to postpone some of their discretionary purchases. At present, however, an unusually large proportion of people think that automobile prices will be raised. This opinion, held at the time of the Middle East crisis, contributed to the feeling that now is a good time to buy durable goods. The sole component of the Index of Consumer Sentiment which advanced during the last 3 months is the evaluation of buying conditions for durables. It remains to be seen how enduring this particular improvement in sentiment will prove to be. Up to now it has not influenced consumer opinions about prospective business conditions, which have remained less favorable than a year ago.

In view of the sharp deterioration of consumer sentiment during 1966, last winter there was a real threat of a substantial decline in consumers' discretionary expenditures and therefore of a recession in the consumer sector. Yet we skirted the recession, primarily because the income of very many consumers continued to advance. The frequency and extent of income increases may have been related to the recent substantial defense expenditures.

Furthermore, news of unfavorable developments in the economy had a smaller impact of consumers in 1967 than in 1966 because people had become accustomed to such news. Yet there was a continued absence of good news, although the influence of the international situation on domestic business is now seen in a somewhat more favorable manner than 6 months ago.

To place these data in the proper perspective, I would like to say a few words about the very substantial decline in consumer sentiment which has taken place in 1966. Our data give information on not only how sentiment has changed but also on the reasons for the changes, and I shall enumerate briefly the factors which contributed to uncertainty and misgivings in 1966.

In order to view the new findings in their proper perspective, I refer to table 1 which shows the movement of the Survey Research Center's Index of Consumer Sentiment over the last few years.

(Table 1 follows:)

TABLE 1.—*Index of Consumer Sentiment*

Date	All families	Families with incomes of $7,500 and over
	(Fall 1956=100)	(Fall 1959=100)
1964		
January to February	99.0	104.2
May to June	98.1	102.4
September	100.2	106.0
December	99.4	102.6
1965		
February	101.5	105.1
May to June	102.2	108.4
August	[1] 103.2	104.8
November	102.6	107.7
1966		
February	99.8	102.9
May	95.8	98.9
August	91.1	92.4
November to December	88.3	88.9
1967		
February	92.2	95.0
May to June	94.4	100.2

[1] All-time high. (The Index of Consumer Sentiment is available since 1953.)