



## *[ A banking union – a new union within the Union ]*

RICHARD J. HERRING

### 19 The Danger of Building a Banking Union on a One-Legged Stool

The initiative to build a European banking union aims to advance and deepen the Single Market in Financial Services and to break the toxic interactions between weak banks and weak sovereigns in order to ease the crisis in the euro zone. Herring attempts to prove that all three pillars of a banking union have to be implemented to achieve the aforementioned goals. He analyses the threats that may emerge if a Single Supervisory Mechanism is not supplemented with a Single Resolution Mechanism and a common, euro-zone deposit guarantee scheme. He also attempts to answer the question why building of a banking union started from establishment of a supervisory mechanism.

TOBIAS H. TRÖGER

## 46 The Single Supervisory Mechanism – Panacea or Quack Banking Regulation? Preliminary Assessment of the Evolving Regime for the Prudential Supervision of Banks with ECB Involvement

This paper analyzes the evolving architecture for the prudential supervision of banks in the euro area. It is primarily concerned with the likely effectiveness of the Single Supervisory Mechanism (SSM) as a regime that intends to bolster financial stability in the steady state. It finds that the SSM is overly focused on sharp tools to discipline captured national supervisors and thus underincentivizes their top-level personnel to voluntarily contribute to rigid supervision. In this regard, a careful design and animation of the ECB-defined supervisory framework and the development of inter-agency career opportunities will be critical. The ECB will become a *de facto* standard setter that competes with the EBA. A likely standoff in the EBA's Board of Supervisors will lead to a growing gap in regulatory integration between SSM-participants and other EU Member States, as joining the SSM as a non-euro area Member State is unattractive.

CHRISTOPHER GANDRUD, MARK HALLERBERG

## 114 Who decides? Resolving Failed Banks in a European Framework

Gandrud and Hallerberg analyse two approaches to a bank resolution mechanism arising out of Commission proposals as contained in a relevant directive and in the regulation establishing additionally the relevant single resolution mechanism and the single bank resolution fund for the implementation of those processes. They attempt to prove that the decision-making level will likely impact the ability to use the resolution tools to contain the costs of failed banks. They discuss the interests of competent national authorities and European institutions that will likely shape their recovery behaviours. But regardless of the final design, they claim that more attention is needed to ensure that resolution authorities are politically independent from governments.





## *[ A banking union from Polish perspective ]*

STANISŁAW KLUZA

### **142 Banking Union from the Perspective of Non-Eurozone Host Supervisor**

This article presents the topics related to a banking union, as an initiative targeted at improving integration and security of the financial system of the European Union. The author discusses the origins and shaping up of a banking union, but first and foremost he demonstrates the banking union as a political and economic process in response to the financial crisis in the EU, which simultaneously takes place in the conditions of a search for solutions in the dispute related to the scope of competences and responsibilities between home and host supervisors. The article stresses in particular the doubts and questions concerning the cohesion of the EU and a banking union, which emerge in the context of a different economic situation and differences between ownership structures in the financial sectors of countries undergoing systemic transformation.

## [ Documents ]

KAI A. KONRAD, CLEMENS FUEST, HARALD UHLIG,  
MARCEL FRATZSCHER, HANS-WERNER SINN

### 164 The German Federal Constitutional Court and the ECB's Crisis Policy. Statements of the Economists

In June 2013, the Federal Constitutional Court in Germany held an expert hearing on the suitability of ECB measures, such as the purchase of government bonds, and their compatibility with existing EU and German legislation. Five experts comment on the path from the agreement that has laid down the basic rules for the euro area to a crisis-driven approach that seems to have forgotten these rules. The ECB policy holds many risks for the stability of monetary and fiscal governance in the euro area. On the other hand, ECB measures can also be interpreted as a necessary means to comply with its ultimate task – the defence of price stability. Hence the ECB's crisis measures do not represent any intention to intervene in fiscal or economic policy measures, and after the crisis the ECB can return to a narrower interpretation of the role of a central bank. It should not be forgotten that the ECB measures bear high risks for the countries in trouble as well as for those countries supporting them.





## [ *The history of integration* ]

OTMAR ISSING

### 224 Euro: Birth – Success – Future. The Circumstances Preceding Establishment of a Single Currency

The project of a European monetary union has a long history. In this article the said history is told by an economist and a member of the first Executive Board of the European Central Bank: the initiatives, clashing concepts, the uneasy triangle dilemma, and the turning point, i.e. the establishment of the European Monetary System, which set the course towards the single currency. Issing also analyses the course of the implementation of particular stages of the European Monetary Union, particularly the process of convergence, establishment of a transnational issuing bank and communitisation of monetary policy. He also shows the gap between the euro zone and an optimal currency area.

## [ *Essay on Europe* ]

PIOTR KOSMALA

### 270 About a Modern Version of *Pax Romana*. Integration Concepts of Prime Minister Aleksander Skrzyński

As a Prime Minister and three times minister of foreign affairs, Aleksander Skrzyński made a mark on foreign policies of the Second Republic of Poland, opening it to multilateral European diplomacy and attempting to shape integration projects in Central Europe. The pacifist and pan-European ideas he cherished are lens-like focused in the concept of the establishment of the “European United States”, drafted in the visionary speech made by Skrzyński in Williamstown. He was guided by fascination with democratic and liberal political system of the USA and willingness to ensure stability and peace to Europe.



