Conflicts of Interest and the Financial Crisis*

Lorenzo Bini Smaghi

European Central Bank.

I. Introduction

If there is one issue on which policy makers, academics and commentators would all agree after this crisis, it is that Europe’s financial stability framework needs to be substantially strengthened. Although at this stage our reflections are bound to be tentative, given that we are still in the process of managing the crisis, any reform of the financial system needs to tackle a few fundamental issues. This article focuses on one issue in particular: the conflicts of interest that plague financial markets at all levels and during all phases of the cycle. To be effective, the changes that have to be made throughout the entire financial infrastructure, from accounting to prudential rules, from the oversight of rating agencies to risk management practices, will have to address this key issue. This requires that all parties involved think deeply about the role of the financial industry and legislation in our societies.

The starting point of the reflection is to recognize that the whole financial infrastructure is potentially affected by conflicts of interest that can create negative externalities and to consider each of them in turn. These conflicts are between individual and collective interests.

*The views expressed reflect only those of the author. I would like to thank Fabio Recine for his contribution.
These conflicts are generally not considered in classical economic theory, starting from Adam Smith, who instead emphasized the coincidence between private and collective interests through the working of the invisible hand. Later, the economics of information examined the issues raised where the interests of a principal are not necessarily aligned with those of the agent. Apart from the most trivial situations, it is generally quite difficult to write contracts that ensure a proper alignment of incentives under all circumstances. Moreover, conflicts of interest may arise due to the presence of externalities, as widely recognized in the literature.

Nonetheless, unless conflicts are identified and dealt with, any reform of the financial system is bound to be partial and deals mainly with failures of the past, rather than addressing the challenges of the future. The problem is that, by their very nature, conflicts of interest are hardly recognized by those who are directly affected by them. This is why a sustainable reform requires the contribution of all parties involved.

I will describe the conflicts of interest that exist in four domains of the financial system. First, I will deal with the regulatory competition arising from the conflict between the provision of public goods and the interests of political authorities, at an international and European level. Second, I will touch upon the impact of the political cycle on conflicts of interest, in particular in crisis times. Third, I will consider the conflicts between supervisory authorities and central banks. Finally, I will conclude with the conflicts within financial institutions, in particular among managers, shareholders and stakeholders.

I will not try to be exhaustive in listing all conflicts in the financial system, nor the remedies, but only provide some examples of what needs to be tackled, with a top-down approach, from legislation to market participants, with the aim of providing a broad view of the challenges ahead. I will consider the conflicts existing both during the favourable phase of financial market cycles and during contractions. Many reforms tend to take place in periods of crisis, trying to remedy conflicts that emerged in the previous bullish markets, but are often affected by other types of conflict. I will also consider the conflicts that emerge from the fact that financial markets are global, while regulation and supervision remain largely national competences. I will also consider what is being done, or should be done, to address some of these conflicts.

II. Regulatory Competition

A. The International Level

Let us start with the conflicts of interest that arise at the political level, involving those that are responsible for financial markets legislation. We know by now that those sectors of the financial markets that are less
regulated are also more prone to risk taking and thus are more profitable, at least in certain periods. The fundamental reason is that there are two ways to increase expected returns in financial markets. First, investment managers can have superior knowledge about returns, trade on that information and earn superior returns. This is what academics and practitioners refer to as ‘alpha’.1 Second, they can increase the risk exposure of their investment, and this increases expected returns through ‘beta’. Only the alpha justifies the rich fees paid to investment managers. Therefore, financial market institutions have every incentive to let the investors believe that superior returns are due to alpha, not beta. However, it is not easy for an external observer to distinguish between alpha and beta. There is thus a clear incentive for market participants to reduce regulation, in particular that affecting leverage – that is, their ability to take risks and thus to raise beta, at least for the part of industry in which they operate. This can be done by lobbying the political sphere to reduce legislation and regulation, especially during a boom phase.2 The less regulated the sector, the more profitable it will be, the more resources it will in turn have at its disposal for lobbying and thus the more likely it will be to succeed in influencing the legislator. Furthermore, the more unregulated a sector, the more innovative it can be, and the more it can take advantage of the greater regulation of other sectors.

