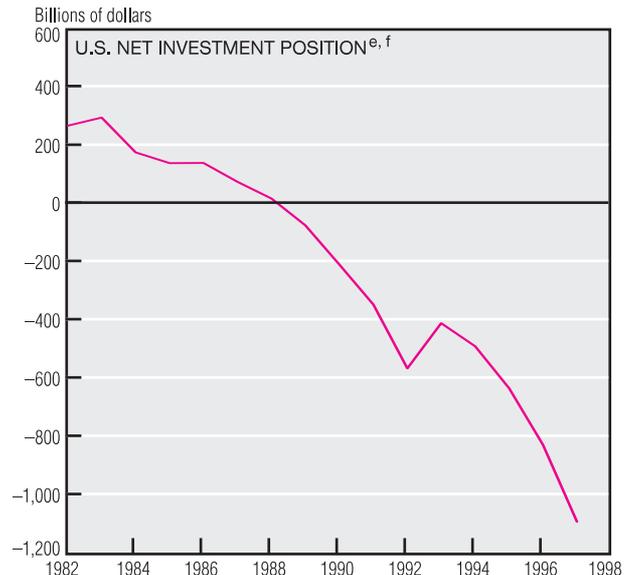
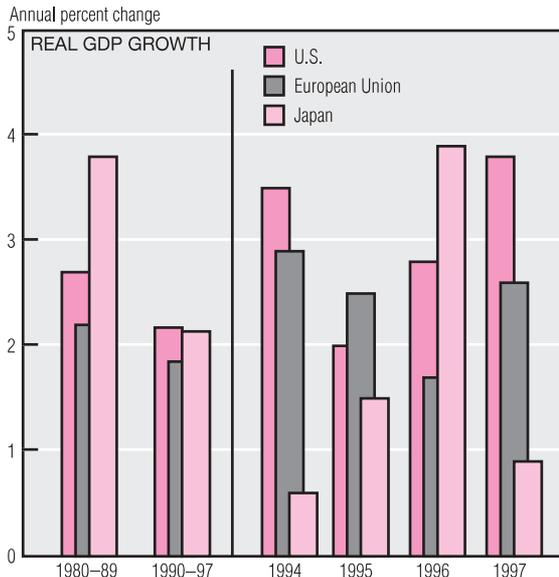
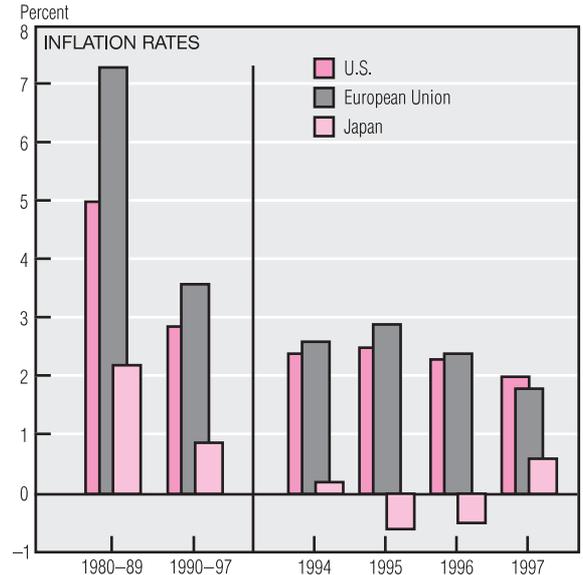


Relative Economic Size and Currency Use (Percent)			
	U.S.	Japan	Europe <sup>a</sup>
Economic size			
Share of world GDP, 1996	20.7	8.0	20.4
Share of world exports, 1996 <sup>b</sup>	15.2	6.1	14.7
Currency use <sup>c</sup>			
World trade, 1992	48.0	5.0	31.0
World debt securities, September 1992	37.2	17.0	34.5
Developing country debt, end of 1996	50.2	18.1	15.8
Global foreign exchange reserves, end of 1995	56.4	7.1	25.8
Foreign exchange transactions, April 1995 <sup>d</sup>	41.5	12.0	35.0



- a. Austria, Belgium, Denmark, Finland, France, Germany, Italy, Ireland, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the U.K.
- b. Excluding intra-European Union trade.
- c. Shares denominated in currency of country.
- d. Shares adjusted for the double counting that occurs because each transaction involves two currencies.
- e. 1997 estimate is based on capital flows and does not include valuation adjustments.
- f. Direct investment position at market value.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; and International Monetary Fund, *World Economic Outlook*, October 1997, pp. 70-72.

On January 1, 1999, countries participating in the European Monetary Union will irrevocably link their currencies as a prelude to adopting a single currency, the Euro, in 2002. Many analysts wonder if the Euro will diminish the dollar's role as an international currency—one held and used by nonresidents.

Although the U.S. and Europe account for roughly the same shares of global output and exports, the

dollar is now the preeminent international currency. The integration of European markets probably will reduce the dollar's role, but the International Monetary Fund expects any change to be modest relative to total U.S. international assets and liabilities (\$3.35 trillion and \$4.13 trillion, respectively, at the end of 1996).

A currency's international usefulness depends primarily on the stability of its purchasing power. Al-

though price stability is the European Central Bank's key policy objective, Europe's inflation rate has typically exceeded ours. Economic growth, a broad proxy for the expected real return on investments, is similar in the U.S. and Europe. Global investors' concern about our country's growing international indebtedness, however, could eventually prompt a dollar depreciation.