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**ASSESSMENT OF PUBLIC OPINION AND PUBLIC
EXPECTATIONS CONCERNING THE GOVERNMENT
AND THE ECONOMY**

HEARING
BEFORE THE
**SUBCOMMITTEE ON ECONOMIC GROWTH
AND STABILIZATION**
OF THE
JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES
NINETY-FIFTH CONGRESS
FIRST SESSION

—————
JUNE 22, 1977
—————

Printed for the use of the Joint Economic Committee



U.S. GOVERNMENT PRINTING OFFICE

98-668

WASHINGTON : 1977

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ASSESSMENT OF PUBLIC OPINION AND PUBLIC EXPECTATIONS CONCERNING THE GOVERNMENT AND THE ECONOMY

WEDNESDAY, JUNE 22, 1977

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON ECONOMIC GROWTH AND STABILIZATION
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 1202, Dirksen Senate Office Building, Hon. Hubert H. Humphrey (co-chairman of the subcommittee) presiding.

Present: Senators Humphrey, Javits, McClure, and Hatch; and Representative Long.

Also present: Louis C. Krauthoff II, assistant director; Brett Fromson, Kent H. Hughes, Philip McMartin, Bill Morgan, George R. Tyler, and Katie MacArthur, professional staff members; Mark Borchelt, administrative assistant; and Charles H. Bradford and M. Catherine Miller, minority professional staff members.

OPENING STATEMENT OF SENATOR HUMPHREY, COCHAIRMAN

Senator HUMPHREY: We will call the meeting of the subcommittee to order.

The Subcommittee on Economic Growth and Stabilization is pleased to welcome the representatives of five nationally prominent polling organizations to its hearing on public opinion and public expectations concerning the Federal Government and the economy.

Your participation in this hearing affords members of the Joint Economic Committee and Congress as a whole with a rare opportunity to obtain a comprehensive assessment from leading experts about the views and expectations of the American people regarding some of the Nation's major economic problems and what the Government is doing about them. Specifically, I expect that you gentlemen will be able to give us a better understanding of how the public views the energy crisis and how it is responding to the proposals of the administration and Congress to deal with it in terms of conservation and taxing measures. By the same token, I hope that you will be able to bring into sharp focus the attitude of the public regarding the current state of the economy with its still intolerable level of unemployment and what effect this is having on consumer spending and saving plans.

Moreover, I hope that we will get a solid reading on what the public thinks the Government is doing right and what it is doing wrong concerning these important economic issues.

As you know, it is the job of the Joint Economic Committee to advise Congress regarding the economy and to recommend policies and programs to answer national economic needs. To do this the committee holds extensive hearings, conducts investigations, and publishes numerous studies and reports. All of these efforts are dominated by the input of economists and other experts. What is too often missing from this array of activities—and this is true for all committees—is a grasp of how the public is likely to respond to policies and programs under consideration.

It seems to me that a better grasp of public attitudes, opinions, and expectations is crucial to the work of this and all the other committees of Congress. Much more attention can profitably be directed to this area in the future by Congress.

I consider this hearing and your presence here this morning as an important step in establishing this dimension in the work of Congress.

Our witnesses this morning are Richard Baxter, vice president, the Roper Organization, Inc., New York; Richard Curtin, director, Surveys of Consumer Attitudes, Institute for Social Research, University of Michigan, Ann Arbor; our friend Louis Harris, president, Louis Harris & Associates, Inc., New York; Jay Schmeideskamp, vice president, the Gallup Organization, Inc.; and Arthur H. White, executive vice president, Yankelovich, Skelly & White, Inc., Stamford, Conn.

There was another witness we hoped to have, Mr. Patrick H. Caddell. He indicated he might be able to be with us; in fact, he said he would; and then he had to cancel out. I hope that he is not just giving his counsel and advice to the White House. We need to hear from him over here in Congress so we can stay abreast of what is going on at the other end of Pennsylvania Avenue.

Gentlemen, with your cooperation, we will conduct this hearing in a panel format. Each of you may briefly summarize your prepared statements, which, of course, will be printed in their entirety in the hearing record, and then those committee members present will be free to question you.

If you will, just come on up and occupy the witness table.

My associate this morning with me is Representative Gillis W. Long, a U.S. Representative in Congress from the Eighth Congressional District of Louisiana. Most of you know him.

Representative Long is cochairman of the JEC's Subcommittee on International Economics.

Mr. Baxter, we will start with you.

STATEMENT OF RICHARD BAXTER, VICE PRESIDENT, THE ROPER ORGANIZATION, INC., NEW YORK

MR. BAXTER. Thank you, Senator Humphrey, and thank you for the opportunity to appear.

The things I am going to talk about for the next few minutes are all, mostly all, based on a series of in-home interviews we do every 5 weeks across the country. We use a representative national sample of 2,000 adults 18 and over. We have been doing this particular series, which is called Roper Reports, since November of 1973.

First, a few notes on the mood of the country.

At the end of last year Americans felt better personally about the year they had just been through than they had for some time, and for 1977 personal exceptions before the year began were on the rise. The year of 1977 was thought by the public to be one of great hope for the Nation as well as for personal exceptions. Optimism was up 9 percentage points from the year before and showed a dramatic mood change since the pessimistic years of 1973 and 1974.

After this auspicious look ahead by the public at the year we are now in, what do we see has happened?

In a burst of newly gained national confidence, by February, 4 in 10 Americans believed that things in this country were generally going in the right direction. This was over twice as many feeling that optimistic as was true during the past 3 years. By the end of March, the public's optimistic mood extended to the marketplace. More Americans said that now is a good time to buy the things they want and need than at any time since the measurements began in 1973.

The latest issue of Roper Reports, based on the May interviews, continues to show the optimistic mood of the country. The trend on what things people have done in the last month contains 10 items that are reflective of consumer spending. Eight of the 10 show increases in consumer spending since a year ago, 2 are unchanged, and none showed decline.

As of March, 24 percent of households had had some kind of employment cutback in the last 6 months, down from 32 percent a year ago, and down from 38 percent 2 years ago. We are talking about things like someone in the family losing his or her job, temporary layoffs, pay cuts, reductions in overtime. This dropped from 38 percent to 32 percent; 24 percent reporting a reduction in employment means that the households suffering blows to their jobs has shrunk by one-fourth since last year and by over a third from 2 years ago, a significant economic shift.

In another evidence of the restoration of faith, besides this buying increasing, 70 percent now call our political system basically sound—70 percent. This contrasts with only 50 percent willing to bet on our political system 3 years ago, though the consensus still is that it needs some improvements.

Confidence in the Nation's political leaders has risen sharply since 1975. Although only a little over half the electorate voted last fall for the man who is now President, those expressing great or fair confidence in the Nation's political leaders is an impressive 77 percent today. That is up a dramatic 26 percent from 1975.

Nearly two-thirds of the public think that our system of business and industry is essentially sound, and confidence in that system has risen a little bit, 3 percentage points since 1974. Confidence in business leaders has also risen a noticeable 10 points. Two years ago 62 percent expressed great or fair confidence in the ability of business leaders to make real contributions to our society. Currently 72 percent have a positive sense of their capacity for making a social contribution.

However, everything is not up. Confidence in our system of organized labor has dropped. This year only 39 percent called that system basically sound with room for improvement, contrasted with 52 percent expressing confidence in organized labor in 1974.

Labor leaders, who were the low men on the totem pole 2 years ago, have slipped even further. Just under half the public have some degree of confidence in labor leaders' ability to make a social contribution, and just over half lack that confidence in them.

What I am really saying is that, all in all, Americans are feeling better about our institutions than they were in recent years.

While things are better, what are the public's concerns?

Earlier this year we asked a national sample to assess the relative importance of various personal problems and national issues. Respondents were given a list of 11 problems. Some of them were personal, some of them were social. Overall, personal concerns strongly overshadowed national social issues.

However, the top concern was with crime and lawlessness, a social issue which for many has very personal implications.

Another worry is economic: Six in ten called the amount of money they have to live on a real concern.

This raises a broader question of which is people's larger fear as a national problem, inflation or unemployment. We asked the public to choose between two different remedies for the country's economic problems. Was the recession caused by inflation and excessive Government spending, and is the solution, in the public's mind, to cut Government spending and check inflation, or are our economic problems due to high unemployment and lack of purchasing power, and therefore, should Government spending be increased to stimulate the economy?

With this either/or choice there is a clear public preference for fighting inflation with Government economy. Fifty-three percent would concentrate on stemming inflation. Only 31 percent would increase spending to stimulate the economy.

Now, at the close of each year for the last 4 years we have asked people whether they think we, as a country, are spending too much money or too little or about the right amount on each of 12 national problems or programs. The two areas of greatest concern on that basis are halting the rise in crime rate and increasing the Nation's energy supply. Both of these are up since 1976.

The supporting document that I have given you goes into detail on the public's priorities and concerns on many, many issues. Let's look at the energy issue you asked about.

Going back to October of 1973, as the gasoline shortage approached, people saw the shortage as contrived rather than real by better than a 4-to-1 ratio.

Anticipating some things that might be done to relieve the energy shortage, we asked at that time about a whole list of energy-increasing or energy-conserving measures, many of which later found their way into President Carter's recent energy message.

Between late 1973 and early 1977 there was some increase in both the percentages who felt we faced a real energy shortage and in the acceptance of these and other energy-coping measures I just briefly referred to. Nevertheless, sentiment as of early this year was that the energy shortage is a phony.

Accordingly, most of the energy-conserving or energy-increasing measures were opposed.

Now all that has changed since President Carter's energy address. For the first time more people believe that the energy shortage is very real and will get worse than believe that it is contrived.

Moreover, the same three energy-coping measures that trailed the list in late 1973 are now widely approved since Carter proposed them.

Senator HUMPHREY. What were those three measures?

Mr. BAXTER. The gas-guzzler tax, rejected by 3 to 1 in 1973, is now approved 47 to 39 by the public, if not by the House Ways and Means Committee. The appliance-efficiency tax, rejected 6 to 1 in 1973, is now approved by 51 to 35. And then peak-hour, off-hour electricity metering, rejected better than 6 to 1, is now approved by better than 2 to 1.

In fact, all of the President's major proposals are more approved than disapproved except for his standby 5-cents-a-gallon gasoline tax and removing price controls on oil and gas at the wellhead.

About a year ago we asked the public which of six issues they wanted Congress to pay more attention to and which they would favor Congress not spending more time on. Of those six issues, two topped the list, tax reform and development of a national energy policy; 75 percent of the public wanted major congressional attention directed to tax reform, and 80 percent said they would vote for it.

At this point I really can't tell you much about what the public means by tax reform, but within the next couple of months H. & R. Block will be publicly releasing a major survey we have conducted on their behalf. It's on the public's views on what is right and wrong with our income tax system, and this study specifically deals with a number of issues related to tax reforms.

Incidentally, a little over half, 53 percent of the public, feel that President Carter was right in dropping the proposed \$50 income tax rebate, while 34 percent felt he should not have dropped it.

Finally: What do people see as a desirable role of Government regarding the economy and business activities? Here are some areas in which the public says it wants major Federal Government efforts in the economic arena: Slowing down inflation, developing new energy sources and conserving fuel, solving problems caused by ghettos and poverty, establishing more controls to protect consumers on some products and services, particularly in such areas as advertising and consumer goods and the safety of prescription drugs, and overhauling and updating the social security program.

Now, there are some areas where the public does not want the Government involved.

In general you can say the people don't want the Government owning or operating anything; keeping an eye on some business activities, yes, but not carrying out the activities. That is not in the American tradition.

For example, we asked for each of four industries what the best way is in each of those industries to get good quality products or services at reasonable prices. Of a list of them, only 6 to 10 percent of the public wanted a Government-run company to compete with the private companies in those industries, and only 3 to 10 percent would have the Government take over and run the whole industry.

In another survey at the height of the gasoline shortage, two-thirds of Americans rejected the idea of establishing a Government-owned

oil company to compete with private companies, angry as they were at the oil industry. Only 11 percent liked the idea of Government representatives sitting on the oil companies' boards of directors.

We have supporting evidence from other report surveys that most people are really not interested in having Government representatives on company boards of directors.

Thank you very much.

Senator HUMPHREY. Very good. The public is pretty smart.

I hope you get all this information to the appropriate committees of the Congress, Mr. Baxter, before they start voting on some of these matters.

[The prepared statement of Mr. Baxter follows:]

PREPARED STATEMENT OF RICHARD BAXTER

First, few notes on the mood of the country. At the end of last year, Americans felt better, personally, about the year they'd just been through than they had for some time. (See table 1, appended.) And, for 1977, personal expectations before the year began were on the rise. For the first time since we began asking the question in 1973, over half the nation expected this year to be better year for them. Personal optimism was up a full 18 percentage points over the depressed—or at least recessed—year of 1974. (See table 2.)

And, 1977 was thought by the public to be a year of great hope for the Nation, as well as for personal expectations. Optimism was up 9 points from the year before, and showed a dramatic mood change since the pessimistic years of 1973 and 1974. (See table 3.)

After this auspicious look ahead by the public at the year we're now in, what has happened?

In a burst of newly gained national confidence, by February four in 10 Americans believed that things in this country were generally going in the right direction. This was over twice as many feeling that optimistic as was true during the past 3 years. (See table 4.)

Although a somewhat larger group of over four in 10 retained the conviction that things have pretty seriously gotten off on the wrong track, their numbers had shrunk drastically from the seven in 10 who expressed national discouragement in 1973, 1974, and 1975.

This new sense of national direction was felt by most subgroups in the population. Although public response to the new Democratic President and his Administration was certainly an important factor in the shift, Republicans (41 percent of them) as well as Democrats (42 percent) felt a new sense of national purpose.

By the end of March, the public's optimistic mood extended to the marketplace. More Americans said that "now" is a good time to buy the things they want and need at any time since the measurements began in November 1973. (See table 5.)

The latest issue of Roper Reports continues to show the optimistic economic mood of the country. The trend measurement on what things people have done in the last month contains ten items that are reflective of consumer spending. Eight of the ten show increases in consumer spending since a year ago, two are unchanged, none show declines. Moreover, the percentages who have deposited money in a checking account or in a savings account, or who have withdrawn money from a savings account—all indications of economic activity—are up from a year ago. (See table 6.)

As of March, 24 percent of households had had some kind of employment cut-back in the last six months, down from 32 percent a year ago, and down from 38 percent two years ago. We're talking about things like someone in the family losing his or her job, temporary layoffs, pay cuts, reductions in overtime. This drop from 38 percent to 32 percent to 24 percent reporting a reduction in employment means that the households suffering job blows has shrunk by one-quarter since last year, and by over a third from two years ago, a significant economic shift. (See table 7.)

In another evidence of restoration of faith, 70 percent now call our political system basically sound. This contrasts with only 50 percent willing to bet on our political system three years ago, though the consensus is that it needs some improvement. (See table 8.)

Confidence in the nation's political leaders has risen sharply since 1975. Although only a little over half the electorate voted last fall for the man who is now President, those expressing "great" or "fair" confidence in the nation's political leaders is an impressive 77 percent today—up a dramatic 26 percent from 1975. (See table 9.)

Nearly two-thirds of the public think that our system of business and industry is essentially sound, and confidence in the system has risen 3 points since 1974. (See table 8.)

Confidence in business leaders has also risen a noticeable 10 points. Two years ago 62 percent expressed "great" or "fair" confidence in the ability of business leaders to make real contributions to our society. Currently 72 percent have a positive sense of their capacity for making a social contribution. (See table 9.)

However, it is not all up. Confidence in our system of organized labor has dropped. This year only 39 percent call that system basically sound (with room for improvement), contrasted with 52 percent expressing confidence in organized labor in 1974. (See table 8.)

Labor leaders, the low men on the leadership pole two years ago, have slipped even further. Just under half the public have some degree of confidence in labor leaders' ability to make a social contribution; just over half lack that confidence in them. (See table 9.) But, all in all, Americans are feeling better about our institutions than they were in recent years.

While things are better, what are the public's concerns?

Earlier this year we asked a national sample to assess the relative importance of various personal problems, and national issues. Respondents were given a list of eleven problems—some of them personal, some social. We asked them to tell us which were of real concern to them, or something of a concern, or something they're not concerned about. Overall, personal concerns strongly overshadowed national social issues. However, the top concern was with crime and lawlessness, a social issue that, for many, has very personal implications regarding the safety of the streets on which they live: 73 percent named it. (See table 10.)

The second concern—cited by 69 percent—was with one's children's future, a very personal concern which also implies questions about the future of the society in which they will live.

Nearly two-thirds of the public called the health of other family members a major concern. Another major worry is economic: 6 in 10 call the amount of money they have to live on a real concern.

This raises the broader question of which is people's larger fear as a national problem—inflation or unemployment. We asked the public to choose between two different remedies for the country's economic problems. Was the recession caused by inflation and excessive government spending, and is the solution to cut government spending and check inflation? Or are our economic problems due to high unemployment and lack of purchasing power, and should government spending be increased to stimulate the economy? With this either-or-choice, there is a clear public preference: for fighting inflation with government economy. 53 percent would concentrate on stemming inflation; only 31 percent would increase spending to stimulate the economy. (See table 11.)

At the close of each year for the last four years we have asked people whether they think we, as a country, are spending too much money, too little, or about the right amount on each of 12 national problems or programs.

On most problems facing the nation, the public expresses various degrees of discontent with funds now being spent. But most of the time, despite the public's desire for government economy, the criticism is that not enough money is being expended. (See table 12.)

The two areas of greatest concern are halting the rising crime rate and increasing the nation's energy supply, both up from 1976. Majorities also want more funds spent on dealing with drug addiction, bettering the nation's health, and improving the environment. Large minorities also think more should be spent on improving the nation's education system, improving public transportation, and solving big city problems.

Strongest resentment continues to be expressed about spending for foreign aid, although fewer want cutbacks in this area than last year. The second spending bugaboo is welfare, which has picked up some critics in the last year. And although fewer this year would cut the space budget, it remains the third major candidate for cutback.

The one shift in public sentiment which goes against the current of general attitudes on spending is the rise in protest against welfare spending levels.

Let's look at the energy issue—which had the second highest priority of 12, in the public's view (next to crime).

Going back to October, 1973, as the gasoline shortage approached, people saw the shortage as contrived rather than real by better than a four to one ratio. Anticipating some things that might be done to relieve the energy shortage, we asked at that time about a whole list of energy-increasing or energy-conserving measures—many of which later found their way into President Carter's recent energy message.

Between late 1973 and early 1977 there was some increase in both the percentages who felt we faced a real energy problem, and in the acceptance of these and other energy coping measures. Nevertheless, sentiment as of early this year was that the energy shortage is a phony. Accordingly, most energy conserving or increasing measures were opposed. (See table 13.)

All that has changed since President Carter's energy address. For the first time more people believe that the energy shortage is "very real" and "will get worse" than believe it is "contrived". Moreover, the same three energy coping measures that trailed the list in late 1973, are now widely approved since Carter proposed them. The gas guzzler tax, rejected three to one in 1973, is now approved 47-39—by the public, if not the House Ways and Means Committee. The appliance efficiency tax, rejected six to one then, is now approved by 51-35. Peak hour/off hour electricity metering, rejected better than six to one, is now approved by better than two to one. (See table 14.)

In fact, all of the President's major proposals are more approved than disapproved, except for his standby 5 cents a gallon gasoline tax and removing price controls on oil and gas at the wellhead.

About a year ago we asked the public for each of six issues whether the issue was something they wanted the Congress to give major attention to, or that there were other things more important for Congress to attend to. Of those six issues, two topped the list, both in desire for major attention and in people wanting their Senator or Congressman to vote for it—tax reform and development of a national energy policy; 75 percent of the public wanted major Congressional attention to tax reform, and 80 percent said they'd vote for it. (See table 15.)

At this point I can't tell you much about what the public means by "tax reform," but within the next couple of months H&R Block will be publicly releasing a major survey we have conducted on their behalf. It is on the public's views as to what's right and wrong with our income tax system. This study specifically deals with a number of issues related to tax reform.

Incidentally, a little over half (53 percent) of the public feel that President Carter was right in dropping the proposed \$50 income tax rebate, while 34 percent felt he should not have dropped it. (See table 16.)

Finally, what do people see as a desirable role of government regarding the economy and business activities? Here are areas in which the public wants major Federal Government efforts in the economic arena: slowing down inflation, developing new energy sources and conserving fuel, solving problems caused by ghettos and poverty, establishing more controls to protect consumers on products and services (particularly in such areas as advertising of consumer goods and the safety of prescription drugs), and overhauling and updating the Social Security Programs. (See tables 17, 18, and 19.)

While Americans believe in the soundness of our government system and our Government has enjoyed an increase in confidence (both in Congress' performance and in government leadership), there are some areas where the public does not want the Government involved. In general, you can say that people don't want the Government owning or operating anything. Keeping an eye on some business activities, yes, but not carrying out the activities. That's not in the American tradition. For example, we asked for each of four industries—what the best way is to get good quality products or services at reasonable prices. Only 6 percent to 10 percent of the public wanted a government-run company to compete with the private companies in those industries. Only 3 percent to 10 percent would have the government take over and run the whole industry. (See table 20.)

