

EVALUATION OF INCOME THROUGH THE RECESSION EC-COUNTRIES 1972-1987

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In: Ruut Veenhoven & Aldi Hagenaars (eds) (1989)

Did the Crisis really hurt? Effects of the 1980 – 1982 economic recession on satisfaction, mental health and mortality.

Universitaire Pers rotterdam, The Netherlands. ISBN nr. 90 237 2279 5 pp. 44-63

Summary

A time-series analysis of the yearly Consumer Surveys in the EC-countries shows that most Europeans feel that their financial situation has changed for the worse during the recession and improved when the economy recovered. In most countries this change for the worse and the better is paralleled by a decrease and increase of perceived adequacy of ones present income (Denmark, Belgium, France, Germany), but in some opinion remains fairly stable through the recession (Ireland, the Netherlands, UK).

A cross-section analysis of household types in the Netherlands shows that the recession affected income satisfaction somewhat more in households with transfers as the main source of income.

In short: the crisis did hurt, in particular among the benefit dependant.

In the early 1980s, the growth of consumption slowed down considerably in most EC-countries and even became negative in some years. Unemployment increased dramatically. Did these events affect income satisfaction? If so, how? Which people were most affected? This chapter answers these questions on the basis of the Consumer Survey data. The Consumer Surveys have been held annually in all EC-countries since 1972. Two standard questions in this survey refer to income satisfaction. One question asks whether the financial situation of the household improved or worsened during the preceding year. The other is about the present financial situation of the household. We will first consider whether these indices of income satisfaction show any change during the recession. Next we inspect whether these changes are likely to be caused by the recession. Finally we investigate whether the effects are the same in twelve types of households.

1. DID THE CRISIS LOWER INCOME SATISFACTION?

The following two questions about income-satisfaction were used: 1) 'How is the financial situation of your household now, compared to 12 months ago?' A lot better, a little better, the same, a little worse or a lot worse? This item will be referred to as FIN12. 2) 'How is the financial situation of your household now?' Borrowing, drawing on savings, just making ends meet, saving some money, saving a substantial amount? This item will be referred to as FINNOW.

If the crisis had any impact on income satisfaction, we would expect income satisfaction to follow the economy. That is: a decline of income satisfaction after the onset of the recession

and a rise following the recovery of the economy. In order to test this prediction we scored income satisfaction from positive to negative (100, 50, 0, -50 and -100), and used the average as an index. The graphs in **appendix 1** show the development of both indicators of income satisfaction in each of the eight EC-countries.

In most countries FIN12 shows a decrease in the beginning of the eighties. Italy is a notable exception. For FINNOW the result is less clear. Belgium, Denmark, France, Germany, Ireland and to a rather small extent the Netherlands, show a decrease, but in Italy and the United Kingdom the evaluation of the current financial situation does not seem to deteriorate. For the Netherlands the strong increase during the years 1977-1979 is striking. Compared with this previous improvement the slow fall of the index FINNOW during the crisis is remarkable. So in general the crisis had an impact on the evaluation of the financial situation of households; people do observe a deterioration and become somewhat less satisfied with their present income.

2. HOW DID THE CRISIS AFFECT INCOME SATISFACTION?

The recession can affect income satisfaction in several ways. One is a restriction of income: because they can buy less, people can become less satisfied with their income. Yet why be dissatisfied with an income we would consider terrific in the 1950s? Isn't the step back the cause of decreased satisfaction rather than the level of living as such? Possibly unemployment also works as a mediator. Unemployment is likely to reduce income satisfaction among the ones afflicted and the general awareness of mass unemployment will probably affect the outlook on one's personal situation. To explore these possible effects we ran some analyses. The following predictors of income satisfaction were used:

CON: real private consumption expenditure per capita (1971 = 100)

CON₁: real private consumption expenditure per capita in the previous year

CHCON: percentage change in real private consumption expenditure per capita

UNEMP: unemployment as a percentage of total labour force.

(Data from OECD Economic Outlook 1988. See **appendix 2**).

FIN12 refers to perception of change for the better or worse. One could expect this variable to be correlated with changes in the economy (as indicated by CHCON) rather than with the standard of living as such (indicated by CON). **Appendix 3** presents a scatter plot of FIN12 against CHCON. CHCON is given as deviation from the national mean. A strong positive relationship between the corrected value of FIN12 and CHCON appears to exist. A similar scatter plot of

FIN12 and the level of consumption CON (not presented here) does not show any relationship. The expectation is thus confirmed.

FINNOW refers to the adequacy of one's income at the present. We might expect that this variable depends on current income in the first place and less on the change of income. Scatter plots do not reveal such a difference, however.

Another variable which might influence the evaluation of the financial situation is unemployment. If in a country unemployment increases, this may affect income, and through income satisfaction. It is also possible that an independent relation between unemployment and evaluation of financial situation exists. A regression equation with FIN12 as independent variable and CON, CON₁ and UNEMP as predictors has been estimated to investigate this relationship and to establish the relative importance of consumption level and consumption change.

The results presented in **scheme 1** suggest that both level and change of private consumption influence FIN12, but that the change is more important than the level. The coefficients of CON

and CON_{t-1} in the equation for all countries may be interpreted that a change in the growth rate of one per cent changes FIN12 by 1.75 points. A change in the level of consumption of one per cent changes FIN12 by $1.90 - 1.75 = 0.15$ points. A similar interpretation is possible for all countries, except Italy. In Italy the level of consumption seems to have a negative impact on income satisfaction. With the exception of Italy and Ireland the coefficient of UNEMP is significantly negative. The unemployment rate has an independent influence on FIN12: an increase of the unemployment rate lowers income satisfaction. See **Scheme 2**.

The results of the regressions with the present financial situation as the dependent variable are slightly more varied. The regression with present consumption, past consumption and unemployment rate is again the best fitting for most countries. It is not satisfactory for the United Kingdom, but none of the specifications tried gives satisfactory results for this country. In most countries income satisfaction is determined in the first place by change in consumption and by the unemployment rate. Only in the Netherlands and Italy the level of consumption did seem to be the major determinant of the present financial situation.