Furthermore, financial innovation leads to the development of complicated instruments and vehicles that the legislator will hardly understand and will therefore have difficulties in regulating. The legislator will need to consult market participants when preparing legislation, and these occasions are effectively used to water down or reject proposals. Conflicts of interest of political origin may also affect the activity of financial institutions. For example, the US Department of Housing and Urban Development, which was responsible for Fannie Mae and Freddie Mac’s general mission to promote home ownership, but not for their financial soundness, seems to have encouraged both to facilitate easier access to financing certain categories of households (see Zingales 2008). The peculiar structure of Fannie Mae and Freddie Mac as shareholder-owned companies with a public mission and an implicit government guarantee created a conflict of interest between their shareholders and the taxpayers. To the extent that their government backing allowed them to take excessive financial risks, the taxpayers would ultimately bear the costs rather than the shareholders. According to several observers, the pressure to develop subprime mortgage

1For a measurement of mutual fund performance, see Black et al. (1972), Daniel et al. (1997) and Wermers (2000).

2During the bust phase, the opposite exaggeration could arguably take place. I will not dwell on this possibility here, but it is an important topic for further debate.
products came primarily from the US federal government, as part of the ‘ownership society’ programme, and only accommodated by the financial industry.

The above-mentioned conflict of interest is exacerbated by the international dimension of finance and the rapid mobility of products and factors of production in this sector. In such a context, there is an incentive to reduce the level of regulation compared with other countries in order to attract foreign firms into the domestic financial industry. The following dilemma arises. On the one hand, in countries with a single regulator and supervisor there may be a tendency for ‘over-regulation’, because regulators benefit more from safety than from the efficiency of financial institutions. On the other hand, the increasing international dimension of financial activity creates regulatory competition (Tiebout 1956). Which of the two factors dominates on balance is an empirical question.³

Given the high value-added that the financial industry generates and the possible negative correlation between regulation and profitability, the incentive to compete on regulatory standards is much stronger than in other sectors, especially for countries that have put the financial sector at the centre of their economic policy priorities. Experience shows that national legislators are tempted to lower standards for the protection of savers, for instance in terms of regulatory protection or bankruptcy laws, in order to build up the financial industry. Given the complexity of financial instruments and practices and the asymmetry of information inherent in the financial industry, the savers, that is, citizens (who are also taxpayers), are bound to find out that their interests have been given a lesser importance compared with those of the financial industry only when the crisis erupts. One example is deposit insurance, which was lowered in some countries, using exemptions allowed by European legislation. After the crisis erupted, with the risk of an outflow of deposits from the domestic banking system, the minimum amount of guaranteed deposits was raised to €50,000.

B. The European Level

The above example shows that the problem of regulatory competition across countries exists not only at the international level but also within the single European financial market. When deciding whether to regulate some aspects of the financial industry, the EU legislative process might be influenced by both the factors identified above. On the one hand, the financial industry is lobbying to defend its rent-seeking interests. On the other hand, national

³See, for example, Chapter 4 on ‘Proportionality’ in Goodhart et al. (1998).
regulators may be inclined to resist EU harmonization with the aim of protecting their own national financial services industry and safeguarding its competitiveness. Therefore, national regulators may want to maintain a substantial leeway in transposing European directives into national rules. It has long been contended that such leeway was healthy, because it allowed for competition and therefore avoided over-regulation. Some progress in regulatory convergence has been achieved in recent years, in particular within the Lamfalussy framework, but clearly not enough and not as expected. The proposal for a single EU rulebook of regulation has been rejected by some countries, in particular those that might still expect to gain from competition.

Similar conflicts of interest affect the supervisory authorities in the performance of their tasks of producing secondary legislation and overseeing financial institutions. In addition to contributing to the stability of their financial system, supervisory authorities have the implicit – and sometimes explicit – task of defending and promoting their national industries, within an integrated international financial market. To some extent, this puts national supervisory authorities in competition among themselves, which influences the way in which they carry out their regulatory and oversight tasks.

The incentive to compete is in conflict with the need to cooperate, especially in a single market, particularly concerning the supervision of large and complex institutions. Proposals have been put forward, in particular in Europe, to establish colleges of supervisors in order to coordinate the oversight of financial institutions present in several countries. But it is difficult to know how well these colleges would work in the presence of such conflicts of interest that create obstacles for the exchange of information, especially on critical institutions.

