refrigerator, washing machine.

^c Median planned expenditures on durable goods for those with intentions to buy.

TABLE 5-17

INTENTIONS TO PURCHASE SELECTED ITEMS AND MEDIAN PLANNED EXPENDITURE,
BY NET OUTLAY ON CARS AND DURABLES AND INCOME
(Percentage distribution of families)

Family income less than \$10,000 net outlay on cars and durables, 1965	Number of cases	Percent of families intending ^a to buy within next 12 months				Median planned expenditures ^b
		Television	Refrigerator	Washing machine	Furniture	
No expenditure; less than \$100	893	5	3	3	6	\$300
\$100-499	430	6	5	5	13	290
\$500 or more	453	5	6	6	12	370
All families with less than \$10,000	1776	5	4	4	9	330
Family income \$10,000 or over, net outlays on cars and durables, 1965						
No expenditure; less than \$100	170	11	7	6	12	530
\$100-499	128	5	8	5	16	390
\$500 or more	345	9	6	5	20	540
All families with income \$10,000 or more	643	9	7	5	17	520
All families	2419	6	5	5	11	380

^a Includes all definite and probable intentions to buy plus one-half of "undecided" responses as of early 1966.

^b Median planned expenditures on durable goods for those with intentions to buy.

TABLE 5-18

MEAN AND MEDIAN PLANNED EXPENDITURES FOR HOUSEHOLD DURABLE GOODS, BY
INCOME, 1963-1965

(Percentage distribution of families)

Planned expenditures for household durable goods	Income															All families		
	\$0-2,999			\$3,000-4,999			\$5,000-7,499			\$7,500-9,999			\$10,000 & over			1963	1964	1965
	1963	1964	1965	1963	1964	1965	1963	1964	1965	1963	1964	1965	1963	1964	1965			
None	90	84	88	79	84	76	74	71	73	71	66	65	63	62	59	76	73	71
\$1-99	1	2	2	1	1	1	1	1	1	*	1	1	*	1	1	1	1	1
\$100-199	2	4	3	5	3	5	4	2	5	1	2	5	3	3	2	3	3	4
\$200-299	3	2	2	4	6	6	6	7	5	8	10	7	8	6	7	5	6	6
\$300-399	1	4	2	3	3	3	3	5	4	4	4	5	6	5	5	3	4	4
\$400-499	*	1	1	3	1	2	4	1	4	4	5	4	2	4	3	3	2	3
\$500-749	1	1	1	3	1	4	4	5	4	6	5	7	8	7	12	4	4	6
\$750-999	*	*	*	*	*	1	2	1	1	2	2	2	2	3	2	1	1	1
\$1,000 and over	1	*	*	1	*	1	1	2	2	2	2	1	6	5	6	2	2	2
Amount spent not ascertained	1	2	1	1	1	1	1	5	1	2	3	3	2	4	3	2	4	2
All families	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Median for those planning	\$230	\$270	\$230	\$320	\$270	\$300	\$380	\$340	\$350	\$420	\$350	\$360	\$430	\$440	\$510	\$380	\$350	\$380
Mean for those planning	\$530	\$270	\$290	\$310	\$300	\$370	\$490	\$530	\$470	\$490	\$410	\$410	\$600	\$620	\$630	\$500	\$480	\$490
Number of families	366	286	468	257	219	377	394	317	519	235	215	412	288	312	643	1540	1349	2419

* Less than 0.5 percent.

6

EMPLOYMENT AMONG DIFFERENT POPULATION GROUPS

IT is shown in this chapter that the number of weeks worked differs substantially according to age, education, occupation, and income. The majority of farmers but only a small minority of clerical and sales workers report that they actually worked 52 weeks in 1965. Differences in the extent of unemployment appear to be primarily a function of education: only 2 percent of college graduates with an advanced degree but 32 percent of those with less than five grades of schooling report that they were unemployed some time in 1965. Those who had a second job in 1965 and those who expressed the desire to work more than they actually did represent together a sizable proportion of the labor force. Nevertheless, the proportion of people for whom work achievement represents the most preferred aspect of their job is slightly smaller than the proportion primarily interested in job security.

The 1966 Survey of Consumer Finances contained a detailed inquiry into the number of weeks worked by those in the labor force as well as the number of weeks spent on vacation or lost because of unemployment and illness. Further, the survey gathered information on desires to work more or less as well as on work preferences. The employment section in this survey underwent extensive revision from previous surveys; therefore trends on the number of work weeks are not available. This presentation of the findings will, for the most part, consist of discussing differences among selected population groups during the year 1965.

The distribution of the years' 52 weeks was determined by the following sequence of questions:

1. How about your work last year? How many weeks of vacation did you take in 1965?

2. How many weeks were you unemployed last year?
3. How many weeks were you ill or not working for any other reason last year?
4. Then, how many weeks did you actually work at your job in 1965?

These questions were asked of household heads who were in the labor force. Thus, the data to be presented exclude the retired, permanently disabled, other family heads not in the labor force (many of them housewives), and full-time students. In addition to those who were working at the time of the survey (including the self-employed), those unemployed, sick, or laid off at that time were also asked the relevant questions.

Weeks Worked

In 1965, 72 percent of all household heads in the labor force worked 48 to 52 weeks (see Table 6-1). The data on weeks worked are exclusive of paid vacations, unemployment, sick leaves (paid or not), or any other reasons for not being on the job. The number of weeks worked thus defined varies across age, educational, and income groups. Of the youngest age group (under 25), 69 percent worked 48 to 52 weeks, but for the 25 to 34 and 35 to 44 age groups 75 and 80 percent worked 48 to 52 weeks. On the other hand, for the two oldest age groups (55 to 64 and 65 or over) 66 and 60 percent, respectively, worked 48 to 52 weeks. Although there was not much variation across education groups, weeks worked varied greatly across income groupings and varied moderately across occupational groupings. In the lower income groupings (under \$5,000), weeks worked was the lowest. For incomes of \$5,000 and over, those working 48 to 52 weeks reached 75 percent and leveled off.

Regarding the weeks worked by different occupational groups, two groups have notable differences. For farmers, 90 percent reported that they worked 48 to 52 weeks; 64 percent reported that they worked 52 weeks. For the self-employed, although the percent working 48 to 52 weeks is not much different from the total sample, 31 percent reported working a full 52 weeks. At the other extreme, laborers and service workers reported the least number of weeks worked; 58 percent worked 48 to 52 weeks.

Weeks of Actual Vacation

Weeks of vacation are defined as the number of weeks of vacation the head actually took in 1965 and exclude paid vacation during which the head stayed on. Most young family heads (under age 35) had short vacations with only 12 and 16 percent of the under-25 and 25 to 34 age groups reporting vacations of 3 weeks or longer. For heads aged 35 or older, the percent having 3 weeks of vacation or more stabilizes at about 30 percent, ranging from 30 percent for those aged 35 to 44 to 35 percent for those aged 45 to 54.

Educational level and earned income are also related to weeks of vacation. Both high educational and high-income groups took more vacation than the low groups. Nearly half of the college-trained heads took vacations of 3 weeks or longer as did those with incomes of \$10,000 or over. Of course, to a high degree, high-income heads and highly educated heads are the same people so that these tables do not represent the separate effects of education and income on the length of vacation.

Weeks of Unemployment and Illness

Of all heads of households in the labor force 83 percent reported no unemployment in 1965 (see Table 6-3). Among the age groupings, the 35 to 44 group reported the least unemployment; those under age 25 reported the most. Among educational groups 98 percent of the college-educated with advanced degrees reported no unemployment, while at the other extreme only 68 percent of the heads with less than six grades of education reported no unemployment. Similarly, 95 percent of those earning \$10,000 or over as opposed to 68 percent in the \$2,000 to \$2,999 income group reported no unemployment (an even smaller percent reported no unemployment in the income groups under \$2,000).

Weeks not worked because of illness or other reasons (strikes, for example) showed little variation across age, education, and income groups (see Table 6-4). Long illness is, of course, most frequent among older people. The number of workdays lost in the last 5 years because of illness was most closely associated with older, less educated, and low-income household heads (see Table 6-5).

Second Job Holding and Desire for Additional Hours of Work

The proportion of household heads who held a second job was 14 percent (see Table 6-6). This figure is identical with that obtained

in 1959.¹ In 1965 heads under 45 years old were somewhat more likely to hold a second job than were those aged 45 or older. Among educational groups the only one with a larger proportion having held a second job was the college-educated group with advanced degrees. Of this group 22 percent held a second job. In contrast to the slight positive relation of education to second job, very low-income heads (under \$3,000) were more likely to hold a second job.

Among the occupational groups, professionals and farmers were most likely to report a second job. The fact that professionals are highly represented among the college-educated and that many farmers have relatively low incomes may be the reason that both college-educated with advanced degrees and low-income heads report a rather high incidence of second jobs.

In addition to second job information each household head was asked whether he would like to work more hours a week if he would be paid for it (see Table 6-7). Of those under 25 years old, 51 percent reported a desire for more work whereas only 15 percent of those aged 65 or older reported a desire for more work. Similarly, those with very little education and low incomes reported a desire for more work than others.

Consideration of Job Changes

Who in the labor force is most likely to consider changing jobs? Presumably intentions of job changes are correlated with actual mobility of the different groups. In 1965, those heads of household who had thought of changing jobs and mentioned explicitly some alternative job in which they were interested constituted 18 percent of the sample (see Table 6-8). Another 17 percent reported thinking of changing jobs, but did not mention the characteristics of any particular job. Those who are younger and are more educated are more likely to report having considered changing jobs. Across income groupings there is little systematic relation between income level and having considered changing jobs.

Head's Perception of Current Earnings Relative to Previous Earnings

Two-thirds of all household heads report that they never earned more than they did in 1965 (see Table 6-9). While 85 percent

¹The 1959 data was reported in *Income and Welfare in the United States* (Morgan, et al., 1960).

of those under 25 years old report that they never earned more than in 1965, 50 percent of those aged 65 or older report that at one time they earned more. College graduates and high income heads are more likely to report higher earnings now than ever in the past. Comparison with earlier data of reported earnings in the current year relative to previous years shows that 1965 was a year of large income increases. For example, in the age group under 35, in 1959 70 percent reported that the current year's income exceeded that of all previous years, whereas the corresponding figure for 1965 was 76 percent. In the 35-44 age group the proportions are 58 and 68, and in the 45-64 age group they are 53 and 62 for 1959 and 1965, respectively.²

Work Preferences

Attitudes toward work were also studied in the 1966 Survey of Consumer Finances. Heads of households were given six choices and were asked to rank their preferences from the most preferred (rank 1) to the least preferred (rank 6) aspect of their job or occupation. The six choices, together with the frequency with which each was ranked first, are presented as follows:

<u>An Occupation or Job in Which:</u>	<u>Frequency of Rank 1 in Percent</u>
A. The work is important, gives a feeling of accomplishment	35
B. Income is steady	32
C. Working hours are short, lots of free time	9
D. There's no danger of being fired or unemployment	2
E. Changes for advancement are good	8
F. Income is high	11
Not ascertained	3
	<u>100</u>
Number of cases (employed household heads)	2814

(Combined data from January-February 1966 and August 1966 surveys.)

²For 1959 data, see the book by Morgan, et al., cited before.

The same question was asked in some earlier studies; the answers have proved quite stable over more than 10 years.³ In this chapter our interest is in the relation of work preferences to income and to demographic variables. Before presenting the findings it is necessary to group the data in an orderly fashion. The matrix of inter-correlations among the six items presented in Table 6-10 reveals three major dimensions which appear relevant for consumers' choices. Preference for a job in which the work is important and in which chances for advancement are good (items A and E) are inter-correlated and indicate achievement-mindedness. Preference for steady income, for short hours, and for a job in which there is no danger of being fired (items B, C, and D) are likewise intercorrelated and indicate security-mindedness. For the sake of simplicity the entire sample is divided into three groups. The first consists of respondents who ranked item A first, and the second of respondents who ranked either item B or D first. There emerges a third distinct group consisting of respondents for whom high income is the most salient preference. Operationally, this group was defined as those who ranked item F either first or second (and are not included in the first two groups). In addition, a small mixed group emerges consisting of respondents who fell in neither of the three groups.

In Table 6-11 the job preference index is related to age, education, and income. The table indicates that respondents with a relatively high income viewed work achievement as the most preferred and security as the least preferred aspect of their job. Concern with security is rather constant throughout the \$3,000 to \$10,000 income range and falls off markedly only at income levels higher than \$10,000. Preference for high income does not show any particular pattern across the income groups.

When work preferences are related to education, a similar pattern emerges. Security is primarily the concern of the less educated groups. A college degree, and especially an advanced degree, greatly enhances the importance of achievement in the job.

No clear overall pattern emerges in the different age groups. However, while achievement and security do not differ greatly among the younger and the older respondents, younger respondents appear to be more concerned with high income.

³ See George Katona, *The Powerful Consumer*, New York, McGraw-Hill, 1960, pp. 87 ff. and J. N. Morgan, I. Sirageldin, and Nancy Baerwaldt, *Productive Americans*, Institute for Social Research, 1966, pp. 449ff.

TABLE 6-1

WEEKS WORKED BY FAMILY HEADS AMONG AGE,
EDUCATION, INCOME, AND OCCUPATION GROUPS
(Percentage distribution of families in the labor force)

AGE OF HEAD							
Weeks worked	All heads	Under age 25	25-34	35-44	45-54	55-64	65 or older
52	14	12	12	15	14	14	19
48-51	58	57	63	65	54	52	41
40-47	18	16	19	15	21	19	17
27-39	6	8	4	3	7	10	18
14-26	3	4	2	1	2	4	4
1-13	1	3	*	*	2	1	1
Total	100	100	100	99	100	100	100
N ^b	(1818)	(116)	(412)	(435)	(447)	(336)	(72)

EDUCATION OF HEAD								
Weeks worked	0-5 Grades	6-8 Grades	9-11 Grades	12 Grades	12 Grades and training	College, no degree	College, B.A.	College, advanced degree
52	18	19	15	17	6	11	11	9
48-51	48	48	55	57	73	63	58	63
40-47	14	18	20	18	18	17	18	24
27-39	12	9	6	6	2	5	9	3
14-26	4	5	3	2	1	1	2	2
1-13	3	1	1	*	1	2	1	---
Total	99	100	100	100	101	99	99	101
N	(189)	(325)	(344)	(317)	(229)	(260)	(138)	(104)

* Less than 0.5 percent.

^a Vacation excluded.

^b The sample size will be reported for Table 6-1 only even though N varies slightly from question to question because a number of "no answers" (fairly infrequent) are excluded.

TABLE 6-1 (Continued)

WEEKS WORKED BY FAMILY HEADS, AMONG AGE,
EDUCATION, INCOME, AND OCCUPATION GROUPS
(Percentage distribution of families in the labor force)

INCOME OF HEAD							
Weeks worked	Less than \$2,000	\$2,000-2,999	\$3,000-4,999	\$5,000-7,499	\$7,500-9,999	\$10,000 or more	
52	22	19	10	9	9	10	
48-51	18	37	58	66	70	68	
40-47	12	22	20	20	18	20	
27-39	20	9	10	4	4	2	
14-26	16	10	2	1	---	---	
1-13	12	3	---	---	---	---	
Total	100	100	100	100	101	100	
N	(129)	(109)	(304)	(517)	(296)	(304)	

OCCUPATION OF HEAD								
Weeks worked	Profes- sional	Managers non-self employed	Self-employed	Clerical, sales	Craftsmen, foremen	Oper- atives	Laborers service workers	Farmers
52	7	9	31	8	10	11	14	64
48-51	62	76	43	67	61	60	44	26
40-47	20	13	15	20	19	20	21	6
27-39	7	1	8	3	6	6	13	---
14-26	3	1	3	1	2	3	5	4
1-13	1	---	1	1	2	*	3	---
Total	100	100	101	100	100	100	100	100
N	(261)	(144)	(174)	(230)	(338)	(336)	(230)	(73)

TABLE 6-2

WEEKS OF VACATION^a TAKEN BY FAMILY HEADS AMONG AGE,
EDUCATION AND INCOME GROUPS
(Percentage distribution of families in the labor force)

AGE							
Vacation weeks	All heads	Under age 25	25-34	35-44	45-54	55-64	65 or older
0	31	41	29	28	31	31	41
1	14	21	16	15	12	10	7
2	28	26	38	27	22	26	19
3	14	5	9	18	16	15	8
4 or more	15	7	7	12	19	19	25
Total	102	100	99	100	100	101	100

EDUCATION OF HEAD

Vacation weeks	0-5 Grades	6-8 Grades	9-11 Grades	12 Grades	12 grades and training	College, no degree	College, B.A.	College, advanced degree
0	47	41	36	32	22	24	19	14
1	14	15	15	14	14	12	9	15
2	21	26	25	28	32	33	24	25
3	14	9	12	12	17	17	20	11
4 or more	3	9	12	14	15	14	27	35
Total	99	100	100	100	100	100	99	100

EARNED INCOME OF HEAD
(of those reporting any)

Vacation weeks	Less than \$2,000	\$2,000-2,999	\$3,000-4,999	\$5,000-7,499	\$7,500-9,999	\$10,000 or more
0	74	53	29	21	17	16
1	9	19	21	14	11	9
2	9	20	35	33	30	28
3	2	4	10	14	21	23
4 or more	6	5	5	19	21	25
Total	100	101	100	101	100	101

^a Weeks of vacation is that total amount of time the head was away from work with vacation pay in 1965, exclusive of time for which the head was being paid for vacation but actually stayed on his regular job.

TABLE 6-3

WEEKS OF HEAD'S UNEMPLOYMENT BY AGE, EDUCATION, AND INCOME
(Percentage distribution of employed families in the labor force)

AGE							
<u>Weeks unemployed</u>	<u>All heads</u>	<u>Under age 25</u>	<u>25-34</u>	<u>35-44</u>	<u>45-54</u>	<u>55-64</u>	<u>65 or older</u>
0	83	69	82	90	83	80	83
1	1	1	2	2	1	1	---
2	1	4	2	1	1	1	1
3	1	2	2	1	2	1	3
<u>4 or more</u>	<u>13</u>	<u>24</u>	<u>12</u>	<u>7</u>	<u>13</u>	<u>17</u>	<u>12</u>
Total	99	100	100	101	100	100	99

EDUCATION								
<u>Weeks unemployed</u>	<u>0-5 Grades</u>	<u>6-8 Grades</u>	<u>9-11 Grades</u>	<u>12 Grades</u>	<u>12 Grades and training</u>	<u>College, no degree</u>	<u>College, B.A.</u>	<u>College, advanced degree</u>
0	68	76	77	84	86	87	93	98
1	---	2	3	*	2	1	---	---
2	3	2	2	1	---	1	1	---
3	---	1	3	1	3	1	1	---
<u>4 or more</u>	<u>28</u>	<u>19</u>	<u>15</u>	<u>14</u>	<u>9</u>	<u>9</u>	<u>5</u>	<u>2</u>
Total	99	100	100	100	100	99	100	100

EARNED INCOME OF HEAD (of those reporting any)							
<u>Weeks unemployed</u>	<u>Less than \$2,000</u>	<u>\$2,000-2,999</u>	<u>\$3,000-4,999</u>	<u>\$5,000-7,499</u>	<u>\$7,500-9,999</u>	<u>\$10,000 or more</u>	
0	47	68	77	84	93	95	
1	1	3	1	3	1	1	
2	2	2	3	2	2	1	
3	4	2	1	2	1	1	
<u>4 or more</u>	<u>47</u>	<u>27</u>	<u>18</u>	<u>9</u>	<u>4</u>	<u>3</u>	
Total	101	102	100	100	101	101	
N	(128)	(108)	(304)	(518)	(296)	(305)	

* Less than 0.5 percent.

TABLE 6-4

WEEKS HEAD WAS ILL OR NOT WORKING FOR ANY
OTHER REASON BY AGE, EDUCATION, AND INCOME

(Percentage distribution of families in the labor force)

AGE							
<u>Weeks ill or not working</u>	<u>All heads</u>	<u>Under age 25</u>	<u>25-34</u>	<u>35-44</u>	<u>45-54</u>	<u>55-64</u>	<u>65 or older</u>
0	74	69	75	73	76	77	79
1	9	15	11	12	8	6	1
2	4	4	7	5	3	5	1
3	2	3	1	3	2	3	1
<u>4 or more</u>	<u>10</u>	<u>9</u>	<u>7</u>	<u>8</u>	<u>12</u>	<u>8</u>	<u>17</u>
Total	99	100	101	101	101	99	99

EDUCATION

<u>Weeks ill or not working</u>	<u>0-5 Grades</u>	<u>6-8 Grades</u>	<u>9-11 Grades</u>	<u>12 Grades</u>	<u>12 Grades and training</u>	<u>College, no degree</u>	<u>College, B.A.</u>	<u>College, advanced degree</u>
0	78	70	75	76	72	75	74	84
1	4	6	9	10	13	10	12	8
2	2	7	3	5	4	5	6	2
3	4	3	3	1	3	2	2	1
<u>4 or more</u>	<u>11</u>	<u>16</u>	<u>9</u>	<u>9</u>	<u>10</u>	<u>8</u>	<u>6</u>	<u>6</u>
Total	99	102	99	101	102	100	100	101

INCOME
(of those reporting any)

<u>Weeks ill or not working</u>	<u>Less than \$2,000</u>	<u>\$2,000- 2,999</u>	<u>\$3,000- 4,999</u>	<u>\$5,000- 7,499</u>	<u>\$7,500- 9,999</u>	<u>\$10,000 or more</u>
0	78	65	70	74	76	80
1	2	8	10	11	11	8
2	2	3	6	5	6	4
3	2	3	2	2	2	2
<u>4 or more</u>	<u>15</u>	<u>23</u>	<u>13</u>	<u>7</u>	<u>5</u>	<u>5</u>
Total	99	102	101	99	100	99
N	(127)	(110)	(305)	(517)	(296)	(303)

TABLE 6-5

WORK DAYS LOST BECAUSE OF ILLNESS IN THE LAST FIVE YEARS^a
BY AGE, EDUCATION, AND INCOME

(Percentage distribution of family units in the labor force)

Lost work days	AGE						
	All heads	Under age 25	25-34	35-44	45-54	55-64	65 or older
Lost many days	12	4	9	10	15	17	18
Lost some days	5	3	4	5	6	5	6
Lost none or a few	83	93	87	86	79	78	77
Total	100	100	100	101	100	100	101

EDUCATION

Lost work days	0-5 Grades	6-8 Grades	9-11 Grades	12 Grades	12 Grades and training	College, no degree	College B.A.	College, advanced degree
Lost many days	19	16	12	9	12	13	9	5
Lost some days	8	5	4	4	4	7	1	4
Lost none or a few	73	78	84	87	83	80	90	91
Total	100	99	100	100	99	100	100	100

EARNED INCOME OF HEAD
(of those reporting any)

Lost work days	Less than \$2,000	\$2,000- 4,999	\$5,000- 7,499	\$7,500- 9,999	\$10,000 or more
Lost many days	23	12	11	7	11
Lost some days	6	5	5	6	2
Lost none or a few	72	83	83	87	87
Total	101	100	99	100	100

^aThe question asked was: "Have you lost many work days because of illness during the last five years?"

TABLE 6-6

HEAD'S SECOND JOB^a BY AGE, EDUCATION, INCOME, AND OCCUPATION
(Percentage distribution of families in the labor force)

AGE								
Second job	All heads		Under age 25	25-34	35-44	45-54	55-64	65 or older
	1959 ^b	1965						
Yes	14	14	14	16	17	13	8	12
No	86	86	86	84	83	87	92	88
Total	100	100	100	100	100	100	100	100

EDUCATION

Second job	0-5 Grades	6-8 Grades	9-11 Grades	12 Grades	12 Grades and training	College, no degree	College, B.A.	College, advanced degree
Yes	10	14	14	13	11	14	15	22
No	90	86	86	87	89	86	85	78
Total	100	100	100	100	100	100	100	100

EARNED INCOME OF HEAD
(of those reporting any)

Second job	Less than \$2,000	\$2,000-2,999	\$3,000-4,999	\$5,000-7,499	\$7,500-9,999	\$10,000 or more
Yes	24	22	12	13	16	12
No	76	78	88	87	84	88
Total	100	100	100	100	100	100

OCCUPATION

Second job	Professional	Manager Non-self employed	Manager Self-employed	Clerical, sales	Craftsmen, foremen	Operatives	Laborers, & Service workers	Farmers
Yes	19	6	9	14	12	13	14	25
No	81	94	91	86	88	87	86	75
Total	100	100	100	100	100	100	100	100

^aThe question asked was: "Did you also have a second job in 1965?"

^bData from 1959 survey used for Income and Welfare in the United States.

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TABLE 6-7

HEAD'S DESIRE FOR ADDITIONAL HOURS OF WORK^a BY AGE, EDUCATION, AND INCOME
(Percentage distribution of families in the labor force)

AGE								
Desire for additional hours	All heads	Under age 25	25-34	35-44	45-54	55-64	65 or older	
Would like very much	30	51	39	32	24	18	15	
Would like	5	7	7	5	4	6	3	
Pro-con	1	3	1	1	1	*	1	
Wouldn't like	64	39	53	62	71	76	81	
Total	100	100	100	100	100	100	100	
EDUCATION								
Desire for additional hours	0-5 Grades	6-8 Grades	9-11 Grades	12 Grades	12 Grades and training	College, no degree	College, B.A.	College, advanced degree
Would like very much	46	33	31	32	29	27	18	16
Would like	7	5	6	6	7	4	4	2
Pro-con	---	1	1	1	1	2	---	3
Wouldn't like	48	61	63	62	62	67	77	78
Total	101	100	101	101	99	100	99	99
EARNED INCOME OF HEAD								
Desire for additional hours	Less than \$2,000	\$2,000-2,999	\$3,000-4,999	\$5,000-7,499	\$7,500-9,999	\$10,000 or more		
Would like very much	50	35	37	30	26	19		
Would like	10	8	5	5	5	4		
Pro-con	1	1	---	2	1	1		
Wouldn't like	39	57	58	64	68	77		
Total	100	101	100	101	100	101		

* Less than 0.5 percent.

^aThe question asked was: "Some people would like to work more hours a week if they could be paid for it, others would not. How is it with you?"

TABLE 6-8
HEAD'S CONSIDERATION OF JOB CHANGE^a BY AGE, EDUCATION, AND INCOME
(Percentage distribution of families in the labor force)

	AGE							
<u>Consideration of job change</u>	<u>All heads</u>	<u>Under age 25</u>	<u>25-34</u>	<u>35-44</u>	<u>45-54</u>	<u>55-64</u>	<u>65 or older</u>	
Yes, explicit mention of alternative job	18	37	25	19	14	11	4	
Yes, no mention of alternative job	17	20	20	20	18	9	5	
No, hadn't thought about it	64	43	54	60	67	80	88	
<u>Would never leave</u>	<u>1</u>	<u>---</u>	<u>1</u>	<u>1</u>	<u>*</u>	<u>1</u>	<u>1</u>	
Total	100	100	100	100	99	101	101	
	EDUCATION							
<u>Consideration of job change</u>	<u>0-5 Grades</u>	<u>6-8 Grades</u>	<u>9-11 Grades</u>	<u>12 Grades</u>	<u>12 Grades and training</u>	<u>College, no degree</u>	<u>College, B.A.</u>	<u>College, advanced degree</u>
Yes, explicit mention of alternative job	3	11	18	17	20	28	26	21
Yes, no mention of alternative job	9	16	18	18	19	18	15	14
No, hadn't thought about it	87	73	64	64	59	54	59	64
<u>Would never leave</u>	<u>---</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>---</u>	<u>---</u>	<u>1</u>
Total	99	101	101	100	100	100	100	100
	EARNED INCOME OF HEAD (of those reporting any)							
<u>Consideration of job change</u>	<u>Less than \$2,000</u>	<u>\$3,000-4,999</u>	<u>\$5,000-7,499</u>	<u>\$7,500-9,999</u>	<u>\$10,000 or more</u>			
Yes, explicit mention of alternative job	22	17	18	21	18			
Yes, no mention of alternative job	16	17	20	17	14			
No, hadn't thought about it	62	66	61	61	67			
<u>Would never leave</u>	<u>---</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>			
Total	100	101	100	100	100			

* Less than 0.5 percent.

^a The question asked was: "Have you ever thought of leaving your present job in order to get into some more interesting or more promising work? Tell me about it."

TABLE 6-9

HEAD'S PERCEPTION OF CURRENT EARNINGS RELATIVE
TO PREVIOUS EARNINGS^a BY AGE, EDUCATION, AND INCOME
(Percentage distribution of families in the labor force)

AGE							
Was there a time you earned more	All heads	Under age 25	25-34	35-44	45-54	55-64	65 or older
Yes	33	15	27	31	38	39	50
No	67	85	73	69	62	61	50
Total	100	100	100	100	100	100	100

EDUCATION								
Was there a time you earned more	0-5 Grades	6-8 Grades	9-11 Grades	12 Grades	12 Grades and training	College, no degree	College, B.A.	College, advanced degree
Yes	38	38	38	32	30	34	21	23
No	62	62	62	68	70	66	79	77
Total	100	100	100	100	100	100	100	100

EARNED INCOME OF HEAD
(of those reporting any)

Was there a time you earned more	Less than \$2,000	\$2,000- 2,999	\$3,000- 4,999	\$5,000- 7,499	\$7,500- 9,999	\$10,000 or more
Yes	61	46	33	29	23	21
No	39	54	67	71	77	29
Total	100	100	100	100	100	100

^aThe question asked was: "Was there a time when you earned more than you did in 1965?"

TABLE 6-10

CORRELATION OF RANKS OF WORK PREFERENCES

	(A)	(B)	(C)	(D)	(E)	(F)
(A) Work important						
(B) Steady income	-.33					
(C) Working hours short	-.17	-.06				
(D) No danger of being fired . .	-.38	.09	-.11			
(E) Chance for advancement good .	-.02	-.28	-.38	-.31		
(F) High income	-.27	-.25	-.15	-.26	-.05	

Note: Because of the structure of ranks imposed on the data, a zero correlation or a small negative correlation between two items implies that the items are ranked similarly. A sizable negative correlation implies that they are ranked differently and measure different dimensions.