Together, these findings lead to the conclusion that the higher level of unemployment and the slow-down of economic growth in the early eighties had a negative effect on the evaluation of the financial situation of the households in all countries of the European Community. Both variables we used to measure this evaluation were negatively affected. The crisis did hurt!

3. WHAT KIND OF PEOPLE WERE MOST AFFECTED?

Let us now consider the Dutch data in more detail, to determine the relationship between income evaluation and income source within twelve types of households. Cross-section analyses have been carried out at three points of time: before (1977), during (1982) and after (1987) the crisis (see also **appendix 4**). **Scheme 3** shows the cross-classification of income-source, household-size and mean scores on FIN12 and FINNOW.

Scheme 3 again shows opposite trends: FIN12 demonstrates the expected sharp decrease in 1982, but FINNOW points to an improvement within the twelve household-types.

How can satisfaction with present income increase while at the same time people report a change for the worse? Van de Stadt (1982) explained a similar phenomenon in terms of 'relative deprivation'.¹ Van de Stadt suggests that people are more easily satisfied with their income during this economic recession because of declining future-expectations and due to seeing of or hearing about households that are faring much worse than they do. This also applies to the perceived adequacy of the present financial situation: the greater the insecurity about the future, the more people count their current blessings.²

¹ This phenomenon was observed in the same dataset: the mean score on the individual welfare scale in 1982 was higher than ever before in the Netherlands.

² Findings of the Netherlands Social and Cultural Planning Office also reveal that satisfaction with income and welfare in the household is much higher in 1979, 1980 and 1981 than in 1983 and 1985. (SCP 1986).

There are, however, a few remarkable exceptions to the pattern of FIN12 following the economic tide and FINNOW improving during the whole period. In households with transfers as the main income-source neither FIN12 nor FINNOW increased after the recession: income satisfaction remained low. Hence we might conclude that inequality between social groups has increased somewhat during the period under observation.

In the foregoing section we showed a link between the general level of living and income satisfaction. Does this relationship also hold in the different types of households? At this level we use personal income³ instead of average consumption as the independent variable. **Scheme 4** summarizes 78 regressions on income with FINNOW respectively FIN12 as dependent variable.

In half the cases the level of income is not significantly related to the perception of 'change to the better or worse', especially not within one-person-households. The other half (marked * in **scheme 4**), however, reveals a relationship between a higher income and a relatively small deterioration in the beginning of the eighties respectively a lower income and less improvement of the financial situation in 1987. It appears to be that the crisis did strengthen this relationship to some extent.

A regression of FINNOW on income shows the expected strong association between income and perceived adequacy of the financial situation in the household. Yet there are some exceptions. The strength of this relationship also tends to grow. **Scheme 5** examines whether factors other than income influence the perceived adequacy of one's income within the twelve social groups in this period. For this analysis a regression of FINNOW on income and year (a dummy-variable) has been carried out.

Scheme 5 leads to the conclusion that the evaluation of present income in most Dutch households improved between 1977 and 1987 independently of the level of income. Only one-person- and two-persons-households with 'entrepreneurial' or 'transfer' income did not change

- ³ The head of the household has to choose from seven income-classes the one which contains the net-income of all persons in the household together. These classes have been recorded to the mean to use them in regression-analyses. The following means resulted (in Dfl.):

Class	Year 1977	Year 1982/87
1	10220	14000
2	16000	21500
3	19250	25000
4	21750	29000
5	29500	34500
6	37250	42500
7	58840	63000

much. β inc again shows that satisfaction with income tends to be related to the level of personal income, although other factors that have not been taken into account contribute to the bigger part (see R^2 in **scheme 4** and **5**). The last two columns of **scheme 5** make clear that this overall improvement is due to the first part of this ten-years-period: the three-persons-or-more-households with entrepreneurial income being the only exception with an improvement between 1982 and 1987. The decline in satisfaction between 1982 and 1987 in one-person- and two-persons-households with income from transfers is remarkable. This result underlines our findings that inequality in income satisfaction in the household has increased in the Netherlands since the recession. Apart from the fact that 'transfers' perceive their situation more often as inadequate because of their lower income, it seems that other factors also contributed to a deterioration in the years between 1982 and 1987.

Time-series and cross-sections often lead to different conclusions about the same phenomena (Adams 1964). Cross-sectional analysis is superior from a theoretical point of view - economic theory rests on assumptions about the behaviour of individuals - but time-series-models often are the only way out to decide if certain relationships (e.g. between economic recession, unemployment and the financial situation in households) exist because cross-sections are lacking the necessary information. The two different types of analysis in this paper confirm each other: the conclusions about the evaluation of the financial situation in one's household in eight EC-countries were specified for the Netherlands: the crisis did harm, although not very much in most types of households.

4. CONCLUSION

Time-series analysis of income evaluation in the EC-countries showed a decrease in satisfaction following the slowdown of the economy and the subsequent rise of unemployment. Cross-sectional analysis of income evaluation in the Netherlands showed that households with income from transfers suffered more during and after the recession. Inequalities between the working and non-working people and between higher and lower incomes increased somewhat. The crisis did hurt.

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Scheme 1. Evaluation of change in the financial situation of the household during last 12 months (FIN12) in 8 EC-countries as a function of real consumption (CON) and unemployment (UNEMP), regression analysis 1972-1987						
	CON	CON ₋₁	UNEMP	Constant	n	R ²
Belgium	1.37 (0.46)	-0.98 (0.48)	-2.86 (0.71)	-45.15	16	0.87
Denmark	0.99 (0.26)	-0.85 (0.26)	-1.58 (0.46)	- 8.07	14	0.68
Germany	2.86 (0.37)	-2.53 (0.36)	-2.24 (0.53)	-43.54	16	0.86
France	1.34 (0.50)	-1.05 (0.46)	-2.93 (1.02)	-25.68	16	0.86
Ireland	1.82 (0.44)	-1.37 (0.43)	-0.25 (0.41)	-82.40	14	0.67
Italy	1.05 (0.60)	-1.60 (0.57)	5.56 (2.21)	7.50	16	0.65
the Netherlands	2.28 (0.56)	-2.00 (0.53)	-1.76 (0.37)	-29.98	16	0.84
United Kingdom	2.45 (0.47)	-2.08 (0.58)	-1.14 (0.55)	-61.34	14	0.83
Total*	1.90 (0.17)	-1.75 (0.17)	-1.24 (0.19)		122	0.84
Standard errors between parentheses						
* The regression in this row contains dummy variables for the countries.						

