

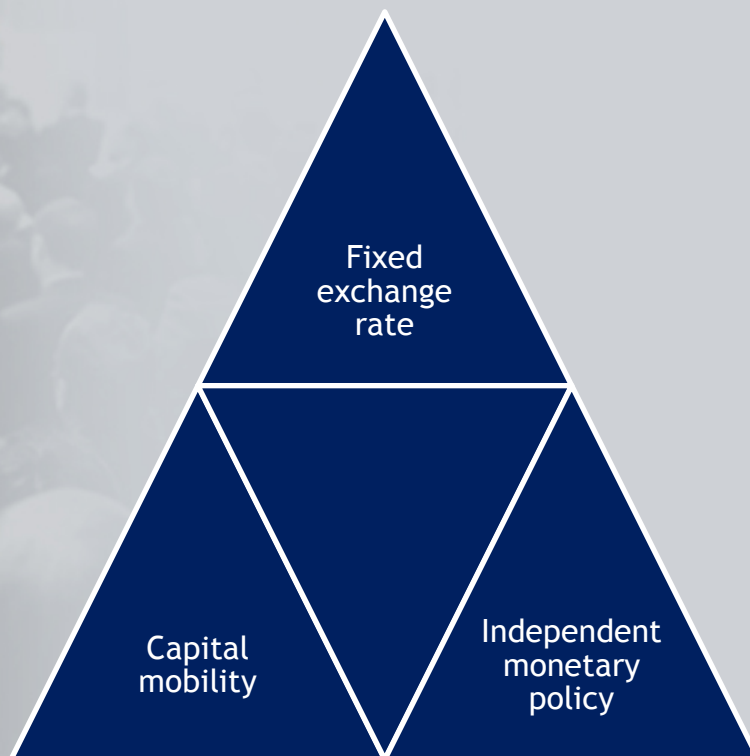
Maurice Obstfeld
Trilemmas and Tradeoffs: Living with
Financial Globalization

Comments by Otmar Issing

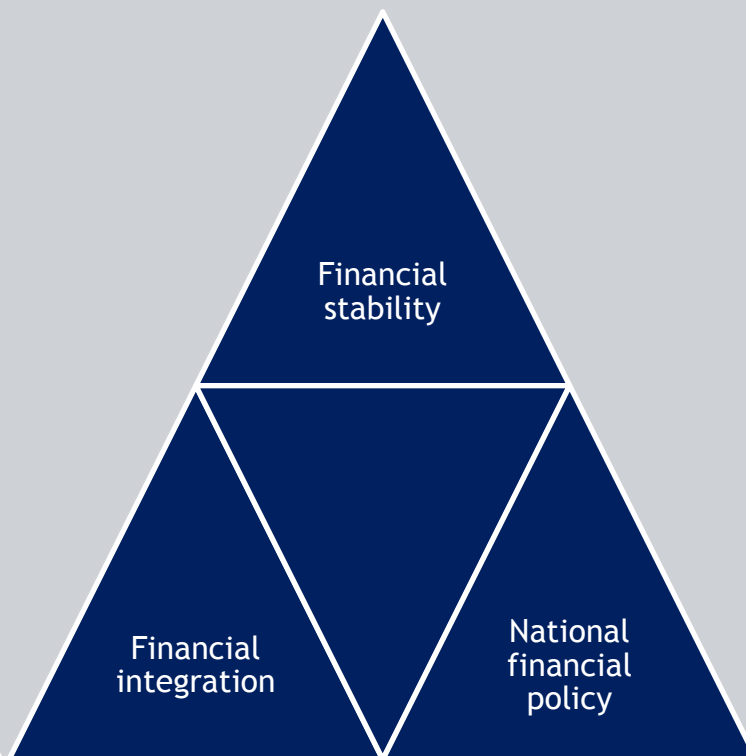


Two trilemmas (TRs)

Monetary trilemma



Financial trilemma



- Monetary trilemma with flexible exchange rate?
 - Volatility and misalignments
 - Complex impact of capital mobility
- Consequences for monetary policy
 - National control of inflation? EMEs vs. ICs
 - Price stability vs. financial stability

The financial trilemma

- Trade-off between financial stability and financial integration?
- Limits and opportunities for national financial policies
- EMEs and ICs

US and USD dominance

- Common feature of monetary and financial TR?
- Monetary TR with flexible ER?
 - Dollar dominance and national control of inflation
 - EMEs - short-term and long-term
 - ICs
 - Euro area
 - Dependence or interdependence?
 - Role of the Euro

US and USD dominance (cont'd)

Financial markets and the Financial TR

- EMEs
 - Trade-off between financial integration and financial stability?
 - Limits for national financial policy
- ICs: Euro area
 - Financial integration and European financial policy
 - Banking union
 - Macroprudential policy

Exit from TRs via int'l coordination?

- Monetary policy coordination?
- Macroprudential coordination?
 - Harmonisation of rules
 - Coordination of policies?
- Capital controls?

Price stability and financial stability?

- Trade-off or complementarity?
- Role of monetary policy
- Role of macroprudential policy