



FIGURE 2. STANDARD MODELS CAN ACCOUNT FOR SOME LONG-RUN INTEREST RATE DIFFERENCES ACROSS COUNTRIES

Note: Average one-month interest rate differential (with US) versus average one-month change in exchange rate (with US dollar), January 1976–March 1998, for 14 countries.^a

^a The countries are Austria, Belgium, Canada, Denmark, England, France, Germany, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, and Switzerland.

Source: US Federal Reserve Board of Governors, Bank of England