Scheme 2. Evaluation of the current financial situation of the household (FINNOW) in 8 EC-countries as a function of real private consumption (CON) and unemployment (UNEMP), regression analysis 1972-1987						
	CON	CON ₋₁	UNEMP	constant	n	R ²
Belgium	0.46 (0.25)	-0.12 (0.26)	-1.35 (0.38)	-24.29	16	0.63
Denmark	0.65 (0.14)	-0.44 (0.14)	-0.62 (0.25)	-12.38	14	0.71
Germany	0.89 (0.19)	-0.74 (0.18)	-2.02 (0.27)	- 5.73	16	0.90
France	0.26 (0.31)	-0.07 (0.29)	-1.84 (0.66)	- 4.85	16	0.81
Ireland	0.43 (0.20)	-0.63 (0.19)	-0.59 (0.18)	31.47	14	0.69
Italy	0.36 (0.21)	-0.03 (0.20)	0.56 (0.79)	-38.89	16	0.94
the Netherlands	-0.15 (0.28)	0.62 (0.27)	-0.07 (0.19)	-41.64	16	0.80
United Kingdom	0.06 (0.28)	0.15 (0.35)	-0.26 (0.33)	-13.78	14	0.34
Total*	0.45 (0.13)	-0.31 (0.13)	-0.40 (0.14)		122	0.84
Standard errors between parentheses						
* The regression in this row contains dummy variables for the countries.						

Scheme 3. Evaluation of the financial situation in the Netherlands within twelve types of households in 1977, 1982 and 1987

Type of household		<u>FIN12: mean score</u>			<u>FINNOW: mean score</u>		
Income-source	Household-size	1977	1982	1987	1977	1982	1987
Wages	1	10	-18	15	23	34	34
	2	13	-05	15	27	37	39
	3+	6	-18	13	13	19	23
Entrepreneurial inc.	1	0	-24	3	10	6	24
	2	-5	-9	4	14	22	24
	3+	3	-12	24	8	15	25
Pensions	1	-11	-19	-12	2	13	14
	2	-6	-23	-14	5	13	18
	3+	-13	-25	-9	0	12	16
Transfers	1	-20	-29	-28	-9	3	-14
	2	-16	-33	-35	-6	11	-2
	3+	-27	-47	-35	-17	-8	-11
TOTAL mean score		1	-20	2	10	18	21
Standard deviation		43	47	50	38	40	40
Number of observations		5877	4592	3279	5877	4592	3279
ETA ²		.06	.05	.12	.08	.09	.12

Scheme 4. Evaluation of the financial situation in the Netherlands. Regression on income within twelve types of households in 1977, 1982 and 1987									
Type of household			FIN12			FINNOW			
Income-source	Household size	Numb.	Const. obs.	β x 10	R x 10 ⁵	Const.	β x 10	R ² x 10 ⁵	
<u>1977</u>									
Wages	1	232	12	-8	.00	70	54*	.03	
	2	762	5	28*	.01	3	85*	.08	
	3+	2432	-1	24*	.00	1	44	.02	
Entrepr.	1	20	11	-50	.03	-73	145*	.46	
	2	122	-24	69*	.06	-16	109*	.15	
	3+	480	-14	53*	.03	-20	91*	.15	
Pensions	1	455	-10	-3	.00	-7	67*	.03	
	2	607	-10	21	.00	-9	78*	.06	
	3+	207	-18	20	.00	-10	43*	.03	
Transfers	1	132	-11	-69	.00	-11	15	.00	
	2	135	-17	2	.00	-26	109*	.08	
	3+	293	-45	92*	.04	-43	128*	.08	
TOTAL		5877	-11	48*	.02	-9	76*	.07	
<u>1982</u>									
Wages	1	233	-16	-9	.00	24	33	.01	
	2	655	-26	54*	.02	6	82*	.09	
	3+	1729	-37	51*	.02	-3	60*	.05	
Entrepr.	1	72	-35	51	.02	-55	58	.03	
	2	121	-31	68*	.05	-12	104*	.18	
	3+	264	-31	48*	.03	-61	54*	.05	
Pensions	1	285	-28	42	.01	-8	103*	.09	
	2	411	-33	38*	.02	-9	82*	.09	
	3+	109	-46	56*	.05	-10	59*	.07	
Transfers	1	221	-32	17	.00	-16	81*	.01	
	2	187	-44	40	.01	-19	119*	.11	
	3	305	-52	17	.00	-25	66*	.04	
TOTAL		4592	-37	55*	.04	-7	77*	.08	

Scheme 4. continued

<u>1987</u>								
Wages	1	247	25	46	.01	2	114*	.11
	2	533	-19	83*	.07	6	80*	.09
	3+	1239	-11	63*	.04	-3	66*	.07
Entrepr.	1	17	-37	118	.12	-31	158*	.53
	2	36	-12	41	.02	7	43	.06
	3+	99	-19	112*	.12	-20	118*	.27
Pensions	1	242	-18	30	.01	-6	97*	.15
	2	343	-26	44*	.03	-0	65*	.09
	3+	70	-14	18	.01	-15	93*	.26
Transfers	1	155	-41	80	.01	-42	177*	.07
	2	125	-54	85*	.04	-23	96*	.09
	3+	173	-58	103*	.04	-48	170*	.16
TOTAL		3279	-30	96*	.09	-11	95*	.14

