

James C. Cole

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1950 SURVEY OF CONSUMER FINANCES
PART I. General Financial Position and Economic Outlook of Consumers ¹

The general financial position of consumers appears to have been fairly well maintained during the economic readjustments of 1949, although there is evidence of some deterioration for particular consumer groups. Personal incomes remained at very high levels and about as many consumers believed their financial position had improved during the year as believed that it had worsened.

Optimism concerning personal financial prospects and the general economic outlook for the ensuing 12 months continued to be the most prevalent attitude in early 1950, although greater reservations were expressed than a year earlier. Actual purchases of consumer durable goods in 1949 reflected a substantial broadening of the market and consumer plans to buy houses, automobiles, television sets, and other durable goods at the outset of 1950 were, on the whole, at least as extensive as buying plans reported in early 1949.

The above are highlight findings from the fifth

¹This is the first in a series of articles presenting the results of the Board of Governors' Survey of Consumer Finances in 1950. Other articles will appear in succeeding issues.

From the Board of Governors, general supervision of the survey has been under the direction of Ralph A. Young, Director of the Division of Research and Statistics, and of Homer Jones, Chief of the Consumer Credit and Finances Section of the Division. The Division of Research and Statistics has responsibility for planning the over-all content of the survey, analyzing survey results, and preparing the special articles reporting survey findings that appear in the BULLETIN.

From the University of Michigan, Rensis Likert, Director of the Institute for Social Research, and Angus Campbell, Director of the Survey Research Center, were in general charge of the survey. The Survey Research Center is a division of the Institute for Social Research of the University of Michigan. Responsibility for detailed planning and supervision of the survey, including interviewing, editing, tabulation of survey results, and preparation of Survey Research Center studies was carried by George Katona in collaboration with John B. Lansing and James K. Dent of the Survey Research Center staff. Charles F. Cannell served as head of the field staff and Leslie Kish as acting head of the sampling section of the Center.

The present article was prepared by Irving Schweiger of the Consumer Credit and Finances Section of the Board's Division of Research and Statistics. The author has necessarily maintained a close working relationship with the staff of the Survey Research Center at all stages of his work and his analysis of the survey tabulations has had the benefit of many suggestions from the Center's staff, particularly John B. Lansing and Kent E. Winter.

annual Survey of Consumer Finances sponsored by the Board of Governors of the Federal Reserve System. This survey, again conducted for the Board by the Survey Research Center, University of Michigan, makes available important information about consumer attitudes on economic matters, expenditures and buying plans for durable goods, distribution of consumer incomes, ownership and use of liquid and nonliquid assets, and consumer saving. It is to be emphasized that the field work on these surveys was carried out largely in the first two months of this year and that the survey findings must be interpreted with reference to that period.

This article, the first in a BULLETIN series presenting survey findings, is devoted to the general financial position of consumers and to changes in consumer attitudes on economic matters during the past year. Subsequent issues of the BULLETIN will contain articles analyzing consumer expenditures during 1949 and buying plans in 1950 for major durable goods and houses, changes in the distribution of incomes, in consumer saving patterns during 1949, and in holdings of liquid and nonliquid assets, as well as a discussion of the technical aspects of this fifth survey and the statistical limitations of the results obtained by the survey.²

Interviewing for the survey began during the first week of January and continued through the first week in March. Approximately 3,500 interviews were taken in 66 sampling areas distributed throughout the country.

As in previous surveys, the interview unit was the consumer spending unit, defined as all persons living in the same dwelling and related by blood,

²Previous surveys were conducted for the Board of Governors early in 1949, 1948, and 1947 by the Survey Research Center and the results of those surveys were reported beginning with the June issue of the BULLETIN for those years. The first survey was made for the Board of Governors early in 1946 by the Division of Program Surveys, Bureau of Agricultural Economics, United States Department of Agriculture. The Survey Research Center staff currently in charge of the survey work was associated with the Division of Program Surveys at the time of the first survey. Results of that survey were reported in the June, July, and August 1946 issues of the BULLETIN under the general title "National Survey of Liquid Assets."

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marriage, or adoption, who pooled their incomes for their major items of expense.³ Sampling methods also permit tabulation of many survey results on a family basis, and some of the results will be presented on this basis in later BULLETIN articles.⁴

SIGNIFICANCE OF SURVEY RESULTS

In sponsoring the Survey of Consumer Finances over the past five years, the Board of Governors has frequently emphasized the experimental nature of this relatively new development in the field of economic research. The methodology and techniques being used are believed to be among the most adequate known at the present time. Before this type of research can become of maximum usefulness, however, considerable further experience derived from a number of surveys repeated under varying economic conditions, together with careful statistical and analytical testing of results, will be needed.

Continuing studies are in process by the Board's staff and also by the staff of the Survey Research Center (the latter with university and research foundation support) to determine limitations of survey methods and to test the validity of survey results. Instances have occurred of the use of survey data without critical regard for their inherent limitations to confirm special points of view as to consumer income, saving, or expenditure patterns. As in the case of other types of economic statistics, appropriate precautions in applying and interpreting data are necessary to avoid unwarranted inferences.

Changes from year to year in survey findings, for example, may result from many factors. Among the most important of these are (1) actual changes in the basic situation which it is the main objective of the survey to measure; and (2) random shifts due principally to the particular samples of persons interviewed (sampling variation). Other factors which affect findings, though important, would be as prevalent in a complete census of the entire population as in a carefully selected sample. These

³If people contributed more than one-half of their income to the family it was considered that they pooled their income. In addition, the wife of the head of the family, or a family member under 18 years of age or earning less than \$10 a week, was always considered a member of the main spending unit.

