

# **ECONOMICS OF AGING: TOWARD A FULL SHARE IN ABUNDANCE**

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**HEARINGS**  
BEFORE THE  
SUBCOMMITTEE ON  
CONSUMER INTERESTS OF THE ELDERLY  
OF THE  
SPECIAL COMMITTEE ON AGING  
UNITED STATES SENATE  
NINETY-FIRST CONGRESS  
FIRST SESSION

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**PART 2—CONSUMER ASPECTS  
ANN ARBOR, MICH.**

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JUNE 9, 1969



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## CONSUMER INTERESTS OF THE ELDERLY

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  - Part 7. International Perspectives, Washington, D.C., July 25, 1969
  - Part 8. National Organizations, Washington, D.C., Oct. 29, 1969
- (Additional hearings anticipated but not scheduled at time of this printing.)

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# ECONOMICS OF AGING: TOWARD A FULL SHARE IN ABUNDANCE

## (Consumer Aspects)

MONDAY, JUNE 9, 1969

U.S. SENATE,  
SUBCOMMITTEE ON CONSUMER INTERESTS OF THE ELDERLY,  
SPECIAL COMMITTEE ON AGING,  
*Ann Arbor, Mich.*

The subcommittee met at 2 p.m., pursuant to notice, in Rackham Auditorium, University of Michigan, Senator Frank Church (chairman of the subcommittee) presiding.

Present: Senator Church.

Staff members present: William E. Oriol, staff director; John Guy Miller, minority staff director; Michael E. Wetherell, legislative aide; and Margaret L. Brady, assistant clerk.

### OPENING STATEMENT OF THE CHAIRMAN

Senator CHURCH. The committee will come to order.

Our hearing in Ann Arbor today springs from a fortunate confluence of mutual interests.

For one thing, Wilma Donahue and the planners of the 22d annual University of Michigan Conference on Aging have provided the Subcommittee on Consumer Interests of the Elderly with a large number of knowledgeable, distinguished experts on older Americans as consumers. We are assured of excellent witnesses, as well as an informed audience.

For another thing, your purpose during this 4-day conference—to work toward new and broader understanding of major consumer issues facing the elderly—comes at a most appropriate time for the U.S. Senate Special Committee on Aging.

A little over a month ago the committee began hearings on "The Economics of Aging: Toward a Full Share in Abundance." The purposes of that hearing, as expressed by the committee chairman, Senator Harrison A. Williams, of New Jersey, were to:

Establish an overview of the many economic pressures that affect aged and aging Americans, and to

Focus attention on the personal economics of individuals who—in the final decades of their lifetimes—discover that fixed incomes and lifetime savings are either totally inadequate or barely enough for marginal life.

At those first 2 days of hearings, the committee heard from many witnesses. They confirmed the findings of a task force which had submitted a report to the committee after months of hard work and intense analysis.

Those witnesses made it clear—

The retirement income problem for today's elderly is serious and it is growing worse: the gap between the incomes of young and old is widening, not narrowing;

That today's workers—those middle aged and younger—will also have serious retirement income problems unless major, comprehensive action is taken on several fronts; and

That poverty afflicts one out of three elderly Americans today. Obviously, such issues could not be thoroughly discussed even in 2 days. The committee, or individual subcommittees, will hold other hearings over the next few months. Such is our purpose here today.

The Subcommittee on Consumer Interests of the Elderly, in order to fulfill the role it should play in the study of the economics of aging will ask one fundamental question: "What are the consumer needs of the elderly and the relationship of those needs to retirement incomes?"

That is a vital question, for which we need the best information available before we can hope to have a satisfactory answer.

I have the distinct impression that we don't yet know all we should about the buying patterns and consumer needs of older Americans.

#### CAN ELDERLY "GET ALONG ON LESS"?

We often hear it said, for example, that "the elderly can get along on less income because they simply don't need as much as they did when they were raising children and working every day."

There is some truth in that statement, of course, but how much? How many elderly do with less simply because they have less to spend?

Is it possible that the items of special importance to the elderly are among those most likely to climb out of reach because of cost increases?

Are expensive "convenience items" at the food market attractive to the elderly in terms of ease of preparation, but forbidding in terms of cost?

How can retirees plan adequately for retirement budgets when confronted by so many unknowns, including the number of years they will actually spend in retirement?

When we consider that there are 20 million Americans now past age 65, and that many more millions will soon be of retirement age, we can see that such questions are not insignificant.

At this point, I think it would be interesting if we took a brief look at a chart that the committee has prepared for this occasion. The chart should appear on the large screen momentarily.

The chart shows the gap between social security benefits and a moderate standard of living for retired couples.

The green columns (ruled columns) you see on the chart represent the cost of a retired couple's budget for a moderate standard of living. The comparison is given for the years 1950, 1959, 1966, and 1968 \* \* \* what was needed for a moderate living standard for elderly retired couples \* \* \* and the orange columns (dotted columns) represent the average benefits being paid the social security retiree. You can see that the gap between the orange columns and the green columns has grown larger with the years which is indicative of the way social security has fallen short of providing an income that is sufficient for a moderate standard of living for elderly retired couples.

I think that is a rather dramatic illustration of our failure to make the social security system serve its original intended objective. And we are seeing the gap widening rather than closing as the years go by.

We were considering, before the chart was shown, the various questions that we hope to explore in the course of these hearings, questions that are vitally important today and will become even more important tomorrow as more lives are touched by our success or failure in dealing with this national retirement income crisis.

#### THE BLS "MODERATE BUDGET"

We are told by the Bureau of Labor Statistics recently that a self-supporting, retired couple in an urban area of this Nation needed an income of about \$3,869 for a moderate budget level.

There weren't any frills or real luxuries in that budget. It was slightly above a rigid austerity budget.

But we know that a \$3,869 income is far out of reach for most persons past age 65 in the United States today.

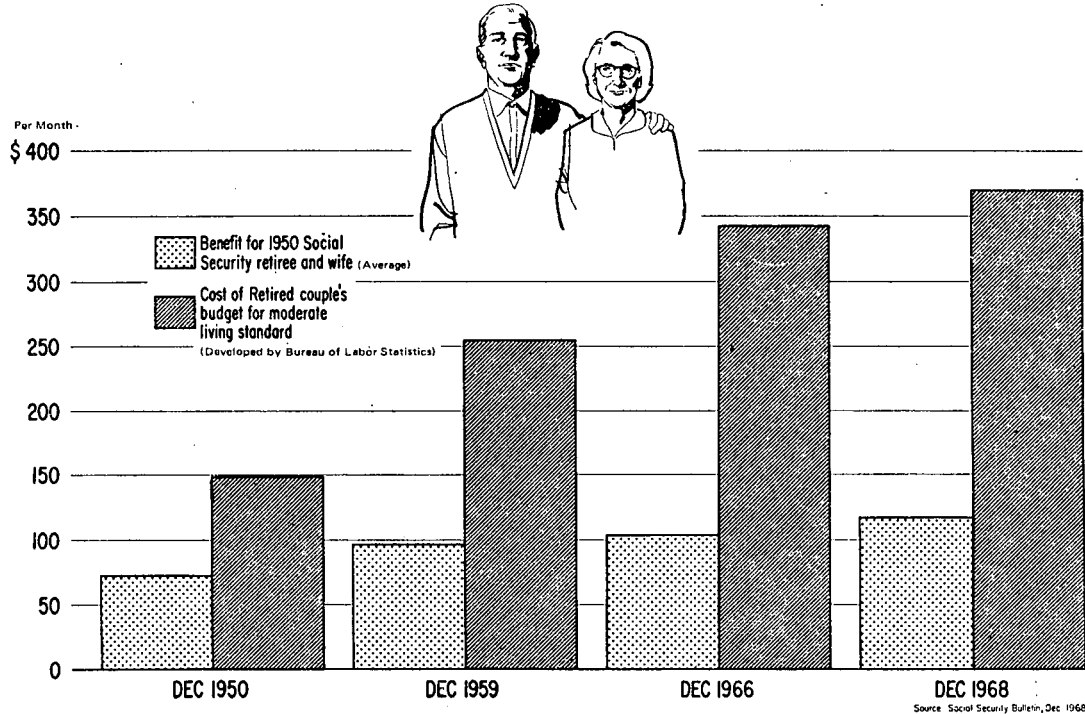
We are going to examine that budget today in some detail to get at the bread-and-butter facts of life encountered by older Americans in our national marketplace.

We are also going to ask very pointedly whether a nation of abundance can possibly be satisfied with second-class economic status for most of its elders, a condition that does in all candor exist in the United States today.

I think perhaps at this point it would be appropriate to display our chart.

This chart shows the number of women who are living alone—this is elderly women living alone—that 1959, 1964, and 1966, and the number among them who are classified as being under the poverty level. As you can see, in 1966 more than half of the elderly women living alone in this country were living with income that placed them below the poverty level.

# A RISING GAP - SOCIAL SECURITY BENEFIT AND MODERATE STANDARD OF LIVING FOR RETIRED COUPLES





## CHART 1. A RISING GAP—SOCIAL SECURITY BENEFIT AND MODERATE STANDARD OF LIVING FOR RETIRED COUPLES

SOURCE OF DATA: "OASDHI Benefits, Prices, and Wages: Effect of 1967 Benefit Increase," by Daniel N. Price, *Social Security Bulletin*, December 1968, page 32.

TECHNICAL NOTE: The Retired Couple's Budget for a Moderate Living Standard, developed by the Bureau of Labor Statistics, is intended to represent a measure of what retired couples themselves consider an appropriate level of living. It provides for the maintenance of health and social well-being, and participation in community activities. The retired couple is defined as a husband age 65 or older and his wife, self-supporting, living independently in an urban area, and enjoying fairly good health.

The cost of this monthly budget for couples living in rented dwellings in 18 cities was: \$149 in December 1950; \$255 in December 1959; and \$344 in December 1966; (the 1966 budget study was the first in the series to include data for homeowners and comparison with earlier studies is therefore limited to renters). Of the increase in costs between 1950 and 1966, about half has been attributed by the BLS to higher standards of living and half to advances in prices for the goods and services in the budget. Adjustment of the 1966 figure by the in-

crease in the Consumer Price Index would bring the cost to \$370 in December 1968.

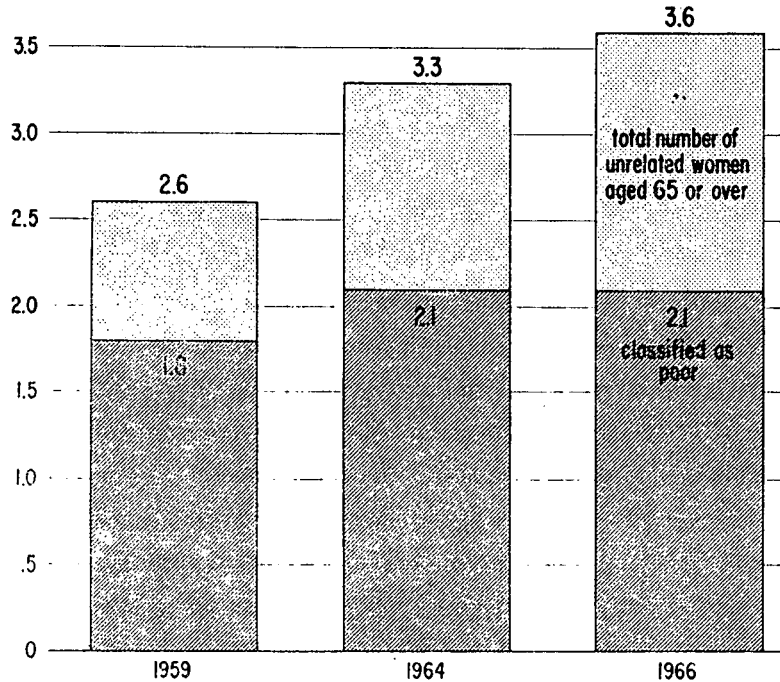
The worker who retired late in 1950 received a social security benefit that averaged \$49.50; addition of 50 percent for a wife would raise this average to about \$75, or half the cost of the elderly couple's budget at that time. Legislative increases would have raised this benefit to \$93 by December 1959 and to \$104 by December 1966. The increase resulting from the 1967 Social Security Amendments brought the benefit to \$118, somewhat less than one-third of the cost of the budget for a moderate standard of living. (Had the average benefit for a couple been used—rather than 150 percent of the average payable to all retired workers—the dollar figures would have been slightly higher for each year. But the widening gap between the benefit and the budget cost would have been the same.)

THE FINDINGS: The average social security benefit payable to an elderly couple who retired in December 1950—even though it has been adjusted over the years—would now purchase a significantly smaller fraction of the Retired Couple's Budget for a Moderate Standard of Living than at the time of retirement. (See discussion, pp. 13-14.)

# AGED WOMEN LIVING ALONE IN POVERTY

Millions  
4.0

(COMPARED TO TOTAL NUMBER)



Source: Social Security Administration

## CHART 2. AGED WOMEN LIVING ALONE IN POVERTY

**SOURCE:** Social Security Administration estimates reported in "Counting the Poor: Before and After Federal Income-Support Programs," by Mollie Orshansky, U.S. Joint Economic Committee *Compendium*, part II, table 4, page 188.

**TECHNICAL NOTE:** The index of poverty developed by the Social Security Administration is admittedly far from generous. It uses as its core the economy food plan of the Department of Agriculture. The index adds twice this amount to cover all family living items other than food. Except to allow for rising prices, it has not been adjusted for changes since 1959. The dollar amount used to determine the poverty line for an aged person living alone was \$1,565 in 1966.

Using this index, 1.8 million aged women lived alone in poverty in 1959. They accounted for as much as 71.5 percent of the 2.6 million aged women

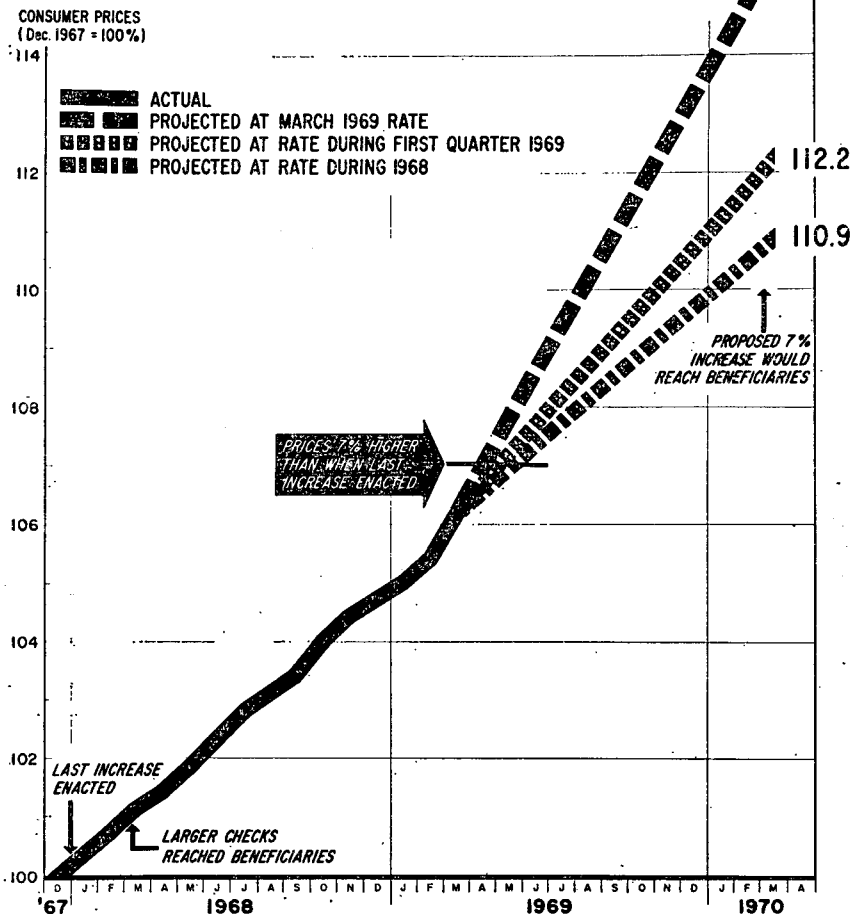
classified by the Bureau of Census as unrelated females in 1959. By 1966, the number of aged unrelated women had climbed to 3.6 million. The number counted poor through use of the Social Security Administration's poverty index had increased to 2.1 million, but the proportion had dropped to 59.3 percent.

Data are not yet available to show the improvement that resulted from the 1967 Social Security Act Amendments.

**THE FINDINGS:** Widows and other aged women living alone are particularly disadvantaged economically. Six out of every 10 of them have incomes below the poverty line. The number of aged women living alone in poverty has increased in recent years, reflecting the desire to live independently even at the price of poverty. (See table 4 and discussion, pp. 14-16.)

CHART 3

# AT PRESENT RATE, PRICE RISE WOULD WIPE OUT A 7% INCREASE LONG BEFORE IT REACHES SOCIAL SECURITY BENEFICIARIES



SOURCE: BLS DATA THROUGH MARCH '69;  
PROJECTED BY U.S. SENATE  
SPECIAL COMMITTEE ON AGING

In March 1969, the Consumer Price Index had already risen 6.2 percent from December 1967, when the last Social Security increase was enacted. If the index continues to rise at the rate in March (the highest jump in the last 18 years), it will be 15.8 percent higher than the December 1967 level by the time beneficiaries would receive the 7 percent benefit increase proposed by the Administration (in checks received in March 1970). If the increase is instead projected at the rate during the first 3 months of 1969, the March 1970 index will be 12.2 percent higher. And if the increase is projected at the rate during the year 1968 the March 1970 index will be 10.9 percent higher. The 7 percent increase was already wiped out in April of 1969 under the first projection and will be wiped out in May under the other two projections.

We have another chart I would like you to see. This is the 7 percent chart. The administration has indicated that it will recommend a 7-percent increase in social security benefits.

To interpret this chart, go to the lower left hand corner of the chart. The red line (solid line) there that intersects the lower left hand corner of the chart represents the time when the last increase was enacted, the little arrow there indicates the time period when the last increase was enacted. That was a 13-percent increase, as I recall, enacted back in 1967.

The next little arrow indicates when the checks actually began to be received by the beneficiaries. Since then, the red line (upper center, far right) represents the increase in the cost of living, that is, the red line going upward, and the big black arrow in the middle of the chart represents that point where the proposed 7-percent increase would be wiped out by the rising cost of living.

The projected red, green, and yellow lines (broken lines, left to right) represent three different estimates ranging from the most pessimistic to the most optimistic of further increases in the cost of living in the months ahead, through the middle of 1970.

So, you can see that the proposed 7-percent increase will already fall short of the rising cost of living. As we look ahead, toward 1970, it would fall way short of just keeping retirement income on a par with rising living costs.

That is the last of the charts.

I certainly do hope that we will make a valuable record here, one that will advance the committee study of "The Economics of Aging."

Our first witnesses are new to the Federal Government, but each has a longstanding interest in matters with which they now deal in Washington.

It is a pleasure to call Mrs. Virginia Knauer, the President's Special Assistant on Consumer Affairs.

She will be accompanied by John B. Martin, Jr., well known to you here in Michigan as your former State commissioner on aging, and now newly confirmed by the Senate in Washington as U.S. Commissioner on Aging.

Before we receive the testimony from Mrs. Knauer and Mr. Martin, I do want to mention that we have received a very interesting statement and proposal that is pertinent to the hearings today from Senator Philip Hart, of Michigan. His full statement will be incorporated in the record at this point.

(The statement referred to follows:)

PREPARED STATEMENT OF HON. PHILIP A. HART, A U.S. SENATOR FROM THE STATE OF MICHIGAN

Anytime I approach a topic on "protecting the elderly" I am suspicious that the situation much resembles a toddler telling his mother, "Don't worry Mommy, if the bogey man comes while Daddy is away, he won't get you—I'll protect you."

While I grant that my intentions are as honorable—and hopefully as touching—as the small boy's, I worry that perhaps my credentials are equally unimpressive.

I fear that we who are younger are doing the elderly—and ourselves—a disservice by our generally patronizing attitude to those who by age and experience are qualified to be teaching us.

Times and attitudes have changed. True, many years ago it was typical for the grandmother to don her widow's weeds, pull up a chair by the kitchen pot-belly stove and sort of retire from activity at the death of her husband. In many cases she did this at a mere 50 years of age—and the children were expected to take over on major decisions affecting her well-being.

But anyone who has watched the tour groups leaving any metropolitan airport in recent months—for Hawaii, San Francisco or around the world—knows that a good number of them are made up of those "little old widows." Ladies—and men—full of life, vitality, and a sense of adventure are conquering the world far up into their eighties or more.

I raise this point not to say—or even to hint—that hearings and conferences such as this are unnecessary. The elderly—just like all consumers—do have problems. And some of them are special to being older than the rest of us.

But I caution that we do not become so protective that we overlook the very valuable assistance the elderly can give themselves and other consumers.

As a case in point, let's consider the general complaints consumers have today about the difficulty in obtaining auto insurance at reasonable rates. The elderly know this problem well. For years, they watched their rates shoot up the moment their insurance company noted the cross-over to the "elderly" age group.

The parent committee of this subcommittee, under the very able direction of Senator Harrison Williams, was the first to compile information that proved that this one problem—at least—of the elderly was based much on traditional stereotypes of the infirmity that comes with the 60's—and not the facts.

For example, a 1964 study by the Illinois Department of Public Works and Buildings, indicated that senior drivers have a lower accident involvement than other age groups. While 6.05 of the drivers studied were in the 64-74 age group, they were involved in only 3.95 of all accidents.

As a result of the surfacing of this study—and others which backed it up—a few auto insurers now are seeking out the older driver—not to surcharge him but to offer him rates representing the preferred risk he is.

The ramifications of the discovery could end up with happy results for other consumers. If research, however belatedly done, destroyed such a long-held belief that older drivers had more accidents, certainly some of the patently illogical underwriting decisions of the companies are suspect.

Thus, there is hope for shooting down surcharges against divorcees, ministers, doctors, oil drillers, people who keep unneat houses—and many other "verboten" insurance categories.

Some of the studies proving that aged drivers are good—not bad—drivers were done by groups representing the elderly. As I say, merely one example of the grey-heads in our country being able to help all consumers once they put their minds to a job.

As you may have gathered, the purpose of this statement is to ask for attention in the middle of your considerations to the way that consumer problems of the elderly are identical to those of all consumers—as well as to the ways in which they differ.

While the nuances of consumer problems of the elderly may be different, isn't it true that the major subject areas are all too common to all consumers? Consider the 10 topics for the work groups this afternoon—ranging from (A)—automobile insurance to (J)—suitability of design of living arrangements. It would take no stretch of the imagination to see other consumers—in their 20's—or in their 40's—caught up in the same tangles.

There is little unique to the elderly in problems of advertising, product safety or credit buying. The chapter titles in the tale of woe may be different. But the book always has the same name.

In your considerations today, I hope you will keep in mind that total picture, as well as the various segments of it.

If you do, I think you will agree with me that the great need of elderly consumers—and all consumers—is less for an identification of the problems they face and more for a method for dealing with them.

Now comes, as you may have suspected, the sponsor's plug:

About eight years of working in consumerism have convinced me that the movement—and the problems—have grown now to the magnitude to demand not just tinkering but a major overhaul of the system.

We have responded to the symptoms many times. But it seems to me that the major diseases remain untreated.

The major problems of all consumers—as I see them—are a lack of information, representation and recourse.

#### INDEPENDENT CONSUMER CORPORATION

These three lacks would be filled—to a great extent—by my proposed Independent Consumer Corporation.

An independent, federally-chartered corporation with units in the local communities, it would:

1. Disseminate product information through new technology—perhaps a nationwide computerized vending machine setup.
2. Represent the consumer before government.
3. Mediate complaints about products between consumer and/or retailer or manufacturer.

The last point may well prove to be its most important function. For not only could this mediation result in solving the individual complaints a consumer might have on one product, but general problems could be detected to be passed on as proposals for legislative action.

My purpose in raising this proposal with this group is not, I admit, totally unselfish. For I hope that the elderly who are following and participating in these hearings will find the idea worthwhile and sign on to support it.

Practicing what I was a few hundred words ago preaching, I solicit the help of the elderly. For I know I could benefit greatly from their advice, solicitude and energy. It is help that is needed—and would be greatly appreciated.

#### STATEMENT OF HON. VIRGINIA H. KNAUER, SPECIAL ASSISTANT TO THE PRESIDENT FOR CONSUMER AFFAIRS; AND HON. JOHN B. MARTIN, COMMISSIONER, ADMINISTRATION ON AGING, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Senator CHURCH. I am happy to welcome you both to the committee hearing this afternoon. Mrs. Knauer, if you will be our leadoff witness, proceed with your statement and then we will hear from Commissioner Martin.

#### STATEMENT OF MRS. KNAUER

Mrs. KNAUER. Thank you, Mr. Chairman.

I am pleased that one of my first occasions to testify before a congressional committee is before this subcommittee, concerned as it is with problems which will have high priority in my office—the consumer problems of the elderly. As I stated on the day my appointment as Special Assistant to the President was announced, I believe very strongly that older citizens comprise one of the groups in our society whose consumer problems deserve special attention.

Unquestionably, consumer needs change with the various stages of retirement. In the earlier years, the retiree is generally well and active. Except for his problem of adjusting to a lesser income than he had when working—an income which may be inadequate—his consumer problems are generally not unlike those of the population in general. In his later retirement years, his needs usually center more on such problems as medical care; services he is no longer able to perform for himself; and products designed for use by persons living alone who are perhaps less agile or have some physical handicap.

I believe the point cannot be stressed too often that many of our older persons are fully capable of functioning at all levels. No wonder they generally resent the stereotype which suggests that most persons past 65 are decrepit, unemployable, and incompetent.

Your subcommittee, Mr. Chairman, is to be commended for its efforts to combat that stereotype. Many older persons manage extremely well on the amount of money they have. In many cases it is the marketplace and our consumer protection, information, and education systems which need changing.

I believe there are still gaps in information about consumer behavior of the elderly. We need to know more about the psychology of the elderly as consumers. I believe the elderly consumer does not wish to be set apart in the marketplace, yet he does hope to find products which are designed with his needs and desires in mind.

Ease of use is important. Clothes with style yet with the length, the fit, and the fastenings which can be managed by persons living alone or persons who are less agile, are important. So are houses and housing fixtures designed for their convenience, and food packaged in sizes which one or two can use without waste. And public buildings and transportation facilities designed with the limitations of the elderly in mind. The list is long. But let me point out that there are young people for whom these same considerations would be helpful. Hopefully the business community will give this market increased attention.

We will also be working with industry in efforts to upgrade safety standards and performance of products. Safety is important to all, but especially to those whose reaction time in avoiding a potential danger might be somewhat slower.

#### THE NO. 1 PROBLEM: LOW INCOME

Inadequate income, of course, continues to be the No. 1 problem of older people. In my conference keynote address earlier today I pointed out that many factors have combined to make the income of the average retiree far below an acceptable standard.

For one thing, the depression of the thirties prevented many of today's retirees from saving money during what should have been their most fruitful years.

The loss of purchasing power through inflation also contributes to inadequate income. Generally, the problem is that the elderly live on fixed incomes which do not go up proportionately with the cost of living.

As President Nixon pointed out in a recent statement:

Inflation has seriously eroded the value of every pay raise won by the average wage earner; it has done unquestionable harm to the economic welfare of the very poor in our society and those millions of Americans living on pensions and Social Security . . .

This administration is concentrating on halting that inflation, thus restoring the spending power of the older person's income.

But the other side of the coin—and the side where my office can make the greatest contribution—is helping older Americans make the most of the income they have. I recognize that the Administration on Aging and other offices within Government are concentrating on this:



aspect, as is this subcommittee, organizations in the private sector, and organizations of older Americans themselves. I know some segments of industry are giving it their attention. I hope to work closely with all groups in this endeavor, for it will take a sizable effort. We need to mount a massive attack on the whole variety of consumer problems of older persons, problems often based on calendar age alone.

We must make sure that older persons—in fact, all consumers—know their rights under the law, and we must warn them of pitfalls in the marketplace.

On the basis of my previous experience as director of the consumer protection bureau in the office of the attorney general in Pennsylvania, I believe the consumer needs a great deal of protection. He also needs a great deal of information, especially information which will prevent his becoming a victim of fraud and will assist him instead to get the most for his money.

#### ADDITIONAL PROBLEMS

But for the older person, particularly those I would term the “old elderly,” there are some additional consumer problems. This group may be much less physically mobile, so they cannot shop around as easily to compare products and prices in order to get the best buy, if indeed they can go to shop at all. They may be residents of the inner city ghetto areas where availability of merchandise, price differentiation, and quality limit their choice. Hence, they may pay more, and for lower quality. Their anxiety, fear, and pride may make them hesitate to ask questions in the stores, or to admit they have made a mistake in time to correct it. They may not hear clearly, may not realize they do not hear well, or may be too proud to ask the clerk to repeat. Their vision may be somewhat dim, so that reading the fine print is difficult. But pride may prompt them to indicate they have read it. They may not have had an adequate educational background. Living alone, and perhaps not wishing to be a burden on children or friends, they may hesitate to seek advice. And they may not know where or whom to consult for legal advice, or perhaps they are unable to afford a lawyer.

For these reasons, the older person is often the special target of the practitioner of fraud. Retirement land deals, promises of medical “cures,” devices or gadgets which may seem at the time worth a chance, make-money-at-home schemes, and home repair and improvement deals which play on the older person’s community pride and his efforts to maintain his own home as long as he is able—all these and more—often constitute traps for an older consumer. Losses cut deep into limited incomes, and too often there is little hope of recovery of the loss. And in the case of a fraudulent health scheme, even worse than the financial loss is the delay in seeking legitimate medical care.

How do the fraudulent manage year after year to get away with such practices? Chiefly because most of us are not trained to recognize frauds and fraudulent schemes. Some cannot believe the friendly and understanding salesman could possibly have cheated them. Others are embarrassed or ashamed to admit they were so easily tricked. Still others do not even realize they have been victimized. In defense of the older American, let me parenthetically state, however, that they

are not the only ones taken in by such schemes. So they should not be hesitant to seek assistance when these situations occur.

Our goal is to help, yet enable the elderly citizen to retain his pride and self-respect. We must recognize his competence in judgment, but at the same time make more information and counseling available. We must make certain that the information is clear and to the point, available in Spanish or other languages, and is widely disseminated. Our consumer protection bureau in Pennsylvania published a series of consumer pamphlets, one of which warned older people of "The Meanest Racket of All—The Fine Art of Swindling." The President's Committee on Consumer Interests in 1968, in cooperation with the Administration on Aging and the Food and Drug Administration, developed a wallet-size cautionary checklist for use in business transactions. It also provided a place to list local sources of counseling and protection. I know there are other information publications available, but I still believe we are reaching too few people. Wider exploration of the use of television and movies is needed. We must develop new means of getting our material into the homes of the elderly, especially with regard to matters of particular concern to the older American—for example, information about hearing problems and the purchase of hearing aids.

#### OTHER CONSUMER ASSISTANCE

But not all of the older consumer's problems can be resolved by informing and educating him as an individual. It is also our priority that he be provided with more effective means to make himself heard, and to obtain redress for his grievances. We have made progress, but the aggrieved and the defrauded still have problems. It should be possible for the consumer to get satisfaction without being out of pocket, and to receive reimbursement for losses sustained. Too often a \$50 loss can only be recouped through a \$150 lawyer's fee. Voluntary arbitration at the community level should be encouraged. Greater use of class suits would help to alleviate crowded court dockets and would enable the consumer on a fixed and inadequate income to obtain redress for his grievances without expending large amounts of money. More information regarding the use of small claims courts would also be most useful in achieving this goal.

#### 33 STATE CONSUMER ASSISTANCE OFFICERS

Today 33 of the 50 States have consumer assistance offices. Many are just being established and have a minimum staff or budget for investigation and enforcement. What we need is a consumer assistance office in every State, with branch offices throughout the State, especially in neighborhoods where those with inadequate income are congregated. Enactment of the "Little FTC Act" at the State level will go far toward establishing a firm base of consumer protection. My office will be encouraging the States to take such action. We will also be encouraging the local, State, and Federal consumer agencies to cooperate closely to provide a network of consumer protection, information, and education.

We must continue our efforts to encourage the establishment of more multiservice senior service centers throughout the country. I

applaud the rapid increase in the number of these centers, but understand consumer education and legal services are not yet available in the majority of the centers. The Administration on Aging is now developing a proposed model center concept for issuance to communities planning such a center, and we will be working with them to encourage inclusion of consumer education, counseling, and legal assistance in new centers as well as those already in operation.

A lack of choice is yet another major problem of many older consumers. Federal Trade Commission studies indicate that low-income consumers in the inner cities may pay more for food, furniture, clothing, and other necessities due in large part to a lack of competition among retailers in those areas. We must seek to increase the choice of the inner city resident by all means at our disposal. Encouraging competition is of major importance. Cooperative shopping plans, reduced transportation costs to broaden the shopping range of the residents, and other transportation aids deserve further attention.

Your subcommittee is to be commended for its accomplishments in helping bring to national attention the consumer problems of the elderly. It is my hope that your subcommittee and my office can be of mutual assistance as we strive to resolve these problems.

Thank you.

Senator CHURCH. Thank you very much, Mrs. Knauer.

Mrs. Knauer, you have made an excellent summation of the problem and indicated some ways in which you hope to cope with it in the future.

#### SPECIAL PRODUCTS FOR ELDERLY?

On page 3 of your statement, you pretty well defined the mission of your own office as that of helping older Americans make the most of the income they have. Then you mention specifically one area in which this might be done, that of promoting the manufacture and sale of the kind of merchandise that particularly fits the needs of older people.

You say hopefully the business community will give this market—namely, the older people's market—increased attention.

How do you propose to get the business community to do this? What specifically do you have in mind to reach the business community and get them to pay greater attention to this consumer need of the elderly so they will begin to put merchandise on the shelves designed to fit the needs of the elderly?

Mrs. KNAUER. Mr. Chairman, there are, at least to my knowledge, no studies—psychological studies, perhaps—showing what the elderly consumer wants.

Apparently the teenage market, which is less than half the size of the elderly consumer market or the potential buying market, has had the emphasis placed on it by advertising and manufacturing groups. We would certainly hope to point out that the senior citizen has a buying potential, I think, that is equal to the complete buying potential of the State of Connecticut.

This is a major market that should be not brushed aside. Certainly, enlightened self-interest on the part of manufacturers, perhaps after appropriate surveys have been made as to just what the senior citizen needs, would result in industry concentrating in this area where 20 million Americans are involved.

I think this probably will require some prodding from my office and your committee. But certainly enlightened self-interest should goad the manufacturers and the planners into giving more attention in advertising, in planning, and in producing items to meet this very great need of people.

Senator CHURCH. Have you the resources available in your own office to undertake investigations of this kind, surveys of this kind, task forces that can bring this to the attention of industry? Or, do you have available cooperation from other Federal departments to make that feasible?

Mrs. KNAUER. As you know, Senator Church, I have been on the job exactly, I think, 7 weeks right now, and have been busy, as you also know, speaking out on certain broad issues, testifying on specific bills that have come before Congress.

I sincerely hope to devote a great deal of time to this. I also think the poor, the undereducated, and the elderly are among the most frequent victims of fraud and deception. Certainly in my own State of Pennsylvania they were the most frequent victims.

I do feel strongly that when we complete our task force assignment of evaluating all the present consumer programs in the Federal Government—and a quick nose count revealed that there are now over 400 consumer-related programs—we will have recommendations for the President, for the Congress, for everyone, to make these present programs more effective.

This will cross the broad spectrum of all consumer needs. Among those, of course, will be programs that directly aid our elderly citizens.

Senator CHURCH. I think it is a very commendable objective. And I hope you can make further progress in bringing this whole question to the attention of industry.

Part of the problem, it seems to me, is to let industry know what the needs are for manufacturing merchandise that is especially designed to take care of the requirements of the aged.

But another phase of this, it seems to me, is to induce industry to actually get into areas where the elderly and the impoverished people are congregated. You have mentioned this, Mrs. Knauer, in your testimony. At one place you say there may be residents of the inner city ghetto areas where availability of merchandise, price differentiation, and quality limit their choice.

#### PROBLEMS AT RETAIL LEVEL

A year or two ago I was in New York at the headquarters of a very large retail chain. The president and the members of the board indicated that although this chain had hundreds of retail outlets all over the country, it had located none of its facilities in the so-called ghetto areas, even though its own survey showed that the people who lived in those areas were getting poorer quality merchandise, less selection, and were being forced to pay higher prices than people who lived elsewhere.

This big company was for the first time beginning to consider the need to locate stores in the slum districts where this problem existed. They were just experimenting with opening retail stores to show people in these less-advantaged sectors of our cities what variety of mer-

chandise was available and what prices were available, if they dealt through these retail outlets.

So, I think the problem is two pronged: One prong, the merchandise itself, and the other, in interesting these companies into coming into these areas where they are so badly needed.

Mrs. KNAUER. May I add a third thing? It is up, then, to the citizens to patronize these stores because if they are not patronized this will certainly discourage industry or business from opening other stores in the low-income areas.

Senator CHURCH. Another thing I would suggest, based upon previous experience of this committee, is the need to get cooperation from the Federal agencies themselves that have very little consciousness, many times, of the needs of the elderly.

#### VA POLICY ON HEARING AIDS

I will just give you one example because I think that that is another phase of the problem you will be working with.

This subcommittee, a year or so ago, held hearings in Washington on hearing aids, the prices, the trade practices, and so forth. In the course of those hearings, it was disclosed that the Veterans' Administration had for years been investigating hearing aids to determine which aids the Government should purchase for veterans, which were the best in quality for the price and which were the poorest.

All of this information was available, all of it had been obtained with public money, and yet, the Veterans' Administration refused to make a public disclosure of its findings upon the ground that it wasn't anybody's business except that of the Veterans' Administration itself and furthermore that it would be some kind of a betrayal of the industry if they made this disclosure public because they had investigated it privately.

It took us many, many months before we finally got the Veterans' Administration to change its policy and make public the information it had secured with the use of public funds.

This is an example, I think, of the kind of problem you are going to have in dealing with many of these agencies which simply don't keep the needs of the elderly in mind and yet may have information that would be very helpful to the elderly, if it were brought to light.

Mrs. Knauer, before we turn to Commissioner Martin's testimony, I might put a question to you jointly, and then Mr. Commissioner, you can comment on it prior to your own testimony, if you care to.

At the present time, I understand there are more than 30 Federal agencies that administer one consumer program or another, and my question is, How can your two agencies help to insure that all of these other Federal agencies, which deal in one way or another in consumer matters, will give the necessary priority attention to the special needs of the elderly?

Mrs. KNAUER. As I said just a moment ago, Mr. Chairman, I think that when our survey of these 400 existing programs, and I think 33 or 35 agencies, is completed, we will have recommendations for the President as to areas where he can make administrative

changes or propose changes to Congress, if legislative change is needed.

I strongly suspect that with 400 programs afoot some are less effective than originally intended. Some perhaps may be obsolete. There is very likely to be duplication and perhaps overlap.

I think that when for the first time we get a broad picture of all of these programs, we will be able to move ahead and make very definite recommendations. I think that not only the elderly, but all consumers, should be better served and their current wants more responsibility met by the existing consumer programs.

Senator CHURCH. When you have completed your survey, I wonder if you would take up your recommendations with the committee and also give the committee an opportunity to make recommendations to you from what we have drawn over the years from our hearings into the whole problem.

Will you do that?

Mrs. KNAUER. I would be delighted to do that, Mr. Chairman.

Senator CHURCH. Our next witness this afternoon is Commissioner Martin, who is well known to many of you who come from Michigan. I am happy to welcome you to the hearings this afternoon, Mr. Commissioner, and I invite you to proceed with your statement.

#### STATEMENT OF COMMISSIONER MARTIN

Mr. MARTIN. Thank you very much, Senator Church and Mrs. Knauer, and ladies and gentlemen.

I am glad to have this opportunity to discuss with the committee several of the problems which older people face as consumers, and to tell you a little of how we are trying in the Administration on Aging to use the resources of the Older Americans Act, which I administer, in every way possible to help solve some of these problems.

As many of you know, 40 percent of today's elderly are poor. This is a fact which bears on the consumer picture. Many are undereducated, inadequately housed, and often in poor health. They have to stretch every dollar to even begin to take care of their essential needs. Helping them cope with the complexities of the marketplace and trying to resolve some of those complexities is basic to every one of the objectives of the Older Americans Act. We know the poor pay more, often because they have fewer choices. We want to give them choices. More freedom, more choices to get the kind of goods, facilities, and the kind of products that they want.

Loneliness and ill health both add to the vulnerability of older consumers. The desire to talk to someone and to receive mail makes some fall easy victim to the illegitimate door-to-door salesman and the mail fraud. The desperate hope for surcease from pain and fear leads others to experiment with quack remedies and unqualified practitioners of medicine.

Older people, even those fortunate enough to have savings put by, have little opportunity to recoup their losses if once victimized. What might be a distressing, but learning, experience for a younger person is a tragedy for the elderly. They do not have time to learn from experience in their later years.

In one of my earlier incarnations I served as deputy securities commissioner in the State of Ohio. I will never forget a telephone call which I got from an elderly couple who said, "Mr. Martin, we bought some weeks ago some gold stock from a man who called us on the telephone from Canada. Now we can't find him."

I said, "Well, how much stock did you get?"

They got 5,000 shares.

I said, "How much was the stock worth?"

They said, "\$5,000."

I said, "Do you mean to say that on the basis of a telephone call from a man in Canada that you had never seen, never heard of, you bought a stock that you had never heard of?"

She said, "Yes, Mr. Martin, we did, but he told us it was a good stock and it was going to double in price in the next 2 weeks."

You know what happened to them. They had a batch of securities that weren't worth the paper they were printed on.

This is a common occurrence in this area.

So, we are faced with multiple responsibilities in aiding older consumers.

We need to protect the susceptible and vulnerable against fraud; to educate those who need assistance in stretching their dollars; to serve as an advocate in the marketplace for those who do a magnificent job with what they have, and to improve public, as well as private services, available to older people.

In AoA, we are doing these things through every means at our disposal. We are funding some programs specifically focused on consumer education, as in Project Moneywise Senior and the Hudson Guild-Fulton Center title III project which I will report on more fully in a moment.

We include consumer education in other projects, as in our 28 title IV demonstration nutrition programs, and through hundreds of title III senior center programs which States are supporting.

We are trying to show older people in different ways how they can buy the best, and get the maximum out of their nutrition dollar. We seek to improve services related to consumer needs through a variety of programs under various sections of our act; in demonstrations of various transportation aids in reaching health services and shopping; in a research study of the effect of reduced fares on a transit system's income which may provide a basis in fact for further reductions; a research study of safety records of older drivers which we understand has already helped influence the insurance rating board to lower insurance rates for older drivers; even in our training programs, through work with housing managers, and, of course, through our publications.

Materials and guidelines for Project Moneywise Senior were prepared and published by the Administration on Aging in cooperation with the Bureau of Federal Credit Unions. This is a case where we worked with another Federal bureau to achieve a common end. Its aim was to train leaders to conduct consumer education programs among their friends and neighbors, to teach them how to stretch fixed incomes; how to recognize sharp practices of unscrupulous sales people; how to prepare a budget; and how to practice good buying habits. It has been tested in action in Massachusetts and Hawaii and additional basic training materials developed.

I mentioned the Hudson Guild-Fulton Center consumer education project in New York. I will not describe this in detail because I believe one of our panel members is connected with that project and perhaps will want to describe it. I don't want to steal her thunder.

But I do want to call attention to one of the interesting things that they discovered. The project had to do with the use of money in consumer buying. The project started out to teach people how to use their money carefully. They found out that after a short time even though these people were low-income people, they were using their money in just about the best possible way.

So, the project was changed and it became a question of how do you educate the marketplace and how do you change the marketplace in some of the ways that Mrs. Knauer has talked about.

#### NEED FOR SUITABLE CLOTHING

Some of the little things that we found had to do with the simple things like suitable clothing. Older people you might assume, needed more or less what everybody needed. But there was very little in the marketplace for older women or older men for that matter. They couldn't find the length, style, the fit or the fastenings they wanted. Many dresses are fastened with difficult back zippers that older people couldn't use very effectively. They found that older people moving into new apartments often didn't know how to use new equipment, so they established a welcome apartment to be visited before they moved in.

Other services which they needed were not available and they experimented in finding ways and means of obtaining legal services, insurance, hearing aids, and cooperative shopping. These are areas in which consumer education is of very great importance.

Mrs. Knauer has mentioned this little consumer guide on which you add the local number of people who can be of help to you like your better business bureau and so on. We put out something over 1 million copies of it—about three-quarters of a million from AoA, and about a quarter of a million from the Government Printing Office.

Generally speaking, the major problems of the older consumer, aside from his overriding problem of lack of income, seem related to the need for help in four categories: Food, health, clothing, and services. In the area of food, in a national nutrition survey, we found that 13 percent of the population being studied was over 60. This 13 percent was substantially deficient in hemoglobin levels, in vitamin A levels, and vitamin C levels. The most important finding was that 18 to 30 percent of the older groups studied had consumed only half of the nutrients considered adequate for health.

It isn't, of course, just a question of whether they could have bought the food that they needed. There are lots of problems in this nutrition field tied to the fact that people don't like to eat alone, they don't like to prepare meals to eat alone, they may not know how to buy the right kind of food, they may buy a food that is not nutritious in favor of that which is, and they may have tooth and gum difficulties which, in turn, may be aggravated by the fact that nutritionally deficient diets may cause diseases of the mouth.

So, there are some serious problems here.



## TRANSPORTATION DIFFICULTIES

In addition, shopping for food is difficult for older people. We found that transportation to and from the stores poses problems for many who do not drive and can't afford taxis. We know from other studies that among older people, generally a far lower percentage have cars than among younger people. Few of us who own cars realize what a tremendous obstacle is posed if you don't have a car, not only to mobility but to the ability of people to do the simple little things that they were accustomed to doing before they retired.

We are directing our attention right now in the Administration on Aging to the possibility of a major study on this problem of transportation, not only in individual cases, where you are dealing with a 1-to-1 situation, but with respect to general transit systems and the possibility of reduced fares and what effect that might have on the mobility of older people and what we should do about it.

Right now, we can't use our money for meeting deficits of these transit authorities or we wouldn't have any money left. One State would eat up everything we have.

But that doesn't mean that this isn't a tremendously important problem that needs looking into. We are conducting a demonstration program in Chicago. And we are building an evaluation program into the New York program for reduced fares which will give us answers to some of these questions. On the basis of these programs, Congress may want to take a look at our facts and figures and what answers we have and perhaps do something about this.

Senator CHURCH. I wonder, in that regard, Mr. Commissioner, if you are investigating the possibility of establishing a lower fare, not only for local transportation, but also for interstate transportation.

What I am thinking of, of course, is the lower fare that the airlines, for example, have instituted for college students, knowing that they are limited in their income. That has meant a great deal to college students, I know.

I am thinking of elderly people who are also limited in their income who want to visit with their children and their grandchildren, and who would find a similar reduction in fare of great help in meeting their needs.

Mr. MARTIN. This is a very important question and the answers are not easy. You can say, "Well, if they would reduce fares, there would be more traffic and therefore, there wouldn't be any losses, and so on," but these are all assumptions. They aren't proved one way or another.

Senator CHURCH. That is true. However, I think the college program has worked out well. It seems to me we ought to thoroughly investigate the possibilities for doing the same kind of thing for the elderly.

Mr. MARTIN. I agree with that. I think it is something which we would have to come back to Congress on, because it is a big program. It is not a little one that we can handle with the few million dollars that we have.

Senator CHURCH. I just wish you would take that and make sure it is within the scope of your investigation looking toward possible recommendations.

Mr. MARTIN. I appreciate that suggestion.

Another thing we find is that packages of food are too large for a small unit family: We also find that carrying groceries home is impossible, but delivery service is either unavailable or too expensive. I don't know how many of you go to the store and get one of these huge bags that weighs about 20 pounds and then start to go home with it. I know I have tried that myself, trying to walk and it is pretty hard to get all the way home, if you don't have a car.

If you have a car, you pop it in the car and away you go.

The corner store in the neighborhood is more accessible than distant shopping centers if there is a corner store, but probably in many cases, it is out of business and boarded up. This is especially true in some of the low-income areas, some of the so-called ghetto areas, where stores have gone out of business. Literally there is no immediately accessible store that people can go to.

This presents, again, a terrible problem, because people either have to go to some store a long distance away or, if they have food stamps, they have to go some place to use them. If they are using surplus commodities they have got to go even farther to find a place where they are distributed. It just creates great difficulties.

If they find a neighborhood store, they probably will find that it is more expensive than other places that they could go. Older shoppers have fewer choices and this is true in every consumer area for the elderly consumer.

#### THE SOLITARY MEAL

More than half of the elderly participating in the nutrition programs funded by the Administration on Aging seem to live alone where a solitary meal is something less than inviting.

Yet, about 99 percent of them cook and eat at home rather than spend an inordinate proportion of their income eating out. Those who qualify for surplus foods complain that the amounts issued are too large. It is difficult for them to transport the load from the distributing point to their homes, difficult to use large quantities of cheese, flour, sugar, and other commodities that require a lot of preparation, and difficult to store in small quarters.

#### HEALTH

The major problems in the health field seem to be the difficulties of getting reimbursement for expenditures for medical care; the cost of maintenance drugs; and the unreliability of hearing aids. Doctors seem to prefer that patients apply for reimbursement themselves. The complicated forms, procedures, and documentation make this difficult for many elderly people. Some better solution would seem to be desirable.

Senator CHURCH. May I ask there, where you say doctors seem to prefer that patients apply for reimbursement themselves, rather than to take an assignment—I understand that under the medicare program, about 60 percent of the doctors will not take assignments. Is that your experience?

This doesn't only involve the burden of the complicated forms and procedures and documentation that then falls upon the person seek-

ing the benefit under the medicare program, but it also means that 60 percent of the doctors are at least free, if they choose, to charge a medical fee that is larger than the fee thought reasonable by medicare for the service performed, and that this means that the medicare allowance is not adequate to cover the doctor's fee and the elderly person has to reach into his pocket to make up the difference.

It seems to me this is a particular area for improving medicare that you ought to look into to see if you can't get some recommendations for congressional action to make this program, which I think is basically a wonderful program, work better for the elderly people in the country.