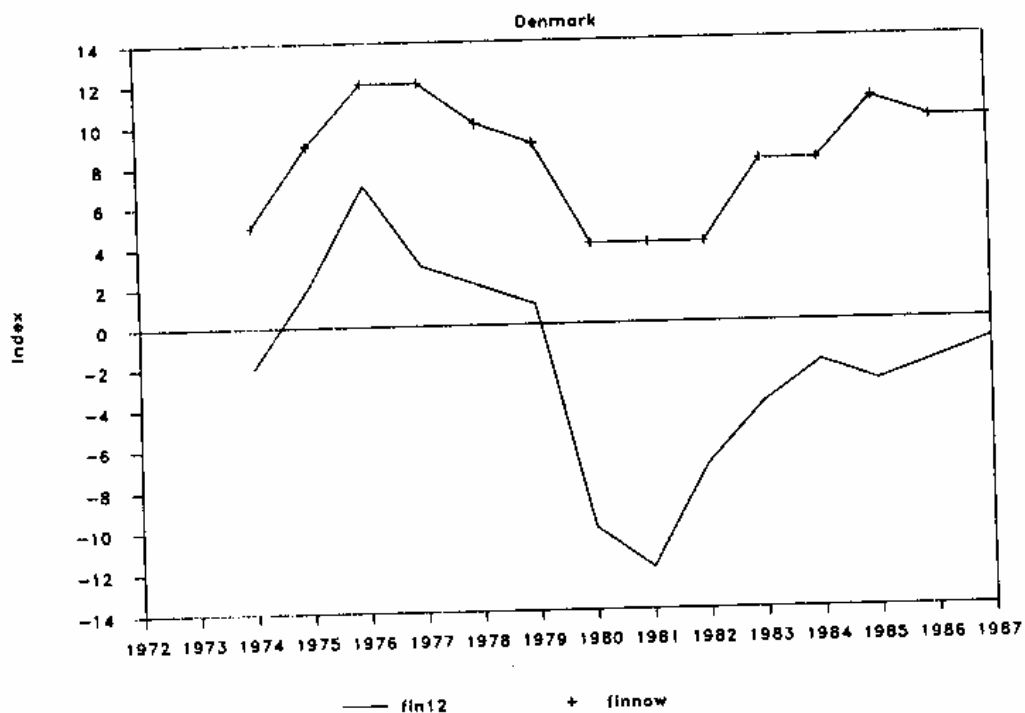
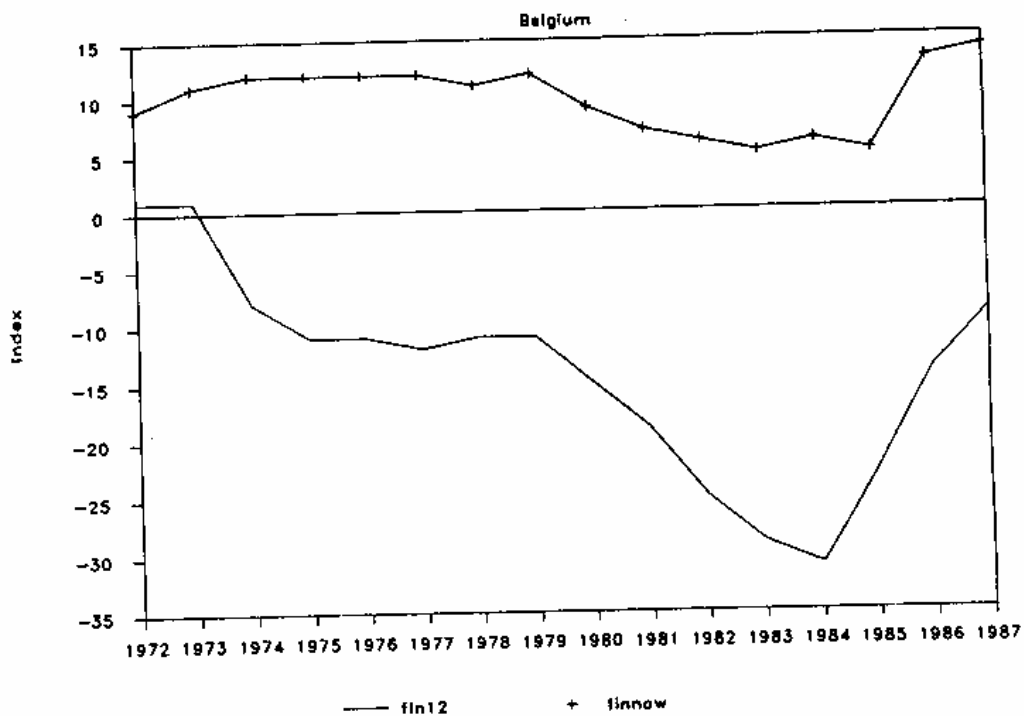
* = p-value <.05

**Scheme 5. Perceived adequacy of financial situation in the Netherlands.
Regression on income and year within twelve types of households in 1977, 1982 and 1987**

