Introduction

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This book is a valuable addition to the literature on central banks and financial authorities in Europe. It is remarkably user-friendly – a "handbook", one could say - while providing deep insights into the economic and institutional aspects of financial policies. Donato Masciandaro, the editor, deserves credit for designing this work and mobilizing the energies of a rather impressive group of contributors. They bring together an unusual combination of analytical rigour and policy experience.

The reader is guided along the two axes of the map on which financial regulation and supervision are being gradually redrawn. One axis captures the process of *domestic* inter-institutional integration, or the different degrees to which, in the various countries, a shift of responsibility is taking place towards a single financial services authority, as regards regulation and supervision over the different sectors of the financial services. The other axis defines the different degrees of *international* integration – and, in the context of the European Union, of supranational authority – currently characterizing the various dimensions of financial policy: monetary policy, lending of last resort, regulatory and supervisory functions over banking, insurance and securities businesses.

It would be tempting to peruse the book with the lens of some experience in dealing with financial services at the European Commission. I will resist the temptation and confine myself to three remarks.

First, it is a pity that this book did not exist when the Financial Services Policy Group was created in 1996, which led to the adoption of the first Financial Services Action Plan in 1997. If it had existed, the work of the Group would have been considerably facilitated.

Secondly, at a time when initiatives for cross-border consolidation in banking seem to become less timid and to gather some momentum, one question takes on a significant policy relevance: 'to what extent does the persistence of banking supervision at the national, rather than the Community, level represent an actual obstacle, or a discouragement, to the process of cross-border consolidation?' The book provides several interesting ingredients for reflection on this issue. It is perhaps worth adding that, for a concentration of a Community dimension as defined by the EU Merger Regulation, the potential tension between the competition assessment and the prudential supervision assessment would be, in the present circumstances, a tension between a EU body, the Commission, and a national body, the authority exercising banking supervision.

Thirdly, the centralization at the EU level of banking supervision is not likely to come soon. As noted in one of the contributions, one of the reasons is that the governments of the Member States, which would have to put up financial resources in case of the rescue of one or more banks, do not want that centralization. Yet, here again we have another policy dimension stepping in – and that is already at the Community level. Who would have to authorize, or prohibit, any State aid to banks in difficulty decided by a national government? The European Commission.

These, and potentially many other, observations lead us to the inescapable conclusion that, indeed, the configuration of the role of public powers on the financial services in Europe is half-baked. This book by Donato Masciandaro and his colleagues provides a wealth of ingredients, if not of recipes, to those who will have the responsibility for completing the construction of financial Europe.