In another survey, at the height of the gasoline shortage, two-thirds of Americans rejected the idea of establishing a government-owned oil company to compete with private companies, angry as they were at the oil industry. Only 11 percent liked the idea of government representatives sitting on the oil companies' boards of directors. (See table 21.) And we have supporting evidence from other ROPER REPORTS surveys that most people are not interested in having government representatives on company boards of directors.

TABLE 1

Q. 1976 is drawing to a close. What kind of year has it been for you—very good, fairly good, not so good, or not at all good?

[In percent]

	December 1976	December 1975	December 1974	December 1973	October 1971 TRO ¹
Very good.....	27	24	20	22	24
Fairly good.....	51	55	54	58	55
Not so good.....	13	12	16	12	14
Not at all good.....	8	10	9	7	6
Don't know.....	1	1		1	1

¹ From studies sponsored by the Roper Organization prior to Roper Reports.

TABLE 2

Q. Do you expect 1977 to be a better year for you than 1976, about the same, or not as good as 1976?

[In percent]

	December 1976	December 1975	December 1974	December 1973	October 1971 TRO ¹
Better.....	52	47	34	35	46
About the same.....	37	41	39	36	41
Not as good.....	6	6	23	24	7
Don't know.....	5	6	5	5	6

¹ From studies sponsored by the Roper Organization prior to Roper Reports.

TABLE 3

Q. Now, at the start of this interview I asked you what 1977 looks like to you in personal terms. Thinking about the country as a whole, what kind of year do you think 1977 will be for the nation—better than 1976, about the same, or not as good as 1976?

[In percent]

	December—				October 1971 TRO
	1976	1975	1974	1973	
Better.....	47	38	16	12	38
About the same.....	40	40	27	23	41
Not as good.....	10	17	51	62	12
Don't know.....	4	5	5	3	9

¹ From studies sponsored by the Roper Organization prior to Roper Reports.

TABLE 4

Q. Do you feel things in this country are generally going in the right direction today, or do you feel that things have pretty seriously gotten off on the wrong track?

[In percent]

	February 1977	October—		
		1975	1974	1973
Right direction.....	41	19	15	16
Wrong track.....	44	71	75	74
Don't know.....	14	9	11	10

TABLE 5

Q. Considering both the availability and cost of things today, as well as your present financial circumstances, do you think now is a good time to buy things you want and need, or a good time to wait, or is it someplace in between?

[In percent]

	March 1977	1976		April 1975	February 1974
		November	March		
Now is a good time to buy.....	36	30	29	24	26
Now is a good time to wait.....	30	32	32	44	50
Someplace in between.....	31	34	36	28	21
Don't know.....	4	4	3	3	3

TABLE 6

Q. Now here is a list of a number of different things. (Card shown respondent.) Would you read down that list and call off each one you personally have done in the last month?

[In percent]

	May 1977	1976		
		November	May	June 1975
(a) Deposited money in a checking account.....	70	67	65	67
(f) Bought clothes for yourself.....	58	52	51	58
(b) Deposited money in a savings account.....	50	46	47	48
(k) Had car serviced or repaired.....	45	39	34	41
(g) Bought clothes for a child or teenager.....	44	40	36	42
(i) Been to a doctor.....	37	33	37	39
(c) Withdrawn money from a savings account.....	32	27	26	30
(p) Bought a paperback book.....	31	28	25	27
(j) Been to a dentist.....	20	18	19	24
(r) Bought a popular record.....	18	16	15	17
(q) Bought a hard cover book.....	15	16	12	14
(e) Stayed at a motel or hotel.....	15	13	12	16
(h) Been sick in bed so that you couldn't work.....	12	11	13	12
(n) Had repairs made on a home appliance (washer, dryer, refrigerator, etc.).....	9	9	7	9
(m) Had TV set repaired.....	8	8	8	9
(l) Taken empty cans or bottles to a recycling center.....	8	7	6	8
(i) Had minor car damage (scraped fender, dented bumper, etc.).....	7	6	5	9
(s) Bought a classical record.....	5	5	4	6
(d) Rented a car (pleasure or business).....	2	2	2	2
None.....	5	7	6	5
Don't know.....	1	1	1	1

TABLE 7

Q. There is much talk about how jobs are being affected by the current state of the economy. Have any of these things happened to anyone in your household in the last six months? (Card shown respondent)

[In percent]

	March 1977	March 1976	February 1975
(b) Been laid off from work temporarily.....	8	10	13
(c) Had overtime cut down or cut out.....	8	10	11
(a) Lost his/her job.....	7	10	9
(d) Been put on a reduced work week (less than 5 normal length work days per week).....	3	4	7
(g) If self-employed, gotten fewer contracts or work assignments.....	3	4	6
(f) Had a pay cut.....	2	4	3
(e) Been retired earlier than expected.....	2	2	1
None.....	72	67	61
Don't know.....	4	1	1

TABLE 8

Q. Now I'd like to ask you about four specific aspects of American life. Our political system, our system of administering justice, our system of business and industry, and our system of organized labor. First, our *political* system. Which of these descriptions do you feel best applies to our political system? (Card shown respondent)

Q. Which of the descriptions on the card do you feel best applies to our system of administering justice?

Q. Which of those descriptions do you feel best applies to our system of business and industry?

Q. And, which of those descriptions do you feel best applies to our system of organized labor?

(In percent)

	Political system		System of justice		System of business and industry		System of organized labor	
	February 1977	June 1974	February 1977	June 1974	February 1977	June 1974	February 1977	June 1974
(a) Basically sound and essentially good.....	13	8	7	9	18	16	9	11
(b) Basically sound but needs some improvement.....	57	42	39	41	47	46	30	41
(c) Not too sound, needs many improvements.....	20	28	36	31	20	22	32	25
(d) Basically unsound, needs fundamental overhauling.....	7	19	16	14	9	9	19	14
Don't know.....	3	3	3	4	7	7	10	9

TABLE 9

Q. So far as their ability to make real contributions to our society is concerned, would you say you have a great deal of confidence in this nation's political leaders, a fair amount of confidence, or not much confidence in them?

Q. How about our business leaders—do you have a great deal of confidence in their ability to make real contributions to our society, a fair amount of confidence, or not much confidence in them?

Q. And how about our leaders in the field of labor?

(In percent)

	Political leaders, February—		Business leaders, February—		Labor leaders, February—	
	1977	1975	1977	1975	1977	1975
Great confidence.....	18	6	14	10	6	7
Fair confidence.....	59	45	58	52	42	43
Not much confidence.....	19	45	23	32	42	42
Don't know.....	3	3	5	5	10	8

TABLE 10 (JANUARY 1977)

Q. Turning now to another subject. No matter how good a person's life happens to be, everyone has problems from time to time, or things they are concerned about. Here are some things people have told us they are concerned about. (Card shown respondent) Would you read that list and then tell me for each one whether that happens to be a real concern of yours, or something of a concern, or something you're not concerned about? First "a". (Asked by letter only.)

[In percent]

	A real concern	Something of a concern	Not concerned about	Don't know
(e) Crime and lawlessness.....	73	23	3	-----
(h) Your children's future.....	69	19	10	-----
(d) The health of others in your family.....	64	24	10	-----
(a) The amount of money you have to live on.....	60	28	11	-----
(c) Your own health.....	55	26	18	1
(f) How well you and your children get along.....	54	21	25	1
(b) The way the courts are run.....	51	34	12	2
(g) How well you and your spouse get along.....	51	19	28	-----
(i) Getting into another war.....	51	29	18	1
(j) How well you are doing in your job or career.....	51	27	22	-----
(k) How interesting your own life is.....	42	31	25	1

Note: Items (f), (g), (h), and (j) have been repercentaged on the base of those to whom the issues apply—have children, are married, are employed.

Q. Do you happen to have any children or not?

Note: This question was used to verify the base for items "f" and "h" in the above question.

TABLE 11 (FEBRUARY 1977)

Q. We have been through a bad economic period in this country and we are still not out of it. Some people say inflation and excessive government spending were the causes of our recession, and that the only way to really cure our economic problems is to cut government spending and check inflation. Others say that our economic problems are due to high unemployment and lack of purchasing power, and that we must increase government spending to stimulate the economy. How do you feel—do you think the emphasis should be on economy and stemming inflation, or on spending and stimulating the economy?

	Percent
Economy and stemming inflation.....	53
Spending and stimulating economy.....	31
Don't know.....	16

TABLE 12

Q. Turning now to the business of the country—we are faced with many problems in this country, none of which can be solved easily or inexpensively. I'm going to name some of these problems, and for each one I'd like you to tell me whether you think we're spending too much money on it, too little money, or about the right amount. First, the space exploration program—are we spending too much, too little, or about the right amount on the space exploration program?

[In percent]

	December 1976				Answered "too much"			Oct. 1971 TRO ¹
	Too much	Too little	About right	Don't know	December			
					1975	1974	1973	
(i) Foreign aid.....	67	3	20	9	75	73	76	79
(j) Welfare.....	59	13	21	7	53	49	48	52
(a) The space exploration program.....	46	11	33	9	55	56	66	66
(h) The military, armaments and defense.....	22	22	44	12	27	32	32	34
(d) Solving the problems of the big cities.....	18	40	24	17	20	10	10	10
(b) Improving and protecting the environment.....	12	50	31	7	13	11	15	5
(g) Improving the nation's education system.....	10	48	35	7	8	8	9	9
(k) Improving public transportation.....	10	42	36	13	8	7	7	(1)
(c) Improving and protecting the nation's health.....	7	55	31	6	6	5	5	4
(f) Dealing with drug addiction.....	7	57	26	9	9	7	5	4
(l) Increasing the nation's energy supply.....	7	59	22	12	7	7	4	(1)
(e) Halting the rising crime rate.....	5	71	18	6	7	5	5	4

¹ From studies sponsored by the Roper Organization prior to Roper Reports.

TABLE 13

Q. Here is a list of statements about the gasoline and oil shortage. (Card shown respondent) Which one of those statements comes closest to expressing your opinion?

[In percent]

	May 1977	November 1976	June 1975	May 1974
(a) There is a very real oil shortage and the problem will get worse during the next 5 to 10 yrs.....	40	26	26	21
(b) There is a real oil shortage but it will be solved in the next year or 2.....	15	11	11	12
(c) There was a short term problem, but it has been largely solved and there is no real problem any longer.....	6	8	7	8
(d) There never was any real oil shortage—it was contrived for economic and political reasons.....	33	46	47	53
None.....	1	2	2	2
Don't know.....	5	8	7	4

TABLE 14 (MAY 1977)

Q. The plan calls mostly for steps to conserve energy in the immediate future, since President Carter has said energy conservation can be more quickly achieved than development of new energy sources. We'd like to ask you about the specific steps Carter has proposed. Here are the major steps he has proposed (Card shown respondent). Would you tell me for each one whether you think it is something that should be done, or something that should not be done? First, give the President authority to gradually raise the Federal tax on a gallon of gasoline by 5 cents a year if Americans don't voluntarily cut back on their driving?

[In percent]

	Should be done	Should not be done	Have mixed feelings about (vol.)	Don't know
Energy taxes:				
(c) Place a similar set of taxes on brands and types of major household appliances that fail to meet government efficiency standards, with rebates or reductions for very efficient models.	51	35	8	6
(b) Over time, place increasing taxes on models of automobiles according to their efficiency in use of gasoline, so as to lower the cost of models that are very efficient, and substantially increase the cost of those that are least efficient.	47	39	10	5
(a) Give the President authority to gradually raise the Federal tax on a gallon of gasoline by 5¢ a year if Americans don't voluntarily cut back on their driving.	34	52	10	4
Higher prices:				
(e) Order utility companies to change their rate structure over the next 2 yr to cut out discounts to heavier users.	63	22	7	8
(d) Gradually raise ceilings on prices of crude fuel supplies (gas, oil, etc.) to get prices closer to the cost of replacing supplies.	32	46	12	11
Efficiency incentives:				
(f) Offer tax deductions to homeowners and businessmen who add insulation, install better heating systems, or put in solar power.	76	13	6	4
(g) Require utilities to offer customers an insulation plan that they can pay for over time on a monthly basis with their utility bills.	70	18	6	6
(h) Require utility companies to establish higher peak hour rates and lower off-hour rates so that people will use less energy during peak hours.	57	26	9	7
New energy sources:				
(i) Streamline the licensing and review procedures so that a nuclear powerplant can be approved and built in 3 to 4 yr instead of 10 to 12 yr.	56	21	11	13
(l) Order large industrial and utility plants to convert from oil and gas to coal as a source of power.	55	22	13	10

TABLE 15 (MARCH 1976)

Q. Here are some things people have said Congress should be working on. (Card shown respondent.) Obviously, one Congressman or one Senator can give major attention to only a limited number of problems. I'd like you to tell me for each of those things whether it is something you'd like to see your Congressman or Senator give major attention to, or whether you would rather have him devote his attention to more important things. First, the development of a national energy policy.

Q. Regardless of how much time he devotes to it, would you like to see him vote for or against the development of a national energy policy?

[In percent]

	Give major attention to	Rather he gave attention to more important things	Don't know	Want him to vote—		
				For	Against	Don't know
(e) Tax reform	75	14	11	80	5	15
(a) The development of a national energy policy	74	18	8	81	4	15
(d) A program to provide national health insurance for everyone	58	32	9	64	21	15
(f) Stricter regulations on the way dangerous chemicals can be transported from one place in the country to another	57	33	11	73	10	17
(b) A program to hire the unemployed in government jobs	51	40	9	58	28	15
(c) Stricter labeling regulations for food products	50	42	7	72	13	15

TABLE 16 (MAY 1977)

Q. President Carter had talked about a plan whereby most taxpayers would get a \$50 rebate for themselves and each other person they claimed as a dependent. The argument for the rebate was that it would stimulate the economy. The argument against it was that it would increase inflation.

In early April President Carter announced he was not going through with the \$50 rebate plan. Do you think he made the right decision, or the wrong decision when he abandoned the plan?

	Percent
Right decision	53
Wrong decision	34
Don't know	13

TABLE 17

Q. There are many problems facing our nation today. But at certain times some things are more important than others, and need more attention from our Federal Government than others. (Card shown respondent) I'd like to know for each of the things on this list whether you think it is something the government should be making a *major* effort on now, or something the government should be making some effort on now, or something not needing any particular government effort now. First, trying to slow down inflation in our economy.

[In percent]

	June 1976					
					Major effort	
	Major effort	Some effort	Needs no particular effort now	Don't know	June 1975	June 1974
(a) Trying to slow down inflation in our economy.....	83	13	2	2	83	83
(i) Trying to solve the problems of crime and drugs.....	83	12	3	2	82	(1)
(j) Trying to develop new energy sources and find better ways to conserve fuel.....	77	17	2	3	81	(1)
(d) Trying to seek agreements with other nations to limit nuclear weapons.....	62	26	7	5	58	56
(h) Trying to solve the problems caused by ghettos, race, and poverty.....	60	29	8	3	59	60
(f) Trying to establish more controls to protect consumers on the products and services they buy.....	59	30	7	3	62	58
(e) Seeking ways to protect the privacy of individuals in our society.....	56	31	9	4	56	54
(g) Trying to establish more controls on the way products and services can be advertised.....	41	39	16	5	43	38
(c) Trying to improve relations between the United States and Russia.....	37	45	13	6	38	33
(b) Trying to help negotiate a peace settlement between Israel and the Arab nations.....	30	41	21	9	35	36

1 Not asked.

TABLE 18

Q. Now I'm going to name some things, and for each one would you tell me whether you think there is too much government regulation of it now, or not enough government regulation now, or about the right amount of government regulation now? First, automobile safety.

[In percent]

	February 1977				February	
	Too much	Not enough	About right	Don't know	1975, not enough	1974, not enough
(b) Manufacture and sale of barbiturates.....	7	62	21	10	58	63
(c) The honesty and accuracy of claims that are made by advertisers.....	6	60	26	8	60	60
(e) The safety of prescription drugs.....	5	48	39	8	42	44
(f) The price of oil and gas.....	24	47	21	9	(1)	(1)
(d) The interest rates banks can charge for loans, mortgages, etc.....	17	31	38	14	37	34
(a) Automobile safety.....	23	26	45	6	23	31

1 Not asked.

Note: Items are ranked according to "not enough" regulation.

TABLE 19 (NOVEMBER 1976)

Q: Here are some different things being talked about in our country today. (Card shown respondent) Would you tell me for each one whether you think the Federal Government already has a plan for it, or is working on a plan for it, or has done nothing about it. First, a plan to provide national health insurance for all citizens.

Q: Now would you tell me for each of those things whether you think such a plan by the Federal Government is needed or not? First, a plan to provide national health insurance for all citizens.

[In percent].

	Government—				Plan is—			
	Has plan	Working on plan	Done nothing	Don't know	Needed	Not needed	Don't like idea (vol.)	Don't know
(d) A plan to switch over from feet, inches, and pounds to the metric system.....	32	45	5	18	33	35	20	1
(b) A plan to conserve present energy sources and develop new energy sources so we will not be dependent on foreign countries for energy.....	15	55	16	14	90	2	-----	7
(a) A plan to provide national health insurance for all citizens.....	12	49	22	18	70	15	5	9
(c) A plan to overhaul and update the social security program.....	12	41	25	22	85	4	1	10

Note: Items are ranked according to "has plan."

TABLE 20

Q: Here is a card listing 4 different views as to the best way for people to get good quality products at reasonable prices from various large industries in this country. (Card shown respondent.) Which one would you agree with for the steel industry?

Q: With which would you agree for the automobile industry?

Q: With which for the oil industry?

Q: And with which for the chemical industry?

[In percent].

	Steel industry			Automobile industry			Oil industry			Chemical industry		
	1975			1975			1975			1975		
	Dec. 1976	Dec.	May	Dec. 1976	Dec.	May	Dec. 1976	Dec.	May	Dec. 1976	Dec.	May
The best way to get good quality products or services at reasonable prices would be:												
(a) Break up the large companies into smaller ones.....	29	31	28	22	26	22	32	37	30	20	21	17
(b) Have a government-run company to compete with the private companies.....	6	5	6	6	7	7	10	10	10	6	5	6
(c) Have the government take over and run the whole industry.....	4	3	4	3	3	5	10	12	11	6	5	6
(d) Keep the present system as it is.....	44	47	42	54	52	48	33	27	27	46	48	39
Don't know.....	17	13	21	15	12	19	16	15	22	23	20	32

TABLE 21 (FEBRUARY 1974)

Q. Which of these things, if any, do you think should be required by law of oil companies? (Card shown respondent)

	<i>Percent</i>
(a) There should be Government representatives on the boards of directors of each company-----	11
(b) Oil companies should be required to conform to Federal standards on prices and profits-----	37
(c) They should be required to get U.S. Government approval on major contracts they make with foreign countries-----	28
(d) There should be consumer representatives on the boards of directors of each company-----	38
Don't know-----	15

Q. Another suggestion that has been made is that the government should set up and operate a government owned oil company that would operate in competition with the private oil companies. Do you think this is a good idea or not such a good idea?

	<i>Percent</i>
Good idea-----	23
Not good idea-----	64
Don't know-----	13

Senator HUMPHREY. All right, Mr. Harris, we will hear from you.

STATEMENT OF LOUIS HARRIS, PRESIDENT, LOUIS HARRIS & ASSOCIATES, INC., NEW YORK

Mr. HARRIS. Let me say it is a distinct pleasure to come before your subcommittee at a time when, for the first time in 10 years, I can report some rising confidence among the public in both the executive and legislative branches of the Federal Government.

Senator HUMPHREY. Would you repeat that.

Mr. HARRIS. It is the first time since we started to measure this in 1966 that we have had a rise and not a decline in confidence in both the legislative and executive branches of Government. The Congress has gone up from 9 percent who felt they had a great deal of confidence in the people running Congress in 1976 to 18 percent this year. There are some lower; oil companies and those running the advertising companies are usually lower than Congress, if you want some consolation.

Comparable confidence in the people running the executive branch has risen from 11 percent to 32 percent. Thus, with the Democrats controlling both the legislative and executive branches of the Federal Establishment for the first time in 8 years, there are rising hopes out there in the Nation, based on two studies of a 1,500 national cross section of persons interviewed, both taken in the month of June, the last finished on June 14. So it's very fresh data.

I have to tell you some of the latest facts about the public's view of the economy I am afraid you won't find encouraging.

One basic fact is that, despite the pronouncements of economists that this country has been on the road to economic recovery for nearly 2 years now, despite the glowing and continuing rise of leading economic indicators, a 56-33 percent majority of the people of this country remain unconvinced. That majority believes the country is still in the throes of a recession. To be sure, a year ago this month, a

higher 68-23 percent majority thought we were in a recession, and a year earlier, a staggering 85-10 percent majority felt we were.

But, make no mistake about it, to a majority of the American people, times are still hard and troubled. They are still having a perfectly dreadful time making ends meet, and are deeply worried. We have to go back all the way to February of 1972 to find a time when a 51-33 percent majority felt we were not in a recession. They have felt that this recession has been of long duration and it doesn't let up easily. Since early 1975, people have been convinced by sizable majorities that our economic state is that of a recession.

