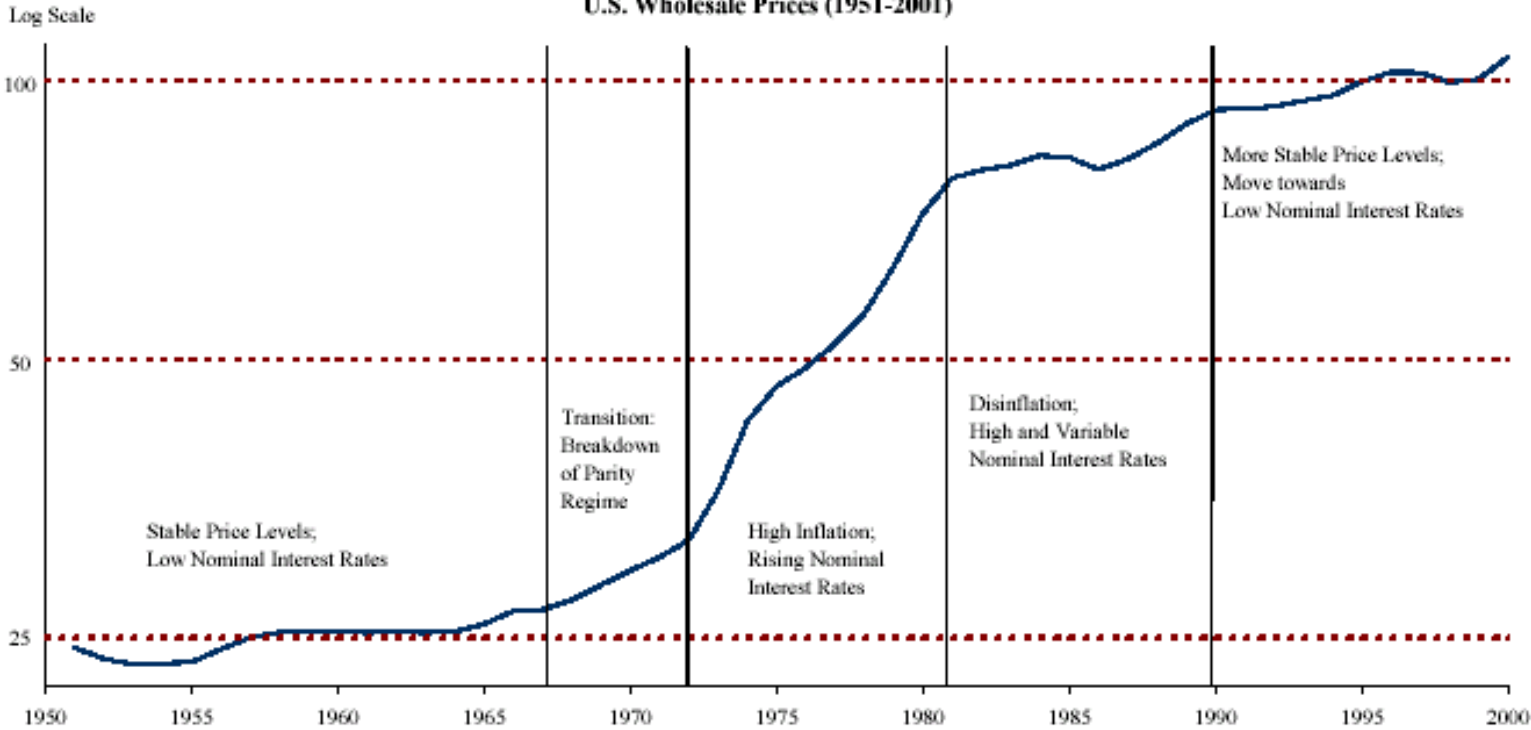


**Figure 1: The World's Nominal Anchor:
U.S. Wholesale Prices (1951-2001)**

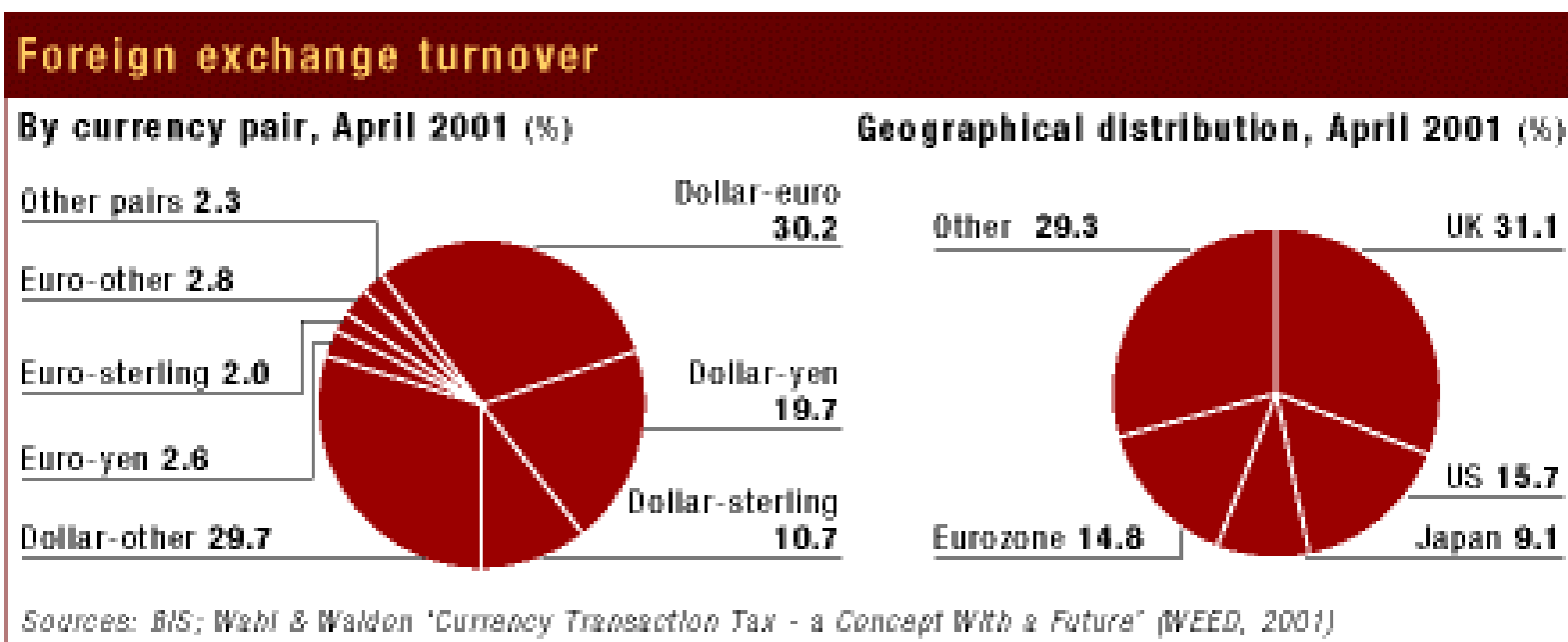


Source: International Financial Statistics, IMF (March 2002)