⁴Families are defined as all persons living in the same dwelling unit who are related by blood, marriage, or adoption.

include such factors as reporting errors made by those being interviewed, differences in the questionnaire from year to year, differences in interpretation given either by the respondent to the question asked or by the interviewer to the answer given, and differences in processing the data.

In appraising changes in survey findings, it must be kept in mind that the value of change determined from the survey represents the best available (i.e., most probable) estimate of the true value. Generally, if differences are greater than may be attributed to chance variation in the selection of the particular samples (see the accompanying table

SAMPLING ERRORS OF DIFFERENCES¹

Differences required for significance (95 per cent probability) in comparisons of percentages derived from successive Surveys of Consumer Finances and from two different subgroups of the same survey.

Size of sample or group	Size of sample or group					
	200	300	500	700	1,000	3,500 ²
For percentages from about 30 per cent to 70 per cent						
200.....	11					
300.....	11	9				
500.....	10	8	7			
700.....	10	8	6	6		
1,000.....	9	7	6	5	5	
3,500.....	8	7	5	5	4	2.9
For percentages around 20 per cent and 80 per cent						
200.....	9					
300.....	8	7				
500.....	8	7	6			
700.....	7	6	5	5		
1,000.....	7	6	5	5	4	
3,500.....	6	5	4	4	3	2.2
For percentages around 10 per cent and 90 per cent						
200.....	7					
300.....	7	6				
500.....	6	6	5			
700.....	6	5	4	4		
1,000.....	6	5	4	3	3	
3,500.....	5	4	3	3	2	1.6
For percentages around 5 per cent and 95 per cent						
200.....	5					
300.....	4	4				
500.....	4	3	3			
700.....	4	3	3	3		
1,000.....	4	3	3	2	2	
3,500.....	3	3	2	2	2	1.2

¹The sampling error does not measure the actual error that is involved in specific survey measurements. It shows that—except for nonsampling errors, errors in reporting, in interpretation, etc.—differences larger than those found in the table will arise by chance in only 5 cases in 100.

²The entire sample of each survey.

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of sampling differences), one may assume that a real change has taken place.⁵ What conclusions can be justified then if the difference between two survey data is smaller than might be due to sampling variation alone?

In some cases in the 1950 survey the proportion early this year of those intending to buy a certain commodity was slightly larger than the proportion having similar intentions early in 1949. The difference was not statistically significant (less than might result from sampling variation), but it does not follow that there was no difference between the two proportions. Nor does it follow necessarily that the proportion was larger in 1950 than in 1949. What can be said is that the order of magnitude of the two proportions remained the same, but the chances are somewhat greater of an increase from 1949 to 1950 than of a decrease.

Sample surveys yield information which approximates the true order of magnitude of data but do not produce exact values. Expressing the results in terms of an estimated number of spending units or of aggregate dollar amounts may imply an unwarranted degree of certainty and is justified only because in this form the results are more easily interpreted and understood and, therefore, more useful. It must be remembered, however, that such magnitudes fall within a relatively large margin of error, and that the width of the margin may have a bearing on the interpretation of the data.

These qualifications, both as to the significance of the changes from one survey to the next and as to the aggregate estimates presented, are important to keep in mind in using the data shown in the various tables and in appraising the results presented throughout the series of articles.

The survey information represents only one body of data indicative of tendencies in consumer income, spending for durable goods and houses, and saving. In the past half century, this country has developed a vast wealth of currently available statistical data reported through various Government, private, and nonprofit organizations, and great progress has also been made in knowledge of their significance and in methods of summarizing and presenting them as an aid to an understanding of the changing economic situation. The survey

⁵ A fuller discussion of the reliability of sample data will be presented in a later article on the technical aspects of the survey. Additional discussion of this point may be found in the appendix to Part I of the 1949 series of articles which appeared in the June 1949 BULLETIN beginning on page 642.

findings are a supplement to these other data. They serve to fill important gaps in our economic information. At the same time, they need always to be reviewed and assessed against other series of statistical data. Reasonableness of results and of derived estimates as judged by data external to the surveys is one of the tests that must constantly be applied in interpreting the significance of survey findings.

PRELIMINARY SUMMARY OF PRINCIPAL SURVEY RESULTS

Financial position of consumers in early 1950.

1. Approximately 20 million of the 52 million consumer spending units in the population received higher money incomes in 1949 than in 1948. Lower incomes were received by about 13 million units. This was the smallest number of year-to-year increases in income and as large a number of decreases as has been observed in the postwar period, and reflected the economic readjustments in 1949 that followed an extended period of exceptionally high production at rising prices.

2. Higher incomes in 1949 were most frequently reported by spending units whose 1948 incomes had been less than \$1,000 and least frequently by those with 1948 incomes of \$4,000 or more. Conversely, there was a tendency for declines to be reported more frequently by units at high income levels in 1948. A somewhat similar pattern prevailed for changes in income between 1947 and 1948 but in this earlier period, the income groups below \$4,000 had substantially more increases in income and fewer decreases than did groups above this income level. When income changes were related to income levels after the changes, it was found for 1949, as it had been for former years, that higher income groups had more increases in income and fewer decreases than did lower income groups.

3. For the first time in the postwar period, an increase occurred in the proportion of low income spending units. Spending units with incomes of less than \$2,000 increased somewhat during 1949, rising from 30 to 33 per cent of all units. The proportion of units at intermediate income levels declined from 55 per cent in 1948 to 51 per cent last year, while there was almost no change in the proportion of units with incomes of \$5,000 or more.