TABLE 6-11

JOB PREFERENCES OF EMPLOYED HOUSEHOLD HEADS BY AGE, EDUCATION, AND INCOME.
(Percentage distribution of families in the labor force)

AGE						
<u>Job preference</u>	<u>All families</u>	<u>Under age 35</u>	<u>35-44</u>	<u>45-54</u>	<u>55-64</u>	<u>65 or older</u>
Work, achievement	35	30	37	36	36	44
Security	40	36	39	43	46	38
High income	12	16	13	11	8	5
Mixed	13	17	11	10	11	13
Total	100	99	100	100	101	100

EDUCATION								
<u>Job preference</u>	<u>0-5 Grades</u>	<u>6-8 Grades</u>	<u>9-11 Grades</u>	<u>12 Grades</u>	<u>12 Grades and training</u>	<u>Some college</u>	<u>College, B.A.</u>	<u>College, advanced degree</u>
Work, achievement	23	24	26	31	36	44	54	78
Security	54	53	55	42	41	24	15	6
High income	11	12	8	14	10	15	18	8
Mixed	11	11	11	13	13	17	13	8
Total	99	100	100	100	100	100	100	100

INCOME (of entire family unit)							
<u>Job preference</u>	<u>Less than \$3,000</u>	<u>\$3,000-3,999</u>	<u>\$4,000-4,999</u>	<u>\$5,000-7,499</u>	<u>\$7,500-9,999</u>	<u>\$10,000-14,999</u>	<u>\$15,000 or more</u>
Work, achievement	25	28	29	29	33	40	58
Security	53	43	43	46	45	33	19
High income	10	17	10	12	9	14	15
Mixed	12	12	18	12	13	13	8
Total	100	100	100	99	100	100	100

7

THE RETIRED: THEIR ECONOMIC POSITION AND ATTITUDES

IN the February and August surveys of 1966, a set of special questions was addressed to retired people. The two surveys together yielded 675 respondents (18 percent of all respondents) who were retired at the time of the interview (either retired heads of families, or retired single persons). The findings presented in this chapter show that incomewise the position of the retired people was quite unsatisfactory in 1965; nevertheless, the majority of retired said that their current living standard was the same as their standard before retirement.

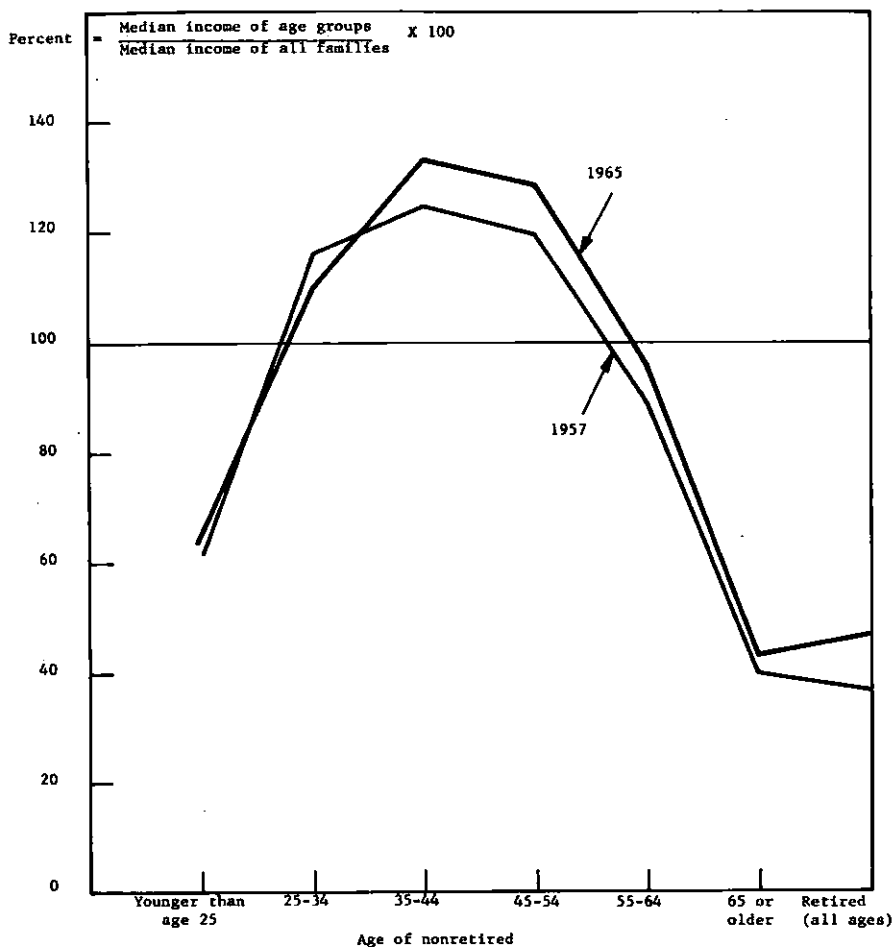
Tabulations which compare the economic well-being of various groups of retired people, rather than relate to all retired persons, are of special interest. In an analysis of the retired, three criteria, which are interrelated, will be used: their current age; their age at retirement; and planned as against unexpected retirement. It appears that the younger the retired are, the higher their retirement income. Since the older retired people have much less formal education than the younger ones, and since many older retired people have neither social security nor private pensions, it is probable that in a decade or so the financial position of the average retired American will resemble the position of the younger ones among those who are now retired, rather than the average of all currently retired people.

The relative income position of the retired is compared with that of the nonretired in different age groups in Figure 7-1. The relation of the median income of the various groups to the median income of all family units is shown for 1957 and 1965. Thereby the absolute growth of income, partly due to inflation, is disregarded.

As expected, the income of the retired is lower than the income of the nonretired. But it is not lower than the income

FIGURE 7-1

MEDIAN INCOME OF AGE GROUPS AND OF THE RETIRED,
EXPRESSED IN PERCENT OF MEDIAN INCOME OF ALL FAMILIES, 1957 AND 1965*



* Income of spending units in 1957 and family units in 1965.

of people aged 65 or more who are not retired. The figure shows that the relative income position of the retired improved considerably in the last 8 years. In 1965 their median income was 47 percent of the overall median; in 1957 it was 37 percent. To be sure, the income position of some age groups improved to a similar extent. This was not the case, however, for the younger and older age groups among the nonretired.

Differences Among Younger and Older Retired People

The median income of all retired was \$3,140 in 1965. About one-fourth of the retired were under 65 years of age and about one-half over 70 years of age. Among the retired less than 70 years old, we find a median income of more than \$3,600 and among those 70 and older a median income of approximately \$2,500. In the sizable group of retired aged 75 or more, not fewer than 44 percent had an income of less than \$2,000 (see Table 7-1).

The current age of the retired is strongly associated with education, and this association is no doubt related to the income differences. High school or college degrees are much more frequent among the younger than among the older retired people (see Table 7-2).

In spite of the income differences among the younger and older retired people, no differences were found among the age groups when they were asked to compare their current standard of living with that before retirement. As Table 7-3 shows, 58 percent of all retired said that, considering income and expenses, their standard of living was the same or even better than before retirement; 32 percent said that it was worse. These proportions are substantially the same in all age groups.

An important source of income, receipts from social security and other pensions, was not studied in the surveys. But some information is available on the frequency of earned income and also on the reduction of accumulated savings. Altogether, 13 percent of the retired said that they worked sometime in 1965 in order to earn money. The proportion is still lower among retired people under 65 years of age, many of whom probably retired because they could not work, and among those older than 70. But in the age group 65 to 69, two-thirds report that they have worked for money in 1965 (see Table 7-4).

About two-thirds of all retired people reported that they had some savings or reserve funds at the time they retired. Among these families, somewhat less than one-half drew on savings during

retirement. Yet more than one-half said that their present savings were as large, or even larger than, their savings at the time of their retirement. (Probably many of these families had rather small savings at both times.) Interestingly, young retired people used savings more frequently than older retired people (Table 7-5). The majority of those who used savings said that they did so unexpectedly. It appears therefore that among the currently retired, planned reduction of accumulated savings for the sake of supplementing retirement income on a regular basis is not very frequent.

The age of the retired is related to early or late retirement. Naturally, all retired people currently less than 65 years of age retired fairly early. In the age group 70 to 74, late retirement (at age 66 or more) constitutes 30 percent, and in the age group 75 and older over 50 percent. The relation of age to time of retirement is shown in Table 7-6.

Among all retired, 41 percent said that they retired at the time they had planned to, and 48 percent that they retired without having planned to do so (11 percent were not ascertained). Planned retirement is least frequent among the younger retired people.

Differences Among People Who Retired Early or Late and Among People Who Did or Did Not Retire as Planned

In this section we shall study jointly the impact of two related considerations: (a) the age at retirement, and (b) planned versus unplanned retirement on the well-being of the retired people. Among those who retired at age 65 or older, there are more who retired as planned, and among those who retired when they were 64 or younger, unexpected retirement was more frequent (Table 7-7).¹ In the majority of cases unexpected retirement was explained by health reasons.

The median family income in 1965 of those who had retired unexpectedly was much lower than the median family income of those who retired when planned. The differences are particularly large among those who retired relatively late. Age at retirement is also related to income: The 1965 income of those who retired early is

¹ Respondents were asked first about their age at the time of their retirement, and then "Had you planned to retire then, or did you have to?" Most respondents who did not answer that they retired as planned said that they retired unexpectedly. Some respondents explained that they had plans to retire, but had to change them. These respondents are included among those who retired unexpectedly.

higher than the income of those retired late (Table 7-8). Similarly, the educational attainment of those who retired as planned is higher than that of those who retired unexpectedly (Table 7-9). Those who retired as planned reported more frequently that they had a chance to work after their retirement than those who retired unexpectedly (Table 7-10).

Regarding savings, we find that among those who retired when expected, more people put some savings aside before retirement than among those who retired unexpectedly. A smaller proportion of the first than the second group had used savings since their retirement (Tables 7-11 and 7-12).

When respondents were asked how they felt about their retirement, substantial differences are found according to whether the retirement was expected or unexpected. The age at retirement does not seem to make a difference in this respect (Table 7-13). Similarly, changes in the standard of living before and after retirement are hardly related to the age at retirement, but those who retired unexpectedly report more often that their standard declined than those who retired as planned (Table 7-14).

TABLE 7-1

AGE AND INCOME OF RETIRED PEOPLE
(Percentage distribution)

<u>Age of head</u>	<u>Family income</u>					<u>Total</u>	<u>Median income in \$</u>	<u>Number of families^a</u>
	<u>Less than \$2,000</u>	<u>\$2,000-2,999</u>	<u>\$3,000-3,999</u>	<u>\$4,000-7,499</u>	<u>\$7,500 or more</u>			
Younger than age 60	20	11	13	23	29	100	3,770	115
60-64	28	11	17	20	21	100	3,650	71
65-69	20	19	18	25	17	100	3,610	147
70-74	32	26	10	21	10	100	2,690	155
75 or older	44	17	14	13	10	100	2,350	187
All retired	33	18	14	20	16	b	3,140	675

^aThe number of families in various age groups is the same for Tables 7-1 through 7-5.

^bPercentages do not add to 100 because 2 percent not ascertained on income are excluded from the table.

TABLE 7-2

AGE AND EDUCATIONAL LEVEL OF RETIRED PEOPLE
(Percentage distribution)

<u>Age of head</u>	<u>Education of head</u>					<u>NA</u>	<u>Total</u>
	<u>0-5 grades</u>	<u>6-8 grades</u>	<u>9-11 grades</u>	<u>12 or more grades</u>	<u>College degree or more</u>		
Younger than age 60	10	24	20	36	9	0	100
60-64	13	39	11	27	10	0	100
65-69	18	38	14	25	4	1	100
70-74	23	39	12	18	5	3	100
75 or older	23	33	14	22	6	2	100
All retired	19	34	14	25	6	2	100

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TABLE 7-3

AGE AND CHANGE IN THE STANDARD OF LIVING^a OF RETIRED PEOPLE
(Percentage distribution)

<u>Age of head</u>	<u>Present standard of living compared to pre-retirement standard</u>				
	<u>Better</u>	<u>Same</u>	<u>Lower</u>	<u>NA</u>	<u>Total</u>
Younger than age 60	5	30	31	36	100
60-64	7	48	32	13	100
65-69	4	55	33	8	100
70-74	6	55	34	5	100
75 or older	5	61	30	4	100
All retired	5	53	32	10	100

^aThe question asked was: "Considering income and expenses, is your standard of living about the same as before you retired, not quite as good, or what?"

TABLE 7-4

AGE OF RETIRED PEOPLE AND FREQUENCY OF MONEY EARNED THROUGH WORKING
(Percentage distribution)

<u>Age of head</u>	<u>Worked in 1965</u>	<u>Did not work in 1965</u>	<u>Total</u>
Younger than age 60	12	88	100
60-64	8	92	100
65-69	66	34	100
70-74	10	90	100
75 or older	9	91	100
All retired	13	87	100

TABLE 7-5

AGE OF RETIRED PEOPLE AND SAVINGS AVAILABLE AND SAVINGS USED DURING RETIREMENT^a
(Percentage distribution)

<u>Age of head</u>	Percent of families who had some savings when retired			<u>Total</u>	Proportion having used some savings ^b during retirement
	<u>Had savings</u>	<u>Did not have savings</u>	<u>Not ascertained</u>		
Younger than age 60	49	27	24	100	55
60-64	62	31	7	100	50
65-69	74	23	3	100	37
70-74	72	25	3	100	47
75 or older	71	27	2	100	43
All retired	66	28	6	100	45

^a The questions asked were: "Did you have any savings put away when you retired?"; and "What about now: would you say you have more or less savings than when you retired?"

^b Percentage of those who had savings when retired.

TABLE 7-6

AGE IN 1966 AND AGE AT TIME OF RETIREMENT OF RETIRED PEOPLE
(Percentage distribution)

<u>Age of head</u>	<u>Younger than age 56</u>	<u>56-64</u>	<u>65</u>	<u>Older than age 65</u>	<u>Not ascertained</u>	<u>All retired people</u>
Younger than age 60	14	1	-	-	2	17
60-64	2	8	-	-	0	10
65-69	3	9	7	2	1	22
70-74	3	5	5	10	0	23
75 or older	2	4	5	17	0	28
All retired	23	26	18	28	5	100

TABLE 7-7

PLANNED RETIREMENT AND THE AGE AT RETIREMENT OF RETIRED PEOPLE^a
(Percentage distribution)

<u>Retirement</u>	<u>Younger than age 56</u>	<u>56-64</u>	<u>65</u>	<u>Older than age 65</u>	<u>Not ascertained</u>	<u>Total</u>	<u>Number of families</u>
Expected	19	23	28	30	-	100	277
Unexpected	25	33	10	30	1	100	321
Not ascertained	30	6	12	14	38	100	77
All retired	23	26	18	28	5	100	675

^aThe question asked was: "Had you planned to retire then, or did you have to?"

TABLE 7-8

RELATION OF AGE AT RETIREMENT AND OF PLANNED
OR UNPLANNED RETIREMENT TO INCOME IN 1965

(Percentage distribution)

	Family income						Total	Median income in dollars	Number of families ^a
	Less than \$2,000	\$2,000- 2,999	\$3,000- 3,999	\$4,000- 7,499	\$7,500 or more	Not ascertained			
<u>Retired before age 56</u>									
Expectedly	17	15	8	25	31	4	100	4,950	52
Unexpectedly	29	11	21	19	15	5	100	3,500	80
<u>Retired between 56-64</u>									
Expectedly	9	25	19	28	19	0	100	3,830	64
Unexpectedly	34	19	12	15	18	2	100	2,850	106
<u>Retired at 65</u>									
Expectedly	18	17	17	35	13	0	100	3,900	77
Unexpectedly	36	27	12	15	9	0	100	2,520	33
<u>Retired after 65</u>									
Expectedly	29	15	13	17	22	5	100	3,500	83
Unexpectedly	47	22	13	13	5	0	100	2,200	97
<u>Not ascertained or don't know when retired or whether retirement was expected</u>	41	15	12	14	14	4	100	2,620	83
<u>All retired</u>	30	18	14	20	16	2	100	3,140	675

^aThe number of families according to age at retirement and planned or unplanned retirement is the same for Table 7-8 through 7-14.

TABLE 7-9
RELATION OF AGE AT RETIREMENT AND OF PLANNED OR
UNPLANNED RETIREMENT TO EDUCATION
(Percentage distribution)

	Education of head			Not ascertained	Total
	Less than high school	High school; no college degree	College degree		
<u>Retired before age 56</u>					
Expectedly	46	44	8	2	100
Unexpectedly	79	17	3	1	100
<u>Retired between 56-64</u>					
Expectedly	61	30	8	1	100
Unexpectedly	76	18	3	3	100
<u>Retired at 65</u>					
Expectedly	59	31	10	0	100
Unexpectedly	75	18	5	2	100
<u>Retired after 65</u>					
Expectedly	68	24	7	1	100
Unexpectedly	76	21	3	0	100
<u>Not ascertained or don't know when retired or whether retirement was expected</u>	60	28	8	4	100
All retired	68	25	6	1	100

TABLE 7-10

RELATION OF AGE AT RETIREMENT AND OF PLANNED
OR UNPLANNED RETIREMENT TO CHANCE TO WORK AFTER RETIREMENT^a
(Percentage distribution)

	<u>Had chance to work</u>	<u>Had no chance to work</u>	<u>Not ascertained</u>	<u>Total</u>
<u>Retired before age 56</u>				
Expectedly	42	56	2	100
Unexpectedly	25	74	1	100
<u>Retired between 56-64</u>				
Expectedly	53	47	-	100
Unexpectedly	38	62	-	100
<u>Retired at 65</u>				
Expectedly	46	53	1	100
Unexpectedly	33	67	0	100
<u>Retired after 65</u>				
Expectedly	39	61	-	100
Unexpectedly	26	74	-	100
<u>Not ascertained or don't know when retired or whether retirement was expected</u>	28	30	42	100
All retired	36	59	5	100

^aThe question asked was: "Have you had a chance to work for money since your retirement?"

TABLE 7-11

RELATION OF AGE AT RETIREMENT AND OF PLANNED OR
UNPLANNED RETIREMENT TO SAVINGS AVAILABLE WHEN RETIRED^a
(Percentage distribution)

	<u>Had savings</u>	<u>No savings</u>	<u>Not ascertained</u>	<u>Total</u>
<u>Retired before age 56</u>				
Expectedly	56	40	4	100
Unexpectedly	45	55	-	100
<u>Retired between 56-64</u>				
Expectedly	83	16	1	100
Unexpectedly	70	29	1	100
<u>Retired at 65</u>				
Expectedly	94	6	0	100
Unexpectedly	52	49	0	100
<u>Retired after 65</u>				
Expectedly	80	20	0	100
Unexpectedly	71	29	0	100
<u>Not ascertained or don't know when retired or whether retirement was expected</u>	36	18	46	100
All retired	66	28	6	100

^aThe question asked was: "Did you have any savings put away when you retired?"

TABLE 7-12

RELATION OF AGE AT RETIREMENT AND OF PLANNED OR
UNPLANNED RETIREMENT TO SAVINGS USED DURING RETIREMENT^a

(Percentage distribution)

	More savings	Same	Less savings now	Not ascertained	Total
<u>Retired before age 56</u>					
Expectedly	48	33	15	4	100
Unexpectedly	18	48	35	-	100
<u>Retired between 56-64</u>					
Expectedly	34	41	25	-	100
Unexpectedly	14	46	40	-	100
<u>Retired at 65</u>					
Expectedly	31	43	26	-	100
Unexpectedly	15	61	24	-	100
<u>Retired after 65</u>					
Expectedly	23	49	24	4	100
Unexpectedly	19	35	44	2	100
<u>Not ascertained or don't know when retired or whether retirement was expected</u>	13	23	17	47	100
All retired	23	41	30	6	100

^aThe question asked was: "What about now: would you say you have more or less savings than when you retired?"

TABLE 7-13

RELATION OF AGE AT RETIREMENT AND OF PLANNED OR UNPLANNED
RETIREMENT TO FEELING ABOUT RETIREMENT WHEN RETIRED^a

(Percentage distribution)

	<u>Felt good</u>	<u>Felt neutral</u>	<u>Felt bad</u>	<u>Not ascertained</u>	<u>Total</u>
<u>Retired before age 56</u>					
Expectedly	71	10	12	7	100
Unexpectedly	11	6	71	12	100
<u>Retired between 56-64</u>					
Expectedly	75	5	14	6	100
Unexpectedly	16	8	69	7	100
<u>Retired at 65</u>					
Expectedly	68	9	21	2	100
Unexpectedly	24	6	64	6	100
<u>Retired after 65</u>					
Expectedly	65	13	22	10	100
Unexpectedly	20	12	62	6	100
<u>Not ascertained or don't know when retired or whether retirement was expected</u>	22	5	15	58	100
All retired	38	8	41	13	100

^aThe question asked was: "How did you feel about retirement then?"

TABLE 7-14

RELATION OF AGE AT RETIREMENT AND OF PLANNED AND
UNPLANNED RETIREMENT TO STANDARD OF LIVING

(Percentage distribution)

	Present standard of living compared to pre-retirement standard of living			Not ascertained	Total
	<u>Lower now</u>	<u>Same</u>	<u>Higher now</u>		
<u>Retired before age 56</u>					
Expectedly	21	54	12	13	100
Unexpectedly	49	40	9	2	100
<u>Retired between 56-64</u>					
Expectedly	17	67	14	2	100
Unexpectedly	44	44	4	8	100
<u>Retired at 65</u>					
Expectedly	25	68	5	2	100
Unexpectedly	33	61	-	6	100
<u>Retired after 65</u>					
Expectedly	24	71	1	4	100
Unexpectedly	43	53	3	1	100
<u>Not ascertained or don't know when retired or whether retirement was expected</u>	19	33	2	46	100
<u>All retired</u>	32	53	5	10	100

^a The question asked was: "Considering income and expenses, is your standard of living about the same as before you retired, not quite as good, or what?"

PART TWO

CONSUMER ATTITUDES AND INCLINATIONS TO BUY

INTRODUCTION

SINCE 1952 the Survey Research Center has conducted periodic surveys in which changes in motives, attitudes, and expectations of representative samples of consumers are studied. Each year, for the last 10 years, these surveys have been conducted quarterly. Immediately following each survey, detailed reports are sent to survey sponsors. These reports are reproduced in full in this series of monographs. The next four chapters contain the quarterly reports issued in 1966.

The purpose of the quarterly surveys is not only to find out what will happen to discretionary demand, but also to find out *why* it will happen. Analysis of the reasons for observed changes represents a major task of expectational economics. Policy makers in government and business, and public opinion leaders in general, need to know not only what the prospects are but also which developments make for large or small changes in the one or the other direction.¹

The studies in consumer psychology began with the formulation of a set of hypotheses on consumers' discretion in action and on intervening variables mediating between stimuli (primarily information received on personal-financial and general economic trends) and consumer action (discretionary purchases, discretionary saving and dissaving).² The second stage consisted of the development of methodological tools that may serve to obtain measures of change in the intervening variables. As usual, the theoretical construct was approximated by operations, that is, the desired whole or Gestalt was replaced by a variety of survey questions which at best approach the former. Then followed the third stage, consisting of testing the

¹George Katona attempted to make this clear by presenting the findings of anticipations statistics in his book, *The Mass Consumption Society*. New York, McGraw-Hill, 1964, in two chapters: "Predicting Short-Range Fluctuations" and "Understanding Short-Range Fluctuations."

²See G. Katona, *Psychological Analysis of Economic Behavior*, New York, McGraw-Hill, 1951, and earlier publications cited there.

hypotheses under varying circumstances (upswing, downswing) as they occurred during the past 20 years.

Two basic questions have been pursued by the Survey Research Center in the course of its research during these years. One question concerns the nature of the decision process by consumers and is reflected in studies of the impact of different kinds of information on willingness to buy. These are studies of habituation to news, of the origin of expectations, of consumer response to income increases and the tax cut, as well as studies of attitudes toward the government, toward inflation, and toward international tensions. The other question concerns the appropriate combination of psychological variables for purposes of prediction of discretionary demand.

One solution to the problem of prediction consists of constructing an index of consumer attitudes which serves as a summary measure of psychological factors. Such an index, if used in the same form at all times, tests the influence of changes in attitudes on discretionary expenditures without regard to developments unique at a given time. Nevertheless, to facilitate the testing process, the Survey Research Center began to construct, in 1952, an Index of Consumer Sentiment. It should be emphasized, however, as will be clear to the reader of the next four chapters, that the prediction derived from the publication of an upward or downward change in the value of the Index of Consumer Sentiment represents only one part of the function of attitudinal and expectational studies. As already said, it is important to find out *why* changes in discretionary behavior occur. By the same token, it is necessary to discover the circumstances under which changes in particular attitudes have great importance. Accordingly, a second solution to the problem of prediction would consider the special circumstances that prevail at a given time and take different combinations of variables into account at different times.

From 1952 through May 1963, the Index of Consumer Sentiment as published by the Survey Research Center was based upon six questions, including a question dealing with attitudes toward expected price increases. Particularly during the decade following World War II, Center studies indicated that the prospect of rising prices led consumers to spend cautiously on durable goods. Yet these studies also suggested that in a period of rising incomes some expectations of price increases might *not* have a restraining influence on discretionary spending, particularly if the expected increases were small and had come to be accepted as part of the normal course of events.³ In 1963 such circumstances prevailed. To be

³See Eva Mueller, "Consumer Reactions to Inflation," *Quarterly Journal of Economics*, May 1959, especially p. 255.

sure, a majority of consumers continued to expect price increases, and the proportion saying that higher prices were "to the bad" even increased. But a very high proportion of people simultaneously said that it was a "good time to buy" cars and household goods. The conclusion seemed warranted that although dislike of inflation remained latent in people's minds, it was not salient and did not have an important influence on discretionary consumer behavior.⁴

Accordingly, the question on prices was dropped from the Index of Consumer Sentiment in August 1963, leaving an Index based on five questions.⁵ This is not to say that attitudes toward prices have been unimportant during the years since 1963. To the contrary, the chapters which follow tell an important story about the influence of this variable on attitudes and behavior during 1966, a period when consumers again became strongly aware of price increases and expressed resentment against an acceleration of inflationary trends.

This is not the place to report on the continuing studies of the predictive value of information on changes in attitudes and expectations. Some evidence on the predictive value of the Index of Consumer Sentiment can, however, be presented briefly in the form of a few regression equations and a chart. Eva Mueller compiled and published an extensive set of such equations in 1963.⁶ Three of these equations are shown in the left-hand section of Table 1. They have been recalculated (right side of the table) on the basis of 40 observations, rather than the 23 available before. Fluctuations in expenditures on consumer durable goods and in extension of installment credit during the years 1952 to 1966 are highly correlated with two variables, both of which exert a significant influence. These are income and attitudes, both measured 6 to 9 months earlier than the expenditures or the extension of credit. A comparison of the regression equations published several years ago with those computed in the fall of 1966 indicates that change in attitudes was at least as significant during the last few years as in the earlier period.

In Chart 1 the quarterly fluctuations of expenditures on durables are compared with their expected values as estimated on the basis of equation 2A (see Table 1). This equation takes into account prior changes in income and in attitudes. The equation reflects,

⁴See George Katona, Charles Lininger, Eva Mueller, 1963 *Survey of Consumer Finances*, especially pp. 158-159.

⁵Table II-1 (to be found following Chapter 11) presents back data for the five-question Index.

⁶Eva Mueller, "Ten Years of Consumer Attitude Surveys: Their Forecasting Record," *Journal of the American Statistical Association*, 58, 1963, pp. 899-917.

imperfectly to be sure, the thesis that discretionary demand is a function of both ability and willingness to buy. Noteworthy is the performance of the Index of Consumer Sentiment at certain crucial points. The sharp increase in automobile sales in 1955 was foreshadowed by a rise in the Index values in 1954. The 1958 recession was indicated by a decline in the Index as early as the first half of 1957 (when incomes did not decline). The prolonged upswing in durable expenditures from 1961 to 1966 was reflected by an upward trend in the Index which reached its highest levels in August and November 1965. In 1966 the Index declined sharply, again at a time when incomes did not decline. The change in consumer attitudes in 1966 will be traced in detail in the next four chapters, which will attempt to answer the crucial question: Why did consumer sentiment worsen in 1966?

TABLE 1

PREDICTIVE TIME SERIES REGRESSIONS

Number	R ²	1952-1962, 23 observations*	Number	R ²	1952-1966, 40 observations
1.	.16	$D_{+1} = .25 A + 10.33$ (.11)	1A	.46	$D_{+1} = .74 A - 27.5$ (.13)
2.	.76	$D_{+1} = .18 Y_{-1} + .40 A - 48.0$ (.03) (.06)	2A	.91	$D_{+1} = .15 Y_{-1} + .47 A - 51.6$ (.01) (.06)
3.	.77	$E_{+1} = .18 Y_{-1} + .31 A - 49.4$ (.02) (.06)	3A	.91	$E_{+1} = .16 Y_{-1} + .37 A - 56.8$ (.01) (.05)

*As published in the article by Eva Mueller in Journal of the American Statistical Association; 58, 1963.

A = Survey Research Center's Index of Consumer Sentiment (based on six questions prior to August 1963 and five questions subsequently).

Y_{-1} = Disposable personal income, seasonally adjusted annual rate, deflated by CPI and the number of households; during 6 months prior to survey.

D_{+1} = Consumer expenditures on durables, seasonally adjusted annual rate, deflated by CPI and the number of households; during 6 months after survey.