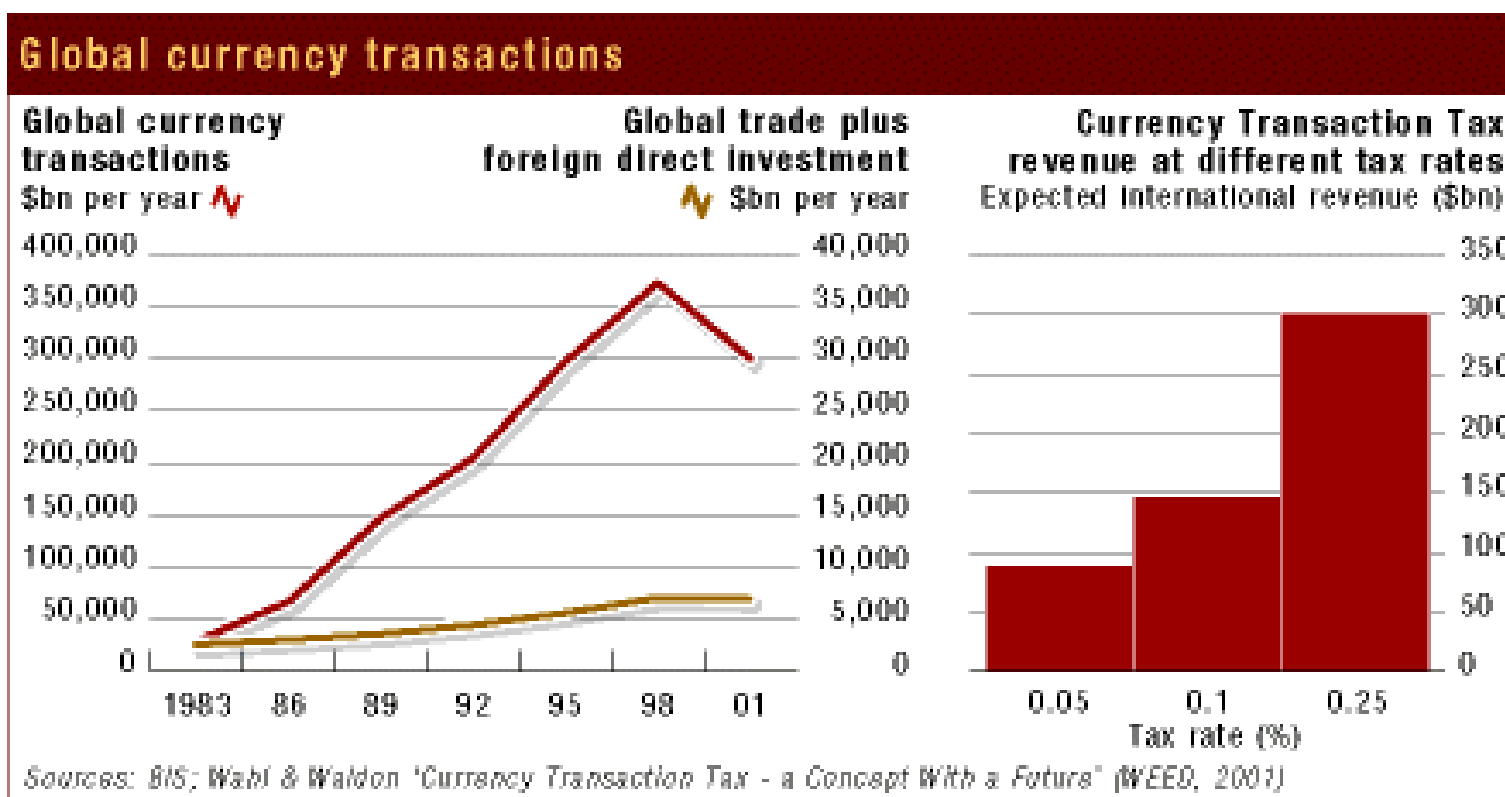
Size of the Foreign Exchange Market



Foreign Exchange Turnover, Currency and Region



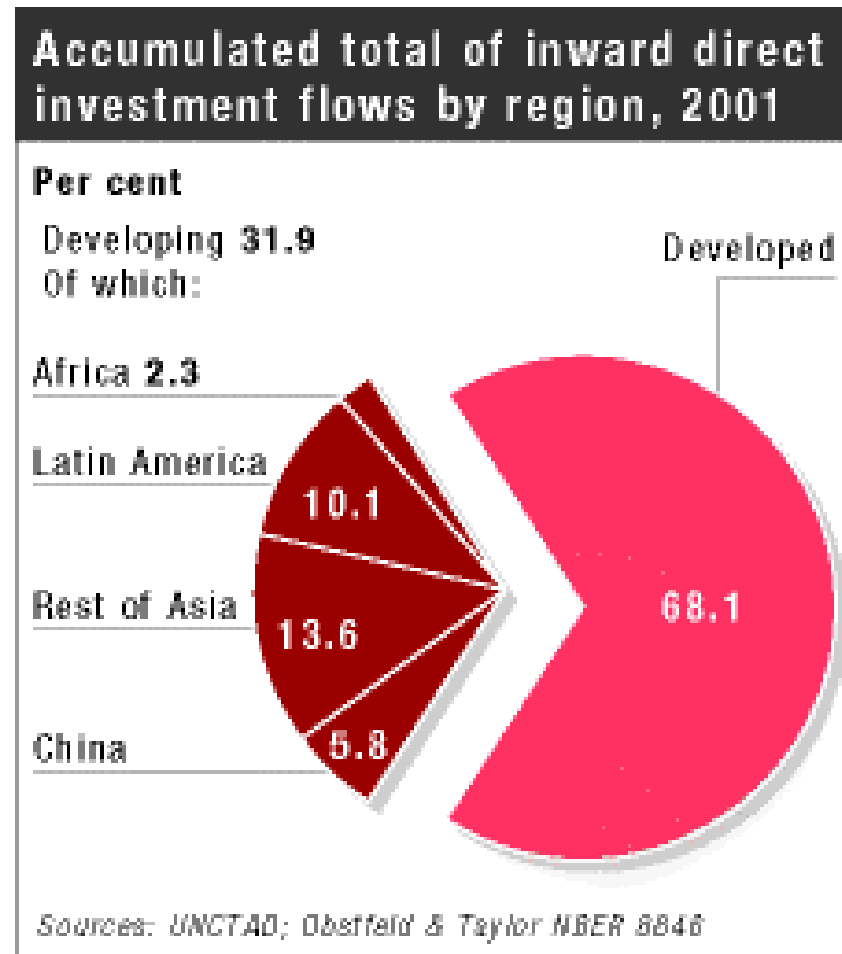
Currency Transactions and Global Investment