4. In early 1950, 7 of every 10 spending units reported possessing some liquid assets (i.e., Govern-

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ment bonds, savings and checking accounts, and savings and loan shares). The number of units owning liquid assets—approximately 36 million—was at least as large as the number a year earlier and roughly 1.5 million units larger than indicated by a similar survey in early 1946. Since there has been an increase in the total number of spending units in this period, it has been possible for the number of units having no liquid assets to increase also. In four years, this group has grown from approximately 11 million to nearly 16 million spending units—which is a faster rate of increase than for those owning assets. As a consequence, the proportion of units possessing some liquid assets has declined somewhat.

5. Preliminary evidence indicates a reduction in the frequency of large liquid asset holdings by spending units with incomes of \$5,000 or more.

6. As in earlier postwar years, consumers in 1949 continued to change the type of liquid assets held. Fewer spending units held savings bonds and savings accounts at the end of the year than at the beginning. The number of spending units having checking accounts increased somewhat. The median holding for those who had any of the various kinds of liquid assets appeared to decline somewhat last year.

7. Preliminary tabulations indicate that slightly more than 3 in every 10 spending units spent more than they earned (i.e., dissaved) in 1949. This was a somewhat larger proportion than in 1948 and it appears that the increase occurred almost wholly among units with incomes of less than \$3,000.

8. The proportion of spending units owning homes remained approximately the same from 1948 to 1949. However, since the total number of units in the population increased in this period, the number of homeowners may have increased.

9. The proportion of spending units that felt they were better off than a year earlier was about as large in early 1950 as in any of the preceding surveys. In general, nonfarm spending units, with the major exception of unskilled workers, appeared to believe they were better off, while farm operators as a group felt they were worse off.

Spending for durable goods in 1949.

10. About 1 in every 2 spending units bought an automobile or other major durable good in 1949. The total volume of such purchases broke all previous records and so did, probably, the number

of consumers who bought them—more than 27 million spending units.

11. Survey data indicate that approximately 11 million consumer spending units purchased automobiles in 1949 and that more than 20 million bought other selected durable goods such as furniture, refrigerators, radio and television sets, washing machines, and other large household appliances. Nearly 5 million units bought both a car and one or more of the other goods.

12. The further broadening of the market for durable goods in 1949 was accompanied by an increased use of instalment credit. Approximately 48 per cent of all automobile buyers reported using credit last year compared with 39 per cent in 1948. As in previous years, purchases on credit were more frequently reported for used cars than for new cars. Reports of credit buying of durable goods other than automobiles were also more numerous than in prior years.

13. The total number of new and existing nonfarm houses purchased in 1949 for owner occupancy was less than in earlier postwar years, due primarily to a reduced turnover of existing houses. Although independent data indicate that more nonfarm houses for owner occupancy were started in 1949 than in 1948, the number completed and sold in 1949 appears to have been smaller than in the previous year.

Consumer views on the economic outlook.

14. Consumer attitudes on the general economic outlook for the year might be characterized as being optimistic but less so early in 1950 than at the beginning of 1949. At the same time there was also somewhat less outright pessimism. Many more persons seemed uncertain or unwilling to hazard an opinion as to which way the economic wind might blow during the coming 12 months. The proportion of those expressing a favorable opinion regarding the business outlook (4 in every 10 units) was the smallest for any of the annual surveys since early 1946, but about the same as it was in mid-July of last year.

15. Nearly half of those interviewed thought times were good at present—about the same proportion as in July 1949 but somewhat less than a year earlier. Less than 3 in every 10 units considered present conditions were unfavorable, and 2 in 10 held to a middle position or could not decide whether times were good or bad. As in previous surveys, those in high income groups tended to

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consider the present situation more favorable than did those in lower income groups. On the whole, there was not much change in consumer evaluations of current economic conditions from midsummer 1949 to the beginning of 1950.

16. Many consumers thought that while times were good at present, they were less favorable than a year earlier. Nearly 5 in every 10 units believed that business conditions were worse than in early 1949 while 2 in 10 thought they were better and 3 in 10 believed they were about the same. Although consumers believed that some worsening had taken place, the consensus was that times were still favorable.

17. Somewhat more than half of all employees thought it would be difficult, if not impossible, to get other jobs paying about the same amount of money if, for any reason, they were to lose their present jobs. Less than 2 in every 10 felt absolutely certain that they could get jobs with equal pay, but a slightly larger proportion were equally certain it would be impossible to get other jobs without some sacrifice in current income. Comparable data on this point were not obtained in previous years.

18. Consumers were not quite as uniform in their expectation of lower prices of the things they buy in the following 12-month period as they had been at the beginning of 1949 or at the midpoint of last year. The proportion of those looking for price declines dropped to one-third from about one-half in both the 1949 surveys. On the other hand, there seemed to be a slight increase in the proportion that thought prices would probably rise in the coming months.

19. There continued to be a sharp divergence between expectations for consumer prices in general and for prices of automobiles and other durable goods. Although only a third of the spending units were looking for consumer prices in general to decline, more than half were of the opinion that reductions would take place in the hard goods lines.

Consumer plans to buy houses and durable goods.

20. The number of consumer units that planned to buy newly built houses in the current year appeared to be somewhat larger in early 1950 than in early 1949. There was little change in reported intentions to purchase existing homes.

Survey data justify an estimate of well over 1 million consumers having "definite" plans to buy

new houses in 1950. About as many consumers indicated intentions to buy new homes in 1951 as reported such intentions for 1950. Purchase plans were more frequently uncertain for 1951 than for 1950, reflecting in part at least the remoteness of the time period.

Spending units containing veterans constituted a greater proportion of the prospective buyers of homes in both 1950 and 1951 than in 1949.