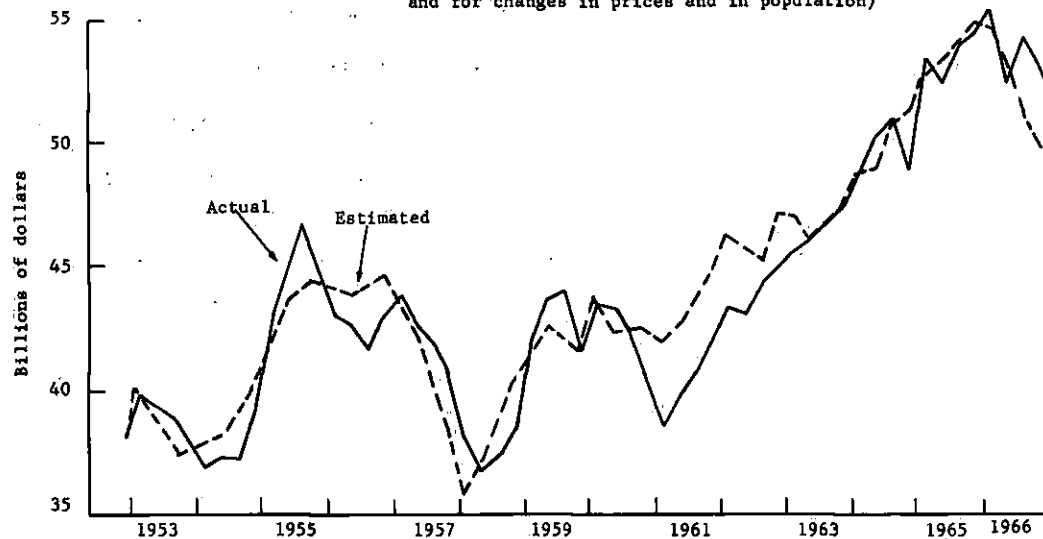
E_{+1} = Extensions of installment credit for cars and other durables, seasonally adjusted annual rate, deflated by CPI and the number of households; during 6 months after survey.

Note: The equations presented in the table suffer from the presence of autocorrelation of residuals. E. Scott Maynes (in a paper not yet published) recalculated equation 2A in terms of first differences; then he found no autocorrelation and yet the influence of change in A on change in D remained highly significant.

CHART 1

ACTUAL AND ESTIMATED DURABLE GOODS EXPENDITURES, 1953-1966

(Annual rates adjusted for seasonal variations
and for changes in prices and in population)



Actual: Department of Commerce, quarterly expenditures at the indicated dates.

Estimated: Projected expenditures, calculated on the basis of Equation 2A (see Table 1) using survey data and prior income data available at the indicated dates.

8

THE OUTLOOK FOR CONSUMER DEMAND, FEBRUARY 1966

Highlights

IN February 1966 information about the threat of inflation created some doubts and uncertainty among American consumers. While during the second half of 1965 confidence and optimism had been more widespread than at any time during the past 20 years, early in 1966 fewer people expected a further improvement in economic conditions than in 1965. Yet the prevailing opinion in February 1966 was optimistic that the business situation would remain as it was; consumer attitudes and expectations continued to support a high level of consumer demand.

During the second half of 1965 satisfaction and optimism had been derived from three considerations:

1. Impact of income increases on the personal financial situation and the knowledge that very many people had received income increases.
2. Awareness of absence of recession for a long time and of sizable gains in the fight against unemployment.
3. Belief that the Vietnam war makes for good times at home without causing shortages of goods.

All three of these factors continued to prevail at the beginning of 1966, when the proportion of families having received income increases was higher than ever before, expectations of a decline in unemployment was even more frequent than in 1965, and the opinion prevailed that Vietnam was making for good times at home.

But in February 1966 practically all Americans believed that prices would go up. We know from past studies that people's

perception of price trends is strongly influenced by what has happened and what is expected to happen to the price of food, and especially of meat. It is not surprising therefore that people are informed on matters of prices while, on the whole, they are not so well informed of and not worried about the economic consequences of such developments as rising interest rates and the shortage of funds, of full employment and the shortage of labor, of recent trends on the stock market, or of the possibility of tax increases.

We know further from past studies that price increases are viewed as an adverse development by most consumers. Income increases are not attributed to inflation, but are usually seen as gains to which a person himself has contributed and which he deserves. The fruits of one's labor are curtailed when prices go up. When expected price increases are seen as moderate, buying in advance of needs before prices go up further is not stimulated. On the contrary, creeping inflation may lead people to believe that more of their income will be needed for necessities and therefore less will be available for discretionary spending.

As at any other time, attitudes held toward prices in early 1966 must be viewed together with other expectations. Changes in consumer opinions, attitudes, and expectations at that time are summarized in Table 8-1 by presenting the trend of answers to several relevant questions. The difference between the proportion of favorable and unfavorable opinions is presented in each case.

The answers to the first three questions, which relate to pre-1966 changes or the early 1966 situation, were more favorable than in early 1965 (the positive differences were larger in February 1966 than in February 1965). The same was true of expected trends in unemployment. The decline in the frequency of optimistic personal financial expectations was quite small. On the other hand, two questions on expected business trends showed a sizable deterioration, and the question about the probable effects of expected price trends showed an unusually large deterioration.

Thus we find that consumers remained optimistic, although their optimism was somewhat more guarded than in late 1965. Since in late 1965 and early 1966 consumer incomes continued to rise rapidly, it is understandable that consumer demand as well as consumers' expressed intentions to buy remained high. The proportion of families planning to buy a car (either new or used) during the 12-month period beginning March 1966 and the proportion planning to buy any other durable were slightly larger early in 1966 than early in 1965.

The findings about changes in consumer expectations early in 1966 may be considered as reassuring. Had consumers shown signs

TABLE 8-1

TREND OF PERSONAL FINANCIAL AND ECONOMIC ATTITUDES

(Proportion of favorable minus proportion of unfavorable responses)^a

	February 1965	November 1965	February 1966
Better or worse off than a year ago	+18	+21	+21
Current business conditions compared to a year ago	+31	+48	+49
Effect of Vietnam on domestic economic conditions	-5	+33	+32
Expected trend in unemployment ^b during next 12 months	+7	+20	+32
Expect to be better or worse off a year from now	+32	+35	+30
Expected business conditions during next 12 months	+68	+63	+60
Change in business conditions expected a year hence	+26	+30	+21
Expected business conditions during next 5 years	+24	+33	+21
Evaluation of effects of expected price changes	-23	-20	-44

^aThe index values represent the percent better (up or good) minus the percent worse (bad or down). Detailed data for each of the answers summarized in this table are presented in this chapter.

^bDecline in unemployment considered as favorable.

of exuberance, concern about overheating the economy would have increased. Consumers' resentment of rising prices may have even provided some retardation of inflationary trends.

Index of Consumer Sentiment

The Survey Research Center's Index of Consumer Sentiment (see Table II-1)¹ showed a slight decline from November 1965 to February 1966. The extent of the decline was larger among upper-income than among lower-income families. News creating uncertainty was more salient in that time period among the better educated.

One of the five questions (better or worse off than a year ago) used to compile Table II-1, related to past trends and did not change from November 1965 to February 1966, while each of the four other questions showed some deterioration. It should be noted that some questions indicating a deterioration in consumer expectations are not included in the Index.

Growing Prosperity

Early 1966 saw the economy heading into its sixth year of uninterrupted growth, with consumer optimism continuing to be supported by widespread personal financial gains. The distribution of family income before taxes is shown in Table 8-2. The upward shift in incomes from 1961 to early 1966 was sizable, with a considerable acceleration in this trend during the two years 1964-65. The proportion of family units with more than \$10,000 income substantially increased. Fully 27 percent of families were so classified in 1965. At the other end of the scale, the 1965 data show a significant shift out of the group with incomes under \$3000. The proportion in this group had remained fairly constant over the three years 1962-1964.

Throughout 1965, the proportion of families experiencing gains in before-tax income was higher than at any time in the last 15 years (see Table 8-3). In 1965, 55 percent of all families had incomes that were higher than in 1964, compared to 48 percent with 1964 incomes higher than in 1963.

Income increases in 1964 and 1965 were much more frequent among those with high incomes, and income decreases more frequent among those with low incomes; yet the difference narrowed

¹All tables having the prefix "II" (referred to frequently in Chapters 8, 9, 10, and 11) will be found following Chapter 11.

TABLE 8-2

DISTRIBUTION OF FAMILY INCOME BEFORE TAXES

(Percentage distribution of families)

<u>Total family income</u>	<u>1957</u>	<u>1959</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Less than \$3000	28	26	25	22	23	21	19
\$3000 - 4999	23	21	19	18	17	16	15
\$5000 - 7499	26	27	26	26	26	23	22
\$7500 - 9999	12	12	14	16	15	17	17
\$10,000 or more	<u>11</u>	<u>14</u>	<u>16</u>	<u>18</u>	<u>19</u>	<u>23</u>	<u>27</u>
Total	100	100	100	100	100	100	100

TABLE 8-3

CHANGE IN FAMILY INCOME BEFORE TAXES
(Percentage distribution of families)

	Less than \$3000	\$3000 -4999	\$5000 -7499	\$7500 -9999	\$10,000 or more	All families
1965 income in relation to 1964 income	1965 income					
Much higher	7	12	12	21	24	16
Somewhat higher; higher	24	33	43	45	46	39
The same	49	36	26	20	17	28
Somewhat lower; lower	8	5	9	8	8	8
Much lower	11	13	9	5	5	8
Don't know, not ascertained	1	1	1	1	*	1
Total	100	100	100	100	100	100
1964 income in relation to 1963 income	1964 income					
Much higher	6	11	16	19	23	15
Somewhat higher; higher	16	24	37	43	45	33
The same	56	37	27	25	19	33
Somewhat lower; lower	7	11	7	6	8	8
Much lower	13	17	11	6	4	10
Don't know, not ascertained	2	*	2	1	1	1
Total	100	100	100	100	100	100

* Less than 0.5 percent.

The questions asked were: "Was your family total income higher in 1965 (1964) than it was the year before that, or lower, or what? Was it a lot higher (lower) or just a little higher (lower)?"

between high and low-income people. Higher income in 1965 than in 1964 was reported by 37 percent of families with less than \$5000 income in 1965, while only 28 percent of those with less than \$5000 in 1964 reported a higher income in 1964 than in 1963. This improved showing of lower-income families is all the more significant in light of the declining proportion of families in the lower-income groups. Some caution must be used in interpreting Table 8-3 since, in both halves of the table, the income resulting from the change was used for classification. For example, in the top half of the table (1965 vs. 1964 income change), families are grouped according to the end result of those changes, namely their 1965 incomes. On that account, one would expect income gains to be more frequent among those with high incomes. Yet the findings that income gains from 1964 to 1965 were more frequent than from 1963 to 1964, in each income bracket, and that the difference in frequency of income gains between high and low-income families has narrowed, are unaffected by this consideration.

Not only did consumers enjoy considerable gains in income, in February 1966; they overwhelmingly expected their good fortune to endure (see Table 8-4). The great majority, 88 percent of all families, was divided evenly between those expecting a higher income and those believing that their income would remain unchanged. Since some income changes are unforeseen, probably very little significance should be attached to the finding that fewer people (43 percent) expected a higher income in 1966 than actually received a higher income in 1965 (55 percent--Table 8-3). The difference consists of a larger proportion expecting an unchanged income in 1966.

Of those people with a higher 1965 income, a majority expected further advances in 1966 (see the upper part of Table 8-5). Perhaps surprisingly, half of those with income declines in 1965 looked forward to increases in 1966; very few anticipated further declines.

These data are shown in another way, and are grouped by income in the lower half of Table 8-5. Altogether, in early 1966, at least 55 percent of American families contemplated a favorable income experience over the two years 1965 and 1966, with an advance in at least one of the two years and a decline in neither. Two-thirds of those with income of \$7500 and over found themselves in this favorable situation. These proportions understate income increases to the extent that some people who are "higher in one year and lower in the other" have on balance a higher income.

It does not follow from the foregoing data on income increases that consumers necessarily considered themselves to be in an improved financial position. In fact, the proportion saying that they were better off financially in early 1966 than a year earlier remained

TABLE 8-4

EXPECTED CHANGE IN FAMILY INCOME
(Percentage distribution of families)

Expected 1966 income in relation to 1965 income	1965 income					All families
	Less than \$3000	\$3000 -4999	\$5000 -7499	\$7500 -9999	\$10,000 or more	
1966 income higher	26	36	49	51	50	43
The same	61	54	41	37	37	45
1966 income lower	8	6	7	8	10	8
Don't know, not ascertained	5	4	3	4	3	4
Total	100	100	100	100	100	100

The question was: "How will your family income for this year (1966) compare with last year (1965) - will it be higher or lower?"

TABLE 8-5

PAST AND EXPECTED INCOME CHANGE
(Percentage distribution)

<u>Expected 1966 income compared to 1965 income</u>	<u>1965 income compared to 1964 income</u>			<u>All families</u>
	<u>Higher in 1965</u>	<u>Same</u>	<u>Lower in 1965</u>	
Higher in 1966	30	6	7	43
Same	19	20	5	44
Lower in 1966	4	1	2	7
All families	53	27	14	94 ^a

<u>Income in 1965 (vs. 1964) and expected income in 1966 (vs. 1965)</u>	<u>1965 income</u>					<u>All families</u>
	<u>Less than \$3000</u>	<u>\$3000 -4999</u>	<u>\$5000 -7499</u>	<u>\$7500 -9999</u>	<u>\$10,000 or more</u>	
Higher in both years	11	23	33	41	40	30
Higher in one year, unchanged in the other	24	23	26	24	27	25
Unchanged in both years	38	29	17	13	10	20
Lower in one year, unchanged in the other	8	8	7	5	6	7
Lower in both years	3	2	2	2	2	2
Higher in one year, lower in the other	10	11	12	11	12	11
Not ascertained in either year	6	4	3	4	3	5
Total	100	100	100	100	100	100

^a Respondents who failed to give a definite answer to either question have been omitted from the tabulation.

at a high level, but very nearly unchanged for a year and a half, the period when income increases were most frequent (Table II-2). The same was true of people with incomes of \$7500 and over, even though it was these people who most often had income increases.

There are a number of reasons why consumers' subjective evaluations of their financial position may not correspond with their income experience:

1. Income gains may have been small, or people may have become so accustomed to them that they did not contribute to feeling better off. Some support for this notion comes from the finding that in February 1966 only 35 percent mentioned higher income from employment or property as a reason for being better off. The comparable figures were 43 percent in early 1965 and 40 percent in early 1964.
2. When aspirations for income increases are widespread, actual increases may not measure up to expectations, and thus may not make people feel better off.
3. Price increases may negate income increases. In February 1966, 9 percent of all respondents mentioned higher prices as a reason for being worse off (or for not being better off). This compares with 4 percent both one and two years earlier.
4. An increased burden from installment debt was probably not an important factor. Data collected in early 1965 indicated that debt had not risen as a percentage of the disposable income of those people with debt. The July 1965 report on the Outlook for Consumer Demand showed that families with debt did not feel more overburdened than in earlier years when fewer had installment debt, and when those who did had lower monthly payments. Finally, in February 1966, only 2 percent of respondents, about the usual number, mentioned a worse debt position in explaining why they were better or worse off.

These same considerations apply to findings from a question asked in February 1966 about how consumers viewed their financial situation during the coming year. Table II-4 shows a slight deterioration in these expectations during the last few months of 1965, especially among higher-income people.

In addition to the widespread income increases already discussed, consumer optimism in early 1966 received important support from three other sources. First, the American people were very much aware of the current boom in the economy. The opinion

that business conditions were better than a year ago was expressed by 57 percent of respondents, a substantial improvement over the proportion saying this in February 1965 (Table II-7). The increase appeared in each income group. The answers to a related question reinforce these findings: People were asked whether they had "heard of any favorable or unfavorable changes in business conditions during the past few months," and if so, what they had heard. Previous experience with this question has indicated that continuing good times ceases to be news. The high frequency of favorable news reported in February 1966 by respondents (see Table II-9) suggests that they saw business conditions not as continuing to be good, but rather as getting better and better. The higher their income the more frequently people reported having heard good news.

Second, expectations about the level of unemployment, which was a nagging source of concern to many people during the first few years of the current recovery, showed much improvement during 1965 (see Table II-12). In early 1966, the great majority of people expected either reduced or stable unemployment rates in the coming 12 months. When reading Table II-12 it should be remembered that the expectation "about the same" bears an increasingly favorable connotation as the actual rate of unemployment falls.

By far the most frequently mentioned reason given by those who expected unemployment to fall was the war in Vietnam; 47 percent of those expecting less unemployment mentioned Vietnam, while 12 percent mentioned government policy or action. The comparable figures just 3 months earlier were 24 and 18 percent, respectively.

Thus the war in Vietnam was the third source of support for consumer optimism regarding domestic economic trends. Table II-13 shows a considerable increase during the previous 12 months in the proportion saying that the cold war² makes for good times. As the war escalated, there was a corresponding decrease in the proportion believing that the war has no effect on business, or claiming not to know what that effect might be.

While in early 1966 most people believed that the war made for good times, the situation in Vietnam may have contributed at the same time to a considerable amount of uncertainty in the way in which consumers viewed the future. In particular, the war was related in the minds of many consumers to their expectations about rising prices, to which we now turn.

²The question has defined "cold war" in various ways over the years to suit the times or the crisis of the moment. In February 1966, the wording was "Vietnam and our relations with communist countries."

Inflationary Expectations

For quite a number of years, since late in the decade of the fifties, the majority of American consumers have believed that the prices of the things they buy would go up, with very few people expecting a downward trend. In 1963, about seven out of ten consumers expected a rising price level. In February 1966, this proportion showed a sudden and pronounced increase to 84 percent (see Table II-5). Since there are always some people who are uncertain what the future will bring, this figure may be viewed as practical unanimity.

Among families with incomes of \$7500 and over, there was already evidence in 1965 of an increase in the proportion expecting higher prices. Here too, however, there was a considerable increase from late 1965 to February 1966, to 88 percent.

Such developments can be understood only in historical perspective. In the 1950's there was a considerable rise in consumer prices, a rise that was greatly disliked. The prospect of rising prices led consumers to spend cautiously on discretionary, big-ticket items so as not to overstrain their budgets. Then, during the few years before 1966, consumers experienced rapidly rising incomes and very slowly rising prices. People began to expect that future price increases would be small and of little consequence. To be sure, when directly asked to evaluate whatever price movement they expected, most people expecting a price increase continued to say that this was "to the bad." Unchanged prices were most frequently characterized as "to the good." These findings are presented in Table II-6.

Data from the February 1966 survey suggest that there had been a then-recent change in the pattern of attitudes just described. Not only was there a considerable increase in the proportion expecting higher prices, but the proportion characterizing the expected rise as "to the bad" also increased. As recently as late 1965 it might well have been said that inflationary expectations in a context of rising incomes might not have a restraining influence on discretionary spending. But in early 1966, there was no assurance that this conclusion held true.

It appears in early 1966 that price expectations became a more important factor in the thinking of some people. As mentioned previously, people somewhat more often mentioned prices as a reason for not being as well off financially as the year before. In explaining their answers to another question about whether it is a good or bad time to buy large household goods, respondents mentioned prices as shown in the following tabulation:

<u>Now is a good time to buy large household items because:</u>	<u>Jan.-Feb. 1964</u>	<u>Feb. 1965</u>	<u>Nov. 1965</u>	<u>Feb. 1966</u>
Prices are low, reasonable, stable	17%	13%	13%	11%
Prices are rising	12	11	14	16
<u>Now is a bad time because:</u>				
Prices are high, or going higher	6%	6%	8%	9%

People's evaluation of whether or not it is a good time to buy of course depends not only on expected price movements, but also on other expectations and on income developments. Table II-16 shows that the proportion of all families saying that it is a good time to buy remained unchanged in February, 1966, though a somewhat increased proportion believed that it was a bad time to buy. Among families with incomes of \$7500 and over, the proportion saying "good time to buy" also declined.

The following conclusions may be drawn from the February 1966 survey data:

1. Very many people were conscious of rising prices and presumably would be watching future price developments.
2. Some people felt personally affected by rising prices; these people were expected to exercise greater caution than otherwise in their spending behavior.
3. The widespread awareness of rising prices introduced a note of uncertainty into people's expectations about the future course of the economy, expectations which had appeared nearly cloudless in 1965.

Uncertainty About Further Advances

In February 1966, 57 percent of all consumers thought that business conditions were better than a year earlier; in November 1965 this opinion was held by 54 percent (see Table II-7). On the other hand, in early 1966 only 29 percent expected that business conditions would be better "a year from now," as against 36 percent who thought so 3 months previously (see Table II-8). Clearly, optimism weakened during the intervening months. The change is probably attributable to the increased strength of inflationary expectations. Yet it was stability on a high level that was expected in February 1966 and not a deterioration of the business situation. The majority of those who spoke in February of an improvement during

the previous year expected that the economic situation would not change in the course of the following year.

In line with these findings, 69 percent of consumers said in February 1966 that business conditions would be good during the next 12 months. In February 1965 the proportion was 75 percent (see Table II-10). Respondents explained their expectations of good times during the coming year by referring to the war in Vietnam, to increased consumer incomes, and to declining unemployment. Some people among the minority who thought differently about business prospects spoke of price increases and of the possibility of unfavorable developments due to what may happen in Vietnam.

One of the significant findings of the survey in November 1965 was the high frequency of optimistic expectations about longer-range prospects. Three months later these notions had weakened to a significant degree, as fewer people than in either February or November 1965 expected continuous good times during the next 5 years (see Table II-11). Again, the increase was not among those who expect bad times but among those who were uncertain about prospective conditions.

In sum, the effect of news current in early 1966 was some uneasiness and concern rather than the emergence of pessimistic notions. Up to then, the increased uncertainty had apparently affected neither consumer demand nor consumers' buying plans, the subject of the next section.

Buying Plans

The outlook in February 1966 was for a continued high level of automobile sales in the months ahead. Intentions to buy cars, either new or used, during the next twelve months were expressed by a slightly larger proportion of people in February 1966 than a year earlier (see Table II-17). Yet there was a slight decrease in plans to buy new cars. It was most noticeable among families with incomes of more than \$5000. It should also be taken into consideration that in February 1965, the proportion expecting to buy a new car was higher than at the same time in any of the preceding 4 years.

Since intentions to buy cars are always highest in November, following the introduction of new models, the data in Table II-17 do not suggest much change from the unusually favorable level of intentions in November 1965. The February 1966 intentions among families with more than \$5000 income, even though less frequent than in November, remained at a high level when viewed in historical perspective.

In early 1966 the automobile market received important support from several sources. A large number of younger drivers entered the market. Since sales of new cars had then been running at a high level for 4 years, there were in February 1966, many 2 to 4-year-old cars, prime candidates for trading. Survey data showed a rapid trend at that time toward multiple-car ownership. Of those one-car owners who planned to buy a car in February 1966, nearly three out of ten said that they did not expect to trade in or sell their old car.

No doubt the most important support for the high level of auto sales came from the rising incomes discussed earlier in this chapter. Of those people who reported a 1965 income higher than in 1964 *and* who expected a still higher income in 1966, fully 30 percent expected to buy a car during the next 12 months, as against 19 percent among families who did not have this favorable income trend. This comparison exaggerates the difference since people with favorable income developments tend to have higher incomes. But even among families with incomes over \$7500, 36 percent of those with favorable income developments planned to buy a car, compared to 28 percent of other high-income families.

Intentions to buy furniture and major household appliances were somewhat more frequent than a year earlier (see Table II-18). The outlook was especially favorable for television sets and for furniture.

The February 1966 survey asked those people who planned certain types of expenditures how much they expected to spend. Table 8-6 shows an increase from 1965 to 1966 in the median expenditure for each of the major items.

TABLE 8-6

MEDIAN PLANNED EXPENDITURE^a

(Percentage distribution of families)

	January- February 1963	January- February 1964	February 1965	February 1966
New automobiles	\$ 2,850	\$ 2,910	\$ 3,090	\$ 3,270
Used automobiles	870	1,040	800	900
Houses	15,400	14,900	16,300	17,420
Home improvements and maintenance	420	400	410	450
Furniture and major household appliances	340	360	350	380

^aOf families who reported that they would, probably would, or might buy in the next 12 months.

9

THE OUTLOOK FOR CONSUMER DEMAND, MAY 1966

Highlights

CONSUMER optimism weakened significantly during the 6-month period ending May 1966. A number of factors combined to change unusually buoyant expectations into a more cautious mood.

Throughout most of 1965, consumers were more confident and optimistic than at any time since the 1955-56 business cycle peak. Few clouds were seen on the horizon. In February 1966, people's optimism was somewhat more guarded, but there were only tenuous indications of a turning point in consumer demand. The Survey Research Center's Index of Consumer Sentiment slipped from 102.6 in November 1965 to 99.8 in February 1966 (1956 = 100). In May 1966, the Index was convincingly lower; it stood at 95.8. Every one of its five components contributed to the decline, which extended to all income groups.

Despite continuing and widespread income gains, expectations of further improvement became less frequent. People seemed to feel that the economic expansion had met some barriers. Compared with 1964 and 1965, fewer people expected improvement in their financial situation. Two-thirds of people still believed that "times will be good" next year, but only 19 percent anticipated that they would be better than they were at present. Pessimistic replies increased slightly in response to practically every question. When asked to explain their attitudes, people were quick to point to a number of problems. Inflation headed the list.

Fifteen years of forecasting experience with the Index have shown that consumer spending (and particularly discretionary spending on durables) depends both upon people's ability to buy and upon their willingness to buy. In other words, it is important to consider

both incomes and consumer attitudes in predicting the level of spending. One without the other is only half the story.

If one assumed, in May 1966, that incomes would continue to rise throughout 1966, even after allowing for price increases, the decline in consumer optimism did not necessarily signal a *downturn* in spending. Rather, the findings suggested that in coming months consumers would spend somewhat less freely out of their rising real incomes and therefore total expenditures would level off. A break in the expansion of consumer demand should be considered a favorable prospect at a time when many economists are concerned about an overheating of the economy.

The most important factors that caused consumers to be less optimistic in May 1966 were:

1. The war in Vietnam should *not* get much of the blame. To be sure, many people had pessimistic expectations about the course of the war; out of every eight people, three believed the conflict would worsen over the next 6 months, while another three expected the situation to remain unchanged. The war no doubt contributed to a general feeling of uneasiness. But the fighting was associated in many minds with war production, increased employment, and business prosperity. In May 1966, as was the case in late 1965, a majority of people believed that Vietnam made for good times economically at home.
2. Inflation was salient in the thinking of many people. Practically all consumers were already aware of higher prices in February. Three months later there was important evidence that high prices were resented. Many people, about 22 percent, spontaneously mentioned prices as a reason for being worse off financially than a year before, or they mentioned prices as an item of unfavorable business news.
3. The survey was in the field in May 1966, during a period when falling stock prices and slipping automobile sales were very much in the news. These developments did attract widespread attention among consumers. Throughout 1964 and 1965, more people had reported favorable than unfavorable news, showing that they were aware of reasons for expecting continuing prosperity. Unfavorable news was mentioned infrequently. In the May 1966 data, a striking reversal of this pattern was evident. Unfavorable news was reported by 40 percent of respondents, in contrast to 19 percent reporting favorable news. In addition to inflation, people pointed to news about weakness in stock markets

- (8 percent) or to difficulties in various industries, especially the auto industry (13 percent).
4. When people were asked whether they had happened to hear of any changes made in income taxes this year, 28 percent mentioned increased withholdings, although four out of five of these people said that it would make little or no difference to them. More important, 49 percent of consumers expected Congress to pass a law raising income taxes later in 1966. Nearly half of these people expressed the opinion that the increase was not needed. This judgment seemed to reflect dislike of the prospect of a tax hike.
 5. More than half of all respondents were aware of higher interest rates on savings accounts or borrowing or both, or they felt that loans were less readily available. Only 7 percent of consumers felt that higher interest rates were bad for their own financial situation, but 21 percent thought that they were harmful to business conditions.

A very high proportion of respondents continued to say that they were making more money in May 1966 than a year ago, or that their 1966 income would be higher than in 1965. Nevertheless, the decline in consumer optimism was reflected in somewhat less frequent intentions to buy automobiles and household durables during the coming 12 months. The decline was distributed evenly among all levels of income.

Attitudes toward the auto safety controversy, much in the news while this study was in the field, were not studied. Whatever their impact, the May 1966 survey discloses many other reasons to account for a lower level of auto sales.

Index of Consumer Sentiment

The Survey Research Center's Index of Consumer Sentiment showed a rather sharp decline after November 1965 (see Table II-1)¹. From November 1965 to February 1966, a decline was noticeable among upper income families, who had become aware of some items of news which created uncertainty. In May 1966, the data suggested that this awareness had spread to lower income people as well.

All five components of the Index fell significantly between

¹All tables having the prefix "II" (referred to frequently in Chapters 8, 9, 10, and 11) will be found following Chapter 11.

November 1965 and May 1966. One, measuring expectations regarding business conditions over the next 5 years, was already lower in February, and remained low in May. The two measures relating to short-term expectations, for business conditions over the coming 12 months and for the respondent's personal financial situation a year from May, declined slightly from November 1965 to February 1966, and at a faster rate from February to May. Answers to the question about the trend in personal finances over the past year showed no change from November to February, but later showed some change for the worse. In other words, the pattern of the decline in consumer optimism from November to May was felt first in longer-term expectations, then in short-term expectations, and finally in how consumers compared their financial situations to a year before.

It is perhaps surprising that consumers, who were by any objective measure enjoying unprecedented prosperity, should less frequently say that they were better off than a year earlier (see Table II-2). It is not enough to ask why people became uncertain about the *future* course of the economy or their own finances; one must also ask why they should not perceive their *present* circumstances in May 1966 to be as favorable, or more favorable, than a year before. Widespread awareness of inflation plays a very large role in the answers to both questions.

The 1966 decline in consumer optimism has an interesting parallel in developments in 1951, during the Korean War. At that time, after an initial spending spree, inflation and higher taxes evoked resentment and a weakening of consumer optimism, followed by some restraint in consumer spending. The deterioration of consumer attitudes in mid-1966 was, however, much less pronounced than that which occurred in 1951.

Salience of Price Increases

The May 1966 survey suggests that there were two dimensions to the change in people's perceptions of inflation since November 1965. First, more people expected prices to rise over the next year. Second, rising prices were more often judged to be a bad thing; fewer people took an indifferent position with respect to price changes. Especially during the 3 months following February 1966, there was a significant decline in the proportion of people who did not know the direction of prices, or who did not know whether the expected change would be a good or bad thing, or who said that price movements make no difference, or who said it depends.

The survey conducted in February 1966 had already provided

evidence of an increased awareness of higher prices. Practically everyone expected that prices would rise over the next 12 months, and there was also a substantial increase in the proportion saying that this rise would be a bad thing. In May 1966 this pattern remained essentially unchanged. A somewhat smaller, but still very large, proportion of people expected prices to go higher (see Table II-3). Even though substantial price increases had occurred in the recent past, only 3 percent expected prices to retreat.