A Year of the Euro-Dollar Rate

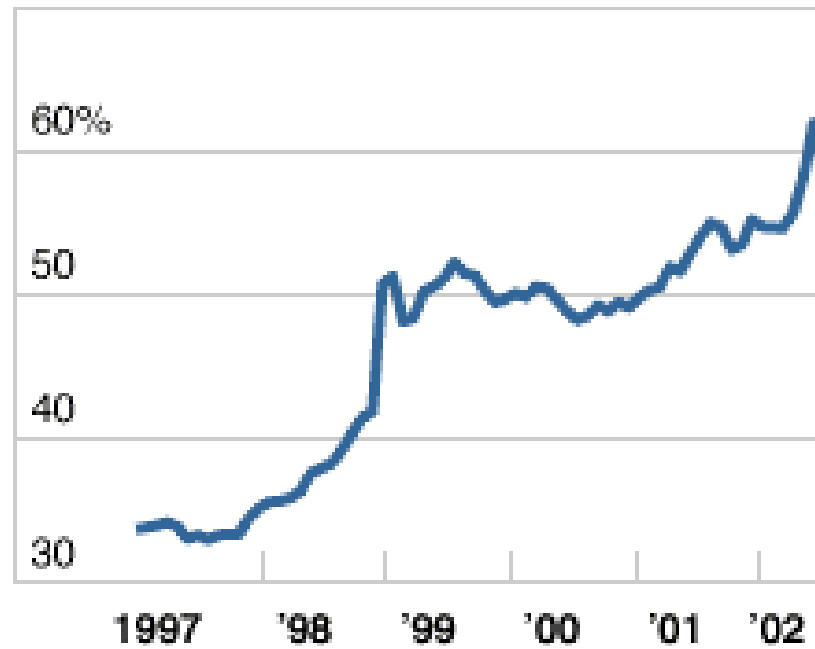


Capital Flows to the Developed World



DEBT LOAD

Brazil's net debt as a percentage of GDP, monthly figures



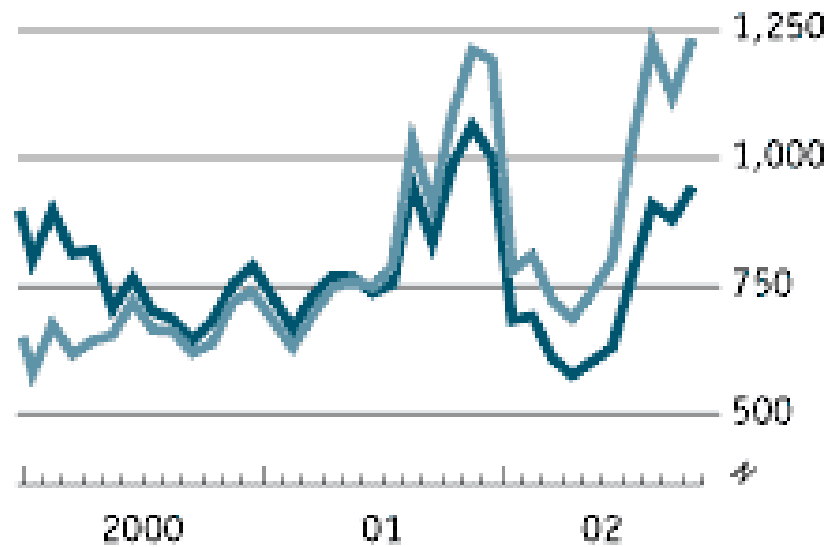
Source: J.P. Morgan Chase

The price of profligacy

1

Bond spreads over US Treasuries, basis points

— Emerging Market Bond Index+