Mr. MARTIN. This is the reason, Mr. Chairman, that I call attention to the problem. It is one that requires more thought than it has been given up to this point.

Consumers are asking for more intelligible explanations about medicare and medicaid, simpler forms, and legislation to set quality standards for hearing aids and financial assistance in the purchase of drugs.

#### CLOTHING

We have talked about the difficulties of finding appropriate clothing. We are sometimes told also that in retirement or later years, "people don't need so much clothing because they won't be going out." Therefore, they can economize in this area.

For the kind of life we hope to provide for our present older people, ourselves, and our children in their future later years, we certainly do not want a lessening of clothing expenditures because they "do not go out."

That is certainly the wrong direction to travel in. We think older people should be active, participating, traveling, attending the theater, concerts. Just when they have more free time, withdrawal because of the cost of participation is cruel and inhuman punishment.

Actually some older people may need more of certain kinds of clothing—or more expensive models—for example, shoes, because of foot troubles.

#### SERVICES

Difficulty in obtaining essential services poses a very serious problem for the elderly who are poor and without family to help them. As you know, 64 percent of the women and 28 percent of the men over 65 have no spouse. This creates a problem, too, because if you have no spouse, or are a widow, you can't say to your husband, "Well, Joe, you go out and fix the hose or do whatever needs to be done to stop that leaking tap."

There are all kinds of things that can come up that the handyman around the house can't do because he isn't there anymore.

One-fifth of this age group have no children to help them face the daily demands of living in our complex society. To get a handyman to repair a broken step or to replace a burned-out light bulb in a high ceiling fixture is difficult and expensive.

Yet, climbing a stepladder alone is dangerous, sometimes physically impossible, and the alternative—hard to realize—is just to sit in the dark.

There seems to be a reluctance on the part of banks to cash social security and public assistance checks and often when special provisions are made for this service the recipients are relegated to windows specially designated for this clientele which embarrasses many. [The same complaint is made about using food stamps in some grocery stores.] Apparently some banks would rather not get involved because of the overhead cost and liability in case of fraud.

But these are matters that certainly we ought to be able to correct by simply calling the attention of the people involved to the problem.

Legal services necessary to some sense of personal security for poor older persons living alone are hard to come by. Many do not understand the importance of wills, much less how to get one written. To make free or inexpensive legal services readily available and to provide assurance of necessary bank services are two important needs of the older, less privileged consumer.

#### CHANGING NEEDS

You asked specifically what we see as changes in consumer needs at various stages in retirement.

I would say the dangers and difficulties will probably increase with the individual's years. The retirement span is now long enough to permit a steady worsening of the situation. Thousands of men and women in the first decade of retirement—age 65-75 or younger—are well, active, able. But with the late seventies there is very often a beginning of major health difficulties.

Obviously, need for medical help and supportive services will increase at this point. Earlier and earlier retirement leaves less time to build savings—although the wider application and broader base of social security could offset this to a certain extent.

At present there is often a gap of years between the time a person has to retire and the beginning of his eligibility for social security benefits.

Most of the projects I have discussed are not yet concluded so we have only preliminary data and no final evaluation. However, I believe we had enough information to make some tentative conclusions and recommendations.

Inadequate income and indifference of the marketplace are obviously basic problems of the older consumer. The marketplace too often wants the older consumer's money but at a higher price. They need more money, as well as help in managing what they have.

The gap between income which they receive as earning and actively employed members of society and that they receive in retirement is a sizable one. As we know, income drops sharply, it may drop by a third, a half or even by two-thirds when retirement comes on.

This may create a real crisis as I pointed out to many of you at lunch. As time goes on, we have a loss of income, then we have a loss of assets, or a consumption of assets. We have increased medical care. We have a loss of buying power due to inflation over a period of time. So the situation grows worse, as the age grows greater.

Commercial sellers of goods need to be made aware of the older person's market. Perhaps it is partly because the legitimate sources of

service and purveyors of goods have proven so inhospitable, that fraudulent operators, who welcome the elderly, have profited so excessively.

We have learned some lessons from our projects also on methods of giving consumer education. Smaller groups work better together than large—sessions should be fairly short with time to get up and move about, and obviously any published material should be geared to the interests and understanding of those we seek to educate.

Older people, facing many realities, are themselves realistic. They want practical language—they like humor—they want time to say their say, and do not want to have their needs prepackaged and handed to them. They don't want to be told what their needs are. They know what their needs are.

And they either see right through the pretenses of jargon or are bored and confused by it and therefore not helped.

The new Webster's Collegiate defines consumer goods as "goods that directly satisfy human wants." There are not enough of these for older people. We all know it will take a great deal of concentrated effort to get more. The work of this committee is very important and I commend you for what you are accomplishing. We would like to enlist with you in your advocacy of greater attention to this most vital area of concern for our older Americans.

Thank you very much.

(Statement of John B. Martin follows:)

#### PREPARED STATEMENT OF HON. JOHN B. MARTIN

Senator Church, Mrs. Knauer, Ladies and Gentlemen, I am glad to have this opportunity to discuss with your Committee several of the problems which older people face as consumers, and to tell you a little of how we are trying in the Administration on Aging to use the resources of the Older Americans Act in every way possible to help solve at least some of these problems.

Forty percent of today's elderly are poor. Many are under-educated, inadequately housed, and often in poor health. They must stretch every dollar to even begin to take care of their essential needs. Helping them cope with the complexities of the market place and trying to resolve some of those complexities is basic to every one of the objectives of the Older Americans Act. We know the poor pay more, often because they have fewer choices. We want to give them choices.

Loneliness and ill health both add to the vulnerability of older consumers. The desire to talk to someone and to receive mail makes some fall easy victim to the illegitimate door-to-door salesman and the mail fraud. The desperate hope for surcease from pain and fear leads others to experiment with quack remedies and unqualified practitioners of medicine. Older people, even those fortunate enough to have savings put by, have little opportunity to recoup their losses if once victimized. What might be a distressing but learning experience for a younger person is a tragedy for the elderly. They do not have time to "learn from experience" in their later years.

We are faced then with multiple responsibilities in aiding older consumers.

We need to protect the susceptible and vulnerable against fraud; to educate those who need assistance in stretching their dollars; to serve as their advocate in the marketplace for those who do a magnificent job with what they have, and to improve public, as well as private services, available to older people.

In AoA, we are doing these things through every means at our disposal. We are funding some programs specifically *focused* on consumer education, as in Project Moneywise Senior and the Hudson Guild-Fulton Center title III project which I will report on more fully in a moment. We *include* consumer education in other projects, as in our 2S title IV demonstration nutrition programs, and through hundreds of title III Senior center programs which States are supporting. We

seek to improve services related to consumer needs through a variety of programs under various sections of our Act . . . In demonstrations of various transportation aids in reaching health services and shopping. In a research study of the effect of reduced fares on a transit system's income which may provide a basis in fact for further reductions . . . A research study of safety records of older drivers which, we understand has already helped influence the Insurance Rating Board to lower insurance rates for older drivers . . . Even in our training programs, through work with housing managers . . . And, of course, through our publications.

I mentioned Project Moneywise Senior. The materials and guidelines for this project were prepared and published by the Administration on Aging in cooperation with the Bureau of Federal Credit Unions. Its aim is to train leaders to conduct consumer education programs among their friends and neighbors, to teach them how to stretch fixed incomes; how to recognize sharp practices of unscrupulous sales people; how to prepare a budget, and to practice good buying habits. It has been tested in action in Massachusetts and Hawaii and additional basic training materials developed.

I mentioned the Hudson Guild-Fulton Center education project in New York. This is a comprehensive and, to me, fascinating project. Its accumulated data and experience are most relevant to questions asked by your committee in your invitation to me to appear today. Miss Patricia Carter, Project Director, is attending this Conference (and perhaps this hearing) and I do not want to steal her thunder but there are several high points I'd like to put on the record—one now and others as we go along.

In the beginning of the project—2 years ago—the project staff was prepared to educate its older people how to be careful with their money. After one session, they found to their surprise that older people—and these were very low income older people indeed—were, in words of the project director, doing “A magnificent job” with the money they had. It was the market place that needed education and changing. And so the project has gone to the market place with some victories and some non-victories. They don't call them defeats; they are still trying.

The project has been concerned with the difficulty of older people—particularly women—in finding suitable clothing. Here choice is almost non-existent. The older woman on a small or medium income cannot find the length, the style, the fit or the fastening she wants. Many dresses are fastened with difficult back zippers and buttons, almost impossible for an older person living alone to handle.

The Fulton Center project director approached three major department stores in New York City to assist in a fashion show of appropriate clothes for older ladies. She was met with an unqualified “No.” They had no desire to be thought of as an “old people's market place.” She is still trying and has some hopes of eventual designer cooperation. Meanwhile however, as consumer help, the ladies at the center are now being given a “sew beautiful” course to help them make their own.

The project staff found that many older people moving into the new housing development needed help and education in using new equipment and so they have established a “welcome apartment” to be visited before they move—they continue help later as tenants settle in.

The project is helping also with finding legal services, insurance, hearing aids, and with cooperative shopping, basing their activities most perceptively on the actual, expressed and verified real needs of the elderly. One consumer service incidentally needed many places, is help for non English speaking Americans from those who can speak their language.

My Information Division is developing a publication in our *Designs for Action for Older Americans* on the Hudson-Fulton program now. It should be off the press in July or August and available to help any who might wish to adapt its information to other consumer education needs.

One other publication of AoA in this field is, I think, worthy of note at this point. It is our little wallet card—Consumer Guide for Older People—developed in cooperation with the President's Committee on Consumer Interests and the Food and Drug Administration in 1968.

We have sent out more than  $\frac{3}{4}$  million of these cards to date, and the Government Printing Office has handled another  $\frac{1}{4}$  million. The publication has, in short, been popular but to be really completely effective it needs knowledgeable

local cooperation. We are able to make broad suggestions of possible sources of help available in any community but have had to leave blanks to be filled in with local specifics. Hudson Guild, in a publication of its own, has in essence filled out the skeleton of our small publication, telling exactly where to go locally in New York City for help and services. Every community can and should provide such a helping hand. It can save older consumers dollars, heart-break—perhaps lives. Certainly, hope.

People in the lowest income brackets living on \$50 to \$70 a month social security, and if fortunate with accumulated life savings of a few thousand dollars, live in fear and know they have to guard every penny. Many of them are proud and will not submit themselves to what they call the "dignity-destroying investigation" necessary to qualify for public assistance. So one important task it seems to me for consumer advisors, social workers and others working in the field of aging is to help those in need of public assistance to admit they need it and to help them, to accept it.

Services Performed with Aging, a Hartford, Connecticut, title II project sponsored by eight churches, has established an Opportunity Center where many of the needs of older people are being met. Here, about 20 staff members of State and city welfare departments and private social agencies come into the Center very casually once a month bringing their lunches and getting to know Center members on their home grounds. Communication improves greatly; understanding develops on both sides. And if welfare assistance has to be asked later, it is asked of friends.

The major problems of the older consumer, aside from the overriding problem of lack of income, seem related to need for help in four categories: food, health, clothing, and services.

#### FOOD

In a national nutrition survey 13 percent of the population being studied are persons over 60. The data to date indicate that over 8 percent of the older group sampled had less than acceptable hemoglobin levels; 4 percent were low on vitamin A and 16 percent low on vitamin C. From 18 to 30 percent of the older group studied had consumed only half of the nutrients considered adequate for health. One of the reasons for such malnutrition is physical difficulty in eating because of tooth and gum troubles. This is sometimes due to poor oral hygiene but it is also aggravated in a sort of vicious circle—by nutritionally-deficient diets which can *cause* these diseases of the mouth.

In addition, shopping for food is difficult for older people. Transportation to and from the store poses problems for many who do not drive and cannot afford taxis. Packages of food are too large for a small unit family; carrying groceries home is often impossible but delivery service is either unavailable or too expensive. The corner store in the neighborhood is more accessible than distant shopping centers *if* there still is a corner store. Unfortunately, it is also probably more expensive. In other words to repeat, older shoppers have fewer choices. This is true in every consumer area for the older consumer.

More than half of the elderly participating in the nutrition programs funded by the Administration on Aging seem to live alone where a solitary meal is something less than inviting. Yet it seems that about 99 percent of them cook and eat at home rather than spend an inordinate proportion of their income in eating out. Those who qualify for surplus foods complain that the amounts issued are too large. It is difficult for them to transport the load from the distributing point to their homes, difficult to use large quantities of cheese, flour, bulgur, and other commodities that require a lot of preparation, and difficult to store in small quarters.

#### HEALTH

The major problems in the health field seem to be the difficulty of getting reimbursement for expenditures for medical care; the cost of maintenance drugs; and the unreliability of hearing aids. Doctors seem to prefer that patients apply for reimbursement themselves, but the complicated forms, procedures and documentation make this difficult for many elderly people. Consumers are asking for more intelligible explanations about Medicare and Medicaid; simpler forms; and legislation to set quality standards for hearing aids and financial assistance in the purchase of drugs.

## CLOTHING

We've talked about the difficulties of finding appropriate clothings.

We are sometimes told also that in retirement or later years, "people don't need so much clothing because they won't be going out." Therefore, they can economize in this area. For the kind of life, we hope for our present older people, ourselves, and our children in their future later years, we certainly do not want a lessening of clothing expenditures because they "do not go out." We think older people should be active, participating, traveling, attending the theatre, concerts—Just when they have more free time, withdrawal because of the cost of participation, is cruel and inhuman punishment. Actually some older people may need more of certain kinds of clothing—or more expensive models, for example, shoes, because of foot troubles.

## SERVICES

Difficulty in obtaining essential services poses a very serious problem for the elderly who are poor and without family to help them. As you know, 64 percent of the women and 28 percent of the men over 65 have no spouse. One-fifth of this age group have no children to help them face the daily demands of living in our complex society. To get a handy man to repair a broken step or to replace a burned-out light bulb in a high ceiling fixture is difficult and expensive. Yet, climbing a step ladder alone is dangerous, sometimes physically impossible, and the alternative—hard to realize—it just to sit in the dark.

## FINALE

Most of the projects I have discussed are not yet concluded so we have only preliminary data and no final evaluation. However, I believe we have enough information to make some tentative conclusions and recommendations.

Inadequate income and indifference of the market place are obviously basic problems of the older consumer.

They need more money as well as help in managing what they have.

Commercial sellers of goods need to be made aware of the older person's market. Perhaps it is partly because the legitimate sources of service and purveyors of goods have proven so inhospitable, that fraudulent operators, who welcome the elderly, have profited so excessively.

We have learned some lessons from our projects also on *methods* of giving consumer education. Smaller groups work better together than large—sessions should be fairly short with time to get up and move about—and obviously any published material should be geared to the interests and understanding of those we seek to educate. Older people, facing many realities, are themselves realistic. They want practical language—they like humor—they want time to say their say, and do not want to have "their needs" prepackaged and handed to them. And they either see right through the pretenses of jargon or are bored and confused by it and therefore not helped.

The new Webster's collegiate defines consumer goods as "goods that directly satisfy human wants." There are not enough of these for older people. We all know it will take a great deal of concentrated effort to get more. The work of this committee is very important and I commend you for what you are accomplishing. We would like to enlist with you in your advocacy of greater attention to this most vital area of concern for our older Americans.

Senator CHURCH. Mr. Commissioner, I have just a couple of questions. We have a lengthy program for the afternoon so I don't want to keep you longer than I should.

Recently an article appeared in the Consumer's Report which was called to my attention. This article indicated that under the present truth-in-packaging legislation, a group of average housewives were chosen and they could not determine which packaged articles were the best buys. By looking at the packages and reading the labels, they were unable to determine where you got the most for your money.

We ought to be able to do better than that in writing some standards that would enable people buying food in the supermarket to know



what they are getting when they pick up one of these fancy packages, so that they can relate what is inside the package with the price and compare it with the next package on the shelf and know what they are getting for their money.

I am wondering if you would take a careful look at that article and investigate the possibilities for improving truth-in-packaging legislation.

When we passed it, we were principally interested in getting interest rates set out so people would know what they were going to have to pay in carrying charges. But I should think that the legislation should go much further and set some standards that would enable people to know what they are buying when they buy packaged goods in the store.

Mr. MARTIN. The problem is if you have  $6\frac{1}{4}$  ounces in one,  $7\frac{3}{4}$  in another, nobody is competent, short of a computer, to figure those things out. It is just as simple as that.

Senator CHURCH. I think maybe something that would relate the quantity in the package with the price would be helpful to the consumers.

Mr. MARTIN. Yes.

Senator CHURCH. I have one other question, Mr. Commissioner.

You also mentioned in your statement the problems of the elderly in regard to nutrition, which are related to poor oral hygiene and deterioration of the teeth and infection of the gums: Do you feel that this would indicate the necessity of including dental costs under medicare?

Mr. MARTIN. I think this is certainly a question for Congress to consider. What precise action should be taken and how you would take it would, of course, be up to Congress. There is no doubt but what this is an important area of medical care. There ought to be some consideration of it. Yes, I agree.

Senator CHURCH. As you know, our system works in a way that the recommendations of the President and his administration have a great bearing upon the legislation that is enacted, so it is the responsibility of both the executive and the Congress.

I would hope that you would look into this aspect of medicare and would have some recommendations to make to the Congress.

Mr. MARTIN. I am sure that this is a question in which the administration is very much interested. And we in the Administration on Aging will give it our attention as well.

Senator CHURCH. I want to thank you both for your very fine contribution this afternoon.

And we appreciate your being with us. We look forward to working with you in the future.

Now, I would like to make an announcement. Many of you have come here, not only to listen, but also to contribute ideas to this committee and to make suggestions and recommendations.

You see our problem. We have tried to pull together a representative group of witnesses who are specially qualified to testify. We have a time problem. We would like to hear everybody who would like to testify. But, obviously, the numbers and the time limitations are such that we can't do that.

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So, in lieu of that, we have prepared a form.<sup>1</sup> It is available to any of you who want to use it.

The form reads:

DEAR SENATOR CHURCH: If there had been time for everyone to speak at the committee hearing in Ann Arbor on the subject of consumer aspects of the economics of aging, I would have said:

And the rest of the paper is blank.

So, if you have any recommendations to make, if you have any particular problem you would like to call to the attention of the committee that is relevant to this inquiry, please feel free to get one of these forms, fill it out and leave it with us. We will not only study it, but we often will include it in the actual printed record of the hearings, so it may become available to all members of the committee and other Members of the Congress.

**STATEMENTS OF MRS. MARION STEKETEE, MRS. MABEL SCOBY, MRS. DORINA GAMACHE, AND HERBERT TAYLOR, PANEL, "OLDER CONSUMERS SPEAK"**

Senator CHURCH. Next on the program we have a panel of older consumers. I would like Mrs. Marion Stekete, Mrs. Mabel Scoby, Mrs. Dorina Gamache, and Mr. Herbert Taylor to come forward to the stage and take their places at the witness table.

FROM THE FLOOR. Will the testimony that has been given be available?

Senator CHURCH. Yes; these hearings will be published. Anyone who would like to have a copy of the printed record, if you will write to me in Washington, I will see to it that you are mailed a copy of the published record with all of the testimony, the questions and answers in it.

Ladies and gentlemen of the panel, let me welcome you here this afternoon. I understand that each of you has a short statement that you would like to make.

Shall we start with Mrs. Stekete.

**STATEMENT OF MRS. STEKETEE**

Mrs. STEKETEE. I want to be brief. I just said to Dr. Woodrow Hunter, I have not heard an untruthful thing said here today. I don't know really what testifying is because I have never testified at anything. But I do think there are so many things that we have not approached and it will take time.

There is one thing that an old woman and a great grandmother would think—I hope we would keep our heads as older people and be some example for the younger because enough of them have lost their heads [Applause].

My late husband, who was a wonderful person, always concluded what he was saying or what had been said by using a term "judge not," and I don't think that our young people should be judged in this day and age any more than the older people should or any age group. I can't help but feel for every age group—and I don't think we

<sup>1</sup> See response to form, appendix 3, p. 473.

ought to get too demanding, that we really don't need a lot of things that the young need.

Supposing today I had six or eight little children and was trying to feed them and clothe them and send them to school, it wouldn't be the same as I have to do alone because I personally would rather have my children and my friends' children and my Nation's children well cared for, as they are the hope of our Nation.

I can conclude therefore, because I have lived my life. It is about over.

When we have had perfect health like I had, and all of my children have been born in perfect health, how much gratitude we ought to feel. Maybe we expect too much in this country that has been so plentiful. Then suddenly, there is this upheaval over the world and I wonder where we will stop and how much more our Government can support.

We can't unload that war at once in Vietnam or some of our other military obligations. I think our country will do this as soon as we can and we know it. We hope it, anyway; pray for peace constantly.

When you come to our consumer needs, I haven't bought anything for about 5 years but real necessities, but certain things have happened to keep me well out of circulation; my husband died, a brilliant son-in-law had a terrible stroke, my last living son of three died Christmas day 1967. We do not recover in old age from such shocks. Wilma Donohue says we never recover such losses.

The retailers are very discouraged because they can't control the manufacturer today and it is all done on a big multiple scale, as you know. It is mass production. I have never in my life seen such rotten workmanship or material. We are being cheated beyond words. We notice in the grocery stores, and I talked to my daughter in New Hampshire who said the other day, "Mother, I weep when I go into the grocery stores and see these people that I know are living on social security just picking around."

She is a very sympathetic person. She said to see these old people getting a tiny ounce of meat, a tiny little bit of this and that, and she was at the point of tears.

I have been, too. Then I come here an angry old woman. That is pretty horrible.

But I notice when I pay \$1.69 for a pound of ground round beef, sometimes it is nice and red on top, whether they put red paint on it or a little fresh meat, and then when I start to make patties and it is brown inside.

I am trying to live above all of those things. But I guess I will have to have a wheelchair pretty soon.

But when you do put that meat on to cook and the butter, there is no butter. Water comes out of it. There is too much water. I must tell you all, I am in the neighborhood and I can't walk a block out and a block back to get groceries. There was an old grocery store that was there when I was born. Nothing has been done to clean up the refrigerators or anything. It was there 78 years ago next November when I was born.

I am beginning to feel against the store and I know the dealer is a cheat. I have kind of checked it out, and did research to see what we can get that is fit to eat. We had a very bad meat scare. It was here

4 years ago. We found that numerous meat manufacturers and processors from around Grand Rapids and Holland, Mich., also, were buying up dead cows, or making meat out of dead cows out of the fields. They also made up some fish at one of our fish markets near the Great Lakes that turned out to give people a sickness and it killed them.

We don't know how long people will put up with this. Some of our poorer areas and ghettos, we know, because I have experienced having a wonderful woman to work with me and I went into the Negro area to get her every week, sometimes several times a week. She said "Oh, would you go in and get me some soap. They won't give me any good soap. When you get some, could you send it to me?"

### THE FRIENDLY VISITOR

I said I would. So we always kept on and on. For a great many years, I can recall the friendly visitor to the aged. When I think of the things they would like the least—I hope I don't hurt any feelings here—a paid social worker. I am so grateful to be a volunteer with no strings attached.

I have taken care of someone until they died and one day the woman was dying. I had the welfare department—it became quite urgent—move her out of a fire trap into another house and then on to the hospital. One day I went to the county hospital which used to be a tuberculosis hospital—I knew she was going to die. She said, "Dear, I knew you would come. I am going to die."

I said, "I will be right here with you."

Maybe you people don't know what it means to be a friendly visitor, to make such wonderful friends I personally have made. I know if I had been an arrogant young social worker just fresh out of college with a gap between me and the client in language, and I say I don't criticize these young workers, either, because it takes time to grow up. I am so old it is dreadful.

Mr. Martin encouraged me so much today when he spoke about model cities and that Grand Rapids would be one because it is his home. I suppose he will try to have it to be one. If he does, I know he will succeed with the right ideas back of it and enough cooperation, because once 40-some years ago when a very bright man called me in when I was a new widow with five children to support and a mortgaged home, and I went to work in 2 weeks and made the success in the building business and got a great deal of coordination done.

I was all over the country with large audiences of men. I was the only woman that had ever been in there.

It succeeded. If we would get our manufacturers and our retailers together and our citizens, I am sure we would have better facilities than we have today.

We need housing in Grand Rapids so badly. In fact, the man that got me into the building business when my first husband died, the last word he ever said to me before he died he said, "Marion, if you want to make a lot of money, go down to the areas where there are these lovely old houses and you can make a lot of money."

I said, "Well, Fred, I don't think I have that kind of capital or I am too old to do what you did."

There is one other thing. I feel we owe so much to our universities, particularly this one, and to the workers. I can't say enough. I think this thing has come to a point of our ages and our need for housing, better food, better clothing, better everything that we must have promoters of a very good stature who we could trust beyond words to take over to lay the groundwork for us to work with.

I know they will continue to do it.

Thank you.

Senator CHURCH. Thank you very much.

(The prepared statement of Mrs. Steketee follows:)

PREPARED STATEMENT OF MRS. MARION STEKETEE

The University of Michigan conferences under the direction of our beloved Wilma Donahue have meant more to me than I could possibly express in words. My gratitude is great. Twenty-two conferences, each pertaining to different problems of our Aging and Old Americans have been a liberal education to the attentive listener who has dedicated her life to the subject of "Aging in the Modern World". Not only have I been an intent listener, student, but I have tried as best I could to pass on to my fellow citizens some of what I have learned (both in word and deed), as my one objective is to help others in every possible way.

Someone has said: "It isn't what we have had, but what we have left and how we use it." As an old woman, nearly 78 years old, who has had much in life, so much love, wonderful family, perfect health until lately, due to this process of deterioration because of age, loss of most of those whom we have loved and lost awhile, including family and great friends. In gratitude, I hope we old people will be a good example and will keep our heads, because certainly some of the youngsters seem to have lost their heads lately. My late husband usually stopped criticism of anybody with two words "Judge not" which is a constant reminder of a man (sometimes called the "Great Physician.")

Knowing that every age has problems, I can't help feeling for every age group and therefore I do think with deep sincerity that we old should not be too demanding or critical. Our lives are nearly lived. What is left (if health permits) is a great challenge to go on helping others just as some of us have been doing all of our lives, help other old people who are too ill to help themselves and if possible, to help the lonely.

Wilma Donahue has stated that loneliness is the greatest bugbear of the old lonely and that they sit with folded hands and broken hearts waiting for death. Such people need some one to talk to, not a professional, but a friend. Most people like you and me have grandchildren and great grandchildren ready for University education, or for the armed forces. It is much more satisfying to help my good daughters, whose husbands are past helping, educate their children or comforting their wives, than to indulge myself.

The desire to buy anything today has lost all of its pleasure as there is nothing worth the price asked at present. Food, Clothing, Shelter—our three essential needs.

Food—speaking as Mrs. Consumer—Food has ceased to be anything but a necessity. Certainly there is no pleasure in eating such meat, poultry, fish as is now obtainable if one has the money to buy any of it, which millions of people who need it the most can't afford. I have been researching our markets for sixty years. Never was anything as bad as now. Quality is nil, price at an all time high. We consumers do not know just where the trouble lies. Prices keep going up and will go higher. Cereals, breads, baked goods have lost their charm as we know how full of preservatives they are. Cheating is going on more and more. Most fruits and vegetables are priced out of reach of anyone but the well to do. Nothing is up to former standards. It is here that I would like to state clearly:

I. Stop subsidizing our farmers at once and for all time.

II. Decentralize our urban areas.

III. Let our farmers go back to normal farming. Farming was once called "the nearest thing to heaven man will ever know."

Farm animals, poultry, sheep, cows, pigs all need exercise and the food found in mother nature to produce truly edible food. I beg the Senate Committee to heed this whole matter. Our urban areas would not be so polluted if we decentralized industry so as to make it possible for man to again live happier, healthier lives in lovely smaller towns and villages.

Clothing is fantastic, so high, such cheap materials, so poorly made. The manufacturer will pay no attention to the retailer's desires; they never have. There are no old women's clothes being made. The Ladies Garment Union is too hard to crack. I, like most other old, am wearing old clothes which are threadbare in some cases, as they are better material than newly manufactured clothes I have looked at which are repulsive and gaudy. One dress I have and have never worn, cost \$135.00. My dressmaker says the same dress is \$550.00 at present. I would imagine men's clothes are better. I looked at shoes this week. Shoes priced at \$18.95 look no better than shoes formerly priced at \$4.95.

Housing, our third necessity, is on dead center at present. Millions of houses would be built all over our country, if anyone but the very rich could pay the price of loans, labor and materials. Our money situation is frightening, while at the same time radicals are burning down buildings and fools are tearing down many fine old buildings and houses which would have been useful. What is needed most as a Preventative Factor is a positive change in social attitudes toward Aging, but so far, the multitudes of our people have passed by or merely tolerated the old.

Senator CHURCH. Our next panelist is Mrs. Mabel Scoby.

#### STATEMENT OF MRS. SCOBY

Mrs. SCOBY. Thank you, Mr. Chairman, members of the U.S. Senate subcommittee.

Fellow citizens and friends, I want to testify for the millions who have lived and died on the shockingly inadequate food budget provided by the various welfare programs in the State of Michigan for senior citizens. We are tired of telling this story and you are probably tired of hearing it.

How many times do we need to say it like it is in America? Our concern is that \$32.50 a month that is doled out for food for senior citizens on welfare—at least one-third of the poor are senior citizens who are supposed to be enjoying the golden age which for many is sadly tarnished.

The poor are getting poorer and, according to a Senate report, three of every 10 Americans over the age of 65 live in poverty.

Yet, many of these people did not become poor until they became old.

In addition, we face the continued increased cost of living with the static income. At the higher cost of living it is easy to see why we end up in the middle of a month badly broke and hungry.

#### "HUMILIATING" TO USE STAMPS

Many senior citizens do not take advantage of a food program because of the long wait at the welfare office every month. If you live in a suburban community you will have to pay taxifare there. In addition, it is humiliating to use these stamps in the checkout lines. We learn from the State public health department that it is very necessary that we have balanced diets with emphasis on proteins such as meats, some of the most expensive items in our budget.

These foods provide energy to enjoy our golden age.

We also need fresh fruit and vegetables. It is extremely puzzling to us that the experts say we will all live longer. But how can we on such a standard diet?

Bear with me for a moment as we do some arithmetic. Subtract from \$32.50 the amount given for food per month, \$1.30 sales tax, leaving a balance of \$31.20. You end up with \$7.20 a week or \$1.03 a day.

Since we believe in three meals a day, though they may not be very square, you will have about 34 cents a meal.

Food that we usually purchase includes canned vegetables, milk, soup, juices, canned fish, canned fruit, peanut butter, sugar, flour, spices, rice, beans, peas, dried cereals, spaghetti, macaroni, coffee and tea.

These come to about \$17, leaving a grand total of \$14.20 to purchase the necessary sustaining foods such as meat, dairy products, fresh fruit, vegetables, and bread for a month. How many of you are willing to try this ridiculous budget?

### THE WELFARE BUDGET

We urge you to consider living on \$1.03 a day for just 1 week and then if you survive, send the difference—what you would normally spend—to your local national welfare rights group or to the National Welfare Rights Office in Washington, D.C.

Take time now to read the announcements left at your seat titled "Personal Commitment." Action speaks louder than words to our lawmakers who hold our lives in your hands. It is up to you to improve the welfare system.

Mabel Scoby, Senior Citizens Center, 2741 Lehigh Avenue, Inkster, Mich.

Senator CHURCH. Thank you very much, Mrs. Scoby. This is the form you have reference to, is it not?

Mrs. SCOPY. Yes, it is.

Senator CHURCH. For those of you who may not have seen it, it is the pink form "Are You Willing To Make a Personal Commitment? Try Living on \$1.03 Daily Budget or \$7.20 a Week."

That is it. Thank you, Mrs. Scoby.

(The material referred to follows:)

#### ARE YOU WILLING TO MAKE A PERSONAL COMMITMENT? TRY LIVING ON \$1.03 DAILY BUDGET OR \$7.20 A WEEK

We urge you to consider living on a Senior Citizen's food budget as allocated in the Welfare Programs in the State of Michigan for one week.

Senator Philip Hart and family tried living on the A.D.C. food budget of 83¢ (minus sales tax) for a week, and it was a struggle.

If you survive, send the difference of what you normally spend on food for a week to your local national welfare rights group or to the national office.

*Local*—Detroit Welfare Rights, 2631 Woodward, Room 408, Detroit, Mich. 48201.

*National*.—National Welfare Rights Organization, 1419 H Street N.W., Washington, D.C. 20005.

I agree to try the \$1.03 Daily Budget—and I agree not to spend more than \$1.03 a day for food (including beverages).

Name -----

Address -----

Senator CHURCH. We next have on the panel Mrs. Dorina Gamache.

## STATEMENT OF MRS. GAMACHE

Mrs. GAMACHE. Honored guests and ladies and gentlemen, I come before you to speak in behalf of the finest generation of old folks that our beloved country has ever produced. Every step these people will take contributes to their own feelings of self-respect, and the knowledge that they do matter, and their awareness that they influence their own lives.

A great number of seniors do without much-needed hearing aids, eye glasses, and dentures. Many are on improper diets because of the lack of dentures which social security is insufficient to supply. Nursing home charges are exorbitant and the senior cannot recover seeing the bank balances going down rapidly.

They would appreciate knowing where television repair can be done honestly and fairly without outrageous charges. Many find it difficult to pay high insurance premiums on their home or much-needed family car. One frequent suggestion offered me was that after 65 they be free from paying a school tax.

### MEDICARE FORMS TOO COMPLEX

Another idea offered to me was that medicare forms are too complicated for the elderly. Many hoped that half-sized dresses for the aged would be fit and appropriate as to sleeves, length, and design.

Oldsters having arthritis find it difficult to dress themselves because of the way clothes are made to fasten. One frequent remark by seniors is that hands crippled by arthritis have a great deal of difficulty with canned corned beef, sardine cans, and egg cartons. Another worry is getting the tight layer of cotton out of aspirin bottles.

Many seniors have difficulty in understanding the markings on meat packages. Proper shoes for seniors with correct heels and support are difficult to obtain.

Seniors become very fatigued shopping for them. High cost is also a vital issue. Pride in appearance is essential and important.

Others wished that there was a bureau where they could call in the night for help for those living alone.

No buses on Sunday makes it impossible for them to attend church services, as they can't afford taxifare. Other comments were that they would appreciate a service to take elderly to the doctors for shots, checkups, and so forth.

A suggestion to have volunteers at a telephone named "Call Me Any Time, You Have To Talk With Someone."

We want to get across to the senior the idea that you are not alone. Many panic in the first months of widowhood facing loneliness, reduced income, and many debts. Entertainment for seniors could be enlarged on on lonely weekends.

Let's make them feel that age is no barrier. The rise in your State, local, Federal, and social security taxes has erased much of the widow or widowers bank balance. With only \$1,200 exemption on income, instead of \$2,400 before one member of the family was deceased, exemptions for them should be higher.

America has a lot of unfinished business. But we are moving toward a better America at an ever-increasing pace. It is my sincere desire



that senior citizens can continue to make a worthwhile contribution to our society. God has given me an extension of my life. Perhaps now I can express my gratitude by being of some help to someone else in need.

I thank you most sincerely.

Senator CHURCH. Thank you for some very excellent suggestions, Mrs. Gamache.

Mr. Herbert Taylor is our next witness. Mr. Taylor?

#### STATEMENT OF MR. TAYLOR

Mr. TAYLOR. Lady panelists and ladies and gentlemen, and thank you, Senator Church. The first thing I want to talk about just a little is my retirement of 38 years with the Muskegon Motor Specialist Co. I knew the job wouldn't last when I went there. My wife had taken disability pension at the age of 60 because of her arthritis and the loss of the sight of one eye. She has done alterations for 7 years in the dry-cleaners establishments.

Sickness in the last 5 years, after retirement, a heart attack, a stroke, loss of hearing in one ear, for myself, and I am deprived of my hearing aid here today because when it stops hearing, I stop hearing.

I had to send it in to have it fixed up. I got a letter back Saturday and they said it will cost you \$57.50 to have it reconditioned. So that is out of my budget.

My wife had a heart attack and arthritis and two major operations last year and two, so far this year, in 1969 and the loss of the sight of one eye. She has had in our married life, which was 50 years last March 11, between 25 and 30 operations. She is right now, this minute, in the osteopathic hospital in Jackson waiting for another operation, possibly tomorrow.

#### COST OF PRESCRIPTIONS

Yes, we have both Blue Cross and Blue Shield insurance and medicare. We have paid out an awful lot of money for it. Expenses for the month, from the doctors, office calls, for two of us, was \$6 to \$9, and this is one point that I would like to bring out, is prescriptions from doctors visits, new medicines, they are going to try this, "We are going to try that, here is a prescription, go to the drugstore and have it filled."

From one to three prescriptions and that is twice a month—not every visit—costs us from \$3 to \$22 and that is not covered by medicare.

An unexpected expense was repairs on a 1961 car. We had our anniversary party and our children gave us this party. Instead of giving us a lot of things that we couldn't use, they had a money tree for us. We got \$222 on this money tree. I didn't know that within a month or 6 weeks afterward that the automatic transmission was going to have to be overhauled in my car. What is more useless than a car setting in a yard with a transmission out? You can't get a price on it on a trade-in. They just won't give it to you.

The next thing I got on my list here is living costs: Food, we hunt up the cheapest and the best markets for food. And we stock up those that we can for a month and try to make them last until our next check comes.

Senator, as I look over this audience here, I see some heads that it would be a pity to pay \$2.50 for a haircut. [Applause.]

Then we have rent, heat, light, garbage service, all kinds of necessary household articles, and time does not permit me to name them all. You all know what they are.

Yearly expenses. I have 10 grandchildren and four great-grandchildren; a son, a wife, a daughter, and a husband, and they have a habit of having a birthday every year. They have just got that habit and you can't get anything for 98 cents anymore.

Sometimes we can make things at home. But not always. That includes then all gifts and holidays.

Entertainment, yes; I got a 17-year-old TV, on the dial where you dial your channel, I finally get it, and I put a piece of tissue paper or something up in there to hold it there until the program is over. I can't afford to have it fixed.

I am trying to save enough money to visit our son in Gaylord, Mich., at least twice a month. We try to save enough out of our savings. Visiting our daughter and family is no problem, as they live in Jackson. We go fishing around Jackson and we have a boat and a small motor and a homemade trailer. We are satisfied with just that.

Experiences with retired people. On April 23 and 24, I was selling poppies for the Post 29 American Legion at supermarkets. I talked to four men and one woman, all who told me that after coming out of a place like this and paying the price that I had to pay for what I have got in these bags, Mister, I have not got enough to buy a poppy.

This one woman told me the same thing. I asked her, "Will you accept a buddy poppy from me?"

She said, "I certainly will." She said she was 76 years old. I knew all of these men were 65 and over.

#### AUTOMOBILE INSURANCE

Here is one item that I have on car insurance. It seems like that after September 1, some of the credit unions are going to establish an insurance company of their own. I think, but don't quote me, that you will see a lot more of this in the very near future because our car insurance and license is up so high.

Senator CHURCH. Mr. Taylor, may I say at this point one thing? I understand that a special study has just been finished which shows that elderly people have fewer car accidents than younger people and middle-aged people, when it was thought that they had more, that they are better security risks, not worse security risks, and that their premiums ought to be lower instead of higher. That is based on proven statistics.

Mr. TAYLOR. Living costs are up 6 percent in April. Here is one I took out of the paper yesterday, I guess it was.

Utility bills are going up, thousands of Michiganans who warm their homes in the winter and cool them in the summer with natural gas will soon find their monthly utility bills going up. That was assured Friday when the State Public Service Commission approved a \$4,170,683 increase for Michigan Consolidated Gas Company of Detroit.

It serves 960,000 Michigan customers, 75 percent of them in Detroit metropolitan area.

Here is another one that I took out of yesterday's paper. I won't mention the hospital. But they have, as of yesterday, raised their room rent \$4 a day. You pay \$43 for a private room, \$39 for a semi-private, \$35 for a ward and pediatric rooms.

I would like to end up here with this. I was asked to say something about being prepared for retirement. I made up a little rhyme here that I think will come right to the point:

If you have unpaid bills hanging over your head,  
There is only one thing that can be said,  
May God bless you and your billfolds, too.

Thank you.

Senator CHURCH. I think that all four of these panelists have certainly done well in describing particular problems and made a real contribution. I am not going to ask them questions at this time, but let's give them a good round of applause.

**STATEMENT OF MRS. HELEN H. LAMALE, CHIEF, DIVISION OF LIVING CONDITION STUDIES, BUREAU OF LABOR STATISTICS, U.S. DEPARTMENT OF LABOR; AND MISS PATRICIA CARTER, DIRECTOR, CONSUMER INFORMATION PROJECT, HUDSON GUILD; AND SIDNEY MARGOLIUS, COLUMNIST AND AUTHOR ON CONSUMER SUBJECTS**

Senator CHURCH. Our next panel will deal with budget and consumer problems. It will consist of Mrs. Helen Lamale, Chief, Division of Living Condition Studies, Bureau of Labor Statistics, U.S. Department of Labor; Miss Patricia Carter, who is director of the consumer education project, Hudson Guild; and Mr. Sidney Margolius, who is columnist and author on consumer subjects.

May I say as a guideline that we had hoped to complete the hearing by a quarter of 5 this afternoon. Wilma Donahue, to whom we are greatly indebted for her wonderful work in connection with this conference, has indicated that she would be happy to submit her testimony in written form to the committee, which means that we have the two remaining panels and if we could divide the time equally between them, we may be able to get through on schedule.

So, let me call first on Mrs. Helen H. Lamale and I would suggest to the panelists, to the extent that they can, to summarize their original statement and then we can ask some questions within the allotted time.

**STATEMENT OF MRS. LAMALE**

Mrs. LAMALE. Thank you, Mr. Chairman and ladies and gentlemen.

In its report, "Economics of Aging: Toward a Full Share in Abundance," the task force specified three "basic policy issues" which the Nation faces.

First issue is "What is an adequate level of income for retired persons?"

This is, indeed, a basic policy issue for which there is no ready-made statistical answer. However, estimates of the costs of different levels

and manners of living in retirement are among the essential statistical ingredients of a satisfactory answer to this issue.

I have been asked to discuss the basis of the Bureau of Labor statistics "Retired Couple's Budget for a Moderate Living Standard—Autumn 1966," which was issued last summer, and related current research.

The moderate "Retired Couple's Budget" is the mid-1960 version of the "modest but adequate" standard "Elderly Couple's Budget," which originated in the late 1940's in the Social Security Administration and was later—1959—revised and published on an interim basis by the Bureau of Labor Statistics.

Cost estimates for these earlier budgets were limited to the very large metropolitan areas. The current budget program has been expanded to provide detailed cost estimates for 39 metropolitan areas, four regional classes of nonmetropolitan area, and the average for urban United States.

The earlier budgets were also limited in that they included rental housing costs only. In addition to rental costs, the revised budget includes costs for maintaining a mortgage-free home. So, in this revision program, we think we have taken care of two of the major criticisms of these budgets, the fact that we didn't have it for smaller cities and also the fact that we didn't have a U.S. urban average; and the fact that we had it for rental housing but didn't have it for the majority of older folks who really owned mortgage-free homes.

#### EXPLANATION OF BLS BUDGET

I have in my statement the basis for the derivation of these budgets. The concept of the revised budgets, just as in the earlier budgets, provides for the maintenance of health and social well-being and participation in community activities.

This generalized concept of a moderate standard of living was translated into a list of goods and services which we have then priced.

I will not go into detail, but the food budget meets nutritional standards and provides for customary practices in buying food at a moderate cost level. It also provides for some meals away from home and some snacks and some of the usual kinds of conventional and social food practices.

The medicare program shaped part of the standard for medical care, and we have gone to statistical data obtained in connection with the medical care program in estimating costs for out-of-pocket costs not covered by the program. The budgets don't on the other hand show how the average family spends its money and it isn't a spending plan for an individual family. It is really a benchmark measure of how much would it cost to maintain a standard of this sort in urban places.

I would say in passing one of the gaps now is that we don't have similar information for rural retired couples.

(Statement of Mrs. Lamale follows:)

#### PREPARED STATEMENT OF HELEN H. LAMALE

In its report, "Economic of Aging: Toward a Full Share in Abundance," the Task Force specified three "basic policy issues" which the Nation faces. The first

issue is, "What is an adequate level of income for retired persons?"<sup>1</sup> This is, indeed, a basic *policy* issue for which there is no ready-made statistical answer. However, estimates of the costs of different levels and manners of living in retirement are among the essential statistical ingredients of a satisfactory answer to this issue. I have been asked to discuss the basis of the Bureau of Labor Standards Retired Couple's Budget for a Moderate Living Standard—Autumn 1966,<sup>2</sup> which was issued last summer, and related current research.

The moderate Retired Couple's Budget is the mid-1960 version of the "modest but adequate" standard Elderly Couple's Budget, which originated in the late 1940's in the Social Security Administration and was later (1959) revised and published on an interim basis by the Bureau of Labor Statistics. Cost estimates for these earlier budgets were limited to the very large metropolitan areas. The current budget program has been expanded to provide detailed cost estimates for 39 metropolitan areas, 4 regional classes of nonmetropolitan areas, and the average for urban United States. The earlier budgets were also limited in that they included rental housing costs only. In addition to rental costs, the revised budget includes costs for maintaining a mortgage-free home.

#### CONCEPTS AND BASIC ASSUMPTIONS

The living standard represented by the revised Retired Couple's Budget is described as moderate in relation to standards prevailing in the 1960's. It provides for the maintenance of health and social well-being, and participation in community activities. This generalized concept of a moderate standard was translated into a list of commodities and services which can be priced.

The specified list of goods and services was derived in several ways. Nutritional and health standards, as determined by scientists and technicians, were used for the food-at-home and the shelter components. The selection among the various kinds of food and housing arrangements meeting the standards was based on actual choices made by families as revealed by surveys of consumer expenditures. The Medicare program shaped part of the standard for medical care. Where scientific standards have not been formulated or legislation enacted, analyses of the data reported in the Bureau's Survey of Consumer Expenditures in 1960-61 and related consumption studies were used to determine the specific items, and the quantities and qualities thereof, to be included in the budget.<sup>3</sup>

Thus, the moderate budget does not show how an "average" retired couple actually spends its money, nor does it show how a couple should spend its money. Like all BLS standard budgets, the moderate Retired Couple's Budget is a general purpose benchmark measure—a research tool—and was not tailor-made for any specific program or situation.

However, in preparing cost estimates for a standard budget, it is necessary to spell out certain basic assumptions with respect to the family's composition and manner of living. The cost estimates of the Retired Couple's Budget are for an urban family of 2 persons—a husband, age 65 or over, and his wife, who are assumed to be self-supporting and living independently of any other family group. The budget also specifies that both husband and wife are in reasonably good health for their age and are able to take care of themselves, and that each is covered by hospital and medical insurance under the Federal Medicare program. Two-thirds of the retired couples are homeowners, living in houses which are mortgage-free. The couple has average inventories of clothing, house-furnishings, major durables and other equipment.

#### BUDGET COSTS

When the moderate Retired Couple's Budget was priced in autumn 1966, the average total budget cost for urban United States was \$3,869. A rough approximation of the autumn 1963 cost indicates that the average U.S. cost was then over \$4,100. This total includes about \$240 for gifts and contributions to organizations or persons outside the family.

For the 2 in 3 retired couples who were assumed to be living in mortgage-free homes, budget costs were about \$180 less than those for renters.

<sup>1</sup> Committee Print, United States Senate Special Committee on Aging, U.S. Government Printing Office, Washington, 1969, p. IX.

<sup>2</sup> BLS Bulletin 1570-4, June 1968.

<sup>3</sup> For a detailed description of the specific items and quantities of each, see Appendix A of BLS Bulletin 1570-4, pp. 22-31.

Costs, on the average, in nonmetropolitan areas (places under 50,000) were about \$550 less than in metropolitan areas. Costs among areas studied ranged from 16 percent below the U.S. average in small cities in the South to 15 percent above average in Honolulu.

Comparison of the cost of the revised moderate standard Retired Couple's Budget with costs in earlier years indicates that over the 16-year period (1950 to 1966) there was an average annual increase of 3.7 percent in prices, and a 4.4 percent annual increase in living standards.

Part of the increase in living standards reflects the increased ownership and use of automobiles by retired couples. The average annual cost of transportation for owners and nonowners of automobiles in the 1966 moderate Retired Couple's Budget was \$345; costs for auto owners average \$561, as compared with \$83 for nonowners. The proportion of total budget costs allocated to transportation (9 percent) was about the same as that for clothing and personal care combined.<sup>4</sup>

No complete budgets have been prepared for either a single retired man or woman. However, analysis of the BLS Survey of Consumer Expenditures in 1960-61 has been made to develop a "Revised Equivalence Scale" which is described in BLS Bulletin 1570-2. By applying the appropriate scale value to the cost of the Retired Couple's Budget in each place, it is possible to estimate the total cost of goods and services for a comparable living standard for a retired single person. The costs for a single retired person are 55 percent of those for a retired couple, or approximately \$2,000 at the moderate U.S. urban average in autumn 1966.

#### RETIRED COUPLE'S BUDGETS FOR A LOWER AND A HIGHER STANDARD

Before undertaking the revision of the moderate standard 4-person family and retired couple's budgets, the Bureau of Labor Statistics had the advice of a Committee of non-Federal Government users of standard budgets, including representatives from labor and business organizations, academic research, and public and private research agencies.<sup>5</sup> In addition to recommending the revision of the moderate standard Retired Couple's Budget, this Committee recommended that budgets for a lower and a higher standard be developed for both the 4-person family and the retired couple.

In recommending the budgets for a standard lower than the moderate standard, the Committee was responding to numerous requests for a measure that would be appropriate for evaluating the needs of families who are positioned—either temporarily or persistently—at the low end of the income distribution. For almost two decades, State public assistance agencies have appealed to BLS to develop such budgets, or to suggest ways in which the moderate standard budgets could be scaled down. Similarly, agencies and analysts appraising the retirement needs of families at the upper end of the income scale were interested in budget estimates for a standard higher than that reflected in the moderate standard Retired Couple's Budget. In March 1969, the Bureau issued the results of the spring 1967 pricing of the three standards of living for an urban family of four persons (BLS Bulletin 1570-5). Later this summer, the results of the spring 1967 pricing of the three standards for the retired couple will be published in BLS Bulletin 1570-6. Currently, spring 1969 prices are being collected for the three budgets for both family types. By the end of this year or early in 1970, the spring 1969 costs of the moderate Retired Couple's Budget and the lower and higher budgets will be published. Thereafter, estimates of the cost of the three standards will be made as of the spring of the year and published periodically for the same 39 metropolitan areas and 4 regional classes of smaller cities as those included in the present study.