And in the past few months, pessimism about the future of the economy has begun to take hold again. Back in April, there were the first signs of real optimism. By a narrow 37-34 percent, a small plurality felt that a year from then the country would not be in a recession. That was the first time since 1972 that more people expected a recovery instead of a recession ahead. But, last month, expectations sagged again to the point where by 45-34 percent a plurality once again expected a recession 12 months from then. And our latest June survey, which has not been published, shows a discouraging 45-36 percent plurality who feel a year from now we will have a recession.

The reasons for this pessimism are not hard to find. The American people are once again deeply worried about a return of high levels of inflation. By 81-18 percent, most people feel that prices today are rising as fast or faster than they were a year ago. This has been the case since last February when the latest anguish over high prices took hold again.

I might add yesterday's 0.6 of 1 percent rise in 1 month, the last month, in the consumer price index, might be taken as a slight diminution of the amount, but it comes to a projected 7.2 percent rise in the cost of living, which the American people feel is just too much.

A year ago, a much lower 55-43 percent majority thought prices were rising as fast or faster than a year previously. The number who think prices are rising even faster has jumped from 31 to 56 percent just in this past year alone. And in the next 12 months, a sizable 64-26 percent majority believes prices will be going up again at the same rate they have for the past 5 or 6 months of this year.

So there is nothing but rank pessimism about the plight of the recession people feel they are caught in.

People are frightened by the specter of inflation, Mr. Chairman, make no mistake about that.

I know you and a lot of Democrats have wanted to give a priority to fighting inflation.

By contrast, there has been a rather sharp decline in apprehensions about unemployment. While 29 percent just this month estimated that joblessness in their own community was increasing, while 23 percent said it was going down, and 41 percent remaining the same, only last February a much higher 46 percent said unemployment was on the increase and no more than 11 percent felt it was going down.

So, unemployment awareness has declined dramatically in the past 6 months. So have expectations about unemployment in the next 12 months. While 21 percent think it will increase, a higher 25 percent

believe it will decrease, and 41 percent it will stay the same. Back in early 1975, 43 percent thought joblessness would go up and only 16 percent thought it would go down. On balance, the public is cautiously optimistic that some of the downward trends in the official unemployment statistics are reflective of more to come.

Indeed, if the public had to sum up what it feels the current economic situation is like, most would say that we seem to be poised on the brink of another and more classic period of relatively good employment, but with spiraling inflation that could well sap whatever benefits might be gained from rising income.

It's not like double-digit unemployment and double-digit inflation; it's like the one before it, back in 1973; and we have had this through the 1970's, high prices, relatively higher employment, but with prices sapping what gains might be made.

And people have not changed their views over the past 6 years on one fundamental lesson they feel they have learned from living with their economic troubles over that period of time. It is this: You can't beat inflation by yourself. When you try, you end up getting a pay increase and more money in your pockets one day and then having your pocket picked the next at the supermarket or nearly everywhere else you might go to pay your bills.

Thus, when we have asked people if they would rather have a pay increase greater than the rise in the cost of living, but with no assurances that inflation would be brought under control, on the one hand, or a pay increase less than the rise in the cost of living, but with some assurance inflation would be brought under control, on the other, by 71-12 percent, the American people have come down on the side of opting for lower pay increases.

The immediate, near-term impact of this deep worry over inflation has been to discourage people from wanting to rush out to the marketplace to buy new products around Christmas time of this year.

In our business we kind of live ahead of where we are, and we ask people about what they think they are going to do in the next 6 months, and we find it's a pretty good predictor over, say, the next 2 to 4 months.

Let me cite you a few numbers of this trend, which our firm provides our private clients on an ongoing basis each month of the year. These are June 1977 consumer expectations by product type in expectations to purchase compared with June 1976. In the case of automobiles, the trend is flat; 10 percent thought they would buy a year ago and the same 10 percent today.

On travel by auto, the trend is down from 47 to 45 percent; on vacation by air, the trend is down from 22 to 16 percent; on vacation to Europe, down from 4 to 2 percent; on new home purchases, down from 8 to 7 percent; on new furniture, down from 29 to 25 percent; on major appliances, down from 19 to 16 percent; on small appliances, down from 28 to 24 percent; on new clothing, down from 84 to 82 percent; on new credit cards, down from 12 to 9 percent. On the purchase of stocks, down from 13 to 9 percent; on purchase of savings certificates, down from 21 to 15 percent; on purchase of mutual funds, down from 10 to 8 percent.

These estimates have proven to be quite accurate over the 4-year period during which we have been keeping them. We have called the

turn on the revival of demand for automobiles as well as an increase in home purchasing, an upturn in individual stock purchases, among other important developments on the basis of this data. So I would not pass these latest results off lightly, Mr. Chairman. This current recovery, which has depended so much on consumer pull thrust, could be riding into some real trouble in the next 6 months—at least as far as consumer demand side is concerned.

One of the important concerns tending to discourage people from making more purchases is the tendency on the part of the public to worry about rising energy costs. By 67-25 percent, a sizable majority expects the President's energy program, if enacted, to increase their overall cost of living.

Having reported this on energy, however, I must also report that our findings consistently have shown that people take the long-term shortage of energy much more seriously than many in Washington believe they do. For example, an 85-11 percent majority believe the shortage is serious and real, up from only a 67-30 percent majority who felt the same way back in 1974.

And, at the head of the list of culprits for the energy crisis, cited by a high 62 percent of the American people, more than any other single cause is "the wastefulness of most Americans in the use of energy."

These are the people talking about themselves. They willingly admit to wasting energy.

Other major causes are "too much dependence on foreign oil," cited by 56 percent; "oil companies withholding oil and natural gas from the market," 55 percent; "the fact that there is just so much oil and gas in the world and we are using it up too quickly," 54 percent; "the high standard of living in this country," 53 percent; "a reluctance on the part of oil companies to drill for more gas and oil unless prices are raised," 53 percent; "the production of too many gas-guzzling cars," 51 percent; and the "fact that with only 6 percent of the world's population, the United States consumes 32 percent of the world's energy," an even 50 percent.

We finished a major survey for television right after the President's speech and then did another for our private clients which I am prepared to report on in early June, and I hope in the question period to be able to give you some of the results.

The point, however, is that people are deeply worried by the energy shortage, are prepared to take drastic steps to meet that situation, but above all else, want leadership down here in Washington, D.C., which is willing to risk unpopularity to tell the people the tough medicine they have to take to do the job.

They still have a notion that almost no one wants to bite the bullet on this energy business and to tell people they have to sacrifice to make conservation work. Yet, they themselves are far more willing to step up and make the sacrifices, if made equitable, than our national leadership will believe.

Thank you, Mr. Chairman.

Senator HUMPHREY. Thank you very much, Mr. Harris.

Of course, we will come back with questioning, and we will question you on the energy area in particular.

[The prepared statement of Mr. Harris follows:]

PREPARED STATEMENT OF LOUIS HARRIS

Mr. Chairman, let me say it is a distinct pleasure to come back before your committee at a time when, for the first time in 10 years, I can report some rising confidence among the public in both the executive and legislative branches of the Federal Government. The Congress has gone up from 9 percent who felt they had a great deal of confidence in the people running congress in 1976 to 18 percent this year. Comparable confidence in the people running the executive branch has risen from 11 percent to 32 percent. Thus, with the Democrats controlling both the legislative and executive branches of the Federal establishment for the first time in 8 years, there are rising hopes out there in the Nation.

Having reported this optimistic note, however, there are some other recent facts about the public's view of the economy that you will not find encouraging. One basic fact is that despite the pronouncements of economists that this country has been on the road to economic recovery for nearly two years now, despite the glowing and continuing rise of leading economic indicators, a 56-33 percent majority of the people of this country remain unconvinced. That majority believes the country is still in the throes of a recession, to be sure, a year ago this month, a higher 68-23 percent majority thought we were in a recession and a year earlier, a staggering 85-10 percent majority felt we were.

But, make no mistake about it, to a majority of the American people, times are still hard and troubled. They are still having a perfectly dreadful time making ends meet, and are deeply worried. We have to go back all the way to February of 1972 to find a time when a 51-33 percent majority felt we were not in a recession. Since early 1975, people have been convinced by sizable majorities that our economic state is that of a recession.

And in the past few months, pessimism about the future of the economy has begun to take hold again. Back in April, there were the first signs of real optimism. By a narrow 37-34 percent, a small plurality felt that a year from then, the country would not be in a recession. That was the first time since 1972 that more people expected a recovery instead of a recession ahead. But last month, expectations sagged again to the point where by 45-34 percent a plurality once again expected a recession 12 months from then, and our latest June survey, which has not been published, shows a discouraging 45-36 percent plurality who feel a year from now we will have a recession.

The reasons for this pessimism are not hard to find. The American people are once again deeply worried about a return of high levels of inflation. By 81-18 percent, most people feel that prices today are rising as fast or faster than they were a year ago. This has been the case since last February when the latest anguish over high prices took hold again. A year ago, a much lower 55-43 percent majority thought prices were rising as fast or faster than a year previously. The number who think prices are rising even faster has jumped from 31 to 56 percent just in this past year alone. And in the next 12 months, a sizable 64-26 percent majority believes prices will be going up again at the same rate they have for the past five or six months of this year.

People are frightened by the spectre of inflation. Mr. Chairman, make no mistake about that. By contrast, there has been a rather sharp decline in apprehensions about unemployment. While 29 percent just this month estimated that joblessness in their own community was increasing, while 23 percent said it was going down and 41 percent remaining the same, only last February a much higher 46 percent said unemployment was on the increase and no more than 11 percent felt it was going down. So, unemployment awareness has declined dramatically in the past six months. So have expectations about unemployment in the next 12 months. While 21 percent think it will increase, a higher 25 percent believe it will decrease and 41 percent think it will stay the same. Back in early 1975, 43 percent thought joblessness would go up and only 16 percent thought it would go down. On balance, the public is cautiously optimistic that some of the downward trends in the official unemployment statistics are reflective of more to come.

Indeed, if the public had to summarize what it feels the current economic situation is like, most would say that we seem to be poised on the brink of another and more classic period of relatively good employment, but with spiraling inflation that could well sap whatever benefits might be gained from rising income, and people have not changed their views over the past 6 years on one fundamental lesson they feel they have learned from living with their economic troubles over that period of time. It is this: You can't beat inflation by yourself. When you try,

you end up getting a pay increase and more money in your pockets one day and then having your pocket picked the next at the supermarket or nearly everywhere else you might go to pay your bills. Thus, when we have asked people if they would rather have a pay increase greater than the rise in the cost of living, but with no assurances that inflation would be brought under control, on the one hand, or a pay increase less than the rise in the cost of living, on the other, by 71-12 percent, the American people have come down on the side of opting for lower pay increases.

The immediate, near-term impact of this deep worry over inflation has been to discourage people from wanting to rush out to the marketplace to buy new products around Christmas time of this year. Let me cite you a few numbers of this trend, which our firm provides our private clients on an ongoing basis each month of the year. These are June 1977 consumer expectations by product type in expectations to purchase compared with June 1976. In the case of automobiles, the trend is flat; 10 percent thought they would buy a year ago and the same 10 percent today; on travel by auto, the trend is down from 47 to 45 percent; on vacation by air, the trend is down from 22 to 16 percent; on vacations to Europe, down from 4 to 2 percent; on new home purchases, down from 8 to 7 percent; on new furniture, down from 29 to 25 percent; on major appliances, down from 19 to 16 percent; on small appliances, down from 28 to 24 percent; on new clothing, down from 84 to 82 percent; on new credit cards, down from 12 to 9 percent. On the purchase of stocks, down from 13 to 9 percent; on purchase of savings certificates, down from 21 to 15 percent; on purchase of mutual funds, down from 10 to 8 percent.

These estimates have proven to be quite accurate over the four year period during which we have been keeping them. We have called the turn on the revival of demand for automobiles as well as an increase in home purchasing, an upturn in individual stock purchases, among other important developments on the basis of this data. So I would not pass these latest results off lightly, Mr. Chairman. This current recovery, which has depended so much on consumer pull thrust, could be riding into some real trouble in the next six months—at least as far as consumer demand side is concerned.

One of the important concerns tending to discourage people from making more purchases is the tendency on the part of the public to worry about rising energy costs. By 67-25 percent, a sizable majority expects the President's energy program, if enacted, to increase their overall cost of living.

Having reported this on energy, however, I must also report that our findings consistently have shown that people take the long-term shortage of energy much more seriously than many in Washington believe they do. For example, an 85-11 percent majority believe the shortage is serious and real, up from only a 67-30 percent majority who felt the same way back in 1974.

And, at the head of the list of culprits for the energy crisis, cited by a high 62 percent of the American people, more than any other single cause is "the wastefulness of most Americans in the use of energy." Other major causes are "too much dependence on foreign oil," cited by 56 percent; "oil companies withholding oil and natural gas from the market," 55 percent; "the fact that there is just so much oil and gas in the world and we are using it up too quickly," 54 percent; "the high standard of living in this country," 53 percent; "a reluctance on the part of oil companies to drill for more gas and oil unless prices are raised," 53 percent; "the production of too many gas-guzzling cars," 51 percent; and the "fact that with only 6 percent of the world's population, the U.S. consumes 32 percent of the world's energy," an even 50 percent.

I have much, much more to report, Mr. Chairman, on energy and hope I will be given a chance to report it in the question period. The point, however, is that people are deeply worried by the energy shortage, are prepared to take drastic steps to meet that situation, but above all else, want leadership down here in Washington, D.C., which is willing to risk unpopularity to tell the people the tough medicine they have to take to do the job. They still have a notion that almost no one wants to bite the bullet on this energy business, and to tell people they have to sacrifice to make conservation work. Yet, they themselves are far more willing to step up and make the sacrifices, if made equitably, than our national leadership will believe.

Senator HUMPHREY. Mr. White, we welcome you and appreciate your commentary.

**STATEMENT OF ARTHUR H. WHITE, EXECUTIVE VICE PRESIDENT,
YANKELOVICH, SKELLY, AND WHITE, INC., STAMFORD, CONN.**

Mr. WHITE. Thank you, Mr. Chairman.

I will be concentrating on three subjects in this statement: First, the general mood; second, our findings on inflation; and third, on energy.

Let me say this is based upon three sources primarily. First is some work we have done for Time magazine that has been reported in the last month or so, some work for General Mills on the American family that we used in your last report and we have updated this year, and, third, a study we do each year that is similar to some of the things that Mr. Baxter and Mr. Harris have reported for private clients. These are annual, very deep examinations of what the American people, and in our case what the leadership of the country also, think about these problems.

First, on the state of the country, I think in listening to Mr. Baxter and Mr. Harris and looking at our own material there is a consistency. There is no way, I think, to look at what the American people are thinking and what they are telling all of us as we come and talk with them, to deny or fail to recognize they are happier today and more optimistic than they were. In our case the material we have compares 1977 with 1975, when, for example, in this family study for General Mills that we went through in your last report, at that point back in 1975, 83 percent said they thought their family was doing reasonably well but they were worried about the country, and only 18 percent felt the country was doing well.

Now, when we did this a few months ago, in the year 1977, 90 percent felt their own families were doing well, and 60 percent felt the country was doing well, too. That is a remarkable jump, and it's a significant thing that we are all reflecting.

When we asked them about the standard of living compared to 1975, 14 percent felt their standard of living was better than in the previous year, 1974. This year—1977—32 percent felt the standard of living was better than the previous year, 1976.

When we asked them about money, 77 percent tell us they feel they can manage most money problems. That still leaves 21 percent who are really worried about money.

When we look at that 21 percent, as Mr. Harris did in some detail, you find obviously there are many who are still very much concerned about this.

When we asked about optimism with respect to the future, 32 percent are very optimistic, 56 percent more are fairly optimistic, adding up to well over 80 percent who are saying they are optimistic about the country and where we are. All of which is to say that the country, as I say, cannot be considered to be less happy than it was a year or 2 years ago. It's clearly more happy. Not unconcerned, not obviously foolhardy, but happier.

Let us turn to two problems that are the major ones for the economy, and the first is inflation.

We, too, find that on this subject the findings are less clear and less pleasing. We find that inflation is clearly the number one problem, considerably more important than unemployment when that unhappy choice is offered to the American people. The leadership, moreover, is

overwhelmingly concerned about the inflation problem as opposed to the unemployment problem.

I might say the leaders obviously differ, depending on whom you are talking to. The union leaders are more concerned about the unemployment problem than are the financial leaders or the leaders of various interest groups, government leaders, et cetera.

Senator HUMPHREY. They have all got jobs.

Mr. WHITE. That is right.

Now, as to the causes of inflation, though, this is a very difficult thing, I think, to summarize easily and quickly. A majority of the public, we find, places the blame on the combination of energy costs, labor demands, Government spending. Union leaders point to energy costs and even more emphatically to inadequate competition and business profit levels.

In the financial community, on the other hand, 9 out of 10 fault Government spending, and lesser majorities cite energy costs, labor demands, or excess regulation.

So you have all of these factors being perceived by all these groups, the public and the leaders, but they look at them differently, depending on, as you suggest, whether they have a job and what job they happen to hold.

When we asked about solutions, though, and this is what we are trying to get at, for your sake and ours, we find on wage and price controls that they are overwhelmingly rejected by the general public and the leadership, under present circumstances, meaning a level of inflation that is at 7 percent, well below double-digit. When we ask if inflation escalates to the double-digit level, 57 percent of the public and significant majorities of every leadership group, except unions and financial executives, favor such controls.

I think that is significant, because I think that is the operative question, that, obviously, with inflation at more limited levels, there is a feeling we should not have controls.

We don't like controls, but there is a recognition that, if inflation gets up to the double-digit level and gets to levels that we in this country find so intolerable, there is a willingness on the part of the majority in both the public and the leadership, except for the union leaders and the financial executives, to accept such controls.

The elimination of anticompetitive regulation is another suggested solution which the President and the Members of Congress are now addressing. And vigorous antitrust enforcement, reductions in Federal spending, and encouragement of capital formation to allow increases in productive capacity, are solutions suggested by majorities—typically 50 to 60 percent of these leadership groups with whom we talked.

It is noteworthy that jawboning as a solution is supported by fewer than 1 out of 4 leaders, and scaling down of environmental goals by fewer than 1 out of 5.

So it seems to us there is some real discrimination among the leaders and the general public about what they want to see done about the inflation problem, which is the No. 1 problem they are concerned about.

Turning to energy, the energy problem for most Americans as we find it, and I think it sounds the same for all of my colleagues here, is an economic problem. It is the high cost of energy which is the energy problem for the American people. It's a major contributor to

their conclusion that inflation is the country's No. 1 problem. They tie the two together.

As you will recall, they said inflation was No. 1 problem, and energy costs the cause of it, simply stated.

Now, some of the other findings with respect to the energy problem and President Carter's proposals are, and this is terribly important, I think, as Mr. Harris just said: An overwhelming majority of the public accepts President Carter's judgement that we must begin to solve the energy problem now or we will be faced with a national catastrophe in the future.

Eighty-five percent have confidence that President Carter is doing something constructive about it. That is a tremendous majority of the American people to agree on anything.

Fifty-nine percent believe that President Carter's program is fair to people like themselves. This is a jump. This is a very encouraging piece of the puzzle as we see it.

Yet, 58 percent also agree that people are not ready to make the kinds of sacrifices that President Carter is talking about.

Only 23 percent favor increasing taxes on gasoline to discourage people from using too much.

Only 43 percent favor imposing a special tax on the gas guzzling cars.

Sixty-two percent believe that the energy program is giving too little emphasis to public transportation.

Roughly half believe that the program doesn't do enough to encourage production of more oil and gas.

Fifty-five percent believe that 5 to 10 years from now people will still be driving big cars.

Sixty percent believe that 5 to 10 years from now Americans will still be living as well as they are today. In other words, that optimism seems to permeate here a belief that somehow we are going to get through this without the kinds of sacrifices that the President is asking for.

They do believe, though, an overwhelming majority, that utility rates will be doubled in 5 to 10 years and that a gas tax will be instituted in that period.

Now, our conclusion from this is that the public is clearly not yet clear on its thinking on this problem. There is a growing recognition that we have a serious problem and less tendency to shrug it off as a plot by the big oil companies to raise prices. That was a much more prevalent attitude a year ago, and this is one of the things I think the President has achieved along with the efforts by other leaders.

The people are caught up, as we see it, in a confusing kind of double-think. The state of mind we associate with a problem that is only thought through half way. They need a lot more continuous communication on this subject than they have received thus far, even from the President's efforts, in our judgment. Obviously it had a very significant effect, but we would like to see, and would hope to see regular monthly reports, for example. More of that kind of very clear and strong and determined effort to make us face up to what the realities are, reports on progress to date in this area, and answering the many questions that the American people clearly continue to have on this subject.

Thank you.

Senator HUMPHREY. Thank you very much, Mr. White.
[The prepared statement of Mr. White follows:]

STATEMENT OF ARTHUR H. WHITE

Mr. Chairman, I will concentrate on three subjects in my prepared statement: (1) the general mood of the country with particular reference to the economic situation; (2) our findings among the general population and leaders with respect to inflation; and (3) energy.

