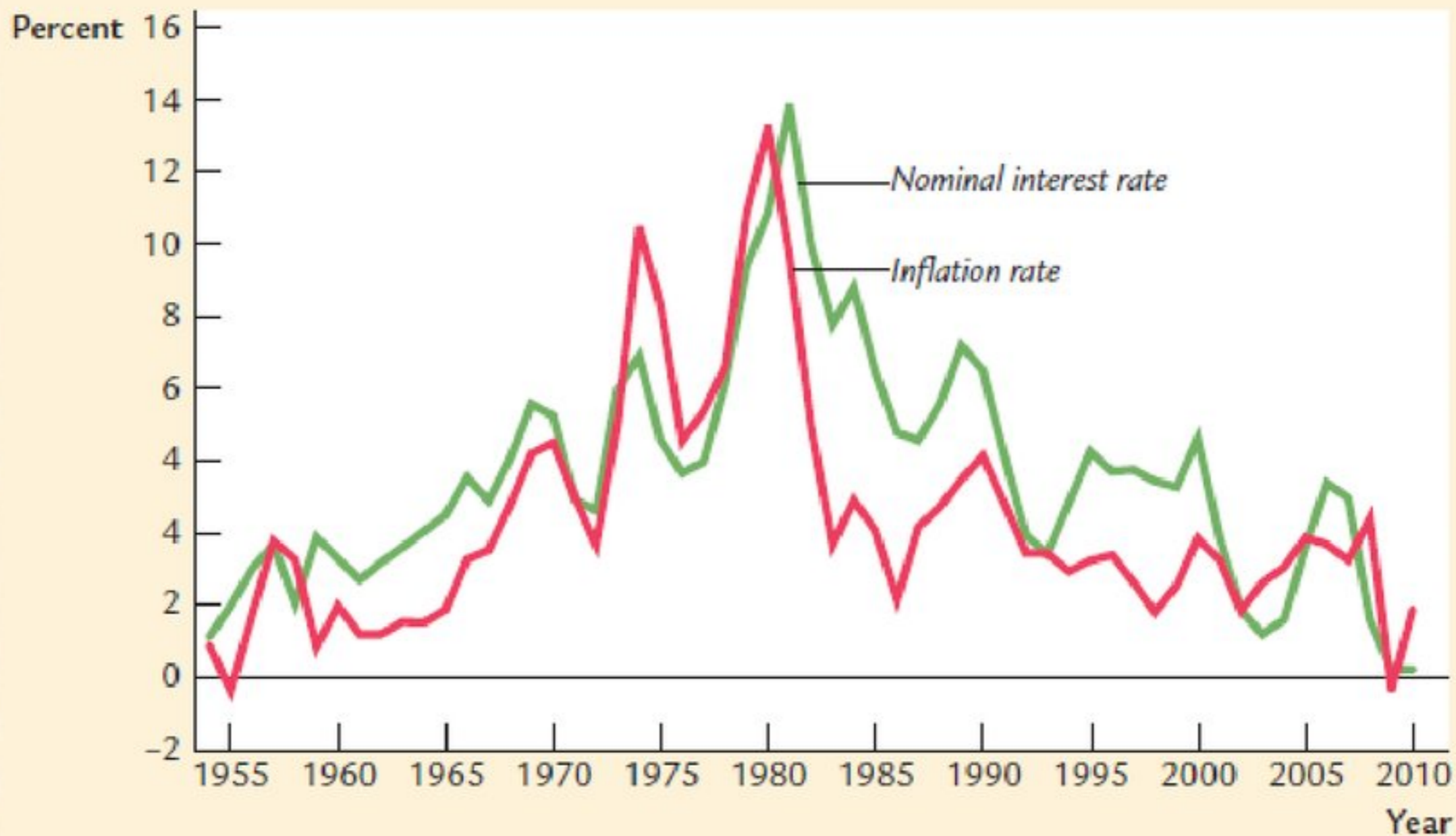


# Inflation and Nominal Interest Rates

FIGURE 5-3



**Inflation and Nominal Interest Rates Over Time** This figure plots the nominal interest rate (on three-month Treasury bills) and the inflation rate (as measured by the CPI) in the United States since 1954. It shows the Fisher effect: higher inflation leads to a higher nominal interest rate.