— Latin America



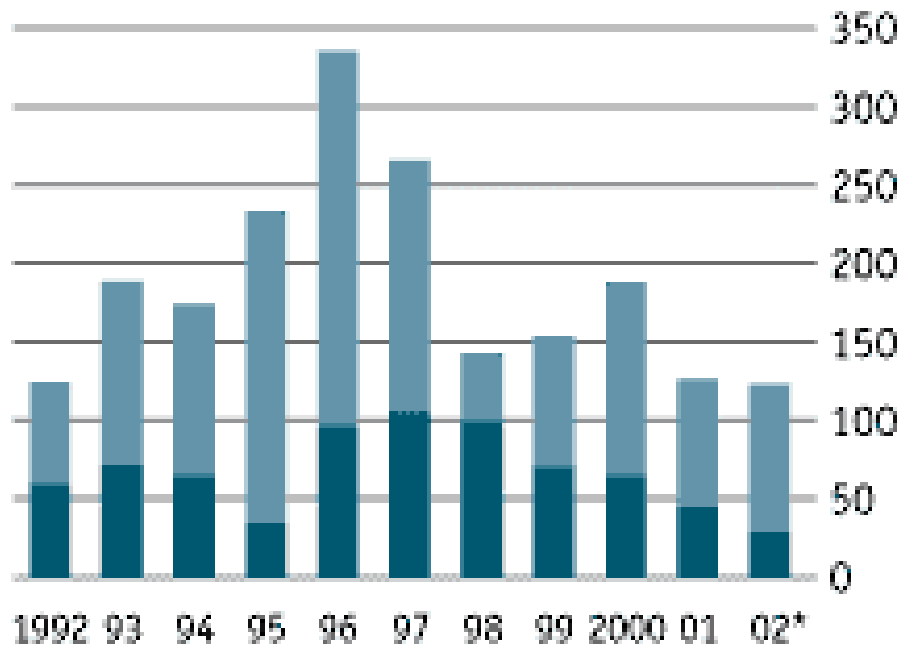
Source: J.P. Morgan Chase

Fair-weather friend

2

Net private capital flows to emerging economies, \$bn

Latin America



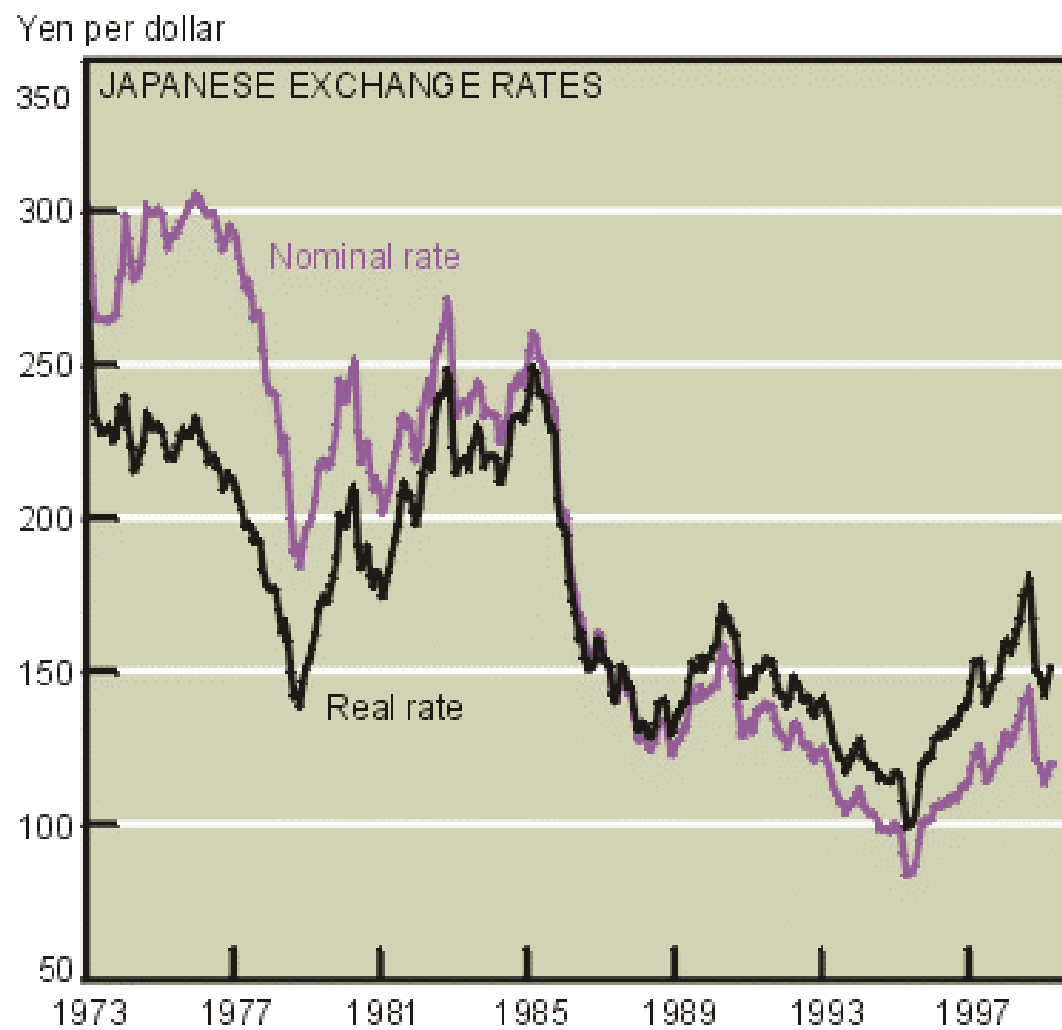
Source: Institute of International Finance

*Forecast

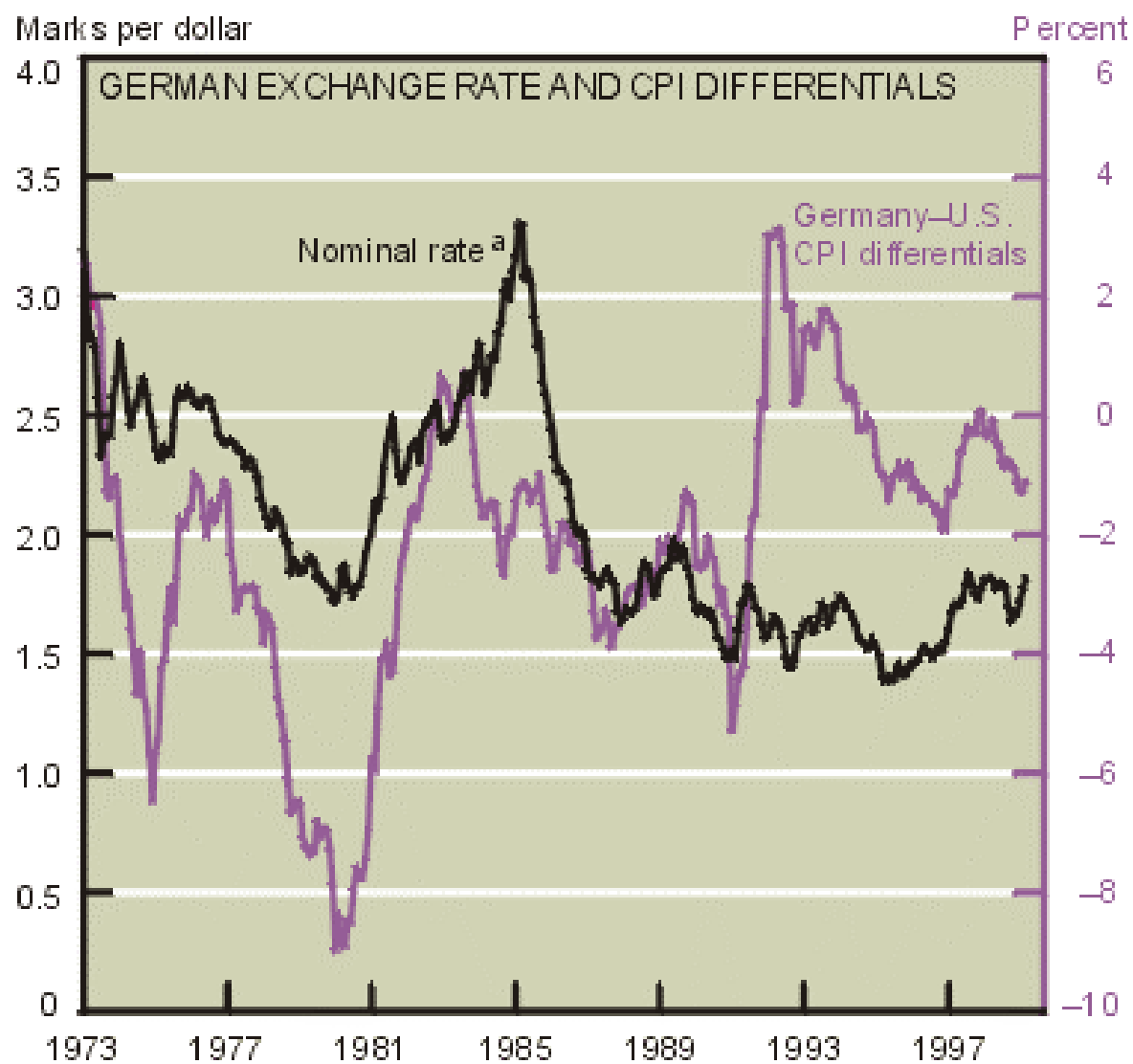
Japanese Exchange Rate and CPI differentials



