

TABLE 5.—*Change in family income over 1 year*¹
[In percent]

	Past income change ²			Expected income change ³	
	1964 versus 1963	1965 versus 1964	1966 versus 1965	1966 versus 1965	1967 versus 1966
A. All families:					
A lot higher.....	15	16	14	} 43	10
A little higher; higher.....	33	39	34		31
No change.....	33	28	35		46
A little lower; lower.....	8	8	8	} 8	4
A lot lower.....	10	8	8		5
Don't know; not ascertained.....	1	1	1		4
Total.....	100	100	100	100	100
B. Families with incomes of \$7,500 and over:					
A lot higher.....	21	23	21	} 51	10
A little higher; higher.....	44	46	42		40
No change.....	22	18	24		36
A little lower; lower.....	7	8	6	} 9	5
A lot lower.....	5	5	6		5
Don't know; not ascertained.....	1	(4)	1		4
Total.....	100	100	100	100	100

¹ Data collected in surveys taken in February 1965, 1966, and 1967.² Income in the previous year as compared to income in the year before that. The questions asked in February 1967 followed the determination of the family income in 1966 and were as follows: Was your family's total income higher in 1966 than it was the year before that (1965), or lower, or what? Was it a lot higher (lower) or just a little higher (lower)?³ Income expected for the current year as compared to income in the previous year. The questions asked in February 1967 were: Will your family income for this year (1967) be higher or lower than last year (1966)? Do you think it will be a lot higher (lower), or just a little higher (lower)?⁴ Less than one-half of 1 percent.

A year later, in February 1967, the data were less favorable, but only slightly so. At that time 48 percent experienced and 41 percent expected income increases. The proportion of those who in 1 year both experienced and expected income gains remained unusually high at 28 percent. This is the group which, according to our studies, is most strongly stimulated to buy durable goods and to incur installment debt. Favorable income trends thus provide strength to consumer demand and help to explain the fact that in spite of widespread misgivings about inflation, higher interest rates, the prospect of high income taxes, and Vietnam, the economy did not slide into a recession.

The origin of consumer attitudes is rather complex. To news about the settlement of labor disputes with substantial wage increases, some people react favorably and others unfavorably. Optimistic notions are derived from awareness of rising purchasing power and the expectation that one's own income would likewise increase substantially. The fear of inflation, on the other hand, makes for pessimistic notions.

In conclusion, then, the latest survey findings do not indicate a sizable upturn in the consumer sector. Good news, either about personal finances, or the general economic conditions, or the international situation, is needed to revitalize consumer optimism and to stimulate consumer expenditures. Unfavorable news, on the other hand, may enhance uncertainty and uneasiness, and thus promote wait-and-see attitudes.

The current findings do not indicate that a boom or even the large upswing in the consumer sector is in the cards.

Thank you.

(The following information accompanied Mr. Katona's statement:)