Senator CHURCH. I wonder if I might ask if this moderate standard that you have come up with is \$3,869?

Mrs. LAMALE. That is right. In 1966, with price changes since that time, it is something over \$4,100. We are not quite sure where at this point.

<sup>4</sup> For detailed estimates of the autumn 1966 costs of the budget and comparative living cost indexes, see BLS Bulletin 1570-4. See also Mollie Orshansky, "Living in Retirement: A Moderate Standard for an Elderly City Couple," in the Social Security Bulletin, October 1968.

<sup>5</sup> See Technical reference 9, p. 36, Appendix C, BLS Bulletin 1570-4.

Senator CHURCH. Does this mean that in your estimation, based upon your studies, that a couple of elderly people could live moderately well on \$4,100 a year?

Mrs. LAMALE. Yes, assuming they are self-supporting, that they have reasonably good health, are not chronically ill.

Senator CHURCH. This would be an average couple?

Mrs. LAMALE. An average couple, 65 years old, and they didn't have access to subsidies from other sources like clothes.

It also assumes that they have an average inventory of household durables. They don't have to restock their house or resupply their wardrobe starting from scratch.

Senator CHURCH. May I ask, having reached that figure, what practical applications should we make of it?

### USES OF BLS BUDGET

Mrs. LAMALE. It is primarily used to measure the adequacy of various types of pensions that are in existence now. The Social Security Administration has used it quite extensively in looking at this gap. Your film showed the changes because this, as I said, is the third major revision of this budget.

We found some interesting information with regard to the relative cost of rental housing and home-owned housing. We found that for the two out of three couples who have mortgage-free homes, the budget costs were about \$180 less than if they had equivalent rental housing.

We also found that large city costs are more than the smaller community costs. There is about \$550 difference between the metropolitan and nonmetropolitan area average for this budget. These are useful statistics for program developers, legislators, administrators of programs in terms of counseling with families and determining the adequacy of the program benefits.

Senator CHURCH. Is it true that you are now working on a lower budget, a so-called minimum budget?

Mrs. LAMALE. Yes.

Senator CHURCH. What would you extract from this present formula to get anything lower?

Mrs. LAMALE. The food budget, for example, in this is a moderate cost. It is a USDA moderate-cost food plan which allows greater variety and waste in the food budget. The lower standard budget will have a nutritionally adequate diet but it will be based on the foods that are included in the Department of Agriculture low-cost bracket. We are also going to have a higher cost budget also which will be more adequate and will include the liberal food plans.

So, there will be the basis for contrasting the costs.

Senator CHURCH. So when you are finished you plan to have three: one moderate, one lower, and one higher?

Mrs. LAMALE. And they will all meet minimal nutritional standards for food, minimum health standards for housing, they will include the medicare and medical standards. The basic differences will be in quality and of the particular items in clothing. There won't be as much recreation in the lower budget. There will be more in the higher budget.

## COST-OF-LIVING COSTS TO PENSIONS?

Senator CHURCH. Let me ask this one final question. I was reading recently of a plan in England to work out a special price index; that is, a cost-of-living index for elderly people, the argument being that so many pension plans and other retirement benefit plans are based upon the cost-of-living index, if it goes up, the pension goes up, if it goes down, but it never seems to go down, but, anyway, the cost-of-living index is used as the standard.

Now the cost-of-living index is based upon the average person, not upon elderly persons or the particular needs of the elderly person so that the index itself is not very realistic where elderly people are concerned.

It might be for the average person in midlife, but for the elderly person it is not a very realistic formula for determining the cost of his living.

I am wondering if you are giving any attention to this; that is, the development of a similar cost-of-living index that will take the needs of older people into consideration and would have more meaning with respect to retirement plans and retirement benefits than the one you are presently using?

Mrs. LAMALE. In the past, we didn't price the budgets regularly. In the future we hope to estimate the costs of all three level budgets annually. We are currently collecting in the spring 1969 prices of these three budgets. So as this program develops, you will have a measure of the trend in the cost for the retired couple and be able to compare it with the trend in the Consumer Price Index which is for employed wage and clerical worker families.

We have done a little experimental work on such comparisons. Of course it depends on what prices are going up at a particular period.

Between 1966 and 1968, the prices were going up faster in the CPI than in the retired couples budget using the appropriate weights primarily, because of the way the increase in home purchase prices, and interest rates affected the index as compared with the budget.

During the period of 1950 to 1960, the pattern appropriate for a retired couple went up more primarily because of the increase in medical services during that period.

So, the trend differences will be different in various time periods.

Senator CHURCH. I think it is very important to develop a standard that has applicability to the buying patterns of older people if we are going to use it in connection with determining what the retirement benefits should be or what the pension level should be.

Thank you very much, Mrs. Lamale.

I would like next to call on Miss Patricia Carter. She is the director of consumer education at Hudson Guild.

## STATEMENT OF MISS CARTER

Miss CARTER. Thank you.

When I received the invitation to testify before the committee, I called together 25 member-leaders of the Hudson Guild to talk about what it is like living on a retirement income in 1969.



You heard what it is like earlier today. It is like that in New York City. There is great concern about this and we need a great deal more understanding. The biggest problem was money. I asked what should you do. The answer was "We don't do. That is how we manage. I don't entertain, I don't go out with friends, I don't eat in restaurants, I don't go to the movies, I don't buy new clothes, I don't ride subways and buses, I don't eat a lot, I don't take care of my health like I should, I don't, I don't, I don't."

We talked about how they feel about themselves, "We have no dignity," "We are prisoners of retirement." "We can't be a part of the mainstream of life." "We are forgotten people," were their replies. One man said bitterly, "Tell them at least to raise social security up to the poverty level."

The task force report, "Economics of Aging: Toward a Full Share in Abundance," was hard hitting and matched the faces of the people I know to the statistics.

The conditions and the needs have now been documented. Let us move on.

#### THE HUDSON GUILD PROJECT

The Hudson Guild's consumer education project has served as a vehicle for developing money-savings programs and for offering information and referral. Our program and others like ours have been working almost desperately to provide relief. But we have not provided more choices, nor has there been a concerned coordinated effort to change the system that perpetuates a deplorable state of poverty. It is not a question of choosing between a new pair of shoes or a new dress—it is a question of choosing between a quart of milk and a bus ride.

Solutions must be found for providing a more adequate income. We must determine who is to decide what a more adequate income is and what standards will be used.

I have submitted for the record a budget plan form for the New York City Department of Social Services<sup>1</sup> and an economy plan diet<sup>2</sup> developed by the U.S. Department of Agriculture. Both documents will, I feel sure, point out the low standards of adequacy we have used in the past.

Housing programs must be a major priority. A retirement budget cannot bear much more than \$65 a month for housing. Older adults can find decent housing at this rental in public housing, if they are lucky. A senior citizen's housing project was built in our community, housing 96 families. Five thousand people applied for those 96 vacancies. For the majority of older adults rooming houses, hotels, and deplorable apartments are all that's available.

Medical needs of the elderly must be a priority. Medicare has provided help for hospital stays; however, spiraling doctor fees, the deductible, the prevailing fee plan, uncovered services such as drugs, dental care, regular eye and hearing care, hearing aids, regular hearing care and regular podiatry care have left a large gap in services. When I was discussing medical needs with a group, one man said, "We can't

<sup>1</sup> Retained in committee files.

<sup>2</sup> See p. 454.

eat, we can't see, we can't hear, and we can't walk. We are in sad shape."

All of the above are immediate, critical problems which must be solved now. However, if we are to avoid the same problems with the next generation of retirees, we must make preretirement programs a priority.

Again, the older people told me that they had no understanding of retirement, they didn't know what they would face financially and physically. Others said they had no time to develop other interests during their working years and now they knew nothing else but work. The physical changes of aging, the financial letdown, and the large amounts of free time have left older people in a depressed state.

### QUESTIONS ABOUT OLDER CONSUMERS

Who is the older consumer and what are his consumer needs? Schools of home economics should be mandated to conduct research to answer these questions and to determine marketable solutions. Two years ago and this morning you heard testimony stating that "In the aggregate, people over 65 have between \$35 and \$40 billion in income." Today we are talking about older people in poverty. What are the facts? I don't know. How can the facts work toward the consumer good of older people and toward a profit for business? We must find out.

We have so little information about aging that can be applied to future generations of aging. Research should be included in funded programs. We need, too, a free flow of information about programs so that we can coordinate our efforts. None of my suggestions are new, but we can't go on talking about the need. We must develop a plan of action, get the money to implement it, find the people concerned and trained to do it and go to work. There is so much to be done.

Thank you.

(Statement of Patricia G. Carter follows:)

#### PREPARED STATEMENT OF PATRICIA G. CARTER

When I received the invitation to testify before this committee, I called together 25 member-leaders of the Hudson Guild-Fulton Center to talk about what it is like living on a retirement income in 1969.

We talked about many things. I only wish that I had had foresight enough to record the meeting so that this committee could hear from them what it is like for hard-working, ordinary people to find themselves suddenly poor.

Besides idleness, which was of great concern and about which we need much more understanding, the biggest problem was money. "How do you manage?" I asked. A lady replied, "It's hard, Pat, oh, it's hard." "Well, what do you do?" "We don't do," someone replied, "That's how we manage!"

"I don't" is a most accurate description of the older adult living in retirement. I don't entertain. I don't go out with friends. I don't eat in restaurants. I don't go to movies. I don't buy new clothes. I don't ride subways and buses. I don't buy cake. I don't eat a lot. I don't take care of my health like I should. I don't I don't, I don't.

The average income of the members of the Senior Citizens Group is \$100 a month. The first expense is rent, averaging \$55 to \$65 a month. The remaining money covers the remaining necessities. Savings are withdrawn when health problems occur. The rest is hoarded for that big health emergency and death, which looms like a villain before older people. The sharp increase in the cost of living adds more "don't's" to the list. Unfortunately, the "I don't's" mean less medical care and less food.

We talked about how they feel about themselves. "We have no dignity," "We're prisoners of retirement." "We can't be a part of the mainstream of life." "We're

forgotten people," were their replies. One man said bitterly, "Tell them at least to raise Social Security up to the poverty level."

The Task Force Report, "Toward a Full Share in Abundance" was hard hitting and matched the faces of the people I know to the statistics. The conditions and the needs have now been documented—now let us move on.

The Hudson Guild's Consumer Education Project has served as a vehicle for developing money-saving programs and for offering information and referral. Our program and others like ours have been working almost desperately to provide relief. But, we have not provided more choices, nor has there been a concentrated, coordinated effort to change the system that perpetuates a deplorable state of poverty. It is not a question of choosing between a new pair of shoes or a new dress—it is a question of choosing between a quart of milk and a bus ride!

Solutions must be found for providing a more adequate income. We must determine who is to decide what a more adequate income is and what standards will be used. I would like to submit for the record, a budget plan form from the Department of Social Services and an economy plan diet developed by the United States Department of Agriculture. Both documents will, I feel, point out the low standards of adequacy we have used in the past.

Housing programs must be a major priority. A retirement budget cannot bear much more than \$65 a month for housing. Older adults can find decent housing at this rental in public housing, if they are lucky. A Senior Citizens Housing Project was built in our community, housing 96 families; 5,000 people applied for those 96 vacancies. For the majority of older adults rooming houses, hotels and deplorable apartments are all that's available.

Medical needs of the elderly must be a priority. Medicare has provided help for hospital stays, however, spiraling doctor's fees, the deductible, the prevailing fee-plan, uncovered services such as: dental care, regular eye care, regular hearing care and hearing aids, and regular podiatry care have left a large gap in services. When I was discussing medical needs with the group, one man said, "We can't eat, we can't see, we can't hear, we can't walk. We're in sad shape."

All of the above are immediate, critical problems which must be solved now. However, if we are to avoid the same problems with the next generation of retirees, we must make pre-retirement programs a priority. Again, the older people told me that they had no understanding of retirement, they didn't know what they would face financially and physically. Others said they had no time to develop other interests during their working years and now they knew nothing else but work. The physical changes of aging, the financial letdown, and the large amounts of free time have left older people in a pretty depressing state.

Who is the older consumer and what are his consumer needs? Schools of Home Economics should be mandated to conduct research to answer these questions and to determine marketable solutions. Two years ago this committee heard testimony stating that "in the aggregate people over 65 have between 35 and 40 billion dollars in income."<sup>1</sup> Today we are talking about older people in poverty. What are the facts? How can the facts work toward the consumer good of older people and towards a profit for business?

We have so little information about aging that can be applied to future generations of aging. Research should be included in funded programs. We need, too, a free flow of information about programs so that we can coordinate our efforts.

The Hudson Guild has a Title IV C.A.F.E. Food Program. The program has a research component. Mr. Marvin Taves of Research Development Grants has made efforts to bring together project directors to discuss project goals and to share information.

We have a big job ahead of us.

Senator CHURCH. Thank you very much, Miss Carter. You have a very fine summation of the problems. I think one thing you touched upon deserves great emphasis.

In this country, the average benefit paid out under the social security program is well below the level the Government itself says constitutes poverty. That is a pretty dismal reflection, I think, upon the wealthiest country in the world.

<sup>1</sup> Statement of Geneva Mathiason before the Subcommittee on Consumer Interests of the Elderly, January 17, 1967.

Our last speaker has made special efforts to be here on this panel. He set aside another engagement for a television appearance in order to be here. He is well known as an author in the whole field of consumer interests, columnist Sidney Margolius.

### STATEMENT OF MR. MARGOLIUS

MR. MARGOLIUS. Thank you. I want to hear the other witnesses in a few minutes. So, I am going to summarize quite extensively.

We have all heard frequently today that older consumers need more help than any other group of consumers. I am not going to belabor that point. I think that has been well established throughout these hearings.

I will make the point that older people are the special targets of a number of high-pressure promotions and that inflation does hit older people harder.

The one point that I wanted to make is that the average social security income right now for this year is \$170 for a couple, the average family. The moderate cost budget for a couple that Helen Lamale discussed now is up to about \$370.

I am very concerned about this budget in several ways. I think there are a few understatements. I am mostly concerned about the great lag in the time in keeping it up to date. This budget was finished in 1966. In 1967 I heard about it and I tried to get it out of the Bureau and called a number of people. They just refused to release it and kept postponing the release of it. Finally they published it in June of 1968 and they said that the cost had already risen from the \$322 a month to \$337 a month. That was their estimate.

I estimated it was actually up to about \$350 a month.

I would rely on their information rather than mine any day. Thus, I am very concerned about why this budget was kept under wraps for almost 2 years. I think this is something that really merits investigation.

What are the reasons?

I could think of a few probably unfounded suspicions myself, but I am concerned that it was kept under wraps all of this time. Obviously I think there is some political reason and I am also concerned that it is not now being kept up to date.

It has not been updated by the Bureau itself since 1966.

The newest estimate of \$370 comes from your committee, from the task force report. I made my own "guesstimate" the other day that it is now \$371.

So, my first recommendation is that the Bureau be asked to update this budget every 6 months or so. Maybe Helen can tell us whether or not this is possible to do. It is important to do.

Senator CHURCH. Can you respond to that right now, Helen?

Mrs. LAMALE. Yes, I could. There is a slight misunderstanding about the autumn 1966. That was the date in which the prices were collected, but after the prices are collected there is a considerable job of averaging the prices, tabulating them, putting—

Mr. MARGOLIUS. When was it ready?

Mrs. LAMALE. It wasn't ready until the spring of 1968. It was ready for publication, but there were delays in the preparation of the detailed volume.

This was the first time the volume had been revised. We are now

going to price it. We have collected the prices for spring 1967. They will be out some time this summer and then we are currently collecting prices for 1969. This we hope to have out by the end of this year.

But these are difficult studies to do. These are not as simple as Consumer Price Indexes where you have only to measure the change in price. The prices have to be averaged, multiplied times the quantities, and this on a nationwide basis is a very substantial job.

Mr. MARGOLIUS. Do you think it could be updated every 6 months on the basis of changes in the Consumer Price Index?

Mrs. LAMALE. You could do a rough approximation if you work at the subgroup level—food, away from home, at home, transportation, and so forth—against the weights in the elderly couple's budget. That is what we have been doing.

Mr. MARGOLIUS. My contention is that the budget is not updated frequently. This plays into the hands of the employers and I think it needs frequent updating even on an approximate basis during the period of inflation.

Mrs. LAMALE. The Consumer Price Index is a rough measure; as I said, in some cases it will be as much as 1 percentage more over a 2-year period.

In other cases it may be 1 percentage less over the same. But for rough approximations this is a permissible way. But a full repricing of the budget every 6 months is a substantial one for which the Bureau has never had funds.

Mr. MARGOLIUS. The next thing I am really aghast about is the expectation that the Bureau of Labor Statistics is now going to bring out a lower budget. No one knows what a "lower" budget is.

What is this? Is this an adequate budget, a modest budget, a shabby budget, or what? I have never heard of a so-called lower budget before until the Bureau did this with a city family worker's budget for four people.

So, I wrote an article to the effect that the Government finally has found a way to beat inflation, by bringing out a new lower budget. Just cutting living standards.

Senator CHURCH. Maybe it is this: I notice one of the items that go into the moderate budget is an item for a topcoat. You get a factor of 7 percent, that is 13 years; you have to wait 13 years to get a new topcoat.

So, if you are living on a moderate budget, be sure you get a topcoat to last you 13 years. If you are living on a minimal budget, I suppose you had better get a topcoat that will last you 20 years.

Mr. MARGOLIUS. In the modest budget, the husband is allowed two bottles of beer a week or one bottle if he has to share it with his wife. The budget also allows  $1\frac{3}{4}$  eggs a day. The couple would have to scramble them. There is no other way to divide  $1\frac{3}{4}$  eggs between two people.

I hope Mrs. Lamale does not think this is a criticism of her. When I want exact information I go to her. She has helped me a great deal. I think the situation is beyond her control.

#### THE HIGH COST OF TRANSPORTATION

The allotment of transportation is a serious need today in most cities. The Bureau estimated only about 60 percent of retired people

who had cars, on the basis of a 7-year-old car, were allowed only \$45 a month to own and operate it. The Bureau explained that they made this lower allotment because a car that old is usually not repaired but traded in.

As my old friend James Morgan used to tell us, you can't have it both ways. If the car does not merit repair, then there has to be a larger allowance for another car. So, I think that was a pretty low allotment.

The best estimate I can come up with, based on the data from AAA and the Bureau of Public Roads, is that the total cost of owning and operating a 7-year-old car is about \$65 to \$70 a month, including depreciation and repairs.

The food budget in the present moderate cost is reasonable enough. I hate to think that the Bureau of Labor Statistics now is going to base a new food budget on the lower food standards of the Department of Agriculture, which the Department says are relatively difficult to handle and cook and to shop for.

So, you are going to burden the old people with this idea of the lower budget when they already have these shopping difficulties.

Another thing I am concerned about is the paid-up home with no mortgage allowance taken as the basis for housing costs for a home-owning family. I am not sure this is entirely realistic these days when mortgages may run as high as 35 and 40 years. That means a retired man who bought his first house after age 35, assuming at least a 30-year mortgage, will find his housing expense is under estimated. The budget data is based on the assumption that 85 percent of the retired couples live in homes on which the mortgage has been paid up.

This data is based on the 1961 survey and I just wondered if we need a little more investigation there to make sure that we aren't underestimating.

Senator CHURCH. Also, let's look at the real estate taxes that keep going up on these houses. Even if the mortgage is paid, the taxes have a tendency to go up.

Mr. MARGOLIUS. By now, of course, the medical allotment is completely out of date. The fee for part B of medicare alone has increased 33 $\frac{1}{3}$  percent and probably will be going up some more. The medical allotment, while it may be based on actual practice at the time of the expenditure survey, would not provide for really adequate care and annual checkups.

I think the allotment for annual checkup allowed one-sixth of one for the couple each year. One-sixth of one for both, that means each one of the older people could get one checkup of this type every 12 years.

I am not going to belabor these points. I thought the previous witnesses have done a good job of stressing the great resentment and problems connected with food and so on. I am going to take a minute or two to talk about this:

What are we going to do about it? I don't think that getting J. C. Penney into the ghettos is going to solve very much of the problem.

Senator CHURCH. Have you been talking to them, too?

Mr. MARGOLIUS. No, but they are the people you usually talk to. I don't think that getting the Government information out to the consumers is going to solve much of the problem. That VA hearing aid list is pretty much useless for the use of the average consumer. It just hasn't helped that much.

I did urge this morning in my own address to this group the develop-

ment of group buying. I think that if the Government can help farmers get into cooperative organizations, I think you can do a great deal more along this line for older consumers as Patricia Carter has done in her group-buying arrangements for drugs and so on at the Hudson Guild.

Here is a really tangible effort that can be made. We would probably use a little seed money from the Government and it could bear a great deal of results.

Senator CHURCH. Thank you very much.

I thank the members of the panel. We appreciate your being here very much.

Let me say that the record in these hearings will be held open for 30 days, that anyone participating who wants to supplement any of the information that he or she has given will be free to do so within the 30 days, and that questions that we may want to ask for further clarification or amplification of any subject that has been mentioned, the record will be open for these further questions to be put in and for answers to be obtained, so that we will have as complete a record as possible.

We appreciate this panel very much.

We are now ready for the final panel of the afternoon.

**STATEMENT OF JAMES MORGAN, DEPARTMENT OF SOCIAL RESEARCH, UNIVERSITY OF MICHIGAN, AND ABRAM J. JAFFE, PROFESSOR OF ECONOMICS, BUREAU OF APPLIED SOCIAL RESEARCH, COLUMBIA UNIVERSITY**

Senator CHURCH. The members of this panel are Dr. James Morgan of the Department of Social Research, University of Michigan, and Abraham J. Jaffe, who is director, Manpower and Population Program, Bureau of Applied Social Research, Columbia University.

We appreciate you being here.

Dr. Morgan, if you would lead off. We are running late on our schedule. Any summary you would like to give us would be very much appreciated.

**STATEMENT OF MR. MORGAN**

Mr. MORGAN. Thank you, Mr. Chairman. I am reporting studies that relate more to the future than the past. I agree that there is desperate need for changing the present levels of retirement benefits.

We have done some studies which I think do two things. One shows that the standards for retirement that Helen Lamale talked about are quite reasonable. We come at it in a different way.

Standards are essentially socially determined. If you talk to a man from India he would think our standards are very lavish, but if we ask people whether they plan to retire, almost nobody plans to retire today if they can't count on \$4,000 a year.

We asked people whether they decided to retire or had to retire. They had voluntarily retired on less than \$4,000.

So, I am saying that these standards are not just something somebody dreamed up in a government office. There are real evidences of social standards which go up as inflation and increasing real GNP continuance. Our studies also show that there is a vast disparity among

old people. There is a great deal more inequality among the old than between people within different age groups and consequently, it gets very confusing using statistics about old people, because the average old person is in good shape.

It is just that there are a lot in bad shape. So you have to watch this.

Second, and more important, looking ahead we find there is a great chance we are going to divide the population into two groups even more, because some people have private pensions and others don't. Some of these private pension plans are going to be pretty good. Other people manage somehow or other to get a house paid for and some savings.

One of our studies shows that when a man has a private pension plan, he gets so encouraged about the future that he saves still more, whereas those who don't have a private pension plan get so discouraged that they give up.

So, we can look forward 10 years into the future to more polarization and more of the problem unless we do something about it.

What I want to propose is that we should allow people now looking forward to retirement to supplement their social security through the social security system, so that they can put themselves on a par with those who somehow or other are in a position where they can start buying a house or work in a company where they will qualify for a private pension.

Not everybody qualifies for a private pension, and they need an alternative. Even if that can't be done, we need to do something about informing people about what those differences amount to and in some way make up this difference.

So, we ought not only to increase the social security now and increase it in the future, but we ought to provide some special plan for those who do not have private means to supplement it, because it will never be enough for many people's needs.

(Mr. Morgan's prepared statement follows:)

#### PREPARED STATEMENT OF JAMES N. MORGAN

The Survey Research Center has published a number of studies containing information about the elderly, and two focused directly on retirement. The annual *Survey of Consumer Finances* and other analysis of those data show more inequality among the aged than among other age groups, so that there are more with substantial assets, and more with no assets. In a study of income published in 1962, we showed that the aged have far more housing than others, relative either to their income or to their family size. (Morgan, David, Cohen and Brazer, *Income and Welfare in the United States*). This implies some disproportionality in their consumption: too much for housing and not enough for other things. Questions asked in a number of surveys about plans to retire, seem to show an increasing proportion of people planning to retire early.

A major study by my colleague George Katona was published a few years ago under the title *Private Pensions and Individual Saving* (Ann Arbor, 1965). The main finding of that study was that those who had private pensions as well as Social Security, were so encouraged about their retirement prospects that they saved still more and looked forward to a very comfortable retirement. On the other hand, those with only Social Security tended to worry more about their old age, but refused to face the prospect of an inadequate income by planning to retire at any particular time, and in many cases were too discouraged to save on their own. Instead of taking the initiative to narrow the gap between themselves and those with private pensions, they gave up.

The other major study we have just published is a study of early retirement. (Barfield, Katona and Morgan, *Early Retirement*, Ann Arbor, 1969). It is based



on two kinds of samples. One is a narrowly homogeneous sample of United Auto Workers members aged 58 to 61 years old, the beneficiaries of a negotiated labor agreement calling for supplemental early retirement benefits for those who want to retire early. They were interviewed to find out who took advantage of the opportunity, and how both groups felt about their decision afterward. The other interviews were with two representative samples of the national population, covering the full range of ages and of retirement prospects and retrospects, since some were already retired.

The finding that stands out from both parts of this study is that adequate retirement income is of overwhelming importance in the decision to retire and in satisfaction with retirement. Indeed, there seems to be a threshold, a kind of social standard of what an adequate retirement income is, somewhere around \$4,000 a year. Among those aged 30 through 59 in our cross-section samples, only a quarter of those who looked forward to less than \$3,000 a year retirement income had any thought of retiring before they were 65. But among those who expected \$5,000 or more, 44% expected to retire before they were 65. Even those with the best earnings records retiring in the next ten years cannot expect much more than \$3,000 a year from Social Security, so these people are telling us that Social Security is not enough to retire on. It should be noted that the Bureau of Labor Statistics moderate budget for a retired couple also calls for a minimum of around \$4,000 a year. So in order to retire, people need either a private pension too, or their own savings, or perhaps for husband and wife each to qualify separately for Social Security Benefits.

We also asked those in our national samples who had already retired about when they had retired, whether it was planned or unexpected, and how satisfied they were with their present condition. It was easy to distinguish two groups of the retired: One group did not plan to retire when they did, and they reported lower retirement incomes and general dissatisfaction, whether they retired early or late. The commonly retired because their health was bad or they had trouble finding a job. The other group retired as planned, had more nearly adequate retirement incomes, and were more satisfied.

The same standards of retirement seemed to apply to the Auto Workers. It is not true that they all faced the same potential retirement benefits, since the benefits depended on their seniority (years of service) and their earnings. Very few of those who could count on less than \$4,000 a year planned to, or did, retire early. And when retired those with adequate incomes were delighted with their situation, except for a few suffering from poor health.

Earlier studies of the retired had shown that early retirement was commonly involuntary, caused by loss of health or job, and associated with poor previous earnings records and later deprivation. But more recently and in our studies, there appears to be a growing group of people who have been able to supplement their Social Security rights with private pension, or with private savings and perhaps a house paid for. More of these people seem to be retiring early, and they present a different picture. They enjoy it. The implications of this are that we may be heading for a polarization among our retirees. At one pole we shall have a continuing group who retire unexpectedly, whether early or late, because they have not been able to supplement their Social Security sufficiently to provide an adequate retirement income. At the other pole, there will be a group of people, beneficiaries of a generous private pension plan, or who have been able to accumulate private savings and a home paid for, who can look forward to a comfortable retirement, perhaps before the age of 65. More and more of such people may be retiring early, voluntarily. Their numbers may be increased also as more and more wives qualify for their own Social Security retirement benefits, particularly if the double earnings also allowed the couple to save more on their own account.

There seems to be a fairly clear policy implication that we should discourage people from hiding their heads in the sand and refusing to plan for an adequate retirement, for many of them will regret it later. If we are not willing to increase Social Security retirement benefits to the current cultural minimums, namely some \$4,000 a year in retirement income, then we should at least provide easy and organized channels by which people can supplement their Social Security pensions and clear information so they'll know how much supplement they may need. Options are not equal. Some people live in large cities where it is impracticable to accumulate an equity in their own home. Some work in industries which do not have private pension plans or in occupations where the inevitable turnover of employers makes it unlikely their pension rights will ever be vested and, hence, become real rather than empty promises. What

are they supposed to do, particularly in an inflationary era? They don't have the necessary information to risk the stock market nor do they have guidance as to the annual equivalent savings necessary to put them on a par with those covered by private pensions. Nor, probably, do they know what current equivalent cash savings would be comparable with accumulating a house that is mortgage free by the time they retire.

We should provide an efficient national scheme allowing people to supplement their Social Security by additional payments, putting them on a par with those already covered by such supplemental schemes privately operated. Of course there would be questions about whether the funding of such supplemental payments must be handled like individual pensions or can be treated on a pay-as-you-go basis, with each generation helping to improve the benefits of the previous, less affluent generation.

If no such organizational arrangements were possible, the Bureau of Old Age Survivors Disability and Hospital Insurance should still engage in an educational campaign in helping people translate into explicit terms such questions as:

(a) If a man prefers to rent rather than buy a house, how much additional should he put into a retirement fund to allow for the fact that he is not saving in the form of a home equity;

(b) If a man doesn't expect to qualify for a private pension of the substantial type many major companies offer (some of which pay \$200 a month or more), then how much additional should he be putting into a retirement fund to take account of that? In other words, what is the actuarial equivalent in current wages of jobs with and without private pensions?

(c) If the worker needs to make these supplemental savings, what relatively risk-free options are open that still provide a hedge against continuing increases in the cost of living?

#### SUMMARY

It seems quite clear from our studies that some people are not planning for their retirement—in particular those who are likely to have the most problems are doing the least planning, perhaps because they are so discouraged and need help and advice. It is also quite clear that present levels of retirement benefits under Social Security are inadequate and will continue to be inadequate to solve this problem. Not very many workers will qualify for a private pension plan sufficient to make up the difference. If we are not going to increase general Social Security benefits, we must at least provide some organized alternative for those who, not covered by a private pension plan, wish voluntarily to put aside enough money so they too can have a satisfactory retirement.

Senator CHURCH. Thank you very much, Dr. Morgan.

I think it is very obvious that if we are not going to pay in social security benefits what the average person will need for a decent living in retirement, then we have got to do something about supplementing the incomes from other sources.

I myself am troubled by the fact that we continue to limit the right of a retiree to earn money on the side if he wants to improve and supplement his income. We penalize the retired employer to take the incentive away from him.

That may have made some sense back in the depression days but it hasn't made any sense for the last 20 years. We should change that.

Our second panelist is Abram J. Jaffe, of the Columbia University. We are very happy to welcome you, Doctor.

#### STATEMENT OF ABRAM J. JAFFE

Mr. JAFFE. Thank you, Senator.

This has been said quite a few times today, but I am going to repeat it once more. Older people need as much money as younger people. I am not too concerned about what the U.S. Bureau of Labor Statistics might say is actually the case.

The amount of \$4,300 or \$4,400 (in 1969 prices), which is the BLS moderate-living-standard budget which permits expenditures on

virtually all components except income tax, should be, I recommend, the very minimum which any family with the head retired should have.

I say minimum income—that would be pension income plus earned income, or any other source of income. The total amount of money that they should have, should be not less than \$4,300 or \$4,400 (in 1969 prices).

In this connection, Dr. Morgan's statement that if you "ask people whether they plan to retire, nobody plans to do so today if he can't count on \$4,000 a year," is of interest. Thus, the people themselves think of \$4,000 as the very minimum. The BLS designation of this amount as a "moderate living standard" suggests that it is above some minimum; indeed, BLS is now working on a lower austerity budget.

#### RECOMMENDED RETIREMENT INCOME

In fact, I will suggest that anybody who was earning, just before retirement, up to \$6,000 a year in 1969 prices, should have at least that same amount after retirement. If he had earned under \$4,300 his retirement income should be increased to that amount.

What is the basis of my argument? The basis is twofold. First, if we examine the information on expenditure by age, within any given income group, we find that there really isn't much difference in expenditures by age. People up through \$6,000 or so income spend all the money they have whether they are 25 or 77 years old. They buy more or less the same goods. There are some variations, of course, but the similarities outweigh the differences. My point is the older people need about the same amount as the younger people. That even goes up to the \$10,000 or \$15,000 bracket. If they have the money they spend it. They don't cut back their expenditures.

Examination of expenditures in relation to incomes is the only basis that we have for estimating, or defining need. If you spent all your money, then obviously you thought that you needed those goods and services on which you spent the money.

Second, let us examine the basic concept of the family budgets, which BLS originally set up. BLS wrote in 1947 when they started defining a budget: "When it is said that the budget recommended is intended to cover the necessary minimum 'necessary' is to be given the common interpretation as including what will meet the conventional and social as well as biological needs. It represents what men commonly expect to enjoy, feel that they have lost status and are experiencing privation if they cannot enjoy, and what they insist upon having."

You take that statement and put it down alongside the expenditure pattern and you see immediately that \$4,300 is a very minimum "needed" amount. You can only conclude that people want these goods and service and they feel the need for them, as evidenced by the fact that they spend all their money on them. Indeed, the more money they have the more they spend.

Therefore, any drastic cut in income as may accompany retirement, violates the basic concept of the family budget. Since most families receive significantly over \$4,300 income when the head is employed, any cut back to that lower amount means that they are experiencing privation because their needs are unsatisfied. On the other hand, if that is all the money they have, that is all they can spend. What else can they do besides writing to their Congressmen?

(The prepared statement of Mr. Jaffe follows:)

## To Be or Not to Be -- The Dilemma of the Retired

Prepared Statement of A. J. Jaffe\*

*Introduction*

The U. S. Bureau of Labor Statistics estimated that "the annual cost of living of a retired couple (husband and wife, age 65 or over) averaged \$3,869 in the autumn of 1966 in urban areas of the United States. This is described as a "moderate living standard, and permits expenditures on virtually all components except income tax." <sup>1/</sup> Honolulu with a cost of budget of \$4434 led the list of metropolitan areas, followed by Hartford, Connecticut with \$4352 and New York-Northern New Jersey with a cost of \$4323. In 1969 purchasing power the U. S. average is raised to about \$4300, Honolulu to some \$4900, Hartford to \$4800, and the New York metropolitan area to about \$4800.

For comparison we may note that the annual city worker's family budget for the autumn of 1966 was set at \$9191, or some \$10,000 in terms of 1969 purchasing power. Question: is it reasonable to expect that about 43 per cent of the city worker's family budget is sufficient for an elderly retired couple even after allowing for the latter's smaller family?

Obviously, families do manage to get along somehow on considerably less than \$4300 per year. <sup>2/</sup> As a minimum they survive long enough to be counted by census enumerators and to become statistics for the multitude of statisticians analyzing poverty. But can \$4300 be considered as even a "moderate living standard"? In order to answer this question let us re-examine the concept of the "family budget level of living."

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\*Director, Manpower and Population Program, Bureau of Applied Social Research, Columbia University. This analysis is part of a larger study on retirement supported by the Social Security Administration of the U. S. Department of Health, Education, and Welfare.

This paper was presented before the U. S. Senate Special Committee on Aging, Subcommittee on Consumer Interests of the Elderly and the 22nd Annual University of Michigan Conference on Aging, June 9, 1969, University of Michigan, Ann Arbor.

<sup>1/</sup> U. S. Department of Labor, *Retired Couple's Budget for a Moderate Living Standard, Autumn, 1966*, Bulletin No. 1570-A.

<sup>2/</sup> See the discussion in *Developments in Aging, 1968*, a Report of the Special Committee on Aging, United States Senate, 91st Congress, 1st Session, Report No. 91-119, April 1969. See especially Chapter III, "The Elderly as Consumers," and Chapter IV, "Toward More and Better Housing."

A 1947 report<sup>3/</sup> set forth the concept as follows:

". . . the Bureau of Labor Statistics has determined the annual cost of a worker's family budget which includes the kinds and quantities of necessary goods and services, according to standards prevailing in the large cities of the United States. (p.4)

". . . What the Congress decided, as the (Technical Advisory) Committee interpreted it, was the cost at current prices in large cities of family living which met American standards of what is required. The budget therefore should represent the necessary minimum with respect to items included and their quantities as determined by prevailing standards of what is needed for health, efficiency, nurture of children, social participation, and the maintenance of self respect and the respect of others. (p.6)

". . . This budget is not a 'subsistence' or 'maintenance' budget in the sense that directly or indirectly it attempts to provide only for physical needs, or what would be necessary to carry families through a limited period of stringency. (p.7)

"When it is said that the budget recommended is intended to cover the necessary minimum, 'necessary' is to be given the common interpretation as including what will meet the conventional and social as well as biological needs. *It represents what men commonly expect to enjoy, feel that they have lost status and are experiencing privation if they cannot enjoy, and what they insist upon having.*" (Italics ours.) "The prevailing judgement of the necessary will vary with the changing values of the community, with the advance of scientific knowledge of human needs, with the productive power of the community, and therefore what people commonly enjoy and see others enjoy." (p.7)

When applying this concept to the retired population some modifications can be made; for example, the provision for "nurture of children" is largely inapplicable. However, the element most essential for the retired population needs no modification--*what men commonly expect to enjoy, feel that they have lost status and are experiencing privation if they cannot enjoy, and what they insist upon having.* Indeed, Mollie Orshansky<sup>4/</sup> specifically includes this part of the concept in her analysis of the budget for an elderly couple.

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<sup>3/</sup>U. S. Department of Labor, Bureau of Labor Statistics, *Workers' Budgets in the United States: City Families and Single Persons*, 1946 and 1947, Bulletin No. 927. Considerable additional information on how the B.L.S. goes about constructing these budgets is given in this and subsequent publications.

<sup>4/</sup>"Living in Retirement: A Moderate Standard for an Elderly City Couple." *Social Security Bulletin*, October, 1968, Vol. 31, No. 10, pp 3 ff.

*Tackling the Problem*

This can be studied by following families from the pre-retirement age, say 55 to 64, into the retirement period and noting how they spend their money and in what amounts.<sup>5/</sup> If their income has remained unchanged and there are no price increases and no general upward movement in income for all families, then any changes in expenditures between the pre-retirement and retirement periods in life would indicate voluntary changes in consumption desires accompanying retirement and aging. For example, if with constant income they decreased expenditures on clothing we should assume that they are less interested in and desirous of consuming as much clothing as formerly.

On the other hand, if retired families continue to spend the same amounts of money for the various consumption items then we must accept the fact that even in retirement they expect to continue to enjoy, and insist upon having, the same items as in pre-retirement. It follows, therefore, that the financial inability to consume these desired items would lead to a feeling of lost status and deprivation. If the latter were to happen then the most important element of the accepted concept of the "family budget level of living" is violated.

In order to find out how retired families spend their money we studied the 1960-61 family income and expenditure data collected by the U. S. Bureau of Labor Statistics.<sup>6/</sup> These data are shown by annual income of family (including individuals) cross tabulated by age of head. Thus we may discern possible changes in expenditure patterns with increasing age, as family income remains unchanged. Average family size also changes with increasing age of head; this factor can be controlled by calculating expenditures per person.

For each item of expenditure, at each income level, we expressed the expenditures at ages 65 to 74 and 75 and over as percentages of the expenditures at age 55 to 64. Thus we can see the changes in amount of money spent with increasing age of family head. In order to summarize the seven income levels into an overall measure, we standardized each age group on the basis of the income distribution of the entire population of all ages. (For further details see the Appendix.)

<sup>5/</sup>It would have been preferable to divide the 10 year age group into ages 55 to 59 and 60 to 64, or perhaps 55 to 61 and 62 to 64; such divisions were not practicable.

<sup>6/</sup>"Consumer Expenditures and Income." Supplement 2 to BLS Report 237-93, June 1966.

*Findings**Comparison of 1950 and 1960*

We can follow the cohort with family heads aged 55 to 64 in 1950 over the following decade when they became 65 to 74 years of age and note the changes which took place. Goldstein<sup>7/</sup> adjusted the 1950 money to 1960 purchasing power, making direct comparisons possible. The changes experienced by this cohort from pre-retirement into retirement<sup>8/</sup> can be summarized as follows:

<u>Item</u>	<u>1950 age 55-64</u>	<u>1960 age 65-74</u>	<u>Change</u>
Av. family size	2.6	1.8	- 0.8
Av. money income after taxes	\$4770	\$4030	-16.0%
Av. expenditures	4990	4000	-20.0%
Per capita money income after taxes	1830	2240	20.0%
Per capita expenditures	1920	2220	16.0%

It is clear that as income decreases in retirement, the families spend less. What alternative do most families have? On the other hand, we may infer that people prefer to continue consuming as much, if not more than formerly, since per capita expenditures increased. We may qualify this comment somewhat by noting that there is less flexibility in certain expenditures such as housing (to be discussed in greater detail subsequently), and therefore the increase in per capita expenditures is only in part voluntary. Furthermore, the above data are not too conclusive for investigating the people's preferences, since they include

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<sup>7/</sup> Sidney Goldstein, "Changing Income and Consumption Patterns of the Aged," *Journal of Gerontology*, Vol. 20, No. 4, October 1965. We added expenditures for "personal insurance" and "gifts and contributions" to Goldstein's figures in order to have total money outlay. All money amounts rounded to nearest \$10.

<sup>8/</sup> The large majority, but obviously not all of the families with heads aged 65 to 74, contain only retired persons. In some families the head or other member is still employed full or part time.

changes in income. It will be recalled that we hypothesized that the preferred consumer expenditure pattern would most clearly emerge only when real income remains unchanged, or increases. In the following section then, we shall examine changes by age, for 1960, assuming no changes in income.<sup>9/</sup>

*Expenditures by age and income, 1960*

*Expenditures per person.* Older persons continue to spend money on consumer goods, insofar as they have the income, well beyond age 75. There is no sign of an overall cutback in per capita expenditures. From this we can only infer that increasing age is not necessarily accompanied by a decreasing desire or inclination to consume less. Retired persons like to consume at least as much as younger persons who are in the labor force. (Chart 1.)

Total expenditures per capita at ages 65 to 74 and 75 and over are close to 10% above those in families in which the head is age 55 to 64. Some of this is the result of increased medical expenditures; nevertheless, even allowing for such expenses, per capita expenditures at ages 65 and above are higher than at age 55 to 64.

We may consider as the basic items: food, clothing, shelter, and housing. Per capita expenditures when the head is aged 65 to 74 is a little less than 10% above that for heads aged 55 to 64; at age 75 and over it is just 10% higher.

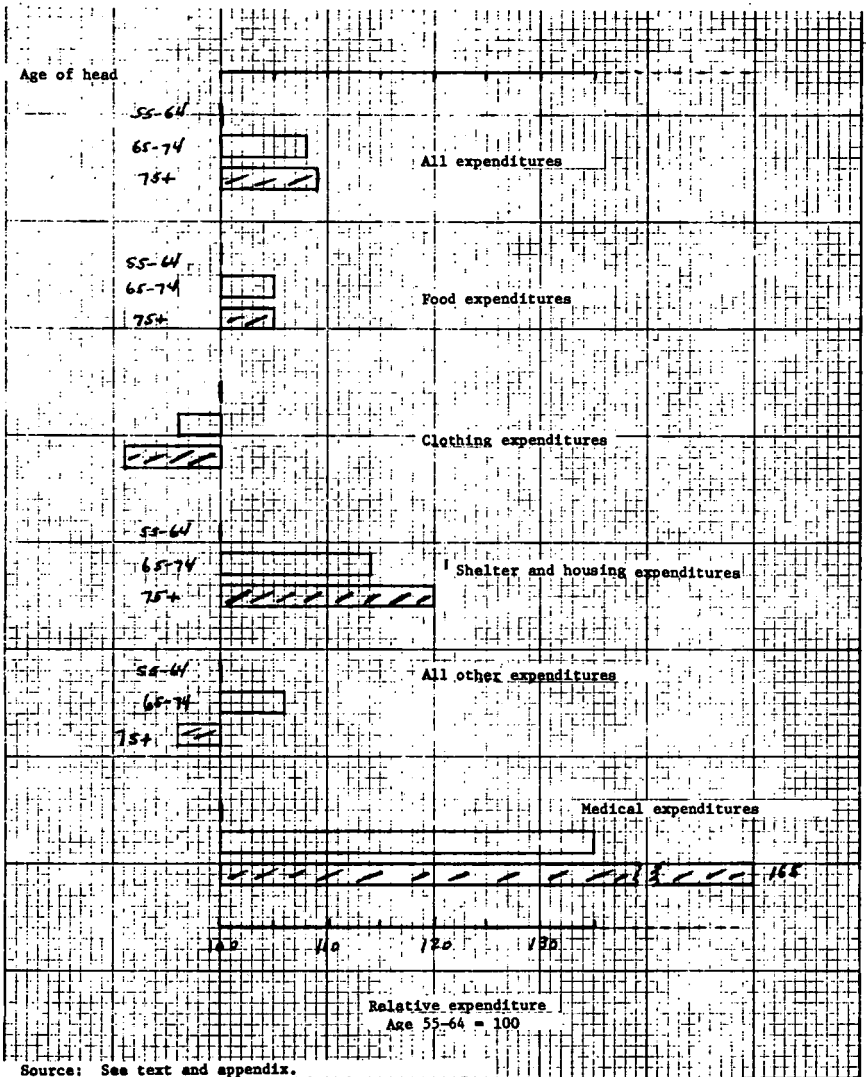
*Food expenditures per capita* increase about 5 per cent at ages 65 and over. It is likely that the older people tend to eat more special, restaurant, or factory prepared foods since the latter require less home preparation, rather than eating a larger quantity of food. Another factor perhaps resulting in increased expenditures is the smaller family and consequent buying in smaller quantities; such a change in purchasing pattern could result in higher prices per food unit. In addition, we believe that as long as family income continues unchanged, and there are fewer persons in the family, each individual remaining desires to eat "better."

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<sup>9/</sup> Obviously it would have been preferable to follow the same families over the decade, but we were unable to do this with available data. See also Appendix.



Chart 1. Per Capita Expenditures at Ages of Head 55 to 64 and 75 and over, Relative to Those Aged 55 to 64, by Type: U.S. 1960-61.



*Clothing* expenditures definitely decrease with advancing age, about 4% at age of head 65 to 74, and 9% at age 75 and over. In part this may reflect a decreased desire to consume clothing and in part it may reflect the fact that older persons are easier on clothing. Further, it may also reflect climate insofar as the numbers of retired persons living in the warmer parts of the United States have need for less clothing.

*Shelter and housing* outlays per capita very definitely increase; they are 10 to 20% higher at ages 65 and over as compared with age of head 55 to 64. This largely reflects the inelasticity of this item. Housing costs remain unchanged for the most part, whether the family contains 2, 3, 4, 5 or even more members. Hence, as family size decreases with advancing age, per capita expenditures automatically increase. Obviously, a family cannot move to a cheaper apartment or house every time the family size decreases in order to maintain a constant--or decreasing--per capita expenditure.

*Medical* expense per capita at age 65 to 74 is about one-third higher, and at age 75 and over, two-thirds higher in comparison with age 55 to 64.

All other items show a slight increase at age 65 to 74, and a small decrease at age 75 and over.

The changes in expenditures vary by income. (See Appendix tables.) We believe that this is due in part to the small number of cases available for study. In part also it may reflect the adverse effects of the need to pay medical expenses, especially at the lower income levels. When money is scarce, expenditures for food, clothing, housing, and medical bills take precedence over other items.

In summary then, older people as well as younger prefer consuming goods and services. Insofar as income is available they continue to *expect to enjoy and insist upon having* as much as previously. If they cannot continue this consumption they *feel that they have lost status and are experiencing privation*. Thus, if the basic concept of a family budget of living, as propounded by the Bureau of Labor Statistics, were to be adhered to, per capita income should remain at least as high in

retirement, as in pre-retirement. Indeed, considering the increases in price levels and general economic growth, per capita income should increase over time by the combined increase in prices and economic growth. Otherwise, the retired will gradually fall farther and farther behind the general public<sup>10/</sup> and will feel that they have lost status and are experiencing privation.

*Expenditures per family.* Pensions are generally scaled to the persons eligible to receive them, without regard to the number of persons whom they may be supporting. Although this concept is open to argument--we believe that pensions should be adjusted in accordance with the number of dependent persons in the family--let us accept it for the moment and examine changes in *family expenditures* as related to increasing age.

The families with older heads are smaller on the average, than younger families. Average size was about 2.6 for heads age 55 to 64, and 2.3 for families in which the head was aged 65 to 74 and 75 and over. Accordingly, some reduction in family expenditures can be anticipated,--perhaps a reduction proportionate to the reduction in the size of the family.

There was a reduction of about 4% in overall expenditures for families in which the head was aged 65 and over and compared with those whose heads were aged 55 to 64. If medical expenditures are excluded, the reduction is 6 or 7%. (Chart 2.)

Expenditures on food decrease about 8%, more or less commensurate with the decline in average family size.

