



## The Economy and The Vietnam War

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THE BAD NEWS from Wall Street provides a logic for the feeling many people have about the connection between the economy and the war.

For the falling market indicates that economic conditions are going to get much worse for much longer than previously expected. And a central element in the market collapse is a general lack of confidence brought on by the President's handling of the war.

The relation between the market decline and the economy in general is twofold. For one thing, the market is a forward indicator — an advance barometer of what the economy as a whole may be doing several months hence.

The massive size of the present decline, moreover, means that this time the market serves as more than a weather-vane. About \$160 billion in wealth have been lost on the New York Stock Exchange alone over the past 16 months.

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THE EXACT IMPACT of the market decline on the economy as a whole is far from clear. Nobody knows precisely how much unemployment — and for how long — is signalled by the present fall in stock values. But the outlook wasn't that good to begin with.

Administration economists had hopes of holding unemployment at an average of 4.3 per cent over the year. But unemployment rose last month from 4.4 per cent to 4.8 per cent. In the months ahead, the jobless rate is almost certain to go above the 5 per cent mark. And the resultant cut in

income is bound to have a depressive impact on the whole economy.

But why? How come the careful hopes of President Nixon's economic advisers are being falsified? Part of the answer, no doubt, lies in falling corporate profits. Part lies in continuing inflation, high interest rates, the housing crisis. But all these factors were present and accounted for last winter.

Today's troubles spring from something new — something, as the Wall Street Journal said the other day, that "won't be found by following the financial pages."

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THE PLACE to look is the front pages. They tell of an Administration widening the war in an atmosphere of confusion and disarray.

They tell of an Administration caught off guard by swelling protests in the universities.

They tell of a President out of touch with much of the country and sounding as though he needed to prove himself because he didn't make the team at Whittier.

In these circumstances, thoughtful men cannot be confident that the Administration knows what it is doing. So investors hedge bets and postpone decisions. And the result is downturn on Wall Street and a gloomier outlook for the economy.

Major depression, to be sure, is still not a likelihood. But if depression is not in sight, neither is a healthy and prosperous economy. The economy cannot get right until the Vietnam war and the accompanying dissent are clearly on the way to being over.