disposable income by $20 or $50 or $100 for oneself, but as a decline in American purchasing power and thus as an adverse factor for the economy.

A change in the evaluation of the effects of the Vietnam war on the domestic economy represented the fourth adverse factor in 1966. As I said, most people thought in 1965 that the war would stimulate employment and raise incomes. In 1966 people spoke of inflation and higher taxes when asked about the economic effects of the war. Uncertainty about the size and duration of the war effort spread. Uncertainty always represents a factor that detracts from confidence and makes for postponement of discretionary purchases.

Generally, our studies have shown that the consumer needs constant stimulation. Good news makes a large impact on consumers when it is new. But if the same good news continues for a year or more, it becomes less salient. The year 1966 was characterized by the salience of the unfavorable news which I have just described, while people became habituated to such favorable news as rising incomes and good business trends. The reverse also holds true. By late 1966 and early 1967 there were signs of habituation to the bad news. Information on inflation, on rising interest rates, on the prospect of a tax increase had all become by now old stuff, and people began to note them less frequently when queried about prospects.

Table 3 illustrates that in 1965 many more people reported hearing favorable economic news than unfavorable news. However, as early as in May 1966, 40 percent of all family heads were able to recount unfavorable and only 19 percent favorable news which they had heard. The 1967 data show a smaller excess of unfavorable over favorable news. Similarly, the proportion of people thinking that a recession was likely increased sharply from August 1965 to August 1966, but not thereafter.

(Table 3 appears below:)

TABLE 3.—*News heard about business conditions and opinions about recurrence of a recession*

[In percent]

Date	Economic news heard		Recession	
	Favorable	Unfavorable	Likely or might happen	Not likely
1965				
February	25	20	42	41
August	22	13	32	50
November	29	13	29	46
1966				
February	28	17		
May	19	40		
August	15	43	48	38
November to December	12	34	48	31
1967				
February	18	35	48	36
May to June	21	27	48	35

Only respondents reporting specific economic news heard, or having a definite opinion about a recession, are shown in the table.

The questions were: "Have you heard of any favorable or unfavorable changes in business conditions during the past few months? What did you hear?" "How about a recession and unemployment like we had in 1958 and in winter 1960-61; do you think this will happen again?"

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