Japanese Exchange Rates



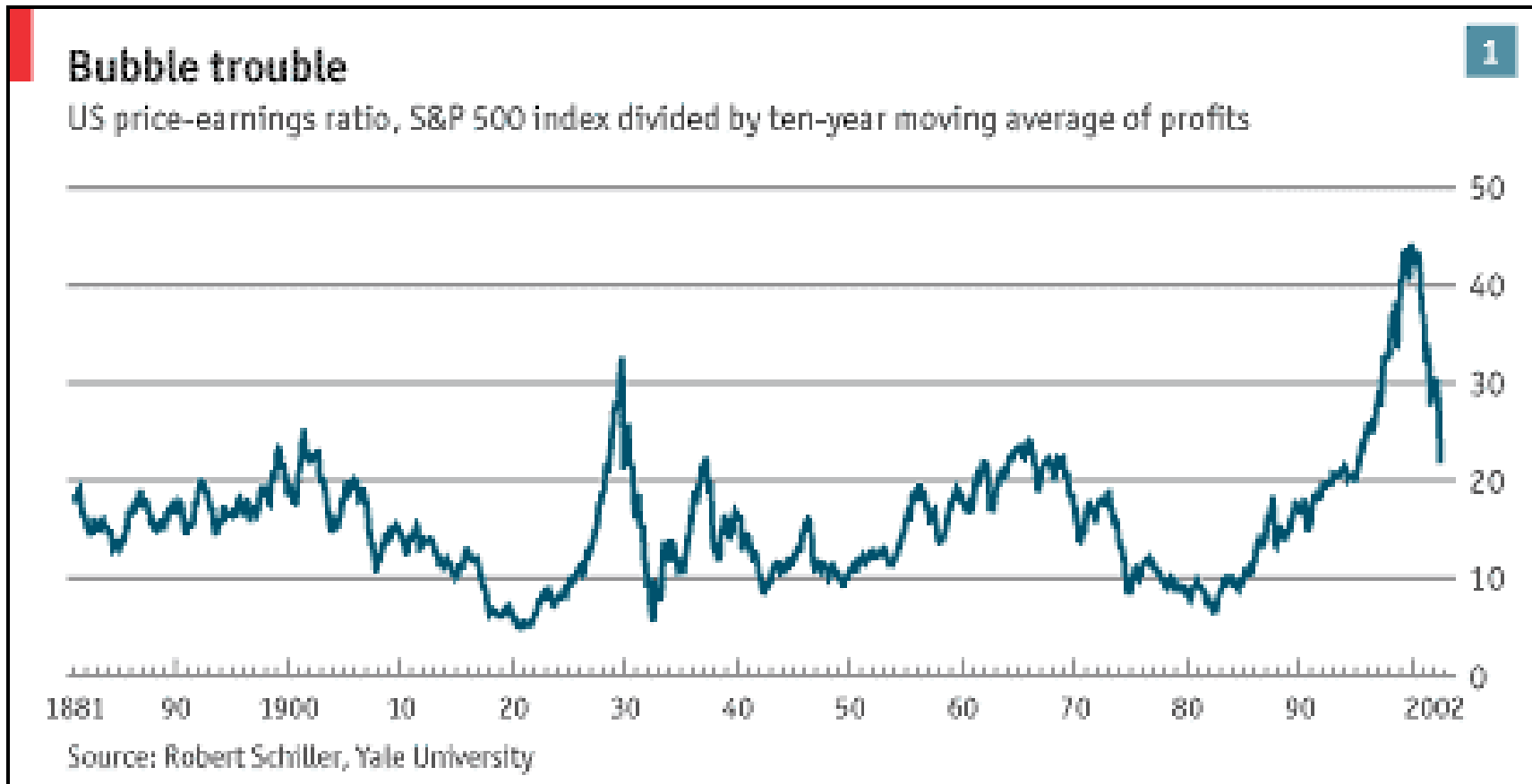
German Exchange Rate and CPI Differentials



