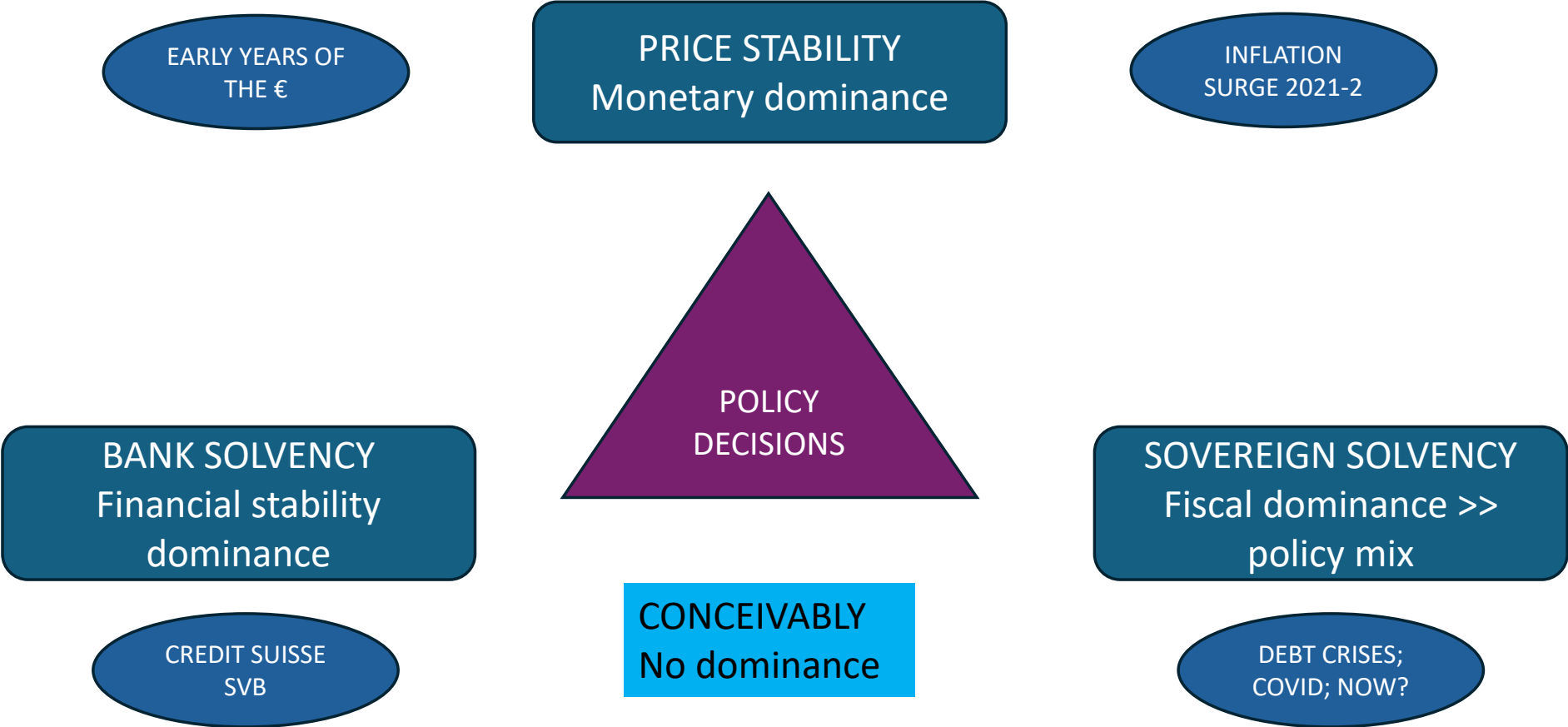


CLASH OF PRESSURES ON MONETARY POLICY



INTENSIFYING FISCAL CHALLENGES

- The obvious and well-known
 - 2 or more percentage points of GDP increase for defence/security
 - The ticking demographic timebomb
 - Persistence of high debt & low political commitment to lower it
 - Difficult political economy of curbing welfare spending
 - Eurozone divergence in key parameters
- All accentuated by lacklustre growth
- Implications for policy mix
 - What became of Reagan/Volcker or Clinton/Greenspan?

WHERE NEXT FOR POLICY MIX?

- The demise of OHIO (own house in order)?
- Trade-off between fiscal and monetary
 - Tight in one offset by loose in the other
 - Still a contest of equals?
- Bailey analysis of distributive consequences of stability dominance
- ECB's institutional 'advantage' from national competence
 - Coherence versus fragmented approaches
 - But is this characterisation still accurate? OR:
- Fiscal excesses require monetary indulgence (FERMI)

TWO (INITIAL...!) PROVOCATIONS

FISCAL DOMINATES FOR THE FORESEEABLE FUTURE

CB INDEPENDENCE WILL BE COMPROMISED & POLITICISED