

# Contents

|                              |      |
|------------------------------|------|
| <i>Notes on contributors</i> | viii |
| <i>Preface</i>               | xiv  |

## **PART I**

### **Overview** 1

|  |    |
|--|----|
| 1 Introduction   | 3  |
| LARS JONUNG, CHRISTOPH WALKNER AND MAX WATSON                                    |    |
| 2 Financial markets in the euro area: realizing the full benefits of integration | 19 |
| KLAUS REGLING AND MAX WATSON   |    |

## **PART II**

### **Monetary integration: convergence and adjustment** 27

#### **II.1 Moving to monetary union** 29

|   |     |
|---|-----|
| 3 Catch-up, the transition to full participation in EMU and financial stability | 31  |
| IAIN BEGG   |     |
| 4 Adjusting to the euro   | 56  |
| GABRIEL FAGAN AND VÍTOR GASPAR  |     |
| 5 Booms and busts: experiences with internal and external adjustment            | 84  |
| REINER MARTIN AND LUDGER SCHUKNECHT   |     |
| 6 Financial stability in emerging Europe  | 111 |
| PIROSKA M. NAGY AND RICHARD FOX   |     |

|  |     |
|--|-----|
| <b>II.2 Living inside a monetary union</b>   | 125 |
| 7 Adjustment in EMU: a model-based analysis of country experiences<br>SVEN LANGEDIJK AND WERNER ROEGER   | 127 |
| 8 Housing markets and adjustment in monetary union<br>PETER HOELLER AND DAVID RAE  | 161 |
| <b>PART III</b>  |     |
| <b>Financial integration: convergence and adjustment</b>   | 195 |
| <b>III.1 Setting the scene</b>   | 197 |
| 9 Regional interest rates within a monetary union: lessons from the<br>United States<br>JOHN LANDON-LANE AND HUGH ROCKOFF                            | 199 |
| 10 Where does capital flow? A comparison of US states and EU<br>countries 1950–2000<br>SEBNEM KALEMLI-OZCAN, BENT E. SØRENSEN AND BELGI TURAN        | 222 |
| 11 Declining home bias and the increase in international risk sharing: lessons<br>from European integration<br>MICHAEL J. ARTIS AND MATHIAS HOFFMANN | 242 |
| <b>III.2 Banking across borders</b>  | 259 |
| 12 Economic integration and financial stability: a European perspective<br>GIANNI DE NICOLÒ AND ALEXANDER TIEMAN                                     | 261 |
| 13 Banking integration and co-movements in EU banks' fragility<br>ANDREA BRASILI AND GIUSEPPE VULPES   | 281 |
| 14 Challenges to banking stability in the EU: a survey<br>CHRISTOPH WALKNER  | 306 |
| <b>PART IV</b>   |     |
| <b>Policy challenges</b>   | 335 |
| 15 Financial supervision in Europe: a proposal for a new architecture<br>DIRK SCHOENMAKER AND SANDER OOSTERLOO                                       | 337 |

|    |  |     |
|----|--|-----|
| 16 | Cross-border banking: challenges for deposit insurance and financial stability in the European Union | 355 |
|    | ROBERT A. EISENBEIS AND GEORGE G. KAUFMAN  |     |
| 17 | The search for the elusive twin goals of monetary and financial stability                            | 404 |
|    | CLAUDIO BORIO  |     |
|    | <i>Index</i>   | 431 |