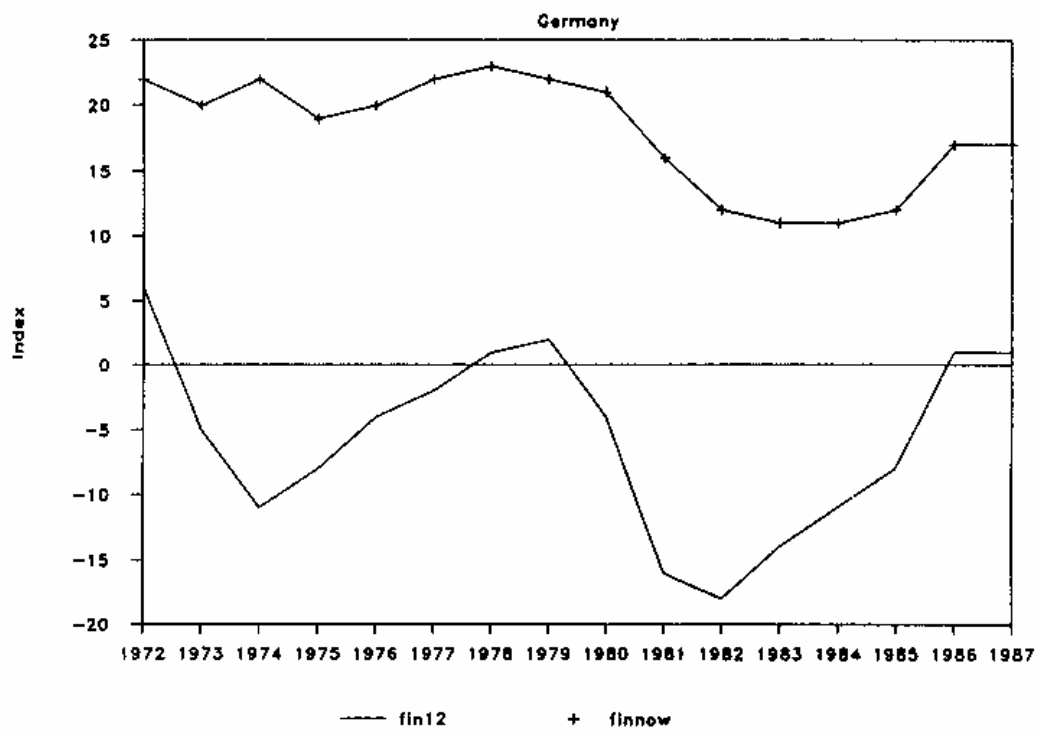
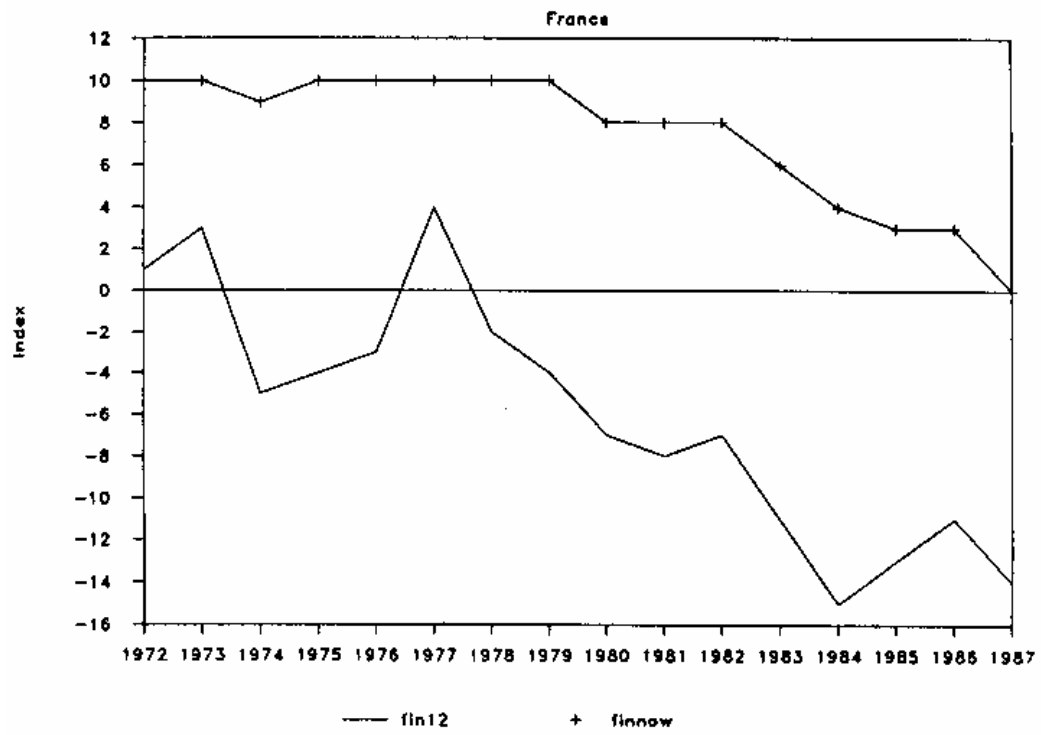
Type of household Income- source	House- hold size	1977-1987			1977-82 1982-87		
		Const.	$\beta_{inc}^{1)}$	$\beta_{year}^{2)}$	R ²	$\beta_{year}^{3)}$	$\beta_{year}^{4)}$
Wages	1	1	84	1.2*	.08	11*	1
	2	2	82	0.6*	.10	6*	-1
	3+	-3	54	0.7*	.06	4*	3
Entrepren.	1	-28	152	0.3	.51	3	2
	2	-13	91	0.3	.14	8	-5
	3+	-25	98	1.5*	.20	5	10*
Pensions	1	-11	82	1.0*	.09	9*	1
	2	-10	71	1.1*	.10	7*	4
	3+	-16	60	1.3*	.10	8	7
Transfers	1	-24	102	-0.4	.03	6	-10*
	2	-27	103	0.6	.09	15*	-9*
	3+	-50	147	1.1*	.11	9*	0

¹⁾ $\beta \times 10^5$
²⁾ Year 1977 = 1, 1987 = 2
³⁾ Year 1977 = 1, 1982 = 2
⁴⁾ Year 1982 = 1, 1987 = 2
 * = p-value $\beta_{year} < .05$

APPENDIX I



Appendix 1 (cont.)

