



Happy Birthday

This year the Panel Study of Income Dynamics (PSID), sometimes known as the family economics study, is twenty-five years old. To celebrate our silver anniversary it seems appropriate to look at where we began and, thanks to a vast amount of help from you, where we are now. We will keep it short because many of you have heard it all before, but our newer panel members have not and keep asking how they came to be included. But first, you have a special greeting from Senator Daniel Patrick Moynihan of New York who has been a good friend to this study from its beginning. He can't write to each of you individually because, to protect your privacy, we never tell anyone who you are or where you live -- not even senators.

DANIEL P. MOYNIHAN
NEW YORK

United States Senate
WASHINGTON, DC 20510

October 28

Dear PSID:

Congratulations on your 25th birthday.

The PSID has made an enormous difference in Congress and the executive branch of government in our understanding of poverty and its associated problems. For that we owe an enormous debt of gratitude to James Morgan, Greg Duncan and their associates, as well as to the many people who have been participants in the study over the years.

I would also like to welcome your new Latino families and thank them for making a vital contribution to this very valuable study. We anxiously await the first results from this group.

Sincerely,



Daniel Patrick Moynihan

Panel Study of Income Dynamics
Institute for Social Research
University of Michigan
Ann Arbor, Michigan 48106-1248

This study was an outgrowth of President Johnson's war on poverty. In 1966, to see if this war was being won, the Office of Economic Opportunity (OEO) -- which doesn't exist anymore in spite of its lovely name -- asked the Census Bureau to conduct a study of economic opportunity. Thirty-thousand households were interviewed in 1966 and again in 1967. OEO wanted to continue the study for a while longer, but not on such a grand scale. They asked James Morgan, an economics professor at the University of Michigan, experienced in directing family studies, if he would continue to interview 2,000 families out of their 30,000. Morgan agreed on condition that an additional sample be added which would make the study representative of the entire U.S. population at all income levels. It was also decided to keep the study representative over time by interviewing members of our original families, mostly children, when they leave home to start households of their own. So this study, as most of you know it, started in 1968. Those of you who were part of the original OEO sample are starting out on your twenty-seventh year of interviews. That must be some kind of record and we hope that you have enjoyed every minute of it.

Our first year of interviewing got off to a shaky start. Many of the sample we inherited from the census had vanished from their addresses, and we had no benefit from address correction postcards or names of relatives who might know where they went. In 1968 city riots were still recent and some people were afraid to open the door to strangers, even nice interviewers from the University of Michigan. We interviewed 4,802 families in 40 states -- only 76 percent of what we hoped for.

In 1969 the interviewers were given a list of ways to find lost people and the families were offered \$5.00 for their interview

and another \$5.00 for returning an address correction postcard. In 1969 \$10.00 seemed more bountiful than it does now. We did a little better but still only managed to reach 86 percent of our goal -- not nearly good enough.

Continuing studies were very rare in 1968 and we had a lot to learn about how to run one. Our rules for one-time studies obviously didn't work for continuing ones. In 1970 we decided to do things differently. "Too far" and "not at home" were no longer acceptable excuses for not getting an interview. Interviews were done by telephone when absolutely necessary and we sometimes interviewed wives (and still do) if their husbands were never available. Twenty-five years ago if you wanted answers to financial questions, you were supposed to ask husbands. Wives were assumed to know nothing whatever about money. That is nonsense, especially now when over 65 percent of wives have jobs of their own, but having started that way, we are more or less stuck with it. In 1970 we also increased our interviewing time from four to six months per year.

These changes worked well. In 1970 we interviewed 96 percent of the families we hoped for and, thanks entirely to you, we have done about as well, or occasionally better than that, ever since. Somewhere along the way we changed to interviewing mostly by telephone and our sample size has grown to more than 9,000 families scattered in all 50 states and several foreign countries. Over 2,300 of the increase are households started by members of our original families who moved out on their own. They are mostly their children and grandchildren. The rest are a new Latino sample added in 1990 to keep the study representative of the changing United States population.

The study you have built has become very well known.

Information from your interviews has been analyzed by hundreds of economists, demographers, and sociologists all over the United States and in some other countries too. The data are also used by government agencies and congressional staffs and, of course, by our own staff here at Michigan.

One of your early accomplishments was to change the way social scientists look at family research. The customary method of taking one-time interviews with a series of different households gives a picture of a more stable and orderly world than actually exists. Talking to you every year gives a far more chaotic picture. Stability in earnings, employment, poverty or prosperity or anything else that affects family economic well-being, is the exception rather than the rule. Families themselves add to the confusion. Family members move in and out bringing or taking their earnings with them, or being a financial burden or benefit. So changes in family income and changes in family size have a lot to do with each other.

You have made possible many more discoveries in the last twenty-five years and become famous in the research community in this and other countries. You have had an enormously productive quarter century. We are proud of you and you should be proud of yourselves. Now that you have reached your silver anniversary, what are your plans for the next 25 years? Shall we try for the gold?