Table II-6 shows people's reactions in May 1966 to expected price increases. Despite the small decline in inflationary expectations since February, slightly more people than in February, and many more than in November, characterized impending price trends as being to the bad. Perhaps still better evidence that inflation had become more salient is found in the frequency with which people spontaneously mentioned price increases in explaining their answers to several questions in the May survey. A sharp increase appeared in May in the proportion of people citing price increases as a reason for being worse off, or for not being better off, than a year earlier (see Table 9-1). In all, 22 percent of respondents spontaneously mentioned higher prices in answer to this question, or as a reason for expecting bad times in the economy during the next 12 months, or when they were asked to name items of business news which they had happened to hear.

It has been true for a number of years, since late in the 1950's, that a majority of consumers have expected prices to go up. Some small amount of inflation came to be accepted by many people as a persistent feature of a prosperous economy. These price increases were disliked by many people, who said that they were a bad thing. Nevertheless they have not been a cause of significant restraint on spending during recent years when many consumers have been aware of widespread income gains. As suggested in Table II-2, in May 1966, awareness and resentment of price increases became more salient at a time when consumers were less conscious of their income gains.

Judging by experience in 1957 and during the Korean War, it was expected that inflation would have some negative influence on consumer spending. As is shown later in this chapter, there was some increase in the proportion of consumers saying that May 1966 was a bad time to buy large household items. But people's evaluation of market conditions, and indeed their buying behavior itself, depends not only on expectations concerning price movements, but also on other expectations and on perceived income developments.

TABLE 9-1

REASONS FOR BEING BETTER OR WORSE OFF NOW THAN A YEAR AGO

(Percentage distribution of families)

Reasons for being better off now	May 1963	Jan- Feb. 1964	May 1964	Feb. 1965	Nov. 1965	Feb. 1966	May 1966
Better pay, higher income ^a	38	43	44	47	50	38	36
Better asset or debt positions	11	10	11	10	10	8	8
Other reasons	6	7	9	6	14 ^b	10	8
Reasons for being worse off now							
Lower pay, lower income ^a	18	20	16	18	14	10	10
Higher prices	4	4	4	4	8	9	15
Higher taxes	1	1	1	1	1	1	3
Worse asset or debt position	3	3	2	3	2	2	2
Other reasons	10	10	9	7	10	8	8

^aExcluding government pensions, gifts, relief, and welfare.^b"Other reasons" were especially frequent in November 1965 because of increased social security benefits.*Personal Financial Expectations*

It was noted earlier (see Table II-2) that consumer attitudes toward past changes in their own financial situation showed a slight change for the worse in May 1966. The deterioration of expectations was more pronounced. Compared to February or November 1965, fewer people anticipated improvement in their economic position, while 10 percent expected to be worse off (see Table II-4). It must

be remembered, however, that satisfaction and optimism regarding personal finances were at a 10-year peak in November 1965. In May 1966, optimists still outnumbered pessimists by a large margin, even after recent reverses.

The weakening of optimism regarding personal finances came at a time when survey data showed that a very high proportion of American families enjoyed rising incomes. Chapter 8 presented detailed information showing how rising personal income benefitted a greater proportion of families in 1965 than had been the case a year earlier with respect to 1964 income. And when people were asked a direct question about how they expected their 1966 income to stack up against 1965, a high proportion in both February and May 1966 expected their 1966 income to rise further (see Table 9-2). Seasonal factors very probably account for the slight difference between the data for the two surveys.

Why then should people have been less optimistic in May 1966 about their economic progress during the next 12 months? First, the expectation of inflation was no doubt an important factor. In the May survey, those people who expected prices to rise in the next year or so were asked an additional question:

"How large a price increase do you expect? Of course nobody can know for sure, but would you say that a year from now prices will be about 1 or 2% higher, or 5%, or closer to 10% higher than now, or what?"

The following replies were obtained:

<u>Percentage Rise Expected in Prices Over the Next Year</u>	<u>All Families</u>
2% or less	35%
3 or 4%	9
5%	20
6 to 9%	3
10% or more	5
Don't know	7
Prices not expected to rise	<u>21</u>
Total	100%

It would appear that at least some people expected price rises substantial enough to have a considerable impact on their real income. Many of these same people complained of higher prices as a reason for being worse off financially than a year before (see Table 9-1).

TABLE 9-2

EXPECTED CHANGE IN FAMILY INCOME

(Percentage distribution)

	<u>Family income</u>					
<u>Expected 1966 income in relation to 1965 income</u>	<u>Less than \$3000</u>	<u>\$3000 -4999</u>	<u>\$5000 -7499</u>	<u>\$7500 -9999</u>	<u>\$10,000 or more</u>	<u>All families</u>
	<u>Data from May 1966 survey</u>					
1966 income higher	22	34	55	57	62	46
The same	67	57	34	33	27	43
1966 income lower	12	9	10	9	9	10
Don't know, not ascertained	<u>1</u>	<u>*</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>
Total	100	100	100	100	100	100
	<u>Data from February 1966 survey</u>					
1966 income higher	26	36	49	51	50	43
The same	61	54	41	37	37	45
1966 income lower	8	6	7	8	10	8
Don't know, not ascertained	<u>5</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>3</u>	<u>4</u>
Total	100	100	100	100	100	100

* Less than 0.5 percent.

The question in both surveys was: "How do you think your family income for this year 1966 will compare with last year 1965 -- will it be higher or lower?"

Secondly, after a prolonged period of rising incomes, these gains were taken increasingly for granted. Table 9-1 shows that, compared with 1965, people less often mentioned higher income as a reason for being better off.

Finally, to the extent that people saw their own earnings dependent upon the course of the economy (because of overtime and the like), less optimistic personal financial expectations may have followed from less optimistic expectations about the course of general business conditions.

Attitudes Toward Business Conditions

In May 1966, consumers were less confident than 3 and 6 months earlier that the business expansion would continue. This is true whether one looks at expectations at that time for the coming year or for the next 5 years, or at the attitudes of people with high or low incomes.

In May 1966, only 45 percent of consumers believed that current business conditions were better than a year before; 16 percent said that economic conditions in May 1966 were worse (see Table II-7). Only 3 months earlier the comparable figures had been 57 percent and 8 percent, respectively, a more favorable evaluation of business trends than had ever before been measured. In historical perspective, the May 1966 answers to this question should not by themselves be judged pessimistic. As can be seen in Table II-7, comparable figures for 1964 and early 1965, a period of increasing prosperity, were of the same order of magnitude as the May 1966 figures. Experience with this question in the 1950's shows that after prosperous conditions had prevailed for a while the proportions of "better" answers tended to become less frequent. Accordingly, the favorable readings in November 1965 and early 1966 were taken as evidence that consumers remained very much aware of rising levels of business activity. This provided an important source of support for consumer optimism early in 1966. By mid-1966, with the appearance of less favorable evaluations, doubt was cast upon the strength of this support.

In the spring of 1966, bad news attracted more attention than good news. In each survey, people are asked whether they had "heard of any favorable or unfavorable changes in business conditions during the past few months," and if so, what they had heard. Again, as shown in Table II-9, the ratio of favorable to unfavorable news reported was unusually high in November 1965 and February 1966, indicating that the boom in the economy continued to be newsworthy even after persisting for a record number of months. And again, the data for May 1966 show a striking reversal of this pattern. Mentions of unfavorable news exceeded favorable news by two-to-one. Consumers were particularly aware of declines in specific

industries (13 percent, mainly the auto industry), the stock market (8 percent), and tight money (2 percent). (Another 3 percent mentioned inflation, a figure which doubtless understates the salience of this factor since many people had complained about it already in response to earlier questions.)

In May 1966, awareness of certain economic difficulties was an important source of uncertainty about the course of the economy over the next year, as shown in Table II-8. The expectation of "better" business conditions declined from 36 percent in November 1965, to 29 percent in February 1966 (people, by then, were already aware of inflation), to only 19 percent in May. The many people expecting business conditions to remain "about the same" may have had in mind the continuation of the good times which prevailed in May. Table II-10 shows that fully two-thirds of all consumers, and three-quarters of those with high incomes, continued to expect good times to prevail over the next 12 months. One strong source of support for this optimistic evaluation was that many people continued to be aware that employment had risen; 15 percent of all people spontaneously gave this as a reason for expecting good times during the next 12 months. People's evaluations of the economic outlook over the next 5 years remained essentially unchanged from February 1966, but favorable expectations were already then significantly less frequent than in November 1965 (see Table II-11).

The war in Vietnam should *not* receive major blame for people's less optimistic expectations in May 1966 for the economy. There was, to be sure, some increase in the proportion saying that the international situation made for bad times. The minority who held this view pointed to inflation, disruptions in production, and a general feeling of uncertainty in the economy. Only 5 percent said that the war had no effect on business.

Both in August 1965 and in May 1966 the Center asked the following question:

"As to the prospects over the next six months or so--do you think that there will be a relaxation in the international conflict, or will things remain as they are now, or is it probable that things will become worse on the international scene?"

The findings are tabulated below. The August 1965 and May 1966 data appear to be rather similar. A somewhat larger proportion in May 1966 expected the situation to remain the same. Of the 37 percent who in May 1966 expected that the situation would worsen, three-quarters spoke in terms of some sort of escalation. Nine percent of all respondents made specific reference to all-out war, to

China or Russia entering the fighting, or the use of atomic weapons.

<u>Prospects on the International Scene</u>	<u>August 1965</u>	<u>May 1966</u>
Relaxation	11%	6%
Remain same as now	27	37
Worsening	41	37
Don't know	19	19
Not ascertained	<u>2</u>	<u>1</u>
Total	100%	100%

Although these findings suggest that the war was a source of general uneasiness, as far as expectations for the economy are concerned, the majority of people continued to believe that the war stimulated production and employment, or at least did not interfere with prosperous conditions (see Table II-13). The strength of the association, in May 1966, between perceived effects of the cold war on business conditions, and consumer's expectations regarding business conditions over the next 12 months, may be illustrated by the following cross tabulation:

Effect of the Cold War on
Business Conditions

<u>Business Conditions Expected over 12 Months</u>	<u>All Families</u>	<u>Good Times</u>	<u>Pro-con, Uncertain, Depends</u>	<u>Bad Times</u>
Good times	66%	81%	49%	44%
Good in some ways, bad in others	5	4	9	7
Uncertain	15	10	27	16
Bad times	13	5	13	33
Not ascertained	<u>1</u>	<u>*</u>	<u>2</u>	<u>*</u>
Total	100%	100%	100%	100%

*Less than 0.5 percent.

Taxes and Interest Rates

Economic policy measures which had been enacted and those which were being discussed and planned were part of the economic environment shaping attitudes and expectations in May 1966. The

economy was operating then under certain fiscal and monetary restraints designed to curb aggregate demand. Interest rates were high and rising, a system of accelerated tax collection was being put into effect, and there was some public *discussion of the need* for higher income tax rates. How aware are consumers of these developments, and what do they mean to people?

One can seek an answer to these questions by searching for spontaneous references to these matters among people's explanations for their attitudes and opinions, and their descriptions of news heard. Judging by such evidence, neither changes in taxes nor changes in interest rates were very salient or important to consumers in May 1966. Whereas 22 percent of people spontaneously mentioned inflation as a reason for being worse off or as a factor making for bad times, only about 5 percent spoke of higher taxes in these contexts and 3 percent of tight money or higher interest rates.

A second way of studying the impact of monetary and fiscal policy changes on attitudes is to ask people directly what they have heard. Thus in May 1966 consumers were asked--"Do you happen to know whether there have been any *changes* during the last few months in the interest paid on savings, or in the interest rate paid by individuals or business when they borrow money? (IF YES) What kinds of changes?" As Table 9-3 shows, 56 percent of people replied that interest rates had risen. Most frequently mentioned were rates on savings accounts and consumer installment loans, in that order. Rates on mortgages followed a distant third. As might be expected, upper-income people showed greater awareness of all kinds of interest rate changes than lower income people.

Follow-up questions inquired of those who knew about increases in interest rates--"What effects do you think this increase might have on business conditions? and what effect might this increase in interest rates have on your family's finances?" Regarding family finances, the most frequent answer in all income brackets was--"no effect" (Table 9-4). Among the rather small group who could see an effect, equal proportions mentioned favorable and unfavorable consequences. The idea that high interest rates are bad for business was much more widespread than the idea that they are bad for one's own financial situation. In May 1966 twenty-one percent of all people knew about increases in interest rates *and* believed that they were bad for business. Among people with incomes over \$10,000 the corresponding figure was 37 percent. Looking only at those people who mentioned higher interest rates on consumer borrowing, 19 percent said that these interest hikes were bad for their own financial situation, while 46 percent thought they were bad for business.

TABLE 9-3

PEOPLE'S INFORMATION ABOUT CHANGES IN INTEREST RATES BY INCOME

(Percentage distribution)

Have heard of higher interest rates	Family income					All families
	Less than \$3000	\$3000 -4999	\$5000 -7499	\$7500 -9999	\$10,000 or more	
On mortgages	4	6	7	11	14	8
On other consumer borrowing	10	17	24	26	31	22
On savings accounts	18	28	26	27	30	26
On bonds	2	2	2	2	2	2
On business borrowing	3	2	*	2	3	2
Uncertain on what	8	10	14	17	17	14
Have not heard of higher interest rates	63	50	44	38	28	44
Total	a	a	a	a	a	a
Number of cases	207	207	324	249	422	1434

* Less than 0.5 percent.

^a Adds to more than 100 because respondents were allowed two mentions.

The question was: "Do you happen to know whether there have been any changes during the last few months in the interest rate paid on savings, or in the interest paid by individuals or businesses when they borrow money? What kinds of changes?"

In sum, it appears that in May 1966 there was considerable awareness of high interest rates and that people saw these as an obstacle to further business expansion. High interest rates were a reason, though not a very salient one, why consumers expected no further improvement in business conditions; they were *not* a source of misgivings about the family's own financial situation.

The inquiry about taxes likewise started with an informational question--"As you may remember, in 1964 Congress passed a law which lowered the income taxes we pay. Have you happened to hear

TABLE 9-4

PERCEIVED EFFECT OF INCREASES IN INTEREST RATES, BY INCOME

(Percentage distribution)

<u>Effect on personal financial situation</u>	<u>Family income</u>			<u>All families</u>
	<u>Less than \$5000</u>	<u>\$5000 -9999</u>	<u>\$10,000 or more</u>	
To the good	7	9	9	8
Pro-con, depends	*	1	1	1
To the bad	4	7	14	8
No effect	25	31	13	29
Uncertain	8	11	35	10
Have not heard of higher interest rates	56	41	28	44
Total	100	100	100	100
Number of cases	414	573	422	1434

* Less than 0.5 percent.

The question was: "What effects might this increase in interest rates have on you and your family's finances?"

of any changes made in income taxes this year? (IF YES) What sort of changes have you heard about?" The May survey coincided with the period when the new payroll withholding rates (without changes in tax liability) were being put into effect. As Table 9-5 indicates, 28 percent of people were aware of and mentioned this change; another 21 percent gave vague answers about past or future income tax changes or spoke of a variety of other developments. The remaining 51 percent had not heard anything about income tax changes. Thus people may be judged to have been somewhat better informed about high interest rates than about tax changes, which were newer. In the over \$10,000 income group, 43 percent knew about the new withholding rates; but even in this group more people had heard about changes in interest rates than had heard about any changes in income taxes.

TABLE 9-5

PEOPLE'S INFORMATION ABOUT CHANGES IN INCOME TAXES, BY INCOME

(Percentage distribution)

Have heard of income tax changes	Family income					All families
	Less than \$3000	\$3000 -4999	\$5000 -7499	\$7500 -9999	\$10,000 or more	
Higher withholding rates	8	20	33	34	43	28
References to past or expected increases in income taxes	11	15	21	18	12	15
Other	6	4	3	8	5	6
Have not heard of income tax changes	75	61	43	40	40	51
Total	100	100	100	100	100	100
Number of cases	207	207	324	249	422	1434

The questions were: "As you may remember, in 1964 Congress passed a law which lowered the income taxes we pay. Have you happened to hear about any changes made in income taxes this year? What sort of changes have you heard about?"

The most frequent reaction to recent tax changes was one of near-indifference. Of all people, only 7 percent, and in the upper income brackets 10 percent, said that the tax changes which they had mentioned made a considerable difference or "some" difference to them. Another 19 percent spoke of a "small" difference. One in five said "no difference," and the remaining people had not heard of any tax changes. The reactions of the group of people who knew that payroll withholding rates were being raised are tabulated separately below. Again we must conclude that unfavorable reactions were infrequent.

<u>Reactions to Increased Tax Withholding</u>	<u>Families Who Knew about this Change*</u>
Considerable difference to us	10%
Some difference	4
Small difference	44
No difference	<u>42</u>
Total	100%

*Representing 28 percent of all family units.

Because it was conceivable that the threat of future tax increases had a greater impact on consumer optimism than the then new withholding rates, people were asked--"Some people are saying that because of the war in Vietnam and inflation at home income taxes should be raised later on this year. Other people say that a tax increase will not be necessary. What do you expect--will Congress pass a law raising income taxes or not?" Table 9-6 shows that about half of all people believed that Congress would or probably would raise income taxes in 1966. A smaller group, 28 percent, was of the opinion that Congress would take no such action; and 18 percent

TABLE 9-6

WHETHER PEOPLE EXPECT CONGRESS TO RAISE INCOME TAXES THIS YEAR, BY INCOME
(Percentage distribution)

<u>Will Congress raise taxes?</u>	<u>Family income</u>			<u>All families</u>
	<u>Less than \$5000</u>	<u>\$5000 -9999</u>	<u>\$10,000 or more</u>	
Yes	40	42	38	40
Yes, probably	8	11	8	9
Might	5	6	7	5
No, probably not	22	30	37	28
Uncertain	<u>25</u>	<u>11</u>	<u>10</u>	<u>18</u>
Total	100	100	100	100
Number of cases	573	573	1434	414

The question asked was: "Some people are saying that because of the war in Vietnam and inflation at home income taxes should be raised later on this year. Other people say that a tax increase will not be necessary. What do you expect - will Congress pass a law raising income taxes or not?"

expressed uncertainty. Expectations of a tax hike were about equally frequent in all income groups.

In order to see how people felt about a change in income taxes, a further question was asked: "How do you feel about it yourself--do you think that an increase in income taxes will be needed later on this year, or should they be left unchanged, or don't you know?" Many economists may have had a difficult time making up their mind about this issue. But only 18 percent of consumers said--"I don't know;" many of these were in the lowest income brackets. Despite the suggestion in the previous question that a tax increase might be needed because of Vietnam or inflation, people with opinions argued two-to-one that an increase in income taxes was *not* needed. As Table 9-7 indicates, most of the people who felt that a tax increase was needed, thought Congress would raise taxes. However, among those who felt that a tax increase was *unnecessary*, nearly half felt that Congress nonetheless would hike taxes. For personal financial reasons prospects of a tax increase are never viewed with enthusiasm. Our findings go further; they show that in 1966 a good many people felt that a tax increase would not benefit the economy. The conclusion in May 1966 thus seemed clear: the possibility of higher taxes was disliked and had contributed toward the weakening of consumer optimism.

TABLE 9-7

PEOPLE'S EXPECTATIONS OF TAX INCREASE, BY PERCEIVED NEED FOR TAX INCREASE
(Percentage distribution)

<u>Whether expects Congress to raise taxes this year</u>	<u>Perceived need for tax increase</u>			<u>All families</u>
	<u>Needed</u>	<u>Uncertain</u>	<u>Not needed</u>	
Yes	16	7	17	40
Yes, probably	2	2	5	9
Might	2	1	3	6
No, probably not	3	5	20	28
Uncertain, not ascertained	2	7	8	17
Total	25	22	53	100
Number of cases	375	313	745	1434

The question asked was: "How do you feel about it yourself--do you think that an increase in income taxes will be needed later on this year, or should they be left unchanged, or don't you know?"

Attitudes Toward Market Conditions and Buying Intentions

Despite widespread awareness and resentment of price increases, evaluations of market conditions showed only slight deterioration in May 1966. The majority of people continued to feel that it was a good time to buy household goods as well as automobiles. The only significant change which is visible in Table II-16 was a small shift from expressions of uncertainty to judgments that it was a bad time to buy. Evaluations of market conditions did *not* point toward anything like a "buyers strike," despite consumer concern about inflation.

Expressed buying intentions are a further measure of consumer willingness to buy which may be used for forecasting purposes to supplement information on consumer attitudes and prospective income trends. In May 1966 buying intentions for automobiles and major household goods showed a decided decline, consistent with the prevailing doubts and uncertainties in attitudes. The decline was greater for large household goods than for automobiles. The figures below show the trend of buying intentions for major household goods such as appliances and furniture.

Proportion of families who said
they would or might buy in the
next 12 months

January - February 1963	27.8%
January - February 1964	25.2
February 1965	28.0
August 1965	28.0
February 1966	29.1
May 1966	20.3

These figures exaggerate the decline. Previously the buying intentions question had been asked in this particular form only in January-February and August, that is, in the winter and at the approach of fall. There are some seasonal movements in buying plans for household goods, and May is the season when outdoor equipment and vacations are more on people's minds than new household goods. But even if seasonal factors are taken into account, there is no doubt that intentions to buy major household goods declined significantly in May 1966.

The prolonged recent upward trend of automobile buying intentions together with the May 1966 decline is shown in Table II-17. The table shows that buying intentions for new cars, though somewhat below peaks in early 1966 and 1965, were high relative to

earlier May dates. Buying intentions for used cars, on the other hand, declined considerably. The spread between plans to buy new and used cars was unusually large. In interpreting these data, it must be kept in mind that many families do not know whether they will buy a new or used car until they actually begin to shop around and compare prices. Others change their minds. Thus the distinction between trends in buying plans for new and used cars should not be emphasized. Rather one should look at indicated demand for automobiles as a whole and conclude that some weakness in the automobile market is indicated by the survey data. An uncommonly large proportion of those people who planned to buy in May 1966 intended to do so during calendar year 1966 rather than later. Thus the weakening of consumer confidence seemed to imply a reluctance at that time for people to formulate buying plans as far ahead as they might during times when the outlook is more certain.

Table 9-8 relates buying intentions for automobiles and durable goods to some of the factors which, according to the analysis presented in this chapter, seem to have been responsible for the decline in May 1966 in consumer willingness to buy. The analysis is confined to the important group with incomes of \$5000 or more. Lines (1) and (2) of the table refer to personal economic developments. People who are better off than a year ago or expect to be better off in another year, or both, have buying plans much more frequently than families in the same income bracket who see themselves in a static financial situation. Lines (3) and (4) present closely related data. They compare people who expected their 1966 income to be above their 1965 income with those who expected to have about the same income. Again, buying plans seem to be much higher in the first group than in the second. The small decline in May 1966, primarily due to inflation, in favorable evaluations of personal financial developments, past and expected, thus appears to be of importance.

Buying plans of the large group of people who complained about price increases or expected prices to rise *and* who described rising prices as being to the bad were less frequent than for the rest of the population (lines (5) and (6)). But the differences were smaller overall and not visible in every income bracket. Inflation seems to affect willingness to buy primarily when it makes people feel that rising prices are eating away their income gains. Lines (7) and (8) of Table 9-8 compare people who did and people who did not expect that Congress would raise taxes later in 1966. The table suggests that this expectation exercises some restraint on willingness to spend in the income groups above \$5000.

TABLE 9-8

RELATION BETWEEN ATTITUDES AND EXPRESSED BUYING PLANS

(Percentage distribution of families with annual incomes of \$5000 or more)

	Income \$5000-7499		Income \$7500-9999		Income \$10,000 or more	
	Expect to buy:		Expect to buy:		Expect to buy:	
	<u>Cars</u>	<u>Durables</u>	<u>Cars</u>	<u>Durables</u>	<u>Cars</u>	<u>Durables</u>
	Percentage in each group who will or may buy					
1. Better off than a year ago, or expect to be better off, or both	18	32	25	33	29	31
2. No change in personal finances	16	9	14	14	23	25
3. Expect higher income in 1966 than in 1965	22	30	28	35	26	32
4. No change expected	9	15	9	12	28	25
5. Prices are or will be rising and this is to the bad	15	23	23	24	25	26
6. No such reference	20	25	17	35	28	33
7. Expect income tax increase	15	21	23	22	27	30
8. No such expectation	20	29	19	29	28	28
9. Interest rates higher on consumer borrowing	22	33	34	35	30	33
10. No such report	15	20	15	22	24	25

Finally, we may compare buying plans of people who had heard that it costs consumers more to borrow and those who did not mention this type of change in interest rates, i.e., lines (9) and (10). Curiously, impressions that interest rates on consumer loans had risen is associated with a very high rate of buying intentions. Apparently those who plan to be in the market for a car or household goods in the near future are more likely to hear and remember news

about the high cost of borrowing. This relationship seems to outweigh any possible negative effect of higher interest costs on willingness to buy. Thus, if there was such a negative effect in May 1966, it must have been small. It may be recalled here that only 7 percent of people said that higher interest rates made a difference to them personally, while 21 percent said that they were bad for business.

10

THE OUTLOOK FOR CONSUMER DEMAND, AUGUST 1966

Highlights

THE Survey Research Center's Index of Consumer Sentiment (Table II-1)¹, composed of five questions, dropped sharply from May to August. From its high in August and November 1965, it had already declined to a significant extent according to measurements in February and May of 1966. When the Index is calculated for upper income families, the decline was greater than for all families.

The Index is constructed on the basis of five questions. The answers to all five questions became less favorable both over the time span from November 1965 to August 1966 and over the shorter period from May 1966 to August 1966. The deterioration in attitudes from May to August was most pronounced in opinions about the 1-year and the 5-year business outlook. The deterioration was smaller in consumers' evaluation of their recent personal financial progress and in their appraisal of buying conditions for large household durable goods. The smallest decline appeared in personal financial expectations.

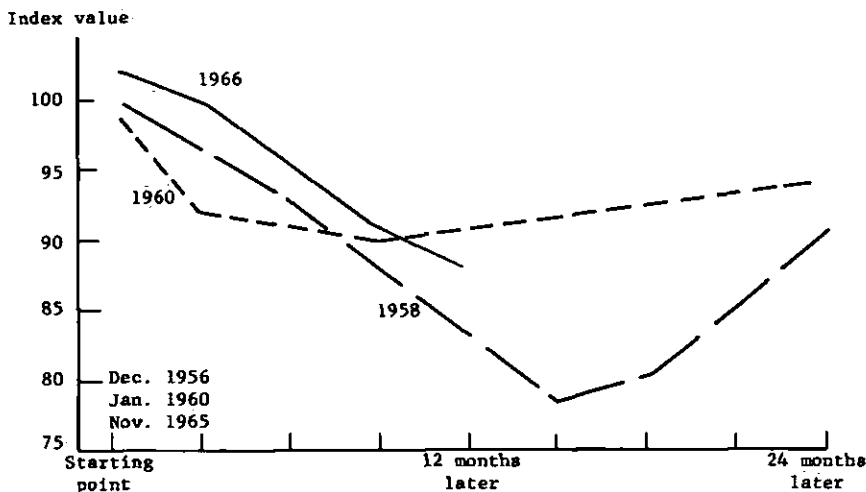
Chart 10-1 compares the movements of the Index for all families from November 1965 to August 1966 with its movements prior to and during the recessions of 1958 and 1960.

A comparison of the decline in the Index value during 1966 with its decline in 1957 or 1960 is subject to a number of qualifications. First, it may be pointed out that during the first 9 months of 1966, as in the first 9 months of 1957 and 1960, GNP and personal incomes did not decline. However, greatly different levels of income

¹All tables having the prefix "II" (referred to frequently in Chapters 8, 9, 10, and 11) will be found following Chapter 11.

CHART 10-1

SRC INDEX OF CONSUMER SENTIMENT IN THREE PERIODS.
(Five questions)



prevailed at the time of the "starting points," that is, before the decline in attitudes set in. Per capita personal income was much higher toward the end of 1965 than either at the beginning of 1957 or 1960, due to a substantial rise in incomes during the past 6 or 9 years. (Growth in the economy is not reflected in the Index of Sentiment.) Prosperity, and with it the average standard of living, was greater in 1965-66 than at the earlier times.

In addition, there were important differences in the attitudes of consumers at the start of the three periods. Consumers in general were much more accustomed to continuous good times and were less recession-conscious in 1965-66 than either in 1960, when the recession of 1958 was still recalled vividly, or in 1957, when the experience with prosperous times had lasted for 2 years only. The news interpreted by American consumers in an unfavorable manner was quite specific in 1966: Price increases after a prolonged period

of relatively stable prices, sharp increases in interest rates, and discussions about an increase in income tax rates were all widely known. In 1957 and 1960, general uncertainty and malaise may have played a greater role. Uneasiness about the international situation greatly contributed to lack of confidence in 1960; in 1966, on the whole, the war in Vietnam represented a plus factor in people's evaluation of domestic business prospects.

Past and expected price increases were the consumers' greatest worry in August, 1966. Nine out of 10 people expected the prices of things they buy to go up during the next 12 months. When asked how much prices would go up, 33 percent said 1 or 2 percent, 12 percent said 3 or 4 percent, 25 percent said 5 percent, and 10 percent said 6 percent or more. (About 20 percent professed to be unable to answer the question.)

Close to two-thirds of all consumers knew about the increase in interest rates. The majority of those who were so informed believed that tight money and higher interest rates had an adverse effect on the business situation. These opinions greatly contributed to the worsening in consumer sentiment.

About one-half of all consumers expected in August that income taxes would be increased. This expectation may also have contributed to the weakening in optimism.

The majority of consumers believed in August that the war in Vietnam had a favorable influence on domestic business. But a further increase in the cost of the war was viewed in a different light. Of those people with an opinion, three in five foresaw that such an increase would have an adverse effect on business at home.

While Chart 10-1 reflects consumer attitudes alone, past studies have shown that consumers' discretionary expenditures are a function both of willingness to buy, measured by changes in attitudes and expectations, and of ability to buy, represented primarily by changes in income. The two factors together yield much better predictions than either factor taken alone. The worsening of consumer attitudes and expectations in August 1966 must therefore be considered together with the level and trend of consumer incomes, which were high and probably still rising slightly, even if measured in constant dollars.