The mandate of the national supervisory authorities is often at the origin of the conflict, because it contains the objective of promoting, at the same time, the stability and the efficiency of the financial system. Given that the competitiveness of each system is ultimately affected by regulation, and that there is room for differentiating national regulation in the context of the implementation of EU directives, there is an incentive to give priority to efficiency and competitiveness, which, in certain cases, can be achieved with lighter regulation, at the expense of stability. At the European level, this potential conflict of interest needs to be addressed if any lesson is to be learned from this crisis. There is no reason why so much leeway should be left to national regulators to transpose European directives. The Lamfalussy framework, based on level-3 committees, was supposed to reduce the margin

---

4See Padoa-Schioppa (1987) and, for instance, Siebert and Koop (1993).
for national discretion. However, because these committees are composed of the same representatives as those institutions that are affected by the conflict of interest, and the decisions are taken by consensus, the room for discretion has not disappeared.

The same conflicts affect the incentive to prevent financial crises through an appropriate exchange of information between supervisory authorities. There is fear that the stability of domestic institutions can be undermined if information regarding their balance sheets is provided to foreign authorities. The resort to confidentiality requirements is constantly made to prevent information from being exchanged between supervisors. Unless this conflict is removed, effective prudential supervision can hardly be implemented in the single European market. Ultimately, the burden of this inefficiency will be borne by taxpayers. This was certainly the case for those cross-border European institutions that governments had to bail out as a result of the financial crisis. The ultimate result is a re-nationalization of parts of ailing cross-border institutions, because governments do not want to provide funds unless they have full information from their supervisors on their solvency conditions.

III. Conflicts of Interest Due to the Political Cycle

Conflicts of interest arise due to the relatively short horizons of political policy makers. In this case, the conflict of interest arises between politicians’ short-term chances of re-election and the long-term benefit of the country (or of the international community). It is in the interest of policy makers to appear in the eyes of public opinion as not being directly responsible for the crisis, and to refer to ‘market failures’ and to blame financial institutions for their reckless behaviour. This attitude weakens the role that the policy authorities can play to resolve the crisis. For instance, it is not easy for the political authorities to blame financial market participants and at the same time use taxpayers’ money to bail them out. This contradiction can create bottlenecks in the decision-making process, delay implementation and ultimately aggravate the crisis. Even letting financial institutions fail requires political decisions to smoothen the burden. In all cases taxpayers’ money is required.

The failure of Lehman Brothers is a case in point. After having spent substantial amounts of public money to contribute to the rescue of Fannie Mae and Freddie Mac and other bailouts, the US Treasury became severely constrained in its ability to use additional money to help out yet another investment bank, whose misbehaviour was at the origin of the crisis and whose managers had accumulated fortunes over the years. In the Friday preceding the weekend when Lehman Brothers was declared insolvent, US
Treasury authorities had clearly indicated that no public money was available. This was a political decision, backed by the highest level of government and most probably in line with the general sentiment of Congress and of the people. If banks were responsible for the mess, why should taxpayers give them their money to help them out? So went the argument. What seems *ex post* as having been one of the biggest policy mistakes ever made in modern economic management seemed *ex ante* quite reasonable. There was little incentive for politicians, some of whom were facing elections in short order, to suggest that maybe they themselves were partly responsible for producing the crisis, and that a bailout would have been the least bad solution, as the facts demonstrated only a few hours later. Just after the collapse of Lehman Brothers, and the dramatic contagion to all financial markets, the US Treasury finally received the authorization to spend unprecedented amounts of taxpayers’ money to bail out the insurance company AIG, to contribute to saving the investment bank Merrill Lynch and to design a buyback programme for toxic assets.

A similar pattern was experienced in Japan during the first few years of the 1990s’ crisis. The inability of the political authorities to deal with the financial sector, which was considered by public opinion as being responsible for the crisis and thus not deserving of any help, delayed effective policy action and contributed to protracting and deepening the crisis.

Evidently, democracies may have inherent fragilities when it comes to making quick decisions on issues for which public and private interests do not appear fully aligned. Mechanisms must thus be designed to prevent these inconsistencies from creating deadlocks and undermining the achievement of efficient solutions.