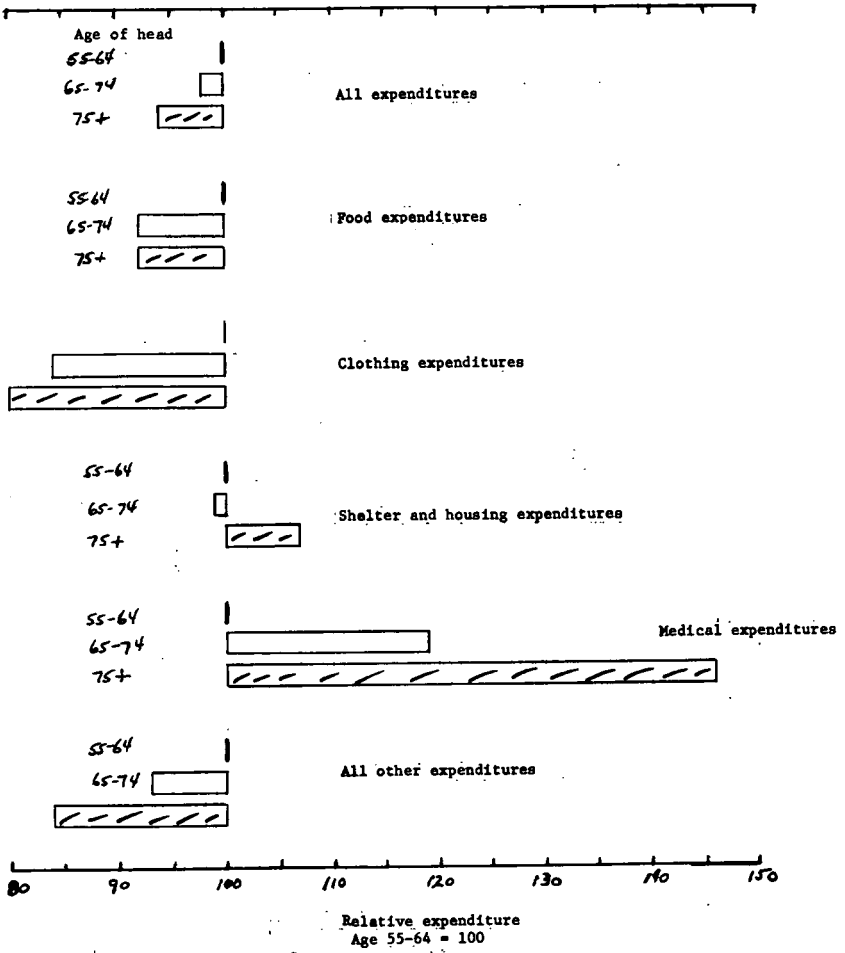
The largest decrease was experienced for clothing: at age 65 to 74 about 16% less was spent than at age 55 to 64, and at age 75, about 20% less.

Shelter and housing (including fuel, light, water, refrigeration, household operations, and house furnishings and equipment) expenditures remain largely unchanged. This is understandable since these items are rather independent of the size of the family, and cannot be changed.

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<sup>10/</sup> For further discussion of this point, see A. J. Jaffe and Joseph Froomkin, *Technology and Jobs*, pp 265-67, Frederick A. Praeger, New York, 1968.

Chart 2. Family Expenditures at Ages of Head 55 to 64 and 75 and Over Relative to Those Aged 55 to 64, by Type: U.S. 1960-61.



Source: See text and appendix.

at will. Rent or mortgage payments, real estate taxes, and other living costs cannot be easily changed. Some decreases can be effected in the light and water bills and in the purchase of some house furnishings and equipment. The only way to reduce shelter and housing costs substantially would be for the retired person and his family to move to a substantially cheaper apartment or house. This, in turn, besides costing money for moving, would result in privation and loss of status, because, for most older families a move to cheaper living quarters generally means a move to the slums.

As a result of the diverse movements of food, clothing, shelter and living expenses, we find that there is but a small reduction in the totality of these basic expenditures. At age 65 to 74 about 6% less is spent, and at ages 75 and over about 3% less.

Medical expenses per family increase significantly—about a fifth higher at age 65 to 74, and almost half higher at ages 75 and over, in comparison with age 55 to 64.

All other expenditures ranging from contributions and gifts to transportation, do show a significant decrease per family. At age 65 to 74, the decline is about 7% and at ages 75 and over, 16%. Part of this large decrease, especially at ages 75 and over reflects the need to pay medical bills. Part may also reflect a lessened desire to purchase such goods and expenditures as a result of decreased physical ability.

*Some Implications for Pension Size*

The Bureau of Labor Statistics "moderate living standard" annual budget for a retired couple of \$3,869 in the fall of 1966 is worth about \$4300 in mid-1969, after allowances for the increased price level. If this "retired couple budget" is to represent *what men commonly expect to enjoy, feel that they have lost status and are experiencing privation if they cannot enjoy, and insist upon having*, then \$4300 will be adequate for but a very small proportion of all extant and future retirees. This can be seen as follows:

Let us consider family income at ages of head 55 to 64 as representing that income level which the family tries to maintain after retirement. In 1967, a little over one-quarter of all families with the head aged 55 to 64 had incomes of \$4300 or less. These are the future retirees. When they retire, we submit, they should receive at least their full income as when employed during the pre-retirement period of 55 to 64 years, increased by not less than the amount of future increase in the price level.

Of those family heads who were aged 55 to 64 in 1959, probably the large majority are retired as of 1969. The "moderate living budget" was worth about \$3500 in 1959 prices. At that time about 3 in 10 of the 55 to 64 year olds had family incomes of under \$3500. We submit that these people also should have an income--either pension or combined pension and earnings--at least as much as they had earned in 1959, increased by not less than the rise in the price level since then.

Actually, we feel that any family which had earned an amount equal to or less than the Bureau of Labor Statistics "retired couple budget" should receive as pension the full budget adjusted for price increases and general economic growth. Only in this way will they be removed from the poverty category and retain some semblance of status *vis a vis* the general population.

What about families in which the income was over this "retired couple budget" when the head was employed at age 55 to 64? As we saw previously per capita expenditures continue to increase with increasing

age insofar as family income permits. From this we deduce that people wish to continue their previous (pre-retirement) consumption patterns. If they cannot do so they feel that they have lost status and are experiencing privation, and therefore the original concept of the family budget, as promulgated by the Bureau of Labor Statistics, has been violated.

We can estimate the amount of pension (or pension plus earnings) required in order to fulfill the basic concept for those families in which income was above the "retired couple budget" prior to retirement, as follows:

- a. Assume that housing expenditures remain unchanged; families continue to spend as much on shelter, furnishings, etc. after age 65 as they did at age 55 to 64; as we saw previously this is the actual pattern.
- b. Medical problems do increase with increasing age. Whether expenses in the future will continue to increase with increasing age as at the time of the 1960-61 survey is difficult to evaluate at present because of the introduction of Medicare since the last consumer expenditure survey. On the assumption that older families will continue to spend more on medical care, we add the actual amounts spent by families in which the head is aged 65 and over, to the total housing costs.
- c. Since governments insist on collecting taxes, this amount must be added in as an involuntary and inescapable expenditure. The actual amount of taxes paid by those 65 and over (as reported in the BLS 1960-61 survey), is added to the previous total.
- d. Finally, for all other items, we take the per capita expenditures at age of head 55 to 64, and multiply this by the average size of the family for heads aged 65 and over. This is added to the previous total.

The final amount is that needed for a budget which encompasses *what men commonly expect to enjoy, feel that they have lost status and are experiencing privation if they cannot enjoy, and what they insist upon having.* In short, they are continuing to live at about the same level-of-living as when the family head was aged 55 to 64.

Such amounts can be calculated for each income level, and then compared with the amount of money income received by the family before taxes. The difference if any, is the amount by which the money income may be adjusted. At all income levels below \$6000 at 1969 prices, family expenditures as calculated above, equal or surpass the amount of money income before taxes. Clearly, for these families, pensions or pensions plus other income, should equal family income when the head was aged 55 to 64. (Table 1.)

Families with income levels between \$6000 and \$12,000 at 1969 prices, and the head aged 65 and over, would spend about 10% less than their money income before taxes. For these families the pension (or combined pension and earnings) could be about 10% less than family income when the head was aged 55 to 64. For families in the income level of \$12,000 and over--let us arbitrarily set \$25,000 as the upper limit--income could be about 20% below the family income level when the head was aged 55 to 64 and still adhere to the basic Bureau of Labor Statistics concept of the family budget.

All of these income levels, of course, must be adjusted over time in accordance with changes in the price level and general economic growth.

The tax structure adds an additional burden on the retired. As pensions increase in accordance with increases in price level, it is possible for taxes to become an ever larger proportion of income. We can illustrate this as follows. Suppose a retired couple, both over age 65, receive \$4001 pension in year X. Let us assume that the 1968 Federal Income Tax Table for persons with incomes under \$5000 is applicable to this couple. With four exemptions they pay \$149 Federal income tax or 3.7 per cent of their pension. Now suppose that prices and the amount of their pension rise by 5 per cent over the next two years. The couple now receive \$4201 and pay \$181 in taxes, or 4.3 per cent of their pension. Since the increase in the pension only compensated for the higher prices, their real income remained unchanged while their tax bill went up 20 per cent. As a result, through the operations of the tax system they actually suffered a loss in pension.



Table 1. Expenditure Patterns for Families with Head Age 65 and Over,  
by Income Level: United States, at 1969 Prices

<u>Income class</u>		Expenditures at 1960-61 prices					1960-61 money income before taxes	Expenditures as % of money income
<u>1960-61 prices</u>	<u>1969 prices</u>	<u>Housing</u>	<u>Medical</u>	<u>Taxes</u>	<u>All other</u>	<u>Total all items</u>		
\$2000-2999	\$2430-3649	\$810	\$290	\$ 50	\$1680	\$2830	\$2520	112
3000-3999	3650-4869	1070	360	110	2220	3760	3590	105
4000-4999	4870-6089	1180	360	300	2810	4650	4770	97
5000-5999	6090-7299	1370	470	490	3070	5400	5980	90
6000-7499	7300-9129	1600	530	700	3770	6600	7400	89
7500-9999	9130-12,169	1800	650	1030	5160	8640	9520	91
10,000-14,999	12,170-18,259	2240	730	1830	5770	10,570	13,640	77
15,000 and over	18,260 and over	3970	1050	6870	11,700	23,590	29,560	80

The above hypothetical example does not take into account that portion of the pension which may be tax exempt. We have no information on how many pensioners pay no taxes, part, or full; we only know that families with under \$2500 income and having 4 or more exemptions, paid very little or no Federal Income Tax in 1968. We can point out that at the time of the 1960-61 BLS survey, families with the head aged 75 and over, and having between \$4000 and \$4999 income, paid an average of \$187 in taxes. Furthermore, whether taxes are paid on the entire pension, or only part of it, the above rule that increases in pensions result in larger taxes and smaller net real income, still holds.

In conclusion we must reiterate that the only way of overcoming poverty is for the poor people to obtain more money. In the case of the elderly and retired, family income can be increased in several ways. Pensions can be increased. Pensions can be given with no restrictions on the amount of money which the person is allowed to earn without being penalized. Tax exemption can be granted. More medical benefits can be furnished.

Whatever means is used for increasing the real income of the elderly retired, we submit that:

- a. family income should take into account the number of dependents;
- b. the Bureau of Labor Statistics' "moderate living standard budget," adjusted for changes in price levels and general economic growth, should be the minimum to which any family of two or more persons should be subjected;
- c. every effort should be made to see that families in which annual income had been over this "moderate living standard budget" when head was aged 55 to 64 (and not over say \$25,000) should be able to receive not less than 80% of the gross income prior to the retirement of the head.

Only by following these suggestions will the concept of the family budget be adhered to, and will the elderly population maintain their customary status in the community.

## Appendix

*Comments on our basic approach*

A true cohort analysis involves following the same families, or a representative sample of the same cohort, over time. Ideally we should have liked to have the pre-retirement income and expenditure patterns in 1950, and the post-retirement information in 1960, for the same groups of families. We should then compare the expenditure patterns for those retirees who continued to receive about the same income (after allowing for price changes) as before retirement, with those retirees who suffered substantial decreases. (We do not expect to find any significant number whose income rose substantially after retirement). We were unable to follow this ideal approach because of the lack of published data.

The only data available consisted of expenditures classified by income level and age of head. By comparing different age groups in the same income class, we approximate a cohort analysis. Any error which this may introduce, we believe, errs on the side of minimizing rather than exaggerating per capita consumption. This is because: a) at virtually every income level per capita income increased with increasing age, and b) we know that in actuality more families have reduced income after retirement.

We may illustrate the effects of the above two factors as follows: Suppose that a retired 65 year old head had \$5000 income as compared with a pre-retirement income of \$10,000. We find that in retirement he spends all his income on consumption goods and services. We conclude that he desires to consume as much as ever, income permitting. At every income level (up to the class \$10,000 to \$14,999) we see that per capita disbursements at ages 65 and over are greater than at age 55 to 64. Thus, even if every family with head age 65 and over had suffered loss of half of its previous income, we conclude that even families which had earned \$20,000 and over (double our highest income class) still tried to maximize per capita consumption.

That the desire to maximize per capita consumption persists long after age 65, lies at the heart of our analysis. This is illustrated with the cross-section data available. We do not belittle the advantages

of a true cohort analysis, but failing the availability of such data we make do with the cross-section approach.

*Lack of precise data on the retired*

The available data furnish information by age of family head. We have no data for retired couples separately. Hence, we were forced to assume that the age of head groups 65 to 74 and 75 and over contained largely retired persons. The available information on family size and number of full time earners indicates that this assumption is not too far off.

<u>Age of head</u>	<u>Average family size</u>	<u>Av. no full time earners</u>
55-64	2.4	0.9
65-74	1.9	0.3
75+	1.7	0.2

*Sources of data and definition of terms*

The basic data were obtained from the Bureau of Labor Statistics, *Survey of Consumer Expenditures, 1960-61*, "Consumer Expenditures and Income." Supplement 2 to BLS Report 237-93, June 1966, Tables 14a to 14g.

Definitions of family size and income were obtained from U. S. Department of Labor "A Short Description of the Survey of Consumer Expenditures in 1960-61," BLS 64-0405, dated July 1963, and are as follows:

*"Family Size.*--The number of equivalent, full-year members, based on the total number of weeks during which both full-year and part-year members belonged to the family in the survey year, divided by 52 weeks."

*"Money Income before Taxes.*--Total money income during the survey year of all family members from wages and salaries (including tips and bonuses) after deductions for such occupational expenses as tools, special required equipment, and union dues; net income from self-employment; and income other than earnings such as net rents, interests, dividends, Social Security benefits, pensions, disability insurance, trust funds, small gifts of cash, regular contributions for support, public assistance, and other governmental payments. The value of two nonmoney items--food and housing received as pay--were counted as money income and as expenditures."

*Income classes used*

We analyzed the income levels beginning with \$2000-2999 up to \$10,000-14,999. The reason for this is that the lowest levels--under \$1,000 and \$1000-1999--seemed to us to contain too many families who were there only temporarily. For example, among all families containing 2 or more persons in the very lowest level, average money income before taxes was \$397 and the average net change in assets and liabilities was a decrease of \$1409; expenditures were on the order of \$1900. At the level of \$1000-1999, the respective values were \$1586, a decrease of \$268, and expenditures around \$2100. At the class \$2000-2999, the values were \$2594, a decrease of \$258, and expenditures of some \$3000. At levels under \$2000 it seems improbable that families can continue to spend year after year so much more than income plus using up of past assets. More likely many of these families are only temporarily in these very low income groups and therefore their expenditures are not typical of those low income levels. In order to determine how the very poor actually spend their money, we should analyze families whose expenditures more nearly approximate their income.

At the other end, families having \$15,000 or more income, there were too few cases at each age group, 65 to 74 and 75 and over, for separate analysis. Only by combining all families with head age 65 and over did we obtain enough cases for the presentation in Table 1.

Appendix Table 1. Expenditures Per Family, by Type, by Age of Head: United States, 1960-61

Income*	Av. family size			Money income after taxes			Total disbursements			Disbursements as % of income after taxes			Total disbursements excl. medical exp.			Medical expenditures		
				55-64	65-74	75+	55-64	65-74	75+	55-64	65-74	75+	55-64	65-74	75+	55-64	65-74	75+
	55-64	65-74	75+	55-64	65-74	75+	55-64	65-74	75+	55-64	65-74	75+	55-64	65-74	75+	55-64	65-74	75+
\$2000-2999	2.0	1.9	1.9	2498	2495	2437	2790	2731	2624	112	109	108	2573	2471	2272	217	260	352
3000-3999	2.2	2.0	2.0	3505	3482	3451	3787	3629	3408	108	104	99	3517	3276	3019	270	353	389
4000-4999	2.4	2.2	2.1	4512	4458	4516	4608	4528	4144	102	102	92	4266	4196	3609	342	332	535
5000-5999	2.6	2.2	2.1	5480	5491	5526	5439	5329	5284	99	97	96	5039	4855	4876	400	474	408
6000-7499	2.7	2.3	2.4	6694	6652	6913	6409	5960	6952	96	90	100	5989	5448	6327	420	512	625
7500-9999	3.0	2.6	3.1	8462	8562	8230	8005	7363	7068	95	86	86	7517	6753	6266	488	610	802
10,000-14,999	3.3	2.7	2.4	11764	11661	12460	10013	9519	10661	85	82	86	9419	8822	9814	594	697	847
	Exp. for food, clothing, shelter, housing			Expenditures for food			Expenditures for clothing			Expenditures for shelter			Expenditures for housing excl. shelter			All other expenditures		
\$2000-2999	1726	1747	1596	723	712	679	194	157	121	393	408	354	416	470	442	847	724	676
3000-3999	2260	2158	2106	904	849	813	287	232	191	485	478	466	584	599	636	1257	1118	913
4000-4999	2573	2550	2313	1049	1007	918	348	294	269	498	578	563	678	671	563	1693	1646	1296
5000-5999	2995	2845	2829	1193	1079	1057	429	373	358	605	649	717	768	744	697	2044	2010	2047
6000-7499	3514	3157	4094	1391	1239	1487	525	451	541	684	599	891	914	868	1175	2475	2291	2233
7500-9999	4259	3829	3980	1708	1524	1481	752	607	514	819	774	846	980	924	1139	3258	2924	2286
10,000-14,999	5310	4807	5251	2009	1803	1839	1063	933	1074	940	859	904	1298	1212	1434	4109	4015	4563

\* After taxes

Source: U. S. Bureau of Labor Statistics, Survey of Consumer Expenditures, 1960-61, "Consumer Expenditures and Income," Supplement 2 to BLS Report 237-93, June 1966, Table 14a.

Appendix Table 2. Per Capita Expenditures, by Type, by Age of Head; United States, 1960-61

Income*	Total disbursements			Total disbursements excl. medical exp.			Medical expenditures			Exp. for food, clothing, shelter, housing			Expenditures for food		
	55-64	65-74	75+	55-64	65-74	75+	55-64	65-74	75+	55-64	65-74	75+	55-64	65-74	75+
\$2000-2999	1396	1438	1380	1288	1301	1195	108	137	185	864	920	840	361	375	357
3000-3999	1721	1815	1704	1598	1639	1509	123	176	195	1027	1079	1054	411	424	407
4000-4999	1919	2058	1974	1776	1907	1719	143	151	255	1072	1160	1101	437	458	437
5000-5999	2091	2423	2517	1937	2208	2331	154	215	194	1152	1293	1346	459	490	503
6000-7499	2373	2590	2896	2217	2367	2636	156	223	260	1301	1373	1706	515	539	620
7500-9999	2669	2831	2280	2506	2596	2021	163	235	259	1420	1472	1284	569	586	478
10,000-14,999	3043	3526	4442	2863	3268	4089	180	258	353	1609	1781	2188	609	668	766

Income*	Expenditures for clothing			Expenditures for shelter			Expenditures for housing excl. shelter			All other expenditures		
	55-64	65-74	75+	55-64	65-74	75+	55-64	65-74	75+	55-64	65-74	75+
\$2000-2999	97	83	64	197	215	186	208	247	233	424	381	355
\$3000-3999	130	116	96	220	239	233	266	300	318	571	560	455
4000-4999	145	134	128	208	263	268	282	305	268	704	747	618
5000-5999	165	170	170	233	295	341	295	338	332	785	915	977
6000-7499	194	196	225	253	260	371	339	378	490	916	994	930
7500-9999	251	233	166	273	298	273	327	355	367	1086	1124	737
10,000-14,999	322	346	448	285	318	377	393	449	597	1254	1487	1901

\*After taxes

Appendix Table 3. Relative Family Expenditures by Type, Age of Head 65-74 and 75+: United States, 1960-61  
(Age 55-64 = 100)

Income*	Total disbursements																	
	Total		Excluding medical		Food		Clothing		Shelter		Housing excl. shelter		Food, clothing, shelter, housing		Medical		All other	
	65-74	75+	65-74	75+	65-74	75+	65-74	75+	65-74	75+	65-74	75+	65-74	75+	65-74	75+	65-74	75+
\$2000-2999	98	94	96	88	98	94	81	62	104	90	113	106	101	92	120	162	85	80
3000-3999	96	90	93	86	94	90	81	67	99	96	103	109	95	93	131	144	89	73
4000-4999	98	90	98	85	96	88	84	77	116	113	99	83	99	90	97	156	97	77
5000-5999	98	97	96	97	90	89	87	83	107	119	97	91	95	94	118	102	98	100
6000-7499	93	108	91	106	89	107	86	103	88	130	95	129	90	117	122	149	93	90
7500-9999	92	88	90	83	89	87	81	68	95	103	94	116	90	93	125	164	90	70
10,000-14,999	95	106	94	104	90	92	88	101	91	96	93	110	91	99	117	143	98	111
Average	96	96	94	93	92	92	84	80	100	107	99	106	94	97	119	146	93	84

\*After taxes



Appendix Table 4. Relative Per Capita Expenditures, by Type, by Age of Head 65-74 and 75+, United States, 1960-61  
(Age 55-64 = 100)

Income*	Total disbursements		Excluding medical		Food, clothing, shelter, housing		Food		Clothing		Shelter		Housing excl. shelter		Medical		All other	
	Total																	
	65-74	75+	65-74	75+	65-74	75+	65-74	75+	65-74	75+	65-74	75+	65-74	75+	65-74	75+	65-74	75+
\$2000-2999	103	99	101	93	106	97	104	99	86	66	109	94	119	112	126	170	90	84
3000-3999	105	99	103	94	105	103	103	99	89	74	109	106	113	120	143	159	98	80
4000-4999	107	103	107	97	108	103	105	100	92	88	126	129	108	95	106	178	106	88
5000-5999	116	120	114	120	112	117	107	110	103	103	127	146	115	113	140	126	116	124
6000-7499	109	122	107	119	106	131	105	120	101	116	103	147	111	145	143	167	109	101
7500-9999	106	85	104	81	104	90	103	84	93	66	109	100	109	112	144	159	103	68
10,000-14,999	116	146	114	143	111	136	110	126	107	139	112	132	114	152	143	196	119	152
Average	108	109	107	105	107	110	105	104	95	91	114	123	112	120	135	163	105	96

\*After taxes

Senator CHURCH. I am sorry that our time has run out.

I want to say, of course, that the full testimony we have received in prepared form will be included in the published report and made available to the members of the committee and Senate. I think it would be very appropriate if we concluded our hearing this afternoon with a little tribute to Dr. Wilma Donahue.

Wilma, I want to say that you have had more to do with these conferences through the years than any other person. You have been a great leader. [Applause.]

I want to thank you for all you have done, Dr. Donahue. I want to thank everybody who has come this afternoon. Feel free to submit your own written recommendations if you like. The record will remain open for 30 days.

I hope that these hearings will contribute to some improvement in the conditions of life for the elderly people of this country.

Thank you very much and good afternoon.

(Whereupon, at 4:50 p.m., the subcommittee was adjourned.)

# APPENDIXES

## Appendix 1

### ADDITIONAL QUESTIONS TO WITNESSES

ITEM 1: HON. VIRGINIA H. KNAUER,\* SPECIAL ASSISTANT TO THE PRESIDENT FOR CONSUMER AFFAIRS

(Subsequent to the hearing, the chairman asked the following questions in a letter to Mrs. Knauer:)

1. Your statement said you believe "there are still gaps in information about consumer behavior of the elderly," and "we need to know more about the psychology of the elderly as consumers."

I take it that you believe that research should be conducted in both areas. What agencies—public or private—should be responsible for such research? What can your office do to see that such action is taken?

2. Do you plan to review literature now available from federal agencies with an eye toward improving such publications to make them more helpful to the elderly? Will you ask for better distribution of such publications, as suggested in your statement?

3. In your review of present consumer programs in the Federal government, what will you do to insure that the needs of the elderly receive appropriate attention? As I indicated to you at the hearing, we will be most interested in the recommendations you offer as a result of your evaluation.

The following reply was received:

THE WHITE HOUSE,  
Washington, D.C., July 22, 1969.

DEAR SENATOR CHURCH: I appreciate your comments on my testimony before the Subcommittee on Consumer Interests of the Elderly. I do indeed have a special concern about the consumer problems of this consumer group, and, as I had indicated, I will be happy to work with you and your Committee in any way possible in their interests.

\* \* \* \* \*

In response to the additional questions included in your letter:

1. I would hope that business itself would conduct research to fill the gaps in information about consumer behavior of the elderly and the psychology of the elderly. I would also hope the educational institutions, foundations, and national organizations of the elderly would conduct or stimulate such research. This office will do all possible to stimulate such research. Within the Federal government, the Administration on Aging in the Department of Health, Education and Welfare is a most logical agency to conduct or promote such research.

2. We will work to promote the most effective consumer publications possible from the Federal government, including their widest possible distribution.

3. Obviously, our criteria for reviewing Federal consumer programs must be how well they serve not only consumers in general but groups with any special problems, and that includes the elderly.

Sincerely,

VIRGINIA H. KNAUER,  
*Special Assistant to the President for Consumer Affairs.*

\*See testimony, p. 343.

ITEM 2: HON. JOHN B. MARTIN,\* COMMISSIONER, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

(Subsequent to the hearing, the chairman asked several questions in a letter to Mr. Martin. The questions and responses, with attachments, follow:)

*Question. You mentioned Project Moneywise Senior. I believe that our hearing record should include additional details, together with some discussion of the additional basic training materials that are being developed.*

Answer. The Administration on Aging, in cooperation with the Bureau of Federal Credit Unions, developed the Project Moneywise Senior consumer education model for use by State agencies and community organizations.

Through this program instructors from the Bureau of Federal Credit Unions train indigenous older leaders and others who wish to provide community service as consumer education specialists. The participants in the program learn how to handle financial matters intelligently, including the wise use of credit and installment buying, advantageous shopping and family budgeting practices, avoidance of quackery, fraud, and other schemes of misrepresentation, and utilization of community services.

Participants are selected on the basis of their leadership ability and desire to be of service to others. They are expected to go back to their own communities and train others in wise consumer practices. Specifically, the program is designed to create a pool of knowledgeable senior citizens who will be able to counsel other older people, especially those with limited incomes, on consumer problems. Follow-up training given by the participants in the original course is intended to reach large numbers of older people in their home communities.

To date, sessions have been held in Boston, Massachusetts, and Maui, Hawaii. The classes were sponsored by the Massachusetts Commission on Aging and the Maui Economic Opportunity Corporation. The approximately 25 students in the Boston class ranged in age from 60 to 79 and represented the leadership of the various senior citizens organizations in and around the city of Boston. The Maui class included some 40 indigenous leaders, consumer education aides employed by various community action agencies and various other consumer centered organizations.

The skills of the graduates can be utilized by a variety of State and local organizations both in a volunteer or paid capacity. The State agencies on aging could utilize outstanding graduates as part-time consumer education specialists to conduct programs before senior citizen groups across the State and to serve in information and referral centers. A public welfare agency might engage the services of the graduates as consumer aides teaching welfare recipients ways to stretch their income through wiser money management. Community action agencies could use the graduates to strengthen their programs for the elderly poor.

Basic training materials that have been developed for the course include a set of lesson plans designed around the consumer problems of particular concern to the elderly and transparencies to highlight the major topics covered in the lesson plans. Topics covered in the lesson plans include the following:

- Overview of the aging process
- consumer patterns of the aged
- exploitation of the aged
- budgeting for the elderly
- consumer counseling for the elderly
- nutritional needs
- health cost, fraud and quackery
- organization of food buying clubs and cooperatives
- communication skills.

The teaching techniques used throughout the program follow the conference approach with maximum student involvement. Techniques used include:

- group case studies requiring role playing
- comparative shopping trips for food
- meal planning contests

\*See testimony, p. 350.

- practical exercises in reading labels of canned goods
- mock interviewing sessions
- mock counseling sessions on preparing budgets
- Analysis of "junk mail" received by students to determine deceptive advertising practices.

Attached is a copy of the Project Moneywise Senior brochure which has been distributed to State agencies on aging, State agencies administering public assistance plans, community action agencies, and other interested organizations and individuals.

*Question. Your discussion of the need for more suitable clothing for the elderly leads me to wonder whether Federal agencies might be helpful in providing research on: (a) special needs (b) ways of meeting those needs. Could the Rehabilitation Service of SRS be especially helpful here? What are other possible sources of Federal assistance?*

Answer. The Department of Agriculture and the Department of Health, Education, and Welfare can both provide assistance in research activities concerning the clothing needs of older people.

The Consumer and Food Economics Research Division of the Agricultural Research Service and the Federal Extension Service have worked with such groups as the American Home Economics Association in developing booklets on the altering of clothing to fit older persons and the measurement of older persons to provide data to the garment industry to improve the fit of clothing and design of patterns for older persons.

The Rehabilitation Services Administration through its research and training grants and the Administration on Aging through its research and development grants are also potential sources of assistance in this area. For instance, in 1969 a Research Grant made under the Vocational Rehabilitation Act provided funds for the publication of a booklet on "Functional Fashions for the Physically Handicapped" by the Institute of Physical Medicine and Rehabilitation, New York University Medical Center, New York, New York. Another short term Teaching and Training Grant under the Vocational Rehabilitation Act funded a national Seminar on Functionally Designed Clothing and Aids for Chronically Ill and Disabled in Cleveland, Ohio, in 1966.

*Question. How adequate, in your opinion, is present data about consumer expenditures and needs of the elderly? If more research is needed, what should be the goals of that research, and what agencies—private or public—should conduct it?*

Answer. There is a crucial need for data concerning older people in the consumer field. Except for some retabulations of material collected in 1960-61 for the revision of the Consumer Price Index, practically nothing is available on consumer expenditures by older persons. These data present no information on the "needs" of older people. The closest approach to "needs" is the BLS "Retired Couple Budget." The Office of Economic Opportunity has invited bids on proposals to conduct a sample survey of consumption patterns of the elderly poor but this will be limited in scope and coverage.

Research is needed to collect adequate data in sufficient detail and geographic coverage to generate insights into the consumption patterns of the older population by age, geographic location, size and composition of the consuming unit, previous standard of living and inventory of goods, appliances, housing, etc.

The Department of Health, Education, and Welfare, the Department of Agriculture, the Department of Housing and Urban Development, and the Office of Economic Opportunity all have major interests in such research. It might be most effective for the Administration on Aging to conduct such a study through its research and development grants program with planning and financial participation by the other interested agencies.

EXHIBIT A. PROJECT MONEYWISE-SENIOR: CONSUMER EDUCATION FOR OLDER PEOPLE—ADMINISTRATION ON AGING, U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, SOCIAL AND REHABILITATION SERVICE—APRIL 1968

#### FOREWORD

The Administration on Aging in cooperation with the Bureau of Federal Credit Unions has developed the comprehensive program of consumer education and action for older Americans outlined in this publication. The program is designed

to train indigenous older leaders to assist other older people. It consists of a four week consumer education training session, and follow-up utilization in local communities of the skills and knowledge learned by the class participants.

Specifically, the program is designed to create a pool of knowledgeable people able to counsel older people with limited income.

The program would:

1. Augment the staffing capabilities of State Agencies on aging in the field of consumer education.
2. Provide local communities with a knowledgeable advocate concerned with the consumer information needs of their older residents.
3. Provide rewarding opportunities for older people to be of service in their local communities.
4. Increase the value of the older person's dollar through wise money management.

The program described above can be carried out by a variety of sponsors—State Agencies on Aging, Public Welfare Departments, consumer councils, and other private or government organizations interested in the consumer problems of older people.

If you are interested in sponsoring the program, further information can be obtained from the Social and Rehabilitation Service Regional Office of the Department of Health, Education and Welfare nearest you.

WILLIAM D. BECHILL,  
*Commissioner, Administration on Aging.*

In September, 1967, the Massachusetts Commission on Aging made a grant to the Massachusetts Consumers Council to conduct a Project Moneywise-Senior in Boston. As a result of the success of this program, a model has been developed for use by any State Agency on Aging.

The Executive Secretary of the Massachusetts Commission on Aging, John T. Sweeney, stated: "It is our opinion that Project Moneywise-Senior is one of the most important and worthwhile projects that the Massachusetts Commission on Aging has ever been involved in. . . . I believe that it would be of inestimable value to the senior citizens of this Country and their communities if this project was conducted in every State in the Union."

#### ORIGIN OF PROGRAM

The concept of Project Moneywise-Senior developed out of a series of consumer education programs conducted during 1967 by the Bureau of Federal Credit Unions. The original Project Moneywise was funded by the Office of Economic Opportunity and was directed to indigenous leaders in low income areas. The program was received enthusiastically across the country.

The designers of Project Moneywise received a special citation for exceptional creative ability from the Secretary of Health, Education, and Welfare.

The program:

- Received an award from the American Society for Training and Development for the "Outstanding Training Achievement by an Organization".
- Was supported by the Special Assistant to the President on Consumer Affairs, Miss Betty Furness, who has said, "a clear understanding of credit costs on purchases is essential for all consumers and particularly to those of limited income. Project Moneywise is an excellent program directed toward teaching the disadvantaged to help themselves in an area where many unscrupulous practices exist."

#### PROMISING NEW CONSUMER EDUCATION PROGRAM

##### THE PROBLEM

The consumer problems of older people are as diverse as those of individuals of any age. Yet certain characteristics of these older people tend to accentuate their consumer problems. The older person grew up in a less complex and a more personalized environment than that of today. The complexity of the modern

marketplace linked with immobility, illness, loneliness, and other conditions affecting many older people often makes them susceptible to fraudulent schemes or at least places them at a disadvantage in finding the best buys for their often limited funds.

This is even more true in the case of the large group of older people whose incomes are below the poverty level. Social Security Administration experts declare that during the past seven prosperous years, persons aged 65 or older remained the most poverty stricken age group in the nation, in spite of higher Social Security benefits.

The fact that aged men and women are less likely to work regularly than younger persons, and that they earn less when they do work is the main reason why poverty is so much more prevalent among the aged.

On the average, aged couples or persons living alone must get along on half the money income available to a young couple or a single person—a difference greater than any possible differential in living requirements.

Under the Older Americans Act of 1965, a stated national goal is, "an adequate income in retirement, in accordance with the American standard of living." Another goal is, "retirement in health, honor, dignity," after years of contribution to the economy.

Among the newer and more creative programs designed to help the elderly (both poor and affluent) to help themselves is "Project Moneywise Senior."

#### THE PROGRAM

Project Moneywise employs skilled instructors and creative instructional methods to help meet the need of older people to handle financial affairs intelligently. The main idea is that if a few representatives of our older citizens can be given intensive training in fighting fraud and quackery, using credit wisely, shopping and budgeting to maximum advantage, and using available community services, then these few can go out and teach what they have learned to many other older citizens.

Specifically, the proposed program combines: 1) a series of training courses in the principles of consumer education for indigenous leaders among older people; and 2) a follow-up program in which the skills obtained by these leaders are used in their local communities.

Twenty-five older persons will be selected on the basis of their leadership skills and commitment to be of service to others. These twenty-five leaders will comprise the class to receive a four-week training course, for six hours a day, in consumer education.

At the conclusion of the course, these graduates will be available on request and may be paid a small stipend to organize new courses; give talks on consumer education; assist in financial counseling; and work in credit unions as bookkeepers, auditors, loan counselors, and other similar positions. This follow-up action should attempt to reach a cross-section of the community so that the consumer information needs of older people at all income levels are met.

The skills of the graduates of the course could be utilized by a variety of State and local organizations. The State Agency on Aging could hire the most outstanding graduate as a part-time Consumer Education Specialist, who would provide important follow-up in local communities. A Public Welfare agency might engage the services of the Consumer Education Specialist to work as a Community Service Aide helping welfare recipients to stretch their incomes through wiser money management. Local credit unions are frequently in need of persons to hire with an interest in and a knowledge of consumer credit. Community Action Programs can use the graduates to strengthen their service program to the poor through the offering of courses and individual consultation in consumer education. The Consumer Education Specialists might assist a Public Housing Authority in encouraging community support for increased consumer education programs to housing residents. Multipurpose senior centers might utilize their skills in reaching older people in need of consumer information assistance.

The agenda for the four-week consumer education program includes the following:

1. Overview of the consumer problem especially as it affects the elderly.
2. Consumer education with emphasis on problems of the elderly.

3. Marketing and shopping weaknesses. The exploitation of the elderly within the low income market; the vicious peddler system and its high pressure tactics, mail order fraud, consumer patterns, etc.

4. Recognition of fraudulent and deceptive practices.

5. Financial counseling and budgeting for the elderly.

6. Cost of credit and how to use it wisely.

7. Discussion of available public services (complete referral services).

8. Federal programs which provide aid to aged programs (Social Security, Medicare, Quackery and Fraud, Drugs, Nutrition, Health, and Housing).

9. Understanding organization and operation of a credit union as an organization encouraging wise money management and as an alternative to the high rate money lender. This will include a discussion of buying clubs and cooperatives.

10. Leadership development and community organization training.

#### ADMINISTRATION OF PROGRAM

The sponsor will be responsible for:

1. Promoting the program throughout the City or State;

2. Screening and selecting the leader-students;

3. Locating classroom facilities; and

4. Assisting program to achieve training objectives.

The Regional Associate Commissioner for Aging Programs in the Social and Rehabilitation Service Regional Office will be responsible for serving as liaison and consultant between the State or local sponsor and the Office of State and Community Services of the Administration on Aging. The Office of State and Community Services will contact the Bureau of Federal Credit Unions concerning the initiation of a course when requested and maintain a clearinghouse to control scheduling.

#### FINANCING

The total cost for conducting a four week training program will be approximately \$6,500 (See Budget). If travel expenses for participants are to be paid, this should be built into project costs. The Bureau of Federal Credit Unions will provide the personnel for conducting the training courses. Other agencies will be requested to share in the teaching at various stages. They include the President's Committee on Consumer Interests, the Bureau of District Office Operations of the Social Security Administration, the Consumer and Marketing Service of the Department of Agriculture, the Federal Trade Commission, Food and Drug Administration, and the Social and Rehabilitation Service, Department of Health, Education, and Welfare. In cases where the sponsor is a State Agency on Aging, funds can be provided out of State Planning Administration Funds (SPAF) or Project Grant Funds (PGF) in the form of a grant or contract.

#### SELECTION OF CANDIDATES

Selection standards for participants in the program should be high. The primary objective is to obtain a pool of consumer education aides to assist other older people. Those selected for the courses should have a strong motivation to serve people. In addition, they should have the ability and time to transmit the knowledge they obtain to others. It should be made clear at the beginning that participants must attend all sessions of the training course and keep up with daily assignments.

#### *Sample budget: Consumer education—4 weeks*

Personnel services: 2 instructors at GS-13—1 month.....	\$2, 400
Travel: 2 round trips averaging \$150 per trip.....	300
Per diem: 30 days at \$16 per day, 2 instructors.....	960
Student stipends: 25 students at \$20 per week, 4 weeks.....	2, 000
Miscellaneous: Printing, freight, supplies, training aids, etc.....	300
Overhead: Share of overhead expenses in administration of program (this could vary depending upon number of programs being conducted concurrently) .....	500
<b>Total</b> .....	<b>6, 460</b>



## SAMPLE AGENDA

*First Day*

9:00 a.m. to 11:00 a.m. : Registration, Introduction and Orientation.

*Defining the Problem*

11:00 a.m. to 3:00 p.m. : Problems of Senior Citizens in America Today.

3:00 p.m. to 4:00 p.m. : Introduction to Consumer Patterns.

*Second Day*

9:00 a.m. to 11:00 a.m. : Consumer Patterns of the Senior Citizen.

11:00 a.m. to 4:00 p.m. : The Senior Citizen and his Market Place.

*Third Day**Consumer Education*

9:00 a.m. to 11:00 a.m. : Introduction to Consumer Education.

11:00 a.m. to 4:00 p.m. : Consumer Education for the Senior Citizen.

*Fourth Day*

9:00 a.m. to 4:00 p.m. : Consumer Education—Aide to the Senior Citizen.

*Fifth Day*

9:00 a.m. to 11:00 a.m. : Consumer Education—Fraudulent and Deceptive Practices.

11:00 a.m. to 4:00 p.m. : Consumer Education—Credit, Tool, or Trap.

*Sixth Day*

9:00 a.m. to 12:00 noon : Consumer Education—Credit, Tool, or Trap.

1:00 p.m. to 4:00 p.m. : Co-ops and Buying Clubs.

*Seventh Day**Money Management*

9:00 a.m. to 4:00 p.m. : Budgeting for Senior Citizens.

*Eighth Day*

9:00 a.m. to 4:00 p.m. : Financial Counseling.

*Ninth Day**Leadership*

9:00 a.m. to 12:00 noon : Interviewing Techniques.

1:00 p.m. to 4:00 p.m. : Conference Leadership.

*Tenth Day*

9:00 a.m. to 4:00 p.m. : Conference Leadership.

*Eleventh Day**Skills*

9:00 a.m. to 4:00 p.m. : Basic Credit Union Operations.

*Twelfth Day*

9:00 a.m. to 4:00 p.m. : Loan Counseling.

*Thirteenth to Seventeenth Day*

9:00 a.m. to 4 p.m. : Bookkeeping.

*Eighteenth and Nineteenth Day*

9:00 a.m. to 4:00 p.m. : Auditing Techniques.

*Twentieth Day*

9:00 a.m. to 4:00 p.m. : Effective Collection Procedures.

## TRAINING COURSE CONTENT

*Phase I—Defining the Problem.*—The purpose is to create a better understanding of the overall problems of senior citizens for all participants. This will be accomplished by having guided group discussions of the general and specific problems of senior citizens. This phase also attempts to pull the group together into a cohesive unit.

## SUBJECTS

1. Problems of the Senior Citizens in America today.
2. The Senior Citizen and his Marketplace.
3. Introduction to Consumer Patterns.

*Phase II—Consumer Education for the Senior Citizen.*—This phase is designed to cover the broad area of consumer education with emphasis on the specific consumer problems of senior citizens.

## SUBJECTS

1. Introduction to Consumer Education.
2. Consumer Education for the Senior Citizen.
3. Aid to the Senior Citizen :
  - A. Social Security
  - B. Quackery and Frauds
  - C. Drugs, Health
  - D. Nutrition, Food Stamp Program
  - E. Protective Services
4. Fraudulent and Deceptive Practices.
5. Credit, Tool or Trap.
6. Co-op's and Buying Clubs.

*Phase III—Money Management.*—Emphasis on teaching the senior citizen how to make the most effective use of available income. Giving the senior citizen tools to help solve and prevent financial entanglements and legal difficulties.

## SUBJECTS

1. Budgeting for Senior Citizens
2. Financial Counseling
  - A. Referral Service in Depth
  - B. Debt Proration
  - C. Types of Credit Available
  - D. Insurance: Health and Life
  - E. Wills
  - F. Legal Services

*Phase IV—Leadership.*—To provide the participants with techniques that will enable them to be effective counselors, organizers, and conference leaders. Techniques for public speakers.

## SUBJECTS

1. Interviewing Techniques
2. Conference Leadership
3. Community Organization Techniques

*Phase V—Skills.*—To teach skills that can be used in credit unions or similar activities which serve as an aid in improving the economic well-being of people.

## SUBJECTS

1. Basic Credit Union Operations
2. Loan Counseling
3. Bookkeeping
4. Auditing Techniques
5. Effective Collection Procedures

## EXHIBIT A—SAMPLE PRESS RELEASE—OPENING OF COURSE

A training program in consumer education for a selected group of older citizens will be conducted in \_\_\_\_\_ according to an announcement made today by, \_\_\_\_\_ (Location of Training Program) The Consumer Education Training Program for senior citizens will be held \_\_\_\_\_ Approximately 25 (Day, Date, and Time) participants ranging in ages from \_\_\_\_\_ to \_\_\_\_\_ have enrolled.

Project Moneywise-Senior is to be presented for the purpose of training older Americans to help their friends and neighbors, specifically the aged, develop economic self-security.

Frequently the victims of unscrupulous merchants, the older citizens will be taught practical consumer skills and family financial counseling. They will learn to prepare a family budget; to compare values, prices, and credit in shopping; and to use group effort to combat financial ills. With the knowledge gained from the classes, the trainees will return to their local communities and help other older citizens to help themselves. The trainees will also be taught credit union operations and management. This job skill may be employed to supplement income and enable older people to become participating members of their communities.

William D. Bechill, Commissioner on Aging, has stated: "We are convinced that ranking high among the many services which must be made available to our older citizens are imaginative and effective consumer education programs." Consumer education, family financial counseling and places to borrow at low rates of interest are the objectives of this new program—Project Moneywise-Senior.

EXHIBIT B—SAMPLE PRESS RELEASE—GOVERNOR PRESENTS CERTIFICATES

CONSUMER EDUCATION TRAINEES

Twenty-five senior citizens who completed a Federal-State sponsored program in consumer education will receive certificates signed by the Governor in ceremonies at the State Office Building. Receipt of the certificates marks their completion of the Consumer Education Training Program, a four-week course sponsored by ----- and taught by officials of the Bureau of Federal Credit Unions of the U.S. Department of Health, Education, and Welfare.

Project Moneywise Senior consists of workshops that seek to teach people how to make their dollars stretch further. The training program taught these older Americans how to help their friends and neighbors, particularly the aged, develop economic self-security.

Frequently the victims of unscrupulous merchants, the older citizens were taught practical consumer skills and family financial counseling.

They learned how to prepare a family budget, to compare values, prices and credit shopping; and how to use group efforts to combat financial ills.

With the knowledge gained from their classes and field trips, the trainees now will return to their local communities to help other older citizens to help themselves.

Attending the ceremony in the State Office Building, in addition to -----, will be -----.

Trainees receiving certificates include -----.

EXHIBIT C—SAMPLE RELEASE, PROMOTIONAL COPY

CONSUMER EDUCATION TRAINING PROGRAM

The ----- is contacting key people working with the elderly in and around the State for names of persons likely to be benefited by a four-week consumer education course.  
(Sponsor)

This course will deal with problems in consumer education, credit union operations and management, and family financial counseling.

The ----- is conducting this course, and aiming it at the financial problems of the elderly. The course will last 6 hours a day for 20 days. A portion of this time will be spent in field trips, which will serve as laboratories for the classroom work, and in small discussion groups to share the students' experiences.  
(Sponsor)

Ideally, the participants in this program will return to their community and conduct consumer education programs for other older people. These people will be expected to serve as resource persons within their area for consumer problems. Out-of-pocket expenses for travel and lunch will be absorbed by the program.

SOCIAL AND REHABILITATION SERVICE

REGIONAL COMMISSIONERS

Region I: Neil P. Fallon, John F. Kennedy Federal Building, Government Center, Boston, Massachusetts 02203.

Region II: James C. Gallison, Room 1200, 42 Broadway, New York, New York 10004.

Region III: Corbett Reedy, 220 Seventh Street, N.E., Charlottesville, Virginia 22901.

Region IV: Virginia Smyth, Room 404, 50 Seventh Street, N.E., Atlanta, Georgia 30323.

Region V: Dr. Effie O. Ellis, Room 712, New Post Office Building, 433 West Van Buren Street, Chicago, Illinois 60607.

Region VI: H. Lyle Knight, 601 East 12th Street, Kansas City, Missouri 64106.

Region VII: Doyle Best, 1114 Commerce Street, Dallas, Texas 75202.

Region VIII: James R. Burress, 9017 Federal Office Building, 19th and Stout Street, Denver, Colorado 80202.

Region IX: Philip Schafer, Federal Office Building, 50 Fulton Street, San Francisco, California 94102.

#### ASSOCIATE REGIONAL COMMISSIONERS

Region I (Conn., Maine, Mass., N.H., R.I., Vt.): Mr. James C. Hunt, John Fitzgerald Kennedy Federal Building, Boston, Massachusetts 02203.

Region II (Dela., N.J., N.Y., Pa.): Miss Eleonar Morris, Room 1420, 42 Broadway, New York, New York 10004.

Region III (D.C., Ky., Md., N.C., Va., W. Va., Puerto Rico, Virgin Islands): Mr. H. Burton Aycock, 220 Seventh Street, N.E., Charlottesville, Virginia 22901.

Region IV (Ala., Fla., Miss., S.C., Ga., Tenn.): Mr. C. Franklin Nicholson, Room 404, 50 Seventh Street, N.E., Atlanta, Georgia 30323.

Region V (Ill., Ind., Mich., Ohio, Wisc.): Miss Verna Due, Room 712, New Post Office Building, 433 West Van Buren, Chicago, Illinois 60607.

Region VI (Iowa, Kans., Mo., Minn., N.D., Nebr., S.D.): Miss Ameila Wahl, 601 East 12th Street, Kansas City, Missouri 64106.

Region VII (Ark., La., N. Mex., Okla., Texas): Mr. Harold S. Geldon, 1114 Commerce Street, Dallas, Texas 75202.

Region VIII (Colo., Iadho, Mont., Utah, Wyo.): Mr. Clinton W. Hess, Room 9017, Federal Office Building, Denver, Colorado 80202.

Region IX (Calif., Nev., Ariz., Wash., Alaska, Hawaii, Guam, Samoa): Mr. Charles P. Weikel, 406 Federal Office Building, 50 Fulton Street, San Francisco, California 94102.

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ITEM 3: MRS. HELEN H. LAMALE,\* CHIEF, DIVISION OF LIVING CONDITION STUDIES, BUREAU OF LABOR STATISTICS, U.S. DEPARTMENT OF LABOR

(Subsequent to the hearing, the chairman asked several questions in a letter to Mrs. Lamale. The questions and responses, with attachments, follow:)

*Question. Senator Church. May we have additional discussion of your statement: "The Medicare program shaped part of the standard for medical care."*

*Answer. Mrs. Lamale.* The medical allowance in the Retired Couple's Budget includes hospital and medical insurance as provided by the Federal Medicare program, initiated in July 1966. Under the hospital insurance, for each spell of hospitalization there is an initial \$40 deductible amount paid by the enrollee, and the insurance fully covers the remaining hospital costs for the first 60 days. Hospital insurance also includes 20 posthospital days in an extended care facility and 100 posthospital home health visits, at no cost to the enrollee. Finally, the hospital coverage includes outpatient hospital diagnostic benefits, for which the enrollee pays the first \$20 and 20 percent of the balance of the costs for each diagnostic study.

