

interest rates. There are many reasons to believe that such a sequence of cause and effect is valid.

If so, a forecaster of the level of interest rates in say 1975 must have a clear pre-vision of the state of world politics — war or peace, or neither. Little else really counts. Therefore, right here I must make some assumptions and in doing so really beg the whole question. I will assume 1) no major war; 2) a gradual discouragement and diminution of the type of fringe warfare which we now see in Viet Nam; 3) reasonable success for American international policies of peace, cooperation, and trade; 4) a successful defense of the dollar; 5) a reasonable degree of political unity within the United States.

I have thus removed, by the simple process of assumption, the chief forces which are just now pushing up commodity prices and hence interest rates. But of course, although we have never had a sustained peacetime inflation and hence a sustained peacetime bear bond market, we could have both in the years ahead. Many believe, for example, that the Great Society program promises peacetime inflation. I do not believe that the present obvious overheating of our economy can be said to prove this point. This is the sixth year of the greatest of all business booms and we are in a war at the same time. Thus, it may turn out that we are now experiencing only a cyclical rise in commodity prices and a cyclical fall in bond prices, both without too much long range significance.

A key question affecting broad interest rate trends in the decade ahead will be the degree of cyclicity in the economy. Before World War II we had great cycles. Every few decades we had a runaway boom followed by a deep depression. We also had small cycles in between, but nobody remembers them. Since World War II we have had a succession of small cycles and no real superboom or depression. Now, however, with the "new economics" we are told that even minor recessions are to be prevented. Naturally with such a rosy outlook businessmen are hastening to complete their expansion plans in as short a time as