In good measure, of course, the unstable price behaviour portrayed here was a reflection of inflation,[17] although the outburst of inflation that eroded the value of the US dollar was itself in good measure attributable to the break from the discipline which gold convertibility had previously imposed on domestic monetary and fiscal policies.

The period of maximum volatility was in the 1970s and early 1980s. Progressively, over the 1980s and 1990s, markets appear to have gained a better "handle" on the dynamics and contained the fluctuations to narrower margins. Hence the tighter ellipses traced out in the data as we move forward in time towards the present.

However, this is not to say that the international price fluctuations have been reduced to benign degrees. The late 1990s rise of the US dollar was accompanied by a decline in the price of gold and oil to very low values (see Figure below which show the prices of gold breaking loose from attractors that had governed price developments in the mid-1990s). This has prompted some analysts to characterize the conduct of US monetary policy as having been excessively tight.[18] US monetary policy is of course conducted with US economic conditions and domestic price stability in mind; nonetheless, given its role as the numeraire for international commerce, the implications of

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[17] Adjusting the series for the declining purchasing power of the US dollar muddies the water somewhat as the post-1972 trajectory comes back to overlap the pre-1972 attractor. However, the essential story is the same (and in a multi-colour graph equally evocative!). The trajectory of the nominal price is also of importance because it is after all the nominal price in which economic agents do their calculations in the real world, with all the attendant risks of money illusion which that entails.

[18] See, for example, the op-ed article by McGill University's Reuven Brenner, "Alan Goldspan", *Financial Post*, January 21st, 2003, pg 11. Brenner noted that after trading in the US$400 range in the period 1993-1996, the price of gold plummeted, trading as low as US$252.80 on July 20th, 1999. In Brenner's view, "Greenspan did not respond to the increased global demand [for dollars]; instead he brought about the disastrous currency fluctuations of the last six years." The article was stimulated by a renewed interest by the Federal Reserve Chairman in gold prices as an indicator for policy in a speech to the Economic Club of New York, December 19th, 2002.