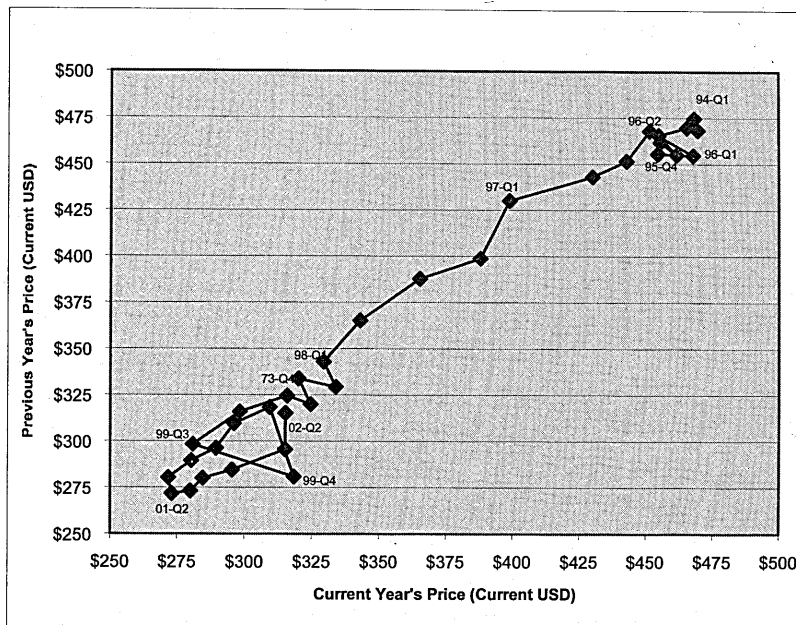


US monetary policy run wide and deep. For example, Russia's financial crisis in 1998 was in part due to the collapse of oil prices; and Russia's crisis triggered Brazil's crisis.

Figure 6. Connected Scatter Plot: Gold Price – Constant US Dollars, 1994 - 2002



Source: International Monetary Fund, International Financial Statistics, December 2002.

Exchange Rate Instability

The regime change in the early 1970s is associated with more than the rise in commodity price volatility, however. Broader exchange rate volatility was also unleashed.

It is of particular relevance to the following discussion to contrast the solution to a savings-investment imbalance problem under the Bretton Woods regime versus under the ensuing system of generalized floating of the major currencies.

Under Bretton Woods, a savings-investment imbalance within a country resulted in a balance of payments problem that