The way in which political authorities intervene during the crisis often adds to the conflicts of interest. For the authorities themselves, the conflict between quick fixes, to solve rapidly the problems created by the financial downturn, and reforms able to improve the longer-term effectiveness and consistency of the financial markets is often resolved at the expense of the latter. Proactive policy makers tend to be appreciated by public opinion, while the problems created by insufficiently pondered decisions and precipitous regulatory changes are generally felt at a much later stage, sometimes by later generations. Many examples can be offered, both on the macroeconomic and on the regulatory field. The Sarbanes–Oxley Act, quickly implemented shortly after the Enron scandal, made the two proponents popular in the short term, but the problems created by the law continue to be felt throughout the financial system. The temptation to reintroduce controls, to over-regulate – rather than to regulate better – and to get the government involved directly in the financial system is overwhelming. The political system needs to check itself against these temptations.
IV. Conflicts of Interest between Supervisory Authorities and Central Banks

Conflicts do not only arise across borders but also within countries, as a result of the separation between micro-prudential and macro-prudential supervision. As regards, for instance, the impact of innovative financial products or services, the supervisory authority, which is in charge of the micro-prudential side, tends to conduct an assessment of the specific risks associated with its supervised financial institutions. It has arguably neither the interest nor the resources to investigate, for instance, the possible systemic impact of a widespread use of these instruments and the functioning of the markets where these instruments are exchanged. The central bank, on the other hand, which is in charge of macro-prudential issues, should monitor the systemic problems potentially arising from such innovative products, but may lack the necessary knowledge on who holds these instruments. How often was it suggested in the past that a substantial amount of risky assets were being developed and held in the system, but nobody exactly knew by whom. The crisis of the originate-and-distribute model showed that risks were much more concentrated in the banking system than generally thought.

Bank supervisors are the major source of relevant information on individual banks and on the banking industry, which is also necessary for macro-prudential analysis. The key issue is thus to ensure an adequate information flow between the supervisory and the central banking functions, regardless of whether the supervisor and the central bank are separate institutions or a single institution. To tackle the possible inadequate flow of information, not only should legal constraints be removed, but there should be a legally binding obligation for supervisors to provide the central-banking function with all relevant micro-prudential information. The recent Commission proposal revising the Capital Requirements Directive contained a similar obligation for the consolidating supervisor in an emergency situation.5 This is certainly a preliminary step in the right direction.

When the crisis occurs, authorities – as with human beings generally – have an incentive to push the burden of adjustment to other authorities, either domestic or foreign. If a solvency problem emerges in a large and complex institution, with branches and subsidiaries in several countries, a multitude of conflicts of interest are likely to arise, in the home and host

---

countries, which would be quite difficult to disentangle in a short time period. The creation of colleges of supervisors should facilitate this task, but as experience has shown, even within countries voluntary mechanisms might not be sufficient to tackle the problems effectively, precisely because of the existing conflicts of interest. Recent experience, such as the default of the UK bank Northern Rock in the summer of 2007, has shown that conflicts of interest may hamper the necessary coordination between the supervisory authority and the central bank for the smooth management of a financial crisis. In particular, the former may have the incentive to delay the recognition of the problem and share information, in the expectation that weak institutions would be bailed out by liquidity injections from the central bank, rather than by addressing the solvency problem. This makes contagion from individual institutions to the rest of the market more difficult to avoid. It also undermines confidence between financial institutions. The lesson to be learned from the Northern Rock case is that if supervisory functions are entrusted to an authority outside the central bank, voluntary cooperation between the two is not sufficient. Any reform of the system should impose an obligation for the former to provide the central bank with a whole series of detailed information.

The same incentive exists at the international level, including within a monetary union, where the use of the inflation tax would enable the cost of bailing out a bank to be spread across all taxpayers of the union rather than to only those of the country of origin. There is thus an incentive for the home supervisor to delay revealing information on the solvency situation of a bank, even to the European Central Bank. This can produce a severe distortion in the provision of liquidity to the system, as the central bank is not in a position to understand whether abnormal demand for liquidity by market participants is related to tensions affecting the market or individual institutions and whether these tensions are temporary or expected to last for some time. The decision on whether to accommodate these tensions is thus impaired. The problem can be more acute when the national central bank does not have direct supervisory responsibilities, and thus cannot pass the information on to the ECB.

