Abstract: The evidence presented in this paper shows that purchasing power parity as a long-run proposition is indeed a very useful approximation. We see this quite clearly in the panel data for three historical periods examined here ï the classical gold standard era from 1870 to 1914, the interwar period from 1921 to 1939, and the period after World War II from 1959 to 1998. Price-level behavior across countries differs in the way that PPP suggests when monetary arrangements differ and is highly similar when monetary arrangements are themselves similar. Inflation rates adjusted for exchange rate changes in general are highly correlated and bear a one-to-one relation to one another within and across the three periods and the varied monetary regimes that prevailed.