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THE PRESIDENT HAS SEEN *at*

THE WHITE HOUSE  
WASHINGTON

September 28, 1974

MEMORANDUM FOR THE PRESIDENT

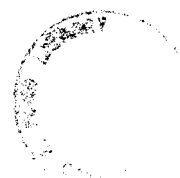
FROM: DR. PAUL W. MC CRACKEN

*PM*

Your designation of inflation as enemy number one, seems to have a strong empirical underpinning. The third quarter survey by the Survey Research Center, University of Michigan, produced the following information.

These data also indicate that far more households react to inflation by cutting spending, because of unease and uncertainty, than by buying in advance.

*Paul*



Question: Which Do You Think Will Cause More Serious  
Economic Hardship During the Next Year?

(Percent of households, third quarter, 1974)

<u>Income Class</u>	<u>Inflation</u>	<u>Unemployment</u>	<u>Both Equally</u>	<u>Other Responses</u>	<u>Total</u>
0 - 5,000	56.9%	33.6%	5.2%	4.3%	100.0%
5,000-7,500	62.7	25.6	7.7	4.0	100.0
7,500-10,000	72.6	21.9	2.6	2.9	100.0
10,000-12,500	68.4	24.8	4.8	1.9	100.0
12,500 - over	74.3	20.1	3.6	1.9	100.0
All households	67.0	25.1	5.0	2.9	100.0

Source: Survey Research Center, University of Michigan



## Reaction to Inflation

(Percent of households, third quarter, 1974)

<u>Income Class</u>	<u>Buy in Advance</u>	<u>Cut Spending</u>	<u>Other*</u>	<u>Total</u>
0 - 5,000	14.4%	51.1%	34.5%	100.0%
5,000-7,500	5.7	60.9	33.4	100.0
7,500-10,000	12.9	55.3	31.9	100.0
10,000-12,500	12.9	56.9	30.3	100.0
12,500-over	14.4	52.5	33.1	100.0
All households	12.7	53.5	33.8	100.0

\*Mainly "buys only necessities".

Source: Survey Research Center, University of Michigan