Under the medical insurance program each enrollee pays a monthly premium amounting to \$3 in 1966-67. In addition, the enrollee pays the initial \$50 of costs plus 20 percent of all remaining costs for services and supplies (medical and surgical services of a physician, diagnostic tests, selected medical supplies, and home health benefits).

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\*See testimony, p. 371.

Since the budget is designed for a couple in reasonably good health and able to take care of themselves, it was assumed that no charges were incurred by the couple for the longer term provisions of Medicare. For the autumn 1966 budget, the estimated annual average out-of-pocket cost (\$148) for all Medicare enrollees was provided for budget use by the Office of Research and Statistics of the Social Security Administration, based on survey data for the first 12 months of the program. That portion of the estimated cost which covered the nonpremium charges under medical insurance (\$58) was adjusted by BLS to reflect intercity differences in costs primarily the differences in fees for physician visits—using data from a special BLS analysis.

Since Medicare does not cover the cost of routine dental care, eye examinations or eyeglasses for refractive error and correction, or most out-of-hospital prescription and nonprescription drugs, allowances for these items were added. Also added was a checkup visit to a physician for Medicare enrollees not using any Medicare services within 1 calendar year. Dental care quantities were derived from 1963-64 utilization data in the National Health Survey. Allowances for eye care and prescriptions and drugs were developed from the BLS 1960-61 Consumer Expenditure Survey data.

*Question. Senator Church. You also refer to "the increased ownership and use of automobiles by retired couples." May we have additional discussion of this point?*

*Answer. Mrs. Lamale.* The original Elderly Couple's Budget for a modest but adequate standard, developed by the Social Security Administration in 1946-47, provided only public transportation and made no provision for automobile ownership or use. When the Bureau of Labor Statistics prepared the revised Interim Budget for a Retired Couple in 1959, an allowance was included for automobile ownership by 14 percent of the couples in New York, Philadelphia, and Boston, and by 22 percent of the couples in the other 17 large metropolitan areas for which the interim budget costs were computed. These percentages reflected the practices of retired couples in these large cities at that time.

In the autumn 1966 revision of the moderate Retired Couple's Budget, the costing of the budget was extended to include smaller metropolitan areas and nonmetropolitan areas. The percentage of auto ownership was increased to 25 percent for the New York area; 40 percent for Boston, Chicago, and Philadelphia; 60 percent for all other metropolitan areas; and 68 percent in nonmetropolitan areas, reflecting the increased ownership and use of automobiles by retired couples in the 1960's, as compared with the 1940's and 1950's. These data were obtained from the Bureau's surveys of consumer expenditures and indicate a substantial increase in the transportation standard over the two decades.

*Question. Senator Church. Your prepared statement referred to the requests by public assistance agencies to suggest ways in which the moderate standard budgets could be scaled down. How will your so-called "down" budget help such agencies? How will BLS assure that such a budget will not be used as a rationale for even less adequate assistance to the elderly? And once again, may I ask, what items can possibly be removed from your "moderate" budget?*

*Answer. Mrs. Lamale.* As indicated in my prepared statement the development of lower and higher standard budgets for a 4-person family and a retired couple was the recommendation of the Bureau's Advisory Committee on Standard Budget Research. (See enclosed report.) This Committee was made up of non-Federal Government users of standard budgets and included representatives from labor and business organizations, academic research, and private welfare agencies, as well as public assistance agencies. In recommending the development of a lower standard, the Committee, in effect, concurred with the judgment of public assistance program administrators that the norms represented by the moderate standard are too high to be consistent with the objectives of public assistance programs, or with the funds available to administer such programs. Similar problems with the use of the moderate standard had been encountered by legislative planners and by administrators in forming eligibility criteria and benefit levels for such programs as public housing, unemployment insurance, workmen's compensation, etc.

In agreeing to develop the lower standard budgets, the BLS made quite clear that the lower budgets are *not* designed "to identify the cutoff point which sepa-

rates families with enough from those with insufficient income, in the context of these and numerous other programs." This standard does provide the basis for additional estimates of living costs which may constitute a more realistic benchmark than the moderate standard and hence be more useful to those concerned with problems of inadequate income.

Since all BLS standard budgets are general purpose benchmark measures and are not tailor-made for any specific program, the Bureau cannot accept responsibility for their use in relation to specific program issues. The responsibility for such use (or misuse) rests with the user. It is the Bureau's responsibility in publishing these budgets to provide the technical data and to describe in detail the contents of the budgets and the basic assumptions and procedures used in their derivation. The BLS has fulfilled this responsibility with respect to the current budget program with the publication of the technical bulletin series numbered 1570-1 through 6, and with numerous articles in the *Monthly Labor Review* and other professional journals.

*Question. Senator Church. May we have additional information on how the BLS budgets are used, as you said in your testimony, "to measure the adequacy of various types of pensions in existence now."*

*Answer. Mrs. Lamale. The major purpose in the construction of the original "Budget for an Elderly Couple," issued by the Social Security Administration in 1948 was to evaluate the level of payments to beneficiaries. Chart A, pp. XII and XIII of your Committee's Task Force Working Paper is an excellent example of this type of use. Other examples of such use in Federal programs are cited under item 12, White House Conference on Aging (p. 20) and item 4, Medical Care Program (p. 24) of the enclosed "Report of the Advisory Committee on Standard Budget Research."*

The Retired Couple's Budget has been used extensively by the University of Colorado and the Colorado Department of Public Welfare in evaluation of the State old-age pension; see item 2 (c), p. 25, of the enclosed report.

The budget has also been used by both labor and management in planning and administering private pensions, frequently with the help of private consulting firms; see item 7 (b), p. 19 for an example.

The enclosed paper which I prepared for the Church Pensions Conference at their invitation illustrates the interest in and use of the Retired Couple's budget in appraising the adequacy of the pension plans of the some 60 member denominations.

The Retired Couple's Budget was used to appraise the adequacy of current and future pension income in the Social Security Administration Research Report No. 24, *The Economic Status of the Retired Aged in 1980: Simulation Projections* (see Measures of Income Adequacy, pp. 45-47 and Chapter V, Summary and Conclusions).

*Question. Senator Church. You did not have adequate time to respond to my question about a cost-of-living index for the elderly, similar to that established in Great Britain. I would like additional discussion of this method.*

*Answer. Mrs. Lamale. The question of whether a "cost-of-living index," or consumer price index, specially designed for the elderly should be prepared is primarily a question of whether the expected differences in the trends of such an index from those of the existing Consumer Price Index are sufficiently large to warrant the substantial additional costs required to prepare the special index for the elderly. Although the expenditure weights for goods and services which would be used to combine the prices in an index for the elderly would be quite different from those used in the Consumer Price Index for employed wage-earner and clerical-worker families, the price trends might not differ significantly.*

In the past, there has been some misunderstanding about the relationship between price changes as indicated by the Consumer Price Index and changes in prices of goods and services which retired persons buy. There has been a tendency to think that the increase in price for the older families will always be greater than that measured by the Consumer Price Index for younger families. This is not necessarily true. It is true that in the period from 1950 to 1960, when many of the price changes were associated with medical service and other items which weighed heavily in the spending of the elderly, that the CPI probably understated the rise in prices for the elderly. During this decade prices for all urban U.S. consumers increased an average of 23.5 percent, and prices for families with

the head aged 65 years or older increased 24.5 percent—an average annual difference of only 1 percent. Even in this period, however, the differences were not substantial.<sup>1</sup> In the 1960's, with Medicare and other changes in the distribution of goods and services in the budgets of retired persons, another pattern of relationships between the Consumer Price Index and one appropriate for retired persons might be found. For example, between autumn 1966 and autumn 1968, the CPI increased 7.3 percent, while the Retired Couple's Budget increased 6.3 percent. Over long periods of time increasing standards of living may have a greater impact than price increases on the cost of living of retired persons.

**EXHIBIT A. REPORT OF THE ADVISORY COMMITTEE ON STANDARD BUDGET RESEARCH—  
U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS, OFFICE OF PRICES  
AND LIVING CONDITIONS—JUNE 1963**

**SUMMARY**

This Committee has been asked by the Bureau of Labor Statistics to advise on the direction that its research on standard budgets should take, with special reference to meeting the needs of users. The Committee has examined the ways in which standard budgets have been used in the past and considered some ways that they might be used in the future. The review of the subject and conclusions as to a program that would be most useful are presented in the following report.

In brief, the Committee is impressed with the variety and importance of ways in which standard budgets are used. They are used as tools in economic research to appraise the economic condition of the population and indicate the severity of problems that merit public attention. They are also used in administrative determinations under laws that require estimates of the cost of various standards of living and are a factor in decisions of social agencies and courts. These uses are so important and so varied that an expansion in research on standard budgets seems to us necessary. Committee priorities for a program on standard budget research are as follows:

**RECOMMENDATIONS**

1. The Committee recommends that BLS prepare a budget of the same general character as the City Worker's Family Budget, which was first issued in 1948. To this should be added a budget for a retired couple, similar to the Elderly Couple's Budget, which was first prepared by the Social Security Administration in 1948, and a budget for a single working woman. Specifications for the last-named should be developed after consultation with an advisory committee representing the State Labor Departments that are concerned with the use of standard budgets for minimum-wage orders and the Women's Bureau of the U.S. Department of Labor.

The three budgets should be for a "modest but adequate" living standard, following the broad concept used for the 1948 CWFB. The list of goods and services required to express this concept needs to be worked out afresh, however, in view of the changes in levels of living that have taken place and the likelihood that standards of living have also changed. This report discusses some of the problems involved in implementing this concept. In general, the Committee affirms the previous decision to use standards of adequacy based on the judgment of scientists and experts to the extent that such standards are available, supplemented by the analysis of statistical data on consumer practices. The Committee recommends publication of more detailed information than was supplied in the past for the CWFB on steps in the research process, evaluation of alternative methods, and comparison of budget quantities with consumption by families of the specified type in various income groups. Publication of detail on cost components (for example, the separate estimates for owners and non-owners of automobiles in the CWFB) also is useful because of the flexibility it affords users.

2. The Committee recommends that cost estimates for the quantity budgets be obtained for the total urban population of the United States. Cost estimates are recommended also for each city of 1 million or more separately, with two esti-

<sup>1</sup> See "The Impact of Rising Prices on Younger and Older Consumers," BLS Report 288-2.



mates for smaller cities, one covering cities of 50,000 to 1 million and the other covering cities under 50,000 population.

3. The Committee recommends that research be expanded to develop methods for deriving additional standard quantity budgets. Budgets for standards of living other than the modest-but-adequate and budgets for additional types of families are needed by users, and the Committee hopes that progress can be made along both lines. The majority of Committee members give priority to representing additional standards of living because so many users need such budgets. The Committee also agreed that while there was a more immediate need for budgets for a standard below the modest-but-adequate, budgets covering both lower and higher standards would provide a more balanced insight into the differences among these levels and would be useful in economic analysis. The Committee emphasized, however, that results in this area depend on the development of a satisfactory methodology for deriving additional standards.

For additional family types, the needs of users have in the past been partially met by equivalence scales, which are estimates of total budget costs, based on analysis of income and expenditure data. Some of the Committee members who preferred that expansion of budget research be first in the direction of covering additional family types made this choice because the details of complete quantity-cost budgets are needed for uses that they judge to be important. Others who preferred that expansion be in the direction of covering more family types concluded that effort along this line is most likely to contribute to sound development of methods.

In addition to working on problems raised by the contemplated revision of standard budgets, the Committee suggests that BLS undertake research directed towards long-run improvement in standard budget concepts and methods.

## REPORT

### I. USES OF STANDARD BUDGETS

The Committee has examined the ways in which the City Worker's Family Budget and the Budget for an Elderly Couple have been used during the 15 years that they have been available and has taken account of uses of other standard budgets. The Committee has also tried to look ahead and consider ways in which such budgets might be used in the future and modifications that would make them more useful. Because the discussion started with ways the CWFB and the ECB have been used the presentation of uses inclines towards the specific or practical, rather than the general or theoretical approach.

The experience represented by Committee members as users of standard budgets also explains the emphasis on specific uses. Nevertheless, the Committee recognizes that standard budgets make important contributions to research and education in the social sciences. They are valuable to economists as tools and have undoubtedly been used in ways that have not come to our attention and have potential uses that have not occurred to us. They also contribute to public understanding of living conditions, and thus to the development of public policy. Data from family expenditure surveys also serve these purposes, and are preferred by some users. But the standard budgets are convenient to use in describing a standard of living because of their presentation in terms of quantities of specific goods and services and because the cost of these goods and services can be adjusted for price changes. Moreover, the descriptive definition, "modest but adequate" in the case of the CWFB, helps to make the array of goods and services more meaningful to many users.

#### A. Major uses

The Committee considers the most important uses of standard budgets to be those that involve interpretation of the cost of the budgets as representing the amount of money needed to obtain a defined standard of living. Using the estimated cost of the budgets as a benchmark, it is then possible to estimate the number whose incomes, wage rates, benefits or allowances are not sufficient to purchase or otherwise acquire the goods and services making up the defined standard.

These uses are of three general types, as described below. The attached bibliography lists specific examples of each type of use.

*Group 1.—Appraisal of the economic condition of groups or of the total population*

Much of this research is undertaken to identify the population groups living below a standard generally accepted as adequate and to estimate the size of these groups. The purpose of these analyses has generally been as background for the development of public policy. They have been undertaken either because the author or group involved believed that the public should be informed of the extent of less-than-adequate incomes or in response to a Congressional request. During the past year, for example, there has been discussion as to whether the USA is truly an "affluent" society when so many people have incomes below levels variously defined as adequate, despite substantial income increases for a large share of the population. Because of concern for the economic position of older people and children, estimates of needs and economic status of retired people and of families with children have been numerous.

Another application of this approach has provided estimates of aggregate requirements for consumer goods which are used in developing public policy and in market analysis. For example, what would it cost on a nationwide basis to meet needs as defined by a standard budget for the aged? By a budget for families responsible for children? Economists have occasionally used standard budgets in making estimates of future or potential demand for consumer goods. Such projections of demand have been considered in developing public policy, for example on the question of maximum domestic consumption of agricultural products. They have also been used in market analysis by industry groups, for example, by producers of household durable goods and by those who wish to estimate the amount of discretionary income.

The method used has generally been to compare income distributions, either current or estimates for a future date, with estimates of need derived from levels identified by standard budgets. The number with incomes below the estimates of need, or the aggregate dollar amount of unmet need, is interpreted as indicating the nature of the problem or the potential demand.

*Group 2.—Evaluation of the need for and the effect of specific laws and programs*

Uses in this group generally reflect concern with Federal policy or legislation. For example, Congressional dissatisfaction with the lack of information on the cost of an adequate standard of living for use in appraising income tax exemptions was one of the impelling forces in the development of the original CWFb. The 1948 "Budget for an Elderly Couple" was prepared by the Social Security Administration for use in determining to what extent social security benefits or old age assistance payments, when added to other resources, provide a reasonable level of income.

Examples of other questions of this kind are: How do standards of need under such programs as aid to the families of dependent children, the blind, the disabled compare with levels of adequacy as defined by standard budgets? Do payments under unemployment insurance meet needs? How much can families at different income levels spend for housing, if other needs are met? How much can be spared for major medical expense by families, or by retired couples? If loans or grants for advanced education are to be considered, what are necessary living expenses for young couples?

*Group 3.—Guidance of administrative determinations of need*

An administrative determination of need or the cost of an adequate living is required by a number of laws. For example, more than half of the 34 State minimum-wage laws provide for setting rates by wage orders. These laws generally provide that the minimum wage should be sufficient to provide a "minimum health and decency" standard. Although some of the laws cover men as well as women, standard budgets have most often been prepared for women. This is because the industries covered by the State minimum-wage laws employ large proportions of women and because women are in the low end of the wage scale in these industries.

The Public Assistance titles of the Social Security Act requires that the States define needs to be considered in determining eligibility and the amount of public assistance payments. (The level is considerably below that of the CWFb.) Eligibility for public housing also is determined on the basis of need, as estimated from standard budgets. Judicial decrees as to support orders and

alimony payments have taken account of standard budgets in determining either ability to pay or the recipient's need.

The extent to which clients are able to pay for services enters in the policies and procedures of private and voluntary agencies also. Examples are determinations of ability to pay for subsidized medical, mental health or guidance services. Determinations of need for and equitable amounts of college loans or scholarships are becoming increasingly important.

These laws and programs differ considerably in the standards of living with which they are concerned. They are alike, however, in that the laws or agency regulations require that administrative policy and procedures define need or ability to pay. These uses of standard budgets are alike, also in that the administrative decisions usually are made by State, local or private agencies rather than by the Federal Government.

Considering these administrative determinations of need together, it is evident that a great many people are affected by them. The total sum of money to be distributed is also large, involving funds for public assistance, public housing, subsidized health and social services and college scholarships. It seems likely, moreover, that the importance of this kind of use of standard budgets will continue to grow, in view of the increased use and rising cost of hospitalization, medical care, mental health services, higher education, and the growing acceptance of the idea that fees should be adjusted on the basis of ability to pay.

### *B. Budget materials needed*

#### 1. Family types, living standards, and geographical coverage.

During the several meetings of the Committee it became evident that the possibilities for standard budgets were so varied that we could best choose among them on the basis of their suitability for the kinds of uses described above. While there are other kinds of uses, the Committee agreed that the three types mentioned should be controlling in our recommendations.

Broadly speaking, the choices as to the direction an expanded research program might take were among budgets for additional family types, budgets for additional standards of living, and expansion of the geographic coverage of budget cost estimates.

#### *(a) Family size and types*

The uses that have been made of standard budgets and the discussion of potential uses made clear that a list of all the family-size-type groups for which users must and actually do estimate budget quantities and costs would be of formidable length. We set as our objective, therefore, to prepare a list of family types that would go furthest in satisfying the diverse requirements of the important uses described in the preceding section, recognizing that many users must make their own estimates to extend the list further.

The following classification was considered by the Committee (not listed in order of priority) :

- (1) One person, woman of working age.
- (2) One person, retired, 65 and over.
- (3) Couple under 35.
- (4) Couple, retired, 65 and over.
- (5) Young couple, one child.
- (6) Current CWFB family, couple, 2 children.
- (7) Couple, 3 children.
- (8) One-parent family, 1 or 2 children.

This list, in addition to meeting precise needs for many of the important uses, provides the basis for estimates for others. The criteria for the selection are described below.

(1) *To represent significantly large groups in the population.*—This objective is especially important for users who wish to appraise the economic position of the population or evaluate the impact of programs (Groups 1 and 2). Table 1 (page 5) shows the size of several family-type groups in the population. The importance of the family with husband and wife both present and of families with children is generally recognized. The large numbers of other kinds of families and of couples below the retirement age are less often recognized, as are the relatively small numbers of families of more than 5 persons. The Committee realizes that for comparison with income data a size, rather than a type, classification of families is required because income distributions are generally available by family size. Budget costs can be determined, however, only if there is specification of family composition.

TABLE 1.—URBAN FAMILIES OF DIFFERENT SIZE AND COMPOSITION, 1960

	Number (in millions)	Percent distribution
All families.....	42.4	1000.0
1 person.....	10.4	24.5
65 years and over.....	2.9	6.8
Under 65 years.....	7.6	17.9
2 persons.....	10.7	25.2
Head 65 years and over.....	2.9	6.8
Head under 65 years.....	7.8	18.4
3 persons.....	7.1	16.7
4 persons.....	6.5	15.3
5 persons.....	4.0	9.4
6 persons.....	2.0	4.7
7 or more persons.....	1.7	4.0
All families of 2 or more persons.....	31.9	100.0
Male head.....	28.6	89.7
Married wife present.....	27.7	86.8
Wife not in paid labor force.....	19.5	61.1
With own children under 18.....	11.8	37.0
Without own children under 18.....	7.7	24.1
Wife in paid labor force.....	8.3	26.0
With own children under 18.....	4.4	13.8
Without own children under 18.....	3.8	11.9
Other marital status.....	.9	2.8
With own children under 18.....	.2	.6
Without own children under 18.....	.7	2.2
Female head.....	3.3	10.3
With own children under 18.....	1.5	4.7
Without own children under 18.....	1.8	5.6

Note.—Differences in addition are due to rounding.

Source: U.S. Bureau of the Census, "U.S. Census of Population: 1960, Detailed Characteristics." U.S. summary, Final Report PC (1)-1D.

(2) *To provide the basis for estimating needs for groups likely to be of concern in national policy formation.*—(These are the uses described above in Group 2.) Past experience has amply demonstrated the need for budgets and budget cost estimates for those who are retired. For this use, the retired person who lives alone was added to the list. Concern for the welfare of children supports the inclusion of four of the family types on the list (numbers 5 through 8). The addition of the one-parent family takes account of the large number of the nation's children in such families. The array of families generally thought of as normal (numbers 3, and 5 through 7) provides for the requirements of users concerned with estimating the impact of tax exemptions and rates as well as estimates of need for health services and housing under different conditions. Looking ahead towards potential uses, such as the problem of financial assistance for advanced education when so many of the students are married, the inclusion of young families (numbers 3 and 5) seemed desirable.

(3) *To give the maximum assistance to those who must make administrative decisions.*—(These are the uses classified in Group 3 above.) Because so many of these administrative determinations involve estimating living costs for a specific family, it would be almost impossible to prepare budgets for all the sizes and types of families that are affected. Moreover, many of these determinations are made to comply with local laws or regulations, to implement the policies of private organizations or to provide information requested by courts. However, the CWF and the Budget for an Elderly Couple have been used by this group and users would be greatly assisted by the addition of data for more family types. All of those listed are wanted by users who must make administrative

decisions. The one-parent family is of special concern to those in social work. The budget for a woman of working age was added to serve as a guide to States in preparing budget-cost estimates for minimum-wage determinations.

(4) *To differentiate groups that have markedly different patterns of living and needs.*—While the details of specifications to meet this criterion must be settled by the technicians involved, the Committee recognizes that it is an important consideration. Obviously, budget quantities or costs for a retired couple or for a one person family should not be derived as a fraction of those developed for the original CWFB family. Similarly, it has been well established by research that age of the family or stage in the family life cycle makes a great deal of difference in expenditure patterns, needs and costs. Hence the development of budget materials should separate the family types that are distinct in this respect. The Committee believes that its proposed list (see page 4) does this rather well in that it provides for the single person of working age, the couple without children, three normal family types with progressively older children, the one-parent family, the retired couple and the retired person who lives alone.

The Committee does not wish to be restrictive about the details of the description of families in this list and realizes that there may be changes when the expenditure data are analyzed and information from other sources is assembled. For example, it was suggested that in families with children, the age of the parents need not be specified because the age of the family unit is controlled with some precision by specifying age of the oldest child. When expenditure data are used various groupings will, of course, be necessary to have sufficient data. Moreover, age-sex groupings used in the USDA food budgets are a consideration. Hence this list is presented by the Committee as representing the kind of data that would meet the needs of various users rather than as a set of precise specifications.

Because so many women are employed outside the home, the specification for the CWFB of a family in which the wife is not employed has presented some problems to users. (See Table 1) For example, when budget costs are used to estimate the proportions of the population living at a low level, an adjustment should be made for those who reach higher levels only because the wife is working. Similarly, in administrative determinations of need, a budget for a family with the wife at home is not applicable to one in which the wife is employed.

(b) *Geographic coverage for cost estimates*

The alternatives as to geographic coverage in costing budgets presented by BLS staff for discussion by the Committee are as follows:<sup>1</sup>

(a) Pricing in a limited number of individual cities of different size on an experimental basis.

(b) All cities of a million or more.

(c) U.S. urban population plus some individual cities of over 1 million population, some individual medium sized cities, and some individual small cities.

(d) U.S. urban population plus all cities of over 1 million, cities of 50,000 to 1,000,000 combined, and cities under 50,000, combined.

(e) U.S. urban population plus regional estimates, some individual medium sized cities, and some individual small sized cities.

To meet the needs of users concerned with the country as a whole, a cost estimate for the total population of the U.S. is wanted. Recognizing that the BLS is not prepared to make such estimates for the rural population, a cost estimate for the total urban population would be most useful. Because the kinds of analyses described above are concerned with identifying as well as estimating the size of the population with incomes below a specified budget standard, regional differences are also needed, particularly for the larger cities individually and for smaller cities as a group. Users concerned with evaluating specific programs (Group 2) have similar needs. Users concerned with administrative decisions (Group 3) on the other hand, because they are concerned primarily with State or local problems, want more specific local information on costs than BLS can be expected to provide. To some extent, their needs for local cost information can be met in other ways, for example, by local pricing of the BLS budget, or by preparing their own quantity budgets, based on material made available by BLS, or by estimating State or local budget costs on the basis of U.S. averages and research findings of BLS on city-size and regional differences.

<sup>1</sup>For cities of 50,000 or more standard metropolitan statistical areas should be substituted technically for "cities."

(c) *Budgets representing different standards of living*

The BLS indicated in a memorandum to the Committee that it would consider developing quantity budgets representing standards below and above the modest-but-adequate standard represented by the CWFB. If such budgets were developed, cost estimates for selected cities, or possibly for some other geographic coverage, would be prepared.

Budgets representing different standards would be helpful to all three groups of users. The usefulness of a budget below the modest-but-adequate standard has already been demonstrated by those who have attempted to estimate the number of people living in poverty (Group 1). A budget at a higher standard would also be used in economic analysis, as evidenced by uses made of the budgets at more than one level formerly prepared by the Heller Committee of the University of California and the several food budgets of USDA. Similarly, users concerned with evaluating specific programs (Group 2) would find the option of selecting among three budgets useful. Because so many of the users responsible for administrative decisions (Group 3) are concerned with problems of dependency, their needs would be served by the addition of quantity budgets and cost estimates for a standard below the modest-but-adequate. Looking ahead, an increasing use by this group for budgets at a higher standard was seen. Examples are the consideration of budget cost estimates by courts in determining support and alimony payments, and the increasing use of fees determined on the basis of ability to pay for social and health services, and for loans and grants to meet college education costs.

2. *Committee recommendations.*

The Committee's recommendations and evaluation of their relative importance takes account of the needs of users as described above, and of the various alternatives with respect to the family sizes and types that might be covered; the geographic coverage of pricing the budget; and the levels at which budgets might be prepared.

(1) The Committee recommends unanimously as a first order of priority:

(a) *Continuation of a budget along the lines of the current CWFB.*—This implies continuation of the modest-but-adequate standard, although not necessarily with the same definition with respect to details as the current CWFB. Some of the problems involved in this definition are discussed later in this report, although the Committee recognizes that it cannot make recommendations at this time with respect to details. The Committee does recommend strongly, however, that this budget be retained, in view of the considerable use that has been made of it and the likelihood of even greater use in the future.

(b) *Continuation of the Budget for a Retired Couple.*—This budget should be set, like the CWFB, at the modest-but-adequate level. Like the CWFB, the importance of the budget for a retired couple is clearly demonstrated by the uses that have been made of it and its continuing importance.

(c) *Addition of a budget for a single working woman.*—This takes account of needs of the States for budget materials to be used as background in developing minimum-wage orders. The development of this material should be along lines defined by a committee of users from State Labor Departments and from the Women's Bureau of the Department of Labor. The present committee is impressed by the importance of this use, by the need for assistance expressed by those who work in this field, and by the suitability of using the resources of BLS for this purpose.

(2) The Committee unanimously recommends as a second priority that the pricing of the modest-but-adequate budgets be extended so as to provide estimates for the urban population of the U.S. The Committee realizes that the sampling scheme adopted for arriving at an estimate for the total urban population will determine the geographic detail that is possible. The Committee's preference is for each city of over 1 million population separately, with two estimates for smaller cities one covering cities of 50,000 to 1,000,000 and the other covering cities under 50,000 (the fourth option in the list on page 7). Regional estimates, or generalized findings on the amount of regional difference, would also be very useful. The choice of the U.S. average cost estimate, with estimates for each city over 1 million separately and smaller cities combined in two groups seems to go furthest in satisfying the needs of users.

(3) As to the next order of priority, the alternatives considered were: (a) expansion in the direction of experimental work on a standard below and one

above the modest-but-adequate for the type of family covered by the CWFB; and (b) expansion at the modest-but-adequate level in the direction of quantity-cost budgets for several family type groups in addition to the four-person family as defined for the CWFB, the elderly couple, and the single woman of working age. It was the consensus of the Committee that both alternatives would be useful. The majority gave priority to the first alternative. It was not a unanimous decision, however.

Those who preferred the first alternative were influenced by the needs of users for budgets representing different standards. All three of the groups of users described would use them. A lower level budget is most needed for estimates of the poverty level and for use in the social work field. Three standards would be especially useful as a tool in economic analysis, and a budget at a higher level might increasingly be used in determining ability to pay for fee services.

The alternative of additional standards was chosen with the understanding that the BLS would continue to prepare equivalent-income scales reflecting family-size differences, as it has in the past. These scales provide the basis for estimating the incomes at which different family-type groups are roughly equivalent to the standard developed in more detail for the basic budgets. Such scales are derived from analysis of consumption and income data from family surveys, rather than from the pricing of a quantity budget. For example, equivalent incomes for various sizes of family have been estimated on the basis of the incomes at which family-size groups are equal with respect to meeting nutritional standards, or the percent of income spent for food, or the amount saved. These scales satisfy the needs of some users who are concerned with national estimates (Group 1) but because they provide for no detail as to kinds and quantities of goods included, or even costs for broad categories, such as housing and medical care, they do not meet all of the specific requirements of other users. Some analysts have also raised technical questions about them, especially for the smallest and largest families and when applied to families in the lower end of the income distribution. Committee members who prefer the alternative of adding lower and higher levels conclude that the equivalent-income approach meets many of the needs of users for data on family-type differences although they are interested in having these relatives continuously improved from a technical view point.

Those who chose the first alternative—representing more standards of living—recognize that this recommendation will make it necessary for BLS to carry on an experimental study program in order to clarify the conceptual and methodological basis of such additional budgets.

Those who chose the second alternative (additional family types) did so because they are impressed with the need for the same kind of information for other kinds of families as has been supplied by the CWFB and the ECB. For these uses, the information provided by the equivalent-income scales is not sufficient because it provides no details as to the content of the standard of living described. This lack is especially limiting for those who need a basis for developing local quantity-cost budgets for a variety of family types.

Another reason for choosing the second alternative (additional family types) is the need for substantiation of methodology by means of tests for consistency on types of families at various stages of development. In view of problems involved in developing budgets at higher and lower levels, a more comprehensive job done at the modest-but-adequate level seemed preferable to experimenting with other standards.

As to the relative urgency of the 8 family type groups listed, the Committee concluded that a rating was not necessary. Three had already been chosen as meriting first priority, namely, the 4-person family currently used for the CWFB, the retired couple, and the woman of working age. As to the remaining types, the Committee pointed out that the young family without children, the one-person retired family, and the one-parent family represent ways of living so different from the family described by the CWFB that shortcut procedures may be less applicable than for families differing from the CWFB only with respect to age and number of children.

On the question of budgets for families in which the wife is employed outside the home, the Committee is interested in an approach that takes account of the costs incurred by women who are employed. To make separate quantity-cost budgets for families in which the wife is and is not employed might multiply unnecessarily the number presented, especially if additional family types and/or standards of living are covered. Most users can handle the problem if given the

basis for adjusting the budget cost for job-related expenses. Estimates of the additional costs incurred by employed wives have been made in the Department of Agriculture from data obtained in surveys for smaller cities. These might be supplemented by special tabulations from the 1960 expenditure survey.

### C. Other uses

Standard budgets are used in other ways than those described in these three groups. For the most part, however, these uses will be served by the materials that the Committee has recommended. Some examples of additional uses of standard budgets are in educational programs, in counselling with families, in wage negotiations, and as a measure of place-to-place differences in living costs. If the Committee had emphasized these uses more, somewhat different recommendations as to the line of development for the budget work might have resulted. For example, many of those who seek information on place-to-place differences in living costs are concerned with costs for families who are to be moved to a new location. Standard budgets are clearly not suitable for this purpose, although cost estimates for established families supply some information. Moreover, emphasis on their use to measure place-to-place differences would call for putting a higher priority on cost estimates for additional cities than for an estimate for the urban U.S. as a whole. Similarly, while standard budgets are sometimes used in counseling families, the CWFB and the ECB were not designed primarily for this purpose. Improvement for this use would call for more emphasis on estimating alternative costs for different choices, on money management, and on understanding family goals. Since USDA has bulletins specifically designed for helping families manage their finances, development of standard budgets to make them more useful in counseling does not seem to the Committee so important as the changes that we have recommended.

## II. BASIC CONCEPTS

The Committee accepts the fundamental concept that the basic budget prepared by BLS should be "modest but adequate," and that the standard should continue to represent, as did the original and the revised CWFB ". . . the social judgment as to what is necessary for acceptable living."<sup>2</sup> The words used to describe this standard seemed generally acceptable.

Discussion in Committee meetings made clear that the exercise of judgment is inescapable in implementing this definition. As a result, decisions as to specific problems that arise in working out the kinds and quantities of goods and services to be included become part of the definition. The Committee's views on some of these problems are summarized in the following section on methodology. It is too early in the process of budget development to identify all the problems or to consider the evidence on which such decisions should be made, so our comments are suggestions rather than recommendations.

The consensus of Committee opinion accepted the procedures of using standards of adequacy that reflect the judgments of scientists and experts where these are available, and, for other components of the budget, depending on statistical analysis of consumer choices.<sup>3</sup> The alternative of using one procedure consistently

<sup>2</sup>The following quotation from the original BLS publication presents the idea in somewhat more detail:

"The family of four includes an employed father, a housewife not gainfully employed, and two children under 15. The budget was designed to represent the estimated dollar cost required to maintain this family at a level of adequate living—to satisfy prevailing standards of what is necessary for health, efficiency, the nurture of children, and for participation in community activities.

"This is not a 'subsistence' budget, nor is it a 'luxury' budget; it is an attempt to describe and measure a modest but adequate standard of living." *Workers' Budgets in the United States: City Families and Single Persons, 1946 and 1947*. Bulletin No. 927, p. 3.

<sup>3</sup>The following quotation from the first publication on the CWFB (*Ibid.*, p. 9) summarizes the original concept:

"The budget is a list of goods and services that, according to the prevailing standards of the community, are considered essential. The definition of the budget recognizes that in the actual experience of families there is a scale which ranks various consumption patterns in an ascending order from mere subsistence to plentitude in every respect. The budget level described here is at a point on this scale below which deficiencies exist in one or more aspects of family consumption.

"This consumption scale is established by society. It can be discovered only through observation of the expressions of society's ratings of the various existing levels of living. These ratings of the various levels of living are expressed in the judgments of scientists, such as medical and public health authorities; and secondly, in the behavior of individual consumers. Scientific judgments are based primarily on the studies of the relation between family health and individual and community health. The expressions of consumer judgment appear in the choices made by consumers as economic barriers are progressively removed."



throughout the budget was discussed. Because standards of adequacy based on the judgment of scientists or experts are not available for all components, a consistent approach would involve shifting to the method of analyzing expenditure data for all components and not making use of the available scientific or expert judgment. Most of the Committee members preferred the approach that has been used. The issue is clearest with respect to the food portion of the budget which is discussed below.

The Committee also believes that BLS would do well to devote some of its resources to a long-range program of research on concepts and methods for standard budgets. The interpretation of statistical data on consumer practices and scientific data on requirements to show prevailing standards of what is deemed adequate is a difficult undertaking to which further research should contribute. Even if results were not completed for the revision of the budgets now contemplated, they would contribute to budget development in the future.

Committee discussion also suggests that, as users, we would be more satisfied with the concept "modest but adequate" if more information were published comparing the budget standard with the goods and services consumed by different groups in the population. The Committee would like to know for example, how the broad groups of goods and services (such as food, housing, medical care and the like) in the modest-but-adequate standard compare with actual consumption at different income levels.

The concepts of standards below and above the modest-but-adequate present additional problems. The memorandum on budget concepts submitted to the Committee suggests a number of ways in which the modest-but-adequate standard might be cut back or augmented. The Committee devoted some discussion to problems of concept and description of the lower level budget. One of the suggestions offered was that a lower level budget might be considered as suitable for a shorter period of time than the modest-but-adequate standard. The words "restricted," "limited," "marginal" and "maintenance" were used in the discussion, but it was agreed that any characterization now would be premature.

### III. COMMITTEE COMMENTS ON METHODOLOGY

#### A. Food

The Committee recommends that the food budgets prepared by the Department of Agriculture be used for the food portions of the standard budgets. The reasons are, briefly stated: (1) that it is important to depend on the nutritional standards, based on scientific research as reviewed and summarized by the Food and Nutrition Board of the National Research Council; (2) that the current food budgets of USDA represent the result of a great deal of research effort and of experience in translating these standards into practicable lists of kinds of quantities of foods; and (3) that the food budgets of USDA are so widely used and so generally accepted that substituting something different in standard budgets prepared by BLS would tend to make the budget less useful to some and would result in further complications.<sup>4</sup>

For the reasons given above, the Committee concludes that users would prefer adoption of the USDA food budgets to development of new and different ones. While comparison of the two methods would be of interest, the relationship between recommended and actual consumption has been so thoroughly explored for food that it would seem preferable to spend research effort on similar exploration for other portions of the budget, housing for example.

A recent publication, "Family Food Plans and Food Costs,"<sup>5</sup> presents the most recent revision of USDA food plans, with a discussion of the methods by which the food plans were developed and their history and basic concepts. Especially important to this Committee is the discussion of the criteria used in developing

<sup>4</sup> In Committee discussion a question was raised as to how a food budget developed by the quantity-income-elasticity method would differ from the USDA budgets as to quantities of food included and total cost. BLS expects to have some information on these points at a later date. Meanwhile the only published source suggests that such a food budget would differ from the USDA moderate-cost food budget as average food consumption at the fourth income decile differs from this food budget. Thus it would be expected to have more sweets, fats and meat and less milk, potatoes and grain products and probably would cost about the same. (See M. Orshansky, *Equivalent Levels of Living: Farm and City. Studies in Income and Wealth*, National Bureau of Economic Research 1952, page 198, Volume 15.)

<sup>5</sup> Home Economics Research Report No. 20. Agricultural Research Service, U.S. Department of Agriculture, November 1962.

the plans. These criteria are: (1) nutritional adequacy, (2) the relative nutritional economy of foods and (3) the suitability of the food in relation to meal patterns common in the United States.

Nutritional adequacy is based on the National Research Council's 1958 recommended dietary allowances. These allowances are used as minimum goals for eight nutrients and as a maximum for calories.<sup>6</sup> The relative nutritional economy of food is the nutritive return for money spent for different groups of food, calculated from survey data on consumption and prices paid and from average nutritive values of foods as compiled by USDA. Suitability of food for family meal is determined by examination of survey data. Accordingly, while family consumption data (for this latest revision the 1955 Household Food Consumption Survey) are used in developing food plans, the consumption data are only one of the several factors taken into account when the food plans are built.<sup>7</sup>

Because of the criteria of nutritional economy and the restriction on calories the food plans provide less than average amounts of the more expensive foods. Consequently, the estimated cost of these plans is less than the average food expenditure of the portions of the income distribution whose food habits were considered in developing them. This is especially true of the lower cost plans in which nutritional economy was given more weight. For example, over two-thirds of the families in the \$2000-2999 income group (1955) had food valued at more than the estimated cost of the low-cost plan. Three fifths of the middle-income group had food valued at more than the cost of the moderate-cost plan.

The Committee concludes that the moderate-cost plan is closer to its understanding of the modest-but-adequate level than are the low-cost plans. Fairly widespread use of the low-cost plans in estimating needs for public assistance indicates that they are not appropriate to the modest-but-adequate concept. Even more persuasive is the extent to which it is necessary to deviate from average consumption to achieve a nutritionally adequate diet when spending the amount of money provided by the low-cost plan.

The USDA food budgets are often used as the basis for estimating the cost of a nutritionally adequate diet. The amount of money spent for food, however, is not the sole determinant of the quality of diets although nutritional adequacy is more frequently achieved at high than at low cost levels. As the food budgets show, good diets at low cost require attention to seeking out nutritional bargains.

Survey data show the extent to which different amounts of money spent for food might be expected to provide good nutrition, assuming no change in average patterns of food choice. The Committee asked that such information be supplied for cost levels of three of the USDA food budgets. The percentages of families with diets that meet NRC standards for eight nutrients, when spending different amounts of money for food are as follows: (1955 Food Consumption Survey, nonfarm population)

Level of low-cost food budget (\$5.40 per person per week), 23%.

Level of moderate-cost food budget (\$7.20 per person per week), 49%.

Level of liberal food budget (\$8.20 per person per week), 60%.

Although an appreciable number of people do get nutritionally adequate diets when spending for food sums equal to the cost of each of the food budgets, it is clear that larger food expenditures increase the likelihood of meeting nutritional recommendations. At the low-cost level the proportion with adequate diets is low enough so that skill and effort in making food choices would be required to assure good nutrition. At the expenditure level of the moderate-cost food budget the chances of nutritional adequacy without changes in food habits are considerably better.

The Committee raised a question as to whether the current revision of the USDA food budgets, which takes account of 1958 NRC dietary allowances and 1955 consumption habits, might be considered "out of date" in relation to 1960-61 survey data to be used for other portions of the budget. The National Research Council will next review the dietary allowances in the fall of 1963. It is

<sup>6</sup> With calorie allowances for waste and discards as follows: low-cost, 5 to 8 percent; moderate-cost, 15 percent; liberal, 20 percent.

<sup>7</sup> The food plans are expressed as quantities of 11 groups of foods. When these quantities must be expressed in terms of specific foods, as in a list to be priced (see Family Food Plans, table 22) survey data on consumption are used to derive weights.

not known whether any changes will be recommended and, if there are changes, when information would be available in form for use in adapting food budgets.

Examination of the way consumption data were used in developing the food budget suggests that a considerable change in consumption patterns and price relationships among foods is needed to change the basic relationships on which the plans rest. For example, the current food plans include considerably more meat and somewhat less grain products and potatoes than did the 1948 plans. The marked increase in meat consumption and decrease in consumption of flour and cereals are in part responsible.<sup>8</sup> The favorable price position of meat in 1955 is another factor. The trends in consumption have continued since 1955, but at a somewhat slower rate. On the other hand, the price changes for meat have not recently been so favorable, compared with other foods, as from 1948 to 1955. Therefore, while USDA will undoubtedly continue to keep its food budgets up to date, changes from 1955 to 1960-61 do not seem enough that the latest revision should be considered out of date. There is also the practical consideration that even if BLS were technically competent to update USDA food budgets the resulting multiplicity of food budgets would be confusing to users. Revisions prepared by USDA can readily be incorporated in BLS budget material as they become available.

### B. Housing

The Committee recommends that home ownership be considered in developing the budget at the modest-but-adequate level. Table 2 (page 14) gives a general idea of how widespread home ownership is. (More precise data will be available from Census and BLS surveys.) The Committee recognizes that there are a number of problems in making this change but suggests that costs for home owners include sums used to purchase homes and pay off mortgages. (Although these are counted as savings rather than current expenditures in consumer expenditure surveys, other kinds of economic analysis have counted them as indicative of current using up of investments.)

As to the presentation of results, the Committee would have no objection to a method like the one that has been used for automobiles. For housing, this would involve presenting, as the primary result, costs for renters and owners averaged together on the basis of their occurrence in the population referred to, with separate presentation of costs for owners and for renters. Having separate costs for housing for renters and owners will permit users to select one or the other, or to average them together with the desired weights. It may not be necessary to present total budget costs separately for the two groups.

In the Committee discussion of the housing component of the budget it became apparent that much less information is available for housing than for other budget components about the specific qualities provided and how these qualities and their costs compare with what various groups in the population have. The contrast between the food and housing components in this respect is marked. Hence it seems to the Committee that additional effort could well be spent in investigating these relationships for the housing component of the budget.

<sup>8</sup> Supplement for 1961 to Consumption of Food in the United States 1909-52. Agriculture Handbook No. 62, Agricultural Research Service, U.S. Department of Agriculture, September 1962. The pertinent data, from Tables 38, 51, and 52, are as follows:

	Percentage change	
	1948-55	1955-61
Consumption of—		
Milk (equivalent basis).....	+4	-2
Meats, poultry, fish.....	+13	+5
Potatoes.....	-1	-3
Flour and cereals.....	-11	-4
Food expenditures (excluding alcoholic beverages, per capita, price deflated).....	+2	-1
Consumer Price Index:		
All foods.....	+5	+8
Meats, poultry, fish.....	-4	+8

TABLE 2.—HOUSING STATUS OF NONFARM FAMILIES

Group characteristic	Percent owing		
	1959	1954	1949
All nonfarm family units <sup>1</sup> .....	58	56	51
Nonfarm family income quintiles: <sup>2</sup>			
Lowest.....	46	45	40
2d.....	42	46	43
3d.....	59	51	47
4th.....	63	65	55
Highest.....	79	71	69
Age of head of family:			
18 to 24.....	16	17	21
25 to 34.....	42	42	35
35 to 44.....	63	57	53
45 to 54.....	64	63	59
55 to 64.....	69	66	62
65 and over.....	66	63	59

<sup>1</sup>A family unit includes all persons living in the same dwelling who are related by blood, marriage, or adoption. Single-person family units are included.

<sup>2</sup> Quintiles were obtained by ranking nonfarm family units according to money income before taxes in the preceding year.

Source: 1959 Survey of Consumer Finances, from Federal Reserve Bulletin for September 1959.

### C. Health services

In discussion of the health services portion of the budget the Committee indicated that it would like to see as much as possible of these costs put on an insurance basis and that it would like to have provision made for major medical expense. Because of the technical questions involved, the Committee suggests that the problem of implementing this suggestion be referred to the Technical Working Group.

### D. Other components of the budget

For the original CWFb and its interim revision the quantity-income-elasticity approach to determining budget quantities was used for some budget quantities, most generally for clothing, housefurnishing, personal care, reading and recreation. This approach seems logical to the Committee although we would like to see more discussion of the problems involved and more research to develop and evaluate alternative procedures within this method.

The 1960 Survey of Consumer Expenditures will provide a great deal of information on consumption patterns of families of different types and income levels. These should be analyzed in order to throw light on family choices at different economic levels and to permit the evaluation of various approaches to the process of budget making.

More information on the effect of alternatives is needed before the Committee can express preferences on some of the technical aspects of analyzing the expenditure data. For example, it has been suggested that prices paid, as indicative of quality, should be taken into account in analyzing differences between income classes in purchases. Such a procedure might make a considerable difference in the clothing category, for example. The way in which commodities and services are grouped for determining income and purchase rate relationships also might be expected to affect results.

### E. Saving

There are several definitions of saving, both in popular and technical use. Many of the components that enter into these definitions are often also included in a classification of consumer expenditures on a use basis, for example in housing, durable goods, medical care. Looked at in this way, the original CWFb total for goods and services included some elements of "savings." It was the consensus of Committee opinion that this practice should be continued and should be made clear in the presentation of the revised budget.

The accumulation of reserves to purchase goods which are used up over a span of years is often regarded as saving. Examples are purchases of household durable goods and automobiles, which were provided on an average basis for the group in the original CWFb. If, as the Committee suggests, mortgage payments are

considered as a cost of home ownership and owned homes are specified for part of the population in the revised budget, another element of reserves or saving will be added. Protection against risks involving large outlays also is sometimes handled by accumulation of reserves, although more often now by insurance. The Committee has suggested that such insurance be considered in the budget, for example for major medical expenses, fire loss of owned home and liability for auto accident. Similarly, protection against loss of income because of retirement, unemployment, illness, disability or accident could be provided either through accumulation of reserves or through insurance. Programs established by law, such as OASDI, unemployment insurance, workmen's compensation partially cover some of these risks.<sup>9</sup> They are supplemented in varying amounts by employee-benefit plans. Public programs that are financed by taxes are provided for in the budget, in the sense that taxes are a budget cost. The Committee concluded that all of these properly are part of the concept of a modest-but-adequate standard.

The Committee recognized that the interpretation of budget quantities and cost is affected by the fact that voluntary employee-benefit plans provide widespread coverage of hospital and medical expenses and wage loss because of sickness. Such plans also supplement OASDI benefits and in some cases workmen's compensation. Rather than attempt to incorporate in the standard budget an adjustment recognizing these employer-paid benefits, the Committee felt that any adjustment of this kind should be left to the user to make. The nature and amount of the adjustment will vary a great deal depending on the use being made of results.

As to the treatment of additional saving or insurance, beyond that provided by the programs mentioned, the Committee suggested that consumer practices as shown by recent surveys be analyzed and that an approach to such additional saving as a "discretionary" item be considered. If, for example, recent surveys show that families at the budget level of income do purchase significant amount of additional insurance or accumulate liquid assets, information on their average outlays could be made available to users of the budget. Doubt was expressed, however, that such saving, if it is reported, belongs in the basic total of costs for a budget at the modest-but-adequate level.

#### *Budget totals*

The CWFB has presented two totals: one for "total cost of goods and services," the other for "estimated total cost of the budget." The second includes, in addition to the cost of goods and services, outlays for income taxes, OASDI deductions and (in States where paid by employees) deductions for unemployment insurance; occupational expenses (dues and special clothing and equipment); and outlays for life insurance. Life insurance was described in the original presentation as a partial substitute for saving. The sum listed for life insurance was the average spent by families at the income level of the budget, rather than the cost of a specified insurance policy.

The Committee suggested that users would prefer to have the first total include, in addition to the costs of goods and services, income taxes and deductions from wages that are unavoidable in acquiring income. Many users have selected the second, rather than the first total for the CWFB because they needed to have taxes and unavoidable deductions included although for their purposes the addition of life insurance outlays was not desired. Such a change would involve adding income taxes, OASDI and other deductions to the first total.

If a second total is retained one way of describing it would be to say that it includes additions that are discretionary. Life insurance in addition to that already provided by public programs or employee-benefit programs and additions to liquid assets might be included in such a total. When the new survey data become available the alternatives could be spelled out. At that time further Committee discussion might be fruitful.

#### IV. RECOMMENDATIONS ON MAKING RESULTS AVAILABLE

The Committee would find publications of both popular and technical nature very useful and recommends that both be prepared. Short leaflets presenting only summary results as to budget costs were recommended for general distribution. In technical publications, the Committee would like to see more information

<sup>9</sup> Nonoccupational temporary disability benefits are provided by law in 3 States.

presented on the content of the budget, on the data used in developing it, and on comparison with quantities of goods and services consumed by different groups in the population. Such presentation of detail would be very helpful to users who must make adaptations to local conditions. It would also serve to improve the standing of the budgets among scholars. Presentation of such material in tabular form with the necessary minimum of explanatory notes is welcomed by users.