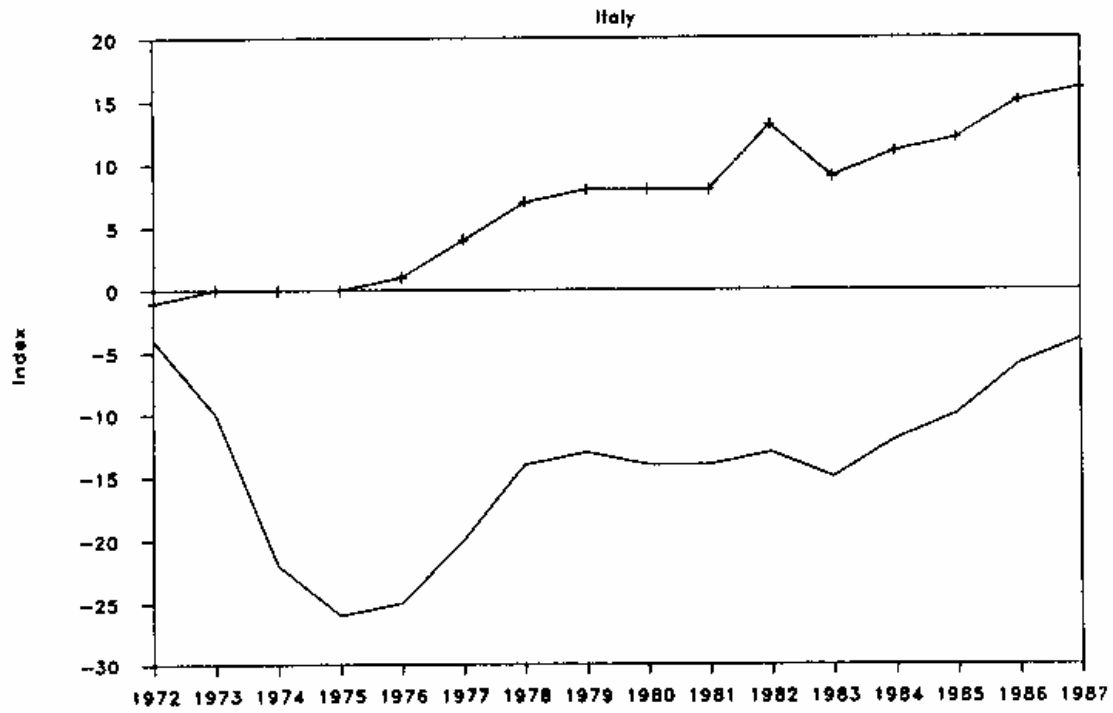
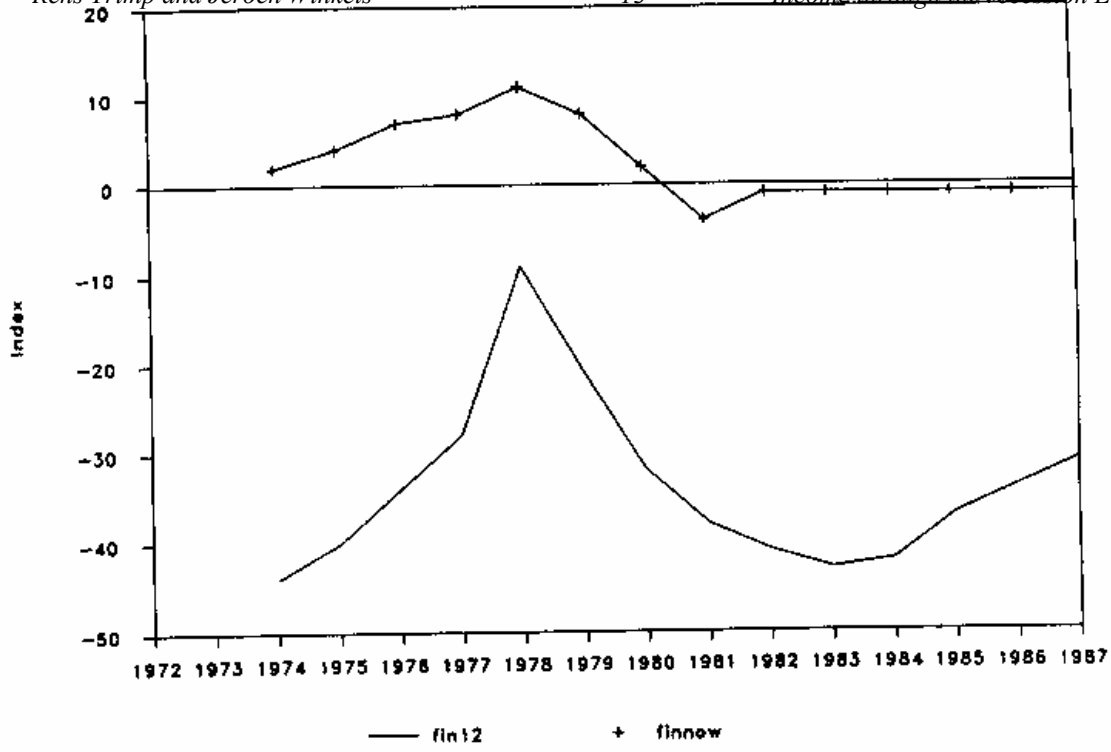


Appendix 1 (cont.)

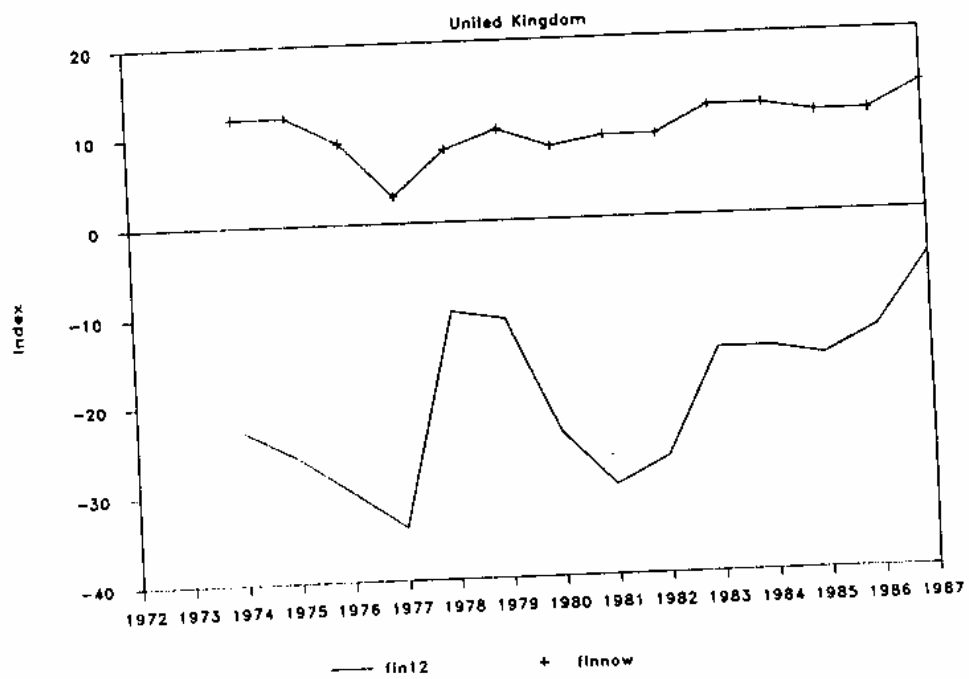
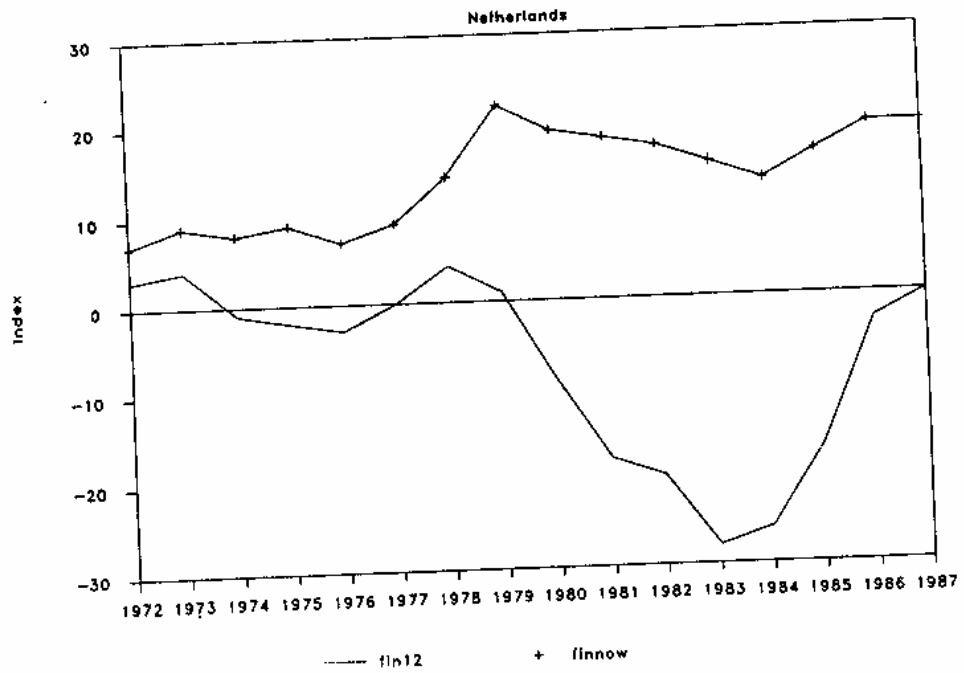
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Ireland