Nevertheless, it is clear that in the summer of 1966 the contribution of the consumer sector to an overheating of the American economy was insignificant. An increase in personal income tax rates for the purpose of reducing consumers demand hardly appeared warranted.

The survey findings have a bearing on policies that might be appropriate if and when it becomes necessary to stimulate consumer

demand to forestall a recession. The data indicate that the expectation of rising prices and high interest rates was primarily responsible for the worsening of consumer sentiment. In August 1966, it appeared that should interest rates cease to increase and should fears of inflation become less salient, then the prospects for consumer demand would have to be judged differently from what the August survey indicated.

Income and Prices

Three tables referred to in this chapter show changes in the answers received to questions related to income. Table II-3 shows that the proportion of family units in August 1966 saying they were making more than a year before remained close to its highest level. Yet there was an appreciable decline in the proportion feeling better off financially than a year earlier and a corresponding increase in the proportion feeling worse off (Table II-2). Personal financial expectations also deteriorated from May to August, but to a smaller extent (Table II-4). To put the August 1966 data into sharp focus, this information may be summarized as follows:

<u>August 1966</u>	<u>Income Changes</u>		<u>Financial Situation</u>	
	<u>Against a year ago</u>	<u>During 1966</u>	<u>Better or worse off than a year ago</u>	<u>Better or worse off a year hence</u>
More or better	45%	39%	32%	33%
Same	39	47	43	43
Less or worse	15	12	24	12
Uncertain	<u>1</u>	<u>2</u>	<u>1</u>	<u>12</u>
Total	100%	100%	100%	100%

The table shows that the proportion reporting income increases since the beginning of 1966 was almost as high as the proportion reporting such increases during the 12-month period ending August 1966. In explaining why they felt better off than a year ago respondents referred as frequently as earlier in 1966 to increases in wages, salaries, or profits, as well as to more regular employment or overtime. But explanations given for feeling worse off (or for not feeling better off in spite of income increases) became much more frequent. In August 1966 no fewer than 21 percent of all respondents complained spontaneously about higher prices. Yet consumers evidently did not anticipate that inflation would weigh more heavily on their financial situations during the next year than during the past

year. Financial expectations showed substantially the same distribution as did evaluations of financial progress.

Nearly every respondent, especially among middle and upper income families, thought in August 1966 that the prices of things they buy would be going up during the next 12 months (Table II-5). When asked for their evaluations of expected price trends, people overwhelmingly judged them to be unfavorable (Table II-6). In August 1966 less than 10 percent of those who thought that prices would go up said that this is "to the good," while almost 80 percent said that it is "to the bad."

In the surveys of May and August 1966, respondents were asked to state how large a price increase they expected during the next year. It can be seen from Table 10-1 that on both occasions about one-third of the respondents thought that the price increase would be insignificant. On the other hand, in August 25 percent estimated that during the next 12 months prices would rise by 5 percent and an additional 10 percent estimated that they would rise by more than 6 percent. In the group with an income over \$10,000, price increases of 5 percent or more were expected by 39 percent. When a similar question was asked several years ago about the probable extent of price increases during the next 5 years, the proportion expecting relatively large price increases within a 5-year period was similar to the present proportion expecting relatively large price increases over a 1-year period.

Consumer response to inflationary expectations may differ according to whether people envisage creeping inflation, with slow and gradual price increases, or rapid price advances within a short period. In both cases there is an adverse reaction. Price increases are thought to be bad both for one's personal finances and for the general economic situation; they make it necessary to spend more on food and other necessities and therefore many people think less money remains for discretionary or unusual expenditures. Yet anticipatory responses, i.e., the desire to purchase goods before their prices go up, have been found to be practically nonexistent in periods of creeping inflation. In August 1966, when a substantial proportion of people expected sizable price increases within one year, a slightly different situation appeared to prevail. This will be discussed later in this chapter in connection with buying plans.

Opinions About Business Prospects

In prosperous times, the answers to a question about how current business conditions compare to those prevailing a year earlier

TABLE 10-1

OPINIONS ABOUT THE EXTENT OF PRICE INCREASES
EXPECTED DURING THE NEXT TWELVE MONTHS

(Percentage distribution of all families)

Prices will go up in next 12 months by	May 1966 All	Aug. 1966 All	Income, August 1966				
			Less than \$3000	\$3000 -4999	\$5000 -7499	\$7500 -9999	\$10,000 or more
1 - 2 percent	35	33	29	31	35	42	33
3 - 4 percent	9	12	6	11	13	14	14
5 percent	20	25	21	24	24	25	29
6 - 9 percent	3	4	5	2	4	4	5
10 - 19 percent	4	6	7	8	6	2	5
20 percent or more	*	*	*	1	*	*	*
"A little"	1	*	*	*	*	*	*
"A lot"	*	*	*	*	*	*	1
Don't know, not ascertained how much prices will increase	7	7	11	9	5	3	6
Insp., prices will not increase	21	13	21	14	13	10	7
Total	100	100	100	100	100	100	100

* Less than 0.5 percent.

The question was: "How large a price increase do you expect? Of course nobody can know for sure, but would you say that a year from now prices will be about 1 or 2 percent higher, or 5 percent, or closer to 10 percent higher than now, or what?"

usually depend upon how long prosperous conditions have endured. As time passes, improvement in business conditions is reported less frequently and unchanged business conditions more frequently. It was therefore significant that the frequency of reporting improvement increased toward the end of 1965 and the beginning of 1966

(Table II-7). The decline in this frequency in May and August 1966 would not be noteworthy if it had been accompanied by an increase in the frequency of reports that business conditions remained unchanged. In fact, however, in the May and August surveys, the proportion of people saying that business conditions are worse than a year ago went up considerably. Nevertheless, in August 1966 improvement in business conditions was still reported much more frequently than deterioration.

Over the 12-month period ending August 1966, the changes in replies to the question about business conditions a year ago were matched by similar movements in the answers to a question about what changes were expected in business conditions during the next 12 months. Yet regarding the latter question about expectations for the future, the proportion foreseeing an improvement only slightly exceeded that foreseeing a deterioration (see Table II-8). But even among respondents who expected business conditions to remain unchanged, it was assumed generally that there would be good times during the next 12 months; 59 percent of all respondents and 68 percent of upper income respondents held this opinion. These proportions are much smaller than those registered late in 1965 (see Table II-10). Opinions in August 1966 about business conditions during the next 5 years likewise showed an appreciable deterioration (see Table II-11).

When the reasons people gave for their business outlook are studied, it is again found that many more people mentioned price increases in August 1966 than a year earlier. High interest rates were also cited frequently. Further information on factors contributing to the worsening of economic expectations can be gathered by referring to a question asked in all quarterly surveys about the kind of economic news heard by respondents during the last few months. It can be seen from Table II-10 that at no time during the past few years has favorable news been mentioned by such a small proportion and unfavorable news by such a large proportion of respondents as in August 1966. Among families with more than \$10,000 income, fully two-thirds reported in August about unfavorable news heard. When the specific items of news mentioned by respondents were tabulated, the frequency of mention of tight money or rising interest rates (9 percent of all respondents) exceeded somewhat the frequency of mention of inflation (which is hardly surprising because the question asked about specific news heard). News about the fall in stock prices was mentioned by only 5 percent of respondents, even though stocks declined considerably during the period of interviewing. That the developments in the stock market did not play a major role in changing people's opinions about the economic outlook

is also apparent from the following figures: When respondents were asked why they expected good or bad times during the next year, less than 2 percent mentioned the stock market; when they were asked whether they expected their own financial situation to improve or to deteriorate during the next year, less than 0.5 percent mentioned the stock market.

The majority of respondents continued to report in August 1966, as they had in November 1965, that unemployment had been decreasing during the last few months. But expectations about unemployment deteriorated. While 43 percent of respondents thought in February 1966 that unemployment would decrease further during the next 12 months, only 23 percent expressed this opinion in August 1966 (see Table II-12).

Consumers' appraisal of the impact of the war in Vietnam on domestic economic conditions did not change much during the first 9 months of 1966. As has been reported on the basis of findings in the two previous chapters, a substantial proportion of people relate war expenditures to prosperous conditions. In answer to a direct question, the majority of people continued to say in August that the international situation makes for good times at home (Table II-13). The war was said to stimulate defense production and employment. Yet the spontaneous mention of adverse effects of the war, especially price increases, was likewise not infrequent.

In August 1966 a hypothetical question was added to the usual inquiries. Respondents were told, "Suppose the cost of war in Vietnam should increase during the next six months" and were asked how, in their opinion, such an increase in costs would affect business conditions at home. The answers received to this question were quite different from the answers to the first question. The 60 percent of all respondents who gave a definite answer to the hypothetical question were divided between 23 percent who thought that increased war expenditures would have a good effect on business and 37 percent who thought that they would have a bad effect on business (see Table 10-2).

Among the specific effects of increased war expenditures mentioned by respondents, only the adverse effects are of interest: 10 percent of all respondents said that increased war expenditures would make for inflation at home and 13 percent said that increased war expenditures would result in higher taxes.

Survey respondents have frequently been asked their opinions about the probability of a recession. In August 1965 the smallest proportion since World War II answered that a recession will or is likely to happen again (20 percent) or that it might happen again (12 percent). In August 1966 the respective percentages were much

TABLE 10-2

OPINIONS ABOUT EFFECTS ON BUSINESS OF
AN INCREASE IN COSTS OF WAR IN VIETNAM

(Percentage distribution of all families)

Effect on business of increased cost of war in Vietnam	All	Income, August 1966				
		Less than \$3000	\$3000 -4999	\$5000 -7499	\$7500 -9999	\$10,000 or more
Good effect	23	13	20	28	26	28
Both good and bad effects	4	3	7	1	6	4
Bad effect	37	32	39	37	33	44
No effect (probably none)	17	14	18	18	22	16
Don't know, not ascertained	19	38	16	16	13	8
Total	100	100	100	100	100	100

The question was: "Suppose the cost of war in Vietnam should increase during the next six months; would this in your opinion have an effect on business conditions here at home? (If yes) What kind of effect?"

higher: 32 and 16 percent. Among upper income people, the proportion considering a recession to be probable or possible was higher than among all people (see Table II-14).

Respondents who did not deny the possibility of the recurrence of a recession were also asked when in their opinion the recession would occur. As can be seen from Table II-14, only 6 percent of all respondents thought in August 1966 that a recession was imminent. The expectation of a recession was frequently explained by notions about a periodicity of cyclical fluctuations or that the war might end. Even though American consumers did not expect and did not fear an imminent recession, it is significant the attitudes regarding the possibility of a recession worsened during the last few months before August 1966.

On the Increase in Interest Rates and Income Taxes

New economic developments are rarely known to the majority of respondents in a sample representative of all households. It is therefore noteworthy that 56 percent of respondents in May 1966 and 62 percent in August knew that interest rates had been rising. As can be seen from Table II-15, low-income people were not well informed about interest rates. Among respondents with a family income of more than \$10,000, however, 85 percent reported that interest rates had been advancing in the last few months.

When asked to say which kinds of interest charges have been rising, respondents overwhelmingly mentioned higher interest rates on transactions in which consumers were involved (see Table 10-3). They reported increased charges on consumer borrowing (sometimes specifically mentioning mortgage rates) or increased rates received on savings accounts. The cost of borrowing by business was not mentioned frequently in answer to the general question about changes in interest rates.

Those respondents who knew about the rise in interest rates were asked two follow-up questions about the perceived effects of the increase. A majority of these people replied that the increase in rates would have no effect on personal finances (see Table 10-4). On the other hand, a majority of informed people thought that this development would have adverse effects on business conditions. Among all high-income people, 55 percent had this opinion.

The notion in August 1966 that business conditions had been worsening *because* of the rise in interest rates is not just one elicited by a direct question. It can be shown that the notion contributed to the deterioration of consumer attitudes and expectations. When the various attitudes of the 35 percent of all respondents who thought that an increase in interest rates would have unfavorable effects on business conditions are compared with the opinions of the 65 percent of all respondents who did not express this opinion (the majority of whom had not heard of higher interest rates, see Table 10-4), substantial differences are found. It may suffice to cite one large difference. As is shown in Table II-14, close to one-half of respondents said that the recurrence of a recession is probable or possible, while the other half either said that a recession is not likely to happen again or did not have an opinion on this question. Among those believing the increase in interest rates to be bad for business, 62 percent thought that a recession is probable or possible, while among the others only 41 percent gave this opinion.

One question asked in the survey read as follows: "Do you think there will be any changes in income taxes during the next

TABLE 10-3

PEOPLE'S INFORMATION ABOUT CHANGES IN INTEREST RATES

(Percent mentioning interest rate changes)

Heard of higher interest rates	May 1966 <u>All</u>	Aug. 1966 <u>All</u>	Income, August 1966				
			Less than \$3000	\$3000 -4999	\$5000 -7499	\$7500 -9999	\$10,000 or more
Interest rates have gone up -							
On mortgages	8	5	3	3	4	6	8
On consumer borrowing	22	23	12	21	24	28	30
On savings accounts	26	26	14	23	28	28	37
On bonds	2	1	*	*	1	1	1
On business borrowing	2	3	2	3	3	4	6
Uncertain on what	14	14	16	21	27	22	32
Total	a	a	a	a	a	a	a

* Less than 0.5 percent.

^a Respondents were allowed two mentions.

The question was: "Do you happen to know whether there have been any changes during the last few months in the interest rate paid on savings, or in the interest paid by individuals or businesses when they borrow money? What kinds of changes?"

year?" About 30 percent thought there would be no changes and a sizable additional proportion replied that they did not know. The others were asked, "what kind of changes do you expect?" In reply, 49 percent of all respondents said that they expected an increase in income tax rates. The higher the income, the larger was this proportion. Among respondents with a family income of more than \$10,000, 61 percent thought that income taxes would increase.

The opinion that income taxes would be raised was not unrelated to the deterioration in confidence and optimism, but the connection between these two opinions was weaker than the connection

TABLE 10-4

PERCEIVED EFFECT OF INCREASES IN INTEREST RATES, BY INCOME

(Percentage distribution of all families)

Effect on personal financial situation	May 1966 All	Aug. 1966 All	Family income		
			Less than \$5000	\$5000 -9999	\$10,000 or more
To the good	8	7	7	6	9
Pro-con, depends	1	*	*	*	*
To the bad	8	13	7	16	21
No effect	29	32	26	33	41
Uncertain	10	10	4	13	14
Have not heard of higher interest rates	44	38	56	31	15
Total	100	100	100	100	100

* Less than 0.5 percent.

The question was: "What effects might this increase in interest rates have on you and your family's finances?"

between higher interest rates and attitudes toward the business situation. Among those who thought that income taxes would be increased, 20 percent thought that business would be bad during the next 12 months; among others 15 percent thought business would be bad. (See Table II-10, which indicates that among all families 17 percent expected bad economic conditions.)

Survey data justified the conclusion in August 1966 that the news about rising interest rates and also about a forthcoming or probable increase in income taxes contributed to curtailing consumer optimism and thereby to reducing the "overheating" of the economy. As observed repeatedly at earlier times, consumers again appeared to be a stabilizing force in the economy.

Market Conditions and Intentions to Buy

During the few months before August 1966, consumers' evaluations of market conditions for houses, cars, and large household

goods deteriorated considerably. The survey conducted in May 1966 showed that people were already aware of rising prices and increasing interest rates, but there was at that time little evidence that respondents tended to say that therefore "now is not a good time to buy." In August such answers were more frequent, and were accompanied by less frequent favorable evaluations of market conditions, a change which was most pronounced among families with incomes of over \$7500.

These data are presented in Table II-16 separately for large household goods, cars, and houses. As can be seen from the table, the deterioration in evaluations was the smallest in the case of large household goods, somewhat larger for cars, and most extensive in people's evaluations of house buying conditions.

Some insight into these changes can be gained by looking at the reasons which people gave for their opinions. The most important of these reasons are reproduced in Table 10-5. In general, the overall pattern is repeated whether one looks at the market for household goods, for cars, or for houses. In August 1966, fewer people cited low prices as a reason why it was a good time to buy; more people said it was a bad time to buy because of high prices. Significantly, in August many people also pointed to rising prices as a reason for their opinion that it was a good time to buy. Finally, tight money and high interest rates represented an element new to people's thinking since late 1965 or early 1966.

Yet there are important differences apparent between the markets for large household goods, cars, and houses. With respect to household goods and cars, there recently has been a considerable increase in the proportion of people believing that the prospect of rising prices is an argument for buying now. This represents a new development in 1966, not witnessed on this scale since the early 1950's. For houses, on the other hand, people have been accustomed to rising real estate prices for many years. The mention of rising prices as a reason for buying is not a new development in this market. What is new in the housing market is the widespread awareness of tight money and high interest rates. In August 1966 fully 25 percent of all respondents spontaneously mentioned interest and credit conditions as a reason why it was a bad time to buy a house.

As reported earlier, the August survey contained a question to find out what proportion of people were aware of the recent increase in interest rates. Among those so informed, 45 percent, and among all others only 30 percent, thought that it was a bad time to buy a house.

In the market for automobiles, prices loomed as a more important factor than was the case in November 1965. At that time, a

TABLE 10-5

SELECTED REASONS FOR OPINIONS ABOUT MARKET CONDITIONS
(In percent of all families)

Reasons for evaluation of market conditions for	Feb. 1965	Nov. 1965	Feb. 1966	Aug. 1966
<u>Large household goods</u>				
Good time to buy because				
Prices are low or stable; good buys available	25	20	19	17
Prices are going higher; aren't coming down	11	14	16	19
Bad time to buy because				
Prices are high	6	8	9	10
Credit is tight; interest rates high	*	*	*	4
<u>Cars</u>				
Good time to buy because				
Prices are low or stable; good buys available	17	20	a	12
Prices are going higher; aren't coming down	9	12	a	16
Bad time to buy because				
Prices are high	9	9	a	14
Credit is tight; interest rates high	*	*	a	4
<u>Houses</u>				
Good time to buy because				
Prices are low or stable; good buys available	16	14	a	10
Prices are going higher; aren't coming down	16	15	a	15
Bad time to buy because				
Prices are high	15	15	a	18
Credit is tight; interest rates high	1	1	a	25

* Less than 0.5 percent.

^a Not available.

specific question was asked about automobile price expectations, a question repeated in November 1966 (see Chapter 11). In November 1965, the expectation of higher prices for cars was much less frequent than the similar expectation for other durables. The comparison meant a plus factor for the car market. Table 10-3 suggests that in August 1966 the advantage from this comparison might have begun to run in the other direction. Respondents frequently made clear

in their answers that they had heard of higher prices in prospect for the 1967 models.

In light of the foregoing data on market evaluations, it is perhaps surprising that in August 1966 intentions to buy were practically unchanged from levels a year earlier. This is true whether one looks at large household goods, at new or used cars, or even at houses (see Tables II-17 and II-18).

There are several explanations for this apparent contradiction. First, as already mentioned, rising prices were quoted in August 1966 as a reason for buying at that time. It is often said by respondents that there is no point in waiting, because later on the buyer will face still higher prices. Second, as documented earlier in this chapter, many consumers continued in August 1966, to enjoy income increases. Intentions to buy durables during the next few months are usually strongly associated with income increases. Third, postwar babies are coming of age and the marriage rate is on the rise. The fact that an increased proportion of people thought in August 1966 that it was not a good time to buy did not appear to have great weight, for at that time people also felt that they needed new things, had the ability to buy them, and did not think that a later time would present better opportunities. At the same time, the August 1966 survey found consumers in a cautious mood and very much aware of higher prices and interest rates.

With respect to intentions to buy a house, it should be noted that prospective buyers in August 1966 were not poorly informed. Of those with plans then to buy a house during the next 12 months, three out of four were aware of the rise in interest rates, and a sizable group spontaneously mentioned mortgages when asked what kinds of interest rates had increased. Frequently, respondents said specifically that it was a good time to buy a house but not a good time to pay for it, unless you have the money available.

Auto Safety

The August 1966 survey contained several questions designed to probe people's opinions concerning safety in automobiles. To begin, people were asked the following general question: "Recently there has been much talk about the safety of cars. Is this a matter of great concern to you, of little concern, or of practically no concern?" In reply, 45 percent professed "great concern," 26 percent "little concern," 22 percent "no concern," with only 7 percent not able to answer the question.

In answer to a second question, asking whether in the

respondent's opinion the "talk about the safety of cars has had any effect on plans to buy cars," two out of three respondents answered with a flat "no". Only 21 percent believed that safety might have an influence on plans to buy, while the remaining people had no opinion. Just 15 percent of respondents evidenced both great concern and the belief that intentions to buy cars would be influenced. At the same time, a quarter of these people planned in August 1966 to buy a car.

To put it another way, of all those people planning to buy a car in August, 49 percent said they were greatly concerned about safety and 26 percent believed that buying plans in general were affected. These data suggest that safety is of importance to a sizable segment of those people who are most active in the auto market. The extent to which these attitudes will remain salient for these people is of course not known. However, in August 1966 the Congressional safety hearings were already 3 months back in history. Indeed, the hearings were in full swing at the time of the May survey, and that may go far to explain the May survey finding of a low frequency of intentions to buy used cars.

In August, people were also asked to tell what they had in mind when they said that car-buying plans would be affected by the talk about safety. The majority (11.2 percent of all people) said that people were waiting for safer cars, or that present models were unsafe. Others believed that only certain makes would be affected (2.3 percent), or that people would be shopping around for particular safety features (1 percent). In August 1966 it appeared that the outlook for the 1967 models depended to some extent on whether the new cars met expectations with respect to safety.



THE OUTLOOK FOR CONSUMER DEMAND, NOVEMBER-DECEMBER 1966¹

Highlights

IN the last few months of 1966 consumer sentiment continued to deteriorate, but the rate of deterioration was smaller from August to November-December than in the preceding 6 months. During the last 3 months of 1966, the Survey Research Center's Index of Consumer Sentiment dropped by 2.8 percentage points as against 4.7 points in the preceding quarter (see Table II-1)². In both quarters the attitudes and expectations of upper-income consumers worsened to a larger extent than those of lower-income consumers. In 1966, as in many earlier years, high-income consumers were most aware of disturbing developments.

While practically every question that was asked on the evaluation of conditions and on expectations yielded a higher frequency of unfavorable answers in May 1966 than in February, and again in August than in May, the changes from August to November-December were uneven. Personal financial attitudes did not deteriorate further in that period, nor did expectations for changes in business conditions. Yet consumers' notions as to whether it was a good or bad time to buy cars, other durable goods, or houses, became considerably less favorable.

Consumers' concern and uncertainty in November-December may be attributed to the same causes as in August. Inflation was the most pronounced of the adverse factors, as it continued to exert an

¹ Interviewing for this survey began after the sectional elections of November 8 and therefore extended until mid-December.

² All tables having the prefix "II" (referred to frequently in Chapters 8, 9, 10, and 11) will be found following Chapter 11.

unfavorable impact both on attitudes toward personal-financial and general economic trends. Secondly, tight money and high interest rates, of which close to two-thirds of all consumers were aware, were seen to hamper economic activity. Unfavorable conclusions were also derived from the expectation of an increase in income taxes, shared by 53 percent of all consumers. When asked what news they had heard of changes in business conditions, overwhelmingly consumers reported unfavorable news; the frequency of favorable news reported was smaller than at any time during the past 6 years. The majority of people still spoke of favorable effects of the war in Vietnam on domestic economic activity, but this opinion was less common in December than in the first half of 1966.

Income developments represented the major favorable factor. The proportion of family units reporting having made more money than a year before remained at a record level (48 percent), exceeding greatly the proportion reporting having made less than a year earlier (14 percent).

Although many people were worried and still more people were uncertain, it would be incorrect to characterize the state of consumer attitudes at the end of 1966 as outright pessimism. In reply to the question, "Do you think that during the next twelve months we will have good times financially, or bad times, or what?" many fewer than at earlier times, but still 55 percent, answered "good times." In November-December 60 percent said that in a year business conditions would be about the same as they were then. Finally, the notion that a recession was likely to happen again did not increase in frequency from August to November-December; only 10 percent of consumers expected a recession within 1 or 2 years.

The great majority of informed consumers believed that it was a bad time to buy houses. The proportion who thought that it was a bad time to buy cars exceeded the proportion who believed that it was a good time (primarily because of past as well as expected increases in car prices). Regarding large household goods, the opinion that it was a good time to buy still exceeded the reverse opinion, but to a much smaller extent than at earlier times.

Buying plans depended both on income and on attitudes. Expressed intentions to buy were at a low point only regarding houses. Intentions to buy new or used cars within the next 12 months declined by 8 percent from the record levels registered in November 1965. Intentions to buy furniture and major household appliances, as well as plans to undertake home improvements, did not decline at all from 1965 levels.

Although uncertainty about prospects was widespread, there were indications that consumers were becoming accustomed to the

unfavorable news. The impact on consumer attitudes and inclinations to buy of news about inflation and tight money may have been less pronounced at the end of 1966 than a few months before. It appeared then that a further deterioration of consumer sentiment would be dependent on *new* bad news.

Personal Financial Developments and Expectations

Late in 1966, as in late 1965, about one-half of all family units in the United States reported having made more money than a year earlier. In none of the earlier postwar years was this proportion as high as in 1965 and 1966. The higher the income, the more frequent were reports of recent income gains (see Table II-3). Making more money than a year ago was explained in many cases by longer working hours and overtime, more family members working, and higher self-employment or property income. By far most frequent, however, were reports of wage or salary increases, cited in November-December by 37 percent of all respondents. This percentage was the highest recorded in 20 years of surveys.

Not all those who reported higher incomes said that they were better off. About one in eight among those with income gains even said that they were worse off than a year ago, usually because of price increases. In the May and August 1966 surveys, 14 to 15 percent reported having made less than a year earlier. In historical perspective this proportion is fairly low. Yet at the same time 24 to 25 percent said that they were worse off than a year before (see Table II-2), which is an unusually high proportion. It is to be explained primarily by many families with unchanged income complaining about rising prices or rising expenses. When asked to explain why they were better or worse off than a year ago, not fewer than 23 percent of all respondents spoke spontaneously of price increases. Yet the proportion saying that they were worse off increased more from May to August than from August to the end of the year.

The trend of expected changes in the financial situation (see Table II-4) was similar to that of past changes, except that only part of the unfavorable expectations were expressed by stating that "We will be worse off a year from now." In addition, a higher proportion than a year earlier was uncertain about prospective developments. From November 1965 to November-December 1966 the decline in the proportion expecting to be better off was larger than the decline in the proportion saying that they were better off than a year ago.

The principal reason for the deterioration in personal expectations was again inflation. Overwhelmingly, consumers expected

that the prices of the things they bought would go up during the next 12 months. When respondents were asked whether the rising prices they expected "would be to the good or to the bad," 83 percent replied "to the bad" and only 4 percent "to the good." (The rest had no opinion.)

Opinions About Business Prospects

The numerous questions on attitudes toward economic trends, regularly asked in the quarterly surveys, reveal that

- in the opinion of consumers the economic situation had deteriorated during the last few months of 1966,
- uncertainty about business prospects became more pronounced, while outright pessimism was restricted to a minority, and
- the proportion of consumers reporting having heard economic news declined during the last few months of 1966, even though in answer to direct questions a large proportion indicated that they were informed about such unfavorable developments as inflation, tight money, or a prospective increase in income tax rates.

It is shown in Table II-7 that in November-December only 36 percent of respondents thought that business conditions were better than a year before. Three months earlier the proportion was 45 percent, and 9 months earlier 57 percent. Among upper-income respondents the decline in these opinions was still more pronounced. The reverse opinion, that business conditions were worse than a year earlier, increased greatly in frequency. Among respondents with more than \$7500 income, 27 percent believed in November-December 1966 that conditions were worse than a year ago, while in November 1965 only 4 percent thought so.

People's replies to the question of how business conditions a year from November-December 1966 would compare with then-current business conditions (see Table II-8) must be assessed in the light of their opinions about then-current conditions (see Table II-7). In other words, the 60 percent who said in November-December 1966 that business conditions would be about the same a year later as they were at the end of 1966 expected less satisfactory conditions than the 53 percent who gave the same answer in November 1965. According to the findings of the November-December survey, the

proportion expecting an improvement in business conditions still exceeded the proportion expecting a deterioration, but the difference was no longer large.

When asked to evaluate business conditions during the next 12 months, those who said "We will have good times" still constituted the majority in November-December 1966 (see Table II-10). Yet bad times were expected by 22 percent as against 13 percent 6 months earlier. In addition, 16 percent said that prospects were so uncertain that they could not express an opinion.

Opinions regarding business conditions during the next 5 years revealed that uncertainty increased greatly during the last 3 months of 1966 (see Table II-11). From August to November-December there was a decline in both the proportion expecting good times and in the proportion expecting bad times. Respondents' explanations of their opinions indicated that uncertainty was viewed as an unfavorable rather than a neutral or middle position.

When asked to explain their opinions about prospective business conditions, many respondents continued to give reasons for good times to come. Yet references to the war in Vietnam or to large defense production declined in frequency (12 percent said this in November-December as against 21 percent in February) and so did statements about rising employment or declining unemployment (10 as against 14 percent). In the November-December survey, explanations such as "Times are good now," and "Incomes are high" were most frequent.

A question asked every quarter about news heard of favorable or unfavorable changes in business conditions serves to clarify the degree to which information from the November-December survey was salient. The major finding, shown in Table II-9, was that the proportion of respondents who could not recall any news increased from August (from 54 to 62 percent). Both favorable and unfavorable news were recalled by fewer respondents in November-December than 3 or 6 months earlier, although the frequency of unfavorable news continued to exceed greatly the frequency of favorable news. The change in the distribution of answers was uniform in all income groups. For instance, among respondents with more than \$10,000 income, 44 percent in November-December (in August 34 percent) did not report any news heard, 15 percent (in August 21 percent) told of favorable news, and 52 percent (in August 67 percent) mentioned unfavorable news. It appears that news about unfavorable developments was less dramatic to the American people in the fourth quarter than in the third quarter of the year.

People mentioned a great variety of news. Some spoke of specific industries--for instance, the automobile industry--in which

business had slackened, while others said that people don't have the money or don't want to spend. Price increases and tight money were mentioned often and yet by somewhat fewer respondents in November-December than in August 1966. References to a decline in the stock market were not very frequent at either date (4 percent in November-December and 5 percent in August).