Workshops for users who must make local adaptations of materials would be a useful service. To the extent that such workshops are wanted by those in the social work field, cooperation with the DHEW was recommended. The same arrangements would apply to publications designed specifically for this group.

#### ADDENDUM TO THE REPORT OF THE ADVISORY COMMITTEE ON STANDARD BUDGET RESEARCH

##### DISSENTING OPINION

Ample justification for expanding the Bureau's research on standard budgets is provided in Section I of the report. Here the Committee appraises the many practical purposes for which the City Worker's Family Budget and the corresponding Budget for an Elderly Couple have been used. It distinguishes three major uses for this type of cost of living measure and recommends, in order of priority, the most wanted additions to the present series of cost estimates. With all this, I concur.

But the appraisal of uses has implications for concept and methodology which are not recognized in Sections II and III. Since the major uses of BLS standard budgets relate to the total cost of the budget, the methods should be designed to assure maximum precision in that estimate, even though the estimates for component parts may be subject to compensating errors. The report errs, in my opinion, by approaching questions of methodology from the opposite side. Its first objective is to assure that such standards as have been established for healthful living appear in the quantitative expression of the standard, the assumption being that if the standards for each component are derived in the best possible way, there will be no cause for concern about the accuracy of the sum of the costs.

This view would be more tenable if standards based on the "judgment of scientists and experts" were available for all areas of consumption so that the same criterion of needs for healthful living could be applied throughout. The fact is that they are available for food at various cost levels, for housing in terms of recommendations made in the depression years, and possibly could be developed for medical care. So the collective judgment of consumers must be relied on for at least some standards.

The fallacy in this dual determination of standards is that the consumer's judgment of what is necessary in "other categories" is conditioned by his own concept of adequacy in food, housing, and medical care. It is well known that he is apt to be satisfied with something less than what experts judge to be necessary for health in these respects in order to satisfy other urgent wants. So he tends to rob Peter to pay Paul. If the methodology assures that both Peter and Paul are to be paid, the total cost of the budget will almost certainly be unrealistically high and hence unacceptable for its intended purpose.

I believe it is time to recognize that all desirable objectives cannot be accomplished within a single budget structure. Adequate nutrition, housing, and medical care have been the first aspects of healthful living to be explored and no one claims that the findings are definitive. Many harmful things in our manner of living are being discovered. Should the standard include cigarettes, automobiles with no safety belts, residence in smoggy cities, "escape" literature? There is no end to the quest for improvement, nor should there be.

Meanwhile, the exploration of consumer data offers another kind of valuable knowledge—what the current standard of living provides. This, too, is science. By these studies, it is possible to determine at least one kind of standard by a consistent criterion of adequacy. I would encourage the Bureau to explore the consumer data to the fullest extent possible.

DOROTHY M. DURAND.

## APPENDIX

SELECTED BIBLIOGRAPHY ON THE MAJOR USES OF STANDARD BUDGETS<sup>1</sup>

## GROUP 1—APPRAISAL OF THE ECONOMIC CONDITION OF GROUPS OR OF THE TOTAL POPULATION

(Congressional staff reports and hearings listed chronologically and by title of report.)

d. "Low-Income Families and Economic Stability": Materials on the Problems of Low-Income Families assembled by the Staff of the Sub-Committee on Low-Income Families, Joint Committee on the Economic Report. Joint Committee Print, 81st Congress, 1st Session, Washington, D.C., 1949.

The staff report was concerned primarily with the numbers and circumstances of urban families having less than \$2,000 of money income and of farm families having less than \$1,000 of money income. It was emphasized, however, that these figures were not intended and should not be interpreted to be a definition of "low-income." The ranges in the 1947 cost estimates of the City Worker's Family Budget and the Elderly Couple's Budget were cited as evidence of the difficulty in establishing the boundary line on the income scale between want and sufficiency. It was also concluded from the cost estimates of the budgets that among the families chosen for intensive study (i.e., with incomes below \$2,000 in urban areas and \$1,000 in rural areas), no more than a minor proportion would be able to purchase all of their requirements (pp. 1-2).

2. "Low-Income Families": Hearings before the Sub-Committee on Low-Income Families of the Joint Committee on the Economic Report, 81st Congress, 1st Session, December 1949.

In the hearings, the budget estimates were used by the then Secretary of Labor (Maurice J. Tobin) in his statement on "Problems of Low-Income Families: Progress and Programs." The estimates were also used by Dr. Dorothy S. Brady, in her testimony on the standards that are used to define low income, in which she emphasized that, "The determination of the minimum standards through analysis of postwar data can provide the yardstick needed for appraisal of the current income situation of the population and this analysis should extend the methods used by the BLS with expenditure data and should be based on comprehensive examinations of the interrelationships of income with household composition."

3. "Characteristics of the Low-Income Population and Related Federal Programs": Selected materials assembled by the staff of the Sub-Committee on Low-Income Families, Joint Committee on the Economic Report (84th Congress, 1st Session, October 1955).

This staff report includes a summary of the Franklin D. Roosevelt Foundation study, *Freedom from Want*, which undertook to estimate the size of the urban population with low economic status. The Roosevelt Foundation study used the budget approach as a "first-level discriminant" to eliminate all families with current incomes above the budget cost. The income cutoff points were based on the 1950 dollar cost of goods and services in the CWFEB and the ECB, and the equivalent income scales were used to estimate costs for families of other sizes. (These budget costs were measured against economic status, i.e., "long-term" income position as reflected in expenditures for home equipment and furnishings, purchase of auto, expenditures on food and housing, and home purchase.)

4. "Low-Income Families," Hearings before the Sub-Committee on Low-Income Families of the Joint Committee on the Economic Report, 84th Congress, 1st Session, November 1955 (pp. 185 ff).

The Chairman of the Sub-Committee, Senator Sparkman, inserted the New York City *Family Budget Standard* into the record.

<sup>1</sup> No attempt has been made to prepare a complete bibliography. *The uses cited are examples only.* Furthermore, in the judgment of the Bureau of Labor Statistics staff, some of the citations reflect an incorrect interpretation or application of budget cost estimates, either because the concepts underlying the development of particular budgets were not clearly understood or because more appropriate budgets were not available. These examples are equally helpful, however, in illustrating both the needs for and the uses made of standard budgets. *Inclusion in this bibliography is for illustrative purposes only, and does not imply Bureau of Labor Statistics endorsement.*

5. "The Low-Income Population and Economic Growth": Materials Prepared in Connection With the Study of Employment, Growth, and Price Levels for Consideration by the Joint Economic Committee. Study Paper No. 12, 86th Congress, 1st Session, December 1959. Prepared by Robert J. Lampman.

"For purposes of this study a 'low-income person' is defined as one with an income equivalent to that of a member of a four-person family with total money income of not more than \$2,500 in 1957 dollars. Thus an unattached individual would be classified as a low-income person if he had income under \$1,157; a member of a six-person family, if his family had income under \$3,236.

"In line with this definition it is found that 32.2 million persons were in low-income status in 1957. This was 19 percent of all persons." (p. 4)

The minimum income figure for a 4-person family in this study (\$2,500 of total money income) was based on the precedent established in the staff study in 1949 for the Sub-Committee on Low-Income Families; that is, the minimum income figure of \$2,000 in 1947 prices (used in the 1949 report) amounted to \$2,516 in 1957 prices (used in the 1959 report). Adjustments for family size were based on the BLS equivalence scale. Estimates of the number of persons are based on Bureau of the Census data on number of families in each family size group with income equivalent to \$2,500 for the 4-person family multiplied by the family size plus the number of unrelated individuals.

The author also illustrates how the proportion of persons in low-income status can range from 9 to 36 percent of the population, depending on whether the income cutoff is set at \$2,000 in current or 1947 dollars, or defined in terms of the cost of an "adequate standard of living" (i.e., the original CWFB, amounting to \$4,000 of 1957 purchasing power for a family of 4); and depending on whether "income" includes only total money income or personal income (including imputed rent and income in kind).

6. "Problems of the Aging." Hearings before the Sub-Committee on Problems of the Aging of the Committee on Labor and Public Welfare, United States Senate, 86th Congress, 2nd Session, Washington, D.C. April 4-13, 1960.

(a) Budgets were used by the Commissioner of Labor and Industry of the State of New Jersey in discussing the adequacy of social security payments (p. 113).

(b) Budgets were used by Department of Health, Education, and Welfare in its statement on income needs of the aged (p. 140).

7. "Retirement Income of the Aging," Hearings before the Sub-Committee on Retirement Income of the Special Committee on Aging, United States Senate, 87th Congress, Washington, 1961.

(a) Testimony by Ewan Clague, Commissioner of Labor Statistics: The report of the Budget for a Retired Couple was used to "shed some light on" the question as to how much it costs the aged to live, and to illustrate how living costs are affected by many factors, thus making a simple answer to the question an impossibility. (pp. 87-122)

(b) Testimony by Edwin Shields Hewitt and his associate, Thomas M. Paine, of Hawitt Associates, a firm of consultants and actuaries, advising organizations on problems on pensions and employee benefits: Benefits paid under a typical private pension plan and long-range goals for private plans as a percentage of pre-retirement pay were analyzed in relation to the amount of money needed to provide a moderate budget for a retired couple as measured by the Bureau's Budget for a Retired Couple. With respect to the target levels of private pension benefits, the suggestion was made that ". . . in many situations employees will prefer not to defer additional amounts of current earnings to private retirement income in excess of the Labor Department's estimate of an adequate standard of living for an elderly couple." (p. 126)

In the analysis of different approaches to the proper division of responsibility among government sponsored forms of retirement income, private employer plans, and action by the individual, the report defined three possible levels of retirement income, namely: a "dependency level," to provide the necessities of life and to prevent dependence on society; an "adequacy level," to guarantee a moderate living standard related to the individual's pre-retirement pay, the costs of living in the local area, and family status; and an "optional level," to provide funds for individual desires beyond what is needed to maintain a moderate living standard. The Retired Couple's Budget was used as an example of ". . . the adequate level for persons with average earnings rates—around \$350 per month. For higher paid persons, this level will be higher. This level will also vary by such factors as geographical area and by whether or not the retiree has dependents." (p. 129)



8. "Basic Facts on the Health and Economic Status of Older Americans," A Staff Report to the Special Committee on Aging, United States Senate, 87th Congress, 1st Session, June 1961.

The retired Couple's Budget was used also as a measure of need, and estimates were made of the number of elderly couples and persons living alone whose incomes are not adequate to maintain the budget standard.

9. "Retirement Income of the Aging." Hearings before the Sub-Committee on Retirement Income of the Special Committee on Aging, United States Senate, 87th Congress, 1st Session, Part 2.—St. Petersburg, Florida, November 6, 1961.

The BLS budget for a retired couple was cited as a measure of income need in the statement of Carter C. Osterbind, Research Professor, Bureau of Economic and Business Research, and Chairman of the Institute of Gerontology, University of Florida (p. 211).

10. Senior Citizen's Housing Act of 1962: Hearings before the Sub-Committee on Housing of the Committee on Banking and Currency, 82nd Congress, 2nd Session, July 1962. (p. 190)

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(Listed chronologically)

11. International Association of Gerontology, 5th Congress, San Francisco, California, August 1960.

Clague, Ewan and Lamale, Helen H., "Standard Budgets for Elderly Persons." Published in *Processes of Aging: Social and Psychological Perspectives*, Atherton Press Behavioral Science Series, Atherton Press, 1963.

This paper, which was prepared before the interim revision of the Budget for a Retired Couple was published, discusses the problems of concept, methods, and interpretation of standard budgets. The paper was presented at a session on "Levels of Living in Old Age" in the Social Science Research Division of the Congress.

12. White House Conference on Aging:

*Income Maintenance, Including Financing of Health Costs*, Reports and Guidelines from the White House Conference on Aging, January 1961, Series No. 5, U.S. Department of Health, Education, and Welfare, Washington 25, D.C., April 1961.

The Income Maintenance Section of the White House Conference was concerned with the financial well-being of older people when their earnings from employment decrease or stop altogether. Facts about the income needs of the aged population, based in part on the 1950 estimates of the costs of the "Budget for a Retired Couple," were furnished in a "Background Paper on Income Maintenance" (pp. 21-22—out of print), to State and local conferences held in preparation for the White House Conference. This background information was also summarized in "Reports and Guidelines" (pp. 9-10), where it was updated by estimates from the 1959 Budget for a Retired Couple. Limitations in the data presented resulted in the following recommendations by the Conference delegates: "1. That budgets and indices for elderly people be developed. Cooperation and coordination among Federal, State and local agencies is essential. The appropriate Federal Government agency should have the responsibility for organizing and carrying out the studies, data collections and preparation of the budgets and indices. In the event that State or local bodies fail to cooperate in initiating or carrying out their responsibilities, the Federal Government must. Appropriations to finance this work are recommended. "2. That an advisory committee be established to assist Government agencies in the development of the concepts of budgets for the elderly. "3. That a consumer price index for the elderly be established. Once established, continuing research and study should be carried out to evaluate the need for continuing and/or revising the index." ("Reports and Guidelines," p. 71; and p. 136 in the summary report, *The Nation and Its Older People*, Report of the White House Conference on Aging, January 9-12, 1961, U.S. Department of Health, Education, and Welfare, Washington 25, D.C., April 1961.)

13. The University of Michigan Fifteenth Annual Conference on Aging, Ann Arbor, Michigan, June 1962.

(a) Lamale, Helen H., "Budgets for Older Persons," a paper presented at the conference which was concerned with "Aging and the Economy." The ECB estimates were used to illustrate both the uses and limitations of these data as research tools.

(b) Striner, Herbert E., "National Income, Wealth and the Capacity of the Economy to Support Older People." The ECB was used to estimate the aggregate fund needed to maintain the elderly population at the specific standard of living.

14. Institute on Nonprofit Independent Housing as a Living Environment for Older People, Glenwood Springs, Colorado, July 1962. Speech made by Mr. Sidney H. Woolner, Commissioner of Community Facilities Administration, of the Housing and Home Finance Agency.

BOOKS, ARTICLES, REPORTS

(Listed alphabetically by author.)

15. AFL-CIO, "America's Haves and Have Nots," *Labor's Economic Review*, Volume 5, No. 8, August 1960, AFL-CIO, Washington 6, D.C.

The article estimates the cost of the original CWFB at about \$4,800 in 1960 dollars. With this amount as a guide to the cost of "a modest but adequate standard," families of two or more with 1958 incomes under \$3,000 and single persons with incomes under \$1,500 are described as having "substandard" incomes. This criterion results in an estimate of 41½ million Americans, or 24 percent of the population (from Bureau of the Census *Current Population Survey* data) who were in substandard income categories in 1958.

16. Carroll, Margaret, "The Working Wife and Her Family's Economic Position," *Monthly Labor Review*, April 1962.

Each family was classified according to whether or not its income was sufficient to meet the estimated cost of the CWFB standard for the size of family concerned. The families with an employed wife were also classified according to whether or not the family income without the wife's earnings would have enabled the family to live at the budget level.

17. Dewhurst, J. Frederic and Associates, *America's Needs and Resources*, The Twentieth Century Fund, New York, 1955.

This study attempted to estimate the additional needs of families and individuals living at "substandard" levels, and "the costs of supplying additional government services to provide satisfactory community living standards for the entire population." In the analysis of consumption requirements, the original CWFB standards for clothing, accessories, and personal care, (pp. 194-195) and for household operation (pp. 257-259), were used as a basis for estimating the additional expenditures required in 1950 and in 1960 to provide an adequate budget (in terms of replacement needs) for these items for all families in the U.S.

18. Harrington, Michael, *The Other America: Poverty in the United States*, New York, The Macmillan Company, 1962.

The author cites the interim revision of the CWFB as "an important attempt at specifying income needs," and quotes the range in budget costs in 1959, from \$5,370 in Houston to \$6,567 in Chicago. His own estimate of the number of persons living in poverty is based on the assumption that "... if one were to take approximately half of this (CWFB) budget at the standard for low income or poverty (making all the adjustments for smaller families, for low-income individuals, for lower costs, and for food grown in farm areas), if the cutoff were established somewhere between \$3,000 and \$3,500 for an urban family of four, then the culture of poverty would be roughly defined in the United States as composed of around 50,000,000 people. . . . In short, somewhere between 20 and 25 percent of the American people are poor. They have inadequate housing, medicine, food, and opportunity. From my point of view, they number between 40,000,000 and 50,000,000 human beings." (p. 182)

Although specific sources for the estimate of the number of persons who are "poor" are not provided, the author evaluates the validity of the estimate in a general way by comparing it with the Lampman estimate (Item 5, page 19 in the bibliography) and with the AFL-CIO estimate (Item 15, page 21 in the bibliography).

19. Henderson, John P., "An Intercity Comparison of Differentials in Earnings and the City Worker's Cost of Living," *The Review of Economics and Statistics*, Vol. 37, No. 4, November 1955.

The author notes that the intercity differential in earnings is considerably greater than the differential in living costs (based on the October 1951 CWFB).

He suggests that ". . . the low magnitude of the differentials (in living costs) seem to indicate that cost of living is primarily a function of national price policies at both the wholesale and manufacturing levels. The relatively weak position of national wage bargaining as against strong national price policies appears responsible for a good deal of the difference between the magnitudes of the earnings differentials and the cost-of-living differentials." (p. 410)

He further concludes that "Earnings and living costs in the 23 cities common to both sets of data are found to have a correlations coefficient of .257, which tends to substantiate the hypothesis that there is an inverse relationship between earnings and the cost of living. The value of  $x$  (cost of living) appears relatively constant regardless of the value of  $y$  (earnings of direct labor)." (p. 410)

20. Keyserling, Leon, *Poverty and Deprivation in the U.S.*, Conference on Economic Progress, 1001 Connecticut Avenue, N.W., Washington 6, D.C., 1962.

The author uses an average of the cost of the CWFB in 20 large cities, which he estimates at \$6,142 in 1960 dollars, to represent the cost of a "modest but adequate" standard of living for families of all types and sizes. Families with incomes below \$6,000 are described as living in poverty or deprivation. Unattached individuals with incomes below \$3,000 are also considered to be living in poverty or deprivation.

Estimates of the number of families with incomes below \$6,000 (20.709 million—including farm operator and non-farm families) and the number of unrelated individuals with incomes under \$3,000 (5.995 million) were obtained from data compiled by the Office of Business Economics on the distribution of all consumer units by family personal income level. Numbers of families were converted to numbers of persons by estimates of average family size (3.3 persons in families with income under \$4,000; 3.6 persons in families with incomes of \$4,000–\$5,999), based on Bureau of the Census data. In this manner the author estimates that 77 million Americans, or more than two-fifths of the nation live in poverty or deprivation.

21. Lamale, Helen H., "Concepts of Income Adequacy," *The Social Welfare Forum*, 1959, National Conference on Social Welfare, Columbia University Press, New York, 1959, pp. 103–113.

The author discusses the historical role of standard budgets in translating concepts of income adequacy into measurable terms; with special emphasis on some of the current problems in this area, associated with the multiplicity of "adequate" living standards today and the proliferation of uses which are made of standard budget cost estimates.

22. Linden, Fabian, "The Rising Tide of Discretionary Income," *Business Record*, Vol. XIX, No. 3, March 1962, National Industrial Conference Board, Inc., 147 Park Avenue, New York 17, New York. (pp. 44–45)

The author uses the October 1959 cost estimates of the CWFB as an arbitrary but nevertheless reasonable criterion of the dividing line between necessary and discretionary income in his discussion of significant substantive changes in the United States market in the coming decade. Discretionary income is defined as "buying power no longer required for the essentials of every day life and available for a wide range of comforts and luxuries."

23. MacDonald, Dwight, "Our Invisible Poor," *The New Yorker Magazine*, January 19, 1963, New York, New York, pp. 82–132.

The author provides a critical review and analysis of several recent publications on the "poor," commenting, among other topics on the basis for and the confusion in the many and widely varying estimates of the number of families living in poverty.

24. Morgan, James N., David, Martin H., Cohen, Wilbur J., Brazer, Harvey E., *Income and Welfare in the United States*, A study by the Survey Research Center, Institute for Social Research, University of Michigan, McGraw-Hill Book Company, Inc., 1960.

In this study of poverty, a distribution of welfare ratios for adult units and families was estimated. The level of welfare enjoyed by each unit was computed from the ratio of gross disposable income to the estimated budget requirement for families of various sizes. The costs of the New York City budget standard were used for this purpose. The authors notes that these estimates make no provision for differences in the cost of living in different areas, and refer to the BLS data which indicate a range of about 20 percent among the 20 largest cities.

25. Myers, John G., *Income Distribution and Economic Welfare in New York State*, State of New York, Department of Labor, New York, New York, March 1961.

The scale of equivalent income published in the report on the 1946-47 City Worker's Family Budget is used to convert income reported by families and unrelated individuals in New York State in 1956 to an "equivalent income" basis in order to make the incomes of families of different size and age comparable with respect to sufficiency to meet needs. The method makes it possible to study other family characteristics associated with family income levels simultaneously for all families and unrelated individuals rather than separately for families of different sizes. In the analysis, families with equivalent income of less than \$4,000 were classified as "low-income units," since this income level "... was similar in magnitude to standard budget levels which have been used for that purpose. The U.S. Bureau of Labor Statistics' original 'City Worker's Family Budget' for New York City, in 1956 prices, is about \$3,850 a year. A budget prepared by the Community Council of Greater New York, designed to measure the amount of money needed to provide for good nutrition and health and to meet social standards was about \$4,250 in 1956 prices." (p. 21) The report emphasizes, however, that the \$4,000 level is not assumed to be an accurate measuring rod to distinguish low-income families from others, and families at a number of different income levels are examined to provide information that is both more useful and less likely to mislead.

26. Orshansky, Mollie, "Family Budgets and Fee Schedules of Voluntary Agencies," *Social Security Bulletin*, April 1959, pp. 10-17, U.S. Department of Health, Education, and Welfare, Washington, D.C.

This article includes an analysis of 9 budget standards developed by voluntary and public agencies as a basis for fee-setting, together with a discussion of some of the conceptual and methodological problems involved in constructing standard budgets.

27. Pardee, Scott E., "A Study of Inter-City Wage Differentials," Research Report to Federal Reserve Bank of Boston, No. 20, 1962.

The author translates the October 1959 costs of the CWFB into hourly earnings rates (by dividing costs by 2030 hours) and compares these with actual average hourly earnings in each city (without adjustment for differences in the family compositions represented by individual workers). His calculations indicate that "... 26% of the variance of area effects [i.e., factors other than industrial composition] can be 'explained' by the variance of the budget required earnings. . . . So cost-of-living factors may have some influence on wage earnings, and visa-versa, and such influence would best be considered as part of the area effect." (References on pp. 113-115, and 137.)

28. Semon, Thomas T., "Family Income and Spending Capacity," *Journal of Marketing*, Vol. 26, No. 2, New York, New York, April 1962, pp. 26-30.

The author uses the City Worker's Family Budget (and the scale of equivalent income) to illustrate that the total-income criterion, commonly used in market research as an indicator of spending capacity, is not a valid measure for this purpose, since a family's discretionary income depends on many factors, including its income and size. The CWFB is described as a "convenient," though not necessarily an ideal, standard for this purpose, and it is emphasized that both the estimates of the cost of "necessities" and the estimates of discretionary income available represent only the standard of living specified by the budget (i.e., "modest but adequate"). However: "Any income in excess of requirements for a level of living that does not call for Item X, is discretionary income so far as Item X is concerned, and is, therefore, a better indicator of potential for X than total income."

*Group 2: Evaluation of the need for and the effect of specific laws and programs, generally involving Federal policy or legislation*

#### 1. Tax program:

(a) To measure the impact of taxes. Research on the original CWFB was initiated as the result of a speech on the floor of the House in March 1945, by Congressman Albert Engel (Michigan) expressing vigorous dissatisfaction with the lack of information on the cost of an adequate standard of living for use in appraising income tax exemptions: *Congressional Record*, 79th Congress, 1st Session, Volume 91, Part 2, pp. 2442-2449.

(b) *Individual Income Tax Exemptions*, Division of Tax Research, Treasury Department, December 1947.

This report includes a systematic review of the available consumer budget and expenditure data that throw light on the adequacy of exemptions. The data are used as benchmarks with regard to two different but related aspects of the exemption problem: (1) exemption levels and (2) relative exemptions for different family statuses. The major consumer standards available for appraising the level of income tax exemptions which are discussed in the report are as follows: (1) A maintenance budget—based on the Heller Committee estimates for a married couple, September 1946; (2) A modest but adequate budget—based on the CWFB, June 1947; (3) A health and decency budget (incorporating the American standard of living)—based on the Heller Committee budgets for a single person and a 4-person family, September 1946; and (4) break-even points based on the Consumer Expenditure Survey in 1944 (not budget data). The BLS scale of relative income needs based on amounts of savings and adequacy of diets is used to estimate costs for families of other sizes at the three budget levels discussed (pp. 3-18). Additional detail is presented in Appendix II, pp. 50-62, and a summary is given on pp. V-VII.

The report also cites some historical references to the common practice of appraising exemptions with reference to "essential living costs" (p. 3) and comments on the differing views and the problems involved in attempting to define these standards.

2. Social security program: To evaluate the level of payments.

This was the major purpose in the construction of the original "Budget for an Elderly Couple," issued by the Social Security Administration in 1948.

3. Employment security program: To evaluate the adequacy of unemployment compensation payments.

Example: *Unemployment Insurance and the Family Finances of the Unemployed*, BES No. U-203, July 1961, U.S. Department of Labor, Washington 25, D.C.

This report is an analysis of six benefit adequacy studies, conducted between 1954 and 1958. Although the unemployment insurance program had been in existence for 25 years in the United States, there had been practically no information available on how claimants actually got along on their benefits, until these studies were begun. Since the data included 4-person families (and single persons) and 2 of the cities included were Portland, Oregon, and St. Louis, Missouri, a direct comparison could be made between benefits paid to and the living expenses of the unemployed, and the costs of the CWFB.

The CFWB is also used to give perspective to the data collected in a more recent report: *Family Characteristics of the Long-Term Unemployed*, A report on a study of claimants under the Temporary Extended Unemployment Compensation Program of 1961-62. TEUC Report Series No. 1—an interim report on the May 1961 survey—was published in April 1962. Surveys were also conducted in September 1961, and January and April 1962.

4. Medical care program:

(a) The Budget for a Retired Couple was used in testimony presented by the Department of Health, Education, and Welfare in executive sessions of the Congressional Committee prior to the passage of the Federal Kerr-Mills Bill, which provides medical assistance to the aged. (Legislation effective in October 1960.)

(b) When legislation was introduced in New York State to enable the State to use the Federal funds for medical assistance to the aged which were made available by the Kerr-Mills Act, the Retired Couple's Budget was used again to evaluate the proposed ceilings on annual income, which are required by the Act. (Correspondence from Community Council of Greater New York, February 15, 1961.)

*Group 3: Guidance of administrative determinations of need, as required by various laws and programs*

1. Minimum-wage programs: Six States have developed new budgets since 1958: New York, New Jersey, Washington, D.C., Minnesota, Pennsylvania, and California. Two of these budgets (New Jersey and Minnesota) are for a woman living alone in a furnished room and eating meals in a restaurant. The others

are for women living as a "member of a family" (New York and New Jersey), in "a family group of 3" (Washington, D.C.), or sharing an apartment with 1 (California) or 2 (Pennsylvania) other women. One budget (Pennsylvania) specifies the age of the woman.

(a) *Cost of Living for Women Workers, New Jersey, September 1958*, New Jersey Department of Labor and Industry, Bureau of Statistics and Records October 1959.

(b) *Cost-of-Living Budget for a Woman Worker in the District of Columbia, September 1959*, prepared by a committee appointed by the District of Columbia Minimum Wage and Industrial Safety Board.

(c) *Minimum Cost of Living Budgets for Working Women and Minors, October 1960*, Report of the Industrial Commission of Minnesota.

(d) *Estimated Cost of Adequate Maintenance and Protection of Health of a Working Woman Living as a Member of a Family, August 1960. Special Labor News Memorandum No. 87, December 7, 1960*, New York Department of Labor, Division of Research and Statistics.

(e) *Cost of Living Budget for Employed Women in Pennsylvania, 1960*, Commonwealth of Pennsylvania, Department of Labor and Industry.

(f) *Annual Cost of a Minimum Budget for a Self-Supporting Working Woman, June 1961*, California Department of Industrial Relations Division of Statistics and Research.

2. Public welfare programs: All States are required by law to formulate assistance standards (budgets), which are used as a basis for determining eligibility and amount of payment in public assistance cases. Standards are also compulsory for public welfare agencies in determining the cost of foster home care of children. In addition, some States use standards as a basis for determining the need for old age assistance and/or for medical indigency. The Kerr-Mills Act itself requires a simpler criterion for eligibility for medical assistance on the part of elderly persons, namely the determination of an appropriate income level; however, some States have formulated standards as a basis for identifying what income level is appropriate. Standards are also optional but used by a number of States as a basis for determining eligibility for free service or ability to pay for such service as attending summer camps or care under the crippled children's program. The following reports are illustrative of standards in the area of public welfare:

(a) *A State Revises Its Assistance Standard*, Public Assistance Report No. 37, U.S. Department of Health, Education, and Welfare, Bureau of Public Assistance, Washington 25, D.C., June 1959. By Gertrude Lotwin.

(b) *Report of the Advisory Committee on Assistance Standards*, Commonwealth of Pennsylvania, January 15, 1957.

(c) *Adjustment of the Colorado Pension Award to Changes in the Cost of Living*, Bureau of Economic Research, University of Colorado, May 1962.

Since 1957, the Colorado Department of Public Welfare has been administering a law which provides an old age pension from the State of \$100 per month, minus net income from other sources, as a basic minimum, to be adjusted at intervals for changes in the cost of living. Colorado is now using its own Pensioner Price Index, constructed by the University of Colorado, Bureau of Economic Research, to adjust the award for "short-run" price change; and the ECB was used, for evaluative purposes, in deriving the weights, for this index.

For level-of-living adjustments in the basic award, the University report discussed several methods which the Welfare Board might use (budget studies, productivity indexes, wages statistics, and personal income data). In anticipation that BLS would have a new budget for an elderly couple by 1965, the report recommended that "the Board may wish to postpone until then any decision based on the influence which the level-of-living adjustment has on the pension award." (p. 68) In the interim, the report recommended that "Every year the staff of the Department of Welfare shall review the basic award to take account of overall changes in the standard of living. For this purpose an Index of Per Capita Disposable Personal Income shall be used" (p. IV).

3. Public housing programs: To determine eligibility.

(a) "Income Limits: A bulletin prepared by the Joint PHA-NAHRO\* Committee on Income Limits and Rents." Published by the Housing and

\*Public Housing Administration-National Association of Housing and Redevelopment Officials.

Home Finance Agency, Public Housing Administration, September 1961. (p. 61) The Bulletin discusses what local housing authorities should do in determining what the maximum rent limits should be for families moving into low rent housing, and what maximum rent should be for continued occupancy.

4. Voluntary and public service agency programs: To measure the ability of normally self-supporting families to contribute to the support of dependent parents, to bear the cost of catastrophic illness, to pay for counseling or other services provided by family service agencies, etc. For example:

(a) *A Family Budget Standard*, prepared by the Budget Standard Service, Community Council of Greater New York, 44 East 23rd Street, New York 10, New York, 1955. Report shows budget quantities for individuals in various age-sex-activity groups, and for several different family types.

(b) *How to Measure Ability to Pay for Social and Health Services*, Budget Standard Service, the Community Council of Greater New York, 44 East 23rd Street, New York 10, New York, 1957.

These reports are kept up to date by a report on the *Annual Price Survey and Family Budget Cost*, issued in October of each year.

(c) *Guide Lines to the Measurement of Ability to Pay for Health and Social Services*, New Jersey Welfare Council, 61 Lincoln Park, Newark 2, New Jersey, 1962.

5. Scholarship aid: To determine eligibility and the amount of payments.

(a) "Changes and Challenges in Need Analysis," by Robert K. Hage, a report of the revised method of determining need for scholarship assistance, recommended by the *College Scholarship Service* of the College Entrance Examination Board.

NOTE.—This method satisfies the requirements of the National Defense Education Act.

EXHIBIT B. COST OF LIVING OF PERSONS IN RETIREMENT\*—U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS

The goal of the pension plans you administer is "to provide adequate income on retirement." I think you will agree that the problem is how to define "adequate" and how to estimate an adequate income which is appropriate at different times, in different places, and for different family circumstances. Charles Dickens in *David Copperfield* had some observations on the subject when he said:

"Annual income twenty pounds,  
annual expenditure nineteen nineteen six,  
result happiness.

Annual income twenty pounds,  
annual expenditure twenty pounds ought and six,  
result misery."

The simplest definition of an adequate income that I have heard is "ten percent more than you have." Such definitions meet the needs of novelists and funsters but are not much help to those faced with the serious task of planning and administering pension funds. It was to help you in this task that your Program Committee asked me to talk this morning on the topic, Cost of Living of Persons in Retirement.

The subject is broad and might be approached in many ways, but your Program Committee indicated the following specific aspects of this broad topic in which you are interested:

1. What is an adequate income now?
2. How is this likely to change in the future—10 years hence?
3. How much of an adequate budget goes for food and for rent?
4. How do living costs for one person over 65 compare with those of 2-person families of this age? And single men versus single women, 65+?
5. What are the differences in living costs for farm and nonfarm families?
6. What is the "poverty line" for retired persons or families?

These specific questions are all part of the deceptively simple question, How much does it cost to live? Some answers, however, are provided by the standard budget research now underway in the Bureau of Labor Statistics. The standard

\*Prepared by Helen H. Lamale, Chief of the Division of Living Condition Studies for presentation at the Church Pensions Conference, Barbizon-Plaza Hotel, New York City, December 6, 1968.

budget-maker's responsibility is to assemble the appropriate statistical data and put them into a logical and consistent set of estimates which define specifically stated standards of adequacy. In final analysis, however, the problem of defining "adequate" in specific situations is the responsibility of the administrators.

#### *BLS retired couple's budget (RCB)*

The BLS Retired Couple's Budget for a Moderate Standard of Living—Autumn 1966, (Bulletin 1570-4) provides cost estimates of this standard of living for 39 metropolitan areas, 4 regional classes of nonmetropolitan areas, and the U.S. urban average cost. In preparing cost estimates for a standard budget, it is necessary to spell out certain basic assumptions with respect to the family's composition and manner of living. The cost estimates of the RCB are for an urban family of 2 persons—a husband, age 65 or over, and his wife, who are assumed to be self-supporting and living independently of any other family group. The budget also specifies that both husband and wife are in reasonably good health for their age and are able to take care of themselves, and that each is covered by hospital and medical insurance under the federal Medicare program. Two-thirds of the retired couples are homeowners, living in houses which are mortgage-free. The couple has average inventories of clothing, housefurnishings, major durables and other equipment.

The idea of "Standard of Living" is a changing concept. The currently available budget estimates are based on the concept of a moderate living standard based on standards prevailing in the 1960's. The budget is intended to include those goods and services that are necessary for a healthful, self-supporting mode of living that allows normal participation in the life of the community in accordance with current American standards. Social and conventional, as well as physiological, needs are taken into account.

My discussion today will deal with these data for a moderate living standard. We are currently developing estimates for 3 standards—spring 1967 cost of the moderate standard and estimates for a lower and a higher standard. These budgets will relate to the same 39 metropolitan areas, 4 regional classes of nonmetropolitan areas and the U.S. urban average covered by the autumn 1966 study. The data will be released next spring as BLS Bulletin 1570-6.

#### *What is an adequate income now?*

When the RCB was priced in autumn 1966, the average total budget cost for urban United States was \$3,869. Costs in metropolitan areas averaged \$4,006, and in nonmetropolitan areas \$3,460. Costs for renter families were higher than for those families who owned their homes mortgage-free. At the U.S. urban level, renter family costs averaged \$3,985 as compared with homeowner costs of \$3,806.

Another big item of expense in the Retired Couple's Budget relates to the cost of transportation. The information published in Table 1 of Bulletin 1570-4 indicates how important a retired couple's decision is with regard to auto-ownership and use in relation to their future transportation costs. The RCB estimate is based on the average cost of auto-owners and nonowners, weighted by varying percentages of ownership depending on the size of the city and the availability of public transportation. In a majority of the cities, 60 percent of the couples owned automobiles, and the weighted average transportation cost at the U.S. urban level was \$345. However, costs for automobile owners were \$561, as compared with \$83 for nonowners of automobiles.

One of the difficulties of making detailed estimates of costs for standard budgets such as those for the retired couple is that it is time-consuming and the prices of the items included in the budget are changing. Since the autumn of 1966, the Consumer Price Index has increased 7.3 percent which provides only a very rough basis for estimating current costs of the Retired Couple's Budget. For a moderate standard at the U.S. urban average, about \$280 has been added as a result of price changes since the autumn of 1966, bringing the cost of this standard up to approximately \$4,150, as of October 1968. This must be considered only a rough approximation because the goods and services which make up the Retired Couple's Budget are quite different from those included in the Consumer Price Index for employed wage-earner and clerical-worker families.



In the past, there has been some misunderstanding about the relationship between price changes as indicated by the Consumer Price Index and changes in prices of goods and services which retired persons buy. There has been a tendency to think that the increase in price for the older families will always be greater than that measured by the Consumer Price Index for younger families. This is not necessarily true. It is true that in the period from 1950 to 1960, when many of the price changes were associated with medical service and other items which weighed heavily in the Retired Couple's Budget, that the CPI probably understated the rise in prices for retired couples. Even in this period, however, the differences were not substantial.<sup>1</sup> In the 1960's, with Medicare and other changes in the distribution of goods and services in the budgets of retired persons, another pattern of relationships between the Consumer Price Index and one appropriate for retired persons might be found.

*How is this likely to change in the future?*

The BLS does not forecast price changes and changes in levels and standards of living. However, some idea with regard to future changes in budget costs can be gained by looking at the past rate of change.

The Retired Couple's Budget was developed in the Social Security Administration in the late 1940's and was priced by the Bureau of Labor Statistics in October 1950. This budget was considered "modest but adequate" in terms of standards prevailing in the immediate pre- and post-World War II years. In 1959, the Bureau of Labor Statistics published an interim budget for retired couples, with cost estimates for 18 of the same metropolitan areas priced in 1950. This interim budget was "modest but adequate" in terms of standards prevailing in the 1950's. As I indicated above, our current Retired Couple's Budget is moderate (modest but adequate) in terms of standards prevailing in the 1960's, and we have cost estimates for the same 18 metropolitan areas. Using data for these 18 metropolitan areas between 1959 and 1966, the total budget cost increased 35 percent; 15 percent as a result of price increases, and 20 percent as a result of increases in the standard of living. The annual rate of increase over the 7-year period was 2 percent per year due to prices, and 3 percent due to a rising standard of living. When costs in 1966 are compared with 1950, the total budget cost for retired couples increased 130 percent; 60 percent as a result of price increases, and 70 percent as a result of the increased standard of living. Thus, over the 16-year period, there was an average annual increase of 3.7 percent in prices, and a 4.4 percent annual increase in living standards.

All of this discussion of rising costs for the Retired Couple's Budget would be very alarming if we did not know that the real income of retired couples also increased substantially over the same period. From 1950 to 1966, the income of retired couples (adjusted for price change) increased at a rate of 4.1 percent a year. This was slightly less than the rising standard of living. However, we have estimated that the income of retired couples of the budget type was \$4,046 in 1966. Thus, although the increase in the standard since 1950 has exceeded the improvement in real income, the level of the new moderate budget was slightly below the 1966 average money income of retired couples.<sup>2</sup>

Based on the trends in prices and living standards between the interim budget in 1959 and the retired moderate standard budget in autumn 1966, total budget costs in the mid- and late 1970's would be up by about 50 percent; 20 percent because of price increases, and 30 percent as a result of rising living standards. In this connection, I would like to call your attention to a recent Social Security Administration publication, "The Economic Status of the Retired Aged in 1980: Simulation Projections," pages 45-47. In this study, using various measures of income "adequacy," the computer found little or no improvement to be expected in the aged's income from pensions and assets when measured against the anticipated rising incomes (standards of living) of the rest of the population.

<sup>1</sup> See "The Impact of Rising Prices on Younger and Older Consumers," BLS Report 238-2.

<sup>2</sup> For a detailed discussion, see Retired Couple's Budget for a Moderate Living Standard—Autumn 1966, Bulletin 1570-4, pp. 12-13.

*How much of an adequate budget goes for food and for rent?*

A chart, entitled "Where the Budget Dollar Goes," is attached to the press release on the Retired Couple's Budget, and similar information is shown in the table on page 1 of Bulletin 1570-4. Food (including both meals at home and away from home) accounted for about 28 percent of the moderate budget cost, and housing (including renter and owner shelter costs; heat and utilities, household operation, housefurnishings and equipment) took another 34 percent.

Shelter, including heat and utilities, accounted for about two-thirds of total housing costs, or about 22 percent of the total cost of the budget. Table 1 in the press report and in Bulletin 1570-4 shows that costs for occupying a mortgage-free dwelling are usually less than renting. Owner shelter costs were \$179 less than rental costs at the U.S. urban average; \$186 less in metropolitan areas on the average; and \$159 less in nonmetropolitan areas. Even for mortgage-free dwellings owner shelter costs were, however, higher than renter shelter costs in some metropolitan areas, e.g., New York-Northeastern New Jersey.

Transportation and clothing each accounted for about 9 percent of the total moderate RCB costs, and medical care about 7 percent.

*How do costs for one person compare with those for retired couples?*

No complete budgets have been prepared for either a single retired man or woman. However, analysis of the BLS Survey of Consumer Expenditures in 1960-61 has been conducted to develop a "Revised Equivalence Scale" which is described in BLS Bulletin 1570-2. By applying this scale value to the cost of the Retired Couple's Budget in each place, it is possible to estimate the total cost of goods and services for a comparable moderate living standard for a retired single person. The results of these calculations appear in Table 3, page 10, of Bulletin 1570-2. The costs for a single retired person are 55 percent of those for the retired couple, or \$2,000 at the U.S. urban average in autumn 1966.

Differences in the cost of the various components of the budget for retired single men and single women cannot be obtained from the Equivalence Scale research. However, from other analyses of consumer expenditures data it is generally found that single women spend more than men for housing and clothing, while single men spend more than women for food and transportation. The U.S. Department of Agriculture has developed Food Plans which provide nutritionally adequate diets for persons of different age and sex. From these plans it is evident that although older men require substantially less than younger men for an adequate diet, older men require more than older women for an adequate food budget. For example, at June 1968 prices there were the following differences in the cost of the Low-cost; Moderate-cost; and Liberal Food Plans.<sup>3</sup>

	Cost for 1 week <sup>1</sup>		
	Low-cost plan	Moderate-cost plan	Liberal plan
<b>Men:</b>			
20 to 35 years.....	\$8.20	\$10.30	\$12.80
55 to 75 years.....	6.70	8.70	10.40
75 years and older.....	6.30	8.30	10.00
<b>Women:</b>			
20 to 35 years.....	7.00	8.90	10.70
55 to 75 years.....	5.70	7.40	8.80
75 years and older.....	5.20	6.60	8.00

<sup>1</sup> Costs given for persons in families of 4 persons. For other sizes of families make the following adjustments: 1 person, add 20 percent; 2 persons, add 10 percent; 3 persons, add 5 percent; 5 persons, subtract 5 percent; 6 or more persons, subtract 10 percent.

<sup>3</sup> USDA-ARS, *Family Economics Review*, ARS 62-5, September 1968.

As previously mentioned, women at all ages, on the average, spend more than men for clothing, as the following U.S. urban summary from the 1960-61 Survey of Consumer Expenditures illustrates.<sup>4</sup>

	Average annual expenditures, age group	
	25 to 64 years	65 years and older
Total clothing expenditures:		
Men.....	\$169	\$77
Women.....	212	98

However, the differences in the food and clothing costs for single retired men as compared with those of single retired women are considerably less important in relation to the total budget costs than are housing costs which vary considerably depending on the kind of housing arrangement selected. For example, if a retired man has to pay for the household services formerly performed by the wife, his housing costs may be greatly increased. Also, in most cases rents, even for smaller dwellings, are higher than the "out-of-pocket" costs for maintaining a mortgage-free owned home. Thus, there are many considerations which will affect the housing costs of single retired persons compared with those of a retired couple, not the least of which is the single person's health and ability to live alone.

*What are the differences in living costs for farm and nonfarm families?*

No standard budgets have been prepared for retired farm families, but the U.S. Department of Agriculture has been analyzing data from the most recent nationwide survey of consumer expenditures to establish some general measures of the farm-nonfarm comparative living costs. These studies indicate that farm family costs are about 15 to 20 percent lower than those of urban families.

Table 2 in the BLS Retired Couple's Budget press report and Bulletin 1570-4 show the variations in cost between metropolitan areas (places with 50,000 or more population) and nonmetropolitan areas (places with 2,500 to 50,000 populations) in geographic regions. As can be seen from these comparative living cost indexes, the costs of the Retired Couple's Budget were lowest in nonmetropolitan areas in the South, 16 percent below the U.S. urban average—about the same difference as that found by the USDA analysts in the average costs for farm as compared with urban families.

*What is the "poverty line" for retired persons or families?*

The so-called "Poverty Indexes" which have been used in the Federal poverty programs were prepared in the Social Security Administration. Two levels have been defined for families of different composition by household size, sex of head, and farm or nonfarm residence, i.e., the poverty and low-income criteria.<sup>5</sup>

These estimates for single persons and couples aged 65 years or older were as follow in March 1967:

<sup>4</sup> *Clothing for Urban Families: Expenditures per Member by Sex and Age, 1960-61*, Bureau of Labor Statistics, Bulletin No. 1556; see also, USDA-ARS, *Family Economics Review*, ARS 62-5, September 1968.

<sup>5</sup> Mollie Orshansky, "The Shape of Poverty in 1966," in *Social Security Bulletin*, March 1968, Table 1. See also, "The Extent of Poverty in the United States, 1959 to 1966," Current Population Reports: Consumer Income, Bureau of the Census, Series P-60, No. 54, May 31, 1968.

	Poverty level		Low-income level	
	Nonfarm	Farm	Nonfarm	Farm
Aged 65 years or more:				
Single person.....	\$1, 565	\$1, 095	\$1, 890	\$1, 330
Couple.....	1, 970	1, 380	2, 655	1, 870

There has been considerable discussion, but not consensus, over the past few years of how to define poverty in different situations, and whether the definition should be changed over time or from place to place. There has, however, been rather general recognition that one measure or definition cannot serve the many purposes for which measures of income adequacy are needed. An Advisory Committee of users of the BLS standard budgets in 1963 recommended that the Bureau prepare budgets for both the 4-person family and the retired couple for a lower living standard than the traditional moderate standard.<sup>6</sup> It was thought that such standard budgets would provide benchmark estimates of living costs which would be more appropriate than the moderate standard budgets in the planning and administering of various assistance and income maintenance programs. Conceptually, this lower standard will be similar to the Social Security Administration "Low-income Level." The Committee also recommended that budgets for a standard higher than the moderate standard be prepared for both family types.

We have given priority to the work on estimates of the spring 1967 costs of these three standards for the 4-person family and expect to publish the report early in 1969, as BLS Bulletin 1570-5. The three standards for the retired couple will be completed later in the spring of 1969 and will be published in BLS Bulletin 1570-6. When these estimates for three standards of living are available for the 39 metropolitan areas and 4 regional classes of nonmetropolitan areas, administrators of pension funds will have greatly improved benchmark measures of income needs in retirement as the basis for their decisions in specific situations.

#### ITEM 4: MISS PATRICIA CARTER,\* DIRECTOR, CONSUMER INFORMATION PROJECT, HUDSON GUILD, FULTON SENIOR CITIZEN CENTER

(Subsequent to the hearing, the chairman asked several questions in a letter to Miss Carter. The questions and responses follow:)

*Question. Your comments about medical needs lead me to ask whether it is possible for you to provide two or three actual examples of difficulties encountered because of "spiraling doctor fees . . . and uncovered services such as drugs, dental care, regular eye and hearing care."*

*Answer.* Mr. S. had to visit a doctor regularly after two cataract operations because he had developed complications. The regular office visit fee was \$10. Suddenly it was raised to \$15. He asked why and was told, "That's the new fee." The doctor ordered a complete physical, including an EKG, a blood test and urine analysis. The charge was \$75. Mr. S. complained and was told by the nurse, "What are you complaining about?" You'll get 80% back." He was reimbursed \$21 from Medicare. Mr. S. applied for reimbursement for his special glasses. He was refused automatically. He and his doctor had to devise a way of applying to insure reimbursement.

<sup>6</sup> U.S. Department of Labor, Bureau of Labor Statistics, Report of the Advisory Committee on Standard Budget Research, June 1963, 26 pp.

\*See testimony, p. 376.

Mr. S. had been receiving \$8 reimbursement after waiting 6 to 16 weeks for Medicare to respond. He stretches the time between doctor's visits now and says, "It pinches, but I am lucky that I can wait. What about those people who can't live without the money?"

Mr. I has two complaints. He says, "No matter what the doctor charges, Medicare cuts the fee. Then I get 20% of the remainder". He showed me six bills. The doctor's fee had risen from \$8 to 12. over an eight month period. Mr. I was allowed only \$7. and then received 20% reimbursement.

He has copied two receipts for bills for physical examinations. He is sure that the doctor never gave him all of the tests mentioned. Mr. I was charged \$50. He is afraid to apply for reimbursement because he feels that the bills are dishonest.

The examples of difficulties because of uncovered expenses are numerous. The older people just say, "I can't afford to . . ."

*Question. You call for a high priority on pre-retirement programs. I find myself wondering what kind of pre-retirement training would have been of most assistance to the people at the housing project you serve. What practical information do they need most? Who should provide it?*

Answer. Pre-retirement programs must be comprehensive and include the specifics of preparing for retirement, as well as preparing for the emotional adjustments of retiring. The senior citizens of the Hudson Guild-Fulton Senior Center said that they had no idea of what retirement meant until it was upon them and then they were immobilized by the shock.

