investment and Government deficits or surpluses as the sole autonomous factors influencing the business cycle and to assume that the consumer sector was an unimportant transmitter of income generated elsewhere. But during the past 25-odd years the number of middle-income families has increased greatly, and today a very substantial proportion of American families have discretionary income; many families also have some reserve funds; credit is available and buying on credit is widely accepted by consumers; finally, a sizable share of consumer spending is for postponable and discretionary expenditures. Today we must recognize three forms of investment: business investment, consumers' tangible investment expenditures for housing, automobiles, and appliances, and investment in human capital—primarily for education and health.

Consumer investment expenditures are not a function of money alone. Ability to buy is important, but changes in willingness to buy may occur independently of changes in income and may influence discretionary consumer demand. That optimism or pessimism, confidence or its absence matter has often been asserted in the past. What is new is that we are in a position to measure changes in consumer attitudes and expectations. The Survey Research Center began with such measurements 15 years ago. Even after 15 years of experience, shared over the last few years by other organizations, there remain many unsolved problems. Yet several crucial turning points in consumer expenditures for durable goods have been signaled in advance by Survey Research Center data on consumer expectations, and statistical analysis indicates that consumer expectations, as measured by the Survey Research Center, have substantial predictive value.

It is not possible to determine changes in attitudes and expectations through a few simple questions. The Survey Research Center conducts hour-long personal interviews at regular intervals, each time with a different nationwide sample of consumers, drawn by rigorous methods of probability sampling.

Senator DOUGLAS. May I ask how large your sample is?

Mr. KATONA. Our quarterly samples are about 1,350 families, and the first quarter of the year it is about double.

Senator BUSH. What is the geographical distribution?

Mr. KATONA. It is all over the Nation from Atlantic to Pacific.

Senator DOUGLAS. Is that about the same number of persons sampled in the Gallup poll?

Mr. KATONA. The Gallup poll unfortunately gives very little information about the size of its sample and the sampling composition. The number of cases is not the most important point. We assume from published data and information that Gallup still does not use rigorous probability methods.

Senator DOUGLAS. But on numbers, I have seen various statements that the probable number covered by the Gallup poll is somewhere around 1,500. Have you seen those?

Mr. KATONA. I have seen those, too. I don't know the facts. The number is not essential as is well known from the Literary Digest debacle. There were thousands and thousands of interviews.

Senator DOUGLAS. I understand.

Chairman PATMAN. There are 3,070 counties in the United States. That is about one for every two counties?