People's ideas about employment or unemployment prospects worsened steadily during the last 9 months of 1966. During the winter of 1965-66 many more people expected unemployment to decrease than expected it to increase. In November-December 1966 the two proportions were the same (see Table II-12). Similarly, there was a decline in the frequency of the opinion that the war in Vietnam makes for good business conditions at home (see Table II-13). Still, toward the end of 1966 many more people thought of stimulating rather than depressing economic effects of the war, but in addition many were uncertain about the impact of the war on business.

The proportion of people who believed that a recession such as in 1958 or 1960 is *not* likely to happen again was much larger in 1965 than in the early 1960's. From August to November-December 1966, opinions about the likelihood of a recession did not change much (Table II-14). Yet the proportion of those who were uncertain, or replied "It depends," increased during these 3 months. The answers to this question indicated uneasiness among a substantial proportion of the population rather than definite pessimistic expectations. When those who said that a recession would or might happen again were asked, "When will it come in your opinion?" only a small minority set a date in the near future.

Specific questions were asked about changes in interest rates. The findings in November-December were substantially the same as in August. At both times close to two-thirds of all people, and many more of the high-income people, knew of rising interest rates (see Table II-15). The majority of informed people thought in December as in August that the rising interest rates would affect business conditions adversely.

A new question was asked in the November-December survey: "What do you think will happen to interest rates during the next twelve months?" In reply, 25 percent said that interest rates would increase further, 33 percent that they would stay as they are now, 7 percent that they would decline, while 35 percent professed not to know. A sizable proportion of respondents explained their opinion by saying, "Interest rates cannot go up further." Among high-income people the "Don't know" answers were less frequent and the "Stay the same" answers more frequent than among low-income people.

Expectations about interest rates were related to expectations about business trends: Among those who thought that interest rates would increase, 53 percent said that there would be good times during the next 12 months, while among those who expected stable interest rates, 63 percent expressed this opinion.

As shown in Table 11-1, more than half of all people and almost two-thirds of high-income people thought in November-December that income tax rates would be raised. These opinions were also related to notions about prospective economic trends. For instance, among those expecting a tax increase, 15 percent said that in November-December 1966 business would be worse in a year, while among those thinking that there would be no change in income taxes, the respective percentage was only 7 percent.

Fewer people were aware of recent developments in the stock market than were aware of higher interest rates or the discussion about a tax increase. Respondents were asked first, "Do you happen to know what the stock market has done during the last few months?"

TABLE 11-1

EXPECTATIONS ABOUT CHANGES IN INCOME TAXES

(Percentage distribution of families)

Income tax rates during the next year	Aug. 1966 <u>All</u>	Nov- Dec. 1966 <u>All</u>	<u>Income, November-December 1966</u>				
			Less than \$3000	\$3000 -4999	\$5000 -7499	\$7500 -9999	\$10,000 or more
Will increase	49	53	36	53	56	61	63
Will change in other ways	4	2	3	1	4	1	2
Will not change	31	23	21	25	22	25	22
Uncertain, don't know	15	21	37	21	16	12	12
Not ascertained	1	1	3	*	2	1	1
Total	100	100	100	100	100	100	100

The questions were: "Do you think there will be any changes in income taxes during the next year?" (If yes) "What kind of changes do you expect?"

and if they answered in the affirmative, they were asked to describe recent market trends. Only 29 percent of all respondents, but 49 percent of respondents with more than \$10,000 income, said that stock prices had declined. (In the autumn of 1962 the proportions were much higher.) Even among those who knew of the market decline, a sizable proportion thought that the decline would make no difference to business prospects. About 6 percent of all respondents thought that the market decline dampened business prospects or even foreshadowed a recession. An additional 9 percent thought that the market decline would have psychological effects and might thereby influence business prospects.

Opinions About Market Conditions and Intentions to Buy

The November-December data showed a pronounced deterioration in evaluations of market conditions for large household goods, cars, and houses. The proportion of consumers saying that it was a good time to buy these big-ticket items was very small (see Table II-16). In fact, it is necessary to go back to the Korean War period to find so few people believing it to be a good time to buy large household goods. The other two questions in Table II-16, first asked just after the end of the Korean War, were at record low levels at the end of 1966.

From a high point reached in August 1965, opinions about the markets for household goods and cars worsened steadily, though slowly, during the next 12 months. Rather suddenly, the last three months of 1966 brought a sharpening of this downward trend. As for the market for houses, opinions were already very unfavorable in August 1966, with more people saying "bad time to buy" than saying "good time." The November-December data show a further substantial change for the worse.

Some insight into these changes in opinion may be gleaned from Table 11-2. In explaining why they believed it was a good or a bad time to buy household goods or cars, people most often referred to prices. Whether one looks at household goods, cars, or houses, one finds a consistent downward trend in the frequency with which people said it was a good time to buy because prices were low, coupled with an equally consistent upward trend in the answer, bad time to buy because prices are high.

Yet consumer awareness of high prices did not represent a new development in the fall of 1966. The February 1966 survey had already revealed a substantial increase in the proportion of people expecting higher prices for the things they buy, and in the proportion

TABLE 11-2

SELECTED REASONS FOR OPINIONS ABOUT MARKET CONDITIONS
(In percent)

Reasons for evaluation of market conditions for	Feb. 1965	Nov. 1965	Feb. 1966	Aug. 1966	Nov- Dec. 1966
<u>Large household goods</u>					
Good time to buy because					
Prices are low or stable; good buys available	25	20	19	17	13
Prices are going higher; aren't coming down	11	14	16	19	12
People can afford to buy; times are good	7	10	8	7	5
New features; good quality, selection, supply	7	6	6	5	4
Bad time to buy because					
Prices are high; may fall later	7	9	10	11	17
Credit is tight; interest rates high	*	*	*	4	5
<u>Cars</u>					
Good time to buy because					
Prices are low or stable; good buys available	17	20	a	12	8
Prices are going higher; aren't coming down	9	12	a	16	8
People can afford to buy; times are good	6	4	a	4	2
New features; good quality, selection, supply	7	6	a	4	3
Bad time to buy because					
Prices are high; may fall later	9	9	a	15	20
Credit is tight; interest rates high	*	*	a	4	6
<u>Houses</u>					
Good time to buy because					
Prices are low or stable; good buys available	16	14	a	10	8
Prices are going higher; aren't coming down	16	15	a	15	7
People can afford to buy; times are good	6	8	a	5	2
New features; good quality, selection, supply	5	9	a	2	1
Bad time to buy because					
Prices are high; may fall later	15	15	a	20	25
Credit is tight; interest rates high	1	1	a	25	34

* Less than 0.5 percent.

^a Not available.

Note: Not available for May 1966.

saying that these increases would be to the bad. These proportions did not change greatly from February to the end of the year. But the surveys in May and in August did show substantial increases in the frequency with which prices were mentioned by consumers as a reason for being less well off financially or for expecting bad times in the economy during the next 12 months. The impact on evaluations of market conditions appears to have been somewhat more gradual, until the last 3 months of the year. If continuing price increases were the sole cause of the considerable deterioration in these opinions shown in November-December data, the reaction would seem to have been considerably delayed. Perhaps a better explanation may be that resentment of price increases and increasing uncertainty about the future course of the economy were mutually reinforcing during the few months before November-December.

Another explanation is suggested by changes in the proportion saying that it was a good time to buy because prices would go still higher, or at least would not fall. This proportion increased in the months prior to August 1966, except with respect to houses where it had been at a high level for some time. After August the proportion giving this reason decreased, suggesting that this type of inflationary psychology, that one should buy before the price goes up, became less widespread.

Finally, many people (55 percent of all families) were aware in November-December that the 1967 model new cars cost more than did the 1966 models. This may have been responsible to some extent for the deterioration in opinions about the market for cars, but not for household appliances.

Opinions about market conditions are always strongly correlated with intentions to buy, and in November-December 1966 the relationship was even stronger than usual. It is perhaps surprising, therefore, that intentions continued to hold up comparatively well. To be sure, plans to buy a car (either new or used) were 8 percent below those of a year earlier (see Table II-17). But intentions to buy furniture and household appliances were if anything, somewhat higher than 3 months before (see Table II-18). Some explanation is to be found in Table 11-3. The depleted ranks of those who still said it was a good time to buy household goods, or a car, contained a higher proportion planning to buy than was the case in August.

In November-December intentions to buy a car during the next 12 months declined only in income groups below \$7500. Among higher income groups there was even a slight increase. Plans to buy a new car during the coming 6 months were somewhat lower than a year before. An unusually large proportion, more than four out of ten, of the intentions to buy new cars were expected to be realized

TABLE 11-3

RELATION OF INTENTIONS TO BUY TO OPINIONS ABOUT BUYING CONDITIONS
(Percentage distribution of all families)

	Aug. 1966	Nov- Dec. 1966	Aug. 1966	Nov- Dec. 1966	Aug. 1966	Nov- Dec. 1966
<u>Large household goods</u>						
<u>Intentions to buy large household goods^a</u>	<u>Good time to buy</u>		<u>Pro-con</u>		<u>Bad time to buy</u>	
Will (probably) buy	28	32	22	22	21	15
Might buy	4	7	7	9	4	5
Will not buy	68	61	70	68	74	80
Don't know; not ascertained	*	*	1	1	1	*
Total	100	100	100	100	100	100
Percent of all families	49	35	15	18	14	20
<u>Automobiles</u>						
<u>Intentions to buy cars</u>	<u>Good time to buy</u>		<u>Pro-con</u>		<u>Bad time to buy</u>	
Will buy	20	25	14	22	10	10
Probably will buy	*	1	1	2	1	1
Might buy	8	7	10	7	4	3
Will not buy	71	66	75	68	85	86
Don't know; not ascertained	1	1	*	1	*	*
Total	100	100	100	100	100	100
Percent of all families	42	23	11	13	21	26

* Less than 0.5 percent.

^a At least one item.

in the third quarter of 1967 or later. Making some allowance for the survey being conducted in November-December of 1966, rather than in November, about 30 percent of new car intentions would normally be expected for the period after July 1, 1967.

In November-December several additional plus and minus factors appeared relevant to the outlook for the auto market in 1967. First, on the positive side, relatively many consumers perceived some change in the 1967 models from those of 1966, as shown in the following tabulation,

<u>Perceived degree of change in new car models</u>	<u>Nov. 1962</u>	<u>Nov. 1963</u>	<u>Nov. 1965</u>	<u>Nov. 1966</u>
	(all families)			
They differ a lot	8%	4%	7%	8%
They differ	23	23	20	28
They are the same	26	27	24	19
Don't know, not ascertained	<u>43</u>	<u>46</u>	<u>49</u>	<u>45</u>
Total	100%	100%	100%	100%

(These data are not available for November 1964.)

When asked to say in what ways the new models differ, more people mentioned safety features (19 percent of all respondents) than mentioned appearance (15 percent) or other accessories and mechanical performance (3 percent). In response to a different question, 21 percent of all car owners said that they would like to have some safety feature of the new models on their car.

In November-December 1966, 47 percent of all consumers said that they expected car prices to go up in the next 12 months. While this represented an increase of 5 percentage points over November 1965, the auto market may in this respect have compared favorably with expectations about prices in general, since three out of four people expected price increases for the things they buy.

On the negative side, as already mentioned, fully 55 percent of all people were aware in November-December that the 1967 new cars cost more than the 1966 models. Ten percent of these people planned to buy a new car during the next 12 months. Of the small group (10 percent) thinking that prices had remained the same or gone down, 14 percent planned to buy a new car.

Experience during the last few years suggests that 1967 sales of durable goods may drop to a larger extent than indicated by the changes of the intentions data from late 1965 to late 1966. Questions about intentions to buy intercept the decision-making process at a relatively late stage. A sizable proportion of actual purchases are always made by people who have not said a few months earlier that they expected to buy. In other words, many buyers make the decision to buy shortly before actually buying. At a time when many

people have become uncertain about the course of the economy, think that it is a bad time to buy, are aware of tight credit conditions, and expect a tax increase, it may perhaps be inferred that the decision will sometimes be not to buy, despite the high level of personal income.

In November-December 1966, intentions to buy houses during the next 12 months turned significantly lower, as shown in Table 11-4. The most important factor in this market was of course tight credit, as shown in Table 11-2. But there was no evidence of a spill-over of the depressed short-term plans into the following year. Apparently some people had become convinced in the few months before November-December that it would be necessary to postpone the purchase of a house indefinitely.

TABLE 11-4

INTENTIONS TO BUY A HOUSE

(Percentage distribution of all families)

	<u>Jan- Feb. 1965</u>	<u>Nov- Dec. 1965</u>	<u>Jan- Feb. 1966</u>	<u>Aug. 1966</u>	<u>Nov- Dec. 1966</u>
In the next twelve months:					
Will buy	5.0	5.0	5.0	5.9	3.0
Probably will buy	0.8	0.5	0.5	0.7	0.6
Might buy	2.4	2.4	2.7	2.4	1.9
During the year after that:					
Will or probably will	2.4	3.4	2.7	2.6	2.9
Might buy	4.9	4.8	4.7	6.3	5.5
Will not buy	81.5	81.6	83.3	79.8	82.7
Not ascertained	3.0	2.3	1.1	2.3	3.4
Total	100.0	100.0	100.0	100.0	100.0

Note: Not available for May 1966.

Action Taken Because of an Increase in Prices and in Interest Rates

The November-December survey included a new section in which respondents were asked whether they had taken any action because of rising prices or rising interest rates, and if so, what they had done.

The inquiry about inflation began with a question about possible actions. Each respondent was asked whether "someone like you can do something when prices are going up, so as to safeguard himself to some extent against price increases?" Table 11-5 indicates that 40 percent of all respondents and 51 percent of respondents with an income of more than \$10,000 answered in the affirmative. Yet only 22 and 31 percent, respectively, said in reply to a follow-up question that they themselves had taken any such action during 1966.

What are the actions people could think of? Only very few respondents mentioned buying in advance of price increases. As has been shown in several earlier studies,³ the expectation of slow and gradual price increases (creeping inflation) does not elicit that response which is well known in times of runaway inflation (especially in other countries, and also in the United States in 1950). In 1966 buying in advance and in excess of needs in order to beat inflation was not even thought of by most people. The proportion of people who thought that by investing in stocks or real estate one may safeguard oneself against inflation was likewise small. Overwhelmingly, people said that inflation might induce them to buy less, postpone buying certain goods, or be more selective in purchases. These actions represent responses to inflation rather than safeguards against inflation--although the question asked for the latter.⁴

Questions about responses to rising interest rates are of particular importance. The year 1966 was characterized by relatively small additions to savings and loan shares and to deposits in savings banks, while certificates of deposit with commercial banks grew rapidly. The survey questions were asked only of families with total financial assets (bank accounts, stocks, bonds) exceeding \$1000. These people comprise approximately 50 percent of all family units; many lower and middle-income families have no or very small financial assets; most families with an income of over \$10,000 have at least \$1000 in financial assets. About one out of every seven families

³See George Katona, *The Mass Consumption Society*, McGraw-Hill, New York, 1964, Chapter 14.

⁴The interviews took place at a time when boycotts against supermarkets were making news; nevertheless relatively few respondents mentioned this type of action.

TABLE 11-5

CONSUMERS' RESPONSE TO INFLATION
(Percentage distribution of all families)

What one can do to safeguard <u>against price increase</u>	All	1966 income				
		Less than \$3000	\$3000 -4999	\$5000 -7499	\$7500 -9999	\$10,000 or more
Buy in advance of increases	2	*	2	2	2	1
Postpone buying	6	3	8	5	5	9
Cut down buying, buy less	12	6	15	10	13	17
Boycott; select <u>where</u> you buy	6	4	4	7	9	6
Watch <u>what</u> you buy; be selective	7	6	3	8	8	9
Draw on savings, borrow money	*	*	*	1	*	*
Other action ^a	7	6	3	8	10	9
Total	40	25	35	41	47	51
Can't do anything	49	58	47	49	46	42
Don't know	11	17	18	10	7	7
Total	100	100	100	100	100	100
<u>Whether respondents have done anything in 1966</u>						
Yes	22	13	19	22	29	31
No	18	12	16	19	18	20
Don't know of anything	60	75	65	59	53	49
Total	100	100	100	100	100	100

* Less than 0.5 percent.

^a Three percent mentioned investing in stocks or real estate.

The questions were: "Now speaking for a moment about price increases and inflation. Would you say that someone like you can do something when prices are going up, so as to safeguard himself to some extent against price increases? (If yes) What can a person do? Have you done anything like that in 1966?"

reported that their financial assets exceeded \$10,000; among those with an income of more than \$15,000 one out of every two families said so. A substantial proportion of large financial holdings was in common stocks. It should also be mentioned that most low-income people and most holders of small financial assets said that in 1966 they neither increased nor decreased their savings; the majority of high-income people and of holders of large financial assets saved out of income in 1966, but a sizable proportion dissaved.

Respondents with at least \$1000 in financial assets were asked:

Since the first of this year, 1966, did you do anything because of the change in interest rates? For example, did you switch some of your funds from one place to another, or buy or sell something because of differences in interest rates?

Respondents who answered in the affirmative were then asked, "What did you do?" Following this inquiry several questions were asked about specific financial transactions in 1966, without reference to changes in interest rates. It was therefore possible to estimate the proportion of families who purchased stocks or certificates of deposit in 1966, as well as the proportion who attributed these and several other transactions to changes in interest rates. The findings are summarized in Table 11-6. Among those with less than \$10,000 in financial assets, only a small proportion reported that they had done something in 1966 because of the changes in interest rates. Only among the relatively few family units with more than \$25,000 in assets (7 percent of all family units) did a sizable proportion act because of interest rates. Therefore, among all family units in the country the proportion of those who acted because of such considerations was only 5 percent.

Among the variety of actions taken, withdrawing money from accounts with banks or savings and loan associations was the most frequent. Additions to savings accounts and purchases of certificates of deposit ranked next in frequency. The same respondents often reported that they withdrew as well as added to savings accounts. These people switched from lower interest-paying accounts to higher interest-paying accounts or to certificates of deposit. The latter were mentioned separately by 8 percent of the holders of substantial assets. Some of those who said that they had added to savings accounts (9 percent of high-asset holders) may have bought savings certificates. The third section of Table 11-6 shows that this is probably because altogether among high-asset holders, 16 percent bought certificates of deposit.

TABLE 11-6

FREQUENCY OF FINANCIAL TRANSACTIONS IN 1966,
RELATED AS WELL AS NOT RELATED TO INTEREST RATES

(In percent)

	<u>Holders of financial assets of</u>		
	<u>\$1000</u> <u>-9999</u>	<u>\$10,000</u> <u>-24,999</u>	<u>\$25,000</u> <u>or more</u>
I. Whether something was done because of changes in interest rates?			
Yes	7	12	32
No	93	88	68
Total	100	100	100
II. What was done because of changes in interest rates?			
Withdraw money from savings accounts	3	4	15
Added money to savings accounts	4	3	9
Bought certificates of deposit	1	3	8
Bought stocks	1	3	3
Sold stocks	1	1	4
Bought bonds	1	3	1
Sold bonds	1	1	3
Total	*	*	*
III. Frequency of financial transactions^a			
Withdraw money from savings accounts	32	20	37
Bought certificates of deposit	5	12	16
Bought stocks	15	31	42
Sold stocks	7	12	20
Bought bonds ^b	24	33	21
Borrowed money ^c	33	18	18
Total	*	*	*
Size of each group in percent of all family units	.30	7	7

* Adds to more than proportion of people who made any transactions because several people made more than one kind of transaction.

^a Irrespective of whether related or not related to changes in interest rates.

^b Includes United States Government Savings Bonds.

^c Includes purchases on the installment plan.

The third section of the table also indicates that very many of the withdrawals from savings accounts and of the purchases or sales of stocks or bonds in 1966 were, in the opinion of the respondents, not related to changes in interest rates. Purchases of stocks were made by more families than sales of stocks. It is estimated that among all family units in the country 11 percent bought stocks, 4 percent sold stocks, and 4 percent bought certificates of deposit in 1966. (The number of family units is approximately 60 million.)

We conclude from the data that the relatively few holders of large assets--and, naturally, business firms as well as institutions --were responsible for the extensive financial transactions which characterized the year 1966. The investment behavior of the affluent differs greatly from that of the less well-to-do.⁵

⁵ This has also been shown on the basis of earlier Survey Research Center data in *Economic Behavior of the Affluent*, by R. Barlow, H. E. Brazer, and J. N. Morgan, a book published by The Brookings Institution, Washington, D.C. in 1966.

PART TWO

OUTLOOK TABLES

TABLE II-1
INDEX OF CONSUMER SENTIMENT^a

<u>Date of study</u>	<u>All families^b</u>		<u>Families with annual incomes of \$7500 or more^c</u>	
	<u>Six questions</u>	<u>Five questions</u>	<u>Six questions</u>	<u>Five questions</u>
1952 November-December	96.6	86.2		
1953 January-February	100.0	90.7		
September-October	92.3	80.8		
1954 January-February	93.6	82.0		
June	95.1	82.9		
October	98.7	97.0		
1955 June	104.2	99.1		
October	102.6	99.7		
1956 May	99.3	98.2		
August	99.8	99.9		
November-December	100.3	100.2		
1957 June	94.4	92.4		
November-December	86.0	83.7		
1958 January-February	82.2	78.5		
May-June	86.5	80.9		
October	92.7	90.8	104.4	100.8
1959 May-June	95.1	95.3	106.6	104.0
October-November	91.4	93.8	100.0	100.0
1960 January-February	96.7	98.9	100.1	102.8
May	92.9	92.9	102.2	100.0
October-November	92.8	90.1	103.6	96.5
1961 January-February	92.4	91.1	96.4	95.2
May-June	94.4	92.3	97.9	96.7
November	96.4	94.4	102.9	101.5

(See footnotes on sheet 2 of this table.)

TABLE II-1 (Continued)
 INDEX OF CONSUMER SENTIMENT^a

Date of study	All families ^b		Families with annual incomes of \$7500 or more ^c	
	Six questions	Five questions	Six questions	Five questions
1962 January-February	98.7	97.2	102.9	101.5
May	96.8	95.4	101.6	97.9
August-September	95.0	91.6	101.2	96.7
November-December	98.6	95.0	103.2	98.8
1963 January-February	98.3	94.8	102.0	97.5
May	95.4	91.4	101.2	96.5
August		96.2		99.6
November		96.9		101.1
1964 January-February		99.0		104.2
May-June		98.1		102.4
September		100.2		106.0
December		99.4		102.6
1965 February		101.5		105.1
May-June		102.2		108.4
August		103.2		104.8
November		102.6		107.7
1966 February		99.8		102.9
May		95.8		98.9
August		91.1		92.4
November-December		88.3		88.9

^aBased on five questions on attitudes and expectations. Prior to August 1963, the Index published by the Survey Research Center included a sixth question on attitudes toward expected price changes. (See the introduction to Part II of this monograph.) Complete earlier data for the five-question Index are presented here to make available a fully consistent series. The Index and its composition are discussed in Chapter 9 of the 1960 Survey of Consumer Finances and in Chapter 8 of the 1962 Survey of Consumer Finances.

^bFall 1956 = 100.

^cFall 1959 = 100.

TABLE II-2

CONSUMERS' EVALUATION OF THEIR FINANCIAL
SITUATIONS AS COMPARED WITH A YEAR EARLIER

(Percentage distribution)

Evaluation of financial situation	Jan- Feb. 1963	Jan- Feb. 1964	May- June 1964	Feb. 1965	Aug. 1965	Nov. 1965	Feb. 1966	May 1966	Aug. 1966	Nov- Dec. 1966
All families										
Better off	36	35	39	37	37	38	38	34	32	35
Same	41	43	41	43	45	44	44	46	43	38
Uncertain	1	1	1	1	1	1	1	1	1	1
Worse off	21	21	19	19	17	17	17	19	24	25
Not ascertained	1	*	*	*	*	*	*	*	*	1
Total	100	100	100	100	100	100	100	100	100	100
Families with incomes of \$7,500 and over										
Better off	49	52	53	50	44	51	49	45	40	44
Same	37	36	35	38	42	39	39	41	39	33
Uncertain	1	*	1	*	*	*	1	1	1	1
Worse off	13	12	11	12	14	10	10	13	19	21
Not ascertained	*	*	*	*	*	*	1	*	1	1
Total	100	100	100	100	100	100	100	100	100	100

* Less than 0.5 percent.

The question asked was: "We are interested in how people are getting along financially these days. Would you say that you and your family are better off financially than you were a year ago?"

TABLE II-3

MAKING MORE OR LESS THAN A YEAR AGO

(Percentage distribution)

Recent income changes	Jan- Feb. 1963	Jan- Feb. 1964	May- June 1964	Feb. 1965	Aug. 1965	Nov. 1965	May ^a 1966	Aug. 1966	Nov- Dec. 1966
All families									
Making more now	39	40	39	42	40	49	42	45	48
About the same	43	42	46	42	48	36	46	39	38
Making less now	17	18	14	16	11	15	11	15	14
Not ascertained	1	*	1	*	1	*	1	1	*
Total	100	100	100	100	100	100	100	100	100
Families with incomes of \$7500 and over									
Making more now	54	56	54	59	44	65	57	54	62
About the same	35	33	36	33	46	25	35	32	26
Making less now	11	10	9	8	10	10	7	13	12
Not ascertained	*	1	1	*	*	*	1	1	*
Total	100	100	100	100	100	100	100	100	100

* Less than 0.5 percent.

^a February 1966 not available.

The question was: "Are you people making as much money now as you were a year ago, or more, or less?"

TABLE II-4

EXPECTED CHANGE IN FINANCIAL SITUATION OF CONSUMERS

(Percentage distribution)

Expected change in financial situation	Jan- Feb. 1963	Jan- Feb. 1964	May- June 1964	Feb. 1965	Aug. 1965	Nov. 1965	Feb. 1966	May 1966	Aug. 1966	Nov- Dec. 1966
All families										
Better off	41	36	37	39	40	40	38	32	33	31
Same	42	47	46	44	43	46	46	48	43	45
Worse off	6	6	7	7	5	5	8	10	12	11
Uncertain	10	11	9	10	12	9	8	10	12	13
Not ascertained	1	*	1	*	*	*	*	*	*	*
Total	100	100	100	100	100	100	100	100	100	100
Families with incomes of \$7500 and over										
Better off	49	47	46	49	48	52	47	40	42	38
Same	38	41	41	38	39	37	40	41	38	40
Worse off	6	5	6	5	5	5	7	10	12	11
Uncertain	6	7	6	7	8	5	6	9	8	10
Not ascertained	1	*	1	1	*	1	*	*	*	1
Total	100	100	100	100	100	100	100	100	100	100

* Less than 0.5 percent.

The question was: "Now looking ahead - do you think that a year from now you people will be better off financially, or worse off, or just about the same as now?"

TABLE II-5

PRICE EXPECTATIONS FOR NEXT YEAR
(Percentage distribution)

During the next year prices will:	Jan- Feb. 1963	Jan- Feb. 1964	May- June 1964	Feb. 1965	Aug. 1965	Nov. 1965	Feb. 1966	May 1966	Aug. 1966	Nov- Dec. 1966
<u>All families</u>										
Go up; either go up or stay the same	71	68	71	72	73	72	86	79	87	73
Stay the same	20	21	22	18	19	21	9	16	9	18
Go down	3	3	1	1	1	2	1	3	2	4
Don't know; not ascertained	6	8	6	9	7	5	4	2	2	5
Total	100	100	100	100	100	100	100	100	100	100
<u>Families with incomes of \$7500 and over</u>										
Go up; either go up or stay the same	72	70	73	75	80	78	90	85	92	77
Stay the same	19	22	23	18	16	20	7	12	5	17
Go down	3	3	1	2	1	1	*	2	2	6
Don't know; not ascertained	6	5	3	5	3	1	3	1	1	*
Total	100	100	100	100	100	100	100	100	100	100

*Less than 0.5 percent.

The question was: "Speaking of prices in general, I mean the prices of the things you buy - do you think they will go up in the next year or so, or go down, or stay where they are now?"

TABLE II-6

REACTIONS TO PROSPECTIVE PRICE DEVELOPMENTS
(Percentage distribution)

<u>Expected price change is</u>	<u>Jan- Feb. 1963</u>	<u>Jan- Feb. 1964</u>	<u>May- June 1964</u>	<u>Feb. 1965</u>	<u>Aug. 1965</u>	<u>Nov. 1965</u>	<u>Feb. 1966</u>	<u>May 1966</u>	<u>Aug. 1966</u>	<u>Nov- Dec. 1966</u>
<u>All families</u>										
To the good	22	28	24	24	24	27	16	21	12	14
Makes no difference	5	3	4	4	4	4	4	2	2	2
Pro-con; depends	9	7	10	9	11	10	10	7	6	7
To the bad	49	47	50	47	50	47	60	62	71	66
Don't know direction of prices	7	7	5	8	7	4	4	2	2	4
Don't know; not ascertained	8	8	7	8	4	8	6	6	7	7
Total	100	100	100	100	100	100	100	100	100	100
<u>Families with incomes of \$7500 and over</u>										
To the good	25	35	26	27	23	30	17	20	11	15
Makes no difference	6	4	6	7	7	6	5	4	2	2
Pro-con; depends	10	6	10	10	13	12	12	7	7	7
To the bad	45	42	47	44	49	44	58	62	72	68
Don't know direction of prices	6	5	3	4	3	1	2	1	1	1
Don't know; not ascertained	8	8	8	8	5	7	6	6	7	7
Total	100	100	100	100	100	100	100	100	100	100
<u>Price expectations for the year ahead</u>										
To the good	11	16	11	14	12	14	11	10	7	4
To the bad	64	64	65	62	65	62	68	74	79	83

The question following the question quoted under Table II-5 was: "Would you say that these (...rising prices, unchanged prices, falling prices...) would be good, or bad, or what?"

