Of the four major central banks, only the Federal Reserve has changed its policy setting recently, raising its target for the overnight federal funds rate by another 25 basis points to 2.75%.

The Bank of Japan implemented its policy of monetary easing in March 2001. The monetary base grew very substantially over the ensuing three years as the Bank targeted successively larger supplies of current account balances, a regime often referred to as “quantitative easing.” With the target quantity of current account balances unchanged for the past 14 months, however, growth of the monetary base slowed to less than 5% in 2004. At least as a semantic matter, “easing” has given way to continued “ease,” with the overnight rate still hovering around zero.

The People’s Bank of China also has supported rapid monetary base growth over the past four years. At the same time, foreign exchange reserves tripled and now provide the equivalent of almost 80% of the monetary base. More than half of the increase in foreign exchange holdings came in 2004 alone. Nonetheless, the growth rate of the monetary base declined in 2004 as the Bank issued bonds that absorbed half of the base money it created through purchases of foreign exchange.

Base growth in euros has not been readily comparable to other areas. It declined sharply in 2001, the year of the change-over from national central banknotes to euro banknotes. Thereafter, growth rates were high, but declining, and averaged 5.7% over the four years.