Survey data make it possible to indicate the factors which made for uneasiness, uncertainty, and misgivings among very many consumers in 1966—at a time when incomes continued to rise and the economy as a whole remained prosperous.

First of all, in 1966 most Americans knew of rising living costs and expected inflation to continue. Even though on the average incomes have risen more than prices, inflation is generally viewed as bad. Income increases are seen as something deserved, while price increases detract from the enjoyment of the fruits of one's labor.

In 1966 a rather substantial proportion of people expected sizable price increases. (See table 2.) This proportion was much larger than at any time since 1959. In 1966 people thought that because of higher prices they would have to spend more on necessities and therefore could not afford to spend on things they would like to have but need not have immediately.

(Table 2 follows:)

TABLE 2.—*Opinions about the extent of price increases expected during the next 12 months*

[In percent]

	All family units		February 1967 income				
	August 1966	February 1967	Under $3,000	$3,000 to 4,999	$5,000 to 7,499	$7,500 to 9,999	$10,000 and over
Prices will go up in next 12 months by:							
1 to 2	33	36	26	35	39	42	39
3 to 4	12	14	11	13	11	13	18
5	25	21	19	21	21	22	21
6 to 9	4	2	2	2	2	2	4
10 or more	6	5	6	4	5	3	4
Don't know how much prices will increase	7	5	10	6	7	2	2
Prices will not increase	13	17	26	19	15	16	12
Total	100	100	100	100	100	100	100

The questions were: "Thinking about prices in general, I mean the prices of the things you buy—do you think they will go up in the next year or so, or go down, or stay where they are now?" and "How large a price increase do you expect? Of course nobody can know for sure, but would you say that a year from now prices will be about 1 or 2 percent higher, or 5 percent, or closer to 10 percent higher than now, or what?"

Rising interest rates represent the second factor to which the deterioration of consumer sentiment in 1966 may be attributed Approximately 2 out of every 3 consumers heard of rising interest rates. The majority of informed people thought that the higher rates meant trouble for the economy. In the past people had come to associate easy money with good times, so that in 1966 tight money and high interest rates were viewed as adverse factors for the economy as a whole. Thus rising interest rates had a general effect on consumer sentiment beyond their specific effect; namely, to make people think that this is a bad time to buy a house and thus to reduce the frequency of intentions to buy houses for owner occupancy.

Thirdly, in 1966 the majority of consumers expected that income taxes would be increased—close to two-thirds of those with more than $10,000 income thought so. Because the tax cut of 1964 and its beneficial effects for the economy were still well remembered, it is understandable that a tax increase was not seen just as a reduction of