TABLE II-7

CURRENT BUSINESS CONDITIONS IN COMPARISON TO THOSE A YEAR AGO
(Percentage distribution)

Business conditions now compared to a year ago	Jan- Feb. 1963	Jan- Feb. 1964	May- June 1964	Feb. 1965	Aug. 1965	Nov. 1965	Feb. 1966	May 1966	Aug. 1966	Nov- Dec. 1966
All families										
Better	40	42	43	43	47	54	57	45	45	36
About the same	38	41	38	38	38	35	30	36	31	34
Worse	17	14	16	12	8	6	8	16	18	22
Not ascertained, don't know, depends	5	3	3	7	7	5	5	3	6	8
Total	100	100	100	100	100	100	100	100	100	100
Families with incomes of \$7500 and over										
Better	44	52	53	53	54	67	66	54	53	37
About the same	35	35	33	34	35	26	26	27	22	31
Worse	17	11	12	10	7	4	5	17	22	27
Not ascertained, don't know, depends	4	2	2	3	4	3	3	2	3	5
Total	100	100	100	100	100	100	100	100	100	100

The question was: "Would you say that at present business conditions are better or worse than they were a year ago?"

TABLE II-8
 EXPECTED BUSINESS CONDITIONS A YEAR FROM NOW AS COMPARED WITH THE PRESENT
 (Percentage distribution)

Expected business conditions a year from now	Jan-Feb. 1963	Jan-Feb. 1964	May-June 1964	Feb. 1965	Aug. 1965	Nov. 1965	Feb. 1966	May 1966	Aug. 1966	Nov-Dec. 1966
<u>All families</u>										
Better	31	31	27	33	34	36	29	19	23	17
About the same	55	56	59	55	52	53	54	63	54	60
Worse	7	8	7	7	5	6	8	12	14	12
Not ascertained, don't know	7	5	7	5	9	5	9	6	9	11
Total	100	100	100	100	100	100	100	100	100	100
<u>Families with incomes of \$7500 and over</u>										
Better	34	36	33	38	39	45	35	25	25	21
About the same	52	52	56	52	53	46	51	57	53	58
Worse	8	8	5	7	4	5	6	13	15	13
Not ascertained, don't know	6	4	6	3	4	4	8	5	7	8
Total	100	100	100	100	100	100	100	100	100	100

The question was: "And how about a year from now, would you expect that in the country as a whole business conditions will be better or worse than they are at present, or just about the same?"

TABLE II-9

NEWS HEARD OF RECENT CHANGES IN BUSINESS CONDITIONS
(Percentage distribution)

News heard:	Jan- Feb. 1963	Jan- Feb. 1964	May- June 1964	Feb. 1965	Aug. 1965	Nov. 1965	Feb. 1966	May 1966	Aug. 1966	Nov- Dec. 1966
	All families									
Heard favorable news	24	24	25	25	22	29	28	19	15	12
Heard unfavorable news	26	22	23	20	13	13	17	40	43	34
Did not hear any news	56	58	59	59	72	66	61	54	54	62
Total ^a										
		Under \$3000	\$3000 -4999	\$5000 -7499	\$7500 -9999		\$10,000 and over			
	November-December 1966 Data									
Heard favorable news		7	13	11	13		15			
Heard unfavorable news		19	24	35	37		52			
Did not hear any news		77	68	62	55		44			
Total ^a										

^aTotals add up to more than 100 percent because some people mentioned two types of news heard.

The questions were: "Have you heard of any favorable or unfavorable changes in business conditions during the past few months? What did you hear?"

TABLE II-10
BUSINESS CONDITIONS EXPECTED DURING NEXT TWELVE MONTHS
(Percentage distribution)

Expected business conditions	Jan-Feb. 1963	Jan-Feb. 1964	May-June 1964	Feb. 1965	Aug. 1965	Nov. 1965	Feb. 1966	May 1966	Aug. 1966	Nov-Dec. 1966
All families										
Good times	66	72	68	75	67	71	69	66	59	55
Good in some ways, bad in others	7	5	5	3	4	4	2	5	6	6
Uncertain	16	12	17	14	18	16	11	15	16	16
Bad times	9	10	9	7	9	8	9	13	17	22
Not ascertained	2	1	1	1	2	1	9	1	2	1
Total	100	100	100	100	100	100	100	100	100	100
Families with incomes of \$7500 and over										
Good times	74	85	81	84	82	84	82	75	68	61
Good in some ways, bad in others	8	3	4	3	3	2	1	5	6	7
Uncertain	8	5	8	8	10	9	5	8	9	16
Bad times	8	6	6	5	5	5	6	11	16	15
Not ascertained	2	1	1	*	*	*	6	1	1	1
Total	100	100	100	100	100	100	100	100	100	100

* Less than 0.5 percent.

The question was: "Now turning to business conditions in the country as a whole - do you think that during the next twelve months we'll have good times financially or bad times, or what?"

TABLE II-11

BUSINESS CONDITIONS EXPECTED FOR THE NEXT FIVE YEARS
(Percentage distribution)

Expected business conditions	Jan-Feb. 1963	Jan-Feb. 1964	May-June 1964	Feb. 1965	Aug. 1965	Nov. 1965	Feb. 1966	May 1966	Aug. 1966	Nov-Dec. 1966
All families										
Good times	29	37	34	44	47	47	39	40	38	33
Uncertain, good and bad	39	34	36	29	36	32	33	34	27	40
Bad times	21	20	23	20	11	14	18	20	28	21
Not ascertained	11	9	7	7	6	7	10	6	7	6
Total	100	100	100	100	100	100	100	100	100	100
Families with incomes of \$7500 and over										
Good times	34	42	43	49	46	58	44	45	45	38
Uncertain, good and bad	35	31	31	25	34	27	32	33	21	36
Bad times	20	18	20	19	12	10	15	16	26	20
Not ascertained	11	9	6	7	8	5	9	6	8	6
Total	100	100	100	100	100	100	100	100	100	100

The question was: "Looking ahead, which would you say is more likely - that in the country as a whole we will have continuous good times during the next five years or so - or that we will have periods of widespread unemployment or depression, or what? (If don't know) On what does it depend in your opinion?"

TABLE II-12

OPINIONS ABOUT RECENT AND EXPECTED CHANGES IN UNEMPLOYMENT

(Percentage distribution)

In the last few months unemployment:	May 1964	Nov. 1965	Aug. 1966
Has been increasing	28	13	14
No change	21	15	17
Has been decreasing	35	62	60
Don't know, not ascertained	16	10	9
Total	100	100	100

During the next twelve months unemployment:	May 1964	Feb. 1965	Aug. 1965	Nov. 1965	Feb. 1966	May 1966	Aug. 1966	Nov- Dec. 1966
Will increase	21	23	14	13	11	15	15	20
No change	50	42	43	49	40	51	56	51
Will decrease	20	30	36	33	43	29	23	20
Don't know, not ascertained	9	5	7	5	6	5	6	9
Total	100	100	100	100	100	100	100	100

Information on opinions about past changes in unemployment is not available for various dates.

The questions were: "Would you say that in the country as a whole unemployment has been increasing or decreasing in the past few months or was there no change? And how about the coming twelve months - do you think that there will be more unemployment than now, about the same, or less?"

TABLE II-13

OPINIONS REGARDING EFFECTS OF THE COLD WAR ON BUSINESS CONDITIONS

(Percentage distribution)

<u>The cold war makes for:</u>	<u>Jan- Feb. 1964</u>	<u>May- June 1964</u>	<u>Feb. 1965</u>	<u>Aug. 1965</u>	<u>Nov. 1965</u>	<u>Feb. 1966</u>	<u>May 1966</u>	<u>Aug. 1966</u>	<u>Nov- Dec. 1966</u>
	<u>All families</u>								
Good times	30	27	23	41	52	54	52	53	46
Good in some ways, bad in others	4	3	3	6	6	5	9	7	7
Bad times	26	25	28	23	19	22	24	23	25
No effect on business	23	22	23	12	11	6	5	5	7
Don't know; not ascertained; depends	17	23	23	18	12	13	10	12	15
Total	100	100	100	100	100	100	100	100	100
	<u>Families with incomes of \$7500 or more</u>								
Good times	41	36	32	51	64	65	60	63	53
Good in some ways, bad in others	4	3	4	7	6	5	9	9	8
Bad times	24	23	23	17	13	17	19	19	24
No effect on business	23	24	26	11	11	5	7	5	7
Don't know; not ascertained; depends	8	14	15	14	6	8	5	4	8
Total	100	100	100	100	100	100	100	100	100

The questions were: "How do you think the way things are going in the world today - I mean Vietnam and our relations with communist countries[#] - are affecting business conditions here at home? Do you think they make for good times, or bad times, or what?"

[#]This inserted phrase was different in previous years; it referred in the past to the cold war and to international tensions prevailing at various times.

TABLE II-14

OPINIONS ABOUT RECURRENCE AND TIMING OF A RECESSION
(Percentage distribution)

<u>Opinion about recurrence, all families</u>	<u>Jan- Feb. 1964</u>	<u>Feb. 1965</u>	<u>Aug. 1965</u>	<u>Nov. 1965</u>	<u>Aug. 1966</u>	<u>Nov- Dec. 1966</u>
Recession likely to happen again	47	23	20	24	32	29
Recession might happen again		19	12	15	16	19
Recession not likely to happen again	36	41	50	46	38	31
Don't know, depends	13	15	17	13	12	20
Not ascertained	4	2	1	2	2	1
Total	100	100	100	100	100	100

<u>November-December 1966, by family income</u>	<u>Under \$3000</u>	<u>\$3000 -4999</u>	<u>\$5000 -7499</u>	<u>\$7500 -9999</u>	<u>\$10,000 or more</u>
Recession likely to happen again	24	27	30	29	34
Recession might happen again	18	17	22	22	18
Recession not likely to happen again	26	36	29	32	33
Don't know; depends; not ascertained	32	20	19	17	15
Total	100	100	100	100	100

<u>Expected timing of next recession, all families</u>	<u>Jan- Feb. 1964</u>	<u>Feb. 1965</u>	<u>Aug. 1965</u>	<u>Nov. 1965</u>	<u>Aug. 1966</u>	<u>Nov- Dec. 1966</u>
Very soon; has already started; any time	11	7	4	4	6	6
Not very soon but within a few years	18	12	9	12	18	15
Not within the next few years	3	7	4	7	6	5
"After the war ends"	*	*	*	*	*	6
Don't know; depends; not ascertained	15	15	15	17	18	16
Total who expect recession to occur	47	41	32	40	48	48

* Not coded separately.

The questions were: "How about a recession and unemployment like we had in 1958 and in the winter of 1960-61; do you think this will happen again? (If yes or maybe) About when will (might) it come, in your opinion?"

TABLE II-15

INFORMATION ABOUT AND PERCEIVED EFFECT OF HIGHER INTEREST RATES

(Percentage distribution)

<u>Information</u>	May	Aug.	Nov-	1966 Income ^a		
	1966 <u>All</u>	1966 <u>All</u>	Dec. 1966 <u>All</u>	Under \$5000	\$5000 -9999	\$10,000 or more
Have heard of higher interest rates	56	62	64	52	69	79
Have not heard of higher interest rates	<u>44</u>	<u>38</u>	<u>36</u>	<u>48</u>	<u>31</u>	<u>21</u>
Total	100	100	100	100	100	100
<u>Effect on business conditions of higher interest rates</u>						
Favorable	6	5	6	6	7	7
Pro-con, depends	8	6	2	1	2	3
Unfavorable	21	35	35	26	40	45
None	9	8	7	5	6	9
Uncertain, depends	12	8	14	14	14	15
Have not heard of higher interest rates	<u>44</u>	<u>38</u>	<u>36</u>	<u>49</u>	<u>31</u>	<u>21</u>
Total	100	100	100	100	100	100

^aAs reported in December 1966.

The questions were: "Do you happen to know whether there have been any changes during the last few months in the interest rate paid on savings, or in the interest paid by individuals or businesses when they borrow money? What kinds of changes? What effects do you think this increase might have on business conditions?"

TABLE II-16

BUYING CONDITIONS FOR LARGE HOUSEHOLD GOODS, CARS, AND HOUSES
(Percentage distribution)

Opinion of buying conditions	Jan-Feb. 1964	Feb. 1965	Aug. 1965	Nov. 1965	Feb. 1966	May 1966	Aug. 1966	Nov-Dec. 1966
<u>All families</u>								
<u>Large household goods</u>								
Good time to buy	57	56	61	55	56	54	49	35
Uncertain; depends	35	35	30	34	31	30	37	45
Bad time to buy	8	9	9	11	13	16	14	20
Total	100	100	100	100	100	100	100	100
<u>Cars</u>								
Good time to buy	52	51	58	51	*	51	42	23
Uncertain; depends	36	37	35	39	*	30	37	51
Bad time to buy	12	12	7	10	*	19	21	26
Total	100	100	100	100	*	100	100	100
<u>Houses</u>								
Good time to buy	54	55	*	51	*	*	37	22
Uncertain; depends	25	25	*	30	*	*	24	29
Bad time to buy	21	20	*	19	*	*	39	49
Total	100	100	*	100	*	*	100	100
<u>Families with incomes of \$7500 and over</u>								
<u>Large household goods</u>								
Good time to buy	67	66	70	64	61	61	53	38
Bad time to buy	5	4	5	7	9	11	14	17
<u>Cars</u>								
Good time to buy	63	58	70	61	*	60	47	29
Bad time to buy	9	10	5	8	*	16	20	26
<u>Houses</u>								
Good time to buy	63	65	*	63	*	*	39	22
Bad time to buy	19	18	*	16	*	*	46	54

* Not available.

The questions were: "About the things people buy for their house - I mean furniture, house furnishings, refrigerator, stove, television, and things like that. In general do you think now is a good or a bad time to buy such large household items? Speaking now of the automobile market - do you think the next 12 months or so will be a good time or a bad time to buy a car? Generally speaking, do you think now is a good time or a bad time to buy a house?"

TABLE II-17

INTENTIONS TO BUY CARS DURING NEXT TWELVE MONTHS

(Percentage of families)

Surveys conducted in:	<u>All cars</u>	<u>New cars</u>	<u>Used cars</u>
<u>November</u>			
1961	18.3	9.5	8.8
1962	19.0	10.1	8.9
1963	19.3	10.5	8.8
1965	19.3	10.9	8.4
1966	17.9	10.0	8.0
<u>August</u>			
1962	18.1	9.1	9.0
1963	17.4	9.4	8.0
1965 ^a	17.8	10.3	7.5
1966	18.6	10.7	8.0
<u>May</u>			
1961	16.4	8.9	7.5
1962	17.4	9.7	7.7
1963	16.9	9.5	7.4
1964	17.4	9.8	7.6
1966 ^a	14.1	10.0	4.1
<u>February</u>			
1961	13.8	6.3	7.5
1962	17.1	8.5	8.6
1963	17.9	9.7	8.1
1964	15.1	8.0	7.1
1965	17.8	10.8	7.0
1966	18.6	10.5	8.1

^aTelephone reinterviews, adjusted.NOTES

Family units (some consisting of one person only) that reported they would or probably would buy, plus one-half of those who said they might buy during the next twelve months.

"Uncertain whether new or used" apportioned equally between new and used cars. A very few people who plan to buy both a new and a used car are counted only once in the "all cars" column.

Due to increase in the population, the base rises by approximately 2 percent from one year to the next.

TABLE II-18

INTENTIONS TO PURCHASE^a

(In percent of all family units)

	<u>Jan-Feb. 1963</u>	<u>Jan-Feb. 1964</u>	<u>February 1965</u>	<u>August^b 1965</u>	<u>February 1966</u>	<u>May^b 1966</u>	<u>August 1966</u>	<u>Nov-Dec. 1966</u>
Houses	9.2	7.9	8.2	*	8.2	*	9.0	5.5
Home improvements and maintenance	30.1	28.7	27.8	20.8	27.8	*	22.4	22.9
Furniture and major household appliances	27.8	25.2	28.0	27.4	29.1	20.3	27.5	30.3
Television sets	4.8	3.9	5.4	7.3	6.7	3.6	7.0	8.3
Refrigerators	5.9	6.0	5.6	4.6	5.2	2.7	5.7	6.6
Furniture	12.9	10.1	10.5	10.1	12.0	5.4	8.8	11.0
Washing machines	4.9	4.7	4.1	3.2	4.8	1.8	4.0	2.6

^aFamilies who reported that they would, probably would, or might buy in the next 12 months.^bTelephone reinterviews, adjusted.

* Not available.

PART THREE

METHODOLOGY

12

SURVEY METHODS

IN January and February 1966, the data on family income, cars, housing, durable goods, debt, occupation, and employment were obtained from extensive personal interviews with 2419 families.

The same survey served to collect data on changes in consumer attitudes, expectations, and intentions to buy, reported in Part II of this monograph. A second survey in this series was conducted in May 1966 by contacting over the telephone approximately 1450 respondents who had been interviewed in person at an earlier date. In August 1966 and in November-December 1966 two new samples of 1250 respondents each, were drawn and interviewed in person.

The samples of the Survey Research Center represent cross sections of the population living in private households in the United States, excluding Alaska and Hawaii. Transients, residents of institutions, and persons living on military bases are not represented. A multistage area probability sample of dwelling units is drawn, using counties or groups of contiguous counties as primary sampling units. During the survey period covered by this monograph, the number of sample points was 78 (the 12 largest metropolitan areas and 66 other areas selected on the basis of various controls).

In each primary area three to six secondary selections of cities, towns, census tracts, or rural areas are made. In the third stage of sampling, urban blocks or small portions (blocks) of rural areas are chosen. For each survey a new sample of dwelling units, in clusters of about four, is drawn from the block selections.

The basic unit for sampling is the dwelling unit, and for interviewing, the family unit. A family unit is defined as all persons living in the same dwelling unit who are related to each other by blood, marriage, or adoption. A single person who is unrelated to the other occupants of the dwelling, or who lives alone, is a family unit by

himself. In some dwelling units there are several family units. The total number of family units in the 48 states can be estimated from survey data and from census data relating to the number of occupied dwelling units. There has been a steady and substantial increase in the number of families. Tentative expansions indicate that there were approximately 59.1 million families early in 1966, compared to about 50.4 million families 10 years earlier, and 45.7 million families in 1950. Early in 1966, about 2.2 percent of all families were secondary units unrelated to the primary family occupying the dwelling unit.

The head of the family unit is designated as the respondent in the financial surveys, while the head and his wife (if the head is married) are selected alternately in the attitudinal surveys. Five calls, and in some cases more, are made at various times at dwelling units at which no one has been found at home. If a designated respondent refuses to give relevant information, a letter is sent urging him to reconsider. The letter is followed by another visit.

The medium interview time in the January-February Survey was 62 minutes. In this survey, 96 percent of the interviews were taken with the head of the family; almost all of the remainder were taken with the wife of the head.

Interviewers were asked to evaluate the quality of the interview. Ninety percent of the interviews were described as extremely satisfactory or satisfactory. The remaining 10 percent were described by the interviewers as involving a respondent who was slow to understand and had some difficulty in answering some of the questions.¹

The Survey Research Center maintains a national staff of interviewers selected and trained by a staff of traveling supervisors. The interviewers are instructed in the careful and uniform use of the fixed-question open-answer technique. They pay particular attention to the establishment of rapport with respondents. Many questions are answered in the respondent's own words, which the interviewers record verbatim (or as nearly verbatim as possible). Non-directive probes are used to clarify the answers received.

The response rate in the January-February Survey was about 83 percent. About half of the nonresponse results from refusal to be interviewed or to give important data. Most of the remainder results from inability of the interviewer to contact anyone at the dwelling unit.

¹The interviewers were asked "Did the respondent understand the questions and answer readily, or did he have some difficulty understanding and answering (not counting language difficulties)?"

Sampling Errors

Data obtained from sample interview surveys are subject to sampling errors. They depend on the magnitude of the reported percentage and on the size of the sample (or the number of respondents in the particular subgroup used). In Table 12-1 the number of cases in some major subgroups of the sample from the January-February 1966 survey are shown.

Sampling errors are presented in two ways; first, as they relate to survey findings (see Table 12-2); second, as they relate to differences in survey findings, either differences between two independent samples or differences between subgroups of the same sample (see Table 12-3). Sampling errors are not a measure of the actual errors involved in specific survey measurements. They mean that, except for nonsampling errors, errors greater than those shown in Table 12-2 or differences larger than those found in Table 12-3 will occur by chance in only five cases out of a hundred.

Separate calculations have been made for determining the sampling errors of the major attitudinal and expectational measures used by the Survey Research Center. Averaging a number of such calculations, the size of one standard error was found to be 1.65 whenever the reported percentage is near 50 percent (see Table 12-4). For some purposes a measure of two standard errors should be used, i.e., the figures in Table 12-4 should be multiplied by two. The chances are 19 out of 20 that answers obtained from the entire population would lie within two standard errors. The sampling error for families with over \$7500 income is approximately twice as high as it is for the entire sample.

From the individual attitudinal measures, scores are constructed by adding 100 to the percentage of optimistic replies and subtracting the percentage of pessimistic replies. For instance, if 50 percent say that they are better off than a year ago and 15 percent say they are worse off, the score would be 135. An index is then constructed from relatives of these scores, that is, the score of the current survey divided by the score of the base period.

The unweighted average of five relatives constitutes the Index of Consumer Sentiment. Table 12-5 shows the standard error for the Index of Consumer Sentiment and its components.

The standard error for intentions to buy automobiles is also shown in Table 12-5. In this case the score consists of the percentage of families who report they will or probably will buy a car during the next 12 months, plus one-half of those saying they might buy.

TABLE 12-1

NUMBER OF FAMILY UNITS IN SPECIFIED GROUPS

(February 1966 survey)

<u>Group characteristic</u>	<u>Number of family units</u>	<u>Group characteristic</u>	<u>Number of family units</u>
All family units	2419		
<u>1963 family income</u>		<u>Occupation</u>	
Less than \$1000	70	Professional and technical	258
\$1000 - 1999	193	Managers and officials	144
\$2000 - 2999	205	Self-employed	169
\$3000 - 3999	197	Clerical and sales	230
\$4000 - 4999	180	Craftsmen and foremen	338
\$5000 - 5999	197	Semiskilled	339
\$6000 - 7499	322	Unskilled	234
\$7500 - 9999	412	Farmers	74
\$10,000 - 14,999	413	Miscellaneous	141
\$15,000 or more	230	Retired	492
<u>Life cycle group</u>			
Younger than age 45		<u>Age of family head</u>	
Single	133	18 - 24	168
Married		25 - 34	437
No children under age 18 at home	134	35 - 44	463
Children		45 - 54	481
Youngest under age 6	484	55 - 64	423
Youngest age 6 or older	242	65 or older	447
Age 45 or older			
Married		<u>Education of family head</u>	
Children	326	8 years or less	708
No children under age 18 at home		Some high school	423
Head in labor force	336	High school	381
Head retired	234	Completed high school plus other noncollege training	257
Single		Some college	334
Head in labor force	171	College degree (Bachelor's)	175
Head retired	230	College degree (advanced or professional)	119
Miscellaneous (unmarried, has children)	129		

TABLE 12-2

APPROXIMATE SAMPLING ERRORS OF SURVEY FINDINGS

Reported percentage range	Sampling error (in percent), by size of sample or subgroup					
	<u>2000</u>	<u>1000</u>	<u>700</u>	<u>500</u>	<u>300</u>	<u>100</u>
50	3	4	5	6	8	14
30 or 70	3	4	5	6	7	13
20 or 80	2	4	4	5	6	11
10 or 90	2	3	3	4	5	8
5 or 95	1	2	2	3	4	-

Note: The chances are 95 in 100 that the value being estimated lies within a range equal to the reported percentage plus or minus the number of percentage points shown above.

TABLE 12-3

SAMPLING ERRORS OF DIFFERENCES

Size of sample or group	<u>Differences required for significance (in percent)^a</u>					
	<u>Size of sample or group</u>					
	<u>2000</u>	<u>1000</u>	<u>700</u>	<u>500</u>	<u>300</u>	<u>200</u>
<u>For percentages from about 35 percent to 65 percent</u>						
2000	4	5	6	7	9	10
1000		6	7	8	9	11
700			8	8	10	11
500				9	10	12
300					11	13
200						14
<u>For percentages around 20 percent and 80 percent</u>						
2000	4	4	5	6	7	8
1000		5	6	6	7	8
700			6	7	8	9
500				7	8	9
300					9	10
200						11
<u>For percentages around 10 percent and 90 percent</u>						
2000	3	3	4	4	5	6
1000		4	4	5	6	6
700			4	5	6	7
500				5	6	7
300					7	8
<u>For percentages around 5 percent and 95 percent</u>						
2000	2	2	3	3	4	4
1000		3	3	3	4	5
700			3	4	4	5
500				4	4	5
300					5	6

^a Differences required for significance (95 percent probability) in comparisons of percentages derived from successive surveys or from two different sub-groups of the same survey.

TABLE 12-4

AVERAGE SAMPLING ERRORS OF THE MAJOR ATTITUDINAL
VARIABLES, BASED ON 1350 CASES

If the percentage is near				
50	20 (or 80)	10 (or 90)	5 (or 95)	
then the standard error of that percentage is				
1.65	1.3	1.0	0.7	
and the standard error of a difference (change) in that percentage is				
2.0	1.65	1.2	0.9	

TABLE 12-5

STANDARD ERRORS OF SCORES AND RELATIVES OF SCORES FOR
THE INDEX OF CONSUMER SENTIMENT AND ITS COMPONENTS

	Size of the standard error of			
	Scores		Relatives ^a	
	Item	Change of item	Item	Change of item
Index of Consumer Sentiment (excluding buying intentions)	—	—	1.2	1.3
Components of the index:				
Evaluation of financial situation as compared with a year earlier	2.3	3.0	2.3	2.8
Expected change in financial situation	1.7	2.4	1.6	1.8
Business conditions expected over the next 12 months	2.3	2.9	1.6	1.9
Business conditions expected for the next 3 years	2.4	2.5	1.8	2.0
Good or bad time to buy large household goods	2.7	3.1	2.4	2.2
Intentions to buy automobile during the next 12 months	1.9	2.4	—	—

^aRelatives are calculated by dividing the current score by the score of the base period (fall, 1956) of the corresponding item.

13

QUESTIONNAIRE

THE questionnaire used in the 1966 Survey of Consumer Finance is reproduced here. The Periodic Surveys contained a number of additional questions which are reproduced under the tables reporting on findings in the text.

Interview Number

1966 SURVEY OF CONSUMERS

PROJECT 753

Survey Research Center
The University of Michigan

January-February 1966

Sam. Bk. No. _____
Place Codes _____
Do not write in above spaces.

1. Interviewer's Label

2. Your Interview Number _____

3. Date _____

4. Length of Interview _____

5. INTERVIEWER: List all persons, including children, living in the dwelling unit, by their relation to the HEAD.

5a. All persons, by relation or connection to head	5b. Sex	5c. Age	5d. Family Unit No.	5e. Indicate Resp. by Check ✓
1. HEAD OF DWELLING UNIT				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				

6. Do you have any children who don't live here, including grown sons and daughters married or unmarried?

☐ YES

☐ NO -- GO TO Q. A1, PAGE 2

7. (INTERVIEWER: LIST NON-RESIDENT CHILDREN OF HEAD IN 7a AND ASK Q. 7b FOR EACH CHILD.)

7a. Son or Daughter?	→						
7b. How old is he (she)?	→						

C

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A: GENERAL ATTITUDES

- A1. We are interested in how people are getting along financially these days. Would you say that you and your family are better off or worse off financially than you were a year ago?

☐ BETTER NOW ☐ SAME ☐ WORSE NOW ☐ UNCERTAIN

A1a. Why is that? _____

- A2. Now looking ahead -- do you think that a year from now you people will be better off financially, or worse off, or just about the same as now?

☐ BETTER ☐ SAME ☐ WORSE ☐ UNCERTAIN

- A3. Now speaking of prices in general, I mean the prices of the things you buy -- do you think they will go up in the next year or so, or go down, or stay where they are now?

- A4. Would you say that these (...rising prices; falling prices; unchanged prices...) would be good, or bad, or what?

 (IF A4a. On what does it depend in your opinion?
 DON'T KNOW
 OR DEPENDS) _____

- A5. Now, turning to business conditions in the nation as a whole -- do you think that during the next twelve months we'll have good times financially, or bad times, or what?

A5a. Why do you think that? _____

- A6. Would you say that at present, business conditions are better or worse than they were a year ago?

☐ BETTER NOW ☐ ABOUT THE SAME ☐ WORSE NOW

COMMENTS (IF ANY): _____

- A7. During the last few months, have you heard of any favorable or unfavorable changes in business conditions?

(IF YES)

A7a. What did you hear?

- A8. How do you think the way things are going in the world today -- I mean Vietnam and our relations with communist countries -- are affecting business conditions here at home?

A8a. Do you think they make for good times, or bad times, or what?

A8b. Why do you think so?

- A9. And how about a year from now, do you expect that in the nation as a whole business conditions will be better or worse than they are at present, or just about the same?

☐ BETTER A YEAR FROM NOW

☐ ABOUT THE SAME

☐ WORSE A YEAR FROM NOW

- A10. And how about the coming twelve months -- do you think that there will be more unemployment than now, about the same, or less?

☐ MORE

☐ ABOUT THE SAME

☐ LESS

OTHER COMMENTS:

A10a. Why do you think so?

- A11. Looking ahead, which would you say is more likely -- that in the country as a whole we'll have continuous good times during the next five years or so, or that we'll have periods of widespread unemployment, or depression, or what?

(IF DON'T KNOW
OR DEPENDS)

A11a. On what does it depend in your opinion?

B: HOUSING

Now I have some questions about where you live.

B1. How long have you lived in this county? _____ (years)

B2. In what year did you move into this house (apartment)? _____

B3. Do you (FAMILY UNIT) own this home, (apartment) or pay rent, or what?

☐ OWNS OR IS BUYING -- (SKIP TO Q. B6 BELOW)

☐ PAYS RENT -- (SKIP TO Q. B5 BELOW)

☐ NEITHER OWNS NOR RENTS

(IF
NEITHER
OWNS NOR
RENTS)

B4. How is that? _____

(SKIP TO PAGE 5, Q. B14)

(IF
RENTS)

B5. About how much rent do you pay a month? \$ _____

(SKIP TO PAGE 5, Q. B14)

(IF
OWNS
OR IS
BUYING)

(IF MOVED
IN DURING
1964
OR EARLIER)

B6. Could you tell me what the present value of this house (farm) is? I mean about what would it bring if you sold it today?

\$ _____

(SKIP TO PAGE 5, Q. B9)

(IF MOVED
IN DURING
1965
OR 1966)

B7. Was it a newly built house or one that had been lived in before?