21. Consumer intentions to buy new cars were at least as frequent in 1950 as in 1949, a year of record sales. In addition, a substantial increase was reported in intentions to purchase used cars.

22. Plans to buy selected durable goods other than cars were also at least as numerous as in 1949. Considerably more than twice as many consumers intended to buy television sets during 1950 as reported similar intentions for 1949. Buying plans for furniture, washing machines, and refrigerators also appeared to be at least as extensive as a year earlier. A decline was noted, however, in intentions to purchase radios. For durable goods, as a whole, consumers were thinking of buying in greater volume than in the record year of 1949.

CONCLUSIONS

The financial position of consumers, which was strong at the beginning of 1949, was generally maintained during the year. Some deterioration took place, chiefly among farm operators and unskilled workers, but it did not appear to be of serious magnitude. On the positive side, personal incomes remained at very high levels, although there was some increase in the proportion of units with incomes of less than \$2,000. Liquid assets continued to be widely held by members of all income and occupational groups. Most consumers had some secondary financial reserves, in many cases substantial reserves, in the form of investments in one or a combination of life insurance, houses, and various types of securities.

However, on the negative side, the frequency of dissaving, or spending in excess of current income, increased by several percentage points to its highest level in the postwar period, especially among consumers with incomes of less than \$3,000. Additions to consumer indebtedness were substantial. Also, there was a further increase in the proportion of all units that had no liquid assets and the median holding of those with liquid assets probably declined somewhat.

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On balance, it seems that consumers generally began 1950 in a strong financial position, although slightly weaker than a year earlier. They were optimistic concerning their own income prospects and the general economic outlook for the year, although not as unreservedly as 12 months earlier. Intentions to purchase houses, automobiles, and other major durable goods in 1950 appeared to be at least as numerous as in any prior year. The extent to which these plans will be carried out will depend considerably on what happens to jobs, incomes, and prices, the availability of goods and credit, and the general domestic and international situation. But to the extent that the consumer is an independent element in the economic system, the prospects for high-level purchases of durable goods and houses appeared encouraging.

CHANGES IN CONSUMER FINANCIAL SITUATIONS

In their own opinions, the financial positions of consumers were broadly similar in early 1950 to what they had been a year earlier. As Table 1 shows, about as many spending units said their financial situations were better than in early 1949 as said they were worse. This indicates that a considerable improvement had taken place since the middle of 1949. At that time, many more consumers reported being worse off than reported being better off compared with a year earlier. This development is of some significance because a feeling of financial improvement tends to result

in greater optimism and a larger volume of expenditures.

Certain groups in the population, however, did not report an improved financial position on balance. Farm operators were seriously affected by declining farm prices during 1949 and this is reflected in the successively higher proportions of farm operators to report worsened financial positions. As shown in Table 2, reports of such

TABLE 1
FINANCIAL SITUATION OF CONSUMERS

Comparison with a year earlier	Percentage distribution of all spending units						
	Early 1950	July 1949	Early 1949	July 1948	Early 1948	July 1947	Early 1947
Opinion of own financial situation¹							
Better off.....	32	24	33	25	29	26	31
Same.....	32	36	35	30	28	31	30
Worse off.....	34	39	30	42	39	41	34
Uncertain.....	1	(?)	1	1	2	1	2
Not ascertained.....	1	1	1	2	2	1	3
All cases.....	100	100	100	100	100	100	100
Current income²							
More than a year ago.....	30	24	42	41	43	36	(?)
About the same.....	41	39	35	34	33	34	(?)
Less than a year ago.....	27	36	21	22	21	27	(?)
Not ascertained.....	2	1	2	3	3	3	(?)
All cases.....	100	100	100	100	100	100	100

¹ The question was: "Would you say that you people are better off or worse off financially than you were a year ago?"

² Less than one-half of 1 per cent.

³ Data refer to nonfarm spending units only, except for July 1949 when all units are included. The question was: "Are you making as much money now as you were a year ago, more or less?"

⁴ Data not available.

TABLE 2
CHANGES IN FINANCIAL SITUATION AS REPORTED BY SPENDING UNITS IN VARIOUS OCCUPATIONAL GROUPS

Opinion of change in own financial situation from a year earlier	Percentage distribution of spending units within occupational groups																	
	Professional			Managerial and self-employed			Skilled and semiskilled			Clerical and sales personnel			Unskilled			Farm operators		
	Early 1950	July 1949	Early 1949	Early 1950	July 1949	Early 1949	Early 1950	July 1949	Early 1949	Early 1950	July 1949	Early 1949	Early 1950	July 1949	Early 1949	Early 1950	July 1949	Early 1949
Better off.....	47	33	43	35	32	34	38	26	34	47	32	40	27	21	29	20	20	38
Same.....	29	37	30	31	34	36	33	37	36	29	39	36	33	35	36	30	37	29
Worse off.....	22	29	25	32	33	28	27	37	28	22	28	23	38	44	33	50	40	31
Uncertain.....	1	1	1	(?)	(?)	1	1	(?)	1	1	—	(?)	1	—	(?)	(?)	2	1
Not ascertained.....	1	—	1	2	1	1	1	(?)	1	1	1	1	—	2	—	1	1	1
All cases.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Number of cases.....	287	(?)	293	466	(?)	470	895	(?)	886	486	(?)	495	344	(?)	427	409	(?)	430

¹ Less than one-half of 1 per cent.

² Data not available.

