

The sky did not fall in 1982 and it is not about to fall in 1983 or 1984. Furthermore, expansions last from between two and four years. This current expansion is now in its 10th month and the unfolding events indicate that this expansion is likely to last as long rather than the short duration.

This rather optimistic perspective, which forces a calming of some of the turbulence rests upon three premises or postulates.

1) The Federal Reserve and the other major Central banks will assume that all deposit liabilities of the major banks within their jurisdiction will be honored and that the possible defaults and refinancing of debts will not materially reduce the aggregate of the line limits available from these banks

2)

Have to bring in point that
U.S. inflation that is not
accompanied by a decreasing
rise in interest rates is a
way of lowering the "price level
deflated" value of debts - domestic
and foreign