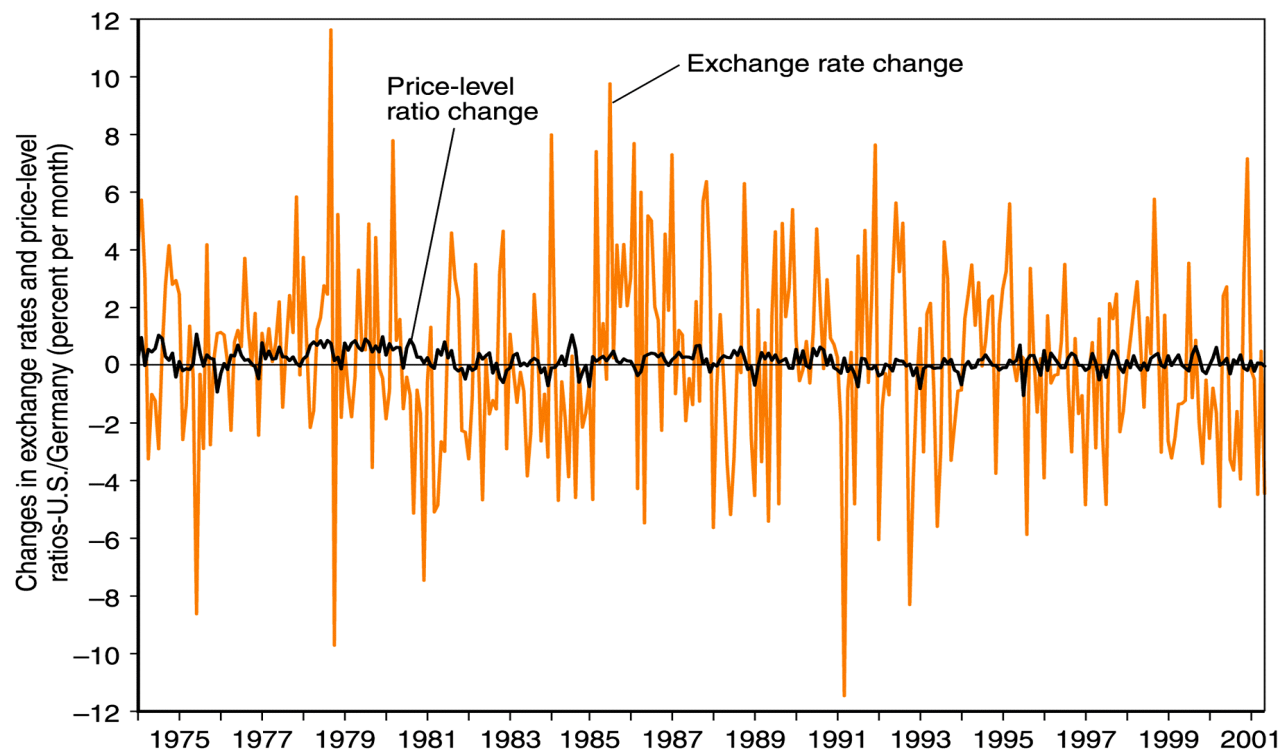
German Exchange Rates



Bubble in Asset Prices



Exchange Rates and Relative Price Levels



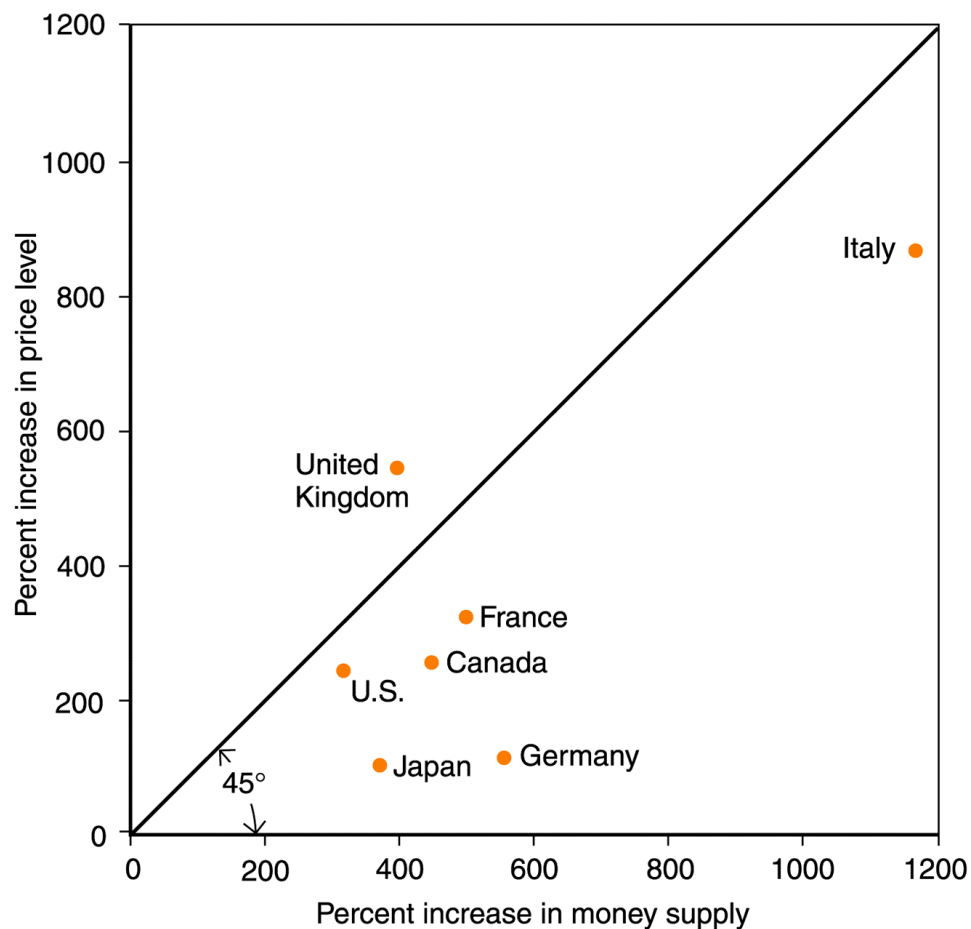
The much greater month-to-month variability of the exchange rate suggests that price levels are relatively sticky in the short run.

Source: OECD, *Main Economic Indicators*.

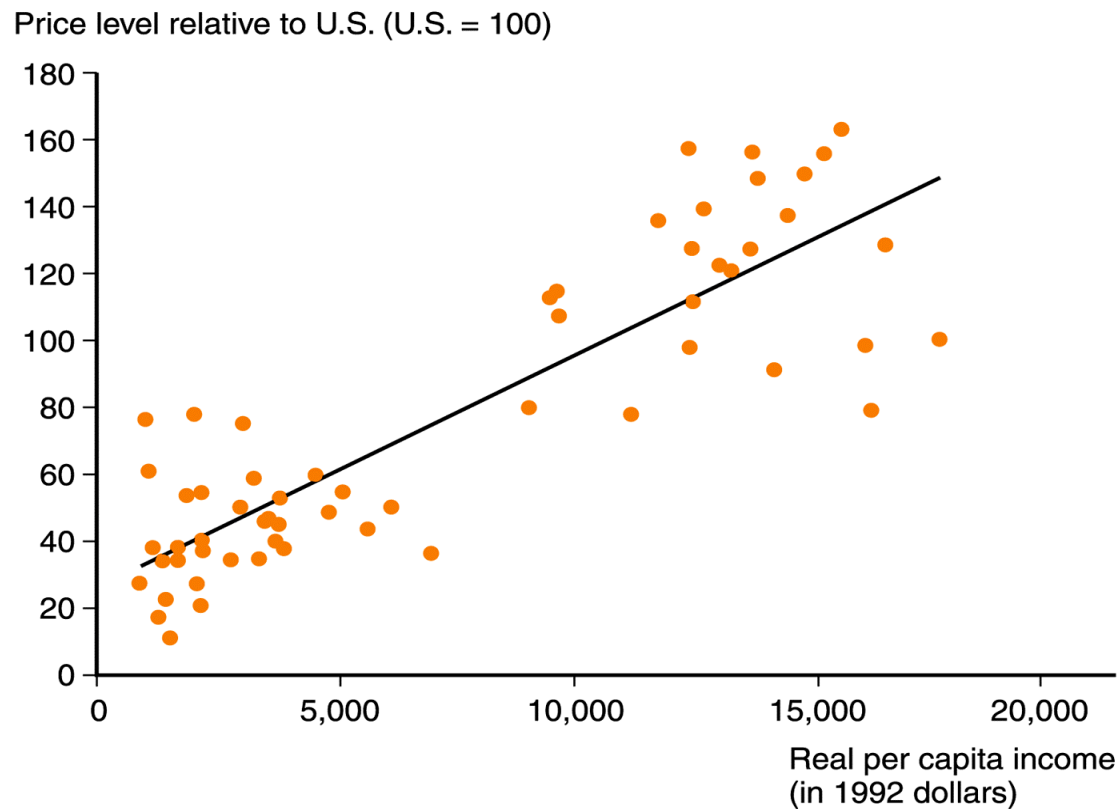
Prices and Exchange Rates in the Long Run

In a cross-section of countries, long-term changes in money supplies and price levels show a clear positive correlation. (The diagonal line indicates exactly proportional changes in money supplies and price levels.)