NOTE.—The "number of cases" shown in this and in subsequent tables represents the actual number of spending units falling in each cell. Because the survey oversamples certain groups and corrects for the oversampling by the use of weights, the unweighted number of spending units in a cell does not represent the same proportion of the total sample as the weighted proportion. For example, spending units with incomes of \$5,000 or more in 1949 were 15.3 per cent of the weighted sample, but there were 706 such spending units which, on an unweighted basis, amounted to 20.1 per cent of the 3,512 spending units in the sample. Tables based on entire samples do not include a statement of the number of cases, which number approximates 3,500 respondents for the annual surveys and about half that for the midyear surveys. For a detailed description of the sampling methods, see pp. 643-46 of the BULLETIN for June 1948. An article to appear in a later issue of the BULLETIN will discuss the technical aspects of the survey.

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worsening were made by 31 per cent of farm operators in early 1949, by 40 per cent in July 1949, and by 50 per cent in early 1950. All other occupational groups also experienced some deterioration in financial condition during the first half of 1949, but the trend for these groups was reversed in the second half when general business conditions improved.

The upswing in the second half of 1949 apparently had a substantial beneficial effect upon spending units headed by skilled and semiskilled workers, clerical and sales personnel, and professional, managerial, and self-employed persons. Members of these occupational groups not only reported improved financial positions much more frequently in early 1950 than in July 1949 but even more frequently than in early 1949, the previous postwar high point for reports of financial betterment. Unskilled workers also appeared to feel that they benefited by the upswing in business in the second half of 1949 but not as much as most other occupational groups.

Change in income during 1949 was the most important single factor influencing attitudes toward personal financial positions. The importance of a change in income in determining a person's attitude toward his own financial position is demonstrated by the fairly close correlation between these two categories shown in Table 3. Of those who were making more money at the beginning of

1950 than a year earlier, 70 per cent believed that their financial situations had improved; of those making less, 74 per cent felt that they were worse off. This relationship did not show up as clearly in earlier postwar years, when prices were rising, because consumers were quite sensitive to the fact that price rises had wiped out much of the benefit of higher money incomes.

Further accumulation of savings and repayment of debt were also frequently mentioned as factors underlying improvement in financial position. Increased expenses due to the birth of a baby or sickness or death in the family, as well as such factors as higher prices (e.g., rent), reduction of savings, or an increase in debt were the most important additional reasons given for worsened financial conditions.

In comparing their current (early 1950) rate of earnings with that of 12 months earlier, a slightly larger proportion of nonfarm spending units reported higher current earnings than reported lower earnings. This was a considerable change from earlier postwar years when increases outnumbered reductions by almost two to one. However, prices also rose considerably in these earlier years. It is significant that the same ratio of consumers believed they were better or worse off in a period of high-level economic activity and stable prices as in a period of inflationary rises in prices and incomes.

In contrast with previous annual surveys, all major nonfarm occupational groups did not report higher current incomes on balance. Only spending units headed by persons who followed a profession or by clerical and sales personnel or skilled and semiskilled workers provided more reports of larger than of smaller current earnings. Businessmen and unskilled workers reported the opposite experience—that is, more of them had declines in the rate of current earnings compared with 12 months earlier than had increases. However, all nonfarm occupational groups reported fewer declines and more increases in current earnings in early 1950 than in the summer of 1949.

These changes appear to have accompanied an increase in the proportion of spending units with incomes of less than \$2,000 and a reduction in the proportion at middle income levels, as is shown in Table 4.

Complete information has not yet been tabulated on changes in income during 1949, but preliminary

TABLE 3
RELATION BETWEEN CHANGE IN INCOME AND CHANGE IN
FINANCIAL SITUATION¹

Opinion of change in own financial situation from a year earlier	Percentage distribution of spending units having specified changes in income from preceding year					
	Early 1950			Early 1949		
	Making more now	About the same	Making less now	Making more now	About the same	Making less now
Better off.....	70	22	10	56	18	12
No change.....	18	56	15	29	56	17
Worse off.....	10	21	74	14	26	70
Uncertain.....	1	1	1	(?)	(?)	1
Not ascertained.	1	(?)	(?)	1	(?)	(?)
All cases.....	100	100	100	100	100	100
Number of cases.	973	1,269	789	1,286	1,084	639

¹ Comparison of changes from a year earlier in a spending unit's current level of income and in its opinion of its own financial situation. Excludes all farmers and also such other spending units as did not indicate whether they were making more or less money than a year before. For questions asked, see Table 1.

² Less than one-half of 1 per cent.

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TABLE 4
INCOME GROUPING OF SPENDING UNITS¹
(Percentage distribution)

Annual money income before taxes	1949	1948	1947	1946	1945
Under \$1,000.....	14	12	14	17	20
\$1,000-\$1,999.....	19	18	22	23	27
\$2,000-\$2,999.....	21	23	23	25	23
\$3,000-\$3,999.....	19	20	17	17	15
\$4,000-\$4,999.....	11	12	10	8	7
\$5,000-\$7,499.....	11	10	9	6	5
\$7,500 and over.....	5	5	5	4	3
All income groups.....	100	100	100	100	100

¹ Income data for each year are based on interviews during January, February, and early March of the following year.

tabulations indicate that higher incomes in 1949 were most frequently received by spending units whose 1948 incomes had been less than \$1,000 and least frequently by those with 1948 incomes of \$7,500 or more. Conversely, declines were received more frequently by units that had been at high income levels in 1948. When income changes from 1948 to 1949 were related to 1949 incomes, it was found that spending units at high income levels reported proportionately more increases and fewer decreases than did units at low income levels. This pattern, which has also been found in earlier surveys, reflects in considerable measure the fact that consumers who received increases tended to move to higher income levels and those whose incomes declined tended to move to lower income levels. Detailed survey findings on the distribution of consumer incomes before and after taxes will be presented on a family as well as a spending unit basis in a later issue of the BULLETIN.