Any reform of the European regulatory framework requires the involvement of the relevant central bank, in particular the ECB, in the colleges of supervisors overseeing large and complex banking systems. The report produced by the study group chaired by Jacques de Larosière seems to go in the right direction, in assigning macro-prudential supervisory powers to a body close to the ECB and supported by the ECB.\footnote{The de Larosière Report, 25 February 2009 (available on the website of the European Commission).} However, the report is still...
vague and unclear on what these macro-prudential tasks should be. What is important is not only that the central bank is able to assess systemic risks on the basis of information provided by national supervisory authorities, but that it can also rapidly issue macro-prudential regulation on such issues as liquidity management and procyclicality, which would then be implemented on a level playing field by all supervisors. The de Larosière Report does not foresee such powers, and the whole reporting and decision-making structure appears very weak and ineffective. The draft proposal for financial market reform submitted by the previous US administration, which assigned macro-prudential tasks to the Federal Reserve, is much more precise. Another shortcoming of the de Larosière Report is the inability to distinguish between the euro area and the EU level. While those countries in the EU that still have their own currencies will be able to integrate at the national level the micro and macro supervision with monetary policy, independently of what happens at the European level, this is not possible within the euro area. This de facto weakens the euro area’s ability to conduct macro-prudential supervision in an effective way and to safeguard the necessary confidentiality in the exchange of information between supervisors.

V. Conflicts of Interest within Financial Institutions

Within banks and financial institutions the conflicts of interest are numerous, starting from the management and the Board and spreading out to the whole structure of market practices. The incentive to maximize profits in the short term, to hire and remunerate with a short-term perspective, to pass on the losses to clients who are not particularly financially savvy, to advise clients and provide them the financing, while underestimating longer-term considerations related to risk management are at the roots of the conflicts. We have not discovered many new things in the recent crisis. The failures of risk management – or the underestimation of warnings from risk management – were also evident in the past. Before the Asian crisis, the warnings about the fragility of the financial system in those countries were also ignored by top management, as in recent years the warnings on the complexity of some of the more fashionable instruments were rebuffed.

One thing new we have got from this crisis is a nice quote, which says it all: ‘As long as the music is playing, you’ve got to get up and dance. We’re still dancing.’ Intellectually honest bankers would admit that they cannot tackle the problems posed by conflicts of interest just by themselves, through self-imposed regulation or self-discipline. How can a bank change the incentive

---

7 Citation from Chuck Prince, Citigroup former CEO, interview to Financial Times on 10 July 2007.
structure underlying its remuneration scheme if the others are not and – more importantly – if unregulated institutions like hedge funds are cannibalizing them? The answers to these questions can only be given at the industry level or by the policy authorities.

The financial industry itself has recognized that compensation incentives were often based on revenue production or short-term profits without regard to the level of risk assumed, which resulted in excessive risk taking. For instance, principles of conduct have been proposed by the Institute of International Finance aimed at promoting compensation incentives based on risk-adjusted and cost-of-capital-adjusted profit. Moreover, it is proposed that the payout of bonuses should be deferred in several tranches to align them to the risk-adjusted profits of long-term financial products (Institute of International Finance 2008). Interestingly, UBS has already proposed a new compensation package that goes in the direction of addressing these distortions. This initiative merits a wider consideration in the financial industry.

Compensation models are under the spotlight of policy-makers and included in the recommendations of the Financial Stability Forum, namely that the financial industry should align compensation with long-term firm-wide profitability. To this end, it is expected that regulators and supervisors should work together to mitigate the risks from inappropriate incentive structures.

Generally, when the rational, self-interested behaviour of individuals precludes them from structuring a cooperative arrangement, there is a coordination problem, and therefore a role for public policy. Financial institutions will generally oppose constraints that might reduce their profitability, but should ultimately accept them if the constraints are imposed on all. In fact, the recognition of these problems has led public authorities to start to intervene in this sphere. Supervisors are starting to take a hard look at the consistency of compensation policies at individual financial institutions with sound risk management.

Also following the public outcry after the revelation of compensation packages of top executives of certain financial firms now in distress, European governments have agreed that in any recapitalization of distressed banks it should be ensured that both existing shareholders and managers bear the due consequences of the intervention. This has now been implemented through legislative interventions that include caps on annual executive compensation among the conditions for government recapitalization. Caps on top executives’ compensation may, however, induce firms to

---

8See Declaration on a concerted European action plan of the euro area countries, 12 October 2008.
avoid or delay participation in government recapitalization plans. Some policy actions might thus lead managers’ private interests to enter into conflict with the public interest of stabilizing financial markets.