Source: OECD, *Main Economic Indicators*, and IMF, *International Financial Statistics*.

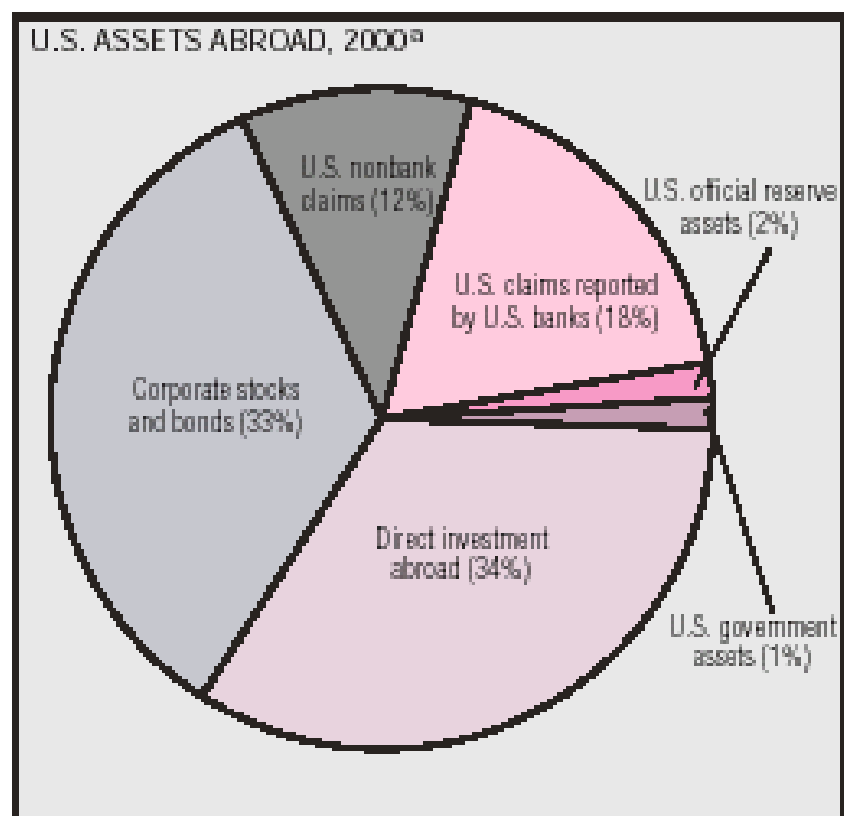


Price Levels and Per-capita incomes

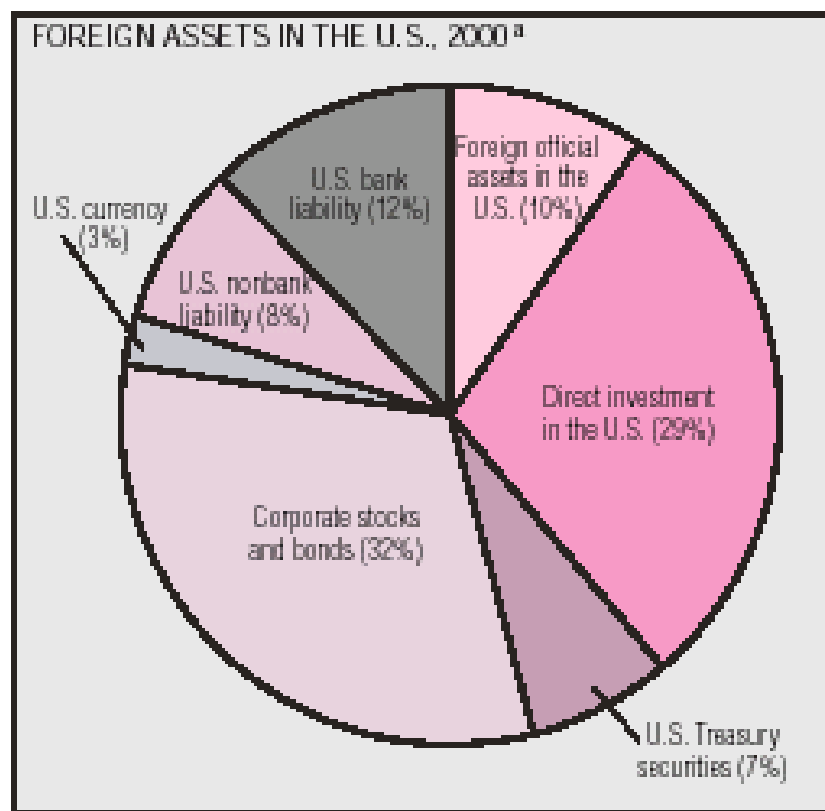


Countries' price levels tend to rise as their real incomes rise. Each dot represents a country. The straight line indicates a statistician's best prediction of a country's price level relative to the United States based on knowing its real per capita income.