1. THE STATE OF THE COUNTRY

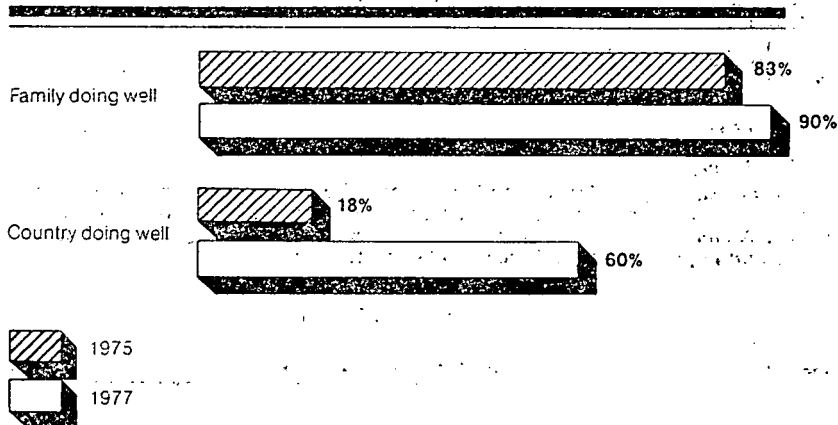
The American family in 1977 is a lot happier and more optimistic than we found them in 1975 when you included our last report for General Mills in your hearings.

The following charts make clear the encouraging change in attitudes of most Americans in this 1975-1977 period.

The state of the country

The present outlook of American families stands in sharp contrast to the mood of pessimism which prevailed just two years ago. According to the results of The General Mills American Family Report 1974-75, only 18 percent of the families reported that they felt things were going well in the country.* Today a sizable majority (60 percent) share this view.

THE STATE OF THE FAMILY VERSUS THE STATE OF THE COUNTRY**
(Chart 1)



NOTE: 3% not sure in 1975

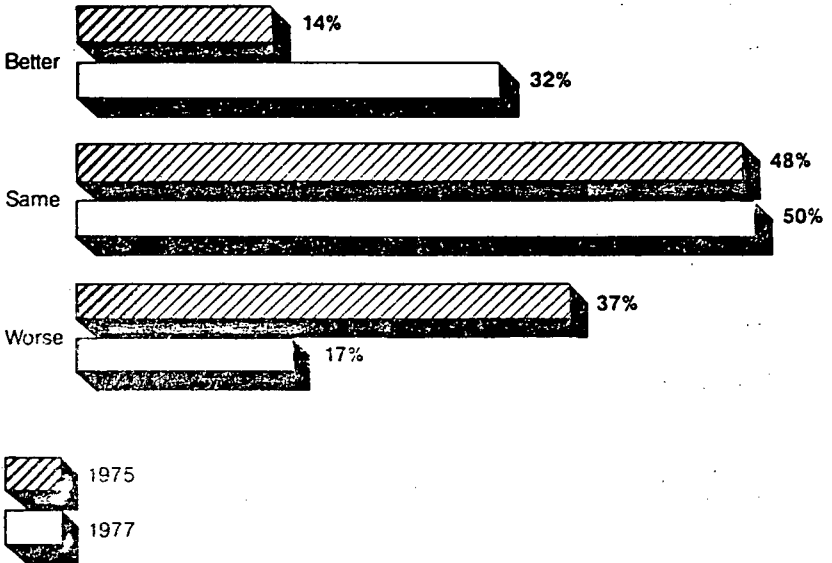
*1974-75 sample included parents with children up to 18 years of age.

**Dates used in all trend tables reflect publication. Interviewing was done at end of previous year.

Standards of living

Underlying the present more ebullient mood of parents is a sense of an improved economy and rising standards of living. In 1974-75, 37 percent of the parents reported that their standards of living were worse than a year ago and only 14 percent said better. Today there is a reversal, with 32 percent feeling that their living standards have improved and 17 percent reporting that they are no longer able to live as well as they did a year ago.

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

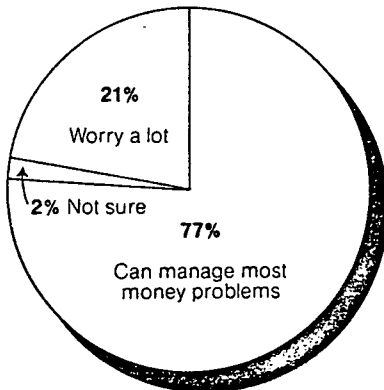


NOTE: 1% not sure

Ability to cope

A large majority of fathers and mothers indicate that they can manage most money problems that face them, but 21 percent say that they worry a lot about money. Among those who worry a lot, 55 percent are earning less than \$12,000 a year and 72 percent have a high school education or less.

CONCERN ABOUT MONEY
(Chart 3)



Satisfaction with family life—1975-77

Parents today are even more satisfied with family life than they were two years ago. There is among them a greater sense of optimism and confidence in their own futures. The large majority continue to feel good about the way the family works together, the amount of time they are spending with their children and the fun and pleasure they are getting from it.

While still sharply critical of the standards and values of society, they expressed less discontent than two years ago.

PARENTS' SATISFACTIONS WITH FAMILY LIFE

(Chart 4)

	1975 %	1977 %
Way they are handling problems in their lives	78	79
Way the family works together	78	80
Amount of time spent with the family	72	73
Amount of fun and enjoyment derived from family life	69	73
Way they are getting ahead, achieving success	54	63
Things they can afford for the children	54	69
Confidence they feel in the future, their sense of security	44	57
Standards and values of society	19	28

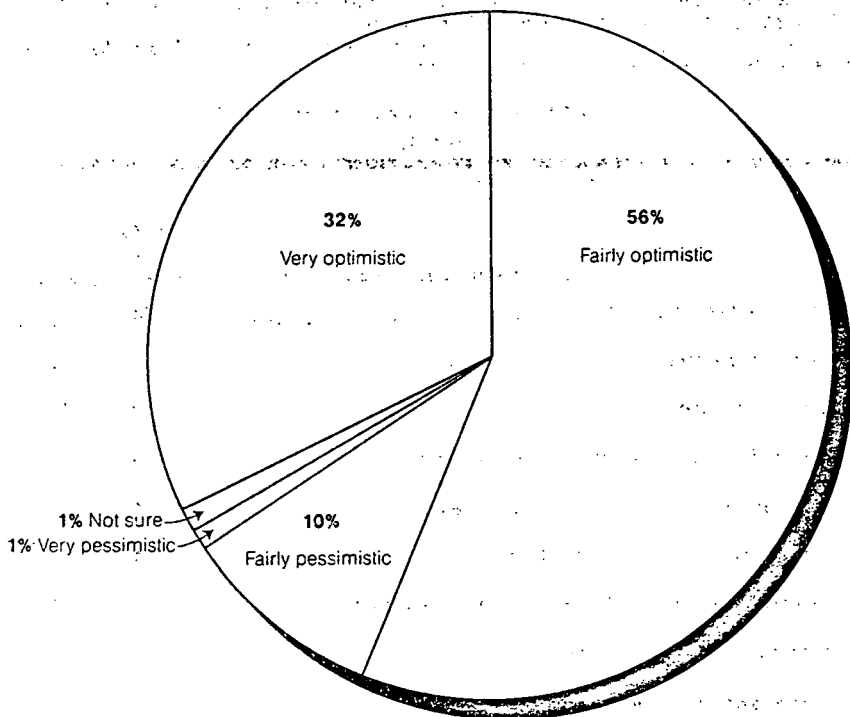
Optimism and the future

In terms of their own personal hopes and goals, almost all of the parents (88 percent) are very or fairly optimistic.

Yet for young parents who, as we will see, place a relatively low premium on money and a high premium on self-fulfillment as personal values, the years of the recession have left their mark. Asked to make a choice, 80 percent said that in thinking about the future, economic security and providing for the family will have to come first; only 19 percent take economic security for granted and are more concerned with doing things that will provide them with a sense of self-fulfillment.

OPTIMISM ABOUT THE FUTURE

(Chart 5)



2. INFLATION

How serious a problem?

When we turn to the subject of inflation, the findings are considerably less clear or pleasing.

We find first that inflation is considered the country's Number 1 problem and that for significant majorities of both the public and the leaders inflation is a more serious problem than is unemployment.

Causes?

But there is little agreement on the causes of inflation.

A majority of the public places the blame on a combination of energy costs, labor demands and government spending.

Union leaders point to energy costs and even more emphatically (almost 9 out of 10 of the union leaders) to inadequate competition and business profit levels.

In the financial community, 9 out of 10 fault government spending, and lesser majorities cite energy costs, labor demands, or excess regulation.

Solutions

Wage and price controls are overwhelmingly rejected by the general public and leaders under present circumstances.

However, if inflation escalates to double digit levels, 57 percent of the public and significant majorities of every leadership group except unions and financial executives favor such controls.

Elimination of anti-competitive regulation, vigorous anti-trust enforcement, reductions in federal spending, and encouragement of capital formation (to allow increases in productive capacity) are solutions suggested by a majority (typically 50-60 percent) of the leaders with whom we talked. It is noteworthy that jaw-

boning is supported by fewer than 1 out of 4 leaders and scaling down environmental goals by fewer than 1 out of 5 leaders.

3. ENERGY

The energy problem for most Americans is an economic problem. It is the high cost of energy which is the problem in their minds. It is a major contributor to their conclusion that "inflation is the country's No. 1 problem."

Some of our current findings with respect to the energy problem and President Carter's proposals are:

Seventy-two percent of the public accept President Carter's judgment that we must begin to solve the energy problem now or we will be faced with a national catastrophe in the future.

Eighty-five percent have confidence that President Carter is doing something constructive about it.

Fifty-nine percent believe that President Carter's program is fair to "people like themselves."

Yet, 58 percent also agree that "people are not ready to make the kinds of sacrifices President Carter is talking about."

Only 23 percent favor increasing taxes on gasoline "to discourage people from using too much."

Only 43 percent favor imposing a special tax on gas guzzling cars "if this creates unemployment in the auto industry."

Sixty-two percent believe that the energy program gives too little emphasis to public transportation.

Fifty percent believe that the program doesn't do enough to encourage production of more oil and gas in the United States.

Forty-seven percent say that the program gives too little emphasis to encouraging conservation of energy among industry.

Fifty-five percent believe that "five to ten years from now people will still be driving big cars."

Sixty percent believe that five to ten years from now "Americans will still be living as well as they are today."

Eighty-five percent state that "Congress will still be arguing about what to do" five to ten years from now.

Eighty-two percent believe that utility rates will be doubled in five to ten years.

Eighty-two percent believe that five to ten years from now a gas tax will be instituted.

Seventy-one percent think that gasoline will cost at least \$1.25 a gallon in five to ten years.

Fifty-seven percent think we will have gas rationing in five to ten years.

Our conclusion is that the public is not yet clear in its thinking on the problem. There is growing recognition that we have a serious problem and less tendency to shrug it off as a "plot by the big oil companies to raise prices." The people are caught up in a confusing kind of double-think, a state of mind we associate with a problem that is only half thought through. They need a lot more continuous communication on the subject than they have received thus far from the President, the Congress and other leaders. Such communication—briefly stated—should: (a) report on progress to date, and (b) answer the many questions on this complex subject so clearly troubling the Nation.

Senator HUMPHREY. Mr. Curtin, please proceed with your testimony.

Mr. Curtin is with the Institute for Social Research, University of Michigan.

STATEMENT OF RICHARD T. CURTIN, DIRECTOR, SURVEYS OF CONSUMER ATTITUDES, INSTITUTE FOR SOCIAL RESEARCH, UNIVERSITY OF MICHIGAN, ANN ARBOR.

Mr. CURTIN. Thank, you, Mr. Chairman.

The just-completed May 1977 Survey of Consumer Attitudes indicates that consumer confidence continues to be maintained at a high

overall level. The Index of Consumer Sentiment, a summary measure of trends on consumers' attitudes and expectations, is now at the highest level recorded since 1972, although almost all of this improvement occurred by mid-1976. Consumer confidence has now regained its prerecession levels, in that all the deterioration in consumer sentiment occurring from late 1972 to late 1975 has now been recovered. Since early 1975, the Index of Consumer Sentiment has gained 30 index points and now stands at 89.1.

Accordingly, this is an appropriate time to ask how the events of the last few years have contributed to our understanding of why consumers' attitudes and expectations change, and how those changes may influence discretionary spending and savings behavior in the future. The May 1977 survey was the 87th in a series of periodic surveys of consumer attitudes and expectations conducted by the Survey Research Center at the University of Michigan.

It is the central premise of these surveys, begun more than 25 years ago by George Katona, that discretionary expenditures depend not only on income, price, interest rates, and other traditional market variables, but also on the attitudes and expectations of the decisionmakers.

In other words, both ability and willingness to buy are important. How consumers view past economic developments and what expectations they have reflect their willingness to buy, which—together with their ability to buy—determine effective demand. Attitudes and expectations provide a basis for predictions because they represent predispositions toward action and change prior to the action itself.

These surveys are not intended to establish an absolute measure of the state of consumer sentiment at any given time. They are intended to measure change through comparison with previous measurements. More importantly, in-depth surveys can reveal the reasons underlying changes in behavior, and the understanding of these reasons can make an important contribution to short-term forecasts.

PATTERNS OF CHANGE IN CONSUMER SENTIMENT

The recent pattern of decline and recovery in consumer sentiment was significantly different from previous periods. The decline in the index of consumer sentiment from mid-1972 to the winter of 1974-75 was the longest and sharpest on record:

Double-digit inflation was primarily responsible for the early period of decline in sentiment, while rising unemployment and a deepening recession accounted for the continued loss in confidence. Yet the decline was interrupted twice by short advances. The recovery in consumer sentiment since early 1975 has likewise been substantial, but has proceeded at an uneven pace.

The May 1975 data documented a sharp increase in consumer confidence amounting to 15 index points, as most consumers felt the steep recession had been arrested, only to be followed during the next half year by just a 2-3 point improvement. The February 1976 survey again measured a sizable increase in consumer confidence, amounting to a 9-point change over the previous 3-month period. By this time inflationary expectations were greatly reduced and opinions about expected trends in unemployment were much improved. The increase was followed by a 2-point index loss in May.

The survey conducted in August–September 1976 again showed consumer confidence to have improved by a considerable amount, mainly due to improved expectations for business conditions generally and for buying conditions for durables. Since mid-1976, the overall high level of consumer confidence has remained roughly unchanged, posting less than a 1-point improvement.

Alternating between slow and fast, this volatile pattern of recovery in consumer sentiment is unlike previous recovery periods. In addition, maintenance of overall confidence during the past 9 months has been accompanied and facilitated by shifting crosscurrents of opinions—including continued volatility of changes in attitudes among income subgroups, a shift toward more favorable evaluations of current business conditions and less favorable expectations for further improvements, and a changing emphasis on the role of inflation.

MIXED CHANGES IN PERSONAL FINANCIAL ATTITUDES

In May 1977, 37 percent of all respondents reported that they were financially better off than a year ago, 29 percent said that they were worse off, and the balance said they had remained the same. This represented a significant net improvement over late 1976. Despite these gains, consumers less frequently expected further improvements in May than in February 1977. This decline in favorable financial expectations was concentrated among high-income families, with only 29 percent reporting that they expected to be better off financially in a year, compared to the 42 percent who held the same favorable view just 3 months earlier.

On balance, the trend in personal financial attitudes during the past half year has been favorable, in that the improvement in evaluations of current financial conditions have exceeded the deterioration in personal financial expectations. That the shifting evaluations have acted to maintain optimism rather than offset pessimism is evidenced by the stable or slightly falling proportions of respondents who report either being worse off than a year earlier or expecting to be worse off in a year. Overall, a majority, 55 percent, now expect their personal financial situation during the next 12 months to remain just about the same as it was in May 1977.

INCREASED AWARENESS OF IMPROVED BUSINESS CONDITIONS

In May 1977, 40 percent of all respondents reported hearing news of favorable developments in business conditions. This proportion was substantially above the 25 percent who reported hearing favorable news in late 1976 and early 1977. Respondents frequently reported hearing of increases in sales across a wide range of consumer goods, and many mentioned improvements in employment. Overall, these favorable developments in business conditions were reflected by the 58 percent who reported that business conditions were better in May than a year earlier, up from 40 percent in early 1977. Although a majority did report an awareness of these improvements, expected changes in business conditions were less optimistic in May than in late 1976. The May 1977 survey represented the first decline in the short-run business expectation since May of 1976.

Although business conditions were less frequently expected to further improve in May than earlier in 1977, there was no increase in the proportion, 1 in 10, of consumers who expected business conditions to worsen. A majority of all consumers expect business conditions to remain about the same as they were in May 1977 over the next year.

This shifting basis of evaluations of shortrun business conditions, however, has not diminished their overall favorable cast. In May 1977, 47 percent of all families reported that they expected good times financially during the next 12 months, while only 29 percent reported expecting bad times. These proportions have remained largely unchanged since early 1976. When asked why they expected business conditions to be worse in a year, advancing prices was mentioned by 1 in 10 respondents, twice as frequently as 3 months earlier. When asked why they expected business conditions to improve during the next 12 months, respondents frequently mentioned that they expected already improved conditions to show continued improvement.

Importantly, many fewer respondents spontaneously mentioned factors associated with the Carter administration as reasons for expecting business conditions to improve during the next 12 months. In May 1977, just 1 in 20 respondents mentioned factors related to public policy issues, down from 1 in 10 respondents who mentioned this in February 1977, and the 1 in 5 respondents who cited similar reasoning in late 1976.

Long-term business expectations were less favorable in May than in February 1977, which in turn were less optimistic than the November-December 1976 reading. Currently, 27 percent of all families expect good times in the country as a whole during the next 5 years, while 35 percent of all families expect bad times. Although there have been only small changes in the proportion that reported expecting good times, 35 percent now report expecting bad times, up from 26 percent in November-December 1976.

As with short-term business expectations, respondents frequently mentioned the continuing problems of inflation, both with regard to business conditions generally as well as its impact on consumer budgets. In explaining why they expected business conditions to be good during the next 5 years, respondents also less frequently mentioned the impact of policies or proposals associated with the Carter administration. It appears that the Carter "honeymoon" has now largely ended with regard to its favorable impact on expected changes in both shortrun and longrun business conditions.

Although the heightened expectations which accompanied the incoming Carter administration have now diminished, the renewed sense of confidence in government economic policy has been maintained. In May 1977, 1 in 5 respondents reported that the Government was doing a good job in regard to inflation or unemployment, half rating it as fair, and with just another 1 in 6 evaluating economic policy as poor. This represents substantial improvement over a year earlier, when just 1 in 10 rated economic policy as good, and fully 1 in 3 rated it as poor.

HEIGHTENED CONCERNS OVER INFLATION

Little change was noted over the past 3 months in consumers' expectations with regard to unemployment and price inflation. The

majority of consumers expect unemployment to remain at about the same level or to decline during the next 12 months. Just 16 percent of all respondents expect unemployment to increase, the lowest proportion to hold this view since 1972. Following a considerable moderation in price expectations during the second half of 1976, inflationary expectations increased sharply in early 1977 and have remained at this heightened level in the recent survey.

In May 1977, half of all respondents expected prices to advance by 5 percent or more during the next 12 months, unchanged from the February reading, but up significantly from the 39 percent who held this same view in late 1976. When asked whether inflation or unemployment will cause the more serious economic hardship, 30 percent of all respondents said that unemployment presented a more serious economic hardship as compared to the 61 percent who felt inflation would cause the more serious economic hardship.

This shift in emphasis toward inflation was more dramatic among high-income families, with 71 percent rating inflation as the more serious problem in May 1977, up from 58 percent in February, and 23 percent rating unemployment as the more serious, down from 35 percent. As shown in my prepared statement, the relative importance of inflation as compared to unemployment has steadily grown in frequency over the past year and now commands a dominant position.

FAVORABLE BUYING ATTITUDES

Attitudes toward buying conditions for large household durables, cars, and houses were very favorable in the May 1977 survey. The most substantial improvements were in attitudes toward buying conditions for houses, with 62 percent reporting favorable buying conditions in May 1977 as compared to 48 percent 3 months earlier, making the May figure the most favorable since the 1972 peak value. Underlying this dramatic improvement in attitudes, 1 in 2 respondents expressed the belief that it was a good time to buy because housing prices would only increase in the future, up from the 1 in 4 consumers who held the same view in February 1977. Over the past 2 years, the proportion holding favorable attitudes increased from 20 percent in February 1975 to the current 62 percent, and unfavorable attitudes declined from 64 percent in February 1975 to 29 percent in May 1977.

A majority of all respondents, 62 percent, continued to rate market conditions for household durables as good in May 1977. Since late 1976, favorable attitudes toward buying conditions have increased by 10 percentage points and unfavorable attitudes have declined by a similar amount. The role of advancing prices was more frequently cited in May 1977 as a reason why current buying conditions were favorable; 37 percent of all respondents reported it was a good time to buy because prices would only go higher and not come down in the future, compared to the 27 percent who cited the same reason in February 1977. In addition, the notion that good buys were available at reasonable prices declined in frequency by mid-1977. Although attitudes toward buying conditions for large household goods has followed a volatile path over the past 2 years, its overall trend has continued toward a more favorable outlook.