Income through the recession EC countries



Appendix 1 (cont.)



APPENDIX 2

Data used in time series analysis: evaluation change financial situation (FIN12), evaluation present situation (FINNOW), real private consumption per capita, 1971 = 100 (CON), percentage change real private consumption per capita (CHCON) and unemployment rate (UNEMP)

BELGIUM

year	FIN12	FINNOW	CON	CHCON	UNEMP
1972	1	9	105.8	5.8	2.3
1973	1	11	113.8	7.5	2.3
1974	-8	12	116.5	2.4	2.4
1975	-11	12	116.9	0.3	4.4
1976	-11	12	122.4	4.7	5.8
1977	-12	12	125.2	2.3	6.6
1978	-11	11	128.2	2.4	7.1
1979	-11	12	134.3	4.7	7.3
1980	-15	9	136.6	1.7	7.7
1981	-19	7	135.8	-0.6	10.0
1982	-25	6	138.1	1.7	11.7
1983	-29	5	136.3	-1.3	12.9
1984	-31	6	138.3	1.5	13.0
1985	-23	5	140.9	1.9	12.0
1986	-14	13	144.7	2.7	11.3
1987	-9	14	148.4	2.6	11.2

DENMARK

year	FIN12	FINNOW	CON	CHCON	UNEMP
1972	.	.	101.1	1.1	1.6
1973	.	.	105.4	4.2	1.0
1974	-2	5	101.8	-3.4	2.3
1975	2	9	105.3	3.4	5.3
1976	7	12	113.3	7.6	5.3
1977	3	12	114.2	0.8	6.4
1978	2	10	114.7	0.4	7.3
1979	1	9	116.0	1.1	6.2
1980	-10	4	111.6	-3.8	7.0
1981	-12	4	109.0	-2.3	9.2
1982	-7	4	110.6	1.5	9.8
1983	-4	8	113.6	2.7	10.4
1984	-2	8	117.5	3.4	10.1
1985	-3	11	123.9	5.5	9.0
1986	-2	10	128.5	3.7	7.9
1987	-1	10	126.4	-1.6	7.9

Appendix 2 (cont.)

FRANCE

year	FIN12	INNOW	CON	CHCON	UNEMP
1972	1	10	104.0	4.0	2.8
1973	3	10	108.7	4.5	2.7
1974	-5	9	109.3	0.5	3.0
1975	-4	10	112.0	2.4	4.3
1976	-3	10	117.0	4.5	4.5
1977	4	10	119.6	2.3	5.0
1978	-2	10	123.5	3.3	5.4
1979	-4	10	126.7	2.6	6.0
1980	-7	8	127.6	0.7	6.4
1981	-8	8	129.6	1.5	7.6
1982	-7	8	133.4	3.0	8.2
1983	-11	6	134.0	0.4	8.4
1984	-15	4	134.8	0.6	9.9
1985	-13	3	137.5	2.0	10.2
1986	-11	3	141.4	2.9	10.5
1987	-14	0	144.1	1.9	10.6

GERMANY

year	FIN12	FINNOW	CON	CHCON	UNEMP
1972	6	22	103.9	3.9	0.9
1973	-5	20	106.6	2.6	1.0
1974	-11	22	107.2	0.6	2.1
1975	-8	19	111.1	3.7	4.0
1976	-4	20	115.8	4.2	4.0
1977	-2	22	120.9	4.4	3.9
1978	1	23	125.6	3.9	3.7
1979	2	22	130.1	3.5	3.3
1980	-4	21	131.2	0.9	3.3
1981	-16	16	130.5	-0.7	4.6
1982	-18	12	128.7	-1.2	6.7
1983	-14	11	131.4	2.0	8.2
1984	-11	11	133.9	1.9	8.2
1985	-8	12	136.5	1.9	8.3
1986	1	17	142.2	4.2	8.0
1987	1	17	146.5	3.0	7.9

Appendix 2 (cont.)