The outline of Mr. Margolius' Book *Successful Retirement* discusses the areas to be considered in retiring such as estimating a retirement income, developing new sources of income, understanding benefits, preparing to meet health costs, personal planning and possible relocation most adequately. This kind of planning is most specific and can reach these people at ages 50 to 55.

However, the time to actually face the emotional factors of retirement, I believe, should be at the time people are going through that trauma, perhaps at ages 59 to 65+. Counseling services should be included in retirement programs to help people face the adjustment of a nonscheduled life with large amounts of free time. I think also that we must be more equipped to deal with what does a working man do upon retirement? I'm not sure that the answers we now have of joining a senior citizens group or volunteering are adequate answers to a tremendous problem. Several of the men in my group said that they felt a loss of power at being unable to earn money.

I would like to see people as aware of what needs to be done to insure a reasonably happy retirement as they are that they need a blood test to be married and a vaccination to leave the country. Radio, television and newspapers could be employed to bring the business of retiring before the public eye.

Everyone should be involved in such programs. Banks, business, unions, adult education and senior centers could certainly discuss the practical matters of retiring. The problems of what it feels like to retire must be dealt with by people fully trained to understand retirement attached to business, unions, adult education and senior center programs.

*Question. The Subcommittee is deeply concerned about gaps in information about the elderly as consumers, and you recommend that "schools of home economics should be mandated to conduct research" to close such gaps. May I ask what information you would find most useful about older consumers? Do you see ways in which the elderly themselves could be employed to help in such research?*

Answer. The following are questions that I would like to see answered:

1. What is the potential buying power of the 60 to 70, 70 to 75 and 75+ age groups?
2. What are current spending patterns of the above group?
3. What are the current spending patterns of the above groups in various regions of the country?
4. What are the purchasing desires of the older consumer?

5. What are spending patterns of older consumers who, before retirement were in the low, middle and upper income brackets?
6. What mental and physical limitations of aging affect buying habits and how?
7. What additional services will compensate for the limitations of age?
8. How do present shopping conditions and methods affect the older consumer?
9. Will the older consumer use mail order purchasing if adequate and available?
10. How do spending patterns of single men and women; married couples and widows and widowers compare?
11. How do present equipment design be altered to more effectively meet the needs of the older consumer?
12. What factors influence relocation after retirement?
13. What is the most effective method of reaching the pre-retiree with pre-retirement planning?
14. How can housing design be adapted to meet the needs of the elderly?
15. What factors influence choice of clothing for men and women?
16. What kind of advertising appeals to the older consumer?
17. What is the effect of advertising for the older consumer on teenagers, young adults and the 50 to 60 age group?

I suggested schools of home economics because all of the areas mentioned are of concern to the field of Home Economics and research in this area could easily fit into present programs. In addition, the field can be of great help in alleviating the problems of the older consumer because most companies and retail organizations have Home Economists on their staff and the entire field must become involved in the field of the aging.

Yes, I do see older people being employed to help in such research as interviewers, and as arms of Home Economics schools reaching throughout entire states.

Business should be encouraged to enter into a partnership with government to assist in financing research.

EXHIBIT A. UNITED STATES DEPARTMENT OF AGRICULTURE, AGRICULTURAL RESEARCH SERVICE, CONSUMER AND FOOD ECONOMICS RESEARCH DIVISION

SAMPLE MENUS AND FOOD LIST FOR ONE WEEK BASED ON USDA ECONOMY FAMILY FOOD PLAN

The menus on page 2 show the types of meals that families using the Economy Plan might prepare. The limited quantities of meats, eggs, fruits, and vegetables in the plan are used in small-to-average size servings to allow considerable variety in meals. Large servings of breads and cereals, potatoes, and dry beans are provided for.

The foods needed for preparing these meals for a 4-person family are shown on page 3. These foods could be purchased for \$20-\$22 in Washington, D.C., in December 1966.

Quantities of foods in the Economy Plan and their estimated cost in December 1966 are shown for men and women and boys and girls of different ages on page 4. From these figures the amounts of foods from 11 food groups to buy to provide nutritionally adequate diets and their estimated cost can be determined for any family.

The Economy Food Plan is the least expensive of the USDA's five food plans. It was developed as a guide for counselors who help homemakers furnish their families with the foods they need at very low cost.

Studies show that few families spending at the level of the Economy Plan select foods that provide nutritionally adequate diets. The cost of this plan is not a reasonable measure of basic money needs for a good diet. The public assistance agency that recognizes the limitations of its clientele and is interested in their nutritional well-being will recommend a money allowance for food considerably higher than the cost level of the Economy Plan. Many welfare agencies base their food cost standards on the USDA Low-Cost Food Plan which costs about 30 percent more than the Economy Plan.

## ECONOMICAL MENUS FOR 1 WEEK

Day	Morning	Noon	Evening
Sunday	Oranges, quartered; pancakes; sirup; milk for children.	Stewed chicken <sup>1</sup> ; mashed potatoes; green beans; bread; margarine; spice cake; milk for children.	Bologna sandwiches; banana; spice cake; cocoa.
Monday	Oranges, quartered; oatmeal or grits; milk; toast or bread; margarine.	Peanut butter and applebutter sandwiches; raw carrots; spice cake; milk.	Creamed chicken; rice vegetable salad; bread; margarine; peaches; milk for children.
Tuesday	Peaches; ready-to-eat cereal; milk; cinnamon toast or bread.	Hard-cooked egg sandwiches; banana or apple; graham crackers; milk.	Baked chile beans and hamburger <sup>1</sup> ; potato salad; biscuits; applesauce; milk for children.
Wednesday	Applesauce; oatmeal or grits; milk; biscuits; margarine; jelly.	Frankfurters on buns; potato salad; lemonade.	Bean patties <sup>1</sup> ; spinach or other greens; hash-browned potatoes; bread; margarine; peanut butter cookies; milk.
Thursday	Juice; ready-to-eat cereal; milk; cinnamon toast or bread.	Potato and onion soup; crackers; hard-cooked egg; apple; milk.	Fried liver and onions; creamed potatoes; boiled cabbage; bread; margarine; peanut butter cookies; milk.
Friday	Juice; oatmeal or grits; milk; toast or bread; jelly.	Cheese sandwiches; raw carrot; graham crackers; milk.	Fried fish fillet; <sup>1</sup> mashed potatoes; cole slaw; corn-bread; margarine; apple pie; milk for children.
Saturday	Juice; eggs, fried or scrambled; potato cakes; toast or bread; jelly.	Bean soup; <sup>1</sup> crackers; apple pie; milk.	Macaroni and cheese; <sup>1</sup> kale or other greens; carrot strips; bread; apple butter; graham crackers; milk for children.

<sup>1</sup> Recipes from "Money Saving Main Dishes," Home and Garden Bulletin No. 43.

Note: It is assumed that adults drink coffee or tea at the morning and evening meals. When milk is specified as a beverage,  $\frac{3}{4}$  cup is allowed for adults and children under 9 years and 1 cup is allowed for boys and girls 9 to 20 years.  $\frac{1}{2}$  of the milk used is nonfat dry milk reconstituted.

### FOOD LIST FOR FAMILY OF FOUR,<sup>1</sup> USING ECONOMICAL MEANS FOR 1

(Amounts shown are for foods as used, not necessarily as purchased)

Milk, cheese: 7 quarts whole fluid milk,  $1\frac{1}{2}$  pounds nonfat dry milk, 1 pound pasteurized process cheese.  
 Meat, poultry, fish:  $\frac{1}{2}$  pound ground beef, 1 pound frankfurters,  $\frac{1}{2}$  pound bologna, 1 pound beef liver,  $3\frac{1}{2}$  pounds ready-to-cook frying chicken, 1 pound fish fillet.  
 Eggs: 2 dozen.  
 Dry beans, peas, nuts:  $\frac{1}{2}$  pound dried kidney beans,  $\frac{1}{2}$  pound dried navy beans,  $\frac{1}{2}$  pound peanut butter, 1 28-ounce-can baked beans.  
 Flour, cereals, baked goods: 2 pounds all-purpose flour, 1 pound spice cake mix, one 12-ounce package ready-to-eat cereal, 1 pound rolled oats or grits,  $\frac{1}{2}$  pound cornmeal,  $\frac{1}{2}$  pound macaroni,  $\frac{1}{2}$  pound rice, nine 1-pound or six  $1\frac{1}{2}$  pound loaves enriched white bread, eight frankfurter rolls, 1 pound crackers, 1 pound graham crackers.  
 Citrus fruits, tomatoes:  $\frac{1}{2}$  dozen oranges, one 46-ounce-can juice—orange, grapefruit, or tomato, one No. 303 can tomatoes.  
 Dark-green, deep-yellow vegetables: 1 pound kale, one No. 303 can spinach,  $1\frac{1}{2}$  pounds carrots.  
 Potatoes: 12 pounds white.  
 Other vegetables, fruits: 2 pounds cabbage, one head lettuce, 1 pound onions, one green pepper, one No. 303 can green beans, 4 pounds apples, one No. 2 $\frac{1}{2}$  can applesauce, one No. 2 $\frac{1}{2}$  can peaches, 2 pounds bananas.  
 Fats, oils: 1 pound margarine,  $1\frac{1}{4}$  pounds shortening,  $\frac{1}{2}$  pint salad dressing.  
 Sugars, sweets:  $1\frac{1}{2}$  pounds granulated sugar,  $\frac{1}{4}$  pound brown sugar,  $\frac{1}{2}$  pint jelly, 1 pint apple butter, 6 fluid ounces sirup.  
 Miscellaneous: <sup>2</sup> one 6-ounce-can frozen concentrated lemonade,  $\frac{3}{8}$  pound coffee, tea.

<sup>1</sup> Father and mother, midthirties; boy, 11 years; girl, 8 years.

<sup>2</sup> Sufficient money is allowed in the estimated cost of the economy plan to buy necessary accessories such as vinegar, baking powder, and spices.

ECONOMY FAMILY FOOD PLAN—WEEKLY QUANTITIES OF FOOD AND ESTIMATED COST (DESIGNED FOR TEMPORARY USE WHEN FUNDS ARE LIMITED)

Sex-age group <sup>1</sup>	Quantities of food <sup>2</sup>																Estimated cost, U.S. average, December 1966 <sup>6</sup>	
	Milk, cheese, ice cream <sup>3</sup> (qt.)	Meat, poultry, fish <sup>4</sup>		Eggs (no.)	Dry beans, peas, nuts (oz.)	Flour, cereals, baked goods <sup>5</sup>		Citrus fruit, tomatoes		Dark-green and deep-yellow vegetables		Potatoes		Other vegetables and fruits		Fats, oils (oz.)		Sugars, sweets (oz.)
		Lb.	Oz.			Lb.	Oz.	Lb.	Oz.	Lb.	Oz.	Lb.	Oz.	Lb.	Oz.			
<b>Children:</b>																		
7 months to 1 year.....	4	1	0	4	0	1	0	1	0	0	4	0	12	1	0	2	2	
1 to 3 years.....	4	1	4	4	1	1	12	1	0	0	4	1	0	2	0	4	4	
3 to 6 years.....	3½	1	8	4	4	2	4	1	4	0	4	1	8	2	8	6	6	
6 to 9 years.....	3½	1	12	5	6	3	0	1	8	0	8	2	8	3	0	10	10	
<b>Girls:</b>																		
9 to 12 years.....	5	1	12	5	10	2	12	1	12	0	12	2	8	3	4	8	10	
12 to 15 years.....	6	2	0	6	10	3	0	1	12	1	0	3	0	3	8	10	10	
15 to 20 years.....	6	2	0	6	8	2	12	1	12	1	4	2	8	3	4	8	10	
<b>Boys:</b>																		
9 to 12 years.....	5	2	0	5	8	3	4	1	8	0	12	2	12	3	4	10	10	
12 to 15 years.....	6	2	0	5	10	4	4	1	12	0	12	3	8	3	8	14	12	
15 to 20 years.....	6	2	8	5	10	5	0	1	12	0	12	4	12	3	8	16	14	
<b>Women:</b>																		
20 to 35 years.....	3	1	12	6	10	2	12	1	8	1	8	2	12	3	0	8	12	
35 to 55 years.....	3	1	12	6	10	2	8	1	8	1	8	2	8	2	12	6	8	
55 to 75 years.....	3	1	8	4	6	2	0	1	12	1	0	2	8	2	12	6	6	
75 years and over.....	3	1	4	4	6	1	12	1	12	1	0	2	0	2	4	4	6	
Pregnant?.....	5½	2	0	7	10	3	0	3	0	2	0	2	8	4	8	6	6	
Lactating?.....	8	2	0	6	10	4	0	3	0	1	8	3	12	4	8	12	12	
<b>Men:</b>																		
20 to 35 years.....	3	2	0	5	8	4	8	1	8	0	12	4	4	3	8	14	18	
35 to 55 years.....	3	1	12	5	8	4	4	1	8	0	12	3	8	3	4	12	14	
55 to 75 years.....	3	1	8	5	6	3	4	1	8	0	12	2	12	3	0	12	10	
75 years and over.....	3	1	8	5	6	3	0	1	8	0	12	2	8	2	12	10	6	

<sup>1</sup> Age groups include the persons of the 1st age listed up to but not including those of the 2d age listed.

<sup>2</sup> Quantities are for food as purchased or brought into the kitchen from garden or farm.

<sup>3</sup> Fluid whole milk, or its calcium equivalent in cheese, evaporated milk, dry milk, or ice cream.

<sup>4</sup> Bacon and salt pork should not exceed ½ pound for each 5 pounds of meat group.

<sup>5</sup> Weight in terms of flour and cereal. County 1½ pounds bread as 1 pound flour.

<sup>6</sup> Costs given are for individuals in 4-person families. For individuals in other size families, the following adjustments are suggested: 1 person, add 20 percent; 2 person, add 10 percent; 3 person, add 5 percent; 5 persons, subtract 5 percent; 6 or more persons, subtract 10 percent. Costs are estimated annually and are available on request.

<sup>7</sup> 3 additional quarts of milk are suggested for pregnant and lactating teenagers.



## ITEM 5: SIDNEY MARGOLIUS\*

(Subsequent to the hearing, the chairman asked several questions in a letter to Mr. Margolius. The questions follow:)

1. You mentioned that you had given a talk earlier in the day about the usefulness of group buying arrangements for the elderly. Is it possible for you to provide a copy of that document for our hearing record, or a summary of it. Is it possible, do you think, for Federal or State legislation to be helpful in providing incentives for such "co-ops"?

2. In your discussion of the need for updating of the BLS budget, you said that the present infrequency of updating "plays into the hands of the employers." In what way?

3. Your statement gave an excellent discussion of the way in which inflation is especially hard on the elderly. As you may know, it is often suggested that government spending is a major cause of inflation, and that—if it is reduced—the elderly would be better helped than if government money were spent on such things as increased Social Security, better housing, etc. I would appreciate some discussion from you on the part that Federal spending plays in causing or feeding inflation.

4. Your statement discusses the dwindling transportation resources available to the elderly, but Mrs. Lamale's statement referred to "the increased ownership and use of automobiles by retired couples." Do you disagree with the BLS finding?

(The following reply was received:)

JUNE 30, 1969.

DEAR SENATOR CHURCH: \* \* \*

In response to your questions:

1. In relation to my comments prior to the hearing, on the potential usefulness of group buying arrangements, I am attaching a summary as you requested for your hearing record.

I think that federal legislation would be very useful in providing seed money and guidance in establishing group buying and consumer-oriented "financial adjustment" and referral services for older people. On the basis of long experience I am convinced that a modest investment by the government in such a program would more than pay for itself in (1) helping older people stretch their modest incomes; (2) preventing some genuine financial tragedies that sometimes befall elderly people, and (3) even help save a little of present welfare and medical-assistance costs. *This could be one of the most practical programs to help older people.*

Too, such practical buying-club and buying-guidance services sponsored by existing community agencies would be the most effective way to provide ancillary consumer information for seniors on some of their more complicated buying problems (medicines, hearing aids, bulk buying of food, insurance and annuities, household repairs, etc.).

The government now operates a bureau of cooperatives in the Agriculture Department which has been of great benefit to farmers. The Bureau of Federal Credit Unions similarly assists in this form of group activity. The REA has similarly been useful and successful in rural electrification and in ancillary education in farm and household uses of electric power. A similar bureau for cooperative buying, consumer referral and information for older people, within the Administration on Aging or other department of HEW, would be the most effective way of making small grants go a long way.

Such a program would involve (1) collecting information on what already is being done in cooperative buying older's people's needs, through the present voluntary efforts of labor unions, senior citizen centers and organizations, and other community groups; (2) using this information to train and inform personnel and members of community organizations and senior citizen clubs; (3) providing modest grants to help get such programs started; (4) continuing guidance and information exchange of ideas, experiences and information between various local group buying programs.

I believe this would be a low-cost program because it would be largely self supporting and self run, with the federal or state agency involved acting mostly

\*See testimony, p. 380.

as an organizing, guidance demonstration and idea-exchange medium, much as the Bureau of Federal Credit Unions does for younger families (mainly), and the Farm Cooperative Service does for farmers.

Such self-help consumer programs for older people would have a collateral value in providing a useful outlet with practical, visible results, for the interest and experience of retired people. Senior citizens themselves can be appointed as "consumer stewards" and "consumer services representatives" just as labor unions have shop stewards and community service representatives.

The potential ancillary information benefit is that an actual buying group, with an immediate, useful goal that people can see and grasp, and which meets an immediate need for the individual, is the best way to also deliver consumer information stemming from the practical service. Older people who become "consumer educated" in turn will educate others in how to buy and manage, through word and mouth and practical, local examples. This is far more satisfactory than most written material or lectures.

2. The reason I suggested that the present lag in updating the BLS budget for retired couples "plays into the hands of employers" is that in an inflationary period actual retirement costs tend to be much higher than realized, and many present pension plans are quite unrealistic. They are based in part on early years of low pre-inflation wages, and do not take in account that present retirement costs already may be \$600-\$700 a year more than the last figure the BLS presented.

You stated some of this problem very well yourself at the Ann Arbor hearing, in questioning Helen Lamale, as shown on page 69 of the hearing transcript.

3. There is no doubt that the careless way the government has fed inflation, both through heavy spending, inadequate controls and ineffective, self-defeating "gimmick"-type anti-inflationary methods (higher interest rates, etc.), has helped to erode the buying power of older people especially. There also is no doubt that if unnecessary government spending is reduced, as in the case of the unnecessarily swollen defense budget but also in a number of other areas, that prices could be better controlled. It has become quite obvious that in a strongly inflationary period, increased Social Security, medical and welfare aid simply pass through and around the elderly and into the pockets of sellers, doctors and landlords.

Perhaps the single most important way government-fed inflation has hurt the elderly is in today's dangerously high interest rates. These have (1) added to costs of elderly-housing programs and in some cases even have forced builders and community groups to drop plans for them; (2) have added to property taxes of those older people who own homes (by increasing borrowing costs of local government); (3) have added to business costs and thus to costs of goods and services older people must buy (along with the rest of the population).

Another area is government policy in relation to food prices. Efforts to keep up prices, especially through taking some supplies off the market (as in the recent case of tomatoes) or regulating prices to the disadvantage of the consumer (as in the instance of milk), raise prices to the farmer a little but add to consumer costs considerably. Since food takes a larger part of an older person's budget than it does of the budget of younger families, older people are hurt even more than younger ones, who at least have some capacity for raising income as prices rise.

The problem of heavy government spending feeding inflation is compounded for the elderly by the lack of genuine, effective effort to stem it; even now a lack of any visible government leadership in trying to discourage price increases.

4. I do not disagree with Mrs. Lamale's reference to "the increased ownership and use of autos by retired couples." My own statement indicated the increased need for cars by older people in this era of outlying shopping centers, to shop for best comparative values. I felt the BLS retirement budget understated this need and the resultant expense. I referred to older people's reduced capacity for getting to such centers because (1) they have less physical capacity; (2) they are more likely to live in the inner city; (3) they have fewer cars; (4) they must rely on public transportation which is increasingly less available in many areas.

\* \* \* \* \*

With best wishes,

SIDNEY MARGOLIUS.

## EXHIBIT A. SUMMARY—COMMENTS ON GROUP BUYING POTENTIAL FOR OLDER PEOPLE

There is just one genuine, effective way to make the buying power of older people make itself felt in the marketplace. That is, to pull together all these small incomes and pool them for group buying, housing and medical-care.

This is beginning to happen to an unprecedented degree through the efforts of labor unions, senior-citizen associations, consumer cooperatives, local retirement centers and other community groups. In 30 years of covering consumer affairs, I have never seen so many group efforts aimed at solving specific economic problems of older people, as well as personal and leisure needs. Even more importantly, I have never seen so many successful programs supporting themselves with only some initial help from various organizations or local and federal government agencies.

I just want to list some of the major areas of group activity that are springing up all over the country:

1. The scores of senior-citizen housing developments, even with all the problems of getting them financed at reasonable rates, that have been built in various cities.

2. Actually hundreds of drug buying plans ranging from simple arrangements for discounts from local pharmacists, to such more effective plans as the central collection depot for prescriptions, and the arrangement with a large, low-price pharmacist sponsored by the Hudson Guild-Fulton Center in New York, and finally, the large mail-order operations such as the Direct Drug Service sponsored by the National Council of Senior Citizens, Farmers Union, labor unions and other organizations. There are many other variations of group drug plans, and they are spreading fast.

3. A steady growth in group optical plans sponsored by labor unions and co-ops, with several of these now also handling hearing aids.

As just one example of how useful such group plans can be, people report that they have been able to save as much as \$60-\$100 on hearing aids brought through a union or co-op-sponsored plan, and also save 35 per cent on batteries.

4. Supplementary health insurance also is becoming more available on a group basis through nonprofit organizations, although these too often suffer the same problem of trying to insure runaway medical costs, and sometimes have the defect of eliminating from the coverage the existing illnesses for which older people most need insurance. But these services at least can keep older people out of the hands of high-pressure mail-order sellers of loophole-ridden "insurance."

5. The operations of the Ferndale Home Modernization co-op here in Michigan point the way to similar cooperatively operated services which can solve the problem of how to get honest home repairs at honest prices. The Ferndale co-op is not limited to older people, of course, nor probably would it be feasible to start such a service just for older people. But older people need this service most and would benefit most from it. Some of the incidents that befall older people, often widows but sometimes men, too, turn into real tragedies.

If a cooperative repair service is too ambitious a project, the least we can do is provide a referral service of local firms who will do honest work for at least reasonable prices, and educate older people to use the referral service.

Such referral services also can be developed for TV and appliance repair as the Hyde Park co-op in Chicago is now exploring.

6. It is harder to establish an auto insurance service, but here too retired persons groups are exploring this possibility, and certainly some group effort can be made to nail the myth that older people have more accidents, which has led to many cancellations of their insurance when they reach an arbitrary age, so that they have to pay excessively high rates.

Access to a car or low-cost public transportation is vital to older people not only for recreational purposes but for economic mobility, so they can shop more widely for the better values in food and not be at the mercy of high-priced stores which may be within walking distance.

7. The problem of food prices is even harder to solve, and really is a national issue requiring Congressional action.

But some seniors do cheat themselves of proper nourishment by unknowing food choices, and sometimes spend even more eating poorly than wisely. A Government survey of one group of older people found a large number had diets lacking in essential nutrients. Many tried to compensate by buying expensive vita-

min supplements. However, often the supplements they bought were lacking in some of the nutrients missing in their meals.

Some people say older folks need smaller sizes of food packages, especially for the individual preparing meals for just herself or himself. But the costs of small cans and packages are high, and little can be done about it. It costs about as much to package, handle, sell, store and retail a small package as a larger one. The real economy is to buy the larger sizes and plan use for more than one meal, and the practical need is to encourage older people to do this.

It might also be worth exploring the possibilities of pooling purchases among a group of older people, possibly with a local community organization acting as a central agency, so that they can not only buy larger sizes but even buy in case lots to share among themselves close to wholesale prices.

Another need is to inform older people on how to evaluate the real value of the many processed and ready-to-eat; foods they may be influenced to buy these because these foods ease preparation when just one person is involved. But many of these ready-to-eat foods are extraordinarily poor values, both in cost for what they provide, and nutritionally. We have to teach people how to read the list of ingredients on the package to see what the processed item really provides.

There are still other opportunities for group economic activity. One such is the group legal care. Another is the possibility of developing group annuity plans as the Teachers Insurance and Annuity Association has done for college teachers, and various church organizations for their clergymen.

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ITEM 6: JAMES MORGAN,\* PH. D., DEPARTMENT OF SOCIAL RESEARCH,  
UNIVERSITY OF MICHIGAN

(Subsequent to the hearing, the chairman asked several questions in a letter to Mr. Morgan. The questions follow:)

1. I am keenly interested in your statement that "*The Annual Survey of Consumer Finances* and other analyses of those data show more inequality among the aged than among other age groups."

Your statement, of course, discusses a major inequality: those who have pension benefits, as opposed to those who do not. But I wonder whether you can give us other, more specific examples of inequality among the aged, together with commentary on the significance of such inequalities.

2. As you so well expressed it "there seems to be a threshold, a kind of social standard of what an adequate retirement income is, somewhere around \$4,000 a year."

How, in your opinion, is such a threshold arrived at? Is it based upon carefully documented estimates by individuals planning their own retirements? By comparisons with living standards of people already retired? By comparisons with Social Security levels? By a kind of economic instinct?

3. In lieu of organizational arrangements to provide supplements to Social Security, you suggest that the Old Age Survivors, Disability and Hospital Insurance organization should engage in educational campaigns. What, in your opinion, is the best channel for such education? Should it be part of widespread pre-retirement training? If so, at what age should it begin?

4. I understand that the Subcommittee on Housing is preparing for a hearing on "Homeownership Aspects of the Economics of Aging." Your question about home equity lead me to wonder whether you or your associates have any information—or additional questions—about "how much additional should he (the renter) put into a retirement fund to allow for the fact that he is not saving in the form of a home equity."

5. Your reference to "risk-free opinions . . . that still provide a hedge against continuing increases in the cost of living" leads me to ask for your views on the

\*See testimony, p. 383.

"Constant Purchasing Power Bond" discussed on page 37 of the Task Force Report on "Economics of Aging: Toward a Full Share in Abundance."

(The following reply was received:)

1. Inequality among the aged shows up in more than their pension benefits. Their average liquid assets do not differ much from those of other age groups, but a larger proportion of the aged have no liquid assets at all. This was the source of confusion and disagreement in the arguments over Medicare. If we calculate incomes, the inequality of incomes among the aged is greater than for any other age group. (James Morgan, "The Anatomy of Income Distribution" *Review of Economics and Statistics* XLIV (August, 1962), 270-283.) Furthermore, when the old have low income, it persists, whereas many of those in other age groups with low income are only temporarily in that state. And it is the low-income aged who are without assets, and likely to be without medical insurance.

2. The threshold defining adequate retirement income, currently around \$4,000, can be arrived at by pricing a fairly arbitrary standard set of needs. We did it by looking at non-linearities in people's plans and behavior, that is by noting that almost no one planned to retire before 65 if he expected less than \$4,000 a year, and that few retired voluntarily and got less than that. Of course with still higher retirement incomes the proportion who plan to retire early is still larger, but there is a visible discontinuity or bend in the curve at \$4,000. Others prefer to observe behavior and infer that adequacy is defined at a point where people do not feel they have to, and therefore do not spend more than some fraction of their income on bare necessities. Of course, whatever method we use, the standard is not absolute nor given from heaven but only relative to the current level of national affluence. I would argue that any family with income less than a third of the average income of families of that size, is poor. And on such a definition of poverty, which is relative and adjusts with growing affluence, we could still abolish poverty. (We may need to use somewhat lower standards for the retired, because they are not expected to set money aside from their income for future retirement or their children's education.)

If the question is not how we estimate the threshold, but how *individuals* come to decide that they cannot get along on less than \$4,000 a year in retirement, one can only guess at the answer. Presumably people's notions are based on comparisons with others, on a sense of relative deprivation, and presumably want to feel that no substantial number of people are better off than they are by some multiple.

3. I suggested educational campaigns so that those not buying a house and qualifying for a private pension would know that they needed to supplement their Social Security accumulations, and roughly by how much. This needs to be done early, since the supplementary saving has to be done over a period of years. I should think that materials should go first when the original Social Security number is issued, and perhaps ten years later those people should be offered supplemental information if they feel they need it. Indeed, I should think that a system of circularizing each generation every ten years, offering a choice of information publications tailored to different situations, would be very useful (and the Social Security Administration is talking about this internally, I think). For instance, wives getting close to qualifying for benefits in their own name, need special information about what this means, and what happens if they continue to work, increasing their average annual earnings on which benefits are based. And those who have been out of the labor force for a time need different information, though many of them may be unreachable by mail.

4. We have no particularly useful information about the annual saving equivalent of building an equity in a house. The simplest answer is that the renter ought to be saving at least the amount the home buyer is paying on the principal of the mortgage each year. But he would also have to be putting it into something that increased in value with inflation.

5. Constant purchasing power bonds are of course a step in the right direction, but would still not increase in response to increases in *real* GNP, the way common stocks or mutual funds do.

ITEM 7: DR. A. J. JAFFE,\* DIRECTOR, MANPOWER AND POPULATION PROGRAM, BUREAU OF APPLIED SOCIAL RESEARCH, COLUMBIA UNIVERSITY

(Subsequent to the hearing, the chairman asked several questions in a letter to Mr. Jaffe. The questions and responses follow:)

JULY 3, 1969.

DEAR SENATOR CHURCH: Thank you for your letter of June 16. I am very happy to answer your questions as follows:

*Question. In your comparison of spending by the cohort of family heads aged 55 and 65 in 1950 and 1960, you said that you were using a scale which adjusted the 1950 money to 1960 purchasing power. It is safe, then, to assume that your comparisons make full recognition of changes in purchasing power caused by cost-of-living increases, including real property and income taxes?*

Answer. I did not make the adjustments in purchasing power, 1950 to 1960. The data were taken directly from the published article by Sidney Goldstein, "Changing Income and Consumption Patterns of the Aged," *Journal of Gerontology*, Vol. 20, No. 4, October 1965. As far as I can tell from the article all necessary adjustments were made; for further details one must contact Mr. Goldstein.

*Question. You list several reasons for the 5 per cent increase in per capita food expenditures at ages 65 and over. Do you suspect, however, that in the lowest income groups among the elderly, food is generally regarded as the one item that is "expendable" to the degree that other expenses, including prescription drugs, make inroads upon limited income?*

Answer. Your inference that "in the lowest income groups among the elderly, food is generally regarded as the one item that is 'expendable'" is probably the case. However, as you will note from my prepared testimony, appendix tables 1 to 4 inclusive, I presented no information for families having under \$2000 annual income in 1960-61, or close to \$2500 in 1969. One reason for this omission is given on p. 18 of my testimony.

In order to learn just how the very poorest among the elderly do spend what pennies they have, a special tabulation of the BLS 1960-61 income expenditure survey would be needed. We need data for families and single individuals separately, cross tabulated by whether or not they used up any assets (i.e., those cases in which expenditures just about equalled income; those cases in which expenditures were significantly greater than income and assets were significantly decreased), cross tabulated by age, cross tabulated by expenditures. These data must be had at least for the income classes under \$2000, and preferably for all income classes.

I do not have such a detailed tabulation, although it can be made from the BLS computer tape; if the tabulation has already been made, I am unaware of its existence. I do not have funds to purchase either a computer tape from BLS or the tabulations, nor the funds for analysis. Unless funds can be obtained I can only suggest that your office ask BLS to prepare the tabulations.

In 1967 about 30 percent of all families, head 65 and over, and three quarters of all single (unrelated) individuals 65 and over, had incomes below the 1960 \$2000 limit. Clearly a very large and significant proportion of the elderly poor had to be omitted from my testimony. I hope that some way can be found for obtaining information about them. Incidentally, I am not worried about the fact that the BLS survey was taken almost a decade ago. I believe that at these very poorest levels, the poverty expenditures patterns have not changed significantly, and will not change significantly in the future. Only as people get more real income do their expenditure patterns change.

*Question. You also suggest that shelter and housing outlays definitely increase, as much as 10 and 20 per cent higher at ages 65 and over. Any yet, it is commonly assumed that many elderly have lower housing costs because they have achieved equity in home ownership. To what do you attribute this rise, other than the "inelasticity" you mentioned?*

Answer. I tried to say that at the older age absolute expenditures on shelter and housing remained more or less the same, at a given income level.

\*See testimony, p. 386.

(See Chart 2 of my testimony, p. 396.) Since the size of the family decreases, however, *per capita* expenditures increase. The reason I suggested is that so many families do not move simply because the children have left home, but for a variety of reasons including moving costs and the inability to obtain decent and cheaper quarters, continue to live in their same homes or apartments.

In order to examine this area properly we should have tabulations for home owners and renters separately, cross-tabulated by age and income and expenditures etc. (more or less as described in A.2.). I do not have such a tabulation, although it is possible to prepare one.

To get back to your question—renters are subject to increasing rent for the same apartment. Home owners, even if the mortgage is paid off, are faced by raising real estate taxes; rising costs for insurance, fuel, telephone, electricity and gas; and rising costs for needed repairs. Any home owner can tell you that the amount of equity and interest payment included in a monthly mortgage payment, is only a part of his total monthly costs. Furthermore, once the mortgage has been paid off, the home owner does not reduce his annual costs by the amount of equity repayment and interest for the simple reason that interest payments are deductible from Federal income tax. As a result, once the mortgage is paid off, his Federal income taxes rise. Presumably a detailed investigation could be made showing exactly what happens to the various costs (including increases in price levels) for families at different income levels, as the mortgages are paid off, and in particular, how the retired are affected. If such a study has been made I do not know of it.

*Question. On page 13 of your prepared statement you discussed the effect of tax structure on the retired, and the possibility for taxes to become an even larger proportion of income. Is it safe to infer from your explanation that most private pension plans do not include—in their cost-of-living escalator provisions—tax increases as a major factor? Or is the increased tax caused primarily by the departure of offspring from the household, resulting in a reduction of exemptions? I would appreciate additional discussion of this point, together with recommendations you may wish to offer for changes in tax policy.*

*Answer.* I have not looked enough into private pension plans to be able to comment on them.

I doubt that the departure of offspring from the home is a large factor in contributing to higher income tax for the age groups with which we are concerned. By age 55 comparatively few heads, and by age 65 almost no heads, have children young enough to qualify as income tax dependents. Furthermore, at age 65, the person is entitled to a double personal exemption.

Without considerably more study than I have been able to devote to the subject of tax policy, I can only offer some suggestions, rather than recommendations. The income tax burden can be eased in a number of ways. For example, at this time I believe Congress is considering a proposal to free all persons below a "poverty line" from paying taxes; this would certainly help large numbers of elderly persons. Another thought is that of allowing women to take double exemptions at age 62 instead of age 65. On the average, husbands are about three years older than their wives; hence, if the husband retires at age 65 both he and his wife would then be eligible for four exemptions.

At some specified age—65, 68, 70, you name it—a head of household could be given an extra exemption, and a single person an extra half exemption.

Or, all exemptions could be adjusted to the price level, for everyone. When the \$600 exemption was first introduced it was worth far more than it is now. By increasing it as the price level rises, the family whose income rises only as the price level increases, would continue to pay more or less the same proportion of its real income in taxes. One of the side effects of inflation is to increase tax collections without the need for Congress to "raise" taxes officially.

Presumably other measures could be taken to ease the tax burden on the poor. Before any recommendations could be made, however, a great many calculations would have to be made for each suggested approach, which would show: how many people or families might be aided? how might tax collections be affected? I assume that a number of such calculations have been made by the Treasury Department. It is a simple, if laborious, job to take the income tax returns for one year and process them in various ways so as to find out what would have happened if one or another of my suggestions, or some other suggestions, was adopted.

*Question. You call for the BLS "moderate living standard" as the minimum to which any family of two should be subjected. Would you achieve this by: increased Social Security payments, incentives for greater coverage by private pensions, some kind of guaranteed income removed from the Social Security mechanisms, or other means?*

Answer. Any and all means are acceptable to me. Your question suggests that a mix of procedures could be used to obtain the BLS "moderate living standard" and I see no reason for thinking otherwise.

The simplest approach which you mentioned previously, is that of permitting the person aged 65 and over, to keep all his outside earnings without suffering any decrease in Social Security benefits. For women the age might be lowered to 62. This would encourage older persons to continue working if they so desired, and could obtain employment. Actually, I suspect that the great majority would not be able to hold on to their old jobs or find new ones. Many might possibly find part time employment.

Incentives for increasing private pensions or private savings would help some people. For example, as I understand the law now, a self employed person is allowed to deduct up to \$2500 a year for payment into his own pension fund. He treats this money as a business expense and deducts it from his income. I suggest that the employee be given the same privilege; the amount that he pays into a private pension fund should also be deductible from his income. Since we do not know how many persons now employed have private pension rights, nor the amounts of such rights, it is difficult to figure out how many persons may have a "moderate living standard" based on private pensions and Social Security, when it comes time for them to retire.

It is probable that the majority of the future retired will be largely dependent upon Social Security benefits, or some kind of guaranteed income program, or a combination.

*Question. I realize that you have, on many occasions, given suggestions for improving private pension coverage. I would like to have either a summary or your suggestions, or any one of your studies that would be helpful for review by the Committee staff.*

Answer. Not being an expert on this topic I can only suggest several items which have been suggested to you before.

When a company has a private pension plan, the pension credits which the worker accumulates should be his and should follow him if and when he leaves the firm before retirement. In this connection I suggest that all such pension credits for workers who leave the company, be turned over by the private pension plan to the Social Security system to be credited to that worker's account when he reaches retirement age. Thus if a man has worked in a half dozen firms during the course of his working life, and has accumulated small private pension credits in four of them, he will have that much more pension added to his Social Security payment. As it is now, very often the worker loses his pension rights under a particular private pension plan, unless he has worked at the company for some minimum number of years.

If the above suggestion were followed through, it might call for closer supervision over private pension funds than the government now carries out.

Finally, we should have much more information than we now have on how many workers have how much rights in what private pension plans.

\* \* \* \* \*

Very sincerely yours,

A. J. JAFFE,  
Director, Manpower and Population Program.



## Appendix 2

### LETTERS AND STATEMENTS FROM INDIVIDUALS AND ORGANIZATIONS

#### ITEM 1: STATEMENT FROM DAVID JEFFREYS, DIRECTOR OF NATIONAL AFFAIRS, AMERICAN ASSOCIATION OF RETIRED PERSONS, NATIONAL RETIRED TEACHERS ASSOCIATION

Senator Church and committee members, I am David Jeffreys, Director of National Affairs of the National Retired Teachers Association and the American Association of Retired Persons. Our Associations—non-profit, voluntary membership organizations now serving more than 1,600,000 older persons—welcome this opportunity to present a statement at this important hearing.

These hearings before your Subcommittee, along with the heightened interest of government, business, voluntary organizations and all the media of mass communication, bear out the often heard statement that this is the era of the consumer. If the consumer is having his day, and if he is to continue to have his day, it is a day which has been a long time coming.

Over the years there has been no strong and clear voice speaking out for the older consumer, or for consumers of any age for that matter, but our two Associations can point with pride to a long history of concern, a proud record of action and a growing list of achievements. Our late founder and first President, Dr. Ethel Percy Andrus, laid the foundation for our organization when she retired from public school teaching in the early 1940's. Her distress at the inadequacy of teacher pensions, and their resultant inability to afford adequate housing or to purchase nutritious food or to protect against ill health and its costs, was a major factor in her decision to form a national organization of and for retired teachers and later a companion organization to serve other retired persons. Her continuing concern for the economic welfare of those in retirement was a driving force in the crusade which occupied the final and most productive 23 years of her life.

Early in our history we developed a national retired teachers home in Ojai, California, and then provided leadership and consultation to dozens of state and local retired teacher units as they eased the housing problems of their members. At the same time we were helping other groups, both inside and outside our organization, by counseling them on the many problems and pitfalls in the housing field. Then, through the work of our Retirement Research and Welfare Association, thousands of individual older persons have been supplied with information on housing suited to their physical needs, their income limitations and their geographical preferences.

More than ten years ago we pioneered the first comprehensive health insurance program exclusively for older persons and at premiums they could afford to pay. Today this service, known as Coordinated Care, is a very necessary supplement to Medicare.

Nine years ago, to help our members in their constant struggle to maintain health in the face of rising prices, we established our discount priced, mail order pharmacy program, first in Washington and later in St. Petersburg, Florida, and Long Beach, California. We have maintained a keen interest in drug costs, generic prescribing and related aspects of the drug field. Dr. Andrus presented very forceful testimony before the Kefauver Committee hearings in 1961.

At our area conferences and biennial conventions we have provided a platform for leading proponents of the consumer interest, and we have been honored to have the late Senator Kefauver and the former Food and Drug Commissioner George Larrick as speakers at these and other meetings. The former Chairman of the Federal Trade Commission, the Honorable Earl C. Kintner, serves as

our Washington counsel and has spoken at our conventions and written for our publications on various aspects of consumer protection as they relate to older persons.

Our publications, too, have been a means of informing our members and many other readers on matters of concern to their lives, their health, their pocketbooks and their peace of mind. Recent issues of our magazine have included articles on deceptive land ads, health quackery and health frauds, bogus antiques, installment buying, flame resistant fabrics, the driveway repair racket, reading a contract, the Christmas perfume hoax and chain referral selling. In telling these and other stories to our readers, we are putting meaning into the words of the Chief Postal Inspector when he said, "The greatest enemy of the deceptive promoter is the informed consumer."

Keeping people informed is a very important part of our service to members and to older persons in the general population. In 1964, at our Dynamic Maturity pavilion at the New York World's Fair, we launched our Consumer Information Program, working closely with Mrs. Esther Peterson, then the Special Advisor to the President on Consumer Affairs. The first of a series of consumer forums took place at our Washington Institute of Lifetime Learning in November, 1964. This was followed by the opening of Consumer Information Desks at our Hospitality Centers in Washington, St. Petersburg and Long Beach in February, 1966. Through these efforts we have informed thousands of older consumers and answered questions on every facet of consumer affairs.

To dramatize the need for well-planned, safety-engineered, and reasonably-priced housing for older persons, we served as co-sponsors, along with the Douglas Fir Plywood Association, of the House of Freedom, which became a prominent feature at the 1961 White House Conference on Aging. In a similar vein, we later co-sponsored with the Variety Stores Association, a model apartment for an older couple, and this display attracted a great deal of attention during the Washington observance of Senior Citizens Month in 1966. Next, together with the American Standard Company, we co-sponsored a display of bathroom fixtures especially designed to meet the needs of older and handicapped individuals.

Our Institutes of Lifetime Learning in Washington and Long Beach and our Hospitality Center in St. Petersburg have held any number of courses and lectures on consumer affairs. One project of the Washington Institute deserves special mention—our "Adventures in Eating" material. Developed with the District of Columbia Home Economics Association, this packet of programs has had broad appeal and it now in its third printing. It features practical information on food and nutrition.

We have also worked with other national organizations interested in the consumer. For instance, a grant from our Retirement Research and Welfare Association helped the Arthritis and Rheumatism Foundation to publish a special pamphlet on medical quackery and the elderly.

In addition to these many activities at the national level, our local groups around the country—nearly 1100 local retired teacher units and over 600 retired persons chapters—have displayed an active interest in the consumer and his protection. Doctors, nurses, nutritionists, public health educators, attorneys, postal inspectors, law enforcement officials and other knowledgeable speakers have appeared at scores of meetings, and our groups have been active participants in community-wide programs designed to educate, to inform and to protect the older consumer. Examples of these meetings include those sponsored by Senior Services of Metropolitan Atlanta, the Utah Council on Aging and the Los Angeles Mayor's Committee for Senior Citizens. Mayor Yorty's Fifth Annual Conference, this past September, was devoted entirely to consumer protection. In all of these local level activities, we have appreciated the excellent service provided by the regional staff members of the Food and Drug Administration.

In Project WORK, a program which we operate in Long Beach under the auspices of the local Commission on Economic Opportunities, we have just completed a training workshop for some 50 low-income elderly persons whom we have placed as aides in various community agencies. Their training course included a good deal of content on consumer matters.

In one other area of our work, that of aiding employers in development of retirement preparation programs for their older workers, we seek to incorporate material which will help these persons to become more aware and better informed consumers in their later years.

While promoting a dynamic and constantly growing program of consumer related activities at the national, state and local levels, we have also been vigilant and vigorous in our efforts to seek legislative action to benefit the older consumer.

Our representatives have been active in support of all the major consumer bills, with recent examples including the Fair Packaging and Labelling Act, the Wholesome Meat Act, the Flammable Fabrics Act, and the Truth in Lending measure. We have also found it necessary at times to oppose proposals which we felt were against the consumer interest, such as the Quality Stabilization, or better said, the Price Fixing bill.

Testifying before the Platform Committees at the major party Conventions this past summer, our Executive Director, Cyril F. Brickfield, called for increased legislative action to protect the consumer against home improvement frauds, land frauds, high drug prices and ineffective warranties. He called also for effective enforcement of all our consumer protection laws.

The older consumers, nearly 20 million of them age 65 and older and about 35 million of them are 55 and older, are our most vulnerable group of consumers. With a limited income, being eaten away by inflation, they are especially susceptible to the get-rich-quick scheme; with a loved one desperately or perhaps incurably ill, they are easy prey to the magic medical device; with dreams of sunshine and comfort in their eyes, they are very prone to fall for the seductive ads promising bargain land or a cozy cottage in some retirement mecca in a far-off place.

What other needs do we see for the future, to assure a far greater measure of protection for the older consumer, the neglected consumer?

First, the laws now on the statute books need to be enforced with vigor, and our various regulatory agencies need to be staffed up to do this job.

Second, the protective programs which now exist need to be more widely known to the older population, and this information needs to be available in each neighborhood at a neighborhood consumer office or through a mobile service and at one well-known telephone number. Right now the average consumer with a complaint doesn't have the foggiest idea where to write or where to turn.

Third, and in line with the previous recommendation, the many consumer programs of the Federal government need to be coordinated so that duplication and overlapping are eliminated and so that we can have a concerted governmental program in this field. We hope that Mrs. Virginia Knauer, the recent appointee by President Nixon, will be able to lead a coordinated action program at the Federal level.

Fourth, we feel that the 1971 White House Conference on Aging should place a major emphasis on the older person as a consumer. Instead of just weaving this topic into all of the usual subject matter areas of health, income, housing, etc., there should be a special subject matter area for the consideration of the Conference itself and for the many state and local conferences which we hope will lead up to the White House meeting.

Fifth, we feel that consumer education needs to begin long before a person reaches the category of an older consumer, and we support the concept that consumer education should be incorporated into all levels of our school system.

In these recommendations, and in the work of the White House, the Federal Trade Commission, the other Federal agencies and departments concerned, the Senate Committee on Aging, the state agencies on aging and our fellow voluntary national organizations, we pledge our support in a continuing and accelerated effort to advance the interests of the older consumer, who has so little to lose and so much to gain through these efforts.

Thank you for this opportunity to present the view of our two Associations.

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ITEM 2: STATEMENT FROM THE AMERICAN PODIATRY ASSOCIATION,  
PRESENTED BY MYRON BAKST, D.S.C., DETROIT, MICH.

CONSUMER INTERESTS OF THE ELDERLY

It is not age alone that makes certain older consumers susceptible to medical quackery and other fraudulent practices. People do not automatically lose their intelligence with age. A variety of factors influence susceptibility, including past history, current medical status, presence of organic brain damage, loneliness, grief, and depression, fear of aging and death, pain and anxiety, educational level and cultural characteristics, poverty, and lifelong relationships with physicians. (From "Why Are Consumers So Susceptible," *Geriatrics*, Robert N. Butler, M.D., Vol. 23, pp. 83-88, Dec. 1968.)

The American Podiatry Association is cognizant that health frauds affect elderly more than any other segment of the population. It therefore joins other professional organizations in denouncing the disgraceful and widespread techniques being employed to deceive, discredit, or otherwise undermine the nation's consumers of goods and services, particularly the elderly with whom this hearing is principally concerned.

Because these nefarious practices have been extensively documented in previous testimony, there seems no further need to dwell on their characteristics. Instead, the American Podiatry Association, which has a human and professional concern for the health and welfare of older Americans, offers its unequivocal support and cooperation in attacking the causes of such quackery.

As implied in the opening quotation, multiple factors—not just age—contribute to the susceptibility of the elderly. It follows, therefore, that there is no single solution, nor can the responsibility be concentrated at any one level of society. In the final analysis, the best solutions depend on an effective partnership among national, State and local agencies, both public and private, allowing for differences among the states, among groups and communities within the states.

Consistent with this philosophy, the APA supports the following objectives:

(1) Recognizing that the elderly are prime victims for the unscrupulous, the APA endorses more comprehensive consumer education efforts. It has been clearly demonstrated that those in greatest need of consumer education are individuals and families with limited incomes, the elderly, and lower middle class working people who find it difficult to maintain a decent standard of living or meet unforeseen emergencies.

(2) Coupled with such a continuous, nationally coordinated consumer education effort, must be a vigorous and persistent attack on accelerating inflation—endorsed by the present administration. Inflation is the most serious economic problem for older Americans. Susceptibility to fraudulent consumer schemes is increased when those on fixed incomes continually experience an erosion of purchasing power.

(3) A third objective, clearly recognized by this committee's membership, must be an extensive re-write of the OASDI and Railroad Retirement Acts. Most necessary is the need for providing automatic cost-of-living increases to avoid an unnecessary widening of the income-price gap.

(4) A fourth objective which the APA recognizes and supports is the implementation of more comprehensive State and local programs for older people, particularly in the field of health care. Such services were envisioned when Congress gave virtually unanimous support to P.L. 89-73, the *Older Americans Act, 1965*. The Administration on Aging, in cooperation with State units on aging, has made significant progress in achieving for older people "... retirement in health, honor, dignity—after years of contribution to the economy." The APA, cognizant that present international commitments necessarily impose significant budgeting problems, supports the Administration on Aging in its genuine efforts to pursue this goal. The need for effective coordination of legislative and executive actions at all levels of society to meet the health and service needs of the elderly must receive a high priority. Those objectives are sound, realistic, and attainable, but they will not be achieved without a coordinated partnership among all parties under the leadership of the Administration on Aging, as decreed by Congress. The APA therefore supports the 1969 legislative amendments on P.L. 89-73 as a partial but significant step forward in encouraging this leadership capacity at the national level.