CONSUMER APPRAISAL OF CURRENT ECONOMIC SITUATION

In early 1950, consumers as a group believed that general economic conditions were somewhat worse than a year earlier but that the deterioration had not been serious. As shown in Table 5, roughly 2 in every 10 spending units believed that times were better than in early 1949 while 5 in 10 thought they were worse. However, almost none believed that conditions had become seriously worse. This indicated that consumers were taking a somewhat brighter view than in midsummer of 1949 when 6 in 10 thought that times were worse than at the

beginning of the year and a substantial number thought that the deterioration was serious.

Opinion on the change in conditions was quite similar at all income levels in early 1950 whereas in midsummer 1949 greater cognizance of worsened economic conditions was reflected at higher income levels than at others. Farm operators were more unanimous than were other occupational groups in believing that general economic conditions had deteriorated. Six months earlier they had held this belief with less frequency than most other occupations.

TABLE 5

OPINIONS REGARDING CHANGES IN ECONOMIC CONDITIONS SINCE EARLY 1949¹

(Percentage distribution of all spending units)

Opinion	Early 1950	July 1949
Times better now.....	1	1
Times better now, with reservations.....	17	7
Times about the same.....	28	30
Times worse now, with reservations.....	46	44
Times worse now.....	2	14
Don't know; not ascertained.....	6	4
All cases.....	100	100

¹ The question asked in early 1950 was: "Now, considering the country as a whole, would you say that times now are better or worse than a year ago?" In July 1949, it was: "Now considering the country as a whole—would you say that times now are better, about the same or worse than they were six months ago?" Comparable questions were not asked in earlier surveys.

As in earlier surveys, some tendency was apparent for consumers to generalize from their personal situations. Spending units that had received increases in income were somewhat more favorable in their appraisal of the change in general economic conditions than were those whose incomes had declined. The converse was also true.

Although consumers believed that some worsening had taken place, the most widely held view was that times were still favorable. Twice as many people expressed the opinion that times were "good" as that they were "bad." Very few spending units thought that current conditions were either very good or very bad. For the most part, the situation was regarded as compounded of both favorable and unfavorable elements, with the largest group of consumers believing that, on balance, times were "good." The proportion that believed times were unfavorable increased somewhat and was larger than at any time since early 1948 (see Table 6 for details). At that time, people were mindful

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TABLE 6
OPINIONS REGARDING CURRENT ECONOMIC CONDITIONS ¹
[Percentage distribution of all spending units]

Opinion	Early 1950	July 1949	Early 1949	Early 1948
Good times	6	7	30	39
Good times, with reservations	41	40	26	15
Middle position	18	32	20	13
Bad times, with reservations	21	14	9	6
Bad times	4	5	7	19
Don't know; not ascertained	10	2	8	8
All cases	100	100	100	100

¹ The question was: "Would you say we are having good or bad times now or what?"

of "inflation" as causing bad times. In early 1950 the chief factors mentioned were employment and labor-management relations. (Prolonged and widely publicized strikes in the coal and automotive industries were underway during the period in which interviews were conducted.) Those who held that 1950 conditions were favorable put chief stress on high purchasing power and employment.

Although, as mentioned earlier, a greater proportion of farm operators than of other occupations believed that economic conditions had deteriorated somewhat in the past year, this by no means meant that farmers were the most pessimistic in their appraisal of current conditions. In fact, farm operators were less frequently of the opinion that current economic conditions were bad than were members of most other occupations. The most favorable analyses of the current situation were made by persons who followed a profession, by businessmen, and by farm operators. A majority of each of these groups believed that present times were "good." The most unfavorable appraisal of the current situation was provided by spending units headed by persons who were unskilled workers.

There appeared to be a direct relationship between income level and evaluation of current economic conditions. In general, the higher the income level, the greater was the proportion of spending units that believed times were "good" and the smaller the proportion that thought they were "bad." Each income and occupational group contained more spending units that felt economic conditions in early 1950 were favorable than thought they were unfavorable. This had also been true a year earlier when a similar evaluation was obtained, but at that time the proportion of

favorable opinions reported had been consistently larger in every income and occupational group.

ECONOMIC OUTLOOK OF CONSUMERS

Optimism concerning personal income and general economic prospects for the balance of the year continued to be the attitude most frequently reported by consumers in early 1950, but the tone of this optimism was changed from that of previous years, especially in regard to general conditions. Whereas many consumers formerly looked for very good times ahead, few did so in early 1950. A tendency was apparent to expect economic conditions during the year to be somewhat mixed but to consider that the favorable elements outweighed the unfavorable. Uncertainty concerning business in general and one's future rate of earnings was expressed by a larger part of the population.

While the proportion of spending units in the "uncertain" group was larger than in early 1949, it should be noted that of those that expressed definite opinions concerning good or bad times, a larger proportion viewed the future as being favorable on balance in early 1950 than in any period surveyed since early 1947. As shown in Table 7,

TABLE 7
EXPECTATIONS CONCERNING PERSONAL INCOMES AND GENERAL ECONOMIC CONDITIONS
[Percentage distribution of all spending units]

Expectation	Early 1950	July 1949	Early 1949	July 1948	Early 1948	Early 1947
Own income ¹						
Income will be larger	30	23	27	26	28	23
Income will be about the same	43	41	46	42	47	42
Income will be smaller	16	18	17	8	13	14
Uncertain, it depends	9	17	9	22	9	19
Not ascertained	2	1	1	2	3	2
All cases	100	100	100	100	100	100
General economic conditions ²						
Good times ahead	4	7	22	} 41	36	45
Good times ahead, with reservations	36	31	25		11	10
Middle position	15	15	14	10	6	* 21
Bad times ahead, with reservations	15	22	16	} 30	23	5
Bad times ahead	2	9	9		3	17
Uncertain, no change	19	14	10	16	13	(?)
Not ascertained	9	2	4	3	8	2
All cases	100	100	100	100	100	100

¹ Data for 1947 are based on comparisons of expected incomes a year hence with current rate of income and so are not strictly comparable with data for other years, which compare expected annual incomes with the past annual income.