Attitudes toward buying conditions for automobiles remained unchanged in May 1977 from 3 months earlier; 48 percent of all respondents rated market conditions as good for automobiles, while 31 percent reported it was a bad time to buy. Although these attitudes are unchanged from early 1977, they represent a significant improvement over mid- and late-1976.

Although the shifting role of advancing prices played an important part in heightening favorable attitudes toward both houses and household durables, attitudes toward the automobile market were not appreciably affected in the same manner. In May 1977, 27 percent of all respondents reported that it was a good time to buy in advance of rising prices, up slightly from 25 percent who held the same view in February 1977. Similarly, no change in the role of prices was documented among high-income families. Fewer respondents reported the availability of good buys at reasonable prices, however, and there was an increasing concern over the energy situation.

MIXED IMPACT OF PROPOSED PUBLIC POLICIES

To assess the impact of recent changes in Government economic policy on consumer sentiment, opinions on the elimination of the \$50 income tax rebate and the proposed energy program were obtained. By a margin of 49 to 33 percent, respondents thought it was a good idea for President Carter to have dropped the \$50 rebate, with as many people saying the amount was too small to be useful as those who mentioned that people needed or were counting on the money. Among high-income families, dropping the \$50 rebate was more often judged a good idea—61 percent—and 24 percent less often viewed it unfavorably.

The general outline of Carter's energy program received the favorable support of 58 percent of all respondents, with high-income families reporting similar views. However, 1 in 3 consumers felt that the proposed energy program would have an unfavorable effect on business conditions during the next 12 months, although a clear majority felt that the energy program would benefit business conditions over the next 3 to 5 years.

When respondents were cross-classified by whether they favored dropping the \$50 tax rebate and whether they thought the energy proposals would have a good or a bad effect on business conditions, sharp differences in their overall level of optimism were indicated. Those who favored the elimination of the \$50 tax rebate were more optimistic about both short- and long-term prospects, and respondents who favorably judged the impact of the energy program also held much more optimistic business expectations. Nonetheless, since both favorable and unfavorable opinions toward the tax rebate and the near-term impact of the energy program were widespread, this difference tended to cancel in the aggregate.

In summary, the implications of these survey findings for consumer spending during the balance of 1977 are relatively optimistic.

Despite widespread concerns that the proposed energy program and the elimination of the tax rebate would diminish consumer confidence, consumers have continued to hold a favorable outlook in May of 1977, at a level practically unchanged for the past 9 months.

Opinions about past personal financial progress and current business conditions improved in May 1977. Favorable opinions toward buying conditions for cars, houses, and household durables were at near-record levels.

Expectations for continued improvement, however, in personal finances as well as business conditions, were generally less optimistic than in early 1977, especially among high-income families. Overall, most consumers expect current financial conditions to remain about the same during the next 12 months.

An increasing concern with inflation has both dampened expectations and promoted a favorable opinion toward buying in advance of rising prices. In May 1977, twice as many consumers thought inflation, rather than unemployment, would cause the more serious economic hardship during the next few years for the country as a whole. This concern over inflation has significantly heightened since February 1977.

Prior to May 1977, the improved level of confidence was maintained by optimistic expectations rather than past performance. Currently, consumer confidence is built more on favorable evaluations of current conditions than on the expectations of further improvements.

Although the outlook is favorable, nothing in these data suggests that consumer spending is likely to rise faster than disposable income this year. The current consumer outlook thus stands in sharp contrast to the forecast made a year earlier, when consumer spending was expected to rise faster than income and to produce a substantial decline in the rate of personal savings. No such presumption applies in 1977, since the first-quarter savings rate was below 5 percent and is expected to move toward 6 percent, its long-term average, during the balance of 1977.

Moreover, repeated studies have found that only when changes in consumer attitudes were widespread among all population subgroups, or when changes in attitudes and expectations move in a similar direction rather than diverge, can changes in sentiment be confidently expected to generate new and sustained increases in consumer demand. Although the May index value was the highest recorded since 1972, the continued volatility and underlying cross-currents temper the favorable spending implications for the period beyond the end of 1977. Thank you.

Senator HUMPHREY. Thank you, Mr. Curtin. Very good.

[The prepared statement of Mr. Curtin follows:]

PREPARED STATEMENT OF RICHARD T. CURTIN

IMPROVING ECONOMY MAINTAINS OPTIMISM

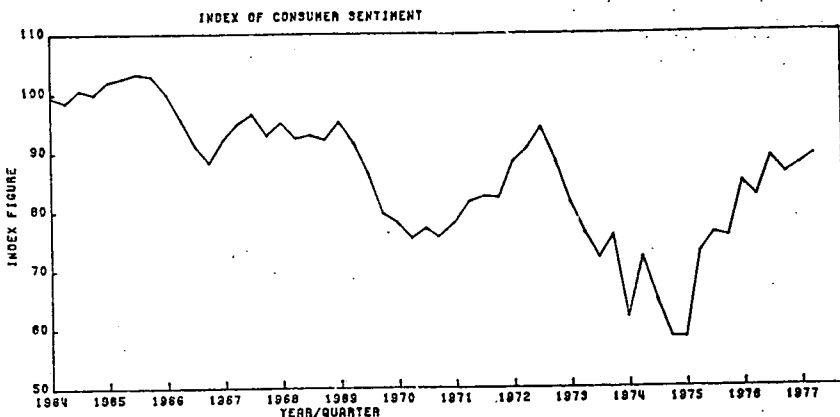
The just-completed May 1977 Survey of Consumer Attitudes indicates that consumer confidence continues to be maintained at a high overall level. The Index of Consumer Sentiment, a summary measure of trends in consumers' attitudes and expectations, is now at the highest level recorded since 1972, although almost all of this improvement occurred by mid-1976. Consumer confidence has now regained its pre-recession levels, in that all the deterioration in consumer sentiment occurring from late 1972 to late 1975 has now been recovered. Since early 1975, the Index of Consumer Sentiment has gained 30-index points and now stands at 89.1 (see the chart).

Accordingly, this is an appropriate time to ask how the events of the last few years have contributed to our understanding of why consumers' attitudes and expectations change, and how those changes may influence discretionary spending and savings behavior in the future. The May 1977 survey was the 87th in a

series of periodic surveys of consumer attitudes and expectations conducted by the Survey Research Center at The University of Michigan. It is the central premise of these surveys, begun more than 25 years ago by George Katona, that discretionary expenditures depend not only on income, price, interest rates, and other traditional market variables, but also on the attitudes and expectations of the decision makers. In other words, both ability and willingness to buy are important. How consumers view past economic developments and what expectations they have reflect their willingness to buy, which—together with their ability to buy—determine effective demand. Attitudes and expectations provide a basis for predictions because they represent predispositions toward action and change prior to the action itself. These surveys are not intended to establish an absolute measure of the state of consumer sentiment at any given time. They are intended to measure change through comparison with previous measurements. More importantly, in-depth surveys can reveal the reasons underlying changes in behavior, and the understanding of these reasons can make an important contribution to short-term forecasts.

Patterns of change in consumer sentiment

The recent patterns of decline and recovery in consumer sentiment was significantly different from previous periods. The decline in the Index of Consumer Sentiment from mid-1972 to the winter of 1974-75 was the longest and sharpest on record (see the chart). Double-digit inflation was primarily responsible for the early period of decline in sentiment, while rising unemployment and a deepening recession accounted for the continued loss in confidence. Yet the decline was interrupted twice by short advances. The recovery in consumer sentiment since early 1975 has likewise been substantial, but has proceeded at an uneven pace. The May 1975 data documented a sharp increase in consumer confidence amounting to 15-index points, as most consumers felt the steep recession had been arrested, only to be followed during the next half year by just a 2-3 point improvement. The February 1976 survey again measured a sizable increase in consumer confidence, amounting to a 9-point change over the previous 3-month period. By this time inflationary expectations were greatly reduced and opinions about expected trends in unemployment were much improved. This increase was followed by a 2-point index loss in May. The survey conducted in August-September 1976, again showed consumer confidence to have improved by a considerable amount, mainly due to improved expectations for business conditions generally and for buying conditions for durables. Since mid-1976, the overall high level of consumer confidence has remained roughly unchanged, posting less than a 1-point improvement period overall. This volatile pattern of recovery in consumer sentiment is unlike previous recovery periods. In addition, maintenance of overall confidence during the past 9-months has been accompanied and facilitated by shifting cross currents of opinions—including continued volatility of changes in attitudes among income subgroups, a shift toward more favorable evaluations of current business conditions and less favorable expectations for further improvements, and a changing emphasis on the role of inflation.



Among families with incomes of \$15,000 and over, consumer confidence has declined somewhat since early 1977. The small decline in optimistic attitudes

among high income families in May followed a larger increase in February of 1977, which followed, in turn, a sizeable decline and increase in the preceding quarters. Consumer confidence among high income families has thus followed a particularly volatile pattern during the past year. Because lower income subgroups tended to change in the opposite and offsetting direction during this same period, the continued volatility of changes in the attitudes among income subgroups acted to partially offset aggregate swings in confidence.

In May 1977 regional differences in the level of consumer sentiment were insignificant. However, during the past 6 months, residents of the Northeast and South posted consecutive gains in confidence, while the residents of the North Central and Western regions remained unchanged. Of the four geographic regions, the largest gains in consumer confidence were posted by the residents of the Northeast over the past 12 months.

Mixed changes in personal financial attitudes

In May 1977, 37 percent of all respondents reported that they were financially better off than a year ago, 29 percent said that they were worse off, and the balance said they had remained the same. This represented a significant net improvement over late 1976. Despite these gains, consumers less frequently expected further improvements in May than in February 1977. This decline in favorable financial expectations was concentrated among high income families, with only 29 percent reporting that they expected to be better off financially in a year, compared to the 42 percent who held the same favorable view just 3 months earlier.

On balance, the trend in personal financial attitudes during the past half year has been favorable, in that the improvement in evaluations of current financial conditions have exceeded the deterioration in personal financial expectations. That the shifting evaluations have acted to maintain optimism rather than offset pessimism is evidenced by the stable or slightly falling proportions of respondents who reported either being worse off than a year earlier or expecting to be worse off in a year. Overall, a majority (55 percent) now expect their personal financial situation during the next 12 months to remain just about the same as it was in May 1977.

Increased awareness of improved business conditions

In May 1977, 40 percent of all respondents reported hearing news of favorable developments in business conditions. This proportion was substantially above the 25 percent who reported hearing favorable news in late 1976 and early 1977. Respondents frequently reported hearing of increases in sales across a wide range of consumer goods, and many mentioned improvements in employment. Overall, these favorable developments in business conditions were reflected by the 58 percent who reported that business conditions were better in May than a year earlier, up from 40 percent in early 1977. Although a majority did report an awareness of these improvements, expected changes in business conditions were less optimistic in May than in late 1976. The May 1977 survey represented the first decline in the short-run business expectation since May of 1976. Although business conditions were less frequently expected to further improve in May than earlier in 1977, there was no increase in the proportion (1 in 10) of consumers who expected business conditions to worsen. A majority of all consumers expect business conditions to remain about the same as they were in May 1977 over the next year.

This shifting basis of evaluations of short-run business conditions, however, has not diminished their overall favorable cast. In May 1977, 47 percent of all families reported that they expected good times financially during the next 12 months, while only 29 percent reported expecting bad times. These proportions have remained largely unchanged since early 1976. When asked why they expected business conditions to be worse in a year, advancing prices was mentioned by 1 in 10 respondents, twice as frequently as 3 months earlier. When asked why they expected business conditions to improve during the next 12 months, respondents frequently mentioned that they expected already improved conditions to show continued improvement. Importantly, many fewer respondents spontaneously mentioned factors associated with the Carter administration as reasons for expecting business conditions to improve during the next 12 months. In May 1977, just 1 in 20 respondents mentioned factors related to public policy issues, down from 1 in 10 respondents who mentioned this in February 1977, and the 1 in 5 respondents who cited similar reasoning in late 1976.

Long-term business expectations were less favorable in May than in February 1977, which in turn were less optimistic than the November-December 1976

reading. Currently, 27 percent of all families expect good times in the country as a whole during the next 5 years, while 35 percent of all families expect bad times. Although there have been only small changes in the proportion that reported expecting good times, 35 percent now report expecting bad times, up from 26 percent in November-December 1976. As with short-term business expectations, respondents frequently mentioned the continuing problems of inflation, both with regard to business conditions generally as well as its impact on consumer budgets. In explaining why they expected business conditions to be good during the next 5 years, respondents also less frequently mentioned the impact of policies or proposals associated with the Carter administration. It appears that the Carter "honeymoon" has now largely ended with regard to its favorable impact on expected changes in both short and long-run business conditions.

Although the heightened expectations which accompanied the incoming Carter administration have now diminished, the renewal sense of confidence in government economic policy has been maintained. In May 1977, 1 in 5 respondents reported that the government was doing a good job in regard to inflation or unemployment, half rating it as fair and with just another 1 in 6 evaluating economic policy as poor. This represents substantial improvement over a year earlier, when just 1 in 10 rated economic policy as good, and fully 1 in 3 rated it as poor.

Heightened concerns over inflation

Little change was noted over the past 3 months in consumers' expectations with regard to unemployment and price inflation. The majority of consumers expect unemployment to remain at about the same level or to decline during the next 12 months. Just 16 percent of all respondents expect unemployment to increase, the lowest proportion to hold this view since 1972. Following a considerable moderation in price expectations during the second half of 1976, inflationary expectations increased sharply in early 1977 and have remained at this heightened level in the recent survey. In May 1977, half of all respondents expected prices to advance by 5 percent or more during the next 12 months, unchanged from the February reading, but up significantly from the 39 percent who held this same view in late 1976. When asked whether inflation or unemployment will cause the more serious economic hardship, 30 percent of all respondents said that unemployment presented a more serious economic hardship as compared to the 61 percent who felt inflation would cause the more serious economic hardship. This shift in emphasis toward inflation was more dramatic among high income families, with 71 percent rating inflation as the more serious problem in May 1977 (up from 58 percent in February) and 23 percent rating unemployment as the more serious (down from 35 percent). As shown below, the relative importance of inflation as compared to unemployment has steadily grown in frequency over the past year and now commands a dominant position.

The question was: "Which of the two problems—unemployment or inflation—do you think will cause the more serious economic hardship for people during the next year or so?"

OPINIONS ABOUT WHETHER UNEMPLOYMENT OR INFLATION WOULD CAUSE MORE SERIOUS ECONOMIC HARDSHIP DURING THE NEXT YEAR OR SO

[In percent]

	February 1976	May 1976	August to September 1976	November to December 1976	February 1977	May 1977
A. All families:						
Unemployment.....	37	37	39	38	35	30
Both equally serious.....	17	14	11	10	8	6
Inflation.....	45	46	48	49	54	61
Not ascertained.....	1	3	2	3	3	3
Total.....	100	100	100	100	100	100
B. Families with incomes of \$15,000 and over:						
Unemployment.....	35	34	36	37	35	23
Both equally serious.....	14	11	7	7	7	5
Inflation.....	51	54	56	56	58	71
Not ascertained.....	(1)	1	1	(1)	(1)	1
Total.....	100	100	100	100	100	100

¹ Less than 0.5 percent.

Favorable buying attitudes

Attitudes toward buying conditions for large household durables, cars, and houses were very favorable in the May 1977 survey. The most substantial improvements were in attitudes toward buying conditions for houses, with 62 percent reporting favorable buying conditions in May 1977 as compared to 48 percent 3-months earlier, making the May figure the most favorable since the 1972 peak value. Underlying this dramatic improvement in attitudes, 1 in 2 respondents expressed the belief that it was a good time to buy because housing prices would only increase in the future, up from the 1 in 4 consumers who held the same view in February 1977. Over the past 2 years, the proportion holding favorable attitudes increased from 20 percent in February 1975 to the current 62 percent, and unfavorable attitudes declined from 64 percent in February 1975 to 29 percent in May 1977.

A majority of all respondents (62 percent) continued to rate market conditions for household durables as good in May 1977. Since late 1976, favorable attitudes toward buying conditions have increased by 10 percentage points and unfavorable attitudes have declined by a similar amount. The role of advancing prices was more frequently cited in May 1977 as a reason why current buying conditions were favorable. Thirty-seven percent of all respondents reported it was a good time to buy because prices would only go higher and not come down in the future, compared to the 27 percent who cited the same reason in February 1977. In addition, the notion that good buys were available at reasonable prices declined in frequency by mid-1977. Although attitudes toward buying conditions for large household goods has followed a volatile path over the past 2 years, its overall trend has continued toward a more favorable outlook.

Attitudes toward buying conditions for automobiles remained unchanged in May 1977 from 3 months earlier. Forty-eight percent of all respondents rated market conditions as good for automobiles, while 31 percent reported it was a bad time to buy. Although these attitudes are unchanged from early 1977, they represent a significant improvement over mid and late 1976. Although the shifting role of advancing prices played an important part in heightening favorable attitudes toward both houses and household durables, attitudes toward the automobile market were not appreciably affected in the same manner. In May 1977, 27 percent of all respondents reported that it was a good time to buy in advance of rising prices, up slightly from 25 percent who held the same view in February 1977. Similarly, no change in the role of prices was documented among high income families. Fewer respondents reported the availability of good buys at reasonable prices, however, and there was an increasing concern over the energy situation.

Mixed impact of proposed public policies

To assess the impact of recent changes in government economic policy on consumer sentiment, opinions on the elimination of the \$50 income tax rebate and the proposed energy program were obtained. By a margin of 49 to 33 percent, respondents thought it was a good idea for President Carter to have dropped the \$50 rebate, with as many people saying the amount was too small to be useful as those who mentioned that people needed or were counting on the money. Among high income families, dropping the \$50 rebate was more often judged a good idea (61 percent), and less often viewed unfavorably (24 percent).

The general outline of Carter's energy program received the favorable support of 58 percent of all respondents, with high income families reporting similar views. However, 1 in 3 consumers felt that the proposed energy program would have an unfavorable effect on business conditions during the next 12 months, although a clear majority felt that the energy program would benefit business conditions over the next 3-5 years.

When respondents were cross-classified by whether they favored dropping the \$50 tax rebate and whether they thought the energy proposals would have a good or a bad effect on business conditions, sharp differences in their overall level of optimism were indicated. Those who favored the elimination of the \$50 tax rebate were more optimistic about both short and long-term prospects, and respondents who favorably judged the impact of the energy program also held much more optimistic business expectations. Nonetheless, since both favorable and unfavorable opinions toward the tax rebate and the near term impact of the energy program were widespread, this difference tended to cancel in the aggregate.

The questions were: "Do you think that it was a good idea or a bad idea for President Carter to drop the \$50 personal income tax rebate program?" "In

general, do you favor or oppose President's Carter's energy program?" "During the next 12 months, do you think President Carter's energy program will have a good effect or a bad effect on business conditions?" "What about 3-5 years from now, do you think President Carter's energy program will have a good effect or a bad effect on business conditions?"

[In percent]

	Good idea	Pro-con	Bad idea	Don't know	Total	
Drop \$50 rebate:						
All families.....	49	6	33	12	100	
High-income families.....	61	7	24	8	100	
	Favor	Pro-con	Oppose	Don't know	Total	
Carter energy program:						
All families.....	58	9	17	16	100	
High income families.....	59	11	18	12	100	
	Good effect	Pro-con	Bad effect	No effect	Don't know	Total
Effect of energy program on short-term business conditions:						
All families.....	33	8	35	6	18	100
High income families.....	30	10	37	9	14	100
Effect of energy program on long-term business conditions:						
All families.....	52	3	19	3	23	100
High income families.....	53	4	21	4	18	100

Summary outlook

The implications of these survey findings for consumer spending during the balance of 1977 are relatively optimistic. Consumers have continued to hold a favorable outlook, at a level practically unchanged for the past 9 months, despite widespread concerns that the proposed energy program and elimination of the tax rebate would diminish consumer sentiment.

Opinions about past personal financial progress and current buying conditions improved in May 1977, but expectations for continued improvement in personal finances as well as business conditions were generally less optimistic than 3 months earlier, especially among high income families.

An increasing concern with inflation has both dampened expectations and promoted a favorable opinion toward buying in advance of rising prices. Prior to May 1977, the improved level of confidence was maintained by optimistic expectations rather than past performance.

In sum, consumer confidence at the present time is built more on favorable evaluations of current conditions than on the expectations of further improvements.

Although the outlook is favorable, nothing in these data suggest that consumer spending is likely to rise faster than disposable income this year. The current consumer outlook thus stands in sharp contrast to the forecast made a year earlier, when consumer spending was expected to rise faster than income and to produce a substantial decline in the rate of personal savings. No such presumption applies in 1977, since the first quarter savings rate was below 5 percent and is expected to move toward 6 percent, its long-term average, during the balance of 1977.

Moreover, repeated studies have found that only when changes in consumer attitudes were widespread among all population subgroups, or when changes in attitudes and expectations move in a similar direction rather than diverge, can changes in sentiment be confidently expected to generate new and sustained increases in consumer demand. Although the May Index value was the highest recorded since 1972, the continued volatility and underlying cross-currents temper the favorable spending implications for the period beyond the end of 1977.

Senator HUMPHREY. Now, Mr. Schmiedeskamp, we will have you be the cleanup witness here, and then we will come around to cross-examining you gentlemen.