IRELAND

year	FIN12	FINNOW	CON	CHCON	UNEMP
1972	.	.	103.8	3.8	6.2
1973	.	.	109.9	5.9	5.7
1974	-44	2	109.6	-0.3	5.3
1975	-40	4	104.6	-4.5	7.3
1976	-34	7	105.9	1.2	9.0
1977	-28	8	111.7	5.4	8.8
1978	-9	11	120.3	7.7	8.2
1979	-21	8	123.6	2.8	7.1
1980	-32	2	122.9	-0.6	7.3
1981	-38	-4	123.5	0.5	9.9
1982	-41	-1	113.4	-8.2	11.4
1983	-43	-1	112.5	-0.8	14.0
1984	-42	-1	110.8	-1.5	15.6
1985	-37	-1	111.6	0.8	17.3
1986	-34	-1	114.0	2.1	17.4
1987	-31	-1	114.3	0.3	18.7

ITALY

year	FIN12	FINNOW	CON	CHCON	UNEMP
1972	-4	-1	102.8	2.8	5.9
1973	-10	0	108.1	5.1	5.9
1974	-22	0	110.2	1.9	5.0
1975	-26	0	108.0	-2.0	5.5
1976	-25	1	111.2	3.0	6.2
1977	-20	4	113.3	1.9	6.7
1978	-14	7	116.3	2.6	6.8
1979	-13	8	122.1	5.0	7.2
1980	-14	8	127.1	4.1	7.1
1981	-14	8	128.9	1.4	7.9
1982	-13	13	130.3	0.9	8.5
1983	-15	9	130.5	0.4	9.2
1984	-12	11	133.2	2.1	9.3
1985	-10	12	136.9	2.8	9.6
1986	-6	15	141.4	3.3	10.3
1987	-4	16	147.2	4.1	11.0

Appendix 2 (cont.)

THE NETHERLANDS

year	FIN12	FINNOW	CON	CHCON	UNEMP
1972	3	7	102.4	2.4	3.3
1973	4	9	106.4	3.9	3.4
1974	-1	8	109.4	2.9	3.9
1975	-2	9	112.1	2.4	5.3
1976	-3	7	117.1	4.5	5.6
1977	0	9	121.8	4.0	5.5
1978	4	14	126.3	3.7	5.5
1979	1	22	129.1	2.2	5.6
1980	-9	19	127.9	-0.9	6.3
1981	-18	18	123.7	-3.3	9.2
1982	-20	17	121.7	-1.7	12.4
1983	-28	15	122.2	0.4	15.0
1984	-26	13	122.9	0.6	15.4
1985	-17	16	124.6	1.3	14.2
1986	-3	19	127.7	2.5	13.2
1987	0	19	131.4	2.9	12.6

UNITED KINGDOM

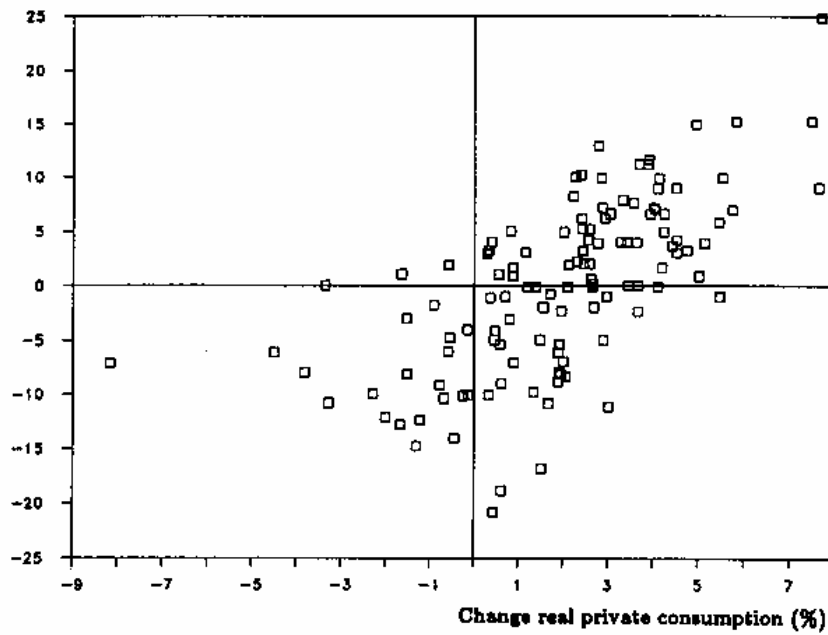
year	FIN12	FINNOW	CON	CHCON	UNEMP
1972	.	.	105.8	5.8	3.1
1973	.	.	111.1	5.0	2.1
1974	-23	12	109.4	-1.5	2.2
1975	-26	12	108.7	-0.6	3.6
1976	-30	9	109.1	0.3	4.8
1977	-34	3	108.6	-0.5	5.2
1978	-10	8	114.6	5.5	5.1
1979	-11	10	119.3	4.1	4.5
1980	-24	8	119.1	-0.2	6.1
1981	-30	9	118.9	-0.1	9.1
1982	-27	9	120.0	0.9	10.4
1983	-15	12	125.0	4.2	11.3
1984	-15	12	127.5	2.0	11.5
1985	-16	11	132.1	3.6	11.7
1986	-13	11	139.7	5.7	11.8
1987	-5	14	146.6	4.9	10.4

Source: OECD Economic Outlook 1988

APPENDIX 3

Evaluation of change in the financial situation of the household and change real private consumption in 8 EC-countries, 1972-1987. FIN 12 versus change private consumption.

Fin 12 corrected



Appendix 4

Income-source	Household-size	1977	1982	1987
1. Wages	one person	3.9	5.1	7.5
2. Wages	two persons	13.0	14.3	16.3
3. Wages	three or more persons	41.4	37.7	37.8
4. Entrepren.	one person	0.3	1.6	0.5
5. Entrepren.	two persons	2.1	2.6	1.1
6. Entrepren.	three or more persons	8.2	5.7	3.0
7. Pensions	one person	7.7	6.2	7.4
8. Pensions	two persons	10.3	9.0	10.5
9. Pensions	three or more persons	3.5	2.4	2.1
10. Transfers	one person	2.2	4.8	4.7
11. Transfers	two persons	2.3	4.1	3.8
12. Transfers	three or more persons	5.0	6.6	5.3
	N (100%)	5877	4592	3297