² The question was: "Now considering the country as a whole, do you think we will have good times or bad times or what during the next 12 months or so?"

* Middle position on the 1947 survey is interpreted to include "uncertain, no change."

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for every spending unit that expected bad times there were more than 2 expecting generally good conditions to prevail throughout the year. Greater belief in favorable than unfavorable conditions was reported by every income and occupational group. Most optimistic among the occupational groups were spending units headed by professional persons and skilled and semiskilled workers; most pessimistic were farm operators. In general, belief that good times would prevail during 1950 increased with income level; uncertainty in this respect was considerably greater among units with incomes of less than \$4,000 than it was above this level.

Consumers appeared to be quite hopeful about their own income prospects for 1950. Nearly twice as many people were looking for higher total incomes this year as were expecting lower incomes. Anticipations of higher incomes this year than in the previous year were held by 3 units in 10, which was a somewhat larger proportion than in any previous survey in this postwar series. Every major occupational group reported the same or a greater proportion of units with such expectations than in 1949, with skilled and semiskilled workers showing the largest increase. Farm operators were found to be less uncertain about the future and to anticipate both increases and decreases in income more frequently this year than in 1949. Also, as in 1949, more members of this group expected lower incomes than expected the contrary.

Spending units with incomes of less than \$7,500 were somewhat more optimistic about higher incomes in the coming year than they had been in 1949; those with incomes above this level were possibly somewhat less optimistic about increases and were the only income group to anticipate receiving more decreases in income than increases.

A substantial number of units that had suffered income declines in 1949 were counting on regaining at least part of the decline in 1950. Approximately 3 units in 10 with lower total incomes in 1949 were expecting to earn more in 1950; 2 in 10 believed their incomes would decrease further. Those consumers whose incomes were higher in 1949 than in the previous year were most optimistic of all; nearly 4 in 10 of this group believed that their incomes would rise still further in 1950 and another 4 in 10 thought that they would maintain their higher incomes, as is shown in Table 8.

TABLE 8

RELATION OF PAST CHANGE IN INCOME TO EXPECTED CHANGE
[Percentage distribution of spending units within each group]

Expected annual money income in 1950 compared to 1949 income	All spending units	Annual money income in 1949 compared to 1948 income		
		Larger income in 1949	Same income in 1949	Smaller income in 1949
Larger income in 1950...	30	37	17	34
Same income in 1950...	43	41	58	31
Smaller income in 1950...	16	14	16	21
Uncertain, it depends...	9	7	7	12
Not ascertained.....	2	1	2	2
All cases.....	100	100	100	100
Number of cases.....	3,512	1,373	1,013	900

When consumers were asked to compare their current earning rate (in early 1950) with what they expected to be earning 12 months ahead, it was found that, on balance, consumers with definite opinions were optimistic. However, more units tended not to have a definite opinion, to be "uncertain," than when the same question was asked in early 1949. A relationship was apparent between personal expectations and attitudes toward the general economic outlook. Of those who were uncertain about general conditions, nearly half were uncertain about their own income prospects; those who thought the economic outlook for 1950 was favorable were most optimistic regarding increases in their own incomes.

For the first time in these surveys consumers were asked to discuss how financially secure they felt. As with any survey data obtained for the first time, this material should be considered as informative but only experimental in nature until there has been adequate opportunity to appraise its significance and reliability. Differences in phrasing of questions and in classification of answers can cause substantial variations in the results obtained, particularly with reference to the proportions feeling secure or insecure. There can always be differences of opinion in a process of evaluation, but to the extent that a reasonable distinction could be made, it appeared that nearly 2 consumers felt financially secure for every 1 that felt insecure. Great security was encountered with the same frequency as great insecurity, each being reported by roughly one-tenth of the population. A feeling of security was reported most frequently by consumers who believed that their current financial situations were improved over those of a year earlier,

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by those whose current earnings were higher, by those who believed that current economic conditions in the nation were favorable, and by those who expected good times to prevail in the coming year. The majority of spending units that believed their incomes would go up or remain the same during 1950 considered themselves to be secure financially. The expectancy of income declines did not typically result in feelings of insecurity inasmuch as half again as many of those expecting declines reported feeling secure as insecure. There was more worry about future personal finances among consumers who were uncertain of their future earning rate than among those who anticipated that their incomes would fall.

As might be expected, the higher the level of income or the amount of liquid assets owned, the more secure the consumer tended to feel. Only among units with incomes of less than \$1,000 or with no liquid assets were feelings of insecurity expressed by a majority of the group. A substantial difference was apparent in the attitudes of those with no liquid assets and those possessing even small amounts (less than \$200). The proportion of units in the former group that expressed a feeling of great financial insecurity was roughly twice that for those with small amounts of assets.

Feelings of financial security were most pervasive among spending units headed by persons who followed a profession or by clerical and sales personnel; least frequent among unskilled workers and retired persons. However, it should be noted that a majority of the units in each of these latter groups indicated a feeling of financial security. Surprisingly little difference was found among the different age groups on this point. In all groups, except the very youngest (18 to 24 years of age), half again as many consumers felt secure financially as felt insecure. The youngest group felt somewhat more secure and tended to worry less about how they would get along financially than did other age groups.