STATEMENT OF JAY SCHMIEDESKAMP, VICE PRESIDENT, THE
GALLUP ORGANIZATION, INC., PRINCETON, N.J.

Mr. SCHMIEDESKAMP: Thank you very much, Senator and Congressman Long. It's very nice to have the opportunity again to exchange ideas with you.

I would like to preface my remarks by saying that at the Gallup Organization we now have monthly surveys of consumer attitudes, a new sample of personal interviews each month. They include many open-ended questions, the entire purpose of which is to increase our understanding of consumer behavior, why attitudes change and how those changes are likely to influence behavior.

In my oral remarks, I would like to address just four issues:

One: Consumer reaction to the energy situation.

Two: The strong rise in inflationary expectations this spring—and its causes.

Three: The strong buy-in-advance psychology which has accompanied this increase in inflationary expectations.

Four: The crucial role of Government policy at present.

First: The single most important fact to understand about the energy situation is that many Americans are very poorly informed about the dimensions of the problem, and it takes more than a speech—even a sky-is-falling speech—to change that basic fact. For example, a Gallup poll taken in late April, after the President's energy message, asked the American people the following question:

From what you have heard or read, do you think we produce enough oil in this country to meet our present energy needs, or do we have to import some oil from other countries?

It is shocking but true that only 52 percent of the public knew that America must import oil to meet its present energy needs.

A poll taken in April, before the President spoke, showed 81 percent believing that the energy situation was at best fairly serious, but clearly these ideas are rather vague for many people, except from the standpoint of inflation.

The one thing that people understand clearly about the energy situation is that energy prices are likely to go up. Both before and after the President spoke, consumers expected energy prices to rise more quickly than other prices.

It is not too much of an exaggeration to say that in the minds of many people higher energy prices are the energy problem. People think that is what it is all about. Therefore, when the President or Congress talks about solving the energy problem by raising energy prices, many people are simply baffled. Is it any solution to the problem of inflation to raise prices?

Thus, when people were asked in May if they favored raising the Federal tax on gasoline, only 14 percent said yes. And yet when people were asked whether the energy problem is so serious in this country that we need to take stronger measures than the President has proposed, or is the problem not so serious so that the President's proposals go farther than needed, the results were as follows:

Need to take stronger measures, 34 percent; proposals about right, 25 percent; go farther than needed, 29 percent; and Federal Government control, 12 percent.

Clearly, people want strong action to solve the problem, just so long as high energy prices or increased energy taxes can be avoided. Because high prices and/or taxes are the problem in the popular view.

Equally clearly, a crash program to educate the public to the true dimensions of the energy problem is urgently needed. The oil industry has not met that responsibility. The Government has not met that responsibility. Who else is there?

Second: Inflationary expectations increased very substantially between January and April this year. The proportion expecting the rate of inflation to get worse increased from 22 percent in January to 38 percent in April.

Why? There were really four reasons:

One: Increased awareness of the energy problem, helped along by the gas shortage last winter, tended to increase expectations of inflation for reasons already discussed.

Two: The actual rate of inflation in consumer prices so far this year is nearly equal to the rate for all of last year. Present experience influences expectations for the future.

Three: The proportion of consumers expecting the taxes they pay to go up increased from 40 percent in January to 54 percent in April. Of course, I am not talking about Federal taxes. Most people, when they think about taxes, think about State and local taxes. Many Americans take nearly one of their monthly paychecks to city hall for property taxes. That does get their attention.

Four: The proportion of consumers expecting interest rates to go up increased from 35 percent in January to 49 percent in April.

With regard to these last two points, it should be understood that from the consumer's vantage point, taxes, that is the price of government, and interest rates, the price of borrowing money, are just as much components of inflation as are any other prices which go up. When taxes are expected to rise, or when interest rates are expected to rise, that has the same kind of impact on inflationary expectations as when, for example, meat prices are expected to rise.

The notion that the causation may also run in the other direction, with higher rates of inflation causing higher expectations of interest rates, because of the notion that lenders insist on receiving some real rate of interest after allowing for inflation, does not have much validity for the average consumer. Most ordinary people, when they think of interest rates, think in terms of borrowing, not lending, and they dislike anything which makes it more difficult or expensive to borrow.

The data from the Gallup Economic Service make it possible to calculate that between one-fifth and one-sixth of the increase in inflationary expectations between January and April can be attributed to increased expectations of higher interest rates. I have a brief description of that calculation for submission for the record.

Third: The climate was ideal this spring for the development of a buy-in-advance psychology according to which consumers believe that they should buy now rather than wait until prices go up. The January, February, and March surveys at Gallup showed that to a great extent people had become habituated or accustomed to higher prices. Concern with inflation that had already occurred was not intense.

On the other hand, as discussed already, concern with future inflation became quite intense. And so people believed that one should buy now, when prices were seen as fairly reasonable.

As a result of the buy-in-advance psychology, the increased inflationary expectations did not have too much effect on consumer spending this year, except for housing when the buy-in-advance has been especially pronounced. In general, the buy-in-advance psychology has stimulated spending by about as much as spending has been held back due to the decline in economic expectations caused by the increased inflationary expectations.

Therefore, the basic outlook for consumer spending, in the short run, has not been much affected by changes in attitudes toward inflation and toward the economy. The outlook remains favorable, as it has been consistently in each monthly report of the Gallup Economic Service since it began last November.

There are now some signs that the buy-in-advance psychology may soon diminish which would make for a somewhat slower, but still satisfactory, growth in consumer spending this fall.

Fourth: One important conclusion drawn from recent Gallup surveys is that the current pessimistic consumer expectations about prices, about interest rates, and about the economy, may not have much impact on consumer spending, under current circumstances, unless those pessimistic expectations should be fulfilled by actual substantial rises in prices, interest rates, or unemployment this fall. Since the economy is now strongly in an expansion phase, a rise in unemployment seems unlikely. A rise in prices or interest rates would seem to be very possible, however.

My point is simply this: If consumers see adverse developments on the price or interest rate fronts, those developments can be expected to have an unusually large adverse impact on both consumer confidence and consumer spending. It is a well-established psychological principle that if an adverse development is expected, then there will be a greater reaction when the first signs of that development are perceived.

To summarize: The outlook for consumer spending remains favorable, as it has for many months. The current combination of a high level of willingness to buy, combined with conservative and pessimistic expectations about the future, is ideal. Consumer spending should continue to grow, but at a somewhat lower pace, and that is desirable. Savings flows should continue heavy into savings institutions, and that is desirable. There is a good chance of achieving sustainable growth in the economy well into 1978.

That is the outlook. But the main message of recent surveys is that the odds have increased that this rosy outlook can be upset by rising inflation or rising interest rates. Increased consumer sensitivity to these things should make it a top priority of Government policy to avoid fulfilling consumers' adverse expectations in these areas.

Fifth: As a final note, I would like to urge upon you, as I have many times before, the importance of improving consumer confidence in government, the lack of which has greatly hampered the effectiveness of the Government's economic policies in recent years. In that connection, perhaps it is appropriate to note in these halls of Congress that according to a Gallup poll in late May, 64 percent of Americans approved of the way President Carter is handling his job, but only 40 percent said

they approved of the job performance of Congress. The ball would seem to be in your court, gentlemen.

Representative LONG. The 40 percent you give us is so much higher than what Mr. Harris usually gives us that I feel nothing but gratitude.

Mr. SCHMIEDESKAMP. I think it's a bit of a different question.

Senator HUMPHREY. I do think it's a question that ought to be addressed one of these days. There are reasons for it, not necessarily on the basis of performance, but on the basis of what I call bad public relations. It's one thing for the President to be able to command the radio and television and the press, and another thing to have 535 individual voices in the Congress of the United States with 25 or 50 of those Members thinking that they are leaders, presenting contrasting points of view, which the press readily promotes. They come to you and say, "Do you know what your colleague said. You don't believe in that, do you?" Let's have a fight.

There are more fight promoters per square yard in Washington, D.C., than any place else in the world.

I do think this is something we ought to get into in terms of the polling.

Mr. SCHMIEDESKAMP. I would like to make a comment on that, and that is that it is very refreshing to have a President and Congress who do pay some attention to the attitudes of the American people, in terms of not only what the policy should be, but how to present those policies to the American people.

You may remember when I testified here in 1975 I cited President Ford's presentation of the rebates to the American people as an example of how not to do that, because, when he went on television one night to present that program to the American people, he spent the first 5 minutes talking about why it was a bad program, why he should not sign it, and then he said, "But the economy is so rotten I have to sign it." And that is no way to present the bill to the American people. It's to stimulate confidence.

Senator HUMPHREY. I simply point out that I think there has to be a voice raised occasionally to point out that individual Congressmen run stronger in their respective districts than Presidents do. That is a fact.

Now, the institution of Congress may very well be the target, but individual Congressmen in congressional districts in most instances run ahead of their Presidential candidates, whether it's Republican or Democrat. That is interesting to me because it says that apparently these Congressmen have the confidence of their constituency.

I think that I know more about the views of the people in Minnesota than any pollster or any President or anybody else. I make it my business. That is why I am here on my sixth term: I didn't get there because God Almighty appointed me. I got there because I know what people are thinking in International Falls, what they are thinking about in Duluth, what they are thinking about in Rochester, Minneapolis, St. Paul, what the farmer is thinking about, what the laborer is thinking about, what the educators are thinking about, and that is why I get over 60 percent of the vote: I don't intend to let anybody rub the Congress nose in the dust.

Senator HATCH. I hate to say this, but I think you are probably a better pollster.

Senator HUMPHREY. I know what you are saying about the public opinion polls. I read all about the perks that we get and all this sort of jazz. I called up one of the TV stations in my State and took them on but good. There isn't a very good view about the Congress because nobody writes about how hard it works, nobody—there is very little reported on that. We get reported on our mistakes and on controversy.

I see my own Senator, Senator Anderson, that had a public poll in our State. It was fantastic; 75, 80 percent favorable. He comes down here and he gets among the 100 Senators, and it drops in half. Same man, same character, same good person. There are reasons for it, but I will guarantee you he will be reelected and he will get a bigger vote out there than Carter got, just as I did.

Mr. SCHMIEDESKAMP. My only point, sir, was that there is a need for action, and I think it would be welcomed by the American people.

Senator HUMPHREY. We will get you in on this in a minute. I was doing this for several purposes. I am not running for reelection. I intend to use the next 5 years to vent every damned thing I wanted to say, and I am going to say it.

Mr. HARRIS. You don't know, but you have a polltaker here that has some evidence to back you up.

Senator HUMPHREY. You are a lonesome polecat.

Mr. HARRIS. We did a survey back in I believe it was late January or early February for the House Administration Committee. I don't know why we had not asked this question before, but we asked the rating of Congress, and then we asked the rating of each individual Congressman, as opposed to the overall rating of Congress. And you know what we found? A 20 point higher rating for the individual Congressmen than we did for the institution.

Senator HUMPHREY. Exactly.

Mr. HARRIS. This means two things, though, I think. One is that it means that you have Congressmen almost regularly running against Congress back home, to a degree, and I think that is a fact.

The other is that, when a Congressman is known and what he stands for is at least partially understood, he goes up. I agree with you wholeheartedly that the Congress has done a dismal job in communicating what it does.

During the whole Ford time all you got was the President going on television explaining his vetoes, but, when a major bill was passed by the Congress, never, never did the leadership of Congress go on comparable television and explain what it was that had just passed.

Senator HUMPHREY. I went over the House of Representatives to testify on cancer research, and the whole damned day ended up in newspapers headlines on how somebody got a free trip to Jamaica. Really and truly, it's disgusting. I mean when you have the top—I will exclude myself—the top scientists, the top doctors, trying to give people some hope, trying to show something is going on. And what did the press write about? Why Dr. Rogers' wife got a ticket from the American Cancer Society. That is what the headlines were about for 2 days.

So the cancer hearing ended up being a story on conflict of interests. Anybody involved in this program, by legislation or by illness, damn well doesn't like it. The word went out to the people that all they are doing in the cancer program is cheating on tickets to airlines to go to

Jamaica. Some little piddling, pooping thing that didn't amount to a hoot. That is what the headlines were about, conflicts of interests on air travel. Good God Almighty, headlines like that when we had reports at the hearing indicating that a child who got leukemia 10 years ago had 10 percent chance to live, and today has a 60 percent chance, and a person who had Hodgkin's disease 10 years ago had a 12 percent chance to live, and today has a 70 percent chance to live. Instead, what do you read about? Somebody got a ticket to go to Jamaica—Pffft. That is why Congress gets in trouble around here.

Senator Hatch.

Senator HATCH. I hope Senator Humphrey keeps up this activism that has been noticeably lacking the past number of years with regard to this particular point.

I have a deep regard for him and a deep respect for him, and we ought to pay more attention to Senator Humphrey in this area.

I notice that you are the only pollster here, Mr. Harris, who seems to predict that the people are worried about a recession next year, where the others seem to be optimistic in their outlook.

Can any of you give me any reasons for the disparity?

I agree with you. I think this is a real big problem. We are not solving the problems. We have not solved the energy crisis, and we are not any closer to solving it today than when I came into the Congress on January 3, 1977. We are not solving the welfare problems; we are not solving so many problems in our society today, and all of these unsolved problems combined create great difficulty, and I think this is a nagging fear or thought in the minds of almost everybody.

Mr. HARRIS. As I listened very carefully to my colleagues here, and I think, as I read them, especially the last two, the Survey Research Center report and the Gallup report both indicated that there is a softening of this consumer optimism.

I think the polls I am reporting on are later out of the field and do reflect June thinking.

Most of the Government statistics, as you know, are always at least 1 month out-of-date when we get them. So I think I have a very up-to-date reading here, and it's like, you know, just weight on a camel's back to finally break it, and I think we are reaching that breaking point over inflation now.

I talked to some people on Wall Street yesterday about this, and they said, "Well, yes, the overhanging fear of inflation is what has kept the market from going well, but," they said:

Somehow we all agree with the Government economists who say don't worry the first half of the year where it's up at a rate of over 8 percent inflationary growth, don't worry, it will all temper down; it will be around 6 percent or less.

All I can say is that we haven't seen it yet. Just every month it seems to be at 7 or 8 percent or better, and the American people, I would say one thing about them. After they have lived with a problem long enough, they get awfully sensitive and pretty wise about it, and they have lived with inflation for a long, long time, and they are measuring it not by what they read, not by the numbers generated out of this town, but rather what they are buying every day of their lives.

They are now downright discouraged about the impact of inflation, and I believe our figures show, we do this every month, show that

their consumer buying intentions for the first time have begun to taper off and this could be serious.

If this goes on another 2 months, let's say, then I would be downright discouraged about the Christmas season.

I might add one more thing, and then I will shut up. We find for the first time since he came to office President Carter, while overall our June reading he gets 61 percent positive, which it was 65 in May, and you begin to look at the bottom lines of the accomplishments in the economic area, every one of those is negative now. On the overall handling of the economy, 48 to 47 negative, on his program to stimulate the economy, 48 to 40 percent negative. When you really get down to cases, keeping down the cost of living, 60 to 34 percent negative, cutting the rate of unemployment, 58 to 34 negative. Down the line, this President is now beginning to suffer by people saying, "Look when he came in, he said he would try to do things to make times better. We don't find times getting better."

I think this halo that has existed basically on his personal behavior, cutting out frills in the White House, they like his press conferences, they like his style, but they are beginning to question substance, and I would say that is a cloud which I think President Carter ought to carefully take a look at.

Senator HATCH. Thank you.

I would like to thank my two senior colleagues here today for allowing me to ask that one question. I have to go to Judiciary Committee, and I just hate to leave because this has been so interesting.

I want to thank Senator Humphrey very much.

Thank you.

Senator HUMPHREY. Thank you.

Before I turn this over to Congressman Long, you have heard the views of your colleague, Mr. Harris. I noted that most of you seemed to be a little more optimistic for the coming months for not only the balance of 1977 but looking into 1978. Let's just make a brief synopsis of your view if it is in contrast with Mr. Harris' view and why.

Mr. Baxter, we will run down the line. We will use you here as the focal point for a while, Mr. Harris.

Mr. BAXTER. I don't have any data here with me, and I am not going to try to guess. Our June results are not yet available. The only direct comparison we might have on the immediate future is we see that people's intentions to take vacations and trips and that kind of thing between now and Labor Day are up considerably. That does not necessarily debate Mr. Harris' point that Christmas spending may be down.

Our feeling is that the public is generally "squeezed," yes. They are worried about inflation, yes. But we have what we call a "family squeeze" index, how tightly people feel they are being pushed economically in their households. That has been getting steadily better. We will be watching that.

I am not saying that they are not fearful of inflation. On the contrary, I think they are. But I believe our data would show up to the point we have it that people are rather optimistic, but worried about prices.

Senator HUMPHREY. The inflation worry is a very relevant and persevering factor, is it not?

Mr. BAXTER. Yes. And, for example, all the news isn't good about how people feel about business, but they do believe in the system, and they do believe that business is pursuing a number of things right.

One thing they worry about is business profits, and the other thing is prices. They get really worried about the fact that business in a large minority's mind charges too much for what they sell.

Senator HUMPHREY. Mr. White, your commentary.

Mr. WHITE. Our findings support what Mr. Harris says, and I think what all of us are saying is pretty much the same thing. On the one hand, the country is more optimistic than it was a year or 2 years ago, and on the other hand, within this year, itself, it's beginning to slip away, and this is a sobering picture.

In March of 1977, 33 percent of the people we found expressed a lot of confidence in Mr. Carter's ability to handle the economy. Now, in June, that is down to 25 percent, down 8 percent. That is a lot. I think that is what we are all saying.

On the other hand, it is higher than what it was 2 years ago, but falling this year, concerned because the inflation is still up there, the prices are up there. As you say, what goes on in Minnesota, we find around the country. The people go to the stores and find the prices still up there and that concerns them, plus this energy thing which hangs over, and everybody knows that is going to hit, and it's a question of how hard.

Senator HUMPHREY. Mr. Curtin, you specialize in consumer confidence and consumer attitudes both on the short term and the longer term related to Mr. Harris' testimony. How does your evaluation compare with Mr. Harris' testimony.

Mr. CURTIN. I would summarize it as saying that consumers do, indeed, see dark clouds on the horizon but not necessarily a recession such as we recently had. I think that these data are quite consistent, or at least a number of ours, in the sense that, if there is a turning point in consumer sentiment, what we would see is a turndown in optimistic expectations a little before evaluations of current conditions, and that is exactly what the data documents. It shows that with regard to personal financial expectations.

Consumers are better off than a year ago but don't expect to be much better off in a year, business expectations are similar. Also, the increasing concern over prices in both family budgets and the role of buying in advance of needs.

Senator HUMPHREY. Do you find people still looking at the inflation rate pretty much on the basis of their supermarket purchases?

Mr. CURTIN. Supermarket purchases, as well as purchases of gasoline are very visible, and they also have the property that you do it repeatedly, at least once a week. So, because of those factors, they do have a greater visibility, but not all judgments are made on that.

The other thing I would like to say is that surveys that attempt to measure attitudes and expectations are done with the expectation that the lead time between measurements of the attitudes and the behavior in the marketplace is about 6 months. So the data at hand indicates that for the next two quarters, almost the whole balance of 1977, we will have fairly good times in terms of consumer spending, but, because of the problems I have noted, I think it would be unwise to extrapolate

this any further than the end of 1977. I think the data just are not robust enough to make a prediction past that date.

Senator HUMPHREY. Is that what the history of your survey reveals; namely, the 6 months' lag time, and then the following period reveals some of the developments that you discovered in your attitudinal surveys?

Mr. CURTIN. That is correct. For example, when people are thinking of purchasing a car, before they even start planning, they usually have optimistic expectations about their income, both current and future income. Just this phase takes months, during which time people hold optimistic expectations. Because the planning period tends to be this long, then we have this lead time.

Since we have been tracking this from the early 1950's, this lead time is fairly stable, ranging from 5 to 7 months.

Senator HUMPHREY. Mr. Schmiedeskamp, do you have any further comments? I think you were basically more optimistic than Mr. Harris.

Mr. SCHMIEDESKAMP. I basically tried to make a distinction which I think no one else at the table has really made, and that is the outlook is basically as optimistic as it was except that there is now a greater chance that that forecast is incorrect, if you understand the distinction.

Senator HUMPHREY. Would you kindly explain that? That went by me a little fast.

Mr. SCHMIEDESKAMP. The point is that there is an enormous convergence today between peoples' expectations about the future; which are really quite unfavorable, and their evaluations of where things are, which are really quite favorable. If you take the expectations out of the measures of consumer attitudes, we have actually had a continuing rise in confidence through this year.

It's the expectations mainly associated with inflation and, as I mentioned before, the expectation of higher interest rates and taxes which have dampened expectations. Now, it's a very important question under those circumstances how important are economic expectations, and there are a good many indications in the survey that as of right now they are not very important.

In the first place, the American people are just damned bored with the economy. They have been worried about the economy now for the last 6 to 8 years, and they are getting thoroughly bored with worrying about it, and that is particularly true because in the last few years of this recovery there have been times when the consensus of economic forecasts has been for some kind of recovery, which has turned out to be a false alarm.