Interestingly, conflicts of interest exist not only in boom times but also during financial crises, inducing financial institutions to become extremely risk averse – in some cases even to withdraw from participating in certain markets. Although this may be an optimal strategy from the standpoint of each financial institution, it can have devastating effects on the overall economy and the financial system if it leads to a full-blown credit crunch. We have observed for several months in the euro area that some banks were borrowing directly from the central bank, while others were keeping their liquidity at the deposit facility at much lower levels of remuneration. The interbank money market, which is the foundation of the financial system, stopped functioning properly, as banks did not want to lend to each other because of the counterparty risk. The hoarding of liquidity is not a sustainable model for financial institutions, as it does not ensure sufficient revenues over the medium term, but the fear of making a mistake, and being blamed for it, at all levels of the organization, outweighs the need to think about the longer-term interest of the institution.

There are incentives for inappropriate risk management also in the midst of a crisis, exacerbated by prudential regulation and accounting rules. For instance, longer-term investors willing to enter the markets may be discouraged to do so because of the need to mark-to-market, as they risk having to post losses over the short horizon, even though they are interested in holding the assets for a longer period. Interestingly, many of those institutions, such as investment banks, that lobbied in bull markets in favour of mark-to-market accounting, in order to fully distribute profits to shareholders and managers during the proper times, have changed their minds during the crisis because they have realized the distortions that such an accounting rule can create to the proper functioning of markets. Under these circumstances, restarting a financial market is not an easy endeavour. It requires substantial action by policy makers to solve the collective action problems mentioned above (see Bini Smaghi 2008).

Another conflict of interest that emerges in crisis situations arises from the need to recapitalize banks. This is particularly important at times when markets have doubts about the risk position of the various participants and thus require a level of capital that goes well beyond the levels set by supervisory authorities. Recapitalizations in bear markets are risky, because they are procyclical and tend to be implemented through a reduction of the asset side of the balance sheet, rather than by raising new capital, which, under such conditions, is typically difficult. On the other hand, managers tend to oppose the injections of public capital, because of the stigma
attached to it, resulting partly from the conditionality attached to it by the political authorities in order to justify the use of public money. Managers prefer to reduce dividends or to retrench activity, which in turn further depresses market sentiment and has a negative impact on the real economy, and is ultimately detrimental to their own institution. Banks also prefer to obtain some improvement in their balance sheets as a result of a lowering of the interest rates at which they can borrow, in particular at the central bank, compared with those at which they can lend. This is the reason why banks lobby aggressively for interest rate cuts, so as to steepen the yield curve and thus increase revenues. The inflation tax has been traditionally used to improve banks’ profit and loss accounts. This is the reason why some wish that financial stability would be put on the same level as price stability as a central bank objective, perhaps in the hope that the inflation tax will be used in the way mentioned above.

Here again, there is a collective action problem to resolve. If the objective is to recapitalize the banking system, so as to reassure the market on the stability and solvency of the whole financial system, the recapitalization cannot be punitive, nor accompanied by intrusive conditionality. It has to be broad-based, generalized and priced in a sustainable manner for the institutions, while avoiding distorting market conditions. The decision on bank recapitalization creates a conflict of interest within the political system, between the need to avoid providing unfair state aid to individual institutions and the objective of avoiding that the ultimate cost of the support would be paid by the real economy through excessively high interest rates passed on to bank clients. In other words, it is a conflict between micro and macro objectives. In the EU this problem has taken time to be addressed. After long discussion, EU Competition authorities have recognized the difference between state interventions aimed at supporting the overall financial system and those aimed at individual ailing institutions. This should be a lesson for improving crisis management within the European framework.

VI. Conclusions

In conclusion, the roots of the current problems within financial markets may be identified in conflicts of interest, at many levels. The problem with conflicts of interest is that those that are affected do not recognize them, sometimes not even in private (I myself as a central banker might not be immune from this sense of denial). Experience shows that self-discipline and self-regulation are not sufficient. There must be constraints and obligations, not only for individuals but also for institutions, regulators and policymakers. If we really want to overhaul the financial system so that it can face the challenges of the future, we have to recognize these conflicts and act
accordingly. Given the integration of the single European market, action can be effective only if pursued through a strong European initiative.

Lorenzo Bini Smaghi
Member of the Executive Board
The European Central Bank
Kaiserstrasse 29
60311 Frankfurt
Germany
lorenzo.binismaghi@ecb.int

References


