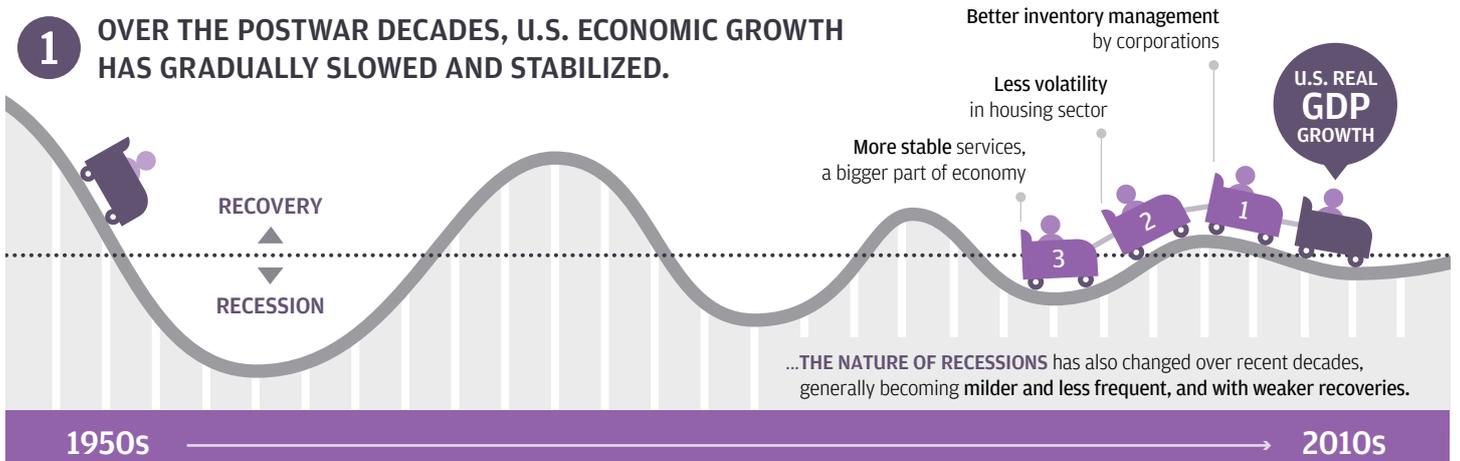


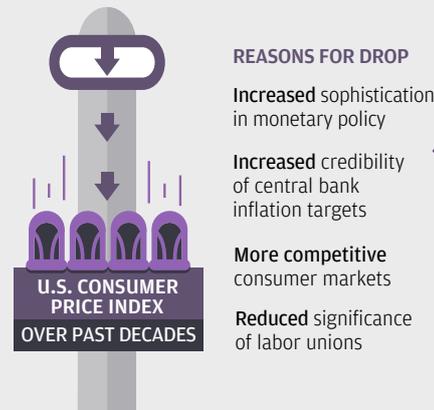
THE TAMING OF THE BUSINESS CYCLE

1 OVER THE POSTWAR DECADES, U.S. ECONOMIC GROWTH HAS GRADUALLY SLOWED AND STABILIZED.

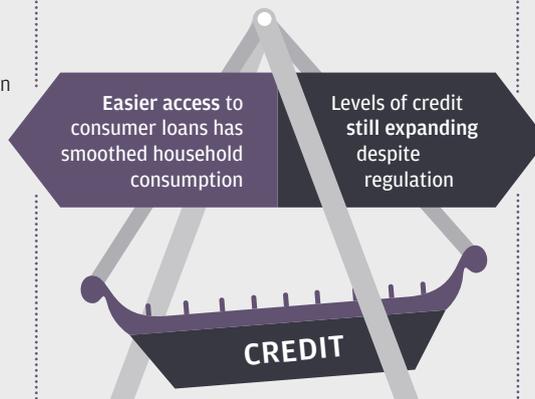


2 IN GENERAL, THE KEY FACTORS DRIVING PAST RECESSIONS ARE UNLIKELY TO PLAY THE SAME ROLE OVER OUR 10- TO 15-YEAR TIME HORIZON.

