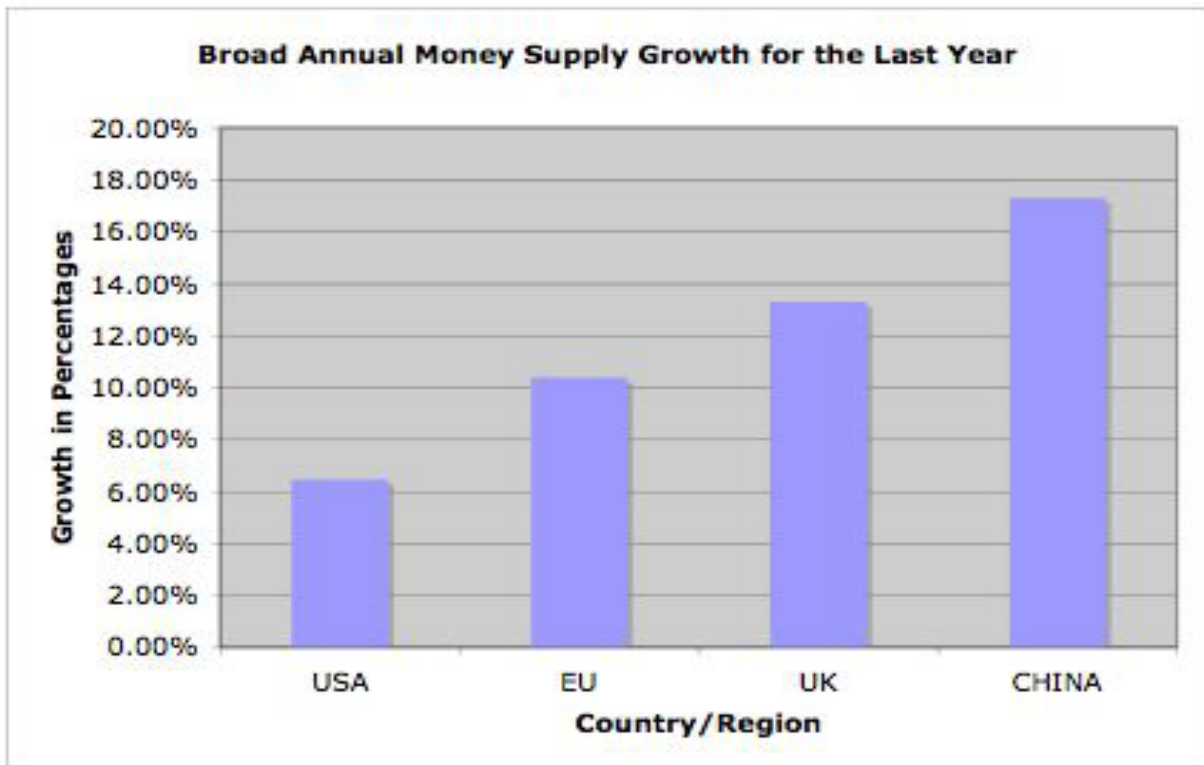


## INTEREST RATE MANAGEMENT

Alice: Good morning everybody. It's the...oh no, not again! Not a soul here. We always, always have FOMC meetings on Tuesday. With our new leader, we got these strange days. Let's look at the calendar. Ugh...it's a two-day FOMC meeting and starts on Wednesday. Oh well.

Alice: Let's see, I was going to tell the group that they are the best...the very best central bank in the world. I put together for them the growth rate of money supply...(that's when they start ooo-ing and ah-ing at me), of various central banks in the world. I've got the European Central Bank and I've even got the Chinese People's Bank. Nothing that these other Central Banks are doing compares to the quality of our illustrious team.



Monetary Growth until Apr 2007, except for China, Mar 2007.

Sources: Federal Reserve statistical release H.6, ECB Monetary Statistics, Bank of England Statistical Releases, People's Bank of China Monetary Policy Report

Alice: As you can see, the growth rate of broad money growth in America is well contained. We're growing at a moderate steady pace. Compared to the U.S., monetary growth in the rest of the world is almost out of control. Europe's monetary growth is the highest in the last 20 years. Southern Europeans don't think that monetary growth matters. Germans are driven nuts by it. The Chinese People's Bank, by definition, knows they're doing a great job.

Alice: You know what just may happen...just like the U.S. exported its inflation to Canada in the old days, **the rest of the world may start to export some of its inflation to the U.S.** Ah rats!

Alice: Well, I'll write these minutes up for Thursday's release: "We're gonna be really vigilant...vigilant about everything...and **we'll leave the Fed Funds Rate unchanged at 5.25%.**"