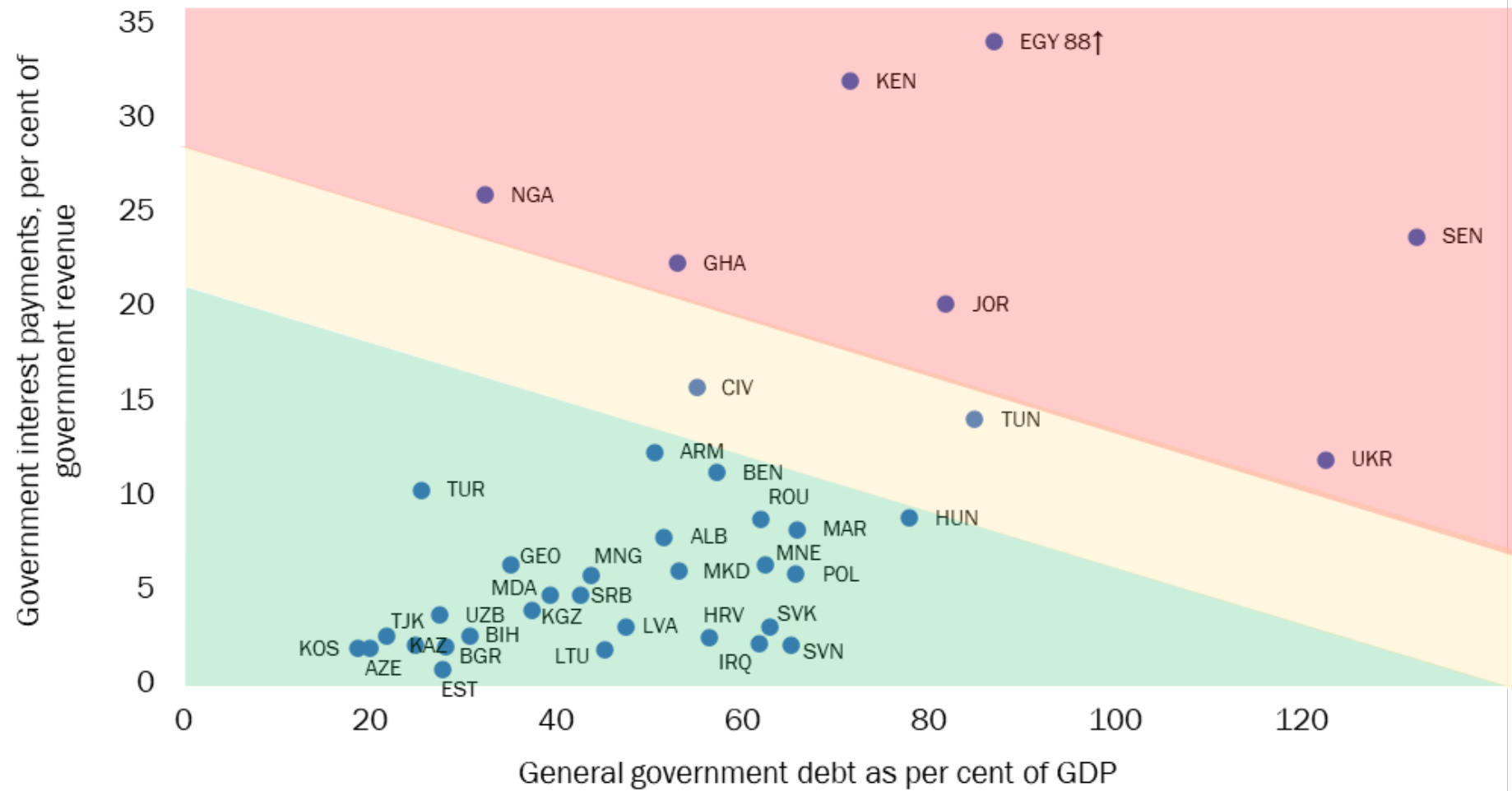




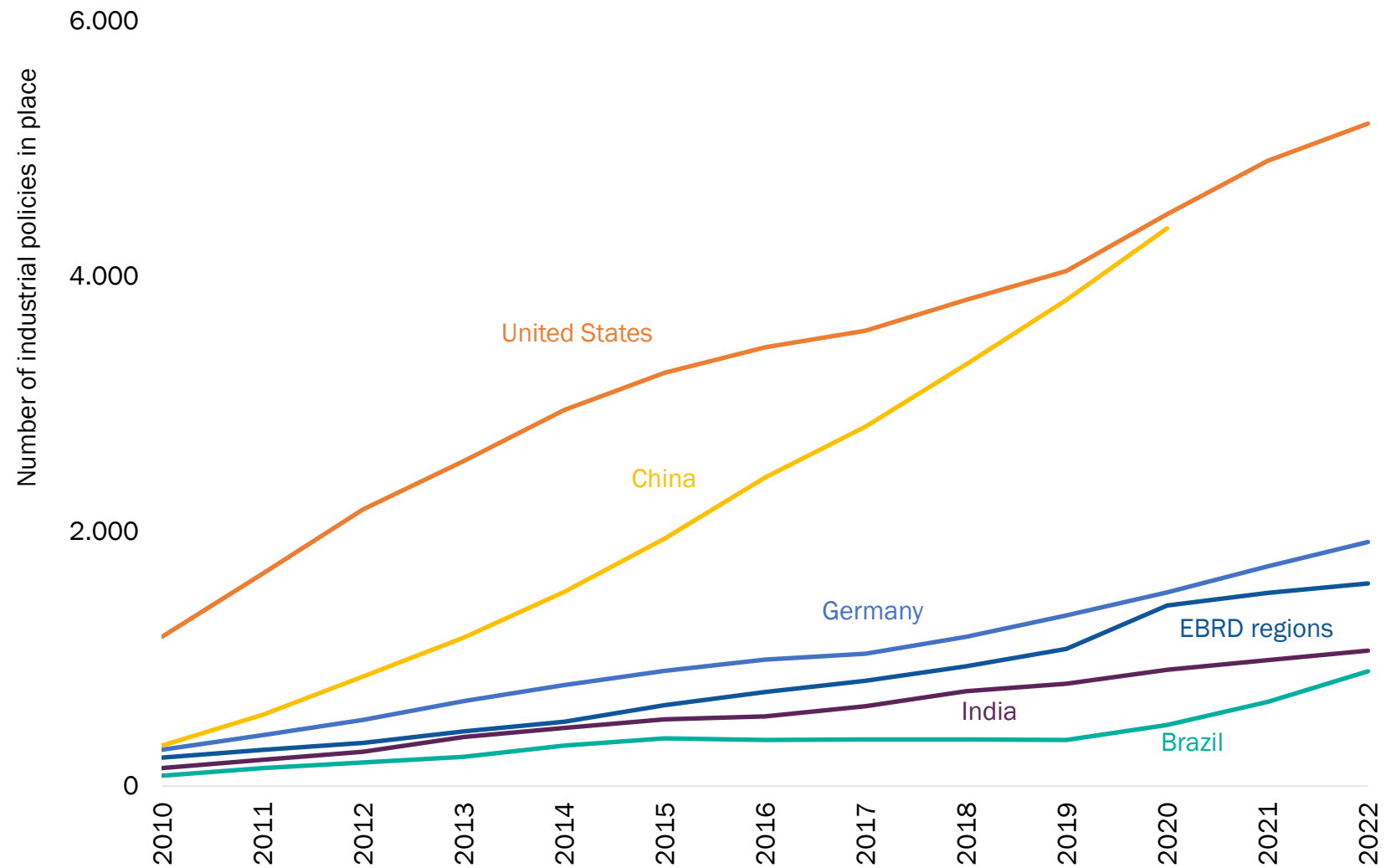
**Central Banks under Pressure:
Are we heading for an Era of
Fiscal Dominance?**