Helping Each Other

Here, at last, are some answers to the questions we asked you in 1988 about help given and received in time and money. These questions were about giving or receiving help from family,

friends or neighbors, and did not include contributions in time or money to charitable or other organizations.

You are impressive givers. In fact, a little more is given than anyone reports receiving. It is more blessed to give than to receive and apparently easier to remember. Young families receive most of the financial help and the middle-aged give most of it -- presumably parents helping their children. As a percentage of their income, though, the old may give the most.

Families who are already taking care of others by providing them with housing and food give fewer dollars to those not living with them. However, they do report giving and receiving many hours of help. Black families give more generously in time than whites, but less in money.

Time is given by people of all ages except those 75 years old or older and is received mostly by young families, probably those with small children. If you price time given at \$6.00 an hour and combine it with money given, there is still a dramatic pattern of help from older to younger people. Average annual gifts in the 45 to 64 age group amount to well over \$1,800 while they receive less than \$650. The giving drops slightly after age 65, but is still substantial and the receiving drops too. Even after age 75 gifts still average \$578 a year, but receipts have climbed to \$330. With advancing age there are more people who neither give nor receive much, but what they do give is still more than they get.

It may be that social security and company pensions leave older people in a good position to help their children and grandchildren. Or perhaps older people represent a different and more generous generation, and today's young people may not be as generous with their own children.

The Telephone Facility

Last year some of you were called by interviewers from our new telephone facility in Ann Arbor. This system worked very well so we are enlarging our telephoning capacity and, if it is finished in time, plan to do most of the 1992 interviewing from Ann Arbor. Interviewers and panel members who have been talking together for years will miss each other, but the telephone office has many advantages.

We will still send field interviewers where there is a need for them but hope that for most of you the new system will be easy and convenient.

Latino Notes

Researchers have been clamoring for information about the Hispanic sample. There is a great deal of interest in the culture, opinions, well-being, and the many contributions that the Hispanic population makes to this country. To help would-be data users learn about the Latino data that our study now has, we are sponsoring a Latino data workshop at the University of Texas, Austin, in April. Twenty-five economists, sociologists and demographers from around the U.S., many of them of Hispanic ancestry, have inquired about participating in the workshop, which

will profile the content and ways to analyze Latino data from both the family economics study and the 1989 Temple University interviews with the Hispanic sample. After a year's time, the researchers who attend the workshop will be invited back to a professional conference on Latino data. They will present papers at this conference based on the data you have provided, and the conference proceedings will then be published.

We will let you know how this first national use and publication of data on the family economics Hispanic sample progresses.

The Waning of Middle-Income America

In the favorable economic climate of the 1980s a growing number of middle-income families became prosperous enough to qualify for the highest income bracket. Once having achieved high-income status families are not very likely to slip back into the middle-income category. But these more prosperous times did not benefit everyone. During the 1980s it was more difficult for the poor to climb out of poverty and the number of families who fell from middle to low-income status increased significantly. As a result, middle-income America is shrinking.

Seventy-five percent of the U.S. population was included in the middle-income bracket in the late 1970s, but by 1985 the number had dwindled to 67 percent. Due to the present recession it may now be lower than that. Families are considered to have moved from one income group to another if, over a five year period, their after-tax income exceeds or falls below the middle-income bracket. At present this bracket includes families with annual incomes from \$18,500 to \$55,000.

In the years between 1967 and 1980 about a third of low-income families earned more than \$18,500 each year and moved into the middle-income category. In the 1980s the number of movers up dropped slightly and the families that fell from middle to lower-income status increased substantially. However, the movers up still outnumbered the families that slipped back.

Moving up into middle and upper-income brackets is more frequent among adults with a college education and less likely to happen to black families and families headed by women. Middle-income black families are only half as likely as middle-income white families to move into the high-income group. Although the earnings of wives are increasingly important in moving households to a higher income bracket, increases in men's incomes still make the most difference.

The 1980s show a significant increase in prosperity for the relatively few families who are already very well off. Unfortunately this is coupled with persistently high rates of poverty for families with children. Apparently much of the present difficulty in earning a living is due not only to the recession but to the added demands of changing technological requirements at work. These do not offer much opportunity for the young and less educated, but do provide growth in earnings and advancement for better educated and more experienced workers.

The 1992 Questionnaire

A portion of the National Institute on Aging's series of questions on health and living arrangements for those of you 55 years old or older will be asked again this year. They will be new to those of you who have just turned 55 and to all of the Latino

sample 55 years old and older who were not asked them last year. Otherwise, the questionnaire is much as usual.

We are very grateful for another year of your help with the family economics study. War and recession made 1991 a difficult year for many people. Let's hope that 1992 will be peaceful and more prosperous.

Best wishes and many thanks.