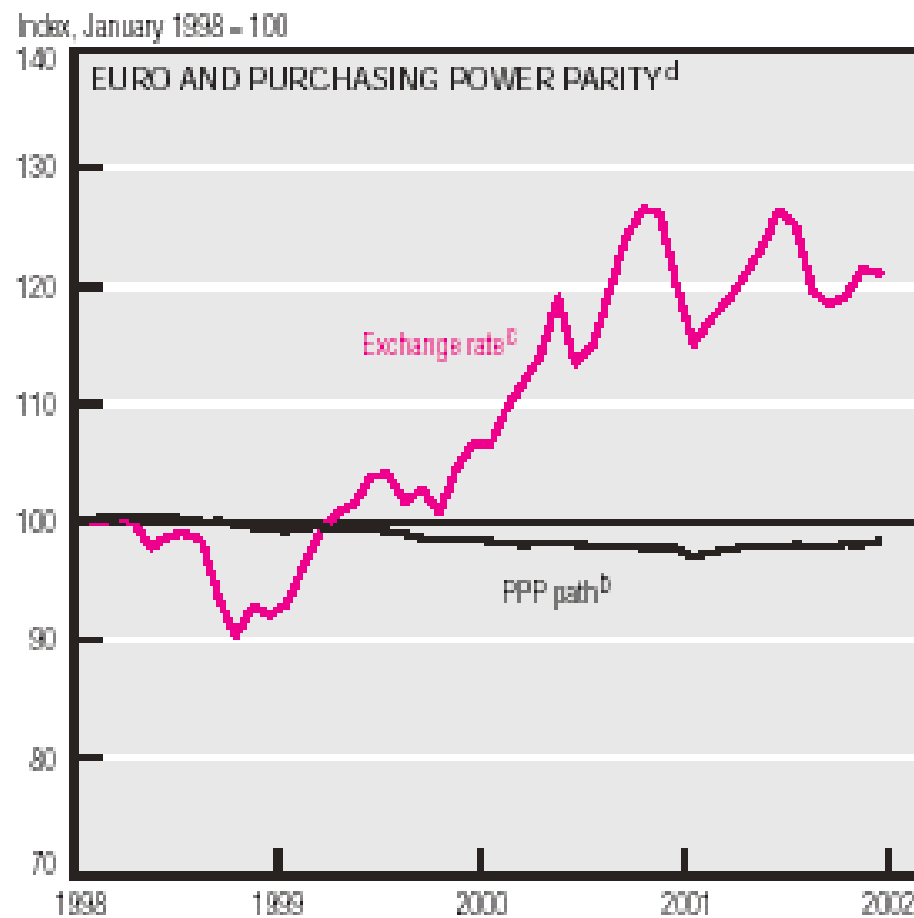
Composition of US Assets Abroad



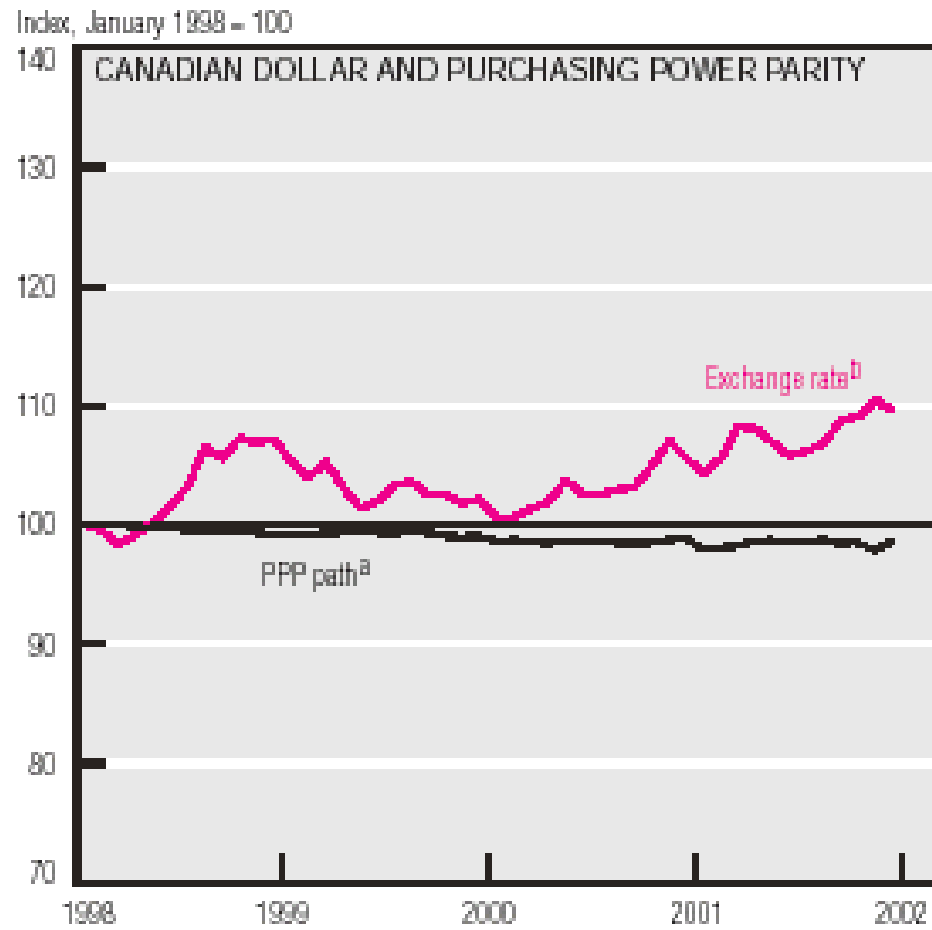
Composition of Foreign Assets in the US



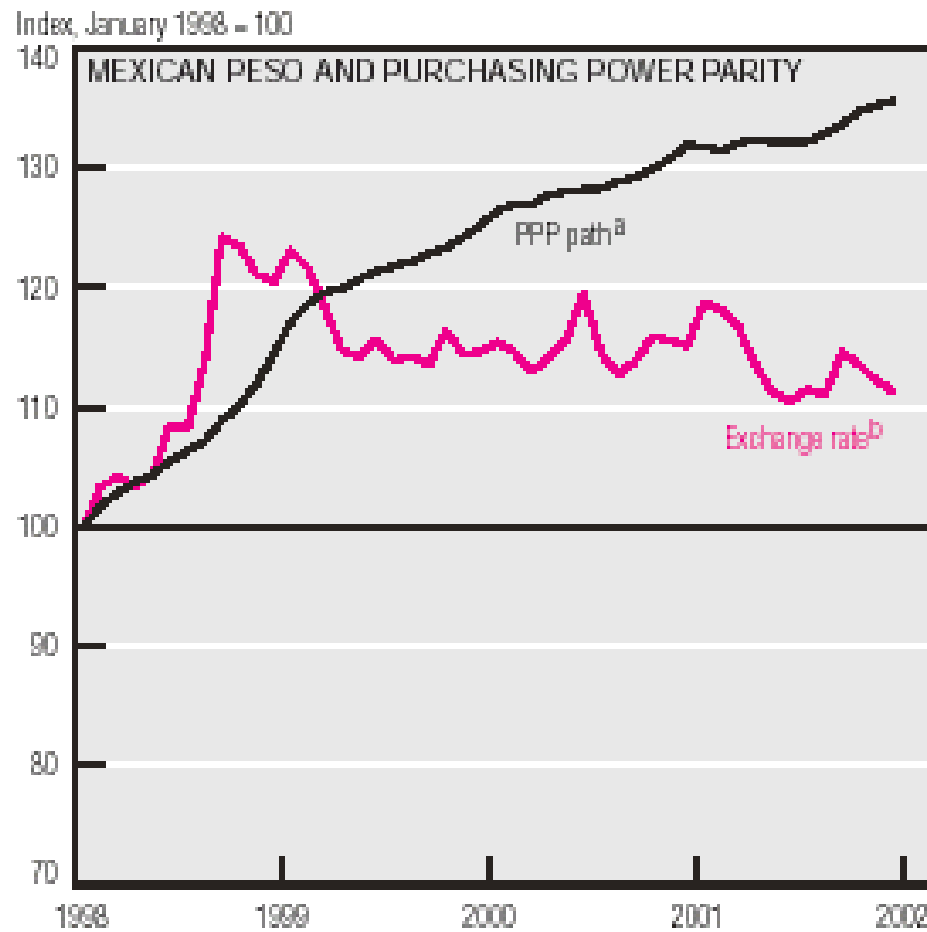
Dollar-Euro and PPP



Canada and PPP



Peso and PPP



Real Broad Dollar Index