Beata Javorcik, EBRD

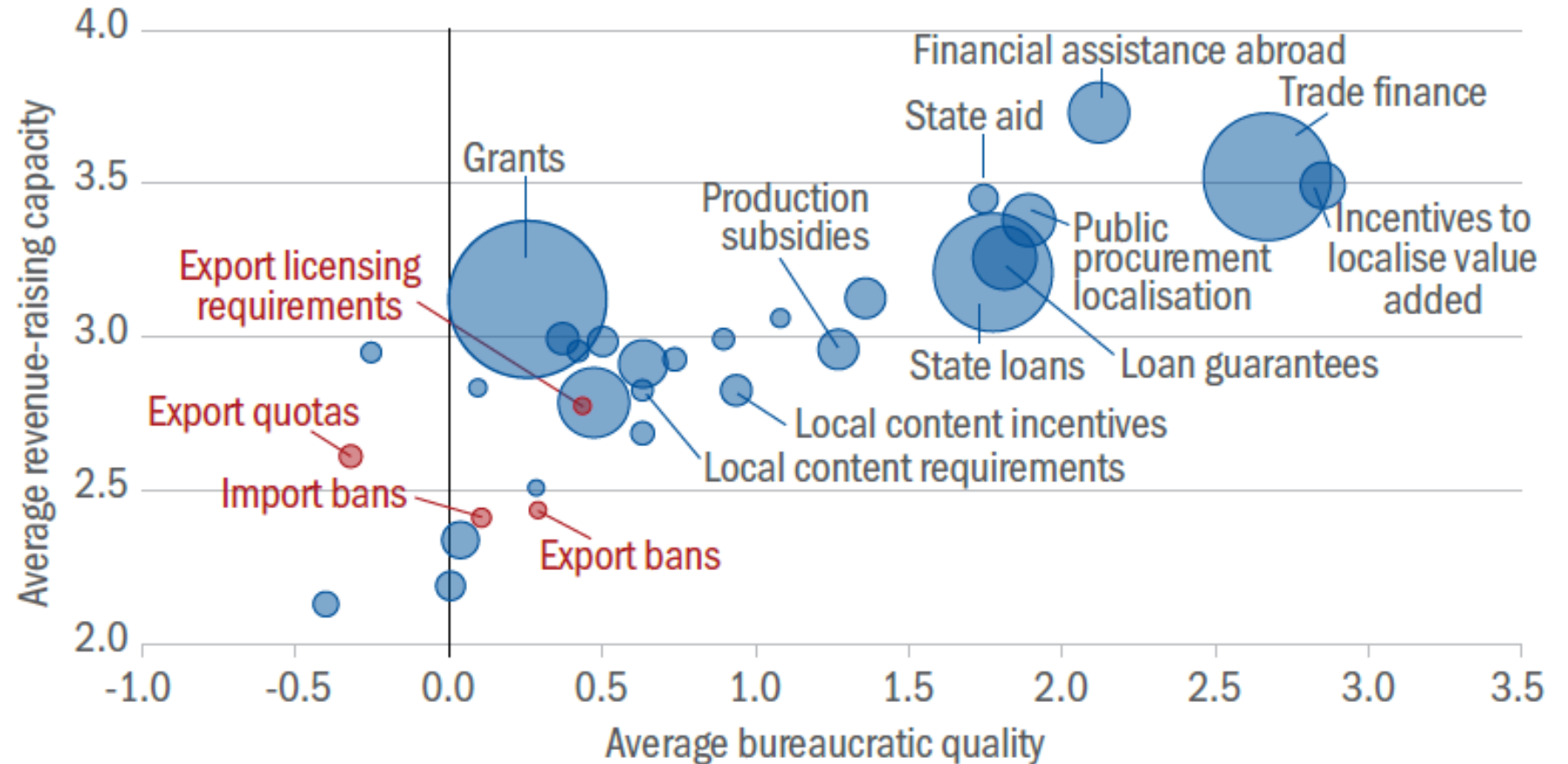
Mounting **fiscal pressures**



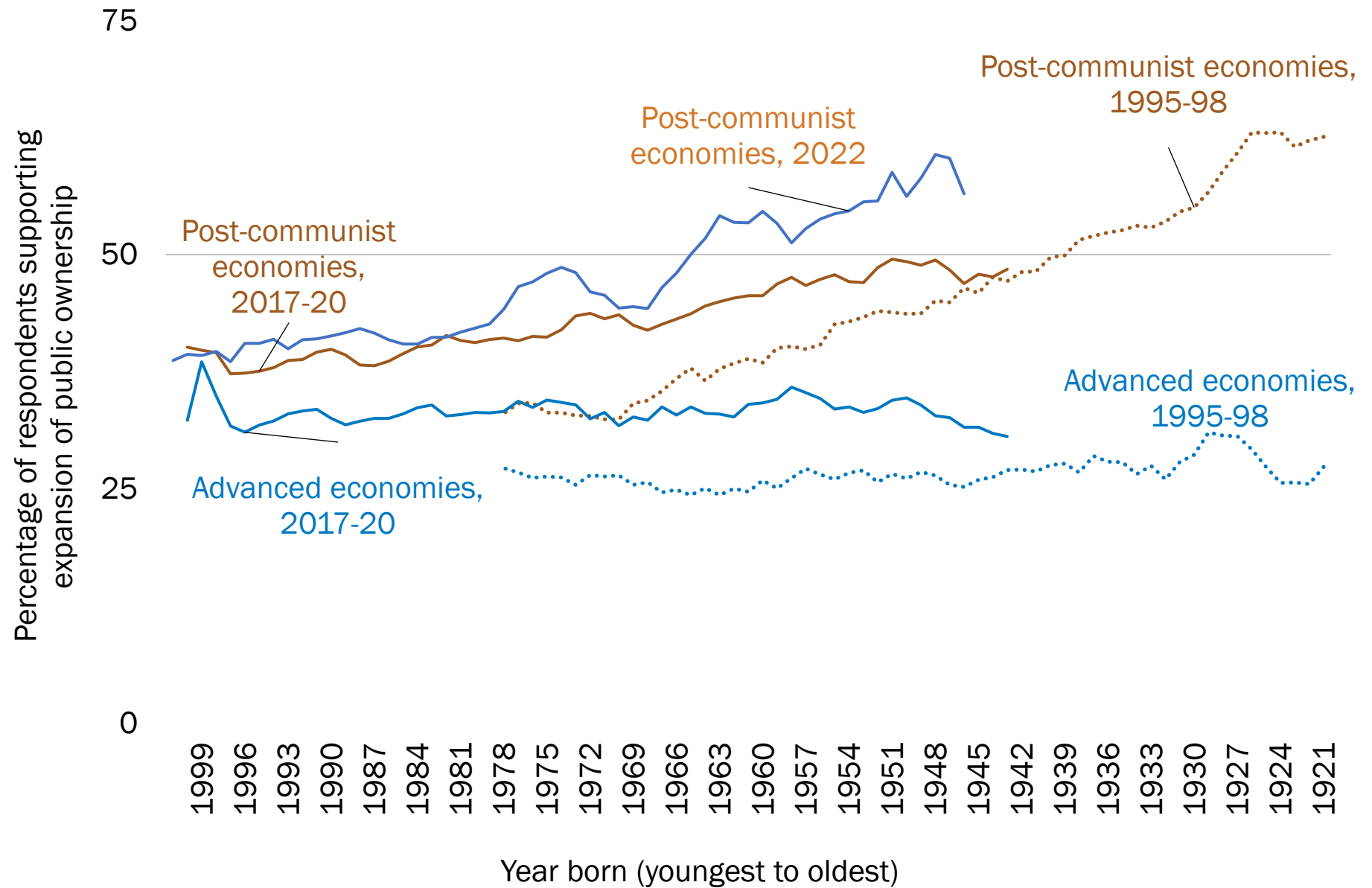
The return of industrial policy



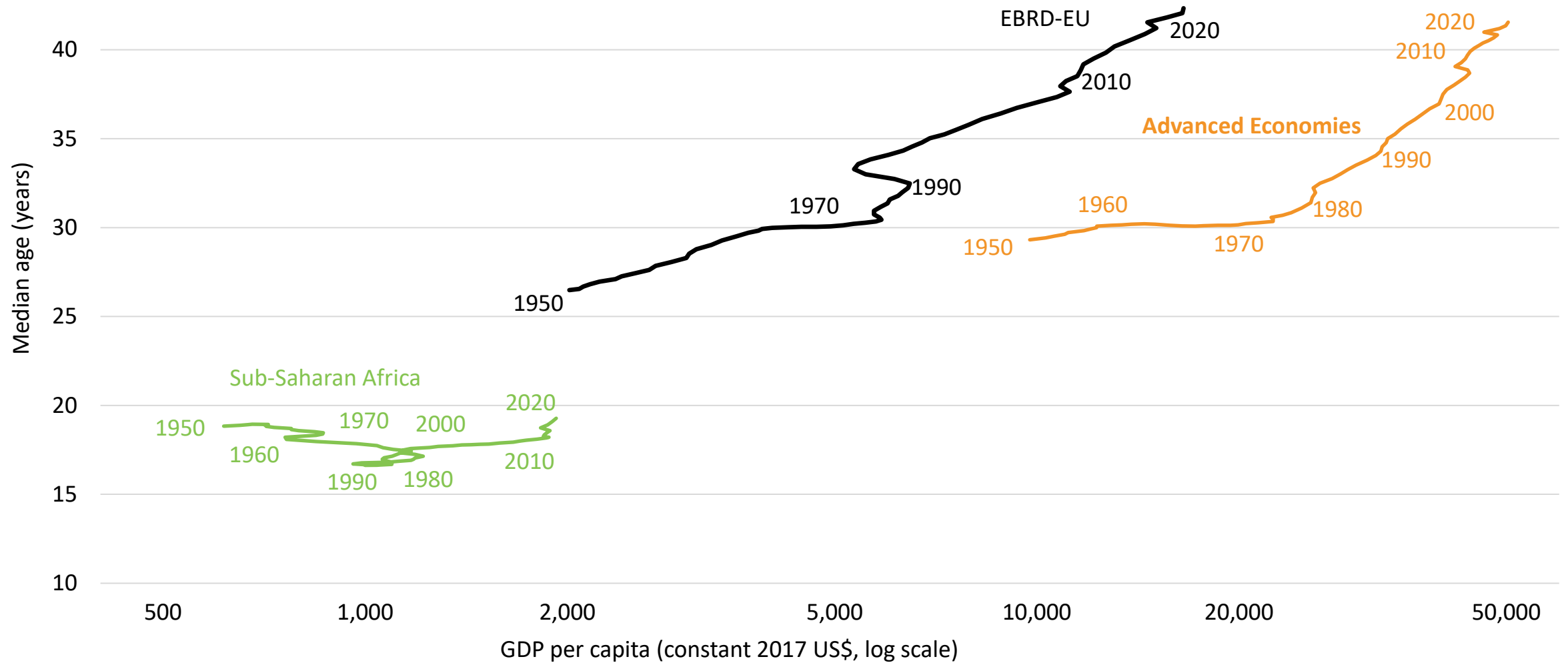
Industrial policy is expensive



Growing public demand for a larger state



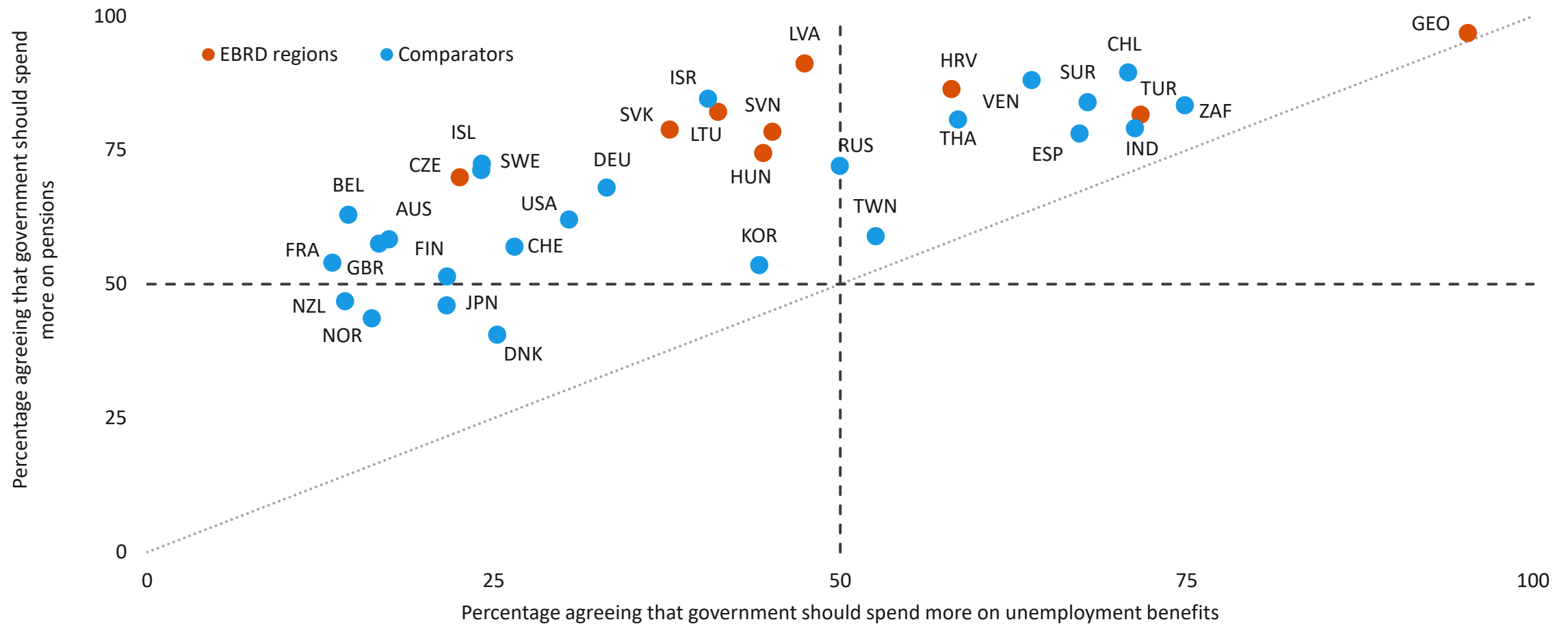
Getting old before getting rich



Source: Gapminder, UNDESA World Population Prospects (WPP) (2024), World Bank World Development Indicators (WDIs) and authors' calculations. Population-weighted averages.

In advanced economies, median age rose from 29 in 1950 to 41 in 2023, while income increased from US\$ 9,800 to US\$ 50,000; in the EBRD post-communist region, age rose from 25 to 37 and income from US\$ 1,500 to US\$ 9,200; in the EBRD-EU region, age increased from 26 to 42 and income from US\$ 2,000 to US\$ 16,500; in sub-Saharan Africa, median age remained at 18, while income rose from US\$ 600 to US\$ 1,900.

Hostility to cost-reducing pension reforms



Source: ISSP and authors' calculations. Respondents were asked whether they would like to see more or less government spending in the following areas: environment, health, police and law enforcement, education, military and defence, old age pensions, unemployment benefits, and culture and the arts. Response options were: "much more", "more", "the same as now", "less", "much less" and "can't choose". Respondents were reminded that a response of "much more" might require a tax increase to pay for it.

How will rising fiscal pressures, shaped by ageing populations and growing expectations of the state, **affect central banks**?