☐ NEWLY BUILT

☐ LIVED IN BEFORE

B8. How much did the house and lot (farm) cost?

\$ _____

(CONTINUE WITH Q. B9, PAGE 5)

(IF OWNS OR IS BUYING)

B9. Do you have a mortgage on this property?

☐ YES☐ NO -- (SKIP TO Q. B14 BELOW)

B10. Do you also have a second mortgage?

☐ YES☐ NO

B11. Approximately how much is your present mortgage?

First
MortgageSecond
Mortgage

\$ _____

\$ _____

B12. How much are your payments every month?

\$ _____

\$ _____

B13. How many years will it be before the mortgage is all paid off?

(years)

(ASK EVERYONE)

B14. Do you expect to buy or build a house during the next twelve months for your own year-round use?

(IF NO
TO Q. B14)

B14a. How about during the year after that? _____

(IF YES OR
DEPENDS TO
EITHER B14
OR B14a)

B14b. About how much do you think the house and the lot will cost?

\$ _____

ADDITIONS AND REPAIRS

B15. Did you have any expenses for work done on your house (apartment) or lot in 1965 - things like upkeep, additions, improvements, or painting and decorating?
(FARMERS -- EXCLUDE FARM BUILDINGS)

☐ YES

☐ NO -- (SKIP TO Q. B25 BELOW)

B16. What was done? B16a. Anything else?		(ENTER) →			
B17. How much did it cost?			\$ _____	\$ _____	\$ _____
B18. Did you borrow or finance part of it?			<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
(IF YES TO B18)	B19. How much did you borrow or finance?		\$ _____	\$ _____	\$ _____
	B20. Do you still have anything left to pay?		<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
(IF YES TO B20 AND HAS MORTGAGE)	B21. Is what you owe for it included in the mortgage on your house?		<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
	B22. How much are your payments?		\$ _____ per _____	\$ _____ per _____	\$ _____ per _____
(IF YES TO B20 AND HAS NO MORTGAGE, OR IF NO TO B21)	B23. How many payments do you have left to make?		_____	_____	_____
	B24. How much do you have left to pay?		\$ _____	\$ _____	\$ _____

(INTERVIEWER: REPEAT Q's B16-B24 FOR EACH ADDITION OR REPAIR MENTIONED)

B25. Do you expect to make any large expenditures for work on the house or lot during the next 12 months -- things like upkeep, additions, or improvements, or painting and decorating? (FARMERS -- EXCLUDE FARM BUILDINGS)

☐ YES

☐ NO -- (GO TO PAGE 7, Q. C1)

B26. What do you plan to do?	_____
B27. About how much do you think you will spend for all you plan to do during the next 12 months?	\$ _____

1966 SURVEY OF CONSUMER FINANCES

C: CARS

This next set of questions is about automobiles:

C1. Altogether, how many people are there in your family living here who can drive?

C2. Do you or anyone else in the family here own a car?

☐ YES

☐ NO -- (SKIP TO Q. C33, PAGE 9)

C3. How many cars do you and your family living here own? _____

(IF 2 OR
MORE)

C4. How long have you had more than one car in the family? _____

(years)

Now I'd like to ask a few questions about the car(s) you have now.

(INTERVIEWER: ASK REST OF PAGE FOR EACH CAR)

	CAR #1	CAR #2	CAR #3
C5. What year model is it?			
C6. What make of car is it?			
C7. Is it a sedan, station wagon, convertible, or what?			
C8. Is it a compact, regular size, or something in-between, or what?			
C9. Who normally drives this car? (RELATION TO HEAD)			
C10. Did you buy this car new or used?	<input type="checkbox"/> NEW <input type="checkbox"/> USED	<input type="checkbox"/> NEW <input type="checkbox"/> USED	<input type="checkbox"/> NEW <input type="checkbox"/> USED
C11. When did you buy it? (ASK PAGE 8 FOR EACH CAR BOUGHT IN 1965-66)	_____ (year)	_____ (year)	_____ (year)
(IF BOUGHT IN 1964 OR EARLIER)			
C12. Do you owe any money on that car now?	<input type="checkbox"/> YES <input type="checkbox"/> NO (OMIT Q's C13-C15)	<input type="checkbox"/> YES <input type="checkbox"/> NO (OMIT Q's C13-C15)	<input type="checkbox"/> YES <input type="checkbox"/> NO (OMIT Q's C13-C15)
C13. How much are your payments?	\$ _____ per _____	\$ _____ per _____	\$ _____ per _____
C14. How many payments do you have left?	_____	_____	_____
C15. Then how much do you have left to pay, including financing charges?	\$ _____	\$ _____	\$ _____

QUESTIONNAIRE

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(ASK THIS PAGE FOR EACH CAR BOUGHT IN 1965 OR 1966, SEE Q. C11 FOR YEAR BOUGHT)

How about the car (cars) you bought in 1965 or already this year:

(INT: LIST YEAR AND MAKE)		TI	SALE	TI	SALE
C16.	Did you trade-in or sell a car when you bought that one?	<input type="checkbox"/> TI	<input type="checkbox"/> SALE	<input type="checkbox"/> TI	<input type="checkbox"/> SALE
		<input type="checkbox"/> NO	<input type="checkbox"/> NO	<input type="checkbox"/> NO	<input type="checkbox"/> NO
(IF TI OR SALE)	C17. What year model was the car you traded-in (sold)?				
	C18. What make was it?				
	C19. When you traded it in (sold it) was it in good shape, did it need some repairs, or was something seriously wrong with it?				
	C20. When did you buy the car you traded-in (sold)?				
		(Yr.)		(Yr.)	
	C21. Had you bought it new or used?				
	C22. Was it a sedan, station wagon, convertible, or what?				
	C23. How much did you get from the trade-in or sale of your old car?	\$		\$	
C24.	What was the Total Price of the ... (MENTION YEAR AND MAKE) ... you bought in 1965 (1966)?	\$		\$	
	(IF C24a Does this price include what you got for the trade-in?)	<input type="checkbox"/> YES <input type="checkbox"/> NO		<input type="checkbox"/> YES <input type="checkbox"/> NO	
C25.	How much did you pay down in cash?	\$		\$	
C26.	Did you borrow or finance part of the total price too?	<input type="checkbox"/> YES <input type="checkbox"/> NO		<input type="checkbox"/> YES <input type="checkbox"/> NO	
	(IF NO - OMIT Q's C27-C32)				
(IF YES TO C26)	C27. How much were your payments, and how often were they made?	\$		\$	
		per		per	
	C28. How many payments did you agree to make altogether?				
	C29. How many payments have you made?				
	C30. How many payments are left to make?				
	C31. How much was (is) the final payment?	\$		\$	
	C32. How much do you have left to pay including financing charges?	\$		\$	

(ASK EVERYONE)

- C33. During 1965 did you sell, give away, or scrap a car that we haven't talked about? Any other cars you got rid of? (ASK C34-C36 FOR EACH SUCH CAR)

☐

YES

☐

NO -- (SKIP TO Q. C37 BELOW)

- C34. What year model was it? _____
- C35. What make was it? _____
- C35a. Did you sell it, scrap it, or wreck it, or what? _____
- C36. When did you buy that car? _____ (Year) _____ (Year)

- C37. Do you expect to buy a car during the next twelve months or so?

- C38. Does anyone else in the family living here expect to buy a car during the next twelve months?

(IF YES
PROBABLY,
OR MAYBE
TO Q. C37,
OR Q. C38)

- C39. Will it be a brand new car or a used car?
(IF TWO CAR PURCHASES PLANNED, USE MARGIN FOR SECOND)

☐

NEW

☐

USED

☐

UNCERTAIN

- C40. About when do you think you will buy this car?

- C41. How much do you think you will pay for it?

\$

- (IF OWNS C42. At that time will you trade in or sell
CAR(S) (any of) your present car(s)?
NOW) _____

(SKIP TO Q. D1, PAGE 10)

(IF NO TO
Q. C37 AND
Q. C38)

- C43. How long do you think it will be before you buy a car?

(INTERVIEWER: ENCOURAGE WIFE TO HELP WITH THIS SECTION)

D: OTHER DURABLES

D1. How about larger items for the home -- did you buy anything of this sort during 1965 -- furniture, a refrigerator, stove, washing machine, television set, air conditioner, household appliances, and so on?

☐ YES

☐ NO -- (SKIP TO Q. D11, PAGE 11)

D2. What did you buy? D2a. Anything else? ENTER ITEMS				
D3. How much did it cost, not counting financing charges?		\$ _____	\$ _____	\$ _____
D4. Was there a trade-in, or did you sell your old one, or what? (IF NO-SKIP TO Q. D6 BELOW)		TI S NO <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	TI S NO <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	TI S NO <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
(IF TRADE-IN OR SALE)	D5. How much did you get for it?	\$ _____	\$ _____	\$ _____
D6. Did you buy it on credit, or pay cash, or what? (IF CASH ONLY, OMIT Q's D7-D10)		<input type="checkbox"/> CREDIT <input type="checkbox"/> CASH ONLY	<input type="checkbox"/> CREDIT <input type="checkbox"/> CASH ONLY	<input type="checkbox"/> CREDIT <input type="checkbox"/> CASH ONLY
D7. Do you still have anything left to pay? (IF NO, OMIT Q's D8-D10)		<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
(IF YES TO Q. D7)	D8. How much are the payments?	\$ _____ per _____	\$ _____ per _____	\$ _____ per _____
	D9. How many more payments do you have left to make?	_____	_____	_____
	D10. How much do you have left to pay?	\$ _____	\$ _____	\$ _____

(INTERVIEWER: REPEAT Q's D3-D10 FOR EACH ITEM MENTIONED)

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- D11. About the things people buy for their house -- I mean furniture, house furnishings, refrigerator, stove, television, and things like that. In general do you think now is a good or a bad time to buy such large household items?

☐ GOOD ☐ PRO-CON ☐ BAD ☐ UNCERTAIN

D11a. Why do you say so? _____

- D12. Do you expect to buy any large items such as furniture, a refrigerator, stove, washing machine, television set, air conditioner, household appliances, and so on during the next 12 months?

☐ NO -- (SKIP TO Q. E1, PAGE 12)

☐ YES

(IF
YES OR
DEPENDS)

D13. What do you expect to buy? (ENTER ITEMS) D13a. Anything else?			
D14. Would you say you definitely will buy a ..(MENTION ITEM) ...during the next 12 months, or that you probably will, or are you undecided? D15. About how much do you think you will spend on it?	<input type="checkbox"/> DEFINITELY <input type="checkbox"/> PROBABLY <input type="checkbox"/> UNDECIDED	<input type="checkbox"/> DEFINITELY <input type="checkbox"/> PROBABLY <input type="checkbox"/> UNDECIDED	<input type="checkbox"/> DEFINITELY <input type="checkbox"/> PROBABLY <input type="checkbox"/> UNDECIDED \$ _____

(INTERVIEWER: REPEAT Q's D14-D15 FOR EACH ITEM MENTIONED)

E: OTHER PERSONAL DEBT

Next, I have some questions to ask you about other debt payments.

- E1. Are you making any other payments we haven't already talked about, on things you bought, or to repay money you borrowed; for instance, money you owe to a finance company? A Credit Union? Bank? How about revolving accounts?

☐ YES-SOME ADDITIONAL DEBT ☐ NO ADDITIONAL DEBT (SKIP TO Q. E9 BELOW)

(INTERVIEWER: LIST EACH ITEM AND ASK Q's E3-E6 FOR EACH ITEM)

E2. What did you use the money for? (ENTER ITEMS)			
E3. How much are the payments?	\$ _____ per _____	\$ _____ per _____	\$ _____ per _____
E4. How many payments do you have left to make?	_____	_____	_____
E5. How much do you have left to pay?	\$ _____	\$ _____	\$ _____
E6. Did you borrow it in 1965?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
E7. Were any of these debts for business or farm purposes?			
<input type="checkbox"/> YES <input type="checkbox"/> NO -- (SKIP TO Q. E9 BELOW)			
E8. Which ones? _____			
(GO ON WITH Q. E9)			

- E9. INTERVIEWER: CHECK FOR DEBT IN Q. E9 (HOUSING), E18 (A & R), C12, C26, (CARS), D6 (DURABLES) AND E1 (OTHER)

☐ R HAS NOT REPORTED ANY DEBT....(SKIP TO Q. F1, PAGE 13)

☐ R HAS REPORTED DEBT

E10. In making payments on your debts in 1965, did you make the payments in the way they were scheduled, did you get behind, or did you make payments that were larger or more frequent than scheduled?
<input type="checkbox"/> AS SCHEDULED -- (SKIP TO Q. F1, PAGE 13)
<input type="checkbox"/> FASTER OR LARGER <input type="checkbox"/> GOT BEHIND <input type="checkbox"/> BOTH
E11. Why is that? _____

F: OCCUPATION AND EMPLOYMENT.

F1. Next we would like to talk with you about your work and the employment of others in the family. How about your present job. Are you (HEAD) working now, unemployed or laid off, retired, or what?

☐ RETIRED

☐ PERMANENTLY DISABLED

☐ HOUSEWIFE

☐ HANDLES OWN INVESTMENTS ONLY

☐ STUDENT ... (SKIP TO Q. F56, PAGE 20)

☐ WORKING NOW

☐ UNEMPLOYED, SICK, OR LAID OFF

(SKIP TO PAGE 17, Q. F28)

F2. What is your (HEAD'S) main occupation? What sort of work do you do? _____

F3. What kind of business is that in? _____

F4. Do you (HEAD) supervise other people? ☐ YES ☐ NO

F5. Do you (HEAD) work for someone else, or yourself, or what?

☐ SOMEONE ELSE

☐ SELF -- (SKIP TO Q. F8, PAGE 14)

☐ OTHER _____

(explain)

F6. Is there a compulsory retirement age where you work, that is, a time when you must retire?

☐ YES

☐ NO -- (SKIP TO Q. F7, BELOW)

F6a. What is the age? _____

F7. Do you belong to a labor union?

☐ YES

☐ NO

(CONTINUE WITH Q. F8, PAGE 14)

- F8. (HAND CARD A TO R) Would you please look at this card and tell me which thing on this list about a job (occupation) you would most prefer, which comes next, and so forth?

<u>An occupation or job in which:</u>	<u>Rank from 1 (most preferred)</u> <u>to 6 (least preferred)</u>
A. The work is important, gives a feeling of accomplishment	_____
B. Income is steady	_____
C. Working hours are short, lots of free time	_____
D. There's no danger of being fired or unemployment	_____
E. Chances for advancement are good	_____
F. Income is high	_____

- F9. For some people the work they do is drudgery; with others it is all right; while some others may greatly enjoy the work they do. How do you (HEAD) feel about your work?

- F10. Have you ever thought of leaving your present job in order to get into some more interesting or more promising work?

☐ YES

☐ NO -- (SKIP TO Q. F11 BELOW)

F10a. Tell me about it? _____

- F11. Some folks would miss the people they work with if they changed jobs; others wouldn't really care. How is it with you (HEAD)?

- F12. Comparing yourself with other people who are in a similar line of work, would you say that during the last few years your income has increased in the same way as theirs, or did it increase less or more than theirs?

F13. Was there a time when you earned more than you did in 1965?

☐ YES

☐ NO -- (SKIP TO Q. F14 BELOW)

F13a. When was that? _____

(year)

F14. Are you now earning more than you did five years ago?

☐ YES

☐ NO -- (SKIP TO Q. F15 BELOW)

F14a. What are the main reasons you make more now? _____

F15. What is the highest amount you are ever likely to earn in your line of work?

\$ _____ per
(year or month)

F16. How about your work last year. How many weeks of vacation did you take in 1965?

F17. How many weeks were you unemployed last year? _____

F18. How many weeks were you ill or not working for any other reason last year?

F19. Then, how many weeks did you actually work at your job in 1965? _____

F20. On the average, how many hours a week did you work when you were working? _____

F21. Did you also have a second job in 1965?

☐ YES

☐ NO -- (SKIP TO Q. F23, PAGE 16)

F22. About how many hours in total did you work in 1965 on an extra job? _____

- F23. Some people would like to work more hours a week if they could be paid for it, others would not. How is it with you?

- F24. Some people would like to work fewer hours a week even if they earned less. How do you feel about this?

- F25. Some people feel as healthy and young as they did several years ago, while others feel that their health is not quite as good as it was a few years ago. How is it with you?

- F26. Have you lost many workdays because of illness during the last five years?

- F27. Have you (HEAD) had an illness, physical condition or nervous condition which limits the type of work or the amount of work you can do?

☐ YES

☐ NO -- (SKIP TO Q. F56, PAGE 20)



- F27a. How much does it limit your work?

(IF RETIRED, HOUSEWIFE, PERMANENTLY DISABLED, HANDLES OWN INVESTMENTS ONLY, (SEE Q. F1, PAGE 13))

- F28. What kind of work did you do when you worked? - (IF NOT CLEAR WHAT HEAD DID) Tell me a little more about what you did?

(IF NEVER WORKED -- SKIP TO Q. F56, PAGE 20)

- F29. What kind of business was that in? _____

- F30. Did you work for someone else, yourself, or what?

☐ SOMEONE ELSE ☐ SELF ☐ OTHER _____

_____ (explain)

- F31. Did you supervise other people? _____

- F32. When did you retire? _____ (Year, or at what age?)

- F33. How did you happen to retire when you did? _____

- F34. How did you feel about retiring then? _____

- F35. Had you planned to retire then, or did you have to retire unexpectedly, or what?

(IF RETIRED UNEXPECTEDLY) F35. Why did you have to change your plans? _____

- F37. Did your employer urge you to retire when you did? _____

- F38. How did your wife feel about your retiring when you did? _____

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F39. Did you have any savings put away when you retired? ☐ YES ☐ NO

F40. What about now, would you say you have more or less in savings than when you retired?

☐ MORE ☐ LESS ☐ SAME (OR NONE EITHER TIME)

F41. Was this an unexpected decrease? _____

F42. Have you had a chance to work for money since your retirement?

☐ YES ☐ NO -- (SKIP TO Q. F46 BELOW)

F43. Have you worked at all since you retired?

☐ YES ☐ NO -- (SKIP TO Q. F46 BELOW)

F44. What have you done? _____

F45. Anything else? _____

F46. What were your main reasons for (working, not working)? _____

(IF NO TO Q. F43, SKIP TO Q. F48 BELOW)

F47. Did you work for money at any time during 1965? ☐ YES ☐ NO

(IF NO, ASK F47a)

F47a. When was the last time you worked for money? _____

(CONTINUE WITH Q. F48)

F48. Do you do any work without pay for church or charity, or your children?

☐ YES ☐ NO -- (SKIP TO Q. F49, PAGE 19)

(IF YES, ASK Q. F48a)

F48a. Are you doing more or less of this than before you retired?

☐ MORE ☐ LESS ☐ SAME

- F49. How about your current living expenses -- are they higher, the same, somewhat lower, or much lower than before retirement?

☐ HIGHER ☐ SOMEWHAT LOWER ☐ MUCH LOWER ☐ SAME (SKIP TO Q. F51 BELOW)

- F50. What are the things that make a difference in your expenses? Anything else?

- F51. Are you receiving financial support from your children, from relatives, or anyone like that?

- F52. Are you giving any financial help to your children or other relatives?

- F53. How does your income last year compare with your income the year before you retired -- is it closer to one-quarter as large, one-half as large, or almost as large as before you retired?

- F54. Considering income and expenses, is your standard of living about the same as before you retired, not quite as good, or what?

(IF NOT AS GOOD, ASK Q. F54a)

- F54a. Do you feel that you have enough to live comfortably?

- F55. What about your health? Some people feel as healthy and young as they did several years ago, while others feel that their health is not quite as good as it was a few years ago. How is it with you?

F56. (INTERVIEWER: CHECK BOX)

☐ FU HEAD HAS WIFE

☐ FU HEAD HAS NO WIFE (OR HUSBAND) -- (SKIP TO Q. G1, PAGE 21)

F57. Did your wife do any work for money last year?

☐ YES

☐ NO -- (SKIP TO Q. G1, PAGE 21)

F58. What kind of work did she do? - (IF NOT CLEAR WHAT SHE DID) Tell me a little more about what she did?

F59. What kind of business is that in?

F60. Was she working for someone else, herself, or what?

☐ SOMEONE ELSE

☐ SELF

☐ OTHER

(explain)

F61. About how many hours a week did she work when she was working?

F62. How many weeks did she actually work in 1965?

G: INCOME

To get an accurate picture of people's financial situation we need to know the income of all the families that we interview.

G1. (INTERVIEWER: CHECK ONE)

☐ FARMER

☐ NOT FARMER -- (SKIP TO Q. G5 BELOW)

G2. What were your total receipts from farming in 1965, including soil bank payments and commodity credit loans? \$ _____ (A)

G3. What were your total operating expenses, not counting living expenses? \$ _____ (B)

G4. That left you a net income from farming of? (A-B) = \$ _____

G5. Did you (R AND FAMILY) own a business at any time in 1965, or have a financial interest in any business enterprise?

☐ YES

☐ NO -- (SKIP TO Q. G9, PAGE 22)

G6. What kind of business is it? _____

G7. Is it a corporation or an unincorporated business or do you have an interest in both kinds?

☐ CORPORATION -- (SKIP TO Q. G9, PAGE 22)

☐ UNINCORPORATED

☐ BOTH

☐ DON'T KNOW

G8. In 1965, how much was your (family's) share of the total income from the business -- that is, the amount you took out plus any profit (you) left in? \$ _____

G9. How much did you (HEAD) receive from wages and salaries in 1965, that is, before deductions for taxes and anything else? \$ _____

G10. In addition to this, did you (HEAD) have any income from over-time, bonuses, or commissions?

☐ YES ☐ NO -- (SKIP TO Q. G12 BELOW)

G11. How much was that? \$ _____

G12. Did (HEAD) receive any other income in 1965 from:

(IF YES TO ANY ITEM, ASK) a. professional practice or a trade. . . \$ _____
How much was it? b. farming or market gardening,
(ENTER AMOUNT AT RIGHT) roomers or boarders \$ _____
(IF NO, ENTER "0") c. dividends \$ _____
d. rent, interest, trust funds,
or royalties \$ _____
e. social security \$ _____
f. other retirement pay, pensions
or annuities \$ _____
g. any other sources, like alimony,
unemployment compensation,
welfare, or help from relatives . . \$ _____
h. anything else \$ _____
(specify)

G13. (INTERVIEWER: CHECK BOX)

☐ FU HEAD HAS WIFE ☐ FU HEAD HAS NO WIFE
(OR HUSBAND) -- (SKIP TO Q. G17, PAGE 23)

G14. Did your wife have any income during 1965?

☐ YES ☐ NO -- (SKIP TO Q. G17, PAGE 23)

(IF YES) G15. Was it income from wages, a business, or what?
Any other income?

G16. How much was it before deductions? (SOURCE) (SOURCE)
\$ _____ + \$ _____ = \$ _____

G17. (INTERVIEWER: CHECK FACE SHEET FOR ANYONE, OTHER THAN HEAD AND WIFE, 14 AND OLDER AND CHECK BOX.)

- ☐ NO ONE 14 OR OLDER EXCEPT HEAD (AND WIFE) -- (SKIP TO Q. G22 BELOW)
☐ OTHER FAMILY MEMBERS 14 AND OLDER

(REPEAT Q's G18-G21a FOR EACH ADDITIONAL MEMBER 14 OR OLDER)

(ENTER BY RELATION TO HEAD AND AGE)

G18. Did (MENTION MEMBER) have any income during 1965?		<input type="checkbox"/> NO <input type="checkbox"/> YES	<input type="checkbox"/> NO <input type="checkbox"/> YES	<input type="checkbox"/> NO <input type="checkbox"/> YES	<input type="checkbox"/> NO <input type="checkbox"/> YES
(IF YES TO Q. G18.)	G19. Was it from wages, interest, a business, or what?	SOURCE	SOURCE	SOURCE	SOURCE
	G20. How much was it?	\$ _____	\$ _____	\$ _____	\$ _____
	G21. Does he (she) keep his (her) finances separate?	<input type="checkbox"/> NO <input type="checkbox"/> YES	<input type="checkbox"/> NO <input type="checkbox"/> YES	<input type="checkbox"/> NO <input type="checkbox"/> YES	<input type="checkbox"/> NO <input type="checkbox"/> YES
(IF YES TO Q. G21)	G21a. Does he (she) contribute half or more of his (her) income for joint family expenses?	<input type="checkbox"/> NO <input type="checkbox"/> YES	<input type="checkbox"/> NO <input type="checkbox"/> YES	<input type="checkbox"/> NO <input type="checkbox"/> YES	<input type="checkbox"/> NO <input type="checkbox"/> YES

G22. Was your family's total income higher in 1965 than it was the year before that, (1964) or lower, or what?

- ☐ HIGHER ☐ LOWER ☐ SAME... (SKIP TO Q. G23 BELOW)

G22a. Was it a lot higher (lower) or just a little higher (lower)?

☐ A LOT ☐ A LITTLE

G22b. Why was that? _____

G23. How how will your family income for this year (1966) compare with last year (1965) -- will it be higher or lower?

- ☐ 1966 HIGHER ☐ 1966 LOWER ☐ SAME (SKIP TO Q. H1, PAGE 24)

G23a. Why do you think so? _____

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J: INFORMATION ABOUT FAMILY

(ASK EVERYONE)

J1. Are you (HEAD) married, single, widowed, divorced, or separated?

☐ MARRIED ☐ SINGLE ☐ WIDOWED ☐ DIVORCED ☐ SEPARATED

(SKIP TO Q. J3 BELOW)

(IF MARRIED
AND
LIVING
TOGETHER)

J2. How long have you been married? _____ years.

J3.	How many grades of school did you (head) finish?	(GRADES)
(IF MORE THAN 8)	J4. Have you had any other schooling?	<input type="checkbox"/> NO <input type="checkbox"/> YES
(IF YES TO Q. J4)	J5. What other schooling did you have?	(COLLEGE, SECRETARIAL, BUSINESS, TRADE SCHOOL, NURSING, ETC)
(IF ANY COLLEGE)	J6. Do you have a college degree?	<input type="checkbox"/> NO <input type="checkbox"/> YES
(IF YES TO Q. J6)	J7. What degree(s) do you have?	

J8. Are there any people that do not live with you who are dependent on you for more than half of their support?

☐ YES ☐ NO -- (SKIP TO Q. J9 BELOW)

J8a. (IF YES) How old are they? (AGES) _____, _____, _____, _____, _____, _____

J9. These are all the questions that I have. At the conclusion of this survey we can send you some of our findings, without charge, if you will send in this card.
(HAND REPORT REQUEST CARD TO H.) Thank you very much for your help in this project.

(INTERVIEWER: PLEASE BE SURE THAT YOU HAVE COMPLETED Qs 2, 3, AND 4 ON PAGE 1)

SECTION K: OBSERVATION SHEET

(INTERVIEWER: BY OBSERVATION ONLY)

K1. Sex of <u>Head</u> of Family Unit:	<input type="checkbox"/> MALE	<input type="checkbox"/> FEMALE
K2. Sex of <u>Respondent</u> :	<input type="checkbox"/> MALE	<input type="checkbox"/> FEMALE
K3. Race:	<input type="checkbox"/> WHITE	<input type="checkbox"/> NEGRO
	<input type="checkbox"/> OTHER (Specify) _____	
K4. Number of calls:	_____	
K5. Who was present during interview?	_____	
K6. <u>TYPE OF STRUCTURE IN WHICH FAMILY LIVES:</u>		
<input type="checkbox"/> TRAILER	<input type="checkbox"/> APARTMENT HOUSE (5 OR MORE UNITS, 3 STORIES OR LESS)	
<input type="checkbox"/> DETACHED SINGLE FAMILY HOUSE	<input type="checkbox"/> APARTMENT HOUSE (5 OR MORE UNITS, 4 STORIES OR MORE)	
<input type="checkbox"/> 2-FAMILY HOUSE, 2 UNITS SIDE BY SIDE	<input type="checkbox"/> APARTMENT IN A PARTLY COMMERCIAL STRUCTURE	
<input type="checkbox"/> 2-FAMILY HOUSE, 2 UNITS ONE ABOVE THE OTHER	<input type="checkbox"/> OTHER (Specify) _____	
<input type="checkbox"/> DETACHED 3-4 FAMILY HOUSE		
<input type="checkbox"/> ROW HOUSE (3 OR MORE UNITS IN AN ATTACHED ROW)		
K7. <u>NEIGHBORHOOD:</u> Look at 3 structures on each side of DU but not more than 100 yards or so in both directions and check as many boxes as apply, below.		
<input type="checkbox"/> VACANT LAND ONLY	<input type="checkbox"/> APARTMENT HOUSE (5 OR MORE UNITS, 3 STORIES OR LESS)	
<input type="checkbox"/> TRAILER	<input type="checkbox"/> APARTMENT HOUSE (5 OR MORE UNITS, 4 STORIES OR MORE)	
<input type="checkbox"/> DETACHED SINGLE FAMILY HOUSE	<input type="checkbox"/> APARTMENT IN A PARTLY COMMERCIAL STRUCTURE	
<input type="checkbox"/> 2-FAMILY HOUSE, 2 UNITS SIDE BY SIDE	<input type="checkbox"/> WHOLLY COMMERCIAL OR INDUSTRIAL STRUCTURE	
<input type="checkbox"/> 2-FAMILY HOUSE, 2 UNITS ONE ABOVE THE OTHER	<input type="checkbox"/> OTHER (Specify) _____	
<input type="checkbox"/> DETACHED 3-4 FAMILY HOUSE		
<input type="checkbox"/> ROW HOUSE (3 OR MORE UNITS IN AN ATTACHED ROW)		

K8. Did the respondent understand the questions and answer readily, or did he have some difficulty understanding and answering? (NOT COUNTING LANGUAGE DIFFICULTY)

☐ R WAS ALERT AND QUICK TO ANSWER

☐ R COULD UNDERSTAND AND ANSWER QUESTIONS SATISFACTORILY

☐ R WAS SLOW TO UNDERSTAND AND HAD DIFFICULTY ANSWERING QUESTIONS

COMMENTS: _____

K9. If Respondent's answers to factual questions (house value, income, etc.) seem badly out of line with your observations, please note below.

(USE NEXT PAGE FOR THUMBNAIL SKETCH)

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