It's like the little boy who cried wolf. People are tired of the economy. That is not to say the expectations are not important. They are terribly important, because the main cause of those expectations being unfavorable is something about which the American people are very concerned, namely, inflation.

What this all comes down to is the expectations about the future really probably don't play that large a role unless down the road the American people see substantial rises in inflation, substantial rises in interest rates, and then it could turn around rather quickly because of those adverse expectations.

To say a word just for a moment about the lag time between the change in attitudes and the change in behavior, my own personal opinion about that is that the lag time tends to be very variable.

Under very ordinary circumstances, I would agree with my colleague, Mr. Curtin, that it's about 6 months, but there are some circumstances in which things can happen very quickly, and one of those circumstances is when people already expect what happens—when they see the first signs of that happening, they say, "Oh my gosh, here it comes," and the reaction to that can be rather quick.

So that's what I mean when I say the outlook for the rest of this year in my opinion is basically rather favorable, but there is more uncertainty about that at the moment because it really depends very much on what happens with the inflation and what happens with interest rates and policy.

Senator HUMPHREY. Congressman Long.

Representative LONG. Mr. Baxter, what has your experience indicated relating to the realization of expectations? That is, what has been the effect of expectations upon actual economic activity?

Mr. BAXTER. Economic expectations?

Representative LONG. Yes; primarily.

Mr. BAXTER. I have been involved in this kind of thing directly and continuously only since the fall of 1973. I make that as a disclaimer because I haven't been in the purchase intention field for 15 or 20 years, to really get a sense of it.

I notice that in purchase expectations we are usually, as one of the gentlemen said, at the other end of the line. When people as a group say they are going to buy something, they tend 6 months later to buy as they say they would, with the exception, I believe, that they always underestimate things like major appliances, which go "on the fritz," and they didn't know that they are going to have to replace them when they were queried earlier about their purchase intentions.

There are some product categories in which they overestimate their purchasing, and Mr. Schmiedeskamp and Mr. Curtin may know which those are.

So, in the area of "do people do what they expect they will do?" Pretty much; yes.

Representative LONG. Mr. White, what has been your experience regarding these prophecies—using the term loosely—becoming self-fulfilled?

Mr. WHITE. I think the evidence is that the record, and this is really without passing the buck, but this is the area that Michigan and Mr. Schmiedeskamp have concentrated on more than we have on a continual basis for many, many years. Our own experience to the extent we get at it is clearly that it's possible, and we have been able as well as anybody at this table to predict and see those predictions verified more often in the short term than the long term, and with some major exceptions from time to time.

Representative LONG. Mr. Curtin, do you have anything to add to this?

Mr. CURTIN. One thing I would like to add is a little difference in terms of predicting individual buying behavior and expectations.

In terms of individual buying expectations, there is fairly close correspondence between expected purchases and actual purchases. I

thought when you originally asked the question you were referring to these expectations for the economy as a whole, whether it would be better or worse off—

Representative LONG. It really amounts to that if you take all the component parts and put it together, doesn't it?

Mr. CURTIN. Yes; in the overall. But people make spending decisions on a relatively limited set of criteria.

In any event, what I was going to say is that, if people expect bad times now and start making adjustments for them, and times actually turn out bad, then at least they have planned for them and taken appropriate action.

If, on the other hand, they expect times to remain good and they do not remain good, this is unexpected, and it's very disruptive, and that is probably the worst kind of situation.

So, now, expecting the future of the economy to be somewhat less optimistic than they have, if the economy turns out to be very strong, I think it would be solid, and if it turns out as they expected, I think they would just carry on.

Representative LONG. I see the relationship.

Mr. Schmiedeskamp, do you have anything to add to this? You and I discussed this once before, as I recall.

Mr. SCHMIEDESKAMP. One comment I would like to make is I guess basically to disagree with the representative from Roper.

We have found over many, many years that one of the least useful questions you can ask a consumer in terms of forecasting his behavior is what he is going to do. In other words, intentions questions just simply don't work very well, and there is a long history of that.

The Census Bureau spent about \$600,000 a year of the taxpayers' money measuring intentions over a period of many, many years, and that survey was discontinued a couple of years ago after a consultant committee of census, some 30 strong, voted 29 to 1 that the whole thing wasn't worth anything. I think the record on that one is really fairly clear.

People change their minds. There are a number of technical reasons why intentions questions are not terribly useful in forecasting behavior. But I think surveys can make very substantial contributions in understanding the circumstances under which people change their behavior.

The same thing happening now may have a different impact than the same thing several years ago. People change. People learn. Things happen in different circumstances so they are either reinforcing attitudes already held or causing dissidents.

My favorite example of that, of course, is September of 1974 when the American people expected a recession, according to a Gallup survey finding at that time, in August of 1974, the people expected a depression. When the economy started down steeply in early September of 1974, the American people's reaction to that was, "Oh, my God. here it comes, a deluge."

And, if you remember, at that time the forecast was that the economy was on the way up, and they looked at the signs of impending disaster and said, "What's that?"

Senator HUMPHREY. I want to say I remember it well. I participated in that and was one of the minority that said the recession was here.

Representative LONG. I think the Senator came back to the next meeting of the Joint Economic Committee, if I remember correctly, and raised the point. The consensus of the economists present at that meeting—nearly unanimous—was that the economy was on its way up. And Senator Humphrey was the only one, as I recall, who took the contrary position at the time.

Mr. White, you had a comment you wanted to make here?

Mr. WHITE. I want to say I think it is important—there is a relevant piece here. Most of us engage most of our time, at least we do, in working for private enterprise in assessing purchase intentions of customers with respect to a whole wide range of products. We live by the sword. They come to us with a product, they ask us will it sell or won't it sell, what price, when, how, shape, and we go out and come back and give them an answer, and they typically go forward, often, and there is a record, and that record is extraordinarily good. There are exceptions. There are Edsels and a few others that have achieved a lot of fame.

But, by and large, that record is good, and I think it's relevant here, and it shows.

Mr. SCHMIEDESKAMP. I was not talking about that kind of research. You are talking about research, someone comes to you with a product, and you want to know will this thing work or will it sell.

Mr. WHITE. With buying intentions.

Mr. SCHMIEDESKAMP. That is not what I mean by buying intentions, "Do you plan to buy a car?" and it doesn't work.

Representative LONG. We have seen these changes of intentions in voting polls, too, you know.

May I ask one question? My time has almost expired, but I want to ask each of you who has measured it in the reasonable past, what has been your finding with respect to the attitudes of the public on the deregulation of natural gas?

Could I start with you, Mr. Baxter, and then I will go right down the line.

Mr. BAXTER. I don't have anything here to answer that. I will defer to Mr. Harris.

Mr. HARRIS. Yes, sir, Congressman Long. We asked on the President's program specifically, and there is significance in this, I thought.

First, putting a tax on crude oil now produced in the United States to bring the price up to the world prices of crude oil—the public was opposed to that, 45 to 35 percent, not by a big margin; but the next one was allowing the price of natural gas to go up but still controlling how high it can go, the cap proposal of the President, as you remember, and that went up to 53 to 39 percent in favor.

Now, we asked another series of questions which are very interesting. We have done this sort of a trend basis, in fact, back in 1976 somebody brought a class action suit for publishing these; when we asked these back in 1973 we asked would you favor or oppose deregulating the price of natural gas in order to encourage further exploration and development of natural gas here at home, and when we first asked that in 1973, we got a 42 to 26 percent plurality that were opposed to that. That has moved up consistently to a point where, as of early May, 48 to 26 percent favor such deregulation.

When you ask, and I think the price business has been—I have to take some exception to some of my colleagues on this. I suppose that the last subject I can remember researching like we have energy was Watergate, and the one before that was Vietnam. These problems seem to hit us, and then we get so deeply immersed in them, and we are getting to be that way on energy now. Yes; it's true, you ask people how will energy affect them, the price in my pocketbook is precisely what they are worried about.

But I think it's a sore misreading of the American public to say that's where they begin and end on energy. It's not true at all.

We find, for example, that the public is critical of the President's message for not thinking in terms of developing new sources of energy; 54 percent of the public said the President didn't deal enough with that and they were hopeful that somehow we could develop it.

I might say one of the things that I wish the leadership of the country would really take the nettle on is this fact, and this has happened consistently, it's another one of those things, the way to seduce the people to believe that nothing needs to be done is hold out this carrot, that we have such technological know-how, don't worry, it will be all solved.

So by a 2-to-1 margin—well, here is what it is. We asked: In the next 10 years which do you think will do more to solve our energy shortage, technological breakthrough or really serious conservation measures?

Fifty-four to 24 percent said technological breakthrough; 25 years out, it's 65 to 10, no contest, technological breakthroughs.

Senator Humphrey, in the health area we did this recently, we did a survey and found the people all know the early warnings of cancer, stroke, heart attacks, they are well informed. We said: "Do you think you will get it before you die or you will get these diseases?" Over 80 percent said, "No; I won't." Even though they are the common ailments that people get.

Finally, we found out why, when we asked a simple series, "Do you think in your lifetime a cure will be found for cancer or heart trouble, for stroke?", and so on. By gosh, over 90 percent said they do.

In other words, we have been so inured in our heads in this country that technological know-how will solve everything that the idea that human beings control their fate is something that's a relatively new idea.

President Carter did get high marks from the public on this, for saying, "Look, you can do something about waste, and we mean to do something with you on waste, and make you do it." As long as it's equitable, people will buy it. This is very much what we find.

For example, 30 percent said their homes are not properly insulated and they are willing to pay more to have their homes insulated, albeit they will get a tax credit for it. Why?

When we asked why they were willing to do it, they said because it will save us money in the long run, we will be saving fuel because they expect fuel to go up.

I think it's a serious misnomer to say the public is only concerned about the price. We asked people that, we said, "What do you expect the price of a gallon of gasoline to go to in the next 2 years?" And you know what they said? One dollar and two cents a gallon. People expect it.

We said: "Now, what would it take to get you to stop or cut down on using your car to drive to work?" One dollar and thirty-five cents a gallon. That is an essential service.

"What will it take for you to cut back pleasure driving?" Ninety cents a gallon.

Representative LONG. Mr. White.

Mr. WHITE. Deregulation, on natural gas, we find a majority of the public reject it, but among the leadership groups there is a wide variation.

You find that a majority of the financial community are favoring deregulation and that it goes all the way down to fewer than 1 out of 5 union leaders who favor deregulation.

Representative LONG. This becomes one of those classic cases where, depending on how you ask the question, you are likely to get a particular answer.

If you ask the question in this instance as Mr. Harris did some time ago, saying, "in order to be sure that we have an adequate supply down the road," you are liable to get a different answer than if you ask, "Are you ready to increase it to cut down usage today?"

Mr. WHITE. I think you are right. The two elements are whether you are suggesting that the companies will get greater profits, which is one side of the argument, and the other is whether there is going to be a shortage next winter again, which is the other side.

Representative LONG. Mr. Curtin.

Mr. CURTIN. I would like to pick up on what you mentioned about questions.

We were very concerned about this because of the recent tax proposals and knowing that many people will poll consumer attitudes on taxes. Asking consumers about taxes is probably the least effective way of obtaining that data. Most people do not like taxes. Most people will not say, "Yes, raise my taxes."

To demonstrate this, we carried out an experiment in the May survey. We split our sample into random halves, and we asked a question about the standby 5-cent gasoline tax. In one case we posed the alternative as being to insure adequate supplies in the future, in the other case we posed the alternative to avoid foreign domination of our oil supply.

In the first, 70 percent said no tax; in the second 65 percent said they were willing to be taxed.

It is absolutely essential not to poll using single questions in this area, but to use many questions and to actually try and map peoples' preference functions between these alternatives. I think your point is just essential.

Representative LONG. There was a very interesting article in the Sunday Washington Post on this matter, exploring it at some length. I think it presented the same question, not so vividly as you did in the experiment you conducted in your last survey, but still making some very valid points about the answer you might come up with.

My time has expired, but, Mr. Schmiedeskamp, please comment, if you all did measure attitudes towards deregulation of natural gas.

Mr. SCHMIEDESKAMP. I am afraid I have nothing to say about that, but I would very much like to respond to what Mr. Curtin said about asking the questions and the method of doing so.

It's one of the banes of survey research, if you present something to people in an attractive way, they say yes, and, if you present it in an unattractive way, they say no, and this is not the path of enlightenment.

I think the best evidence of how seriously the American people do take the energy problem, however, is just simply in the kinds of questions which are open-ended and find out how often people talk about this as reasonable, why the economy may be bad and why we may have inflation, and so on and so forth.

To put the matter mildly, the energy crisis, unless you ask a specific question about the energy crisis, is not on the top of the American people's list.

Another thing I wanted to say in connection with what someone down the line here said a minute ago, at Gallup we have asked people what they expect to happen to gasoline prices during the next 12 months, and our consistent findings both before and after the President's message is that most people expect price rises on the gallon of gasoline, up 10 cents, which is, after all, not all that much.

One thing I am sure of, if I am sure of anything, and that is 5 or 10 years from now, if the American people have anything to say about it, there are going to be more cars on the road than today simply because mobility is the most highly valued goal in America—Take away my right arm, but, for God's sake, don't take away my automobile.

Senator HUMPHREY. After the President's message on energy, which received a favorable public opinion on all of your polls, the consumption of gasoline is at an alltime high. The American people listened very carefully and went right on out and filled their gas tank right up. Gasoline consumption is now running at an alltime high, and the projections for the summer are higher.

Senator McCLURE. That is just because they want to use it before we run out.

Senator HUMPHREY. Senator McClure.

Senator McCLURE. Thank you, Mr. Chairman.

I will take just a few minutes because our time is running out, and I want to share the time we have with Senator Javits.

Senator JAVITS. You go right ahead.

Senator McCLURE. With no disrespect, I was disappointed that Pat Cadell did not join you at the table today, because his wildly heralded memorandum of last December gave us a lot of pungent political advice, not the least of which is, "Don't worry about substance; show is more important." To put it another way, illusion is greater and more important than reality.

Senator HUMPHREY. I commented on this earlier in a bipartisan spirit.

Senator McCLURE. Those of us who have been involved in politics I suspect have known that for a long, long while—it's not so much what you say as how you say it. That is why the Senator from Minnesota has been such a star on center stage for so long.

Senator HUMPHREY. I am good on both counts.

Senator McCLURE. I do get from you, although there is a difference of opinion on the expectations of the American people in the field of energy. I think Gallup says that that is not first in their consciousness,

that is not number one in their list of things that they will think of themselves when you ask what is most important, that, nevertheless, there is a willingness on the part of the American people to accept some movement in terms of energy policy. Am I correct in assuming that you all say that? And that the American people might be expecting more leadership than we have been giving, both from the executive and from the Congress? Again would you all agree with that?

Mr. SCHMIEDSKAMP. I have one qualification there, and that is the Gallup finding which I reported when you were not in the room, sir, and that is that a clear majority of the American people believe the President's program is either an appropriate magnitude or didn't go far enough, except the only problem is they are strongly against any kind of energy proposal which would raise their energy prices, energy taxes, so I think that is an important qualification.

Senator McCLORE. I am sure that is correct. If you ask the American people, a normal, human reaction is, would you prefer to solve the problem with higher cost or with lower cost, I suspect they would prefer to solve it with lower costs; the only question is, is that an option that is available to us. So perhaps we have a communications problem on the alternatives.

Let me ask this, and any one of you who wishes to comment can do so. Do you believe that the public viewpoints, whether they are accurate or not, can serve as self-fulfilling prophecies of the economy? In other words, does their expectation actually cause the results which they expect?

Mr. HARRIS. I think others comment on what degree the public's intention is accurate. We have done some studies on this over time. If you get people worried about both unemployment and inflation at the same time, then what happens is a real, well, it's the nearest thing I guess to public psychology, what you might call a depression mentality, such as we had when the bottom fell out in the consumer demands here a few years ago.

This situation today is not like this. There has been an abatement of feeling about unemployment, worry about unemployment. There has been sharply rising fears and worry about inflation. We have seen two modes of consumer behavior that have taken place in response to this kind of situation.

In other words, relatively better employment with rapidly rising prices is their expectation. There are times when we have found a surge of short-term consumer buying of specific products, to say you had better get it before the price goes up even more. If this happens, however, on a sustained basis, we have found consistently an abatement or a slackening of consumer demand.

In other words, they get discouraged.

And we have done a number of studies on the area of savings, this phenomenon which we have had all through the 1970's of very high savings, and today the savings institutions, as you know, are still glutted with money and don't really know what to do with it.

The reason people kind of hunker down for what is to come is they say, "Look, I had better put it away," even though you make the logical cogent argument that your money in cash will be worth less by hanging on to it, but what they say is, "There is such uncertainty,

such dire uncertainty, that I had better not venture forth to commit in the marketplace." And it's my judgment that, if we go on with consumer fears about inflation rising during the rest of this year, I think you will have a very serious impact on consumer demands in the marketplace.

Senator McCLURE. Would any of the others like to comment?

Mr. Curtin.

Mr. CURTIN. In terms of the self-fulfilling prophecy, it's certainly true that we could think of the powerful consumers in their aggregate role in the economy. The consumer, in fact, is doing an important part to sustain this recovery. It has been true in the past that for certain public policies, for example the tax rebate, consumers could counteract that policy by putting all of the funds into savings and so sabotage the policy and help the recession along.

However, we must view consumers as just part of the system—that changes in attitudes and expectations are mutually reinforced by what happens in the real world—by what happens to their paychecks and prices. So, in the extreme, consumers cannot create very good times or create a recession just by themselves.

This is not to say that as consumers' attitudes begin to fall and purchases of automobiles, for example, also fall dramatically, that there will not be some negative feedback. But whether this continues much depends on other sectors in the economy.

Senator McCLURE. If I understand what you are saying, they may enforce trends and initiate some, but that is not the whole story. I would judge most of you would agree with that.

Mr. SCHMIEDESKAMP. With respect to whether or not it's a self-fulfilling prophecy, my feeling is that there are times when, in fact, it is in the sense that, if people believe something is likely to happen, it is likely to happen.

The leading example of that was in September of 1974, when a great majority of the people expected bad times, and a great majority of the economists expected good times. The point is the American people had the ability to make their forecast come true by not spending.

Senator McCLURE. Was that because they could make it come true, or was it because they were more right than the economists?

Mr. SCHMIEDESKAMP. It is not a matter of being right or wrong; it is a matter of believing something will happen. If the mass of people believe that we will have bad times, then we will have bad times, because that will contribute to the bad times.

Senator McCLURE. I remember that economists' meeting, too, and there were some economists who were not invited who did not share the confidence of those invited.

In regard to whether or not there is an element of self-fulfilling prophecy in what people think, I have noted over the years, and it's borne out by your graph, Mr. Curtin, in every election year there is a downturn in the economy, and immediately following, there is an upturn; because we are in the election process, we are always telling them how bad things are.

I first observed that in the 1958 presidential election. I think we talked ourselves into a recession.

If you look at the graph in your prepared statement, you will note, if you plot that just in advance of the year in which the new adminis-

tration comes in or the new Congress is installed, there is a downturn in every instance every 2 years, and there is also an immediate upturn following it, with one exception, and that is 1973-1974 election, which was a rather unique one in many ways.

I think there is a reinforcing policy involved in the political process itself. The people on the outside say the people inside are ruining the country, and there is a certain number of people who believe it, and because they believe it they become more guarded in their expenditures, much more conservative in their economic management; and then, immediately after the election, everybody says, "Oh, isn't this great? Things are now going well." And everybody responds, and they spend more money, and the economy has a slight upturn.

That graph again would show this is temporary, they don't necessarily counter the long-term movements, but they have some effect on it.

I am convinced, and perhaps you would disagree or agree with that.

I would invite any comments you might make.

Mr. SCHMIEDESKAMP. It is certainly true. I would like to comment on that for a minute.

Typically, when there is a new President, there is a honeymoon with the American people as well as, at least occasionally, with Congress, in the sense that there are many people who believe that the new President can solve problems that the old President could not solve.

Incidentally, that is one reason why expectations in recent months are not as favorable as they were earlier this year, simply because that honeymoon with Mr. Carter is rapidly coming to an end, right on schedule.

In other words, there were many people who believed he would be able to solve the problems of the economy simply because of some magic or mystique that many people associate with the new President. That is the nature of the honeymoon. As time goes on, that magic and mystique give way to reality, and that is where we are right at the moment with respect to expectations about the economy and Mr. Carter.

Senator McCLURE. An old adage which I think is still correct is that sometimes the wish is mother to the thought.

Mr. HARRIS. Senator, I would have to disagree with you; pretty categorically, too. I think there has been such a discrediting of establishment figure forecasts, it's almost as though, whenever an economist or a series of economists, or a series of distinguished U.S. Senators, or anyone in authority, stands up and tells the American people, "You know, times are a lot better than you think they are, things are really good. Why is everybody knocking the economy? Why is everybody knocking the country?" When that happens, the American people have heard those good times and good tidings so long, they really are skeptical, and almost downright cynical about pronouncements on high that say, "Hey, look, you never had it so good."

They say, "Come out here and look where we live."

I referred earlier to the study we did for the House earlier this year on the administration, the Committee on Administration, and one of the fascinating findings is that people would like to see more, not

less, money spent on those hearings being held out around the country, because they say, "Look, you come out here and see how we are really living and then you will begin to understand things."