These objectives—expanded consumer education programs; stemming the tide on inflation; removing income inequities plaguing the elderly; and strengthening national, state and local programs of health and service for older Americans—must be attained to assure for older people dignity and independence in the later years.

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ITEM 3: LETTER TO HON. PAUL RAND DIXON, CHAIRMAN, FEDERAL TRADE COMMISSION, FROM SENATOR HARRISON WILLIAMS, RE PACKAGING AND LABELING ACT

APRIL 3, 1969.

DEAR MR. CHAIRMAN: As Chairman of the Senate Special Committee on Aging, I am interested in your regulations (Secs. 500.17 and 500.18) issued to implement Sec. 4(a)(3)(B) and (c) of P.L. 89-755, the "Fair Packaging and Labeling Act", particularly as they affect elderly consumers. While the Act and your

regulations require that certain information be printed "in conspicuous and easily legible type", I am not certain from reading your regulations whether the conspicuousness and ease of legibility required by your regulations is adequate for those who—like many of the elderly—have failing eyesight.

Please let me know whether sight problems of this type of person were taken into consideration in drafting these regulations, or whether it was contemplated that the regulations might be amended later to require conspicuousness and ease of legibility from their standpoint as well as from the standpoint of those whose eyesight is more nearly normal. I also invite your comments as to whether additional action by Congress would be necessary to meet the needs of this type of person.

Thanking you, and with kind regards,  
Sincerely,

HARRISON A. WILLIAMS, JR.,  
*Chairman.*

EXHIBIT A. EXCERPT FROM PUBLIC LAW 89-755, 89TH CONGRESS, S. 985, NOV. 3, 1966

\* \* \* \* \*  
Section 4(a)(3)(B) shall appear in conspicuous and easily legible type in distinct contrast (by typography, layout, color, embossing, or molding) with other matter on the package;

Section 4(a)(3)(C) shall contain letters or numerals in a type size which shall be (i) established in relationship to the area of the principal display panel of the package, and (ii) uniform for all packages of substantially the same size; and

\* \* \* \* \*

ITEM 4: LETTER TO SENATOR HARRISON WILLIAMS FROM HON. PAUL RAND DIXON, RE PACKAGING AND LABELING ACT

FEDERAL TRADE COMMISSION,  
*Washington, D.C., April 30, 1969.*

DEAR CHAIRMAN WILLIAMS: This letter is in response to your inquiry of April 3, 1969, regarding the regulations issued by the Commission to implement the Fair Packaging and Labeling Act (FPLA). Your specific question referred to Sections 500.17 and 500.18 of the regulations which concerns the conspicuousness and size of the lettering required for net quantity statements printed on packaged and labeled consumer commodities and the extent to which the elderly consumer was considered in the drafting of these regulations.

Section 4(a)(2) of the Fair Packaging and Labeling Act prescribes that the net quantity of contents shall be separately and accurately stated in a uniform location upon the principal display panel of that label. At Section 4(a)(3)(B) through (d), the Act requires that the net quantity statement shall appear in a conspicuous and easily readable type in distinct contrast (by typography, layout, color, embossing, or molding) with other matter on the package; shall contain letters or numerals in a type size which shall be (i) established in relationship to the area of the principal display panel of the package, and (ii) uniform for all packages of substantially the same size; and shall be so placed that the lines of printed matter included in that statement are generally parallel to the base on which the package rests as it is designed to be displayed. These facts are recited to indicate the consideration given by the Congress to the necessity of an easily read and uniformly located net quantity statement on each packaged consumer commodity.

The Commission, in the preparation of its proposed regulations under FPLA, conferred with the Food and Drug Administration of the Department of Health, Education and Welfare, the National Bureau of Standards of the Department of Commerce, and with the various State agencies charged with weights and measures responsibilities. These agencies are all involved, under FPLA, with the implementation and enforcement of the Act.

In assessing the necessary content of regulations which would fulfill the requirements of Section 4 of the Act, those statements made during the hearings concerning truth in packaging legislation which were apropos to the subject were

considered. Of particular note, with regard to size and placement requirements, was the comparative legislation of the Canadian government that had been discussed at length in the hearings. (See, Hearings before the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, U.S. Senate, 87th Congress, 2nd Session, 1962, S. Res. 258, Part III; pp. 983-988.)

In the Committee Report of August 4, 1964, it was noted by Senator Hart that the minimum standards as to type size and conspicuousness intended that, "The size of the net-quantity-contents statement be reasonably related to the 'front' area of the container or label involved and be of sufficient type size to make it plainly visible to the buyer with *normal* eyesight." (Emphasis added.) He also noted the Canadian regulations which had proved to be helpful to consumers and reasonable to packagers, and he further noted that the National Conference on Weights and Measures—an arm of the National Bureau of Standards—had recognized the inadequacy of "conspicuousness" alone, as a guide for packagers and had directed its committee on laws and regulations to submit specific size and placement requirements. (See S. 387, The Truth in Packaging Bill, Report of the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, U.S. Senate, 88th Congress, 2nd Session, 1964: pp. 15-16.)

In 1964 the National Conference on Weights and Measures adopted a model state regulation which specified the minimum size of numbers and letters in net quantity of contents statements on packages. This size was related to the area of the principal display panel, similar to the present requirements of the FPLA regulations. (See National Bureau of Standards, U.S. Department of Commerce, Report of the 49th National Conference on Weights and Measures, 1964, (Misc. Pub. 263) at pp. 196-201.) Thus, the experience of Canada and the Model State Regulations of the National Conference on weights and measures were influential factors in the final draft of the regulations. In addition, the practical limitations imposed by the size of the package were considered in relationship to prescribed type sizes selected for categories of packages. Following the precedent of the Model Regulation, it was decided that packages should be divided into size categories and a certain prescribed minimum sized print would be prescribed for each category. The categories were based upon the average amount of packages to be found within certain size specifications and upon the required minimum height of letters and numbers which would ensure easy readability within each division. The prescribed minimums were then chosen on the basis of this readability factor.

It is of interest at this point to note that the Snellen Eye Chart prepared by the American Optometric Association, measures 20/20 vision at a distance of twenty (20) feet with symbols of one-quarter ( $\frac{1}{4}$ ) inch height. This corresponds to the present requirement of a one-quarter ( $\frac{1}{4}$ ) inch type size to be used on packages with principal display panels of more than one-hundred square inches and less than four-hundred square inches. Also, the Snellen Chart tests 20/200 vision at fourteen (14) inches with a one-fourth ( $\frac{1}{4}$ ) inch symbol. At that same distance, I understand that the perception of a one-sixteenth ( $\frac{1}{16}$ ) inch symbol, which is the minimum size of any number or letter prescribed by the regulations, indicates visual acuity of only 20/70. Such measurements of visual acuity, I am told, are far below normal eyesight levels.

Considering that the normal reading distance of a labeled package will be far closer to fourteen inches than to twenty feet, it can be asserted that the present minimum sizes of letters and numbers prescribed by the regulations is sufficient to enable the majority of those with defective eyesight to easily read the net quantity of contents on labeled packages. In my view, the further requirements of conspicuousness and uniformity of placement additionally assist this readability factor. Therefore, I believe adequate consideration was given in drafting the present regulations to facilitate easy readability on the part of the aged consumer whose vision has become defective, as well as on the part of the vast numbers of the consumers whose eyesight may be defective.

We have attempted, with the aid of our sister agencies and other interested parties, to promulgate regulations which will best aid the majority of consumers. The statements in the hearings by representatives of elderly consumers were in support of the efficacy of the present legislation. (See, Hearings Before the Committee on Commerce, U.S. Senate, 89th Congress, 1st Session, S. 985, 1965: pp. 417-426. At pp. 417-429.) Mr. Giddings, of the American Association of Retired Persons, stated that the legislation would aid the aged in that it requires

specified minimum heights of numbers and letters for net quantity of contents statements.

In response to your question concerning the possible need for further legislation, the FPLA provides the regulatory agencies (FTC and FDA) with rule-making authority. Section 1.15 of the Commission's Rules of Practice provides for the initiation of rule-making proceedings in accordance with Section 6(b) of FPLA. If there is a feeling that the intent of Congress, as expressed in the Act in those sections addressing "conspicuousness or easily legible type," is not appropriately fulfilled by our regulations, then the Commission would be pleased to entertain a petition, under the Commission's Rules, for expression of the pertinent areas.

Thank you very much for your continuing interest in the progress of the Commission's implementation of the Fair Packaging and Labeling Act.

With kind regards, I am,

Sincerely yours,

PAUL RAND DIXON, *Chairman.*

ITEM 5: STATEMENT OF THE NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES, WASHINGTON, D.C., SUBMITTED BY OTHIE G. BURK, VICE PRESIDENT

HON. FRANK CHURCH,

*Chairman, Subcommittee on Consumer Aspects of Economics of Aging, U.S. Senate, Washington, D.C.*

MR. CHAIRMAN: I was much impressed with your statements at the recent hearing held in Ann Arbor, Michigan and with the problems presented by those who had the opportunity of speaking.

If time had permitted everyone to speak at that hearing I would have said: Mr. Chairman, as Vice President of our Association I speak for the 136,000 retired Federal Workers who are now members, and for other thousands, many of whom cannot afford even our meager dues of \$4.00 a year.

I have heard here that more than forty percent (40%) of the aged Americans live with incomes below the poverty level. According to the latest figures available from the Civil Service Commission the plight of the retired Federal Worker is much worse. Table A-9 of their statistical report of June 30, 1967 shows that more than sixty-three percent (63%) of the retired Federal employees receive less than \$250 per month or \$3000 per year. Most of these people have at least one other member of a family with them. The same table shows that the survivors, usually spouses, of those employees receive pitifully low annuities. Sixty-seven percent (67%) received less than \$1200 per year and eighty-three percent (83%) received less than \$1800.

We find our members penalized in the market place because they can not use the large quantities of foods as packaged. The smaller packages cost more per unit. In one state their annual convention delegates passed a resolution asking that bakers be allowed to bake a one-half pound loaf of bread so it would not mold before being used up. It is common practice for grocers to sell two loaves of bread for odd cents figures such as 2 for 43¢. Small families have to pay at the rate of 22¢ each because they cannot use the larger quantity.

Our people are particularly hurt by the rising medical costs. Few of our people have been able to qualify under Social Security and are therefore denied the benefits of hospitalization under that program. Mr. Walters, our President, and I lose considerable sleep because of letters telling us they have two to four prescriptions on the table and no money to pay for the medicine even while barely living on inadequate food.

We have many of our members who tell us they have scrimped for a lifetime to have a home for their declining years. Now with ever increasing taxes and expanding upkeep costs they can no longer afford to own their homes. Many say they will have to ask for welfare help. And in some states they will be denied such help simply because they receive a Government annuity.

I could go on and on about practically every facet which affects our consumers today. When everything is considered we usually find the elderly poor have practically no choice in their purchases. Selections offered are limited and often over-priced.

The one over-riding fact that seems to come out in every hearing and as happened at Ann Arbor is that income of the older person is inadequate. Most of them had an adequate income until they retired; adequate but barely so. After retirement they find there simply is not enough money to pay costs of even a modest living.

Mr. Chairman, this Association has chapters in every State of the Union, in Puerto Rico, the Canal Zone, and the Philippines. We will be happy to work with your Committee or any other group to help find a solution for this problem.

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ITEM 6: STATEMENT OF HON. WILLIAM G. MILLIKEN, GOVERNOR,  
STATE OF MICHIGAN

I am deeply concerned about the largely unrecognized economic plight of those of our elder citizens who are forced to exist at marginal and sub-marginal levels because of limited and fixed incomes.

The substantial economic impact of this portion of our population and their ability to meet their day to day cost of living has been and continues to be eroded by ever increasing inflation.

Existing programs of tax exemptions provide no basic solution and tend only to mollify an undesirable situation. Obviously, what is necessary is a decrease in the inflationary spiral and a massive national program to enable the elderly to partake of our nation's affluence and maintain their independence and dignity as a *right*, based on a lifetime of contribution to our nation's growth. Medicare, Medicaid and the current consideration to liberalize the food stamp program are examples of such a national effort. We must not stop with these, however. We must emphasize and increase our effort to stabilize a financial foundation that meets today's cost of living for our elderly citizens. Moreover, our Social Security law must contain a cost of living clause that automatically increases social security payments to meet these increased living costs.

In Michigan, I am gratified with the continuous efforts of Dr. Wilma Donahue and the Commission on Aging to achieve economic and social equity for our aging population.



## Appendix 3

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### STATEMENTS SUBMITTED BY THE HEARING AUDIENCE

(During the course of the hearing a form<sup>1</sup> was made available by the chairman to those attending who wished to make suggestions and recommendations but were unable to testify because of time limitations.)

CLARA H. ALBAIN, MONROE, MICH.

One thing which was never done right is, a single person pays social security all his or her life and a married man pays too, but he gets social security for his wife at retired age, which she never paid one cent on. This is all right if you think so, but why not give a single person more at *his or her* retired age. We paid as much as the married man did. Please pass this on, and think it over.

With food, rent, and medicine going up and up, I being a social security receiver, it hardly reaches. So let's all get together and realize this problem and see what can be done about it. Thank you.

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M. L. ANDERSON, WILMINGTON, DEL.

Please encourage similar release of information on drug purchases by V.A. as was accomplished with hearing aids.

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MRS. KATIE BAILEY, HIGHLAND PARK, MICH.

Doctor to take care of the whole man. Dentists, teeth, and feet. My big problem is my feet.

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R. O. BECKMAN, MEMBER, FLORIDA COMMISSION ON AGING AND VINTAGE YEARS COLUMNIST, MIAMI, FLA.

Let me thank you for your invitation to those present at your Ann Arbor hearing to submit additional statements to your Committee and to compliment you on the pertinent testimony there given.

The comments below are excerpts from a memorandum I prepared for the University of Michigan Conference on the Elderly Consumer following your public hearing. The first part of these observations dealing with conflicts of interest between altruistic and self-seeking goals of certain organizations of older American consumers was mentioned in my testimony before the Subcommittee on Consumer Interests at its hearing on February 3, 1967. At that time I offered to submit details under oath but heard nothing further from the Committee. The second section stresses the need of optimum benefits to the elderly as consumers of services in community programs financed by tax funds.

The emergence throughout the nation of clubs and associations of older persons is a wholesome social phenomenon. It signifies the determination of our elders to continue active in the stream of social life and maintain independence and self-respect. Local voluntary clubs, mostly small and loosely organized, are numbered in the thousands; some are federated. The total active membership of all clubs is doubtless less than ten per-cent of Americans over age 60.

The over-all manifestations of such social inflorescence may be benign but upon occasion, individually malignant. Since a healthy development is to be encour-

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<sup>1</sup> See p. 362.

aged, it is appropriate to take an inside look at organizations of and for older Americans to learn if their leadership, control, organization, and financial reporting match the high standard of their professed altruistic goals. It can be demonstrated that the leadership of some of the so-called non-profit groups is animated by a conflict of interest and does not fully meet its ethical obligation to members or public supporters. The facts can be fully documented. Comment is directed solely at structure, control and operation. In no sense is it critical of thousands of volunteers that dedicate vast time and effort in striving to implement the service ideals towards which their organizations are directed. With direction and leadership less subject to question, their continued faith in humanitarian goals will be strengthened as their organizations become more truly representative and democratic.

Among the specific aspects of group organization that may be open to question are these:

1. Too many groups are autocratic or oligarchic rather than democratically controlled by their members. Both large and small clubs may be dominated and arbitrarily ruled by one individual or an inside clique. Once in power such direction tends to perpetuate itself. Selfish or jealous motivation of leaders for power or influence, sometimes of a political nature, has frequently disrupted clubs with otherwise excellent potential.

Members of senior clubs may discover they are in the grasp of an artfully-gloved iron hand. Control may flow down from the top echelon instead of up from a democratic base. Increasing concern is voiced by some members of large groups over what they consider paternal direction, a lack of genuine opportunity for membership expression, and failure to reveal complete data about financial operation and relationship with profit-making vendors.

2. Organizations of and for the aging, like countless other civic and social groups, are generally chartered as "non-profit" agencies by a state government, but the states exercise no real control over them. Many apply to the Internal Revenue Service for tax exemption of income under Section 501-C-4. A smaller number, exclusively devoted to religious, charitable, literary, or educational purposes and with limited participation in politics, register under Section 501-C-3 which further exempts donors of gifts or bequests from the income taxes involved. Registration in the second category furnishes greater assurance that the organization is truly non-profit in every sense of the term. Their financial reports are open for public inspection. The term "non-profit" has unfortunately come to be one of the most abused terms in our vocabulary. Most anyone can obtain a charter and solicit memberships or contributions from a gullible public, often with no proof that these will not be diverted to other purposes. Present controls over all non-profit organizations should be extended. The operations of some of the groups concerned with older persons that fly the non-profit banner, even when registered with I.R.S., justify more detailed investigation. Certain of them may have benefited their sponsor-organizers or exploited their membership in promoting the sale of services by outside profit-making agents. This may create a conflict of interest not disclosed to their members nor detected in reports required by government authorities.

3. Both tax-exempt and non-chartered organizations may fail to publish or supply their members, even upon request, with complete and adequately detailed statements of revenues, expenditures, assets, and liabilities. In the case of smaller clubs whose books are kept by inexperienced volunteers, errors or discrepancies may occur.

Instances of careless reporting, accounting, or misappropriation of funds by small organizations appear of less significance than clarification of the financial operations of large groups involved in selling services to their members.

A large organization that stated it has been tax-exempt from the time of its organization was found, after a check with the Internal Revenue Bureau, to have deferred such exemption for five years and to have made returns as a profit-making corporation. It had consistently refused detail reports of its entire financial operations to members requesting them.

Why are members and contributors to non-profit groups not more articulate in demanding information regarding finances and controls? "If an association has nothing to hide," says a retired C.P.A., "it would be helpful to publish a rather detailed set of audited financial statements covering all its activities. Very few members, however, are likely to request such statements if they feel they get their money's worth from the small dues they pay. They are not concerned with

internal administration as long as it carries out its promises." Payments to tax-exempt and other non-profit organizations become public funds entrusted for philanthropic purposes and therefore to be scrupulously and publicly accounted for. Possible abuses could be reduced if the I.R.S. were to make available for inspection the financial reports of all organizations registered under 501-C-4.

4. In the field of political action—a logical means of winning recognition of the restricted status of old age—oligarchic club leadership and improbity may interfere with an intelligent democratic process. Although older persons are unlikely to join a solid voting bloc, the potential of an "old folks lobby" is being undermined by excessive claims to political strength by some of the senior organizations.

Senior clubs organized by a promoter, sometimes at the instigation of political candidates, may soon pass away unless they acquire honest, intelligent leadership and purposeful activities. Self-appointed organizers have led gullible seniors by the nose. Newspaper advertisements, circulars, or so-called newsletters appear proclaiming that certain candidates are supported by a mythical senior voters league, senior corps, or protective committee. These may be paid for by candidates, sometimes with a payoff or publicity for the promoter. Political aspirants and others have been too prone to accept enthusiastic claims of support.

The leadership, enterprise and achievement of numerous senior organizations will be stepped up with the choice of officers of character, tolerance, and business-organizational background. An unfortunate deterrent to such leadership is the reluctance of some men and women of the intellectual and economic middle class to join in club work with others less fortunate.

Conscientious members of senior and other non-profit groups will find it a challenge to ensure that their organizations eliminate oligarchic authority and possible consumer-service exploitation. Retiree members should ask. Does my group have and follow workable by-laws with which I am in agreement? Does it encourage free expression of divergent views? Am I satisfied that it faithfully and democratically represents the will of its constituents? Does it supply its members with complete and intelligible reports of its financial affairs, including those related to profit-making activities? Is it non-profit in more than name?

Vigilance is a negligible price when paid by members of voluntary groups as citizens of a democratic state to ensure independency of spirit and freedom from self-seeking domination.

Older persons are entitled to services provided under the federal Older Americans Act. They should therefore be concerned with the suitability of such programs and the efficiency and economy of their operation. Community councils on aging across the nation are sponsored for the most part by state agencies on aging and financed under Title III of the federal act. Some other projects receive grants direct from the Administration on Aging in Washington. Local councils are expected to effect local project coordination. Only as the various programs demonstrate tangible benefits can the older population be sure the effort to improve retired life will not be discredited.

The AoA has sought equitable distribution of grants for demonstration, research, and training but in some instances the state agencies on aging have lacked staff and funds to ensure productive action at the local level. Certain projects have been mismanaged or become a boondoggle, political or otherwise. It is expected the present Administration will initiate further steps to avoid waste of public funds.

Weaknesses in the relatively new AoA program to be overcome are cited by an outstanding authority in the field of gerontology who has become interested in the evaluation of that program. He says:

"A great many projects are poorly planned and executed. Unfortunately, hard data are difficult to come by. As one looks at projects that have been approved certain things become very clear. One, there has been no setting of priorities; the states are going off in every direction. . . . Our programs are so diffuse and varied that no consistent pattern emerges.

"A second observation is that a large number of projects are not demonstrating new approaches and are actually more of the same old approaches. For example, setting up activity centers. A third generalization is that a sizeable portion of the money goes into organizational expense rather than providing services to older people.

In view of the extent of such knowledgeable criticism, more effective administrative standards could well be inaugurated along the following lines to ensure the success of local Councils or other projects:

1. Constructive services can be provided for nearly any county unless a voluntary agency is already energetically at work in the field of service proposed. Goals should be clarified by factual surveys of unmet needs instead of mere opinion. Projects should serve the entire older population rather than being restricted to the lower income group.

2. Essential to success is an expectation of *understanding* and *support* of programs in behalf of the aging from the *public* and *news media*. Active interest and support from local power groups, and especially from the press and broadcasting stations, cannot be taken for granted. Many communities are apathetic to worthwhile civil programs.

3. Wholehearted *cooperation* with a local welfare planning council and its member agencies is imperative since they may regard the aged as their own sole responsibility. They must be consulted and kept fully and currently informed.

4. Appointees to local Councils and state commissions should be *representative*, *knowledgeable* and *unselfish*. Working members are needed instead of dead-heads. Women are likely to be more active than men. Unless prospective appointees are willing to devote time, thought, and effort and attend meetings regularly, they should not accept a credential for mere display on an office wall.

5. When Council appointments are offered, the extent of *responsibility* and *authority* should be clearly defined. The AoA and the state agencies have final authority in granting funds but informed local Councils should be asked to indicate approval or disapproval of proposed projects in the interest of coordinated effort and avoidance of duplication.

6. *Applications for funds* should be clear-cut in explaining how and for what they are to be expended. Proposed budgets, without adequate evaluation, have at times been hastily approved by state agencies only to find proposed expenditures did not fill true needs.

7. Funds or *services-in-kind* to be provided locally should be supported at the outset with *specific written assurance* that they will be forthcoming. For example, a county administrator offered to provide office space, furniture and other services amounting to \$7,000. When called on to make good, less than \$500 in service-in-kind was supplied for an information and referral office. An *accounting evaluation* of the *achievement* of a specific project is sometimes difficult when funds are received from several different sources and used for similar objectives without the fund sponsors being aware of this situation. A senior center may thus pool its income and be unable to report just how much money from each source was expended for recreation, education, health, or food service, for example. More intelligible reporting is desirable in order to gauge the cost of specific services rendered.

8. The requirement that a *demonstration project*, after it proves itself, must *continue at community expense*, may prove troublesome. Aid may not be available from the United Fund or other sources. Some projects have lasted a year or two and then folded up; roots developed but blossoms and fruit did not follow in years to come.

9. Council or project *facilities* need to be centrally *located* and *accessible* to older persons without proper transportation. Personal contacts with clients are far more satisfactory and productive in meeting their involved problems than phone conversations.

10. Project staff and procedure must ensure *efficient administration*. The staff should be interested and knowledgeable in the field of aging and in office routine. Qualified older persons are inadequately used to back up professional workers.

11. Precise *records of activities* undertaken, such as of informational interviews, counselling, assistance rendered or the results of referrals made, are needed in order to evaluate tangible benefits and justify the funds expended. The number of clients served can be padded. One information service included in its report of clients served older persons that had filled out a form handed out at shopping centers but who received no service. The project director was more interested in partisan politics and added the names to voters lists. In another research project to ascertain needs of an underprivileged group of older persons, undertaken by a University, the only result was a theoretical report without specific recommendations and the publication of a number of articles in professional journals by the professor in charge.

12. Various forms of *conflict of interest* may occur under the Older Americans Act. This appears when a local Council or project or someone connected with it

permits self-interest for commercial gain, political prestige or power to infringe on wholesome non-profit public service. Double dealing may lead to specious exploitation of the aging. The elderly would regard such exploitation as a more serious breach of public trust than a waste of funds through a boondoggle. By and large, federal funds for projects in aging have been administered with enthusiasm, conscientious effort, and probity. Vigilance against venal influence or partisan politics is nevertheless necessary.

Increasing numbers of older persons voice the belief that whatever legislation is needed to add to the satisfactions to which they are entitled in retirement should be cooperatively non-partisan, without petty political bickering.

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SAMUEL J. BENJAMIN, ANN ARBOR, MICH.

In the area of men's wear—suggest—"Senior Stores"—run-operated by Senior Citizens to provide "men's wear" at reasonable prices and articles which the elderly men find hard-to-get, e.g., men's night-gowns—certain types of underwear, etc., etc.

In addition these stores will provide employment for the Senior Citizen—if need be, it could be a source of investment for an employee—as part owner. Each Senior Store could be incorporated with each employee owning stock.

Perhaps, the Federal Government could also supply funds, if necessary.

I have owned and operated a men's wear retail store for 25 years.

P.S.—Men's wear could include work and dress shoes.

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CARL A. BIELBY, ANN ARBOR, MICH.

Please give the *patient* the *choice* of paying for medical care *by cash* or of giving the *assignment to the Doctor*. This will permit *also a good check* on amounts collected by all *doctors*.

P.S.—Why do we pay *cash*, yet the doctor *gets time* to pay his bills.

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MARY ELLEN BURNS, DETROIT, MICH.

It is my serious concern that the housing conditions to accommodate people living on Social Security has become a serious affair. I had to sell my home when the neighborhood deteriorated unbearably. It would take more than my social security check to rent a decent place to live and all I would want is just a small decent place.

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WILLIE COLGUITT, DETROIT, MICH.

Stop the price rising so we retirees can live and get by some way.

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B. N. DEVENDORF, BATTLE CREEK, MICH.

What is Congress doing about raising the amount of earning allowed Senior Citizens or eliminating the limit altogether?

This would give them some protection against inflation and could be done more easily than some of the other programs to be undertaken.

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EVELYN LESLIE ENCHES, ALTADENA, CALIF.

As I attempt to do the necessary buying for my basic needs, I experience two types of frustrations:

1. Poor labeling on all types of containers:

- (a) Print so fine that it cannot be read even with trifocals.
- (b) Odd quantities in ounces or other measure.

(c) Quantities located in least accessible places requiring complete survey of surface to find them.

(d) Print and background in blending or complimentary rather than contrasting colors making reading difficult if not impossible.

(e) Contends in very small print making it difficult to identify items listed as undesirable by your physician, or by reading, such as cyclamatis.

2. Lack of available clothing—from head to foot—inside and out—of appropriate style and color—comfortable but good taste and in the *needed sizes*. All this at a reasonable price would be a great service.

[From the Canadian Consumer, July/August 1969]

#### EXHIBIT A

#### OLDER WOMEN : DIFFICULTY FINDING FITABLE CLOTHING

(By Mrs. J. I. Robinson, Ontario CAC consumer problems convener)

If you are a woman of 45, you may have the money in your purse to buy a dress but you will probably have trouble finding one that fits you and suits you. If you are 55, you will have to look a lot harder. If you are 65, just forget it.

Although more than one woman in 10 in Ontario is over 65, a survey carried out by the Ontario Red Cross and Ontario CAC found that older women are virtually forgotten—style-wise and fit-wise—by the garment industry. There is reasonable evidence that the same situation exists everywhere in Canada.

Of 2,000 questionnaires sent out, 350 were returned. A random sample indicated that 80 per cent had difficulty finding a dress they wanted to wear. About half blamed style and the other half, fit.

Before the manufacturers and retailers rise up to say there is not enough demand, let them look at what they offer to women with the purse—the women who sparked the survey.

Garments are designed with a dismal lack of imagination. "Designed" is not quite the right word according to one disgruntled woman who said, "the dresses they have for older people look like nightgowns." Lack of imagination shows up in a dress made in a style no young person would wear and closed with a long back zipper few older persons could reach. For whom is it meant? Or maybe it's all right except for a short, tight skirt; or abbreviated sleeves; or a severe neckline; or a stiff, shiny fabric; or a printed pattern in muddy colors.

Even if the style is neither too youthful or mid-Victorian the color is sure to be wrong. One clothing study has shown that for dresses, color is the most important factor in relation to appearance. Although older women do not always demand high style, any woman derives pleasure from wearing becoming colors. It is hard to understand why manufacturers persist in using unadorned black, dull wines, and greens and bright, hard blues and reds when soft shades of almost any color are flattering to skins no longer blooming with youth.

Not only are attractive clothes practically non-existent for seniors, they certainly don't get much help finding what there is available. Racks of half-size dresses are pushed to the back of the store, where, as a "neither jet nor set" age customer said, "the sales ladies give you two choices—take it or leave it!" Many complain they just give up looking and wear what they have.

Why don't large stores, where most of the persons surveyed shopped, create boutiques for seniors similar to those for expectant mothers whose problems last for only a few months? They should also stock coats, under-garments and shoes—all problem areas. Some comments—"We need foundation garments that open from top to bottom because we senior folk are not all contortionists." The men who manufacture and sell women's shoes should be forced to wear them."

Few advertisements are aimed at the "well-dressed older woman." Men and children now appear on stage in fashion shows. Where are the grandmothers? They are there in large numbers but out in the audience.

A sales clerk told us that when a smart dress appears in the half-size section it is soon snapped up. One manufacturer seems able to produce reasonably-priced dresses that are attractive in color, simply styled, easy to get into, (comfortable to wear and not difficult to care for. Why can't others?

For a woman unfortunate enough to fall outside the neat little age group the trade seems to cater to, there is only one criterion left: does it fit? Most of the time it doesn't. While half-sizes may sometimes suit older women, they do not always fit older women. Size 12 older people find dresses to juvenile and tall women can't cover their knees. Many a dress would be otherwise a good fit if only the hips were made larger. One woman in the survey described matching tops and skirts she found in a New York store that could be bought in different sizes and joined by the retailer or customer. Often a generous seam and hem allowance would remedy the problem. Too expensive? Then why not cut down the zipper by half and put it back into the side of the dress where it can be reached?

A question on alterations showed a trend toward older women needing narrower shoulders, shorter waist length and wider hips. Perhaps, as one expert in the field of aging said in 1964, it is time for a new set of size relationships geared to the older figure. One survey reply echoed in the statement. The manufacturers should measure us and redesign their judy."

Help may be at hand. The committee on standardization of garment sizes of the Canadian Government Specifications Board recently decided to study women's garment sizing with a view to developing some system of standardization. Should there emerge from this a new size category to fit the older figure and the garment industry is persuaded to devote a fraction of the time now spent catering to teenagers in designing for it, hundreds of thousands of Canadian women would be given a new lease on life.

Although the survey was conducted in Ontario only, the problem is not confined to Ontario, as shown by letters from across Canada, resulting from survey publicity. Nor is the problem restricted to those over 65. Many of the million and a half Canadian women over 55 are in the labor force and have the money for more clothes if only they had the choice, while Canada Pension Plan, medical/care programs, hospital insurance and an increase in low rental living accommodation are decreasing the drain on the older woman's purse.

Attractive, comfortable clothing can be a source of pleasure at any age and the manufacturer or retailer who "digs" the wishes of the senior woman may uncover a gold mine.

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HARRIETTE B. GOOSSENS, DETROIT, MICH.

Eighteen months ago I had dental work done. It turned out that three teeth (healthy ones) were ruined. I got an infection from the dentist when he used unclean instruments. My head swelled to the point that my left eye was puffed closed. When I sought aid from the Detroit Dental Society, and another neighborhood dentist, I was told to return to the original dentist. I did return to the original dentist. He did nothing more than give me a small tube of brown salve to numb my gums. I paid him over \$540.00. My medical doctor suggested I have the prescription filled by pharmacist and to take antibiotic capsules to reduce the swelling before the neighborhood dentist would even look at my teeth.

It is now several months later. My new dentist and his consultant dentist want \$2,000 to \$3,000 to repair the damage done. The suggested price is prohibitive on our *retirement income*. My husband and I will need welfare burials. We *both* were born in the year 1900 and my husband's next birthday will be 70 years old.

The University of Detroit Dental Clinic will take me when space is available, but the wait is many months long.

Up to now, I have spent \$694.40 for dentists, medicine, medical doctors and U. of Detroit clinic. Please investigate dental practices. P.S. No teeth as yet. Four fell off—and two ready to go.

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MR. AND MRS. ANTON HAMAN, MONROE, MICH.

Increase in social security, cheaper housing, lower cost in prescriptions.

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CHARLES IMMUCCI, MONROE, MICH.

This raising of the prices in stores of all kinds—grocery, furniture, hardware—of all stores that should stabilize the price and keep it that way. Going up, and up; that should be stopped.

*To the members of the Gerontology Conference:*

We, the Representatives of the Hope Unit of the Pleasant Hours Club, of the City of Dearborn, Mich., wish to submit for your consideration the following recommendations:

1. Stop the inflation of all prices.
2. Stop the giveaway programs (gas stations, grocery stores, etc.).
3. Limit patent rights on all drugs to one year, or limit prices on same.
4. Restore full deductions for medical expenses for aged persons on income taxes.

CHARLES G. KITCHEN,  
RICHARD A. WYOR,  
(and 2,500 members).

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EMANUEL LIETO, MONROE, MICH.

Lower cost prescription. No sales tax on groceries. Raise social security. Glasses and dental care to be included in Medicare. More benefits under Medicare.

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MRS. BEN E. LOHMAN, MONROE, MICH.

Poverty levels have been set necessary to qualify for assistance in public housing, etc., under federal regulation varying in a Statewide basis from county to county. Social Security benefits, as stated, would automatically qualify many Senior Citizens under the poverty program.

Why not keep future Social Security benefits above the poverty level. In keeping with the 42% increase in congressional and executive salaries why not do the same for those who have helped in the past make this possible and now do the same for them? Thank you.

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WILLIAM LONGWORTH, MONROE, MICH.

I would like to have more social security. My number is 228-10-6977.

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LOFTON I. MILLER, DETROIT, MICH.

Stop the rising cost of living and that we will have to do soon, or the Seniors will not be able to make it.

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SIDNEY W. MOORE, DETROIT, MICH.

Let's keep Social Security checks up with inflation. Have Medicare pay dental bills, plus the cost of medicines for Senior Citizens. Get some housing that we can rent, i.e., low cost housing. 7% increase in Social Security is too little an increase.

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DR. RICHARD L. D. MORSE, DEPARTMENT OF FAMILY ECONOMICS, AND CHAIRMAN, KANSAS CITIZENS COUNCIL ON AGING, INC., KANSAS STATE UNIVERSITY, MANHATTAN, KANS.

(1) The minimum size of print authorized by the Department of H.E.W. gives legal sanction to package labels so small that the many elderly whose vision is dimming buy blindly.

(2) The attached survey of "Kansas Older Citizens Views on Consumer Issues" may be of interest for it presents reaction to several proposals, such as telephone solicitation, price per unit weight, free games, etc.—If this is of interest to the Special Committee additional information can be supplied.

(3) Inflation results from the operations of the public economy and is not the result of mismanagement of the elderly couple. Therefore, society should bear the cost of inflation as it impinges on the retired. The retired should be protected by being able to invest in government bonds of face value, adjusted by changes



in the CPI, with the rate of interest and redemption to be based on the adjusted value. Those preparing for retirement would thus be free of "learning how to play the stock market" to hedge against inflation.

## EXHIBIT A

## KANSAS OLDER CITIZENS VIEWS ON CONSUMER ISSUES

A sample of views on consumer issues taken from a questionnaire given by Dr. Richard L. D. Morse at the 19th Annual Conference on Aging, February 24-25 at the University of Kansas. Strong views were expressed on issues that are or may be considered by the Kansas legislators.

As an example, at least 9 out of 10 people given the questionnaire stated:

Unsolicited goods or merchandise sent to the home should be considered a gift. (This is Senate Bill 14)

The rates on revolving credit as proposed by Senate Bill 125 are too high. House-to-house sellers should be required to register with the county clerk and then identify himself when he calls on you.

Telephone solicitors should register with the telephone company and be required to identify himself within one minute of calling you.

A bank or finance company that buys credit contracts should be held as responsible as the original seller for any defects in the goods or merchandise. At least 7 out of 10 answered that—

Banks or finance companies should not be allowed to collect on contracts they buy from a dealer if the merchandise proves to be defective or unsatisfactory.

Charges on revolving credit should be limited to 12%, as voted by the people of the State of Washington.

The rate increases being requested under Senate Bill 125 on instalment loans are considered undesirable.

Consumers should have three days in which to rescind a contract made away from a place of business.

The elderly should be exempt from tax on their homestead for the first \$2,500 of assessed value. A bill of this type is now before the Kansas legislators.

Odd-sized packages should be priced on a per pound as well as per package basis to make price comparison easier.

Print of essential information on labels should be at least 1/8 inch in size.

The breath analyzer test, such as England uses, to detect drunk drivers is favored.

The vote was two out of three to: Continue prohibition of Trading Stamps in Kansas.

Free games? Indicative of the complexity of this issue, by a vote of three to one they did not wish to see Kansas law changed so supermarkets could introduce games and lotteries such as bingo, racing, word matching, etc. However, when this question used the language of the proposed revision of the Criminal Code, the vote was evenly split indicating that the significance of the changes in the Criminal Code as proposed are not fully understood.

Generation gap? On these consumer issues the older and younger Kansas citizens are in substantial agreement: The same set of questions were asked a group of Kansas State University home economics students and the results were the same with only minor percentage differences.

A copy of the questions and replies is attached.

## EXHIBIT B

CONSUMER INTEREST—FEBRUARY, 1969<sup>1</sup>

(Percentages based on 69 replies)

1. Are you aware that supermarkets in other states promote sales by offering many types of games—bingo, racing, cards, spelling, word matching, etc.?  
Yes, 64; No, 33; No answer, 3.

2. Because Kansas has prohibited such lotteries, your supermarket has not offered you an opportunity to play such games. Would you like to see Kansas law changed so supermarkets could introduce such promotions?  
Yes, 19; No, 74; No answer, 7.

3. There are some people who would say that such games of chance are gambling or lotteries only if you have to buy a chance or if the promoter gains financially. Others would say that they are not gambling or lotteries if all you do is register, don't even have to make a purchase, don't have to be present at the drawing, or might just be listening to the radio or viewing TV, or answer the telephone. Would you agree with this last group?

Yes, 49; No, 45; No answer, 6.

4. The Kansas Legislature is considering a revision of the Criminal Code (SB 9) which would allow games of chance if all that is required of the participant is "mere registration without purchase of goods or services; personal attendance at places or events, without payment of an admission price or fee; listening to or watching radio and television programs". Do you favor this revision of the Criminal Code?

Yes, 45; No, 45; No answer, 10.

5. Have you ever shopped in markets that have trading stamps, or have had an opportunity to become acquainted with trading stamps?

Yes, 90; No, 10; No answer, 0.

6. Kansas is one of the few states which prohibits trading stamps. Do you feel Kansas should continue to prohibit stamps?

Yes, 64; No, 30; No answer, 6.

7. Have you ever received unsolicited goods, wares, or merchandise, that is goods you had actually not ordered or requested?

Yes, 71; No, 26; No answer, 3.

8. A bill before the Legislature (SB 14) would authorize you to consider unsolicited goods or merchandise to be a gift which you need not return. Do you favor such a bill?

Yes, 90; No, 9; No answer, 1.

9. Kansas Legislature is considering a Truth in Lending Bill (SB 125). The first part is designed to be substantially similar to the Federal Act. The Federal Act will become effective July 1 whether or not SB 125 passes, so after July 1, the dollar cost of credit and the annual percentage rate must be disclosed.

Other parts of SB 125 change the rates allowed in Kansas, of example, Rates on revolving credit, such as department stores, bank credit cards, could be as high as 21.72% on balances under \$300, and 18% on balance \$300 to \$1,000. Do you consider these rates to be:

Too high, 90; All right, 4; Too low, 0; No answer, 6.

10. The people of the State of Washington recently voted in a referendum to limit charges to 12%. Would you consider 12% on revolving credit to be:

Too high, 42; All right, 46; Too low, 0; No answer, 12.

11. Rates permitted on installment loans are now 15% on loan balances under \$3,000. Under SB 125 the maximum permitted would be raised to approximately 22% on loan balances 0-\$300, 18% on balances \$300 to \$1,000, and 15% on that portion of balances over \$1,000. Do you favor this increase in rates?

Yes, 3; No, 83; No answer, 16.

12. If you buy something on credit and the seller sells your contract to the bank or finance company, should the bank or finance company be allowed to collect from you even if the merchandise was defective or the service unsatisfactory?

Yes, 3; No, 94; No answer, 3.

13. Kansas law now protects the bank or finance company from whatever claims you might have against the original seller. Would you be in favor of a Kansas law which would make the holder of the contract as responsible as the original seller for any claims you have on that seller for the quality of the goods and services purchased?

Yes, 83; No, 6; No answer, 11.

14. Would you favor a requirement that house-to-house solicitors register with the county clerk and obtain a badge bearing their name and business to show you to identify himself when he calls on you?

Yes, 96; No, 0; No answer, 4.

15. Would you favor making illegal all telephone solicitations, unless the solicitor had first registered with the telephone company as a solicitor, and was required to tell you within the first minute that he was a solicitor, thus giving you an opportunity to terminate the conversation if not interested?

Yes, 94; No, 3; No answer, 3.

<sup>1</sup> These percentages are based on the 69 replies from persons attending the 19th Annual Kansas State Conference on Aging, University of Kansas, Lawrence, February 24-25, 1969.

16. *Would you favor giving customers three days in which to rescind a contract made with a seller away from his place of business? (This would enable you to think about the terms of the contract you signed with a house-to-house solicitor, and to consult with friends and relatives about it. It would also increase the chances that the contracts which survive the three days would be between buyers and sellers who fully understand the terms.)*

Favor, 83; Do not favor, 9; No answer, 8.

17. *Do you favor homestead tax exemption for the elderly, such as exempts them from the first \$2500 of assessed value?*

Yes, 83; No, 6; No answer 11.

18. *Would you favor a breath analyzer test such as England has to detect drunk drivers?*

Yes, 77; No, 13; No answer, 10.

19. *Would you favor a law requiring re-examination of drivers every two years for issuance of drivers license?*

Yes, 55; No, 35; No answer, 10.

20. *How do you feel about making the minimum size of print for essential information on labels to be 1/8" (newspaper size)?*

Too small, 27; All right, 70; Too large, 0; No answer, 3.

21. *Fresh meat is customarily sold by giving the net weight, price per unit weight, and cost per package. Gasoline is sold by giving price per gallon, number of gallons, and total cost.*

*Would you be in favor of all goods being sold this way? For example, a box of cereal weighing 14 1/2 oz. now priced at 58¢ would be required to show the price per lb. so you could more easily compare it with other sizes to make the best buy?*

Agree, 86; Disagree, 10; No answer, 4.

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MR. AND MRS. F. M. NEWMAN, BATTLE CREEK, MICH.

Instead of having 50 Blue Cross-Blue Shield paying agents, I would be in favor of having one paying unit. Since all accounts have to be reported to the computer in Baltimore, payment for those who have accounts that must be sent to separate states—for example—travelers, would have their repayment task simplified.

I also think that doctors as a class would be better able to wait for their payment than the recipients of old age assistance, social security, or other types of pensions.

I would like to see the Social Security system tied a little more closely to the cost of living index. As it is now, by the time the benefits are increased, the cost of living index has taken another jump.

Instead of the present standard \$600 exemption below sixty-five, I would like to see exemptions raised so that those who retire early, and have company pensions and supplements, would have a larger exemption for both the person and the spouse.

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HAZEL G. ROBINSON, NATIONAL RETIRED TEACHERS ASSOCIATION,  
DIRECTOR FOR MICHIGAN, SOUTHFIELD, MICH.

I appreciate the opportunity to tell you about the economic situation of older retired teachers of Michigan, those who retired 15 to 20 years ago.

Very briefly it is this—over 8000 are living on pensions below the poverty level, on pensions of \$1800 per year or LESS. They contributed to those miserable pensions out of unbelievably low salaries. Many did not qualify for Social Security benefits—the Social Security Plan was not accepted by the Michigan School System until 1956.

And what is tragic, they cannot receive the Special Payments provided other workers at the age of 72, because teachers receive State pensions.

The enclosed chart\* from the Michigan Public School Employees Retirement Fund Office shows there are 8389 receiving this \$1800 per year pension for 30 years service. The clause in the Michigan Law prevents them from receiving credit for more than 30 years service, even though many of them served up to 50 years.

\*Retained in committee files.

Considering today's unusual demands on school monies, is it unreasonable to expect a "living" pension for those who carried that educational system for years, at a tremendous sacrifice?

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BOB ROBERTS, TOLEDO, OHIO

I think we should not lose sight of the fact that the life span of the American citizen has been made possible, to a large extent, by the progress made by the medical, pharmaceutical, and hospital segments of our nation.

While it is obvious that these successes have brought new problems, these are better problems than to be concerned with a higher mortality rate at lower ages. I think we should all be grateful and thankful to those who have made possible an ever increasing group of Senior Citizens.

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NICK J. ROHAN, MONROE, MICH.

Doctors to make house calls in emergencies.

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CARMEN ROMANO, CHAIRMAN, CONNECTICUT COMMITTEE ON SERVICES FOR ELDERLY PERSONS, NORTH HAVEN, CONN.

What can be done to stop hospitals and doctors from harassing clients to pay their bills if the hold up is getting their bills processed from the insurance carrier who has been retained by Social Security to administer?

Better still, is the S.S. administration looking toward administering the program themselves? If so, when?

Is there some way that banks can set up some safeguards and *not* issue large sums of cash to elderly depositors. Film Flam artist bilk many elderly persons out of their life savings. Why can't banks train tellers in this regard and issue cashiers checks instead of cash. Local Chambers of Commerce should encourage the bank through its Better Business Bureaus.

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CLARA SCHLICHTEMEIER, OMAHA, NEBR.

If there is any field in which the Consumer Elderly are being treated unfairly, it is in the Automobile field.

In November of 1967, I bought a Buick Skylark with 4022 miles on it, for which I paid \$3477.50. It never did work right. I had it in several times for servicing. It was in the garage 5 days before the accident for servicing. In less than a half a block it was completely wrecked. It went out of control, it must have been going 50 miles an hour. I am lucky to be alive.

They thought it might be the automatic choke, but the garage man who repaired it, for the party I sold it to, says it was the pump to the carburetor. It was sold for \$900. The accident occurred Aug. 25, 1968. So you see my loss. I did not have insurance on the car, as I thought I had a car I could depend upon. I had a very old car previously.

I wrote to the Buick Motor Division, General Motors Corp., Flint, Michigan, 48550. They sent an agent here March 26, 1969, to get the facts regarding the case. In Municipal Court, I was Not Guilty.

I understand the factory carries insurance for a situation like that. Up-to-date it has not been cleared up.

Then in November 1968, I made a payment on a Dodge Coronet, they told me ALL the bugs were out. The first time I took it out on the road, I was caught on the loose gravel, after dark, without hardly any lights, the alternator which controls power steering, battery and lights. I noticed when the salesman took me out that the hand on the alternator wobbled, but I thought he ought to know what he was doing. He told me to try it out and drive it to the country.

This is what is happening to the Consumer Elderly. I want to return the Dodge, I tried to return it immediately, after the indescribable trip, but they said, No. They still say, No. It has been setting in the garage for months, not driven.

If they can't sell reliable cars, they hadn't better sell any.

I had driven over 50 years without an accident, until I got into these deals. There wasn't any accident in the latter case, but I vowed I would never drive it again; three different cars honked their horns at me, out there on the gravel, no garage within miles.

If there is any field that needs help it is in this one, I am lucky to be alive to tell my story.

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MRS. F. SCHMITZ, MONROE, MICH.

We would like more Social Security, less costs on automobile insurance. Reduce prices on prescriptions. No sales tax on groceries. Low cost housing.

Thank you.

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PHILIP SCHUCK AND ROSE SCHUCK, MONROE, MICH.

We would like to know why prices are going up and we are not working, how can we keep up with our living with our small checks that we get. We should get a raise in our checks because we can't live like this. We are too old to work to make more money.

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MRS. THERESA M. SHAPIRO, MONROE, MICH.

. . . that the continuous rise in all consumer products especially all food products should and must be halted. This is not only bad for people with a family, but is very bad for we elderly persons who must live on small fixed incomes. Also to increase social security to cost of living.

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ALFRED J. STADLER, MONROE, MICH.

I would suggest that the Automobile Insurance Companies would have a rebate for accident-free drivers at the end of each year. I think that all people on Social Security should get a raise.

It should be that any one on Medicare should not have to pay the first \$50 hospital or doctor bills.

All Senior Citizens should have a lower rate on school taxes.

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MARY STRUGER, MONROE, MICH.

I would like more Social Security 48161. 368-36-4944-B. No sales tax on groceries. Better food stamp method. Dental care under Medicare.

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EMMA WAKEFIELD, DETROIT, MICH.

Want Dental care under Medicare.

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WALLACE F. WATT, DETROIT, MICH.

The entire Food Stamp program needs to be revised, to make it more accessible to the elderly. Wayne County has only five stamp centers. Also, surplus commodities are not accessible to the many elderly who no longer have cars who could not have a driver's license anyway. Only a small part of those eligible are actually making use of these available resources.

Should not these items be taken from the Department of Agriculture and transferred to HEW?

## JOHANNA WIESS, ANN ARBOR, MICH.

1. Single older person—will he or she get credit for being head of house (Internal Revenue Income Tax Credit) even though he has no dependents but must and does pay for heat, water, electricity, taxes, insurance if he lives in his own home! (Not possible today).

2. Will older person who owns a house with one or more other owner get credit for all real estate taxes he pays if he has to pay all the taxes because her fellow owner refuses to pay and he wants to save property? Not possible today under IRS regulations.