Persons other than those self-employed, retired, or unemployed were asked what they thought of their chances of getting other jobs that paid about the same if they lost their present jobs for any reason. Of the group to which the question was applicable, more than half thought that it would be difficult, if not impossible to do so. Somewhat less than 2 in 10 were absolutely certain that they could get other jobs with equal pay but a some-

what larger proportion were equally certain that it would be impossible to get other jobs at the same rate of pay. It should be pointed out that many employees with great security and seniority in their present positions would be in this category. Their incomes may reflect long terms of service, possibly very specialized service, for one company and, of course, many such people would find it impossible to match their present incomes if they were required to take jobs with other companies. This is illustrated indirectly by the finding that more than one-third of the group that reported feeling very secure financially believed that it would be difficult or impossible to get other jobs at equal pay.

However, the relationship between insecurity and inability to get another job at equal pay appears to be a strong one. More than 7 in 10 consumers who indicated an attitude of great insecurity and were presently employed reported that they would find it difficult or impossible to obtain other jobs that paid the same. Most optimistic about getting other jobs at equal pay were people employed as professionals (e.g., accountants, teachers, social workers) and clerical and sales personnel; least optimistic were unskilled workers. Age was an important factor, with younger people substantially more confident than older people about being able to get other positions that paid as well. More than half of the people below the age of 35 thought the chances were good of locating other jobs with the same pay. Above this level, less than half held this view. Of those who were 55 years of age or older, fewer than 3 in 10 believed they could obtain other positions with pay equal to their current earnings. Only at low and at high income levels (less than \$2,000 and \$7,500 or more) were more than half of the units fairly confident of their ability to obtain other jobs with no loss in pay.

PRICE EXPECTATIONS

During 1949 there was a substantial falling off in the frequency with which consumers expected price declines, and a growing conviction that prices would remain stable. Expectations of price rises also increased somewhat (see Table 9 for details). As in previous periods, almost all of the consumers expecting price changes during 1950 believed that the increases or decreases would not be large.

Each occupational and income group was found to have shifted in its price expectations in the same

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general manner described above but in varying degrees. The largest drop in the proportion expecting price declines was found among units headed by professional and by managerial or self-employed persons. The last-mentioned group also showed the greatest increase in the proportion of units that believed prices would rise. However, as in early 1949, farm operators reported the highest

level to rise, as many as 6 in 10 believed that durable goods prices would not rise and might even fall.

The significance of price expectations in relation to buying plans depends in part on the magnitude of anticipated price changes. If price declines are expected to be relatively large, a substantial group may delay purchasing until the declines materialize. If large price rises are expected, many people may tend to rush into the markets to purchase before the changes take effect. In this connection, it was found that all except a handful of consumers in the sample thought that any change in automobile and other durable goods prices in 1950 would be of relatively small magnitude. It was also found that the proportion of units that expected declines in consumer hard goods prices was somewhat smaller in early 1950 than in July 1949 and the proportion expecting increases was slightly larger. These survey findings indicate that, so far as prices were concerned, consumers may have felt that there was less reason to postpone buying durable goods in early 1950 than might have been the case in mid-1949.

In previous years when both prices and incomes were rising, consumers tended to associate a future decline in general prices with good times and a rise in prices with bad times. In early 1950, the association between good times and falling prices, and the converse, had almost disappeared. It is possible that the absence of inflationary price rises during 1949 led people to be less acutely conscious of the effects of price changes on their budgets. It is also possible that events in 1949 led some consumers to see a relationship between falling prices, bad times, and falling incomes. However, in this connection it is noteworthy that the great majority of people who expect prices to fall also expect their own incomes to be maintained or increased. One of the basic ingredients of consumer optimism in early 1950 was the belief, on the part of more than 4 in every 5 spending units with definite price and income expectations, that their own incomes would stay the same or rise during 1950 while prices would remain stable or go down.

TABLE 9
EXPECTATIONS CONCERNING CONSUMER PRICES¹
 [Percentage distribution of all spending units]

Expectation	Early 1950	July 1949	Early 1949	July 1948	Early 1948	July 1947	Early 1947
Will go up.....	12	7	8	42	33	32	13
Will remain the same.....	36	34	20	25	24	29	22
Will go down.....	36	48	55	15	28	29	46
Uncertain ²	15	10	15	16	12	9	17
Not ascertained.....	1	1	2	2	3	1	2
All cases.....	100	100	100	100	100	100	100

¹ In the July surveys the question was: "What do you think will happen to the prices of things you buy between now and the end of the year?" For the survey early in 1950, etc. the question was: "What do you think will happen to the prices of the things you buy during the year—do you think they will go up, or down, or stay about where they are now?"

² This group includes those giving conditional answers as well as those undecided as to future prices. Of spending units giving conditional answers in early 1950, 2.9 per cent thought that prices would either stay the same or rise, while 5.8 per cent thought prices would either stay the same or fall. Similar data are not available for earlier surveys.

expectancy of price rises and of unchanged prices and the lowest expectancy of price declines.

Some relationship was apparent between income level and price expectations. The proportion of units that anticipated lower prices tended to be larger at each successively higher income level, rising from 3 in 10 at the "under \$1,000" level to 5 in 10 among those with incomes of \$7,500 or more. Conversely, the percentage expecting price increases fell at each higher income level.

As in July 1949, consumers were found to differentiate sharply between expectations for prices in general and for prices of consumer durable goods in particular. Approximately 6 in every 10 spending units expected the prices of automobiles and other durable goods to decline during 1950 compared with 4 in 10 that expected prices in general to decline. The differentiation was so sharp that, even among those expecting the general price