There is a notion in this country that the banks of the Potomac are pretty polluted, and that you don't see very far from the banks of the Potomac.

So I don't think it's a matter of people responding in any kind of an automatic or atomistic way if somebody says things are terrible or things are great, that they are automatically victims of brainwashing.

On the contrary, they have a very healthy skepticism.

Senator McCLORE. I hope the members of the press will also find it useful to have Members of the Congress go back, because every time we have a break, we are immediately confronted with, "Well, the Congress is off on vacation again," and there is a whole spate of articles about Members of Congress leaving.

I have invited some of those reporters to follow me on my schedule during the recess, and all of them demur and find some reason to be elsewhere.

I agree with the American people in that instance. I don't think that masks the fact that there is a cacophony of criticism during an election year that does have some effect upon the thinking of the American people. Certainly it's not just a simple pronouncement by one or a few that things are good or bad, but, when it's a concerted, long-scale assault that the people can't escape, day after day, week after week, for the months of the campaign period, I think it has an accumulative effect of making them at least optimistic, or perhaps in your terms more pessimistic. Maybe we just reinforce their cynicism, and maybe they are justified in that.

I will not argue that point.

Mr. HARRIS. Sometimes that is balanced by certain Presidents who have a penchant for spending more moneys than they have impounded.

Senator McCLORE. Mr. Ford didn't get reelected and Mr. Nixon did, so that might prove the opposite.

Mr. HARRIS. It might prove that if Mr. Ford had done it he would have been reelected.

Senator HUMPHREY. Senator Javits.

Senator JAVITS. I apologize for being a little late, but I have been to something called a town meeting over at the Kennedy Center.

I have read your papers, and they are very illuminating, and I have heard the questions, and I thank you for your answers.

I have one question for Lou Harris. I notice in your prepared statement you say the following, which interests me greatly:

The point, however, is that people are deeply worried by the energy shortage, are prepared to take drastic steps to meet that situation, but above all else, want leadership down here in Washington, D.C., who is willing to risk unpopularity to tell the people the tough medicine they have to take to do the job. They still have a notion that almost no one wants to bite the bullet on this energy business, and to tell people they have to sacrifice to make conservation work. Yet, they themselves are far more willing to step up and make the sacrifices, if made equitably, than our national leadership will believe.

I agree with that. I am trying hard to practice it, and the only way we will ever convince the OPEC countries that we mean business is by cutting consumption a minimum of 20 percent and thereby cutting our imports by about 40 percent.

Do you believe the people are prepared to accept gasoline rationing for this purpose?

Mr. HARRIS. No; but I will tell you something that surprised me.

Senator JAVITS. Did you say no or yes?

Mr. HARRIS. I said no, Senator. If a President stood up and said this is the only way and said, "I am prepared for you to vote me out of office because I am going to put it on you," people would take it.

But we asked a series of tradeoff questions on this.

You see, when you ask people straight up and down, I am sorry to say President Carter, in effect, asked us as reflectors of what his program was, he just asked for standby gasoline tax, which was to say, in effect, if you don't do the conservation necessary, you are going to get 5 cents a year, and that could go up to 50 cents.

But he didn't stand up and say now we think the price route is one way we can cut down on consumption because, as our own surveys have shown, if you get to 90 cents a gallon, you will get quite a lot of pleasure traveling being curtailed. So you get 2 to 1 who don't want this 5-cent standby tax. But, when you begin to pose it in terms of what this would allow us, as the gentleman from the Survey Research Center in Michigan did, and we did as well, this would mean a cut-back of 10, and we went finally to 20 percent in our imports from abroad, and that means less dependency on Arab and other oil producers, we then go it up to 53 percent majority who would be willing to abide by a 5-cent tax, not just a standby tax in gasoline.

Now, you come to the rationing, and when we did this in the trade-off, if you had to make a choice between the two, between the system of permanent rationing of gasoline in this country, and in this case we used a 10-cent-a-gallon increase in your gasoline tax that you now pay, we found by 61 to 28 percent, I believe were the numbers, people said they would be willing to pay a higher price, a higher tax, than would go to rationing.

Now, you invite me to say this, based on these findings, if leadership would get up and say:

You have two choices—and don't think you have a third, which is to do nothing. I won't let you get off that hook; I am going to give you rationing or raise the price of gasoline through higher taxes and see that gets back to you in some way. Which would you rather have? Because I am going to let one of those happen.

I haven't heard that out of anybody, have you?

That is the sort of thing a President has to be prepared to do, to put a noose around his own political neck to sell the energy program, but when he does, the people will respond a lot faster than I think the President or anybody else realizes.

Senator JAVITS. Thank you very much—unless any of the other gentlemen wish to comment.

Senator McCURE. I want to follow that up, if I may.

Did they respond that they favored the tax instead of the rationing because they figured they couldn't escape the rationing and the increased price they would be willing to pay, therefore they would really sacrifice only price, not supply?

Mr. HARRIS. But if you ask them price in a vacuum, if you ask gasoline tax in a vacuum, they will tell you no because it's that versus nothing.

Mr. Curtin said earlier you can't really ask about taxes. We learned the only way you ever ask about taxes was never to say "in favor of" or "oppose" this tax. What you had to ask them is which of these taxes would you least object to; that is the way you ask about it, and then they will begin to tell you. But you can't ask, "Which do you favor?" because they will say, "Hell, I don't favor any taxes; you are picking my pocket."

Senator HUMPHREY. Gentlemen, I have one or two questions to ask.

Mr. Baxter, your testimony was exceedingly interesting to me. Your polls show that 53 percent of those surveyed favored economy in Government as one means of stemming inflation, while 31 percent favored spending and stimulating the economy.

On the other hand, that same poll indicated on table 12 of your prepared statement that anywhere from 40 to 71 percent of those questioned favored such things as solving the problems of the big cities, improving and protecting the environment, improving the Nation's education system, improving and protecting the Nation's health, and halting the rise in crime rate.

Well, I might add that everyone of those programs is very, very, very, very expensive.

How do you account for this apparent inconsistency between these polls?

Mr. BAXTER. You are absolutely right. I think, if you put this in our own personal budget situation, I know at our house we look at our budget and say we can't go at this rate or we have to watch this, but then next Tuesday one of my sons wants this or my wife and I want this or that, and we go buy it.

This may seem to be simplistic, but I think there is a true parallel there.

And people, when you present them questions that say here are 12 things, "Do you want more done or less done of each?" Sometimes we use the word "attention." "Do you want the Government to pay more attention to or less attention to each?" Sometimes we say, "Do you want more money spent on it or less money spent on it?" There you put him in the role of a citizen who says, "I am worried about crime in the streets." It's almost another way of saying, "That bothers me so let's do something about it."

I think people are not inconsistent in that sense, just as I am not inconsistent as a human being when I tell myself what I won't do, then I proceed to buy something against what I said to the family a week ago about holding down the budget.

Senator HUMPHREY. Members of the House survey their constituents and find the same thing.

I have worked with the Members of both parties of the Minnesota House delegation. They survey their respective districts. These surveys almost always indicate in almost every district a top priority demand to cut back on Government spending. Then you are out in the Seventh District, for example, and hear that you must improve the farm program, and you have to increase the price supports and the target price levels, and we need much more to be done in soil conservation, and then you get to cities, and it's all about what has to be done for the cities.

I have kept all the letters I received during the time of the Korean war, because I consider them to be most valuable for research purposes.

The letters ran like this: "Get out of this war." "Stop this incredible spending." "This war is a terrible crime against humanity." And so forth. And the last paragraph would be: "Bomb them to pieces." "We need to knock this bunch of Communists off." A total contradiction in the same letter.

I have segregated these for our university as a study in political attitudes and psychology, because letters about Vietnam and Korea are most revealing.

MR. BAXTER. And the question ought to be looked at in the context of "Do you want the Government to spend more money in order to stimulate the economy?" We found that the public doesn't want the Government to do that because that would fuel the economy, and we are already in trouble, and let's not do anything that may bring us inflation. So I think that was the motive behind that.

Senator HUMPHREY. The other reason that I noted here, and I agree with your observations, by the way, is that there is much more concern over inflation than there is over unemployment. The reasons are obvious. More people are affected by inflation, even though some people are affected more severely than others, those for example on fixed incomes are much more seriously affected.

Inflation is a sort of epidemic, a plague, that covers everyone. Unemployment is a kind of serious disease that hits a limited number.

Your poll, Mr. Curtin, taken last month, shows this marked increase in concern about whether inflation, as compared with unemployment, will cause more serious economic hardship. Concern about inflation among all families rose from 45 to 61 percent, while concern about unemployment dropped from 37 to 30 percent.

Concern about inflation was more pronounced among families of incomes of \$15,000 or more, and obviously those are families that do not have unemployment. Their concern about inflation rose from 51 to 71 percent, and their concern about unemployment dropped from 35 to 23 percent.

I have been very interested in whether your polling surveys minority groups and the core city groups.

Do you feel your polling really accurately reflects their concern?

MR. CURTIN. No, not quite, because of the very limited number of people in those categories. Our polling is based on random samples of all adult Americans. So, for example, in 1,200 case samples we would only expect to find 7 or 8 percent unemployment among those people. With that limited sample, of course, we can't pick up all the details we would like.

So, no, you are right; our sample is accurate, I would add, for the majority of people.

Senator HUMPHREY. Does this poll indicate an acceptance of high levels of unemployment as something we will be living with indefinitely?

MR. CURTIN. Certainly not.

Senator HUMPHREY. But it does indicate less concern about it?

MR. CURTIN. It indicates that they expect unemployment to either decline or remain the same rather than increase.

Senator HUMPHREY. Because the trend has been better with unemployment than with inflation. Now the unemployment trend is going down somewhat, and the inflation trend has been going up.

Mr. CURTIN. Exactly. I think the interesting part is that only 19 percent of our response in May expected unemployment to increase. When we asked about prices, over half said they would increase by 5 percent, already by February 1977, and remained the same in May. Yet, it wasn't until the May survey that the shift in emphasis toward prices from unemployment took place in our data. So I think this re-emphasizes the importance of inflation.

Senator HUMPHREY. Now, just a technical question, because it will be a matter of concern in the record here.

You mentioned two different measures of consumer attitudes, Mr. Curtin; one is consumer sentiment, and the other is consumer confidence.

Mr. CURTIN. They are synonymous.

Senator HUMPHREY. I just wanted to be sure there wasn't some nuance there that we ordinary folks didn't quite get.

Mr. Baxter, all of you have done this energy question for us because we asked your cooperation and help. Some of your respective observations were more detailed than others. You took the poll last month that shows 40 percent of the people questioned think there is a very real oil shortage problem, I believe, Mr. Baxter, and it will get worse during the next 5 or 10 years; however 33 percent of those polled say there never was a real shortage, that it was contrived for economic and political reasons; and at the same time 15 percent of the polls said there was a real shortage but it will be solved in the next year or two.

This poll shows that 48 percent of those surveyed don't think that we have much of a shortage problem, while 47 percent think we do. It appears to me that there may not be enough public support to carry out a meaningful conservation program aimed primarily at reducing the consumption of oil.

I am just posing this question, I am not saying that I personally agree with the observations I just made.

Mr. BAXTER. I think that from May of 1974 on, public belief is that there is a very real oil shortage, and the problem will get worse during the next 5 to 10 years. It has gone from 21 percent 3 years ago to 26 percent the next year; remained at 26 percent at the next reading, but has gone up to 40 percent now.

Or, if you take the other end of that extreme, people who said there never was any real oil shortage, it was contrived for economic and political reasons, it's true that only 33 percent take that position, but it used to be 53 percent, then 47 percent, then 46 percent and is 33 percent now.

So, my first answer would be I think it's going in the other direction, and as more educated people get on this issue, the more they are going to come down on the side of our having to do something.

Senator HUMPHREY. Let me convey to you some of my frustration.

I was amazed at the Gallup poll that showed something like 48 percent of the people didn't think that we imported any oil. What do you have to do to get the message across? Television is in every bar. It isn't as if somehow or other it's for a select little elite. If there is any one

means of communication today that really gets to all elements of the public, it's radio and television. You don't have to read. Most people can hear and listen and observe.

And yet we have been talking about the danger of dependence on Arab oil. We have had the Project Independence program, which is a long way from being achieved. It has been literally pounded into the American public that our trade balances are off because of the oil imports, and, if it wasn't for the fact that we could sell wheat to pay for the oil we would be in trouble. But we are not selling wheat this year so we are going to have big trouble.

What do you do? How do you educate people?

Mr. SCHMIEDESKAMP. I personally think the most important thing that can be done is present some simple facts in a simple way.

The energy problem and all of its ramifications is one of the most complex problems this country has ever faced, and a good deal of the discussion about this problem has been very complex.

Take, for example, the series of ads which the Mobil Oil Co. ran in the New York Times and elsewhere. It was a very laudable effort, but it was also damned heavy reading. It was not well designed to get across the basic facts which are really quite simple. Forty-some-odd percent of our oil is imported, and so on and so forth.

It's not the kind of basic communication that has been really needed here.

Senator HUMPHREY. In other words, the five of you feel there is a definite need for a much more targeted, precise program of public education about the facts of energy, price, production, domestic, imports, alternate sources, et cetera?

Mr. WHITE. And I think continuous, too. One of the problems is we have these one-shot affairs—from the President, from a leader of the industry, and so forth—and they are not followed up.

There is the need for taking into account what changes, and what progress is being made, because progress is being made.

An educational campaign is required. And most of them take more time and effort than we have put into this situation.

Senator HUMPHREY. Mr. Harris.

Mr. HARRIS. Just between May and June, in early May right after President Carter made his dramatic series, the fireside chat and the appearance before Congress, he got 36 to 57 percent favorable rating on his program to conserve energy.

Then go back about a month later, and it's 47-46 negative because they had not heard from him. That did not reflect his going after Congress and the auto companies and the oil industry, and so on. The fact is, and I think this reiterates and underscores your point, there is a tendency, I think, on the part of anyone who ever makes a public pronouncement to think, "I have made it, and now everybody knows it."

The fact is, and, Mr. Chairman, you know this is true in campaigns, the day that you can't stand to say it is maybe when someone is beginning to hear you. You can't say it again.

I think the President really has been off doing other things, and the longer he stays away, the lower the figures will be.

Mr. BAXTER. I want to say, too, you are in an elite group in many ways, so you think it has been pounded and pounded home, but there

are tremendous millions of people out there who really haven't got the message.

I want to give an example. I would like to document it.

For example, take education. Fifty-five percent of Americans who went to some college at least, 55 percent, compared with the average of 40 percent, believe the oil shortage is real, and the problem will get worse; that is 55 percent compared with 37 percent of those who finished high school, and 14 percent of those who finished grade school.

The blue collar figure is 33 percent, the executive-professionals, 49 percent of the younger people in this country, ages 18 to 29—46 percent of them know it's a real shortage; while 29 percent of those 60 and over do.

So there are these differences. It documents the fact that it's not a homogeneous audience out there who is getting the same kind of pounding.

Senator HUMPHREY. There is one other point I feel compelled to make.

I read, for example, the President's message very carefully. We had an advance copy of it.

Its greatest attribute was that it was comprehensive, and it covered the whole galaxy of proposals that had been mentioned and that seem feasible. I think it's fair to say that many of us agreed that the emphasis upon exploration and development was less than some people might want it, and I think your polls showed it.

I have often felt that the very complexity of the message contributes to the complexity of the problem.

When you got to the gas guzzler, people understood that. When you got to the standby gas tax, they understand that. Make no mistake about it.

But, when you get to all this business about where you tax and where you rebate and shove the money all around, I am telling you, you lose them. That is what some of us today have been talking about, changing the tax at the wellhead proposal. Instead of trying to figure out how to rebate it, put it into a transportation fund, or earmark it for purposes of development of alternate sources of transportation.

Mr. HARRIS. We have not reported this publicly, but out of our latest survey on the energy business, we asked people about the approximately \$50 rebate from energy taxes and said, "Would you rather have this rebate in cash or would you rather have a tax cut of the same magnitude?" They preferred, by 76 to 15 percent, a tax cut rather than a rebate. There is, somehow, a great skepticism about rebates. People don't quite believe in them.

Senator HUMPHREY. That is right; there has been from the beginning.

Senator McCLORE. The message is complex because, as a matter of fact, there isn't a current shortage of oil—there is plenty of oil right now. The questions are, where does it come from, what is the security of that supply, what is the cost of that supply, and what does that do to our domestic and foreign policies, and is the energy crisis a prospective one or a current one.

If we try to simplify the message to simply say there is a shortage of oil, somebody will come back to you and say, "Isn't there plenty, right now?" Yes; there is plenty right now.

Mr. HARRIS. There may be some difference in the panel here. My view is, when the price goes up they think to the degree the oil companies are ripping them off, but more and more we have found that people say that is a sign that demand is going up, and when demand goes up, prices go up, and people learn that the hard way.

Do you know there are less prime cuts of beef sold today than there was during a period several years ago? A year and a half ago sugar prices were way up, yet I was laughed at when I reported that the American housewife said she would use less sugar.

You know what happened. Demand went down 25 percent, the back was broken, and it has been broken to this day in the price market.

The same with coffee. We reported 83 percent of the people, about 6 months ago, who used coffee said they would go on strike in using coffee, that they were not going to use it. People laughed at me, and they said, "Nonsense, don't you know people have to have their six cups of coffee a day?"

What has happened in the last month? The price of coffee has gone down 50 cents, and you know why, people are using less coffee.

People have become sensitive to shortages by what happens to the price. I think that is why you are reading it wrong when you say the energy situation is just price.

They know that prices go up basically when there is a shortage, and the one fundamental lesson that has come out of meat, sugar, coffee, a whole host of things, is people say, "Look, man is no longer going to make it alone on exploitation of rich natural resources, they are not there to be done."

Senator HUMPHREY. I would like to have you take that message to the bankers because I will tell you what has happened. The big banks are awash with money. They don't know what to do with it. They have it running out of the vault. You don't even have to hold up the bank; it falls out on the floor. They literally have salesmen out to smaller country banks, where the country bank has loaned up to 80 or 70 percent. They are saying, "Please take some of our money."

When you have a big surplus, you would think the price of money would drop. But, Mr. Harris, these boys have got it fixed. They have a big surplus, but that doesn't stop them from keeping the interest rates high.

The demand for money is far less today than the amount of money in the big banks. The big banks control the price. They just put the price up.

I just keep putting that message out, and the other day Mr. Lance had something to say about it. I had a chance to talk with the President. I said, Mr. President, I want to compliment your Director of Office of Management and Budget. That is the first time I have ever done that in my life, because I generally don't, from a political point of view, like the Directors of the Budget.

We have disagreements on what I call priorities. But I said :

Mr. President, I wish you would call in the top 100 financial officers and bankers of this country and remind them about what we call free enterprise, just the thing they love to talk about. Remind them when you have excess demand the price goes up.

Price is a very good controlling factor. When you have a surplus, price should go down.

If you don't believe so, take a look at what happened to the price of wheat, from \$4 and something a bushel down to \$1.90, \$1.85. Why? We have an excess supply.

But you gentlemen could do the greatest favor for this Republic if you could take that message to the top financial institutions of this country and say, "Join the free enterprise system."

Oh, I think on that note, we will adjourn. Thank you, gentlemen, for coming today.

[Whereupon, at 12:50 p.m., the subcommittee adjourned, subject to the call of the Chair.]

[The following question and answer was subsequently supplied for the record:]

RESPONSE OF RICHARD T. CURTIN TO AN ADDITIONAL WRITTEN QUESTION POSED BY THE COMMITTEE STAFF

SURVEY RESEARCH CENTER,
INSTITUTE FOR SOCIAL RESEARCH,
THE UNIVERSITY OF MICHIGAN,
Ann Arbor, Mich., July 6, 1977.

Mr. BRETT DUVAL FROMSON,
Staff Member, Joint Economic Committee, Congress of the United States, Washington, D.C.

DEAR MR. FROMSON: As you requested, I am submitting a written response to the following question. "Economists have usually avoided the subject of expectations. They are just now hypothesizing that monetary and fiscal policy can be undermined by consumer and investor expectations that do not change regardless of short run government policies. If this is the case, then might we be wiser to base our economic forecasts upon models that take direct account of expectations that may affect people's economic behavior?"

Although the importance of expectations is recognized in principle, economists have long avoided incorporating direct measures of expectations in their models. If at all, they use proxies for changing expectations for the future that are based on what happened in the past. In view of our central interest in change, analysis and measurement cannot be relegated to the notion that the past repeats itself (which sometimes happens, but in critical times does not happen). Population sample surveys can tap people's attitudes and provide an understanding of how and why they change.

At times, divergent expectations may undermine government economic policies, as for example when people choose to continue to add to their savings regardless of the government's desire to increase spending through income tax reductions. However, the instances in which consumer expectations remain resistant to changes in government economic policy are infrequent. Usually, government policy does affect consumer expectations. Yet, because the instances when policy fails to shift consumer expectations may be at crucial turning points in our economy, people's attitudes and expectations must be frequently monitored.

Sincerely,

RICHARD T. CURTIN,
Director, Surveys of Consumer Attitudes.

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