Runaway inflation seems less likely to trigger recession by forcing a **RAPID TIGHTENING IN MONETARY POLICY**.



THE ROLE OF CREDIT IS MORE NUANCED, though recession-inducing bubbles potentially lurk in a more stable economy.



OTHER CAUSES of past recessions remain just as relevant as ever.

Rising income inequality reduces the economic buffer against a real income shock

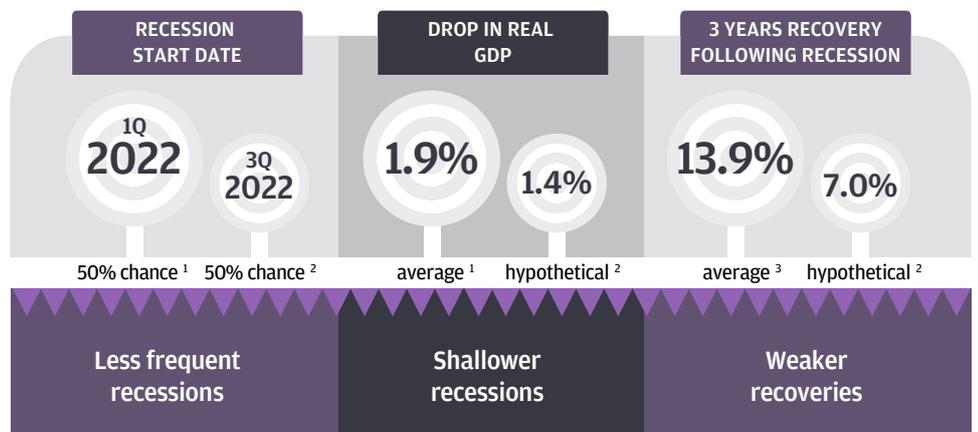


Economic susceptibility to **unsustainable booms** in investment and consumption



3 WHAT WILL FUTURE RECESSIONS LOOK LIKE?

Our simulation model suggests that the trend of **slower and more stable** U.S. economic growth will continue, with the U.S. experiencing fewer and smaller recessions, with slower recoveries.



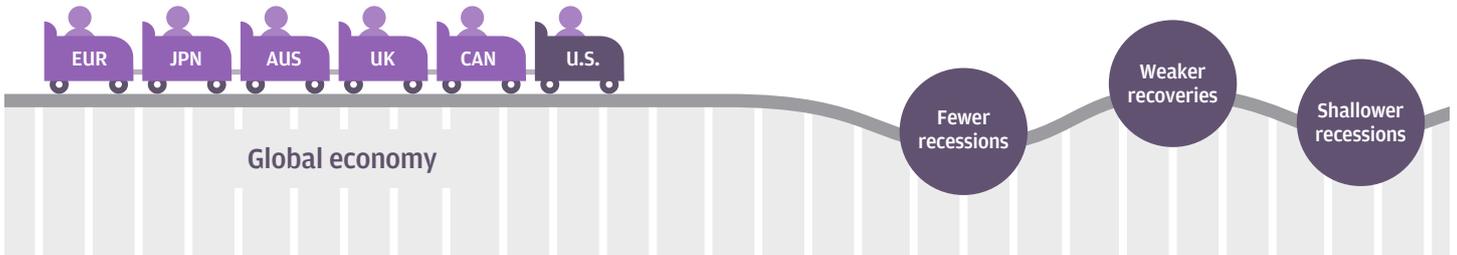
¹ Based on 50 year period of data ending 2Q 1998. ² Based on most recent twenty years of data. ³ 11 U.S. recessions.

4 WE BELIEVE THESE SHIFTS IN THE ANATOMY OF RECESSION ARE GLOBAL.

The trends of the U.S. economy apply globally. Data from other major industrialized countries show a similar decline in both the average pace and volatility of economic growth, suggesting fewer and shallower recessions around the world.

NEXT STEPS

For more information, contact your J.P. Morgan representative.



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